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Working Capital Management in IMRB: An Exploration

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ABSTRACT

Working capital management concerned it the problems arise in attempting to manage the current assets, the current liabilities and the inter relationship that exists between them. The statement of the problem under study is working capital analysis depends to a larger extent on the study of each asset by calculating ratios, preparing fund flow statement etc. these techniques helps us in scientific decision making process or in deciding the efficiency in utilizing working capital. The research organizations alike IMRB are more in need of this working capital to have a smooth flow of the research processes. Excessive working capital will lead to idle of funds or unproductive funds. Shortage of working capital will leads to operational inefficiency. Optimal working capital will produce the optimal utilization. Thus, this study has brought into light on various real situations of working capital management conditions are one among the emerging issues in the contemporary management scenario which has to be take serious concern to revamp and align with required norms with a number of constant verifications and management.

Keywords: Working Capital Management (WCM), Financial Management (FM), Research Organizations.

I. INTRODUCTION

Financial management is concerned with the management of finance function of the management. It refers to all those managerial activities which are the concerned with the ascertainment of the finance. Short term as well as long term needed by the firm determination of the source suitable under the given circumstances and collections of the funds in time and control over the utilization of the funds. Business finance is that part of business activity which is concerned with the result in the acquisition of capital funds in meeting financial needs and overall objectives of business enterprises". It draws heavily on the related discipline and fields of the study namely economic, marketing, production, and quantitative methods. This has laid greater emphasis on the financial requirements of the BIS. Almost all kinds of business activities directly or indirectly involve in the acquisition and use of the funds therefore it is in the next context use may define "Finance the life blood of business". Financial management is concerned with the management decisions that result in the acquisition and financing of short term and long term assets for the firm. The analysis of this is based on the expected inflows of fund and their effects upon managerial objectives.

IMPORTANCE OF FINANCIAL MANAGEMENT

- It helps the managers and the entrepreneurs in getting are the problems and accomplishing their profit maximization goal.
- Its knowledge helps in decision making in especially pertaining to investment
- The financial management helps in profit planning capital budgeting controlling inventories and account receivables etc.
- It helps firm in optimizing the out from a given input of funds.
- It helps in allocation of coming between payments to share holders and retained earnings.

Objectivies Of Financial Management

- To maintenance of adequate liquid assets in the firm.
- This objective implies that financial management should insure that there are adequate cash in hands of the firm at all times to meet its obligations.

II. COMPANY PROFILE OF IMRB

Kantar IMRB is one of the premier sources for market research and consultancy services throughout South Asia, the Middle East and North Africa. IMRB was built up in 1970 to give statistical surveying administrations to the customers of Hindustan Thompson Associates. Early customers included quick moving purchaser products organizations, for example, Unilever, ITC, Pond's, and Horlicks. The underlying decade saw quick venture into new ranges of business, with the main subjective review being directed before the decades over, and IMRB spearheading psephology in India through a continuous arrangement of feeling survey studies for India Today, that effectively anticipated Congress' triumph in the 1980 general decision. Resulting decades saw the improvement of new verticals, with the formation of specific units and the offering of a few syndicated explore items. IMRB additionally assumed a vital part in the institutionalization of statistical surveying hone in India, and was in charge of the creation in 1983 of the Socio-Economic Classification framework, a strategy now utilized crosswise over India to characterize target groups of onlookers.

In 1987, as an originator individual from the MRSI, it developed industry wide sets of accepted rules, and measures for study information gathering that are still being used today. With the worldwide procurement of J. Walter Thompson by Sir Martin Sorrell in 1987, IMRB turned into a constituent of WPP and proceeded with its pace of development, becoming more than 25% for each annum through the 1990s under the authority of Ramesh Thadani. The 1990s saw the production of particular units concentrating on advancement look into, representative fulfillment, dependability projects, innovation and media and the procurement of a few new multinational customers. IMRB's bits of knowledge additionally assumed a part in the advancement of a few new items for real Indian brands, for example, Marico, Bingo Chips, Godrej and Dabur and at this point upheld 40 out of main 50 marks in India. In 2002, as a major aspect of a procedure of rebranding, it changed its name from the Indian Market Research Bureau to IMRB International, embraced another logo, and started a procedure of quickly growing its worldwide administrations.

This was joined by a move from its workplaces at Esplanade Mansion to its present premises in Dadar, Mumbai. As a component of geological extension, IMRB set up LMRB in Colombo, Sri Lanka in 1981 and AMRB in 1999 with central station in Dubai and workplaces all through the Middle East and North Africa.vIn 1996, alongside the Manufacturers' Association for Information Technology (MAIT) IMRB started the intermittent ITOPS review which screens the IT equipment showcase among families and organizations. Since 1998, in a joint effort with the Internet and Mobile Association of India (IAMAI), an industry body IMRB additionally began giving a progression of yearly syndicated inquire about reports named I-Cube which overviews the on the web and portable scene in India. All the more as of late, in 2010 IMRB propelled the Web Audience Measurement (WAM) framework, India's initially institutionalized web gathering of people estimation framework in view of a board.

III. CONCEPT OF WORKING CAPITAL MANAGEMENT

The management of working capital is on integral part of overall corporate management. Working capital management is one of the most important aspects of financial management. It forms a major function of the finance manager and accountant. Management of working capital refers to the management of assets as well as current liabilities. The major thrust of course is on the management current assets. This is understandable because current liabilities arise in the contexts of current assets. Working capital management means management or administration of all aspects of working capital that is assets and current liabilities. “Working capital management concerned it the problems arise in attempting to manage the current assets, the current liabilities and the inter relationship that exists between them”.

Working capital is significant facts of financial management its important stems from two reasons; invest in current assets represents a substances portion of total investment. Investment in current assets and the level of current liabilities have to be geared quickly to changes in sales.

It is basic objective to be managing the firms and working capital (I.e., current assets and current liabilities). Working capital is defined as “the excess of current assets and liabilities and provisions”. But as per accounting terminology, it is the difference between the inflow and outflow of funds. In the annual survey of industries (1961), working capital is defined to include “stocks of materials, fuel, semi-finished goods including work in progress and finished goods and by-products; cash represented by Outstanding factory payments e.g. rent wages, interest and dividend.

Purchase of goods and services; Short-term loans and advances and sundry debtors comprising amounts due to the factor on account of sale of goods and services and advances towards tax payments” The need for working capital cannot be over emphasized. Every business needs some amount of working capital. The need for working arises due to the time gap between production and realization of cash from sales. There is an operating cycle involved into sales and realization of cash from sales. There is no operating cycle involved in the sales and realization of account. There are time gaps in purchases of raw materials and production, sales, and realization of each. Thus, working capital needs the following needs.

IV. RESEARCH DESIGN &METHODOLOGY

Statement Of The Problem

The statement of the problem under study is working capital analysis depends to a larger extent on the study of each asset by calculating ratios, preparing fund flow statement etc. these techniques helps us in scientific decision making process or in deciding the efficiency in utilizing working capital.

Objective Of The Study

The objectives of this study are as follows:

- To study the management of cash, inventories, and receivables in IMRB.
- To analyze the trend and role of working capital management of IMRB.
- To compose constructive suggestions for the developments of IMRB.

Scope of the Study

The study covers certain key factors affecting finance of the entire IMRB. This study is concerned with working capital management with the help of financial statements by using various techniques. Working capital management has its own importance in IMRBs as it will be more of service rendering institutions rather than of profit oriented units and so it has to minimize its costs incurred on various activities undertaken in the IMRB.

Data Collection

Financial statements of IMRB, which include balance sheet, income statement, fund flow statement, cash flow statement (2010 to 2012) are studied. This study did not use the primary data. The secondary data are those, which have been collected and compiled for another purpose. Generally speaking secondary data information is something that has been previously published by some organization booklets, magazines, or other journals and periodicals. The secondary data are cheaper than primary data but they can also be obtained more quickly.

Data Analysis & Interpretations

Analysis is the process of critically examining in detail accounting information given in the financial statements. For the purpose of analysis individual items are studied, their inter relationship with other related figures established, the data is sometimes re-arranged to have better understanding of the information with the help of different techniques or tools for the purpose. In the words of MYER "Financial Statements Analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements." The analysis of financial statements thus refers to the information contained in the Financial Statements in a way so as to afford a full diagnosis of the profitability and financial position of the firm concerned.

