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A PROJECT REPORT ON

WORKING CAPITAL MANAGEMENT IN SRINIDHI DAIRY MILK

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ABSTRACT

Working capital management plays a crucial role in maintaining the financial stability and operational efficiency of any organization. The present study titled "A Study on Working Capital at Srinidhi Dairy Milk, Proddatur" focuses on analyzing how the organization manages its short-term assets and liabilities to ensure smooth day-to-day operations. Working capital mainly includes current assets such as cash, inventory, and receivables, and current liabilities such as creditors and short-term obligations. The main objective of this study is to examine the effectiveness of working capital management practices in the organization and to evaluate its impact on liquidity, operational efficiency, and profitability. The study also analyzes various components of working capital such as cash management, inventory management, and receivables management. Data for the study was collected using both primary and secondary sources. Primary data was obtained through questionnaires and interactions with employees, while secondary data was collected from financial statements, records, and reports of the organization. The analysis was carried out using simple statistical tools such as percentages, tables, charts, and ratio analysis to understand the working capital position of the company. The findings of the study indicate that effective management of working capital helps the organization maintain adequate liquidity and supports continuous production and distribution activities. The study concludes with suggestions to improve the efficiency of working capital management in order to strengthen the overall financial performance of the organization.

Key Words:Working Capital, ManagementLiquidity, ProfitabilityCurrent, Assets Financial Performance

INTRODUCTION

Working capital is one of the most important aspects of financial management in any business organization. It represents the funds required for the day-to-day operations of a company and plays a significant role in maintaining smooth business activities. Working capital refers to the difference between current assets and current liabilities of an organization. Current assets generally include cash, inventory, accounts receivable, and other short-term assets, while current liabilities include short-term debts, accounts payable, and other obligations that must be settled within a year. Proper management of working capital ensures that a company has sufficient liquidity to meet its short-term obligations and continue its operations without financial difficulties.Efficient working capital management is essential for maintaining the financial stability of an organization. If a company does not manage its working capital properly, it may face problems such as shortage of funds, delay in payments, and disruption in production activities. On the other hand, effective management of working capital helps organizations utilize their resources efficiently, reduce operational risks, and improve overall profitability. Therefore, businesses must carefully plan and control their current assets and current liabilities to maintain a balanced financial position.In manufacturing and dairy industries, working capital management becomes even more important because these industries deal with perishable raw materials, continuous production processes, and a large distribution network. Dairy businesses require regular procurement of milk and other raw materials, proper storage facilities, efficient transportation, and timely distribution of products. All these activities require sufficient working capital to ensure uninterrupted production and supply of dairy products to customers. Hence, managing cash, inventory, and receivables effectively is very important for the success of dairy organizations.The dairy industry plays a significant role in the agricultural and economic development of many regions. Dairy businesses contribute to employment generation, rural development, and supply of nutritious food products to society. In such industries, proper financial management is necessary to support operational activities and maintain business growth. Working capital management helps dairy organizations manage their daily financial requirements such as procurement of milk from farmers, payment of wages, transportation costs, packaging expenses, and distribution of finished products.This study focuses on analyzing the working capital management practices of Srinidhi Dairy Milk located in Proddatur. The organization is involved in the procurement, processing, and distribution of milk and dairy products to consumers and retailers. Like other dairy enterprises, the company requires adequate working capital to manage its daily operations effectively. The study aims to understand how the company manages its current assets and current liabilities and how these financial elements influence its operational performance.The purpose of this study is to evaluate the efficiency of working capital management in the organization and to analyze the relationship between liquidity and operational performance. The study also examines important components of working capital such as cash management, inventory control, receivables management, and payment of short-term liabilities. Proper analysis of these factors helps in understanding the financial position of the organization and identifying areas where improvements can be made.Both primary and secondary data are used in conducting the study. Primary data is collected through questionnaires, discussions, and interactions with employees and management personnel. Secondary data is collected from financial records, company reports, and other relevant documents. Various analytical tools such as tables, charts, percentages, and ratio analysis are used to interpret the collected data and understand the working capital structure of the organization.The findings of this study will help in identifying the strengths and weaknesses of the current working capital practices of the organization. It will also provide suggestions to improve the efficiency of financial management and ensure better utilization of resources. Proper management of working capital not only supports day-to-day operations but also contributes to long-term financial stability and growth of the organization.Overall, working capital management is a vital element in the success of any business enterprise. It ensures that organizations maintain adequate liquidity, operate efficiently, and achieve sustainable growth. Therefore, studying the working capital management practices of Srinidhi Dairy Milk, Proddatur provides valuable insights into how financial resources are utilized in the dairy sector and how effective financial planning can support business performance.

OBJECTIVES

- To analyze the working capital management practices of Srinidhi Dairy Milk, Proddatur.
- To evaluate the efficiency of current assets and current liabilities in maintaining smooth business operations.
- To study the liquidity position of the company using working capital ratios such as the current ratio and quick ratio.
- To examine the management of inventory, cash, and receivables in the organization.
- To identify problems related to working capital management and suggest suitable measures for improvement

SCOPE OF THE STUDY

The scope of the study defines the boundaries and coverage of the research conducted on working capital management at Srinidhi Dairy Milk, Proddatur. This study mainly focuses on examining how the organization manages its short-term financial resources in order to support its daily operational activities. Working capital plays a vital role in ensuring that a business has enough funds to meet its immediate financial obligations and maintain smooth production and distribution processes.The study covers the analysis of major components of working capital such as current assets and current liabilities. Current assets include cash, inventory, accounts receivable, and other short- term resources that can be converted into cash within a short period. Current liabilities include creditors, short-term borrowings, and other obligations that the company must settle within one year. By studying these elements, the research aims to understand how effectively the company maintains liquidity and manages its financial responsibilities.Another important area covered in this study is the management of cash, inventory, and receivables. Proper cash management helps the organization maintain sufficient funds for daily operations such as purchasing raw materials, paying wages, and meeting other operating expenses. Inventory management is also a significant aspect, especially in the dairy industry where products are perishable and require careful storage and timely distribution. Efficient receivables management ensures that payments from customers and distributors are collected on time, which improves the availability of working capital.The scope of the study also includes the evaluation of the company’s liquidity position through financial analysis. Ratio analysis and simple statistical tools such as tables, charts, and percentages are used to interpret the financial data and understand the working capital performance of the organization. These tools help in identifying trends, strengths, and weaknesses in the management of short-term assets and liabilities.This study is limited to the financial information and operational practices related to working capital management within Srinidhi Dairy Milk, Proddatur. It mainly focuses on short-term financial management and does not cover long-term investment decisions or capital structure in detail. The analysis is based on the available financial records, employee responses, and information collected during the study period.Overall, the scope of this research is to provide a clear understanding of how working capital is managed in the organization and how itinfluences operational efficiency and financial stability.

LIMITATIONS OF THE STUDY

1. The study was conducted within a limited time period, which restricted a more detailed and comprehensive analysis of working capital management practices.

2. The research is based on limited financial data available from the organization, as some financial information could not be disclosed due to confidentiality policies.

3. The study depends partly on the responses collected from employees through questionnaires, which may sometimes be influenced by personal opinions or limited knowledge.

4. The research focuses only on Srinidhi Dairy Milk, Proddatur, and therefore the findings may not be applicable to other dairy organizations or industries.

5. The analysis in the study is carried out using basic tools such as tables, percentages, and simple ratio analysis due to limited data availability.

REVIEW OF LITERATURE

1. **Sharma and Bansal (2020)** studied the importance of working capital management in manufacturing industries. Their research explained that efficient control of current assets such as cash, inventory, and receivables improves liquidity and operational efficiency.

2**Reddy and Prasad (2021)** conducted a study on financial management practices in dairy processing firms. The study highlighted that the dairy industry requires continuous working capital because milk procurement, processing, and distribution occur daily.

3. Díaz Ortega, N.I., Cudris Niño, L.F., & García Mogollón, J.M. (2025) conducted a bibliometric analysis on the relationship between working capital management and profitability. Their study reviewed hundreds of research articles and found that the cash conversion cycle and efficient capital utilization are key factors influencing profitability. The research also noted that effective working capital policies help organizations maintain operational stability and financial growth.

4. Chaudhary, R., & Sharma, U. (2024) carried out a bibliometric study on working capital management research trends. The authors analyzed several studies from international databases and identified that working capital management plays a vital role in financial stability, liquidity, and business efficiency. The study also highlighted research gaps and suggested further investigation in developing economies.

5. Mengstie, B., Mosisa, T., & Mosisa, T. (2024) examined the relationship between working capital management and profitability in private commercial banks in Ethiopia. Their research found that proper management of short-term assets and liabilities significantly improves profitability and reduces financial risks. The study concluded that banks with efficient working capital practices perform better financially than those with weak financial management systems.

6. Sureshkumar, N., Ghapar, F., Chew, L.L., Sundram, V.P.K., Jayamani, U., & Muhammad, A. (2023) studied working capital management in supply chain finance. The research

emphasized that efficient control of inventory, receivables, and payables improves cash flow and strengthens competitiveness in organizations. The study also highlighted that working capital management is essential for maintaining financial stability in dynamic business environments.

7. Wardhani, A.S. (2023) investigated the influence of working capital management on financial performance using financial data from manufacturing firms. The results showed that effective management of current assets significantly improves company solvency and profitability. The study concluded that firms with better working capital strategies tend to achieve higher financial performance.

RESEARCH METHODOLOGY:

Introduction to Research Methodology

Research methodology refers to the systematic approach used to collect, analyze, and interpret data in order to achieve the objectives of a study. It provides a structured framework that guides the research process and ensures that the information gathered is reliable and meaningful. The present study aims to analyze the working capital management practices of Srinidhi Dairy Milk, Proddatur. The methodology adopted in this study helps in understanding how the organization manages its current assets and current liabilities to maintain smooth business operations.The methodology followed in this study ensures logical interpretation of the collected data. It includes research design, methods of data collection, sampling techniques, tools used for analysis, and procedures for interpreting the results.

Research Process

The research process adopted for this study consists of the following stages:

Primary Stage Includes:

• Identification of the research problem

• Formulation of research objectives

• Review of relevant literature

• Designing the research framework

Secondary Stage Includes:

• Project planning

• Questionnaire preparation

• Data collection

• Data classification and tabulation

• Statistical analysis

• Interpretation of results

Type of Research

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Descriptive Research

The present study is descriptive in nature. Descriptive research helps in describing the characteristics and financial practices of an organization. In this study, descriptive research helps in understanding the working capital management practices of Srinidhi Dairy Milk and analyzing how effectively the company manages its short-term financial resources.

Research Design

The research design adopted for this study is a structured survey-based design. A well-framed questionnaire was used to collect responses from employees of Srinidhi Dairy Milk. The collected data was classified and analyzed using percentage analysis and graphical representation methods such as tables, pie charts, and bar diagrams.

Project Planning

Project planning involves defining the research objectives and determining the methods to achieve them. In this study, the objectives were framed to analyze the working capital management practices of the organization, evaluate liquidity position, and examine the management of cash, inventory, and receivables.

Data Collection

Data collection is one of the most important stages of the research process. For this study, both primary and secondary data were collected to ensure a comprehensive analysis.

Primary Data

Primary data was collected directly from employees of Srinidhi Dairy Milk through structured questionnaires and personal interaction. The responses were obtained from employees involved in financial and operational activities within the organization.

Secondary Data

Secondary data was collected from the following sources:

• Company financial records

• Annual reports and financial statements

• Books and academic journals

• Company documents and reports

• Relevant websites and online resources

Questionnaire Preparation

A structured questionnaire was prepared based on the research objectives. The questionnaire included multiple-choice questions designed to measure:

• Working capital management practices

• Cash management efficiency

- Inventory management
- Receivables management
- Liquidity position of the company

Pilot Survey

Before conducting the final survey, a pilot study was carried out with a small group of respondents to test the clarity and reliability of the questionnaire. Necessary modifications were made based on the feedback received from the respondents.

