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A Study on Working Capital Management of Kotak Mahindra Bank

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Abstract: ***This study focusing on the working capital management system in Kotak Mahindra Bank. It highlights the importance of working capital management in Kotak Mahindra Bank. Working Capital Management is the technique of managing a company's current assets and liabilities in order to meet short term obligations and continue day-to-day operations. It also shows the how the bank struggling to pay their bills. But if they increase the working capital too much , they are taking away from the profitability of the organization. In order to avoid problems, organizations have to make good decisions which overlap between current assets and current liabilities are used. Through an analysis of financial statements , key ratios , and operational data , the research identifies strategies employed by Kotak Mahindra Bank to optimize working capital and mitigate risks.The findings highlight the banks ability to maintain a balance between profitability and liquidity .***
Keywords: Net Working Capital, Current Assets, Current Liabilities, Current Ratio.

I. INTRODUCTION

Working Capital of a company reveals more about the financial condition of a business than almost any other calculation.It tells you what would be left if a company raised all of it's short term resources, and used them to pay off its short term liabilities. The more working capital , the less financial strain a company experiences . So, if a company is not operating in the most efficient manner it will show up in the working capital . This can be seen by comparing the working capital from one period of time to another ;slow collection may signal an underlying problem in the company's operations. Working Capital Management is crucial for the financial success of any organization. It is particularly important for banks , which need to maintain a healthy working capital position to ensure their liquidity and profitability.

(Current Assets -Current Liabilities =Working Capital)

A company firms working capital serves as brain and heart. Working capital management is a crucial component of business financial management since it has a direct impact on liquidity , profitability , and operational efficiency .A company with sufficient working cash is always able to take advantage of good opportunities , whether it to purchase raw materials , carry out a specific order , or wait for improved market situation.

Working capital can be thought of in 2 ways. They are

1) *Gross Working Capital:* This idea states that working capital can be categorized as capital invested in a variety of current assets including cash , inventories , and accounts receivable.
2) *Net Working Capital:* The discrepancy between current assets and current liabilities is what it allides to . It is possible for net working capital to be positive or negative. When current assets are greater than current liabilities , a positive net working capital will result . When current liabilities exceed current assets , a negative working capital situation results .net working capital can be used to measure the firm's liquidity.

A. Importance of Working Capital for a Company

Working capital is a daily requirement for businesses since they need a consistent stream of cash to pay bills on time , cover unforeseen expenses , and buy raw materials for manufacturing products. Effective working capital management keeps operations running smoothly and can raise revenue and profitability for the business . Maintaining the working capital operating cycle and assuring its orderly functioning , lowering the cost of capital used for working capital , and increasing the return on current asset investments are the major goals of working capital management.Kotak Mahindra Bank adopts a conservative approach towards working capital management . The bank maintains a healthy liquidity position to meet its short-term obligations and also focuses on maintaining an optimum level of inventory and receivables.

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Kotak Mahindra Bank has improved its financial performance by focusing on working capital management in a number of ways , including ;Offering flexible financing options , using digital solutions , maintaining a conservative approach , efficient management etc .

Kotak Mahindra bank offers working capital management solutions to help businesses grow and develop by Providing financing options , offering non-fund based solutions , helping businesses handle money challenges , ensuring businesses can continue operations .Cash is the lifeline of a company .If this lifeline deteriorates , the company's ability to fund operations ,reinvest and meet capital requirements and payments also deteriorate . Understanding a company's cash flow health is essential for making investment decisions .A good way to judge a company ,s cash flow prospects is to look at it's working capital management.

Kotak Mahindra bank is one of the leading banks in India , with a strong focus on effective working capital management practices. The bank has been consistently performing well in terms of financial performance , and its working capital management practices have been a key contributor to its success. In recent years , Kotak Mahindra Bank has been among the top-performing banks in India , and its working capital management practices have contributed significantly to its success. However , there is a need to analyze the bank's working capital management practices to identify areas for improvement. Kotak Mahindra Bank is one of the leading bank in India and has been consistently performing in terms of financial performance.

