CHAPTER VI

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The study in general aims at making a comparative study of the management performances relating to working capital in the selected units of the sugar industry in Tamil Nadu. Its specific objectives are: (1) To examine the structure, sources and utilisation of working capital and its components; (2) To estimate risk-return analysis of working capital position; (3) To assess the liquidity position; (4) To assess the impact of working capital ratios on profitability; (5) To estimate transactions demand functions of working capital and its various components; and (6) To examine the impact of inflationary conditions on efficiency in utilisation of working capital in the selected units of the sugar industry in the state of Tamil Nadu.

This study covers ten major units in the sugar industry (5 each from co-operative and private sectors). All these units were established before 1980. For the purpose of the study, necessary data on working capital and other related variables were collected for the period 1982-1992. The financial statements used are mainly the Profit and Loss accounts, and Balance sheets published in the Annual reports of the respective units. The study used a variety of financial ratios to accomplish the objectives. It employed discriminant analysis to examine adequacy of working capital and the short-term liquidity position;
multiple regression analysis was used to estimate the transactions demand functions of working capital and its various components.

This chapter epitomizes the major findings of the study and offers a few suggestions for efficient management of working capital in the sugar industry of Tamil Nadu.

Size of Working Capital

It is evident from the course of analysis that the size of current assets in the sugar industry of Tamil Nadu has increased 3.28 times whereas current liabilities increased by 2.63 times during the years 1982-83 to 1991-92. As the increase in CA is more than that of CL, the net working capital has increased by 3.79 times during the same period. It is observed that the increase in CA, CL and NWC sizes is more in the case of private sector units than in the co-operative sector units. Moreover, the increase in the net working capital has been regular throughout the period except in 1983-84. The decrease in NWC in all the selected sugar industries during the year 1983-84 was due to more decrease in finished goods component of current assets. It has been found in the course of the analysis that current assets constituted a considerably large proportion of total assets in the industry during the period under study. On an average, 49.22 percent of the total investment in the industry was committed in working capital alone. Among the co-operative sector units, two units (ACS and SCS) had relatively high share of the total
investment blocked in current assets. Similarly, among the private sector units, two units (ASL and SISL) had more current assets in their total assets. With all these variations, the size of current assets and net working capital, however, registered a continuous increase in almost all the units throughout the period except in the year 1983-84.

The utilization of the working capital, as reflected by the ratio of current assets in terms of number of days of sales, is certainly better in the private sector than in the co-operative sector as its current assets to sales ratio has been found to be the lowest. Among the co-operative sector units, this distinction goes to AMCS and among the private sector units, it goes to KSL. The average values of current ratio and liquid ratio are very high in the industry during the study period. Comparatively, private sector units stand at the top in terms of overall liquidity position during the period under study. Further, two units (SCS and NCS) in the co-operative sector and three units (ASL, SSL and KSL) in the private sector have very sound liquidity position during the study period. Moreover, the wide gaps in CR and LR in all the units indicate that inventory forms quite a large proportion of total current assets in the sugar industry of Tamil Nadu.

All these analyses lead to the conclusion that during the period under study, private sector units having enjoyed
comparatively sound liquidity position and also effective utilization of working capital funds, seem to have achieved a trade-off in their liquidity and profitability.

Composition of Working Capital

Inventory, Receivables, Cash and Other Current Assets averaged 63.16 percent, 23.53 percent, 12.03 percent and 1.28 percent respectively of working capital in the sugar industry of Tamil Nadu. These proportions were almost the same, with slight ups and downs, in all the selected units both co-operative and private sector in the industry. Among the selected units, one unit (SCS) in co-operative sector and one unit (KSL) in private sector have been able to make some reductions in inventory percentage to the total current assets as their average trend has been found to be the lowest.

