

# **Working Capital Management of Nepalese Manufacturing Companies in Nepal**

A Dissertation submitted to the Office of the Dean, Faculty of Management in  
partial fulfillment of the of requirements for the Master's Degree

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## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Working Capital Management of Nepalese Manufacturing Companies in Nepal.**" The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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## REPORT OF RESEARCH COMMITTEE

Ms. Kamala Jaishi has defended research proposal entitled "**Working Capital Management of Nepalese Manufacturing Companies in Nepal**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Dr. Pitri Raj Adhikari and submit the thesis for evaluation and viva voce examination.

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## APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled "**Working Capital Management of Nepalese Manufacturing Companies in Nepal**" presented by Ms .kamala jaishi for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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## ABBREVIATIONS

&	:	And
ATM	:	Automated Teller Machine
BS	:	Bikram Sambat
CAR	:	Capital Adequacy Ratio
CRR	:	Cash Reserve Ratio
DIR	:	Deposit Interest Rate
GDP	:	Gross Domestic Product
INF	:	Inflation
IRS	:	Interest Rate Spread
KBL	:	Kumari Bank Limited
KYC	:	Know Your Customer
LA	:	Loan and Advance
LnLA	:	Natural Logarithm of Loan and Advance
LnTD	:	Natural Logarithm Total Deposit
LTD	:	Limited
MBS	:	Master of Business Studies
NIMB	:	Nepal Investment Mega Bank Limited
NMB	:	Nepal Merchant Banking and Finance Limited NPL
	:	Non-Performing Loan
NRB	:	Nepal Rastra Bank
PRVU	:	Prabhu Bank Limited
ROA	:	Return on Assets
ROE	:	Return on Equity
SD	:	Standard Deviation
TD	:	Total Deposit
TU	:	Tribhuvan University

## ABSTRACT

Working Capital management are the most secured and liquid financial assets available, which can accelerate manufacturing lending to various sectors. Similarly, manufacturing plays an important role in economic development of country. Working Capital management serves as the main source of funds for manufacturing intermediation activities which can simply classified as Liquidity Ratio, Activity Turnover Ratio, Profitability Ratio and Cash Conversion Cycle Manufacturing Companies. The study is based on secondary data of 7 manufacturing Companies for the period of 2013/14 to 2022/23. Data and information have been collected from Nepal Stock Exchange (NSE) and annual reports of the selected manufacturing Companies. The research design adopted in this study is descriptive and causal comparative research design as it deals with the Working Capital Management of Nepalese manufacturing Company. This study attempts to examine the Working Capital Management of Nepalese manufacturing Companies.

The descriptive statistics for Manufacturing Companies shows that the current ratio and quick ratio of all selected companies has below the industry average rate 2:1 and 1:1 respectively. Highest average current assets turnover ratio, an average inventory turnover ratio, receivable turnover ratio and cash and bank turnover ratio than other sample companies. It indicates that BAJAJ has efficiently utilized its assets to concert into sales. The turnover ratio shows HBAJAJ has highest average current assets turnover ratio, an average inventory turnover ratio, receivable turnover ratio and cash and bank turnover ratio than other sample companies. It indicates that BAJAJ has efficiently utilized its assets to concert into sales. The profitability ratio shows UNL highest level of return on assets i.e. 27% and net profit margin 53.32%. The result shows UNL is doing better in operation generating profit with available assets than other sample companies. The outcome of cash conversion cycle shows DNL has highest level of CCC followed by UNL and ASHIMA has negative CCC Longer CCC indicates greater need for external financing thereby increases the cost of financing too resulting in lower profitability. The negative CCC seems to be very satisfactory for short period but in long period, it will deteriorate the credit worthiness of the companies. The correlation of UNL shows there is a negative relationship between ROA with NP margin, CR, RCP and PCP and positive relationship between ROA with RCP, CCC, sales growth and AG. It indicates that

CCC has a positive significant impact on return on assets bigger the firm size the annual growth of sales, higher the firm profitability and vice versa. Similarly, correlation analysis of DNL shows a positive relationship between ROA with NP margin, RCP, ICP and CCC, and negative correlation with CR, PCP, SG and AG. As we know that positive correlation means both of the variables are moving towards the same directions and vice versa The correlation analysis of shows there is a negative not correlation between ROA with RCP, PCP, and AG and positive correlation between ROA with cash conversion cycle, sales growth. It indicates that increase in CCC and sales growth will increase in company's profitability and vice versa Manufacturing Companies.

Key words: Working Capital, Management, liquidity ratio, Correlation, and turnover Ratio.



# CHAPTER I

## INTRODUCTION

### 1.1 Background of study

Planning and managing current assets and liabilities in a way that, on the one hand, removes the danger of not being able to pay for due short-term commitments and, on the other, prevents overinvestment in these assets is known as working capital management. Any nation's ability to develop is significantly influenced by its economic circumstances and state. One of the main drivers of the nation's economic development is the mobilization of domestic resources. Nepal is mostly an agricultural nation. Over 80% of the labor force is employed in agriculture, which also accounts for over 40% of the GDP. The agricultural production system is centered on sustenance, and the technology employed are archaic.

Today, aside from agriculture, the main sources of income are overseas employment and other industrial development. Manufacturing enterprises can be seen of as the impetus for a nation's economic development. In order to achieve economic growth and prosperity within the nation, industrialization is essential to the advancement of economic development. Working capital is necessary for the organization to function well and support its daily financial operations. Any organization needs working capital to support its smooth operations; it is thought of as the heart and soul of a corporation. Working cash is crucial to a company's ability to succeed or fail. (Elijelly, 2023).

Working Capital Management has become very important in financial management because of its effects on the firm's profitability, risk and consequently its value. There are several important reasons why the management of working capital is important to both small and large organizations. As the financial markets have turned into turbulence during the last few years, an increasing number of companies turn to their working capital in search of liquidity. A liquid company has more cash in hand to pay its debtors in time and reduce its net financial costs. Furthermore, a more liquid company has the ability to quickly invest in profitable opportunities. Working capital is usually defines in terms of net working capital. Net working capital is the difference between current assets and current liabilities. This means shortening the time of collecting receivables, deferring payments and keeping a minimal

inventory, a company can reduce its net working capital. Working capital also encompasses cash management, for example, how to invest idle cash funds without losing out on liquidity. (Smith, 1980).

Working capital, also known as net working capital (NWC), is the difference between a company's current assets, such as cash, accounts receivable (customers' unpaid bills) and inventories of raw materials and finished goods, and its current liabilities, such as accounts payable. Net operating working capital is a measure of a company's liquidity and refers to the difference between operating current assets and operating current liabilities. In many cases these calculations are the same and are derived from company cash plus accounts receivable plus inventories, less accounts payable and less accrued expenses. Working capital is a measure of a company's liquidity, operational efficiency and its short-term financial health. If a company has substantial positive working capital, then it should have the potential to invest and grow. If a company's current assets do not exceed its current liabilities, then it may have trouble growing or paying back creditors, or even go bankrupt. (Investopedia.com). Working capital management is important because of its effects on the firm's profitability and risk, and consequently its value (Smith, 2022). On the one hand, maintaining high inventory levels reduces the cost of possible interruptions in the production process or of loss of business due to the scarcity of products, reduces supply costs, and protects against price fluctuations, among other advantages. One may argue that working capital is the vitality of businesses. It alludes to managing current liabilities as well as current assets in their entirety. Included in it is the kind of capital that changes forms throughout regular business operations. Whether a company engages in production or commerce, it is essential to their operations. Because it is essential to day-to-day operations, the management of an organization's present assets and liabilities determines whether it succeeds or fail. (Blinder & Manccini,2023).

A financial statistic known as working capital shows the operational liquidity that a company has accessible. Working capital is seen as a component of a company's operating capital, referring to current assets, along with fixed assets like plants and equipment. Net working capital, or the difference between current assets and current liabilities, is a commonly used metric to assess how effectively a company uses its working capital. If the company's current assets exceed its current liabilities,

has working capital efficiency, which explains how the business can keep running and have enough money to pay off impending operating costs as well as maturing short-term debt (Huynh, 2011).

The majority of the people of Nepal—more than 80%—works in agriculture, but it is subsistence farming. A gift from nature, the diverse environment allows for the production of a wide range of fruits and flowers. However, commercial cultivation of these crops has not yet occurred; instead, other industries are gradually reviving agriculture. (Shrestha, 2021).

Today one may come across with such situation where shortage of funds for working capital as well as the uncontrolled over expansion of working capital has caused much business to fail and, in less serve, caused, has situated their growth. This aspect of financial management is equally applicable to the small as well as large-scale enterprises. The only difference is that in small firm, working capital management may be the factor that decides success or failure where as in longer firms, efficient working capital management can significantly affect the firm's risk return and share price. (Gitman et al., 2019).

Working capital management is concerned with short-term investment and financing decision of an entity and is a major business requirement and a significant part of corporate finance. WCM covers the planning and controlling activities of companies regarding their current assets and current liabilities in a manner that guarantees their ability to meet their current obligations satisfactorily as well as a maximum return on their precious investment in these floating assets. The ultimate goal of working capital management is to ensure that firms are able to continue their operations with sufficient cash flow that will service their long-term debts and satisfy both maturing short-term obligations and upcoming operational expenses. Working Capital management is used as an optimization tool to make the most profitable use of liquid funds while maintaining a minimum level of liquidity to cover possible unexpected short-term expenditures (Kunze & Peri, 2015).

A well designed and implemented working capital management policy is expected to contribute positively to the creation of a firm's value. Current assets of many companies, accounts for over half the total assets and are even higher in the companies in the distribution sector. However, a company is required to maintain a balance between liquidity and profitability while conducting it day to day operation. This required that a business must be run both efficiently and profitably. In the

process, Assets-liability miss-match may occur, which may increase the firm's profitability in the short - run but at a risk of its insolvency. On the other hand, too much focus on liquidity will be at the expense of profitability of the firm. (Horne & Wachowicz, 2009).

Working capital is specifically divided into two concepts: net concept and gross concept. The investment made by the company in current assets is referred to as gross working capital, or simply working capital. Cash, short-term securities, debtors, accounts receivable, inventory, shares, and prepayments are examples of current assets that can be turned into cash within an accounting year. The amount that separates current assets from current liabilities is known as net working capital. Current liabilities are those external claims, such as debts, bills payable, overdraft balances, unpaid invoices, and unreported income, that are anticipated to mature for payment during an accounting year. There might be a positive or negative net working capital. When current assets are greater than, net working capital will increase positively. present-day debt. An excess of current obligations over current assets results in a negative net working capital, Pandey (2018). Handling cash, marketable securities, receivables, inventories, and current liabilities are the assets that are typically included in working capital management. In other words, working capital management addresses the issues that come up while trying to manage current assets, current liabilities, and the relationships that exist between them.

Practical experience has shown that maintaining current assets requires a significant portion of a financial manager's work because of their volatility and high investment in them. Because it is closely tied to other trade-offs between risk and return, maintaining the ideal level of working capital is therefore the key to solving the issue. Under these conditions, the management of such assets needs to be done with extreme caution. (1991, Van Horne).

Under the working capital policy preview is the process of figuring out what percentage of current assets to include in the overall asset structure. The primary reasons why manufacturing enterprises in Nepal fail are the needless freezing of working capital, administrative carelessness in day-to-day operations, and an acute liquidity crisis. In spite of their rigorous working capital management strategies, the majority of industrial enterprises in Nepal are experiencing losses.

