



WORKING CAPITAL MANAGEMENT OF SELECT SAMPLE VENTURE CAPITAL INSTITUTIONS IN INDIA

**K.Gunasekhar, ** Dr. K. Ramakrishnaiah*

**Research Scholar, **Retd. Professor*

Department of Commerce, SVU College of CM&CS, S.V. University, Tirupati, Andhra Pradesh, India

Abstract: Working capital is the excess of current assets over current liabilities. Decisions relating to working capital and short term financing refer to as working capital management. In other words working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the inter-relationship that exists between them. Working capital management is the process of managing short term assets and liabilities to ensure that the company has adequate liquidity to operate smoothly. This ratio is a measure of company's short term financial health and its efficiency. In this research paper the researcher has made an attempt to present the analysis on working capital management of select sample venture capital institutions of India and of abroad operating in India. Ratios considered for the purpose of presenting working capital analysis are current ratio, ratio of debtors to current assets and ratio of cash flow from operations.

Key words: Current Assets, Current Liabilities, Working Capital

I.Introduction

Capital is a basic need for starting business irrespective of its nature, size and location. Each of the organization requires capital for two purposes viz., for establishment of the organization and to carry out its day to day operations. The money that the organization earmarks to meet its day to day expenditure is called as working capital. Working capital is the excess of current assets over current liabilities; decisions relating to working capital and short term financing refer to as working capital management. In other words working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the inter-relationship that exists between them. The importance of working capital management is reflected in the fact that financial managers spend a great deal of time in managing current assets and current liabilities, arranging short term financing, negotiating favourable credit terms, controlling the movement of cost and administrating account receivable. The investment in inventories and investing short term suppliers consume a great deal of time of financial managers. Working capital is a measure of a company's liquidity, operating efficiency and its short term financial health. If a company has substantial positive working capital, then it should be potential to invest and grow. If a company's current assets do not exceeds its current liabilities then it may have trouble in growing or paying back creditors or even it may go bankrupt. A company has a negative working capital if the ratio of current assets to current liabilities is less than one. Positive working capital indicates that a company can found its current operations and invest in further activities and growth. High working capital is not always a good thing. It might indicate that the business has too much inventory or is not investing its excess cash.

II.Objectives of the study

1. To assess the efficiency of working capital management of select sample venture capital institutions in India.

III.Hypothesis

There is no significant difference in the efficiency of working capital management among select sample venture capital institutions in India in respect of their ability of keeping the right proportion of current assets, current liabilities, debtors to current assets and cash flow from operations.

IV.Current Ratio

The ratio of current assets to current liabilities of a firm measures its short-term solvency i.e., its ability to meet short-term obligations. As a measure of short-term/current financial liquidity, it indicates the rupees of current assets available for each rupee of current liability, the more is the firm's ability to meet current obligations, the greater is the safety to creditors. The following formula can be used to compute the ratio of current assets to current liabilities.

$$\text{Ratio of Current Assets to Current Liabilities} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table No.01

Ratio of Current Assets to Current Liabilities of Select Sample Venture Capital Institutions in India over a Period of Ten Years from 2007-08 to 2016-17

Year	(In Times)				
	IFCI Venture Capital Funds Limited	APIDC Venture Capital Limited	Canbank Venture Capital Limited	Infrastructure Leasing and Financial Services Limited	Jacob Ballas Capital India Private Limited
2007-08	37.51	0.58	3.78	2.78	3.82
2008-09	4.13	1.74	3.79	3.55	1.15
2009-10	68.54	2.02	3.61	3.71	1.20
2010-11	825.91	2.53	26.06	0.56	2.18
2011-12	1.53	2.92	2.45	0.73	3.55
2012-13	2.56	1.90	2.41	0.77	11.80
2013-14	1.54	2.24	0.96	0.82	9.93
2014-15	3.22	4.37	1.02	0.61	4.96
2015-16	2.57	4.66	0.48	0.85	19.11
2016-17	13.42	5.73	0.62	0.86	6.68
Mean	96.09	2.86	4.51	1.52	6.43
SD	257.36	1.57	7.68	1.28	5.70
CV	267.82	54.90	170.02	84.18	88.54
LGR	-19.08**	16.19**	-18.76**	-20.22**	18.99**
CGR	-24.40**	20.35**	-24.77**	-15.80**	25.55**
r-value	-0.21NS	0.89**	-0.33NS	-0.72**	0.64**

Source: Compiled from Annual Reports of Venture Capital Institutions in India from 2007-08 to 2016-17.

