

CHAPTER - I

RESEARCH DESIGN AND METHODOLOGY

OF THE STUDY

1.1 INTRODUCTION -

Working Capital in any business enterprise is compared to the blood in the human body. Blood gives life and strength to the human body, while working capital gives profits as well as solvency to the business enterprises. Adequate working capital is needed for smooth and deficient running of the day to day business activities. A company with sufficient working capital is always in a position to take advantage of any favorable opportunity for example to wait for better market position. Further the adequacy of working capital contributes a lot in raising the credit terms, reduced cost of production on account of the receipt of cash discounts, favorable rates of interest on bank loans etc. The total capital of any business concern includes fixed capital and working capital. The investment in fixed assets generates the production capacity while investment in current asset utilizes this capacity. Adequate working capital is always needed for utilizing the full productive capacity.

Every business concern requires the adequate amount of working capital. A business enterprise can exist and survive without making profit but cannot survive without working capital. Liquidity and profitability are two important and major aspects of the

corporate business life. No enterprise can survive, if it has no liquidity. A company not making profits can be treated as sick, but one having no liquidity is soon meet with its downfall and ultimately die. Working Capital management is a basic and broad measure of judging the performance of a every business concern.

The management of Current Assets (Normally converted into cash within an accounting year) and current liabilities (generally discharged within year) and the inter relationship that exists between them is to be termed as working capital management. Working capital management involves the administration of current assets namely cash, marketable securities, receivables and inventories and the administration of current liabilities. Working Capital management is an attempt of managing and controlling the current assets and the current liabilities for maximizing the profitability and attaining the proper liquidity in the business.

1.2 OBJECTIVES :

The present study is undertaken for achieving the following objectives.

- 1) To study the different forms of working capital existing in Warana dairy.
- 2) To study critically the trend of gross working capital for the period of the financial years from 2000-2001 to 2004-2005.
- 3) To study the trend of net working capital for the period of 2000-2001 to 2004-2005.

- 4) To study critically the efficiency of working capital management.
- 5) To estimate the working capital management.
- 6) To suggest the remedial measures in the light of conclusions and observations drawn to have efficient working capital management.

1.3 METHODOLOGY :

In order to study working capital management of “Warana Sahakari Dudh Utpadak Sangh Ltd., Amrut Nagar, Kolhapur” the following sources of data collection are used.

i) **Primary Data :**

In social research primary data is also known by another name “Field Sources” which involves direct observation, information from the informants and from witness.

ii) **Secondary data :** On the other hand in case of secondary data which is also known as “Documentary Sources” involves books, reports of surveys, journals, periodicals, memories, official published data, registers, annual report and other published reports.

1.4 SCOPE OF THE STUDY :

The geological scope of the study is limited to the only one dairy unit. The topical scope focuses on the working capital management of the Warana Dairy. The analytical Scope covers the fulfillment of the objectives and testing of the hypothesis by analyzing the collected data. The functional scope is confined to

submitting a set of meaningful suggestions for improving the prevailing the working capital management practices in the Warana Dairy.

1.5 LIMITATIONS OF THE STUDY :

This research is limited to one dairy only. A case study method is adopted for working capital management. This study is related to five years i.e. 2000-2001 to 2004-2005. This study is completely based on the published data and conclusions are drawn accordingly.

1.6 CHAPTER SCHEME :

Chapter No. 1 :

Research Design and Methodology of the Study.

Chapter No. 2 :

Conceptual Framework.

Chapter No. 3 :

Profile of Warana Dairy.

Chapter No. 4 :

Analysis, Interpretation of Data.

Chapter No. 5 :

Findings, Conclusions and Suggestions.

Chapter No. 6 :

Estimation of Working Capital Requirement.