



# TRENDS IN WORKING CAPITAL MANAGEMENT AND ITS IMPACT ON RAJASTHAN TOURISM DEVELOPMENT CORPORATION (RTDC): A REVIEW

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## Abstract

**Financial management is an integral part of overall management. It is concerned with the duties of the financial managers in the business firm. The term financial management has been defined by Solomon, “It is concerned with the efficient use of an important economic resource namely, capital funds”. Financing this is an integral part of managerial functions and responsibilities affecting an organization’s performance. Further, the revolutionary changes also manager used to project sales; the engineering and production staff would determine the assets necessary to meet these demands; and the financial manager would simply raise the money necessary to purchase the plant, equipment, and inventories. This mode of operation is no longer prevalent. Today, decisions are made in a much more co-ordinated manner, with the financial manager directly responsible for the control process. The importance of financial management is, thus universally recognized in the business undertakings. Research papers are an emphasis on recent trends in working capital management and its impact on the RTDC.**

**Keywords:** RTDC, Working Capital, Tourism

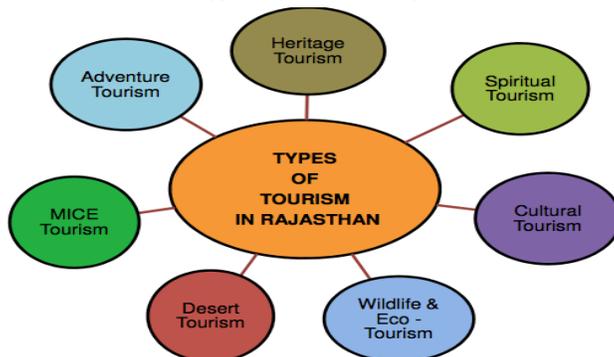
**Introduction:** Tourism accounts for approximately 15 percent of the Rajasthan’s economy and provides economic benefits like foreign exchange earnings, regional

development, infrastructure development and promotion of local handicrafts. In Rajasthan, tourism accounts for 2.7% (5.2% after adding indirect effects) in Gross State Domestic Product and 1.9% (7.2% after adding indirect effects) in state employment. Tourism has a significant multiplier effect on the state economy. It increases employment opportunities, generating revenue, developing infrastructure, increasing investment opportunities and revival of traditions and heritage conservation and management. It is estimated that every rupee spent by a tourist changes hands 13 times and that every hotel room generates direct employment to three persons and indirect employment to eight persons. In Rajasthan, tourism is the third largest employer after agriculture and textiles sector Tourism Industry is more gender neutral as compared to other Industries and women account for 65% of the international tourism workforce. For Rajasthan also tourism sector provides enabling a platform for increasing labor force participation rate.

No wonder that Rajasthan has been called the “Designer State” as far as tourism is concerned because of its people, culture, cuisine, costumes, clothes and its numberless art forms. In the end, it can be said that tourism is poised to become a people’s industry in Rajasthan by 2010. Really for Rajasthan Tourism sky is not the limit”. Tourism in Rajasthan is a major source of revenue earnings and it contributes about 15% of the economy of Rajasthan. Rajasthan contributes about 11.2 percent and 3.3 percent share in India's foreign and domestic tourist arrivals

respectively. To enhance the role of tourism in the state the Rajasthan government has brought down the luxury tax from 10% to 8% to boost the tourism industry in the state. Hence the state Rajasthan has all potential to attract a number of tourists by providing various types of tourism facilities which play an important role in the growth of the economy.

- **Segment of Tourism in Rajasthan**



### **Difference between Permanent and Variable Working Capital:**

The distinction between permanent or fixed working capital and variable working capital or temporary working capital is of great importance in operating cycle and raising the funds. However, there is always a minimum level of current assets which is continuously required by the firm to carry on its business operations. This minimum level of current assets is referred to as permanent or fixed working capital and is permanent in the same way as the firm's fixed asset.

