AN INTERNSHIP REPORT
ON
WORKING CAPITAL MANAGEMENT: A STUDY ON GRAMEEN BANK CORPORATE BRANCH

Submitted To

Mr. Md. Anhar Sharif Mollah
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DAFFODIL INTERNATIONAL UNIVERSITY
20 AUGUST, 2019

LETTER OF TRANSMITTAL

11th September, 2019
To,
Md. Anhar Sharif Mollah
Assistant Professor
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Subject: Submission of internship Repot.

Dear Sir,
With due regard that I, might want to illuminate you that here is the report on that was doled out to me submit under the temporary job program. It was an incredible joy for me to do the allocated report. I have directed my temporary job program in, with your caring supervision. I accept that the information and experience I accumulated during the entry-level position period, will be useful in my future expert life.
I have tried my best to prepare this report accurately, transparently and comprehensively, and have done my utmost to gather relevant and insightful information within the stipulated time and limited resources. Any shortcoming in this report is entirely my fault.
If you please go to the report to find out the effectiveness of it, this is a great achievement for me. If the report meets your desired expectations, this will be a major victory for me.

Sincerely Yours,

....
Arju Ahamed
ID: 161-11-265
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SUPERVISOR'S DECLARATION

It gives me monstrous delight to guarantee that the anticipated report titled has been finished by Arju Ahamed ID: 161-11-265, Major Finance, Program: Bachelor of Business Administration, Department of Business Administration, Faculty of Business and Entrepreneurship Daffodil International University, Dhaka under my watch and guidance. Supposedly, this is a unique work, which has not been distributed in any diary or submitted to any establishment or department for any degree or confirmation.

I do hereby accept it a fully recommend Internship report for submission.

…………………………..
Md. Anhar Sharif Mollah
Assistant Professor
Department of Business Administration
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STUDENT'S DECLARATION

I, Arju Ahamed ID: 161-11-265, Major Finance, Program: Bachelor of Business Administration, Department of Business Administration, Faculty of Business and Entrepreneurship do thus announce that the work exhibited in this Internship Report has been completed by me and has not been recently submitted to some other University/Association for a scholarly capability. The work I have introduced does not rupture any current copyright and no bit of this report is duplicated from any work done before for a degree or something else.

I further embrace to reimburse the Department against any misfortune or harm emerging from rupture of the prior commitments.

……………………
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ACKNOWLEDGEMENT

This report, "Working Capital Management: A Study of the Grameen Bank Corporate Branch," featured a lot of contentment and joy in displaying this report. I take this opportunity to thank everyone involved in my training.

First, I would like to thank Grameen Bank for giving me the opportunity to complete my internship report with Grameen Bank. I record my sincere thanks to my university, Daffodil International University, for giving me such an opportunity. I am extremely grateful to **Mr. Md. Anhar Sharif Molla, Assistant Professor** for evaluating the encouragement, discussion and criticism of the internship report. Working with Grameen Bank was a good experience for me.

I am extremely indebted to my Bank Supervisor, Principal Officer and faculty member **Mr. Md Golam Zakaria Rahman**, who shared their skills and knowledge with me which would not have been possible to finish the internship report. I thank the staff of Grameen Bank Limited, who directly or indirectly assisted me in completing the training.

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EXECUTIVE SUMMARY

Grameen Bank (GB) has turned around traditional banking practice by evacuating the requirement for security and made a banking framework dependent on responsibility, common trust, inventiveness, and cooperation. Grameen Bank gives credit to the most unfortunate in Bangladesh, with no insurance. At Grameen Bank, credit is a practical weapon to battle destitution and it fills in as an impetus in the general advancement of financial states of the poor who have been kept outside the banking circle on the ground that they are poor and henceforth not bankable. The major purpose of the study is to analyze the working capital management of Grameen Bank Limited by considering the annual report of five years. The financial statement explains the trend analyzes and the ratio analyzes along with the comparative balance statements.

Working capital is one of the most troublesome financial ideas to understand for the small-business proprietor. In fact, the term means a variety of things to various individuals. By definition, working capital is the amount by which current assets surpass current liabilities. It includes the relationship between a company's transient assets and its momentary liabilities.

Assets required for transient requirements for the reason like payment of wages and another day to day costs are known as working capital. The goal of working capital management is to guarantee that the firm can proceed with its operation and that it has adequate cash stream to satisfy both maturing transient obligation and up and coming operational costs. Working capital is primarily worried about inventories management, receivable management, cash management, and payable management. The study included a couple of personal meetings with the financial heads of the company and through observation strategies. Company annual reports were being evaluated and working capital management was being analyzed from it. With the end goal of the study, the accommodation sampling strategy has been utilized.

The study found that the working capital of the company has improved as the current assets outweigh the current liabilities.

CHAPTER ONE

INTRODUCTION

Management is a specialty of envisioning and getting ready for dangers, vulnerabilities and conquering obstructions. A basic precondition for sound and reliable resources management is building up the sound and steady resources management strategies covering fixed just as present resources. In present-day money-related management, productive assignment of assets has an incredible breadth, in an account and benefit arranging, for the best use of big business assets, the fixed and current resources must be joined in ideal extents.

Working capital in straightforward terms implies the measure of assets that an organization requires for financing its everyday tasks. The money administrator ought to create sound procedures for overseeing current resources.

1.1 About working capital

Working capital short terms signify companies' investments in companies, for example, money, attractive security. Net current entities or net working capital refer to current liabilities with less current liabilities. Emblematically, it implies,

Net Working Capital = Current Assets-Current Liabilities.

In accounting," Working capital is the complexity between the inflow and overflowing of assets. Thusly, it is the net cash inflow. It is described as the plenitude of current assets over current liabilities and game plans. By the day's end, it is a net current asset or net working capital. Working capital speaks to the total of every current resource. At the end of the day, it is the Gross working capital, it is otherwise called Circulating Capital or Current capital for current assets are turning in their temperament.

An examination of working capital is basic to inside and external assessment because of its cozy association with the ordinary exercises of a business. Working Capital is the piece of the advantages of a business which are used on or related to current exercises, and addressed at any one time by the working cycle of such things as against receivables, inventories of rough materials, stores, work in methodology and finished items, item, notes or bill receivables and cash.

Working capital consists of current assets that are different from other assets. In the first example, current assets consist of these assets that are short-lived.

Working capital can be considered as the life blood of a business. Its effective provision can do much to ensure the success of the business when its inefficient management not only results in loss of profits but can lead to eventual collapse which may otherwise be considered a hopeful concern. The funds required and acquired by a business may be invested to two types of assets:

1. Fixed Assets.
2. Current Assets

Fixed assets are those that give an arrival at the ideal time. Different choices on which fixed resource assets ought to be contributed and what amount ought to be put resources into fixed assets are as capital spending choices. This can be called Fixed Capital Management. Different sorts of assets are similarly significant for example Current Assets.

