



# RAMA UNIVERSITY

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**FACULTY OF COMMERCE AND MANAGEMENT**

**COURSE: MBA III SEM..**

**SUBJECT: WORKING CAPITAL MANAGEMENT**

**SUBJECT CODE: MBAFM01**

**LECTURE: 13**

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## LECTURE-13



## **Sources of Working Capital**

Every problem in industry has bearing on finance. “For without proper finance there will be neither efficient planning, nor purchase of materials, nor production, nor marketing, nor any fair profit, the latter in its turn forming the foundation of finance itself.”

The financial executives are always interested in obtaining the working capital at the right time, at a reasonable cost and on the best possible favourable terms.

The working capital requirements of a concern can be classified as:

- (a) Permanent or Fixed working capital
- (b) Temporary or Variable working capital

In any concern, a part of the working capital investments are as permanent investments in fixed assets. This is so because there is always a minimum level of current assets which are continuously required by the enterprise to carry out its day-to-day business operations and this minimum cannot be expected to be reduced at any time. This minimum level of current assets gives rise to permanent or fixed working capital as this part of working capital is permanently blocked in current assets.

Similarly, some amount of working capital may be required to meet the seasonal demands and some special exigencies such as rise in prices, strikes, etc. This proportion of working capital gives rise to temporary or variable working capital which cannot be permanently employed gainfully in business.

The fixed proportion of working capital should be generally financed from the fixed capital (long-term) sources while the temporary or variable working capital requirements of a concern may be met from the short-term sources of capital.

The various sources for the financing of working capital are shown in the chart as follows:



