CHAPTER - 5
SUMMARY FINDINGS AND SUGGESTIONS

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5.1 INTRODUCTION

Fertilizer industry is one of the important industries in India. It plays a dominant role in the national economy. India’s fertilizers industry is the third largest in the world. The production and uses of fertilizers to a large extent shows a country like India the need for a well established fertilizer industry is of paramount importance. It is also important from the point of view of employment generation and revenues to the government in the term of taxes and duties.

When the Indian economic reforms programme was launched in 1991 the liberalization was high on the government Agenda. The fertilizer sector was also affected because of reforms which resulted in increased prices of fertilizer.

Working capital management is new concept in management in the area of research like as accounting for human resources financial management marketing management and liquidity management fertilizer is considered as the most essential element for increasing agricultural production and land productivity no doubt there is an increase in the use of chemical fertilizer and insecticides after the green revolution the development of industry, trade, commerce, infrastructure, transportation communication etc depends on agriculture provide employs round about 65% of the population. The use of chemical fertilizer is necessary for the increase in agro-production time by time the central and state government announced different types of schemes for the development of Indian agri. Production.

Due to the extensive support of Indian government there is increase in production of chemical fertilizer.

There are two corporate units of chemical fertilizer working in Gujarat GSFC and GNFC. IFFCO and KRIBHCO are working in cooperative sector in Gujarat state.

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government agenda. The fertilizer sector was also affected because of reforms which resulted in increased prices of fertilizer.

The present research deals with the working capital management in fertilizer industry of Gujarat state comparative study of selected units of fertilizer industry of Gujarat state fertilizer and chemicals limited and Gujarat Narmada Valley fertilizer company limited for the analyzing the working capital management of selected units the data relating to GSFC and GNFC for the past five year viz 2003-04 to 2007-08 have been received

5.2 SUMMARY:

The researcher has prepared main five chapters in the study. In this chapter the summary of the entire research study have been given which is as under.

Chapter – 1
Introduction of Fertilizer Industry

The first ever fertilizer sector in Gujarat state was established in 1967. by GSFC at Baroda. GSFC was the first joint sector industrial unit in India equity capital of state government 49% and public 51% the performance of the company on production front was increasing during the period of study. Today GSFC has its 11 regional offices 19 area offices 33 company operated retail points in state of Gujarat 571 number of dealers 275 number of Agro – personal. GSFC is one of the major suppliers of fertilizer in the states of Gujarat, Rajasthan, Madhya Pradesh, Maharashtra, Punjab, Haryana, Uttar Pradesh, Andhra Pradesh and Karnataka sales of the GSFC also showed constant increasing every years. GNFC sold its fertilizer in a states of India GNFC known as Gujarat Narmada valley fertilizers company limited. It is launched on may 1976 the company has its own sows captive power plant. The sales of GNFC recorded constant increasing during the study period of 2003-04 to 2007-08. The operating profit of GNFC also
recorded an increasing trend during the study time both the company received so many awards and certificate during the study period in the area of best performance. GNFC sold 48.9% manufactured fertilizer in Gujarat it sold 9.7% fertilizer in Maharashtra it sold 9.2% fertilizer in Madhya Pradesh and Chhattisgarh it sold 8.2% fertilizer in uttar Pradesh it sold 6.8% fertilizer in Rajasthan it sold 6% fertilizer in Punjab it sold 5.8% fertilizer in Andhra Pradesh it sold 2.9% fertilizer in Haryana and it sold 2.4% fertilizer in Karnataka in 2004-05 GNFC under takes various integrated rural development programmers like fertilizer demon station farmers meeting crop seminars veterinary camps and distribution of fruit tree grafts, women Walter programmers school children motivational programmers and distribution of sports items to them GNFC educational programme activities are carried out 18 villages of Barooch district every year.

Chapter 2
Conceptual Frame Work of Working Capital Management
The present research study deals with the aspect of working capital management. The terms working capital means. Excess of current assets over current liabilities. The Quantum straps and utilization of current assets are included in quantities aspects. Working capital is a vital factor in business activities and various ratios are computed in this study period of 2003-04 to 2007-08. This research is calculated with a view to exploring the performance of selected units. The objective at the study are to analyze the components performance appraisal of working capital in GSFC and GNFC A firm’s ability to pay its debts can be measure through the use of working capital ratio. Working capital is the soul of an unit. Average net working capital of GSFC was 791.33 Crores and total average working capital was 1485.30 crores during the study period average net working capital of GNFC was 196.90 crores and average total working capital was 1013.45 crores.
Average net working capital to total working capital ratio during the study period was 52.27% and 13% respectively.