Note: ** Significant at 0.01 Level, NS- Not Significant at 0.05 Level

Table 01 shows the ratio of current assets to current liabilities of select sample venture capital institutions in India over a period of ten years from 2007-08 to 2016-17. It is understood from table 01 that the growth in the time series data relating to the current ratio of select sample venture capital institutions was not steady rather it fluctuated from time to time. The mean current ratio of IFCI Venture Capital Funds Limited was more than the mean current ratio of Jacob Ballas Capital India Private Limited, Canbank Venture Capital Limited, APIDC Venture Capital Limited and Infrastructure Leasing and Financial Services (IL&FS) limited. This indicates that the current assets were ideal in IFCI Venture Capital Funds Limited, Jacob Ballas Capital India Private Limited and Canbank Venture Capital Limited whereas the current assets in APIDC Venture Capital Limited and IL&FS Limited were optimum. The growth in the time series data relating to current ratio of all select sample venture capital institutions of India and abroad operating in India was not consistent since the computed value of CV for the time series data relating to current ratio of all select sample venture capital institutions in India was more than 50 per cent. The computed LGR and CGR for the time series data relating to current ratio of APIDC Venture Capital Limited and Jacob Ballas Capital India Private Limited were positive and significant at 1 per cent level of significance whereas the computed values of LGR and CGR for the time series data relating to current ratio of IFCI Venture Capital Funds Limited, Canbank Venture Capital Limited and IL&FS Limited were negative but significant at 1 per cent level of significance. The computed value of 'r' for the time series data relating to current ratio of APIDC Venture Capital Limited and Jacob Ballas Capital India Private Limited was positive and significant at 1 per cent level of significance. The computed value of 'r' for the time series data relating to current assets ratio of IFCI Venture Capital Funds Limited and Canbank Venture Capital Limited was negative and therefore not significant at 5 per cent level of significance. The computed value of 'r' for the time series data relating to current ratio of IL&FS Limited was also negative but significant at 1 per cent level of significance. This indicates that there existed a positive correlation between the years and the time series data relating to current ratio of APIDC Venture Capital Limited and Jacob Ballas Capital India Private Limited whereas the correlation between the years and current ratio of IFCI Venture Capital Funds Limited, Canbank Venture Capital Limited and IL&FS Limited was negative. From the above analysis one can understand that the current assets ratio computed for the time series data relating in IFCI Venture Capital Funds limited was very much high. Therefore the current assets were ideal with IFCI Venture Capital Funds Limited, Canbank Venture Capital Limited, APIDC Venture Capital Limited and the current assets of IL&FS Limited were moderate.

Table No. 01A

The results of the Analysis of Variance (ANNOVA) computed for the time series data relating to the current ratio of Select Sample Venture Capital Institutions in India over a period of ten years from 2007-08 to 2016-17

Source of Variation	SS	df	MS	F	P-value
Time Periods	119.31	9	13.257	0.48277	0.87329NS
Venture Capital Institutions	135.16	4	45.053	1.64072	0.20330NS
Error	741.403	36	27.459		
Total	995.873	49			

Note: NS – Not Significant at 0.05 Level.

Table 1A shows the results of the analysis of variance (ANNOVA) for the current ratio of select sample venture capital institutions in India over a period of ten years from 2007-08 to 2016-17. It is understood from table 01A that there is no significant difference between the time periods, since the given value of 'P' (0.87329) is not significant at 0.05 per cent level of significance. The analysis of variance within the venture capital institutions is also not significant at 0.05 per cent level of significance. Since the calculated value of F (1.6402) is less than the table value of F (3.33), hence the null hypothesis (H_0) is accepted at 0.05 per cent level of significance. There is no significant difference in the efficiency of working capital management among the select sample venture capital institutions in respect of their ability in keeping the right proportion of current assets to current liabilities.