This kind of benefit is expected to guarantee smooth and smooth business activities and can likewise be named as deadly to the business. There are two ideas of working capital — Gross and Net. Gross working capital refers to gross current assets. Net Working Capital refers to the distinction between current assets and current liabilities. The term current assets allude to assets that are in a business that can be changed over into money in a brief time of one year without a misfortune. The principle sorts of current assets are stock, receivables, and money. The current risk term refers to liabilities that must be paid inside a brief time of one year throughout business. They are relied upon to be paid out of current assets or business pay. Current liabilities comprise for the most part of individual creditors, charges payable, bank overdraft or money credit, outstanding costs, and so on.

1.2 Objective of the study

- ➔ To study the various proportions of working capital of Grameen Bank Limited;
- ➔ To find out different ratios related with working capital;
- ➔ To check the impact of cash flows on working capital of Grameen Bank Limited;
- ➔ To know the current trend of Working Capital;

1.3 Methodology of the Report

Primary Data

Individual Interview with Senior Officials and Various Members of the Finance and Accounts Department and Also with their Departments and Collected Data.

Secondary Data

Essential for the investigation was accessible inside the organization itself. Different sources-

- Website
- Books

1.4 Limitations of the study

- Division heads were occupied so time for connection was less.
- The whole monetary position of the organization can't be disclosed.
- The organization gives just optional information, so a particular sort of inclination is in the examination.
- Greater part of the crude materials is acquired by the fundamental head office. So progressively itemized data can't be gotten about these.

CHAPTER TWO

COMPANY OVERVIEW

2.1 Background of the Company

Grameen Bank (GB) has turned around conventional banking practice by expelling the requirement for security and made a banking framework dependent on shared trust, responsibility, cooperation, and inventiveness. GB gives credit to the most unfortunate of the poor in rustic Bangladesh, with no insurance. At GB, credit is a financially savvy weapon to battle neediness and it fills in as an impetus in the general advancement of financial states of the poor who have been kept outside the banking circle on the ground that they are poor and consequently not bankable. Teacher Muhammad Yunus, the originator of "Grameen Bank" contemplated that if the money related assets can be made accessible to the destitute individuals on terms and conditions that are suitable and sensible, "these a large number of little individuals with their a great many little interests can indicate make the greatest advancement wonder "The positive impact of Grameen Bank on its poorer and previously poorer borrowers has been documented by many independent studies conducted by external agencies including the World Bank, International Food Research Policy Institute (IFPRI) and Bangladesh Development Research Institute (BIDS).

For the welfare of the penniless people, Grameen Bank exhibited non-ensure microcredit and social headway programs in 1976. As the program progressed successfully, banks a tiny bit at a time took more welfare exercises Among them, youngsters and young ladies of the respected people from Grameen Bank; This infers in order to develop their second productivity in 1997, 'Propelled training Loan Program' was pushed in 1997 with apparent organization charge (0% during the hour of guidance and 5% after completion of preparing, which is payable in bits with a development tailing one year of zenith of guidance). Likewise, 'Shikshapatriya' was familiar in 1999 with development the incredible results of the posterity of getting people and to improve capacity.

Under the 'Advanced education Loan' program, up to December'17, 53 thousand 882 understudies were fined Tk 374.7 billion. Among them, 40, 937 understudies and 12 thousand 945 understudies of the understudies, they are getting graduate/postgraduate and BBA/MBA degrees when all is said in done subjects, MBBS, specialists and agribusiness. Out of them, 10 thousand understudies are concentrating in the nation and outside government/non-government organizations are working in significant posts

On October 2, 1983, the Grameen Bank was changed into a free bank by government-unscheduled enactment. The provincial poor whom it serves to possess Today Grameen Bank. Borrowers of the Bank possess 90% of its offers, while the staying 10% is claimed by the administration

- ➔ Stretch out banking offices to poor people;
- ➔ Take out the misuse of the poor by cash loan specialists;
- ➔ Make open doors for independent work for the huge large number of
- ➔ Jobless individuals in rustic Bangladesh;
- ➔ Bring the burdened, for the most part, the ladies from the least fortunate family units, inside the crease of an authoritative configuration which they can comprehend and oversee without anyone else; and
- ➔ Turn around the deep-rooted endless loop of "low salary, low sparing and low investment", into an upright hover of "low pay, infusion of credit, investment, more pay, more reserve funds, greater investment, more pay".

2.5 Owned by the Poor

Grameen Bank Project was imagined in the town of Jobra, Bangladesh, in 1976. In 1983 it was changed into a formal bank under a unique law go for its creation. It is controlled by the poor borrowers of the bank who are generally women. It works just for them. Borrowers of Grameen Bank at present guarantee 94 percent of the total estimation of the bank. Staying 6 percent is controlled by the organization.

2.6 Revenue and Expenditure

Total income generated by Grameen Bank in 2005 was Tk 7.39 billion (US $ 112.40 million). Total use was Tk 6.39 billion (US $ 97.19 million). Intrigue payment on stores of Tk 2.29 billion (US $ 34.74 million) was the largest segment of consumption (36 percent). Consumption on salary, allowances, annuity advantages amounted to Tk 1.67 billion (US $

25.37 million), which was the second-largest segment of the total use (26 percent). Grameen Bank made a profit of Tk 1000 million (US $ 15.21 million) in 2005. While profit is transferred to a Rehabilitation Reserve created to adapt to disaster situations. This is done in satisfaction of a condition forced by the administration for excluding Grameen Bank from paying the corporate annual tax

2.7 Low Interest Rates

Government of Bangladesh has a fixed financing cost for government-run small scale credit software engineers at 11 percent at a level rate. It adds up to around 22 percent at the declining premise. Grameen Bank's financing cost is lower than the government rate.

There are four financing costs for advances from Grameen Bank: 20% (declining premise) for cash creating advances, 8% for hotel advances, 5% for understudy advances, and 0% (without premium) credits for Battling Individuals (beggars). All interests are straightforward interest, decided on a declining balance system. This suggests, if a borrower takes a salary creating advance of state, Tk 1,000, and pays back the entire whole inside a year in step by step parcels, she'll pay an aggregate entirety of Tk 1,100, for example Tk 1,000 as head, in addition to Tk 100 as enthusiasm for the year, equal to 10% level rate.

2.8 Deposit Rates

Grameen Bank offers attractive rates for stores. Least intrigue offered is 8.5 percent. The maximum rate is 12 percent.

2.9 Beggars as Members

Asking is the last hotel for survival for a poor person except if he/she transforms into wrongdoing or different types of illegal activities. Among the beggars, there are disabled, visually impaired, and retarded individuals, as well as elderly individuals with sick health. Grameen Bank has taken up a special program, called Battling Individuals Program, to reach out to the beggars. About 91,000 beggars have already joined the program. Total amount dispensed stands at Tk. 81.98 million. Of that amount of Tk. 51.47 million has already been paid off.

CHAPTER THREE

LITERATURE REVIEW

Working capital is money available to any organization for every day work. Fundamentally, working capital gauges the liquidity, capability, and general success of an association. Since it consolidates money, stock, records of offers, moneylender liabilities, the piece of commitment due inside one year, and other transient records, an association's working capital mirrors the eventual outcomes of an enormous social event of association works out, including stock organization, a commitment the chairmen, pay get-together, and portions to suppliers.

