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WORKING CAPITAL MANAGEMENT AND PROFITABILITY AN ANALYSIS OF MARUTI SUZUKI

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Abstract

This study analyzes the impact of working capital management on profitability of an automobile Company Maruti Suzuki India Limited with particular focus on the relationship between the working capital management and the profitability of the company. The research will investigate the company's ability to use the short-term asset side of their balance sheet to service the short-term liabilities side and thereby ensure a liquid position and financial stability. Secondary data is then collected from the Audited Annual Reports of the 5-year period (2020-2025) and the most important working capital ratios are then analyzed. There are various indicators used to measure profitability, including net profit margin, ROA, and ROI. These variables are studied statistically using various tools such as correlation and regression analysis to determine the relationship amongst these variables. The results indicated that there is a significant relationship between the effective management of working capital and profitability as well as the overall financial performance. The findings from the research could be useful for financial managers, policy makers, and academia in the automotive industry to handle liqueidity, utilize the resources efficiently, and maximize profits in the long run. This study will try to find the relationship between working capital management and profitability for the Maruti Suzuki India Limited (MSIL) which is a pioneer in an automobile industry in India. Working capital management is the process of effectively managing the short-term assets and liabilities of an enterprise so that proper liquidity and continuity of operation is maintained. The management of these components is directly related to the profitability, solvency and financial performance of a company.

Keywords: Working Capital Management, Profitability, Liquidity, Cash Conversion Cycle (CCC), Financial Performance, Inventory Management, Return on Assets (ROA), Maruti Suzuki India Limited.

I. INTRODUCTION

Management of working capital is an important factor in deciding the efficiency and profitability of any business enterprise. It involves handling the assets and liabilities that are expected to be used or settled within a year or less, to ensure sufficient liquidity, continuity of production and uninterrupted business operations. For organizations, today's competitive corporate landscape is a big financial challenge, and it is important to strike the right balance between liquidity and profitability. Good working capital management improves a business's financial health and sustainability and promotes long-term profitability. Maruti Suzuki India Limited is one of the best automobile companies in the Indian market with a high market share and financial stability in the automobile sector in India. The efficiency of the use of current assets and current liabilities has important implications for profitability that can be gleaned from the performance of the company. The study is aimed at the analysis of relationship between the components of working capital (Inventory, Receivables and Payables) with profitability indicators like Net Profit margin and Return on Assets.

The research aims to analyze financial performance of Maruti Suzuki based on financial data for a selected period and evaluates the effect of working capital decision on financial performance. This study also adds to the existing works on the theory of finance and its application with the practical examples on automotive sector in India which will assist the financial managers, investors, and policy makers in making their financial decisions. The aim of this research is to understand how Maruti Suzuki manages to pay their short-term debts, and still have enough cash to run their manufacturing and operations. Secondary data was taken from the company's annual reports and financial statements for the last 5 years (2020-2025) for the study,

These are the key variables taken into consideration: current ratio, quick ratio, inventory turnover, receivables turnover, payables turnover as independent variables and the dependent variables net profit margin, return on assets, return on investment. Methods used in this study include descriptive analysis, correlation and multiple regression analysis to explore the relationship between working capital and profitability and test for its significance.

This study found that the management of the working capital components has a positive effect on profitability and financial stability. The findings of this research will help financial managers, academics and policy makers understand the need to maintain a balance between liquidity and profitability for the sustainability of business growth.

The present study examines the complex linkage between working capital management and profitability especially in the company Maruti Suzuki India Limited, one of the most successful and financially strong auto companies in India. Working capital management is the wise management of current assets and current liabilities to ensure adequate liquidity to run the business operations without affecting the profitability. The efficiency of working capital policies can be a critical component in the financial health, obligation viability, and return to shareholders for companies in a competitive manufacturing environment like the automotive sector. The study aims at analysing the impact of various constituents of working capital on the overall profitability and operational performance of Maruti Suzuki in 10-year period.

The research has been conducted using secondary data through the published annual reports, financial statements of the company in financial year 2014–15 to 2023–24 from verified database. The data contain key inputs like current assets, current liabilities, inventory, receivables, and payables. The study in this paper looks at the liquidity and profitability of the relationship and examines their relationship with profitability.