Circulation of Working Capital

An analysis of the circulation of various current assets disclosed that different units have utilised their working capital with the varying degrees of efficiency in the selected sugar industry of Tamil Nadu. It has been found from the analysis that two units (ACS and SCS) in co-operative sector and two units (KSL and TASL) in private sector, have better inventory control than any other unit during the study period. As far as receivables management is concerned, the co-operative sector units have better performance than the private sector units.
Growth of Working Capital

The growth that has taken place in the size of current assets in relation to sales, points out that sugar industry of Tamil Nadu has recorded higher growth rates in current assets than in sales. This is an indication of poor working capital management. Similarly, both co-operative and private sector units have more average growth in current assets than in sales. However, such growth has been higher in the co-operative sector than in the private sector units. It is inferred from the analysis that in the case of ACS, SCS and NCS among the co-operative sector units and SSL and KSL among the private sector units, relatively good improvement in the working capital management has been noticed. Regression results further reveal that working capital and sales are functionally related concepts and a significant correlation has been found in these two variables in all the units except in AMCS and KCS in the co-operative sector. The values of parameter 'b' bring out that working capital is more sensitive to the change in sales in private sector than in the co-operative sector. It is an index of the capability of the managements in controlling the sizes of their respective working capital funds by adjusting their sales volumes. The impact of the size of business on the magnitude of working capital has been analyzed in this study by applying multiple correlation analysis. Analysing the co-efficient scores, it has been observed that in all the selected private sector sugar
industries of Tamil Nadu except SISL, the sales and output had decidedly significant effect on the size of working capital. However, all the co-operative sector units did not have such significant impact on working capital.

ADEQUACY OF WORKING CAPITAL

There is no standard by means of which the adequacy of working capital can be tested. However, sometimes the same is analysed by the relationship between current assets, liquid assets and current liabilities of a firm. Accepting current ratio of 2:1 as optimum, it was found that in the case of NCS in co-operative sector and ASL, SSL and KSL in private sector, the average current ratio were found to be more than 2:1. In the remaining cases, current ratio was less than 2:1. Considering liquid ratio 1:1 as the measure of adequacy of working capital, it was found that in the case of ASL, SSL and KSL in the private sector only, the liquid ratio were more than 1:1. In the remaining cases, liquid ratio was less than 1:1. On the whole, it could be said that only in few cases working capital were found to be adequate. Either they were found to be inadequate or excessively high.

The operational adequacy of the working capital of the selected units has also been assessed by employing the discriminant analysis based on the size of working capital in terms of monthly operational requirements and sales requirements
as independent variables. The construction of discriminant function suggests that the size of net working capital in terms of monthly operational requirements appeared to be stronger than sales requirements in all the years except in the years 1983-84 and 1989-90. The discriminant z values were estimated and the good risk and poor risk enterprises may also be identified by computing the cut-off values. As per these values, the good risk enterprises have been noticed to be six (NCS, KCS, ASL, SISL, SSL and TASL) in 1982-83; four (NCS, ASL, SSL and TASL) in 1983-84; five (AMCS, SCS, NCS, ASL and SSL) in 1984-85; four (AMCS, NCS, ASL and SSL) in 1985-86; four (ACS, AMCS ASL and SSL) in 1986-87; four (ACS, NCS, ASL and SSL) in 1987-89; four (NCS, ASL, SISL and SSL) in 1989-90; six (SCS, NCS, KCS, ASL, SSL, and KSL) in 1990-91; and seven (SCS, NCS, KCS, ASL, SISL, SSL and KSL) in 1991-92.

The comparison of good and poor risk units as per the current ratio and as per the discriminant score shows that the misclassification does not occur in the years 1985-86 and 1987-89. In the remaining years, misclassification has been noticed. It has been found in the course of the analysis that all the selected units except AMCS and TASL maintained adequate sizes of working capital in relation to sales and output requirements in the recent year 1990-91 and 1991-92. It is also found that NCS and SCS in co-operative sector and ASL and SSL in private sector
maintained adequate sizes of the working capital throughout the period under study.

