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Macro Decision on Efficiency of Working Capital Requirement

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Abstract
The achievement of every business is purely depending up on their operational activity in financial. In the financial market will give more idea about headlining the money related risk. Especially EPS and DPS will give you clear picture about the company performance. So, the management always show more concentrate on financial activity and who will handling financial position. This paper will focus on the financial performance of Marathi Suzuki Company's financial position using some financial tools to evaluate the company performance. A Working capital management ensures a company has sufficient cash flow in order to meet its short-term debt obligations and operating expenses. The needs of efficient working capital management must be considered in relation to other aspects of the firms' financial and non-financial performance. An efficient Working Capital Management is expected to contribute to the high financial performance. The main purpose of this study was to investigate the working capital management and its impact on firms' financial performance.
Key terms: Working Capital management, financial performance, accounts receivable, accounts payable, cash operating cycle.

Introduction

Working capital management is a very important component of corporate finance because it directly affects the liquidity and profitability of a company. It deals with current assets and current liabilities and important to due to many reasons. The current assets of a typical manufacturing company account for over half of its total assets. Excessive levels of current assets can easily result in a firm's realizing a substandard return on assets. However firms with too few current assets may incur shortages and difficulties in maintaining smooth operations (Horne and Wachowicz, 2000). A firm is required to maintain a balance between liquidity and profitability while conducting its day to day operations. Liquidity is a precondition to ensure that firms are able to meet its short-term obligations and its continued flow can be guaranteed from a profitable venture. A managerial accounting strategy focusing on maintaining efficient levels of both components of working capital, current assets and current liabilities, in respect to each other. Working capital management ensures a company has sufficient cash flow in order to meet its short-term debt obligations and operating expenses.

Maruti Suzuki India (MSI), previously famous vehicle production in India. It is a 56.21% kept for the Japanese Car and Motorcycle production automobile business. Up to early 2019, it had nearly 53 percentage of market share for India Passenger car marker, no matter for manufacturing, service, finance, human resource and IT. However, every corporate group gets adequate cash for booming its events, achievement of the business rest on how well the group able tobe handle them. That is, it be subject to how fit a corporate body, how effectively invest their capital, like debt and equity form and it will be result of how generate their profit. Success of the business is purely by how the firm it finances to their assets and make use of the resource to generate income, the company can be stand healthy if its financial performance constantly getting profit. Sometime business is measured to be incompetent, if the production level is frequently identified to be low, even if it is making profit.

Review of Literature

Lander Vermeerbergen, Aoife M McDermott and Jos Benders (2021) [15] finding recognise a five cluster typology, reflecting differences in managers from twenty nursing homes operationalize the same resident cantered care model. Dr. R. Kalyan Kumar & Dr. G. Dharakeshwari (2019) [10] this sectors has suffered a whole modification of all and is still daily basis changing. By having solid effort on service marketing triangle, this industry can built a strong image.Graeme Payne and Greg Fisher (2019)[11]when dynamic changes in workplace the greater power relationship takes by the customers, external imposed law change to customer directed care places the clients in an exclusive power position of and at the top of the service triangle.RisaRohaibatulBahri and EndangHerawan (2019)[23]satisfaction is a higher construct and insights of service quality distress feelings of satisfaction, which are can affect upcoming purchase behaviour and service triangle reflect relation between company and customer through service strategy, people, system.

Chi-Ming Hsieh (2018)[7]result show that internal marketing influence customers satisfaction and behaviour intentions this also influence the interactive marketing with moderate effect of customer satisfaction, external marketing influence the satisfaction and it effect behaviouralintentions.Yu Ting Huang, Sharyn Rundle Thiele and Yen Heng Chen (2018) [30] findings indicate that internal marketing activities significantly impacted on a worker satisfaction. Armah and Bempong Eric (2017) [2] every angle of the service market triangle is main influences the client and retention in the financial service sector.Dilip Subramanian & Jean Baptiste Suquet (2017) [8] complete thoughtful of service triangle every one pole be examined to reveal its conformations, but equal action should be afforded to all side in a pole.Arman – Bempone Eric (2017)[3] service quality was increases as internal marketing, external marketing and interactive marketing also increases.Dr. Chandrakant Varma (2017)[9]human resource capital is the most valued asset of in any organization also more challenge of human retention as well as attraction of new talent humans in the organization and creating more motivational strategies cloud be one important support to business success in extensive term.Arman – Bempong Eric (2017)[4]Client faithfulness is improve as administration quality developments each of the help triangle too seriously describe to client faithfulness.