Sample Size

The total sample size selected for the study was 50 respondents consisting of employees from different departments of the organization.

Sampling Technique

Simple random sampling technique was used to collect data from employees who were available during the study period. This method helps in selecting respondents without bias.

Period of Study

The study was conducted over a period of four months, during the academic project duration.

Statistical Tools Used

The collected data was analyzed using the following tools:

- Percentage analysis
- Tabular presentation
- Pie charts
- Bar diagrams

These tools helped in presenting the data in a clear and understandable format and assisted in interpreting the working capital management practices of the organization.

DATA ANALYSIS AND INTERPRETATION

TABLE-1

SCHEDULE OF CHANGES IN WORKING CAPITAL FOR THE YEAR2020-2021

(RS. Crores)

Year	Current Assets	Current Liabilities	Current Ratio
2020	7,50,000	4,50,000	1:67
2021	8,20,000	4,90,000	1:67
2022	9,10,000	5,30,000	1:72
2023	10,00.000	6,00,000	1:67
2024	11,20,000	6,50,000	1:72
2025	12,40,00	7,20,000	1:72

INTERPRETATION

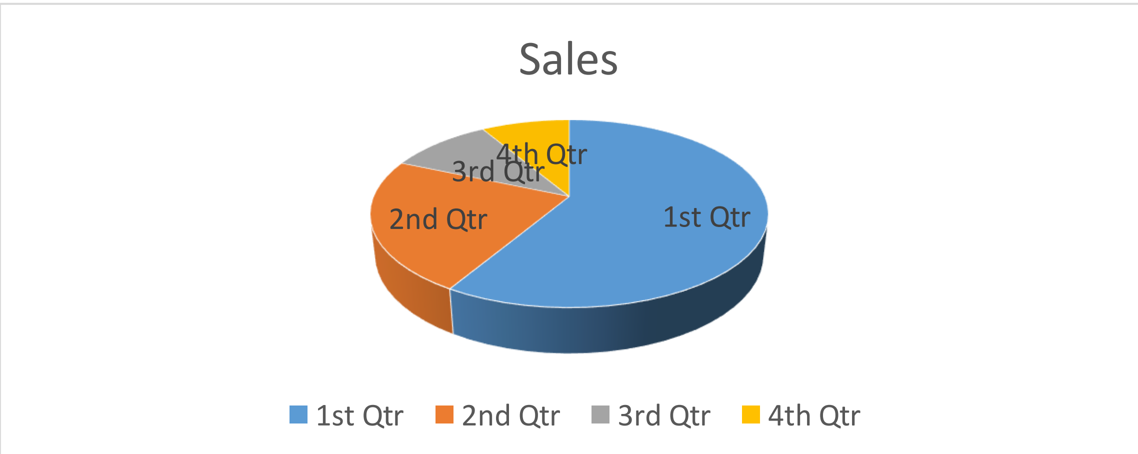
Working capital decreased during 2021–2022 because the increase in current liabilities was higher than the increase in current assets.

TABLE-2

SCHEDULE OF CHANGES IN WORKING CAPITAL FOR THE YEAR

2022-2023 **(RS. Crores)**

Year	Quick Assets	Current Liabilities	QuickRatio(Times)
2020	450000	450000	1.00
2021	490000	490000	1.00
2022	550000	530000	1.04
2023	600000	600000	1.00
2024	680000	650000	1.05
2025	750000	720000	1.04



