

FINANCING OF WORKING CAPITAL IN SELECT CEMENT COMPANIES OF ANDHRA PRADESH

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ABSTRACT

The primary aim of working capital management of any business firm is to maintain a balance between two contradictory factors i.e. liquidity and profitability. It depends upon the financing of working capital of the firm. A business firm can explore various sources of financing to meet its investment in current assets. Generally the long term sources of finance provide support for a relatively small proportion of current assets requirements. On the other hand, short-term sources provide for a major portion of investment in current assets. Depending upon the extent of the use of long term and short term sources to finance its current assets, a firm is said to be following conservative or aggressive or matching approach. This paper makes an attempt to analyze the pattern of financing the current assets in select cement companies and also examine the over or under-utilization of bank finance for working capital requirements when compared to the norms of Tandon Committee. The analysis of financing of current assets revealed the heavy dependence of the select units on short term borrowings, account payables and other current liabilities. Long term sources have minor share in this regard. It is further found that excesses borrowings were noticed in all units except DCL as per first method and in all units as per second method in some years during the study period.

KEYWORDS: Bank Finance, Liquidity, Long Term Sources, Net Working Capital, Profitability