

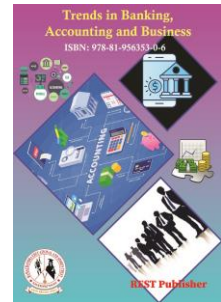


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A Study on Working Capital with Reference to Aviva Life Insurance

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Abstract: Working capital is a critical component of a company's financial health and operational efficiency, representing the difference between current assets and current liabilities. This financial metric is essential for ensuring a business can meet its short-term obligations and continue its operations without interruptions. Effective management of working capital involves optimizing inventory levels, accounts receivable, and accounts payable to maintain liquidity and profitability. Proper working capital management ensures a company has sufficient cash flow to fund its day-to-day operations while minimizing the cost of capital. It balances the trade-off between risk and return, as holding too much working capital can result in unnecessary holding costs, while too little can lead to liquidity crises and potential insolvency. The abstract explores the various components of working capital, strategies for effective management, and the impact of working capital on a company's financial performance. It also highlights the challenges businesses face in maintaining optimal working capital levels and the tools and techniques used to monitor and manage it effectively.

Keywords: Liquidity, Current Assets, Cash Flow, Profitability

1. INTRODUCTION

Financial management is the managerial process that involves the planning and control of a company's financial resources. Finance is a fundamental pillar that underpins various economic activity. Finance is the essential and vital component that sustains a firm. The study of financial management focuses on the acquisition and efficient utilization of financial resources in order to maximize the value of a company and, consequently, the value of its equity shareholders. Practicing managers are interested in this subject since the most critical decisions of the firm are those related to finance. An understanding of the theory of financial management equips them with conceptual and analytical insights to make these decisions skillfully.

2. OBJECTIVES OF THE STUDY

- Analyze Cash Management Practices
- Assess Inventory Management Techniques
- Conduct an examination of receivables management
- Analyze the impact of working capital management on the performance of a company
- Comprehend the significance of technology in the management of working capital
- Identify the optimal methods for effectively managing working capital.

3. SCOPE OF THE STUDY

The scope of this study is to thoroughly examine the factors that influence the management of working capital in businesses, considering their dynamic nature and changing effects over time. The study will encompass the following subjects in order to provide a comprehensive understanding of the factors and administration of working

capital. Analyze the effects of production plans and cycles on inventory levels and the need for working capital. Analyze the impact of seasonal output and the availability of raw materials on the amount of working capital needed.

Business Nature: Analyze the influence of the scale and type of operations on the need for working capital.

Credit Policy: Assess the influence of client credit terms on the company's working capital.

4. LITERATURE RIVIEW

The management of current assets and liabilities are referred as working capital management. There is an appropriate relation between components of firm's working capital for economic guarantee capital adequacy

Accounts payables: for sustaining smart relationship with the suppliers and creditors firms seeking to strike a balance between maintaining most cash flow by delaying the payments as long as possible to take care of positive credit ratings.

Accounts receivables: account receivables are an essential to a company's smooth functioning in cash operation. These are recorded as assets on the records of the company

5. RESEARCH METHODOLOGY

Research technique is a systematic approach used to tackle research problems. It can be defined as the scientific study of the process of conducting research. Within this field of study, we examine the typical procedures that a researcher typically follows when investigating a research problem, as well as the underlying rationale behind these stages. Researchers must possess knowledge not just of research methods and procedures, but also of methodology

6. DATA COLLECTION

Particulars	2020 Year	2021 Year	Changes in working capital	
			Increase	Decrease
<u>Current assets :</u>				
Inventories	10,084.10	9,355.01	-	7,29.09
Sundry debtors	7,070.50	8,355.01	1,428.27	-
Cash & bank balance	1,651.80	8,195.99	6,544.19	-
Accrued incomes	20.50	24.73	4.23	-
Loans & advances	2,269.60	2,787.92	5,18.32	-
Total current assets[A]	21,096.50	28,862.42	8,495.01	7,29.09
<u>Current liabilities</u>				
Sundry creditors	-	-	-	-
Provisions	4,254.20	4,873.80	-	6,19.6
Other liabilities	9,928.10	11,376.36	-	1,448.26
Total current liabilities	14,182.30	16,250.16	-	2,067.86
NET WORKING CAPITAL	6,914.20	12,612.26		
Increasing working capital	5,698.06			
Total	12,612.26	12,612.26	8,495.01	8,495.01

Primary Data: The primary data source has been collected through a survey by directly interviewing each respondent on numerous questions organized in a poll.

Secondary data: Secondary information refers to information that is collected by someone other than the individual in question. The optional information refers to the data that has been recently collected and preserved. In this project, secondary data was obtained by consulting books, company records, the internet, journals, and other sources.

Analysis:

Table 4.1 shows the AVIVA LIFE INSURANCE. has been increased Current assets. So, they maintained good level. Net working capital increase compare to last year (2019) in 2020 the net working capital decreased compare to 2020 then 2021-2022 net working capital increase then finally, in 2023 Net working capital increased compare to all previous years. So, in 2024 the Current assets and Current liabilities are used in effectively.

7. FINDINGS

Through the process of analyzing the fluctuations in working capital, it becomes evident that the company's current assets have been experiencing a consistent upward trend. Upon assessing the working capital, it has been observed that the net working capital has been consistently expanding. However, in 2019, it experienced a decline. The firm's current ratio is not being maintained, but it is close to the optimum ratio of 2:1. In previous years, the standard ratio was always maintained at a satisfactory level. However, in 2022, the ratio fell and no longer met the established norm of 1:1. The cash ratio of Aviva Life insurance reached a standard ratio of 0.51:1 from 2019 to 2021. In 2023, encountered a challenge with insufficient cash reserves, resulting in a shortage of liquidity. The debtor's turnover is experiencing volatility. The total assets turnover ratio has grown throughout the period of 2022-2023. However, over the years, it has experienced a modest drop.

8. SUGGESTIONS

The company is expected to predict the anticipated demand for their products. Improving working capital management will enhance the company's liquidity and bolster its creditworthiness. All ratios should be maintained in accordance with the thumb rule or the relevant industry norms. In order to enhance its operational efficiency, the company must effectively utilize its existing assets. Increasing the debtor's collection duration is preferable for the company to lower. Thus, it is determined that the organization must assess the suitable approach in all these areas, which will undoubtedly propel the company to new levels of success.

9. CONCLUSION

In conclusion, the working capital analysis for Aviva Life Insurance indicates fluctuations in liquidity and turnover. To address these issues, the company must thoroughly evaluate and implement appropriate strategies across all relevant areas. By doing so, Aviva can enhance its financial stability, optimize operational efficiency, and ultimately drive the company to new heights in the insurance industry. There is a fluctuation in liquidity and turnover. Therefore, it is concluded that the company has to evaluate the appropriate strategy in all such directions which will certainly drives the company to the new heights.

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