

# **SUMMER INTERNSHIP PROJECT**

**“STUDY OF WORKING CAPITAL MANAGEMENT WITH REFERENCE  
TO ARVIND SAHAKARI BANK LTD.”**

**Submitted To:**

**DMSR**

**G.S. College of Commerce & Economics, Nagpur**

**( An Autonomous Institution )**

**Affiliated To :**

**Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur**

**Submitted by:**

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**Department of Management Sciences and Research,**

**G. S. College of Commerce & Economics, Nagpur**

**NAAC Accredited “A” Grade Institution**



**Academic Year 2021- 22**



## CERTIFICATE


This is to certify that the investigation described in this report titled “**Study of Working Capital Limit**” has been carried out by **Ms. Neha Raju Girhale** during the summer internship project. The study was done in the organization, **Arvind Sahakari Bank Ltd.**, in partial fulfillment of the requirement for the degree of Master of Business Administration of **DMSR, GS College of Commerce & Economics ( An Autonomous Institution )** Affiliated to **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. Kamlesh Thote**  
( Faculty Guide )

**Dr. Sonali Gadekar**  
( MBA Coordinator )

# CERTIFICATE

 **ISO 9001:2015 CERTIFIED**  
**ARVIND SAHAKARI BANK LTD.**

REGD NO. N.G.P./B.N.K/0/119/97-98  
HEAD OFFICE/BANCH:- MAIN ROAD, KATOL, DIST- NAGPUR, 441302  
Date:-28<sup>th</sup> December, 2021

Ref No.:-ASBL/SIP/441/2021-22

To,


The Principal,  
Department of Management Science  
& Research,  
G.S. College of Commerce & Economics,  
Law College Square, Amravati Road,  
Civil Lines, Nagpur, 440001


**Sub:- Project Report on "Study of Working Capital, with reference to Arvind Sahakari Bank Ltd" by Miss. Neha Raju Girhale.**

Sir,

This is to certify that, Miss. Neha Raju Girhale, Student of MBA of your College, has completed the above project successfully in our Bank on the subject **"Study of Working Capital, with reference to Arvind Sahakari Bank Ltd., Katol, Dist- Nagpur."** She has completed the project in nearly about 45 days time.

Your's faithfully,  
For, Arvind Sahakari Bank Ltd.

  
C.E.O.  
Arvind Sahakari Bank Ltd.



☎ : 07112-222710, 📠 : 07112-224101, 🌐 : [www.arvindbank.com](http://www.arvindbank.com)

## ACKNOWLEDGEMENT

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

I am thankful to “**Mr. Raja Rao**” for guiding me through this project and continuously encouraging me. It would not have been possible to complete this project without his 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 “**Prof. Kamlesh Thote**” for helping me during the project.

I am very thankful to the principal of G. S. College of Commerce & Economics, Nagpur “**Dr. N. Y. Khandait**” & to the Dean of DMSR, “**Mr. Anand Kale**” for their support and encouragement.

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

**Neha Raju Girhale**

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## **Introduction**

“Cash is the life-blood of business” is an often-repeated maximum amongst financial managers. Working Capital Management refers to the management of current or the short-term assets and short-term liabilities. Components of short-term assets include inventories, loans and advances, debtors, investments and cash and bank balances. Short term liabilities include creditors, trade advances, borrowing and provisions. The major emphasis is, however on short term assets, since short term liabilities arise in the context of short-term assets. It is important that banks minimize risk by prudent working capital limit.

The term “Working Capital” may mean Gross working capital or net working capital. Gross working capital means current assets. Net working capital means current assets fewer current liabilities. Unless otherwise specified, working capital means net working capital. As such, working capital management refers to proper management of current assets and current liabilities.

The objective of working Capital Management is to ensure optimum investment in current assets. In other words, working Capital Management intent to ensure that the investment in current assets is reduced to the minimum possible extent. However, the normal operations of the organization should not be affected adversely. Relation between current assets and current liabilities of a business firm is called management of working capital.

The assets which can be converted into the form of cash or used during the course of normal operations within a short span of time say one year, without any reduction in value are referred as current assets. Current assets change the shape very frequently. The current assets ensure smooth and fluent business operations and are considered to be life-blood of business.

## **Statement Of the Problem :**

The project deals with the study about “working capital limit” in “Arvind sahakari bank limited Katol”. The sufficiency of Working capital assists in raising credit standing of a business because of better terms on goods bought lesser cost of manufacturing due to the acceptance of cash discounts favorable rates of interest etc. Working capital needs of every organization varies depending upon various parameters. For assessing the working capital limits, the bank should analyze the business operations in detail and credit worthiness of the organization. Based on business operations, type of industry, creditworthiness and other parameters working capital needs are assessed. For all organization a single method cannot be applied for assessing the limits. Different methods should be used based on suitability to the organization and acceptability by the banks.

## Company Profile

Arvind sahakari bank Ltd. Katol, dist. Nagpur, started its auspicious beginning from first January 2000 as per Reserve Bank of India commence to business certificate.

The bank was registered under Maharashtra state cooperative societies act, 1960 on 18<sup>th</sup> March 1998, vide registration no NGP/BNK/0/119/97.98. The bank received RBI license on 9<sup>th</sup> October 1998 vide letter no. UMD/MAH/1622P and is governed by the various section of banking regulation act 1949 (A.A.C.S.).

The bank was fully computerized from the year 2002 and has shown tremendous progress at all the levels of the bank.

### **Bank's Share Capital :**

As on 31/3/2021 the capital was rs. 30.00 crore. The share capital has increased by 2.75 crore this year. The number of members in the year 2018 was 13551. It has become 16500 in the year 2021.

### **Reserve Fund :**

At the end of March 31, 2021, the banks' reserve fund was rs. 9.65 crore.

### **Bank Deposits :**

Bank deposits stood at rs. 609.45 crore as on March 31, 2018. As on March 31, 2021, the interest is rs. 880.00 crore. Deposits have increased significantly by 15.60% in the current financial year.

### **Investment :**

As per the guidelines Laid down by the Reserve Bank of India, its banks have invested rs. 205.00 crore in government securities as on 31/3/21



**Bank loan :**

As on March 31, 2018, the loan interest was rs. 332.63 crore. The bank's credit has increased by 12.91% in the current year and the Bank has provided various types of loans to needy people at all levels in the current year.

**Profit :**

The bank has made a profit of rs. 3.95 Crore as on March 31, 2018 and rs 4.48 crore as on March 31, 2019 in the financial year.

Due to wholehearted support of our shareholders and account holders we are standing on the firm financial foothold. The bank is working with complete transparency and has received acclaim for its clean administration. "Arvind Sahakari Bank Ltd" has created a niche not in Katol but also in adjacent talukas and is the number one bank (deposit and turnover wise), since last many years in Katol and nearby areas.

It's theme where "Service Is the Way of Life" is well accepted and appreciated by lot of shareholders and account holders.

## **AWARDS**

- Late Padmabhushan Vasantdada Patil Utkrushta Nagri Sahakari Bank Award. 2016-17, 2017-18, 2018-19, 2019-20.
- Banko Award 2016-17, 2017-18, and 2018-19, 2019-20.
- FCBA/Banking Frontier National Award 2016-17, 2017-18, 2018-19, and 2019-20.
- Nachiket Prakashan Award 2016-17
- Continuously Statutory Audit Report Grade “A”

## **BANK PROFILE**

### **HEAD OFFICE –**

#### **Address :**

Arvind Sahakari Bank Ltd. Parmal Building, Main Road, Katol-44302 district-Nagpur

**Mr. Yogesh Wankhede-** IT head

**Mr. Pankaj Shembekar –** ATM

**Email :** asbl [ho@arvindbank.com](mailto:ho@arvindbank.com)

**Bank Timing –** Monday – Friday : 9am to 8pm

Saturday, Sunday : 9am to 2pm

### **BRANCHES :**

Arvind sahakari bank having 6 branches :

#### **1 AMRAVATI :**

**Address:** Arvind sahakari Bank Ltd. Plot non. 67-D, siddarth Towers, near vaandu International, opp. Rajapeth Police Station, Badnera Road Amravati- 444601

#### **2 KATOL :**

**Address :** Arvind Sahakari Bank Ltd. Parmal Building, Main Road, Katol-441302

**Mr. Prashant Bakre –** Branch Manager

**Email :** aslb [katol@arvindbank.com](mailto:katol@arvindbank.com)

#### **3 NAGPUR-DIGDOH :**

**Address :** Arvind Sahakari Bank Ltd. Plot no. 512, ward no. 20, Radke Layout, Main Road, Digdoh, Hingna (Tehsil) Nagpur (Dist.)

**Mr. JKSN Rao** – Branch Manager

**Email :** asbl [digdoh@arvindbank.com](mailto:digdoh@arvindbank.com)

#### **4 NAGPUR-GANDHIBAGH**

**Address :** Arvind Sahakari Bank Ltd. Central Avenue, Near Adarsh Vidya Mandir, Gandhibag, Nagpur-440032

**Mr. Dattaray Tare** – Branch Manager

**Email :** asbl [gandhibagh@arvindbank.com](mailto:gandhibagh@arvindbank.com)

#### **5 SAONER :**

**Address :** Arvind Sahakari Bank Ltd. Plot no. 42, Awadhoot Wadi, Civil Lines, Saoner-441107.

**Mr. Rajendra Chavan** – Branch Manager

**Email :** asbl [saoner@arvindbank.com](mailto:saoner@arvindbank.com)

#### **6 WARUD :**

**Address :** Arvind Sahakari Bank Ltd. Approach Road, next to Kathiwale Sabagruha, Warud-444906. Warud (Tehsil) Amravati (Dist.)

**Mr. Manish Hedao** – Branch Manager

**Email :** asbl [warud@arvindbank.com](mailto:warud@arvindbank.com)

## Board Of Directors

SR NO.	NAME	POST
1	Dr. Ashish Ranjitbabu Deshmukh	Chairman
2	Dr. Vijay Vasudevrao Dhote	Vice chairman
4	Shri. Avinash Anandrao Solav	Director
5	Dr. Ekanath Anandrao Chaudhari	Director
6	Adv. Shailesh Prakashmalji Jain (singhvi)	Director
7	Dr. Sanjay Sahebrao Tekade	Director
8	Dr. Dipak Gulabrao Arajpure	Director
9	Shri. Pravin D. Manvatkar	Director
10	Shri. Gangadhar Pandhrinath Barde	Director
11	Shri. Anil Vasudevrao Mahalle	Director
12	Shri. Rajendra Bhagvantrao Raut	Director
13	Shri. Umesh Gopalrao Chore	Director
14	Sau. Rupatai Ranjitbabu Deshmukh	Director
15	Sau. Dr. Sanjivni Omkar Chaudhari	Director
16	Dr. Raja Rao	CEO

- **WORK PROFILE**

Arvind sahakari bank limited, having branches in six places provides all types of banking facilities to its clients, whether it is deposit, advances or other banking services. Deep deposit schemes of the bank are:

**Current Account:**

It's exclusively for businessmen, professionals, contractors etc.

**Saving Bank Deposit:**

**A. Normal Saving Account**

In normal saving account a minimum balance to open the account is rs 200. It gives cheque book facility, interest paid on daily balance, no frill account for students and other clients with zero balance.

**B. Arvind classic accounts**

In Arvind classic account minimum balance to open the account has to be rs 1000. In that classic account 2 to 3 withdrawals allowed in a week maximum 15 in a month. Interest will be credited on 10<sup>th</sup> September and 10<sup>th</sup> March. And a special rate of interest is 003.00% p.a. A special saving bank account with better returns.

**Recurring Account:**

Monthly, minimum 13 months up to 60 months.

**Term Deposites:**

- A. With monthly, quarterly interest payment options.
- B. Cumulative interest payment, wherein quarterly interest is compounded and paid at the same time of maturity Along with principal amounts.
- C. Ranjit Vikas Patra, A special term deposit scheme, wherein deposit amount gets doubled in 120 months.

- D. Lek Laadki Yojana**, Another special term deposit scheme, exclusively provided to female baby and girls, wherein depositor gets three times of deposit Amount in 10 years time.

### **Loans And Advances:**

“Arvind Sahakari Bank” provides all types of loans, advances, working capital limits. As provided by nationalized banks. The special features of Arvind Bank Loan are transparency and speedy clearance of proposals.

### **The Main Loan Portfolio as Per the Balance Sheet Is:**

- Gold and Silver Loan
- Loan against LIC/ KVP/ IVP/ Warehouse Receipts etc.
- +Loan/ OD against FD
- Vehicle Loan
- Consumer Durable Loans
- Personal Loans
- Business Loans/ CC
- Housing Loans
- Other Priority Sector Loans
- Mortgage Loans
- Educational Loans
- Project Loans etc.

- **SWOT ANALYSIS**

**Strength:**

- 1) The bank has well experienced, well trained, most dedicated and committed staff. There are sustained and focused efforts at every level, by each employee of the bank, to continue to build up core deposits.
- 2) Strong rural presence.
- 3) It is well equipped to meet the challenges of 21<sup>st</sup> century, in the areas of IT, knowledge and competition.
- 4) It has launched core centralized banking solutions where all branches are connected live.
- 5) The bank has specialized branches catering to the specific clientele segment.

**Weaknesses:**

- 1) The bank does not have many overseas branches.
- 2) As the employees are experienced the bank has a greater number of aged workforces.

**Opportunities:**

- 1) Controlling NPA through cash recovery.
- 2) To extend overseas business.
- 3) Upward revision in deposit/ interest rates attracts new customers/ deposits.
- 4) Up gradation in technological products saves time and improves business.

**Threats:**

- 1) The bank face competition from other public sector bank, private banks, foreign banks and other financial institution.
- 2) Changing economic policies of government will have direct impact on interest rates.
- 3) Globalization has allowed other industries, such as IT industry, to attract talent human resource.



### **Objective Of the Study:**

- To study the sources and uses of the working capital.
- To study the liquidity positions through various working capital related ratio.
- To understand the various methods used to access the maximum working capital limits of different organization.
- To learn the different forms of working capital extended by the banks.
- To identify the different modes of security acceptable by the banks for providing working capital finance.
- To study the importance of adequate working capital.
- Analysis of case studies pertaining to working capital financing.
- To identify the different factors those, affect the working capital requirement.

### **Scopes Of Study:**

The scope of the study is identified after and during the study is conducted. The main scope of the study was to put into practice the theoretical aspects of the study into real life work experience. The “study of working capital limit” is based on tools like ratio analysis, statement of changes in working capital.

### **Needs For the Study:**

- The study has been conducted for gaining practical knowledge about “Working Capital Limit” and activities of “Arvind Sahakari Bank Ltd. Katol”.
- The study is undertaken as a part of the MBA curriculum in the form of summer internship program for the fulfillment of the requirement of MBA degree.

## **Contribution During SIP**

### **Introduction Of Working Capital**

Working capital plays the same role in the business as the role of heart in the human body.

Just like heart gets blood and circulates the same in the body, in the same way in working capital, funds are generated and then circulated in the business. As and when this circulation stops the business become lifeless.

Thus, prudent management of working capital is necessary for the success of a business.

Working capital is also known as cash credit. Cash credit is a facility to withdraw the amount from the business account even though the account may not have enough credit balance. The limit of the amount that can be withdrawn is sanctioned by the bank based on the business cycle of the client and the working capital gap and the drawing power of the client. This drawing power is determined, based on the stock and book debts statement submitted by the borrower at monthly intervals against the security by hypothecating od stock of commodities and/ or book debts.

The excess withdrawn of cash is made generally on demand from the customer and the customer has to pay interest on the excess amount he/she withdrawn. The cash credit facility is quite useful to those businesses where cash payment like wages, transportation, cash purchase is to be made and the receivables are not realized in time.

## **Meaning**

Working capital management is an important aspect of financial management. In business, money is required for fixed assets include land and building, plant and machinery, furniture and fitting etc. Fixed assets are acquired to be retained in the business for a long period and yield returns over the life of such assets. The main objectives of working capital management are to determine the optimum amount of working capital required. Generally, management of working capital means management of current assets.

## **Definition**

The portion of company's capital invested in short term assets or current assets to carry its day-to-day operation smoothly is called working capital.

## **Working capital :**

### **A. Value Based**

- 1) Gross working capital
- 2) Networking Capital

### **B. Time Based**

- 1) Temporary working capital
- 2) Permanent working capital

## CONCEPT

There are two concepts of working capital –

- 1) Gross Working Capital concept
- 2) Net working capital concept

### 1) **Gross Working Capital Concept -**

Gross working capital refers to firm's investment in Current assets. Current assets are the assets which can be converted into cash within an accounting year and include cash, short term securities, debtors, bill receivables and stock. According to this concept, working capital means Gross Working Capital which is the total of all current assets of a business. It can be represented by the following equation:

$$\text{GROSS WORKING CAPITAL} = \text{TOTAL CURRENT ASSETS}$$

According to Bonneville Dewey

“Any acquisition of funds which increase the current assets increase working capital, for they are one and the same”.

Arguments in favour of Gross Working Capital Concepts :-

Person acknowledging the total of current assets as working capital give the following arguments in their favour :-

1. Just as fixed assets are considered as the symbol of fixed capital; current assets must also be considered as symbol of working capital.
2. Any acquisition of funds increase the working capital. This statement proves true according to this concept whereas it does not hold true according to the second concept.
3. Most of the managers plan their business operation according to the current assets concept because these are the assets used in day-to-day business operation.

## 2) Net Working Capital Concepts

Net working capitals refers to the difference between current assets and current liabilities. Current liabilities are those claims of outsiders which are expected to mature for payment within an accounting year and include creditors, bill payables, and outstanding expenses. Net working capital can be positive or negative.

A positive net working capital will arise when current assets exceed current liabilities.

A negative net working capital occurs when current liabilities are in exceed of current assets.

$\text{NET WORKING CAPITAL} = \text{CURRENT ASSETS} - \text{CURRENT LIABILITIES}$
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According to C. W. Gestenbergh

“It has ordinarily been defined as the excess of current assets over current liabilities”.

### Arguments in favour of net working capital concepts :-

- I. This concept gives the true information about the liquidity of a concern. According to first concept, the working capital appears to be increased merely by taking a short term loan whereas in the second concept working capital remains unchanged buy doing so. Thus, the second concept looks more logical.
- II. Excess of current assets over liabilities will indicate whether or not the concern will be able to meet it's current liabilities when they fall due. First concept does not disclose this fact.
- III. It is on the basis of this concept that the short-term lenders, bankers etc. Calculate the safety margin regarding the timely payment of their debt.
- IV. Excess of current assets over current liabilities will determine whether or not the concern will be able to face the depression or any other contingent need of the business.
- V. According to this concept a comparison can be made between the financial positions of two firms whose current assets are equal.