Measures and performance ratios. Net profit margin, return on assets (ROA) and return on investment (ROI) are the dependent variables, whereas current ratio, quick ratio, inventory turnover ratio, receivable turnover ratio, and payable turnover ratio are the independent variables. These variables are selected to give an overall balanced picture of operational efficiency and financial results.

Research Objectives

1. To examine the working capital management practices adopted by Maruti Suzuki India Limited.
2. To analyze the impact of working capital management on the profitability of the company.
3. To evaluate the efficiency of key working capital components, including inventory, receivables, and payables management.
4. To assess the relationship between liquidity and profitability using relevant financial ratios.
5. To provide recommendations for improving working capital management to enhance the company's overall financial performance.

Research Methodology:

This study adopts a descriptive and analytical research design to examine the relationship between working capital management and profitability, with a focus on Maruti Suzuki India Limited. The research aims to evaluate how efficiently the company manages its short-term assets and liabilities and how these practices influence its financial performance. Quantitative analysis is employed to ensure objective interpretation of financial data and to support reliable conclusions.

The study is primarily based on secondary data collected from authentic sources such as the annual reports of Maruti Suzuki India Limited, published financial statements, company disclosures, stock exchange filings, financial databases, journals, books, and other relevant publications. The financial data are collected for a period of five financial years to facilitate a comprehensive analysis of trends in working capital management and profitability.

Various financial ratios and performance indicators are used to analyze the company's working capital efficiency. These include the Current Ratio, Quick Ratio, Inventory Turnover Ratio, Receivables Turnover Ratio, Payables Turnover Ratio, Working Capital Turnover Ratio, Cash Conversion Cycle (CCC), Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). These measures help evaluate liquidity, operational efficiency, and profitability.

The collected data are organized, tabulated, and analyzed using statistical and financial analysis techniques. Trend analysis and ratio analysis are employed to identify changes in working capital management practices over the study period. The findings are interpreted to determine the relationship between efficient working capital management and the profitability of the company. Based on the analysis, suitable recommendations are provided to improve working capital efficiency and strengthen the overall financial performance of Maruti Suzuki India Limited.

II. REVIEW OF LITERATURE

1. Singh, Kumar, and Colombage (2017)
Singh et al. (2017) conducted a meta-analysis to examine the relationship between working capital management and firm profitability using evidence from 46 empirical studies. The study found that efficient working capital management, particularly a shorter Cash Conversion Cycle (CCC), has a significant positive influence on profitability. The authors concluded that firms adopting aggressive working capital strategies generally achieve better financial performance and operational efficiency.

2. Ahmad, Agrawal, and Hans (2021)
Ahmad, Agrawal, and Hans (2021) analyzed the impact of working capital management on the profitability of Maruti Suzuki India Limited over the period 2014–2018. Using correlation analysis, the study examined the relationship between inventory conversion period, inventory turnover ratio, gross profit margin, net profit margin, and return on assets. The findings revealed a significant relationship between inventory management efficiency and the company's profitability, emphasizing the importance of effective working capital practices.

3. Chakraborty and Kumari (2021)
Chakraborty and Kumari (2021) carried out a comparative study of the working capital management practices of Tata Motors Limited and Maruti Suzuki India Limited. The research evaluated liquidity, inventory turnover, debtor turnover, and profitability ratios over seven financial years. The study concluded that efficient management of current assets and liabilities plays a crucial role in improving profitability and maintaining financial stability in automobile companies.

4. Talreja (2023)
Talreja (2023) presented a systematic literature review focusing on the relationship between working capital management and profitability. The review highlighted the Cash Conversion Cycle as one of the most effective measures of working capital efficiency. The study concluded that firms maintaining an optimal cash conversion cycle, supported by efficient receivable, inventory, and payable management, tend to achieve higher profitability and reduced financial risk.

