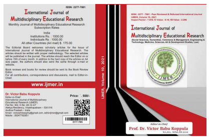
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IMPACT OF COVID-19 ON THE WORKING CAPITAL POLICIES: A CASE STUDY OF HDFC BANK IN JAMMU AND KASHMIR

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Abstract

This study provides a serious analysis of working capital policies in Jammu & Kashmir during the COVID-19 pandemic. The COVID-19 pandemic has disrupted every aspect of human life, from health to the economic system. Businesses need to respond promptly to the extreme changes, and adopt a proactive approach to working capital, to ensure a greater chance of successfully overwhelming the many challenges. This study aims to analyze the various key changes in entities' activities to evaluate the level of business performance in response to the COVID-19 pandemic. The havoc created by the world-wide pandemic COVID-19 toppled the complete economic status of the country, under-brunt. The economy has been extremely affected due to COVID-19 Pandemic. Reserve Bank of India; the Apex bank of India made necessary changes with the help of expert in their policy for facing COVID19 pandemic. Most of the Indian Banks were facing the problem of NPA, non-recovery of loan, bad Loans etc. and to add on to it COVID-19 has expedited the collapse of Indian Banking business. No doubt banks are established in India with a fundamental purpose to make profit by giving expected comfort to customers. Due to shut down of businesses income source of the people came to halt.

Keywords: Working Capital Management; COVID-19 Pandemic; Ratio Analysis, Liquidity Ratio, Quick Ratio, Net Profit Ratio, leverage Ratio, Profitability Ratio.

Introduction

Indian Banking system continuously framing reforms to minimize the effect of COVID-19. As total world suffering from COVID-19 Pandemic, It will change the way the world works. It creates great depression. The Corona virus disease first time identified in Wuhan, the capital of China in December 2019 and spread to the overall world. After observing its infection and increase the rate of death World Health Organization declare as Pandemic on 11th March 2020.As seen current situation India is widely affected from Corona virus. According to WHO currently confirmed cases of COVID-19 have been 7,273,958 reported in the World including 4, 13,372 deaths. In India 1, 37, 448 active cases of COVID-19, out of those 8,102 deaths declared as a government of India. Total world goes into recession from COVID-all the sector. Continuously rise in unemployment, High stress incurred on supply chain management. Reserve Bank of India is the apex body of India. RBI frames the monetary policy and gives guidance to all public sector and private sector banks. RBI issue the Bank notes and keeping of reserves with a view to securing monetary stability in India and operate currency and credit system in India. RBI maintains price stability while keeping growth of the country. Reserve Bank Of India announce COVID-19 Regulatory Package for all commercial banks (including Small Finance Bank, Local Area Bank, Regional Rural Bank) , All Primary (Urban) Cooperative Banks / State Co-operative Banks/ District Central Cooperative Banks All All-India Financial Institutions ,All Non-Banking Financial Companies (including Housing Finance Companies). COVID-19 created crises in India overall 1.5 trillion revenue loss.20 to 25% reduction in refinery utilization. Fall in production due to shut down, import restriction and labor unavailability.35-40 % reduction in refinery utilization, Slowdown in sector due to restriction in import. Sharp decline in renewable energy sector due to lack of competitive price. Reduction and postponement in capacity additions due to financial viability concern and global supply chain disruptions.

Working Capital Management (WCM) talks about a plan that allows companies to use their Current Assets (CA) and liabilities efficiently, indicating maintaining enough liquidity to meet short-term debt and expenses. Prior literature has shown unpredictable results about the influence of working capital management on company performance, finding both negative and positive effects. It has also been stressed that the global economic disaster has increased the attention and possibly changed the attitude towards working capital management as an approach to rise company profitability. In today's complex and changing economic world, the decisions on working capital management strategies are some of the most important and challenging tasks for corporate executives since they can play a decisive role in improving financial situation of companies in times of crisis especially during the covid-19 period. In times of crisis, particular attention should be paid to working capital management, as even the smallest mistakes in the area of working capital can lead to a loss of liquidity by companies. The battle with COVID-19 is not only to save the country and its people but also to ensure that the banking channels are working round the clock to cater to the needs of the public as well as financial market. Needless to say, that banking system is the backbone of any country and its failure or slowdown could lead to multiple issues

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for developing countries like India. Hence, in order to ease out the unforeseen difficulties being faced by numerous sectors, Reserve Bank of India (RBI) being the central bank of the country came up with a number of measures and reliefs post nationwide lockdown.

