

SYNOPSIS

INTRODUCTION:

Assets in the firm consist of two kinds: Fixed Assets and Current Assets. The Fixed Assets are used in increasing the production capacity of a firm and the Current Assets are utilities in using the Fixed Assets for day to day working. Therefore, the Current Assets, are called as the life blood of a business enterprise

The Management of this Working Capital is known as Management of Current Assets. The Objective of Management of this Working Capital is to manage firm's Current Asset and Current Liabilities, in such a way, that Working Capital are maintained, at a satisfactory level. The Working Capital should be neither more or less, but it should be adequate.

Management of Current Assets plays an important role in a firm's profitability and risk as well as its value. A no. of reasons are there, which shows the importance of Management of Current Assets. For a manufacturing firm, the amount of Current Assets are about half of its total assets. For a distribution company, this portion may be even more.

Excessive levels of Current Assets result into a lower rate of return on Investment to firms. However, Van Horne and Wachowicz (2004) point out that excessive level of Current Assets may have a negative effect of a firm's profitability where as a low level of Current Assets may lead to problem if liquidity and stock outs which in turn results into difficulties in maintaining smooth operations.

Efficient Management of Current Assets plays an important role of the overall strategy of the Company in order to maximize the wealth of the shareholders. The time that elapses between the purchase of Raw Materials and the collection of Cash for sales is referred as Working Capital Cycle. The way of Management of Current Assets can have a significant impact on both the liquidity and profitability of the company. The main purpose of any firm is maximization of profit. But, maintaining liquidity of the firm is also an important objective. The problem is that, for increasing the profits at the cost of liquidity can bring serious problems to the firm. Therefore, a balance between liquidity and profitability, should be the objective of the firm. Because of the importance of profit and liquidity are same, it cannot survive for a longer period. On the contrary, if it does not care about liquidity, it may face the problem of technical insolvency. For these reasons, Management of Current Assets should be given proper consideration, which will ultimately affect the profitability of the firm.

Management of Current Assets involves planning and controlling of Current Assets in such a way that short-term obligations should be paid whenever it becomes due, and avoid excessive investment in these assets.

A firm may select an aggressive working capital policy with a low level of Current Assets as percentage of Total Assets, or it may also be used for the financing decisions of the firm in the form of High Level of Current Liabilities as percentage of Total Liabilities (Afza and Nasir 2009). Keeping an optimal balance among each component of Current Assets, is the main objective of Management of Current Assets. The success of business is heavily depend on the ability of the finance managers to effectively manage receivables, inventory and payables (Filbeck and Krueger 2005). Efficient use of working capital in affects positively on liquidity and profitability (R. Sivarama and Prasad 2001).

A popular measure of Working Capital Management is the Cash Conversion Cycle i.e. the time lag between the expenditure on purchase of Raw Material and the collection of sales of Finished Goods. The longer the time lag, the longer Cash Conversion Cycle, if the costs of higher investment in Working Capital rise faster, than the benefits holding more inventories or granting more trade credit to customers (Uyer 2009).

PRINTING INDUSTRY :

Over the years, the printing industry has grown in all parts of the globe. The advent of TV and nternet has not affected the growth of and requirement for printing professionals. The industry has made giant strides in recent times in improving its machinery in terms of the scope, technology and speed.

The publishing firms in the private sector is also quite large in number and these are scattered throughout the country. Increasing number of printers are adopting newer and modern technologies. The growth of such organisations indicate that recession is nothing but a changing trend towards adoption of new style of working. The modern style of business is completely in favour of the consumers. It ensures that they get optimum quality products at bare minimum price . Probably in all areas of life the consumers are getting products at most competitive prices, which is definitely lower than yesterday's prices and printing industry is no exception. To meet this challenge, people in the printing industry have to find the solutions and not fret on decline in prices.

During the downturn, India SMBs could look at saving costs by shifting from CAPEX to OPEX models and assuring operational excellence. Printing solutions can be one of the major areas

where this can be implemented,” says Priti Verma, (Research Analyst for Research and Consultancy at AMI-Partners, Bangalore)“Managed print services can help India SMBs leverage cost reduction and simplify the management of their imaging and printing environment.” So , the need arises to manage the cost in order to improve the profitability and to survive for long run in the industry. So efforts are made to manage the cost by effective management of current assets.

RATIONALÉ OF THE STUDY:

From very beginning of the evolution of the business as well as concept of asset management, management of current assets i.e. working capital management remain at the main stair and most effective factor for the profitability and thereby long term existence of the business. Printing industry in India is very wide, scattered industry with small operational units and without existence of professional management. Hence, this study focuses on working capital management of printing industry with the help of case study method.

OBJECTIVES OF THE STUDY

GENERAL OBJECTIVE The objective of this study is to examine the impact of working capital management on firms’ performance of selected printing units of printing industry in India.