II. LITERATURE REVIEW

Kaur Harsh v. and Singh Sukhdev (2020):This article focuses on cash conversion efficiency and setting up the operating cycle days.The study tests the relationship between the working capital attain and profitability calculated by income to average total assets.

Rehman and Nasr (2012):It had probed that WCM has a negative correlation with firm's profitability and liquidity. Shaw (2006) stated WCM is pretty much necessary for the success of any organization. He added that if a firm appropriately manages its WC and keeps a positive balance to meet short term needs and to take advantages of short -term opportunities, can increase its profitability.

Kretlow (2013) :The major policy issued encountered in the management of working capitalists related to the level of investment and its financing. According to them firms have two goals liquidity and profitability. Working Capital Management is important for creating value for shareholders according to Shin and Soenen in 1998 management of working capital was found to have a significant impact on both profitability and liquidity.

Ray (2015): Felt that in the five decades post nationalization of bank's , they have grown substantial in size and asset base but this growth has generated huge amount of non-performing assets .This has adversely impacted the profitability thereby exposing managerial inefficiencies in the system.

Deloof (2014): Advocated firms attempt to maintain a most favourable level of WC that in turn enhances the wealth of shareholders. The result of this study found that Working Capital Management has a negative relation between firm's performance. Most of the researchers have applied correlation and multiple regression analysis to empirically test the impact of Working Capital Management elements on firm's performance.

Sagan (2017): In this paper perhaps the theoretical paper on the theory of working capital management emphasized the need for management of working capital accounts and warned that it could be vitally affect the health of the company.

Westom and Brigham (2019) :Further extended the second proposition suggested by walker by dividing debt into long term debt and short -term debt should be used in place of long -term debt when their use would lower the average cost of capital to the firm they also suggested that a business would hold short term marketable securities only if there were excess funds after meeting short term debt obligations.

III. RESEARCH OBJECTIVES

1) To analyse working capital management practices at Kotak Mahindra Bank.
2) To study the working capital system in Kotak Mahindra Bank.
3) To examine the impact of working capital management in Kotak Mahindra Bank.

IV. RESEARCH METHODOLOGY

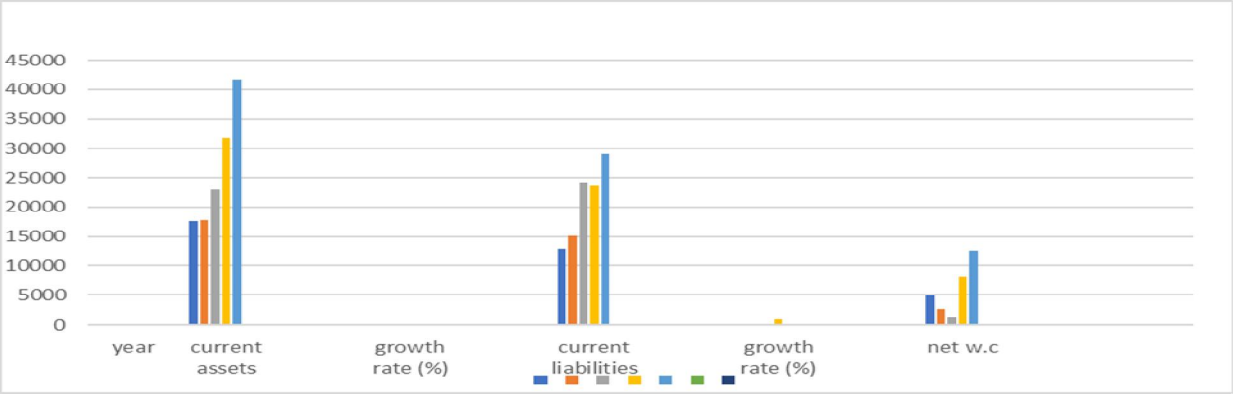
A. Secondary Data

The related data collected for this study is the secondary data. The secondary data was collected from the bank's financial statements, annual report's , and other relevant from company website's.

