<u>SUMMER PROJECT REPORT</u>

"**A Study On Working Capital Management**"

Submitted to:
RashtrasantTukadojiMaharaj Nagpur University,
Nagpur

Submitted by:
Laxmi Gajanan Thakur

Company Guide:
Mr. Anup Mangle

Faculty Guide:
Prof.Geeta Naidu

Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur
NAAC Accredited "A" Grade Institution Academic
Year 2020-21

SUMMER PROJECT REPORT

"A Study On Working Capital Management”

Submitted to:
Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur

Submitted by:

Laxmi Gajanan Thakur
Company Guide:

Mr. Anup Mangle

(Bank Manager)

Faculty Guide:-

Dr. Geeta Naidu

Department of Management Sciences and Research, G.S. College of Commerce & Economics, NagpurNAAC Accredited “A” Grade Institution

CERTIFICATE

This is to certify that the investigation described in this report titled "**A Study On Working Capital Management**" has been carried out by **Ms. Laxmi Thakur** during the summer internship project.The study was done in the organisation, **Bank of India**, in partial fulfillment of the requirement for the degree of Master of Business Administration of **R. T. M. Nagpur University, Nagpur.**This work is the own work of the candidate, complete in all respects and is of sufficiently high standard to warrant its submission to the said degree. The assistance and resources used for this work are duly acknowledged.

Dr. Ashwini Purohit

(Director)

ACKNOWLEDGEMENT

It is a matter of pride and privilege for me to have done a summer internship project in "**Bank of India**" and I am sincerely thankful to them for providing this opportunity to me.

I am thankful to "**Mr. Anup Mangle"** for guiding me through this project and continuously encouraging me. It would not have been possible to complete this project without his / her support.

I am also thankful to all the faculty members of Department of Management Sciences and Research, G S College of Commerce and Economics, Nagpur and particularly my mentor for helping me during the project.

Finally, I am grateful to my family and friends for their unending support.

Laxmi Gajanan Thakur

Introduction of Working Capital

In a perfect world, there would be no necessity for current assets andliabilities because there would be no uncertainty, no transaction costs,information search costs, or production and technology constraints. The unitcost of production would not vary with the quantity produced. Borrowing andlending rates shall be same. Capital, labour, and product market shall beperfectly competitive and would reflect all available information, thus in suchan environment, there would be no advantage for investing in short term assets.

However the world we live is not perfect. It is characterized byconsiderable amount of uncertainty regarding the demand, Market price,quality and availability of own products and those of suppliers. There aretransaction costs for purchasing or selling goods or securities. Information iscostly to obtain and is not equally distributed. There are spreads between theborrowings and lending rates for investments and financings of equal risks.Similarly each organization is faced with its own limits on the productioncapacity and technologies it can employ there are fixed as well as variablecosts associated with production goods. In other words, the markets in whichreal firm operated are not perfectly competitive.

In simple words working capital is the excess of current Assets overcurrent Liabilities. Working capital has ordinarily been defined as the excess ofcurrent assets over current liabilities. Working capital is heart of the business Ifit is weak business cannot proper and survives. It is therefore said the fate oflarge scale investment in fixed assets is often determined by a relatively

smallamount of current assets. As the working capital is important to lifeline ofcompany. If this lifeline deteriorates so that the company ability to fundoperation, re-invest do meet capital requirements and payment.Understanding company`s cash flow health is essential to making investmentdecision. A good way to judge a company`s cash flow prospects is to look at its working capital managemen.

These real world circumstance introduce problem`s which require thenecessity of maintaining working capital. For example, an organization may befaced with an uncertainty regarding availability of sufficient quantity of crucialimputes in future at reasonable price. This may necessitate the holding ofinventory, current assets. Similarly an organization may be faced with anuncertainty regarding the level of its future cash flows and insufficient amountof cash may incur substantial costs. This may necessitate the holding of reserveof short term marketable securities, again a short term capital assets. In corporate financial management, the term working capital management (net) represent excess of current assets over current liabilities.