Practical capital short terms accept hypothesis by firms in firms, for instance, money, appealing security. Net current substances or networking capital current components show low present obligation.

Aspects of Working Capital Management:

There are two aspects to effective capital management, or you can tell two aspects of working capital management. They are as mentioned below:

Current Assets:

a) Current assets are those advantages which can be effectively convertible to cash inside one year. With the target that present assets can be used to meet essential regular activities for the business. Managing current assets is the basic goal of persuading the working capital organization. The present assets have reliably been cash or near cash proposes. For example, Transient advances, Cash and bank change, Receivables, Prepaid costs, Temporary speculations, Stock of completed things, Stock of foul materials, Stock of work ahead of time, and so on.

b) Cash / Money

Cash is the most fluid sort of favorable circumstances, in like manner, it is one of the monster imperative bits of working capital. It is basic for every business to keep up a perfect level of cash close by paying little heed to other existing resources are noteworthy. Cash goes about as a convincing instrument at different occasions of the thing life cycle. Cash close by tolerating a basic movement to change any holes making between courses of action to the dissipating cycle.

c) Account Receivable

Records receivable will when all is said in done benefit due which is owed to a business by their clients for the closeout of thing. The fit, profitable social event of record receivable is most essential to keep up the cash related ampleness of the affiliation's advancement. For instance, engaging securities incorporate business papers offered by affiliations, assertion letter, treasury bill, etc. These instruments can be acquired and sold at a snappier and sensible rate. They, for the most part, have shy of what one year as their improvement period. This draws in relationship to contribute extra cash stores what's more can be used as altogether fluid resources.

Accounts receivable have constantly been under the points of interest side of an affiliation's financial record; in any case, they are not too various advantages until these are ordinarily aggregated. A regularly used system by auditors to overview the association's accounts receivable cycle is that day's courses of action remarkable, that reveals that the standard normal days an alliance game plans cycle to amass benefits by the closeout of item.

d) Stock / Inventory

Stock is one of the essential pieces of working capital. An affiliation's central resource that it changes into arrangements focal points and pays. The speed at which business sells and restock is basic to choose its prosperity. Stock is of different sorts, which consolidates stock as foul material, stock as work in headway or stock in completed product. Theorists offer the plan to their stock turnover level become a sign of this solidarity to bargains and as a measure towards how capable, the business looks in their buying comparably as the age procedure. A stock that is irrelevant, places the association into the risk zone of disposing of off thing bargains. Again absurdly high stock levels express inefficient utilization of working capital.

Current Liabilities

Current liabilities are claims from outside social occasions which are required to be payable inside one year of the accounting time allotment. For example, Leasers for product got, flashing borrowings, Evaluations, and benefits payable, Excellent costs, Advances got against arrangements, Various liabilities creating inside a year.

a) **Account Payable**

Account payable, the cash an affiliation needs to pay out all through the present minute, is similarly another key portion of working capital organization. Ordinarily, the association effectively keeps up a concordance between most extraordinary cash stream just by conceding portions as long as it is truly potential. Likewise, they need to keep positive credit positions/scores while overseeing banks similarly as suppliers. Typically, a business' ordinary time for account receivables is out and out shorter than the typical time for account payable's.

b) **Income tax payable**

Account payable, the cash an affiliation needs to pay out all through the present minute, is similarly another key fragment of working capital organization. Regularly, the association effectively keeps up a congruity between most outrageous cash stream just by conceding portions as long as it is truly potential. Likewise, they need to keep positive credit positions/scores while overseeing banks similarly as suppliers. Regularly, a business. This is a specific kind of accumulated cost - the individual obligation a bank gathers consistently anyway do not have to pay yet, as shown by various government, state, and close by appraisal plans. In spite of the way that they're obligated to holding, a few appraisals simply are not accumulated by the organization through the range of the quarter or the year. Or maybe, they're paid in single sums at whatever point the bill is normal typical time for account receivables is by and large shorter than the ordinary time for account payable's.

c) **Short-term notes payable**

The bank has brought this amount of money from a bank or any other financial institution through its extension. It should be paid within the next year.

d) **Portion of long-term debt**

It speaks to a portion of a company's long-term commitments that may come in a given year or quarter. This is considered a current obligation even though it is scheduled as "long term".

3.2 Working Capital Cycle

The working capital cycle demonstrates the time span between a company's capacity to pay for stores and accepting cash from selling completed items. In an assembling organization, the working cycle is the time required to finish the grouping of occasions.

If there should arise an occurrence of an assembling organization, the working cycle is the time frame important to finish the accompanying cycle of occasions –

a. Change of money into crude materials
b. Change of crude materials into work-in-progress
c. Change of work-in-progress into completed merchandise
d. Change of completed merchandise into records receivables
e. Change of records receivable into money

The above schedule has been rescheduled depending on the type of business and the type of item. To determine working capital, suppliers are equal to the total amount of time allowed during the work cycle.

The working capital can be expressed as a cycle

R+W+F+D+C

Where,

R - raw material storage period = avg. stock of raw material / avg. cost of production per day

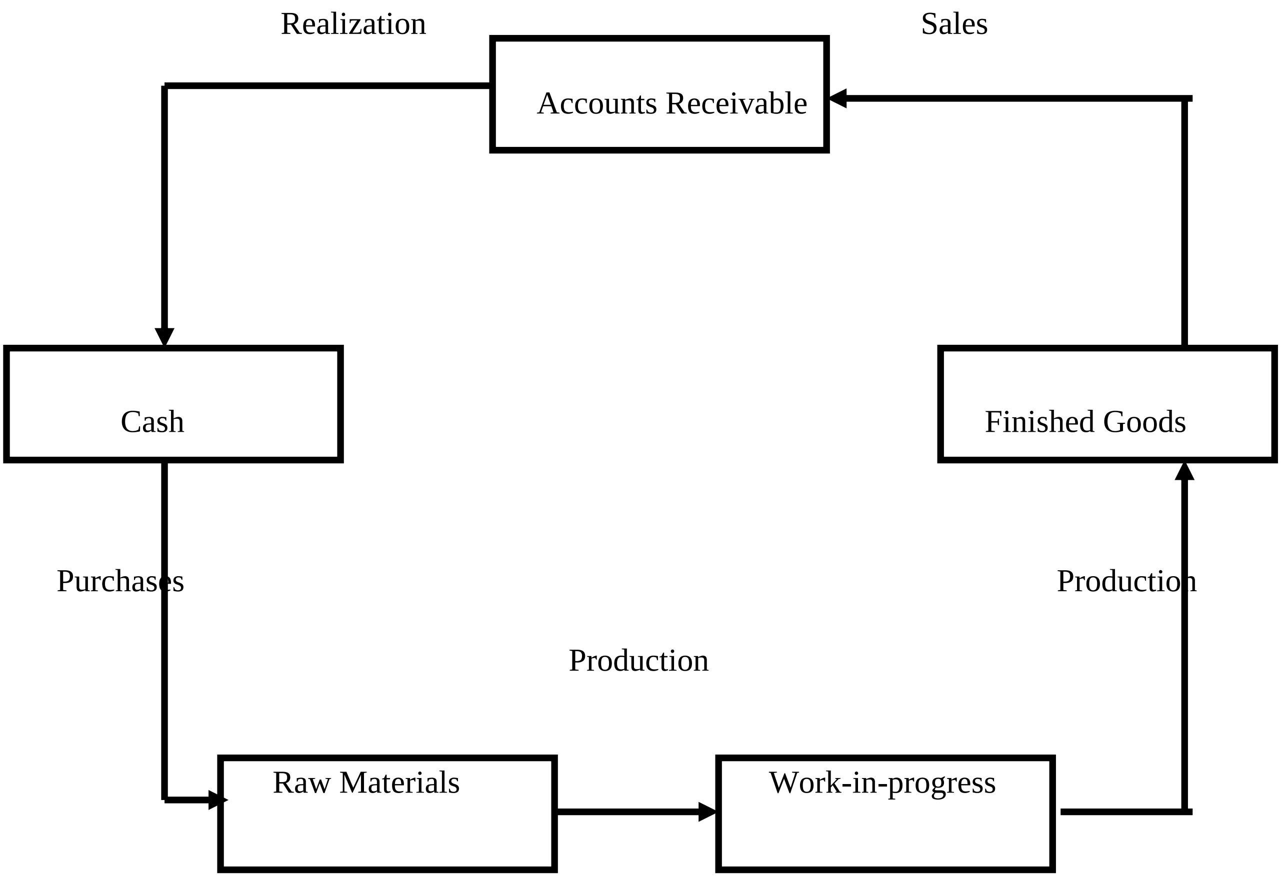
W – work in progress holding period = avg. work in progress inventory / avg. cost of production per day

