



RAMA UNIVERSITY

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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: MBA III SEM..

SUBJECT: WORKING CAPITAL MANAGEMENT

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LECTURE: 10

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LECTURE-10



Determinants of Working Capital

There are numerous factors which affect the working capital requirements of a concern. An efficiency appraisal of these factors assists the management in formulating sound working capital policies and estimating its requirements rightly. As there occur continuous variations in economic environment, it is a very delicate exercise to decide the level of current assets required at a time, after making due adjustments for changes that have taken place. Though it is difficult to quantify the influence of each of the factors affecting working capital, one can appreciate their significance. Realizing the complications involved in working capital estimates, Gerstenberg observes, “Although no definite rule can be established for determining working capital requirements, we can arrive at some general principles. Certain influences, some inherent in the nature of the business and the others arising out of business management policies, affect each of the items of current capital.”

The amount of working capital required depends upon a large number of factors and each factor has its own importance. In order to determine the proper amount of working capital of a firm, the following factors should be considered carefully:

