International Journal of Humanities Social Science and Management (IJHSSM)
Volume 3, Issue 2, Mar.-Apr. 2023, pp: 1463-1467 www.ijhssm.org

A Study on Working Capital Management in Aditya Birla Mutual Fund at Chennai

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Date of Submission: 12-04-2023 Date of Acceptance: 27-04-2023

ABSTRACT
Decisions with reference to capital involve managing relationships between a firm's short assets and liabilities to make sure a firm is in a position to continue its operations, and have sufficient money flows to satisfy each maturing short debts and future operational expenses at lowest prices, increasing firm's gain. The capitals noticeably go along with the operative cycle. A poring over of the operative cycle reveals that funds endowed within the operation area unit recycled back in to money. The shorter the amount of operative cycle the larger are going to be the turnover of the funds endowed in varied functions. The shorter amount of operative cycle shows higher potency of a firm. The potency of assets management are often determined by the in operation cycle of the firm. This paper aims at analysing the potency of assets management through the connection between in operation cycle amount and profitableness of the industry. To measure the capital Management potency, operative cycle has been calculated and therefore the relationship is formed with margin quantitative relation.

Keywords: Working Capital, Operating Cycle, Profitability, Operating Profit

I. INTRODUCTION OF THE STUDY

Working capital is the money available to meet your current, short-term obligations. To make sure your working capital works for you, you'll need to calculate your current levels, project your future needs and consider ways to make sure you always have enough cash.

Working Capital means those liquid funds, whether in the form of cash, deposits in a bank, or either way, which an enterprise keeps to manage the day-to-day running expenses of the business. It is a measure of a company's liquidity, efficiency, and financial health. It is calculated using a simple formula – "current assets (accounts receivables, cash, inventories of unfinished goods and raw materials) MINUS current liabilities (accounts payable, debt due in one year)."

Reasons require additional working capital

- Seasonal differences in cash flow are typical of many businesses, which may need extra capital to gear up for a busy season or to keep the business operating when there's less money coming in.
- Almost all businesses will have times when additional working capital is needed to fund obligations to suppliers, employees and the government while waiting for payments from customers.
- Extra working capital can help improve your business in other ways, for example: enabling you to take advantage of supplier discounts by purchasing in bulk.
- Working capital can also be used to pay temporary employees or to cover other project-related expenses.

Working capital, also known as net working capital (NWC), is the difference between a company's current assets—such as cash, accounts receivable/customers' unpaid bills, and inventories of raw materials and finished goods—and its current liabilities, such as accounts payable and debts. It's a commonly used measurement to gauge the short-term health of an organization.

Working Capital Formula

To calculate working capital, subtract a company's current liabilities from its current assets. Both figures can found in the publicly disclosed financial statements for public companies, though this information may not be readily available for private companies.

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Working Capital = Current Assets - Current Liabilities

Importance of Working Capital

Liquidity Management

By properly analysing the expenses payable or to be incurred shortly, the financial team of an enterprise would easily plan for their funds accordingly.

Out of Cash

Inappropriate prepared plans of day-to-day expenses may result in enterprise liquidity issues. They have to postpone or arrange funds from some other sources, which give a bad impression of an enterprise on the party.

Helps in Decision Making

By correctly analysing the requirement of funds for day-to-day operations, the finance team can appropriately manage the funds and decide accordingly for available funds and availability of funds.

Addition to the Value of Business

As the management accordingly manages all day-to-day required funds that help the authorized personnel timely pay for all the outstanding creates a value addition or goodwill enhancement in the market.

Helps in the situation of Cash Crunches

By properly managing the liquid funds, one can help the organization not to affect the situation of crises or cash crunches and pay for its day-to-day expenses on a timely basis.

STATEMENT OF THE PROBLEM

Every business needs funds for two purpose one, for the establishment and the other to carry out the day-to-day operations. It need some amount of working capital to meet daily obligations. The need for working capital arises due to the time gap between production and realization of cash from sales. Effective and efficient working capital management of a firm has a great effect on its profitability, liquidity and structural health of the organization, and hence it is important to study the working Capital management of the organization.

