THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL GRADUATE AND DOCTORATE CENTER

MASTER DISSERTATION

ON THE TOPIC

"STRATEGY OF MANAGEMENT OF WORKING CAPITAL"

Manafli Narmin Vaqif

BAKU – 2021

MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

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Assoc. Prof. Dr. Ahmedov Fariz Saleh
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MASTER DISSERTATION

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“STRATEGY OF MANAGEMENT OF WORKING CAPITAL”

Code and name of Programme: 060403 Finance

Specialisation: Financial management

Group: 654

Master’s Student:
Manafli Narmin Vaqif
________________signature

Supervisor:
PhD. in Econ. Elsevar Guliyev Nizami
_________________ signature

Program Manager:
PhD. in Econ. Valiyev Jabrayil Khalil
__________________signature

Head of the Department:
Dr. of Econ. Prof. Kalbiyev Yashar Atakishi
__________________ signature

BAKU – 2021

Elm andı

Mən, Mənəfli Nərmin Vaqif qızı and içirəm ki, “Strategy of management of working capital” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

DÖVRİYYƏ KAPİTALININ İDARƏ OLUNMASI STRATEGİYASI

XÜLASƏ

Tədqiqatın aktuallığı: Pərakəndə ticarət sektorundakı şirkətlər gündəlik əməliyyatlarında dövriyyə kapitalına güvənirlər və bu qazancın artırılması, iflasın qarşısını almaq üçün çox vacibdir. Bu tədqiqat işi pərakəndə satış sektorunda dövriyyə kapitalının idarə olunması strategiyası üzərində aparılır.

Tədqiqatın məqsədi: Əsas məqsəd dövriyyə kapitalının idarə edilməsinin şirkətlərin gəlirliliyinə, fəaliyyətinə və likvidliyinə təsirini araşdırmaqdır və yeni təkliflərin verilməsidir.

İstifadə olunmuş tədqiqat metodları: Dövriyyə kapitalının idarəedilməsindəki effektivlik kəmiyyət tədqiqat üsulu-nisbət təhlili istifadə edilərək təhlil edilir.

Tədqiqatın informasiya bazası: Məlumat bazası mövcud mühasibat və maliyyə dərsliklərindən, bu sahədəki tədqiqat sənədlərindən, məqalələrdən və tezislərdən, Walmart şirkətinin 2015-2020-ci illər üzrə olan dövrünü əhatə edən maliyyə hesabatlarından ibarətdir. İnformasiya bazasına mözvudan bəhs edən yerli və xarici ədəbiyyatlar, internet resurslarında daha əvvəl araşdırılmış məqalələr daxildir.

Tədqiqatın məhdudiyyətləri: Bu tədqiqat pərakəndə satış sektoru və müəyyən dövrlə məhdudlaşır. Tədqiqatın nəticələri bütün şirkətlər və dövrlər üçün ümumiləşdirilə bilməz.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Bu tədqiqat, şirkətlərin davamlı müvəffəqiyyətini təmin etmək üçün ən təsirli dövriyyə kapitalının idarə edilməsi strategiyasının seçmək üçün əlavə məlumat verir.

Nəticələrin istifadə oluna biləcəyi sahələr: Tədqiqatın dövriyyə kapitalının idarə edilməsinə dair strategiyaların hazırlanması siyasətini daha yaxşı başa düşməsinə kömək etməsi gözlənilir. Nəticələr, təşkilatın fəaliyyətini yaxşılaşdırmaq üçün dövriyyə kapitalının idarə olunması ilə bağlı hansı strategiyanı seçmək barədə təşkilatda olan menecerlər üçün faydalı olacaqdır.

Açar sözlər: Dövriyyə capitalı, Gəlirlilik, Nağd pula çevrilmə dövrü, Aktivlərin gəlirliyi

STRATEGY of MANAGEMENT of WORKING CAPITAL

SUMMARY

The actuality of the subject: Companies in the retail industry rely on working capital for their day-to-day operations and is critical for maximize profits, prevent insolvency. This study is conducted on the strategy of working capital management in the retail sector.

Purpose and tasks of the research: The fundamental intention is to look at the impact of working capital administration on organizations' profitability, performance and liquidity.

Used research methods: The efficiency and effectiveness on working capital management is analyzed with the using quantitative research technique- ratio analysis.

The information base of the research: The information base consists of existing textbooks on accounting and finance, research papers, articles and thesis in this field, annual reports of Walmart Inc. This research data includes financial information of Walmart Inc. covering the years from 2015 to 2020.

Restrictions of research: This study is limited with the retail sector and data is collected from the reports of Walmart Inc. over some years. Findings cannot be generalized to all companies and periods.

The novelty and practical results of investigation: This research add further knowledge to the question of how best effective working capital management strategy help ensure the continued success of the companies.

Scientific-practical significance of results: The study is designed to aid in a better understanding of the policies governing the formulation of working capital management strategies. The results will be beneficial to managers in organization on what strategy to choose regarding management of working capital in order to improve the performance of the organization.

Keywords: Working Capital, Profitability, Cash Conversion Cycle, Return on Asset

ABBREVIATIONS

WCM	Working Capital Management
EVA	Economic Value Added
NWC	Net Working Capital
ACP	Average Collection Period
ITD	Inventory Turnover in Days
APP	Average Payment Period
DOH	Days of Inventory on Hand
DSO	Days Sales Outstanding
DPO	Days Payable Outstanding
ROE	Return on Equity
ROA	Return on Assets

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INTRODUCTION

Relevance of the research topic: This section reflects the circumstances that necessitate research as well as the theoretical, methodological (what theories or techniques can be improved?) and practical (In which practical issues' will be useful?) significance of the topic. Numerous variables require an examination concerning the point "Strategy of working capital management". The strategies on administration of working capital that are powerful assist to guarantee that an organization's future achievement. The distinction between an organization's current resources and current liabilities is known as working capital. It's a financial metric that determines if a company has enough liquid assets to cover its upcoming bills in a year. At the point when an association has overabundance current assets, this sum can be gone through carefully in its everyday tasks. Working capital administration helps to improve working efficiency. Working capital management that is effective help a business sustains smooth operations while also increasing earnings and profitability. It is important for all companies to handle their working capital effectively. Strategic working capital management assists in the improvement of corporate strategy and eventually ensures the company's sustainability. It also demonstrates how strategic current asset and current liability decisions have a multi-dimensional impact on a company's performance. Working capital management is critical to a company's long-term survival. Companies in the retail industry rely on working capital for their day-to-day operations, so it's critical to managing their working capital for maximize profits and prevent insolvency. As a result, this study is conducted on the strategy of working capital management in the retail sector, taking into account all considerations.

Statement of the problem and learning level: In the management of working capital, the companies have two key problems. What are the optimal amounts of cash, accounts receivable and inventories that a company should choose to maintain on the given level of sales and the relevant cost considerations? What is the most economical way to finance these working capital investments on the given these optimal amounts? As a result of researches these important questions will be answered.

Purposes and objectives of the research: This part provides an overview of the main aim (model framework) of the dissertation. The fundamental motivation behind this paper is to inspect the impact of working capital administration on organizations' profitability, performance, and liquidity. There are several objectives of this dissertation. The first one is the theoretical base for a strategy of working capital management. This theoretical base will provide a foundation for further analysis in the dissertation. The second one is that the dissertation aims to evaluate the financial condition of the selected company. The third objective is to add to past examinations by giving exact evidence of the impact of working capital administration on business achievement. Finally, another objective of the research is to give advice to the company about management of working capital for improving corporate performance as the result of the researches. This research aims to investigate possible concepts and tools those add further knowledge to the question of how best effective working capital management strategy help ensure the continued success of the companies.

Object and subject of the research: The object of the research is Walmart Inc. The subject of research is the economic activity, financial statements, and profitability ratios of the company.

Research methods: This section describes the research methods, data collection tools (surveys, databases, internet resources and so on) which are used. The efficiency and effectiveness on working capital management can be analyzed with the different methods. One of the methods is ratio analysis. Ratio analysis is one of the quantitative research techniques. Financial analysts compare the working capital cycle and ratios which are related with working capital against market benchmarks. The generally utilized proportions and measures are the days of sales outstanding, current proportions, days of inventory outstanding and days of payables outstanding. Financial ratios including activity and liquidity ratios are used to measure effectiveness and efficiency of management of working capital. The statement of financial position, profit and loss statement and cash flow statement are totally utilized in in ratio analysis. This approach is used to assess and analyze a company's operational and financial performance. This involves a company's performance, liquidity, profitability and solvency. These ratios are examined over time to determine whether the business is improving or declining.

Research database: This quantitative research is based on to arrive at results about impacts of working capital administration factors on benefit and performance of organizations. The information basis of this research includes existing textbooks on accounting and finance, research papers and thesis in this field, annual reports of Walmart Inc. Finance and accumulated knowledge within this area have been chosen as major. This research data consists financial information of retail corporation (Walmart Inc.) covering the years from 2015 to 2020. The impact of strategic decisions on working capital management on company's efficiency is illustrated in this paper by empirical research. As a result, the sample includes financial data from the retail company's annual financial statements. In the analysis secondary data is used, which is released by the company. The internet resources, scientific books and articles, company’s financial information, reports of international organizations are used as database of research. Financial data includes current resources, current obligations, liquidity and profitability, as well as company activity ratios. These financial measures are used to assess the performance of organization's working capital administration.

Research limitations: This study is limited to the retail industry, data is collected from the reports of Walmart Inc. The result of this study applies to this sample, however, not all other industries and markets. The examined period is only measured over some years, research’s result is limited to a specific time period. Findings cannot be generalized to all companies and periods. Therefore, as my thesis is limited, it will be interesting for further research to confirm this dissertation by investigating other markets and industries.

Scientific novelty of the research: This part provides an overview of the main goal of the dissertation. The primary purpose for this dissertation is to look at the impact of working capital administration on organizations' profitability, performance and liquidity. There are several objectives of this dissertation. The first one is the theoretical base for a strategy of working capital management. This theoretical base will provide a foundation for further analysis in the dissertation. The second one is that the dissertation aims to evaluate the financial condition of the selected company. The third objective is to add to previous studies by providing empirical proof of the impact of working capital administration on corporate achievement. Finally, another objective of the research is to give advice to the company about management of working capital for improving corporate performance as the result of the researches. This research aims to investigate possible concepts and tools those add further knowledge to the question of how best effective working capital management strategy help ensure the continued success of the companies.

Scientific and practical significance of the results: The study is expected to aid in a better understanding of the policies governing the formulation of working capital management strategies and their effect on profitability, especially in the retail sector. Results of the thesis will be beneficial to managers in organization on what strategy to choose regarding working capital management in order to improve the performance of the organization. The study begins with the assumption that strategic decisions have a significant impact on the impact of working capital on productivity.

CHAPTER I. THEORY AND METHODOLOGY OF STRATEGY OF WORKING CAPITAL MANAGEMENT

1.1. Strategic approach to management of working capital

Distinction between current resources and current liabilities of organization is called working capital. (Rehana I. 2017). The working capital is one of the most vigorous parts of a company's capital structure and has an effect on operation of the company directly. Net working capital is determined as current resources minus current liabilities. (Rehana I. 2017).

A current resource is an organization's money and its different resources which are required to be changed over to cash inside one year. If an organization's working cycle is longer than one year, a resource is relied upon to go to cash inside that this working cycle will be a current resource. Current resources are recorded on an organization's statement of financial position and are widely used to assess a company's liquidity. Current resources incorporate cash, cash equivalents and accounts receivable, stocks of raw materials, completed merchandises, prepaid liabilities, marketable securities.

Cash and cash equivalents, which are short-term assets, are rapidly transformed into recognized cash amounts. These assets incorporate currency, checking account balances, depository bills and transient government securities.

The short-run investments that can be turned into cash in less than a year are called marketable securities. Certificates of deposit, money market accounts and high-yield savings accounts are examples of marketable securities.

Any money owed by customers for purchases made on credit like electricity, wireless phone plans fall under accounts receivable.

The raw materials, units in production and finished goods are inventories and supplies of company. Inventories are frequently separated further into materials, working-in-progress and completed merchandises.

Prepaid costs are expenditures paid for inside one bookkeeping period, yet burned-through in a future period. For instance, prepaid rent and insurance.

A current liability is a debt which company owes and must be paid during one year. Organization's current liabilities comprise of accounts payable, short-term obligation, compensation, wages, taxes payable, accrued expenses and dividends payable. (Rehana I. 2017).

When a business buys products or services on credit from its suppliers, accounts payable is established. Accounts payable is required to be paid off inside a year's time or inside one operating cycle.

Accrued expenses are charges of company which are recognized at the time these expenses are incurred, nonetheless cash has not yet been paid.

Short-term obligation is portrayed as the piece of an organization's absolute liabilities that are required to be paid inside either the following a year or inside the organization's present monetary year. Transient commitment is separated from long haul commitment that involves obligation commitments an organization has whose repayment period broadens over a year into what's to come. Momentary obligation incorporates accounts payable, current taxes due for payment, transient credits, salaries and wages due to employees, lease payments.

Taxes payable are the part of liabilities which company owes in federal, provincial and municipal taxes. This payable indicates one or more liability accounts that consist of current balance of taxes owed to government entities.

Dividend payable are dividends that an organization's governing body has pronounced to be payable to its investors. Until this time as the organization really pays the investors, the money measure of the profit is recorded inside a dividend payable as a current liability.

Working capital implies an organization's interest in momentary resources, for example, cash amounts receivables, inventories and so forth.

Net working capital estimates the organization's liquidity and is determined as the contrast between working current resources and working current liabilities. These calculations are based on the amount of money in the company, as well as accounts receivable and inventories, less accounts payable and accrued expenses.

Current assets are the assets on the line of balance sheet of the company and these assets are expected to be liquidated in under one year. Current obligations are paid within 12 months. If working capital is equal or higher than the industry average for an organization of practically identical size, it is considered as satisfactory. Low working capital may show a danger of misery or default. Most major new projects, for instance, an extension in production or enter into new business sectors, markets require an interest in working capital. This diminishes cash flow. If money is gathered too slowly, cash will decrease and decreasing on sales volumes cause to a fall in accounts receivable. Organizations which are utilizing working capital wastefully can expand income by putting pressure on providers and clients. There are two notions on working capital- quantitative and qualitative concept. As stated by quantitative concept is the amount of working capital mention that this is total of current assets. The qualitative notion gives a thought with respect to the source of financing capital. Qualitative concept indicates that the quantity of working capital alludes to surpass of current assets over current liabilities. With regard to the wellspring of financing resource, the subjective term offers a thought. The measure of working capital alludes to the excess of current resources over current obligations.

Working capital such as the portion of the current resources of a company which are covered by long-run resources. Net working capital is considered as the overabundance of momentary resources over transient liabilities. The significance of net working capital addresses that measures of current assets that would remain if existing liabilities have been paid. It is vital to apprehend the meaning of current assets and current liabilities for mastering which means of net working capital. This is described below:

Current assets – It is rightly discovered that current assets have a brief life span. These kinds of resource are engaged in daily operation of a commercial enterprise and typically used for short-run operations of the corporation in the course of an accounting length inside twelve months. The vital traits of these assets are:

1. Short-term life span

2. Swift transformation into different shape of assets. Cash stability can be held idle for every week, account receivable might also additionally have lifestyles span of 30 to 60 days, and inventories can be held for 30 to one hundred days. Fitzgerald described current assets like “Coins and different property which might be anticipated to be transformed in to cash within twelve months or inside such longer length as constitutes the ordinary working cycle of a commercial enterprise”. Current liabilities – The Company creates a current liability in the direction of creditors or sellers from whom it has bought substances on credit. This legal responsibility is likewise called accounts payable and proven within balance sheet until the charge has been paid to the creditors. The claims or responsibilities which might be typically anticipated to mature for payment inside an accounting cycle are called current liabilities. These may be described as the liabilities wherein liquidation within reason anticipated to require the usage of present assets nicely classifiable like current assets, or the advent of various current assets, or the advent of different current liabilities. Circulating capital- working capital is likewise called ‘circulating capital or current capital. The use of the time period circulating capital in preference to working capital shows that its float is round in nature.

The cash inflows and outflows may be planned by company month-by-month to understand working capital needs correctly. The revenues of landscaping company are higher in the spring, are stable during October and diminish until zero in late autumn and winter. The business may have numerous expenses consistently too. Segments of these computations could require making educated assumption about the future of company. While recorded outcomes are used, also should considered new arrangements expected to sign or the conceivable loss of significant clients. It can be hard to make accurate projections if company is developing rapidly.

Different reasons exist why organization needs extra working capital:

- Contrasts in cash flow periodically are ordinary of various organizations. This condition may require extra cash-flow to get ready for a tumultuous season or to keep the business when there's less cash inflow to business.
- Approximately, all companies have times when additional working capital is expected for pay obligations to suppliers, employees and the government during the time of waiting payments from customers.
- Business is improved with additional working capital in different ways, for example: company can use supplier discounts when buying in mass.
- Working capital can be utilized, while organization pay to impermanent representatives and to cover other undertaking related costs.

The options to boost working capital

An unstable, rotating credit extension can be a successful route for expanding working capital. Credit augmentations are proposed to subsidize ephemeral working capital necessities, terms are better than those offered by company credit cards and businesses can acquire precisely whatever they want when they need it. When a business credit card can be a substantial and a helpful way for top workers to cover adventitious costs for travel, entertainment and other various requirements. This is ordinarily not the most ideal way for working capital goals. Restrictions incorporate higher financing costs, higher expenses for loans and the simplicity of adding to a lot obligation.

Meeting all requirements for a functioning working capital credit extension

While applying for credit, loan specialists will focus on the general strength of balance sheet, including annual revenue, ratios related to working capital, net working capital and other different factors. Since entrepreneurs' business and individual budgets will be in general interrelated, banks will likewise analyze individual fiscal reports, financial assessment and expense forms. Regardless of numerous elements may influence the size of working capital credit extension, it is decision that, it shouldn't outperform 10% of organization's revenues.

Working capital administration encompasses all operations related to the management of a company's current resources and current obligations. Working capital administration is one segment of the integrated corporate financial strategy. It is expected that efficient and effective working capital administration positively affect company. Working capital management is the process of administration of the investment in current assets and current asset funding. The working capital administration involves setting working capital management strategy and carrying out that policy in a business's daily activities to accomplish its goals and objectives. These goals consist of shareholder wealth maximization, competitive advantage and growth. The essential objective of working capital administration is to release capital related to the daily activities of company for increase liquidity. The released cash can be utilized for internal funding and the capital cost is reduced by minimizing external borrowing. The goal of working capital is to guarantee the effective and efficient using of the company’s investment in fixed assets. If performance indicators such as liquidity, solvency, bankruptcy, efficiency, profitability and economic value added are took into consideration, it will be clearly obvious that the business must hold and deal the various levels of working capital which are proper to its performance criteria. Working capital management plays an essential role in development and survival of the company. This directly affects the company’s liquidity and profitability. Efficiently and effectively management of working capital has an important effect in business growth and success. Primary goal of working capital administration is to make sure that company is able to pay operational costs and also to be in position for make payment to short-run liabilities when company falls. If company manages working capital badly, this will lead to the liquidity crisis and affect company’s operations. Ideal level on working capital administration is the upper hand for organizations.