Profile of Bank of India

Bank of India was founded on 7 September 1906 by a group of eminent businessmen from Mumbai, Maharashtra, India. The Bank was under private ownership and control till 19 July 1969 when it was nationalised along with 13 other banks.

Beginning with one office in Mumbai, with a paid-up capital of ₹5 million (US$70,000) and 50 employees, the Bank has made a rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations. In business volume, the Bank occupies a premier position among the nationalised banks.

The bank has over 5,100 branches in India spread over all states and union territories including specialized branches. These branches are controlled through 54 zonal offices. There are 60 branches, 5 subsidiaries, and 1 joint venture abroad.

The Bank came out with its maiden public issue in 1997 and follow on Qualified Institutions Placement in February 2008.

The board of Bank of India is examining the possibility of merger with other banks, based on the synergy in business According to Dinabandhu Mohapatra, Managing Director and Chief Executive Officer said on 17 September 2017 that the bank is in the process of strengthening its systems and processes before exploring merger possibilities.

Branches:-

Bank of India has 5316 branches as of 31 March 2019, including 56 offices outside India, which includes five subsidiaries, five representative offices, and one joint venture. BoI is a founder member of SWIFT (Society for Worldwide Inter Bank Financial Telecommunications), which facilitates provision of cost-effective financia processing and communication services.

It offers savings, checking, credit cards, and ATM services, as well as personal loan services including mortgage, car, and vacation loans. The bank's branches specialize in different areas such as corporate banking (credit), overseas branches (foreign exchange), and NRI offices (expat Indians).

ATM services:-

BOI provides easy access to money to its customers through ATMs in india.

As of April 2017, the NFS Network connects total of 2,36,199 ATMs in India. Among them 2,16,952 ATMs of 99 Direct Member banks, 4,058 ATMs of 692 Sub Member banks, 1,034 ATMs of 56 RRB Member banks and 14,146 ATMs of 8 White Label ATM providers, which is the largest number of ATMs under a single network in India.

Vision and Mission :-

Vision:-

" To become the bank of choice for corporates common medium business and upmarket retail customers and developmental banking for small business, mass market and rural markets."

Mission:-

" To provide superior, proactiv banking service to niche markets globally, while providing cost effective, responsive service to others in our role as a development bank, and in doing so, meet the requirements of a stakeholders."

SWOT Analysis of BOI :-

Strength of BOI:-

Strong branch network

Capital position

Increasing profits

Weaknesses of BOI:-

Decreasing asset quality

The absence of good financial services/products

Opportunities of BOI:-

- International business
- UID/Adhar based customer base
- Grow in Indian banking industry
- Improving products and services

Threats of BOI:-

- Intense competition
- Burden of NPA
- Declining brand equity

Working capital management

Working capital refers to a firm's investment in short term assets-cash, shortterm securities, accounts receivable and inventories.

Working capital can be classified either on the basis of its concept or on thebasis of periodicity of its requirement.

(I) On the basis of concepts there are two concepts of working capital: -

1. Gross Working Capital

2. Net Working Capital

Gross Working Capital:-

Gross working capital refers to the firm's investment in current assets. Currentassets are assets that can be converted into cash within an accounting year.Current assets include cash and bank balance, Short-term securities, debtors,bills receivables and inventory.

Gross Working Capital concept focuses attention on two aspects of currentassets management.

(a) Optimum investment in current assets

(b) Financing of current assets.

Net working capital:-

Net working capital refers to the difference between current assets andcurrent liabilities.

Current liabilities are those claims of outsiders, which areexpected to mature for payment within an accounting year and include billspayable and outstanding expenses. Net working capacity indicates the liquidityposition of the firm. Generally net working capacity is referred to as workingcapital.

(II)On the basis of requirement:-

According to Gestenberg, the working capital can be classified into permanent or regular working capital and variableworking capital.

