



A STUDY ON WORKING CAPITAL MANAGEMENT AT JALARAM DOORS & HARDWARES

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ABSTRACT

Working capital management is a very important part of financial management, which involves the management of short-term assets and liabilities of an organisation. This includes maintaining sufficient liquidity to conduct organisational activities in an efficient manner. In addition to this, this involves improving the profitability of the organisation. Working capital management plays an important role, especially in the manufacturing sector, because in such industries most of the funds are invested in inventories and receivables.

In this study, working capital management strategies followed by JALARAM DOORS & HARDWARES, a manufacturing and trading organization involved in wooden doors manufacturing and hardware supply, have been studied. The study relies upon secondary data collected from financial statements of the organisation from 2021-22, 2022-23, and 2024-25. Financial ratio analysis will be conducted through the current ratio, inventory turnover ratio, and debtor's turnover ratio.

From the findings, it is seen that although there are satisfactory levels of liquidity in the organization, there are some issues associated with the management of inventories and fluctuation in the profitability levels.

INDEX TERMS

Working capital, liquidity, inventory management, receivables, financial ratios, profitability, manufacturing industry

I. INTRODUCTION

In the present scenario, financial efficiency is imperative for the success and sustainability of a company. Several areas within financial management need to be looked into; however, working capital management emerges as an extremely critical area as it directly impacts liquidity and the overall operation of the business.

Working capital is the difference between the current assets and current liabilities of a business organization. Current assets refer to cash, inventory, and accounts receivable, whereas current liabilities refer to debts payable by the organization at short notice, such as money owing to creditors, unpaid expenditures, etc. Proper management of the aforementioned areas helps a firm maintain a sound liquidity position and prevents any problems.

Manufacturing businesses, including those that are involved in producing things such as wooden doors, require heavy investment in terms of materials used, work-in-process, and inventories. Such organizations also depend heavily on credit sales, thus making efficient management of receivables even more vital. Mismanagement of working capital results in poor liquidity, high borrowing expenses, and eventually lower profits.

Therefore, in this context, the purpose of this research will be to explore the working capital management policies practised at JALARAM DOORS & HARDWARES and their impact on the company's financial standing.

II. REVIEW OF LITERATURE

The concept of working capital management has been extensively discussed in financial literature.

Markowitz (1952) laid the foundation for modern financial management by emphasizing the importance of risk and return. Although his work focused on portfolio theory, it highlighted the need for efficient allocation of financial resources.

Brigham and Houston emphasized that efficient working capital management improves firm value and ensures financial stability. According to them, companies must maintain an optimal balance between liquidity and profitability.

I.M. Pandey highlighted that excess working capital leads to inefficiency, while insufficient working capital results in liquidity problems. Therefore, maintaining an optimum level is essential for smooth business operations.

Deloof (2003) conducted an empirical study and found that companies with shorter cash conversion cycles are more profitable. This indicates that efficient management of inventory, receivables, and payables contributes to improved financial performance.

Smith (1980) explained the trade-off between liquidity and profitability, stating that higher liquidity reduces risk but may also reduce profitability.

These studies provide a strong theoretical foundation for analyzing working capital management.

III. OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

To analyze the working capital management practices of JALARAM DOORS & HARDWARES.

SECONDARY OBJECTIVES

- To examine the structure of current assets and current liabilities
- To evaluate liquidity position using financial ratios
- To analyze efficiency of inventory management
- To assess debtor collection efficiency
- To identify areas for improvement in working capital management

IV. RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design to evaluate the working capital management practices of the company.

A. Data Source

The study is based entirely on secondary data collected from:

- Balance Sheet
- Profit & Loss Account
- Company financial record

B. Period of Study

The financial data for the years 2021–22, 2022–23, and 2024–25 have been considered for analysis.

C. Tools and Techniques

The following financial tools have been used:

- Current Ratio
- Inventory Turnover Ratio
- Debtors Turnover Ratio
- Trend Analysis

These tools help in evaluating liquidity, efficiency, and financial performance.