- **Analysis On Current Assets Of Imrb**
  - The Current Assets has been increased from year to year. In the year 2010, 2011 and 2012 the amounts are 12597.75, 12602.55 and 12735.95 respectively.
- **Analysis On Current Liabilities**
  - Current Liabilities has been increased at a percentage of 16.72 and 7.96.
- **Analysis On Working Capital Position**
  - The Net Working Capital has been decreased by 11.4% in the year 2011, even in the year 2012 it has been decreased by 5.18%.
- **Analysis On Current Ratio**
  - Current Ratio is satisfactory in the year 2010-11 and 2011-12, but it is not satisfying the idle ratio (2:1) in the year 2011-12.
- **Analysis On Quick Ratio**
  - The Quick Ratio is more than the idle ratio fixed by the experts; it should be consumed to the idle ratio.
- **Analysis On Cash Ratio**
  - The Cash position of the IMRB is not sufficient to Re-pay the Current Liabilities.
- **Analysis On Net Profit To Working Funds Ratio**
  - The above table shows the relationship between Net Profit and Working Fund. The ratio has been increased in the year 2012 by 3.26%.

- **Analysis On Total Income To Working Funds Ratio**
- The above table shows the relationship between Total incomes to Working Fund. The ratio has got increased from year to year i.e. in 2010, 2011 and 2012 the ratios were 14.33, 27.45 and 33.67 respectively.
- **Analysis On Interest Income To Working Funds Ratio**
- The above table shows the relationship between interest income and working funds. In the year 2010 the ratio is 14.21, but it was decreased in the year 2011 by 5.15 which was recovered in the year 2012 by getting the percentage of 13.58.
- **Analysis On Current Depposits To Total Deposits Ratio**
- The above table shows the relationship between Current Deposit and Total Deposit. The ratios are increased from year to year. In the year 2010, 2011 and 2012 the ratios are 4.31%, 4.35% and 4.68% respectively.
- **Analysis On Savings Deposits To Total Deposits Ratio**
- The above table shows the relationship between Savings Deposit and Total Deposit. In this table the ratio is varying constantly i.e. in year 2010 it was 29.06%, it got increased in 2011 which was 33.29% and again in 2012 it got down to 29.90%.
- **Analysis On Non-Interest Income To Working Funds Ratio**
- The above table shows the relationship of Non-Interest Income and Working Funds. In the years 2010, 2011 and 2012 the ratios are 0.11, 23.14 and 20.09 respectively.
- **Analysis On Return On Total Assets**
- The above table shows return on total assets for three years. It has got improve from year to year.
- **Analysis On Outsiders Fund To Working Fund Ratio**
- The above table is showing the relationship between Working Funds to Outsiders Fund. The percentage has increased from year to year i.e. in 2010, 2011 and 2012 the ratios are 125.49, 165.30 and 223.34 percents respectively.
- **Analysis On Shareholders Fund To Woking Fund Ratio**
- The above table has shown the relationship between shareholders fund to working fund ratio, which has improved from time to time.
- **Analysis On Fixed Assets To Working Fund Ratio**
- The above table shows the relationship between fixed assets and working funds. The ratio has improved from year to year i.e. in years 2010, 2011 and 2012 the ratios were 16530.97, 22938.86 and 25734.54 respectively.
- **Analysis On Investment To Working Fund Ratio**
- The above table shows the relationship between investments and working funds. Variations can be observed in the table from year to year.
- **Analysis On Term Deposit To Total Deposit Ratio**
- The above table shows the relationship between term deposit and total deposits. In the year 2010 the ratio got decreased, but it was recovered to an extent in the year 2012.
- **Analysis On Total Deposit To Working Fund Ratio**
- The above table shows relationship between total deposits and working funds. The ratio in the year 2010 is 36.22 but in the year 2011 and 2012 it has decreased to 26.79 to 20.02.
- **Analysis On Total Expeniture To Working Fund Ratio**
- The above table shows relationship between total expenditure and working funds. In this relationship the ratio increases from year to year i.e. 20.96 to 35.55 in the year 2011 but in 2012 it have been decreased to 30.40.

