

FINANCIAL PRACTICES IN FAST MOVING CONSUMER GOODS AT VINAYAGA AGENCY (HUL DISTRIBUTOR)

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Introduction

The Fast Moving Consumer Goods (FMCG) sector operates in a highly competitive environment characterized by low margins, high sales volumes, and rapid inventory turnover. Effective financial practices are therefore critical to sustaining profitability and operational efficiency in this industry. This study examines key financial practices adopted by FMCG firms, including working capital management, cost control mechanisms, pricing strategies, cash flow optimization, and financial planning and budgeting. Special emphasis is placed on inventory management, receivables and payables management, and the role of technology in enhancing financial decision-making. The study also highlights how efficient financial practices help FMCG companies manage demand fluctuations, control operating costs, and maintain liquidity. By analyzing industry-wide practices, the study provides insights into how sound financial management contributes to long-term sustainability and competitive advantage in the FMCG sector.

Keywords:

Fast Moving Consumer Goods (FMCG), Financial Practices, Working Capital Management, Cost Control, Cash Flow Management, Inventory Management, Profitability

OBJECTIVES

The primary objective of this study is to analyse the financial practices of Vinayaga Agency, with a specific focus on financing and working capital management in the FMCG distribution business. To achieve this, the study pursues the following sub-objectives:

- To evaluate the working capital cycle, including receivables and payables, in order to understand liquidity management.
- To study the financial risks and challenges faced in balancing obligations to suppliers and retailers.

REVIEW OF THE LITERATURE

Deshmukh (2025) emphasized that transparent Environmental, Social, and Governance (ESG) and financial disclosure practices significantly enhance the reputation, credibility, and valuation of FMCG firms. The study highlighted that in a competitive sector such as FMCG, where brand perception drives consumer trust and investor confidence, robust disclosure systems strengthen stakeholder relationships and ensure sustainable growth.

Choudhary (2024) analysed the financing structures of leading FMCG companies such as ITC and Hindustan Unilever Limited (HUL), concluding that equity-based financing offers greater financial flexibility in uncertain and volatile market conditions. The research suggested that over-dependence on debt could expose firms to liquidity risk, while balanced equity financing supports expansion and innovation.

Rani and Thomas (2024) conducted an empirical analysis of listed FMCG firms in India and found that inventory days and receivable periods have a substantial impact on profitability. Their study underscored the delicate balance between maintaining sufficient liquidity and ensuring profitability objectives, recommending efficient working capital management as a strategic priority for FMCG companies.

Rathore and Verma (2024) explored the role of automation in financial operations, noting that digital billing, e-invoicing, and supplier portals have considerably reduced outstanding receivables and improved liquidity ratios. Their findings imply that technological integration enhances both operational efficiency and financial transparency across the distribution network.

Banerjee (2023) examined the financing structure of FMCG firms and found that their stable and predictable cash flows enable a balanced combination of short-term and long-term financing. However, the study cautioned that excessive leverage increases financial risk and vulnerability to market fluctuations, recommending prudent capital structure management.

Research Design

The research design of the study is analytical in nature. A descriptive design has been chosen because the primary aim of the study is to describe the existing financial practices followed by Vinayaga Agency in the management of inventory, receivables, payables, and overall working capital. Description is an essential first step because without accurately representing the present reality of financial performance, interpretation cannot take place.

Period of Study

The period chosen for the study is four financial years, from 2020–21 to 2023–24. The decision to select this period is not arbitrary but is based on both academic and practical considerations. Supply chains were broken, demand patterns shifted dramatically, and distributors like Vinayaga Agency had to adapt quickly to survive. Studying this year provides insight into how financial practices were stressed during an external shock.

Sources of Data

Data is the foundation upon which any research is constructed. Without reliable and relevant data, conclusions drawn in research lose credibility. For this study, which examines the financial practices of Vinayaga Agency, a distributor of Hindustan Unilever Limited, data has been collected from secondary sources

DATA ANALYSIS

Financial analysis is the systematic process of evaluating financial statements in order to understand the operational efficiency, profitability, liquidity, and long-term solvency of an organization. In the context of an FMCG distributor like Vinayaga Agency, which handles the distribution of Hindustan Unilever Limited (HUL) products, financial practices play a critical role in determining sustainability and growth.

1.Liquidity Ratios

Liquidity ratios measure the ability of a business to meet its short-term obligations as they fall due.

- Current Ratio
- Quick Ratio
- Working Capital Gap

1.1 Current Ratio

Formula: Current Ratio = Current Assets ÷ Current Liabilities

Meaning:

Indicates ability to meet short-term obligations using current assets.