Operating Cycle

It is clear that working capital is required because of the time gap between thesales and their actual realization in cash. This time gap is technically termed as operating cycle of the business. Funds required investing in inventories;debtors and other current assets keep on changing shape and volume. Like acompany has some cash in the beginning. This cash may be to the suppliers of raw material, to meet labour costs and other overheads. These three combined would generate WIP, which will be converted into finished goods oncompletion of production process. On sale these finished goods gets converted into debtors and debtors pay, the firm will again have cash.

Objectives of working capital management

The basic objective of working capital is to provide adequate support for the smooth functioning of normal business operations of a company. The term adequate working capital is subjective depending on management's attitude towards uncertainty/risk.

1) Maintenance of working capital.

2) Availability of ample funds at the time of need.

Needs of Working Capital Management

The need for working capital gross or current assets cannot be over emphasized. As already observed, the objective of financial decision making is to maximize the shareholders wealth. To achieve this, it is necessary to generate sufficient profits can be earned will naturally depend upon the magnitude of the sales among other things but sales can not convert into cash. There is a need for working capital in the form of current assets to deal with the problem arising out of lack of immediate real realisation of cash against goods sold. There for sufficient working capital is necessary to sustain sales activity. Technically this 10 is refers to operating or cash cycle. If the company has certain amount of cash, it will be required for purchasing the raw material may be available on credit basis. Then the company has to spend some amount for labour and factory overhead to convert the raw material in work in progress, and ultimately finished goods. These finished goods convert into sales on credit basis in the form of sundry debtors. Sundry debtors are converting into cash after expiry of credit period. Thus some amount of cash is blocked in Raw materials, WIP, Finished goods, and sundry debtors and day to day cash requirements. However some part of current assets may be finished may be financed by the current liabilities also. The amount required to be invested in this current assets is always higher than the funds available from current liabilities. This is the precise reason why the needs for working capital arise.

Analysis of Working Capital

- The first step of analyzing of working capital begins by determining current assets.

- Current assets are comprised of cash, marketable securities, accounts receivable and current inventory.
- The sum of the total value of each of the above is called the current assets.

- The second step is determining of current liabilities.
- Current liabilities include accounts payable, accrued expenses, notes payable and the portion of long-term debt that is classified as current.
- The sum of all of these above mention accounts are called current liabilities figure.

- Take the total of the current assets and subtract them from the current assets.

- The result will be the working capital.
- In other words, current asset minus current liabilities equals to working capital

Analysis of Assets and Liabilities

From the balance sheet of BOI :-

particulars	Mar-20	Mar-19
Assets		
cash and due from bank	659,471.95	748,578.78
other Earning Assets, total	1,813,715.96	1,692,748.25
Net loans	3,706,440.85	3,429,663.40
property/plant/Equipment,total-net	90,579.85	89,990.78
property/plant/Equipment,total-gross	122,598.95	118,854.15
accumulated depreciation, total	-32,019.10	-28,863.38
long term investment	16,131.77	16,323.09
other long term assets, total	137,603.95	119,357.30
other assets, total	206,244.08	212,177.49
Total assets	**6,630,188.40**	**6,308,839.09**
Liabilities		
account payable	19,554.59	20,349.04
total deposits	5,573,864.27	5,225,549.62
total short term borrowings	11,271.67	12,824
total long term dept	397,524.66	442,651.92
long term dept	397,524.66	442,651.92
deferred income tax	16.85	28.82
minority interest	1,514.16	1,621.54
other liabilities, total	175,710.72	129,294.66
Total liabilities	**6,179,456.91**	**5,832,319.62**

Findings

- working capital of the company was increased and showing positive working capital per year. It shows good liquidity position.
- positive working capital indicates that company has the ability of payments of short term liabilities.
- In the year of 2019-2020 the company's working capital has increase.

Suggestions

- Current assets should not be exceeding over because it is increase the investment of the company.
- The net working capital should be in a balance condition it should not be fluctuate excessively.
- There should maintain proper management in inventory.