Literature Review

Management of working capital is important for the success of any business (Louw, Hall & Pradhan, 2019:3; Kwenda & Holden, 2014:569). The adequacy of current assets, together with their efficient handling, influences the survival of the business and, as such, they are vital to the effective running of the business (Ismail, 2017:12; Kasozi, 2017:337). Working capital deals with the short-term financing of the business; that is current assets and current liabilities. It is thus a measure of the liquidity of the business. The goal of effective WCM is to ensure that a business has adequate and ready access to funds necessary for day-to-day operating expenses, whilst also ensuring that assets are invested in the most productive way (Norton, Parkinson & Drake, 2011).

The 2008 financial crisis was the worst economic disaster since the Great Depression of 1929 (Kosakowski, 2017). The root cause of the financial crisis cannot be traced to one single event or reason. Rather, it resulted through a sequence of events, each with its own triggering mechanism that led to near collapse of the global banking system. The lack of efficient and effective WCM possibly played a role in nearly all of these events. Van Wyk, Botha and Goodspeed (2015) found that the financial crisis of 2008 exposed critical failures in the analysis and understanding of the South African financial system. The crisis influenced global and local regulators and policymakers to focus on addressing the vulnerabilities in the financial system. Van Wyk et al. (2015) further found that the vulnerabilities stemmed from reliance on short-term wholesale funding, excessive leverage, liquidity traps, balance sheet mismatches, interconnectedness and opacity. Working capital management refers to a company's managerial accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. The primary purpose of working capital management is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations. Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the interrelationship that exists between them. The term current assets refer to those assets which in the ordinary course of business can be, or will be, converted into cash within one year without undergoing a diminution in value and without disrupting the operation of the firm. The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash. The excess of current assets of a business organization over its current liabilities is termed as the working capital ‘of that organization. The major current assets are cash, marketable security, account receivable and inventory. Current liabilities are those liabilities which are intended, at their inception, too be paid in the ordinary course of business, within a year, out ofthe current assets or earning of the concern. The basic current liabilities are account payable, bills payable, bank overdraft and outstanding expenses.

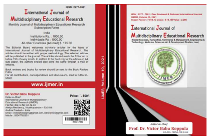
Overall, the pandemic has caused a rethink of economic institutions and mankind’s approach towards the environment. Hence, it has also propelled a re-imagination of the role of the market and the State. Society may come out of this catastrophe with some positive changes, but it may also set in motion some negative practices (Zimon & Tarighi, 2021:2). The task for nations would be to navigate these opportunities and challenges, and this may herald the beginning of a new economic order. The COVID-19 pandemic has highlighted ineffective ways in which businesses manage working capital. As a result, there were calls for a greater emphasis on the management of WCM during extreme changes (such as during pandemics), and in the new economic order which the World is facing.

Objective of the study

1. To examine the effectiveness of working capital management polices with the help of accounting ratio.
2. To study various financial positions of the company by taking various measurements.
3. To study different ways of classification of working capital.
4. To examine the impact of Covid-19 on working capital management.

