



International Journal of Multidisciplinary Research in Science, Engineering and Technology

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.206

Volume 8, Issue 6, June 2025



**International Journal of Multidisciplinary Research in
Science, Engineering and Technology (IJMRSET)**
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Funds and Return and Study on Capital Management and Cash Requirement at Mahindra Finance

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ABSTRACT: In today's highly competitive and capital-sensitive financial environment, efficient capital management and cash flow planning are crucial for the success of any financial institution. This research project titled "Funds and Return and Study on Capital Management and Cash Requirement – A Project in Mahindra Finance" aims to evaluate how Mahindra Finance, one of India's leading Non-Banking Financial Companies (NBFCs), strategically manages its funds to generate sustainable returns while maintaining adequate liquidity to meet business obligations.

Mahindra Finance, with a strong presence in rural and semi-urban India, deals with unique challenges such as seasonal income patterns, inconsistent cash inflows, and fluctuating customer repayment cycles. This study delves into how the company aligns its fund allocation strategies with business objectives and risk appetite. It focuses on understanding the internal cash management processes, capital budgeting decisions, funding sources, and overall treasury operations.

The research adopts a mixed-method approach, collecting data through primary interviews with finance professionals at Mahindra Finance and analysing secondary data including annual reports, financial statements, and industry publications. Tools such as ratio analysis (ROCE, ROI, current ratio), working capital analysis, and trend evaluation of cash flow statements have been employed to interpret performance.

The findings suggest that Mahindra Finance demonstrates strong capital discipline through planned allocation of resources, maintaining cash buffers, and strategic borrowing. The company uses conservative risk models while funding high-growth sectors such as vehicle loans and SME finance, ensuring healthy returns without jeopardizing liquidity. Furthermore, its approach to quarterly cash planning and reliance on internal accruals for business expansion reduces dependency on external funding and enhances operational efficiency.

This project concludes that Mahindra Finance's capital and cash management practices contribute significantly to its long-term sustainability and profitability. The report also recommends the adoption of AI-based forecasting tools and broader capital market instruments to further optimize financial performance in an increasingly dynamic economic environment.

I. INTRODUCTION

In the dynamic financial landscape, effective capital management and fund allocation are essential for the stability and growth of financial institutions. One of the key elements of financial strategy is ensuring an optimal balance between funds availability, return on investment, and liquidity management. For non-banking financial companies (NBFCs) like Mahindra Finance, managing capital efficiently while fulfilling cash requirements is critical to sustaining operations, meeting customer demands, and achieving long-term profitability.

Mahindra Finance, a leading NBFC in India, primarily operates in rural and semi-urban areas, providing a wide range of financial services including vehicle loans, SME finance, and insurance. The nature of its business demands a robust capital management strategy that can withstand market volatility while ensuring sufficient liquidity to meet



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disbursement obligations and operational expenses. At the same time, the institution must aim for attractive returns on funds deployed, ensuring profitability and value creation for stakeholders.

This research aims to explore the interrelationship between capital management, cash flow planning, and return optimization at Mahindra Finance. It investigates how the company manages its cash inflows and outflows, determines capital requirements, and allocates financial resources in alignment with strategic business objectives. The study will also examine HR's role in ensuring financial discipline and workforce alignment in capital planning processes, making it relevant to the Human Resource Management domain.

By analysing financial data, internal practices, and organizational policies, this research will provide insights into how capital management influences operational efficiency, financial stability, and employee-driven financial accountability within Mahindra Finance.

II. LITERATURE REVIEW

Capital management and the effective handling of funds and returns are crucial components of an organization's financial stability, especially in Non-Banking Financial Companies (NBFCs) like Mahindra Finance. Various researchers and financial theorists have emphasized the importance of managing capital resources prudently to achieve sustainable profitability, maintain liquidity, and ensure long-term growth. This literature review explores existing theories, studies, and practices in the domains of fund management, capital planning, cash requirement assessment, and their relevance in HR and organizational performance contexts.

1. Capital Management: Theoretical Framework

According to Gitman & Zutter (2015), capital management is the planning and controlling of an organization's long-term financial strategy in terms of equity, debt, and retained earnings. It directly affects the company's ability to invest, grow, and survive during economic downturns. The Trade-Off Theory (Kraus & Litzenberger, 1973) and Pecking Order Theory (Myers & Majluf, 1984) emphasize how firms choose between internal financing and debt to optimize capital structure and returns. For a firm like Mahindra Finance, which operates in a credit-intensive sector, understanding and balancing capital sources is key to minimizing financial risk and maximizing returns.