WORKING CAPITAL TREND

To analyse the working capital trend, the indices for different years, taking 1981-82 as base year, have been calculated for each unit of the sugar industry separately. The indices of the working capital shown an erratic trend in all the selected sugar industries. Analysing the working capital trend, it has been assumed that the working capital trend will conform to the straight line calculated by the method of least squares. On the basis of chi-square test, it has been concluded that the progress of sugar industry with regard to working capital requirements can’t be approximated by the straight line method because the difference between the actual values and trend values of the working capital is significant in all the selected sugar industries of Tamil Nadu.

On the basis of 'F'test (two-way analysis of variance), it has been concluded that the variations in the indices of working capital are significant because the calculated values are more than the table values between the industry and between the years of the study, at 5 percent and 1 percent level of significance. However, the variations in the indices of working capital between the years of the study in the co-operative sector and between the industry in the private sector
are not significant both at 5 percent and 1 percent level. On the basis of this analysis it may be concluded that the performance of individual sugar industry significantly differs from the standards of industry.

FINANCING OF WORKING CAPITAL

The average working capital has been financed from long-term sources to the extent of 37.37 percent in co-operative sector and 36.97 percent in private sector. It is also inferred from the analysis that the average percentage of long-term funds used for financing working capital in industry was 27.73 percent, whereas in the co-operative sector and private sector, it was 34.29 percent and 25.68 percent respectively. The increasing dependence on the long-term sources of financing working capital in all the co-operative sector units depicts the incapability of the industry to make efficient management of its current assets namely inventories and receivables.

RISK - RETURN ANALYSIS

The risk-return analysis of the working capital has been done on the basis of the proposition developed by Prof. E.W. Walkar which reads as "if amount of working capital is varied relative to the fixed capital, the amount of risk that a firm assumes is also varied with opportunity for gain or loss increased by the same proportion". It has been found in the course of the analysis that overall working capital leverage of
sugar industry of Tamil Nadu as a whole was very low which showed that changes in net working capital in relation to fixed capital had very low impacts over the profitability position and also none of the selected sugar industry supports the proposition of E.W. Walker. In addition, in order to test the hypothesis of Prof. E. W. Walker of negative relationship between return on investment and working capital in relation to fixed capital, simple correlation in between these two has been computed. It was observed that there were negative correlations in all the selected units except ASL and SSL in the private sector and had satisfied the hypothesis of E.W. Walker. However, this negative correlation is not significant in the private sector sugar industry of Tamil Nadu.

INVENTORY MANAGEMENT

The size of inventory in sugar industry of Tamil Nadu was large and formed, on an average, 63.16 percent of current assets and 31.07 percent of total assets during the study period. It has been found in the course of the analysis that the increase in inventory size, in absolute figures, has been noticed more in the private sector units than in the co-operative sector units. In the sugar industries of Tamil Nadu, the major components of inventory are finished goods, stores and spare parts, work-in-progress and other inventories which account 82.01 percent, 13.94 percent, 1.17 percent and 2.88 percent of the total inventory respectively. The same positions were also reflected
both in co-operative and private sector sugar industry. The computation of turnover ratios and average holding periods for inventory and its various components has spot lighted that all the units in the sugar industry of Tamil Nadu were overstocked. Unit-wise analysis has revealed that KSL in private sector seems to have done fairly well in maintaining all inventory components in proper balance. But this firm also improves its position by reducing the stores and spare parts holding period.

