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A Study on Working Capital Management

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ABSTRACT

This study aims to investigate the value of working capital management and how it affects how businesses operate. Working capital associations are anticipated to play a significant role in the financial management of a company as they ensure the availability of sufficient resources to support routine tasks and satisfy short-term obligations. Working capital components, including as stock, cash due, and bank obligations, can have a significant impact on an organization's benefit, liquidity, and overall financial success.

The review process for this study incorporates a careful examination of optional data from a number of sources, including financial summaries, yearly reports, and insightful articles. The model incorporates a dynamic relationship strategy across many affiliations to take into account a more prominent comprehension of the point. Using monetary degrees like present degree, fast degree, and money change cycle, working capital association practices and their relationship with monetary execution are examined.

According to the study's findings, businesses who choose working capital relationships are more likely to exhibit made proficiency, liquidity, and helpful capability. Refreshing stock levels, successfully integrating receivables and payables, and restricting changes in the money cycle can all lead to better compensation, lower supporting costs, and more benefit. The relationship between working capital and firm performance is also examined in terms of potential planning implications of company size, industry credits, and macroeconomic conditions.

INTRODUCTION

Working capital management, which focuses on making the most of a company's short term assets and liabilities to ensure effective operations, enhance liquidity, and boost profitability is a crucial aspect of financial management. In the competitive business world of today, when financial stability and agility are crucial, effective working capital management is essential to ensuring the long term profitability and sustainability of firms.

Importance of the Topic:

1. This topic mainly focuses on maximization of the cash flow effectively.
2. It shows the financial position of the company.
3. The main objective it to analysis the profitability of a company.
4. We can know the Profits and losses of the company.
5. We can compare the profits between the two years.

Recent trends are:

1. **Supply chain finance:** Supply chain finance have acquired a means to optimize working capital across the supply chain. These arrangements include coordinated effort between purchasers, suppliers, and financial institutions to improve cash flow and improve working capital levels.

2. **Collaboration and integration:** Coordinated effort between money, activities, and inventory network capabilities is fundamental for successful working capital management. By adjusting targets, sharing data, and carrying out coordinated processes, associations can advance working capital execution and drive reasonable development.

3. **Automation and technological integration:** Organizations have progressively been using technology and innovation to ease out their working capital management. This includes the usage of artificial intelligence, machine learning to optimize inventory management, accounts payable and receivable.

REVIEW OF LITERATURE

1. **Chen, M., Cheng, H., & Guo, J. (2018). Working capital management and firm performance in China's A-share listed companies. Journal of Asian Business Economics.** This review analyzes data from Chinese firms, finding a positive correlation between efficient working capital management (WCM) and profitability.

2. **Hay, J. A., & Habibullah, M. S. (2010). Working capital management practices of small and medium enterprises (SMEs) in Malaysia. International Journal of Business and Management.** This review examines working capital management practices of Malaysian SMEs, revealing weaknesses in inventory management and highlighting the need for improvement.

3. **Kim, Y., Park, J., & Ryu, D. (2016). The effect of working capital management on firm performance in. Journal of International Financial Management & Accounting.** This study explores the Korean context, finding a positive link between efficient working capital management practices and a firm's profitability.

4. **Addae, A. A., & Sun, H. (2014). The impact of working capital management on firm performance in Ghana. Journal of Financial Management and Policy Research.** This review examines Ghanaian firms, suggesting that efficiently managing working capital contributes to improved overall financial health.

5. **Li, Y., Wu, D., & Zhou, L. (2017). The influence of financial constraints on working capital management: Evidence from Chinese listed companies. Pacific-Basin Finance Journal.** This review investigates the impact of financial limitations on working capital management practices in Chinese firms, suggesting constraints may hinder the adoption of optimal strategies.

6. **Singh, S. K., Garg, V., & Kaur, N. (2013). Impact of working capital management on the performance of firms in India. Indian Journal of Finance.** This study explores the Indian market, suggesting a positive association between effective working capital management and improved firm performance.

7. **Chaudhary, S., & Singh, A. P. (2012). Working capital management practices and their impact on profitability and liquidity of Indian firms. The Icfai University Journal of Applied Finance.** This review analyzes Indian companies, finding a positive influence of efficient working capital management on both profitability and liquidity.

8. **Gupta, P., & Goyal, M. (2018). Relationship between working capital management and firm value in Indian context. International Journal of Financial Research.** This review investigates Indian firms, suggesting that efficient working capital management practices lead to a higher market value.

Research Methodology and Data Collection:

A. Data Collection Method: Secondary data

The study got its data from secondary sources. The research focuses on working capital management of the company. Secondary sources include books, sites, papers, distributions, magazines, web sources.

Sample design:

This study is based on Exploratory research which means research method that investigates previously unstudied research questions. The Exploratory research is here carried out to understand the working capital management of the Company.

Sample Size: The study is conducted for the 2 financial Years i.e.
2019-2020

Sampling Unit: Income statement, Balance sheet.

Sampling method: Exploratory Research

Statistical Tools for analysis:

- Comparative Statement
- Bar chart

Limitations of the study:

- **Data Imperatives:** The assessment relies upon exact and strong financial data given by Yamaha Motors. Any mistakes or anomalies in the data could impact the finishes drawn from the assessment.

- **Single Perspective:** The assessment relies completely upon financial estimations and may not get various factors that influence efficiency, as utilitarian inadequacies, the board quality, brand reputation, purchaser devotion, and progression capacities.