**As discussed, net working capital is the excess of current assets over current liabilities. There are three conditions :**

- I.** When current assets are equal to current liabilities, then working capital will be zero.
- II.** When current assets are more than current liabilities, then working capital will be positive.
- III.** When current assets is less than current liabilities, then working capital will be negative.

### **Current Assets :-**

Current Assets means those assets which are converted into cash within a short period of time not exceeding one year, e. g. Cash, Bank Balance, Debtors, Bill receivables, Stock, Accrued Income etc.

### **Current Liabilities :-**

Current liabilities means those liabilities which have to be paid within a short period of time in no case exceeding one year e.g. Creditors, Bills payables, Outstanding Expenses, Short- term loans etc.

## **Need Of Working Capital**

Along with the fixed capital almost every small-scale industry requires working capital through the extent of working capital requirement differs in different businesses. Working capital is needed for running the day-to-day business activities. When a business is started, working capital is needed for purchasing raw materials. The raw material is then converted into finished goods by incurring some additional cost on it. Now goods are sold. Sales do not convert into cash instantly because there are invariably some credit sales. Thus, there exists a time lag between sales of goods and receipts of cash.

During this period, expenses are to be incurred for continuing the business operations. For this purpose, working capital is needed. Therefore, sufficient working capital is needed which shall be involved from the purchase of raw material to the realization of cash. The time period which is required to convert raw material into finished goods and then into cash is known as operating cycle or cash cycle. The need for working capital can also be explained with the help of operating cycle.

## **Operating Cycle**

Thus, the operating cycle starts from cash, finishes at cash and then again restarts from cash. Need for working capital depends upon period of operating cycle. Greater the period, more will be the need for working capital. Period of operating cycle in a manufacturing concern is greater than period of operating cycle in a trading concern because in trading units' cash is directly converted into finished goods. Working capital in a business needed because of operating cycle. But the need for working capital does not come to an end after the cycle is completed. Since the operating cycle is a continuous process, there remains a need for continuous supply of working capital. However, the amount of working capital required is not constant throughout the year, but keeps fluctuating.

**On the basis of concept, working capital is classified into two types :-**

### **1. Permanent working capital**

The need of for working capital fluctuates from time to time. However, to carry on day-to-day operations of the business without any obstacles, a certain minimum level of raw materials, work in progress, finished goods and cash must be maintained on a continuous basis.

The amount needed to maintain current assets on this minimum level is called permanent or regular working capital. The amount involved as permanent working capital has to be met from long term sources of finance, e. g.

- Capital
- Debentures
- Long term loans

### **2. Temporary or Variable Working Capital :-**

Any mount over and about the permanent level of working capital it's called temporary, fluctuating or variable working capital. Due to seasonal changes, level of business activities is higher than normal during some months of the year and therefore additional working capital will be required along with the permanent working capital. It is so because during peak season, demand rises and more stock is to be maintained to meet the demand. both type of working capital is necessary to run the business smoothly.

## Constitution Of Working Capital

Working capital is also known as cash credit. Cash credit is a facility to withdraw the amount from the business account even though the account may not have enough credit balance. The limit of the amount that can be withdrawn is sanctioned by the bank based on the business cycle of the client, the working capital gap and the drawing power of the client. This drawing power is determined, based on the stock and

$$\text{Drawing power of a company} = \text{Sundry Debtors} + \text{Stock in hand} - \text{sundry creditors (90 days only)} * 75\%$$

Book debts statement Submitted by the borrower add monthly intervals against this security by hypothecating of stock of commodities and or book debts.

Working capital Management is an operative account not a term loan. This account has a certain limit not a fixed amount. In operative account is search an account in which debit and credit both are possible.

Working capital is mainly given to the

1. Business persons
2. Professionals
3. Self employed person etc.

Every business concern should have adequate working capital to run its business operations. It should have neither redundant or excess working capital nor Inadequate nor Shortage of working capital.

Both excess as well as shortage of working capital situation are bad for any business. However, out of the two, inadequacy or shortage of working capital is more dangerous from the point of view of the firm.

For smooth running of their business, most of the business professionals opt for working capital.

## **Process**

The following are the sequence of steps taken by the banks on receipt of completed application forms.

1. Application form is accepted and acknowledge.
2. Personal interview/ Discussions are held with the customers by the bank's officials.
3. Banks field investigation team visit the business place/Work place of the applicant.  
(All the documents submitted are verified by the bank with the originals so as to ensure the authentically of the same.)
4. Bank verifies the track record of the applicant with the common information sharing bureau (CIBIL).
5. In case of fresh project, the bank analyses the background of the applicant/firm/company and the technical feasibility/financial viability of the project based on various parameters and also the existing market conditions.
6. depending on the size of the projects the file is put up for sanction to the appropriate level of authority.

## **Sanction And Disbursement:**

1. On approval sanction, this sanction letter is issued specifying the terms and conditions for the disbursement of the loan. The acceptance to the terms of sanction is taken from the applicant.
2. The processing charges as specified by the bank have to be paid to proceed further with the disbursement procedure.
3. The documentation procedure takes place viz. legal opinion of various property Documents and also the valuation reports. (Originals documents to title of the immovable assets are to be submitted).
4. All the necessary documents as specified by the legal dept., according to terms of sanction of the loan of the bank are executed.

Disbursement of the loan takes place after the legal dept. Certifies the correctness of execution documents.

## **Documents**

The borrower and/or the guarantors have to provide the following documents to the banks or the lending institution while submitting cash credit or working capital application. Certain documents may be demanded by the bank or the lending institution in post sanction phase or on periodical basis.

1. Address proof: latest electricity/ telephone bill or received of maintenance charges or valid passport or voter's identity card or purchase/ lease deed/leave and license agreement of residence or office premises.
2. Identity proof: valid passport, PAN Card, voter's card, any other photos identification issued by government agencies.