V. Ratio of Debtors to Current Assets

Ratio of debtors to current assets reveals the size of debtors in current assets. Debtors are expected to be converted into cash within a short period. Hence the liquidity position of a firm to pay its short term obligations on time depends upon the quality of its trade debtors. The following formula can be used to arrive the ratio of debtors to current assets:

$$\text{Ratio of Debtors to Current Assets} = \frac{\text{Debtors}}{\text{Current Assets}} \times 100$$

Table No. 02

Ratio of Debtors to Current Assets of Select Sample Venture Capital Institutions in India over a Period of ten Years from 2007-08 to 2016-17

(Per cent)

Year	IFCI Venture Capital Funds Limited	APIDC Venture Capital Limited	Canbank Venture Capital Limited	Infrastructure Leasing and Financial Services Limited	Jacob Ballas Capital India Private Limited
2007-08	3.90	4.76	-	0.91	76.60
2008-09	0.06	26.00	-	0.29	48.85
2009-10	0.44	4.30	-	0.10	69.54
2010-11	0.04	65.18	-	0.09	65.80
2011-12	0.06	71.21	-	0.10	23.00
2012-13	0.23	69.69	-	0.48	22.81
2013-14	0.03	39.82	-	3.72	24.40
2014-15	0.35	54.51	-	0.48	18.94
2015-16	0.09	13.84	-	0.25	20.98
2016-17	0.11	31.52	-	0.37	30.49
Mean	0.53	38.08	-	0.67	40.14
SD	1.19	26.10	-	1.09	22.80
CV	224.49	68.54	-	161.54	56.80
LGR	-39.04**	5.23NS	-	7.16NS	-14.90**
CGR	-16.59**	15.51**	-	7.17NS	-13.37**
r-value	-0.52**	0.23NS	-	0.13NS	-0.79**

Source: Compiled from Annual Reports of Venture Capital Institutions in India from 2007-08 to 2016-17.

Note: ** Significant at 0.01 Level, NS- Not Significant at 0.05 Level

Table 02 shows the growth trend in the ratio of debtors to current assets of select sample venture capital institutions in India over ten years from 2007-08 to 2016-17. The growth in the ratio of debtors to current assets of select sample venture capital institutions in India was not steady rather it fluctuated from time to time for the entire study period of ten years from 2007-08 to 2016-17. It is understood from the table 02 that the mean ratio of debtors to current assets of Jacob Ballas Capital India Private Limited and APIDC Venture Capital Limited was much higher than the mean ratio of debtors to current assets of IL&FS Limited. Debtors are not available in the balance sheet of Canbank Venture Capital Limited over the entire study period of ten years from 2007-08 to 2016-17. Canbank Venture Capital Limited did not evince any interest in mobilizing debtors. The growth in the time series data relating to the ratio of debtors to current assets of Jacob Ballas Capital India Private Limited was consistent than the growth in the time series data relating to the ratio of debtors to current assets of IFCI Venture Capital Funds Limited, APIDC Venture Capital Limited and IL&FS Limited. The computed LGR for the time series data relating to the ratio of debtors to current assets of APIDC Venture Capital Limited and IL&FS Limited was positive but not significant at 5 per cent level of significance whereas the computed LGR for the time series data relating to the ratio of debtors to current assets of IFCI Venture Capital Funds Limited and Jacob Ballas Capital India Private Limited was negative but significant at 1 per cent level of significance. The computed CGR for the time series data relating to the ratio of debtors to current assets of APIDC Venture Capital Limited was positive and significant at 1 per cent level of significance. The computed CGR for the said time series of IL&FS Limited was positive but not significant at 5 per cent level of significance whereas the computed CGR for the time series data relating to the ratio of debtors to current assets of Jacob Ballas Capital India Private Limited was negative but significant at 1 per cent level of significance. The computed value of 'r' for the time series data relating to the ratio of debtors to current assets of APIDC Venture Capital Limited and IL&FS Limited was positive but not significant at 1 per cent level of significance whereas the computed value of 'r' for the time series data relating to the ratio of debtors to current assets of IFCI Venture Capital Funds Limited and Jacob Ballas Capital India Private Limited was negative but significant at 1 per cent level of significance. This indicates that there existed a positive correlation between the years and the time series data relating to the ratio of debtors to current assets of APIDC Venture Capital Limited and IL&FS Limited. Whereas the correlation that exists between the years and the time series data relating to the ratio of debtors to current assets of IFCI Venture Capital Funds Limited and Jacob Ballas Capital India Private Limited was negative. The ratio of debtors to current assets of Jacob Ballas Capital India Private Limited and APIDC Venture Capital Limited was much higher than the ratio of debtors to current assets of IFCI Venture Capital Funds Limited and IL&FS Limited. The growth in the data relating to the ratio of debtors to current assets of all select sample venture capital institutions was not consistent. Correlation in the growth of the data relating to the ratio of debtors to current assets of all select sample venture capital institutions except Canbank Venture Capital Limited was not proper.

