

# A Study on Working Capital Management at Kotak Mahindra Bank, Anantapur

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## ABSTRACT

Working capital management plays an essential role in a firm's financial planning, as it deals with the proper handling of short-term assets and liabilities to ensure smooth operations. It ensures that the organization maintains adequate liquidity to cover routine expenses while also achieving profitability.

Efficient management of working capital helps maintain a proper balance between short-term assets and short-term obligations. This balance is essential for enhancing operational efficiency, minimizing financial risks, and supporting sustainable growth. Key components of working capital management include cash conversion cycle, inventory management, credit policy, and accounts receivable management.

Ineffective management may result in liquidity problems, making it difficult for the firm to meet its financial commitments. Invest in growth opportunities, and ultimately impacting profitability. Thus, understanding and improving working capital management is vital for financial stability, particularly in dynamic and competitive business environments.

**Key Words:** Working Capital Management, Current Assets, Current Liabilities.

## INTRODUCTION

Working capital plays an important role in the smooth functioning of any business. It refers to the funds required to manage day-to-day activities such as purchasing raw materials, paying wages, maintaining inventory, and meeting short-term obligations. Without sufficient working capital, even a profitable business may face operational difficulties.

In simple terms, working capital is the difference between current assets and current liabilities. It ensures that a company has enough liquidity to continue its regular operations without interruptions. Proper management of working capital helps in maintaining a balance between profitability and liquidity.

Working capital is also known as circulating capital because it continuously moves through various stages of business activities. It starts with cash, is converted into inventory, then into sales, and finally returns back to cash. This cycle repeats throughout the business process.

Therefore, efficient management of working capital is essential for the growth, stability, and financial health of an organization.

## REVIEW OF THE LITERATURE:

1. Singh, R., & Kumar, A. (2020) carried out research on the impact of working capital management on the profitability of Indian bank. Their research highlights that proper handling of receivables and payables plays a crucial role in improving both liquidity and overall profits. The study also points out the need to maintain an appropriate level of cash and suggests that banks should design their working capital policies in line with their business objectives to achieve better performance.

2. Patel, S., & Shah, N. (2020). Liquidity Management Practices in Private Sector Banks. The study investigates liquidity management approaches in Indian private banks, focusing on how banks' balance short-term assets and liabilities. It concludes that private banks like Kotak Mahindra use sophisticated tools to

manage liquidity risks but face challenges due to regulatory changes and market volatility.

3. Verma, P. (2021). Working Capital Efficiency and Bank Performance: Evidence based on the Indian Banking sector. Verma’s research highlights a positive correlation between working capital efficiency and bank financial health. The research applies financial ratios along with trend analysis to demonstrate banks having efficient cash conversion cycles usually show higher profitability and better asset quality.

**NEED OF THE STUDY**

The main purpose of this study is to understand the importance of working capital management in ensuring that a company maintains enough cash to meet its short-term financial obligations. Proper management of working capital supports smooth financial operations and helps in improving the company’s profitability and overall performance.

**SCOPE OF THE STUDY**

This research focuses on “Working Capital Management” at Kotak Mahindra Bank, Anantapur. It evaluates the performance of the bank over a period of five years, from 2020–21 to 2024–25.

**OBJECTIVES OF THE STUDY**

1. To analyse the liquidity position of Kotak Mahindra Bank
2. To know the operational efficiency of the Kotak Mahindra bank
3. To study the overall financial condition of the Kotak Mahindra bank

**RESEARCH METHODOLOGY**

Source of Data

The study is mainly based on secondary data.

**Table-1: Current Ratio**

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2020-2021	13,375.4	66,877	0.2
2021-2022	14,178.68	83,404	0.17
2022-2023	14,234.08	88,963	0.16

Like - Annual reports of Kotak Mahindra bank.

World Wide Web [www.kotak.bank.in](http://www.kotak.bank.in)

**TOOLS & TECHNIQUES:**

TOOLS:

MS Excel

Bar Graphs

TECHNIQUES:

Ratio Analysis

**LIMITATIONS OF THE STUDY**

The is confined to working capital management at Kotak Mahindra bank.

The study was limited to only Five years of financial data 2020-2021 to 2024-25.

**DATA ANALYSIS & INTERPRETATION**

**CURRENT RATIO:**

The current ratio is a key liquidity indicator that reflects a company’s ability to handle its short-term liabilities, that are payable within one year. It assists investors and analysts in understanding how efficiently a company utilizes its current assets to meet short-term debts.

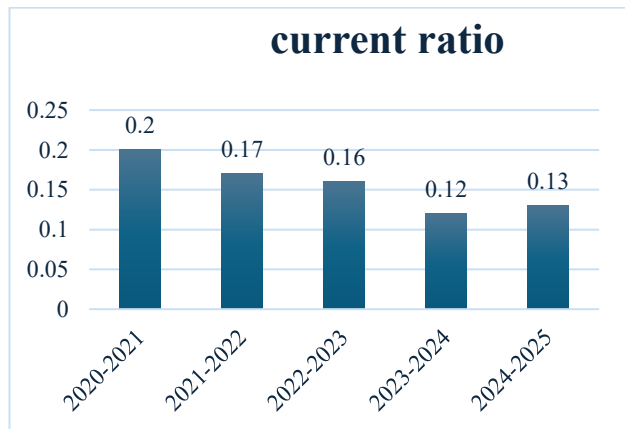
**Formula:** Current Ratio = Current Assets/Current Liabilities

$$\text{Current Ratio} = 13,375.4 \div 66,877 = 0.2$$

This shows that the bank has fewer current assets in comparison to its current liabilities.

<b>2023-2024</b>	13,973.16	1,16,443	0.12
<b>2024-2025</b>	16,662.36	1,28,172	0.13

**Chart-1 Current ratio**



Overall, the ratio is below 1, indicating that current liabilities are higher than current assets, which is common in the banking sector.

**QUICK RATIO:** The quick ratio, also known as the acid-test ratio, is a liquidity indicator that provides a more strict assessment of a company’s ability to meet short-term obligations than the current ratio. It considers only highly liquid assets by excluding inventory.

Current assets generally consist of cash, accounts receivable, inventory, and other assets that can be turned into cash within a year. However, in this ratio, inventory is deducted because it may not be quickly converted into cash. Current liabilities consist of items like accounts payable, short-term borrowings, and other pending payments that must be settled within a year.

**INTERPRETATION:**

The current ratio of Kotak Mahindra Bank decreased from 0.20 in 2020–2021 to 0.12 in 2023–2024, indicating a reduction in short-term liquidity. In 2024–2025, the ratio showed a slight improvement to 0.13.

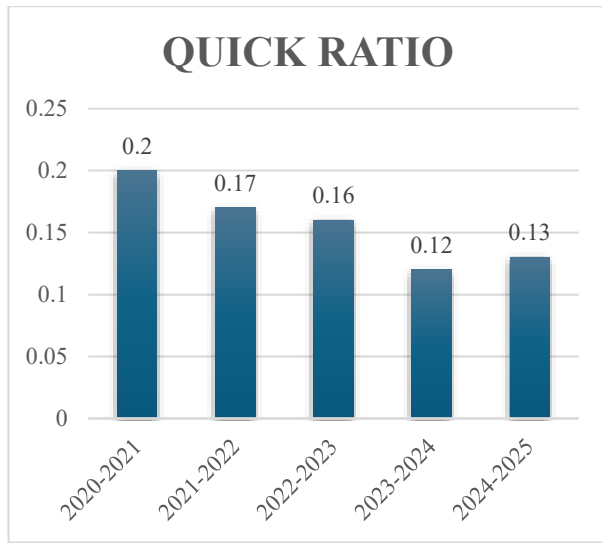
**Formula:** Quick Ratio =  $\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$