3. Business proof: VAT/CST registration no. or MIDC agreement or SSI permanent registration certificate or warehouse receipt or shop and establishment act certificate or copy of lease agreement along with the latest rent paid receipt.
4. Business profile of company's letterhead.
5. Partnership deed in case of partnership firms.
6. Certificate of incorporation, Date of commencement of business and memorandum of title deeds, form 32 in for addition or deletion of directors in case of companies.
7. Last three years trading, profit and loss a/c, and balance sheets (duly signed by a chartered accountant wherever applicable).
8. Last one year bank statement of the firm.
9. If existing loan, then sanctioning letter and repayment schedule of the same.
10. Firm/company's PAN cards.
11. Individual income tax returns of the individual/ partners/directors for last three.
12. Last One year's bank statement of individuals, partners, and directors.
13. SEBI formalities in case of listed companies.
14. Shareholding pattern of directors duly certified by a chartered accountant.
15. List of existing directors of the company from the registrar of the companies.
16. Written and approved confirmation of having no legal suit filed against any of the directors.

If any such legal suit or proceedings are pending then the details of such legal suit or proceeding.

### **Fixation Of Working Capital Method :**

MPBF stands for maximum permissible banking finance in Indian banking sector. As per the recommendations of tendon committee, the corporate is discouraged from accumulating too much of stocks of current assets and are recommended to move towards very lean inventories and receivables levels. Depending on the size of credit required, two methods are in practice to fund the working capital needs of the corporate.



### **Method 1 :**

For corporate whose credit requirement is less than rs. 10 lacs, banks can find the working capital required. Working capital is calculated as difference of total current assets and total current liabilities other than bank borrowings (called maximum permissible bank finance or MPBF) banks can finance a maximum of 75% of the required amount and the rest of the balance has to come out of long-term funds.

### **Method 2 :**

For corporate with credit requirement of more than rs. 10 lacs this method is used. In this method, The borrower finances minimum of 25% of its total current assets out of long-term funds. The rest will be provided by the bank through MPBF. Thus, total current liabilities inclusive of bank borrowings could not exceed 75% of current assets.

As per the recommendation of Tandon committee, the corporate should be discouraged from accumulating too much of stock of current assets and should move towards very lean inventories and receivables levels. The committee even suggested the maximum levels of raw material, stock-in-process and finished goods which a corporate operating in an industry should be allowed to accumulate these levels were termed as inventory and receivable norms. Depending on the size of credit required, the funding of these current assets (working capital needs) of the corporate could be met by one of the following methods.

### **First Method of Lending:**

Banks can work out the working capital gap, i.e., total current assets less current liabilities Other than bank borrowings (called maximum permissible bank finance or MPBF) And finance a maximum of 75% of the gap; The balance to come out of long-term funds, i.e. owned funds and term borrowings. This approach was considered suitable only for very small borrowers i.e. where the requirements of credit were less than rs. 10 lacs.

### **Second Method of Lending:**

Under this method, it was thought that the borrower should provide for a minimum of 25% of total current assets out of long-term funds i.e., owned funds plus term borrowings. A certain level of credit for purchases and other current liabilities will be available to fund the build up of current assets and the bank will provide the balance (MPBF) Consequently, total current liabilities inclusive of bank borrowings could not exceed 75% of current assets. RBI stipulated that the working capital needs of all borrowers enjoying fund-based credit facilities of more than rs. 10 lacs should be appraised (calculated) under this method. The committee suggested norms, I. e., ceilings for inventory and receivables, which could be considered for bank finance. The 15 industries included cotton and synthetic textile, paper, cement, pharmaceutical and engineering.

Thus, for instance, the norms proposed for pharmaceutical industry were :

Raw materials : 2.75 months consumption

Stocks in process : 1/2-month cost of production

Finished goods : 2 months cost of sales

Receivables : 1.25 months sales

For determining the maximum permissible bank finance (MPBF), the methods suggested were :

Method 1 :  $0.75 (CA - CL)$

Method 2 :  $0.75 (CA-CL)$

Method 3 :  $0.75 (CA-CCA)-CL$

Here CA stands for current assets corresponding to the suggested norms or past levels if lower, CL represents current liabilities excluding bank lending and CCA stands for core current assets, I. e. permanent current assets.

Method 1 and following the chore Committee recommendations, method 2 have been used by banks in assessing working capital needs of businesses, for the last several years. In October 1993, the RBI infused operational autonomy by permitting banks to determine appropriate levels of inventory and receivables, based on production, processing cycle, etc. These lending norms were made applicable to all borrowers enjoying and aggregate (fund based) working capital limit of rs. 1 crore and above from the banking system. However, the requirements of the current ratio at 1.33 was retained.

## **Security For Working Capital :**

### **Prime Security :**

1. In case of cash credit facility - the prime security will be hypothecation of paid stock or book debts of reputed companies.
2. Bill drawn on and accepted by reputed companies or drawers of good repute.
3. Hypothecation of assets financed by the bank.

### **Collateral Security :**

NSCs/KVPs/life Insurance policies/bonds/shares of reputed companies/other good trustee/securities or mortgage of immovable properties.

### **Margin :**

### **Working Capital**

1. 20-25 % in case of stock in trade.
2. 20-30 % in case of bills discounting.
3. 40-50 % in case of book debts.

## Rate Of Interest :

Bank's rate of interest for working capital for the year 2020-21 is 10 to 11 % p. a. It is set annually by the board of directors. In board of directors meeting all loan policies are also set. Rate of interest are fixed on loans and working capital (cash credit) in board of directors meeting. Only board of directors have authority to set rate of interest under loan policy. And they can change the rate of interest during that financial year if required.

While giving loan (working capital), bank decides the rate of interest differently for the different parties according to their annual turnover of the business, the rate of interest is selected from the given range I. e. 10 to 11% p. a.

In cash credit (working capital limits), the rate of interest is charged on daily closing balance.

DURATION	RATE OF INTEREST P. A.
15 days to 180 days	4.00%
181 days to 365 days	4.50%
366 days and above	6.50%
13 months and above	6.50%
Arvind classic	03.00%
S. B.	03.00%
Senior Citizens	0.50% More

### **Term (Period of Working Capital) :**

Long term for working capital is of one year.