Maja Rozman, Sonja Treven&Vesna Cancer (2017)[16] basic condition for successful management staffs in the business is echoed in the support for extraordinary motivation and satisfaction of staffs at dissimilar ages. Sidney Anderson and Jeffery Smith (2017)[26]the difference impact of the service triangle on service of experience, significantly customer insight of employees and firm fit seems to have the greatest impact on the customer evaluation of the service experience, followed by client and firm, customer and employees fit.Musa Pinar, Tulay Girard, Paul Trapp and ZelihaEser (2016)[19] investigations purposely outer marking was holes between the impression of the chiefs, client and intuitive marking holes between the impression of labourers and clients.Vutete Clever (2016)[29] interactive marketing was originate to be both external and internal marketing in the sector in terms of client and worker suitability.AchilleasBoukis, AnastasiosSiampos, Kostas Kaminakis&Ionnies (Giannis) Kostopoulos (2015)[1] internal marketing is the more compelling execution of authoritative mandates and methodologies recognizing the failure of regulatory designs to characteristically inspire and use non-controllable parts of individual worker execution.CagatanTaskin (2015)[6]the internal marketing can be improved and public service received higher quality deliver of service.

Mamoun N. Akroush, Amjad Abu ELSamen and Ghazi a Samawi (2013)[17] internal marketing consists six dimensions, recruitment of staff, giving training, internal communication this are definitely affected individual person motivation.PederIngeFurseth& Richard Cuthbertson (2013)[20] the service marketing triangle can be applied by business to create an incentive for their clients, just as giving an establishment to scholastic examination in the space of administration development.Rajesh K. Yadav &NishantDabhade (2013)[22] the hospital service marketing triangle plays a vital role, should take faithful promise it should mirror in service delivery and use market research to identify customer acceptance and necessities.Hussein Mohammad Al-

Borie (2012)[12] factors pertaining to recoupment and appointment, training and development, organization support, incentives and motivation have influence on physician job satisfaction and organization commitments make a positive influence in the direction of internal marketing. T. Dushyenthan (2012)[27] at long last reason that generally trust and the relationship responsibility in the intuitive marketing add to the customer fulfilment.SalomaoAlencar de Farias (2010)[24] it was feasible to hypothesize that something needs to precede inside promoting application in an association that is administration direction. Without that is difficult to have an effective interior promoting program.

Sharon C Bolton and Maeve Houlihan (2010)[25] the power failure in management triangle drams from variety of the frontline setting on that show manager can denied access to lines of power.Valarie A. Zeithaml, Mary Jo Bitner and Dwayne D. Gremler (2010)[28] the approaches importance to close the hole between client assumptions and discernment.Ian Lings (2009)[13] directors need to upgrade their listening abilities and figure out how to create date about the needs and needs of workers utilizing formal and casual strategies.Lan N Lings & Gordon E Greenley (2009)[14] to understand external market, service manager should improve a better understand of needs and wants of staffs.Bradly R. Barner (2007)[5] Internal marketing accepts the idea of where representatives of the firm become inward client. Likewise with outer client these too have prerequisites that need fulfilling.Pervaiz K. Ahmed & Mohammed Rafiq (2003)[21] the board orders that described that have gotten extremely dated even with new difficulties like other activities, mindful, inventiveness, compassion and connectedness are required in the alleged information time.Morris B. Mendelson and Basu Sharma (2001)[18] show the possibilities of tending to a few key issues identified with consumer loyalty and reliability corresponding to internal client conduct upon experimental testing of the theories.
The aim of this part is to investigatework applicable to Car Businesses as well as earlier study's from journals, article, books, newspaper, TV and radios which is focus on financial analysis and performance of the business under various business. The researcher identified Sharma (2014), in her schoolwork on „Indian Automotive Industry" has examined the sales and competences of various business in vehicle manufacturing. The study al so, shows that the development in the vehicle is predictable to produce due to growing disposable revenue and cumulative consumerism. The worldwidevehicle producer will remain to assign a increasing quantity of the foreign direct investment in India (FDI), rising vehicle –producing first and latter auto engineering Research and Development facilities. Many businesses are conscious of the fact that their labour cost benefit is beginning to erode as both shop floor and managerial wage costs rise. But, they are positive that outputdevelopments through low cost automation and improved management efficiency will compensate to rising direct wage cost. But,

Statement of problem

This assignment offers with the look at approximately " Working capital management" in Maruti Suzuki Ltd. Kalyani motors legal representative of dealer. It entails the look at of day-to-day affairs of the organization. The motive in the back of the study is to expand an understanding about the working capital management in the running business organization and to assist the organization in destiny planning. When we look at any financial account, we can see that the money in fixed assets is more or less constant, while the working capital fluctuates. If a company wants to be successful, it must have a good working capital function a company. This is shows in adequate Inventories, a low degree of debtors, and a limited use of bank working capital facilities, among other things. As a result, working capital management is an important aspects of financial management.

Objective of study

- To investigate the effective use of working capital
- To investigate the overall performance of receivables and cash

Research Methodology

Research methodology describes about the research objective, design and methodology adopted to conduct the study. The above information is carried on with the cooperation of management of Maruti Suzuki Ltd.

Sources of data

- Primary data: Most of the information is collected from internal discussion with various official in the finance department and concerned executive of other department.

- Secondary data: The information collection from: Annual reports, published records and reference books, official website. Executive and staff of financial accounting department.

Statistical tools

• Descriptive Statistics: Technical statistics are statistical data that portion accumulation or condense the nature of the information composed during the descriptive statistics of the process that uses and analyses these statistics.

Mean : It is a calculation of a normal average or an average and the sum of the numbers is divided by the number of records in the collection.

• Standard Deviation: A standard deviation is a degree used to quantify variance or variance in a record.

• Karl Pearson's Co-efficient of Correlation: A huge biometric data and statistics as a mathematical method for assessing the degree of rectilinear communication between two variables. Karl Pearson's method is the most extensively used in observe co-efficient of correlation.

Hypotheses of the Study

H_0-There is no positive relationship between efficient working capital management and profitability of the company

Data analysis and interpretation

Showing Changes In working capital

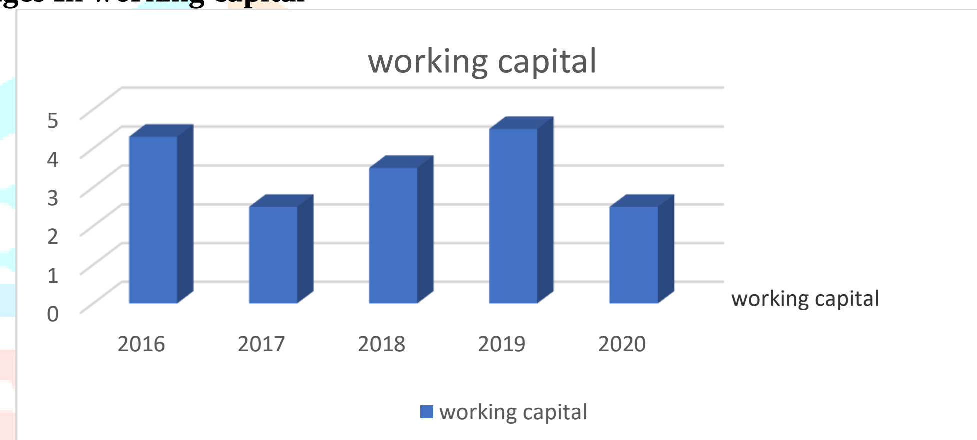

Chart 1.1 (Working capital)

Current Ratio Definition

A current ratio is a like between current assets and current liabilities. It's a popular liquidity metric that's most commonly used to assess short-term liquidity a company's long-term financial role.

The Ideal current ratio price is 2:1.

Current Assets / Current Liabilities = Current Ratio

Showing current ratio

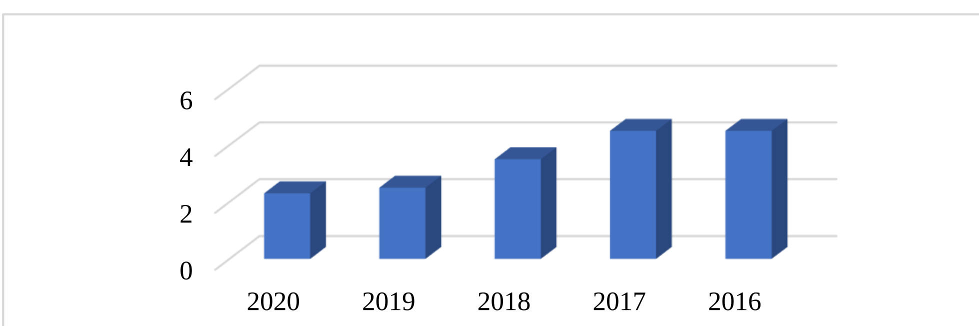

Chart 1.2 (current ratio)