The most important aspect of any company is its working capital management, which is used to calculate competitors in the market. Any company that wants to thrive in the market needs to have good working capital management since it impacts every functional area of the business.

For every business organization irrespective to their nature. Working capital management is the crucial aspect of the financial management. It is the life-blood and controlling nerve center for any types of business organization because without the proper control upon it no business can run smoothly. The management of current assets and current liabilities is necessary for daily operations of any organizations. Thus, it plays the vital role in the success and failure of the organizations as it deals with the part of assets, which transformed from one form to another form during the course of manufacturing cycle. Therefore, the role of working capital management is more significant. Hence, the study examines working capital in manufacturing company in Nepal.

### **1.2 Problem statement**

One of the key elements in the decision-making process is working capital management. Short-term liquidity management and working capital management are interchangeable terms. Any organization needs working capital to support its smooth operations; it is thought of as the heart and soul of a corporation. An organization's ability to accomplish its main goals is harmed by both excessive and insufficient working capital levels (Padachi,2022).

An organization with an excessive amount of current assets will consume more long-term funds, which are more expensive than current liabilities. However, the company can enter technical bankruptcy as a result of its low level of current assets. Therefore, maintaining an ideal amount of working capital is the aim of working capital management, which involves managing the company's current assets and current obligations.

It can be challenging to determine exactly how much working capital a certain corporate organization needs. Because cash inflows are variable, the amount of working capital needed by a company can differ. Managing working capital is a difficult challenge in this situation. According to Van Horne (2023).

Most public businesses have never given working capital source management any real thought. Even when they make an effort to control their working capital demands using internal resources, they are typically found to rely on working capital

management to help them get through working capital difficulties. Acharya (2021) reports that certain state firms have addressed the need of working capital by utilizing excess and depreciation fund. Working capital management has been the most intricate and challenging area of modern corporate finance is as much as the management always faces trade-off between three liquidity and profitability of the firm. (Acharya, 2024).

In order for the business to continue being liquid enough to pay its short-term debtors, working capital management is crucial. Is it possible for a business with effective working capital management to outperform a rival with poorly managed working capital? What are the many indicators and procedures that need to be enhanced in order to boost working capital management profitability? In order to determine how businesses may improve their working capital management, this study is limited to the various working capital management processes and focuses on a few key metrics. Thus, the primary issues that have been determined for the purposes of this investigation are listed below:

- i. How is the liquidity position of selected companies?
- ii. Do your status of working capital utilization of selected companies?
- iii. Where does the working capital and selected companies' profitability is used?

### **1.3 Objectivity of the study**

All research studies are carried out with the intention of accomplishing specific goals, and this study is no different. This study's primary goal is to examine Unilever Nepal Ltd., Dabur Nepal Ltd., Ashima Limited, Bajaj Auto Limited, Asian Paints Limited, Godrej Consumer Product, and JSW Steel Limited working capital management practices.

The specific objectives are as follows:

- i) To assess the liquidity position of selected companies.
- ii) To examine the status of working capital utilization of selected companies.
- iii) To evaluate the effect of working capital on sale and profit.

### **1.4 Rationale of the study**

The working capital management study is anticipated to be utilized and/or applied by academics as well as the management of manufacturing organizations. As a result, the study's conclusions have the following implications.

Managers and corporate executives may find the information produced by this study helpful in determining and overseeing working capital management inside the company.

Regarding working capital management, the management of the relevant companies— Unilever Nepal Ltd., Dabur Nepal Ltd., Ashima Limited, Bajaj Auto Limited, Asian Paints Limited, Godrej Consumer Product, and JSW Steel Limited may find this study useful. Researchers, academics, and students interested in learning more about Nepali manufacturing enterprises' working capital management may find it useful.

### **1.5 Limitations of the study**

The field of working capital management is the focus of the study. The research has the following limitations: Just the working capital management of seven listed manufacturing companies will be the subject of this investigation.

- i). The data set used spans only ten years, from 2013 to 2022.
- ii). Secondary data will form the study's foundation. The B/S and P/L a/c as well as other company reports will determine the outcome of all analysis. Thus, that the outcome's reality may or may not be true in this study.
- iii). The only methods and instruments utilized for data analysis are statistical and financial ones.
- iv). Only a small number of working capital management factors are covered in this study.

## **CHAPTER II**

### **LITERATURE REVIEW**

This section covers a concise summary of previous and current empirical research that is relevant to the topic of this study. Researchers have long been interested in studying the working capital management of Nepalese manufacturing enterprises. On this subject, several research have been conducted in both established and developing economies. Generally speaking, the literature review section is broken up into the following sections:

2.1 Theoretical Review

2.2 Conceptual Review

2.3 Empirical Review

2.4 Research gap

#### **2.1 Theoretical Review**

##### **2.1.1 Definition of Working Capital Management**

Organization-specific characteristics such size, age, profitability, revenue growth, market share, operating risk, and operating cash flow are used internally to identify working capital management. Similar to this, macroeconomic variables like the GDP, interest rate, and tax rate are used to detect it externally. Effective and well-managed working capital management affects an organization's liquidity and profitability parity, which may have a significant impact on its success or failure over the short- and long-terms. Any organization's ability to succeed surely depends on its financial managers' ability to handle working capital components like cash, receivables, inventories, and payables.

The management of a business's short-term assets and obligations to maintain continuous financial stability and operational effectiveness is known as working capital management. It entails keeping an eye on how a company's current liabilities, such as payables and short-term loans, are balanced against its current assets, which include cash, inventories, and receivables. A corporation that practices effective working capital management maximizes its operational profitability while maintaining enough cash flow to pay its short-term obligations and operating expenses. Ehrhardt, M. C., and E. F. Brigham (2013). *Financial Management:*

Concepts and Applications. Cengage Learning in the West Indies. Using case studies and examples, this text examines the theoretical foundations and real-world applications of working capital management. Zutter, C. J., and L. J. Gitman (2012). The fundamentals of managerial finance. Pearson. With a focus on cash, inventory, and receivables management, this book covers the tactics and procedures of efficient working capital management.

Working capital, which is the gap between current assets and current liabilities, is an essential component of every organization's financial management. It shows how well a business can manage its ongoing operations and short-term financial commitments. This theoretical overview explores the importance of working capital management, its elements, and current research results, highlighting its applicability in modern company settings.

Maximizing profitability, guaranteeing liquidity, and enhancing operational efficiency all depend on effective working capital management. In order to balance liquidity and profitability, it entails managing cash, inventories, receivables, and payables. Furthermore, by lowering financing costs and the danger of insolvency, effective working capital management enhances shareholder value.

Numerous aspects of working capital management and their influence on business success have been brought to light in recent research. For example, the Deloof (2020) study stressed how crucial working capital rules are to a company's profitability and liquidity. It was claimed that while a conservative working capital policy could guarantee liquidity, it might compromise profitability. An aggressive working capital policy might increase profitability at the expense of decreased liquidity. Additionally, Rahman and Nasr's 2007 study investigated the connection between corporate profitability in Pakistani companies and working capital management. The results showed that working capital management practices had a major impact on profitability, highlighting the necessity of a balanced strategy to preserve liquidity without sacrificing profitability.

## **2.2 Conceptual Review**

A crucial component of financial management is working capital management, which is concerned with controlling a business's short-term assets and liabilities to maintain liquidity and seamless operations. Within the framework of Nepal's business climate,

this conceptual assessment examines the concepts, difficulties, and methods of working capital management.

In a business, working capital is the difference between current assets and current liabilities. It consists of short-term investments, cash, inventories, and accounts receivable less accounts payable and other short-term loans. A corporation that manages its working capital well can maximize profits and minimize expenses while maintaining enough liquidity to pay short-term obligations.

### **2.2.1 Types of Working Capital**

Working capital, a company's lifeblood, consists of the short-term assets and liabilities required for daily operations. Comprehending its varieties is essential for proficient financial administration.

#### **a. Gross Working Capital:**

The overall current assets of a business, including as cash, accounts receivable, inventory, and short-term investments, are referred to as gross working capital. It stands for the company's cash on hand and its capacity to pay short-term debt. (2020, Chakravarty)

#### **b. Net Working Capital**

Current liabilities are subtracted from current assets to determine net working capital. It shows how much a company's short-term assets surpass its short-term obligations and offers a more sophisticated measure of liquidity. An advantageous liquidity position is indicated by positive net working capital. Nanda and Panda (2021).

#### **c. Permanent Working Capital**

The minimal amount of working capital needed to maintain continuous operations, irrespective of seasonal variations or shifts in sales volume, is known as permanent working capital. It comprises resources required for regular operations, like cash reserves and minimum inventory levels. (Pandey, 2019)

### **2.2.2 Importance of Working Capital**

Maintaining working capital is essential to the financial stability and operation of businesses. Sufficient working capital guarantees liquidity, allowing businesses to swiftly fulfill short-term commitments (Smith & Moyer, 2020). By providing money for routine tasks like buying merchandise and paying operating expenses, it preserves operational continuity (Pandey, 2019). Additionally, it makes it easier to take advantage of growth prospects by offering resources for investment and expansion (Gitman et al., 2021). Strong stakeholder connections, improved creditworthiness, and

reduced financial risk are all benefits of efficient working capital management (Van Horne & Wachowicz, 2021).

In the end, by maximizing resource usage and producing sustainable returns, ideal working capital strategies help to maximize shareholder value (Brealey et al., 2020). To sum up, working capital is essential to businesses because it supports growth, risk mitigation, liquidity management, operational effectiveness, and value generation.

### **2.2.3 Factors affect**

A company's working capital, which is a gauge of its operational liquidity, is affected by a number of internal and external variables.

**i) Sales and Revenue Trends:** Working capital requirements are directly impacted by variations in sales volume. Working capital needs may rise during times of strong sales since more money may be invested in inventories and accounts receivable. On the other hand, there can be extra cash during slower sales times, which could be put toward investments or debt reduction.

**ii) Inventory Management Efficiency:** Working capital is significantly impacted by the effectiveness of inventory management procedures. Efficient inventory control optimizes working capital allocation by reducing carrying costs and the risk of obsolete inventories.

**iii) Management of Accounts Receivable:** Cash flow and working capital are significantly impacted by the speed at which receivables are collected. Reducing the cash conversion cycle and improving working capital availability can be achieved through the implementation of effective credit policies, prompt invoicing, and proactive collection techniques.

**iv) Accounts Payable Policies:** By extending payment deadlines, negotiating advantageous payment arrangements with suppliers can help save working capital. But persistently postponing payments can damage supplier relationships, so it's important to strike a careful balance between keeping vendors happy and protecting liquidity.

Enhanced working capital and improved cash flow are achieved through cost control and operational efficiency. To support corporate operations and growth efforts, optimal levels of working capital are maintained through efficient resource management and strict cost control procedures.

### **2.3 Empirical Review**

Nunn (2020) approached the working capital requirements splitting into seasonal and permanent needs the researcher explored the permanent portion of working capital that does not fluctuate with short-run changes in the business activity of the firm. In addition, Nunn is interested in permanent working capital investment rather than temporary as he uses data averaged over four years. Likewise, Kunwar (2020) conducted the next recent case study and revealed that working capital management of pharmaceutical Industry of Nepal with special reference to RDL has taken the six-year data 2011-2017 to examine the overall working capital management of RDL. He found that the pharmaceutical industry is suffering from huge losses due to poor working capital management and lack of special working capital policy which reduces risk but hamper in profitability

The study used a U.S. database taking product-line businesses in many different industries, from 2013 to 2022 with the help of multiple regression models. Using factor analysis, the study found evidences of 19 possible determinants of working capital management related to the production process, sales, accounting method, competitive position and industry factors. Using data on 1181 U.S. firm, they conclude that there is a substantial industry effect on firm working capital management practices that is stable over time. From these studies, we conclude that sales growth and industry practices are important factors influencing a firm's investment in working capital.