### **WORKING CAPITAL ESTIMATING METHODS**

No business can be successfully run without an adequate amount of Working Capital. An estimate of Working Capital Requirement should be made in advance, in order to procure adequate Working Capital and thereby avoid a shortage of it. A large number of factors have to be considered in estimation, viz., cost of material and operating cycle. The following criteria can be adopted in its estimation.

- Working Capital as a percentage of net sales.
- Working Capital as a percentage of total assets or fixed assets.
- Working Capital estimation based on operating cycle.
- Working Capital estimation based on Regression Analysis

The RTDC is a pioneering and popular unit to promote tourism in Rajasthan. Its main motto is the R - Respect, T - Trustworthiness, D - Dedication, C - Care 2. It has been successfully attracting domestic as well as foreign tourist. Keeping in view the vast increase in tourist traffic, the corporation has planned and commissioned new units at different places in Rajasthan.\

### **Working Capital as a percentage of Net Sales**

This method is based on the fact that the Working Capital for any business is directly related and linked to sale volume of the business. The assumption here is that the higher the sales level; the greater would be the need for Working Capital. As such the Working Capital is solely dependent on sales forecast, which is expressed as a percentage of expected sales for a particular period. The steps involved in the estimation of Working Capital are an estimate of total Current Assets as a percentage of estimated net sales; an estimate of Current Liabilities as a percentage of estimated net sales. The difference between the two represents the Net Working Capital under this method.

### **Working Capital as a percentage of total assets or fixed assets**

Under this method, estimation of Working Capital is based on the fact that the total assets of the firm consist of fixed assets and Current Assets. A relationship between total Current Assets and total fixed assets or total assets of the firm is established on the basis of past experience. The total Current Assets represents Gross 91 Working Capital or Net Working Capital, which are Current Assets minus Current Liabilities. The estimation of Working Capital is also determined as a percentage of fixed assets, even though fixed assets determination is a capital budgeting decision. But the efficient and

optimal way of using the fixed assets solely depends upon the availability of Working Capital, which in turn makes the Working Capital Requirement resorting to a percentage of total fixed assets.

#### **Working Capital estimation based on operating cycle**

Under this method, the Working Capital is estimated on the basis of operating cycle as the length varies from one industry to another. The components used for calculation of the operating cycle are Current Assets and Current Liabilities. Current Assets here mean cash and bank balance, inventory and receivables. Current Liabilities represents creditors for purchases and expenses.

#### **Working Capital estimation based on Regression Analysis**

A statistical technique can also be used for estimating Working Capital R. The Working Capital estimation is made after establishing the average relationship between sales and Working Capital and its various components in the past years. The relationship between sales (X) and Working Capital (Y) is given by the equation:

$$Y = a + bx$$

The value of 'a' and 'b' can be obtained by the method of simultaneous linear equations which are given below.

$$\Sigma y = na + b\Sigma x$$

$$\Sigma xy = a\Sigma x + b\Sigma x^2$$

Where,

a = fixed component

b = variable component

x = sales

y = inventory

n = number of observations. (Srinivasan N.P. and Sakthivel Murugan).

#### **Conclusion:**

Tourism is regarded as an important industry for sustainable human development, including poverty alleviation, employment generation, environmental regeneration and development of remote areas and to promote social integration

and international understanding, besides an important source of earning precious foreign exchange. The tourism industry is also one of the least polluting industries. In view of all the advantages tourism has to be given a very high priority, with continuous and regular monitoring of its impact on the overall environment by taking appropriate remedial measures.

The present study is an endeavor to find out the impact of tourism policies and that of RTDC on the growth and development of tourism in Rajasthan. It is evident from the study that tourism is the largest and rapidly growing industry in the world and it is a fairly established and growing industry in India, especially in Rajasthan. Tourism is also regarded as an important industry for sustainable human development, including poverty alleviation, employment generation, environmental regeneration and development of remote areas, advancement of women, and to promote social integration and international understanding, besides an important source of earning precious foreign exchange. The tourism industry is also one of the least polluting industries. In view of all the advantages tourism has to be given a very high priority, with continuous and regular monitoring of its impact on the overall environment by taking appropriate remedial measures.

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