Chapter – 3
Research Methodology

The title of the present study is, “A comparative study of working capital management with reference to GSFC and GNFC” which cover the period of the five years from 2003-04 to 2007-08. The study is based on secondary data mainly the annual report and accounts of selected units (Gujarat state fertilizers and chemicals limited and Gujarat Narmada valley Fertilizer Company limited. The main object of the study is to find out the liquidity and situation of working capital of both the company’s GSFC and GNFC. Various statistical tools like mean, regression, index number have been used and 't' test have been applied to test the validity of two hypothesis namely (1) null hypothesis (2) Alternate hypothesis the limitations of the research study have also been presented in this chapter.

Chapter - 4
Analysis and Interpretations of Working Capital:

This chapter presented data analysis part. The researches has analyzed the data to fulfill the objectives of the present studying this chapter researcher has included the theoretical background of the meaning of ratio utility of ratios limitation of ratios classification of ratio components of ratio most important part of this chapter was analysis of working capital ratio for the period of five year 2003-04 to 2007-08

The role of working capital in business is akin to that of heart in the human body. Funds are the life blood of business body. Just as the heart circulates the blood to various organs of body funds are rotated to various business activities through proper working capital management and any obstruction in the smooth rotation of funds may causes serious
problem in business operations for the evaluation of the working capital management position, various ratios are calculated like current ratio quick ratio current assets to total assets ratio working capital to sales ratio inventory turnover ratio debtors turnover ratio cash turnover ratio and creditors turnover ratio

The researcher has also prepared the table of financial data hypothesis testing table of ‘t’ test and analysis of the ‘t’ test and all the financial information about the two selected units GSFC and GNFC.

Chapter-5
Summary, Findings and Suggestions

In chapter five the researcher has discussed the summary findings and suggestions of this study.

Findings:

For analyzing the working capital management performance of the GSFC and GNFC under the study the data relating to two units for the past five year viz 2003-04 to 2007-08 have been collected and statistical technique like – t – test have been applied to analyze and give some findings. The major findings are as under:

(1) Current ratio is calculated to establish relationship between the current assets and current liabilities the analysis shows the ups and downs in the ratio of both the units during the study period. In GSFC the current ratio constant increase during the first four year of the study. It was 1.56 during 2003-04 1.78 during 2006-05, 2.30 during 2005-06 3.15 during 2006-07 But then after decrease and went down to 2.18 during 2007-08 during the study period average current ratio was 2.14 the current ratio ranged between 2.23 in 2003-04 and 2.61 in GNFC in 2006-07 indicating a mixed trend in both selected fertilizer units under study
In GSFC the average ratio was 2014 times and 2042 times in GNFC. It reflects narrow gap in the ratio of both the units. It shows that GSFC has more current assets than current liabilities as compared to GNFC. The application of ‘t’ test makes it clear that the difference in query times of current ratio was significant at 5% level of significance the null hypothesis is accepted. Alternative hypothesis is rejected. It shows that there is no significance difference in current ratio of GSFC and GNFC. It can be said that the current ratio of both the company is not the same.

(2) Quick ratio is measures the relationship between the absolute liquid assets to current liabilities in case of GSFC the quick ratio constant increases during the first four year of the study period respectively 1.07, 1.23, 1.60 and 2.17 times. But this ratio was decrease and went down to 1.27 times during 2007-08 the average ratio of GSFC was 1.43 during the study time. In case of GNFC the quick ratio times indicates a mixed trend it was 1.71 during 2003-04 and 1.65 the lowest level in 2005-06 where as it was of 1.89 the highest level in 2006-07 after the year this ratio is decreases and went down to 1.67 times average ratio of GNFC 1.73 times during the study time from 2003-04 to 2007-08 Average ratio of GNFC (1.72 Times) was higher compare to GSFC (1.47 times) was higher compare to GSFC (1.4 times). The GNFC has shows better performance because of more quick liquid assets than the current liabilities than the GSFC on the basis of result obtained from ‘t’ test it may be concluded that the difference in average times of quick ratio in both units was significant at 5% level of significance null hypotheses is accepted it can be said that the quick ratio of both the company is the same.