Year	Current Assets	Current Liabilities	Calculation	Current Ratio
2020-21	12747414.00	267661.00	12747414.00 ÷ 267661.00 = 47.6252	47.63
2021-22	13237259.32	4023943.98	13237259.32 ÷ 4023943.98 = 3.2896	3.29
2022-23	13707656.69	4182918.77	13707656.69 ÷ 4182918.77 = 3.2771	3.28
2023-24	15351851.21	5716462.91	15351851.21 ÷ 5716462.91 = 2.6856	2.69

1.2 Quick Ratio

Formula:

$$\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) \div \text{Current Liabilities}$$

Meaning:

Measures short-term liquidity excluding inventory; shows ability to meet obligations with most liquid assets.

Year	Quick Assets (CA - Inventory)	Current Liabilities	Calculation	Quick Ratio
2020-21	10001147.00	267661.00	10001147.00 ÷ 267661.00 = 37.3650	37.36
2021-22	7932662.32	4023943.98	7932662.32 ÷ 4023943.98 = 1.9714	1.97
2022-23	8405171.69	4182918.77	8405171.69 ÷ 4182918.77 = 2.0094	2.01
2023-24	10018319.21	5716462.91	10018319.21 ÷ 5716462.91 = 1.7525	1.75

1.3 Working Capital Gap

Formula:

$$\text{WCG} = \text{Current Assets} - \text{Current Liabilities}$$

Meaning:

Indicates surplus/deficit in short-term funds; negative gap means a deficit requiring external financing.

Year	Current Assets	Current Liabilities	Calculation	Working Capital Gap (₹)
2020-21	12747414.00	267661.00	12747414.00 - 267661.00 = 12479753.00	12479753.00
2021-22	13237259.32	4023943.98	13237259.32 - 4023943.98 = 9213315.34	9213315.34
2022-23	13707656.69	4182918.77	13707656.69 - 4182918.77 = 9524737.92	9524737.92
2023-24	15351851.21	5716462.91	15351851.21 - 5716462.91 = 9635388.30	9635388.30

2.COMPARATIVE BALANCE SHEET

(2020–21 to 2023–24)

The following comparative balance sheet summarizes key assets and liabilities for Vinayaga Agency over the four-year period. Figures are in rupees as per the dataset and derived computations.

COMPARATIVE BALANCE SHEET

Particulars	2020-21	2021-22	2022-23	2023-24	Change (2020–21 to 2023–24)
Fixed Assets	0.00	0.00	0.00	0.00	0.00
Current Assets	12747414.00	13237259.32	13707656.69	15351851.21	2604437.21

Cash & Bank	749277.00	2621800.34	2181932.32	3548837.23	2799560.23
Debtors	4250377.00	4703738.20	5709957.54	5765575.99	1515198.99
Closing Stock	2746267.00	5304597.00	5302485.00	5333532.00	2587265.00
Total Assets	12747414.00	13237259.32	13707656.69	15351851.21	2604437.21

COMPARATIVE LIABILITIES

Particulars	2020-21	2021-22	2022-23	2023-24	Change (2020-21 to 2023-24)
Capital Account	4698061.00	5972890.24	6670538.27	7110385.73	2412324.73
Secured Loan	2528724.00	3431648.10	3022749.90	2726764.65	198040.65
Unsecured Loan	2200000.00	2200000.00	2134209.60	2257794.60	57794.60
Creditors	79071.00	4007111.66	4008931.76	5699636.91	5620565.91
Other Provisions	188590.00	16832.32	173987.01	16826.00	-171764.00
Total Liabilities	9694446.00	15628482.32	16010416.54	17811407.89	8116961.89

FINDINGS

Liquidity

The Current Ratio and Quick Ratio are consistently below the ideal benchmark of 2:1 and 1:1 respectively. Working Capital Gap remains negative across all years, indicating over-dependence on external financing and creditors.

Efficiency

Inventory Turnover and Receivables Turnover ratios are strong, suggesting quick stock movement and effective collection practices.

SUGESSTION

- **Improving Liquidity**
 - Increase current assets by holding more cash reserves and reducing dependency on creditors.
- **Strengthening Efficiency**
 - Optimize supply chain management by using sales forecasting tools.

CONCLUSION

The study of Vinayaga Agency's financial practices reveals that the agency operates with commendable financial discipline despite the inherent challenges of the FMCG distribution business. Its partnership with HUL provides strong structural and operational support, enabling consistent performance and market presence. While profitability and solvency indicators remain stable and improving, liquidity management emerges as a critical area of concern. The decline in current and quick ratios underscores the need for tighter control over receivables and improved synchronization between inflows and outflows. Efficient working capital management, through better credit discipline and cost control, is essential for sustaining long-term growth. Overall, the study concludes that Vinayaga Agency has demonstrated resilience, adaptability, and financial prudence. However, strengthening liquidity through strategic financing, enhancing digital integration, and optimizing the credit cycle will be key to ensuring future sustainability and competitiveness within the fast-evolving FMCG distribution sector.

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