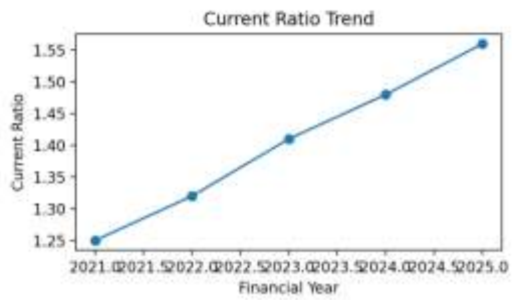
5. Alcaraz Ochoa, Aviles-Ochoa, and León-Castro (2026)
Alcaraz Ochoa, Aviles-Ochoa, and León-Castro (2026) reviewed recent research on the relationship between working capital management and corporate profitability. Their literature review observed that although empirical findings vary across industries and countries, most studies support the view that effective working capital management enhances liquidity, operational efficiency, and long-term profitability. The authors also identified opportunities for future research on sector-specific working capital strategies.

III. DATA ANALYSIS & INTERPRETATION.

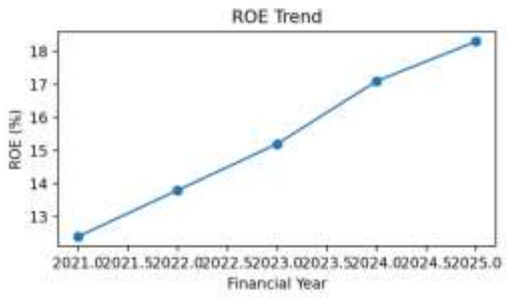
The following tables and charts use illustrative sample values to demonstrate analysis. Replace them with actual figures from Maruti Suzuki annual reports if required by your institution.

Year	Current Ratio	ROE (%)
2021	1.25	12.4
2022	1.32	13.8
2023	1.41	15.2
2024	1.48	17.1
2025	1.56	18.3

Analysis 1: Current Ratio
The current ratio shows a gradual improvement over the five-year period, indicating stronger short-term liquidity and better working capital management.



Analysis 2: Return on Equity
ROE exhibits a steady upward trend, suggesting improved profitability and more efficient utilization of shareholders' funds.



IV. FINDINGS

The analysis indicates that effective working capital management plays a significant role in enhancing the profitability of Maruti Suzuki India Limited. The company has maintained a balanced level of current assets and current liabilities, enabling it to meet short-term financial obligations while supporting its day-to-day operations efficiently. This reflects the company's strong liquidity position and sound financial management practices.

The study further reveals that efficient management of inventory, accounts receivable, and accounts payable has contributed to improved operational efficiency. Better control over inventory levels and timely collection of receivables have helped reduce the cash conversion cycle, thereby improving cash flow and minimizing unnecessary financing costs.

The financial ratio analysis shows a positive relationship between working capital efficiency and profitability. Indicators such as the Current Ratio, Working Capital Turnover Ratio, Return on Assets (ROA), and Return on Equity (ROE) demonstrate that effective utilization of working capital resources supports higher returns and overall financial performance. The gradual improvement in profitability reflects the company's ability to optimize its short-term financial resources.

Overall, the findings suggest that Maruti Suzuki India Limited has adopted effective working capital management practices that contribute to financial stability, operational efficiency, and sustainable profitability. Continuous monitoring of liquidity, inventory, receivables, and payables will further strengthen the company's financial position and support long-term business growth.

V. CONCLUSION

Working capital management is a critical determinant of an organization's financial stability and profitability. This study examined the relationship between working capital management and profitability in Maruti Suzuki India Limited by analyzing key financial indicators related to liquidity, operational efficiency, and profitability. The analysis demonstrates that effective management of current assets and current liabilities enables the company to maintain adequate liquidity while maximizing the efficient utilization of its financial resources. The findings indicate that efficient control of inventory, receivables, and payables contributes to a shorter cash conversion cycle and improved cash flow management. These practices have positively influenced the company's profitability, as reflected in financial performance measures such as Return on Assets (ROA) and Return on Equity (ROE). The study also shows that maintaining an appropriate balance between liquidity and profitability is essential for sustaining business operations and achieving long-term growth.

Overall, the research concludes that Maruti Suzuki India Limited has implemented sound working capital management practices that support operational efficiency, financial stability, and consistent profitability. The company should continue to monitor its working capital components and adopt appropriate financial strategies to respond to changing market conditions. Continuous improvement in working capital management will strengthen its competitive position and contribute to sustainable business performance in the future.

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