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A STUDY OF PERFORMANCE APPRAISAL OF PAINT INDUSTRY IN INDIA (2010-2015)

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ABSTRACT
Introduction, Working Capital Management, Objectives of the study, Hypothesis of the study, Research Methodology, Findings, Conclusion

INTRODUCTION
Decisions relating to working capital and short term financing are referred to as working capital management. These involve managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses.

A managerial accounting strategy focusing on maintaining efficient levels of both components of working capital, current assets and current liabilities, in respect to each other. Working capital management ensures a company has sufficient cash flow in order to meel its short-term debt obligations and operating expenses.

WORKING CAPITAL MANAGEMENT
Working capital is money available to a company for day-to-day operations The formula for working capital is:
Current Assets - Current Liabilities
How it works/Example:
Here is some balance sheet information about XYZ Company:

Balance Sheet for Company XYZ *(Amounts in INR)*

Accounts Payable	30000		Cash	60000
Accrued Expenses	20000		Marketable Security	1 0000
Notes Payable	5000		Accounts Receivable	40000
Creditors	10000		Inventories	50000
Total Current Liabilities	65000		Total Current Assets	160000

Using the working capital formula and the information above, we can calculate that XY7, Company's working capital is:
160,000-65,000 = 95,000 Why it Matters:
Working capital is a common measure of a company's liquidity, efficiency, and overall health. Because it includes cash, inventory, accounts receivable, accounts payable, the portion of debt due within one year, and other short-term accounts, a company's working capital reflects the results of a host of company activities, including inventory management, debt management, revenue collection, and payments to suppliers.

Positive working capital generally indicates that a company is able to pay off its short-term liabilities almost immediately. Negative working capital generally indicates a company is unable to do so. This is why analysts are sensitive to decreases in working capital: they suggest a company is becoming ovcrleveraged, is struggling to maintain or grow sales, is paying bills too quickly, or is collecting receivables too slowly. Increases in working capital, on the other hand, suggest the opposite.

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OBJECTIVES OF THE STUDY

The purpose of the research is to discover answers of the following question through the application on scientific procedures. The main objective of the research is to understand the liquidity management of Paint units as well the problems in liquidity management of these units. This broader objective is classified into:

I. To know the position of working capital of units under study of Paint industry.
II. To know the tendency of raw material of the units under study of Paint industry.
III. To know credit tendency of the unit under study of Paint industry.
IV. To know cash tendency of the unit under study of Paint industry.
V. To know suppliers tendency of the unit under study of Paint industry**.**

HYPOTHESIS OF THE STUDY

1. Hypothesis based on Chi square test is to understand interplant working capital direction and growth /efficiency. The statement of null hypothesis is, "The working capital indices of the sample units can be represented by the straight line trend based on the lest square method."
2. The other null hypothesis to be tested is based on Kruskal Wallis one way analysis of variance test. It has been tested to see whether there is any significant difference between working capita! ratios of the sample units.

   The statement of null hypothesis is, "There is no significant difference between the working capital of the sample units." The acceptance of the said hypothesis would reveal that the working capital of various sample units is approximately equal.

RESEARCH METHODOLOGY

Nature of Data

The study on Working Capital Management of Paint Industry in India has been conducted by using secondary data.

Data Collection

Secondary data has been collected using annual reports of the firms, newspaper,
magazines other periodicals and websites.

Universe of the Study

The universe of the study consists of all the units working in Paint Industry in india.

Sampling Design

At present, there are about 10 companies in the Paint Industry in India. Researcher has selected *5* companies using convenient sampling. Data have been collected using annual reports of the firms and websites

FINDINGS

- Efficient working capital management involves planning and controlling current assets and current liabilities in such a manner that eliminates the risk of inability to meet due short-term obligations and avoids excessive investment in these assets.
- A well designed and implemented working capital management policy is expected to contribute positively to the creation of a firm's value.
- Efficient management of working capital plays an important role of overall corporate strategy in order to create shareholder value. Working capital is regarded as the result of the time lag between the expenditure for the purchase of raw material and the collection for the sale of the finished goods. The way of managing working capital can have a significant impact on both the liquidity and profitability of the company.
- Working capital management efficiency is vital especially for manufacturing and construction firms, where a major part of assets is composed of current assets.
- Every organization whether, profit oriented or not, irrespective of size and nature of business, requires necessary amount of working capital. Working capital is the most crucial factor for maintaining liquidity, survival, solvency and profitability of business .
- The main purpose of any firm is to maximize profit. But, maintaining liquidity of the firm also is an important objective. The problem is that increasing profits at the cost of liquidity can bring serious problems to the firm. Thus, strategy of firm must maintain a balance between these two objectives of the firms. Dilemma in working capital management is to achieve desired tradeoff between liquidity and profitability

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- While the performance levels of small businesses have traditionally been attributed togeneral managerial factors such as manufacturing, marketing and operations, working capital management may have a consequent impact on small business survival andgrowth
- Deloof, (2003) discussed that most firms had a large amount of cash invested inworking capital. It can therefore be expected that the way in which working capital ismanaged will have a significant impact on profitability of those firms. Using correlationand regression tests he found a significant negative relationship between gross operatingincome and the number of days accounts receivable, inventories and accounts payableof Belgian firms.

CONCLUSION

There are several ways to evaluate a company's working capital further, including calculating the inventory-turnover ratio, the receivables

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