Quick ratio =  $13,375.4 / 66,877 = 0.20$

**Table-2 Quick Ratio**

YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
<b>2020-2021</b>	13,375.4	66,877	0.20
<b>2021-2022</b>	14,178.7	83,404	0.17
<b>2022-2023</b>	14,234.1	88,963	0.16
<b>2023-2024</b>	13,973.2	1,16,443	0.12
<b>2024-2025</b>	16,662.4	1,28,172	0.13

**Chart-2 Quick Ratio**



**INTERPRETATION:**

The quick ratio of Kotak Mahindra Bank shows a declining trend during the study period. In 2020–2021, the ratio was 0.20, which decreased to 0.12, in 2023–2024, indicating a lower ability to meet short-term

liabilities. However, in 2024–2025, the ratio slightly improved to 0.13. Overall, the quick ratio remains below 1, which means quick assets are lower than current liabilities, indicating limited short-term liquidity.

**CASH RATIO:**

The cash ratio is a liquidity measure that indicates a company’s capacity to pay off its short-term liabilities instantly using only its most liquid resources, such as cash and cash equivalents.

Cash consists of money in hand, demand deposits, and bank balances. Cash equivalents refer to short-term investments that can be easily be turned into cash, including treasury bills, commercial papers, and other money market instruments. Current liabilities consist of all obligations that are due within one year.

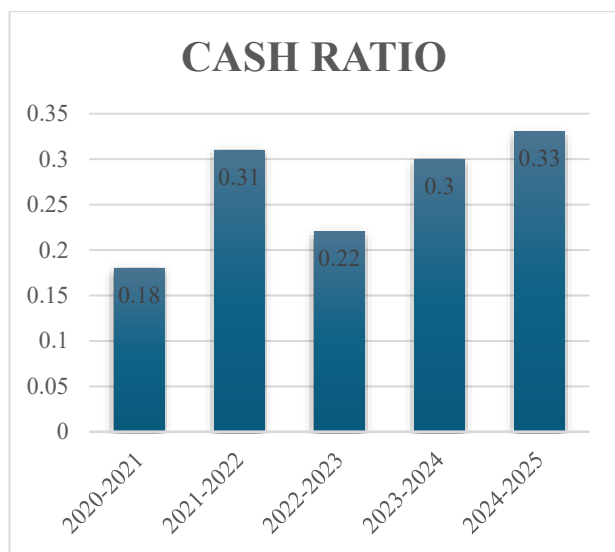
**Formula:**  $\text{Cash Ratio} = \frac{\text{Cash} + \text{cash equivalents}}{\text{Current Liabilities}}$

$\text{Cash ratio} = \frac{12,706.6}{66,877} = 0.18$

**Table-3 Cash Ratio**

YEAR	CASH & CASH EQUIVALENTS	CURRENT LIABILITIES	CASH RATIO
2020-2021	12,706.6	66,877	0.18
2021-2022	35,863.7	83,404	0.31
2022-2023	19,571.9	88,963	0.22
2023-2024	36,097.3	1,16,443	0.30
2024-2025	42,296.8	1,28,172	0.33

**Chart-3 Cash Ratio**



**INTERPRETATION:**

The cash ratio of Kotak Mahindra Bank shows fluctuations during the study period. In 2020–2021, the

ratio was 0.18, which increased to 0.31 in 2021–2022. In 2022–2023, it decreased to 0.22, but again increased to 0.30 in 2023–2024. In 2024–2025, the ratio further improved to 0.33, showing better availability of cash to meet short-term liabilities. Overall, the cash ratio shows a generally improving trend, indicating a better liquidity position in recent years.

**ASSET TURNOVER RATIO:**

The asset turnover ratio is an efficiency indicator that shows how effectively a company uses its total assets to generate revenue. It reflects the income generated for each ₹1 invested in assets.