One of the most significant studies in the topic of working capital management was carried out by Deloof (2021). For a sample of 1,009 sizable Belgian non-financial companies, the researcher looked into the relationship between working capital management and company profitability for the years 2013-2022. He left out businesses that provided banking, finance, electricity, and other services. He conducted the study using a descriptive research methodology. Nonetheless, the relationship between the profitability metrics has been examined using regression analysis and correlation.

Trade credit policy and inventory policy are measured by number of day's accounts receivable, accounts payable and inventories, and the cash conversion cycle is used as a comprehensive measure of working capital management. Accordingly, with priori hypothesis using correlation and regression tests he found a significant negative

relation between gross operating income and the number of days accounts receivables inventories and accounts payables of Belgian firms. The results suggest that managers can increase corporate profitability by reducing the number of day's accounts receivable and inventories. Less profitable firms wait longer to pay their bills.

Shrestha (2021) found out that working capital management of manufacturing Companies in Nepal” (Listed on Nepal Stock Exchange Ltd.) has tried to analyzed the management of working capital of manufacturing industries of selected 16 companies. The researcher found out that the most of the Nepalese manufacturing companies are suffering from huge losses due to their administrative negligence in day-to-day operation, unnecessary blockage of inventory or lack of specific working capital policy. Similarly, liquidity, profitability and turnover position also found unfavorable. High inventory conversion period, receivable conversion period and extremely high payable period leads to negative cash conversion cycle that is not favorable at all for the long run. The predicting power of success/failure analysis shows that most of the companies are financially unsound. The DU point analysis shows that turnover ratio is very low and profit margin on sales is also negative and ultimately ROA is also negative. So, overall profitability of the Nepalese manufacturing companies is negative. Nepalese manufacturing companies in the present context are facing certain policy issues like deficient financial planning, neglect of working capital management, deviations between liquidity and turnover etc. These policy issues must be overcome by manufacturing companies. For this he has suggested that MPEs must determine the appropriate financing mix. The author concludes that listed manufacturing companies cannot neglect the management of working capital, otherwise it will seriously erode their financial viability. Thus, managers should understand the factor determining working capital needs, so that such understanding enables to have proper management of working capital. The authors conclude in their study that their results coincide with the results from (Gitman, 2021). They observe a negative relation between the cash conversion cycle and profitability. As with the authors also find that less profitable companies have longer accounts payable periods, which could be seen as a delay of paying invoices if the company is short of cash. Also, the negative relation between accounts receivable and profitability would suggest that less profitable companies try to improve them. Efficiency and liquidity by reducing the cash gap in the CCC. A negative relation between profitability and days of inventory outstanding suggests a mismanagement of

inventory levels and a drop in demand, which in turn ties up unnecessary capital in inventories which could be used elsewhere more profitably. They conclude, as does Gitman that managers can create shareholder value if they optimize levels of inventory, accounts payable and accounts receivable and thus reducing the cash conversion cycle to an optimal level.

Yogi (2021) conducted a study as a study on working capital management of Unilever Nepal Limited (UNL) Nepal. The thesis is conducted through secondary data. Introduction about the company of the subject. The data had been collected from annual reports and audited financial statements of the company submitted to Nepal stock exchange Ltd. Saghir et al., (2022) analyzed the "working capital management and profitability: Evidence from Pakistan Firms, working capital management is an important part in firm financial management decision. Improper management of Working capital, that is, too much or too low working capital may suffer firms, so an optimum level of working capital is the key to a smooth inflow of profit.

Huynh (2023) examined that the influence of working capital management on profitability of Listed Companies in the Netherlands. The researchers aim at finding out whether working capital management can impact Dutch companies' profitability and if so, whether it positively or negatively affected. Accordingly, his thesis attempts to provide empirical evidence about the influence of working capital management on the profitability for Dutch non-financial listed companies during the period 2013-2022. To measure the need of working capital he has selected 19 listed companies. He uses descriptive statistics methodology to conduct the research. The study also uses Pearson Correlation Analysis then Regression Analysis using Fixed effects Model and Pooled Ordinary least squares model. The result from fixed effect regressions indicates that company profitability in both manufacturing and service sectors is all negatively influenced by number of days accounts receivable. This result conforms that trade credit management plays a vital role in contributing for a superior profitability of Dutch companies operating in manufacturing and service areas. In the meantime, ordinary least square regressions result in positive impacts of firm size and sales growth on profitability.

In this paper, they investigate the relationship between profitability and working capital management. They used a sample of 60 textile companies listed at Karachi Stock Exchange (KSE) for the period of 2013-2022 and the firms' observations are 360. The purpose of this study is to establish a relationship that is statistically

significant between profitability, the cash conversion cycle and its components number of days.

Accounts receivables, Number of days Accounts payables and Number of days Inventory). The results of their research showed that there is statistically negative significance between profitability, measured through Return on Asset, and the cash conversion cycle. Moreover, managers can create profits for their companies by handling correctly the cash conversion cycle and keeping Number of days Accounts receivables, Number of days Accounts payables and Number of days Inventory to an optimum level.

Pradhan (2024) assessed that working capital management as the demand for working capital by Nepalese corporation. He analyzed the selected nine manufacturing public corporation with the 12 years data from 2010-2022 Regression education has been adopted for the analysis. He has summarized that the earlier studies concerning about the demand for cash and inventories by business firm did not report unanimous findings. Many controversies exist in respect to the presence of economics of scale, roles of capital cost; capacity utilization rates and the speed with which actual cash and inventories are adjust to describe cash and inventories respectively. The pooled regression results show the presence of economics of scale with respect to the demand for working capital and its various components. The regression results suggest strongly that the demand for working capital and its components is function of both sales and their cost. The estimated result show that the inclusion of capacity utilization variable in model seems to have contributed to the demand function cash and net working capital only. The effect of capacity utilization on the demand for inventories receivables and gross working capital is doubtful.

The data has been directly extracted from the balance sheet and income statement of which the company provided. The primary information has been collected through interview with the officials of UNL Ltd. various coefficients of correlation ( $r$ ) is used to examine the relationship between liquidity positions. The major findings are: a. The Company holds the largest position of current assets. Current assets of constant for every year it is in the fluctuation nature, b. theoretically, the higher liquidity means the lower risk as well as lower profit but commercial banks higher liquidity means the lower risk as well as lower profit but commercial banks higher liquidity is not always the cause of lower profitability.

The proportion of cash with respect to total asset shows that cash absorbs higher percentage of total assets, which adversely affects the RDL's wealth maximization goal in the long run. Inventory and receivables also constitute an important part of cash, but these are not properly managed by the co. RDL is following liberal credit policy, so its receivable collection period is too long of 57 days. Due to inefficient management of inventory, receivables and cash conversion cycle, RDL takes more than one year to turn its working capital into sales. The researcher has recommended that RDC can overcome these problems and improve its financial performance if it undertakes the measures like: identification of need funds, regular checks, development of MIS, positive attitude towards risk and profit, right combinations of short term and long-term sources of funds to finance working capital needs. He further suggests that appropriate combination of investment in CA, minimizing production and operating cost, prepare effective sales plan improving liquidity speedy cash conversion and proper inventory control techniques will be the milestone for managing working capital management.

Table 1  
Review table

<i>Authors</i>	<i>Variables</i>	<i>Methodology</i>	<i>Major finding</i>
<i>Deloof, M. (2021)</i>	<i>Independent variable</i>	<i>Descriptive statistic</i>	<i>relationship between working capital management and financial analysis. S</i>
<i>Shrestha (2021)</i>	<i>Independent variables</i>	<i>Descriptive statistics</i>	<i>Average collection period, inventory, average payment period, cash conversion cycle.</i>
<i>Gitman (2021)</i>	<i>Dependent variable</i>	<i>Descriptive statistics,</i>	<i>Profitability of the firm.</i>

		<i>coefficient of correlation</i>	
<i>Yogi (2021)</i>	<i>Dependent variable</i>	<i>Descriptive statistic, regression &amp; coefficient correlation</i>	<i>liquidity position and working capital efficiency.</i>
<i>Nunn (2022)</i>	<i>Independent variable</i>	<i>Descriptive statistic, regression.</i>	<i>align strategic decisions with working capital management practices.</i>
<i>Sagir et.al., (2022)</i>	<i>Independent variable</i>	<i>Descriptive statistic.</i>	<i>inventory management, accounts receivable management</i>
<i>Kuwar (2022)</i>	<i>Independent</i>	<i>Descriptive statistic, regression, correlation.</i>	<i>liquidity position and its ability to meet short-term obligations.</i>
<i>Huynh (2023)</i>	<i>Dependent variable</i>	<i>Descriptive statistics, Pearson coefficient correlation.</i>	<i>Net profit margin &amp; ROA.</i>
<i>Pradhan (2024)</i>	<i>Independent variable</i>	<i>Regression analysis.</i>	<i>working capital management strategies improving financial performance.</i>

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## **2.4 Research gap**

The examination of pertinent literature has improved the basic comprehension and knowledge needed to provide the study direction and significance. In terms of research gaps, there has been a lot of research done on working capital management in various nations. In the past several years, there have been significant changes to the working capital environment and the manufacturing process. Thus, three distinct manufacturing companies—UNL, DNL, Ashima Ltd., Bajaj Auto Ltd., Asian Paints Ltd., Godrej Consumer Products, and JSW Ltd.—have been the subject of a new study on working capital management. The most of the studies has been considered many more objectives, which made their study more complicated, but in this research report only three objectives are taken into study.

While only secondary data were used in this analysis, all financial tools—the composition of working capital, liquidity position, and profitability position—were employed. Both financial as well as statistical tools like ratio analysis, turnover, cash conversion cycle, mean, standard deviation, coefficient of variance, and correlation are used in this research. Almost all the ratios have been applied to cover the analytical part and fulfill the objective of this study. The data collected spans from 2012/13 to 2022/23 and includes recent information from UNL, DNL, Ashima Ltd, Bajaj Auto Ltd, Asian Paints Ltd, Godrej consumer products, and JSW Ltd.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

The present chapter elucidates the methodology utilized in this investigation. It comprises many components that delineate the research plan and design, sample description, instrumentation, data gathering procedure and timeliness, study validity and reliability, and analysis plan.

#### **3.1 Research Design**

The descriptive designs form the basis of the investigation. In order to gather sufficient information regarding the underlying problems related to working capital management of Nepalese manufacturing enterprises, a descriptive research design has been implemented. It explains the factual and true state, circumstance, and circumstances. As a result, a descriptive research approach was used for this study. In order to determine the relationship between net profit margin, current ratio, inventories collection period, receivables, cash conversion cycle, payable conversion period, return on assets, sales growth, and asset growth between 2013/14 and 2022/23, the study also used a causal comparative research design.

