Management of working capital involves administration of current assets and liabilities. Working capital represents the funds required for routine operations of the firm. These funds are both large and volatile. Therefore, working capital is considered to be the life blood of a firm and managers of finance spend the major part of their time in the functions coming under management of working capital. Especially in the case of decentralized small scale industrial units like handloom co-operatives, the amount of working capital far exceeds that of fixed capital—at times going up to 95 per cent of the total assets. Therefore, management of working capital is a critical factor in determining the profitability of the business and periodic evaluation of the management of working capital is essential for the financial health of the business. The financial management must always avoid excessive and inadequate investment in current assets and should ensure just enough investment. The financing mix employed must be optimum. The policies of working capital management directly influence the twin objectives of management i.e., liquidity and profitability.¹

In this context, two concepts of working capital, namely gross working capital and net working capital, merit consideration. Gross working capital is the sum of current assets while net working capital is the difference between current assets and current liabilities, representing availability of long term funds for short term purposes. Management of the business is concerned with adequacy of current assets or gross working capital for business operations. Short term creditors are interested in net...
working capital or availability of long term funds of a business for short-term obligations.

In the present exercise, both adequacy of the gross working capital and efficiency of its management are sought to be studied for ensuring proper utilisation of current assets, successful sales and profitability.

There are four principal ingredients in managing working capital, viz.

i. Servicing the business

ii. Cost

iii. Security

iv. Liquidity

The mixture of the above elements should be optimum for successful and convincing business operations.²

Working capital sustains a business by bridging the time lapse between incurring expenditure in the manufacturing and supply of products or services and receipt of revenues therefrom. There is always concomitant cost for any level of investment in the working capital, whether the funds are raised internally or from external sources. The facile conclusion is that the working capital should always be minimized to save financing or opportunity costs. But the risk of losing sales as a result of inadequate stock is to be reconciled with profit maximisation. Controlling the funds is the most critical factor in the successful management of an enterprise. Profits and continued existence of a business largely depend on efficient conversion of cash. Kim, Mauer and Sherman (1998) have observed that corporate liquidity is affected by the operating cycle. A firm with long operating cycle is expected to have lower levels of liquidity and vice-versa.³
To begin with, a significant part of the working capital become raw materials lying in stores and awaiting conversion into finished products. In the manufacturing process raw materials are converted into work-in-progress and eventually emerge as finished product. Finished products remain in the godown awaiting sales. They become receivables on credit sales. When receivables are collected working capital resumes the form of cash and is ready to repeat the cycle. Thus, there are four distinctive stages or cycles through which working capital moves from the form of cash and eventually resumes the cash form on collection. These stages may be called as (1) raw material cycle, (2) conversion cycle, (3) storage cycle, and, (4) collection cycle. And the four cycles constitute the operating cycle of the working capital. When one operating cycle is completed, the working capital is ready to repeat the four cycles. The length of the operating cycle and the number of operating cycle in a given period are inversely related. If the length of the operating cycle is 121 days, there will be 3 operating cycles in a year and if the length of the operating cycle is 91 days, there will be 4 operating cycles. Since the number of operating cycle determine the annual value of business transactions it is imperative that the duration of the operating cycle ought the bare be minimum for maximisation of sales and profitability. Computation of the operating cycle of a business enables us to find out the length of component cycles and identify areas for remedial action to improve the efficiency of the business. A long raw material cycle, for instance, calls for improvement in inventory management, while a long storage cycle highlights the need for revamping of marketing strategies. Thus, the estimate of the operating cycle enables the management to evaluate the efficiency of the management of the working capital and to pinpoint where corrective measures are required. The estimate of the operating cycle also enables the
management to estimate the requirement of additional working capital in the context of business expansion since the working capital finances the requirements of one operating cycle. If the operating cycle is of 91 days, the requirement of additional working capital will be 25 per cent of the value of additional production while it will be 33 per cent if the operating cycle is of 121 days.