F – finished goods storage period = avg. stock of finished goods / avg. cost of goods sold per day

D – debtor’s collection period = avg. book debts / avg. credit sales per day

C – credit period availed = avg. trade creditors avg. credit purchases per day.

OPERATING CYCLE OF MANUFACTURING BUSINESS



3.3 Classification of Working Capital

Working capital may be classified in two ways:

- On the basis of concept.
- On the basis of time.

Based on the idea, working capital can be named gross working capital and net working capital. Based on schedule, working capital might be named:

- Permanent or fixed working capital.
- Temporary or variable working capital

Permanent or Fixed Working Capital

Permanent or fixed working capital is the base sum which is required to guarantee compelling usage of fixed offices and for keeping up the course of current resources. Each firm needs to keep up a base degree of crude material, work-in-process, completed merchandise, and money balance. This base degree of current resources is called permanent or fixed working capital as this piece of working is permanently obstructed in current resources. As the business develops the prerequisites of working capital additionally increments because of the expansion in current resources.

Temporary or Variable Working Capital

Temporary or variable working capital is the measure of working capital which is required to satisfy the occasional needs and some uncommon exigencies. Variable working capital can further be named regular working capital and exceptional working capital. The capital required to meet the regular need of the endeavor is called occasional working capital. Extraordinary working capital is that piece of working capital which is required to meet unique exigencies, for example, the starting of broad advertising for directing exploration, and so forth. The additional working capital expected to support the changing generation and deals exercises is called a variable or working or temporary working capital.

Temporary working capital varies from permanent working capital as it is required for short periods and can't be permanently utilized productively in the business.

3.4 Need for Working Capital

Working capital might be viewed as the soul of the business. Without inadequate working capital, any business association can't run easily or effectively. In the business, the Working capital is practically identical to the blood of the human body. In this way, the investigation of working capital is vital to the inside and outer examination as a result of its cozy association with the present everyday activities of a business. The insufficiency or botch of working capital is the main source of business disappointments.

The requirement for gross working capital or current resources can't be overemphasized. The object of any business is to gain benefits. The fundamental factor influencing the benefits is the extent of offers of the business. Be that as it may, the deals can't be changed over into cash right away. There is a period slack between the closeout of merchandise and the acknowledgment of cash. There is a requirement for working capital as present advantages for top off this time slack. In fact, this is called a working cycle or working capital cycle, which is the core of the requirement for working capital. This working capital cycle can be depicted in the accompanying words. On the off chance that the organization has a specific measure of cash, it will be required for obtaining the crude material however some crude material might be accessible on a credit premise. At that point the organization needs to go through some sum for work and manufacturing plant overheads to change over the crude material in work in advancement, and at last completed merchandise. These completed merchandise when sold using a loan premise get changed over as sundry indebted individuals. Sundry borrowers are changed over in cash simply after the expiry of the credit time frame. In this way, there is a cycle where the initially accessible cash is changed over as cash again however simply subsequent to following the phases of crude material, work in advancement, completed merchandise, and sundry account holders. Along these lines, there is a period hole for the first cash to get changed over as cash once more. Working Capital needs of organization emerge to cover the necessity of assets during this time hole, and the quantum of working capital needs shifts according to the length of this time hole.

As such, some proportion of advantages is discouraged in rough materials, work in headway, finished items, sundry account holders and regular essentials. Regardless, some bit of these present assets may be financed by the present liabilities in addition. For instance, some rough material may be available on a credit premise, all of the costs need not be paid rapidly, laborers are in like manner to be paid every so often, etc. However simultaneously, the aggregates required to be placed assets into these present assets is continually higher than the advantages open from current liabilities. This is a definite inspiration driving why the necessities for working capital develop. From the Money related administration point of view, the nature of fixed assets and current assets differ from each other

Businesses need to retain fixed assets over a period of time and they can earn income from their lives, while current assets want to lose their identity in the short run, say one year.

Because of current assets, it is continually essential to strike a proper concordance between the liquidity and profit benchmarks, which isn't the circumstance with fixed assets. For instance, in the unlikely event that the size of current assets is immense, it is continually helpful from the liquidity point of view as it ensures smooth and recognizable business exercises. The sufficient unrefined material is always open to considering the age needs, the satisfactory finished product is available to oblige any kind of enthusiasm of customers, liberal credit period can be offered to the customers to improve the arrangements and satisfactory cash is available to fulfill the lenders, and so on.

Because of current assets, it is continually essential to strike a proper concordance between the liquidity and profit benchmarks, which isn't the circumstance with fixed assets. For instance, in the unlikely event that the size of current assets is immense, it is continually helpful from the liquidity point of view as it ensures smooth and recognizable business exercises. The

sufficient unrefined material is always open to considering the age needs, the satisfactory finished product is available to oblige any kind of enthusiasm of customers, liberal credit period can be offered to the customers to improve the arrangements and satisfactory cash is available to fulfill the lenders, and so on.

3.5 Working Capital Management

The beginning stage for any business, particularly our money and the need to achieve that business completely, is the best organization of the general record and working capital administration, contingent upon the energy of the business or the organization of the store.