The growth that has taken place in inventory vis-a-vis sales in the sugar industry of Tamil Nadu during the period also depicts that the average growth rate of inventory has been more than the growth rate of sales in all the selected units. This shows poor inventory management of the sugar industry of Tamil Nadu. Therefore, every unit has improved on this account. The regression results are taken as a pointer to the fact that all the private sector sugar industries and NCS among the co-operative sector units experienced relatively strong correlation between inventory and sales variables. The high values of parameter 'b' also show that these units have better inventory management than other units. The values of parameter 'a' and 'b' further bring out that private sector units can easily overcome the problem of overstocking by increasing its level of operating activity. From this analysis, it is concluded that overstocking in this industry has largely been due to the ineffective inventory management in the co-operative sector sugar industries of Tamil Nadu.
Receivables accounted for the second major use of the working capital in the sugar industry of Tamil Nadu. On an average, receivables worked out to 23.53 percent of current assets and 11.37 percent of the total assets in the industry. Among the co-operative sector sugar industries, two units (SCS and KCS) had the largest proportion of the total investments committed to receivables, whereas in the private sector sugar industries, two units (KSL and TASL) had relatively large size of receivables. Efficiency in the use of receivables was awfully low in the industry. The ratio of receivables to sales proves that AMCS and NCS were able to have comparatively better utilization of receivables, whereas remaining units showed very poor performances on this account. The study of composition of receivables points out that, contrary to the policy of making minimum investments in loans and advances, the sugar industry of Tamil Nadu invested much of the amounts receivables in this very constituent. On an average, loans and advances amounted to 80.51 percent of the receivables in the industry. It is also evident that loans and advances have constituted the bulk of the total receivables in all the units selected for the study.

The receivables collection period and debt collection period make it evident that the receivables on an average have taken long periods to be converted into cash. On an average, the receivables collection period in the industry was 48
days, whereas in the co-operative and private sector, it worked out as 47 days and 49 days respectively. As the sugar industry has been operating in the sellers' market, it is expected that an effective management of receivables must lead to restricted growth of receivables in relation to growth of sales. However, except ACS and NCS among co-operative sector units and SSL among the private sector units, no unit in the industry has been able to achieve this objective. The regression results demonstrate that receivables and sales are significantly correlated in all the units except SCS in the co-operative sector, but the sensitivity to change in receivables is not very high for a unit change in sales. This confirms that credit facility is not properly availed of as a marketing force in the industry. The growth in receivables is largely because of the increased loans and advances.

CASH MANAGEMENT

It is evident from the analysis that on an average, cash worked out to 12.03 percent of the total working capital in the industry during the study period. The size of cash in all the selected sugar industries remained, in general, growing during the period, a few fluctuations notwithstanding. It has been found from the analysis that co-operative sector units had the largest amount of cash in relation to current assets and sales, with high variations, whereas the private sector sugar
units had the minimum size with relatively low variations during the study period.

Every business concern is expected to keep adequate cash balances to meet its daily operational requirements, as also constantly to maintain liquidity and solvency, on which hinge the very existence of an enterprise. It has been found from the analysis that the sugar industry of Tamil Nadu by and large holds inadequate cash balances to support its operational requirements. Only ACS and SCS among the co-operative sector and ASL and SSL among the private sector units were able to maintain their cash balances in relatively sufficient quantity, whereas the remaining units had too little size of cash balances to be sufficient to meet the operational needs.

It has been inferred from the analysis that all the units in the sugar industry of Tamil Nadu experienced adequacy of cash in terms of liquidity and solvency. Analysis of CR, LR, Net Cash flows to Current Liabilities ratio, and Current Liability Coverage ratio brings out that as far as actual liquidity position among the firms was concerned, the private sector units, in particular, had good liquidity and solvency position with regard to actual liquidity and solvency.

ASSESSMENT OF LIQUIDITY POSITION

Among the various measures of short-term liquidity, net working capital itself provides the one which
indicates a 'margin of safety' of protection provided to creditors. It has been found in the course of the analysis that almost all the selected sugar units of Tamil Nadu have a positive net working capital. The negative net working capital has been observed only in AMCS in 1989-90. This shows the negative approach adopted by the industry. In addition, liquid assets are compared with current liabilities. It is revealed that the former is insufficient to cover current liabilities on many occasions. It is also inferred that none of the industries cover current liabilities from the liquid assets throughout the period from 1982-83 to 1991-92. This shows lack of capability to pay current debts from liquid assets.

