



# “A STUDY ON THE WORKING CAPITAL MANAGEMENT RELIANCE JIO ”

## Authors

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## ABSTRACT

Every business whether big, medium or small, needs finance to carry on its operations and to achieve its target. In fact, finance is so indispensable today that its rightly said to be the lifeblood of an enterprise. Without adequate finance, no enterprise can possibly accomplish its objectives. So this project deals with studying various aspects of working capital management that is necessary to carry out the day-today operations. This project deals with the study about “Working Capital Management” in Reliance Jio.

In the management of working capital, the firm is faced by two key problems: First, given the level of sales and the relevant cost considerations, what are the optimal amounts of cash, accounts receivable and inventories that a firm should choose to maintain. Second, given these optimal amounts, what is the most economical way to finance these working capital investments? To produce the best possible results, firms should keep no unproductive assets and should finance with the cheapest available sources of funds. Why? In general, is quit advantageous for the firm to invest in short term assets and to finance short-term liabilities.

**Keywords:** Working Capital Management, Working Capital, Ratio Analysis

## Introduction

Working capital is a critical factor in the sustainability and viability of any business. Many firms are forced to cease trading due to an inability to meet short-term obligations when they are due. To remain in business, it is essential that a firm successfully manage its working capital. Proper management of working capital helps to improve a firm’s liquidity position and financial health and reduces risk.

In this course, you will be introduced to the concept of working capital and working capital management. The course will examine the need for working capital management and identify key factors that will have an impact on the size of the working capital requirement. This course will also cover the financial planning concepts to estimate working capital requirement. Finally, this course will describe some of the key strategies that can be used for financing working capital.

The management and control of working capital is of vital importance to companies and forms a major workload function of the finance manager and accountant. By working capital, the commonly accepted descriptive term for these resources, we mean the company's investment in short-term assets; traditionally these relate to items coming under the balance-sheet heading of current assets (in practice, of course, all capital is working, whether invested in fixed or current assets). Thus inventories (stocks), accounts receivable (debtors), short-term investments and cash balances all come within the term working capital. (The words in brackets represent alternative descriptions of the asset; throughout this book these terms are used synonymously.) Apart from the efficient operation and control of these assets, the finance manager will also be concerned with their financing. In this the finance manager will be faced with numerous alternative sources, both short-term and long-term. Short-term financing is generally shown under the heading of current liabilities and includes items such as bank overdrafts and credit received from suppliers. The efficient financing of current assets by short-term liabilities also comes within the scope.

### **STATEMENT OF PROBLEM**

This project deals with the study about “Working Capital Management” in Reliance Jio.

In the management of working capital, the firm is faced by two key problems:

First, given the level of sales and the relevant cost considerations, what are the optimal amounts of cash, accounts receivable and inventories that a firm should choose to maintain?

Second, given these optimal amounts, what is the most economical way to finance these working capital investments? To produce the best possible results, firms should keep no unproductive assets and should finance with the cheapest available sources of funds. Why?

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### **OBJECTIVES OF THE STUDY**

- ✓ To find out the customer satisfaction towards network and connectivity with Jio services. To know the internet quality of Jio services geographically.
- ✓ To identify the average monthly expenses
- ✓ To analyze the most preferred services of Jio by customers.
- ✓ To study the sources and uses of the working capital.
- ✓ To study the liquidity position through various working capital related ratios.
- ✓ To study the working capital components such as receivables accounts, cash management, Inventory management.

✓ To make suggestions based on the finding of the study.

## REVIEW OF LITERATURE

Many previous researches have indicated the relations between the working capital management and profitability of a company in different environments

**Krishnamurthy's study (2000)** was aggregative and dealt with inventories in the private sector of the Indian economy as a whole for the period 1948-61, this study used sales to represent demand for the product and suggested the importance of accelerator. Short-term rate of interest has also been found to be significant.