This term or period is fixed even if the receiving party uses this loan or not. Every year the working capital (cash credit) facility has to be renewed. If the party wishes to renew this loan, he/she can renew it by submitting the following documents :

1. Address proof: latest electricity/ telephone bill or received of maintenance charges or valid passport or voter's identity card or purchase/ lease deed/leave and license agreement of residence or office premises.
2. Identity proof: valid passport, PAN Card, voter's card, any other photos identification issued by government agencies.
3. Business proof: VAT/CST registration no. or MIDC agreement or SSI permanent registration certificate or warehouse receipt or shop and establishment act certificate or copy of lease agreement along with the latest rent paid receipt.
4. Business profile of company's letterhead.
5. Partnership deed in case of partnership firms.
6. Certificate of incorporation, Date of commencement of business and memorandum of title deeds, form 32 in for addition or deletion of directors in case of companies.
7. Last one year trading, profit and loss a/c, and balance sheets (duly signed by a chartered accountant wherever applicable).
8. Last one year bank statement of the firm.
9. If existing loan, then sanctioning letter and repayment schedule of the same.
10. Firm/company's PAN cards.

11. Individual income tax returns of the individual/ partners/directors for last three years.
12. Last One year's bank statement of individuals, partners, and directors.
13. SEBI formalities in case of listed companies.
14. Shareholding pattern of directors duly certified by a chartered accountant.
15. List of existing directors of the company from the register of the companies.
16. Written and approved confirmation of having no legal suit filed against any of the directors.

#### **Operations In the Working Capital Account :**

1. Bank expect regular transaction, either daily or weekly transaction should be carried out.
2. Interest for working in charged/ applied every month on the last day of that month.
3. Loan policies of the bank should be followed properly for smooth transactions.
4. Regular visit to the bank is suggested in order to get up-dated with the changes in rate of interest and etc.

## **Default In the Operation of The Working Capital**

**If party doesn't :**

1. Pay monthly interest regularly.
2. Operate his/her account on regular basis.
3. Submit of stock statement and debtors' information.
4. Submit annual renewal document.

Then that party will be considered as a defaulter party.



# ARVIND SAHAKARI BANK LTD.

**HO.:- Main Road, Katol, Dist : - Nagpur**

## NOTES ON ACCOUNT

**Position for F.Y. 2019-20, 2020-21**

Sr.No	Particulars	Total Capital Funds		Risk Weighted Assets	
		2019-20	2020-21	2019-20	2020-21
		5304.97	5761.44	40491.79	45214.16

		2019-20	2020-21
2	Capital to Risk Asset Ratio (CRAR)	13.10%	12.74%
3	Investments:		
	(i) Book Value	20768.52	26048.83
	(ii) Face Value	20812.89	26107.41
	(iii) Market Value	20817.63	26116.11
4	Advances against:		
	(i) Real Estate	4680.94	5753.00
	(ii) Construction Business	-	-
	(iii) Housing	9650.50	9290.50
5	Advances against Shares & debentures	Nil	Nil
6	Advances to Directors, their relatives, companies/firms in which they are interested		
	(i) Fund based	Nil	Nil
	(ii) Non-Fund based	Nil	Nil
7	Average cost of deposits	8.09%	7.75%
8	NPAs		
	(i) Gross NPAs	2061.36(4.65%)	2493.22(5.24%)
	(ii) Net NPAs	1280.78(2.94%)	1344.58(2.90%)
9	Movement in NPAs		
	Opening Balance	1185.95	2061.36
	Add: Additions during the year	1650.67	1505.40
	Less: Reductions during the year	775.26	1073.54
	Closing Balance	2061.36	2493.22
10	Profitability:		
	(i) Interest income as a percentage of working funds	8.01%	6.67%
	(ii) Non-interest income as a percentage of working funds	0.86%	1.48%
	(iii) Operating profit as a percentage of working funds	0.91%	0.83%
	(iv) Return on average Assets	0.44%	0.88%
	(v) Business( Deposits+Advances) per Employee	1037.43	1140.79
	(vi) Operating profit per employee	6.52	6.65
11	Provisions made towards:		
	(i) NPAs	780.58	1148.64
	(ii) Depreciation on investments.	7.96	241.03

12	Movement in Provisions:	(i) Towards NPAs		(ii) Towards Depreciation on Investments		(iii) Towards Standard Assets	
		2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
	Opening Balance	730.82	780.58	7.96	7.96	112.56	139.06
	Add: Additions during the year	49.76	368.06	-	233.07	26.50	16.10
	Less: Reductions during the year	-	-	-	-	-	-
	Closing Balance	780.58	1148.64	7.96	241.03	139.06	155.16
13	(i) Foreign currency assets (ii) Foreign currency liabilities	2019-20	2020-21				
		Nil	Nil				
		Nil	Nil				
14	Payment of DICGC Insurance Premium	76.18	104.35				
15	Restructured Account	Amount Outstanding		Diminution in the fair value			
		2019-20	2020-21	2019-20	2020-21		
		Nil	2927.47	Nil	Nil		
16	Penalty imposed by RBI	2019-20	2020-21				
		Nil	1.00				

No.	I s s u e r	A m o u n t		Extent of 'below investment grade Securities'		Extent of 'unrated Securities'		Extent of 'unlisted Securities'	
		2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
1	PSUs	-	-	-	-	-	-	-	-
2	Finance	1863.0	1462.80	-	-	-	-	-	-
3	Public Sector Banks	-	-	-	-	-	-	-	-
4	Mutual Funds Debt	325.00	-	-	-	-	-	-	-
5	Others	499.60	599.80	-	-	-	-	-	-
6	Provision Held towards Depreciation	7.96	148.29	-	-	-	-	-	-

18	Non Performing Investment	2019-20	2020-21
	Opening Balance	200.00	749.38
	Additions during the year	549.38	200.00
	Reductions during the year	--	--
	Closing Balance	749.38	949.38
	Total Provision held	7.96	148.29
19	Unclaimed Deposit with DEAF		
	Opening Balance	3.63	3.65
	Closing Balance	3.65	3.65
20	Net Interest Margin (NIM)	2.73%	2.10%
21	Yield on Advances	12.57%	10.74%
22	Yield on Investment	11.47%	10.13%
23	Bank Guarantee Against Deposits & Mortgages	89.55	48.42
24	Revaluation of Fixed Assets	127.50	127.50

## **Research Methodology**

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not only the research methods but also the methodology.