INTERPRETATION

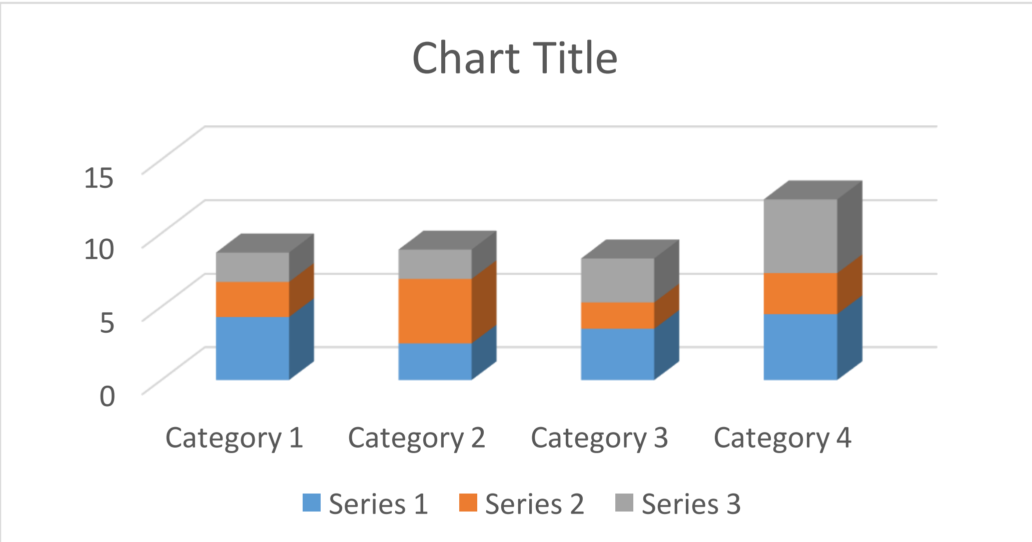
Working capital decreased during 2021–2022 because the increase in current liabilities was higher than the increase in current assets

TABLE-3

SCHEDULE OF CHANGES IN WORKING CAPITAL FOR THE YEAR

2022-2023 **(RS. Crores)**

year	Change in Working Capital (₹ Crores)
2020-2021	494
2021-2022	1367
2022-2023	-226
2023-2024	79
2024-2025	79



INTERPRETATION

The overall working capital decreased during 2022–2023 due to a higher increase in current liabilities compared to current assets.

FINDINGS

1. The study reveals that the majority of respondents (40%) believe that the working capital management in the organization is good, while only a small percentage consider it poor.
2. Most respondents (64%) stated that the company maintains sufficient cash for its daily operational activities.
3. The analysis shows that inventory management in the organization is efficient according to a large number of respondents, which indicates proper control over stock levels.
4. It is observed that receivables are collected at a reasonable speed, as 40% of respondents believe that the collection process is fast.
5. A significant majority of respondents (70%) believe that the organization is able to meet its short-term liabilities on time

SUGGESTIONS

1. The organization should further strengthen its working capital management practices to achieve an optimal balance between current assets and current liabilities.
2. The company may improve its cash management system by adopting better financial planning and monitoring techniques.
3. Efforts should be made to reduce the time taken for collecting receivables from customers to improve cash flow.
4. The organization should continue maintaining proper inventory control systems to minimize wastage and storage costs.
5. Regular monitoring of liquidity position should be carried out to ensure that sufficient funds are always available for operational needs.

CONCLUSION

Working capital management plays an essential role in the financial health and operational efficiency of any organization. The present study titled “A Study on Working Capital at Srinidhi Dairy Milk, Proddatur” was conducted to understand how effectively the organization manages its short-term assets and liabilities in order to support its day-to-day operations. Based on the analysis of the collected data, it can be concluded that the organization maintains a satisfactory level of working capital management. The study reveals that the majority of respondents believe that the company effectively manages its cash, inventory, and receivables. Adequate availability of cash for daily operations and the ability to meet short-term liabilities indicate that the company has a stable liquidity position. Proper inventory management and maintenance of stock levels also contribute to smooth production and distribution activities within the organization. The findings further indicate that working capital has a significant impact on the operational performance of the company, particularly in supporting production activities and maintaining business continuity. Effective cash management and timely collection of receivables help the organization maintain a steady flow of funds for operational requirements. Although the company demonstrates satisfactory working capital management practices, there is still scope for improvement in areas such as receivable collection efficiency, liquidity monitoring, and financial planning. By adopting improved financial management techniques and regularly reviewing working capital policies, the organization can further strengthen its financial stability and operational efficiency. Overall, the study concludes that effective working capital management is crucial for maintaining the smooth functioning and financial sustainability of Srinidhi Dairy Milk, Proddatur. Continuous monitoring and proper utilization of financial resources will help the organization achieve better operational performance and long-term growth.

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