#### **3.2 Population and Sampling and sampling design**

To choose the samples from the population, convenience sampling was employed. During the research period, NEPSE (2022) listed 19 manufacturing enterprises. After closing looking at current assets and liabilities, profit / loss and balance sheet, his decide the research to carry out further on the basis of above-mentioned factors. manufacturing companies which are list in Nepal stock Exchange which produces different kind of good. These companies are selected because companies are running in the profit then other company. Which are listed in Nepal stock exchange. Manufacturing companies that have provided services for at least ten years have been examined for inclusion in the study's sample. Out of 19 Nepalese manufacturing businesses during the period of 2013/14 to 2022/23.

The sample manufacturing companies selected are as follows:

i) Unilever Nepal Ltd,

- ii) Dabur Nepal Ltd
- iii) Ashima Ltd
- iv) Bajaj Auto Ltd
- v) Asian Paints Ltd
- vi) Godrej Consumer Product
- vii) JSW Ltd

Unilever Nepal Lever Ltd, is the Nepali subsidiary companies its products include foods, cleaning agents and personal care products.

In 1994, Hindustan Lever Limited, India, and Nepali Promoters formed a joint venture firm. In the Companies' domain. It is the offshoot businesses of foreign investment and technological advancement. The company's primary goals are to produce toiletries, cosmetics, detergents, soaps, oleaginous, and other chemical goods. Dabur Nepal is India's largest Ayurvedic medicine manufacturer. As joint venture company agreement in Nepal with Dabur India Ltd. for the production of ayurvedic-based personal care, health care and food products and started manufacturing, Dabur Nepal, a subsidiary of Dabur India, has set up fully automated greenhouses in Nepal. This scientific landmark helps to produce saplings of rare medicinal plants that are under threat of extinction due to ecological degradation. There is various product manufactured by this companies in Nepal.

### **3.3 Nature and Sources of data, and instrument of data collection**

This section provides more details on the data collection methods used in this investigation. Secondary data had served as the study's foundation. The relevant secondary data and information were gathered from the following sources: newspapers, published articles, book reviews, economic reports, journals, and the annual reports of a few manufacturing enterprises, SEBON, and NEPSE.

All the required data had been collected from annual report (Balance Sheet and Profit and Loss Account) of the selected manufacturing companies. All the secondary data and information are properly arranged and synthesized tabulated and calculated accordance with the requirement of the study.

In order to achieve the objectives of the study various financial and statistical tools are used to analyze the effectiveness of working capital management of manufacturing enterprises.

### 3.4 Method of analysis.

Ratio analysis is a frequently used tool in financial analysis. Ratio is the name for a mathematical connection between two figures. One method for analyzing and interpreting financial statements is ratio analysis. A popular tool for financial analysis is ratio analysis, which determines the quantitative or numerical relationship between two objects. The following ratios can be examined using ratio analysis to ascertain an organization's financial status.

#### 3.4.1 Liquidity Ratio

The firm's capacity to pay its present debts is gauged by liquidity ratios. An organization should make sure that it is neither overly liquid nor lacking in liquidity. The most widely used ratio to show the level of liquidity is:

##### A. Current Ratio (CR)

One can compute the current Ratio by dividing current assets by current liabilities. This demonstrates the firm's solvency and financial stability. It serves as the foundational benchmark for assessing the firm's liquidity and solvency. The following method is used to determine it.

$$\text{Current Ratio (CR)} = \frac{\text{Current assest}(CA)}{\text{Current liabilities}(CL)}$$

A greater ratio suggests that the business is well-positioned and able to pay its debts. A current ratio of 2:1 is typically regarded as adequate. A higher ratio denotes a larger working capital quantity, and vice versa.

##### B. Quick Ratio

A link between quick or liquid assets and current liabilities is established by the quick ratio. If an asset can be quickly or very quickly turned into cash without losing value, it is said to be liquid. The most liquid asset is cash. Marketable securities and book debts are two other assets that are categorized as fast assets and are thought to be assets and are thought be reasonably liquid.

$$\text{Quick Assets (QA)} : \frac{\text{Quick assest}(QR)}{\text{Current liabilities}(CL)}$$

#### 3.4.1.2 Activity/Turnover Ratio:

The relationship between sales and assets are indicated by turnover ratios. Activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. There are following turnover ratios calculated.

### **A. Current Asset Turnover Ratio (CATR):**

The annual percentage transfer rate, or CATR, shows how many often a CA is turned over. For every rupee of sales, the ratio displays the amount of working capital needed. The way that firm efficiency can make use of its CA is examined.

$$\text{Current assets turnover ratio: } \frac{\text{Sales}}{\text{current assets}}$$

Utilization of CA is increasing along with CATR. A lower ratio indicates a higher level of working capital. A low ratio denotes more working capital, whereas a high ratio denotes less working capital.

### **B. Inventory Turnover Ratio (ITR)**

The inventory turnover ratio calculates the speed at which stock can be turned into revenue. The calculation is as follows:

$$\text{Inventory Turnover Ratio : } \frac{\text{Sales}}{\text{Inventory}}$$

Increased turnover is a sign that the business is managing its inventory well.

### **C. Receivable/Debtor Turnover Ratio (RTR)**

Debtors' turnover ratio, which is computed as follows:

$$\text{Debtors' turnover ratio} = \frac{\text{Sales}}{\text{Average debtors}}$$

shows how many times the debtors rotate in a year.

Higher ratios are preferred over lower ratios unless they are abnormally high because they show superior receivables or debtor management.

### **D. Net Working Capital Turnover (NWCT)**

The ratio of sales to NWC is referred to as NWCT. The distinction between TCA and TCL is NWC.

$$\text{NWCT} = \frac{\text{Sales}}{\text{Net working capital}}$$

As ratios increase, so does the usage of net working capital; as ratios fall, so does it.

#### **3.4.1.3 Profitability Ratio**

Making the most profit possible is the primary goal of any firm. This ratio aids in the analysis of the company's profitability status. The profitability ratio is employed to evaluate the business's operational performance.

### A. Net Profit Margin (NPM)

Net profit margin is calculated by subtracting income tax and all operating expenses from gross profit. It shows the proportion of net profit to total sales. This ratio functions as a broad gauge of the company's ability to make money. It is determined by dividing net profit by sales and is given by:

$$\text{NPM} = \frac{\text{Net Profit After Tax}}{\text{Sales}} \times 100$$

### B. Return on Total Assets (ROA)

The link between total assets and net profit after taxes + interest is known as return on assets (RTA). RTA calculates the profitability of the company's overall funds or investments. However, RTA is insufficient to analyze the profitability of various funding sources for financing all of the assets is given:

$$\text{ROA} = \frac{\text{Net Profit After Tax}}{\text{sales}} \times 100$$

#### 3.4.1.4 Cash Conversion Cycle (CCC)

The term "cash conversion cycle" describes the amount of time needed to transform raw resources into completed commodities and then sell those things to earn money. It is the period of time between when raw materials are paid for and when accounts receivable from the sale of the finished product are collected.

$$\text{ICP} + \text{RCP} - \text{PCP} = \text{CCC}$$

The cash conversion cycle illustrates the length of time that the company typically collects cash. The following time frame comprises the CCC.

**i) Inventory Conversion Period (ICP):** The process of turning raw materials into finished goods and then selling them takes time.

$$\text{ICP} = \frac{\text{Inventory}}{\text{cost of goods sold}/360}$$

**ii) Receivable Conversion Period (RCP):** It is the amount of time needed to turn the company's accounts receivable into cash, or to gather cash after a sale.

$$\text{RCP} = \frac{\text{Receivable}}{\text{Sales}/360}$$

**iii) Payable Conversion Period (PCP):** It is the period of time that passes between paying for labor and raw materials with cash and when those purchases are made.

$$\text{PCP} = \frac{\text{Payable}}{\text{Cost of goods sold}/360}$$

Reducing its CCC as much as feasible without negatively impacting operations should be the company's aim. CCC can be shortened by decreasing ICP and RCP and prolonging the PCP. This would increase profit because a shorter CCC would mean less need for outside funding and, thus, less money spent on it.

#### **3.4.1.5 Statistical Tools**

Compared to using just raw data, descriptive statistics provide for a more comprehensive and organized discussion of a data set's properties. The percentage, mean, median, standard deviation, maximum, and minimum values for each variable, as well as the details of each variable's significance, have all been clearly stated under the primary and secondary data analysis. Measuring the link between two or more variables requires the use of statistical methods. The statistical instruments listed below are employed in this study:

##### **i) Standard Deviation (SD)**

The square root of the average of the observation's square distances from the mean is the standard deviation. The standard deviation gives us the ability to pinpoint the exact location of a frequency distribution's values with respect to the mean. Standard deviation is computed using various formulas; among them following formulae has been used here:

$$\text{S.D} \quad : \quad \sqrt{\frac{\sum (x - \bar{x})^2}{N}}$$

##### **ii) Co-efficient of Variation (CV)**

The coefficient of standard deviation is the relative dispersion measurement based on the standard deviation. Coefficient of variation is the percentage measure of the coefficient of standard deviation.

$$\text{C.V} = \frac{\text{S.D}}{\text{Mean}} \times 100$$

The homogeneity and uniformity of two or more distributions can be compared using it.

##### **iii) Correlation Analysis**

The study uses Pearson correlation analysis to define the association between various variables and working capital management to examine the influence of working

capital management on company's profitability. Prior to performing regression analysis, the bulk of earlier studies have opted to use correlation analysis to determine the correlation between the variables. The inability of correlation analysis to detect a cause-and-effect relationship is one of its drawbacks, though. The definition of correlation coefficient is the relationship between the independent and dependent variables. It's a way to figure out how these two variables relate to each other. The SPSS version 25.0 database is used for data analysis and tabulation in order to calculate the Pearson correlation analysis. Basic statistical tools were examined, such as the mean and standard deviation.

#### **IV)Regression**

A known variable serves as the foundation for the establishment of the unknown variable in regression analysis, which determines the nature of the relationship between two variables. Regression analysis is a statistical technique that is utilized to ascertain the type of relationship between two or more variables. The more accurate the result obtained from utilizing this relationship between the variables itself. Both the known and the unknown variables are referred to as independent and dependent, respectively. Forming the regression equation is:

$$Y = b_0 + b_1x_1 + b_2x_2 \dots + b_p + e$$

where  $e$  is the error term shown in the residuals,  $b_0$  is a constant or intercept, and  $b$ 's are the regression coefficients for the corresponding  $x$  (independent) terms. The ordinary least squares approach (OLS) is used to estimate the regression equation's parameter.

#### **3.5. Research Framework and Definition of variables**

An organized manual outlining the methods and methodology to be used in a research project is called a research framework. It acts as a guide for all aspects of the research process, including the questions, variables, research objectives, hypotheses, and techniques for gathering and analyzing data.

To ensure that the goal of the study is clearly known, a well-defined research framework starts with a clear articulation of the research topic and objectives. The creation of research questions or hypotheses, which serve to focus the study's attention, comes next. The framework also characterizes the relationships between the variables and includes the identification and operationalization of both independent and dependent variables.

The variable that is being measured and assessed in an experiment or study is called a dependent variable. The reason it is referred to as "dependent" is that other factors in the experiment, which are referred to as independent variables, are thought to affect or depend on it. To evaluate the impact of adjusting the independent variable(s), changes in the dependent variable are noted. The factors that the researcher manipulates or controls in order to see how they affect other variables are known as independent variables.

A crucial component of the study that aids in achieving its objectives is the use of the instruments and protocols for data processing, presentation, and analysis.

Figure

*Research Framework*

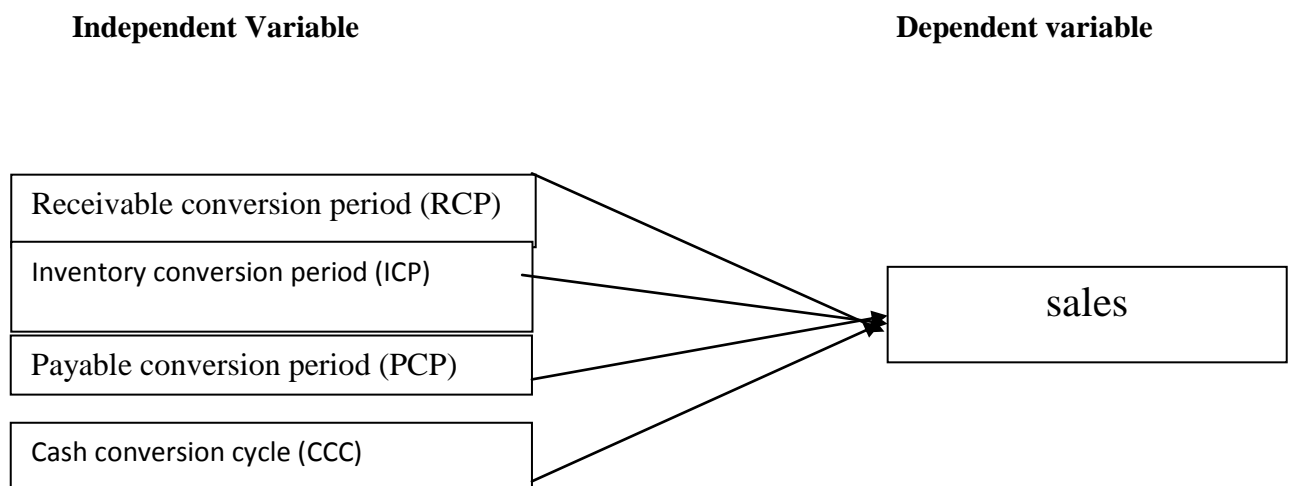


Figure1: Research Framework

Source, pradhan,2024

**Independent:** In an experimental study, an independent variable is one that is varied or manipulated in order to examine its effects. It is considered "independent" since it is not affected by any other study variables.

**Receivable conversion period:** The average number of days it takes a company to get payments from its clients for credit sales is measured by a financial term called the receivables collection period. It offers perceptions on how effectively a business manages its credit and collection procedures.

**Inventory conversion period:** The time interval that includes acquiring raw materials, producing the product, and selling it is known as the inventory conversion

period. It aids businesses in estimating the amount of time that passes between the purchase of raw materials and the sale of the finished product.

**Payable conversion period:** The average amount of days it takes a company to collect and turn over its accounts receivable into cash is known as the average collection period. It is one of the six primary computations used to assess a company's short-term liquidity, or its capacity to settle its debt (current liabilities) on time.

**Cash conversion period:** The CCC is one of many quantitative metrics used to assess how well a business is managed and its operations run. A consistent downward trend in CCC values over time is encouraging, however upward trends should prompt further research and analysis depending on other variables. Remember that CCC only applies to certain industries that rely on inventory management and related activities.

**Dependent variable:** The variable that changes as a result of manipulating the independent variable is called a dependent variable. It is the result you wish to quantify and it is contingent upon your independent variable.

**Sales:** Activities pertaining to selling or the quantity of items sold during a specified time frame are referred to as sales. A sale can also occur when a service is provided in exchange for payment. A "sale" could also refer to a time when products are offered for a lower price.

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

#### **4.1 Results**

The study's presentation and analysis of the data is a critical chapter that applies the methods and instruments for processing the data to meet the study's goals. In order to study the data using various tools and methodologies, they are systematically documented and structured. The presentation, analysis, and interpretation of the data that was gathered are the key topics of this chapter, which serves as the study's main body. The audited financial statements, annual reports, and direct contact method are used to gather the information and data needed to examine the working capital management of Nepalese manufacturing enterprises. The study's primary variables, which are highly relevant and sensitive, are current assets, current liabilities, net profit, sales, total assets, cost, etc. For the goal of the study, gathering and presenting the data is insufficient. Consequently, the working capital management of Nepalese manufacturing enterprises has been investigated using a variety of financial and statistical approaches. Working capital utilization, working capital liquidity position, cash conversion cycle, and working capital component profitability position are all covered in this chapter.

##### **a. Position of Liquidity**

The company's working capital policy determines its liquidity status. When a company adopts an aggressive strategy, its liquidity position is low; when it adopts a conservative strategy, its liquidity position is high. Thus, an examination of UNL, DNL and other selected company working capital policies using their liquidity positions as a gauge shows their capacity to meet their immediate obligations. The liquidity position shows the number of times current assets can be used to cover current liabilities on a one-time basis.

The results of conservative policy are completely contrary. The working capital policy includes current liabilities, which are all the payments that the business must make within an accounting period, usually inside a single fiscal.

**Table no.4.1**  
**Current assets (million)**

Industry	Year										Total	Average
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23		
UNL	9,202	10,171	10,359	8,043	8,685	10,581	10,663	12,822	20,057	20,402	120,985	12,099
DNL	2,105	2,447	2,365	2,529	2,492	2,827	3,045	4,137	4,283	3,589	29,819	2,982
ASHIMA	4,399	4,780	5,398	10,657	13,791	15,613	17,773	16,643	20,585	25,430	135,069	13,507
BAJAJ	3,934	4,056	4,277	4,095	4,117	4,312	6,420	4,837	7,232	6,564	49,844	4,984
ASIAN	3,989	4,019	4,471	4,324	6,192	6,485	6,974	7,707	9,577	13,565	67,303	6,730
GODREJ	2,937	2,895	3,164	3,514	3,826	4,468	4,855	4,920	4,602	5,731	40912	4,091
JSW	1,352	1,582	1,603	1,532	1,662	1,789	1,863	2,412	3,283	3,612	20690	2,069

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

**Table 4.2**  
**Level of Total current Liabilities**  
**(Rs.in million)**

Industry	Year										Total	Average
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23		
UNL	7,186	7,791	8,067	8,535	7,264	10,000	10,792	13,843	14,199	16,385	10,4062	10406
DNL	1,462	1,948	2,019	1,956	2,058	2,106	2,209	2,661	2,872	3,505	21,335	2,134
ASHIM A	3,446	3,774	3,827	12,974	14,813	14,981	16,059	16,490	19,374	24,501	130,239	13,024
BAJAJ	4,461	5,081	4,758	3,102	3,661	4,595	5,476	4,722	6,207	5,129	47,192	4,719
ASIAN	3,149	3,787	3,754	3,711	4,241	4,820	5,459	4,889	6,456	7,560	47,826	4,783

GODRE G	1,926	2,171	2,097	2,521	3,637	4,098	3,445	3,407	2,941	2,822	29,065	2,907
JSW	939	1,234	1,205	1,275	1,383	1,541	1,737	2,011	2,509	2,963	16,797	1,680

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

### **iCurrentRatio(CR)**

A similar function and frequent use are provided by the current ratio. Another name for it is the working capital ratio. It is regarded as a measure of a company's solvency. It shows how well the business is able to fulfill its present commitments. A shift in the current ratio may be deceptive, though. The current ratio varies but net working capital remains unaffected if a business raises capital through commercial paper and uses the proceeds to purchase marketable securities. A manufacturing organization is generally deemed satisfied with a current ratio of 2:1. It functions as a general guideline for calculating liquidity. The following computation shows the ratios of the chosen businesses for the study period.

**Table 4.3**  
**Current Ratio**  
**(in millions)**

Year	UNL		DNL		ASHIMA		BAJAJ		ASIAN		GODREJ		JSW	
	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	change	Ratio	change	Ratio	change	Ratio	change
2013/14	1.43		2.07		1.28		1.50		1.27		1.52		1.44	
2014/15	1.30	0.13	1.26	0.81	1.96	0.68	1.98	-0.48	1.06	-0.21	1.33	-0.19	1.28	-0.16
2015/16	2.1	-0.80	1.19	0.07	2.89	-0.93	1.40	0.58	1.19	0.13	1.50	0.17	1.33	0.05
2016/17	2.4	-0.30	1.31	-0.12	2.50	0.39	1.36	0.04	1.16	-0.03	1.39	-0.11	1.20	-0.13
2017/18	1.9	0.50	1.32	0.01	1.56	0.94	1.40	-0.04	1.46	0.30	1.05	-0.34	1.20	0
2018/19	1.5	0.40	1.40	-0.08	3.01	-1.45	1.96	-0.56	1.34	-0.12	1.09	0.04	1.16	-0.04
2019/20	2.30	-0.80	1.48	0.04	2.25	0.76	1.19	0.77	1.27	-0.07	1.40	0.31	1.07	-0.09
2020/21	3.01	-0.80	2.05	-0.08	1.9	0.35	2.5	-1.31	1.57	0.30	1.44	0.04	1.19	0.12
2021/22	2.50	-0.51	1.50	0.55	1.25	0.65	2.6	-0.1	1.48	-0.09	1.56	0.12	1.30	0.11
2022/23	1.75	0.75	1.03	0.47	3.35	-2.1	2.25	0.35	1.79	-0.31	2.03	-0.47	1.22	0.08
Average	2.019		1.36		2.19		1.81		1.35		1.44		1.33	
CV	26.94		2.35		3.34		2.82		1.60		1.89		0.82	

**Source:** Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

Table 4.2  
Quick ratio  
(millions)

Year	UNL		DNL		ASHIMA		BAJAJ		ASIAN		GODREJ		JSW	
	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	change	Ratio	Change
2013/14	0.74	0	1.37	0	1.12	0	0.81	0	1.24	0	1.45	0	1.20	0
2014/15	0.73	0.03	1.24	0.13	1.08	0.04	0.77	0.20	1.04	0.20	1.90	-0.45	1.90	-0.70
2015/16	0.72	0.01	1.14	0.10	1.22	-0.08	0.85	-0.11	1.15	-0.11	1.40	0.50	1.05	0.85
2016/17	1.01	-0.29	1.29	-0.15	0.78	0.44	1.30	0.30	1.12	0.30	0.95	0.45	1.00	0.05
2017/18	0.81	0.20	1.21	0.08	0.89	-0.11	1.10	0.20	1.15	0.20	1.08	-0.13	1.10	-0.10
2018/19	0.91	-0.1	1.32	-0.11	1.00	-0.11	0.92	0.18	0.10	0.18	1.27	-0.19	0.60	0.50
2019/20	0.97	-0.06	1.35	-0.33	1.04	-0.04	1.16	-0.24	1.23	-0.24	1.4	-1.13	0.74	-0.14
2020/21	1.02	-0.05	1.50	-0.15	0.91	0.13	1.01	0.15	3.90	0.15	1.42	-2.67	0.93	-0.19
2021/22	0.65	0.37	1.19	0.31	1.18	-0.27	1.05	1.60	2.30	0.15	1.9	1.60	1.54	-0.61
2022/23	0.63	0.02	0.98	0.21	0.95	0.23	1.65	0.65	1.65	-0.04	1.98	0.65	0.87	0.67
Average	0.819		1.25		1.01		1.02		1.40	-0.18	1.47		1.09	
cv	18.03		11.32		11.56		24.91		67.66		23.75		34.9	

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

#### b. Current Assets Turnover Ratio (CATR)

The relationship between net sales and current assets is depicted by the current assets turnover ratio, which demonstrates how well a company uses its current assets to create income. The most widely used formula for calculating the current assets turnover ratio, which is quite simple, divides sales by average current assets. This algorithm yields a measure that shows how well a business makes sales revenue from the assets it currently possesses. Higher numbers are often preferred because they indicate that the company is making the best use of its resource.

