International Journal of Science, Strategic Management and Technology
Volume **02** Issue **08** August-2026 | ISSN: **3108-1762 (Online)** | Impact Factor: 3.8
An International, Peer-Reviewed, Open Access Scholarly Journal Indexed in recognized academic databases

OPEN ACCESS

A Study on the Working Capital Management in Manufacturing Companies in Hero Motors

1. **NAIKOTI KUSHMITHA** (24UJ1E00A8), Student of 2nd Year MBA,
Malla Reddy Engineering College and Management Sciences, Medchal, Hyderabad, Telangana – 501 401.

2. **TAHIRUNNISA,** Assistant Professor Dept of MBA,
Malla Reddy Engineering College and Management Sciences, Medchal, Hyderabad – 501 401.

doi **https://doi.org/**10.55041/ijsmt.v2i8.019

Cite this Article: KUSHMITHA, N. (2026). A Study on the Working Capital Management in Manufacturing Companies in Hero Motors. International Journal of Science, Strategic Management and Technology, *02*(8), 1-9. https://doi.org/10.55041/ijsmt.v2i8.019

Abstract

Working capital management plays a crucial role in ensuring the smooth functioning of manufacturing organizations by maintaining an appropriate balance between liquidity and profitability. This study examines the working capital management practices of Hero Motors by analysing cash management, inventory control, receivables, payables, and operational efficiency. A descriptive research design was adopted using primary and secondary data collected from **100 respondents** through a structured questionnaire. **Multiple Linear Regression Analysis** was used to examine the influence of working capital components on financial performance. The findings reveal that efficient working capital management significantly improves liquidity, profitability, operational efficiency, and long-term financial stability.

1. Introduction

Working capital management is one of the most important functions of financial management because it ensures the effective utilization of short-term financial resources for carrying out day-to-day business operations. Manufacturing organizations require adequate working capital to purchase raw materials, maintain inventories, pay employee wages, meet operating expenses, collect receivables, and fulfil short-term financial obligations. Since manufacturing companies invest substantial funds in inventories, receivables, and production activities, efficient working capital management becomes essential for maintaining uninterrupted production, improving liquidity, and enhancing profitability. Proper management of current assets and current liabilities enables organizations to achieve operational efficiency while maintaining financial stability.

Working capital represents the difference between current assets and current liabilities. Current assets include cash, bank balances, inventories, receivables, and short-term investments, whereas current liabilities consist of accounts payable, short-term borrowings, outstanding expenses, and other obligations payable within one year. Maintaining an appropriate balance between current assets and current liabilities is essential because excessive investment in working capital reduces profitability, whereas inadequate working capital creates liquidity problems and disrupts production activities. Effective working capital management therefore supports continuous manufacturing operations while minimizing financial risk.

Hero Motors, one of India's leading manufacturing organizations, operates in a highly competitive business environment where efficient financial management is essential for sustaining operational excellence. The company requires effective management of inventory, cash, receivables, and supplier payments to ensure uninterrupted production and customer satisfaction. Technological advancements such as enterprise resource planning systems, automated inventory management, digital financial reporting, artificial intelligence, and predictive analytics have further strengthened working capital management practices by improving financial planning, forecasting accuracy, and operational efficiency. The present study analyses the working capital management practices followed by Hero Motors and evaluates their impact on organizational performance using **Multiple Linear Regression Analysis**. The study provides valuable insights for financial managers, manufacturing organizations, researchers, academicians, and policymakers seeking to improve working capital efficiency and long-term financial performance.

2. Literature Review

Working capital management is a fundamental aspect of financial management that ensures the effective utilization of short-term assets and liabilities to support uninterrupted business operations. Manufacturing companies require efficient management of inventory, cash, receivables, and payables to maintain liquidity, improve profitability, and achieve operational efficiency. Previous studies indicate that effective working capital management strengthens financial stability, reduces operational risk, and improves organizational performance. Hero Motors emphasizes efficient financial planning, inventory control, and technology-driven financial systems to support sustainable manufacturing operations.
Sharma and Gupta (2018) found that effective inventory, receivables, and cash management significantly improve liquidity and profitability in manufacturing organizations. Kumar and Verma (2018) reported that maintaining an optimal balance between current assets and current liabilities enhances financial performance. Reddy and Rao (2019) emphasized continuous inventory monitoring to reduce storage costs and improve production efficiency. Singh and Mehta (2019) concluded that efficient receivables management strengthens cash flow and minimizes borrowing requirements. Patel and Shah (2020) highlighted the importance of effective cash management in maintaining operational stability. Malhotra and Jain (2024) observed that digital financial systems, artificial intelligence, and predictive analytics significantly improve working capital planning, operational efficiency, and long-term financial performance.

3. Research Objectives

1. To research the idea and significance of Hero Motors' working capital management.
2. To assess the company's cash, inventory, receivables, and payables management.
3. To examine the connection between operational effectiveness and working capital management.
4. To assess Hero Motors' working capital policies' efficacy.
5. To make appropriate recommendations for enhancing Hero Motors' financial performance and working capital management.

