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## A STUDY ON WORKING CAPITAL MANAGEMENT OF THUDIYALUR CO-OPERATIVE AGRICULTURAL SOCIETY(TUCAS)



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### Short Profile

S.Uma is working as an Associate Professor.

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### ABSTRACT:

The people of “TUCAS” started this co-operative society for the development of agriculture. The member of the bank are mostly local agriculturist. This company is registered in 29th April, 1955, under the co-operative Act of Tamilnadu. It's address as Thudiyalur (post), Coimbatore. The area of operation of this company are 13 revenue villages with 56 hamlets. This company was started with 5th may 1955. The total share capital of the year 1955 was Rs.76.83 lakhs. The day to day affairs are managed by the secretary and other staff member and workers. It has various branches and it main objective is that “All under one roof”. In the

year 1980, the institution collaborated, its “Silver Jubilee”. The president of India his Excellency Neelam Sanjeeva Reddy and state ministers in the function and graced the occasion. In the year 2005, the institution collaborated, its “Golden Jubilee”.

### KEYWORDS

Working Capital Management , Co-Operative Agricultural Society , financial health .

## INTRODUCTION

The people of "TUCAS" started this co-operative society for the development of agriculture. The member of the bank are mostly local agriculturist. This company is registered in 29th April, 1955, under the co-operative Act of Tamilnadu. It's address as Thudiyalur (post), Coimbatore. The area of operation of this company are 13 revenue villages with 56 hamlets. This company was started with 5th may 1955. The total share capital of the year 1955 was Rs.76.83 lakhs.The day to day affairs are managed by the secretary and other staff member and workers. It has various branches and it main objective is that "All under one roof". In the. year 1980, the institution collaborated, its "Silver Jubilee". The president of India his Excellency Neelam Sanjeeva Reddy and state ministers in the function and graced the occasion. In the year 2005, the institution collaborated, its "Golden Jubilee".

Working capital management in general refers to the administration of all aspect of current assets viz. cash, marketable securities, debtors and stock and current liabilities. Working capital management policies have a great effect on firms profitability, liquidity and its structural health. According to Board of American Institute of Certified Accountants, "Working Capital some times called net working capital, is represented by the excess of current assets over current liabilities and identified as the relatively liquid position of the total enterprise capital which constitutes a margin or buffer for maturing obligations with in the ordinary operation cycle of the business."

## STATEMENT OF PROBLEM

Every business needs some amount of working capital for day to day operation of the business. As there is time gap between payable and receivables there must be inadequacy of funds . and research has undertaken to solve the problem and to answer the following questions mentioned below,

- Whether the funds are available for day to day operation of the society?
- To find out liquidity profitability and solvency position available to the society?
- How much income received and spent for different period of years?

## OBJECTIVES OF THE STUDY

1. To analyze the financial structure of TUCAS cooperative society.
- 2.To evaluate the financial health of TUCAS cooperative society in terms of liquidity, solvency, profitability and efficiency of assets utilization.
3. To find out the changes in current asset and current liabilities using schedule of changes in working capital.
- 4.. To provide for suitable suggestions based on findings

## SCOPE OF THE STUDY

The present study aims to evaluate the Working Capital Management of TUCAS cooperative society for period of 5 years from 2008-2009 to 2012-2013 as revealed from the financial data of the company's annual report, manuals and accounting records. It help me to gain the knowledge about functioning of organization. This study helps to identity the strength and weakness of the company in order to know the financial aspects.



## PERIOD OF THE STUDY

The study covers a period of 5 years from 2008-2009 to 2012-2013 the accounting year of the company is from 1st April to 31st March of every year.

## STATISTICAL TOOLS

A working capital management analysis can adopt the following statistical tools such as:

- ▲ Ratio analysis
- ▲ Changes in Working capital

## LIMITATIONS OF THE STUDY

1. Financial statements do not give a final picture of the concern. The data given in these statements is only approximate. The actual value can only be determined when the business is sold or liquidated.
2. The study is only confined to a period of five years from 2008-2009 to 2012-13. The changes taken place before and after this period have not been taken into consideration.
3. The figures are taken from the financial statement for the analysis was historic in nature, the time value of money is not being used

## REVIEW OF LITERATURE

Morarka(1979)<sup>1</sup> in his study cooperative enquiry faces crises, “Economic Times Research bureau 1979 has observed that the government policies and the administration of partial decontrol of cooperative society has eroded the capacity of the society to absorb the stocks of fluctuating for tunes to sustain it. He further observes that the government policy of fixing a levy price for cooperative society was totally unrealistic and arbitrary”.

