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A Effective Study on Working Capital Management of Maruti Suzuki Nagpur for The Year of 2020 -2024

Prof. Manish Hedaoo[1], Sachin Marghade[2], Monu Kanpate[3], Ankita Ghurpude[4], Shital Khadse[5]
Master of Business Department, SCET, Nagpur

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Abstract

The study titled "Effective Study on Working Capital Management of Maruti Suzuki Nagpur for the Years 2020, 2021, 2022, 2023, and 2024" aims to assess the working capital management practices of Maruti Suzuki's Nagpur plant over a five-year period. Working capital management is critical for ensuring the smooth functioning of day-to-day operations in a company. Efficient management of working capital improves liquidity, operational efficiency, and profitability. The study analyzes the company's working capital through key financial metrics such as the current ratio, quick ratio, inventory turnover, and receivables and payables days. By examining the financial data over the specified period, the research identifies trends in working capital practices and their impact on Maruti Suzuki's operational performance. Factors such as sales growth, production efficiency, supplier relationships, and changes in the automotive industry landscape are taken into account to understand the underlying dynamics of working capital management.

The findings suggest that Maruti Suzuki has maintained a relatively stable working capital position over the years, with improvements in inventory management and accounts receivable. The study also investigates the impact of economic factors such as the COVID-19 pandemic and supply chain disruptions on working capital. Additionally, recommendations for enhancing working capital efficiency are provided, including optimizing inventory levels, better receivables management, and strategic planning for cash flows. This study contributes to the understanding of the critical role of working capital management in the automotive industry and offers insights for Maruti Suzuki and other companies aiming to improve their financial health and operational effectiveness.

Introduction

According to "Banking Companies Act, 1949", "banking means the accepting (for the purpose of lending or investments) of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheques, drafts, or otherwise." The banking practices is as old as the human culture. The public bank was established in Italy in 1157 AD named as Bank of Venice, banking industry in modern form was prospered in around 19th century. The British Companies Act, 1883 and Joint Stock Companies

Act, 1833 gave birth to commercial banks in England and India respectively. In India in 1881 "Oudh Bank" was first bank to be registered under companies act. In India the companies act was not adequate to regulate and control banks hence, the Banking Regulation Act, 1949 came into act on March 16, 1949.

In India banks are classified in two categories Types of banks

1. Commercial bank
2. Reserve bank of India
3. Private banks
4. Public sector banks
5. Regional rural banks.
6. Foreign banks
7. Cooperative bank.
8. Non-scheduled banks

Classification of banking industry in India

Indian banking system is very vast it divided in two parts, organized and unorganized. The organized sector includes commercial banks, and cooperative bank specialized commercial banks such as HDFC, ICICI banks.

Reserve bank of India is the India central largest banks which works on the demand and supply of the money. It plays huge role in the monetary functions of india.it helps other banks for their monetary functions of the banks.

Objective

1. To study the structure of financial performance in two top banks in India financial performance of HDFC Bank and ICICI Bank.
2. To An analytical study of the banks with the help of ratio analysis.
3. To study the financial performance of the HDFC and ICICI bank.
4. To study the profitability performance of the HDFC and ICICI bank.

Hypothesis

A hypothesis is an assumption that demonstrates the interpreted relationships among various possible factors. The hypothesized correlation coefficients are based on existing writings. Many such inferential statistics or methodologies can be used to confirm all such relationships. Based on the success of regression techniques, these hypotheses may or may not be embraced.

H0 = There is no significance difference between of gross profit ratio in selected HDFC Bank and ICICI Bank.

H1 = There is a significance difference between of gross profit ratio of selected HDFC Bank and ICICI Bank

Research Methodology

Statement of Problem:

The financial performance of banks plays a crucial role in determining their stability, profitability, and overall health, which directly impacts investors, stakeholders, and the economy at large. Among the leading private sector banks in India, HDFC Bank and ICICI Bank are recognized for their significant market presence, customer base, and financial performance. However, despite being market leaders, these banks differ in several aspects of their operations, financial strategies, and growth patterns.

The problem at hand is to conduct a comparative analysis of the financial performance of HDFC Bank and ICICI Bank to determine the relative strengths and weaknesses of each bank in terms of key financial metrics such as profitability, asset quality, liquidity, capital adequacy, and efficiency.

This analysis will involve a detailed examination of their balance sheets, income statements, ratios, and other financial indicators over a specific period, to assess their operational performance and financial health. Furthermore, the study aims to identify the factors contributing to any significant differences between the banks, which could provide insights into their respective strategies and long-term sustainability.

Through this comparative study, the aim is to gain a deeper understanding of how HDFC Bank and ICICI Bank operate, how their financial performance measures up against each other, and what implications these findings might have for their future growth and sustainability.

