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A STUDY ON WORKING CAPITAL MANAGEMENT AT ICICI BANK

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ABSTRACT

Working capital management refers to administration of all aspects of current assets, namely cash, marketable securities, debtors and stock and current liabilities. The financial manager must determine levels and composition of current assets. He must see that right sources are tapped to finance current assets, and that current liabilities are paid in time. He must see that right sources are tapped to finance current assets and that current liabilities are paid in time. The term working capital stands for the form capital which required for the financially of working or current need of the company. It usually invested in raw materials work in progress finished goods account receivable and saleable securities. Management of working capital usually involves planning controlling of current assets, namely cash and marketable securities, asset receivables and inventories and also the administration of current liabilities. Investment in current assets represents a very significant portion of the total investment in assets. Working capital management is critical for all firms. A small firm may not have much investment in fixed assets but it has to invest in current assets. Small firms in India face a serve problem of collecting their debts. Banks have their own policies to assess the working capital of the firm to finance them with the shortage. Reserve bank of India adopts certain method for financing their customer's working capital requirements. There are certain recommendations from the committees for the bank to finance the working capital needs of their clients.

INTRODUCTION:

Cash is the lifeline of a company. If this lifeline deteriorates, the company's ability to fund operations, reinvest and meet capital requirements and payments also deteriorate.Understanding a company's cash flow health is essential for making investment decisions. A good way to judge a company's cash flow prospects is to look at its working capital management (WCM).

Working capital of a company reveals more about the financial condition of a business than almost any other calculation. It tells you what would be left if a company raised all of its short-term resources, and used them to pay off its short-term liabilities. The more working capital, the less financial strain a company experiences. Working capital also gives investors an idea of the company's underlying operational efficiency. Money that is tied up in inventory or money that customers still owe to the company can't be used to pay off any of its obligations. So, if a company is not operating in the most efficient manner (slow collection) it will show up in the workingcapital. This can be seen by comparing the working capital from one period of time to another; slow collection may signal an underlying problem in the company'soperations.

The term gross working capital, also referred to as working capital means the totalcurrent assets.
The term net working capital can be defined in two ways:

- The most common definition of net working capital is the difference between the current assets and the current liabilities.

- The alternate definition of NWC is that portion of current assets which is financed with long term funds. Since the current liabilities represent the sources of short-term funds, as long as current assets exceed current liabilities,the excess must be financed with long term funds.

The net working capital, as a measure of liquidity is quite useful for internal control.The net working capital helps in comparing the liquidity of the same firm over time.

Therefore:

Current Assets - Current Liabilities = Working Capital

A positive working capital means that the company is able to pay off its short-termliabilities. A negative working capital means that a company currently is unableto meet its short-term liabilities.Management must ensure that a business has sufficient working capital. Too little of the working capital will result in cash flow problems highlighted by an organization exceeding its agreed overdraft limit, failing to pay suppliers on time, and being unableto claim discounts for prompt payment. In the long run, a business with insufficient working capital will be unable to meet its current obligations and will be forced to cease trading even if it remains profitable on paper.On the other hand, if an organization ties up too much of its resources in working capital it will earn a lower-than-expected rate of return on capital employed.

REVIEW LITERATURE:

Bana Abuzayed (1943) The purpose of this paper is to examine the effect of working capital management on
Firm's performance for a sample of firms listed on a small emerging market, namely Amman Stock Exchange. The paper includes a conceptual as well as empirical analysis, in which data from a sample of listed firms for a period from 2100-2108 are analyzed to examine if more efficient working capital management improves firms accounting profitability and firms value. Cash conversion cycles as well as its components are used as measures of working capital management skills. In this study two performance measures are used one accounting two marketing measure, believing that well maximization is shareholder's main concern. To bring up more robustresults, this study used more than one estimation technique, including panel data analysis, fixed and random effects and generalized

methods of moments.

Singh, J.P; Pandey, Shishir for the successful working of any business organization,fixed and current assets play a vital role. Management of working capital is essential as it has a direct working capital component and the impact of working capital management on profitability of Hindalco industries limited. The paper also makes an attempt to study the correlation between liquidity, profitability and profit before tax (PBT) of Hindalco. The study is based on secondary data collected from annual reports of Hindalco for the study period 2200-2107.The ratio analysis, percentage method and coefficient of correlation have been used to analyze the data. Multiple regressions are used to check the significant impact on the profitability of Hindalco.