VI. Ratio of Cash Flow from Operations

Ratio of cash flow from operations measures liquidity of a firm by comparing actual cash flows from operations (in lieu of current and potential cash flows such as inventory and debtors) with current liability. Being a cash measure, the ratio does not encounter the problems of actual convertibility of current assets such as debtors and inventory and the need for maintaining minimum levels of these assets. In general, the higher the ratio, the better is a firm's liquidity position. The following formula can be used to compute the ratio of cash flow from operations;

$$\text{Ratio of Cash Flow from Operations} = \frac{\text{Cash Flow from Operations}}{\text{Current Liabilities}}$$

Table No. 03

Ratio of Cash Flow from Operations of Select Sample Venture Capital Institutions in India over a Period of Ten Years from 2007-08 to 2016-17

(In Times)

Year	IFCI Venture Capital Funds Limited	APIDC Venture Capital Limited	Canbank Venture Capital Limited	Infrastructure Leasing and Financial Services Limited	Jacob Ballas Capital India Private Limited
2007-08	1.36	0.03	0.73	9.20	1.68
2008-09	0.08	0.02	0.37	5.68	2.67
2009-10	7.56	0.05	0.09	0.02	0.52
2010-11	92.40	0.06	12.26	0.05	0.02
2011-12	-0.03	0.02	9.09	0.04	0.01
2012-13	0.65	0.01	1.53	0.03	0.02
2013-14	0.27	0.04	22.41	1.79	0.89
2014-15	0.11	0.07	1.75	4.22	0.58
2015-16	0.19	-0.26	1.44	0.76	3.97
2016-17	0.06	-3.89	0.35	3.87	1.53
Mean	10.26	-0.38	5.00	2.56	1.18
SD	28.95	1.23	7.40	3.12	1.30
CV	282.03	-320.83	147.99	121.60	109.71
LGR	-19.12**	58.57**	4.22*	-13.27**	5.43NS
CGR	-	-	11.36**	9.73**	9.22NS
r-value	-0.20NS	-0.55**	0.08NS	-0.33NS	0.15NS

Source: Compiled from Annual Reports of Venture Capital Institutions in India from 2007-08 to 2016-17.

Note: * Significant at 0.05 Level, ** Significant at 0.01 Level, NS- Not Significant at 0.05 Level.

Table 03 depicts the trend in the growth in the ratio of cash flow from operations of select sample venture capital institutions in India over a period of ten years from 2007-08 to 2016-17. It is understood from table 03 that the growth in the time series data relating to cash flow from operations of select sample venture capital institutions was not steady rather it fluctuated from time to time. The mean ratio of cash flow from operations of IFCI Venture Capital Funds Limited was more than the mean ratio of cash flow from operations of Canbank Venture Capital Limited, IL&FS Limited, Jacob Ballas Capital India Private Limited and APIDC Venture Capital Limited. The growth in the time series data relating to the ratio of cash flow from operation of all select sample venture capital institutions of India and abroad operating in India was not consistent since the computed value of CV for the time series data relating to the ratio of cash flow from operations of select sample venture capital institutions in India was more than 50 per cent. The computed LGR for the time series data relating to the ratio of cash flow from operations of IFCI Venture Capital Funds Limited and IL&FS Limited was negative but significant at 1 per cent level of significance. The computed LGR for the time series data relating to the ratio of cash flow from operations of Canbank Venture Capital Limited was positive and significant at 5 per cent level of significance whereas the computed LGR for the time series data relating to the ratio of cash flow from operations of Jacob Ballas Capital India Private Limited was also positive but not significant at 5 per cent level of significance. The CGR for the time series data relating to the ratio of cash flow from operations of Canbank Venture Capital Limited and IL&FS Limited was positive and significant at 1 per cent level of significance. The computed CGR for the time series data relating to the ratio of cash flow from operations of Jacob Ballas Capital India Private Limited was also positive but not significant at 5 per cent level of significance. The computed value of 'r' for the time series data relating to the ratio of cash flow from operations of Canbank Venture Capital Limited and Jacob Ballas Capital India Private Limited was positive but not significant at 5 per cent level of significance. The computed value of 'r' for the time series data relating to the ratio of cash flow from operations of IFCI Venture Capital Funds Limited and IL&FS Limited was negative and not significant at 5 per cent level of significance. Whereas the computed value of 'r' for the time series data relating to the ratio of cash flow from operations of APIDC Venture Capital Limited was negative but significant at 1 per cent level of significance. Therefore, there existed a positive correlation between the years and the time series data relating to the ratio of cash flow from operation of Canbank Venture Capital Limited and Jacob Ballas Capital India Private Limited whereas the correlation between the years and the ratio of cash flow from operations of IFCI Venture Capital Funds Limited, APIDC Venture Capital Limited and IL&FS Limited was negative between the years and the time series data relating to the ratio of cash flow from operations of IFCI Venture Capital Funds Limited, APIDC Venture Capital Limited and IL&FS Limited. The growth in the data relating to cash flow from operations of select sample venture capital institutions was not steady and consistent. The ratio of cash flow from operations of IFCI Venture Capital Funds Limited, Canbank Venture Capital Limited, IL&FS Limited and Jacob Ballas Capital India Private Limited was significant.