**According to Herzfeld B2(2003)** working capital management refers to the management of current or short term assets and short term liabilities. The purpose of that function is to make certain that the company has enough assets to operate s business. Here are things you should know about working capital management.

**Garcia-Teruel and Martinez-Solano (2002)** collected a panel of 8,872 small to medium-sized enterprises (SMEs) from Spain covering the period 2002-2003. They tested the effects of working capital management on SME profitability using the panel data methodology. The results, which are robust to the presence of endogenic, demonstrated that managers could create value by reducing their inventories and the number of days for which their accounts are outstanding. Moreover, shortening the cash conversion cycle also improves the firm's profitability.

**Maynard E. Refuse (2002)**, argued that attempts to improve working capital by delaying payment to creditors is counter-productive to individuals and to the economy as a whole. Claims that altering debtor and creditor levels for individual tiers when a value system will rarely produce any net benefit. Proposes that stock reduction generates system-wide financial improvements and other important benefits

**Shin and soenen (2006)** used a sample of 58,985 firm's years covering the period 1975-1994 in order to investigate the relation between net-trade cycle that was used to measure the efficiency of working capital management and corporate profitability. In all cases, they found a strong negative relation between the length of the firm's net-trade cycle and s profitability.

## RESEARCH METHODOLOGY

Research methodology generally refers to the procedure carried out in any project on research study. Methodology gives clear picture of suable clarification and sequence of the different stages of the study, as to arrive at a proper manifestation of the objective, and the scope.

### 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.

Research design can be thought of as the structure of research is the glue that holds all of the elements in a research project together. We often describe a design using a concise notation that enables us to summarize a complex design structure efficiently.

A research design appropriate for a particular research problem, usually involves the consideration of the following factors:

- The means of obtaining information.
- The availability and skills of the researcher and his staff.
- The objective of the problem to be studied.
- The nature of the problem to be studied.
- The availability of time and money for the research work.

## TYPE OF RESEARCH

### Analytical research

In analytical research, on the other hand, the researcher has to use facts or information already available, and analyze these to make a critical evaluation of the material.

## SAMPLING DESIGN

|                            |   |                                       |
|----------------------------|---|---------------------------------------|
| Sampling                   | : | Financial Statements.                 |
| Sampling Size              | : | Last five years financial statements. |
| Tool Used for calculations | : | MS-Excel.                             |