**Formula:** Asset Turnover Ratio = Net Sales/Average Total Assets

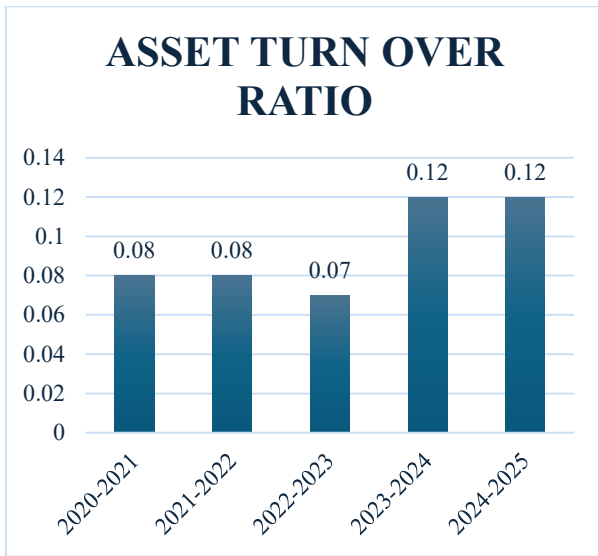
Average Total Assets = Beginning Assets + Ending Assets/2

Asset turnover ratio=47,353/460,977=0.10

**Table-4 Asset Turnover Ratio**

YEAR	TOTAL REVENUE/NET SALES	TOTAL ASSETS	ASSET TURNOVER RATIO
2020-2021	36,266	478,854	0.08
2021-2022	41,264	546,498	0.08
2022-2023	45,500	620,430	0.07
2023-2024	94,274	767,667	0.12
2024-2025	103,076	879,774	0.12

**Chart-4 Asset Turn over ratio**



In 2020–2021, the ratio was 0.08. In 2021–2022, it remained 0.08, showing no change. In 2022–2023, the ratio slightly decreased to 0.07. In 2023–2024, the ratio increased to 0.12. In 2024–2025, it remained stable at 0.12. Overall, the ratio shows a slight decrease in the middle year and improvement in the last two years.

**CREDIT–DEPOSIT RATIO (CD RATIO):** The credit-deposit ratio indicates the share of deposits that a bank utilizes for lending purposes. It reflects how effectively the bank transforms deposits into income-generating loans.

**Formula:**

$$\text{Credit-Deposit Ratio} = \frac{\text{Total Advances}}{\text{Total Deposits}}$$

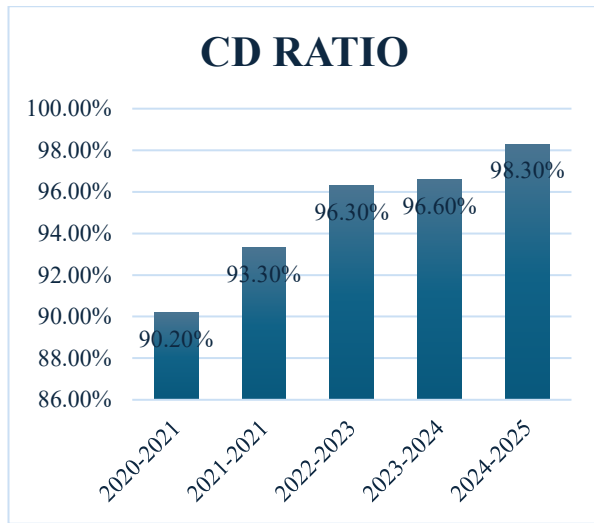
$$\text{Credit-deposit ratio} = \frac{252,170}{2,79,400} = 0.902 = 90.2$$

**INTERPRETATION:**

**Table-5 Credit-Deposit Ratio**

YEAR	TOTAL ADVANCES	TOTAL DEPOSITES	CD RATIO
2020-2021	252,170	2,79,400	90.2
2021-2022	304,474	326,300	93.3
2022-2023	359,107	372,800	96.3
2023-2024	430,352	445,400	96.6
2024-2025	486,166	494,500	98.3

**Chart-5 CD Ratio**



**INTERPRETATION:**

The bank's CD ratio demonstrated a consistent upward trajectory, climbing from 90.2% to 98.3% over five years

**CAPITAL ADEQUACY RATIO (CAR):**

The Capital Adequacy Ratio (CAR) is an important indicator used to assess a bank’s financial strength, and its capacity to absorb potential losses. It shows the relationship between a bank’s capital and its risk-weighted assets, ensuring that the bank can handle financial risks effectively.

