 ISSN: 3107-6513

A STUDY ON WORKING CAPITAL MANAGEMENT AT BANTIA FURNITURES PVT. LTD

[1] U. Nikhitha Baby, Department of MBA,
St. Peter's Engineering College(Autonomous),Opp.Forest Academy,
Kompally Road,Dullapally,Maisammaguda,Medchal,Hyderabad-500100 Telangana, India,
ORCID: 0009-0006-9490-1257
Email ID: uppalanikhithababy@gmail.com
[2] Mrs. Gugulothu Sravanthi Assistant Professor, Department of MBA,
St. Peters Engineering College(Autonomous),Opp.Forest Academy,
Kompally Road,Dullapally,Maisammaguda,Medchal,Hyderabad-500100 Telangana, India.
ORCID: 0009-0005-0450-8164
Email ID: gsravanthi2022@gmail.com

ABSTRACT

Working capital represents the lifeblood of a manufacturing enterprise, financing the daily operations that connect raw material purchase to final customer payment. This study examines the working capital management practices of Bantia Furnitures Pvt. Ltd., a furniture manufacturer based in India, over the five-year period FY2019-20 to FY2023-24. Using audited financial statements, the study computes liquidity ratios, efficiency ratios and the operating cycle, and prepares a schedule of changes in working capital. The results indicate that the company maintains a stable and healthy liquidity position with a current ratio above 2.0 and a quick ratio above 1.0 throughout the study period, while net working capital has grown by roughly 75% in line with rising sales. Efficiency ratios reveal moderate inventory turnover and a lengthening collection cycle, suggesting scope for tighter receivables management.

Keywords: *Working Capital Management, Liquidity Ratios, Operating Cycle, and Furniture Industry.*

1.INTRODUCTION

Money is fundamental to any business. A company may have a talented workforce, a strong product, and loyal customers, but without adequate funds to meet its short-term obligations, operations can be disrupted. Working capital, defined as the difference between current assets and current liabilities, plays a crucial role in ensuring the smooth functioning of business activities

(Pandey, 2021). It provides the funds required for day-to-day operations such as purchasing raw materials, paying wages, meeting utility expenses, and extending credit to customers.

For a furniture manufacturing company such as Bantia Furnitures Pvt. Ltd., effective working capital management is essential for maintaining operational efficiency and financial stability. The company must invest in the procurement of timber, processing and finishing activities, inventory storage, dealer credit, and employee compensation. According to **Brigham and Ehrhardt (2019)**, efficient management of working capital helps firms maintain liquidity while maximizing profitability. Excessive investment in inventory and receivables may lead to liquidity problems, whereas insufficient working capital can hinder production and sales activities. Therefore, this study examines the working capital management practices of Bantia Furnitures Pvt. Ltd. and evaluates how the company plans, utilizes, and controls its short-term funds. The study also analyzes the firm's financial performance through various working capital components over a five-year period to assess its liquidity position and operational efficiency.

1.1 OBJECTIVES OF THE STUDY:

- To examine the composition and trend of current assets and current liabilities of the company over the study period
- To study the liquidity position of the company through current ratio, quick ratio and absolute liquid ratio.
- To study the relationship between working capital and profitability.
- To identify the strengths and weaknesses in the company's working capital practices.

1.2 NEED OF THE STUDY:

The need for this study arises from the fact that working capital is the lifeblood of any business, ensuring the smooth functioning of day-to-day operations. In the furniture manufacturing industry, a substantial amount of working capital is required because companies must maintain inventory for extended periods and often provide credit facilities to large customers. Even profitable businesses can face financial difficulties if payments from customers are delayed, making effective working capital management essential. This study aims to evaluate whether Bantia Furnitures Pvt. Ltd. is utilizing its short-term funds efficiently or whether excessive funds are tied up in inventory and receivables. The findings of the study can assist the company in making informed decisions regarding credit and payment policies while dealing with bankers, suppliers, and customers. Furthermore, since limited research is available on working capital management practices in Indian furniture manufacturing companies, this study contributes valuable insights and highlights the importance of effective working.