V. FINDINGS

- The Current Assets of IMRB has been increased from 2010-2011 and 2011-12 at a percentage of 0.038 and 1.05 without any reduction in the value.
- The IMRB has sufficient Current Assets to meet the obligation of Current Liabilities Working Capital: The working capital of a business is the excess of current assets over current liabilities; this is computed by subtracting current liabilities from the current assets. The resulting working capital figure is taken as one of the primary indications of the short term solvency of the business. (Working Capital = Current Asset – Current Liability)
- The Working Capital of the IMRB is not satisfactory where it has been continuously decreasing from year to year. Current ratio is sometime referred to as working capital ratio or IMRBer's ratio. It expresses the relationship of current assets to current liabilities. It is widely used as a broad indicator of a company's liquidity and short term debt paying ability.
- The IMRB is performing with the low rate of Current assets against the Current Liabilities where the short term solvency position of the IMRB is not satisfactory.
- Though the Quick Ratio of IMRB is more than the idle ratio (1:1), it is operating its activity in a safer manner and so it is satisfactory also.
- In the year 2009-10 the Cash Ratio of IMRB has been increased by 4755.08 and in the year 2010-11 it has been decreased by 5522.87 and in the year 2011-12 it has been decreased by 5977.56.

- The decrease in the Net Profit Ratio of IMRB in the year 2010 and 2011 due to accumulated losses. But in the year 2012 it has been increased by 3.26%.
- The constant increase of funds of IMRB in all the years. The increase may be due to efficient use of the working fund in the IMRB.
- The fluctuating ratios of IMRB in three years which may be due to ineffective action plan adopted.
- As the IMRB has adopted a very good action plan the current deposits to total deposits ratio.
- The increase and decrease of IMRB in the ratio between savings deposit and total deposit which may be due to improper schemes provided by the IMRB.
- The Non-Interest income of IMRB to Working Fund Ratio in which it is indicating that the income is in-efficiently used in the year 2010 which went improving further.
- As proper action was taken by the IMRB the losses were recovered to an extent and hence the net profit has got improved.
- The IMRB has raised outsiders fund efficiently and also has made an effective use of it. In the same way it has taken care of working funds.
- Both the shareholders fund and working funds of IMRB are efficiently made use in the regular IMRB activities.
- It is found that IMRB is efficiently maintaining good relationship between fixed assets and working funds.
- It is found that efficient use of investments as working funds in the year 2010 when compared to 2011 and 2012.
- It is inferred that share of tem deposits in the total deposits in IMRB.
- The Working Fund Ratio is decreased from year to year, i.e., from 36.22 to 26.79 and it has again got declined in the year 2012 by having the ratio of 20.02.
- The comparison of Working Fund Ratio of 2010 and 2011 it is increased in the year 2012.

VI. SUGGESSTIONS

- Give incentives to customers who pay on time. Identifying delinquency early and taking prompt action will prevent accounts from aging too much. Do not transact business with customers who have a history of defaulting.
- Ensure that all debt obligations are met on time. Use electronic payment systems to ensure timely payments, and avoid situations that delay payments and attract penalty.
- Discounts from vendors will help save finances. Maintain a good relationship with them. When your company is facing a cash flow crunch, this relationship will go a long way in receiving some leniency.
- Determine whether fixed and variable costs can be reduced. If you examine carefully, it will be able to identify expenses that are wasteful. By eliminating such expenses, it will have more liquidity for working capital.
- You should examine the interest on loans or other forms of fixed debt. Check whether you are eligible for a modification in interest rates and thereby pay a lower fixed amount every month. Early clearing of loans can help reduce the cost of paying future installments. All this is saving, and can be added to the working capital.
- Do not overstock your inventory. Make sure that finished goods are sold as soon as possible and are not idling away in the warehouse. Cut products and services that is not performing.
- Automating allows you to track inflows and outflows with ease. Make sure you have strong collection teams to chase delinquent customers. Reward staff members who are able to collect dues effectively.
- Resolve disputes with customers and vendors as early as possible. If a case goes to court, make sure that it is resolved without undue delay so that unnecessary legal expenses are not incurred. Receivables held up because of disputes are a major cause for concern for many companies.
- The working capital position can always be improved by earning higher profits, issuing company stock, taking on more debt, and selling assets for cash. However, these strategies should only be considered as the last resort.
- Tax incentives save money, which can then subsequently be channeled into the working capital funds.

CONCLUSION

Working capital is a daily necessity for businesses, as they require a regular amount of cash to make routine payments, cover unexpected costs and purchase basic materials used in production of goods. Working capital is an easily understandable concept, as it is linked to an individual's cost of living and, thus, can be understood in a more personal way. Individuals need to collect money they are owed and maintain a certain amount on a daily basis to cover day-to-day expenses, bills and other regular expenditures.Thus this paper has studied the management of cash, inventories, and receivables in IMRB, analyzed the trend and role of working capital management of it and also composed constructive suggestions for its continuous developments.

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