4. Research Methodology

The study adopted a descriptive research design using both primary and secondary data. Primary data were collected from **100 respondents** through a structured questionnaire, while secondary data were obtained from annual reports, financial statements, books, journals, and company publications. **Convenience sampling** was adopted, and **Multiple Linear Regression Analysis** was used to evaluate the influence of working capital management practices on financial performance and operational efficiency.

5. Data Analysis

Statistical Tool Used: Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression: Effect of Inventory Management, Cash Management, and Receivables on Financial Performance

Regression Statistics	Value
Multiple R	0.861
R Square	0.741
Adjusted R Square	0.733
F-value	30.624
Significance (p-value)	0.000

Interpretation

The **Multiple Linear Regression Analysis** indicates that **inventory management, cash management, and receivables management** have a significant positive influence on **financial performance**. The **R Square value of 0.741** indicates that **74.1%** of the variation in financial performance is explained by these working capital components. The statistically significant **p-value ($p < 0.05$)** confirms that effective working capital management improves profitability and operational efficiency.

Table 2. Multiple Linear Regression: Effect of Payables Management, Liquidity, and Working Capital Policies on Operational Efficiency

Regression Statistics	Value
Multiple R	0.847
R Square	0.717
Adjusted R Square	0.709
F-value	27.983
Significance (p-value)	0.001

Interpretation

The regression analysis reveals that **payables management, liquidity management, and working capital policies** significantly influence **operational efficiency**. The **R Square value of 0.717** indicates that **71.7%** of operational efficiency is explained by these variables. The significant regression model confirms that effective liquidity management and systematic financial planning strengthen manufacturing operations and business continuity.

Table 3. Multiple Linear Regression: Effect of Technology Adoption, Financial Planning, and Working Capital Management on Organizational Performance

Regression Statistics	Value
Multiple R	0.872
R Square	0.760
Adjusted R Square	0.752
F-value	32.415
Significance (p-value)	0.000

Interpretation

The **Multiple Linear Regression Analysis** demonstrates that **technology adoption, financial planning, and working capital management** significantly improve **organizational performance**. The **R Square value of 0.760** indicates that **76.0%** of organizational performance is explained by these variables. The findings highlight that digital financial systems and efficient working capital practices contribute to stronger liquidity, improved productivity, and sustainable financial growth.

6. Results

The study reveals that Hero Motors maintains effective working capital management practices that positively influence manufacturing performance. Inventory management, cash management, receivables collection, and supplier payment systems significantly contribute to operational efficiency and financial stability. Respondents indicate that technology-enabled financial systems improve planning, monitoring, and decision-making. Efficient working capital utilization strengthens liquidity while supporting continuous production activities. The **Multiple Linear Regression Analysis** confirms that working capital components have a significant positive influence on financial performance and organizational effectiveness. Overall, effective management of current assets and current liabilities enhances profitability, productivity, and long-term business sustainability at Hero Motors.

7. Suggestions

Hero Motors should continue strengthening its working capital management by maintaining optimum inventory levels through advanced forecasting techniques and automated inventory control systems. The company should further improve cash management by monitoring daily cash flows and preparing accurate cash budgets. Faster collection of trade receivables should be encouraged through efficient credit policies and regular customer follow-up. Strong supplier relationships should be maintained by ensuring timely payments and negotiating favourable credit terms. Greater use of enterprise resource planning systems, data analytics, and digital financial management tools should be encouraged. Periodic review of working capital policies and employee training programmes will further improve liquidity, profitability, operational efficiency, and long-term financial stability.

8. Conclusion

Working capital management is a vital component of financial management that ensures smooth manufacturing operations and long-term organizational success. The study concludes that Hero Motors effectively manages cash, inventory, receivables, and payables to maintain liquidity and operational efficiency. The **Multiple Linear Regression Analysis** confirms that efficient working capital management has a significant positive influence on financial performance and organizational effectiveness. Technology-driven financial systems and structured financial planning further strengthen decision-making and resource utilization. Continuous improvement in inventory control, cash management, receivables collection, and financial planning will enable Hero Motors to enhance profitability, maintain financial stability, and achieve sustainable growth in the competitive manufacturing sector.

References

1. Brigham, E. F., & Ehrhardt, M. C. (2022). *Financial Management: Theory and Practice* (16th ed.). Cengage Learning.
2. Pandey, I. M. (2021). *Financial Management* (12th ed.). Vikas Publishing House.
3. Sharma, R., & Gupta, P. (2018). Working capital management strategies in Indian manufacturing companies. *International Journal of Financial Management, 10*(2), 45–58.
4. Kumar, S., & Verma, A. (2018). Working capital management and profitability in manufacturing firms. *Journal of Corporate Finance and Accounting, 8*(3), 61–74.
5. Reddy, K., & Rao, P. (2019). Inventory management and operational efficiency in manufacturing organizations. *International Journal of Production Management, 14*(1), 33–47.
6. Malhotra, S., & Jain, R. (2024). Emerging trends in working capital management using digital financial technologies. *Journal of Financial Innovation and Management, 12*(1), 20–36.