Research Methodology

The aim of the study was to identify pointers for current businesses to manage their working capital. Research is based upon effect of COVID -19 in Indian Banking Sector. As total world is suffering from the worst situation. Indian Banking also affected. People repaying capacity of loan get reduced. GDP of India got down. Economy progress of India got lower. Indian Government along with Reserve Bank of India is continuously in the process of developing new policy which helps to reduce impact of COVID-19.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DATA ANALYSIS AND INTERPRETATION

Table 1: RATIO ANALYSIS OF HDFC BANK

LIQUIDITY RATIO			
YEAR	**CURRENT ASSETS**	**CURRENT LIABILITIES**	**CURRENT RATIO**
2019-2020	949922.81	392108.29	2.42
2020-2021	1134252.69	425108.45	2.66
QUICK RATIO/ LIQUID RATIO			
Year	**Quick Assets**	**Quick liability**	**QUICK RATIO**
2019-2020	907922.81	381208.21	2.38
2020-2021	1072252.69	404108.38	2.65
PROFITABILITY RATIO			
YEAR	**Operating Profit**	**Net Sales**	**Operating Profit Ratio**
2019-20	290226.1	1886521.20	0.1538
2020-21	203227.6	1602827.8	0.1267
NET PROFIT RATIO			
YEAR	**Net profit**	**Net sales**	**NET PROFIT RATIO**
2019-20	401977.8	1886521.20	21.30
2020-21	366472.3	1602827.8	22.86
WORKING CAPITAL TURNOVER RATIO			
Year	**Sales**	**Working capital**	**Ratio**
2019-20	1886521.20	1158690	1.62815
2020-21	1602827.8	998033	1.60598
LEVERAGE RATIOS			
YEAR	**Total Liabilities**	**Stockholder's Equity**	**RATIO**
2019-20	1,580,830.44	175,810.38	8.99
2020-21	1,746,870.52	203,169.53	8.59

Major Findings and Suggestions

1. Current ratio in 2019-20 is 2.42 and in 2020-2021 it is 2.66. The current ratio of the above two years is above the standard current ratio, which is 2:1.
2. Liquid or quick ratio in 2019-2020 is 2.38 and in 2020-2021 it is 2.65. The Liquid or quick ratio of the above years is above the standard liquid or quick ratio, which is 1:1.
3. Gross profit ratio in 2019-20 it is 16.61% and in 2020-21 it is increase to 16.63%. Comparing the two years ratio, the chart shows that it has increased from 2019-20 to 2020-21. That indicates there is a slight improvement in this firm.
4. Operating profit ratio in 2019-20 it is 15.38% and in 2020-21 it decreased to 12.67%. It means that the company is not making enough money from its ongoing operations to pay for its variable costs as well as its fixed costs.
5. Net profit ratio in 2019-20 it is 21.30% and in 2020-21 it is increase to 22.86%. A higher net profit ratio is more favorable compared with a lower ratio.
6. Working capital turnover ratio in 2019-20 it is 1.62 and in 2020-21 it is decrease to 1.60. It shows that the company isn't using its working capital efficiently, so it isn 't satisfactory.
7. Leverage ratio in 2019-20 it is 8.99 and in 2020-2021 it has decreased to 8.59. It indicates that the firm is financing its operations using more of Equity than debt which implies that the firm is less risky.

Conclusion

The study conducted on Impact of Covid-19 on working capital management at HDFC Bank gives a view of assessing the performance of working capital management of the bank by analyzing the financial data with the help of ratio analysis. The study conducted on Impact of Covid-19 on working capital management at HDFC Bank gives a view of assessing the performance of

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working capital management of the bank by analyzing the financial data with the help of ratio analysis. During the period of study, there were a few up and downs in the working capital crisis and ratio analysis due to the prevailing covid-19 which will affect the operations of the bank but it is observed that the overall financial position is good. The bank has to take necessary steps to utilize current assets for improve profitability. It is anticipated that the profitability will improve in the coming years. Based on the analysis and interpretation we tried to give our findings and suggestions for the company as per our best knowledge. During the period of study, there were a few up and downs in the working capital crisis and ratio analysis due to the prevailing covid-19 which will affect the operations of the bank but it is observed that the overall financial position is good. The bank has to take necessary steps to utilize current assets for improve profitability. It is anticipated that the profitability will improve in the coming years. Based on the analysis and interpretation we tried to give our findings and suggestions for the company as per our best knowledge.

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