ANALYSIS OF WORKING CAPITAL MANAGEMENT IN RAJASTHAN TOURISM DEVELOPMENT CORPORATION (RTDC): A REVIEW

Kishan Lal Gahlot[1], Dr. L. N. Arya[2]
[1]Research Scholar, Economic Administration and Financial Management Department, Government Lohia P. G. College, Churu (Rajasthan), India
[2]Lecturer, Economic Administration and Financial Management Department, Government, Lohia P. G. College, Churu (Rajasthan), India

Abstract

In financial management, two important decisions are very vital and crucial. They are decision regarding fixed assets/fixed capital and decision regarding working capital/current assets. Both are important and a firm always analyses their effect to final impact upon profitability and risk. Research paper is explained the basic structure of Working Capital Management. And explore the working capital Management in Rajasthan Tourism Development Corporation.

Keywords: RTDC, Working Capital, Tourism.

Introduction:

Fixed capital refers to the funds invested in such fixed or permanent assets as land, building, and machinery etc. Whereas working capital refers to the funds locked up in materials, work in progress, finished goods, receivables, and cash etc.

Definitions of Working Capital, as per various management experts are as under:

"Working Capital is the excess of C.A. over current liabilities."

- H.G, Guthmann

Working Capital is descriptive of that capital which is not fixed. But the more common use of the Working Capital is to consider it as the difference between the book value of the C.A. and current liabilities."

- Hoglend. J. Bierman, and A. K. Mc Adams,

"Working Capital represents the excess of C.A. over current liabilities"

- J.L. Brown and L.R. Housard.

WORKING CAPITAL MANAGEMENT CAPACITY CRITERIA

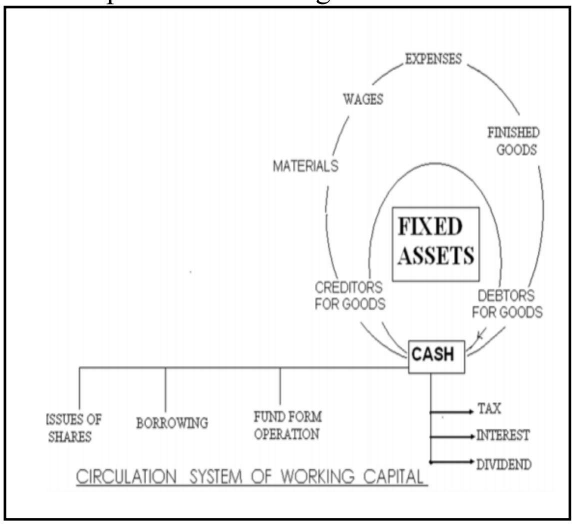
The different elements or components of current assets and current liabilities constitute the structure of working capital which can be illustrated in the shape of a chart as follows:

Structure of Current Assets and Current Liabilities

Current Liabilities	Current Assets
Bank Overdraft	Cash and Bank Balance
Creditors	Inventories: Raw-Materials Work-in-progress Finished Goods
Outstanding Expenses	Spare Parts
Bills Payable	Accounts Receivables
Short-term Loans	Bills Receivables
Proposed Dividends	Accrued Income
Provision for Taxation, etc.	Prepaid Expenses Short-term Investments

At one given time both the current assets and current liabilities exist in the business. The current assets and current liabilities are flowing round in a business like an electric current. However, "The working capital plays the same role in the business as the role of heart in human body. Working capital funds are generated and these funds are circulated in the business. As and when this circulation stops, the business becomes lifeless. It is because of this reason that he working capital is known as the circulating capital as it circulates in the business just like blood in the human body.

Figure No.1 depicting 'Working Capital Cycle' makes it clear that the amount of cash is obtained mainly from issue of shares, borrowing and operations. Cash funds are used to purchase fixed assets, raw materials and used to pay to creditors. The raw materials are processed; wages and 5 overhead expenses are paid which in result produce finished goods for sale.



The sale of goods may be for cash or credit. In the former case, cash is directly received while in later case cash is collected from debtors. Funds are also generated from operation and sale of fixed assets. A portion of profit is used for payment of interest, tax and dividends while remaining is retained in the business. This cycle continues throughout the life of the business firm.

Findings:

Papers, with their fixed investment, appear to have the lowest requirement for current assets. This does not mean that the problem of working capital may be minimized in this field of enterprise, since ready funds are still essential to cover disbursement for wages, interest on funds debt, purchase of materials and supplies, etc. indeed, under such conditions the working capital position may become even more strategic in character because of its relation to, and control of the large amount of fixed assets. Thus, one of the outstanding problems of paper management in recent years has been the maintenance of current position sufficiently strong to permit vigorous operations. Public utilities, like the paper, have a fixed investment which causes the current assets to constitute only a relatively small percentage of the total assets. There is a difference between operating and holding companies, but even then the funds required to cover current transactions are minor as compared with those necessary to finance the long term structure.

Conclusion:

Industrial companies, generally, require a large amount of working capital although it various from business to business of lack of uniformity characterizing each field of enterprise. However, the underlying determinants of the amounts of fixed capital are required for operation; working assets may be expected to occupy a smaller niche in the assets structure. For similar reasons, a rapid turnover of capital will inevitably mean a large proportion of current assets. In the case of industries with fixed investment, one of the primary uses of working capital is its conversion into operating plant structure. In turn, it is expected that the income resized form operations will normally replace such defections. This means that the flow of a portion of working capital is circulating through fixed investment that its recovery is dependent upon the income realized. Where the current assets are relatively more important, a rapid sales turnover is usually found. Often, as a case of retail concerns, the specific working assets constitute the object of sale and recovery is direct and immediate. In manufacturing enterprises, a large share of working capital management is more likely to become charged in form by conversion into finished products, but even here, the potentiality of recovery is not delayed as long as in the case of public utilities and paper companies. The need for working capital varies with changes in the volume of business

References

1) Alan Lawler & James Sillitoe Perspectives on instituting change management in large organizations Institute for Professional and Organizational Learning, University Ballarat, Victoria.
2) Anchoring Growth: The Importance of Productivity-Enhancing Reforms in Emerging Market and Developing Economies Prepared by Era Dabla-Norris, Giang Ho, Kalpana Kochhar, Annette Kyobe, and Robert Tchaidze Authorized for distribution by Siddharth Tiwari December 2013.

3) Craig, C.; Harris, R. (1973). "Total Productivity Measurement at the Firm Level". Sloan Management Review (Spring 1973): 13–28.
4) Franks and Broyles write a book on ―Morden Managerial Finance‖ John witey and sons ltd. Chichester 1979 P-20
5) Gibson and Boyer ―Financial Management Analysis‖ CBI Publishing Co. inc. Boston 1979 P-189.
6) Gordon K. C. Chen, Robert E. McGarrah write a book on ―Productivity management: text & cases‖ The Dryden Press Series in Management Publisher Dryden Press, 1982.
7) M. V. V. Raman, write a book on ―Productivity and Economic Growth‖, Volume 2 of Management guide National Productivity Council (India) Edition 2 Publisher National Productivity Council, 1976.