“The procedures by which researcher goes about their work of describing, explaining and predicting phenomenon are called methodology. “

### **Type Of Research:**

This project “Study of Working Capital Management” at “Arvind Sahakari Bank Ltd. Katol”. Is considered as analytical research.

Analytical research is defined as the research in which, researcher has to use facts or information already available, and analyze these to make a critical evaluation of the facts, figures, data or material.

### **Sources Of Data Collection:**

There are mainly two stages through which the data required for the research is collected.

1. Primary Data
2. Secondary Data

**Primary Data :**

The primary data is that which is collected fresh hand, and for first time which is original in nature. In this study the primary data has been collected from personal interaction with staff members of the bank.

**Secondary Data:**

The secondary data are those which have already collected and stored. Secondary data easily get those secondary data from records, annual reports of the company etc. It will save the time, money and efforts to collect the data.

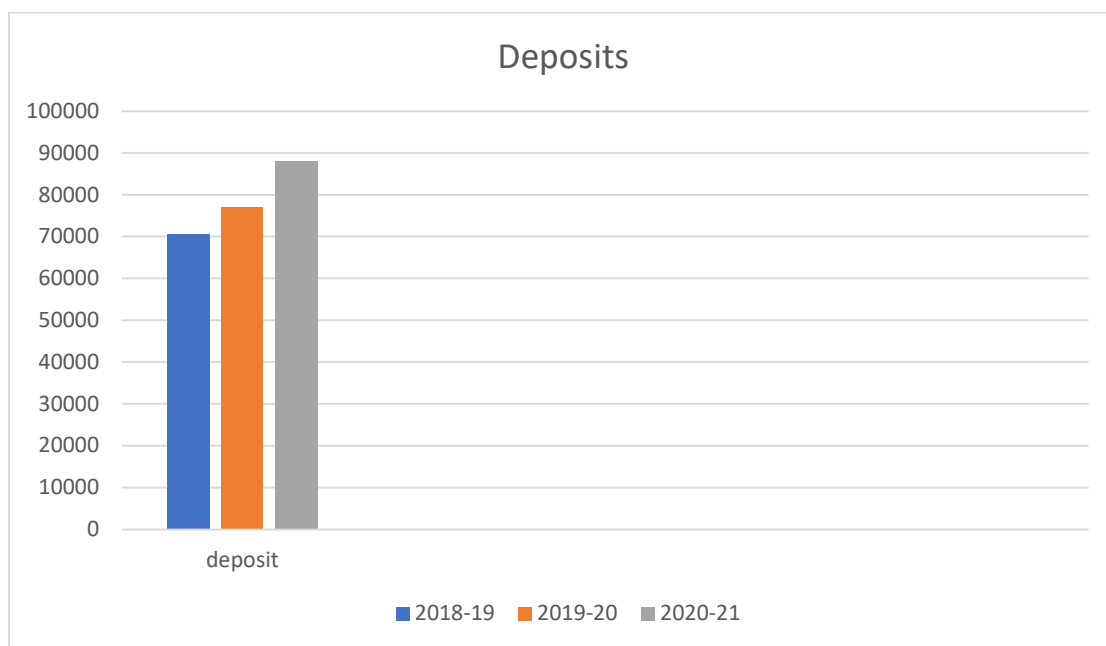
The major source of data for this project was collected from internet.

### **Data Analysis and Interpretation :**

The bank has shown tremendous progress in its business development since last 3 years and as per the latest balance sheet (financial year ended 31<sup>st</sup> March 2021) the business parameters are :

<b>Sr. No.</b>	<b>Particulars</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
<b>1</b>	<b>Number OF Member</b>	<b>14247 lacs.</b>	<b>16021 lacs.</b>	<b>16691 lacs.</b>
<b>2</b>	<b>Share Capital</b>	<b>1506.32 lac.</b>	<b>2897.38 lac.</b>	<b>3078.86 lac.</b>
<b>3</b>	<b>Deposits</b>	<b>70450.04 lac</b>	<b>77059.70 lac.</b>	<b>88197.93 lac.</b>
<b>4</b>	<b>Loan Distribution</b>	<b>37556.79 lac.</b>	<b>44319.60 lac.</b>	<b>47555.58 lac.</b>
<b>5</b>	<b>Investment</b>	<b>19527.79 lac.</b>	<b>20768.52 lac.</b>	<b>26048.83 lac.</b>
<b>6</b>	<b>Profit</b>	<b>447.83 lac.</b>	<b>354.01 lac.</b>	<b>280.74 lac.</b>
<b>7</b>	<b>Dividend Paid</b>	<b>10%</b>	<b>10%</b>	<b>8%</b>

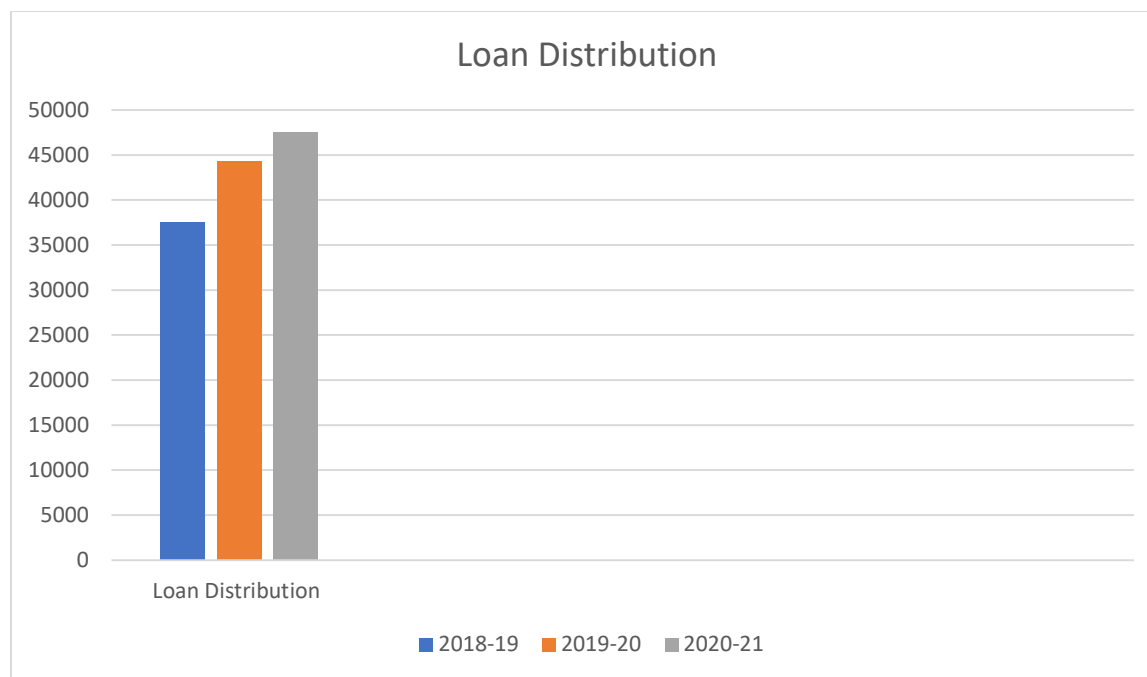
## Deposits



Particulars	2018-19	2019-20	2020-21
Deposit	70450.04 lac	77059.70 lac.	88197.93 lac.