Strategies on working capital management

There are four types of strategies on working capital administration for deciding on a long and short-term fund mix to finance the net working capital of a company. These methods are different, because their compromise among hazard and benefit is different. Another huge separation is the degree or extent of utilization of long term and momentary asset to fund the functioning capital.

1. A Conservative Approach

This strategy proposes not to face any risk in working capital administration and to hold significant levels of current assets according to sales. Abundance current assets allow the company to absorb unforeseen varieties in deals, creation plans and obtainment time without interrupting production plans. It needs to hold a significant degree of working capital and it ought to be financed by long-term reserves, such as equity capital or long-term loans. Accessibility and availability of adequate working capital will allow the smooth operational exercises of the organization and thus there would be no stoppages of production for need of crude materials, consumables. Enough supplies of completed products are kept up to meet the market changes and instabilities. The higher liquidity levels decline the danger of indebtedness. But lower risk converts into lower return. Huge investments in current assets result to higher interest and carrying costs and this support for inefficiency. However, conservative strategy will empower the organization to absorb everyday business dangers and ensures consistent progression of tasks. Under this methodology, long-run financing covers more than the total necessity for working capital. The abundance cash is invested in short-run marketable securities. Because, these shares are auctions off in the market to meet the critical requirements of working capital. (Hill Robert Alan, 2013).

2. Aggressive Strategy

Under this strategy current resources are kept for cover the current liabilities without saving any cushion for the varieties on working capital requirements. Long-term investments provide the primary source of working capital, while short-term borrowings cover seasonal fluctuations. Selection of this strategy will reduce the investment in net working capital and at last it brings down the cost of financing working capital. (Hill Robert Alan, 2013).

The major drawbacks of aggressive strategy are that it requires continuous financing and also raises risk as the company is defenseless against sudden shocks. The downside of this strategy is higher borrowing costs because long-term rates would outperform short-term rates. However, even though an aggressive approach is chosen, the organization can face defaults in certain cases. Long-term resources ought to be funded with long-term sources of capital, whereas short-term assets should be financed with a combination of long and short-term sources, according to the cardinal concept of corporate finance.

3. Matching Approach

The main purpose of this strategy is to fund the unending portion of flow of capital and fixed assets using long-run funds, while the short-term or seasonal fluctuations in current assets are funded with short-term obligations. If the long-run sources are utilized for short-term needs of the company, it can decide and find ways to address the confusing in financing. Productive working capital administration strategies pack the working cycle. The aggregate of the inventory and receivables periods equals the operating cycle length. (Hill Robert Alan, 2013).

Without a moment to spare stock administration procedure decreases conveying costs by cutting the time that products are stopped as inventories. Corporate may provide trade discounts for timely payment to reduce the receivables duration without inherently reducing the credit period. Hedging is another name for this technique.

4. Zero Working Capital Strategy

Zero working capital methodology is probably the most recent pattern in working capital administration. The idea on this strategy is to have zero working capital and reliably the current resources will equivalent to the current liabilities. Overabundance investment in current assets is kept away and company meets its current liabilities from matching current assets. If current proportion is one and the quick ratio is less one, there might be anxiety over the liquidity. Nevertheless, if all current assets are achieving and are accounted at their feasible qualities, these feelings of trepidation are lost. The organization holds opportunity cost on abundance interests in current resources and as bank cash credit limits are connected to the stock levels, interest expenses are likewise saved. There would be a self-inflicted monetary control on the organization to manage their activities inside their current liabilities and current resources and there may not be an affinity to over get or redirect reserves. Zero working capital ensures a smooth and nonstop working capital cycle and it would compel the finance managers to develop the quality of the current assets consistently, to keep them 100% feasible. When a business sources capital through borrowing to finance its working capital, the acquired funds allures interest which extends the amount of business cash outflows which drains business financially. When a business improves on receivables collections, the amount of cash inflows extends which leads to less borrowings for finance working capital. It’s important to quick track their receivables and their collections. Haggling better credit terms from provider's builds cash assets which can be utilized to back transient activity needs. For payables the business should defer payments within the credit period, but keep good credit relationship with creditors. Putting resources in quick moving inventory frees cash, this can be a good technique to raise cash resources. (Hill Robert Alan, 2013).

The major objective on working capital management

The fundamental goal of working capital management is to liberate capital related with daily operations for enhance liquidity. This released cash can be used for financing internally and the avoided outward funding diminishes the capital cost. The effective working capital management strategy help to guarantee the proceeded success of the companies. It is a financial metric that determines if a business has enough liquid resources to pay its bills that will be expected in a year. When an organization has extra current resources, it can put them to good use to the company's day-to-day activities. Working capital management's goal is to increase operating efficiency. Working capital management that is effective and efficient helps to keep operations running smoothly and can also serve to boost the company's profits and earnings. The handling of working capital effectively is critical for all companies. Working capital management that is strategic aims to strengthen corporate strategy and guarantees the survival of the company. It additionally shows how essential choices about current resources and current liabilities have a significant impact on a company's success and performance.

Successful working capital management is important to remaining in business. The management of working capital is a significant field in financial management and linked to the management of current assets and liabilities on a broad scale. The satisfactory level of working capital mainly relies on a company's industry and customers. For example, pharmaceutical industry and industrial production have essentially high levels of capital requirements and great cash deficit, while other sectors such as the telecommunication industry reach to manage a negative cash conversion cycle.

The working capital management provides to shareholder value creation mainly by the method of capital charge. The capital charge is the result of a company's capital employed. Because working capital is part of the capital hired, through the economization of working capital, a business may function with a lower capital charge. In exchange, a lower capital charge results in a value rise.

The executives of working capital allude to the practices and procedures intended to control every one of the things of current resources and current liabilities.

The functioning capital administration is the capacity that includes successful and effective utilization of the relative multitude of parts of current resources and current liabilities to limit complete expense.

Working capital administration incorporates cash, inventory, accounts receivables, short-term debt, accounts payable management. (Patrick Kipronoz and Titus Meta, 2018).

1. Cash Management

Money is one of the huge pieces of current resources. It is required for accomplishing every activity of a company, from obtaining of raw materials to marketing of completed goods. Consequently, it is fundamental for a company to keep a satisfactory cash balance. One of the significant functions of a finance manager is to match the cash inflows and outflows to maintain sufficient cash. As to the executives, cash has two implications as ready cash and near cash. Ready cash may be in the form of currency notes, coins or bank deposits. The marketable securities, treasury bills are the examples to near cash. The term "cash control" refers to the management of ready and near cash. There are three explanations behind holding cash.

- Keeping up of money for standard payments like purchases, wages, working costs alludes to the transaction motive.
- Precautionary motive alludes to keeping of cash to meet unforeseen cash demands, such as additional cash payments for raw material purchases due to rise in cost of raw materials.
- Speculative motive alludes to keeping of cash to use favorable market and economic circumstances such as purchasing an excess amount of raw materials at a reduced price.

One of the fund manager's responsibilities is to keep sufficient cash balance, this leads to the liquidity position of the company remains strong. It is crucial to understand what ought to be the ideal cash balance and in what amount marketable securities ought to be purchased or sold.

The various models of cash management exist to define the optimum level of cash balances.

Baumol Model: This model states the optimum level of cash is that level at which the expense of conveying and exchange cost are least. The interest foregone on marketable securities is called carrying cost. The transaction cost alludes to cost of liquidating marketable securities.

Miller-Orr Cash Management Model: This model divides levels for cash into two categories: an upper limit and a lower limit. The upper limit exceeds the lower limit by three times. This model demonstrates that, if the money balance arrives at as far as possible, excess money equilibrium ought to be put resources into marketable securities. But, in the opposite case, marketable securities ought to be exchanged.

2. Accounts Receivables management

Any claim for money owed by clients to the company which resulting from the selling of products or services in regular business practices is referred to as a receivable. Along with cash and inventory, it is one of the most significant elements of working capital. The overall amount of accounts receivable relies on company's credit sale and collection policy. Liberal credit policy raises sales volume however, it also raises the amount of money invested in receivables. One of the most critical roles of a finance manager is to examine the costs and benefits of credit policy. There are expenses related with keeping up accounts receivables.

Capital cost- There is a delay between the selling of merchandises and payment by borrowers during which time the company must arrange funds to satisfy its commitments such as payment for raw materials, wages.

The administrative expenses incurred by the company in collecting money from debtors are known as collection costs.

The cost of default is the cost of bad debt losses.

Extending credit to defaulting customers incurs a delinquency cost. Legal fees, as well as the costs of putting in additional work for collection are examples of such costs.

Credit policy has a huge effect on profitability, but it must be assured that the benefit from additional sales resulting from a generous credit policy is adequate to cover the expense of sustaining additional receivables.

3. Inventory management

Inventory comprises a significant piece of all out working capital. Inventory administration intends to ensure that the organization keeps a satisfactory degree of stock to oversee conventional activities without putting a great deal of capital in the asset. An absence of inventory ought to be kept away from, because it causes to lost sales. Efficient and effective administration of inventory results in boost of earnings of the investors. Efficient administration of inventory comprises of managing two conflicting goals. The first one is minimization of investment in inventory. Second goal includes support of the smooth progression of crude materials for creation and deals. Therefore, finance manager’s aim is to figure the degree of stock where these clashing interests are accommodated. Inventory control methods alludes to the procedures for efficiently keeping up the flow of materials. One of the critical techniques for stock administration is Economic Order Quantity. The EOQ represents the inventory level that reduces inventory costs to the lowest possible level.

Stock levels- An effective stock control system is essential for efficient inventory administration. Stock level is one of the significant parts of stock control framework. Stock level enormously affects benefit. Over-loading requires enormous capital ventures. But, under-stocking influences flow of the production process of company.

These are the levels of stock fixed for efficient inventory management. Re-order is the level which shows when to put an order for acquisition of raw materials. This is additionally named as the ordering level. Minimum stock level demonstrates the lowest level of stock at which the amount of an item should not be permitted to fall below. This level is also known as a security stock or buffer inventory level. The most extreme stock level alludes greatest measure of stock that can be added to an item without causing additional working capital to be blocked. Average stock level is controlled by taking the normal of greatest stock level and least stock level.

One of the most viable stock control strategies is ABC Analysis. It is not always possible in a large manufacturing organization to give equivalent consideration to every single crude material. In such situations, raw materials are graded according to their value, so that high-value materials can be properly controlled. ABC Analysis is an analytical technique that attempts to classify materials into three groups based on their cost. Category A includes high-value products that account for less than 10% of overall inventory consumption. This is the group that needs the most consideration. Low-cost goods with a large number of units fall under category C. Between category A and category C, there is category B.

The basic concept behind Japan Taiichi Okno's just-in-time inventory management system is that a company should maintain the bare minimum of inventory on the premise that suppliers can supply raw materials as and when needed. The aim of this method is to keep inventory carrying costs to zero. Just-in-time buying, just-in-time production and just-in-time supply are three key components of this approach. Adoption of advanced manufacturing technologies can easily apply just-in-time buying, just-in-time processing and just-in-time delivery. The JIT implementation can result in lower inventory costs, as well as fewer wastes, spoilage and other issues. In reality, however, it is impossible to maintain zero inventory level since a company must keep a safety stock.

4. Short-Term Debt management

Short-term debt management focuses on ensuring that the company has sufficient liquidity to finance tasks and operations without posing a significant obstacle or risk. The choice of the appropriate financing instruments, as well as the measurement of the funds accessed for each instrument are all part of the administration of short-term financing. A company should ensure that it will have enough liquidity to handle fund needs.

5. Accounts payable management.

The management of accounts payable arises from trade credit granted by a company's suppliers and is usually a part of the day-to-day operations. It is important to strike the correct harmony between early payments and the company's obligations. One of the most critical aspects of working capital is payables or creditors. Payables can be used to finance working capital on the spur of the moment. The management of payables and the management of cash are inextricably linked. Effective payable management ensures a consistent supply of materials to the company and this improves a company's credibility and reputation. Since suppliers seldom charge interest on the amount owed, it is regarded as a relatively cheap source of finance Trade creditors, on the other hand will have a cost, because they will no longer be able to take advantage of cash discounts on cash purchases.

There are many advantages to a company's effective WCM. Funds distributed by sound working capital management as a low-cost source of finance that can be used to expand existing projects and make new investments.

- One of the goals of working capital management is to increase profitability. Saving financial costs for handling short-term assets and liabilities is one way of extending benefit through adequate working capital management. (Huynh, Phuong Dong and Su, Jyh-tay, 2010).
- Ensuring the availability of sufficient resources- A company can ensure that assets are sufficient consistently through stock management, which is a part of working capital management. The models are used to determine the ideal stock level.

- Improves an organization's overall effectiveness- A good working capital management system will greatly boost an organization's organizational greatness.
- Working capital management helps a company in keeping a strategic distance from excessive trading. Overtrading is one of the quickest ways for a business to fail.
- Working capital management is essential for maintaining good relationships with suppliers and creditors. Trade loan bosses and other non-exchange banks are willing to continue partnering with a company that engages in the legal administration of its working capital and other monetary records.
- Avoid underutilizing of assets- While we condemn overtrading and mark it as a negative impact on a company's usefulness, we should also emphasize that under exchanging can cost a company a fortune in undeserved profit.
- A company can ensure that there are no inert assets by properly managing its working capital.
- The allocation of resources relies heavily on working capital management. It assists the company's executives in assigning the right assets to the appropriate quarters in an inaccurate manner.
- Profitability can be boosted by diminishing working capital spending. Excessive working capital investment can also lead to profitability. (Deloof, Marc, 2003). Working capital management is critical and its role in corporate system development ensures the firm's long-term viability. They also show how important current resource and current liability decisions impacted an organization's success and performance in a variety of ways. Sales expansion, sales instability, expensive external funding and financial distress push organizations to seek more aggressive working capital methodology. When evaluating working capital, not just industry averages, the evidence suggests that operating and funding conditions should be considered.

1.2 Importance of working capital management

To guarantee that organizations have adequate cash flow to proceed with ordinary tasks so that limit hazard of failure to pay transient commitment is the significant objective of working capital administration. With expanding natural pressing factors and restricted external assets, the current resources and liabilities as working capital had extraordinary significance in today's economy. Managers should try to prevent investing in working capital that isn't absolutely appropriate and unnecessary. While increased working capital investment may reduce the risk of liquidity, an absence of working capital may bring about deficiencies and problems in day-to-day operations. The more money invested in working capital, the more money is tied to the running of the company and would increase the opportunity cost of investment especially when a company's working capital is financed from external sources. Working capital management efficiency is determined by the ability to find some kind of harmony among liquidity and profitability. Working capital administration which is efficient and effective indicates whether a corporation succeeds or fails in the short or long term, as well as the liquidity and profitability balance of a company. The achievement or disappointment of any business relies on how financial managers for this situation effectively manage working capital components which includes mainly cash, debtors, creditors and inventories. It's main point for a business to keep a balance between profitability and liquidity while completing its everyday tasks. Management of working capital alludes to the group of operations performed by an organization to ensure it obtained enough resources for everyday operating expenses. The achievement of a company depends on the company's attention and attitude to the short-term decisions. Short-term decisions have an effect on how current resources and obligations are organized. The organization's liquidity position relies significantly on the level of current resources of the organization. If a company is to survive in the business, it should have the capacity of producing enough money that meets its current needs. Working capital management is a critical component of an organization's success in the short and long term. The level of solvency or liquidity depends on the degree which the organization's present resources surpass the current liabilities.

There is no general rule that an increase in net working capital necessarily results in an increase in Economic value added. Additionally, a diminishing in net working capital doesn't really bring expansion in EVA. Working capital management, diminished to minimization of NWC, necessarily ignores the potential impact of influencing factors beyond the extent of NWC. It additionally ignores the expected relationship between these variables. To deliver the best possible returns, organizations should keep no inefficient resources and should finance with the least expensive accessible sources of funds. Because, in general, it is quite advantageous for the company to invest in short term assets and to finance short term liabilities.

The proper management and allocation, usage of working capital is critical for businesses to make sure sufficient profit. If the company has expansive working capital, then the company needs to bear more cost of capital and more time value of money. If the company has insufficient working capital, the company will be unable to pay the current expenditures. It’s considered as the lifeblood of the company. Proper management of working capital may reduce the cost of capital and the risk of losing the company’s going concerned.

The working capital is an essential a part of a business and can give the different advantages to companies:

- Higher Profitability

The control of payables and receivables is a crucial component of small business's profitability. In the long-term, a well-executed working capital management plan will increase the profitability of company. The strategy ensures that inventory is adequately managed in order to prevent any operational deficiencies. Due to the importance of receivables management in working capital management, trade receivables must be obtained on time. Because of good cash management and distribution, there will be no instances of trade payables not being paid on time.

- Improved credit profile and solvency

The ability to meet short-term commitments is essential for long-term solvency. This is frequently a good indicator of a counterparty's credit risk. A company's short-term liabilities can be paid on time if it has sufficient working capital management. Purchase of raw materials, salaries and other operating costs are included in these payments. This increases the company's creditworthiness. If a company's working capital needs are well-planned, it can make timely payments to suppliers and other creditors, improving the company's creditworthiness and making it easier to obtain funds when needed.

- Higher liquidity

Working capital can hold a lot of money, so a company that manages it well can gain more liquidity and become less reliant on external financing. Smaller companies, in particular, need this, because they typically have limited access to outside funding sources. Furthermore, since small companies also pay their bills in cash from their sales, effective working capital management would allow a company to better distribute its resources and strengthen its cash management.

The finance team of an organization can effectively prepare plan for their funds by evaluating the costs payable or to be incurred in the near future.

- Expanded business value

More compelling working capital administration can bring about more free cash flows, which can prompt a higher business valuation and undertaking esteem. As the management handles all of the day-to-day necessary funds in such a way that allows approved staff to pay for all unpaid debts on time, this creates a value addition or goodwill enhancement in the sector.

- Favorable financing conditions

Favorable lending terms, such as discount payments from suppliers and banking partners would be available to a company, if it has strong relationships with its trading partners and pays its suppliers on time. By properly handling liquid assets, one may assist the company in avoiding emergencies or cash shortages, as well as paying for its daily expenditures on a timely basis. By properly managing funds or working capital, one can select or schedule their investments and invest the funds to optimize the return based on their availability.

- Continuous production

A company that pays its providers on time will likewise profit from a steady supply of raw materials, ensuring that manufacturing runs smoothly and that customers receive their products on time. As a result, the organization continues to operate and earns from its activities.

