



# A STUDY ON WORKING CAPITAL MANAGEMENT OF HYUNDAI MOTORS

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## **ABSTRACT:**

This study explores the working capital management practices of Hyundai Motors, focusing on changes in working capital and employing Karl Pearson correlation analysis. By analysing financial data and employing statistical tools, the study aims to assess the effectiveness of Hyundai's working capital management strategies and their impact on financial performance. The research aims to provide insights into Hyundai's approach to managing liquidity, inventory, receivables, and payables, ultimately offering recommendations for optimizing working capital management practices.

**KEYWORDS:** Changes in Working Capital Management, liquidity, adequate working capital.

## **INDRODUCTION:**

Effective working capital management is crucial for the financial health and sustainability of any organization, including automotive giants like Hyundai Motors. This introductory section provides an overview of the importance of working capital management in optimizing liquidity, minimizing financial risks, and enhancing profitability. Additionally, it outlines the significance of analysing changes in working capital and the utilization of statistical tools such as Karl Pearson correlation analysis to evaluate the

effectiveness of Hyundai Motors' working capital management strategies. The introduction sets the stage for a comprehensive examination of Hyundai's approach to working capital management and its impact on financial performance.

## OBJECTIVE OF THE STUDY

1. To analyse the working capital management of Hyundai.
2. To study optimum level of current assets and current liabilities of company.
3. To study the solvency position of Hyundai.

## STATEMENT OF THE PROBLEM

Working capital is a crucial element of financial management and greatly influences a company's success. Financial management decisions encompass investment, financing, dividend, and liquidity considerations. Effective working capital management is integral to the firm's liquidity and short-term investment decisions, impacting both its liquidity and profitability. Optimal management of working capital is instrumental in creating firm value. This study assesses the working capital management practices of Hyundai Motors through analyses such as the Statement of Changes in Working Capital, and Karl's Pearson coefficient of correlation, offering insights into day-to-day operational management strategies for the company.

## SCOPE OF THE STUDY

The present study is about working capital management of Hyundai Motors. Working capital management involves overseeing current assets, current liabilities, and their interrelationship to maintain an adequate level of working capital. A robust working capital strategy ensures improved profitability and adequate liquidity for a firm. Every business requires funds for establishment and daily operations, making it imperative for companies to effectively manage their short-term assets and liabilities. This study examines the efficiency of working capital management, including its components such as inventory, cash, and bank reserves and various current liabilities. The study attempts to determine the efficiency and effectiveness of management in each segment of working capital.

## REVIEW OF LITERATURE:

**M. Manimekalai and Dr.S.T. Surulivel, (2017)<sup>1</sup>, "Study on Analysis of Working Capital Management in BHEL, Trichy"** BHEL manufactures transmission equipment and power generation. The existing technology should be upgraded by this industry, but now it is accepting turnkey order for the export market. The aim of the study is to find out how working capital is maintained. The data collected for the study is based on secondary data. The study period is five years from 2011 to 2016. The instruments used for the study are Current Ratio, Net Working Capital, Inventory Turnover Ratio, Working Capital Turnover Ratio and Working Capital Statement. The study shows that volume growth appears to be satisfactory. BHEL has short term solvency. Net working capital is at a satisfactory level in BHEL.

**R. Saravanan, S. Manivasagam and D. Gopinathan (2017)<sup>2</sup>, "Working Capital Management of Ambuja Cements Limited through Ratio Analysis"**. Working capital management also known as short-term financial management, working capital management is largely concerned with the management and control of current assets. and short-term liabilities. The objective of the study is to investigate the impact of working capital on the performance of Amboja Cements Limited. The data collected for the study is secondary data. The study period is five years from 2010 to 2015. The tools used for this study are current ratio, liquidity ratio, working capital turnover ratio, current liabilities to net worth ratio, debtors turnover ratio, average collection period, inventory management ratio, inventory ratio to current assets, inventory to turnover ratio and cash turnover ratio. the study shows that the current ratio of the firm is just more than the optimal level which is good for short term solvency, the liquid ratio of ACL is higher than the optimal level which will affect the short term solvency.

**Dr. Pavan Mishra, Dr. Soniya Rajpoot and Neeti Sharma (2016)<sup>3</sup>, "A Study of Working Capital Management in Small Scale Industries"**. Time is of the essence. The objective of the study is to examine working capital management and finance with respect to small scale industries. The data collected for the study is secondary data. Data were collected from 32 SSI units. Tools used in this Study shows that activity ratios measure the effectiveness or efficiency with which a firm manages its resources or assets. These ratios are also called turnover ratios because they indicate the rate at which assets are converted or converted into sales.

## RESEARCH METHODOLOGY

Research Methodology is the systematic approach and framework that guides the process of conducting research. It encompasses the detailed plan of steps, procedures, and techniques that researchers use to gather, analyse, and interpret data in pursuit of answering their research questions or addressing their research objectives. A well-defined research methodology is crucial for ensuring the accuracy, validity, and reliability of the research findings. It serves as a roadmap for researchers, outlining the path they will follow to gather information, draw conclusions, and contribute to the body of knowledge in their field.

