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## A STUDY ON WORKING CAPITAL MANAGEMENT IN SRI MAHALAKSMI BOOK HOUSE AT ERODE

**B. Jayaseethaladevi**

II MBA

Idhaya College for Women, Kumbakonam

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### ARTICLE DETAILS

Research Paper

#### Keywords :

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### ABSTRACT

A working capital management is help to day-to-day expenses of this enterprises it is minimize the cost of capital, this project report covers the Working Capital Management in Sri Mahalakshmi Book House at Erode. year of established 1996 this book house a variety of books belonging to all genre from academic to recreational novels they provide reader with a plethora of reading option.

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### Introduction

The working capital management is crucial aspect pf financial management that involve managing a company current assets and liability effectively to ensure smooth operation and financial stability if focuses on optimizing the balance sheet short term assets and liabilities to Maintain liquidity meet short term obligation and maximize profitability by efficiently managing working capital business can improve cash flow reduce borrowing costs and enhance overall finance performance.

### Definition of Working Capital

According to Weston & Brigham- “Working capital refers to a firm’s investment in short term assets, such as cash amounts receivables, inventories etc.

Working capital means current assets. —Mead, Baker and Malott

### Importance of Working Capital Management

- Working capital management is essential business as it directly impact their financial health and operational efficiency by effectively managing working capital companies.
- Ensure liquidity
- Optimizing profitability
- Enhance financial stability
- Support growth opportunity

**Advantages of Working Capital Management**

- Improve cash flow: by efficiently managing current assets and current liabilities business cash ensure a steady flow of cash to meet short term obligation and operational expenses.
- Enhance profitability: optimizing working capital can help reduce cost associated with excess inventory late payment or idle cash leading to improve profitability.
- Increased efficiency: streamlining process related to inventory management account receivable and account payable business can operate more efficiency and effectively.
- Strategic decision making: monitoring and managing working capital level can provide valuable insights for making informed decision about investment financing and overall business strategy.

**Disadvantages of Working Capital Management**

One potential disadvantage of working capital management is risk of being too conservation or too aggressive is managing current assets and liabilities. Being too conservation may result in excessive level of working capital. tying up valuable resources that cloud be used more effectively elsewhere on the hand being too aggressive on managing working capital may lead to having enough cash on hand to cover short less obligation. additionally focusing slowly on considering long term strategic goal could hinder is company ability to invest in growth opportunity or with stand unexpected financial challenges.

**Stucture of Current Assest and Current Liabilites**

<b>CURRENT ASSETS</b>	<b>CURRENT LIABILITIES</b>
Cash and bank	Sundry creditors
Sundry debtor	Bank overdraft

Short term investment	Outstanding expenses
Bills receivable	Bills payable
Prepaid expenses	Short term loan

**Calculation of Working Capital**

Two methods of using to calculating in working capital

Gross Working Capital:

$$\text{Gross working capital} = \text{total current assets}$$

Net Working Capital:

$$\text{Net working capital} = \text{current assets} - \text{current liabilities}$$

**Statement of the Problem**

- The working capital is comparing the past years is decreased
- The current assets and liabilities are balanced to find the net working capital.

**Objectives of the Study**

- To working capital managing the short-term liabilities and short-term assets.
- To helpful for pay the goods and supplier for this shop
- To maintain the cash management at this shop

**Scope of the Study**

- In this book shop in future some modification to improve the book collection and sales.
- It improves the sales power in future.

**Research Methodology**

This study is based on secondary data that has been collected from balance sheet of Sri Mahalakshmi book house at erode it cover the past two-year balance sheet on (2022-2023) to analysis working capitalmanagement.

**Limitations of this Study**

- This shop only focuses on current assets
- It improving book collection for better.

## Review of Literature

**Dickson Matiko Kisyeri (2022)** He said Working capital management (WCM) and listed manufacturing companies (LMCs) profitability are subjects that have taken much attention of scholars globally because cash management, inventory management, receivables, and payables management components are vital elements for the performance of businesses.

**Junhong He (2021)** He said working capital management is operation activities are not only important behaviours strengthening corporate financial risk management and effectively controlling financial risks in corporate production and for companies to ensure financial safety and reduce their development risks, but also key measures for companies to stabilize their own operations and follow the path of sustainable development.

**Herrera, G.J (2020)** Said to Working capital funds are broadly categorized as intragovernmental revolving funds - revolving funds whose receipts come primarily from other government agencies, programs, or activities see 2020 Fiscal Law Desk book. DWCFs and other types of revolving funds are widely used across DOD to support recurring requirements and ensure the continuous delivery of goods and services such as utilities, fuels, food, clothing, and an assortment of industrial base capabilities.

**Dr. G. Rajendren (2020)** Said to the investment in current assets is imperative for the day-to-day operations of a business concern. It determines the liquidity and the profitability of the business concern. Financing current assets is a challenging task but this is one of the significant aspects of working capital management.

**Susilo (2020)** Said this study implies that managers need to adjust their investment needs with the profitability that has been achieved and the total assets of the company, and to maximize the value of the company by managing current assets so that the rate of the return on marginal investment is equal to or greater than the cost of capital used to finance the current assets. Furthermore, financial managers must be able to determine essential investment objectives by maximizing the use of assets and fixed assets which are expected to make the company to enjoy the sales growth in the future.

### Company Profile

Name of the shop	Sri Mahalakshmi book house
Year of establishment	1996
Owner	A. Venkatesh
Book verities	<ul style="list-style-type: none"> <li>▪ Educational books</li> <li>▪ Mystery books</li> <li>▪ Thriller books</li> <li>▪ Comic books</li> <li>▪ Religious books</li> </ul>
Location	No 9 - cw bus stand complex, Mettur road, Erode6380003

### Data Analysis and Interpretation

#### Schedule change in Sri Mahalakshmi book house for the year (2022-2023)

Particulars	2022	2023	Increase	Decrease
<u>Current assets</u>				
Sundry debtors	167823	132870	-	34953
Cash on hand bank	21793	37025	15232	-
<b>Total current assets</b>	<b>189616</b>	<b>169895</b>		
<u>Current liabilities</u>				
Sundry creditors	19317	82160	-	62843
Bank OD loan	422813	275135	147678	-
<b>Total current liabilities</b>	<b>442130</b>	<b>357295</b>		
Net working capita (a-b) <b>Decreasing in working</b>	252514	187400	-	-

<b>capital</b>		<b>65114</b>		<b>65114</b>
Total	252514	252514	162910	162910

source : secondary data

### Interpretation

The table show the current assets and current liabilities of Sri Mahalakshmi book hose to compare the year (2022-2023) this total net working capital is decreased amount is (65114).

### Findings

The working capital management to compare this year 2022-2023 is decreased.

### Suggestions

This book shop only concerate with current asset not current liabilities so reason for decreased the value of book shop it improve the liabilities value means to increased working capital of this shop.

### Conclusion

This study conducts in working capital management on Sri Mahalakshmi book house at erode based on financial statement annual report on (2022-2023) the current assets are main source in invested in its working capital.

### References

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