Forecasting of the requirement of additional working capital on the basis of the operating cycle presupposes the optimum efficiency of the management of the working capital. If the operating cycle is already too long, any forecast of the working capital requirement on its basis will only perpetuate the existing inefficiency. Therefore, forecasting of the working capital requirement should be preceded by an examination of the existing efficiency in the management of the working capital. In the present study, efforts have been made to evaluate the management of the working capital and, if the results are satisfactory, the existing operating cycle can be the basis for anticipating the requirement of additional working capital. The objective of the present study is confined to computing the operating cycle and evaluating the efficiency of the management of the working capital.

The procedure for computation of raw material cycle, conversion cycle, storage cycle and collection cycle is given in Exhibit 1.

The gross raw material cycle shows the time spent by the raw materials in stores before conversion. In the cash of cash purchase the gross raw material cycle will also indicate how long the working capital cash remains in stores. In the case of credit purchase the duration of the trade credit offered by the suppliers should be subtracted from the gross raw materials cycle for estimate of the net raw material cycle. The conversion cycle will indicate the speed
of conversion of raw materials into finished goods, indicating the time spent by the working capital in the process of conversion.

The storage cycle indicates the period through which the working capital in the form of finished goods, is detained in the godown before it is dispatched to sales or retail agents. Firms produce goods in order to sell them in the market. Long storage cycles increase the inventory costs and short storage cycles is risky, possibly resulting in stock-out costs.

The collection cycle indicates how long funds remain as receivables. Long duration indicates the incapability of the management and calls for toning up of its systems and procedures for collection of dues. The total length of the operating cycle will indicate the efficiency of working capital utilisation in the firm.\(^4\) The actual computation of the total length of the operating cycle for the handloom societies under study is furnishing in Appendices 49 to 64 and its findings are furnished in Tables 7.1 to 7.4.

**Exhibit - 1**

1. Gross raw material cycle = \[\frac{\text{Average stock of r.m}}{\text{Average daily rate of consumption of r.m.}}\]

2. Duration of trade credit = \[\frac{\text{Average sundry creditors}}{\text{Daily credit purchase}}\]

3. Net raw material cycle = \[\frac{\text{Gross raw material}}{\text{Duration of trade credit}}\]
4. Conversion cycle
   Average stock of work in progress
   Average cost of goods produced per day

5. Storage cycle
   Average stock of finished goods
   Average cost of goods sold per day

6. Collection cycle
   = Average sundry debtors
   Average daily credit sales

7. Operating cycle
   = Net raw material cycle +
   Conversion cycle + Storage cycle + Collection cycle

8. Turnover of working capital = 365/Operating cycle

7.1 MATHEMATICAL MODEL FOR COMPUTATION OF TURNOVER OF WORKING CAPITAL

The turnover of working capital ratio should stand at the maximum possible. When the ratio is one the current, assets have been idle for a year and if the ratio is two, the assets have been used for 6 months and so on.

In order to improve the turnover of the operating cycle the strategies to be adopted by the firm will be on the following lines.
- Reduction in inventories held by the firm at all stages including raw materials, work-in-progress and finished goods.
- Reduction of sundry debtors
- Increasing the consumption rate of materials
- Increasing the sales
- Increasing sundry creditors

The last option however is not preferable, as excessive credit purchases will affect the goodwill of the organisation.

When we assign variables to Exhibit-1 for estimating the turnover of working capital, the model will be as here under:

Let $X_1 =$ Av. stock of Raw Materials

$X_2 = $ Average sundry creditors

$X_3 = $ Average Stock of working-in-progress

$X_4 = $ Average stock of finished goods

$X_5 = $ Average sundry debtors

$X_6 = $ Value of raw materials consumed

$X_v = $ Value of raw materials purenhfuut

$X_8 = $ Cost of goods produced

$X_g = $ Cost of good sold

$X_{io} = $ Credit sales

$$
\text{Turnover of working capital} \sim \frac{1}{(X_v/x_v - x_2/x_5) + (X_3/x_5 + X_4/x^\wedge(^W:\neg))}
$$

When the management compares the turnover of working capital during the current year with those of the previous years.
within the firm or with those of similar firms to assess how efficiently the working capital is being managed, it will yield some insights into the level of inventories to be maintained at each stage of process and the means of controlling the same.

From the turnover of working capital the total length of the operating cycle in clays - 365/Turnover of working capital.