Working Capital is the key partition between the whole game plan monetary organization and transient cash related organization with respect to the coordinating of cash. The working capital organization is a transient cash related organization. The working capital organization is stressed over the issues that rising in endeavoring to manage the current assets, the current liabilities and the spread relationship that exists between them. The current assets recommend those assets which can be reasonably changed over into cash in the standard course of business, without exasperating the undertakings of the firm. Working capital organization or transient budgetary organization is a tremendous bit of cash related organization. It is enormous because of 2 reasons:

- ❖ Investment in current assets represents a significant portion of total investment
- ❖ Investment in current assets and sales at current liabilities levels should be of immediate significance for rapid change.

Working capital joins works out, for instance, passing financing, masterminding incredible credit terms, controlling cash streams, supervising obligation claims, and watching premiums in stock. Accentuation is put on the working capital of the board, the current assets, the hazard that it looks to oversee current liabilities. The focal objective of the working capital organization is to oversee current assets and current liabilities with the objective of keeping up a practical degree of capital, for instance, which is neither alluring nor over the top, in light of the fact that both are horrendous. For any firm. There ought to be no deficiency of assets and, besides, no working capital ought to be broken down. The association's operational capital administration strategy exceptionally affects practicality, liquidity, and strong sufficiency, so viable capital organization is three-dimensional in nature.

- ❖ It concerned with the formulation of policies with regard to profitability, liquidity, and risk.

- ❖ It is concerned with the decision about the composition and level of current assets.
- ❖ It is concerned with the decision about the composition and level of current liabilities.

Composition of working capital--

- **Major Current Assets**
  1. Cash in hand and cash at bank
  2. Bills receivables
  3. Sundry debtors
  4. Short term loans and advances.
  5. Inventories of stock as:
  6. Raw material
  7. Work in process
  8. Stores and spares
  9. Finished goods
  10. Temporary investment of surplus funds.
  11. Prepaid expenses
  12. Accrued incomes.
  13. Marketable securities.

The idea of gross working capital is an idea of spending plan or concern, while net working capital is a record of working capital. The two ideas have their very own points of interest. The gross idea is at times characteristic of favoring the idea of working capital for supporting reasons:

1. It enables the enterprise to provide correct amount of working capital at correct time.
2. Every management is more interested in total current assets with which it has to operate then the source from where it is made available.
3. It takes into consideration of the fact every increase in the funds of the enterprise would increase its working capital.
4. This concept is also useful in determining the rate of return on investments in working capital.

The Goal of Capital Management is to manage the firm s current assets and liabilities so the pleasing degree of working capital is kept up. In the event that the firm can't keep up the elegant degree of working capital, it is likely going to end up got out and perhaps compelled. To keep up the edge of security current asset ought to be huge enough to cover its current assets.

The essential topic of the hypothesis of working capital administration is the relationship between the current assets and current liabilities.

3.6 Importance or Advantage of Adequate Working Capital

1. **Solvency of The Business:** Satisfactory working capital aides in keeping up the dissolvability of the business by giving continuous creation.
2. **Goodwill:** Adequate measure of working capital empowers a firm to make brief installments and makes and keep up the altruism.
3. **Easy loans:** Satisfactory working capital prompts high dissolvability and credit standing can orchestrate advances from banks and others on simple and good terms.
4. **Cash Discounts:** Satisfactory working capital additionally empowers a worry to benefit money limits on the buys and henceforth lessens cost.
5. **Regular Supply of Raw Material:** Adequate working capital guarantees a standard supply of crude material and persistent creation.
6. **Regular Payment of Salaries, Wages and Other Day TO Day Commitments:** It prompts the fulfillment of the representatives and raises the resolve of its workers, expands their productivity, decreases wastage and expenses and upgrades creation and benefits.
7. **Exploitation of Favorable Market Conditions:** If a firm has sufficient working capital, it can exploit a favorable market situation, such as buying large quantities of its requirements on hold when prices are low and holding the required prices high.
8. **Ability to Face Crises:** An anxiety may lead to situations during frustration.
9. **Quick and Regular Return On Investments:** Adequate working capital enables its investors to pay dividends quickly and regularly and to raise investor confidence and raise more funds in the future.
10. High Morale: Adequate working capital brings an environment of security, confidence and high morale that results in the overall efficiency of the business.

3.7 Excess or Inadequate Working Capital

Each business concern should have sufficient working capital to manage its business activities. It should not have unnecessary or excessive working capital or inadequacy or lack of working capital. Both extras, as well as low-performing capital positions, are bad for any business. However, it is insufficient working capital which is riskier from the firm's point of view.

3.8 Disadvantages of Inadequate Working Capital

Every business needs some basic system capital. The need for working capital is raised because of the recognition of money from time holes and contracts between generations. There is a program involved in the recognition and acceptance of money. There are holes in the raw material and time of purchase made; Generation and contract; And recognition of meaning. Therefore, the following tasks require working capital:

- ➔ With the end goal of crude material, parts, and extras.
- ➔ To pay wages and pay rates
- ➔ To cause everyday costs and over-burden costs, for example, office costs.
- ➔ To meet the selling costs as pressing, publicizing, and so forth.
- ➔ To give credit offices to the customer.
- ➔ To keep up the inventories of the crude material, work-in-progress, stores, and extras and completed stock.

For contemplating the need of working capital in a business, one needs to ponder the business under fluctuating conditions, for instance, another stress requires plenty of assets to meet its basic necessities, for instance, progression and development, etc. These expenses are called basic expenses and are advanced. The aggregate required for working capital depends on the size of the association and desires of its sponsors. Increasingly conspicuous the size of the forte unit, all-around greater will be the essentials of the working capital.

3.9 Factors Affecting Working Capital Management

The measure of working capital required relies on various factors which can be expressed as beneath

3.9.1 Nature of Business:

A few organizations are such, because of their very nature, that their prerequisite of fixed capital is more as opposed to working capital. These organizations sell administrations and not the wares and not the wares and that too on a money premise. All things considered, no assets are obstructed in heaping inventories and furthermore, no assets are hindered in receivables. For example, Open utility administrations like railroads, power sheets, framework oriented Internship Reports, and so on. Their necessity for working capital is less. Then again, there is some professional exchanging movement, where the prerequisite of fixed capital is less however more cash is obstructed in inventories and debtors. Their prerequisite of the working capital is more.

3.9.2 Length of Production Cycle:

In some deliberate machine device industry, the time hole between the acquisitions of grungy material until the bit of the course of action age of the got done with thing itself is incredibly high. Everything considered, more sums might be blocked either in foul materials or work in advancement or completed things or even in borrowers. Regularly, their necessities for working capital are higher. Obviously, if the creation cycle is shorter, the requirement for working capital is in like manner less.

3.9.3 Size and Growth of Business:

In extremely little firms the working capital prerequisites are very high overhead, high buy, and deals cost, and so on. In that capacity, medium-sized organizations decidedly have an edge over littler firms. Be that as it may, if a business begins to develop after specific limitations, the working capital prerequisites might be antagonistically influenced with expanding the size.