By analysing the current ratio and liquid ratio, it has been found that comparatively, private sector sugar industries have maintained higher current and liquid ratio than the co-operative sector sugar industries during the study period. Moreover, current and liquid ratios have increased slowly and steadily over a period of time in the majority of selected sugar industries of Tamil Nadu. On the basis of 'F' test in current ratio, it has been found that the differences in the current ratio between different years among the selected sugar industries and between the industries among different years are significant at 5 percent level. Similarly, the differences in the liquid ratio between different years among the selected sugar industries and
between the industries among different years are significant at 5 percent and 1 percent level.

It is inferred from the analysis of cash position ratio that this ratio has declined over a period of time for the majority of the selected sugar industry. It shows that sugar industry has been trying to operate with lower level of cash. The low level of current and liquid ratios does not mean inadequate poor liquidity position. They may still be considered good if the enterprises can generate sufficient cash flows to pay their current debt. Thus, the liquidity measures that consider cash flows have been employed in the study for all those units for which current liabilities are greater than liquid assets. These measures showed a poor liquidity position of the selected sugar industries. Only in a few cases, the number of days required to pay net current debt out of cash flows or earning before tax is less than a year.

The liquidity position of the selected sugar units of Tamil Nadu has also been assessed by employing the discriminant analysis based on current and liquid ratios. The construction of the discriminant function suggests that liquid ratios appeared to be stronger than current ratios from 1982-83 to 1991-92 except in the year 1984-85. Analysing the discriminant Z score, the liquidity position of SCS and NCS among the co-operative sector units and ASL and SSL among the private sector units has remained good most of the time. The good risk and poor risk units may also
be identified by computing the cut-off values. As per these values, the good risk industries have been noticed to be four (ASL, SSL, KSL and TASL) in 1982-83; four (NCS, ASL, SSL and KSL) in 1983-84; four (AMCS, NCS, ASL, and SSL) in 1984-85; three (AMCS, ASL and SSL) in 1985-86; four (ACS, ASL, SSL and KSL) in 1986-87; two (ASL and SSL) in 1987-89; three (SCS, ASL and SSL) in 1989-90; five (SCS, KCS, ASL, SSL and KSL) in 1990-91; and four (SCS, ASL, SSL and KSL) in 1991-92. The number of good and poor risk units as per the current and liquid ratio and as per the discriminant score are compared. This shows that misclassification does not occur in the years 1983-84, 1987-89, 1990-91 and 1991-92 respectively. In the remaining years, misclassification has been noticed.

For the purpose of establishing definite relationships between liquidity and profitability, Karl Pearson's correlation co-efficient can be applied. It has been found from the analysis that the liquidity and profitability of the sugar industry of Tamil Nadu were adversely correlated and this was significant at 5 percent level. In a nutshell, it can thus be concluded that in all the selected sugar units of Tamil Nadu except ASL and SSL, growth in liquidity had reverse impact on profitability. These units satisfy the proposition of Van Horne of 'Higher the liquidity, lower the profitability'.
IMPACT OF WORKING CAPITAL ON PROFITABILITY

The impact of the working capital on profitability has been examined by computing co-efficient of correlation and regression between profitability ratio (PBT to total assets ratio) and working capital ratios (CR, LR, WTR, ITR RTR, and CTR). The study of the impact of working capital ratios on profitability of sugar industries of Tamil Nadu showed both negative and positive impacts. Three out of six working capital ratios namely CR, LR and CTR have shown negative correlation with profitability ratio and the remaining ratios have shown positive association with profitability. In the co-operative sector, CR, LR, and CTR have shown negative correlation, whereas in the private sector, CR, LR, RTR, and CTR have shown negative correlation with profitability ratio. It is also found from the analysis that all the working capital ratios are significantly associated with profitability ratio in the co-operative sector units.

The pooled regression results of the model showing the impact of working capital ratios on profitability for the sugar industries of Tamil Nadu as a whole are encouraging. The signs of all the co-efficients are as expected and also statistically significant. The four independent variables contribute 85 percent of the variations in the profitability of the sugar industry of Tamil Nadu. It has been found from the analysis that for a unit increase in liquid ratio, the...
profitability decreased by 0.16 units, whereas ITR, RTR and CTR increased by one unit, the profitability increased by 0.02, 0.08 and 0.001 units respectively.

