

A Study on Working Capital Management at Jayam Engineering and Tools, Coimbatore

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Abstract

This paper discusses the importance of working capital management efficiency at Jayam Engineering and Tools, Coimbatore. Working capital is highly important when it comes to sustaining the liquidity position, profit making, and efficient operations of a manufacturing firm. This study uses the quantitative method of research, along with the descriptive research design, using secondary data from five-year financial reports (from 2021-2025). Various financial techniques like ratio analysis, trend analysis, and comparative analysis are used to study liquidity position, profitability, and financial performance in general. Results show that working capital management efficiency increases efficiency and financial stability, whereas poor working capital management results in liquidity and profitability problems.

Keywords:

Working Capital, Liquidity, Profitability, Ratio Analysis, Financial Performance, Manufacturing Industry

Introduction

The modern era is a time where the competition level among businesses is growing rapidly. Efficient financial management has become a necessity for any business to flourish in such competitive times. However, there are many financial areas of concern, out of which one of the most crucial areas is that of working capital management. It is because the area of working capital plays an important role in ensuring liquidity and profitability of a business.

In the case of manufacturing companies like Jayam Engineering and Tools, there is substantial investment made in inventories, accounts receivable, and production process. Poor working capital management leads to problems such as shortages of cash, more borrowing needs, and other operational issues. Effective working capital management, on the other hand, can ensure smooth operations and profitability.

Therefore, the aim of this research study is to evaluate effective working capital management in Jayam Engineering and Tools.

Problem Statement

Working capital management is one of the essential parts of financial management. Poor management of working capital may result in surplus funds not being utilized properly or inadequate funds to fulfill short-term requirements.

The company Jayam Engineering & Tools finds it difficult to achieve an optimal balance between liquidity and profitability due to varying demand, credit policy, and inventory management. In spite of the significance of working capital, there is very little literature available in this regard, particularly for Jayam Engineering & Tools.

Objectives of the Study

To analyze the composition and structure of working capital.

To find out the relationship between working capital and liquidity position of the concern industry.

To measure the working capital impact on the profitability of the company.

Research Methodology

The study adopts a **descriptive and analytical research design** using secondary data.

Data Source

- Annual reports of Jayam Engineering and Tools
- Financial statements (2021–2025)
- Journals and online sources

Tools and Techniques Used

- Ratio Analysis
- Trend Analysis
- Comparative Analysis
- Mean and Standard Deviation

Scope of the Study

This research concentrates on the assessment of the working capital management strategies practiced by Jayam Engineering and Tools located in Coimbatore through the analysis of its financials for five years.

Limitations of the Study

- The study uses secondary sources of information.
- The period under analysis is very limited – just five years.
- The research is focused solely on one enterprise.
- Economic externalities are ignored.

Results of the Study

- The business has maintained an average liquidity position but experiences some volatility.
- There are problems in inventory management that result in the locking up of money.
- The accounts receivable turnover ratio is somewhat high.
- Profitability is affected by the various elements of working capital.

Recommendations

1. Improve Cash Management

- o Maintain optimum level of cash
- o Apply cash budgeting methods

2. Effective Inventory Management

- o Adopt inventory management methods such as EOQ
- o Cut down overstocking

3. Effective Receivable Management

- o Shorten credit period

- o Adopt strong collection policy
- 4. Improve Payables
 - o Make effective use of credit period without harming good will
- 5. Utilization of technology
 - o Apply financial management software
 - o Track working capital regularly

Conclusion

From the above analysis, it is evident that efficient management of working capital has a vital role to play in determining the financial well-being of Jayam Engineering and Tools. Poor management of working capital may result in poor liquidity, financial instability, and even insolvency.

It is imperative for Jayam Engineering and Tools to adopt improved financial policies regarding the management of receivables, inventory, and cash flows in order to ensure proper financial performance and sustained growth in the future.

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