**Table 4.5**  
**Current Assets Turnover Ratio (CATR)**

Year	UNL		DNL		ASHIMA		BAJAJ		ASIAN		GODREJ		JSW	
	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	change	Ratio	Change
2013/14	3.75	0	2.91	0	2.21	0	5.09	0	2.63	0	2.18	0	2.15	0
2014/15	3.74	0.01	2.88	0.03	2.25	-0.04	4.96	0.13	3.04	-0.41	2.62	-0.44	1.76	0.39
2015/16	3.96	-0.22	3.30	0.42	1.84	0.41	5.04	-0.08	3.04	0	2.61	0.01	2.12	-0.36
2016/17	3.77	0.19	3.07	0.23	0.88	0.96	5.51	-0.47	3.30	-0.26	2.66	-0.05	2.72	-0.6
2017/18	3.56	0.21	3.05	0.32	1.88	0.37	5.28	0.23	2.43	0.87	2.63	0.03	2.41	0.31
2018/19	3.56	0	2.73	-0.68	1.51	0.05	5.84	-0.56	2.59	-0.16	2.57	0.45	2.71	-0.30
2019/20	3.64	-0.08	2.79	-0.06	1.46	-0.16	4.72	1.12	2.75	0.13	2.12	0.11	2.82	-0.11
2020/21	3.10	0.54	2.09	0.70	1.62	0.66	6.18	-1.46	2.62	1.03	2.01	0.09	2.40	0.42
2021/22	3.40	-0.30	2.66	-0.57	0.96	-0.17	4.23	1.96	1.59	-0.55	1.92	0.13	1.82	0.58
2022/23	3.70	-0.30	3.03	-0.37	1.13	-0.44	5.04	-0.14	2.14	-0.47	2.14	-0.20	2.21	-0.39
Average	6.31		2.95		1.57		2.61		2.61		2.34		2.31	
cv	6.81		11.45		30.69		10.69		18.74		12.62		15.92	

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

### **C. Inventory Turnover Ratio (ITR)**

A company's effectiveness in converting its inventory into sales is gauged by its inventory turnover ratio. Measuring the inventory's liquidity is its goal. In inventory turnover ratio calculations, "turnover times" are used. To reduce the impact of seasonality on inventory level, average inventory should be utilized. It is recommended to compare this ratio with the industry averages.

**Table 4.6**  
**Inventory Turnover Ratio (ITR)**

Year	UNL		DNL		ASHIMA		BAJAJ		ASIAN		GODREJ		JSW	
	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	change	Ratio	Change
2013/14	23.05	0	4.00	0	11.63	0	4.44	0	3.39	0	35	0	1.21	0
2014/15	23.8	-0.84	6.45	-2.45	10.52	1.11	4.72	-0.28	3.36	0.03	30.8	4.17	1.29	-0.08
2015/16	21.3	2.51	3.78	2.67	10.93	-0.42	5.56	-0.84	3.41	-0.05	28.3	2.5	0.95	0.34
2016/17	20.8	0.55	4.17	-0.39	8.97	1.97	4.72	0.84	3.00	0.41	34.1	-5.83	0.96	-0.01
2017/18	18.6	-0.08	4.25	-0.08	9.25	-0.28	5.00	-0.28	3.83	-0.83	34.7	-0.56	0.81	0.15
2018/19	18.05	-0.45	4.70	-0.45	9.25	0	4.44	0.56	3.26	0.57	37.4	-2.77	0.74	0.07
2019/20	16.38	0.43	4.27	0.43	5.78	3.47	4.44	0	3.30	-0.04	34.7	2.77	0.71	0.03
2020/21	18.05	0.29	4.56	-0.38	6.90	-1.12	5.00	-0.56	3.52	-0.22	40.5	-5.84	0.80	-0.09
2021/22	18.3	-0.38	4.94	0.37	9.36	-2.46	7.78	-2.78	3.72	0.2	35.2	5.28	0.71	0.09
2022/23	18.05	0.25	4.69	-0.25	6.50	2.80	5.00	2.78	3.94	-0.22	35.5	-0.28	0.95	-0.24
Average	19.65		4.58		5.82		5.11		3.47		34.6		0.91	
CV	12.48		16.27		21.86		19.58		8.20		9.54		22.23	

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

#### **d. Receivable Turnover Ratio (RTR)**

One element of working capital is receivables. The company needs to boost sales volume in order to expand its operations. Giving things on credit to consumers can boost sales volume since credit sales typically result in an increase in the amount of receivables. The goal of the credit sales policy is to raise the sales threshold. Therefore, the volume of sales should grow due to the increase in receivables. The percentage of sales to accounts receivable that is shown below. It is believed that every sale has a credit value.

**Table no.4.7**  
**Receivable Turnover Ratio (RTR)**

Year	UNL		DNL		ASHIMA		BAJAJ		ASIAN		GODREJ		JSW	
	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	change	Ratio	Change
2013/14	3.61	0	8.05	0	2.22	0	3.61	0	9.44	0	11.38	0	3.89	0
2014/15	3.61	0	9.72	-1.67	2.5	-0.28	3.89	-0.28	9.16	0.28	9.72	1.66	4.17	-0.28
2015/16	3.33	0.28	9.17	0.55	2.22	0.28	3.33	0.56	8.89	0.56	10.0	-0.28	5.28	-1.11
2016/17	3.89	-0.56	10.5	-1.59	3.05	-0.83	3.35	-0.02	8.33	-1.39	13.3	-3.33	5.00	0.28
2017/18	3.33	0.56	8.61	1.95	4.72	1.67	4.44	-1.09	9.72	-0.84	11.3	1.95	5.00	0
2018/19	3.61	-0.28	9.17	-0.56	3.89	-0.17	6.11	-1.67	10.56	0.56	12.7	-1.4	5.00	0
2019/20	4.72	-0.11	10.0	-0.83	5.00	1.11	8.61	-2.57	10.00	0.56	12.7	0	5.00	0
2020/21	3.05	1.67	9.44	0.56	3.89	1.67	5.83	2.78	8.89	1.11	11.9	0.84	4.72	0
2021/22	3.89	-0.84	5.83	3.61	2.22	2.78	10.0	-4.17	12.22	-3.33	9.16	2.78	5.56	0
2022/23	4.44	-0.55	6.11	-0.28	2.22	0	4.72	5.28	13.61	-1.39	9.16	0	5.56	0.28
Average	3.74		8.67		3.19		5.83		10.0		11.16		4.91	
cv	13.65		18.18		34.69		42.63		16.38		13.83		11.00	

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

#### **e.Net Working Capital Turnover Ratio (NWCTR)**

The ratio of net working capital to sales and corporate efficiency is measured by the net working capital turnover ratio. The following table shows the net working capital + turnover ratio

**Table 4.8**  
**Net Working Capital Turnover Ratio (NWCTR)**

Year	UNL		DNL		ASHIMA		BAJAJ		ASIAN		GODREJ		JSW	
	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	Change	Ratio	change	Ratio	Change
2013/14	13.39	0	9.54	0	10.3	0	37.9	0	12.5	0	6.34	0	7.07	0
2014/15	12.3	1.08	14.1	-4.6	9.10	1.23	19.6	18.35	53.6	-40.17	10.50	-4.17	8.01	-0.94
2015/16	13.9	-1.63	22.5	-8.38	6.33	2.77	44.8	-25.25	18.9	33.69	7.7	2.74	8.54	-0.53
2016/17	65.4	-51.4	1.13	21.39	4.07	2.26	22.7	22.16	25	33.69	5.9	1.81	13.29	-4.75
2017/18	23.3	42.08	17.5	-16.41	19.6	15.59	47.7	-24.97	7.7	-6.14	14.4	-8.47	14.37	-1.08
2018/19	61.1	37.8	0.63	-9.54	2.14	17.52	89	41.38	10.2	17.31	52.10	-37.69	19.57	-5.2
2019/20	30.4	-13.83	10.1	4.3	15.2	-13.05	32.1	56.93	12.7	-2.59	13.62	38.48	41.13	-21.56
2020/21	44.30	36.74	5.9	0.37	17.7	-2.52	26	56.93	7.17	5.52	6.55	7.07	14.46	26.67
2021/22	7.56	-0.89	13.3	2.18	4.04	13.6	77.7	6.14	3.05	4.12	3.55	3	5.98	8.48
2022/23	8.45	-0.89	12.9		11.72	-0.77	23	54.61	5.51	-2.46	4.22	-0.67	12.31	-6.33
Average	28.03		10.7		10		42		15.54		12.49		12.51	
cv	125.04		134.94		88.27		76.18		148.96		226.77		166.18	

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

## f. Profitability Position

### Table 4.9

**Profitability (in million)**

YE AR	UNL			DNL			ASHIMA			BAJAJ			ASIAN			GODREJ			JSW		
	NPA T	SA LE	RAT IO	NPA T	SA LE	RA TIO	NP AT	SA LE	RA TIO	NP AT	SA LE	RA TIO	NP AT	SA LE	RA TIO	NPA T	SA LE	RATI O	NP AT	SALE	RATI O
201 3/14	3839	270 04	0.14	766	614 0	0.12	129 2	974 9	0.13	313 3	200 25	0.16	116 0	105 04	0.11	845	641 2	0.13	23 0	2907	0.08
201 4/15	3956	292 34	0.13	916	705 8	0.13	127 8	916 1	0.14	338 0	201 37	0.17	126 3	122 20	0.10	819	959 9	0.08	75	2790	0.02
201 5/16	4376	319 72	0.14	1068	779 5	0.14	148 7	995 5	0.15	302 6	215 95	0.14	142 7	136 15	0.10	976	827 3	0.12	14 2	3401	0.04
201 6/17	4151	321 86	0.13	1254	778 0	0.16	808	943 7	0.08	406 1	225 74	0.18	180 3	142 71	0.12	831	842 4	0.09	55	4362	0.01
201 7/18	4490	331 62	0.14	1280	761 4	0.17	143 4	200 94	0.07	407 9	217 55	0.19	201 6	150 62	0.13	1308	926 8	0.14	17 2	4010	0.04
201 8/19	5227	355 45	0.15	1358	772 2	0.18	194 5	236 09	0.08	421 9	252 10	0.17	209 8	168 25	0.12	1634	984 7	0.17	28 6	4854	0.05
201 9/20	6060	393 10	0.16	1446	851 5	0.17	297 2	260 41	0.11	492 8	303 58	0.16	220 8	192 40	0.11	2342	103 14	0.22	26 4	5259	0.05
202 0/21	6756	397 83	0.17	1448	868 5	0.17	278 3	271 04	0.10	521 2	299 10	0.17	277 4	202 11	0.14	1497	991 1	0.15	48 3	5802	0.08
202 1/22	7999	700 28	0.11	1695	956 2	0.18	310 7	245 16	0.12	485 7	277 41	0.18	320 7	217 13	0.15	1721	110 29	0.16	70 3	6606	0.11
202 2/23	8892	524 46	0.147	1742	108 89	0.16	371 1	289 65	0.13	616 6	331 45	0.19	308 5	291 01	0.11	1783	122 76	0.15	67 9	7991	0.08
avg.			0.14			0.15			0.11			0.17			0.12			0.14			0.05
CV			11.80			13.2 7			24.9 2			8.91			13.9 7			28.45			55.32

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

## I .Return on Assets (ROA)

The link between net profit after taxes and total assets is known as return on total assets. It calculates the percentage of return on the total assets used for each activity carried out by the businesses. Often referred to as the company's return on total assets, ROA assesses how well management has performed overall in turning a profit with its available assets. A company's operational performance is positively correlated with its return on assets, and vice versa. The table below shows the return on total assets utilized for UNL, DLN, and selected manufacturing company.