Data Analysis & Interpretation

To interpret the data, various statistical techniques are used. The analysis is limited to Gross Profit Ratio, Net Profit margin Ratio, Return on Asset, and Return on Capital Employed. All the data related to these aspects are presented and discussed below.

Gross Profit Ratio

The gross profit is calculated as follows:

Gross Profit Ratio = Sales − Cost of Good Sold / Sales × 100 This ratio measures the gross profit on the total net sales made or earned by the company. The gross profit represent the excess of sales proceeds during the period under observation over their cost, before taking into account administration, selling and distribution and financing charges.

Importance

- This ratio shows the relationship between the gross profit and net sales
- Higher ratio means lower the cost of goods sold

Table 1:

Year	HDFC BANK			ICICI BANK		
	Gross Profit	Business Income	Ratio %	Gross Profit	Business Income	Ratio %
2021-22	31116.53	114812.65	25.75	16192.68	79118.27	20.47
2022-23	36961.36	120858.23	28.93	23339.49	86374.55	27.02
2023-24	44108.71	127753.12	34.53	31896.5	109231.34	29.2
Maximum	44108.71	127753.12	34.53	31896.5	109231.34	29.2
Minimum	31116.53	114812.65	25.75	16192.68	79118.27	20.47
Mean	37395.5	121141.3	29.74	23809.6	91574.72	25.56

(Sources: computed from of HDFC and ICICI Bank Annual Report)

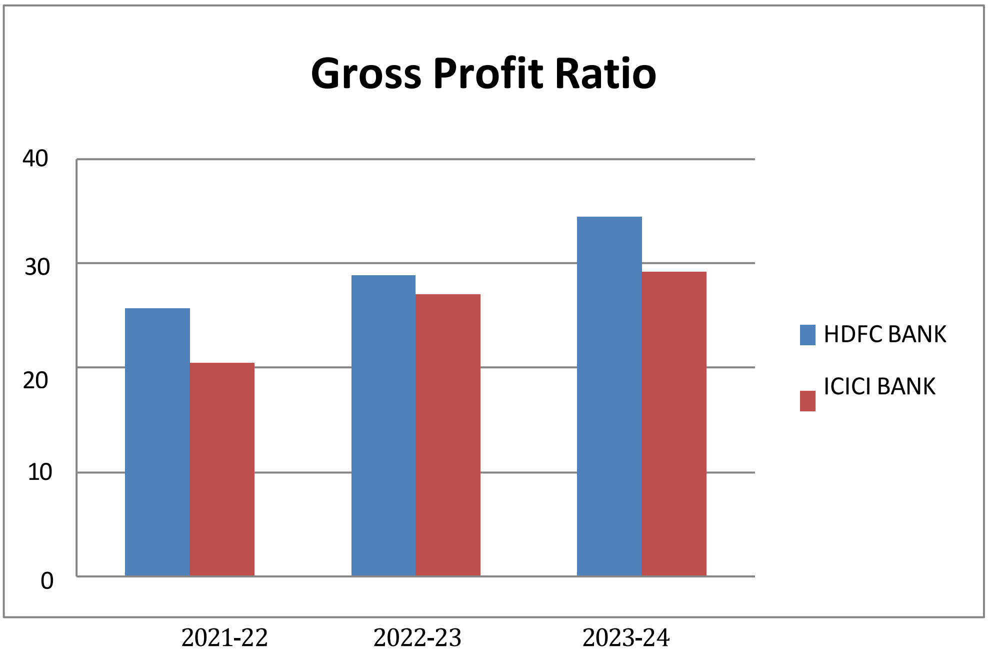

Figure 1: Gross Profit Ratio

Interpretation:
HDFC Bank and ICICI Bank over several years, focusing on metrics such as Gross Profit, Business Income, and their respective ratios. Here's an interpretation based on the OCR results:

- **Business Income:** This represents the income earned from the core business operations before deducting taxes and expenses. The table shows yearly figures for both banks, with HDFC Bank having higher business income each year.
- **Ratio (%):**This could represent the gross profit margin, which is calculated by dividing the gross profit by the business income. Higher ratios indicate better performance and profitability.
- **Trend:** Both banks show an increase in gross profit and business income over the years, which could be indicative of growth in their business operations and financial health.
- **Maximum, Minimum, and Mean:** These values provide a summary of the banks' performance over the three years, with HDFC Bank showing higher maximum, minimum, and mean values compared to ICICI Bank.

Conclusion

- The primary objective of this research was to compare and contrast the financial results of two private, industry-leading institutions. The study of financial statements is a crucial component of monitoring budgetary success.
- Based on the results of this research, HDFC Bank is clearly outperforming over ICICI Bank.
- This research compares the general performance of both of these institutions over a three- year period, & based on my observations, I can say that ICICI Bank's results are less than acceptable when contrasted to those of HDFC Bank.

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