1.3 SCOPE OF THE STUDY:

The scope of this study is confined to the analysis of working capital management at Bantia Furnitures Pvt. Ltd. and focuses primarily on current assets, current liabilities, and the management of short-term funds. The study does not cover long-term financial decisions such as capital structure, fixed asset financing, dividend policy, mergers, or capital budgeting. Organizationally, the research is limited to Bantia Furnitures Pvt. Ltd., with only limited comparisons made to other firms when necessary for better interpretation of the company's performance. The findings are therefore most relevant to the company itself, although they may also be useful to other furniture manufacturers of similar size and nature. The study covers a period of five financial years, which is sufficient to identify trends and changes in working capital components while remaining relevant to current business operations. Although the primary focus is on the finance function, the study also considers related areas such as purchasing, production, and sales, since inventory management, credit policies, and supplier payment practices significantly influence the company's overall working capital position.

2. REVIEW OF LITERATURE

Smith (1980) said that working capital decisions are just as important as long-term investment decisions. He noticed that most textbooks at that time did not pay attention to working capital.. In reality finance managers spend a lot of time managing working capital. Smith believed that having money to pay bills and making a profit are two things that go together. You cannot look at them separately.

Shin and Soenen (1998) They looked at American companies and came up with the idea of the Net Trade Cycle. This is a way to measure how well a company manages its working capital. What they found was companies that collect money quickly pay suppliers on time and do not

 ISSN: **3107-6513**

keep too much inventory tend to make more money. This study is often mentioned because it gives managers a rule to follow: keep the trade cycle short.

Deloof (2003) He looked at companies in Belgium. Found that the more days it takes for customers to pay and for inventory to be sold, the less profit the company makes. His advice to managers was reduce the number of days it takes for customers to pay and for inventory to be sold. This will directly improve the companys line. For a company that makes furniture this is very important. Such a company has to keep track of materials, hardware and finished products.

Eljelly (2004) He looked at companies in Saudi Arabia. Tried to understand the balance between having enough money to pay bills and making a profit. He found that the cash conversion cycle is a way to measure a companys financial health than the traditional current ratio. This is especially true for companies that deal with inventory. Eljellys study reminds us that we should not just look at numbers. We need to understand what they mean.

Padachi (2006) He looked at manufacturing companies in Mauritius. What he found was that small companies suffer the most when they do not manage their working capital well. This is because they do not have a lot of money saved up. When these companies take a time to collect money and sell inventory they make less money. This is important for a company like Bantia Furnitures, which's a mid-sized company.

Theoretical Framework:

The present study is based on the **Liquidity-Profitability Trade-off Theory**, which states that a firm must maintain an optimal balance between liquidity and profitability. Liquidity ensures that the organization has sufficient funds to meet its short-term obligations, while profitability focuses on maximizing returns for the business. Excessive investment in current assets such as cash, inventory, and receivables improves liquidity but may reduce profitability due to idle resources. Conversely, insufficient investment in working capital may increase profitability in the short term but can lead to liquidity shortages and operational disruptions.

In the context of **Bantia Furnitures Pvt. Ltd.**, effective working capital management is essential because the company must maintain adequate inventories of raw materials and finished goods, extend credit to customers, and meet day-to-day operating expenses. The theory provides a useful

 ISSN: **3107-6513**

context for analyzing how the company manages its current assets and current liabilities to achieve both financial stability and operational efficiency.

The study is further supported by the Working Capital Cycle Theory, which emphasizes the efficient management of cash, inventory, and receivables to reduce the operating cycle and enhance the firm's liquidity position. Together, these theories provide a strong theoretical foundation for understanding the relationship between working capital management and the overall financial performance of the company.

RESEARCH GAP:

Although numerous studies highlight the role of working capital management in strengthening liquidity and profitability, the bulk of this research has concentrated on large, publicly listed manufacturing firms **(Shin & Soenen, 1998; Deloof, 2003; Raheman & Nasr, 2007)**. Comparatively little attention has been directed toward the furniture industry, especially medium-sized enterprises like Bantia Furniture, where inventory and receivables form a substantial share of current assets **(Padachi, 2006; Lazaridis & Tryfonidis, 2006)**.

A closer review of the existing literature reveals several noticeable gaps. First, most studies are situated in developed economies and rely on data from stock-exchange-listed firms, whose disclosure requirements make financial information readily accessible. Although a growing body of Indian research has emerged, it too tends to favour listed entities. Second, sector-specific investigations into the furniture industry are sparse, and within this limited pool, unlisted private firms such as Bantia Furnitures Pvt. Ltd. are rarely examined, largely because their financial data is not publicly available. Consequently, the working capital dynamics of privately held, medium-sized furniture manufacturers remain poorly understood.

This study seeks to address these gaps by examining the working capital management practices and financial performance of Bantia Furnitures Pvt. Ltd., offering sector-specific insights that extend beyond the listed-firm perspective dominant in prior research.

3.RESEARCH METHODOLOGY:

Research methodology refers to the systematic and scientific approach adopted to collect, analyze, and interpret data for achieving the objectives of a study. It provides a structured framework that guides the researcher in selecting appropriate research methods, data sources, and analytical techniques to ensure the reliability and validity of the findings. According to **Kothari and Garg (2019)**, research methodology encompasses the procedures and techniques used to identify, gather, and evaluate information relevant to the research problem. In the present study on working capital management in a furniture company, the research methodology serves as a foundation for examining the management of current assets and current liabilities, assessing liquidity and operational efficiency, and evaluating the impact of working capital practices on the overall financial performance of the organization. Through a systematic research process, the study aims to generate meaningful insights that can support effective financial decision-making and improved working capital management within the furniture industry.

3.1 Research Design:

The study is about looking at the way things are done and analyzing the information. It looks at how Bantia Furnitures Pvt. Ltd.'s doing things now in terms of working capital practices and financial position. The study is also analytical because it uses numbers and trends to figure out what the information really means. This helps to make sense of the data that's available, about Bantia Furnitures Pvt. Ltd. And its working capital practices and financial position.

3.2 SOURCES OF DATA:

The study mainly relies on secondary data. The primary source of information is the audited annual reports of the company, which include the balance sheet, profit and loss statement, cash flow statement and the related notes to accounts. Apart from this, supporting information has been collected from company brochures, the company website, industry publications, journals, textbooks and reliable websites dealing with the furniture sector and Indian corporate finance.

3.3 Tools:

- IBM Stastical Packege for Social Sciences **(IBM SPSS 2.0)**
- Averages and percentages. Used to summarize data and make comparisons easier.
- Trend percentages. Used to show year-on-year movement against a base year.

 ISSN: 3107-6513

- Compound Annual Growth Rate (CAGR). Used to express the growth rate over the study period.

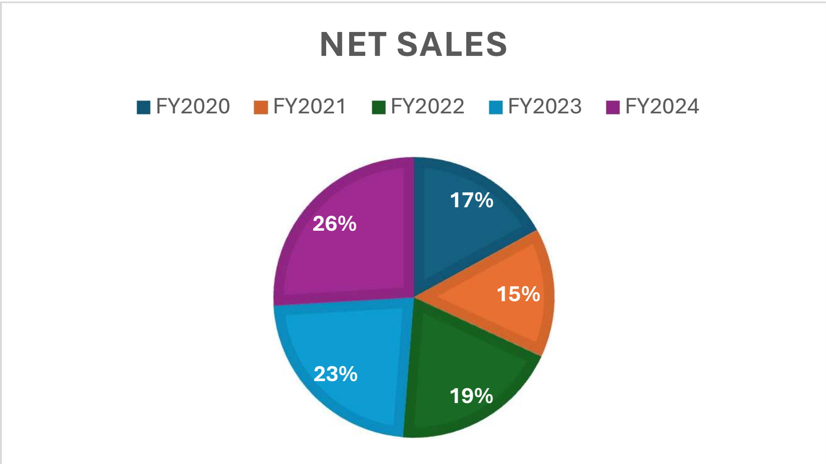
- Correlation used to understand the relationship between selected variables like working capital and sales or working capital and profitability.

4. DATA ANALYSIS AND INTERPRETATION

4.1 Trend in Net Sales

Table 1. Net Sales of Bantia Furnitures Pvt. Ltd. (Rs. in Lakhs)

Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
Net Sales	1850	1620	2100	2480	2820



INTERPRETATION:

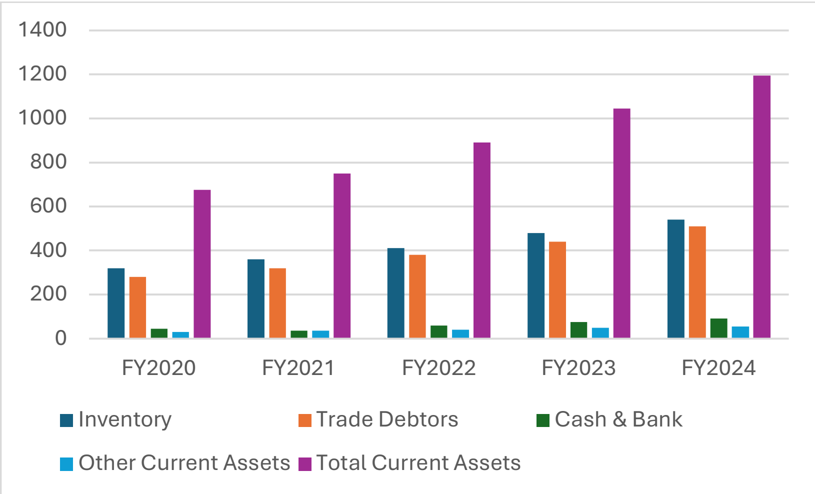
Net sales contracted sharply in FY2020-21 owing to the pandemic-induced disruption, but recovered from FY2021-22 onwards. By FY2023-24, sales had surpassed pre-pandemic levels, providing the backdrop against which working capital movements should be interpreted.

4.2 Composition of Current Assets

Table 2. Current Assets of Bantia Furnitures (Rs. in Lakhs)

 ISSN: 3107-6513

Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
Inventory	320	360	410	480	540
Trade Debtors	280	320	380	440	510
Cash & Bank	45	35	60	75	90
Other Current Assets	30	35	40	50	55
Total Current Assets	675	750	890	1045	1195



INTERPRETATION:

Total current assets rose by approximately 77% over the five-year period, driven primarily by inventory build-up and growing trade receivables, both reflecting an expanding sales base and a larger institutional customer mix.

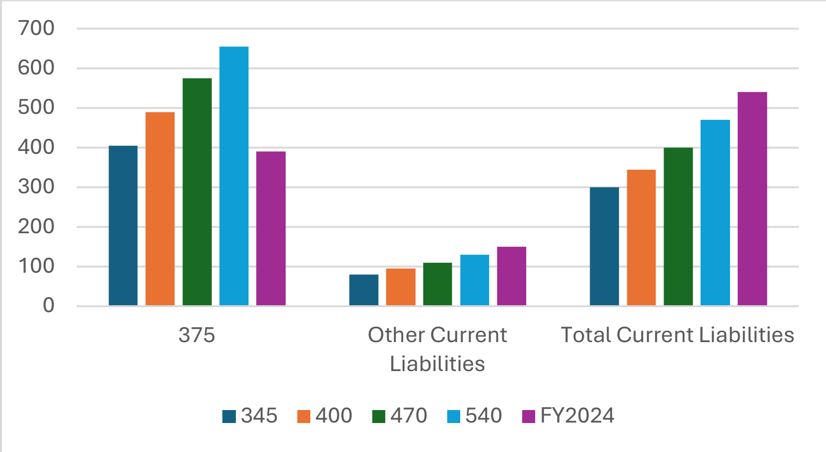
4.3 Composition of Current Liabilities

Table 3. Current Liabilities (Rs. in Lakhs)

Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
Trade Creditors	220	250	290	340	390
Other Current Liabilities	80	95	110	130	150

 ISSN: 3107-6513

Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
Total Current Liabilities	300	345	400	470	540



INTERPRETATION:

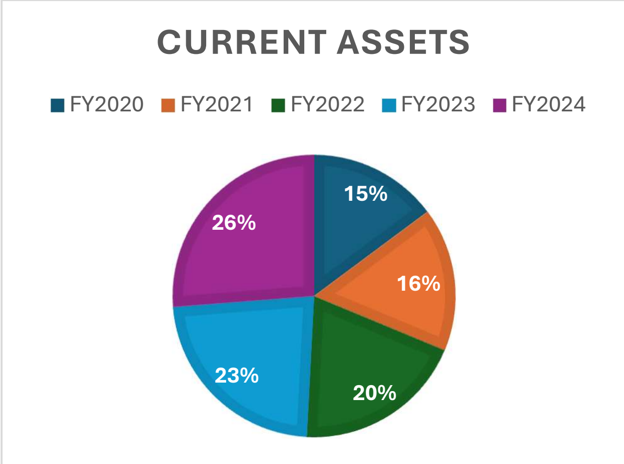
Trade creditors account for more than 70% of current liabilities, underscoring the importance of supplier credit as a source of short-term financing for the firm.

4.4 Net Working Capital

Table 4. Net Working Capital (Rs. in Lakhs)

Particulars	FY2020	FY2021	FY2022	FY2023	FY2024
Current Assets	675	750	890	1045	1195
Current Liabilities	300	345	400	470	540
Net Working Capital	375	405	490	575	655

 ISSN: 3107-6513



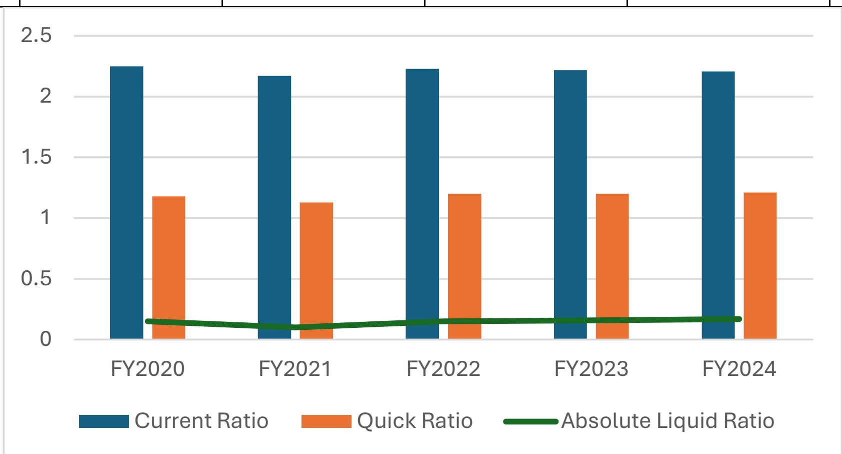
INTERPRETATION:

Net working capital expanded from Rs. 375 Lakhs in FY2019-20 to Rs. 655 Lakhs in FY2023-24, signalling an ability to comfortably meet short-term obligations, but also pointing to a growing volume of funds blocked in day-to-day operations.

4.5 Liquidity Ratios

Table 5. Liquidity Ratios

Ratio	FY2020	FY2021	FY2022	FY2023	FY2024
Current Ratio	2.25	2.17	2.23	2.22	2.21
Quick Ratio	1.18	1.13	1.2	1.2	1.21
Absolute Liquid Ratio	0.15	0.1	0.15	0.16	0.17