**Table 4.10**  
**Return on Assets (ROA)**

Year	UNL			DNL			ASHIMA			BAJAJ			ASIAN			GODREJ			JSW		
	NPAT	ASSET	RATIO	NPAT	ASSET	RATIO	NPAT	ASSET	RATIO	NPAT	ASSET	RATIO	NPAT	ASSET	RATIO	NPAT	ASSET	RATIO	NPAT	ASSET	RATIO
2013/ 14	3839	1209 2	0.3 2	766	4709	0.16	1292	12345	0.10	3133	12642	0.24	1160	6784	0.17	845	7695	0.10	230	4,008	0.05
2014/ 15	3956	1375 4	0.2 9	916	5312	0.17	1278	12956	0.09	3380	15308	0.22	1263	2075	0.16	819	8320	0.09	75	5,764	0.01
2015/ 16	4376	1443 0	0.3 0	1068	6106	0.17	1487	13878	0.10	3026	15966	0.19	1427	8914	0.16	976	9125	0.11	142	6,051	0.02
2016/ 17	4151	1479 3	0.2 8	1254	6932	0.18	808	14133	0.06	4061	17240	0.24	1803	8914	0.20	831	9679	0.09	55	6,185	0.00 9
2017/ 18	4490	1570 6	0.2 9	1280	7732	0.17	1434	32824	0.04	4079	21638	0.19	2016	1055	0.19	1308	12940	0.10	172	6,411	0.02
2018 /19	5227	178 62	0.3 0	1358	8702	0.16	1945	3550 9	0.05	4219	21141	0.17	2098	12405	0.17	1634	12386 4	0.11	28 6	6,45 6	0.04
2019 /20	6060	186 29	0.3 3	1446	8437	0.17	2972	3739 1	0.08	4928	28834	0.17	2208	13763	0.16	2342	14094	0.12	26 4	7,41 3	0.06
2020 /21	6756	201 53	0.3 4	1448	9337	0.16	2783	4017 8	0.07	5212	26510	0.20	2774	16249	0.17	1497	14280	0.10	48 3	8,54 2	0.05
2021	7999	687	0.1	1695	1083	0.16	3107	3971	0.08	4857	33602	0.14	3207	16,13	0.19	1721	14244	0.12	70	9,87	0.07

/22		40	2		3			8						8					3	2	
2022 /23	8892	705 06	0.1 3	1742	1228 4	0.14	3711	4520 5	0.08	6166	35111	0.18	3085	22958	0.13	1783	17437	0.10	67 9	11,4 03	0.05
Ave rage			0.2 7			0.14			0.07			0.18			0.17			0.11			0.1 1
CV			29. 16			6.55			26.8 5			16.5 1			11.7 6			9.60			57. 11

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And JSW from 2013-2022

#### j. Working Capital Cash Conversion cycle

The amount of days from the time raw materials are purchased until debtors' cash is received is known as the working capital cash conversion cycle. This displays the company's periodical cash influx and outflow, which are processes that are repeated. The timeframe of available credit is determined by the cash inflow and outflow. The cash conversion is the net time interval, expressed in days, between the company's real cash outlay for resources and its final cash recovery. The cash conversion cycle for UNL, DNL and other selected company is shown in the following table.

**Table 4.11**  
**Cash Conversion cycle**

INDUSTRY	YEAR	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	AVE RAGE	CV
UNL	RCP	13	13	12	14	12	13	17	11	14	16	14	
	ICP	83	86	77	75	67	65	59	65	66	65	71	
	PPC	50	65	45	55	65	67	55	45	65	40	55	
	CCC	46	34	44	34	14	11	21	31	15	41	33	0.39
DNL	RCP	29	35	33	38	31	33	36	34	21	22	31	
	ICP	144	150	136	150	153	169	154	164	178	169	156	
	PPC	122	169	153	182	181	130	172	176	137	178	160	

	CCC	51	16	16	6	313	17	22	3	12	14	47	0.20
ASHIAM	RCP	8	9	8	11	17	14	18	14	8	8	12	
	ICP	419	379	394	339	323	333	203	193	337	234	315	
	PPC	251	265	299	324	370	339	231	259	359	198	289.5	
	CCC	176	123	107	32	-33	13	-9	-58	-14	46	38	0.19
BAJAJ	RCP	13	14	12	12	16	22	31	21	36	17	19	
	ICP	50	56	43	43	56	68	63	56	85	54	57.4	
	PPC	30	32	34	25	20	22	26	29	35	40	29.3	
	CCC	33	38	21	30	52	68	68	48	86	31	47.5	0.04
ASIAN	RCP	34	33	32	30	35	38	36	32	44	49	36	
	ICP	122	121	123	108	138	117	119	127	134	142	125	
	PPC	96	102	84	84	101	95	90	90	119	96	95.7	
	CCC	60	52	70	54	72	60	65	79	59	94	66.5	0.18
GODREJ	RCP	41	35	36	48	41	46	46	43	33	33	40.2	
	ICP	126	111	102	123	125	135	125	146	127	128	124.8	
	PPC	125	127	103	140	152	201	204	212	149	130	154	
	CCC	43	20	34	32	13	-20	-33	-24	11	31	10.7	0.15
JSW	RCP	14	15	19	18	18	18	18	17	20	20	17.7	
	ICP	438	466	345	258	292	269	267	288	257	343	322	
	PPC	187	378	136	160	222	303	179	205	204	203	217.7	
	CCC	266	102	169	116	88	-17	96	100	73	159	185.2	0.39

Source: Annual Reports of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ And  
JSW from 2013-2022

**L. Calculation of pearson of correlation**

**Table 4.13**  
**Pearson Coefficients Correlation**

	<b>NPM</b>	<b>CR</b>	<b>ICP</b>	<b>RCP</b>	<b>PCP</b>	<b>CCC</b>	<b>ROA</b>	<b>SG</b>	<b>AG</b>
<b>NPM</b>	1								
<b>CR</b>	0.75	1							
<b>ICP</b>	0.82	-0.76 <sup>*</sup>	1						
<b>RCP</b>	-0.21	0.21	0.19	1					
<b>PCP</b>	0.90	-0.62	0.89	-1.49	1				
<b>CCC</b>	0.47	0.25	0.48	-0.36	0.28	1			
<b>ROA</b>	0.98	-0.69	0.85	-0.99	0.38	0.44	1		
<b>SG</b>	0.91	-0.57	0.78	0.01	0.81	0.38	0.94	1	
<b>AG</b>	0.80	-0.26	0.49	-0.30	0.79	0.59	0.81	0.79	1

**Table 4.15****M. Regression of coefficient****Table no.4.14**

Model	Sum of squares	df	mean square	F	Sig
1. Regression	600316153.10	6	10000526955	13.302	0.29
Residual	22564041.805	3	7221347.268		
Total	622880194.90	9			

Source: SPSS output version29

**Table 4.15**

Model	unstandardized/B	coefficients/error	Standardized/ coefficients beta	t	sig.
Constant	-351.533	18365.524		-0.019	0.986
VAR01	0.621	0.872	0.598	0.712	0.528
VAR03	-10.153	3.821	-1.621	-2.657	0.077
VAR09	0.809	0.603	0.461	1.343	0.272
VAR13	0.842	1.299	0.555	0.648	0.563
VAR15	5.204	1.904	1.075	2.729	0.072
VAR17	-0.865	3.312	-1.173	-0.261	0.811

Source: SPSS output version29

$$\text{Regression line} = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6 + b_7x_7 + \epsilon$$

$$= b_0 + 0.98x_1 + 0.52x_2 + 0.77x_3 + 0.27x_4 + 0.56x_5 + 0.72x_6 + 0.81x_7 + \epsilon$$

## 4.2 DISCUSSION

The current ratio and quick ratio are used to examine the liquidity positions of the three manufacturing businesses that were chosen: UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW. The standard 2:1 is not met by the average current ratios of UNL, DNL, and other selected company which are 2.01, 1.36, 2.19, 1.81, 1.35, 1.44 and 1.33 times, respectively. It suggests that all three of the corporations have little liquidity. Likewise, the typical 1:1 value is not met by the average quick ratios of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW, which are 1.25, 1.01, 1.02, 1.40, 1.47 and 1.09 respectively. It demonstrates that none of the chosen companies has been able to swiftly turn current assets into cash to pay for current obligations. All three of the chosen companies' inadequate liquidity positions were shown by the current ratio and quick ratio.

The average current assets turnover ratio for UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW is 10.7, 10, 15.54, 12.49 and 12.51 respectively. For UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW, the average inventory turnover ratio for the study period was 4.58, 5.82, 5.11, 3.47, 34.6, 0.91 times, respectively. It demonstrates how quickly the business is converting its stock into sales. While JSW has the lowest average turnover ratio, GODREJ uses inventory management more effectively, with a higher level. For UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW, the average turnover of accounts receivable over the study period was determined to be 3.74, 8.67, 3.19, 5.38, 10.08, 11.16, and 4.91 times, respectively. According to the statistics above, GODREJ has the highest level of receivable turnover ratio, which indicates that it has faster receivables collection and better debtor liquidity than UNL, DNL, and other companies.

UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW had average net working capital turnover ratios of 10.7, 10, 42, 15.54, 12.49 and 12.51 times, respectively. According to the report, ASHIMA has the lowest NWCTR and the highest annual fluting. The lowest ratio shows how dire ASHIMA's financial situation is. Insufficient operating capital leads to a liquidity issue within the organization.

The study will look at return on assets and net profit margin to determine the profitability position. While DNL and ASIAN profit margins are more variable,

averaging 17% and 15% of sales, respectively, UNL's net profit margin is increasing, at 14% of sales. For UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW the average return on assets (ROA) is 27%,14%,7%,18%,17%,11%, and11% correspondingly. Despite having the potential to generate 27%of ROA, UNL's ROA over the last ten years shows a reduction in ROA. In a similar vein, the data show that DNL and UNL are increasing. We can infer from these results that UNL is making better use of its resources than ASHIMA.

The average time for UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW inventory conversion is 71,156,315,57.4,125,124.8AND322days, respectively; the average time for receivable collection is 14,31,12,19,36,41and18 days, respectively. The outcome reveals that GODREJ has significantly lower ICP and RCP than DNL and indicating a highly excellent inventory to sales conversion duration and a speedier receivable collection period. For UNL, DNL, and ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW the average payment deferral time is 55,160,290,29,125,154and322days, respectively. With the greatest PCP, UNL is able to defer payments to creditors for as long as the company's credit standing is intact. The outcome demonstrates that has However, UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW have a CCC of 55,47,38,48,66,11, and18 days, in that order. The HDL analysis reveals that although the company benefits from lengthy PDP, short ICP, and short PCP, trade creditors will be more affected, and the company may be able to obtain credit as a result of its commitments being delayed.

