



A STUDY ON WORKING CAPITAL MANAGEMENT WITH REFERENCE TO TATA CONSULTANCY SERVICES

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Abstract:

The present study is conducted to analysis the working capital management of TATA consultancy services from 2013-2014 to 2017-2018. The working capital ratio shows unfavorable position and the utilization of net working capital is not satisfactory. The working capital turnover ratio is not satisfactory due to heavy investments in total assets. But the organization it shows fluctuating. The company can have proper control over investment in total assets and tries to reduce the existing level of current liabilities, so that it can strengthen its liquidity position.

Key Words: Investments, Assets & Liabilities

Introduction:

The concept of 'working capital' is much confusing in the business circles. It is very unfortunate, there is much disagreement among financiers, accountants, businessman, and economists as to the exact meaning of the term 'working capital'. According to a few, working capital means current assets. For some other it is an excess of current assets over current liabilities. Some authorities prefer to call it circulating capital in place of working capital.

Scope of the Study:

The working capital is the most important area in the day to day management of the firm. It is related with problems that arise in attempting to managing current assets and current liabilities. Working capital is that part of capital, which makes a business, run on a continuous basis without any interruption. In the present study researcher has made an attempt to study the effectiveness of working capital management of Tata consultancy service. The data for the present study is collected from the balance sheet profit and loss statement of the company. The period of five year from 2011 -2012 to 2015 -2016. The data collected were analyzed through ratio analysis. The present study will give an idea about the management of working capital of the present organization. The present study has made an attempt to suggest ways to improve working capital management of the company.

Objectives of the Study:

- ✓ To study the cash management of TATA consultancy services.
- ✓ To study on followed the definition in working capital management for TATA consultancy services.
- ✓ To study the working capital management is easily solving the problems in finance.
- ✓ To analyses the relationship between gross working capital with sales.
- ✓ To analyses the relationship between net working capital with sales, inventories, cash & bank balance.

Research Methodology:

Research: Research it means search to data or collect the information's. Research in common parlance refers to a search for knowledge. Research as "a careful investigation or inquiry specially thought search for new facts in any branch of knowledge.

Research Design: The research problem is the preparation of the design of the research project, popularly known as the "research design". A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

Analytical Research Design: In the present of study the researcher has adopted analytical research design. Which can also be termed as formulating research studies.

Sources of Data: The research has used secondary data which is available from the company. The analysis of the working capital management accurate and reliable date. Therefore, the sources for collecting data include both primary and secondary data.

Sampling Design: The type of research and used for study is descriptive research. It includes facts, finding and enquiries of different kind. The major purpose of descriptive research is description of the state of affairs as it exists at present.

Data Collection:

Secondary Data: Secondary data are those which already have been collected by someone else and which have already been passed through statistical process. The secondary data were collected from.

- ✓ Journals

- ✓ Text books
- ✓ Annual reports
- ✓ Internet etc

Period of Study: The period of study for analysis in working capital management is five years. i. e. 2013-2014 to 2017-2018.

Limitation of Study:

- ✓ The researcher has experienced the following during the present study.
- ✓ The study is limited to the 5years period.
- ✓ The reliability and accuracy of calculation depend very much on the information found in the balance sheet and its reliability.
- ✓ Working capital is very effective toward the short term objectives of the business.
- ✓ The findings of the present study is applicable only TATA consultancy service. May not be most IT companies.

Review of Literature:

Michael Hillergren Hampus Bjorkman (2014)¹⁸ in his paper titled "Working Capital Management" many argue that there is a tradeoff between profitability and liquidity. However, many studies have found that the profitability can increase with an efficient working capital management. Correctly allocating cash flows to where and when it is needed increase liquidity and simultaneously increasing profitability.