V. DATA ANALYSIS AND DISCUSSION

The financial performance of JALARAM DOORS & HARDWARES has been looked at using different methods. These tools help us see how well the company is managing its working capital and how well it is doing in terms of liquidity, operations and making a profit.

A. CURRENT RATIO ANALYSIS

The current ratio is a deal when it comes to liquidity. It shows if the company has money to pay its short-term debts.

The formula for this is:

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Looking at the numbers:

2022: it was 2.48

2023: it was around 2.17

2025: it was around 2.31

What this means is that the company is doing well in terms of liquidity. It has money to cover its short-term debts. This is good because it means the company is stable and can pay its debts on time.

If the current ratio is too high it might mean that the company has too much money tied up in things it does not need right away. It could also mean that the company is not using its money wisely.

So even though the company has money to pay its debts it should try to use its money more efficiently.

B. INVENTORY TURNOVER ANALYSIS

This analysis looks at how the company is managing its inventory. It shows how times the company sells and replaces its inventory in a certain period.

The formula for this is:

$$\text{Inventory Turnover Ratio} = \text{Cost of Goods Sold} / \text{Average Inventory}$$

Looking at the numbers:

2022: it was 1.02 times

2023: it was around 1.29 times

2025: it was around 1.40 times

What this means is that the company is not selling its inventory fast enough. This can be a problem because it means the company has much inventory just sitting around.

This can lead to all sorts of problems like having to pay more to store the inventory. The inventory might even get damaged or become outdated.

The company needs to get better at managing its inventory. It should try to sell its inventory and not keep so much of it around.

C. DEBTORS TURNOVER ANALYSIS

This analysis looks at how the company is collecting money from its customers.

The formula for this is:

Debtors Turnover Ratio = Credit Sales / Average Debtors

Looking at the numbers:

2022: it was around 2.45 times

2023: it was 1.95 times

2025: it was around 6.50 times

What this means is that the company got a lot better at collecting money from its customers in 2025. This is good because it means the company has money coming in.

In the past the company was not collecting money from its customers fast.. In 2025 it started collecting money much faster.

This is helpful because it means the company has money to use and it can pay its debts on time.

D. PROFITABILITY ANALYSIS

This analysis looks at how the company is making a profit.

Looking at the numbers:

2022: The company lost around ₹2.4 lakhs

2023: The company made a profit of around ₹0.9 lakhs

2025: The company lost around ₹3.7 lakhs

What this means is that the company is not making a profit consistently. This is a problem because it means the company is not stable.

The company needs to get better at managing its costs and selling its products. It should try to reduce its expenses and sell its products efficiently.

OVERALL ANALYSIS

From looking at all of this, we can see that JALARAM DOORS & HARDWARES has some things going for it, but also some things it needs to work on.

The company has money to pay its debts, but it needs to get better at managing its inventory and collecting money from its customers. It also needs to work on making a profit

So the company should try to use its money efficiently, manage its inventory better and collect money from its customers faster. If it can do these things, it will be more stable and successful.

VI. FINDINGS AND SUGGESTIONS

A. Findings

- The company maintains a satisfactory liquidity position
- High inventory levels observed
- Improvement in receivable collection
- Profitability fluctuates across years
- Working capital management needs improvement

B. Suggestions

- Reduce inventory holding period through better planning
- Strengthen credit policies to improve receivable collection
- Maintain optimal level of working capital
- Monitor financial performance regularly
- Implement better cost control measures

VII. LIMITATIONS OF THE STUDY

- Limited financial data availability
- Study based only on secondary data
- Short duration of study
- External factors not considered

VIII. CONCLUSION

The significance of working capital management lies in the fact that it forms one of the most important criteria for analyzing and protecting the financial stability of an entity. This study reveals that JALARAM DOORS & HARDWARES has a consistent level of liquidity, but still has scope for improvement with regard to its inventories and profitability.

If the company focuses on improving the management of its critical elements of working capital, specifically its inventories and receivables, it will result in greater efficiency and help sustain its operations.

REFERENCES

- I.M. Pandey – Financial Management
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- Markowitz (1952)
- Deloof (2003)
- Smith (1980)
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