Sethe and Kanwar (1987)<sup>2</sup> in their study analysed “the relative contribution of the factors affecting agricultural cooperatives and cooperative service in India. The analysis showed that inter correlation among society (percent) society price and cooperative agriculture production were computed and found that they were a positive and highly significant.”

Panigrahi,(1990)<sup>3</sup> examined “the liquidity position of large India Cooperative for the period 1970-71 to 1986-87 with the help of standard financial ratios. Correlations between profitability ratios and working capital ratios have been computed to explain the significance of association between the ratios.”

1) Morarka, R.R., “Cooperative enquiries faces crisis”, Economic Times Research Bureau, 1979.

2) Sathe and Kanwar (1987) in their study analysed then relative contribution of the Factors Affecting Agricultural and Agricultural Production in India.

3) Panigrahi, “Working Capital Management”, case of large Indian companies”, The Management Accountant, October 1990.

## ANALYSIS AND INTERPRETATION

As working capital is the life blood and the centre of a business. Adequate amount of working

capital is very much essential for the smooth running of the business. And the most important part is the efficient management of working capital in right time. The liquidity position of the firm is totally effected by the management of working capital. So, a study of changes in the uses and sources of working capital is necessary to evaluate the efficiency with which the working capital is employed in a business. This involves the need of working capital analysis.

**A working capital management analysis can be adopted with the following Statistical tools such as:**

- Ratio Analysis
- Changes In Working Capital Analysis.

**TABLE SHOWING THE CURRENT RATIO OF TUCAS**

YEAR	CURRENT ASSET	CURRENT LIABILITIES	RATIO
2008-09	81301521	31383028	2.59
2009-10	99517900	37741709	2.63
2010-11	89473483	32635209	2.74
2011-12	126421791	97439174	1.29
2012-13	157284640	114761210	1.37

#### INTERPRETATION

The rule of thumb of current ratio is 2:1 (i.e.) every two part of asset should be associated with current liability. The table clearly shows that the finance is in a position to meet the short term commitment. The current ratio of the company was more than standard norms in the year of 2008-2011 but it was decreased during 2012-2013. Thus current position of the society was not satisfactory

**TABLE SHOWING THE DEBTORS EQUITY RATIO OF TUCAS**

YEAR	OUTSIDERS FUND	SHAREHOLDERS FUND	RATIO
2008-09	10983256	8488250	1.29
2009-10	14148892	7825082	1.80
2010-11	12278767	7375269	1.66
2011-12	14987532	9205873	1.62
2012-13	16834021	9542107	1.76

#### INTERPRETATION

As a general rule there must be a approximate mix of outsiders and shareholders fund here it indicates that there is a greater outsiders fund than owners or shareholders fund, thus company has

small relief from the risk taking.

**TABLE SHOWING THE WORKING CAPITAL RATIO OF TUCAS**

YEAR	NET SALES	NET WORKING CAPITAL	RATIO
2008-09	464562156	49918493	9.30
2009-10	188729727	61776191	3.05
2010-11	236085926	56838274	4.15
2011-12	261268725	28982617	9.01
2012-13	223687112	42523430	5.26

### INTERPRETATION

A higher ratio indicates efficient, better utilization of working capital. Here the working capital is not stable during the period of study. So the company has utilized their working capital according to the availability of money.

**TABLE SHOWING THE NET PROFIT RATIO OF TUCAS**

YEAR	NET PROFIT	SALES	RATIO
2008-09	26155270	464562156	5.63
2009-10	36867883	188729727	19.53
2010-11	19200053	236085926	8.13
2011-12	3049041	261268725	1.16
2012-13	58093576	223687112	25.97

### INTERPRETATION

Higher the ratios better the profitability position of the company. The ratio indicates that the profit is sufficient to achieve a satisfactory return on its investment. Hence the net profit ratio of the company is satisfactory.