V. DATA ANALYSIS AND INTERPRETATION

Year	Current Assets (Rs)	Growth Rate (%)	Current Liabilities (Rs)	Growth Rate (%)	Net Working Capital
2021-22	17701.69	100	12844.57	100	4857.12
2020-21	17766.01	100.3634	15064.09	117.2798	2701.92
2019-20	23075.31	129.8446	24270.24	161.1132	1194.93
2018-19	31800.29	137.8109	23803.06	980.7509	7997.23
2017-18	41713.78	131.1742	29197.75	122.6639	12516.03

VI. BAR CHART



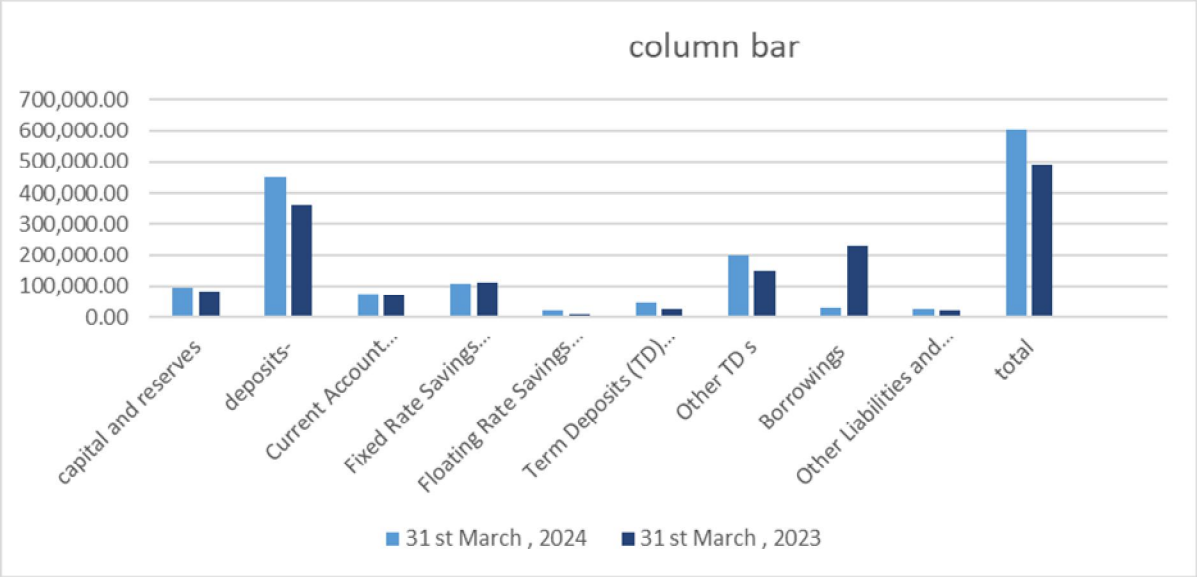
Interpretation: The graph illustrates the size and growth of current assets, current liabilities and net working capital (NWC) for Kotak Mahindra Bank during the financial years 2017-18 to 2021-22.

1) *Current Assets:* There is a decreasing trend in current assets from 2017-18 to 2019-20. Post-2019-20 there is a slight increase in current assets , showing a recovery or stabilization by 2021-22.
2) *Current Liabilities:* Current liabilities generally show a stable or slightly increasing trend over the years .The difference between current assets and current liabilities determine the net working capital.
3) *Net Working Capital:* NWC (current liabilities – current liabilities) is positive throughout the period ,indicating good liquidity.The highest NWC is observed in 2017-18, which decreases sharply over the years, showing tighter liquidity or efficient working capital utilization. The gradual recovery of NWC after 2019-20 signals improvement in financial management.

The working capital of Bank as follows; in the year 2023 & 2024.