In the co-operative sector, the four independent variables contribute 82 percent of the variations in the profitability of the selected co-operative sector sugar industries of Tamil Nadu. It is inferred from the analysis that for one unit increase in LR and CTR, the profitability decreased by 0.11 units and 0.003 units respectively, whereas for one unit increase in ITR and RTR, the profitability increased by 0.02 and 0.003 units respectively. In the private sector, the four independent variables contribute 82 percent of the variations in the profitability of the selected private sector sugar industries of Tamil Nadu. It has been found from the analysis that for one unit increase in LR, RTR and CTR, the profitability decreased by 0.18, 0.009 and 0.001 units respectively, whereas one unit increase in ITR, the profitability increased by 0.02 units. The overall results of the model showing impact of working capital on profitability are encouraging.

ESTIMATING DEMAND FUNCTION OF WORKING CAPITAL

The pooled regression results of this study contradict less than unitary sales elasticity hypothesis of Baumol, Tobin and Frazer with respect to the demand for cash by the sugar industries of Tamil Nadu. The presence of diseconomies
of scale in cash holdings is, to some extent, consistent with the conclusion of Friedman, Meltzer, Whalen and De Allessi. The demand for inventory of sugar industries of Tamil Nadu showed diseconomies of scale in inventory holdings thereby supporting the findings of Lieberman. This finding contradicts less than unitary sales elasticity observed by Akhtar and Irvine. The presence of diseconomies of scale has also been observed for receivables, gross working capital, and net working capital. The diseconomies of scale have been the highest for receivables followed by net working capital, gross working capital, inventory and cash.

In the co-operative sector, the regression results of the study contradict unitary or more than unitary sales elasticity hypothesis of Friedman, Meltzer, Whalen and De Allessi with respect to the demand for cash. The presence of economics of scale in cash holdings is consistent with conclusions of Baumol, Tobin and Frazer. However, the sales elasticity of cash is not significant at 5 percent level. The demand for inventory holdings showed economies of scale thereby supporting the findings of Akhtar and Irvine and contradicts the finding of Lieberman. The presence of economies of scale has also been observed for gross working capital and net working capital. The presence of diseconomies of scale has also been noticed for receivables.

The regression results of the study contradict less than unitary sales elasticity hypothesis of Baumol, Tobin and Frazer with respect to the demand for cash by the private sector.
sugar industries of Tamil Nadu. The demand for inventory of private sector sugar industries of Tamil Nadu showed diseconomies of scale in inventory holdings thereby supporting the findings of Lieberman. The presence of diseconomies of scale has also been observed for receivables, gross working capital and net working capital. It is also inferred from the analysis that the signs of all the co-efficients are as expected and also statistically significant. The goodness of fit of the model is also satisfactory.

The regression results also show that the levels of working capital and its components of an enterprise’s desire to hold depend not only on sales but on holding cost also. The capital cost co-efficients are all statistically significant except cash and receivables elasticity in the sugar industry of Tamil Nadu with the theoretically correct signs. In all the selected sugar industries also, the capital cost co-efficients are all statistically significant with the theoretically correct signs except cash and receivables elasticity in the private sector.

Thus, it has been found from the analysis that the demand for working capital and its components is a function of both sales and their holding costs. Further, the capital cost co-efficients are statistically significant with the theoretically correct signs.
It has been found from the course of analysis that the improved working capital management under inflationary conditions has been noticed in all the years except 1982-83 and 1990-91 in the sugar industries of Tamil Nadu as a whole. In the co-operative sector sugar industries, the improved working capital management under inflationary conditions has been noticed in all the years except 1982-83, 1984-85, 1990-91 and 1991-92. It is also evident from the analysis that in the private sector sugar industries, the improved working capital management under inflationary conditions has been noticed in the years 1983-84, 1985-87, 1987-89, 1989-90 and 1991-92. It is evident from the analysis that the real efficiency in working capital management is far more pronounced through this analysis.