In the years 2016-17, the current ratio was 1.2295, in the years 2016-17, 0.9685, in the years 2017-18, 0.6909, in the years 2018-19, 0.5358, and in the years 2019-20, 0.4621 from this above analysis it is known that there has been a raise in current ratio in first year, proceeding which there has been a decreasing trend.

Inventory turnover ratio meaning

Inventory turnover is a measurement of how many times inventory is sold out in a certain period of time a year is an example of a time period. The cost of goods sold or net inventory turnover is the equation for inventory turnover by multiplying the sales dividend by the average inventory, you may get a good idea.

Inventory turnover ratio = Cost of goods sold

Showing inventory turnover ratio

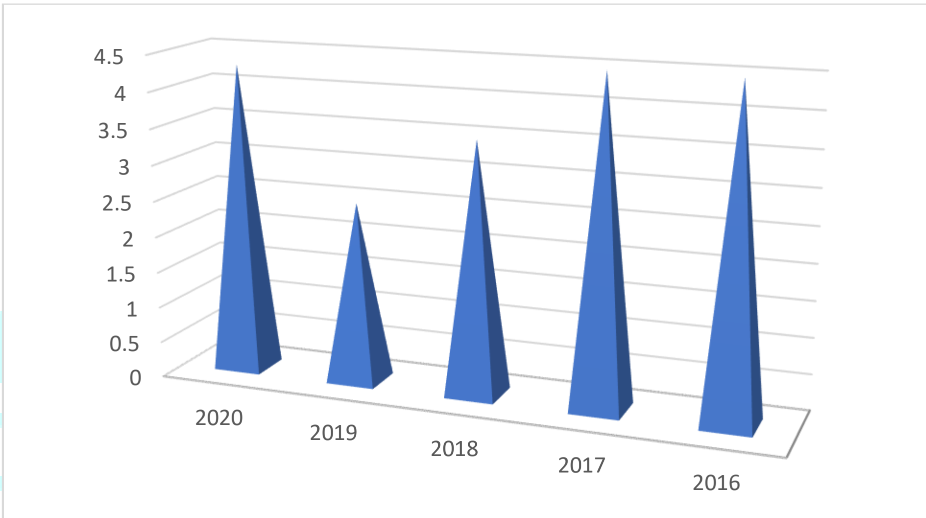

Chart 1.3 (Inventory turnover ratio)

The inventory ratio in the year 2016-2017 is 27.912,in the year 2011-2012 is 22.162, in the year 2018-2019 is 23.968, in the year 2018-2019 is 24.644, in the year 2014-15 is 40.242.

A high stock turnover ratio is good as it indicates more sales from each rupee of investment in stock. However, if we see that the stock turnover ratio is extremely high, this could be due to a very low stock level, resulting in frequent out-of-stock situations.

Meaning of Quick ratio

Liquidity ratios are calculated by multiplying cash and other liquid assets by the short-term borrowings and current liabilities. They show how many times the short-term debt obligations are covered by cash and liquid assets. If the value is more than one, the short-term commitments are fully covered. Liquidity refers to a company's ability to meet its present commitments as they come due.

Quick ratio = Quick Assets

Quick ratio = Quick Liabilities

Quick Assets = current assets- (stock + prepaid expenses)