## TOOLS FOR ANALYSIS

- Ratio analysis
- Operating cycle
- Changes in working capital

## DATA ANALYSIS AND INTERPRETATION

### CURRENT RATIO

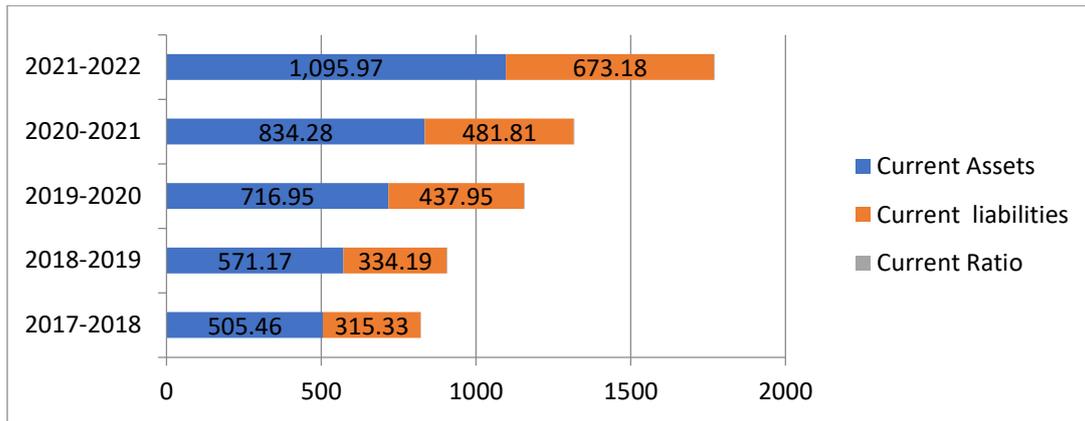
**Table-1 Current Ratio Analysis**

| Year      | Current Assets | Current liabilities | Current Ratio |
|-----------|----------------|---------------------|---------------|
| 2017-2018 | 505.46         | 315.33              | 1.60          |
| 2018-2019 | 571.17         | 334.19              | 1.71          |
| 2019-2020 | 716.95         | 437.95              | 1.64          |
| 2020-2021 | 834.28         | 481.81              | 1.73          |
| 2021-2022 | 1,095.97       | 673.18              | 1.63          |

### FORMULA:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

**Chart-1 Current Ratio Analysis**



**Inference:**

The above table shows that the current ratio seems to be fluctuating between the year 2018 to 2022. The current ratio is high in the year 2021 and decreased in 2022 due to increase in current liabilities.

**QUICK RATIO**

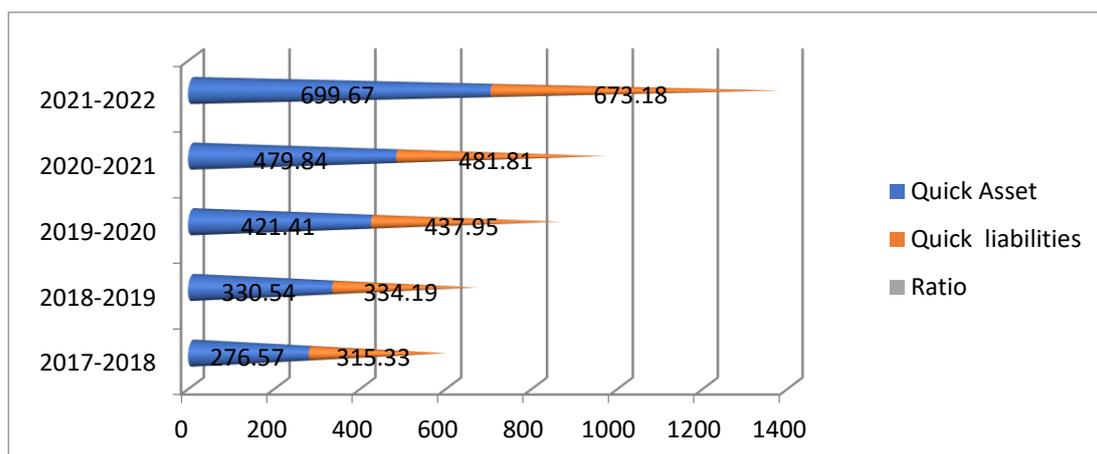
**Table-2-Quick Ratio Analysis**

| Year      | Quick Asset | Quick liabilities | Ratio |
|-----------|-------------|-------------------|-------|
| 2017-2018 | 276.57      | 315.33            | 0.88  |
| 2018-2019 | 330.54      | 334.19            | 0.99  |
| 2019-2020 | 421.41      | 437.95            | 0.96  |
| 2020-2021 | 479.84      | 481.81            | 1.00  |
| 2021-2022 | 699.67      | 673.18            | 1.04  |

**FORMULA:**

$$\text{Quick Ratio} = \frac{\text{Quick Asset}}{\text{Quick liabilities}}$$

**Chart-2-Quick Ratio Analysis**



**Inference:** The above table shows that the liquid ratio goes on increasing a reached a high mark of 1.04 in the year 2022, but the range is above the standard mark. Hence s liquidity position is adequate.

## ABSOLUTE LIQUIDITY RATIO

**Table-3-Absolute Liquidity Ratio Analysis**

| Years     | Cash & Bank Balance | Current liabilities | Absolute Liquidity Ratio |
|-----------|---------------------|---------------------|--------------------------|
| 2017-2018 | 18.8                | 315.33              | 0.06                     |
| 2018-2019 | 19.94               | 334.19              | 0.06                     |
| 2019-2020 | 22.83               | 437.95              | 0.05                     |
| 2020-2021 | 27.32               | 481.81              | 0.06                     |
| 2021-2022 | 61.81               | 673.18              | 0.09                     |

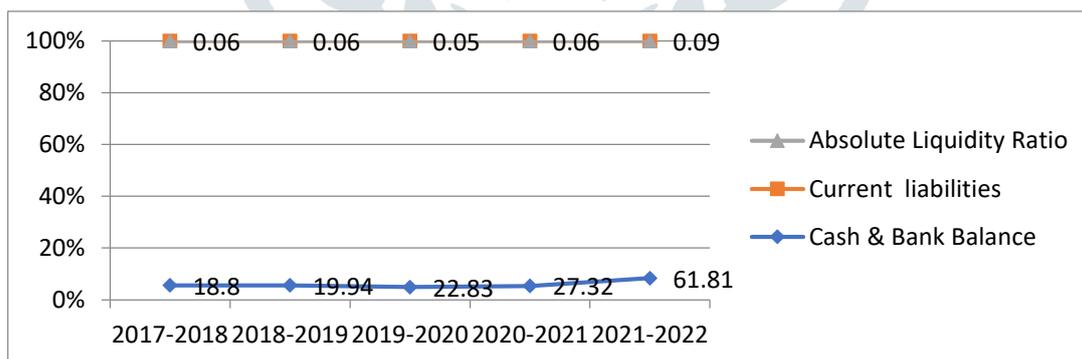
### FORMULA:

$$\text{Absolute Liquidity Ratio} = \frac{\text{Cash \& Bank Balance}}{\text{Current liabilities}}$$

### Inference:

The above table shows the ratio goes on increasing and is always above the standard mark of 0.5. Hence is clear that the liquidity position of the company is satisfactory.

**Chart-3-Absolute Liquidity Ratio Analysis**



## INVENTORY TURNOVER RATIO

**Table-4- Inventory Turnover Ratio**

| Year      | Net Sales | Closing inventory | Inventory Turnover ratio |
|-----------|-----------|-------------------|--------------------------|
| 2017-2018 | 1,537.19  | 228.89            | 6.72 times               |
| 2018-2019 | 1,765.78  | 240.63            | 7.34 times               |
| 2019-2020 | 1,930.59  | 295.54            | 6.53 times               |
| 2020-2021 | 2,356.19  | 354.44            | 6.65 times               |
| 2021-2022 | 2,816.32  | 396.3             | 7.11 times               |

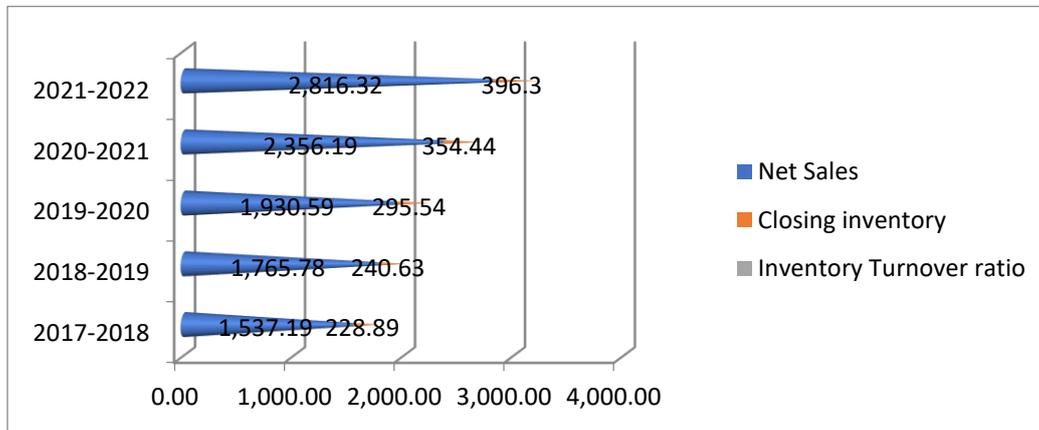
**FORMULA:**

$$\text{Inventory Turnover Ratio} = \frac{\text{Net Sales}}{\text{Closing Inventory}}$$

**Inference:**

The above table reveals that the company’s sales has increased subsequently after a fall in the year 2020.the company has shown higher sales rate in 2019 followed by 2022 .