Analysis and Interpretation:

Gross Working Capital:

Particulars	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Current Assets					
Investments	1350.33	1897.34	3433.74	1661.78	22585.6
Inventories	17.77	21.15	15.21	16.07	16.27
Sundry Debtors	11520.35	14076.56	18230.4	20437.94	24069.71
Cash and Bank Balance	5813.08	6769.16	14441.84	18556.04	6784.76
Total Current Assets	17351.2	20866.87	32687.45	39010.05	30870.74
Loans And Advances	12520.53	17779.64	18303.78	18584.51	21630.33
Gross working capital	48573.26	61408.74	87122.42	77828.45	105957.4

Interpretation:

The above table shows the relationship with working capital. The working capital ratio of the company shows the increasing trend. During this study the company has higher ratio of 105957.41 in the year 2017-2018 and lower ratio of 48573.26 in the year 2013-2014. It represents the amount of funds invested in the total current assets.

Networking Capital:

Particulars	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Current Assets	16538.88	23330.54	34834.81	40430.41	53295.87
Current Liabilities	8834.58	9498.81	12265.7	16463.63	170706.29
Net Working Capital	7704.3	13831.73	22569.11	23966.78	-117410.42

Interpretation:

A company having a higher Net working Capital ratio has a greater ability to meet its current obligations. From a conservative position of 2016-2017 where the ratio was as high as 23966.78, it has now settled at -117410.42 which is slightly on the lower side. As this ratio represents a firm's potential reservoir of funds, a declining trend should be taken seriously and appropriate remedial measures need to be taken so as to avert a more troubled situation.

Current Ratio:

Year	Current Assets	Current Liabilities	Ratio
2013-2014	165380.88	8834.58	1.87
2014-2015	23330.54	9498.81	2.45
2015-2016	34834.81	12265.7	2.84
2016-2017	40430.41	16463.63	2.45
2017-2018	53295.87	170706.29	0.31

Interpretation:

For the year 2013-2014, TCS had a current ratio of 1.87 which got offset during the subsequent years reaching as low as 0.31 in 2017-2018. The situation got better in 2010 with a ratio of 1.49 but again it has become critical with a ratio of 1.09 at the end of FY 11. A company with a falling current ratio needs to take strict actions otherwise in longer run, the firm can find themselves in a difficult situation to clear their current liabilities.

Working Capital Turnover Ratio:

Year	Sales	Net Working Capital	Ratio
2013-2014	339792	7704.3	44.1
2014-2015	371119	13831.73	26.8
2015-2016	401302	22569.11	17.8
2016-2017	340814	23966.78	14.12
2017-2018	251241	-117410.42	-22

Interpretation:

The Working capital turnover ratio is decreasing trend. During the study the company earned a higher turnover of 44.1 in the year 2013-2014 and earned a lower turnover of -22.1 in the year 2017-2018. As Changes in working capital is negative, the company needs more capital to grow.

Net Working Capital to Current Liabilities:

Year	Net Working Capital	Current Liabilities	Ratio
2013-2014	7704.3	8834.58	0.87
2014-2015	13831.73	9498.81	1.46
2015-2016	22659.11	12265.7	1.84
2016-2017	23966.78	16463.63	1.46
2017-2018	-117410.42	170706.29	-0.69

Interpretation:

It shows Fluctuating trend. In the year 2013-2014 the ratio was 0.87 and it increased to 1.46 in 2014-2015 and in 2015-2016 it increased to 1.84 and decreased in the year 2016-2017 and it shows a negative ratio in the year 2017-2018 it was -0.69.

Working Capital to Total Assets:

Year	Gross Working Capital	Total Assets	Ratio
2013-2014	48573.26	34119.07	1.42
2014-2015	61408.74	42685.81	1.44
2015-2016	87122.42	57330.61	1.52
2016-2017	77828.45	62761.83	1.24
2017-2018	105957.41	77202.71	1.37

Interpretation:

The working capital to total assets ratio of the company shows the Fluctuating. In this study the company has higher ratio of 1.52 in the year 2015-2016 and a lower ratio of 1.24 in the year 2016-2017.) Net Working Capital to Total Asset ratio is a liquidity ratio that expresses the net current assets or working capital of a company as a percentage of its total assets.