3.9.4 Business *I* Trade Cycles:

If the organization is working in the hour of impact, the working capital necessities may be more as the organization may get a kick out of the opportunity to buy rawer material, may assemble the age and arrangements to take the upsides of good showcases, as a result of the extended arrangements, there may be increasingly more proportion of assets blocked in stock and borrowers, etc. Basically, in case of hopelessness furthermore, the working capital necessities may be high as the arrangements in regards to worth and sum may be diminished, there may be unnecessary loading up of stocks without getting sold, the receivables may not be recovered in time, etc.

3.9.5 Rate of Stock Turnover:

There is an opposite co-relationship between the topic of working capital and the speed or speed with which the deals are influenced. A firm having a high pace of stock turnover will need lower amt. of working capital when contrasted with a firm having a low pace of turnover.

3.9.6 Credit Policy:

The company's credit arrangement straightforwardly influences the working capital prerequisite. On the off chance that the firm has liberal credit arrangement, thus the more credit time frame will be given to the debtors so this will prompt more working capital prerequisite. With the liberal credit arrangement working cycle length increments and the other way around.

3.9.7 Production Policy:

If the policy is to keep production stable by accumulating inventory, then it requires higher capital.

3.9.8 Seasonal Variations:

Crude materials are not accessible during the time in specific enterprises. They need to purchase mass crude materials for the season to guarantee continuous stream and handling consistently. For the most part, during a bustling season, a firm need bigger working capital than the moderate season.

3.9.9 Earning Capacity and Dividend Policy:

Some companies have the ability to earn more than others because of the quality of their products, the circumstances of the exclusive. These national companies can earn cash from operations and contribute to their working capital. Dividend policy also affects working capital requirements. Maintaining a stable high rate of cash dividends relative to a firm holds a large portion of its profits and requires working capital compared to firms that do not pay such high dividend rates.

3.9.10 Price Level Changes:

Changes in price levels also affect working capital requirements. Generally, price increases lead to an increase in working capital.

3.10 Others Factors:

- Operating efficiency.
- Management ability.
- Irregularities of supply.
- Import policy.
- Asset structure.
- Importance of labor.
- Banking facilities, etc.

3.11 Concept of working capital:

There are 2 concepts:

- Gross Working Capital
- Net Working Capital

3.11.1 Gross working capital

It is referred as total current assets. Focuses on,

Optimum Investment in Current Assets: Excess investment damages the firm's profits; Passive investing as nothing earns. Inadequate working capital may threaten flexibility due to the firm's inability to meet its current obligations. Thus, there should be adequate investment in current assets.

Financing of current assets: Whenever the need for working capital funds arises, a quick contract should be made. If surplus funds are available, they should be invested in short-term securities.

3.11.2 Net working capital

NWC defined by 2 ways,

- Difference between current assets and current liabilities
- Net working capital is that portion of current assets which is financed with long term funds.

NET WORKING CAPITAL = CURRENT ASSETS - CURRENT LIABILITIES

If working capital is managed efficiently, both liquidity and profitability will improve. These are not elements of working capital but the result of working capital. Working capital is primarily concerned with the question of profitability vs. liquidity and risk.

3.12 PLANNING OF WORKING CAPITAL:

Working capital should be run day by day. Firms contrast with their working capital (WC) necessities. The firm's company will likely expand the abundance of its investors and produce adequate income from its activities. A significant part of WCM budgetary management arises from two reasons:

- ➔ Investment in current asset represents a substantial portion of total investment.
- ➔ Investment in current assets and level of current liability has to be geared quickly to change in sales.

Business undertaking required funds for two purposes:

- ➔ To create productive capacity through purchase of fixed assets.
- ➔ To finance current assets required for running of the business.

The significance of WCM has reflected in the manner that money-related directors put a great deal of vitality in supervising current assets and current liabilities. How much advantage can be earned is dependent upon the size of offers. Arrangements are significant for obtaining benefits. In any case, bargains don't change over into cash in a brief instant; there is always a period slack between the leeway of product and the receipt of cash. WC the executives impact the benefit and liquidity of the firm which is conversely relative to each other, along these lines real evening out should be kept up between two.

To change over item deals to money, WC is required as current assets to manage the issues emerging from the prompt acknowledgment of money against great deals. Sufficient WC is important to keep up deals movement. This is alluded to as working or money cycle.

3.13 Methods of Working Capital Analysis

There are many methods for analyzing financial statements in companies. The following techniques are used to analyze the working capital management of Grameen Bank Limited –

- Comparative size statement
- Trend analysis
- Cash flow statement
- Ratio analysis

A detail description of these methods is as follows-

3.13.1 Comparative Size Statement

When statistics of two or more years are compared with each other, we call them comparable size statements to estimate the future progress of the business, it is necessary to look at the effectiveness of the company.

Benefits of this method to the company-

- To indicate the trends, these statements show the change in production, sales and expenses.
- To make the data simple and more understandable

3.13.2 Trend Analysis

To analyses many years' financial statements, this method is used. This indicates the direction on movement over the long time and help in the financial statements.

Procedure for calculating trends-

1. Previous year is taken as the base year
2. Figures of the base year are taken as 100
3. Trend % are calculated in relation to base year.

Benefits-

- It is beneficial to find out the long run changes
- It is helpful in future forecasting.

3.13.3 Cash Flow Statement

Cash flow statement is a statement of changes in financial conditions prepared on the basis of funds defined as cash or cash equivalents. In the summary of short cash flow statements, the firm's cash flows and flows over a period of time.

Benefits for the company-

- To prepare the cash budget
- To compare the cash budgets
- To show the position of the cash and cash equivalents.

3.13.4 Ratio Analysis

Ratio analysis is the way toward deciding and displaying the relationship of things and gatherings to an announcement. The ratio can assist in its expectation, arranging, coordination, control and management of the essential undertakings of correspondence.

Benefits to the company-

- Helpful in analysis of financial statements
- Helpful in comparative study
- Helpful in locating the weak spots of the company
- Helpful in forecasting
- Estimate about the trend of the business
- Fixation of ideal standards
- Effective control
- Study of financial soundness

Types of ratio-

- **Liquidity Ratio-** they indicate the firm's ability to meet its current obligation out of current resources.
    - Current ratio = current assets / current liabilities.
    - Quick ratio = liquid assets / current liabilities.
    - Liquid assets = current assets – stock – prepaid expenses
- **Leverage or Capital Structure Ratio-** this ratio discloses the firm's ability to meet the interest costs regularly and long term solvency of the firm. Debt equity ratio = long term loans / shareholders' funds or net worth.
    - Debt to total fund ratio = long term loans / shareholder funds + long term loan.
    - Proprietary ratio = shareholders fund / shareholders fund + long term loan

- **Activity ratio or Turnover ratio-** they indicate the rapidity with which the resources available to the concern are being used to produce sales.