**TABLE SHOWING THE SOLVENCY RATIO OF TUCAS**

YEAR	EXTERNAL LIABILITY	TOTAL ASSET	RATIO
2008-09	9618343	827570109	0.011
2009-10	11849466	1050778466	0.011
2010-11	7071707	1231150066	0.0057
2011-12	69864447	1512951736	0.046
2012-13	99032757	1930084056	0.051

**INTERPRETATION**

Solvency refers to the ability of a concern to meet its long-term obligations and long-term indebtedness of a firm. The table indicates that during the period of study ratio is very low, hence solvency position was not satisfactory.

**TABLE SHOWING THE CHANGES IN WORKING CAPITAL ON 2008-2009**

PARTICULARS	PREVIOUS YEAR 2008	CURRENT YEAR 2009	EFFECT ON WORKING CAPITAL	
			INCREASE	DECREASE
<b>CURRENT ASSET</b>				
Cash in hand	9897800	8019905		1877895
Bills receivable	29098912	39356588	10257676	
Sundry debtors	36232114	23436439		12795675
Prepaid items	218441	736376	517935	
Stock	10769387	9752213		1017174
<b>Total current asset</b>	<b>86216654</b>	<b>81301521</b>		
<b>CURRENT LIABILITIES</b>				
Creditors	22978967	10247535	12731432	
Bills payable	12850432	18373389		5522957
Provision for taxation	3243374	2762104	481270	
<b>Total Current Liabilities</b>	<b>39072773</b>	<b>31383028</b>		2774612
<b>Working capital (C.A-C.L)</b>	<b>47143881</b>	<b>49918493</b>		
<b>Net Increase or Decrease in W.C</b>	<b>49918493</b>	<b>49918493</b>	<b>23988313</b>	<b>23988313</b>

**TABLE SHOWING THE CHANGES IN WORKING CAPITAL ON 2009-2010**

PARTICULARS	PREVIOUS YEAR 2009	CURRENT YEAR 2010	EFFECT ON WORKING CAPITAL	
			INCREASE	DECREASE
<b>CURRENT ASSET</b>				
Cash in hand	8019905	13327111	5307206	
Bills receivable	39356588	43879645	4523057	
Sundry debtors	23436439	25835233	2398794	
Prepaid items	736376	2123043	1386667	
Stock	9752213	14352868	4600655	
<b>Total current asset</b>	<b>81301521</b>	<b>99517900</b>		
<b>CURRENT LIABILITIES</b>				
Creditors	10247535	12025048	751055	
Bills payable	18373389	23705612		1777513
Provision for taxation	2762104	2011049		5332223
<b>Total Current Liabilities</b>	<b>31383028</b>	<b>37741709</b>		11857698
<b>Working capital (C.A-C.L)</b>	<b>49918493</b>	<b>61776191</b>		
<b>Net Increase or Decrease in W.C</b>	<b>61776191</b>	<b>61776191</b>	<b>18967434</b>	<b>18967434</b>

**TABLE SHOWING THE CHANGES IN WORKING CAPITAL  
ON 2010-2011**

PARTICULARS	PREVIOUS YEAR 2010	CURRENT YEAR 2011	EFFECT ON WORKING CAPITAL	
			INCREASE	DECREASE
<b>CURRENT ASSET</b>				
Cash in hand	13327111	7406031		5921080
Bills receivable	43879645	40314965		3564680
Sundry debtors	25835233	24414287		1420946
Prepaid items	2123043	322647		1800396
Stock	14352868	17015553	266268	
<b>Total current asset</b>	99517900	89473483		
<b>CURRENT LIABILITIES</b>				
Creditors	12025048	11956144	68904	
Bills payable	23705612	3636728	20068884	
Provision for taxation	2011049	17042337		
<b>Total Current Liabilities</b>	37741709	32635209		15031288
<b>Working capital (C.A-C.L)</b>	61776191	56838274	4937917	
		4937917		
<b>Net Increase or Decrease in W.C</b>	61176191	61176191	27738390	27738390

**TABLE SHOWING THE CHANGES IN WORKING CAPITAL  
ON 2011-2012**

PARTICULARS	PREVIOUS YEAR 2011	CURRENT YEAR 2012	EFFECT ON WORKING CAPITAL	
			INCREASE	DECREASE
<b>CURRENT ASSET</b>				
Cash in hand	7406031	18181613	10775582	
Bills receivable	40314965	41926298	1611333	
Sundry debtors	24414287	52313593	27899306	
Prepaid items	322647	268737		53910
Stock	17015553	13731550		3284003
<b>Total current asset</b>	89473483	126421791		
<b>CURRENT LIABILITIES</b>				
Creditors	11956144	20681321		8725177
Bills payable	3636728	25299429		21662701
Provision for taxation	17042337	51458424		34416087
<b>Total Current Liabilities</b>	32635209	97439174		
<b>Working capital (C.A-C.L)</b>	56838274	28982617	27855657	
		27855657		
<b>Net Increase or Decrease in W.C</b>	56838274	56838274	68141878	68141878