**Chart-4- Inventory Turnover Ratio**



**Schedule of changes in working capital2019-2020**

| Particulars                  | As on 31-3- 2019 | As on 31-3-2020 | Increase      | Decrease      |
|------------------------------|------------------|-----------------|---------------|---------------|
| <b>CURRENT ASSETS</b>        |                  |                 |               |               |
| Inventories                  | 240.63           | 295.54          | 54.91         | ----          |
| Sundry debtors               | 228.76           | 241.3           | 12.54         | ----          |
| Cash & Bank balance          | 19.94            | 22.83           | 2.89          | ----          |
| Loans and Advances           | 80.09            | 98.99           | 18.9          | ----          |
| Other current assets         | 1.75             | 58.29           | 56.54         | ----          |
| (A)Total Current Assets      | 571.17           | 716.95          |               | ----          |
| <b>CURRENT LIABILITIES</b>   |                  |                 |               |               |
| Sundry creditors             | 274.73           | 340.27          | ----          | 65.54         |
| Provisions                   | 59.46            | 97.68           | ----          | 38.22         |
| (B)Total Current Liabilities | 334.19           | 437.95          |               |               |
| (A)-(B) Net Working Capital  | 236.98           | 279             |               |               |
| Increase in Working Capital  | 42.02            | ----            | ----          | 42.02         |
| <b>TOTAL</b>                 | <b>279</b>       | <b>279</b>      | <b>145.78</b> | <b>145.78</b> |

**Inference:**

The above table shows that the net working capital has increased in the year 2020 when compared to the previous year due to high level of inventory.

## FINDINGS

- ✓ Working capital of the Reliance Jio was increasing and showing positive working capital per year. The Reliance Jio maintains sufficient amount of current assets.
- ✓ Inventory turnover ratio is very low in the year 2017-2018. In the year 2018-2019 has increased by 7.34 times as compared to 2017-2018 and has again increased to 7.11 times in 2021-2022.
- ✓ Debtor's turnover ratio is very low in the year 2017-2018. In the year 2018-2019 has increase by 9.14 times as compared to 2017-2018 and keep increasing in the last year 2020-13up to 18.01 times

## SUGGESTIONS

- ✓ Working capital of the company has increasing every year. Profit also increasing every year this is good sign for the company. has to maintain further, to run the business long term.
- ✓ The company has sufficient working capital and has better liquidity position. By efficient utilizing this short-term capital, then should increase the turnover.
- ✓ The company can maintain the proportion of current assets and current liability which helps to improve better working capital management.
- ✓ The company should take precautionary measures for investing and collecting funds from receivables and to reduce the bad debts.
- ✓ The net operating cycle seems to be stabilizing after 2017-2018. So the company is maintaining a good operating cycle period.
- ✓ The company may be use a just-in-time approach in managing raw material which makes cash available for other operations.
- ✓ The company needs to concentrate more on the payment and collect of debts from the debtors and creditors

## CONCLUSION

- ✓ The financial status of Reliance Jio is good.
- ✓ In the last year the inventory turnover has increased, this is good sign for the company.
- ✓ The company's liquidity position is good. With regards to the investments in current assets there are adequate funds invested in. Care should be taken by the company not to make further investments in current assets, as would block the funds, which could otherwise be effectively utilized for some productive purpose. On the whole, the company is moving forward with excellent management.

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