- Competitive advantage and good reputation

As compared to similar companies with inefficient procurement, companies with an effective supply chain would often be able to offer their products at a discount. When a company has established such a positive reputation in the marketplace, it will assist other businesses, resulting in increased profits and contracting opportunities. Easy way to establish a good reputation in the marketplace, which in turn aids the company or individual in obtaining contracts more easily is a positive image and timely fulfillment of commitments. According to a rise in fraud and manipulations, everybody nowadays wants to deal and do business with parties that have a strong market reputation and creditworthiness.

The administration of working capital is perhaps the main financial choice of the company. Adequate degree of working capital ought to be available for smooth running of an organization regardless of the nature of business. The administration of a firm can make an incentive for their investors by decreasing the quantity of day's accounts receivable. Since when the accounts collection period, the benefit of the assembling firms increments. It is noticed that as ACP expands, the level of bad debt increases builds which over the long-term results to decrease in profitability. The management can likewise make an incentive for their investors by diminishing their inventories to a sensible level since the outcomes show that benefit increments as the ITD diminishes. At the point when the ITD expands, capacity costs additionally increment to keep the accessible inventory. Firms can likewise set aside long effort to pay their creditors as long as they do not put their business relationships with these creditors by profitability increments with an expansion in APP. Moreover, firms can likewise diminish the liquidity level to acquire the general firms' performance, this is shown by a negative connection between profitability and liquidity. In this manner, the profitability of the organizations is relied upon to increment.

Managing a company's working capital is a day-to-day task that ensures the company has enough money to continue operating and prevent expensive interruptions. This includes a variety of tasks related to the company's cash receipt and disbursement. The working capital management is crucial for many reasons:

A typical manufacturing company's current assets account for more than half of its total assets. They account for even more for a distribution business. Excessive current assets can quickly lead to a substandard return on investment, while a lack of current assets can cause deficits and make it difficult to keep operations running smoothly.

The importance of working capital management varies depending on the size of the company. Small businesses' primary source of external funding is current liabilities. Other than obtaining a mortgage on a building, these companies do not have access to longer-term capital markets. Current liability funding is also used by the larger, fast-growing companies. Financial managers have a duty to control working capital. As a result, the financial officer and staff commit a significant portion of time to working capital issues. Cash, marketable securities, accounts receivables, accounts payable, accruals, and other short-term financing are all managed directly by financial managers. These management duties necessitate on-the-job monitoring on a daily basis.

As a result, businesses must manage working capital effectively and efficiently, as well as choose the appropriate management approach based on the nature of their business. Working capital management has an effect on a company's liquidity and profitability, which determines whether it succeeds or fails.

The connection between working capital administration and liquidity maintenance is relevant in many existing literature studies. The higher measure of working capital, the lower the danger of running out of money. Working capital management is concerned with the issue of interest on net working capital, which is crucial when establishing the criteria for ‘operating cash' in a company. Working capital management is an essential aspect of financial management. This clearly adds to the company's wealth creation and has a direct impact on the organization's profitability and liquidity.

Companies will improve their profitability by investing more in productive items and focusing on credit sales. The investment in a company's liquid assets has a favorable impact on its profitability. Working capital administration is a significant segment of corporate finance because it impacts a company's profitability and liquidity. The short-term financial requirements of a company are met with working capital. Working capital is not retained for longer than one year, it is used during the year. The requirement for keeping a satisfactory working capital can barely be questioned. The flow of funds is very important to keep going on business. If it becomes weak, the business can scarcely succeed and endure. During the 20th century numerous corporate effectively worked on improving the physical supply chain. In recent years working capital has been part of short-term asset management and has become a more essential subject for companies, in meeting their cash need levels, as financial crisis lowered the willingness of banks to extend loans to companies. The findings of the studies reveal a strong and positive connection between a company's profitability and its cash conversion period. They also believe that a longer cash conversion cycle would result in higher profitability.

1.3 Data and methodology

This quantitative research is based on to arrive at result about impacts of working capital administration factors on profitability and performance of organizations. The information basis of this research includes existing textbooks on accounting and finance, research papers and thesis in this field, annual reports of Walmart Inc. Finance and accumulated knowledge within this area have been chosen as major. This research data consists of financial information on company (Walmart Inc.) covering the years from 2015 to 2020. The impact of strategic decisions on working capital management of company's efficiency and performance is illustrated in this paper by empirical research. As a result, the sample includes financial data from the retail company's annual financial statements. In the analysis process, secondary data is used, which is released by the company. The internet resources, scientific books and articles, company's financial information, reports of international organizations are used as database of research. Financial data comprises of current resources, current obligations, liquidity and profitability, activity ratios of companies. Because, these financial proportions are utilized to assess the organization's working capital administration and efficiency of this process.

Strategy of working capital management is mostly used on trade sector among different sectors like service, production, trade sectors and etc. The productivity and viability on working capital administration can be estimated with the various techniques. One of the methods is ratio analysis. The working capital cycle and other working capital proportions are compared to market benchmarks by monetary examiners. Basically, financial ratios such as activity and liquidity ratios are used to handle working capital effectively and efficiently. One of the quantitative analytical tools is ratio analysis. The information base of research incorporates statement of financial position, profit and loss statement and cash flow statement of a company. Ratio analysis is a technique for assessing a company's operational and financial success, such as productivity, liquidity, profitability, and solvency. Ratio analysis may also be used to compare the success of a business to similar firms in the same sector. This assists in determining a company's strategic advantages, strengths and weaknesses in the industry. The organization makes decisions to boost its market position based on the weaknesses.

Activity ratios are a form of financial ratio that a business uses to determine how efficiently it can use the different operating assets on its balance sheet to turn them into revenue or cash. Through measuring fixed assets, inventories and accounts receivables, activity ratios assist in determining a company's operating performance. Activity ratios are used to assess the current performance of an organization. This ratio can be used to determine whether a business can spend more in some goods or less in others.

The following are some of the most common activity ratios:

1. Inventory Turnover ratio

This ratio calculates the number of times inventory has been fully sold out in a single accounting cycle. Inventory turnover is a metric that shows how well a business manages its inventory.

"Inventory Turnover = Cost of Goods Sold / Average Inventory"

(https://corporatefinanceinstitute.com/assets/CFI-Financial-Ratios-Cheat-Sheet-eBook.pdf).

A low stock turnover proportion indicates that inventory is moving too slowly and is causing capital to be tied up. While a business with a high inventory turnover ratio can move inventory quickly, too much inventory turnover may result in shortages and lost sales. The quantity of days it takes to sell an inventory balance is measured by days of inventory on hand. The DOH is a critical indicator for financial analysts and prospective investors. Because it demonstrates a company's ability to manage its inventory effectively.

"Days of Inventory on Hand = Number of Days in Period / Inventory Turnover"

(https://corporatefinanceinstitute.com/assets/CFI-Financial-Ratios-Cheat-Sheet-eBook.pdf).

2. Total Assets Turnover ratio

The Assets Turnover ratio measures a company's net sales to its total assets. It defines a company's ability to generate revenue. It guides investors in determining the efficiency with which companies generate revenue from their resources.

3. Fixed Asset Turnover ratio

Fixed Asset Turnover is a measurement that assesses how well a business utilizes fixed assets to generate revenues. This ratio is determined as dividing annual net sales by annual net fixed assets. The net fixed assets include the amount of land, buildings, plant and facilities less cumulative depreciation. A higher fixed resource proportion implies that fixed asset investments are being used more effectively to produce revenue.

4. Accounts Receivable Turnover ratio

This figure is computed as dividing net credit sales by average accounts receivable. The ratio is used to assess a company's ability to expand credit and collect debt. A higher accounts receivable turnover proportion shows that an organization is more powerful at getting credit from clients.

The number of days it takes to turn credit sales to cash is measured by days of sales outstanding. The company's low DSO indicates that it takes a few days to recover its receivables. The higher the DSO, the longer it takes to obtain receivables. In the long run, a high DSO will cause cash flow issues. This is calculated as follows:

“Days of Sales Outstanding = Number of Days in Period / Receivables Turnover”

(https://corporatefinanceinstitute.com/assets/CFI-Financial-Ratios-Cheat-Sheet-eBook.pdf).

5. Accounts Payables Turnover ratio

The payables turnover is a metric that measures how often a company pays off its creditors' debts.

“Payables Turnover = Cost of Goods Sold / Average Payables”

(https://corporatefinanceinstitute.com/assets/CFI-Financial-Ratios-Cheat-Sheet-eBook.pdf).

A poor payables turnover implies a company's inability to pay its creditors. A high payables turnover means that a corporation is paying creditors too quickly and could be eligible for early payment discounts.

The period of time it takes to pay off creditors is calculated by the days of payables outstanding. A high DPO is beneficial to a business in general. If a business takes longer time to pay its creditors, the remaining cash on hand may be used for short-run investing. However, if the DPO is too high, it may mean that the company is having difficulty paying its creditors. Low DPO indicates that the company is not making full use of the credit period provided by creditors. It's probable that the company's creditor relationships are only on a short-term basis.

"Days of Payables Outstanding = Number of Days in Period / Payables Turnover"

(https://corporatefinanceinstitute.com/assets/CFI-Financial-Ratios-Cheat-Sheet-eBook.pdf).

6. Cash Conversion Cycle

This proportion is a significant measurement for choosing how rapidly a business can transform its stock into cash. Companies want to reduce the length of their cash conversion period. As a result, they earn cash rapidly from inventory sales. The ratio depicts a company's total working capital/operating asset usage performance. Days of sales outstanding plus days of inventory on hand minus days of payables outstanding how it's measured.

The liquidity proportions are utilized to characterize an organization's capacity to pay its short-run obligations and measure the sufficiency of current and liquid resources. Liquidity ratios show how to handle a company's short-term payables and receivables. Thus, there is still enough cash on hand.

Liquidity ratios are divided into four categories:

1. The cash ratio

The cash ratio is a liquidity ratio that assesses a business's capacity to meet transient commitments. Because it only uses cash and cash equivalents, the cash proportion is a conservative debt ratio. This figure indicates the company's ability to repay current obligations without selling or exchanging assets.

"Cash ratio=Cash and cash equivalents/Current liabilities"

(https://corporatefinanceinstitute.com/assets/CFI-Financial-Ratios-Cheat-Sheet-eBook.pdf).

2. The quick ratio or acid-test ratio

It's a liquidity proportion that actions an organization's capacity to meet transient monetary commitments. The quick ratio utilizes assets that can be converted to cash in 90 days.

"Quick ratio= (Cash and cash equivalents +Marketable securities +Accounts Receivable) /Current liabilities"

(https://corporatefinanceinstitute.com/assets/CFI-Financial-Ratios-Cheat-Sheet-eBook.pdf).

3. The current ratio

This is a type of liquidity proportion that is utilized to evaluate a company's ability to meet its short-term obligations. The current proportion is calculated using all of the company's immediate assets. It's worth noting that the current ratio may exaggerate liquidity. Since the current ratio is based on inventory, it is difficult to turn to cash within a year.

"Current ratio=Current assets/Current liabilities"

(https://corporatefinanceinstitute.com/assets/CFI-Financial-Ratios-Cheat-Sheet-eBook.pdf).

4. The current cash debt coverage ratio

This is determined by dividing a company's operating cashflows by its debts. Its debts only contain current liabilities. The ratio indicates how long it would take the corporation to settle its current obligations if it were to commit all of its cashflows to obligation repayment. The organization is unlikely to be able to pay any of its current debts in a timely manner. A company's operating cashflows are all of the cashflows provided by its operations. For sales, cash is received from buyers and cash is charged to vendors for transactions. Operating cashflows include contributions made against the business's expenditures. Current obligations that must be paid during a 12-month span include short-term loans, account payable or exchange creditors, taxes payable and unpaid expenditures. An organization's capacity to cover short-term obligations is measured using the current cash debt coverage ratio. The proportion is used to calculate if a company's earnings are sufficient to meet its current obligations. For this reason, the company requires sufficient cashflows to cover its current liabilities within a 12-month period. If a corporation does not have enough cash or is unable to achieve sufficient cash flows to cover its obligations, it may receive long-term loans. This ratio is used by investors to evaluate a company's capital structure. It is considered a risky investment if the company cannot produce enough cashflow to meet short-run debt obligations and has a large number of obligations. Financial institutions evaluate a corporation's creditworthiness according to the current cash debt coverage ratio when giving loans. The current cash debt coverage ratio will reveal important details about a company's coverage and liquidity position. This ratio may also be used to compare the company to its rivals, or other companies in the same industry.

CHAPTER II. ANALYSIS AND EVALUATION OF WORKING CAPITAL MANAGEMENT OF WALMART INC.

2.1. Analysis of current assets and liabilities

Every business decision and choice are connected and is influenced by the company's financial situation in some way. Working capital analysis findings can aid in determining an organization's ability to continue in a particular line of operation. The essential focus on analysis is present and potential financial state of the company. The financial data is gathered and determined possible areas for improvement can be found, and corrective or innovative steps can be introduced. It should be viewed as that there is consistently opportunity to get better.

Working capital is a proportion of an organization's operational liquidity. The company should be able to pay all of its short-term costs and liabilities, if it has enough working capital. The capacity of a corporation or entity to rapidly turn assets into cash to pay working costs is referred to as operating liquidity. Working capital is critical to a large company's ability to borrow, raise its share price, pay bills and short-term debts. Retail businesses typically need more working capital. Because stock purchases tie up funds before the stock is sold, which may take time. Since it is more difficult for smaller companies to raise capital rapidly than larger businesses, it is critical to retain positive working capital in order to run a small business. (Arunkumar, O., and Ramanan, T.,2013).

Current resources are those that can be handily changed over into cash. In the event that an organization's working cycle is longer than one year, a resource is relied upon to go to cash inside that this working cycle will be a current resource. Current assets are listed on a company's statement of financial position and are widely used to assess a company's liquidity. Current resources incorporate money, cash counterparts and accounts receivable, inventories of crude materials, completed merchandises, prepaid liabilities and marketable securities.

A current liability is a debt which company owes and must be paid during one year. Organization's current liabilities comprise of accounts payable, transient obligation, wages, taxes payable, accrued costs and dividends payable.

Table 1: Current assets of Walmart Inc.

Current assets	**2020**	**2019**	**2018**	**2017**	**2016**
Cash and cash equivalents	9,465	7,722	6,756	6,867	8,705
Receivables	6,284	6,283	5,614	5,835	5,624
Inventories	44,435	44,269	43,783	43,046	44,469
Prepaid expenses and other	1,622	3,623	3,511	1,941	1,441
Total current assets	61,806	61,897	59,664	57,689	60,239

Source:(https://stock.walmart.com/investors/financial-information/annual-reports-and-proxies/default.aspx).

Investments that have a maturity of three months or less when acquired are considered cash equivalents by the company. Cash and cash equivalents are transactions completed in less than seven days using a credit card, debit card or electronic transfer. These purchases are funded with cash and cash equivalents obtained from banks. As of January 31, 2020 and 2019, the figures are $1.7 billion and $1.4 billion, accordingly. Walmart Inc.'s cash holdings are spread out across the globe.

The organization's money surpluses of $9.5 billion and $7.7 billion were held outside of the United States. These cash and cash equivalents are typically used to meet liquidity requirements of the company's non-U.S. activities. Walmart Inc. uses intercompany lending arrangements to ensure that money can be made available in the country where it is needed at the lowest possible cost. In the years 2018 and 2017, cash and cash equivalents totaled $6.8 billion and $6.9 billion, respectively. Intercompany financing instruments are utilized to guarantee that money can be made accessible in the country where it is required at the least conceivable expense. From 2016 to 2018, the company's cash and cash equivalents decreased. This isn't a good sign for the organization. This is critical for company management, as it relates to the day-to-day operations of a company. Bill and credit payments, just as wage payments, should be made toward the finish of every month and the board should be set up to spend the necessary assets. The cash and cash equivalents of Walmart Inc. improved from 2018 to 2020. This is a significant and positive indicator for the business.

Receivables are introduced at their conveying esteems, net of a hold for doubtful records. The following factors are primarily responsible. Insurance firms as a result of drug purchases, banks as a result of consumer credit, debit cards, and electronic payment transactions, advertisement or motivation program providers and governments because of annual duties and real estate exchanges are instances of clients. In 2020 and 2019, the receivables from purchaser exchanges were \$2.9 billion and \$2.5 billion, individually. From 2016 to 2017, the company's receivables expanded, then reduced from 2017 to 2018, then rising from 2018 to 2020. Money payable to a corporation for products or services sold or used yet not paid by consumers is referred to as receivable. The decrease in receivables is a positive signal, indicating that the firm is receiving cash inflow However, an increase in receivables means that consumers not pay or pay late. A piece of an organization's receivables may not fit the bill for incorporation in current resources in the event that it makes deals by giving shoppers longer terms of credit. That's why company's current assets are decreasing. It's also likely that certain accounts will never be fully paid off. An allowance for doubtful accounts is subtracted from accounts receivable to represent this factor. If a loan is never paid, it is discounted as a terrible obligation cost and such accounts are not considered current assets.

The business esteems inventories at the lower of cost or market, as decided fundamentally by the retail stock approach for bookkeeping, with the Walmart U.S. section's inventories being valued using the last-in, first-out method. The retail inventory technique for accounting, which uses the first-in, first-out strategy, is primarily used to value the inventory for the Walmart International section. Since permanent markdowns are automatically reported as a reduction in the retail value of inventory, the retail inventory methodology for bookkeeping brings about stock being esteemed at the lower of cost or market. Inventories reduced from 2016 to 2018, then rose again from 2018 to 2020. Inventory reduction is beneficial to the business, because inventory sales generate cash. The best way to assess inventory's effect on liquidity is to look at the types of inventory that a business sell. Liquidity is a crucial indicator of a company's financial health. This decides the organization's capacity to take care of transient obligations. A business with low liquidity is unable to pay its debts. For corporations, this is a major issue. Even if a company is successful, it can go out of business if it is unable to raise cash from its customers. Inventory increases the liquidity, if you can get cash for it quickly without losing its value. Inventory that takes a long time to sell does not help a company's liquidity.

Prepaid expenditures are payments made in advance by a corporation for products and services that will be provided later. This cannot be converted to cash, but it represents payments that have already been processed, freeing up capital for other purposes. Prepaid expenditures rise from 2016 to 2019, then drop dramatically in 2020. Since Walmart pays for expenses and uses cash for other purposes, higher prepaid expenses are a better indication for the business than lower prepaid expenses.

Overall current assets decreased from 2016 to 2017, increased from 2017 to 2019, and then decreased again in a smaller amount from 2019 to 2020, according to the table above.

The decrease in cash and cash equivalents, as well as prepaid expenditures, are the reasons for the first decrease in overall current assets. Increases in individual current asset components resulted in an improvement in overall current assets from 2017 to 2019. Prepaid expenditures and other current assets decreased in 2020, this caused reduction of total current assets.