SPECIFIC OBJECTIVES This study on the impact of working capital management on firms’ performance on selected production units of printing industry in India assumes the following specific objectives:

- To examine the impact of cash management on firms performance.
- To evaluate the effect of inventory management on firms performance
- To analyze the effect of receivable management on firms performance
- To determine the relationship between working capital management and corporate performance of selected production units of printing industry.
- To analyze the relationship between liquidity and profitability of the selected production units of printing industry.

IMPLICATIONS AND SIGNIFICANCE OF THE STUDY

The findings of this study may have implications for other companies who are trying to make decisions regarding working capital management reform model. This finding would help to develop an understanding of the advantages and disadvantages of financial practices and techniques of managing Working Capital Components in metal company's paradigms. The study would reveal how essential Working Capital Management Strategies such as policies, practice and techniques is for the metal manufacturing companies in Addis Ababa Ethiopia in terms of performance. A general conceptual framework model will provide basic guidelines for researchers, accountants and professionals, financial managers, and policy makers in the metal manufacturing company's environment of Ethiopia. The study would suggest various financial management techniques metal manufacturing companies can use to measure their performance in terms of profitability. For example, Current Ratio to assess the firms liquidity status, Activity Ratios, Leverage ratios, Cash Conversion Cycle (CCC), Return on Investment (ROI), and Return on Equity (ROE). The findings may also help assess the effectiveness of working capital management on firms' performance in the studied companies for program evaluation.

RESEARCH HYPOTHESIS :

In management research, an attempt is made to accept the hypothesis to reach scientific conclusion. Null hypothesis is a hypothesis Of no difference, which are tasted for possible rejection. Once it is rejected, the Alternative Hypothesis is accepted. The Alternative Hypothesis is Researcher's Operational statement.

Null hypothesis are stated below.

A few numbers of research hypothesis can be made in view of the impact of working capital management on firms' performance. In light of the research objective the following discussion will covers the hypotheses that this study will attempt to test.

H1: cash conversion cycle is not significant related to financial performance of the firm.

H2: Inventory management (holding periods) have no significant impact on firms' financial performance.

H3: The way how receivables are managed has no significant effect on the financial performance of firms

H4: Accounts payable periods has no significant impact on the financial performance of firms.

H5: There is no significant relationship between Liquidity and Profitability.

SAMPLE SELECTION

In order to fulfill the objectives of the study, financial information regarding different current assets and its management practices followed by the organizations covered by the study is to be required.

DATA COLLECTION

Population : Companies in India in Printing industry

Sample : Fifty Indian companies were selected which are production oriented units of Indian industry

Period of the study: The present study covered the period of ten years from 2004-05 To 2013-14

The proposed research study would make use of both Secondary and Primary data.

1 Secondary Data:

The required data and other relevant information is collected from published and unpublished reports, Business Newspapers; Magazines; Research Journals; Research Reports; Government Publications; and also surfing on Internet and use of search engines is also made.

2 Primary Data:

The Primary data will be collected by personal interviewing the manager or concerned person.

• DATA ANALYSIS

This research provided two types of data analysis; descriptive and quantitative.

- **DESCRIPTIVE ANALYSIS**

Descriptive analysis shows the average, and standard deviation of the different variables of interest in the study. It also presents the minimum and maximum values of the variables which help in getting a picture about the maximum and minimum values a variable can achieve.

- The results have been got by applying the statistical tool namely Statistical Package for Social Science (SPSS).

- **INFERENTIAL (QUANTITATIVE) ANALYSIS**

Simple and multiple CORRELATION ANALYSIS and REGRESSION ANALYSIS

GENERAL FINDING AND CONCLUSION :

Working capital plays a vital role in the company's operations and requires the efficient management. The management of working capital concerns the management of cash, inventories, accounts receivable and accounts payable. It is necessary for a company to monitor its working capital properly and maintain its balance at the appropriate level. Shortage of working capital may lead to lack of liquidity as well as profitability. On the contrary, excess balance of working capital could be seen as loss of investment opportunities, which is also affecting adversely on profitability.

Objective of having efficient working capital is to manage short term assets and liabilities such as implement policies on inventory, credit and collection as well as supplier's payment term. However, the study has found that there are also other factors affect the management of working capital. Financial performance measure, such as ROA, ROI, ROE and ROS, profitability, the number of accounts receivable, inventory conversion period and accounts payable days, affect working capital management of a company.

RESEARCH OUTLINE:

CHAPTERISATION

Chapter 1 : INTRODUCTION

Chapter 2 : REVIEW OF LITERATURE

Chapter 3 : RESEARCH METHODOLOGY

Chapter 4 : DATA ANALYSIS & INTERPRETATION

Chapter 5 : FINDINGS AND CONCLUSIONS

Limitations of the study: the proposed research work have limitations of data and authentic documents related to current assets management practices as it tries to study current assets management and its impact on cost and thereby on profitability of scattered production units of the printing industry.