- ➔ **Stock turnover ratio** = cost of goods sold / average stock

  cost of goods sold = net sales / gross profit,

  Average stock = opening stock + closing stock / 2
- ➔ **Debtors turnover ratio** = net credit sales / average debtors + average B/R
- ➔ **Average collection period** = debtors+ B/R Credit sales per day

  Credit sales per day = net credit sales of the year /365
- ➔ **Creditors turnover ratio** = net credit purchases / average creditors + avg. B/P
- ➔ **Average payment period** = creditors + B/P / credit purchase perday
- ➔ **Fixed assets turnover ratio** = cost of goods sold / net fixed assets

  Net fixed assets = fixed assets – depreciation
- ➔ **Working capital turnover ratio** = cost of goods sold / working capital

  Working capital = current assets – current liabilities

- **Profitability ratios or Income ratios-** the main objective of every business concern is to earn profits. A business must be able to earn adequate profit in relation to the risk and capital invested in it.
  - Gross profit ratio = gross profit / net sales *100

    Net sales = sales – sales return
  - Net profit ratio = net profit / net sales * 100

    Operating net profit = operating net profit / net sales * 100 or gross profit – operating expenses
  - Operating ratio = cost of goods sold + operating expenses / net sales * 100

    Cost of goods sold = net sales – gross profit

    Operating expenses = office and administration expenses + selling & distribution expenses + discount + bad debts + interest on short term loans
  - Earnings per share(EPS) = net profit – dividend on preference share / no. of equity shares
  - Dividend per share (DPS) = dividend paid to equity shareholders / no. of equity shares * 100
  - Dividend payout ratio (DP) = DPS /EPS * 100

CHAPTER FOUR

WORKING CAPITAL ANALYSIS OF GRAMEEN BANK

The significance of WCM has reflected in the manner that money-related directors put a great deal of vitality in supervising current assets and current liabilities. How much advantage can be earned is dependent upon the size of offers. Arrangements are significant for obtaining benefits. In any case, bargains don't change over into cash in a brief instant; there is always a period slack between the leeway of product and the receipt of cash. WC the executives impact the benefit and liquidity of the firm which is conversely relative to each other, along these lines real evening out should be kept up between two.

To change over item deals to money, WC is required as current assets to manage the issues emerging from the prompt acknowledgment of money against great deals. Sufficient WC is important to keep up deals movement. This is alluded to as working or money cycle.

4.1 Analysis of Ratio

1. Current Ratio
2. Quick Ratio
3. Inventory Turnover ratio
4. WIP (Working in Process) Ratio

The liquidity ratio seeks to determine an organization's ability to meet its short-term obligations. It ended up differentiating between an organization's most liquid assets (or ones that could effectively be converted into money) and its short-term liabilities.

4.1.1 Current Ratio

It shows the bank's ability to cover current liabilities with its current assets. The higher the current ratio, the better the firm's liquidity position. It is published as:

Current Ratio= Total Current Assets/Total Current Liabilities

Year	2013	2014	2015	2016	2017
Current Ratio	1.49	1.37	1.56	1.47	1.41

Source: Annual report of GRAMEEN BANK (2013-2017)

Graphical Presentation

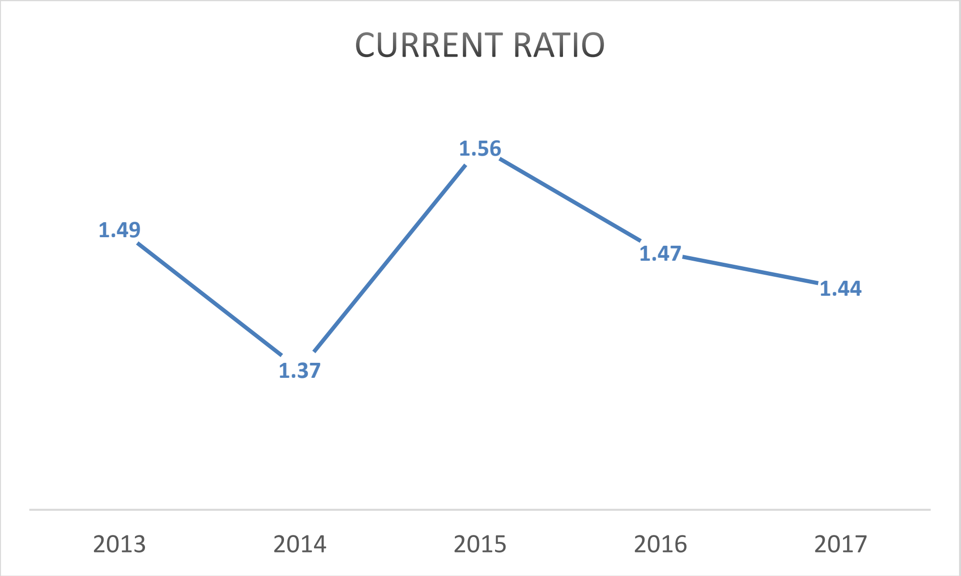


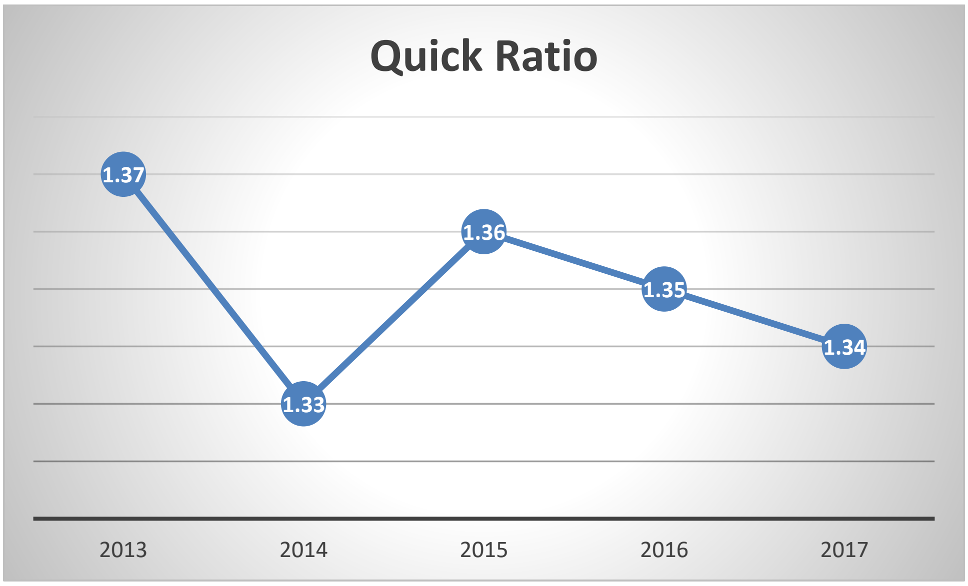
Figure 1: Current Ratio for year 2013 to 2017

The higher the current ratio, the more liquid the firm is considered to be. The graph show that current ratio of Grameen Bank fluctuated over of the years.

4.1.2 Quick Ratio

Quick ratios or acid test ratios - Sometimes current assets may have huge amounts of inventory, prepaid expenses, etc. This can jeopardize the current ratio's precision because these things are not liquid. To address this issue, if we consider the primary most liquid assets such as cash and cash partners and receivables, this will give us a higher picture of short-term tariffs. This ratio is known as the fast ratio or the acid test ratio.