Table 2: Current liabilities of Walmart Inc.

Current liabilities	2020	2019	2018	2017	2016
Short-term borrowings	575	5,225	5,257	1,099	2,708
Accounts payable	46,973	47,06	46,092	41,433	38,487
Accrued liabilities	22,296	22,159	22,122	20,654	19,607
Accrued income taxes	280	428	645	921	521
Long-term debt within one year	5,362	1,876	3,738	2,256	2,745
Operating lease obligations within one year	1,793	-	-	-	-
Finance lease obligations within one year	511	-	-	-	-
Capital lease and financing obligations within one year		729	667	565	551
Total current liabilities	77,79	77,477	78,521	66,928	64,619

Source:(https://stock.walmart.com/investors/financial-information/annual-reports-and-proxies/default.aspx).

In 2020, total accumulated liabilities were $22,296 and in 2019, they were $22,159. The company's accrued liabilities rose over the years from 2016 to 2020. Such accrued liabilities include unpaid salaries and benefits, self-insurance, unpaid non-income taxes and other unpaid liabilities. Wages, salaries, vacation, incentives and other compensation packages are all examples of accrued wages and benefits. Workers' payments, general responsibility, auto risk, item risk and some representative related medical care benefits are instances of protection related commitments that are covered without anyone else protection.

Payroll, land, value-added, sales and incidental other charges are among the non-income taxes that have been accumulated.

Such other gathered liabilities include interest, maintenance, services, legal contingencies and advertisement.

Commercial paper and lines of credit are examples of short-term borrowings. In 2020 and 2019, momentary borrowings were $0.6 billion and $5.2 billion, appropriately. Short-run borrowings were $5.3 billion and $1.1 billion as of January

31, 2018 and 2017, with weighted-average interest rates of 1.5 percent and 6.2 percent, accordingly.

Accounts payable is the term used to describe a company's short-term financial commitments to creditors and vendors. It differs from notes payable obligations, which are debts incurred as a result of the execution of structured legal instrument papers. Accounts payable rose from 2016 to 2019 until declining in 2020. The higher accounts payable indicates a lower need for working capital to run the company. Allowing a business time to pay off helps it to raise revenue from the selling of supplies, while still better managing its cash needs.

Accrued taxes are debt accounts that represent the amount of taxes which must be paid in a given period. That is the amount of taxes owed by the corporation and has not paid. Income taxes accumulated rose from 2016 to 2017, then reduced from 2017 to 2020. This is beneficial to the corporation, since the accrued tax obligation is reduced.

Long-term debt has risen steadily over the years, reaching $ 5,362 in 2020.

In 2020, the company only has one year of operating lease commitments, was equal to $ 1,793. In 2020, the company has just one year of finance lease commitments.

From 2016 to 2019, the company's capital lease and funding commitments rose, and the company has no liabilities in 2020.

The company's total current liabilities have risen over time, decreased in 2019, and then increased again in 2020.

Working capital of Walmart Inc.

Working capital is a metric used to assess a company's performance and liquidity. The distinction between current resources and current liabilities is utilized to decide working capital. It is a key measure of a company's ability to continue operating normally without incurring additional debt.

Table 3: Working capital of Walmart Inc.

	2020	2019	2018	2017	2016
Working capital	-15,984	-15,58	-18,857	-9,239	-4,38

Source: Author's own calculations

In the period from 2016 to 2020, working capital was negative. On Walmart's balance sheet, current debt was greater than current assets. In general, businesses with a lot of working capital can develop faster in the foreseeable term, because they can expand and boost their operations with the resources they already have. Walmart, on the other hand, will lack the funds needed for growth or potential operations, if its working capital is low or negative. Walmart also has inadequate liquid resources to cover short-term obligations and operating costs, as shown by its working capital.

2.2. Effects of WCM on liquidity of Walmart Inc.

Walmart Inc. is a global traded American corporation with its headquarters in Arkansas, USA. The company operates in the retail sector, including department stores, supermarkets and grocery stores, among other companies. Walmart Inc. enables shoppers to set aside cash and live better whenever and from any area by allowing them to shop in retail stores and online.

Walmart was established by Sam Walton and was initially known as Walton's. It was later renamed Walmart Stored Inc. Walmart was established in 1945 by Sam M. Walton, who opened an establishment Ben Franklin assortment store in Newport, Arkansas. The organization was joined in Delaware in October 1969. James L. Walton, his brother, established a new store in Versailles, Missouri, in 1946. The founders' organization was completely dedicated to the running of variety stores until 1962. Around the same time, in Rogers, Arkansas the main Wal-Mart Discount City that a bargain retailer was set up. The company launched its first Sam's Club in

1983 and its first supercenter in 1988. Walmart opened the first Neighborhood Market in 1998. When the company formed a joint venture in Mexico in 1991, it became the first foreign initiative. Walmart's international presence has grown, with the Walmart International division operating business in 26 countries as of January 31, 2020. In the year 2000, the company launched its first eCommerce campaign by launching walmart.com. and company adding samsclub.com. too. The presence of eCommerce has expanded. In year 2019, the association expanded its eCommerce exercises by acquiring a bigger part stake in Flipkart Private Limited ("Flipkart"), an Indian-based eCommerce business focus with a climate that incorporates the eCommerce destinations Flipkart and Myntra, just as PhonePe, an advanced exchange entryway. Walmart Stores Inc. operates 11,484 general store and are located in 56 countries. It is one of the largest and most prestigious companies, with a revenue of more than 514.4 billion dollars.

At the end of 2020, more than 2.2 million individuals were employed by Walmart Inc. and its subsidiaries globally, with 1.5 million in the United States and 0.7 million globally. There is a great deal of low maintenance, hourly or non-excluded workforce at the organization. Every year, a significant number of associates leave Walmart, though turnover in the United States has increased in recent years as a result of an emphasis on raising salaries and providing associates with better resources, technology and training. (https://corporate.walmart.com/our-story).

Liquidity ratios

Liquidity refers to how quickly cash can be obtained when it is demanded. The key factor in the growth of the capital market and the evaluation of the company is liquidity. The ability to maintain market liquidity can help a capital market become more stable and accelerate its growth.

Table 4: Liquidity ratios

Liquidity ratios	2020	2019	2018	2017	2016
Current ratio	0.79	0.80	0.76	0.86	0.93
Quick ratio	0.20	0.18	0.16	0.19	0.22
Cash ratio	0.12	0.10	0.09	0.10	0.13
Current cash debt coverage ratio	0.32	0.36	0.36	0.47	0.42

Source: Author's own calculations

- Current ratio

This is a liquidity proportion dictated by partitioning current resources for current liabilities. The current proportion, otherwise called the working capital proportion, assesses a company's ability to fulfill its short-term commitments within a year. The weight of total current assets against total current liabilities is taken into account in the ratio. It shows a company's financial health and how it can optimize the liquidity of its current assets to pay debt and liabilities. The current proportion is calculated using all of the company's current assets. It's important to remember that the current ratio may exaggerate liquidity. Since the current ratio is based on inventory, it is difficult to turn to cash in a year's time.

The current ratio of Walmart Inc. decreased from 2016 to 2018, then increased from 2018 to 2019, then gradually deteriorating from 2019 to 2020. Over time, the current ratio has been less than one. This recommends that the organization's current liabilities surpass its current resources and the organization's current resources are deficient to cover its current liabilities.

- Quick ratio

The sum of cash, short-term marketable investments and receivables is partitioned by current liabilities to decide the quick proportion. The quick or acid-test ratio evaluates a company's capacity to complete short-term obligations by defining assets that can be easily converted to cash. It's a liquidity proportion that assesses a company's ability to meet its short-term financial obligations. The quick ratio employs capital that can be converted to cash in less than 90 days. Walmart Inc.'s quick ratio decreased from 2016 to 2018, increased from 2018 to 2020. A quick ratio greater than one indicates that he company's current liabilities are covered by its quick assets. Over the years, however, Walmart's quick ratio has been less than one. This indicates that the company's current liabilities cannot be met with quick assets.

- Cash ratio

The cash ratio is measured as cash plus short-term marketable investments divided by current liabilities. This is a liquidity proportion that is used to assess a company's ability to meet short-term obligations. Since it utilizes only cash and cash equivalents, the cash ratio is a conservative debt ratio. This percentage indicates the company's ability to repay current obligations without selling or exchanging assets.

From 2016 to 2018, Walmart Inc.'s cash ratio declined, then increased from 2018 to 2020. A ratio greater than one indicates that a firm will cover its current obligations with cash and cash equivalents and still have money left over. A high cash ratio is preferred by creditors, because it means that a business can comfortably pay its debt. Walmart's cash ratio has been less than one for many years, indicating that the company's cash and cash equivalents are insufficient to cover current obligations.

- The current cash debt coverage ratio

This is determined as dividing a company's operating cashflows by its debts. Only current liabilities are included in its debts. If the company was to commit all of its cashflows to obligation repayment, the ratio indicates how long it will require to take care of its current liabilities. The cashflows created by a company's operations are referred to as operating cashflows. Cash collected from customers for sales and cash paid to suppliers for orders are two of the company's main cashflows. Operating cashflows include contributions made against the business's expenditures. The current cash debt coverage ratio is utilized to evaluate an organization's capacity to meet short- run obligations. The proportion is utilized to determine whether or not a corporation earns sufficient money to meet its current obligations. For this reason, the company requires sufficient cashflows to cover its current liabilities within a 12-month period. If a corporation does not have enough cash or is unable to achieve sufficient cash flows to cover its obligations, it may receive long-term loans. This ratio is used by investors to evaluate a company's capital structure. It is considered a risky investment if the company cannot produce enough cashflow to cover short-run debt obligations and has a large number of obligations. When stretching out credit to an organization, monetary foundations survey the organization's financial soundness dependent on its current cash debt coverage proportion. The current cash debt coverage ratio will reveal important details about a company's coverage and liquidity position. This ratio may also be used to compare the company to its rivals, or other companies in the same industry. A superior liquidity status is demonstrated by a higher current cash debt coverage proportion. The 1: 1 proportion is considered entirely agreeable, in light of the fact that, it guarantees the organization can cover the entirety of its current commitments with income produced from its own tasks. Between 2016 and 2020, this ratio is less than one. The ratio indicates that the company's activities do not produce enough cash to cover current liabilities.

Activity ratios

Table 5: Activity ratios

Activity ratios	**2020**	**2019**	**2018**	**2017**
Inventory period	41,1	41,94	42,8	43,49
Receivable period	4,41	4,49	4,13	4,42
Operating cycle	45,51	46,43	46,93	47,92
Payable period	43,45	44,58	45,06	41,86
Cash conversion cycle	2,06	1,85	1,88	6,05

Source: Author’s own calculations

According to these figures and percentages, the inventory and payable periods have the highest positive values, indicating that the business is growing at a steady pace. For the years 2017-2020, the net trade cycle and cash conversion cycle reflect the best possible outcomes for Walmart.

- Inventory period

An activity ratio is determined by dividing the quantity of days in a cycle by the inventory turnover during that period. The average inventory duration is significant, because it demonstrates how inventory turnover varies over time. From 2017 to 2020, the average inventory cycle diminished. A shorter average inventory period indicates the stock is circulating more quickly.

- Receivable period

An activity proportion is equivalent to the quantity of days in the time frame divided by receivables turnover. Receivable period diminished from 2017 to 2018, expanded from 2018 to 2019 and again diminished in 2020. The average number of days that credit clients pay to the organization is estimated by account receivable collection period. Diminishing of period is useful for organization and clients regularly pay, money flows to organization. In any case, expanding is awful sign for company and money inflow diminishes.

- Operating cycle

This is equivalent to average inventory processing period plus average receivables collection period. Walmart Inc.'s operating cycle diminished from 2017 to 2020. The operating cycle is the time needed for an organization's money to be placed into its tasks and afterward get back to the organization's money account. This is better for organization which time needed for money to be placed into its activities and get back to the organization's money account diminished over years.

- Payable period

This an assessment of what amount of time it requires for an organization to pay its providers overall. Payable period expanded from 2017 to 2018 and diminished from 2019 to 2020. Organization pays to its providers during 41-45 days.

- Cash conversion cycle

A financial indicator that determines how long it takes for a business to turn capital invested in operations into cash earned as a result of such operations. From 2017 to 2019, CCC decreased, then the metric increased in 2020. Reduced time for cash earned as a result of its operations after cash invested in its operations is a good measure.

2.3. Effect of WCM on profitability and performance of Walmart Inc.

Which ways are used to bring cash and get benefit from its various activities by Walmart? Walmart offers everything from utilized office furniture to specific items. Essential clarification on Walmart's thriving is to having various stores across North America and having the major piece of the pie of the general business in the store region. Walmart likewise chiefly has focused on promoting procedure and this influences accomplishment of organization.

With $523,964 billion in sales in 2020, Walmart is one of the world's leading corporations. More than 265 million customers visit 11,500 stores and various eCommerce sites in 27 nations under 56 criteria are served by organization. Walmart’s revenue increased from year 2016 to 2020.

Company's total revenues, which incorporates net sales and enrollment and other income, expanded $9.6 billion and $14.1 billion for 2020 and 2019 years. These expansions in revenues were because of expansions in net sales. Company’s net sales also increased through the years 2016-2020. For year 2020, net deals were influenced by in general certain practically identical deals for Walmart U.S. what's more, Sam's Club fragments, with the expansion of net deals from Flipkart and positive equivalent deals in most of worldwide business sectors. These augmentations were diminished by $4.1 billion with adverse consequence from changes in currency trade rates in 2020.

Table 6: Total revenues of Walmart Inc.

	2020	**2019**	**2018**	**2017**	**2016**
Total revenues	523,964	514,405	500,343	485,873	482,13
Change in total revenues from previous fiscal year	1.9%	2.8%	3.0%	0.8%	(0.7)%
Net sales	519,926	510,329	495,761	481,317	478,614
Change in net sales from previous fiscal year	1.9%	2.9%	3.0%	0.6%	(0.7)%
Change in calendar comparable sales in the U.S.	2.7%	4.0%	2.2%	1.4%	0.3 %
Walmart U.S.	2.9%	3.7%	2.1%	1.6%	1.0 %
Sam's Club	1.6%	5.4%	2.8%	0.5%	(3.2)%

Source:(https://stock.walmart.com/investors/financial-information/annual-reports-and-proxies/default.aspx).

What are Walmart's sources of revenue?

Walmart generate its revenues by directly offering products and services to people and business owners.

Revenues derived from the sale of goods

Walmart sells staple, wellbeing and health, sports, diversion, hardlines, dress and family things.

Meat, organic product, store, pastry shop, dairy, frozen produce, floral and dry food, just as consumables, for example, wellbeing and magnificence helps, child merchandise, family synthetic substances, paper items and pet supplies are totally included in staple.

Health and wellness are provided by pharmacy, optical facilities, over-the-counter drugs and clinical services.

Electronics, toys, cameras and supplies, photograph handling administrations, mobile phones, prepaid assistance and telephone utility arrangement, films, music, computer games and books are examples of delight items.

Hardlines incorporate writing material, cars, equipment and paint, outdoor supplies, textures and specialties and occasional things.

Attire involves apparel for ladies, young ladies, men, children and babies, just as shoes, jewelry and accessori0065s.

Home decorations, small appliances and housewares, bedding, home decoration, outdoor living, and horticulture are all included in the term "home."

Walmart receives revenue from the following businesses:

Financial services, including banking and related services. This incorporates handling charges for cash orders, credit cards, wire moves, pre-loaded cards, cash moves, check cashing and bill payment.

Clinical services- This gives preventive and customary medical services supplier payments for a standard assortment of normal wellbeing sicknesses and screening needs that can be performed without earnest or crisis care including, yet not restricted to, health and preventive consideration, essential acute care, chronic disease management, physician referral, laboratory testing and vaccination.

VUDU is a movie streaming service. This includes membership incomes from renting, purchasing and watching motion pictures and TV shows on request. Insurance coverage for wellbeing and this covers direct health care payments for providing health services. (https://corporate.walmart.com/our-story).

Business segments of company

Walmart's business activities are separated into three business fragments. Walmart U.S., Walmart International and Sam's Club are these fragments. Supercenters, stores, hypermarkets, distribution center clubs, money and convey, home fix, specialty electronics, hotels, apparel, drug and convenience stores and web shopping are among the retail designs that sell the things.

- Walmart U.S.

This is the company's main division and it runs general stores in each of the 50 states in the U.S., Washington, D.C. what's more, Puerto Rico. The financial services and related products are provided by Walmart U.S. too.

Cash orders, pre-loaded cards, wire moves, cash moves, check cashing and bill payment are instances of these items. Walmart offers approved and private-label retail brands, as well as physical and internet access to its clients. This section provides actual access to three main retail models: supercenters in every one of the 50 states, discount shops in 42 states and Neighborhood Markets and other nearby store designs in 31 states. By means of e-commerce websites and portable trade applications, Walmart U.S. gives clients early admittance to a wide scope of items and administrations. By means of administrations like "Walmart Pickup" and "Pickup Today," digital retail is linked to physical stores. Vudu and InstaWatch are two digital streaming services available in Walmart's US section.

- Walmart International

The Walmart International division encompasses operations in 26 countries outside of the United States and includes a variety of formats divided into three sections: retail, wholesale and others. It performs in these countries through entirely possessed subsidiaries and joint ventures. Walmart operates 156 distribution centers to meet the needs of its customers. Walmart International operates e-commerce websites in ten nations. Argentina, Brazil, Canada, Chile, China, India, Japan, Mexico, South Africa and the United Kingdom are among these countries. With features like "Click and Collect" and Mexico's home delivery grocery service, digital retail helps physical stores in the UK.

- Sam's Club

The Sam's Club segment deals with the enrollment just stockroom clubs just as samsclub.com. Through its subscription programs, it assists both individuals and businesses. Food and consumables, fuel and different classifications, home and apparel, electronics, office and amusement, health and wellness are the five vital product units it works in. (https://corporate.walmart.com/our-story).

Walmart Business Model

Walmart maintained its worldwide market domination by leading on price and variety. Walmart's popular everyday low cost and everyday low prices strategies helped it become the world's largest corporation. Changes in the retail environment and developing customer inclinations have constrained Walmart to enhance with new essential switches in its plan of action.

Walmart's company is driven by four strategic elements:

1. Price leadership
2. Invest to differentiate on access
3. Be competitive on assortment
4. Provide a great experience

- Price leadership

Walmart has maintained its lower price leading advantage because of its proceeded with center around providers. Walmart's store network is one of the most extensive and biggest chains in the world. Because of the company's size, it provides negotiating power with its vendors. Cross-docking is a strategy used by Walmart to decrease costs and gain price leadership. Cross-docking involves unloading manufacturers' inbound shipments directly into outbound trucks at distribution centers. Walmart has 158 distribution centers and as a result company is one of the largest retailers in the world. These innovative methodologies assist Walmart with prevailing on the pricing front.

