



## **A study on working capital management in Tamil Nadu state transport corporation (Villupuram) limited**

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### **Abstract**

Transport industry is one of the key industries of nation's economy. It transport person, goods and so on. Generally private transport services are given between two towns; where there is more demand in order to make profit. But transport is needed every nook corners of the country. So the Government of Tamil Nadu provides transport facility through transport corporations. TNSTC (Villupuram) Ltd, is the biggest transport corporation in the state. Efficient Working Capital Management is important in transport industry. Hence the study has been undertaken to analyze Working Capital Management of the Corporation.

**Keywords:** transport industry, working capital management, undertake

### **Introduction**

Transportation is a service which helps goods and persons to be carried from one place to another. "The transport industries which undertake nothing more than the mere movement of persons and things from one place to another, have constituted one of the most important activities of men in every stage of advanced civilization". It has become a very important instrument for the economic well being of the people. As cities grew and industrialization progressed, new and improved means of transportation had to be found to transport goods to factories and consumers. Modern means of transport, through their fast, safe and efficient services, have broken the distance frontiers and united the whole world into one thread. It carries ideas and inventions to the people and has considerably contributed to the evolution of civilization. "Three things make a Nation great and prosperous—a fertile, soil, busy workshops and easy conveyance of men and goods from place to place". "Easy conveyance of men and goods from place to place" has acquired great significance in modern life and growing standard of living.

### **Profile**

In 1997 when Tamil Nadu Government decided to change the name of every corporation to Tamil Nadu State Transport Corporation. TNSTC – Villupuram is the public transport bus operator mainly in the districts of Thiruvallur, Kancheepuram, Vellore, Thiruvannamalai, Villupuram. Cuddalore, and Pondy (PY). TNSTC – villupuram was formed with merger of erstwhile. TPTC – Thanthai Periyar Transport Corporation, PATC- Pattukottai Alagiri Transport Corporation, MGRTC – Dr. MGR Transport Corporation. TPTC became TNSTC-Villupuram Region I, PATC to TNSTC- Villupuram Region II, and MGRTC to TNSTC Villupuram Region III. It has the pride of operating buses to 4 State in South India Tamil Nadu, Pondy, Karnataka, and Andhra Pradesh operations to Bangalore in (KA) Pondy in Pondy. SriKalakasthi, Nellore, Thirupathi, Chittoor in Andhra Pradesh State border villages

depends mainly on TNSTC Villupuram Division buses. Registration No's: TN-21, TN-23, TN-25, TN-32. Head Office: Villupuram.

### **Statement of the problem**

Transport industry is one of the key industries of nation's economy. It transports person, goods and so on. Movement from one place to another place is must even in everyday life. Generally private transport services are given between two towns; where there is more demand in order to make profit. But transport is needed every nook and corners of the country. So the government of Tamilnadu provides transport facility through transport corporations. TNSTC (Villupuram) Ltd. is the biggest transport corporation in the state. Efficient working capital management is important in transport industry. Hence the researcher has studied working capital management and their components.

### **Scope of the study**

The present study is an attempt to identify the various financial problems faced by TNSTC (Villupuram) Limited. The study is confined only with the Working Capital Management in TNSTC (Villupuram) Limited. Other financial performances are considered out of the scope.

### **Need of the study**

Fiancial analysis is a powerful mechanism which helps in ascertaining the strength and weakness in the operation and financial position of an enterprise. Financial analysis is the starting point for making plans, before using any sophistical forecasting and planning procedures.

### **Methodology**

The presents study is based on secondary data. The secondary data were collected from annual reports of TNSTC (Villupuram) Limited. For the period of five years from 2011 to 2015. The collected information's were analysis with the

help of appropriated tools like ratio analysis and simple Statistical tools.

### Objectives of the study

1. To study on Working Capital Management of TNSTC (Villupuram) Ltd.
2. To study the components of Working Capital

Management in TNSTC (Villupuram) Ltd.

### Working capital and current ratio

Working Capital is difference between Current Assets and Current Liabilities. Table No.1 present the results of Net Working Capital and Current Ratio of TNSTC (Villupuram) Limited.

**Table 1:** Working Capital and Current Ratio (₹ In lakhs).

| Sl. No. | Year    | Current Assets | Current Liabilities | Working Capital | Current Ratio |
|---------|---------|----------------|---------------------|-----------------|---------------|
| 1       | 2011-12 | 9565.58        | 53114.3             | -43548.72       | 0.18          |
| 2       | 2012-13 | 9550.59        | 71763.96            | -62213.37       | 0.13          |
| 3       | 2013-14 | 17340.06       | 79816.52            | -62476.46       | 0.22          |
| 4       | 2014-15 | 23603.46       | 91565.68            | -67962.22       | 0.26          |
| 5       | 2015-16 | 18509.43       | 109172.16           | -90662.73       | 0.17          |
| Mean    |         | 15713.82       | 81086.52            | -65372.70       | 0.19          |
| SD      |         | 6092.88        | 21033.21            | 16888.95        | 0.05          |
| CV%     |         | 38.77          | 25.94               | -25.83          | 25.88         |

*Sources:* Computed from annual report of TNSTC (Villupuram) Ltd.

Table No.1 reports the position of Current Assets, Current Liabilities and Working Capital for the study period of five years from 2011-12 to 2015-16. It also gives the results of Mean, Standard Deviation, and Co-efficient of Variation.