Year	2013	2014	2015	2016	2017
Current Ratio	1.37	1.33	1.36	1.35	1.34

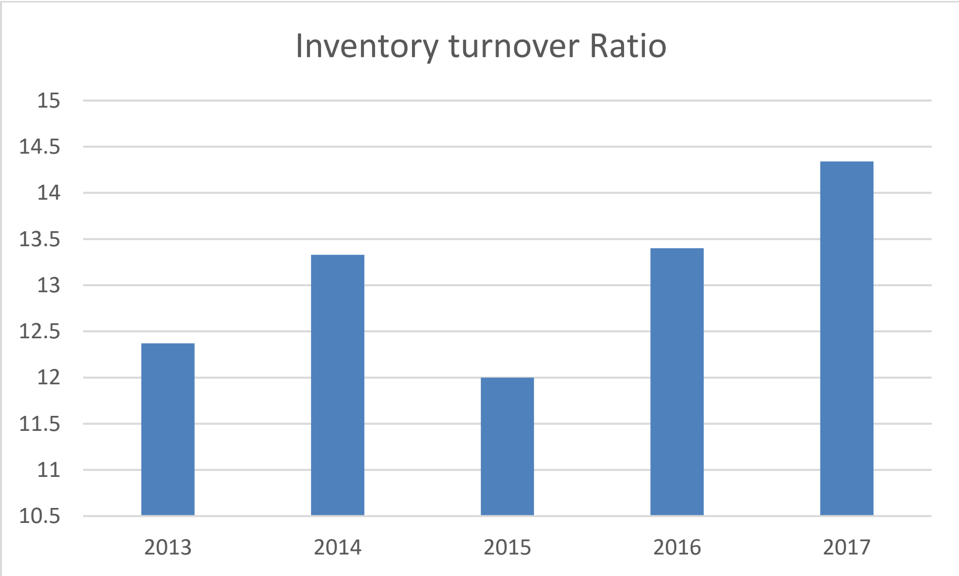


The higher the current ratio, the more liquid the firm is considered to be. The graph show that Quick ratio of Grameen Bank fluctuated over of the years.

4.1.3 Inventory Turnover Ratio:

Inventory turnover is a ratio that shows how regularly a company has sold and replaced sales over a given time period. Then a company will have the option of separating period days in inventory turnover terms to determine the days it takes to sell inventory accessible sales. Discovering inventory turnover enables companies to make better decisions about valuation, collection, promotion and acquisition of new inventory.

Year	2013	2014	2015	2016	2017
Inventory turnover Ratio	12.37	13.33	12	13.4	14.34

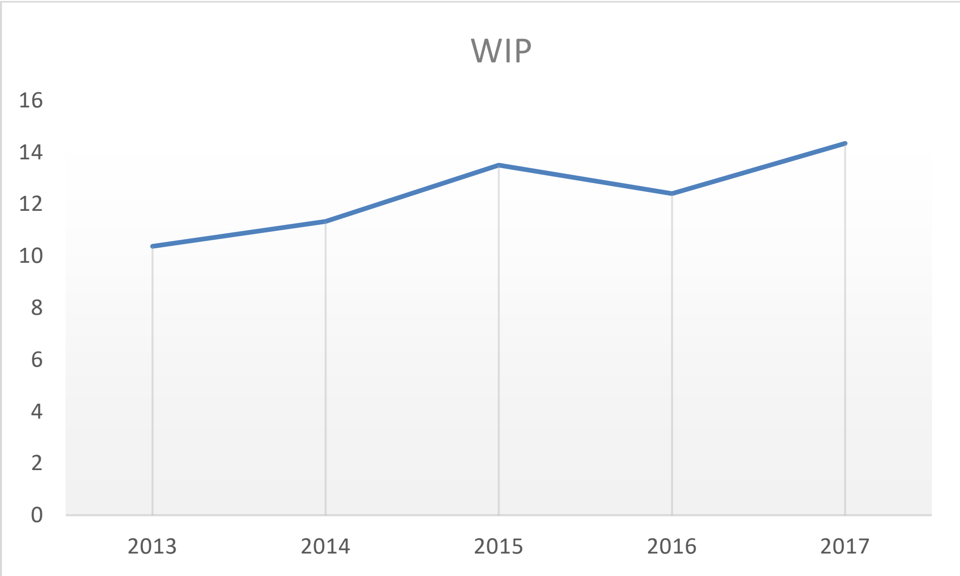


4.1.3 WIP (Work in Process) Ratio:

The work in progress is usually estimated toward part of the arrangement's time frame to determine the value of the inventory that is on the creation floor. WIP is one of three types of inventory, the other of which is raw materials and finished products. It is conceivable to evaluate the magnitude of the work being done, but the result may not be accurate, because of the different types of actual parts, the varieties brought in by the restoration and waste. The statue of the work in progress is:

WIP= Beginning WIP + Manufacturing costs - Cost of goods manufactured

Year	2013	2014	2015	2016	2017
WIP	10.37	11.33	13.5	12.4	14.34



In this graph shows that, WIP of grameen bank was high in 2017 that better than 2013.

CHAPTER FIVE

FINDINGS AND RECOMMENDATIONS

5.1 Findings

Financial analysis of Grameen Bank reveals the following major findings:

- Current ration of Grameen Bank has fluctuated over years. However, Current ratio of the firm 1.49 in 2013 to 1.44 in 2017.
- GRAMEEN BANK has increased liabilities by 2017 in 22.75% that was good in 2013 in 13.32%

5.2 CONCLUSION

Perhaps the most ideal approaches to condemn an organization's salary prosperity is to examine its working capital administration. The better an organization can manage its working capital the lower organization's prerequisite for acquiring. Working capital administration of Grameen Bank. is incredibly fruitful. The endeavour is particularly beneficial. There is an available interior wellspring of the store in light of an acceptable proportion of the period during the period under investigation. They have no difficulties in the administration of stock, account holders, cash modifies and current liabilities. The liquidity position of the organization is furthermore especially tasteful in view of good turnover of current assets, stock account holders and cash alters. The organization acknowledges a respectable office of cash credit and another working capital development through the acquiring proportion of the organization is incredibly low. There is no issue in repayment of current liabilities out of the working benefit. Working Capital Management of GB has been doing critical to the organization. It has loads of challenges as competition increments in the market and moreover has lots of the degree of creating in a couple of locales. If challenges can be gone up against very keeping up consistent help to arrangements gatherings and sellers, at that point the acknowledge the board routine for respects to this organization can be progressively suitable for the general headway of the organization

5.2 Recommendations

The following recommendations can be made to improve the Working Capital of GRAMEEN BANK.

- The decreasing trend in the current ratio will increase the liquidity risk of the bank. Therefore, the bank can increase its current asset to expand its current ratio, considering the aspect of high liquidity on income.
- The bank should reduce the cost of fund to have an increasing trend in profitability.
- GRAMEEN BANK should reduce operating expenses to minimize the cost income ratio.

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