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# A Study on Working Capital Management with Reference to Infotechnogen Pvt. Ltd.

**Paramjeet Kaur[1], Jasnoor Kaur[2]**
[1]Assistant Professor in Commerce, Baba Farid College Of Engineering & Technology, Email : Sandhuparamjeet08@gmail.com
[2]BBA, Department of Management, Baba Farid College, Bathinda., Email:jasnoorkaur132@gmail.com

*Corresponding Author

**Paramjeet Kaur**
Assistant Professor in Commerce, Baba Farid College Of Engineering & Technology, Email : Sandhuparamjeet08@gmail.com

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**Abstract:** Working capital management is a crucial aspect of financial management that ensures liquidity, operational efficiency, and long-term profitability of organizations. This study evaluates the working capital practices of Infotechnogen Pvt. Ltd., a private IT and digital services company based in Chandigarh, India. Using both primary and secondary data, and analyzing five years of financial statements, the study applies tools such as ratio analysis, trend analysis, and working capital turnover evaluation. Findings reveal that the company struggles with maintaining adequate liquidity and efficient working capital utilization, though it has shown resilience in profitability recovery after certain setbacks. The research suggests measures to improve working capital practices through better inventory control, cash management, and balancing fixed and current asset investments.

## Introduction

### 1.1 Introduction to the company-

Infotechnogen Pvt. Ltd., incorporated in 2016, is a Chandigarh-based IT and digital services company that provides website development, domain hosting, bulk SMS/email marketing, and educational training programs in technologies such as .NET, Java, PHP, AutoCAD, and digital marketing. The company also offers certified courses in HR, retail, and marketing management. Its objective is to bridge the gap between academic learning and industry practices by offering hands-on training to students and professionals. With a growing global client base, Infotechnogen Pvt. Ltd. emphasizes both service delivery and skill development, making it a unique player in IT solutions and professional education.

### 1.2 Introduction to the Topic-

Working capital management refers to managing a company's current assets (cash, receivables, inventory) and current liabilities (creditors, short-term borrowings) to ensure smooth operations and financial stability. Efficient working capital management is essential for liquidity, solvency, and profitability. Poor management of working capital may result in financial distress, while excessive working capital can reduce profitability. This study investigates how Infotechnogen Pvt. Ltd. manages its working capital and how this affects its financial health.

### Literature Review-

1. Smith (1980): Inefficient working capital management is a major cause of business failure. Proper liquidity planning is essential to avoid insolvency.

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2. Deloof (2003): Found a negative relationship between receivable days and corporate profitability. Firms can improve profitability by reducing credit periods given to customers.
3. Lazaridis & Tryfonidis (2006): Established that an efficient cash conversion cycle has a positive impact on firm profitability.
4. Ganesan (2007): Highlighted that IT firms face unique challenges in working capital management since funds are often tied in receivables and intangible assets rather than inventories.
5. Sharma & Kumar (2011): In Indian firms, efficient working capital management improved liquidity and overall returns.
6. Pandey (2010): Emphasized the need for balancing liquidity and profitability, noting that excess working capital reduces profitability while inadequate working capital threatens solvency.
7. Maheshwari (2009): Stated that ratio analysis is a vital tool for evaluating working capital efficiency and financial performance.
8. Judge et al. (2000, applied generally): Personality and managerial decisions also influence financial practices and efficiency in managing assets and liabilities.

**Objective** –
To Study the Working Capital Management with Reference to Infotechnogen Pvt. Ltd.

**Research Methodology-**
The research is both descriptive and analytical.
•Primary Data: Interaction with company staff and observations.
•Secondary Data: Company's financial statements (2013–2019), published reports, textbooks, and online resources.
•Sampling Unit: Financial statements of Infotechnogen Pvt. Ltd.
•Sample Size: Last five years of financial statements.
•Tools Used: Ratio analysis, statement of changes in working capital, trend analysis, hypothesis testing.
•Software: MS Excel for calculation and data presentation.

**Data Analysis And Interpretation-**

The Current Ratio measures the ability of the firm to meet its Current Liabilities. The standard norms of Current Ratio are 2:1. From the above table it can be inferred that the Current Ratio of the company shows higher in the year 2013 & 2016 (i.e.) 1.01. The company is having a good current ratio as the liabilities of the company has been in declining position and the sundry debtors for the current year has been reduced.

The Quick Ratio (or) Liquidity ratio gives a measure of Liquidity the expected industry standard is 1:1. From the above table it can be inferred that the Quick Ratio of Diamond engineering Chennai private limited is fluctuating in trend from the year 2013 to 2019. The ratio has been decreased in the current year due to higher current liabilities.

From the above table it can be inferred that the company has a high Absolute Liquidity Ratio in the year 2018 (i.e.) 0.003. The ratios are being in a fluctuating position which means that the company has not good cash utilization. The ideal cash position is 0.5:1. So the company's cash position ratio is satisfactory, because there is a increase in the cash each year.

It is clearly inferred that the debtor's turnover ratio of the company was high in the year 2014, and was almost nearly constant in the remaining years. There were no massive changes in debtor's turnover ratio.

The working capital turnover ratio if the respective company. The ratio shows negative figures for four years, but company got a big break in 2016. The chart clearly shows the massive fluctuations in liabilities which affects the company in day to day operations. The company must concentrate to increase their assets to maintain a balance.

**Findings**-
•Liquidity position is consistently weak as both current and quick ratios remain below standard norms.
•Negative working capital in multiple years indicates reliance on short-term liabilities.

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•Profitability is highly unstable, with huge fluctuations across years.
•Fixed assets grew steadily, while current assets declined, suggesting an imbalance in asset allocation.
•Inventory and receivable management showed fluctuations, leading to inconsistent turnover ratios.

**Suggestions**-
•Improve liquidity by balancing current assets and liabilities.
•Strengthen receivables management to reduce collection periods.
•Maintain a stable level of inventory to avoid both shortages and excess stock.
•Enhance profitability by aligning operational efficiency with financial planning.
•Reduce over-investment in fixed assets and focus more on working capital reserves.

**Conclusion**-
The study concludes that Infotechnogen Pvt. Ltd. Has been struggling with efficient working capital management. Although the company has shown some resilience in regaining profitability after losses, its liquidity remains below satisfactory levels. To ensure sustainable growth, the company must improve its working capital practices by focusing on better cash management, balanced asset allocation, and efficient receivable and inventory control.

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