Liabilities	31st March , 2023	31st March , 2024
Capital and reserves	83,459.95	96,639.46
Deposits	363,096.05	448,953.75
-Current Account Deposits (CA)	70,030.24	75,208.29
-Fixed Rate Savings Account Deposits (SA)	111,400.09	109,078.29
-Floating Rate Savings Account Deposits (SA)	10,384.93	20,016.66
-Term Deposits (TD) Sweep	23,338.89	47,051.95
Other TDs	147,941.90	197,598.35
Borrowings	23,416.27	28,368.10
Other Liabilities and Provisions *	19,890.21	26,395.74
Total	489,862.48	600,357.05

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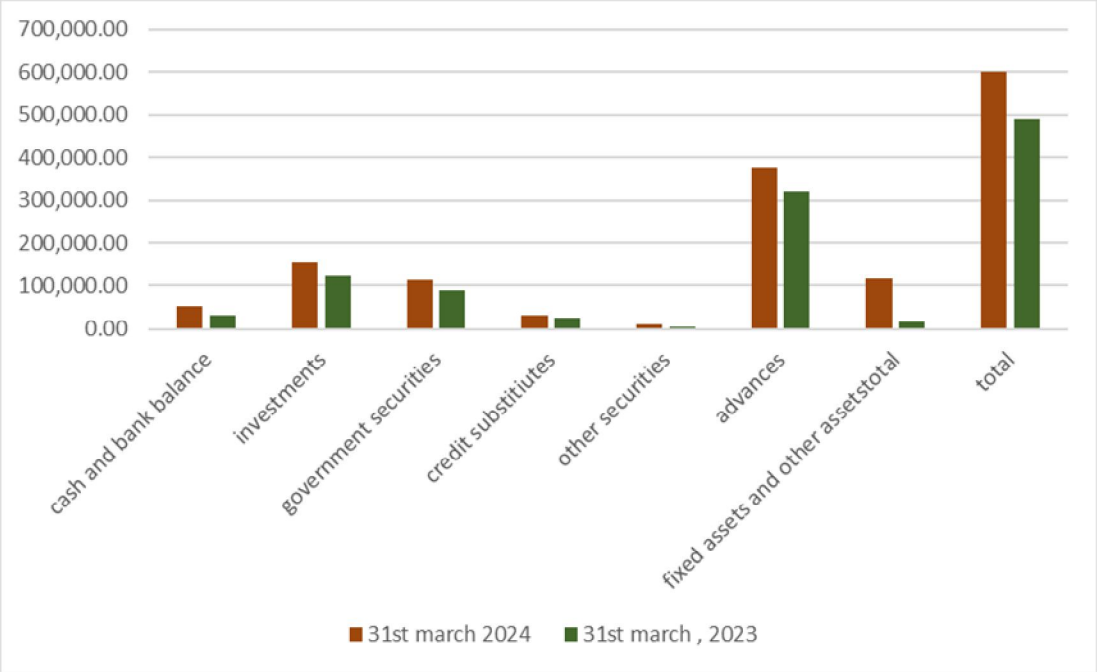
This graph represents the liabilities of balance sheet of a bank , showing composition of liabilities s of 31st march 2024 and 31st march 2023.

Interpretation

1) *Capital and Reserves:* Increased from Rs 83,459.95 crore in march 2023 to Rs 96,639.46 crore in march 2024. This indicates growth in the banks equity or retained earnings.
2) *Deposits:* Total deposits increased from Rs 363,096.05 crore in march 2023 to Rs 448,953.75 crore in march 2024.
3) *Breakdown of Deposits:* Current account deposits are increased from 2023 to 2024 year. Fixed Rate Savings Account Deposits (SA) decreased slightly from Rs 111,400.09 crore to Rs 109,078.66 crore. Floating Rate Savings also increased significantly .Term Deposits (TD) Sweep more than doubled , from Rs 23,338.89 crore to Rs 47,051.95 crore.Other Term Deposits (TDs) slightly increased from Rs 23,416.27 to Rs 28,368.10 crore.
4) *Borrowings:* Borrowings have also grown substantially in 2024 , indicating the bank has raised more funds through debt instruments.
5) *Other Liabilities and Provisions:* This category has increased slightly reflecting higher contingent liabilities or provisions.
6) *Total Liabilities:* The total liabilities have increased substantially in2024 compared to 2023.,signifying growth in banks overall funding base.