This ratio is also known as the Capital to Risk-Weighted Assets Ratio (CRAR).

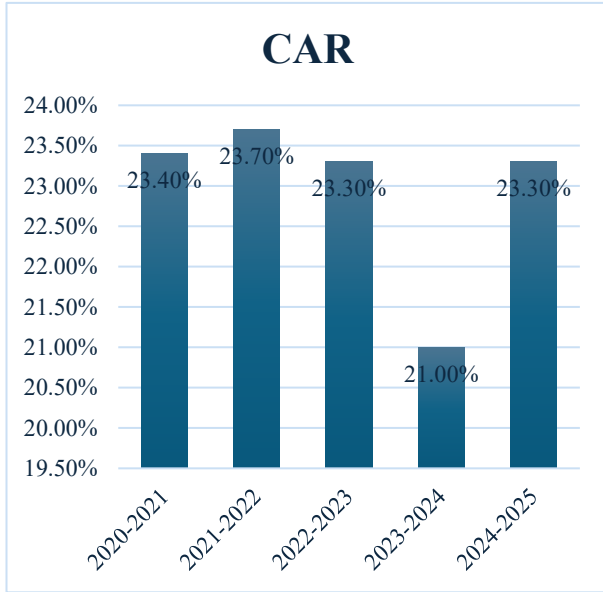
**Formula:** CAR = Tier 1 Capital + Tier 2 Capital / Risk-Weighted Asset \*100

$$CAR = (72,200 + 6,800) \div 337,000 \times 100 = 79,000 \div 337,000 \times 100 = 23.44\%$$

**Table-6 Capital Adequacy Ratio**

YEAR	TIER1 CAPITAL	TIER2 CAPITAL	TOTAL CAPITAL TIER1+TIER2	RISK WEIGHTED ASSETS	CAR
2020-2021	72,200	6,800	79,000	337,000	23.4
2021-2022	84,000	8,500	92,500	390,000	23.7
2022-2023	96,500	9,200	105,700	453,000	23.3
2023-2024	109,000	10,500	119,500	548,000	21.8
2024-2025	128,000	11,800	139,800	600000	23.3

**Chart-6 Capital Adequacy Ratio**



The Capital Adequacy Ratio (CAR) shows the bank’s ability to absorb financial risk and maintain stability. From 2020–2021 to 2024–2025, the CAR remained around 21%–23%. It slightly increased from 23.4% in 2020–2021 to 23.7% in 2021–2022, then decreased to 21.0% in 2023–2024, and again improved to 23.3% in 2024–2025.

**RETURN ON ASSETS (ROA):**

Return on Assets (ROA) is a profitability measure that indicates how efficiently a bank uses its assets to earn profit. It indicates the amount of net profit earned for every ₹1 invested in assets.

**Formula:** ROA = Net Profit / Total Assets \* 100

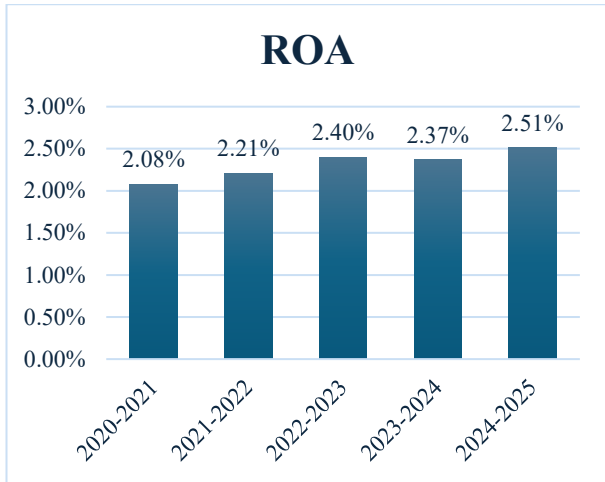
$$ROA = 9,990 \div 478,854 \times 100 = 2.08$$

