

**Working Capital Financing and Entrepreneurship
Development: Evidence from the Indian stock market**

By

**Dr.N.NARSAIAH
ACCOUNTING DEPARTMENT
CIHAN UNIVERSITY-ERBIL**

INTRODUCTION

- ❖ **The finance plays substantial role in development of entrepreneurship, capital is the basic inevitability to establish and maintain the entrepreneurship.**
- ❖ **The business environment influenced with entrepreneurial activities and proliferated significantly to the development of profit-oriented sector.**
- ❖ **Subsequently, conditions constitute with business are the foundation for the survival in long period, growth and stability in competitiveness of entrepreneurship progress.**
- ❖ **Capital restructuring can attain middle point to improve from ailing organisation to liquidating organisation it requires tremendous efforts for capital management.**

INTRODUCTION

Continue

- ❖ **Business organisation cannot survive with scare of working capital finance and it require substantial investable fund for this type of assets and moreover, it requires comprehensive decision on the part of management of the company.**
- ❖ **Working capital for every business organisation is the paramount of capital to maintain its day-to-day business operations, therefore, the management of working capital is commonly measured as a tool to sustaining capability of the business confidential to their regular operations.**
- ❖ **Investment in working capital is more significant element of corporate finance because it can influence in generate sustain profitability and liquidity of business organisation.**

● **OBJECTIVES OF THE STUDY**

The prime objective of the study is to estimate the strength of working capital management as an instrument aimed at entrepreneurship business development in India. In order to accomplish this prime objective, the study constitute specific objectives are to:

- **Estimate the impact of Inventory Management over Entrepreneurship business development in India.**
- **Examine the scope of Receivable Management can improve Entrepreneurship business development in India.**
- **Evaluate the effect of Payable Management over Entrepreneurship business development in India.**
- **Investigate the scope of Cash Management can enhance Entrepreneurship Business development in India.**
- **Estimate the combined influence of the Working capital elements on Entrepreneurship business development in India.**

TEST OF HYPOTHESES

.The present study framed the hypotheses to examine the influence of working capital financing on Entrepreneurship development in India over the study period.

Ho: There is no significant impact of working capital management on Entrepreneurship development in India.

H₁: There is significant impact of working capital management on Entrepreneurship development in India.

RESEARCH METHODOLOGY AND DATA ANALYSIS

(a). Research Design

The present study employed retrospective research design using the secondary data analysis of financial evidence obtained from the financial statement for the years 2014 to 2018 of top 10 companies under consumer goods listed in the National Stock Exchange (NSE) of India. The present study employing descriptive and inferential statistical analysis. To examine the selected company's data employed through the statistical tool of multiple regression analysis.

(b). Population of the Study.

The population of the study comprises NSE 100 and selected top 10 listed companies in National Stock Exchange as of 31 March 2019. Selected companies Equities are listed under 10 industry sector including (i) Electric Equipment; (ii) Cement & Construction Material; (iii) Automobiles; (iv) Consumer Food; (v) Household & Personal Product; (vi) Pharmaceuticals and Drugs (vii) Construction-Real Estate; (viii) Telecommunication Service Provider; (ix) IT-Software (x) Textile.

(d). Research Models

In order to prove the study hypotheses asserted above and this study designed the following research model to examined of the functional relationship of variables as given below:

Functions

$$Y=f(X)$$

$Y= y_1+y_2$ are represents for Dependent variables

$X=x_1+x_2+x_3+x_4+x_5$ are represents for Independent variables

Independent Variables

$X=f(x_1, x_2, x_3, x_4, \mu)$ are Independent variables

X = Working Capital Management (WCM)

Where: $X= x_1+x_2+x_3+x_4+\mu$ are represents for Independent Variables.

f = functional dependency of the relationship

x_1 = Inventory Management (INVM)

x_2 = Receivable Management (RECM)

x_3 = Payable Management (PAYM)

x_4 = Cash Management (CAHM)

μ = Random Variable (error term), refers to other possible factors of concern and not included in the model.

Functional Relationships

$$\text{ENTD} = (\text{INVM}, \text{RECM}, \text{PAYM}, \text{CAHM}) \dots\dots\dots \text{F1}$$

Model Arrangement:

$$\text{ENTD} = \alpha_0 + \beta_0 (\text{INVM}) + \beta_1 (\text{RECM}) + \beta_2 (\text{PAYM}) + \beta_3 (\text{CAHM}) + \mu \dots\dots \text{F2}$$

This study examined the variable at 95% significance level and 5% level of significance, the influence of independent variable is estimated over the dependent variable.