Assets	31st March , 2023	31st March , 2024
Cash and Bank Balances	32,542.31	52,788.40
Investments	121,403.73	155,403.76
-Government Securities	89,852.54	113,672.84
-Credit Substitutes	27,108.81	31,595.28
-Other Securities	4,442.38	10,135.64
Advances	319,861.21	376,075.27
Fixed Assets and Other Assets	16,055.23	16,089.62
Total	489,862.48	600,357.05

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Interpretation: This bar graph summarizes the assets of a financial institution for two consecutive fiscal years ;31st march 2024 and 31stmarch 2023.

1) *Total Assets:* Increased from march 2023 to 2024 march, reflecting a growth of approximately 22.6%.
2) *Cash and Bank Balances:* Grew significantly indicating that improved liquidity or higher cash reserves.
3) *Investments:* Total Investments are raised showing 28% rise. Government securities rose from Rs 89,852.54 crore to Rs 113672.84 crore highlighting a preference for secure , long term investments.
   Credit Substitutes: Increased from year to year.
   Other Securities: Jumped from Rs 4442.38 crore to RS 10,135.64 crore , signalising increased diversification or risk taking.
4) *Advances:* Increased from year to year indicating a rise in loans and credit extended to customers.
5) *Fixed Assets and other Assets:* Stayed relatively stable , increasing marginally from Rs 116,055.23 to Rs 16,089.62 crore. The financial institution shows strong growth in its total assets , with notable increases in cash reserves , investments , and advances. The rise in government securities suggests a cautious but strategic investment approach. The substantial growth in advance indicates an expanding credit portfolio , likely supporting revenue growth.

VII. FINDINGS AND SUGGESTIONS

A. *Findings*

1) *Conservative Approach:* The bank uses a conservative approach to working capital management .It adopts a cautious strategy to ensure a healthy liquidity position , which helps it meet short-term obligations efficiently.
2) *Technology Integration:* Leveraging digital solutions like e-voicing and automated payment systems , the bank has streamlined its working capital processes , enhancing efficiency and reducing costs.
3) *Inventory Management:* The bank focuses on maintaining the right level of inventory to avoid excess holding costs and stockouts.
4) *Cash Management:* The bank uses cash management techniques like cash pooling to optimize its cash position.

B. *Suggestions*

1) The raw materials must be purchased from a reliable vendor at a fair price for the quality they provide.
2) Modifying the current purchasing procedure at Kotak Mahindra Bank group can help speed up product delivery without sacrificing quality by making better use of resources like manpower and machinery.

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3) Maintaining the right inventory balance can help avoid excess holding costs and stockouts.
4) Implement advanced AI/ML – Driven tools for forecasting cash flows, analysing payment trends , and managing receivables more predictively.
5) Implement real-time dashboards for cash flow monitoring across all branches and units.
6) Train employees in the latest working capital management practices and tools & organize workshops for clients to educate them on credit management practices.