Working Capital to Fixed Assets:

Year	Working Capital	Fixed Assets	Ratio
2013-2014	7704.3	4063.62	1.9
2014-2015	13831.73	5104.28	2.71
2015-2016	22659.11	5929.19	3.81
2016-2017	23966.78	7996.29	2.99
2017-2018	-117410.42	9713.28	12.08

Interpretation:

The working capital to fixed assets shows a increasing trend. In this study the company has a higher ratio of 12.08 in the year 2017-2018 and a lower ratio of 1.90 in the year 2013-2014. A higher ratio indicates a conservative current assets policy indicating greater liquidity and lower risk. A lower ratio indicates an aggressive current assets policy indicating higher risk and poor liquidity.

Working Capital to Sales:

Year	Net Working Capital	Sales	Ratio
2013-2014	7704.3	339792	0.022
2014-2015	13831.73	371119	0.037
2015-2016	22659.11	401302	0.056
2016-2017	23966.78	340814	0.07
2017-2018	-117410.42	251241	-0.47

Interpretation:

The working capital to sales has a decreasing trend. In this study the company has higher ratio of 0.070 in the year 2016-2017 and a lower ratio of -0.47 in the year 2017-2018. A lower ratio implies more effective use of funds.

Cash Velocity:

Year	Sales	Opening Cash Balance	Ratio
2013-2014	339792	577.18	588.7
2014-2015	371119	318.97	1163.49
2015-2016	401302	323.85	1239.16
2016-2017	340814	438.37	777.45
2017-2018	251241	429.78	584.58

Interpretation:

The cash velocity of the company shows the fluctuating trend. In this study the company have a higher ratio of 1239.16 in the year 2015-2016 and lower ratio of 584.58 in the year 2017-2018. The higher ratio indicates lesser is the cash balance required for any given level of sales.

Debtors Turnover Ratio:

Year	Net Sales	Debtors	Ratio
2013-2014	329904	11520.35	28.6
2014-2015	360297	14076.56	25.6
2015-2016	390117	18230.4	21.4
2016-2017	329076	20437.94	160.7
2017-2018	233158	24069.71	9.7

Interpretation:

The debtors turnover ratio shows a fluctuating trend. In this study the company shows a higher ratio of 160.7 in the year 2016-2017 and a lower ratio of 9.70 in the year 2017-2018. A high ratio indicates shortest time span between credit sales and cash collection. A low ratio indicates that the amount of credits sales is not being collected quickly.

Findings:

- ✓ The gross working capital has the highest ratio of 105957.41 in the year 2017-2018 and lowest ratio of 48573.26 in the year 2013-2014. The gross working capital and the net working capital of the company is found that it is a position to meet its current obligations.
- ✓ Net working Capital ratio has a greater ability to meet its current obligations. From a conservative position of 2016-2017 where the ratio was as high as 23966.78, it has now settled at -117410.42 which is slightly on the lower side. As this ratio represents a firm's potential reservoir of funds, a declining trend should be taken seriously and appropriate remedial measures need to be taken so as to avert a more troubled situation.
- ✓ The current ratio has the highest ratio of 2.84 in the year 2015-2016 and lowest in the year at 0.31. A company with a falling current ratio needs to take strict actions otherwise in longer run, the firm can find themselves in a difficult situation to clear their current liabilities.
- ✓ The Working capital turnover ratio has a highest turnover of 44.1 in the year 2013-2014 and earned a lower turnover of -22.1 in the year 2017-2018. If Changes in Working Capital is positive, the change in current operating liabilities has increased more than the current assets. If changes in working capital is negative, the company needs more capital to grow.
- ✓ The net working capital to current liability ratio was fluctuating. Its ratio increased 2012 & 2015-2016. It shows the company maintain its current liabilities.

Suggestions:

The researcher has given the following suggestions based on the findings to improve the working capital position of the company.

- ✓ To strengthen the liquidity position of the company.
- ✓ The company should try to maintain stable cash balance to improve its current assets.
- ✓ To increase the working capital in order to improve its sales.
- ✓ The company should continuously maintain its proper planning and control techniques in order for optimize use of cash balance.
- ✓ The company can have proper control over investment in total assets and tries to reduce the existing level of current liabilities.
- ✓ The company must increase the cash and bank balance.

Conclusion:

The company can have proper control over investment in total assets and tries to reduce the existing level of current liabilities, so that it can strengthen its liquidity position.

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