- Invest to differentiate on access strategy

Multiple access strategies are being used in the retail sector by both traditional and new-age competitors. Three principles categories that are exceptionally reliant upon their channel accomplices can be clubbed into these strategies and Walmart responses. Shoppers' access to physical stores should be strengthened. Aggressive competitors are squeezing traditional grocers like Walmart out of the supermarket pie. Cost cognizant customers as Dollar General and Aldi are being focused by straightforward stores. Whole Foods, HEB and sprouts are experiential suppliers that cater to more affluent customers. Walmart, which has generally focused on supercenters and average size bargain shops, is currently looking to expand the small store model in order to offer fresh and frozen items and provide customers with more convenience.

Easy to use online shopping stages permit you to shop at whatever point you need. To fulfill the growing demand from online shoppers, Walmart has made significant investments in digital and versatile shopping stages. Walmart teams up with leading technology companies and has built its own technology infrastructure. Walmart has purchased a number of technology companies in order to expand its global technology network. Walmart's vast infrastructure allows it to provide omni-channel solutions to its clients. Clients can shop on the web and get immediate conveyance from stores. It also has a click-and-collect option. The client orders from certain retailers on the web and can gather them from specific stores.

Bringing together high-end, hard-to-reach facilities in a single location. Other high-end facilities are being invested by Walmart with limited accessibility and pricing, such as health insurance and nursing care. Walmart is the largest retailer in the United States, with its own pharmacy, vision centers and nursing services, as well as preventive and wellness items sold in-store and online. With the support of channel partners such as QuadMed and direct health, Walmart is well positioned to establish itself as a health and wellness brand.

- Be competitive on assortment

Walmart has consistently led in product sourcing strategies that cater to local needs and have a wide variety across physical and digital platforms. Walmart offers a diverse range of products across its merchandise divisions. Its product line satisfies the needs of foreign companies by catering to local tastes. Walmart offers a diverse selection of products on both physical and digital platforms.

- Provide an incredible experience

Walmart utilizes 2.2 million individuals who are basic to conveying an incredible shopping experience for its clients. Walmart has been criticized in the past for its employee-unfriendly practices, which include low minimum salaries, limited reskilling and training opportunities and uncertain job growth. Walmart has also stated that it intends to increase hourly payment and improve employee expertise and capabilities. Company invests in training and employee retention and this allow to give a superior shopping experience to its clients across stages.

Profitability ratios

Table 7: Profitability ratios

Return on sales ratios	**2020**	**2019**	**2018**	**2017**	**2016**
Gross profit margin	24.10%	24.50%	24.68%	24.94%	24.58%
Operating profit margin	3.96%	4.30%	4.12%	4.73%	5.04%
Net profit margin	2.86%	1.31%	1.99%	2.83%	3.07%

Source: Author's own calculations

Gross profit margin

This indicates how much of the revenue is utilized to take care of running and different expenses. The gross profit margin proportion of Walmart Inc. rose from 2015 to 2017, then fell from 2018 to 2020. A lower profit margin could mean that a business is underpricing its products. A higher gross profit margin means that a business will turn a profit on its revenue. For years, Walmart has had a lower gross profit margin. This indicates that the company's cost of sales is not well managed. It also reveals that the company's operating, lending and other expenses are no longer covered.

- Operating profit margin

Operating income separated by revenue yields this productivity proportion. From 2016 to 2018, Walmart Inc.'s operating profit margin proportion diminished, then increased from 2018 to 2019, before decreasing dramatically from 2019 to 2020. A higher operating margin is preferable to a lower ratio, because it indicates that the business is profitable enough to cover both variable and fixed costs. However, the company's ratio is decreasing rather than rising. The company's operating income is insufficient.

- Net profit margin

This is a measure of profitability that is determined by dividing net income by sales. From 2016 to 2019, the net profit margin ratio declined. But figure increased from 2019 to 2020.

The net profit margin can be used to determine how effectively a business turns sales into profits. Walmart cannot produce profit from sales and services, so reduction is not good for the business. In 2020 profit was expanded than earlier years.

Table 8: Return on investment ratios

Return on investment ratios	2020	2019	2018	2017	2016
Return on equity (ROE)	19.93%	9.20%	12.66%	17.54%	18.24%
Return on assets (ROA)	6.29%	3.04%	4.82%	6.86%	7.36%

Source: Author’s own calculations

Return on equity

The profitability ratio is determined by dividing net profits by shareholders' equity. From 2016 to 2019, ROE decreased, but from 2019 to 2020, figure increased. In 2020, the return on equity (ROE) is expected to be higher than in previous years. The corporation earns less than one dollar from common stockholders' equity, since the return on equity is less than one.

- Return on assets

This is a proportion of profitability that is determined by dividing net income by total assets. From 2016 to 2019, ROA declined, but from 2019 to 2020, it increased. When a company's return on assets is less than one, it means that it earns less than one dollar from its total assets.

CHAPTER III. RESULTS AND RECOMMENDATION ON IMPORTANCE OF WORKING CAPITAL MANAGEMENT

3.1. Empirical results from research

Working capital is the most important component of a company's capital structure and it impacts the activity of the organization. Working capital alludes to an association's interest in short-run assets including cash, receivables and inventories. The contrast between working current resources and working current liabilities is utilized to decide net working capital, which is a measure of a company's liquidity.

For a correct interpretation of working capital requirements, the company should schedule cash inflows and outflows month by month. Throughout the year, the company will incur numerous expenses. Parts of these calculations could necessitate making educated guesses about the future.

A business may require extra working capital for a variety of reasons. Many businesses experience seasonal variations in cash flow, which can necessitate extra cash flow to plan for a busy season or to keep the company running when there is less money coming in. Approximately, all companies have times when additional working capital is expected for pay obligations to suppliers, employees and the government during the time of waiting payments from customers. Business is improved with additional working capital in different ways, for example: company can use supplier discounts when buying in mass. Working capital can be utilized, while organization pay to temporary representatives and to cover other venture related costs.

Working capital administration is one segment of the integrated corporate financial strategy. It is expected that efficient and effective working capital administration positively affect company. Working capital administration is the cycle of organization of the interest in current resources and the financing of the current resources. Management of working capital involves setting working capital management strategy and carrying out that policy in a business's daily activities to accomplish its goals and objectives. These goals consist of shareholder wealth maximization, competitive advantage and growth. Working capital management plays an essential role in development and survival of the company. This directly affects the company's liquidity and profitability. Efficiently and effectively management of working capital has an important effect in business growth and success. Fundamental target of working capital administration is to make sure that company is able to pay operational costs and also to be in position for make payment to short-run liabilities when company falls. If company manages working capital badly, this will lead to the liquidity crisis and affect company's operations. Ideal level on working capital administration is the upper hand for organizations. The handling of working capital effectively is critical for all companies. Working capital management that is strategic aims to strengthen corporate strategy and guarantees the survival of the company. Successful working capital management is important to remaining in business. (Ajibolade, O.S. and Sankay,C.O.,2013).

The executives of working capital allude to the practices and procedures intended to control every one of the things of current resources and current liabilities. The functioning capital administration is the capacity that includes successful and effective utilization of the relative multitude of parts of current resources and current liabilities to limit complete expense.

There are many advantages to an organization's successful working capital administration. Funds distributed by sound working capital management as a low-cost source of finance that can be used to expand existing projects and make new investments. One of the goals of working capital management is to increase profitability. Saving financial costs for handling short-term assets and liabilities is one way of extending benefit through adequate working capital management.

Ensure the availability of sufficient resources- A company can ensure that assets are sufficient consistently through stock management, which is a part of working capital management Some models are used to determine the ideal stock level.

Improves an organization's overall effectiveness- A good working capital management system will greatly boost an organization's organizational greatness.

Working capital management helps a company in keeping a strategic distance from excessive trading. Overtrading is one of the quickest ways for a business to fail. Working capital management is essential for maintaining good relationships with suppliers and creditors. Trade loan bosses and other non-exchange banks are willing to continue partnering with a company that engages in the legal administration of its working capital and other monetary records.

Avoid underutilizing of assets- While we condemn overtrading and mark it as a negative impact on a company's usefulness, we should also emphasize that under exchanging can cost a company a fortune in undeserved profit. A company can ensure that there are no inert assets by properly managing its working capital.

The allocation of resources relies heavily on working capital management. It assists the company's executives in assigning the right assets to the appropriate quarters in an inaccurate manner. Profitability can be boosted by diminishing working capital spending. Excessive working capital investment can also lead to profitability. Working capital management is critical and its role in corporate system development ensures the firm's long-term viability. They also show how important current resource and current liability decisions impacted an organization's success and performance in a variety of ways. Sales expansion, sales instability, expensive external funding and financial distress push businesses to seek after more forceful working capital methods. When evaluating working capital, not just industry averages, the evidence suggests that operating and funding conditions should be considered.

Working capital management efficiency is determined by the ability to find some kind of harmony among liquidity and profitability. Working capital administration which is efficient and effective indicates whether a corporation succeeds or fails in the short or long term, as well as the liquidity and profitability balance of a company.

Any business strives to optimize profitability in order to maximize shareholder's capital, but growing profits at the expense of liquidity will put a company in serious financial trouble and this problem can lead to insolvency. (Aravindan, R. and Ramanathan, K., 2013).

This clearly demonstrates that a company's working capital must be adequate to sustain its liquidity. Each corporate decision is influenced by the company's financial situation in one way or another. The findings of a working capital review can aid in determining whether or not a company will stay in a specific line of operation.

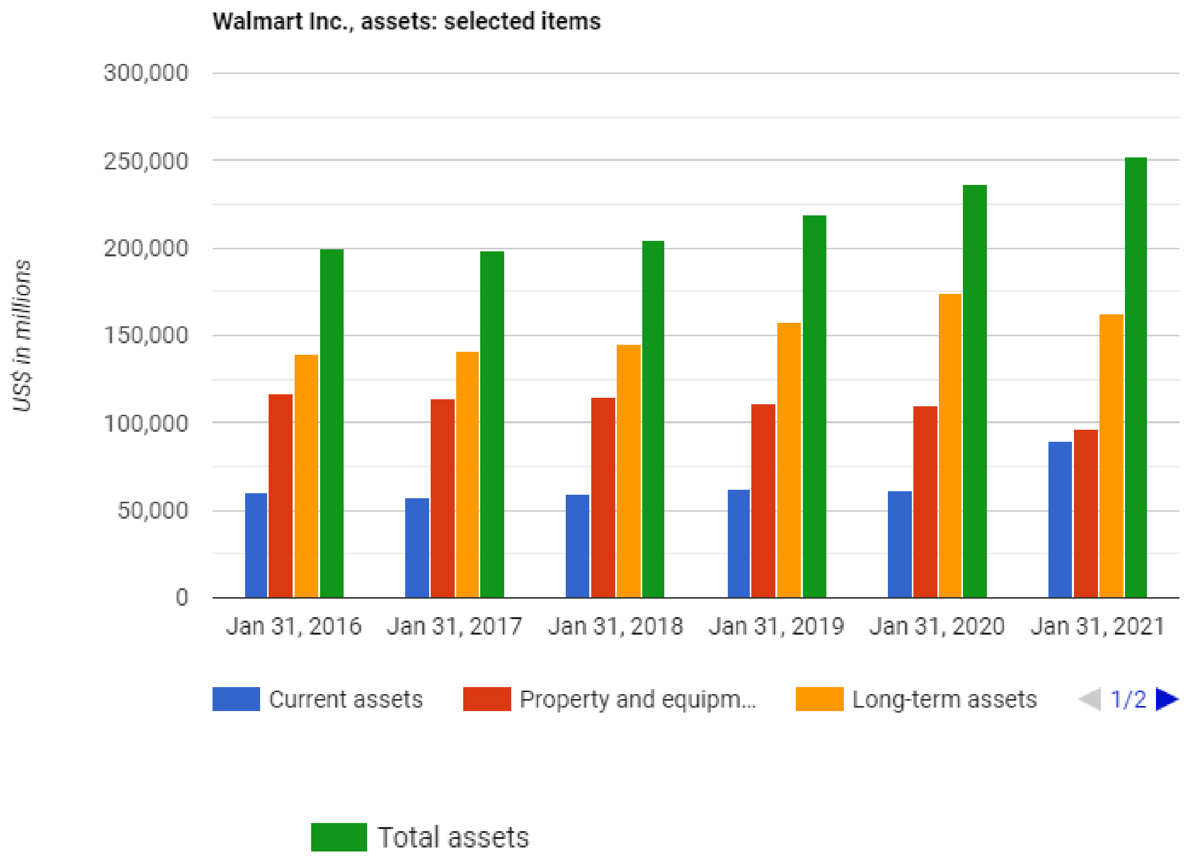
Walmart is performing well in general and continues to dominate the retail industry. The company is dedicated to supporting consumers in saving money and living a better life by offering daily low prices backed by everyday low costs. Walmart changes its market strategy to stay competitive in the countries where it operates. Solid, efficient development, clear operational discipline, and strategic capital allocation are all part of the financial structure of the company.

Prioritizing solid, effective growth requires focusing on the most profitable growth prospects, for example, expanding equivalent store and club deals, speeding up eCommerce deals development and expanding omni-channel programs, hence easing back the speed of new store and club openings.

Walmart's comparable sales in the United States rose by 2.9 percent in fiscal 2020 and 3.7 percent in fiscal 2019, as a result of increased ticket and transaction sales. Walmart's eCommerce sales in the United States contributed 1.7 percent to comparable sales in fiscal 2020 and 1.3 percent to comparable sales in fiscal 2019. In fiscal 2020 and 2019, Sam's Club comparable sales rose by 1.6 percent and 5.4 percent, individually. As a result of increased transactions and fuel sales, Sam's Club equivalent revenues rose in fiscal 2020 and 2019. Sales transitions from closed clubs to existing clubs improved Sam's Club financial 2019 identical sales significantly further. Revenues from Sam's Club's online store rose comparable sales by 1.5 percent and 0.9 percent in fiscal 2020 and 2019, accordingly.

The company maintains discipline by controlling costs, improving the quality of how they function and creating an atmosphere in which they can service customers at the lowest possible cost. For maximize efficiency, control inventory and lower costs, the company invests in technology and process development. Operating, marketing, general and managerial costs as a level of net deals diminished in 2020 contrasted with the past financial year, owing to a focus on cost control and improvements in comparable store sales. Walmart's approach involves enhancing customer-facing programs in stores and clubs, as well as providing consumers with a seamless omni-channel experience. In comparison to previous years, the organization is allocating more funds to eCommerce, infrastructure, supply chain, and store renovations, while allocating fewer funds to new store and club openings. (https://stock.walmart.com/investors/financial-information/annual-reports-and-proxies/default.aspx).

Graph 1: Assets of Walmart Inc.



Source:(https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).

Investments that have a maturity of three months or less when acquired are considered cash equivalents by the company.

Cash and cash equivalents are transactions made with a credit card, debit card or electronic transfer that take under seven days to finish. These purchases are funded with cash and cash equivalents obtained from banks. The figures are $1.7 billion and $1.4 billion, individually, as of January 31, 2020 and 2019. Walmart Inc.'s cash holdings are spread out across the globe.

The organization's money surpluses of $9.5 billion and $7.7 billion were held outside of the United States. These cash and cash equivalents are typically used to meet liquidity requirements of the company's non-U.S. activities. Walmart Inc. uses intercompany lending arrangements to ensure that money can be made available in the country where it is needed at the lowest possible cost. In the years 2018 and 2017, cash and cash equivalents totaled $6.8 billion and $6.9 billion, respectively. Intercompany financing instruments are utilized to guarantee that money can be made accessible in the country where it is required at the least conceivable expense. From 2016 to 2018, the company's cash and cash equivalents decreased. This isn't a good sign for the organization. This is critical for company management, as it relates to the day-to-day operations of a company. Bill and credit payments, just as wage payments, should be made toward the finish of every month and the board should be set up to spend the necessary assets. The cash and cash equivalents of Walmart Inc. improved from 2018 to 2020. This is a significant and positive indicator for the business.

Receivables are introduced at their conveying esteems, net of a hold for doubtful records. The following factors are primarily responsible. Insurance firms as a result of drug purchases, banks as a result of consumer credit, debit cards, and electronic payment transactions, advertisement or motivation program providers and governments because of annual duties and real estate exchanges are instances of clients.

In 2020 and 2019, the receivables from purchaser exchanges were $2.9 billion and $2.5 billion, individually. From 2016 to 2017, the company's receivables expanded, then reduced from 2017 to 2018, then rising from 2018 to 2020. Money payable to a corporation for products or services sold or used yet not paid by consumers is referred to as receivable. The decrease in receivables is a positive signal, indicating that the firm is receiving cash inflow However, an increase in receivables means that consumers not pay or pay late. A piece of an organization's receivables may not fit the bill for incorporation in current resources in the event that it makes deals by giving shoppers longer terms of credit. That's why company's current assets are decreasing. It's also likely that certain accounts will never be fully paid off. An allowance for doubtful accounts is subtracted from accounts receivable to represent this factor. If a loan is never paid, it is discounted as a terrible obligation cost and such accounts are not considered current assets.

The business esteems inventories at the lower of cost or market, as decided fundamentally by the retail stock approach for bookkeeping, with the Walmart U.S. section's inventories being valued using the last-in, first-out technique. The retail inventory technique for accounting, which uses the first-in, first-out strategy, is primarily used to value the inventory for the Walmart International section. Since permanent markdowns are automatically reported as a reduction in the retail value of inventory, the retail inventory methodology for bookkeeping brings about stock being esteemed at the lower of cost or market. Inventories reduced from 2016 to 2018, then rose again from 2018 to 2020. Inventory reduction is beneficial to the business, because inventory sales generate cash. The best way to assess inventory's effect on liquidity is to look at the types of inventory that a business sell. Liquidity is a crucial indicator of a company's financial health.

This decides the organization's capacity to take care of transient obligations. A business with low liquidity is unable to pay its debts. For corporations, this is a major issue. Even if a company is successful, it can go out of business if it is unable to raise cash from its customers. Inventory increases the liquidity, if you can get cash for it quickly without losing its value. Inventory that takes a long time to sell does not help a company's liquidity.

Prepaid expenditures are payments made in advance by a corporation for products and services that will be provided later. This cannot be converted to cash, but it represents payments that have already been processed, freeing up capital for other purposes. Prepaid expenditures rise from 2016 to 2019, then drop dramatically in 2020. Since Walmart pays for expenses and uses cash for other purposes, higher prepaid expenses are a better indication for the business than lower prepaid expenses.

Overall current assets decreased from 2016 to 2017, increased from 2017 to 2019, and then decreased again in a smaller amount from 2019 to 2020, according to the table above.