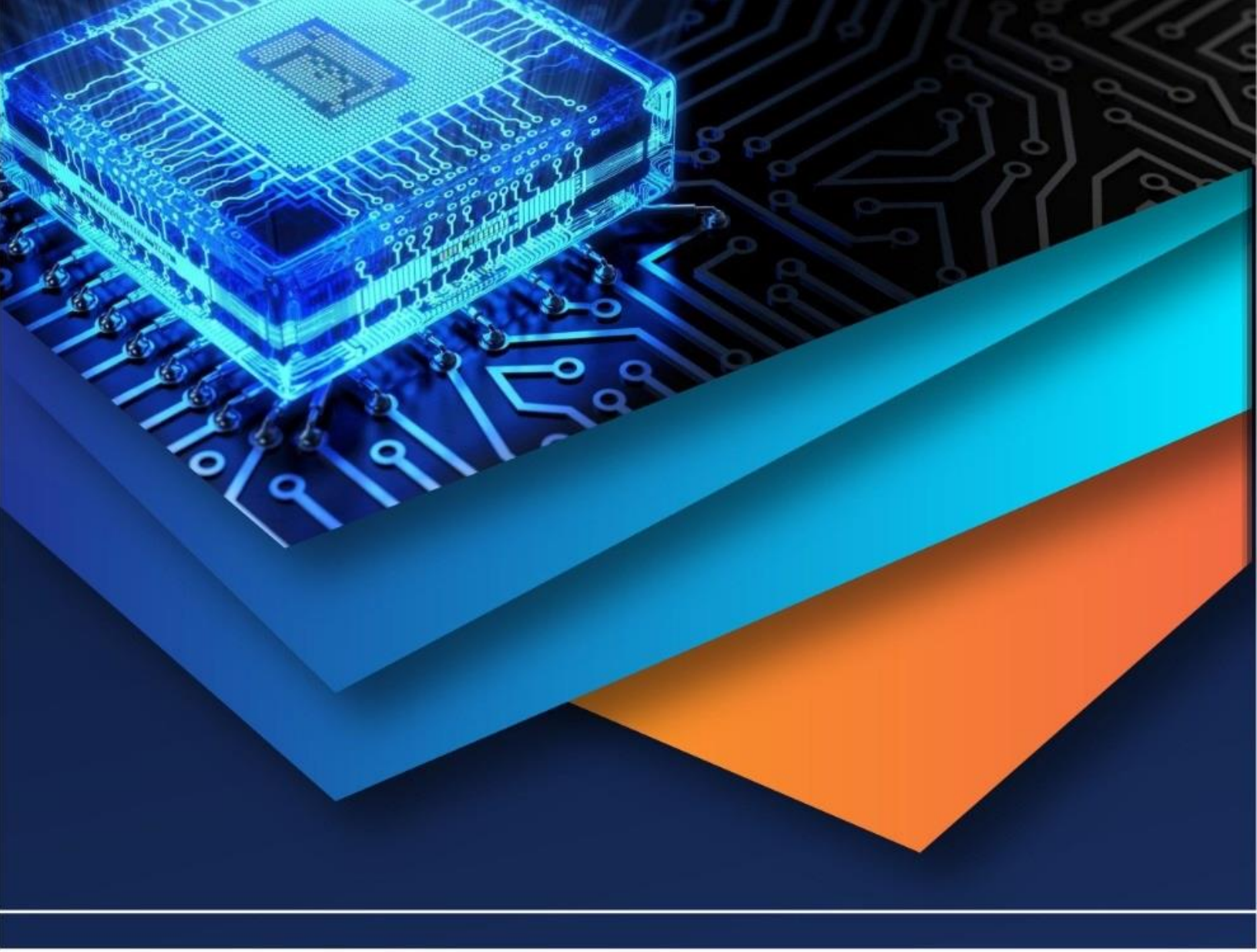
VIII. CONCLUSION

Kotak Mahindra Bank's working capital management practices have been a key factor in the bank's financial success. The study's findings can help other banks improve their working capital management practices and contribute to the literature on the subject. Working Capital Management is important for businesses because it helps them balance what they have and what they owe. This helps businesses handle money challenges and take advantage of opportunities. Some tips for efficient working capital management : ensure that you have funds for increased demand, avail multiple working capital financing ,Choose simple overdraft facilities , and Avail cash credit and overdraft facility. A company's working capital needs include: The nature and size of the business , the business cycle, the operating cycle, credit terms , growth plans , market conditions.

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