**INTERPRETATION:**

**Table-7 Return On Assets**

YEAR	NET PROFIT	TOTAL ASSETS	ROA
2020-2021	9,990	478,854	2.08
2021-2022	12,089	546,498	2.21
2022-2023	14,925	620,430	2.40
2023-2024	18,213	767,667	2.37
2024-2025	22,126	879,774	2.51

**Chart-7 Return On Assets**



**INTERPRETATION:**

The bank’s ability to generate earnings from its asset base improved steadily, with the ROA rising from 2.08% to 2.51%. This positive trend highlights enhanced operational efficiency.

**RETURN ON EQUITY (ROE):** Return on Equity (ROE) measures how efficiently a bank uses shareholders’ funds to generate profits. It shows the amount of profit earned for every ₹1 invested by the shareholders.

**Formula:**

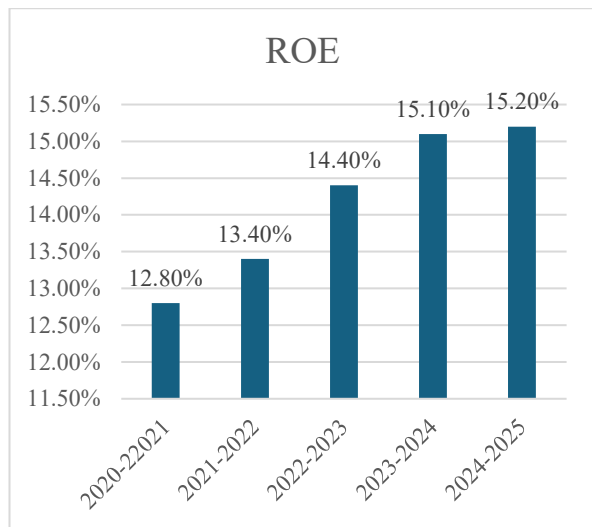
$$ROE = \text{Net Profit} \div \text{Shareholders' Equity} \times 100$$

$$\text{Return on equity} = 9,990 / 78,047 = 0.127 = 12.8$$

**Table-8 Return On Equity**

YEAR	NET PROFIT	AVERAGE SHAREHOLDERS' EQUITY	ROE
2020-2021	9,990	78,047	12.8
2021-2022	12,089	90,216	13.4
2022-2023	14,925	1,03,645	14.4
2023-2024	18,213	1,20,616	15.1
2024-2025	22,126	1,45,565	15.2

**Chart-8 Return On Equity**



Between 2020–21 and 2024–25, the ROE increased from 12.8% to 15.2%, showing a steady improvement in returns earned on shareholders’ investment. This upward trend suggests that the bank is utilizing its equity more efficiently to achieve higher profitability over time.

**DEBT–EQUITY RATIO:** The Debt–Equity Ratio is a financial measure that explains the relationship between a company’s debt and its equity. It shows how much the company depends on borrowed funds compared to its own capital.

**Formula:** Debt–Equity Ratio = Total Debt / Shareholders’ Equity

$$\text{Debt–Equity Ratio} = 3,08,970 \div 74,500 = 4.14$$

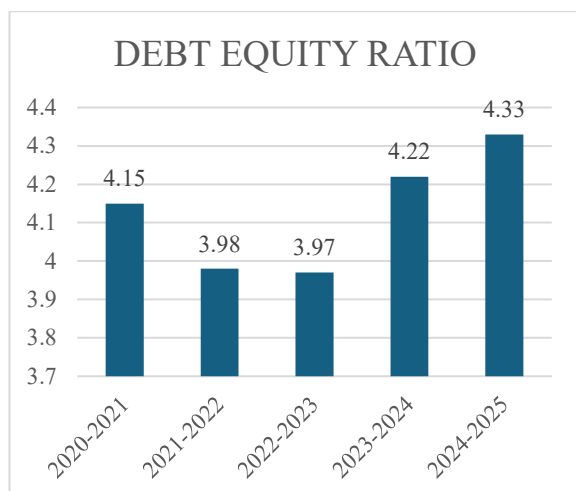
This suggests that the company is using a higher level of debt relative to its equity.