Grey Filbeck (Schweser study program) Firms are able to reduce Financing cost and/or increase the funds available for expansion by minimizing the amount of funds tied up in current assets. We provide insights into the performance of surveyed firms across key components of working capital Management by using CFO Magazine’s annual working capital management survey. We discover that significant differences exist between industries in working capital measures across time. In addition, we discover that these measures for working capital change significantly within industriesacross time.

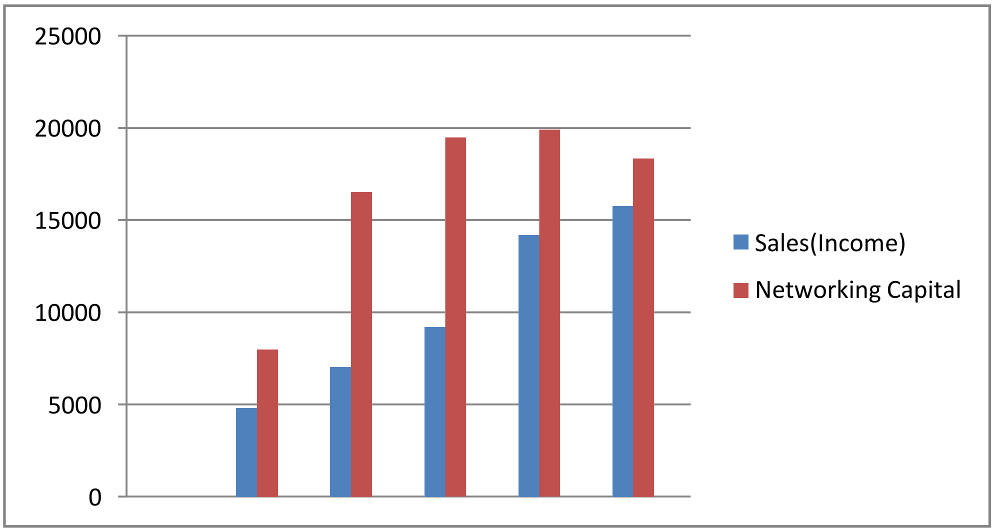
RESULTS AND DISCUSSION

WORKING CAPITAL TURNOVER RATIO

Table 4.2 Turnover ratio (In Cr)

Year	Sales (Income)	Networking Capital	Ratio
2016-17	4817.18	7997.23	0.602208
2017-18	7028.66	18519.03	0.562183
2018-19	9213.21	21493.2	0.472181
2019-20	16196.83	22003.03	0.537841
2020-21	17748.32	20330.92	0.821888

Fig4.2Turnover ratio



Interpretation:

The sales are in increasing stage at the financial year 2020-2021. The net working capital was increasing till 2019-2020 but it decreased in the financial year 2020- 2021.The working capital turnover ratio is also in the increasing.ar 2017-18 in the year but it is decreased in the year 2019-20. It shows a goodsign for the company.

Current Ratio:

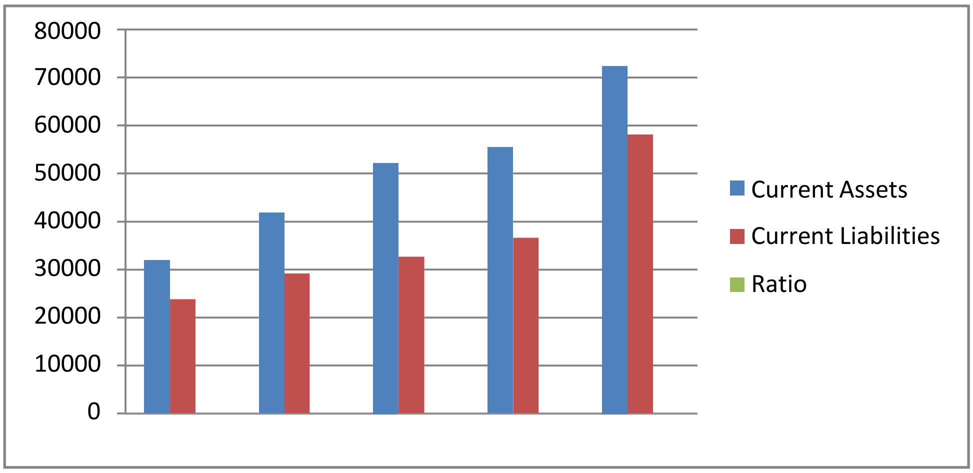
It is the ratio of the current assets current liabilities this ratio is used to know the company's ability to meet its current obligations. The standard norm for the current ratio is 2:1

Current ratio = current Assets / Current liabilities.

Table showing current ratio during the period 2016-17 to 2020-21Table 4.4 current ratio (in Cr)

Year	Current Assets	Current Liabilities	Ratio
2016-17	32100.29	23803.06	1.335975
2017-18	42019.78	29218.75	1.428664
2018-19	52219.20	32664.91	1.596763
2019-20	55487.68	36584.71	1.51969
2020-21	72423.07	58092.21	1.246692

Fig 4.4 current ratio



Interpretation It is observed that the current rationing an increasing trend; the company's liquidity position is satisfactory the current ratio increased slightly up to2017-18 is 1.42. But in 2018-19 it declined because of increase in current liabilities,and then it started to decrease further in2020-21 as 1.2. if the company maintains to increase the ratio it can meet obligations.

Quick Ratio:

Quick ratio is relation between quick assets and current liabilities. The term quick assets, which can be converted into cash with a short notice. This category also includes cash bank balances short – term investments and receivables.

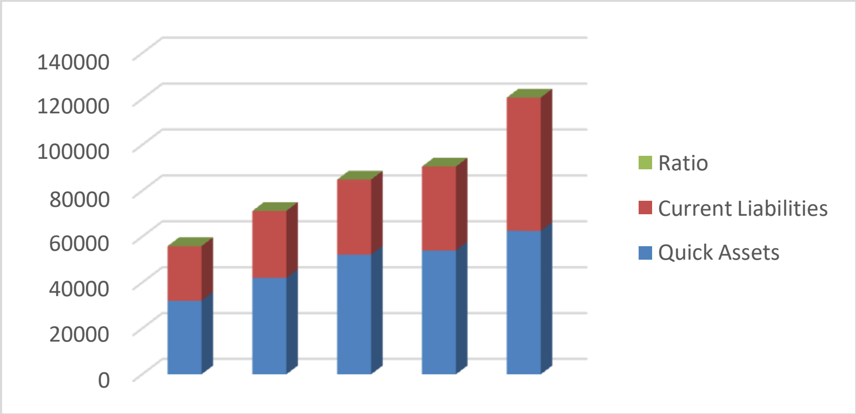
Quick ratio = Quick Assets / current liabilities

Table showing quick ratio of during the period 2016-17 to 2020-21.

Table 4.4 Quick ratio **(In Cr)**

Year	Quick Assets	Current Liabilities	Ratio
2016-17	32100.29	23803.06	1.33598
2017-18	42019.78	29218.75	1.42866
2018-19	52219.20	32664.91	1.59676
2019-20	53987.54	36584.71	1.47569
2020-21	62548.67	58092.21	1.07672

Fig 4.4 Quick ratio



Interpretation

It is observed that the current rationing an increasing trend; the company's liquidity position is satisfactory the current ratio increased slightly up to 2016-17 is 1.33. But in 2019-20 it declined because of increase in current liabilities, and then it started to decrease further in 2020-21 as 1.07. if the company maintains to increase the ratio it can meet obligations.

CONCLUSION

The Net Profit Ratio is showing profit in the year 2016-17. This event is an expected one because since from the previous two years it is showing the decline stage in Net Profit Ratio. Profit Margin is decreasing and showing negative profit because there is increase in the price of banking services. The Net Working Capital Ratio is satisfactory. The return on Total Assets ratio shows a negative sign in the year 2016- 17. There is an increase in operating ratio in the year 2016-17, in the year 2020-21 and reached in the year 2019-20 So the company has to reduce its operating costs. The operating ratio is satisfactory. Due to increase in cost of production, this ratio is decreasing. So, the has to reduce its office administration expenses.

Working capital position is good but there is always some scope for improvementsand growth company can adopt better financial policies and inventory management techniques have it be implemented, so the financial position would become stronger.

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