The above observations lead to the conclusion that the management of working capital has a great scope for improvement in the sugar industries of Tamil Nadu. Actually, the problem of the working capital management in this industry is related more to surplus investments than to inadequacies. Surplus investments have been found mainly in inventory and receivables components - it is more serious in the former than in the latter. A lot of funds now invested in these current assets can be released for alternative uses just by improving the performances of the management in this regard. As far as cash is concerned, most of the units have experienced inadequacies. It is perhaps due
to this reason that the sugar industry have to resort to the excessive utilization of bank borrowings for most of the time to meet their finance requirements. It has been also observed in the course of the study that the private sector unit has shown better performances on all the fronts than any of the co-operative sector units.

Keeping in view the above observations relating to the study, the following measures are suggested which would go a long way to improve the management of working capital in the sugar industries of Tamil Nadu.

1. The problem of surplus investments in inventory and receivables in the selected units can largely be tackled through improved co-ordination in the functioning of some strategic departments such as purchase, production, marketing and finance. For co-ordination, strengthening up of management information system in the units is essential. The organisations need to adopt weekly reporting system in respect of inventory and receivables. Moreover, the responsibility for arranging funds to meet the working capital requirements should not be thrust upon the finance managers only, rather it should be made a collective responsibility of all the departmental managers.

2. There is an urgent need to bring about a change in the attitude of the managements towards the working capital. During the course of the investigation, it has been found that
the managements normally consider the liquidity aspects of the working capital managements to be important and do not pay much attention to the profitability of funds employed in it. That is why the main problem of the working capital in the sugar industry of Tamil Nadu is over investments in various current assets. To overcome this difficulty, the managements should regard both the facts of working capital as equally important and realise that only proper balancing of liquidity and profitability would ensure efficient working capital management.

3. With a view to lowering investments in receivables, the selected units should administer their receivables on certain well established principles of receivables management. Allocation of authority pertaining to credit and collection to some specific department, selection of proper credit terms and laying down of sound collection policies and procedures would go a long way to improve collections.

4. Investments in loans and advances ought to be slashed. This objective can be achieved easily if cost of credit is charged by way of interest from those seeking loans and advances.

5. Cash management in the selected units can be streamlined by proper planning and control of cash. The firms must increasingly adopt objective methods rather than intuitive methods of cash forecasting. Moreover, cash inflows and
outflows must be assiduously regularised. Quick disposal of documents and letters relating to sales would surely speed up the inflow of money. For efficient performance of this function, it is suggested that cash section can be placed under the charge of finance experts.

6. The study has revealed that overall performances of the private sector in the management of working capital is relatively better than that of the co-operative sector units. So, the management of co-operative sector units should adopt the practice of periodical inter-firm and inter-plant comparison. The comparative study will help to pin-point the areas of weakness and strength, and enable the managements to take timely corrective measures.

7. As the management of working capital involves frequent decision-making, it is proposed that every organisation should set up a separate 'cell' to keep an eye on the environmental conditions and economic trends. So far, no unit under study has been able to create such a section in the organisation.

8. To deal with overstocking in stores and spares components of inventory, ancillary units should be developed, internal repair facilities created, and classification of stores and spares made according to
the nature of consumption such as fast-moving, slow-moving and non-moving items.

To conclude the study it may be said that the adoption of above measures will undoubtedly help the selected units improve their overall performances in the management of the working capital. A lot of funds now invested in inventory and receivables can be released for alternative uses. Ultimately liquidity and profitability of the concerns will be promoted. The industry will be able to generate funds increasingly from internal sources, thus breaking the vicious circle of financial stringencies. It is common knowledge that the function of fixed assets is to create capacity and that of current assets to make the utilization of capacities possible. The problem of underutilization of capacities of the industry will be solved to a large extent with the improvement in the management of the working capital. Thus, the dreams of our planners to accelerate the economic growth in the country by effecting increased sugar production at reasonable costs are still possible to be translated into reality.