

A STUDY ON WORKING CAPITAL MANAGEMENT OF VINAYAKA MISSION SUPER SPECIALITY HOSPITAL PVT. LIMITED AT SALEM, TAMILNADU

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Abstract—Efficient management of working capital means management of various components of working capital in such a way that an adequate amount of working capital is maintained for smooth running of a firm and for fulfilment of twin objectives of liquidity and profitability. Also, it is the most crucial factor for survival and solvency of a concern. The present paper attempts to measure the efficiency of working capital of firms in Healthcare Sector in India. The study reveals that most of the firms of this sector have efficiently managed their current assets for the purpose of generation of sales. Further more efficient management of working capital has a positive effect on Income to Average total assets.

INTRODUCTION

A firm's capital comprises fixed capital and working capital. The emphasis has ever been on the growth and efficiency of fixed capital. The management of working capital has often been neglected, resulting in sub-optimal utilization of not only working capital but also fixed capital. Land and building, plant and equipment and many other such fixed assets are no doubt needed to provide a strong structural base but working capital is all them ore needed as a 'motorforce' to make the fixed assets more effective and turn out what is desired by the company. The area of working capital has long been a step-child in the literature of corporate finance. Firms fail most often because they are unable to meet their working capital needs. Consequently, sound working capital management is a requisite for a firm's survival. The overall success of a company depends upon its working capital position. Thus, the life-line of every concern, whether it is a manufacturing or trading or service enterprise, is working capital.

According to Cohen and Robins (1978), "working capital is the portion that is circulated from one form to another in the ordinary conduct of a business". Working capital is an indicator of shortrun solvency of a business. In today's competitive business environment, sound working capital management is a pre-requisite for corporate success. Corine (1985) says that, "the inadequacy or mismanagement of working capital is one of the leading causes of business failure".

STATEMENT OF THE PROBLEM

The problem of working capital management involves the problem of decision-making regarding investment in various current assets with an objective of maintaining the liquidity of funds of the firm to meet its obligations promptly and efficiently. The problem for which the study has been undertaken to analyse the working capital management.

RELEVANCE & SCOPE OF THE STUDY

The significance of the study is evaluating the working capital position of the health care industry. The study provides conceptual understanding of working capital. It also provides deep insights into fundamentals of working capital and various forces influencing the level of working capital Requirement.

The working capital management study has been carried out to determine whether the company is in a position to raise the cash needed to meet the daily activities. The study reviews the performance of the company for the period of 5 years from 2013 to 2018, as revealed by the annual reports and other accounting records of healthcare industry. The study also provides suggestions based upon findings. They may serve as for drawing cut the future plans for future.

OBJECTIVES OF THE STUDY

The need for working capital cannot be over emphasized. Every business needs some amount of working capital. Working capital arises due to the time gap between production and realization of cash from sales.

1. To study the current assets and current liability position of the company
2. To analyse impact of profitability on working capital
3. To analyse financial position of the company
4. To analyse the determination of working capital
5. To measure the overall efficiency of working capital
6. To evaluate the efficiency of each firm understudy to achieve the target level of efficiency.
7. To measure the relationship between efficiency of working capital and profitability.

LIMITATION OF THE STUDY

As health care systems vary widely in structure and operations. Additionally, data availability and accuracy might pose challenges, impacting the depth of analysis.

SAMPLE SIZE AND SCOPE:

Limited sample size or focus on specific healthcare facilities may not represent the broader industry, affecting the generalizability of findings.

DATA QUALITY: Reliance on secondary data sources or incomplete financial records may compromise the accuracy and reliability of the analysis.

EXTERNAL FACTORS: Economic conditions, regulatory changes, or external market forces could impact working capital dynamics, but these may not be fully accounted for in the study.

COMPLEXITY OF HEALTHCARE OPERATIONS: Healthcare organizations have intricate operational structures, including billing systems, insurance reimbursements, and patient demographics, which may not be fully captured in the study's analysis.

