



A STUDY ON ANALYSIS OF EFFECT OF WORKING CAPITAL MANAGEMENT ON RETURN ON ASSET WITH SPECIAL REFERENCE TO BAILLEY LTD

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ABSTRACT

Working capital management could be a crucial pillar in company finance. The performance of transport firms may be improved by economical capital management through money management, inventory management, and assets management. This approach aims at property growth of transport companies in international competition. the most aim of the article is to spot statistically vital variables from working capital management describing liquidity and activity, with a spotlight on corporate performance within the holding device grad cluster countries. we have a tendency to designed models for tiny and medium-sized enterprises for every member state of the holding device grad cluster and a universal model for the complete region These findings facilitate establish key aspects of capital management that contribute to business performance. The paper presents a close output for future analysis into the role of working capital in company management.

INTRODUCTION (Font-Cambria, Bold, Font Size -12)

WORKING CAPITAL

A business's capital requirements can be divided into two types:

1. Fixed capital
2. Working capital

Each firm need capital for two reasons: to start up and to run its common operations. Long-term capital are needed to establish production facilities by purchasing fixed assets like equipment and machinery, furnishings, land and buildings, and so on... Fixed capital refers to investments in these assets.

Short-term finances are also required for the procurement of raw materials, payroll payments, and other daily expenses, among other things... These resources are known as working capital.

I. STATEMENT OF PROBLEM

Working capital is the main part in guaranteeing an organization's liquidity, presence, dissolvability, and benefit. Working capital administration is quite possibly the most fundamental regions to think about when contrasting organizations' liquidity and productivity, since it includes choices about the number and structure of current resources, just as how these resources are financed. A powerful working capital administration framework incorporates all actions, cycles, and controls set up to offer administration conviction that incomes are ideal consistently, guaranteeing smooth corporate tasks. The profit from resources (ROA) is a valuation numerous utilized by financial backers to survey potential ventures. Return on resources is figured by partitioning an organization's overall gain throughout some stretch of time by the organization's resources.

II. MODELING AND ANALYSIS

TYPE OF RESEARCH: Descriptive research.

STUDY DESIGN: Research design is purely a framework or a plan to study that the financial performance of bailey ltd., Descriptive research was adopted in this project.

DURATION OF THE STUDY: 6 weeks

SAMPLE SIZE: 5 years

TYPES OF DATA USED:

The study was conducted through the secondary data.

As this subject under study is financial aspect of the company:

- Balance sheet and profit & loss account statements
- Annual reports
- Records

STATISTICAL TOOL

Correlation

Regression

LIMITATION OF STUDY

- The study is restricted to only one organization and the respondents are few.
- Time duration is only 6 weeks

III. RESULTS AND DISCUSSION

FINDINGS

- baileys liquidity position was good because of current ratio is 1.48, 2.63, 2.02, 2.03, respectively.
- which is closest to the perfect proportion i.e., it shows the firm is in a situation to meet its short term commitment with the present resources. So, the firm has the balance in the situation of current advantage for keep up the perfect estimation of current proportions.
- Liquidity position of the firm has the ability to pay off its present liabilities with the present proportion of 1:1, the examination finds that Liquid ratio in 2016-17 to 2019-20 is 1.11, 0.33, 0.68, and 0.48. it has been decreased to 0.48 for the year 2019-20 due to the decrease in current assets of the company, it shows that the firm could pay off its current liabilities with the sell of any long term assets

- Working capital turnover ratios in the year in 2016-17 to 2019-20 is an increase in working capital turnover ratio because of increase in current asset during the year from 2016 and it has been increased to 4 times from 2.51 times in the year 2019-20 it shows the efficiency of the organization in the utilization of working capital, here working capital turnover ratio is keep on increasing.
- After calculating regression, here I find R-square is 1 it indicates perfect fit.
- Current ratio showing positive significant relationship.
- Net working capital ratio showing positive significant relationship.
- Working capital turnover ratio showing negative insignificant relationship
- Liquid ratio showing positive insignificant relationship.
- ROA showing positive significance relationship.

SUGGESTIONS:

- The current and the quick ratios are up to the standard requirement. So the working capital management of Bailley Ltd is not satisfactory so they have to maintain current asset and current liability as per standard ratio 2:1.
- The company has a sufficient working capital and it has better liquidity position by utilizing the short term capital, then it should increase the turnover.
- It is suggested that the company should maintain cash balance and invest surplus money if any on short term marketable securities. In case shortage of funds the securities should be sold to meet the cash requirements so that profitability could be increased
- The company is utilizing working capital effectively this is good for the company and it has to maintain it further

IV. CONCLUSION

The investigation on effect of working capital administration led at Bailley Ltd to dissect the monetary situation of the organization. The organization's monetary position is examined by utilizing the device of SPSS through the assistance of yearly report of the organization.

The organization's liquidity position is acceptable respect to the interest in the current resources there are satisfactory assets put resources into it. Care ought to be taken by the organization not to make further interest in the current resources, as it would obstruct the assets, which could somehow be adequately used for some useful reason. Overall, the organization is pushing ahead with brilliant administration.

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