The results indicates that Current Assets of the corporation ranged from ₹9550.59 in lakhs to ₹23603.46 in lakhs over the study period. It was found to be low in 2012-13 (₹9550.59 lakhs) and it was high during 2014-15 (₹23603.46 lakhs). The Mean value of Current Assets was ₹15713.82 lakhs. The results of Standard Deviation and Co-efficient of Variation stood at ₹6092.88 lakhs and 38.77 per cent respectively.

The results indicates that Current Liabilities of the corporation ranged from ₹53114.3 in lakhs to ₹109172.16 in lakhs over the study period. It was found to be low in 2011-12 (₹53114.3 in lakhs) and it was high during 2015-16 (₹109172.16 in lakhs). The Mean value of Current Liabilities was ₹81086.52 lakhs. The results of Standard Deviation and Co-efficient of Variation stood at ₹21033.21 and 25.94 per cent respectively. The results showed that a Current Ratio of the corporation was very low during all the years of the study period. It was also observed that Current Ratio of the corporation was decreasing up to 2011-12 and there was slight increase during 2013-14 to 2015-16. Current Liabilities of the corporation was more than

Current Assets during all the years of the study period and it resulted Current Ratio less than one. The ratio was comparatively high during the year 2014-15 at 0.26:1 and it was low during 2012-13 at 0.13:1. The results showed poor Working Capital Management of the corporation during all the years of study period.

It was observed that Current Liabilities of the corporation was high than Current Assets during all the years of the study period and it resulted negative Working Capital during all the years. Working Capital of the corporation decreased severely during the study period. Working Capital of the corporation the negative during 2011-12 at ₹43548.72 in lakhs and it continued negative during all the years of the study period. The negative working capital was high during 2015-16 ₹90662.73. The Mean value of Working Capital was also negative (₹65372.70). The results of Standard Deviation and Co-efficient of Variation at ₹16888.95 and 25.83 per cent respectively.

### Turnover Ratio

Table No.2 presents the results of Working Capital Turnover Ratio, Debtors Turnover Ratio, Creditors Turnover Ratio and Cash position ratio of TNSTC (Villupuram) Limited.

**Table 2:** Turnover Ratio of Working Capital and their Components.

| Sl. No. | Year    | Working Capital Turnover Ratio (times) | Debtors Turnover Ratio (times) | Creditors Turnover Ratio(times) | Cash Turnover Ratio(times) |
|---------|---------|--|--------------------------------|---------------------------------|----------------------------|
| 1       | 2011-12 | -2.27                                  | 15.56                          | 37.13                           | 0.01                       |
| 2       | 2012-13 | -1.84                                  | 20.68                          | 43.01                           | 0.01                       |
| 3       | 2013-14 | -2.22                                  | 11.04                          | 90.81                           | 0.01                       |
| 4       | 2014-15 | -2.04                                  | 8.37                           | 89.36                           | 0.01                       |
| 5       | 2015-16 | -1.60                                  | 10.00                          | 66.02                           | 0.01                       |
| Mean    |         | -1.99                                  | 13.13                          | 65.27                           | 0.01                       |
| SD      |         | 0.28                                   | 4.99                           | 25.10                           | 0.01                       |
| C.V %   |         | -14.06                                 | 38.01                          | 38.46                           | 38.92                      |

*Sources:* Computed from Annual Report of TNSTC (Villupuram) Ltd.

The ratio gives a clear picture of Working Capital Turnover Ratio of the corporation and shows a fluctuating trend during all the years of the study period. It ranges between a minimum

of -1.60 times in 2015-16 and maximum of -2.27 times in 2011-12. The Mean value of Working Capital Turnover Ratio of the corporation was low at -1.99 times. Standard Deviation

and Co-efficient of Variation of Working Capital Turnover Ratio was 0.28 times and 14.68 per cent over the five years of the study period.

The ratio gives a clear picture of Debtors Turnover Ratio of the corporation and shows a fluctuating trend during all the years of the study period. It ranges between a minimum of 8.37 times in 2014-15 and maximum of 20.68 times in 2012-13. The Mean value of Debtors Turnover Ratio of the corporation was 13.13 times. Standard Deviation and Co-efficient of Variation of Debtors Turnover Ratio was 4.99 times and 38.01 per cent over the five years of the study period.

The ratio gives a clear picture of Creditors Turnover Ratio of the corporation and shows a fluctuating trend during all the years of the study period. It ranges between a minimum of 37.13 times in 2011-12 and maximum of 90.81 times in 2013-14. The Mean value of Creditors Turnover Ratio of the corporation was 65.27 times. Standard Deviation and Co-efficient of variation of Creditors Turnover Ratio was 25.10 times and 38.48 per cent over the five years of the study period.

The ratio was very low level of fluctuation during all the years of the study period. The cash position ratio was 0.01 times in during all the years of study period. The Mean value of the cash position ratio was 0.01 times respectively. Standard Deviation and co-efficient of Variation was 0.01 times and 38.92 per cent.

### **Conclusion**

The study analyzed Working Capital Management of TNSTC (Villupuram) Limited. For the period of five year from 2011-12 to 2015-16. The study evidence that Working Capital Management of the corporation was negative during all the years of the study period. It showed poor working capital management of the corporation.

### **Reference**

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