VALUE CREATION THROUGH WORKING CAPITAL MANAGEMENT – A CASE STUDY OF MNC DAIRY FIRMS

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ABSTRACT

Working capital is just like the heart of business. If it becomes weak, the business can hardly prosper and survive. Previous research findings related to working capital management practices indicated that if the financial management practices, especially working capital management, of the agribusiness firms, generally small in size, could be significantly improved, then few firms would fail, and therefore proper working capital management practices are extremely important for these firms. In order to improve the working capital management practices, it is essential for the finance managers to adopt a proper approach of working capital decisions making to drive their respective firms towards success in order to generate the value for the shareholders.

Therefore, the main purpose of this paper is to report findings of a survey of working capital management practices of agribusiness (MNC dairy) firms as a part of my thesis conducted in July 2008. Working capital management practices of MNC dairy firms are analyzed with the help of a two dimensional approach for working capital decision making, developed as a part of my thesis, in order to analyze the improvements in the working capital management practices. This approach is based on optimising the cash flows, for shareholder value creation, through the management of current assets, current liabilities, sales and purchase operations as well as relationship with the customers and suppliers. A sample of three MNC dairy firms, operating in India, is taken for the study in which Uttar Pradesh (UP) MNC is selected as main firm for study and Mumbai MNC and Delhi MNC are selected for...
making a comparative study. These findings provide deeper insights into working capital management practices and provide suggestions for improvements.

**KEYWORDS:** Working Capital Management; Two Dimensional Approach: Internally,Externally, MNC Dairy Firms.