The average correlation demonstrates a negative relationship between ROA and the following: NP margin, CR, ICP, RCP, PCP, CCC, ROA, SG and AG, with correlation coefficients of 0.75,0.82, -0.21,0.90,0.47,0.98,0.91,0.80. This explains how letting customers pay later or postponing supplier payments may be linked to business profitability.

The regression line is positive line UNL, DNL, and ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW is 0.98,0.52,0.77,0.27,0.56,0.72and0.81.

## **CHAPTER V**

### **SUMMARY AND CONCLUSION**

#### **5.1 Summary**

The primary goals of this chapter are to provide an overview of the thesis and to make conclusions based on actual data. The purpose of this study is to evaluate how a Nepalese manufacturing company's working capital management affects profitability. In this chapter, I have provided a summary, analysis, and recommendation based on the entire study and data analysis. financial statistic called working capital shows how much operating liquidity a company has accessible to it. Working capital, or current assets, is regarded as a component of a company's operational capital, along with fixed assets like facilities and equipment. As the vital component of financial management, it is essential and controlling center for all business organizations, since no firm can function properly without adequate control over it. Determining working capital management and its impact on businesses' profitability is the primary goal of this research. I have selected three Nepalese manufacturing businesses (UNL, DNL, ASHIM, BAJAJ, ASIAN, GODREJ, AND JSW) as a sample to support the study. In order to achieve this, the following specific goals have been developed: investigating the impact of working capital management on the profitability of businesses; examining the liquidity position and working capital composition of particular businesses; and examining the working capital utilization of particular businesses.

This study looked at how working capital management affects a company's profitability using descriptive and correlation analysis. The results of this study are obtained by calculating various ratios and determining elements of working capital. Using financial data from secondary data supplied by the company, numerous financial analyses have been conducted as a financial tool using appropriate research methods. Current ratio and quick ratio make up the main ratio analysis. Additionally, each component of the current is examined in light of the total assets, fixed assets, and current assets. The analysis has been done using the constituents of the profitability position, utilization turnover position, and liquidity position. In addition, the time for collecting accounts receivable, converting inventories, focus on enhancing the validity and substantial justification of the study. Bar graphs, trend lines, correlations, financial tools, and other statistics and statistical tools are also utilized to obtain the required data. The required

information was obtained from the profit and loss statement and balance sheet of UNL, DNL, ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW for the ten-year period from F/Y 2013 to 2022.

Liquidity has tracked the performance of the chosen manufacturing enterprises. has less manufacturing firms than the average stander for enterprises in this category. This finding is consistent with Shrestha's (2024) findings. The working capital and profitability of the chosen manufacturing enterprises, however, show a positive link. This discovery aligns with the research conducted by Shin and Soenen (2023). Likewise, ROA exhibits a positive correlation. The UNL-selected manufacturing enterprises' performance is in line with the findings; there is a positive correlation between ROA and CCC and a negative association between NPM, CR, ICP, RCP, and PCP. The association between DNL and ROA is positive for NPM, CR, ICP, RCP, and PCP and negative for ROA and CCC for manufacturing enterprises, which is consistent with the findings. In line with the findings of L. Smrit k. v. (2022), the link between JSW and ROA is also negative, while that of ROA, NPM, and CR is favorable in manufacturing enterprises.

### **5.3 Conclusion**

Three Nepalese manufacturing companies—UNL, DNL ASHIMA, BAJAJ, ASIAN, GODREJ, and JSW—provided the data used in this study. The working capital management of certain companies is the study's main focus. Making short-term decisions on working capital and funding all facets of the company's short-term assets and liabilities is necessary for working capital management. The goal of effective and efficient working capital management is to support business expansion, boost employee numbers, improve the liquidity profile of the company, and achieve the best possible leverage. The effect of working capital management on the profitability of a Nepalese manufacturing company was examined empirically in this study. Return on Assets was used to gauge profitability. The findings demonstrated that none of the sample companies had a good liquidity position. According to the turnover ratio, Godrej has the most turnover.

further example businesses. The correlation analysis's findings indicated that the cash conversion cycle (CCC) significantly increased return on assets, suggesting that a rise in CCC raises the profitability of Nepalese manufacturing firms. Additionally, it demonstrates the positive correlation with sales growth, the negative correlation with

AG, which suggests that higher sales result in higher profits, and the negative correlation between aggressive financing policy and negative return.

### **5.3.1 Implication**

Every one of the chosen companies has an unsatisfactory liquidity condition. Because the CR is below the expected amount, the working capital is negatively impacted. Upon completion of the study, the research would remain incomplete in the absence of feasible recommendations. As a result, the study presented above has led to the formulation of the following recommendations for enhancing current working capital management.

- i). one of the chosen companies have a sufficient liquidity condition. Because the CR is below the expected amount, the working capital is negatively impacted.
- ii. The working capital ought to be set up to produce the highest possible turnover. Not all of the operating capital has been used. In order to maintain a stable turnover position, businesses should make an effort to use their working capital.
- iii. ULAN Ltd., a manufacturing company, has a lesser value than usual even though it needs an effective liquidity position to run its business. To achieve the ideal solvency position, it should thus maintain the standard values for the current ratio and quick ratio.
- iv. iv. The Aasima's inadequate financial management is shown in its negative net working capital. According to the analysis, there are more current liabilities than current assets. Maintaining the ideal level of investment in current liabilities and assets as well as routinely checking working capital could accomplish this.
- v. The company's handling of its liquidity is unsatisfactory due to its extremely erratic trend. The amount of cash and bank balance that should be kept in reserve is not limited. As a result, the business needs to implement sound managerial practices because retaining more cash than is necessary does not yield a profit.
- vi. In order to increase profitability, this study suggests that businesses minimize the time between purchases of items in order to pay for their purchases. Additionally, they can shorten the time it takes to turn raw materials into finished goods and sell them.
- vii. Good inventory management has a major impact on working capital management. The business should create an efficient sales plan that will increase marketability right away and help to lessen the overstocking issue. For successful inventory management, the management must pay attention to lead time, ordering cost, carrying cost, and

capacity utilization. Simultaneously, a strong materials handling system, prompt inspection procedures, and good storekeeping practices are necessary to control inventories and reduce waste.

viii. According to the ASHIMA discussion cycle, there is a negative cash conversion cycle as a result of subpar payables and collections practices. Both a longer cash conversion cycle and a negative cash conversion period are bad for business. Therefore, by implementing an appropriate credit policy, the businesses should control the periods for inventory conversion, receivable collection, and payable deferment.

### **5.3.2 Implications for future studies**

The UNL, DNL, ASHIMA, BAJAJ, ASAIN, GODREJ, AND JSW manufacturing companies in Nepal are mostly responsible for this outcome. Therefore, more financial sectors like sugar factories and Bottlers Nepal Limited (BNL) other businesses may be included in future research.

- i. Because the study's sample size and duration were constrained, larger samples and longer study durations may be used in subsequent research projects.
- ii. The preferences of various investors are not taken into account in this analysis, which is solely dependent on secondary data.

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**APPENDIX-I****current assets**

Industry	Year									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
UNL	9,202	10,171	10,359	8,043	8,685	10,581	10,663	12,822	20,057	20,402
DNL	2,105	2,447	2,365	2,529	2,492	2,827	3,045	4,137	4,283	3,589
ASHIMA	4,399	4,780	5,398	10,657	13,791	15,613	17,773	16,643	20,585	25,430
BAJAJ	3,934	4,056	4,277	4,095	4,117	4,312	6,420	4,837	7,232	6,564
ASIAN	3,989	4,019	4,471	4,324	6,192	6,485	6,974	7,707	9,577	13,565
GODREJ	2,937	2,895	3,164	3,514	3,826	4,468	4,855	4,920	4,602	5,731
JSW	1,352	1,582	1,603	1,532	1,662	1,789	1,863	2,412	3,283	3,612

**APPENDEX-II****Current liabilities**

Industry	Year									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
UNL	7,186	7,791	8,067	8,535	7,264	10,000	10,792	13,843	14,199	16,385
DNL	1,462	1,948	2,019	1,956	2,058	2,106	2,209	2,661	2,872	3,505
ASHIMA	3,446	3,774	3,827	12,974	14,813	14,981	16,059	16,490	19,374	24,501
BAJAJ	4,461	5,081	4,758	3,102	3,661	4,595	5,476	4,722	6,207	5,129
ASIAN	3,149	3,787	3,754	3,711	4,241	4,820	5,459	4,889	6,456	7,560
GODREG	1,926	2,171	2,097	2,521	3,637	4,098	3,445	3,407	2,941	2,822
JSW	939	1,234	1,205	1,275	1,383	1,541	1,737	2,011	2,509	2,963

# Working Capital Management of Nepalese Manufact...

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ABSTRACT Working Capital management are the most secured and liquid financial assets available, which can accelerate manufacturing lending to various sectors. Similarly, manufacturing plays

**an important role in economic development of country. Working Capital management**

4

serves as the main source of funds for manufacturing intermediation activities which can simply classified as Liquidity Ratio, Activity Turnover Ratio, Profitability Ratio and Cash Conversion Cycle Manufacturing Companies. The study is based on secondary data of 7 manufacturing Companies for the period of 2013/14 to 2022/23. Data and information have been collected from Nepal Stock Exchange (NSE) and annual reports of the selected manufacturing Companies. The research design adopted in this study is descriptive and causal comparative research design as it deals with the Working Capital Management of Nepalese manufacturing Company. This study attempts to examine the Working Capital Management of Nepalese manufacturing Companies. The descriptive statistics for Manufacturing Companies shows that the current ratio and quick ratio of all selected companies has below the industry average rate 2:1 and 1:1 respectively. Highest average current assets turnover ratio, an average inventory turnover ratio, receivable turnover ratio and cash and bank turnover ratio than other sample companies. It indicates that BAJAJ has efficiently utilized its assets to concert into sales. The turnover ratio shows HBAJAJ has highest average current assets turnover ratio, an average inventory turnover ratio, receivable turnover ratio and cash and bank turnover ratio than other sample companies. It indicates that BAJAJ has efficiently utilized its assets to concert into sales. The profitability ratio shows UNL highest level of return on assets i.e. 27% and net profit margin 53.32%. The result shows UNL is doing better in operation generating profit with available assets than other sample companies. The outcome of cash conversion cycle shows DNL has highest level of CCC followed by UNL and ASHIMA has negative CCC Longer CCC indicates greater need for external financing thereby increases the cost of financing too resulting in lower profitability. The negative CCC

**seems to be very satisfactory for short period but in long period, it will deteriorate the credit worthiness of the**

2

companies. The correlation of UNL shows there is a negative relationship between ROA with NP margin, CR, RCP and PCP and positive relationship between ROA with RCP, CCC, sales growth and AG. It indicates that CCC has a positive significant impact on return on assets bigger the firm size the annual growth of sales, higher the firm profitability and vice versa. Similarly, correlation analysis of DNL shows a positive relationship between ROA with NP margin, RCP, ICP and CCC, and negative correlation with CR, PCP, SG and AG.

**As we know that positive correlation means both of the variables are moving towards the same directions** and vice versa  
**The**

2

correlation analysis of shows there is a negative not correlation between ROA with RCP, PCP, and AG and positive correlation between ROA with cash conversion cycle, sales growth. It indicates that increase in CCC and sales growth will increase in company's profitability and vice versa Manufacturing Companies. Key words: Working Capital, Management, liquidity ratio, Correlation, and turnover CHAPTER I INTRODUCTION 1.1