In NBFCs, the availability of adequate capital not only enhances lending capacity but also helps in compliance with regulatory capital adequacy norms, as laid out by the RBI. Literature also highlights that effective capital management ensures that institutions can weather defaults and maintain a competitive position in the lending market (Choudhury, 2011).

2. Funds Utilization and Return Optimization

A significant body of work has examined the impact of funds utilization on business outcomes. Pandey (2014) explains that return on capital employed (ROCE) and return on investment (ROI) are key indicators of how well a company uses its funds to generate profits. Companies that efficiently allocate capital to profitable projects are more likely to outperform their peers. For NBFCs, managing the cost of funds and increasing the spread between borrowing and lending rates is critical for profitability (RBI Reports, 2020).

Further, studies by Brealey, Myers, and Allen (2016) argue that investment decisions should always consider the risk-return trade-off. Poor capital decisions can lead to increased financial burden and reduced shareholder value. Mahindra Finance's operations in rural areas require careful evaluation of risk, repayment behaviour, and economic factors, which makes the study of fund deployment strategies particularly relevant.

3. Cash Flow and Liquidity Management

Effective cash flow management ensures an organization has the required liquidity to meet short-term obligations without jeopardizing long-term investments. Research by Ross et al. (2011) suggests that cash budgeting and forecasting are vital tools in liquidity management. Poor liquidity management can lead to cash crunches, delayed disbursements, and reputational damage. For NBFCs, matching asset-liability durations is an important aspect of liquidity risk mitigation.



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Cash requirements in institutions like Mahindra Finance are also influenced by seasonal demands, customer payment patterns, and external economic conditions. Maintaining an optimal cash reserve ensures operational continuity and supports new credit disbursal, which directly affects customer retention and satisfaction.

4. Role of HR in Financial Efficiency

While capital management is traditionally viewed through a financial lens, HR also plays a pivotal role in enhancing financial discipline, cost awareness, and performance-linked strategies. As per Ulrich et al. (2015), HR professionals are increasingly involved in strategic planning and resource optimization. Training programs on financial literacy, budgeting, and accountability can improve how departments utilize allocated funds.

In Mahindra Finance, where the workforce is widely spread across rural branches, HR's role in aligning employee performance with financial goals—such as reducing default rates, increasing recovery efficiency, and lowering operational costs—is critical. Strategic HR practices, such as incentivized performance models, job rotation in finance-linked roles, and workforce planning, contribute to overall capital efficiency.

5. Summary of Key Insights

From the reviewed literature, it is evident that fund and capital management in NBFCs requires a blend of financial prudence, strategic planning, and human resource alignment. Companies like Mahindra Finance, with their wide operational reach and large financial transactions, must continuously monitor capital deployment and cash requirement processes. At the same time, HR plays a supportive but significant role in ensuring employee behaviours and departmental goals are aligned with financial objectives.

Future studies can explore how digital tools, AI-based forecasting, and HR analytics are shaping smarter capital allocation and workforce-driven financial accountability in NBFCs.

III. RESEARCH METHODOLOGY

This research employs a descriptive and analytical research design to explore the relationship between fund management, capital planning, cash requirement, and organizational efficiency at Mahindra Finance. The study combines both quantitative and qualitative approaches to ensure a holistic understanding of financial practices and HR involvement in capital efficiency.

Objectives of the Study

- To examine capital structure and fund utilization processes.
- To evaluate returns on investment and liquidity strategies.
- To understand how HR policies support financial discipline and efficiency.

Data Collection Methods

- Primary Data: Collected through structured questionnaires and semi-structured interviews with employees from the finance, HR, and branch operations departments of Mahindra Finance.
- Secondary Data: Derived from annual reports, financial statements, RBI publications, industry reports, and academic literature related to capital management and NBFC operations.

Sample and Sampling Technique

A purposive sampling method was used to select 30 relevant respondents (10 each from Finance, HR, and Branch Operations) involved in fund allocation and cash planning processes.

Tools of Analysis

- Ratio Analysis (ROCE, ROI, Liquidity Ratios)
- Descriptive Statistics (percentages, averages)
- Cash Flow Review to assess operational liquidity
- Thematic Analysis for qualitative insights from interviews



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Scope and Limitations

The study is limited to Mahindra Finance's operations in selected branches in Maharashtra. Time constraints and restricted access to internal financial data may limit the depth of the analysis, but care was taken to ensure data validity and reliability.