The decrease in cash and cash equivalents, as well as prepaid expenditures, are the reasons for the first decrease in overall current assets. Increases in individual current asset components resulted in an improvement in overall current assets from 2017 to 2019. Prepaid expenditures and other current assets decreased in 2020, this caused reduction of overall current assets.

Current liabilities of Walmart Inc.

In 2020, total accumulated liabilities were $22,296 and in 2019, they were $22,159. The company's accrued liabilities rose over the years from 2016 to 2020. Such accrued liabilities include unpaid salaries and benefits, self-insurance, unpaid non-income taxes and other unpaid liabilities. Wages, salaries, vacation, incentives and other compensation packages are all examples of accrued wages and benefits. Workers' payments, general responsibility, auto risk, item risk and some representative related medical care benefits are instances of protection related commitments that are covered without anyone else protection.

Payroll, land, value-added, sales and incidental other charges are among the non-income taxes that have been accumulated.

Such other gathered liabilities include interest, maintenance, services, legal contingencies and advertisement.

Commercial paper and lines of credit are examples of short-term borrowings. In 2020 and 2019, momentary borrowings were $0.6 billion and $5.2 billion, appropriately. Short-run borrowings were $5.3 billion and $1.1 billion as of January 31, 2018 and 2017, with weighted-average interest rates of 1.5 percent and 6.2 percent, accordingly.

Accounts payable is the term used to describe a company's short-term financial commitments to creditors and vendors. It differs from notes payable obligations, which are debts incurred as a result of the execution of structured legal instrument papers. Accounts payable rose from 2016 to 2019 until declining in 2020. The higher accounts payable indicates a lower need for working capital to run the company. Allowing a business time to pay off helps it to raise revenue from the selling of supplies, while still better managing its cash needs.

Accrued taxes are debt accounts that represent the amount of taxes which must be paid in a given period. That is the amount of taxes owed by the corporation and has not paid. Income taxes accumulated rose from 2016 to 2017, then reduced from 2017 to 2020. This is beneficial to the corporation, since the accrued tax obligation is reduced.

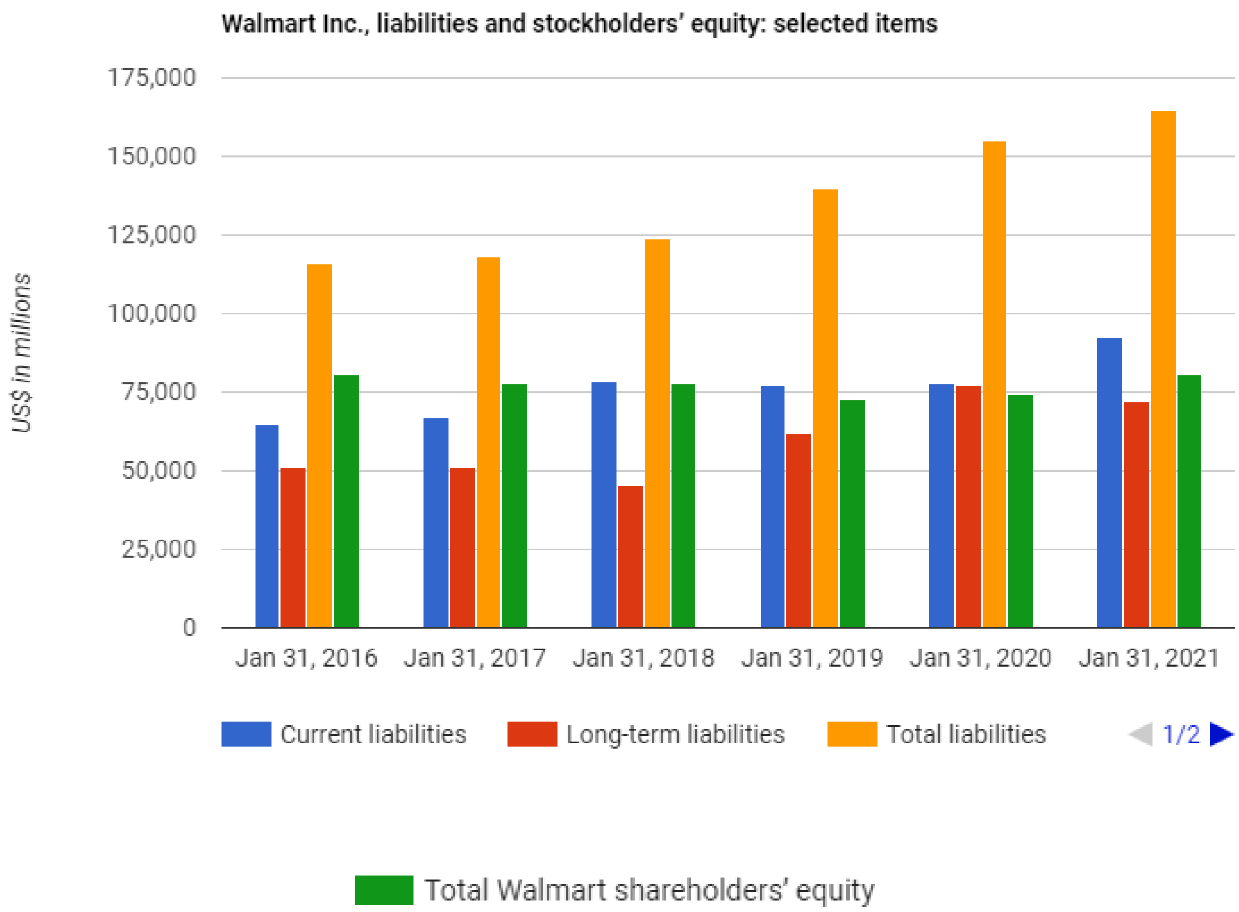
Long-term debt has risen steadily over the years, reaching $ 5,362 in 2020.

In 2020, the company only has one year of operating lease commitments, was equal to $ 1,793. In 2020, the company has just one year of finance lease commitments.

From 2016 to 2019, the company's capital lease and funding commitments rose, and the company has no liabilities in 2020.

The company's total current liabilities have risen over time, decreased in 2019, and then increased again in 2020.

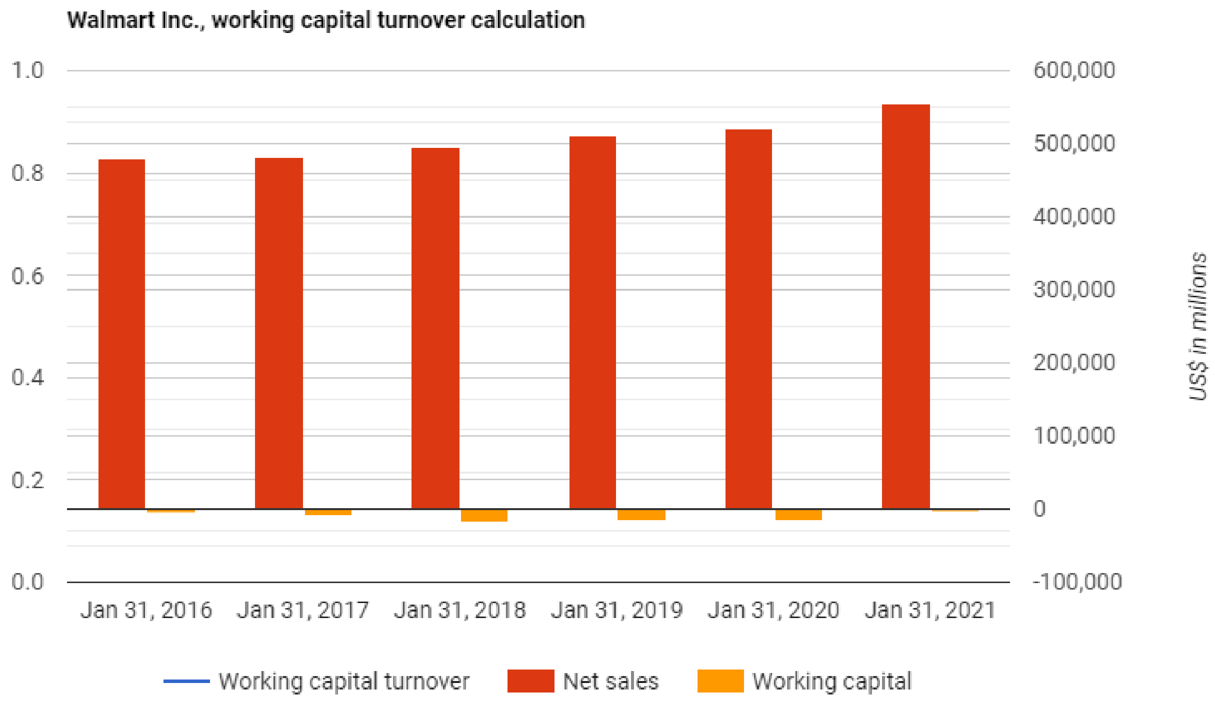
Graph 2: Liabilities and equity of Walmart Inc.



Source:(https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).

Is it a bad sign if the working capital is negative?

Graph 3: Working capital turnover



Source:(https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).

In the period from 2016 to 2020, working capital was negative. On Walmart's balance sheet, current debt was greater than current assets.

It is contingent on the form of business and the circumstances. Negative working capital is common among retailers and restaurants such as Amazon, Wal-Mart and McDonald's. Clients pay ahead of time, permitting them to utilize the assets to take care of their records payable as opposed to having an immense money balance available. This could indicate a high level of business performance. In a subscription business model, the company will collect payments at the beginning of the month and have the cash, however it will be responsible for providing the service to customers during the month. But the money doesn't show up in working capital.

Big, strong retailers in the retail and restaurant industries may order suppliers to bring their goods before paying their balance and only pay off after consumers have paid. They are capable to monetize their buying and afterward utilize the funds to pay their accounts payable, which is good cash management.

Inventory is obtained from vendors on a selling or return basis in certain industries, such as retail. Walmart's suppliers see the company as being in a strong spot, so they are more than willing to provide favorable trade arrangements. Walmart must pay for the orders within 45 days, if they are willing to sell the inventory, according to these terms. In the event that they are unable to sell it, the vendors will gladly accept the products back. Walmart sells to consumers on cash, since having secured a 45-day credit period for itself. Even if it takes 10 to 15 days to sell the inventory, Walmart will still have a month of interest-free cash. The cash can be used for their treasury tasks or to support future development of organization. If the company does not sell the product within 45 days, the inventory will be returned or an extension will be granted.

As a result, a negative working capital circumstance has become advantageous for many businesses that fund their operating expenses with interest-free credit from their suppliers.

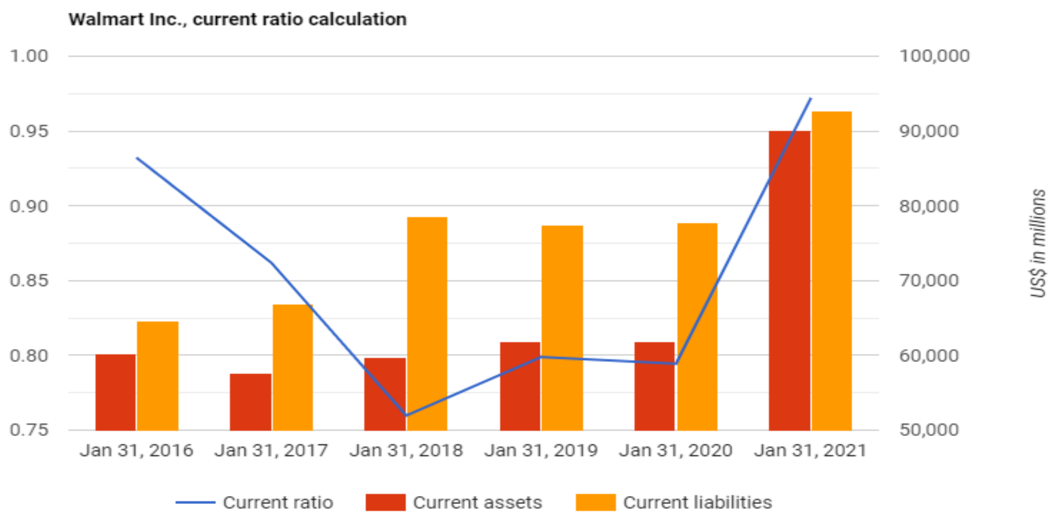
In total, businesses with a lot of working capital can grow faster in the near future, because they can expand and develop their operations with their current resources. Walmart, on the other hand, will lack the funds required for growth or potential operations, if its working capital is low or negative. Walmart also has inadequate liquid resources to meet short-run liabilities and operating costs, as shown by its working capital.

3.2. Synthesis of results on WCM

Liquidity ratios

The current proportion, otherwise called the working capital proportion, surveys an organization's capacity to satisfy its transient responsibilities inside a year.

Graph 4: Current ratio

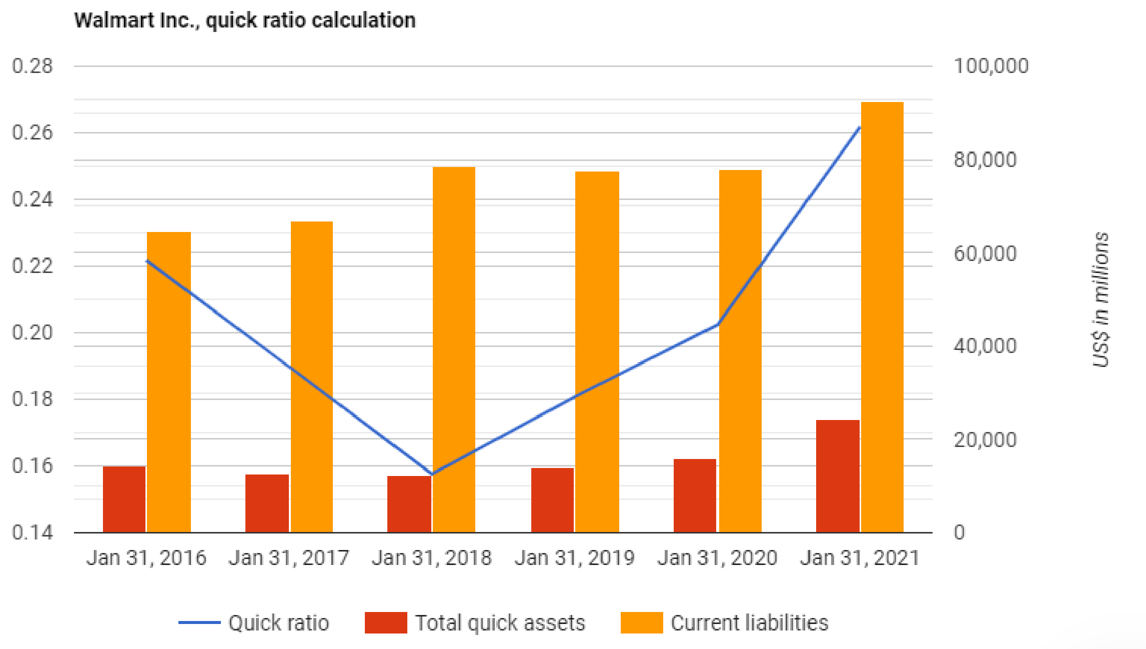


Source:(https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).

According to the graph 4 and table 4 the current ratio of Walmart Inc. decreased from 2016 to 2018, then increased from 2018 to 2019, then gradually deteriorating from 2019 to 2020. Over time, the current ratio has been less than one. This proposes that the organization's current obligations surpass its current resources and the company's current assets are insufficient to cover its current liabilities. According to the graph in 2021 current ratio increases and it rose 18% in the year from 2020 to 2021. According to the general pattern of economic growth, a business with a high current ratio still has a competitive advantage over a company with a relatively low current ratio in the economic climate. Since the current proportion implies that the firm can take care of its present obligations more quickly, it is a sign of greater solvency. It also demonstrates that the business has a favorable credit rating. As a result, 2021 is Walmart's most capable year for debt repayment in these years.

Quick ratio

Graph 5: Quick ratio

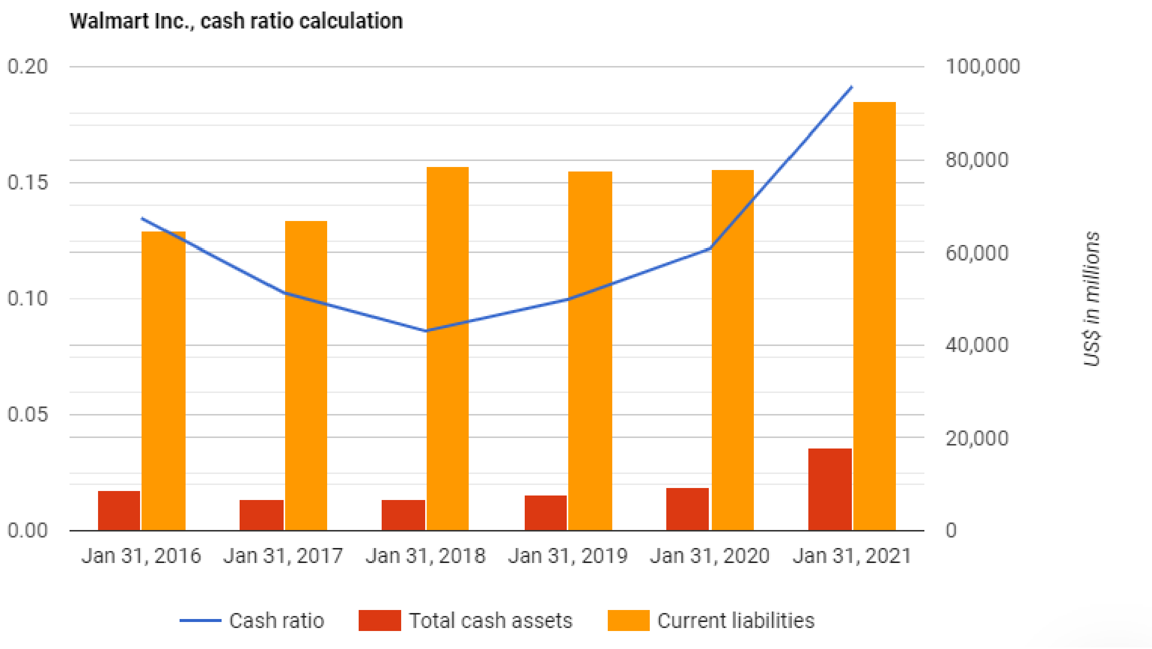


Source:(https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).

The quick or acid-test ratio assesses an organization's capacity to meet momentary commitments by recognizing resources that can be changed over into cash rapidly. From 2016 to 2019, the general pattern of the quick ratio is almost identical to the current ratio. According to the table 4, Walmart Inc.'s quick ratio decreased from 2016 to 2018, increased from 2018 to 2020. According to above graph 5 ratio increased from 2020 to 2021 and became 0.26, rose 6% during these years. A quick ratio greater than one indicates that the firm has sufficient quick resources for cover its current liabilities. Over the years, however, Walmart's quick ratio has been less than one. This indicates that the company's current liabilities cannot be met with quick assets. The quick ratio is highest in year 2021.