**7.2 ANALYSIS OF OPERATING CYCLE**

7.2.1 Handloom Weavers' Co-operative societies dealing with Pure Silk Goods

The efficiency of working capital utilisation was gauged through estimation of the operating cycle and the Turnover of working capital for the four selected pure silk weaving handloom societies. Detailed computation of the operating cycle is given in Appendixes 49 to 52.

The inter-society comparative statement is presented in Table 7.1 where the component cycles of Tirubuvanam Society, Kalaivanar Society, Arignar Anna Society and Deerar Sathiymoorthy Society are furnished. Pure silk sarees are in demand mainly during festival seasons like Deepavali, Pongal and other festival occasions. As the product is in demand during seasonal periods, inevitably higher stocks of finished goods are maintained by these societies to meet the demands of the peak season. Also selectivity ratio is high in textile goods, especially in the case of pure silk items. Therefore, a substantial stock is needed to provide buyers with sufficient varieties for the exercise of that choice during selection.

**Net Raw Material Cycle**

The handloom societies often fail to pay the suppliers of yarn in time because of the sharp seasons of the market. Timely
<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Tiruvannamalai Society</th>
<th>Kaladivaran Society</th>
<th>Aignaar Anna Society</th>
<th>Deear Sathyamurthy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>NR MC</td>
<td>Cty</td>
<td>St Cy</td>
<td>Col Cy</td>
</tr>
<tr>
<td>1</td>
<td>1984-85</td>
<td>26</td>
<td>13</td>
<td>161</td>
<td>161</td>
</tr>
<tr>
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<td>1985-86</td>
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<td>56</td>
<td>165</td>
<td>165</td>
</tr>
<tr>
<td>3</td>
<td>1986-87</td>
<td>67</td>
<td>57</td>
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<td>4</td>
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<td>60</td>
<td>59</td>
<td>140</td>
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</tr>
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<td>1988-89</td>
<td>59</td>
<td>59</td>
<td>185</td>
<td>185</td>
</tr>
<tr>
<td>6</td>
<td>1989-90</td>
<td>59</td>
<td>59</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td>7</td>
<td>1990-91</td>
<td>59</td>
<td>59</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td>8</td>
<td>1991-92</td>
<td>59</td>
<td>59</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td>9</td>
<td>1992-93</td>
<td>59</td>
<td>59</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td>10</td>
<td>1993-94</td>
<td>59</td>
<td>59</td>
<td>159</td>
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</tr>
<tr>
<td>11</td>
<td>1994-95</td>
<td>59</td>
<td>59</td>
<td>159</td>
<td>159</td>
</tr>
<tr>
<td>12</td>
<td>1995-96</td>
<td>59</td>
<td>59</td>
<td>159</td>
<td>159</td>
</tr>
</tbody>
</table>

Source: Computed by the researcher from the operating cycles respective of the society.

NR MC = Net Raw Material Cycle
Cty = Conversion Cycle
St Cy = Storage Cycle
Col Cy = Collection Cycle
Op Cty = Total Operating Cycle
lyment for other expenses, salaries and allowances further adds the delay in payment to the suppliers of inputs. Thus all the four Ikk producing societies studied have reported negative net raw material cycle in quite a few years. Arignar Anna Silk Society, a well managed society with a good record of profitability, reported negative net raw material cycles in nine out of eleven years, Tirubuvanam Society has reported negative net raw material cycle only two years. In Kalaivanar Society net raw material cycle has been negative in all the years under study. It is so in Deerar Sathiyamoorthy Society in the last four years. Delay in paying for the yarn, as indicated by the duration of trade credit, cannot always be justified. For instance, in some years these societies Duld improve their cash resources through sharp reduction of :orage cycle and collection cycle and of yet the duration of trade credit remained very long. For instance, there was sharp reduction of storage cycle and of collection cycle in Kalaivanar Society in 1993-1994 and 1998-99 and yet there was no reduction in the duration of the trade credit. It means that the society did not use the improved cash position for making timely payment for yarn. his lapse can be found in Arignar Anna Society in 1995-96, and in Deerar Sathiyamoorthy Society in 1998-99. Since negative raw material cycle reduces the total operating cycle its inclusion in the analysis is likely to produce misleading impressions.