**TABLE SHOWING THE CHANGES IN WORKING CAPITAL  
ON 2012-2013**

PARTICULARS	PREVIOUS YEAR 2012	CURRENT YEAR 2013	EFFECT ON WORKING CAPITAL	
			INCREASE	DECREASE
<b>CURRENT ASSET</b>				
Cash in hand	18181613	8248679		9932934
Bills receivable	41926298	67758379	25832081	
Sundry debtors	52313593	62336364	10022771	
Prepaid items	268737	165940		102797
Stock	13731550	18775278	5043728	
<b>Total current asset</b>	126421791	157284640		
<b>CURRENT LIABILITIES</b>				
Creditors	20681321	15996203	4685118	
Bills payable	25299429	38529347		
Provision for taxation	51458424	60235660		13229918
<b>Total Current Liabilities</b>	97439174	114761210		8777236
<b>Working capital (C.A-C.L)</b>	28982617 13540813	42523430	13540813	
<b>Net Increase or Decrease in W.C</b>	42523430	42523430	45583698	45583698

### INTERPRETATION

The table clearly shows that changes in working capital have increased in the year of 2009 than 2008. It shows good liquidity position to meet the day to day operation of the business. Hence working capital is good during this period. The table resembles working capital of TUCAS in 2009-2010 indicates that working capital has increased in the current year when compared to previous year. Hence society has adequate working capital to meet the day to day expenses. It is observed that the working capital is decreased during the period of study from 2010 to 2011. Thus company should concentrate in its current asset to increase the working capital. Hence the working capital is not satisfactory. Working capital is the financial metric to represent the operating liquidity available to business. Thus table clearly determines the increase in working capital is used for efficient management of operating liquidity in the business. Generally, positive working capital ensures firms ability to continue the operation and to meet the short term debt. Thus working capital of 2012-2013 is found satisfactory to meet the short term debt.

### FINDINGS

- ★ Current ratio of the society was above the rule of thumb from 2008-2011 and below the standard norms from 2011-2013. Hence study period of 2011-2013 was satisfactory.
- ★ Outsiders fund was greater than the share holders, now a day company mostly depends on shareholders fund to reduce the risk. so the company has good financial planning.
- ★ Net profit ratio decreases during 2011-12 but increases during 2012-13 thus found to be satisfactory.
- ★ Working capital analysis of 2008-09 indicates there is increase in working capital to meet the short

term commitment of the TUCAS.

- ✦ As there is increase in current asset during period of 2009 than 2010 and decrease in current liability there is an increase in working capital
- ✦ It is found to be decrease in current asset during period of study 2010-11 there is decrease in working capital. The society found scarcity to use the working capital in day to day operation of the society.
- ✦ There is increasing working capital during 2011-12 hence it is used for efficient management operating liquidity of the society.
- ✦ In period 2012-13 TUCAS working capital is found satisfactory to meet the short term debt.

## SUGGESTION

- ✦ The society has to concentrate in the current asset and liability to meet the short term obligation. Then only it can efficiently manage the short debt and liability and to meet short term obligation.
- ✦ Working capital should be properly managed to increase the operation of the society only increase in working capital leads to positive trend by increasing the working capital the firm can be properly managed. Because working capital is not stable during the period of study.

## CONCLUSION

TUCAS Cooperative society is actively operating in Tudiyalur and it has various branches in and around Coimbatore. It acts as banking as well as marketing sector to farming society. Working capital is needed to manage the day to day operation of the firm. From this study, I concluded that society has adequate liquidity to meet their requirements. But they should concentrate on working capital as it is not stable during the study. Solvency position should be increased to meet long term obligation. Comparative balance sheet of the society is found to be satisfactory.

Thus the society's economic condition can be increased by maximizing profit. Finally, I thank the society, the member of the society and faculty for giving me a wonderful opportunity.

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