## SOURCE OF DATA

The method of data collection used in the study is secondary data. Secondary data are collected from records, annual reports of the company. The major sources of data for this project were collected from the Hyundai official website, balance sheet and profit & loss account through annual reports of five years.

## PERIOD OF THE STUDY

The analysis has been taken for the period of five years for the financial year from 2017-2018 to 2021-2022

## TOOLS USED:

The secondary data were analysed with the help of:

- Statement of changes in working capital.
- Karl's pearson correlation.

## LIMITATION OF THE STUDY

- The study is restricted for a period of five years only commencing from 2017-2018 to 2021-2022.
- The analysis and interpretation are based only on the past performance.

## FINDINGS OF THE STUDY:

### STATEMENT OF WORKING CAPITAL OF HYUNDAI MOTORS

(2018-2022)

PARTICULARS	2018	2019	2020	2021	2022
<b>CURRENT ASSET:</b>					
Cash and cash equivalents	9113625	8681971	9862136	12795554	20864876
short term financial assets	7936319	7292626	7219695	6949333	5774597
accounts receivables	3595993	3513090	3283972	3147296	4279057
other receivables	3291847	3402059	4016972	4220970	4458689
inventories	10714858	11663848	11333734	11645641	14291216
other assets	2637874	1789120	2337840	2109974	2662855
<b>TOTAL CURRENT ASSETS</b>	<b>37290516</b>	<b>36342714</b>	<b>38054349</b>	<b>40868768</b>	<b>52331290</b>
<b>CURRENT LIABILITIES:</b>					
Accounts payable	7665630	7669424	8793179	9155255	10797065
other payable	5425460	6060100	6123714	6335645	8277891
short term borrowing	12249859	12570693	13780670	13087836	11366480
other liabilities	6515589	7260829	7506651	7440120	8605606
<b>TOTAL CURRENT ASSETS</b>	<b>31856538</b>	<b>33561046</b>	<b>36204214</b>	<b>36018856</b>	<b>39047042</b>
<b>WORKING CAPITAL(A-B)</b>	<b>5433978</b>	<b>2781668</b>	<b>1850135</b>	<b>4849912</b>	<b>13284248</b>

**SOURCE: Secondary Data**

It is clear that during the year 2018-2022 there was net increase in working capital. The company has a good liquidity position and sufficient working capital to pay off its current liabilities.

## KARL'S PEARSON COEFFICIENT CORRELATION

### CORRELATION BETWEEN NET PROFIT AND SET SALES

		NET SALES	NET PROFIT
NET SALES	Pearson correlation	1	.0940
	Sig. (1- tailed)		.009
	N	5	5
NET PROFIT	Pearson correlation	.940	1
	Sig. (1- tailed)	.009	
	N	5	5

**Source: Secondary Data**

The pearson's correlation is +1 (.940), indicates a positive correlation between net profit and net sales, the variables are moving in same direction.

## CORRELATION BETWEEN TOTAL INCOME AND TOTAL EXPENSES

		TOTAL INCOME	TOTAL EXPENSES
TOTAL INCOME	Pearson correlation	1	-.353
	Sig. (1-tailed)		.280
	N	5	5
TOTAL EXPENSES	Pearson correlation	-.353	1
	Sig. (1-tailed)	.280	
	N	5	5

### Source: Secondary Data

The Pearson's correlation is -1 (-.353), indicating a negative correlation between total income and total expenses, as the variables are moving in opposite directions.

## CORRELATION BETWEEN CURRENT ASSET AND CURRENT LIABILITIES

		CURRENT ASSET	CURRENT LIABILITIES
CURRENT ASSET	Pearson correlation	1	.518
	Sig. (1-tailed)		.185
	N	5	5
CURRENT LIABILITIES	Pearson correlation	.518	1
	Sig. (1-tailed)	.185	
	N	5	5

### Source: Secondary Data

The Pearson's correlation is +1 (.518), indicating a positive correlation between current assets and current liabilities, as the variables are moving in the same direction.

## FINDINGS:

- The company has a good liquidity position and sufficient working capital to pay off its current liabilities.
- For the study period, 2018-2019 to 2021-2022, the current asset is increased and there was a net increase in working capital. The company is efficiently using their current asset.
- The correlation is +1 (.940), indicating that there is a positive correlation between net profit and net sales.
- The correlation is -1 (-.353), indicating a negative correlation between total income and total expenses.
- The correlation is +1 (.518), indicating that there is a positive correlation between current assets and current liabilities.

## CONCLUSION

The study conducted on the working capital system of Hyundai Motors utilized various tools such as the Statement of Working Capital and Karl Pearson Coefficient of Correlation. Working capital, an essential metric of a firm's efficiency, represents its total liquid assets. Effective working capital management indicates a firm's ability to cover day-to-day expenses and reflects its short-term financial health. Hyundai Motors exhibits efficient inventory turnover and sufficient cash reserves to meet current obligations, indicating a favourable liquidity position and adequate working capital to settle current liabilities and debts. The company demonstrates a positive correlation between current assets and current liabilities.

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