From the above table it is found that from last 3 years the deposits of Arvind Sahakari Bank Ltd. has been increases consistently.

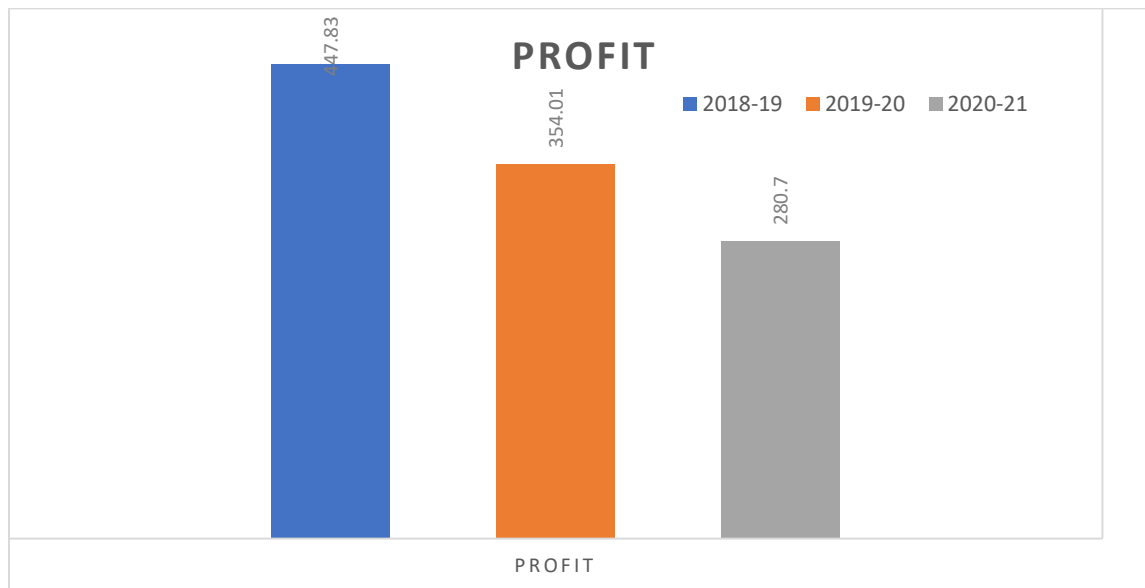
## Loan Distribution



Particular	2018-19	2019-20	2020-21
Loan Distribution	37556.79 lac.	44319.60 lac.	47555.58 lac.

From the above table it is found that from last 3 years the Loan Distribution of Arvind Sahakari bank Ltd. has been increases consistently.

## Profit



Year	Profit (Amounts)
2018-19	447.83 Lac.
2019-20	354.01 Lac
2020-21	280.74 Lac

From the above table it is found that from last 3 years the Profit of Arvind Sahakari bank Ltd. has been decreases consistently.



### **Limitations Of the Study:**

- The study (SIP) duration is very short.
- The analysis is limited to just Three year of data study for financial analysis.
- Limited interaction with the concerned heads due to busy schedule.
- The identity of the real borrower in the case study has been concealed as per the banks requirement for maintaining the confidentiality.
- The conclusion and interpretation drawn are based on few cases. Anyhow, different cases would have different situation.

## **Findings**

1. Arvind Sahakari Bank having good brand image in the minds of customers.
2. Majority of the people got loans from Arvind Sahakari Bank only.
3. Most of the customers are aware of the products of Arvind Sahakari Bank.
4. Some of the customers felt that the interest rates are somewhat high.
5. Most of the people are directly go to Arvind Sahakari Bank to apply for a home loan.
6. Some of the customer of Arvind Sahakari Bank already beneficiate through Arvind Sahakari Bank home loan products and services.
7. Arvind Sahakari Bank providing good services to their customers.

## Suggestions

As a student I'm unable to suggest anything to such a large Arvind service sahakari bank because there are well qualified and experienced person are working the bank.

But as a part of study, suggestion is necessary. On the basis of this point, organization thinks over it and tried to improve their service. Following are the issues comes to my observation during the study.

- Bank should try to cut down their interest rate because their interest rate higher than another bank.
- Bank should have kept consistency in ratio.
- Bank need to concentrate on open new branches in other cities.
- It is essential for organization to use or invest the working capital in that area where profit is more.

## **Conclusion**

The “Study of Working Capital Management” conducted in “Arvind Sahakari Bank Ltd. Katol” To analyzed financial position of the bank.

The financial status of “Arvind Sahakari Bank Ltd. Katol” is very good, this is a good sign for the bank.

On the whole, the bank is moving forward with excellent management. All the departments in the organization are well equipped with the modern technology and controlled by competent person most of the clerical work is done by using computers that saves time and energy. The bank has created friendly atmosphere for the employees and gives them freedom to work freely. Bank also gives many benefits from its scheme and keeps the employees happy it believes that happy workforce is the foundation of a prosperous company.

The bank follows various methods for assessing the work capital needs of the companies depending on the industry standards. Analysis of financial statement is considered very important for the protection and accuracy is based on the level of understanding and interpretation of the statements. The bank is providing working capital to all sectors of Indian economy.

## **Bibliography**

- 1 [www.arvindbank.com](http://www.arvindbank.com)
- 2 Annual Report (Arvind Sahakari Bank Ltd. )
- 3 Financial Management (R.M. Rastogi)
- 4 Financial Management (R.P. Rastogi)