Cash ratio

Graph 6: Cash ratio



Source:([https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).](https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity)

This is a liquidity proportion that is used to assess a company's capacity to meet short-term liabilities.

According to the table 4, from 2016 to 2018, Walmart Inc.'s cash ratio declined, then increased from 2018 to 2020. Cash ratio is 0.19 in 2021 and there is 7% increase from 2020. Cash ratio is highest in 2021 as shown in graph 6. A ratio greater than one indicates that a firm will cover its current obligations with cash and cash equivalents and still have money left over. A high cash ratio is preferred by creditors, because it means that a business can comfortably pay its debt. Walmart's cash ratio has been less than one for many years, indicating that the company's cash and cash equivalents are insufficient to cover current liabilities. This means value of cash and business market shares is less than current liabilities. Walmart's capacity to reimburse short-run obligation hit a new peak in 2021. In comparison, short-term debt-paying potential is at its lowest level in the last six years in 2018.

The current cash debt coverage ratio

This proportion is used by investors to evaluate a company's capital structure. When stretching out credit to an organization, monetary foundations survey the organization's financial soundness dependent on its current cash debt coverage proportion. The current cash debt coverage ratio will reveal important details about a company's coverage and liquidity position. This ratio may also be used to compare the company to its rivals, or other companies in the same industry. A superior liquidity status is demonstrated by a higher current cash debt coverage proportion. The 1: 1 proportion is considered entirely agreeable, in light of the fact that, it guarantees the organization can cover the entirety of its current commitments with income produced from its own tasks. According to the table 4, between 2016 and 2020, this ratio is less than one. The ratio indicates that the company's activities do not produce enough cash to cover current liabilities.

According to these figures and percentages, the inventory and payable periods have the highest positive values, indicating that the business is growing at a steady pace. For the years 2017-2020, the net trade cycle and cash conversion cycle reflect the best possible outcomes for Walmart.

Activity ratios

An activity ratio is determined by dividing the quantity of days in a cycle by the inventory turnover during that period. The average inventory duration is significant, because it demonstrates how inventory turnover varies over time. According to the table 5, from 2017 to 2020, the average inventory cycle diminished. A shorter average inventory period indicates the stock is circulating more quickly.

Relationship between Inventory turnover in days and profitability

Inventory turnover proportion of inventory turnover that reflects inventory management efficiency and is projected to be high for organizations with higher benefit. A low stock turnover proportion suggests either sluggish sales or an abundance of inventory. Managers can boost profits by reducing the time it takes to procure inventory. According to the findings, the relationships between these variables are overwhelmingly negative. This demonstrates that a rise in the cash conversion period causes a decline in profitability. Profitability rises as the quantity of days on account receivables and inventories is reduced. Maintaining adequate inventory levels eliminates the costs of potential manufacturing process interruptions and loss of business due to product scarcity, while investing excessively in inventories unnecessarily locks up funds in working capital which could be utilized to dispense in income creating exercises. Since stock impacts the level of activity in a company, effectively managing it leads to profitability. The key to effectively managing a business's inventory is to understand how quickly the company's total stock moves and how long each piece of stock is kept before being sold. As a result, inventory turnover in days and profitability have a negative relationship. According to results profitability increased over years, because inventory period decreased.

Receivable period

According to the table 5, receivable period diminished from 2017 to 2018, expanded from 2018 to 2019 and again diminished in 2020. Walmart's average collection period has been reduced in 2020, which is positive for the company's growth and should continue for the foreseeable future. Diminishing of period is useful for organization and clients regularly pay, money flows to organization. In any case, expanding is awful sign for company and money inflow diminishes.

Relationship between average collection period and profitability

The time it takes for a company's receivables to be turned into cash is known as the average collection period.

A higher account receivables investment shows less funds available to cover cash outflows. Profitability and average collection period have a statistically important negative relationship. This finding shows that the company's profitability can be improved by reducing the amounts of days that accounts receivable outstanding.

This can be summarized as follows: the speedier clients cover their bills, the more money accessible to order stock, and thus the higher the sales realized, resulting in high company profitability.

The inverse connection between average collection duration and profitability implies that increasing the amount of days' accounts receivable by one day results in a decrease in profitability. Profitability of company increased from 2017 to 2018, decreased between 2018 and 2018 and again rose in 2020. Managers can boost profits by limiting the amount of credit given to customers. Directors will improve authoritative productivity by decreasing the normal assortment time, as per the report.

Operating cycle

This is equivalent to average inventory processing period in addition to average receivables collection period. According to the table 5, Walmart Inc.'s operating cycle diminished from 2017 to 2020. The operating cycle is the time needed for an organization's money to be placed into its tasks and afterward get back to the organization's money account. This is better for organization which time needed for money to be placed into its activities and get back to the organization's money account diminished over years.

Payable period

This an assessment of what amount of time it requires for an organization to pay its providers on average. According to the table 5, payable period expanded from 2017 to 2018 and diminished from 2019 to 2020. Organization pays to its providers during 41-45 days.

Relationship between Average payment period and profitability

Account payables is important in working capital management, because deferring bill payments is one of the methods used by management to gain access to a low-cost source of capital.

The optimistic relationship implies that a rise in the quantity of day's records payable by one day is correlated with an increase in profitability. The time it takes the company to pay its creditors and its performance have a highly important positive relationship. The profitability of company increased from 2017 to 2018 and decreased from 2019 to 2020.

Cash conversion cycle

A financial indicator that determines how long it takes for a business to turn capital invested in operations into cash earned as a result of such operations. According to the table 5, from 2017 to 2019, CCC decreased, then the metric increased in 2020. Reduced time for cash earned as a result of its operations after cash invested in its operations is a good indicator.

Working capital administration affects an organization's liquidity and profitability. The emphasis of this research is on the relationship between profitability variables and the conversion cycle and its components. These results revealed a clear negative relationship between the variables. This implies that a more extended cash conversion cycle will diminish the organization's productivity.

Relationship between cash conversion cycle and profitability

The cash conversion period and profitability have an inverse relationship. This cycle ought to be short, however much as could be expected without harming the tasks. Profits will rise as the cash conversion cycle lengthens, necessitating more external funding, which comes at a cost. As a result, company's profitability increased from 2017 to 2019 and from 2019 to 2020 profitability decreased.

Profitability ratios

Gross profit margin

This indicates the portion of the revenue is utilized to take care of running and different expenses. According to the table 7, the gross profit margin ratio of Walmart Inc. rose from 2015 to 2017, then fell from 2018 to 2020. A lower profit margin could mean that a business is underpricing its products. A higher gross profit margin means that a business will turn a profit on its revenue. For years, Walmart has had a lower gross profit margin. This indicates that the company's cost of sales is not well managed. It also reveals that the company's operating, lending and other expenses are no longer covered.

Operating profit margin

According to the table 7, from 2016 to 2018, Walmart Inc.'s operating profit margin proportion diminished, then increased from 2018 to 2019, before decreasing dramatically from 2019 to 2020. A higher operating margin is preferable to a lower ratio, because it indicates that the business is profitable enough to cover both variable and fixed costs. However, the company's ratio is decreasing rather than rising. The company's operating income is insufficient. It shows that Walmart's main business operating costs have risen over the last five years. This is the primary explanation for the current period's downturn in the key operating profit margin. Other factors, such as an increase in different forms of expenditures at this point of the business or the impact of adjustments in the amount of tax payable on the operating profit margin, are not excluded.

Net profit margin

According to the table 7, from 2016 to 2019, the net profit margin ratio declined. But figure increased from 2019 to 2020.

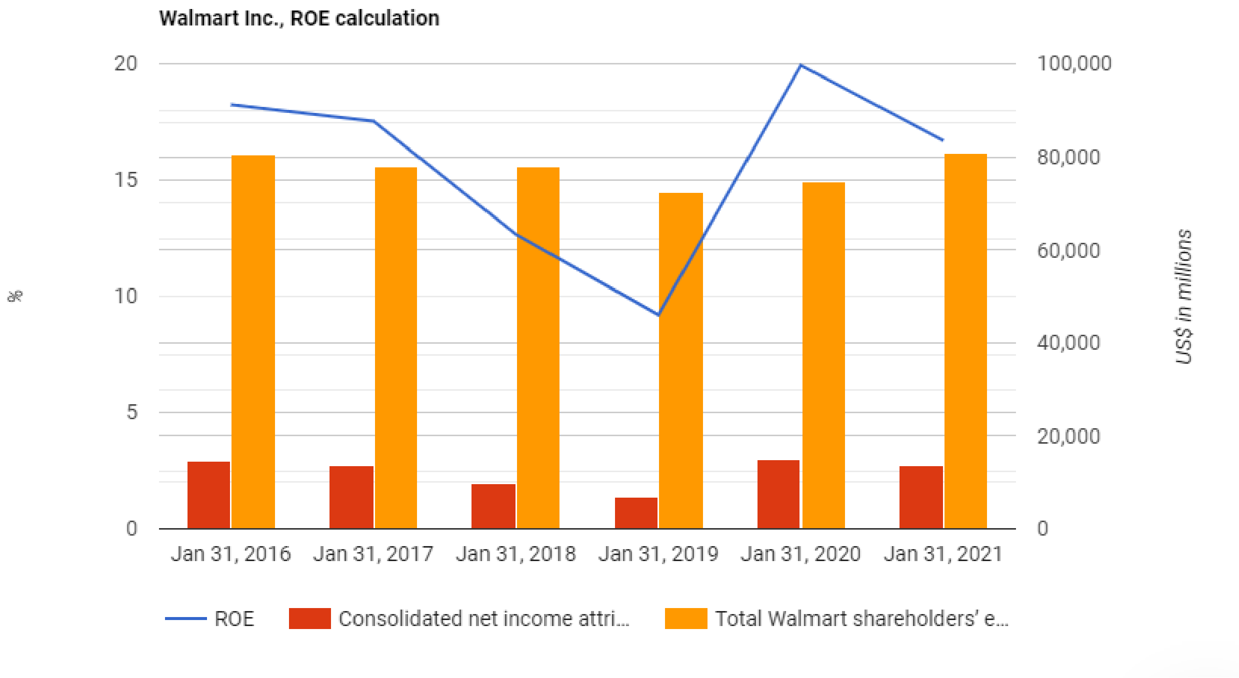
The net profit margin can be used to determine how effectively a business turns sales into profits. Walmart cannot produce profit from sales and services, so reduction is not good for the business. In 2020 profit was expanded than earlier years. The company's activities would produce net sales-related expenditures directly. This can be accomplished by increasing sales revenue. Walmart's potential to benefit from income was high in 2016. But this was the worst year in 2019.

The following are some options for increasing the net profit margin.

The business should maintain unchanged or reduce its expenditures and operating costs. The organization should maintain unchanged or reduces costs and expenditures. If the organization does not take action to correct the problem in a timely manner, the net profit margin will keep on declining later on. (Enqvist, J., Graham, M., Nikkinen, J., 2014).

Return on equity

Graph 7: Return on equity

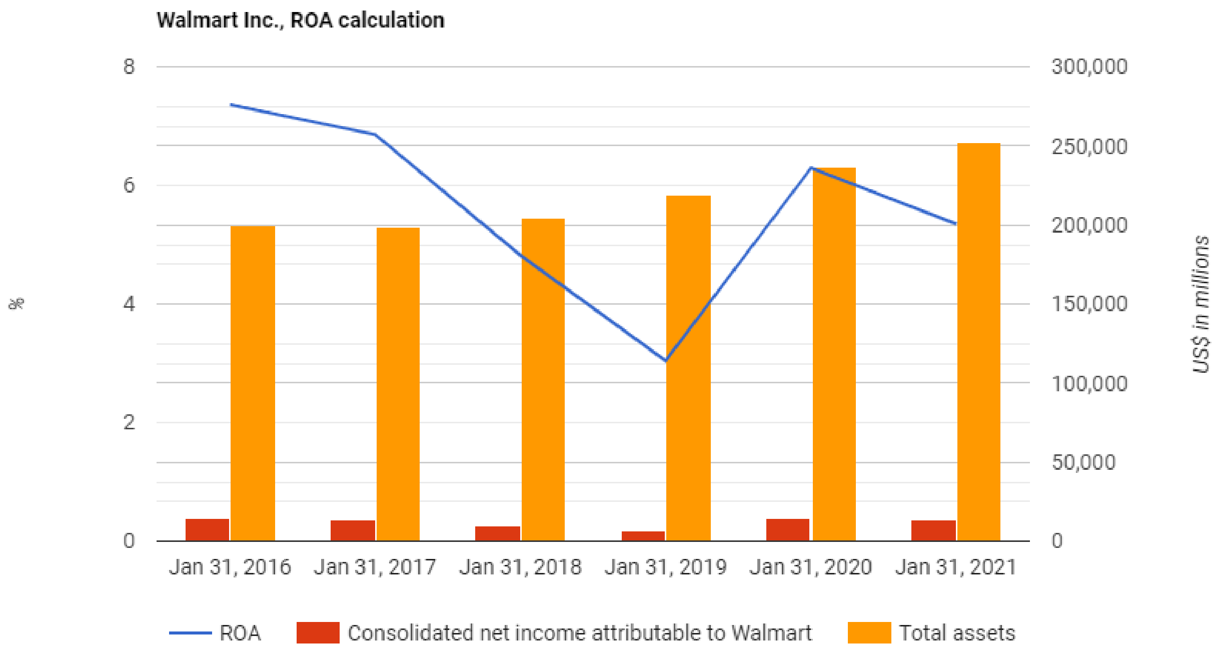


Source:([https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity),](https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity)

From 2016 to 2019, ROE decreased, but from 2019 to 2020, figure increased. In 2020, the return on equity (ROE) is expected to be higher than in previous years. The corporation earns less than one dollar from common stockholders' equity, since the return on equity is less than one. From 2016 to 2019, the overall downward trend in return on equity was attributed to the same downward trend in net income and total equity.

Return on assets

Graph 8: Return on assets



Source:([https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).](https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity)

From 2016 to 2019, ROA declined, but from 2019 to 2020, it increased. When a company's return on assets is less than one, it means that it earns less than one dollar from its total assets. A temporary reduction in total assets and a rise in operating income resulted in a decrease in return on assets from 2016 to 2019. From 2019 to 2020, total assets showed an increase, but operating income continued to decline. The company's financial condition would improve if the return on assets is higher. Since the business will make more money with less investment.

CONCLUSIONS AND RECOMMENDATIONS

The aim of this study was to assess Walmart's financial results using data from financial annual reports for the years 2016 to 2020. Working capital management techniques, the role of working capital and the data and methods which were used were all covered in the first chapter. The history of Walmart, its future prospects, relevant company content and growth plans and an overview of assets and liabilities were all covered in the second chapter. The third and most critical chapter assessed Walmart's financial position from 2016 to 2020 using the research methodology and basic formulas presented in second chapter.

According to the annual reports of Walmart, total assets increased over last three years. Total liabilities of company also increased from 2017 to 2020. Total equity of Walmart increased from 2017 to 2018. Then this decreased from 2018 to 2019 and again increased from 2019 to 2020. Total current assets decreased from 2016 to 2017, increased from 2017 to 2019, but again reduced from 2019 to 2020 in less amount. The reason on first decreasing of total current assets was reduction of cash and cash equivalents, prepaid expenses. Increasing on elements of current assets separately caused to increase total current assets from 2017 to 2019. Total current assets reduced in 2020 due to decreasing of prepaid expenses and other. Total current liabilities of company increased over the years and decreased in 2019 and again increased in 2020.

That’s why, working capital was negative over the years from 2016 to 2020. The current obligation of Walmart was higher than current resources on its monetary record. Owing to effective use of cash in funding operations, predictable admittance to the capital business sectors and returns given to investors in the form of cash dividends and share repurchases, Walmart typically operates with a working capital shortage. Negative working capital is a typical occurrence in the retail industry.

Because customers pay upfront, so they have a cash flow that a lot of company's do not have such as insurance companies and large corporations. Walmart has no problem raising the cash which it needs to cover the items they order. By paying bills when they come in, they maximize efficiency. Walmart as a retail chain constantly have cash on hand to pay bills instead of having to acquire credit and liquidating assets to pay the bills at the end of the year or month. This can be a sign of business efficiency.

According to the financial ratio review, Walmart's current obligations surpass its current resources and the company's current assets had been inadequate to cover its current liabilities over the past five years.

From financial ratio analysis of Walmart, a lower gross profit margin was shown for years. This indicated that the company's cost of sales was not well managed. It also revealed that the company's operating, lending and other expenses were no longer covered. Company's operating margin ratio was decreasing rather than rising. The company's operating income was insufficient. It showed that Walmart's main business operating costs had risen over the last five years. This was the essential clarification for the current time frame's downturn in the main operating profit margin. Over time, the net profit margin ratio has decreased. Walmart couldn't produce profit from sales and services, so reduction was not good for the business.

From 2016 to 2019, ROA declined, but from 2019 to 2020, it increased. When a company's return on assets was less than one, it meant that company earned less than one dollar from its total assets. From 2016 to 2019, ROE decreased, but from 2019 to 2020, figure increased. In 2020, the return on equity (ROE) was expected to be higher than in previous years. The corporation earned less than one dollar from common stockholders' equity, since the return on equity was less than one.

For increasing efficiency of working capital, Walmart should manage effectively the components of working capital, increase current resources and reduce the current liabilities. For increasing the current assets:

Walmart's management should concentrate on cash flow management. The inflow and outflow of cash should be closely monitored by management. Cash flow management should take into account the company's overall liquidity needs, especially its current assets and liabilities. Walmart should assess the need for protective liquidity in order to reduce the impact of uncertainty related with cash needs and ensure sufficient liquidity. Walmart should keep a large cash balance in order to maintain a strong liquidity position and reduce risk. Walmart's management should ensure that there is enough inventory to operate at maximum capacity with minimal inventory. Furthermore, current assets must be used to conduct company operations. Working capital management should try to optimize production and sales while minimizing risk and cost. I propose that, in order to achieve growth, Walmart should extend credit period to allow consumers to assess the quality of the purchased product for increasing the buyer's willingness to purchase it. This leads to increasing of sales and account receivable. Investing too much or too little in current assets and marketable securities has an effect on the company's profitability and liquidity and it should be managed to meet the company's exact needs. It's additionally essential to see how to contribute these current resources, regardless of whether by short-run or long-run financing.

Current liabilities should be paid as frequently as possible and as soon as possible. Early payments to creditors save money on interest and earn a discount, which has a direct impact on the company's profits. Walmart can purchase the optimal level of inventory which it can sell the products and services during one year period to meet the demand of consumers and supplies needed to run the business. Using these ways would result in a reduction in current liabilities.