**INTERPRETATION:**

Return on Equity (ROE) indicates how effectively the bank uses shareholders’ funds to generate profits.

**Table-9: Debt–Equity Ratio**

YEAR	TOTAL DEBT	SHAREHOLDERS’ EQUITY	DEBT EQUITY RATIO
2020-2021	3,08,970	74,500	4.15
2021-2022	3,43,228	86,200	3.98
2022-2023	3,91,362	98,500	3.97
2023-2024	4,85,357	1,15,000	4.22
2024-2025	5,63,624	1,30,000	4.33

**Chart-9 Debt Equity Ratio****INTERPRETATION:**

The Debt–Equity Ratio reflects the relationship between borrowed funds and shareholders’ equity. During the period from 2020–21 to 2024–25, the ratio showed minor variations, ranging between 3.97 and 4.33. It experienced a slight decline in 2022–23, followed by an increase towards 2024–25. Overall, the ratio suggests that the bank relies more on debt than equity for financing, although the level remained fairly consistent throughout the study period.

**FINDINGS:**

1. The ratio showed a slight improvement, reaching 4.33 in 2024–25. However, it still reflects poor short-term liquidity, as current liabilities consistently exceed current assets during the study period.
2. The quick ratio also displayed a declining trend and remained below 1 throughout all the years. This suggests that the bank has a limited capacity to meet its short-term obligations without depending on less liquid assets.
3. The cash ratio showed an overall improvement, increasing from 0.18 to 0.33 despite some fluctuations. This indicates that the availability of cash and cash equivalents has strengthened in recent years.
4. The asset turnover ratio stayed relatively stable in the beginning but later improved from 0.07 in 2022–23 to 0.12 in subsequent years. This reflects better efficiency in utilizing assets to generate revenue.

5. The bank's CD ratio demonstrated a consistent upward trajectory, climbing from 90.2% to 98.3% over five years.

6. The capital adequacy ratio remained stable between 21% and 23%, indicating strong financial stability and compliance with regulatory requirements.

7. The bank’s ability to generate earnings from its asset base improved steadily, with the ROA rising from 2.08% to 2.51%. This positive trend highlights enhanced operational efficiency.

8. Return on Equity increased steadily from 12.8% to 15.2%, indicating effective utilization of shareholders’ funds and growing investor confidence.

9. The debt–equity ratio remained high (around 4:1), which is typical in banking, but showed slight fluctuations. This indicates reliance on borrowed funds, though within a stable range.

**CONCLUSION:**

The study of Kotak Mahindra Bank’s working capital reveals a balanced approach to liquidity and profitability. While the bank maintains a stable financial structure, there is room to further optimize the management of current liabilities to enhance short-term financial strength. The overall performance during the study period indicates efficient resource utilization and a strong commitment to regulatory compliance.

**SUGGESTIONS:**

- Kotak Mahindra Bank should focus on improving its liquidity by maintaining a proper balance between current assets and current liabilities.
- The bank needs to enhance its cash and liquidity management practices to ensure that it can meet short-term financial commitments without difficulty.
- It is important for the bank to maintain a suitable Credit–Deposit ratio to reduce the risk of excessive lending. The bank can continue improving asset utilization to generate higher income and profitability.
- Management should monitor working capital components regularly using financial ratios and analytics. The bank should maintain strong capital adequacy levels to ensure financial stability and compliance with RBI regulations.