Quick Liabilities = current liabilities – bank overdraft

Showing Quick ratio

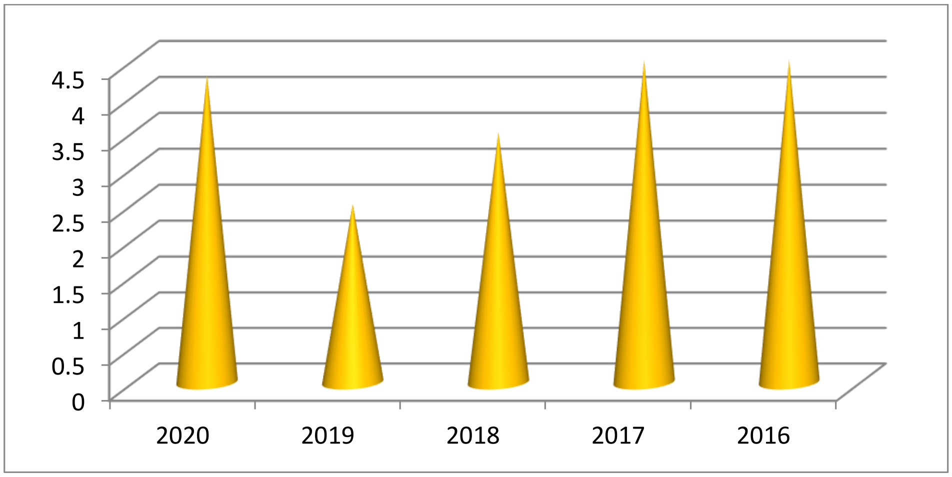

Chart 1.4 (Quick ratio)

The quick ratio within side the year 2015-16 is 0.8631, within the year 2016-17 is 0.6320, within side the year 2017-18 is 0.3761, within side the year 2018-19 is 0.2920. We have a look at that the ratio of the primary year has been low and it has visible a enhance subsequent the year, observed through which there has been a decreasing trend of quick ratio.

Working capital turnover ratio meaning

The net sales to working capital ratio is also known as the working capital turnover ratio.
It reveals a company's efficiency in managing its working capital.
A high working capital turnover ratio indicates that a business is running smoothly and requires little further cash. Money is moving in and out on a regular basis, giving the company the freedom to invest in expansion or inventories.

Working capital turnover ratio = Sales

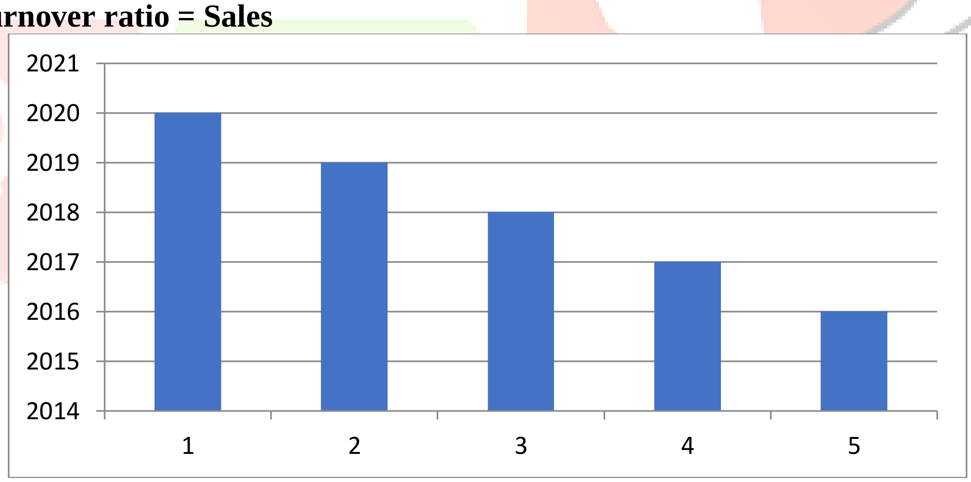

Chart 1..5 (working capital turnover ratio)

The working capital turnover ratio in 2015-2016 was -41.311, in 2016-17 it was -212.08, in 2017-18 it was -24.129, and in 2018-19 it was -13,456. Except for the year 2019-20, the working capital turnover ratio has been negative for the last five years proportion.

Meaning of debtors turnover ratio

The debtors turnover ratio suggests the relational some of the internet credit score income and change borrowers. It refers to the rates at which cash is created from debtor turnover.