Liquidity proportions are enhanced by expanding current resources and diminishing current liabilities which stated above.

The return on equity of Walmart can be increased by increasing profits compared to equity. Selling more goods and services, increasing the price of each product sold, decreasing the cost of goods sold and lowering operating costs are all ways to increase profits. Walmart can reduce its tax rate by using different tax strategies. The return on equity of a business is also boosted by low tax rates.

Increased net income will increase a company's return on assets. If the company's overall revenue for the period boost, its net profits will rise in parallel. One of the most important techniques for increasing gross profit margin and net income is to keep direct costs low. The entity will also need to review its operational expenses to ensure that cash is spent wisely.

Return on sales ratios can be improved by increasing income and reducing costs.

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4. https://corporatefinanceinstitute.com/assets/CFI-Financial-Ratios-Cheat-Sheet-eBook.pdf

Appendixes

Appendix 1.

Table 1: Current assets of Walmart Inc.

Current assets	2020	2019	2018	2017	2016
Cash and cash equivalents	9,465	7,722	6,756	6,867	8,705
Receivables	6,284	6,283	5,614	5,835	5,624
Inventories	44,435	44,269	43,783	43,046	44,469
Prepaid expenses and other	1,622	3,623	3,511	1,941	1,441
Total current assets	61,806	61,897	59,664	57,689	60,239

Source:(https://stock.walmart.com/investors/financial-information/annual-reports-and-proxies/default.aspx).

Appendix 2.

Table 2: Current liabilities of Walmart Inc.

Current liabilities	2020	2019	2018	2017	2016
Short-term borrowings	575	5,225	5,257	1,099	2,708
Accounts payable	46,973	47,06	46,092	41,433	38,487
Accrued liabilities	22,296	22,159	22,122	20,654	19,607
Accrued income taxes	280	428	645	921	521
Long-term debt within one year	5,362	1,876	3,738	2,256	2,745
Operating lease obligations within one year	1,793	-	-	-	-
Finance lease obligations within one year	511	-	-	-	-
Capital lease and financing obligations within one year		729	667	565	551
Total current liabilities	77,79	77,477	78,521	66,928	64,619

Source:(https://stock.walmart.com/investors/financial-information/annual-reports-and-proxies/default.aspx).

Appendix 3.

Table 3: Working capital of Walmart Inc.

	2020	2019	2018	2017	2016
Working capital	-15,984	-15,58	-18,857	-9,239	-4,38

Source: Author's own calculations

Appendix 4.

Table 4: Liquidity ratios

Liquidity ratios	2020	2019	2018	2017	2016
Current ratio	0.79	0.80	0.76	0.86	0.93
Quick ratio	0.20	0.18	0.16	0.19	0.22
Cash ratio	0.12	0.10	0.09	0.10	0.13
Current cash debt coverage ratio	0.32	0.36	0.36	0.47	0.42

Source: Author's own calculations

Appendix 5.

Table 5: Activity ratios

Activity ratios	2020	2019	2018	2017
Inventory period	41,1	41,94	42,8	43,49
Receivable period	4,41	4,49	4,13	4,42
Operating cycle	45,51	46,43	46,93	47,92
Payable period	43,45	44,58	45,06	41,86
Cash conversion cycle	2,06	1,85	1,88	6,05

Source: Author's own calculations

Appendix 6.

Table 6: Total revenues of Walmart Inc.

	2020	**2019**	**2018**	**2017**	**2016**
Total revenues	523,964	514,405	500,343	485,873	482,13
Change in total revenues from previous fiscal year	1.9%	2.8%	3.0%	0.8%	(0.7)%
Net sales	519,926	510,329	495,761	481,317	478,614
Change in net sales from previous fiscal year	1.9%	2.9%	3.0%	0.6%	(0.7)%
Change in calendar comparable sales in the U.S.	2.7%	4.0%	2.2%	1.4%	0.3 %
Walmart U.S.	2.9%	3.7%	2.1%	1.6%	1.0 %
Sam's Club	1.6%	5.4%	2.8%	0.5%	(3.2)%

Source:(https://stock.walmart.com/investors/financial-information/annual-reports-and-proxies/default.aspx).

Appendix 7.

Table 7: Profitability ratios

Return on sales ratios	**2020**	**2019**	**2018**	**2017**	**2016**
Gross profit margin	24.10%	24.50%	24.68%	24.94%	24.58%
Operating profit margin	3.96%	4.30%	4.12%	4.73%	5.04%
Net profit margin	2.86%	1.31%	1.99%	2.83%	3.07%

Source: Author’s own calculations

Appendix 8.

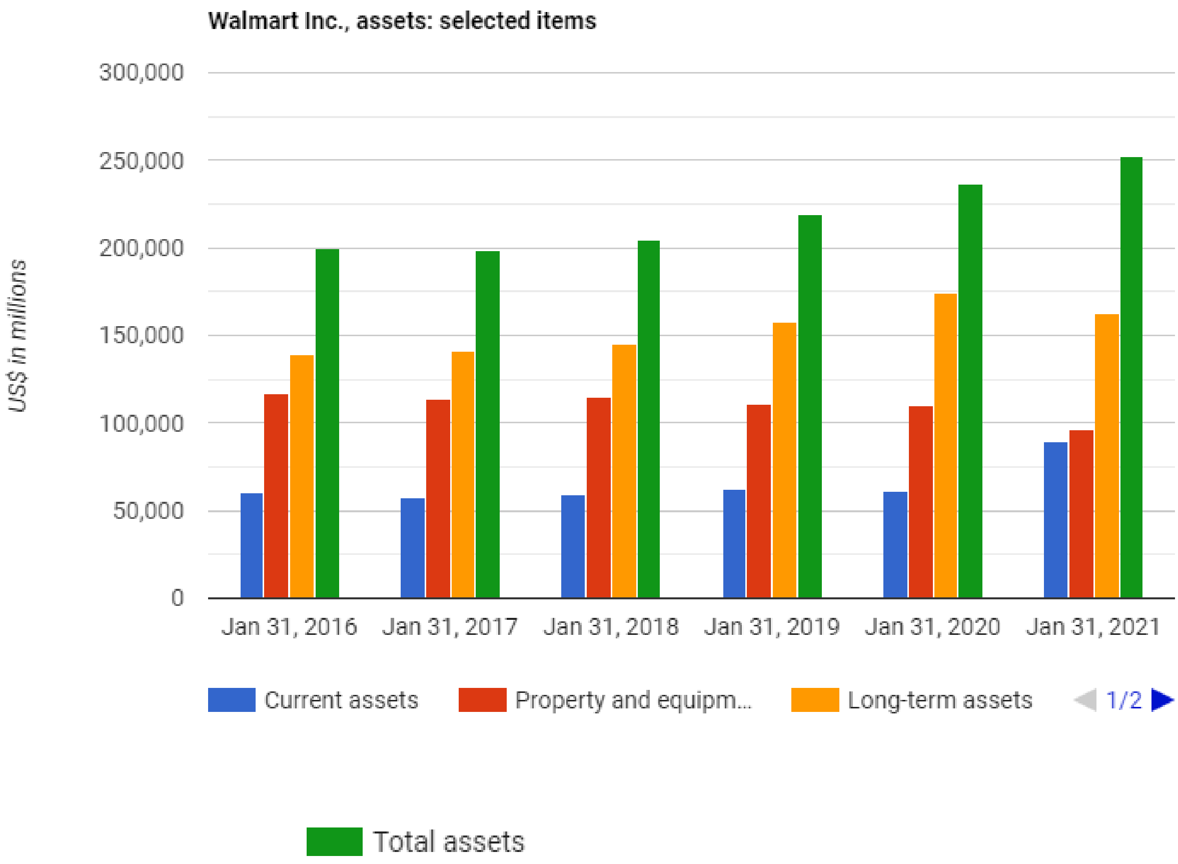
Table 8: Return on investment ratios

Return on investment ratios	2020	2019	2018	2017	2016
Return on equity (ROE)	19.93%	9.20%	12.66%	17.54%	18.24%
Return on assets (ROA)	6.29%	3.04%	4.82%	6.86%	7.36%

Source: Author's own calculations

Appendix 9.

Graph 1: Assets of Walmart Inc.



Source:(https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).

Appendix 10.

Graph 2: Liabilities and equity of Walmart Inc.

Source:(https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).

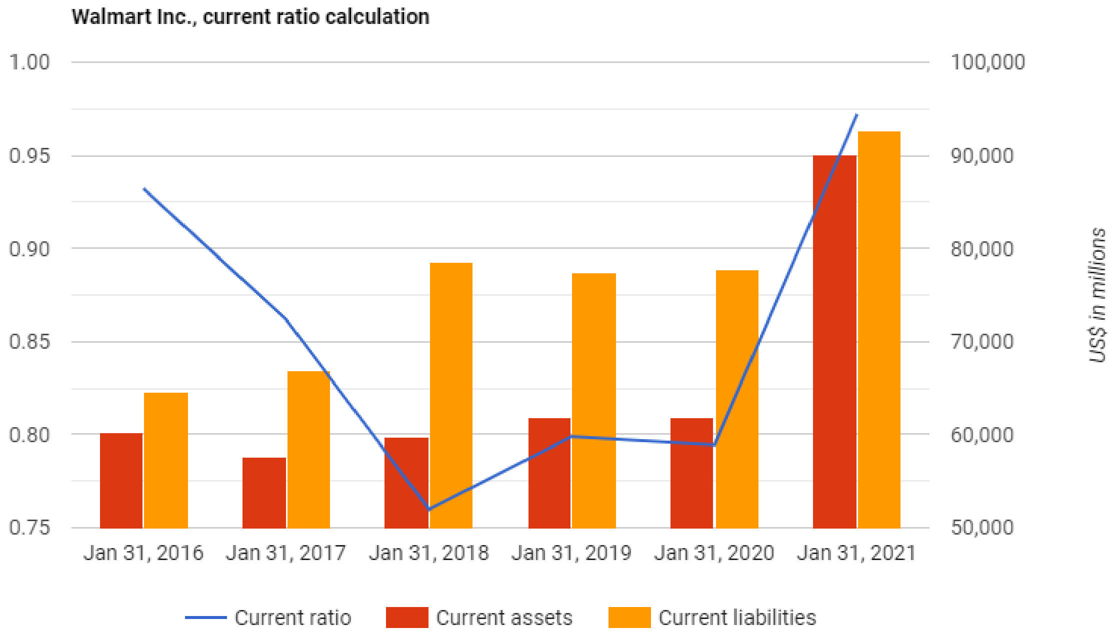
Appendix 11.

Graph 3: Working capital turnover

Source:([https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).](https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity)

Appendix 12.

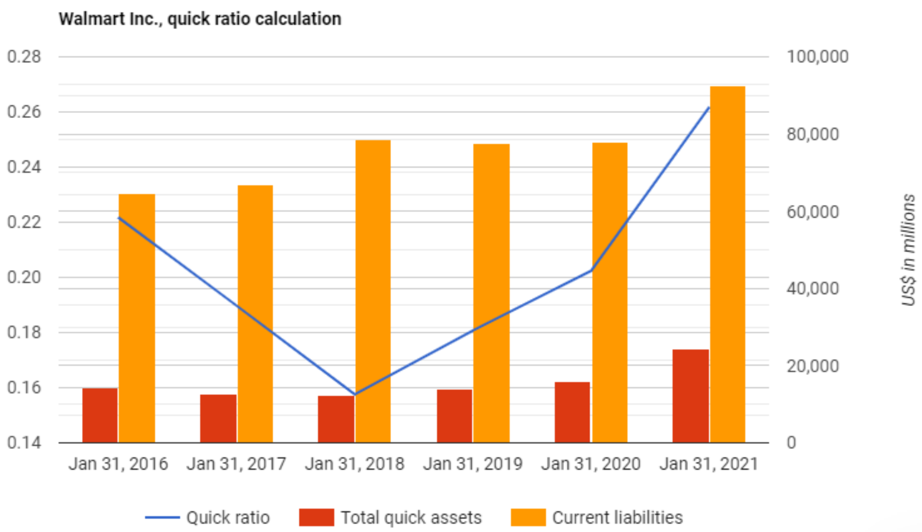
Graph 4: Current ratio



Source:([https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).](https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity)

Appendix 13.

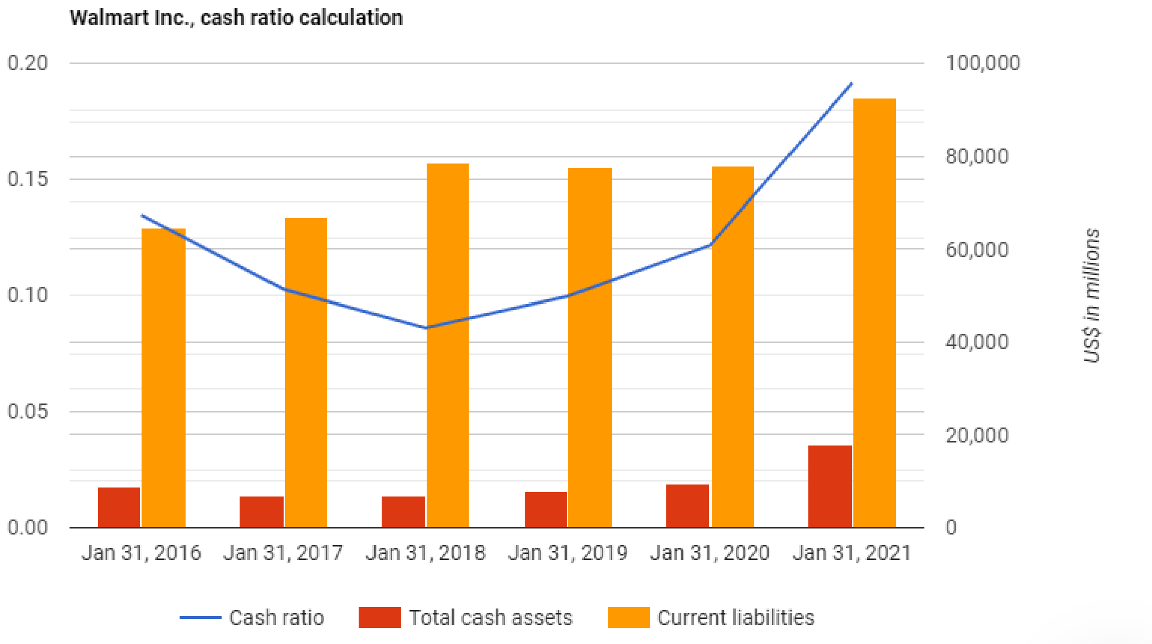
Graph 5: Quick ratio



Source:(https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).

Appendix 14.

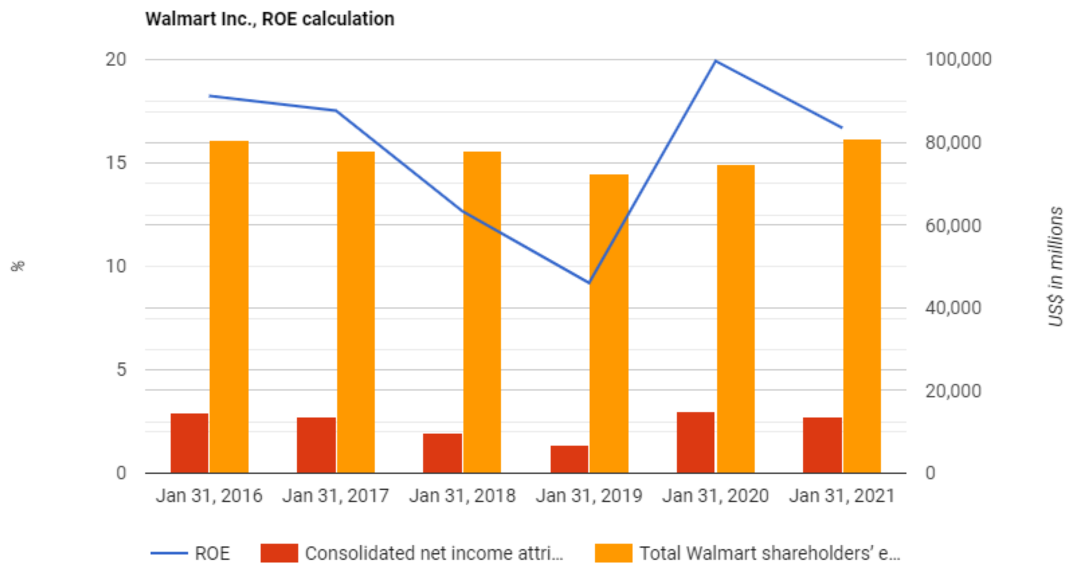
Graph 6: Cash ratio



Source:(https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).

Appendix 15.

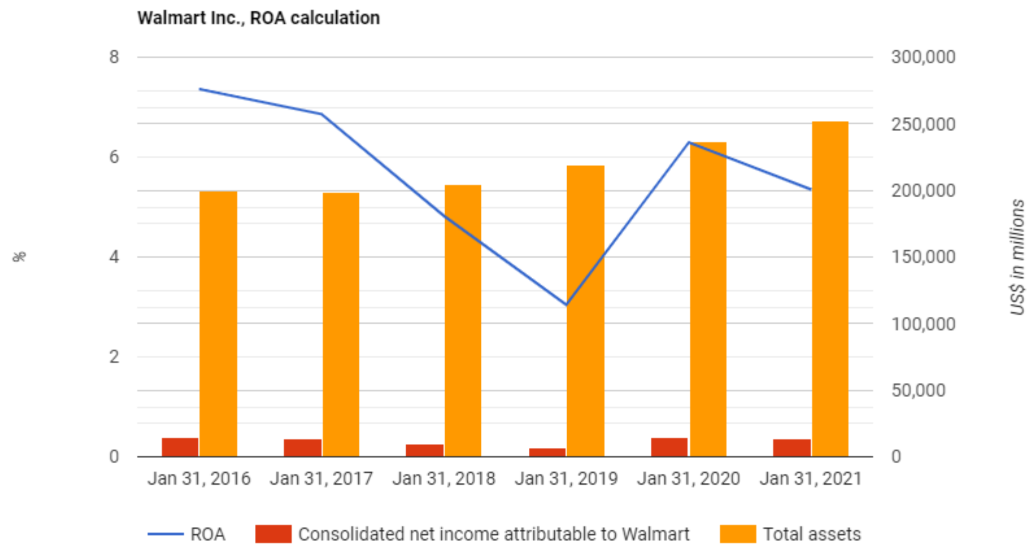
Graph 7: Return on equity



Source:([https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).](https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity)

Appendix 16

Graph 8: Return on assets



Source:([https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity).](https://www.stock-analysis-on.net/NYSE/Company/Walmart-Inc/Ratios/Liquidity)

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