(3) Current assets to total assets ratio is computed for current assets divided by total assets during that period current assets to total
assets ratio in GSFC first four year constant increased during the study period during the period 2003-04 to 2006-07 it was 39.25%, 41.26%, 52.02% and 53.99% respectively and last year 2007-08 the ratio was decreased to 49.95% the current assets to total assets ratio in GNFC same position of GSFC. The average ratio of GSFC was 47.29% and it was 43.87% in GNFC. As compare to GNFC the average GNFC was higher the application of ‘t’ test makes it clear that the difference in average of current assets to total assets ratio was significant at 5% level of significance the null hypothesis is accepted. It shows that there is no significance difference in currents to total asset ratio of GSFC and GNFC. It can be said that the ratio if current assets to total assets is no same alternative hypothesis is rejected. The result is as per exectation

(4) The working capital to sales ratio up and down to GSFC and GNFC this ratio shows a mixed trend during the study period the ratio of working capital to sales ratio in GSFC ranged between 2.98 times and 5.19 times this ratio GSFC 5.19, 4.98 and 2.98 times during the study period of 2003-04 to 2006-07. This ratio in the beginning three years was increased. It was 3.78 the lowest level in 2003-04 and where as it was of 4.47 the highest level in 2005-06 after than it decreased and went down to 3.15 during 2006-07. Where it was of 4.80 the highest level in 2007-08 Average GSFC ratios was 4.17 higher as compare to GNFC. On the basis of result obtained from ‘t’ test it may be concluded that there is no significance difference in working capital to sales ratio of GSFC and GNFC. Calculated value of ‘t’ is lower than the table value of ‘t’, so null hypothesis is rejected and it can be said that the ratio of current assets to total assets is not showing the same result as per expectation.
(5) Inventory turnover ratio shows increasing trend except 2004-05 in GSFC during the study period however this ratio showed fluctuating trend in GNFC during the study period average inventory turnover ratio of GSFC was 5.56 times and 6.68 times it was in GNFC during the study period from 2003-04 to 2007-08. during the study period the performance in respect of inventory management of GNFC was impressive than that of GSFC stock turnover ratio ranged 5.17 times to 6.25 times in GSFC while in GNFC It ranged 6.30 time to 7.09 time during the study period. This ratio was always higher in GNFC as compared to GSFC on the basis of result obtained from 't' test it may be computed that calculated value of 't' is 4.67 while table value of 't' is 2.306 which is lower than the calculated value so null hypothesis is rejected it shows that there is a significance difference in stock turnover ratio of GSFC and GNFC. It can be said that the ratio of stock turnover is not same in both the company.

(6) Debtors’ turnover ratio is computed for average debtors divided by net credit sales during that period debtors turnover ratio in GSFC in the beginning three years it was constant increased. It was 18.99% in 2003-04 reached to 24.82% highest level in the year 2005-06 but after the two years it was constant decrease and went down to 23.93% in 2006-07 and 17.95% in 2007-08 and average ratio of GSFC was 21.27% In GNFC it was 13.54% in 2003-04 which decreased to 12.21% in the year 2004-05 this ratio showed mixed trend in GNFC during the study period during the five year of study in GSFC debtors turnover ratio was constant higher as compare to GNFC. In this study average ratio was also higher as compared to GNFC during the study time as per ‘t’ test table value of ‘t’ test is lower than the calculated value of ‘t’ so null hypothesis is rejected it shows that there is a significance
difference in debtors turnover ratio of GSFC and GNFC. It can be said that the ratio of debtors’ turnover is not same.

(7) Cash turnover ratio in GSFC showed decline during the study period. However this ratio in GNFC showed last two years an increasing trend except 2006-07 and 2007-08 during the study period.

(8) Creditors’ turnover ratio in GSFC and GNFC showed mixed trend during the study period. But average ratio was near about compare to GSFC and GNFC during the study period.

5.4 SUGGESTIONS:

Major suggestion to GSFC and GNFC are given below

(1) The current ratio is much higher in GNFC as compare to GSFC. It shows assets are higher and liabilities are lower in GNFC. So GSFC has needed to reduce current liabilities and growth up to current assets.

(2) The companies GSFC and GNFC Should try to reduce personnel expense. By reducing these expenses companies can transfer more amounts to retained in business in GSFC.

(3) The company should try to increase exports. This can be done with the support of government which should allow export incentives to the companies.

(4) The excise duty on fertilizer which has been constant on the rise during the study period should be lowered down by the central government so that the cost of production and selling price of fertilizer can be reduce and thus sales of fertilizer can be further promoted.

(5) The debtor turnover ratio is much higher in GSFC as compared to GNFC during the study period. It shows the liberal credit policy hence GSFC must reduce the period credit given to its debtors.