OBJECTIVES OF THE STUDY

- To evaluate the liquidity and working capital efficiency of the concern.
- Analysis of different elements of working capital such as cash, receivables and inventory.
- To suggest suitable measure so as to improve the working capital position.
- To study the need and importance of working capital.
- To identify the problems, if any, faces by the company in managing the working capital.Above all, to gain real knowledge regarding the working capital

SCOPE OF THE STUDY

The analysis is mainly carried out to find out the working capital management of Plant fashions. Clothing industry is a seasonal agricultural based industry in which the working capital management plays an important role. Study is conducted to review the performance of the working capital management of the company for a period of five years. It also provides suitable suggestions and conclusions based on the findings.

LIMITATIONS OF THE STUDY

- Financial analysis is based upon monetary information. As the financial statements are prepared on the basis of a going concern, it does not give exact position.
- The accounting concepts and conversion cause a serious limitation to financial analysis.

II. REVIEW OF LITERATURE

Busse, Goyal and Wahal (2017) examine active retail mutual funds and institutional products with an authorization to invest in global equity markets between 1991 and 2009. They find little reliable evidence of alphas in the aggregate or on average after study using global and regional factor models. The right tail of the distribution contains some large alphas. Decomposing stock selection from country selection, they find some evidence of superior stock picking abilities in the extreme right tail. However, simulations suggest that they are produced just as likely by luck as by skill. Persistence tests show little evidence of continuation in superior performance.

Singh B K (2018) in an article "A study on investors' attitude towards mutual funds as an investment option" from International Journal of Research in Management has reiterated the need for spreading the awareness about Mutual Funds among common masses. There is a strong need to make people understand the unique features of investment in Mutual Funds. From the existing investors point of view the benefits provided by mutual funds like return potential and liquidity have been perceived to be most attractive by the invertors' followed by flexibility, transparency and affordability.

Divya K. (2019) in the article "A Comparative study on evaluation of Selected Mutual Funds in India" from International Journal of Marketing and

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Technology has suggested that the investment managers whose performance is below benchmark index should have a relook at their investment strategy and asset allocation. Investing styles should be redesigned according to up & down swings of the market to generate superior performance. To increase the efficiency and popularity of mutual funds, the regulator should set the standard criteria of benchmarks which will be helpful to asset management companies.

Santhi N.S. and Gurunathan K. (2019) in the article "The growth of Mutual Funds and Regulatory Challenges" from Indian Journal of Applied Research have mentioned that as mutual fund industry has grown tremendously over past few years, Regulators are keeping close watch on any potential impact of mutual fund products on financial stability and market volatility. The growth of mutual funds has been accompanied by innovative products and servicing methods. Regulators will have to do balancing act by carefully managing risks and not imposing unnecessary regulation.

Ravikumar R (2020) in an article "Analysis of the Risk and Return relationship of Equity based Mutual Fund in India" from International Journal of Advancements in Research & Technology have mentioned that their study investigated the performance of Equity based mutual fund schemes using Capital Asset Pricing Model (CAPM). In the long run private and public sector mutual funds have performed well. But while comparing the performance over last 15 years it is found that private sector mutual funds have outperformed the Sector mutual funds. The schemes of private sector mutual funds not only performed better than those of public sector mutual funds but were also found to be less risky.

Dodiya (2021) - The scientist contemplated the different segment factors influencing investment choice in mutual fund area. The investigation was done in Ahmedabad city of Gujarat. The examination uncovers that the re-visitation of be a first concern while mutual fund investment and adaptability were having least need. Furthermore, straightforwardness and reasonableness additionally discovered successful in investment. Pay level is additionally significant determinant to affect mutual fund area as the investigation reports that most extreme investors hold fine pay level while low-pay level people fears to enter to mutual fund risk because of their less discretionary cash flow. However, the paper has likewise discovered that independent of any instructive capability, an individual is prepared to put resources into mutual fund industry in the event that they have great pay and with a special case of a sound return.