TIMEFRAME: The study's timeframe may not capture long-term trends or seasonal variations in working capital management, potentially limiting the depth of understanding.

METHODOLOGICAL CONSTRAINTS: Limitations in methodologies, such as financial ratio analysis or statistical techniques, could affect the accuracy of conclusions drawn from the data.

INDUSTRY DYNAMICS: Rapid changes in healthcare policies, technologies, and consumer preferences may render some findings obsolete or less applicable over time.

REVIEW OF LITERATURE

CHHABI MAJUMDAR (1996) has made an attempt to know the pattern of financing of the corporate working capital in India. The period of study covers 10 years from 1981-1990. The study includes 20 companies - 10 from the private sector and 10 from the public sector. The analysis reveals that private sector companies have adopted an aggressive policy of financing working capital whereas government companies have adopted a conservative policy.

VIJAYAKUMAR AND VENKATACHALAM (1996) examined the size, composition, trend, source of finance, and impact of working capital on profitability of Tamil Nadu Sugar Corporation covering a period of eight years from 1985-86 to 1993-94. The company is found to follow a moderate approach for investment in working capital. Increase in working capital is due to inventory and loans and advances. Profitability is adversely affected due to excess inventories.

MUHAMMAD RAFIQUUL ISLAM (1996) examines the overall performance of working capital management of paper mills in Bangladesh covering a period of 11 years from 1983-84 to 1993-94. The empirical results relating to practices of working capital management reveal that policies of working capital are formulated by directors.

YADAV, GAMBHIR AND JAIN (1998) have made an attempt to analyze the financial health of private corporate manufacturing companies in India. A sample of 150 units is selected, and data have been obtained from Bombay Stock Exchange Official Directory for a period of five years from 1990-1994. The study reveals that trends in the current ratio have shown consistency over the period 1990-04 but there is not sufficient cushion in the current assets. Nearly 40 percent of the current assets are in the form of inventories.

BARDIA (2006) carried out a comparative study to investigate the comparative liquidity trends in SAIL and TISCO. Data have been culled from annual reports of the two companies from 1997-98 to 2003-04. Analysis reveals a lack of steadiness in liquidity trends of SAIL. The relationship between working capital and sales is poor, and the rotation of working capital is slow. SAIL has used relatively larger liquid funds to attain sales in comparison to TISCO. Liquidity management of TISCO is far better than that of SAIL.

NANDKISHORE SHARMA (2007) has examined the current assets in the Indian Textile Industry. A sample of fifty textile companies is selected. Data have been collected for a period of four years from 2002-2006. The result shows that the difference between the actual and trend values of current assets as well as current liabilities is significant in all textile companies. A fluctuating trend in cash flow is observed.

DAS (2007) examined the various methods of financing working capital in the Associated Cement Companies Limited (ACC). The data have been collected from annual reports covering 13 years from 1992-93 to 2004-05. The result shows that ACC uses more short-term funds for financing working capital and adopts an aggressive policy with a mixed pattern of various sources. Miscellaneous current liabilities are found to be the major source of financing. Further, internal source alone is preferred by the company.

RESEARCH METHODOLOGY

Research is a systematic inquiry used to describe, explain, predict, or control some observed phenomenon - the research topic. Researchers begin by selecting a broad research topic and conducting a literature review to build up the researcher's knowledge base and to ensure the significance of the research. The researcher will then develop a research problem related to the topic and create a specific question. The research design will then be developed, and the procedures for analyzing the data will be identified.

RESEARCH DESIGN

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The researcher has undertaken a descriptive type of research. It describes the characteristics of the population or presentation of an answer for the questions like where, when, and how relating to a particular field. The study will present the state of affairs as it exists. This type of study mainly helps to know the past and to predict the future.

DATA COLLECTION

Data Collection is an important aspect of any type of research study. Inaccurate data collection can impact the results of a study and ultimately lead to invalid results. Data collection methods for impact evaluation vary along a continuum. At the one end of this continuum are quantitative methods, and at the other end of the continuum are Qualitative methods for data collection.

