A Project Work on

Effect of Working Capital on Organizational Performance: A Case Study of Shivani Trade Corporation Honnavar

Submitted To

Karnatak University Dharwad

In partial fulfilment of the Requirements for the Degree of Master of Commerce

2019

By:

Ms. Akshata Parameshwar.Naik

Registration Number: 17C011097

Under the supervision of

Prof. Ganesh Naik

Department of PG Studies in Commerce

ANJUMAN ARTS, SCIENCE, COMMERCE COLLEGE AND P.G CENTRE, ANJUMANABAD, BHATKAL-581320

2018-19

A.H.M.'s
ಂಜುಮನ್ ಕಲಾ, ವಿಜ್ಞಾನ, ವಾಣಿಜ್ಯ ಮಹಾವಿದ್ಯಾಲಯ ಹಾಗೂ ಸ್ನಾತಕೋತ್ತರ ಕೇಂದ್ರ
NJUMAN ARTS, SCIENCE, COMMERCE COLLEGE & P.G. CENTRE
(AFFILIATED TO THE KARNATAK UNIVERSITY, DHARWAD)
Accredited "B" Grade by NAAC

st Box No. 02
jumanabad, BHATKAL - 581 320 (Uttar Kannada)
: 08385 (O) 226443 (F) 228443 (M) 9886212692
nail : anjumancollegebkl@gmail.com
bsite : www.adc.ac.in

ಪೋಸ್ಟ್ ಬಾಕ್ಸ್ ನಂ. ೦೨
ಅಂಜುಮನಾಬಾದ್, ಭಟ್ಕಳ - ೫೮೧ ೩೨೦
(ಉತ್ತರ ಕನ್ನಡ) ಕರ್ನಾಟಕ ರಾಜ್ಯ
ದೂರವಾಣಿ : ೦೮೩೮೫ (ಒ) ೨೨೬೪೪೩ (ಫ್ಯಾಕ್ಸ್) ೨೨೮೪೪೩
(ಮೊ) ೯೮೮೬೨೧೨೬೯೨

Certificate

Certified that the Project Work titled **"Effect of Working Capital on Organizational Performance: A Case Study of Shivani Trade Corporation Honnavar"** is an original record of field work done by **Ms. Akshata Parameshwar Naik** with Registration No. **17C011097** in a partial fulfillment of the award of Degree of **Master of Commerce** of the **Karnatak University, Dharwad** during 2018-19. The project satisfies the academic requirements in respect of project work prescribed for the Degree of Master of Commerce and is a record of her own independent work.

This project is based on the studies carried out by her has not submitted to any other University p or Institution for the award of any degree or diploma.

Prof.Ganesh Naik
Project Guide

Prof. M.K.Shaikh
Principal

SHIVANI
TRADE CORPORATION
BOOKS, SPORTS, OFFICE STATIONARY & LABORATORY EQUIPMENTS

GSTIN: 29AFFPB7448K1Z4
Dr. Balkur Complex,
N.H. 66, Prabhat Road,
Honavar (N.K.) 581334

08387-222155, 220155, 9448132155
E-mail : stchonavar@gmail.com

CERITIFICATE

This is to certify that Miss. Akshata Parameshwar Naik, Register No:17CO11097, M.COM student of Anjuman Arts, Science & Commerce college and P.G. Centre, Bhatkal has satisfactorily completed the project in SHIVANI TRADE CORPORATION HONAVAR on "**Effect of Working Capital On Organizational Performance: A Case Study of Shivani Trade Corporation Honavar** ". For partial fulfillment of her degree in masters in commerce under Karnataka university Dharwad, Karnataka.

The effect put in by her in collecting the data and overall participation during the completion of project deserves highest appreciation.

We congratulate her and wish her all the success in her future endeavours.

Mr. Krishnamurthy R. Bhat

(Branch Head)

FOR SHIVANI TRADE CORPORATION

PROPRIETOR

INDEX

"Cash is the lifeblood of business" is an often repeated maxim in the world of finance. Working capital management refers to the management of current or 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, borrowings 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 organisations minimize risk by prudent working capital management. Working capital plays a pivotal role in the organizational activity. This is so because, working capital requirement significantly influence the overall working efficiency of the organization. Thus, the effect of working capital certainly based on the working capital structure of an organization. Effects of such judicious working capital have its own favourable effects on the overall performance of the organisation.

The effects of working capital on the performance could be favourable when an organisation maintains cash sales more than credit sales. When the cash sales exceed the credit sales, obviously the organisation is in a better position to manage its liabilities well even in the short period. It also ensures that there is a good inventory management which again helps the firm to improve its performance. Therefore, the reduction of the days in accounts receivable will facilitate the company to have ready cash to reinvest and can prevent the cash from getting eroded by effects of inflation as well as benefit from cheap source of financing. The increase in inventory levels also will help the company to create value but this requires efficient level that can maximize returns and minimize the costs of keeping it considering the effects of inflation. Thus working capital management is viewed as an effective lever to increase cash flow and preserve, or even to enhance company value. Such an effort to understand and evaluate the effects of working capital on organisational performance is being made through the present study by adopting M/s Shivani Book Stall Honnavar, Uttar Kannada District.

Conclusion:

After making the changes in working capital analysis on Shivani Trade Corporation. A conclusion derived that.

If the net working capital is increasing, we can conclude that the company's liquidity is increasing. It could indicate that the company is able to utilize its existing resources in a better way. Some companies have negative working capital and some companies have positive, If the company has to maintain large amount of inventory will usually have negative working capital.

Some company generally tend to have positive working capital because they do not have to maintain an inventory before they can sell the product. It means that it can generate revenue without increasing current liabilities. Cash flow cannot increase or decreasing with an only change in working capital. But if it is not sufficient, the company's efficiency is greatly reduced.

- If the current assets and current liabilities have increased by same amount, there would be no change in net working capital.
- If the change is positive, then the change in current liabilities has increased more than the current assets.
- If the changes are negative, it means that the change in the current assets has increased more than the current liabilities.

Shivani Trade Corporation is running with the profit from past two years. The net working capital for the year 2014-2015, 2015-2016 was decreased and 2016-2017, 2017-2018 was increased and in future also the trade corporation can expect an increase in net working capital.