Table No. 03 A

The results of the Analysis of Variance (ANNOVA) computed for the time series data relating to the Ratio of Cash Flow from Operations of Select Sample Venture Capital Institutions in India over a period of ten years from 2007-08 to 2016-17

Source of Variation	SS	df	MS	F	P-value
Time Periods	116.278	9	12.92	0.70668	0.6976NS
Venture Capital Institutions	156.437	4	52.146	2.85225	0.0559*
Error	493.622	36	18.282		
Total	766.337	49			

Note: NS – Not Significant at 0.05 Level, * Significant at 0.05 Level.

Table 03A shows the analysis of variance of ratio of cash flow from operations of select sample venture capital institutions in India over a period of ten years from 2007-0 to 2016-17. It is understood from table 03A that there was no significant difference between the time periods, the given P-value (0.6976) which was not significant at 0.05 per cent level of significance. The analysis of variance within the venture capital institutions was highly significant at 0.05 per cent level of significance. The calculated F value (2.85225) was less than the F critical value (3.33). Hence the null hypothesis (H_0) is accepted at 0.05 per cent level of significance.

VII. Conclusion

From the foregoing analysis above one can infer that the current assets ratio computed for the time series data relating in IFCI Venture Capital Funds Limited was very much high. Therefore the current assets were ideal with IFCI Venture Capital Funds Limited, Canbank Venture Capital Limited, APIDC Venture Capital Limited and the current assets of IL&FS Limited were moderate. The ratio of debtors to current assets of Jacob Ballas Capital India Private Limited and APIDC Venture Capital Limited was much higher than the ratio of debtors to current assets of IFCI Venture Capital Funds Limited and IL&FS Limited. The growth in the data relating to the ratio of debtors to current assets of all select sample venture capital institutions was not consistent. Correlation in the growth of the data relating to the ratio of debtors to current assets of all select sample venture capital institutions except Canbank Venture Capital Limited was not proper. The growth in the data relating to cash flow from operations of select sample venture capital institutions was not steady and consistent. The ratio of cash flow from operations of IFCI Venture Capital Funds Limited, Canbank Venture Capital Limited, IL&FS Limited and Jacob Ballas Capital India Private Limited was significant.

References

1. Bhavesh P Chandamiya and Mital R Menapara, "Working Capital Management – Indicators of short term financial health", Indian Journal of Research, Vol. No. 1, Issue No. 3, March 2012, pp 113-115.
2. Richard Kofi Akoto, Dadson Awunyo Vitor and Peter Lawer Angmor, "Working Capital Management and Profitability: Evidence from Ghanaian listed Manufacturing Firms", Journal of Economics and International Finance, Vol. No.05, Issue No. 09, Dec 2013.
3. Annual Reports of IFCI Venture Capital Funds Limited from 2007-08 to 2016-17.
4. Annual Reports of APIDC Venture Capital Limited from 2007-08 to 2016-17.
5. Annual Reports of Canbank Venture Capital Limited from 2007-08 to 2016-17.
6. Annual Reports of Infrastructure Leasing and Financial Services Limited from 2007-08 to 2016-17.
7. Annual Reports of Jacob Ballas Capital India Private Limited from 2007-08 to 2016-17.