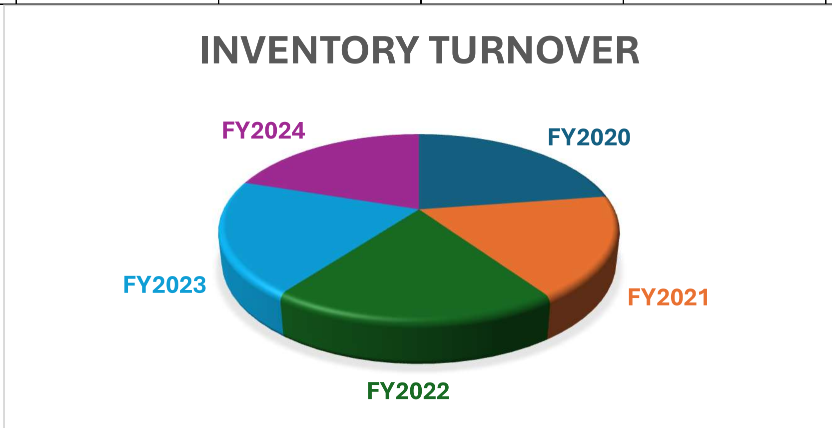
INTERPRETATION:

The current ratio remains comfortably above the 2:1 norm and the quick ratio above the 1:1 benchmark throughout the study period. The absolute liquid ratio is below the conventional 0.5:1 norm, which is typical for a working-capital-intensive manufacturer where idle cash is minimised.

4.6 Efficiency Ratios

Table 6. Turnover Ratios (times)

Ratio	FY2020	FY2021	FY2022	FY2023	FY2024
Inventory Turnover	4.63	3.64	4.05	4.06	4.07
Debtors Turnover	6.61	5.06	5.53	5.64	5.53



INTERPRETATION:

Inventory turnover has stabilised at around 4 times per year, indicating an average holding period of roughly 90 days. Debtors turnover declined from 6.61 to 5.53 times, implying a lengthening collection cycle that warrants management attention.

5.FINDINGS AND SUGGESTIONS

FINDINGS

- Net working capital rose by approximately 75% over five years, broadly in step with the growth in net sales.
- Liquidity is stable and healthy: current ratio > 2.0 and quick ratio > 1.0 in every year of the study.

 ISSN: **3107-6513**

- Inventory and trade debtors jointly account for nearly 88% of current assets, indicating significant funds locked in operating items.
- Trade creditors finance over 70% of current liabilities, making supplier relationships a critical lever for short-term liquidity.
- The lengthening of the collection cycle suggests scope for tighter credit policy and dunning processes.

SUGGESTIONS

- Strengthen credit appraisal and follow-up to reduce the debtors collection period.
- Apply selective inventory control **(ABC analysis, EOQ)** to release funds locked in slow-moving stock.
- Negotiate longer credit terms or early-payment discounts with key suppliers without straining relationships.
- Maintain a small cash reserve to absorb unexpected collection delays, given the low absolute liquid ratio.

References

1. **Richards, V. D,& Laughlin, E. J. (1980)** A cash conversion cycle approach to liquidity analysis. Financial Management, 9(1), 32–38. https://doi.org/10.2307/3665310
2. **Smith, K. V. (1980)**Profitability versus liquidity tradeoffs in working capital management. In K. V. Smith (Ed.), Readings on the management of working capital (2nd ed., pp. 549–562). West Publishing.
3. **Shin, H.-H., & Soenen, L. (1998)** Efficiency of working capital management and corporate profitability. Financial Practice and Education, 8(2), 37–45.
4. **Deloof, M. (2003)** Does working capital management affect profitability of Belgian firms? Journal of Business Finance & Accounting, 30(3–4), 573–588. https://doi.org/10.1111/1468-5957.00008
5. **Eljelly, A. M. A. (2004)** Liquidity–profitability tradeoff: An empirical investigation in an emerging market. International Journal of Commerce and Management, 14(2), 48–61. https://doi.org/10.1108/10569210480000179
6. **Padachi, K (2006)** Trends in working capital management and its impact on firms' performance: An analysis of Mauritian small manufacturing firms. International Review of Business Research Papers, 2(2), 45–58.

 ISSN: **3107-6513**

7. **Sagner, J. (2014)** Working capital management: Applications and case studies. Wiley.
8. **Brigham, E. F., & Ehrhardt, M. C. (2019)** Financial management: Theory and practice (16th ed.). Cengage Learning.
9. **Pandey, I. M. (2021)** Financial management (12th ed.). Pearson India.