Debtors turnover ratio = Net credit score income/ average trade debtor

Showing on debit turnover ratio

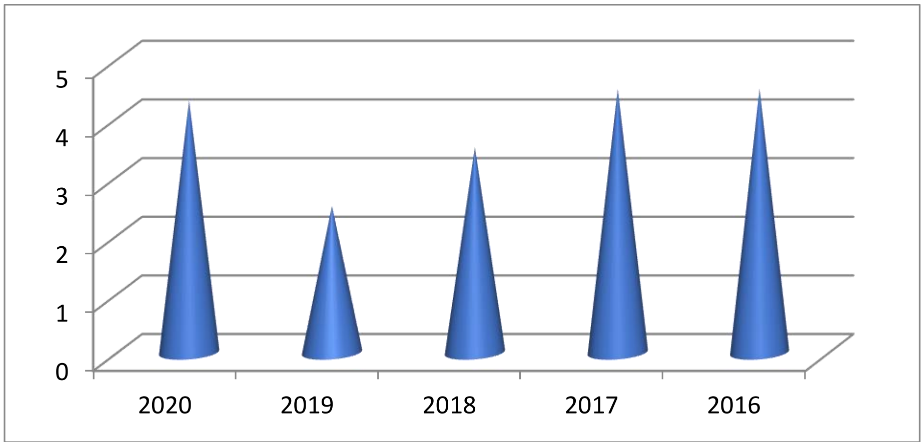

Chart 1.6 (debit turnover ratio)

We observe that the debtors turnover ratio in the year 2016 is 44.809, in the year 2017 is 40.391, in the year 2018 is 36.918.year 2019 is 30.908 and for the year 2020 is 40.242 we notice a declining trend from the year 2017-19 but in the 2016 again it's in growth trend.

Meaning of cash ratio

This ratio shows how cash and bank balances, short-term securities, and current obligations are related. It's also known as the absolute liquidity ratio, and it depicts the company's cash situation in order for the corporation to pay its current obligations.

CASH RATIO=CASH AND BANK BALANCE+SHORT TERM SECURITIES
CURRENT LIABILITIES

Showing on cash ratio

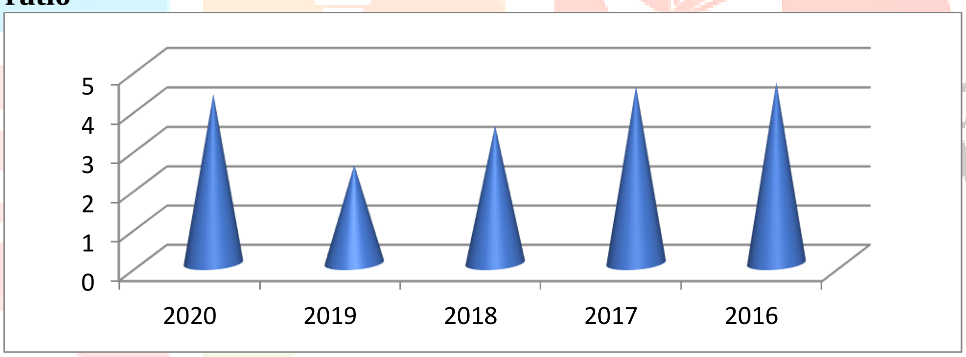

Chart 1.7 (cash ratio)

The cash ratio in 2016 was 0.6496, in 2017 it was 0.4563, in 2018 it was 0.1325, in 2019 it was 0.899, and in 2020 it was 0.0023. The cash ratio for the year 2016 was the lowest, while the cash ratio for the year 2016 was the highest following it, there was a downward tendency. Except for the years 2016 and 2017, the corporation has not maintained the required ratio of 0.5:1.

Results & Findings

* the study observe that the working capital over the five years except the year 2016-20 has been positive only in the year 2016 and rest all the years the working capital balance of the company has been negative.
* There has been an increase in working capital only in the years 2015-16, there after there has been a steady decrease in working capital. Hence we observe that the company has not maintained sufficient current assets to meets its working capital requirements.
* In the instance of the current ratio in 2015-16, the typical convention ratio is 2:1, which means that current assets should be twice as large as current liabilities, which is not the case in this case. The current assets are insufficient to meet the demands.
* A high stock turnover ratio is good as it indicates more sales from each rupee of investment in stock. Hence it indicates that the company has high sales contributing to the high inventory turnover.

* We see that the stock turnover ratios are particularly high in this situation, which could be owing to a very low stock level, resulting in frequent out of stock positions.

Conclusion

The company has had huge net profits during the five financial years showing the increase d demand for its products. The company has a huge market reputation which is very evident with its high scales value. The company has a poor working capital management, which is not a positive sign of a good financial performance of the company. The company has The company has to work towards improved capital management to increased its profits during the coming years by maintaining a positive working capital which follows an increasing trend. Overall it has been a great learning experience doing this project helping me gain a deeper insight into the concept of working capital.

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