PRIMARY DATA COLLECTION METHODS

Primary data collection methods can be divided into two groups: quantitative and qualitative.

SECONDARY DATA COLLECTION METHODS

Secondary data is a type of data that has already been published in books, newspapers, magazines, journals, online portals, etc. There is an abundance of data available in these sources about your research area in business studies, almost regardless of the nature of the research area. Therefore, the application of appropriate set of criteria to select secondary data to be used in the study plays an important role in terms of increasing the levels of research validity and reliability. These criteria include, but not limited to, date of publication, credential of the author, reliability of the source, quality of discussions, depth of analyses, the extent of contribution of the text to the development of the research area etc.

ADJUSTMENT IN THE DATA

The accounting years of the selected hospitals are not uniform. For some of the years, a few hospitals report accounts for a period of 18 months while quite a few others have reported financial data for a shorter period of nine months. To facilitate comparisons, the results are annualized. The hospitals for which data are annualized.

SAMPLING METHODS

A Sample design is a definite plan for obtaining a sample from a given population. It refers to the technical procedures the research would adopt in selecting items for the sample, i.e., the size of the sample. Analytical Research Design study is used. Usually, for those research studies having the computation of problems or application of formulae for computations analytical research design technique is used.

SAMPLE SIZE

The sources of data are from the annual reports of the company from the year 2018-19 to 2022-23. Here sample size is last five years annual reports of the company Vinayaka Mission Super Hospital, Salem.

SAMPLING PROCEDURE

The first step in selecting hospitals is the identification of the population from which further selection has been carried out. The list of private hospitals available under the healthcare industry in the corporate databases constitutes the population. The study units have been chosen on the basis of purposive sampling. Hospitals for which financial statements are available for a ten-year period from 1996-97 to 2005-06 have been included in the sample. Initially, 21 hospitals have been identified. But on verification, it has been found that some hospitals have data for the entire study period while others have data for years which do not relate to the study period.

Hence, hospitals which have financial information relating to the study period are selected as the sample. The period of study could not be increased for the fear of elimination of many hospitals nor could be reduced since no meaningful inference could be drawn from the analysis. As such, the sample size is to be restricted to fourteen, representing 27 per cent of the population.

TOOLS USED

Association that may exist between select working capital ratios and profitability as well as value added to capital employed (VACE) is found out in this chapter. To assess the sensitivity of profitability and value added to capital employed (VACE) to working capital, (i) Correlation analysis, (ii) Simple Regression Analysis, (iii) Multiple Regression Analysis (iv) Stepwise Regression Analysis and (v) Path Analysis are employed.

SUGGESTIONS

- There must be higher in the debtors turnover ratio. The management should concentrate to increase the turnover ratio in the following years.
- The average collection period in this company is 60 days. The management has to reduce the collection period and speed up the collection process in future.
- The receivables to working capital is in negative ratio in the last three consecutive years.
- The receivables to current assets ratio is in a steady position. The company may take efforts to increase the ratio.
- The cash turnover ratio for the five years are ups and downs. The higher the cash turnover ratio is better to the company. So the company must take all the efforts to collect the cash quickly.

CONCLUSION

In the present analysis of working capital measures the efficiency of working capital management. Three index values comprising of performance of various components of current assets, the degree of utilization of total current assets in generating sales and efficiency in managing current assets has been computed. Using industry mean as the target level of efficiency for each individual company, an evaluation of the speed of achieving that target level has been evaluated. The relationship between efficiency of working capital management with the profitability has been established by calculating correlation between efficiency index & Income to Current assets and Efficiency Index & Income to Average total assets.

From the present study, it can be concluded that most of the firms under study have performed well as far as the performance of working capital, utilization of current assets to generate sales, and efficiency of working capital is concerned. Some of the firms have very high indexes. These extreme indexes arrive only for those firms who have substantially increased investment in their current assets in two subsequent financial years. Keeping larger current assets not doubt increases the liquidity of the firms but it has been observed that these firms have been able to utilize the increased current assets in generation of sales in those years.

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