IV. ANALYSIS AND DISCUSSION

The analysis of data collected from Mahindra Finance reveals a structured and strategically sound approach to capital management and cash flow planning. The company primarily relies on a debt-based capital structure, with funding sourced from banks and financial institutions, reflecting typical NBFC financing patterns. Over the past three years, Mahindra Finance has maintained a healthy Return on Capital Employed (ROCE) averaging around 13–15%, indicating efficient use of capital to generate returns. The capital budgeting process is handled centrally, where projects are approved only after a thorough risk-return analysis.

The organization's cash requirement planning is robust, supported by a real-time cash flow monitoring system. Branch-level interviews revealed that operational heads regularly assess fund inflows and outflows using automated dashboards, which enhances accuracy and responsiveness. Seasonal variations—particularly during harvest or festival periods—create fluctuating cash demands, and the company responds by pre-planning liquidity buffers to avoid shortfalls. Asset Liability Management (ALM) practices further ensure that cash inflows from loan repayments align with debt obligations, reducing financial stress and dependency on short-term borrowing. A critical finding is the growing role of Human Resource Management in ensuring financial efficiency. HR professionals actively support cost-conscious behaviour by conducting training programs on budget discipline, productivity-based incentives, and operational accountability. Employees are made aware of how inefficient practices like delayed recoveries or overspending on branch operations directly impact the organization's capital structure and ROI. Many employees acknowledged that HR-finance collaboration has created a more transparent environment where every rupee spent is monitored and evaluated.

Additionally, the performance appraisal systems are increasingly integrated with financial metrics. For instance, branch staff and loan officers are now partially evaluated based on collection ratios, fund utilization efficiency, and delinquency control. This linkage ensures that employees are not just focused on loan disbursements but also on maintaining a healthy fund cycle. Branch managers reported that KPIs aligned with cash management have fostered ownership and improved decision-making at the ground level. Further, initiatives like "cost-saving contests" and employee-suggested improvements have encouraged a culture of innovation and cost efficiency. Another area of discussion is the impact of technology and automation on fund and cash management. Mahindra Finance has invested in enterprise resource planning (ERP) systems that enable faster reporting, dynamic cash forecasting, and cross-branch fund reallocation. These tools help identify underperforming regions and allocate surplus capital more productively. Employees also noted that digitization has reduced paperwork, minimized transaction delays, and brought more transparency into capital tracking. This technological shift not only improves capital efficiency but also enhances overall employee productivity by freeing them from repetitive administrative tasks.

In conclusion, Mahindra Finance's success in managing funds and capital requirements is deeply rooted in strategic planning, real-time monitoring, employee training, and performance-based accountability. The organization's ability to align HR practices with financial goals has not only improved operational productivity but also fostered a collaborative, performance-driven culture. This integrated model serves as an effective benchmark for other NBFCs aiming to strengthen their financial backbone through cross-functional synergy.

V. CONCLUSION

The study on funds, returns, capital management, and cash requirement at Mahindra Finance has provided a comprehensive understanding of how a Non-Banking Financial Company (NBFC) strategically manages its finances to ensure sustainability, profitability, and liquidity.

Key conclusions drawn from the research are as follows:

- Efficient Capital Management:

Mahindra Finance maintains a well-balanced capital structure, relying on a mix of equity and debt, which helps them



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manage risks and maintain financial flexibility. The debt-equity ratio, while high, is effectively managed and supported by strong internal controls.

- Consistent Return Generation:

Return on Capital Employed (ROCE), Return on Assets (ROA), and Return on Equity (ROE) have shown a healthy upward trend, indicating effective deployment of capital and growing profitability over the years. The firm has successfully created value for shareholders.

- Strong Liquidity Position:

The company demonstrates robust liquidity and cash flow management, maintaining a current ratio above 1 and ensuring timely access to funds for operational and disbursement needs. This allows Mahindra Finance to meet short-term obligations without stress.

- Strategic Cash Planning:

Through forecasting models, rolling budgets, and adherence to regulatory liquidity norms, Mahindra Finance effectively plans and manages its cash requirements. Seasonal disbursement patterns and market fluctuations are well accounted for in their strategy.

- Risk-Adjusted Approach:

The institution operates with a CRAR significantly above RBI requirements, reflecting a risk-averse, stable financial model. This indicates that Mahindra Finance is well-capitalized to withstand market disruptions.

- Use of Technology and Innovation:

Interview insights and internal processes suggest a shift toward technology-driven fund tracking and decision-making tools, which enhances operational accuracy and forecasting abilities.

- Challenges Remain:

Delayed repayments in rural sectors and interest rate fluctuations present ongoing challenges, yet the company has managed to mitigate these through diversification, prudent provisioning, and adaptive financial planning.

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