STATEMENT OF WORKING CAPITAL MANAGEMENT				
PARTICULARS	2019	2020	WORKING CAPITAL CHANGES	
			INCREASE	DECREASE

- **Comparative analysis Challenges:** Isolating Yamaha Motors' capability and opponents may be trying an outcome of differences in accounting practices, frameworks, geographic presence, and thing portfolios

DATA ANALYSIS AND INTERPRETENTION

Changes in working capital statement

Table No 1. Working capital changes for the year 2019-20.

CURRENT ASSETS	600000	550000	NIL	50000
CASH AND CASH EQUVIVALENTS	200000	260000	6000	NIL
SHORT TERM INVESTEMENTS	320000	310000	NIL	10000
NET RECIEVABLES	350000	280000	NIL	70000
INVENTORY	660000	460000	NIL	200000
OTHER CURRENT ASSETS	**2130000**	**1860000**		
TOTAL CURRENT ASSETS(A)				
CURRENT LIABILITIES				
ACCOUNTS PAYABLE	150000	130000	20000	NIL
DEBTS	300000	180000	120000	NIL
OTHER CURRENT LIABILITIES	440000	560000	NIL	120000
TOTAL CURRENT LIABILITIES(B)	890000	870000		
WORKING CPITAL(A-B)	**1240000**	**990000**		
DEC IN WAORKING CAPITAL		**250000**	**250000**	
TOTAL	**3020000**	**3020000**	**450000**	**450000**

Analysis:

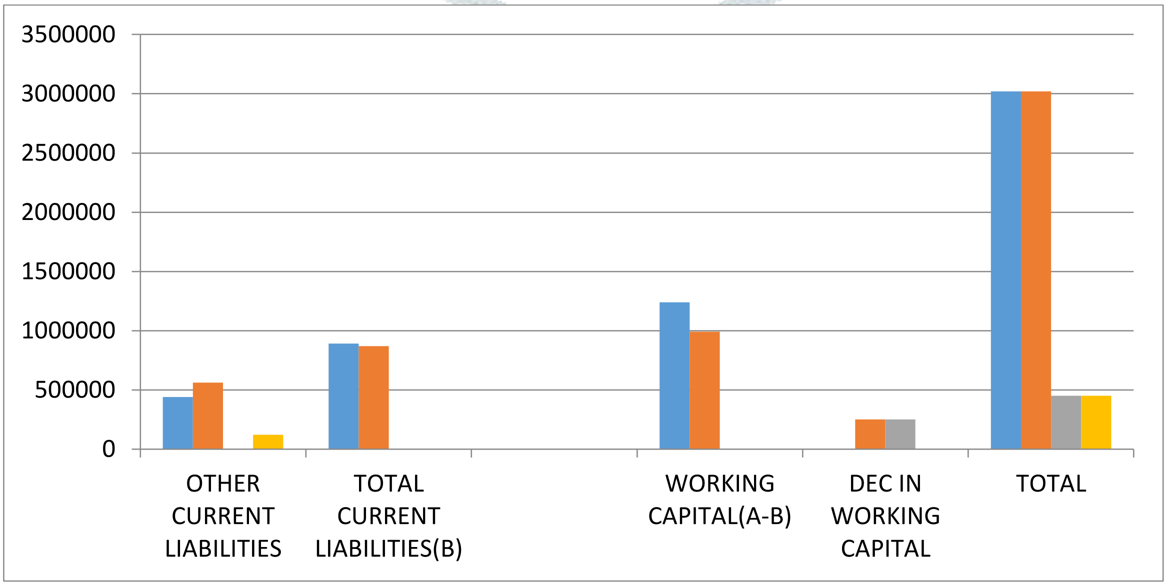
• The short-term investments increased by 60000 compared to previous year 2019.

• Cash and cash equivalents and inventory decreased compared to previous year.

• Accounts payable and debts decreased compared to previous year.

• The working capital has decreased by 250000 compared to previous year.

Graph No.1: Showing profits by using trend analysis from the year 2019-22.



Summary of findings, Suggestions and Conclusion

Findings:

According to the report, most businesses choose a moderate finance strategy that balances profitability and liquidity. They follow a non-formal approach to working capital management, prioritizing receivables management as the most crucial element. The cash conversion cycle and net working capital management are the two main factors that working capital management monitoring and financial metrics take into account.

Suggestions:

1. Monitoring cash flow regularly.
2. Negotiate reasonable and favorable payment terms.
3. Control operating expenses and Evaluate expenditures regularly to ensure they match with business needs.
4. Develop relationships with financial institutions like Banks and maintain strong relationships. This can help to additional working capital financing and flexibility during cash flow fluctuations.
5. Adopt financial management software or tools that can automate working capital management processes.
6. Seek professional advice: Engage with financial advisors or consultants who specialize in working capital management. They can provide valuable guidance to the company's specific needs.

CONCLUSION

Any corporate organization's performance and survival greatly depend on effective working capital management. The management of the company's current assets and liabilities is essential to sustaining effective operations, fulfilling urgent responsibilities, and enhancing profitability. A proactive approach to managing cash flow, inventories, and receivables is necessary for effective working capital management, as is striking a cautious balance between liquidity and profitability.

Making sure the business has enough cash on hand to satisfy its ongoing operational needs is one of the main goals of working capital management. This necessitates carefully monitoring and regulating cash inputs and outflows in order to properly govern cash flow. A company can lessen the risk of cash shortages and financial issues by maintaining an ideal level of cash reserves.

Working capital management is a part of working capital management. A company's liquidity may be impacted if it keeps too much inventory because it uses up a lot of capital. Conversely, insufficient inventory levels could result in stockouts, slowed production, and lost revenue. Therefore, firms must increase inventory turnover and implement effective inventory management strategies like just-in-time and economic order quantity in order to achieve equilibrium.

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