The length of the conversion cycle varies between 17 days and 27 days in Tirubuvanam Society and Arignar Anna Society, while the range is between 5 days and 59 days in Kalaivanar Society and Deerar Sathiyamoorthy Society.

The shortest storage cycle, between 49 days and 109 days has been registered by Arignar Anna Society followed by Tirubuvanam Society, Deerar Sathiyamoorthy Society and Kalaivanar Society. Sharp variations in Kalaivanar Society and
Deerar Sathiyamoorthy Society suggest that the extension of storage cycle in some years was more due to the inadequacies of the management than due to external factors like marketing environment.

In respect of the collection cycle, Deerar Sathiyamoorthy Society stands first: varying between 21 days and 166 days, followed by Arignar Anna Society, Thirupuvanam Society and Ivalaivanar Society respectively.

Analysis of the performance of the four silk producing societies yields certain valuable findings. Variations in the length of the component cycles occurred at random without any steady upward or downward movement. For instance, storage cycle in Thirupuvanam Society and Arignar Anna Society were at their shortest: at 104 days in 1993-95 and rose again. In the other two societies, the shortest conversion cycle occurred in 1990-91 to be followed by gradual increase in the length of the cycle. Such random variations can be found in the length of the collection cycle in all the four silk societies. There was no permanent or all pervading factor like fall in demand, causing the variations. It is the initiative and efficiency of the management of the societies which account for the variations in the lengths of the cycles. However, in all societies it is the storage and the collection cycles which have constituted most of the total operating cycle especially because textile goods have sharp marketing seasons and pure silk units have high unit value of sales.

Analysis reveals that the length of the operating cycle depends more on the managerial competence of the societies than on external factors. The societies with poor performance have to reduce their storage cycle by expediting sales. Currently, reduction in the length of the operating cycle has been achieved through trade credit rather than by timely sales and vigorous collection.
dues. In order to improve the turnover of working capital, the storage cycle and the collection cycle should be brought down, especially in Kalaivanar Society.

7.2.2 Handloom Weavers' Co-operative Societies dealing with Cotton Goods

Data on the operating cycles of working capital for the selected four cotton goods producing societies are furnished in Table 7.2.

The four societies produce cotton sarees, dhoties of finer count and they bear the brunt of the competition from the mill sector and the powerloom sector. The effects of the unequal competition have been further worsened by the inadequacies of management, especially lack of planning in inventory of raw material (in Trichy Society), work in progress, finished goods and in drawing of production schedules as evident in the Table 7.2. The negative raw material cycles are found to be frequent in three out of four societies. The negative raw material cycles reveal faulty planning of purchase of materials, especially in Trichy Society and Balaji Society. In Trichy Society closing stocks exceeded annual consumption in at least three years as shown in Appendix 54. Since purchases by these societies were excessive in relation to the requirement of production and sales, the purchases could not be paid for in time. The long duration of trade credit resulted in negative net raw material cycles. Among the four cotton goods producing societies under study Woraiyar Society and Thottiapatty Society registered shorter gross raw material cycles.

Among the four societies under study in the cotton group, Trichy Society reported a conversion cycle of 315 days in 1988-89, that is, the weavers took almost one year to convert yarn into
<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Worniyur Society</th>
<th>Trichy Society</th>
<th>Thottapalayam Society</th>
<th>Bahuj Society</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>NR MC</td>
<td>Con Cy</td>
<td>St Cy</td>
<td>Col Cy</td>
</tr>
<tr>
<td>1.</td>
<td>188-89</td>
<td>-298</td>
<td>13</td>
<td>107</td>
<td>262</td>
</tr>
<tr>
<td>2.</td>
<td>189-90</td>
<td>-293</td>
<td>15</td>
<td>66</td>
<td>298</td>
</tr>
<tr>
<td>3.</td>
<td>190-91</td>
<td>-318</td>
<td>15</td>
<td>147</td>
<td>399</td>
</tr>
<tr>
<td>4.</td>
<td>191-92</td>
<td>-275</td>
<td>15</td>
<td>324</td>
<td>291</td>
</tr>
<tr>
<td>5.</td>
<td>192-93</td>
<td>-314</td>
<td>16</td>
<td>94</td>
<td>325</td>
</tr>
<tr>
<td>7.</td>
<td>194-95</td>
<td>-229</td>
<td>16</td>
<td>55</td>
<td>278</td>
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<td>8.</td>
<td>195-96</td>
<td>-307</td>
<td>90</td>
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<td>196-97</td>
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<td>107</td>
<td>641</td>
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<tr>
<td>10.</td>
<td>197-98</td>
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<td>15</td>
<td>160</td>
<td>456</td>
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<tr>
<td>11.</td>
<td>198-99</td>
<td>-11.54</td>
<td>20</td>
<td>266</td>
<td>625</td>
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<tr>
<td>12.</td>
<td>199</td>
<td>-232</td>
<td>15</td>
<td>139</td>
<td>425</td>
</tr>
</tbody>
</table>