Goel et al (2022) - The paper mirrored an outline of Indian mutual fund area and its new patterns. There is the consideration of numerous unfamiliar mutual funds in the Indian market. Numerous consolidations and acquisitions have been confirmed. Indian mutual fund industry is developing at CAGR of 15%. The quantities of mutual fund records and exchanges have likewise expanded. In any case, the commitment of AUM towards GDP is just 5% - 6% which is altogether lower than numerous economies. The development of obligation funds is discovered to be above then pay, adjusted, ETF, and Overseas funds. On this premise, the specialists close degree that obligation securities in the capital market are consumed by mutual fund area, to a huge degree. The paper likewise focuses at certain difficulties like absence of monetary instruction and mindfulness and so on For better and compelling dissemination channel, banks and IFAs are being recommended. An administrative routineness system is likewise being recommended to set up.

III. RESEARCH METHODOLOGY

RESEARCH DESIGN:

The methodology used in this study is descriptive in nature where the researcher has to use facts (or) information already available and study the characteristics of a particular group respectively and there by analyse to make a critical evaluation of the study.

PERIOD OF THE STUDY:

The financial data for a period five years of Aditya Birla Mutual fund analysed for the study.

SOURCE OF DATA:

The secondary data is used for the study and are collected from the annual reports of the company.

TOOLS USED FOR ANALYSIS DATA

The collection data were tabulated and presented in appropriate places of various chapters. The performance of the business was evaluated by analysing and interpreting the working capital of Aditya Birla Mutual fund.

- Ratio analysis
- Trend analysis
- Comparative balance sheet

RATIO ANALYSIS

Ratio Analysis is a form of Financial Statement Analysis that is used to obtain a quick indication of a firm's financial performance in several key areas. The ratios are categorized as

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Short-term Solvency Ratios Debt Management Ratios, Asset Management Ratios, Profitability Ratios, and Market Value Ratios.

Ratio Analysis as a tool possesses several important features. The data, which are provided by financial statements, are readily available. The computation of ratios facilitates the comparison of firms which differ in size. Ratios can be used to compare a firm's financial performance with industry averages. In addition, ratios can be used in a form of trend analysis to identify areas where performance has improved or deteriorated over time.

TREND ANALYSIS

Trend analysis is the process of comparing business data over time to identify any consistent results or trends. You can then develop a strategy to respond to these trends in line with your business goals. Trend analysis helps you understand how your business has performed and predict where current business operations and practices will take you.

You can use trend analysis to help improve your business by:

- identifying areas where your business is performing well so you can duplicate success
- identifying areas where your business is underperforming
- Providing evidence to inform your decision making.

COMPARATIVE BALANCE SHEET

A comparative balance sheet usually has two columns of amounts that appear to the right of the account titles or other descriptions such as Cash and Cash Equivalents, Accounts Receivable, Accounts Payable, etc. The first column of amounts contains the amounts as of a recent moment or point in time. Providing the amounts from an earlier date gives the reader of the balance sheet a point of reference—something to which the recent amounts can be compared.

IV. SUGGESTIONS

Further research should be undertaken to find out why Mutual fund does not have a statistically significant effect on financial performance of selected Aditya Birla despite the fact that past literature is suggesting otherwise. Further research should also be undertaken on the effect of regulation and supervision on loan performance in microfinance in Chennai. Further research should also be done on the relationship between debt management and non-performing loans on Aditya Birla industries and the reasons behind loan default in organizations from the clients' perspective.

V. CONCLUSION

The provisions of the effect of credit approval procedure practices on growth impacted on the hire purchase sector for Aditya Birla positively. The above observations proved that proper records were kept and control exercised in most of the business enterprises, although there were certain areas that were not satisfactory. This resulted in some hire purchase sector for SMEs incurring losses because they had not kept proper accounting records of their previous customers by updating the old records. The summary showed that most of hire purchase sector for mutual fund approve credit customers before credit allowance and append with proper valid timing practices. This made the hire purchase sector for more cautious in managing the liquidity. Moreover, the approval procedures were used in all the four companies in depth and that could mean low credit pending factors from a majority of customers who had a straight record.

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