

Chapter-2

Research Design of Study

Chapter 2

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2.1 Introduction:

Working capital in any business enterprise is compared to the blood in the human body; it gives profit as well as solvency position to the business enterprise. A company with sufficient working capital takes the advantage of any favorable opportunity. The adequacy working capital contributes a lot in raising the credit terms, reduced cost of production on account of the receipt of cash discount, favorable rate of interest on bank loan etc. Working capital is always needed for utilizing the production capacity to the optimum extent.

A company not making profit can be treated as sick, but company having no liquidity is soon to meet with its downfall. Therefore Liquidity and Profitability are two important aspect of any business. The management of current assets and current liability and the interrelationship that exist between them is to be termed as “Working Capital”. Working capital involves current assets namely cash, inventory marketable securities, receivables, and current liability. Main aim of working capital management is to manage and control current assets and current liability for maximizing profitability and attaining proper liquidity of business.

2.2 Concepts:

There are two concepts of working capital.

- (a) Gross Working Capital
- (b) Net Working Capital

(a) Gross Working Capital Concept

Gross working capital refers to the firm's total investment in current assets, i.e. cash, bank balance, stock, debtors, bills receivable, prepaid expenses, temporary investment in surplus fund in marketable securities etc.

(b) Net Working Capital Concept

Net working capital refers to the difference between total current assets and current liability.

The concept may be positive or negative.

If positive concept - $\text{Current Assets} > \text{Current Liabilities}$

If Negative Net Working Capital:-

$\text{Current Assets} < \text{Current Liabilities}$

2.3 The Statement of the problem:

The statement of problem is A critical study of working capital management of “Menon and Menon Ltd. kolhapur is undertaken with a view to analyze the efficiency of working capital management.

2.4 Significance of the study:

Menon And Menon Ltd. is one of the reputed companies in Kolhapur. The present study would emphasis the identification of maintaining working capital management problems in the company. It is significant to the company. It will be significant for the cooperative societies like dairy cooperative etc. The present study would be helpful to industry, bank, company and financial institution for identifying liquidity position of firm. The company may receive remedies on their problems from this study which may assist in solving problem of maintaining liquidity position, analyzed the estimation of working capital requirement etc.

2.5 Objective of the study:

The main object of the study is to study the working capital management of company and specific objectives are as follows :

- 1] To study the different forms of working capital in the ccompany.
- 2] To study critically the trend of gross working capital for the period from 2003-2004 to 2007-2008.

- 3] To study the trend of net working capital for the period from 2003-2004 to 2007-2008.
- 4] To study the efficiency of working capital management.
- 5] To suggest remedies for improvement.

2.6 Hypothesis of study:

- 1] A working capital management is efficient on the whole but the liquidity position needs to be improved.
- 2] The debtors component of working capital needs more attention.
- 3] The inventory size needs to be reduced.

2.7 Methodology:

Method for study of working capital management starts with collection of data and proceeds with analysis of data. For this purpose two types of data are needed.

Methods of Data Collection are -

a) Primary Data :

Primary data shall be collected by using structured interviews and questionnaires

b) Secondary Data :

Secondary data, should be collected from books, reports, journals, periodicals, annual reports, research paper, articles and web site etc.

Data Analysis :

The data would be processed and analyzed by using different technique and statistical tools. For proper study of working capital management, researcher has presented the analysis into two parts.

- 1) Ratio Analysis
- 2) Fund Flow Statement

2.8 Scope of Study:

The geographical scope of the study is limited to the only one company. The topical scope focuses on the “Working Capital Management of Menon And Menon Ltd.”

2.9 Limitation:

The research work is limited to one company. The period of study is restricted to 5 years from 2003-2004 to 2007-2008. The study is completely based on the published data like annual reports etc.

2.10 Chapter Scheme:

The shall be presented in 5 chapters as follows.

Chapter No. 1	Conceptual Framework
Chapter No. 2	Research Design of the Study.
Chapter No. 3	Profile of “Menon And Menon Ltd. Kolhapur.
Chapter No. 4	Analysis and Interpretation of Data
Chapter No. 5	Finding, Suggestions and Conclusion.