SUMMARY OF VARIABLES/EVALUATION AND TEST OF HYPOTHESES

Variable Type	Evaluation Model	Equation
Average Collection Period (ACP)	$\frac{\text{Account Receivable}}{\text{Sales}} \times 365 \text{ days}$	1
Inventory Turnover in days (ITD)	$\frac{\text{Inventory}}{\text{Cost of goods sold}} \times 365 \text{ days}$	2
Average Payment Period (APP)	$\frac{\text{Accounts Payable}}{\text{Purchases}} \times 365 \text{ days}$	3
Cash Conversion Cycle (CCC)	ACP+ITD-APP	4
Current Ratio (CR)	$\frac{\text{Current Asset}}{\text{Current Liabilities}}$	5
Debt Ratio (DR)	$\frac{\text{Total Debt}}{\text{Total Assets}}$	6
Asset Turnover Ratio (ATR)	$\frac{\text{Sales}}{\text{Total Assets}}$	7
Size	Natural Numeral of Total Assets	8
Age	The number of years since the commencement of the firm to the observation date	9
Asset Tangibility	$\frac{\text{Net Fixed Assets}}{\text{Total Assets}}$	10
Development	Changes in the natural numeral of Total Assets	11

TABLE:3 IMPACT OF WORKING CAPITAL MANAGEMENT ON ENTREPRENEURSHIP DEVELOPMENT IN INDIA

Table :3.1 Hypothesis Testing Results of Descriptive Statistics

Variables	Mean	Std. Deviation	N
ENTD	64.9173	163.55853	40
INVM	528.0119	1560.36110	40
RECM	50.3040	49.86896	40
PAYM	455.9788	609.18897	40
CAHM	122.3370	1699.01026	40

⊕ **Table :3.2 Hypothesis Testing Results of Correlations of Variables**

Correlations						
		ENTD	INVM	RECM	PAYM	CAHM
Pearson Correlation	ENTD	1.000	.806	-.106	.043	.722
	INVM	.806	1.000	-.211	-.068	.937
	RECM	-.106	-.211	1.000	.304	-.273
	PAYM	.043	-.068	.304	1.000	-.412
	CAHM	.722	.937	-.273	-.412	1.000
Sig. (1-tailed)	ENTD	.	.000	.258	.397	.000
	INVM	.000	.	.096	.338	.000
	RECM	.258	.096	.	.028	.044
	PAYM	.397	.338	.028	.	.004
	CAHM	.000	.000	.044	.004	.

Source: SPSS

Dependent Variable: ENTD



Table :3.3 Hypothesis Testing Results of ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	689751.680	3	229917.227	23.411	.000 ^b
	Residual	353552.610	36	9820.906		
	Total	1043304.290	39			

Source: SPSS

a. Dependent Variable: ENTD

b. Predictors: (Constant), CAHM, RECM, PAYM

Table :3.4 Hypothesis Testing Results of Coefficients of Variables

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.177	25.228		.086	.932
	RECM	.048	.339	.015	.142	.888
	PAYM	.109	.029	.407	3.727	.001
	CAHM	.086	.010	.894	8.270	.000
R		.813				
R Square		.661				
Adjusted R Square		.633				
Std. Error of the Estimate		99.10048				
R Square Change		.661				
F -Statistic Value		23.411				
Durbin-Watson		1.928				
Observations		40				

Source: SPSS

Dependent Variable: ENTD

CONCLUSION

- ❖ The present study tried to establish the entrepreneurship development in India as a result of the indication by the level of Log of changes in Total Assets; Log of changes in Sales volume, Log of changes in Net operating profit. Subsequently, this study discovers Working Capital Management (WCM) significantly influence the Entrepreneurship business development through appropriate management of the individual mechanisms of the working capital management namely: Inventory Management, Receivable Management, Payable Management and Cash Management.
- ❖ The present study determines that the collective results of the descriptive variables on Entrepreneurship development in India ($ENTD = \alpha_0 + \beta_0 (INVM) + \beta_1 (RECM) + \beta_2 (PAYM) + \beta_3 (CAHM) + \mu$) is statistically significant relation to the administration of working capital components for estimation of entrepreneurship development. The results found from the statistical analysis that the calculated F-value is 23.411, and critical value with $df_1 = 3$ and $df_2 = 36$ at 0.05 level of significance is 2.87. Hence, concluded that there is substantial influence of working capital management on Entrepreneurship business development in India.