Source: Computed by the researcher from the operating cycles respective society.

NRMC = Net Raw Material Cycle
Con. Cy = Conversion Cycle
St. Cy = Storage Cycle
Col. Cy = Collection Cycle
Op. Cy = Total Operating Cycle

(Cycle in Days)
cloth. Subsequently, the society reduced the conversion cycle to 31 days over a period of 9 years. During 1987-89 the society launched a programme for constructing houses for the weavers who devoted their lime and energy to the monitoring of the construction at the expense of weaving. Hence, there was a long conversion cycle in 1988-89. In the other three societies the conversion cycle was less than 20 days during the entire period of study.

The length of storage cycle ranged between 27 days and 559 days averaging more than 99 days in all the four societies under study. The collection cycle was very long, varying between 185 days for Thottiapatty Society and 7080 days for Trichy Society. Competition from the mill sector and sharp seasons in marketing contributed to long storage and collection cycles. Inadequacy of varieties and inability to keep up with changing tastes and fashions further worsened the situation. Inadequacies in inventory and production planning were already cited as reasons for long gross raw material cycles and conversion cycles. Long storage cycle and long collection cycle reduce the cash inflow. As a result payments for supply of yarn and cloth produced are delayed, demoralising the weavers. This may lead to migration of weavers to private master weavers.

The analysis shows the need for sound inventory and production planning and toning up marketing and collection of dues.

7.2.3 Handloom Weavers' Co-operative Societies dealing with

Furnishing Goods

Estimates of the operating cycles and of the turnover of working capita, of the four societies under study producing furnishing goods are presented in Table 7.3. Of the four societies Chennimalai Society and Chenkumar Society have made a hate,
### Table 7.3

Furnishing Goods Societies

Operating cycle

Inter-Society Comparative Statement

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Chennaiamal Society</th>
<th>Surampatty Society</th>
<th>Chennuram Society</th>
<th>Veerappan Chatham Society</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>NR</td>
<td>MC</td>
<td>Cy</td>
<td>St</td>
</tr>
<tr>
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<td>17</td>
<td>30</td>
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<td>2</td>
<td>2017</td>
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<td>57</td>
<td>213</td>
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<td>2018</td>
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</tr>
<tr>
<td>4</td>
<td>2019</td>
<td>19</td>
<td>12</td>
<td>61</td>
<td>140</td>
</tr>
<tr>
<td>5</td>
<td>2020</td>
<td>21</td>
<td>32</td>
<td>55</td>
<td>198</td>
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<td>57</td>
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</tr>
<tr>
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<td>2024</td>
<td>20</td>
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<td>108</td>
<td>264</td>
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<td>2026</td>
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<td>118</td>
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<tr>
<td>12</td>
<td>2027</td>
<td>21</td>
<td>40</td>
<td>910</td>
<td>212</td>
</tr>
</tbody>
</table>

Source: Computed by the researchers from the operating cycles respective society.

- NRMC = Net Raw Material Cycle
- Con. Cy = Conversion Cycle
- St. Cy = Storage Cycle
- Col. Cy = Collection Cycle
- Op. Cy = Total Operating Cycle
showing than the other two societies in respect of raw material cycle. Both societies have paid for yarn in time, within a month, in the period under study except in 1998-99, when the duration of trade credit went up to 67 days in the case of Chenkumar Society. As a result, net raw material cycle was comparatively shorter in these two societies -with Chenkumar Society being ahead of Chennimalai Society. Though the other two societies namely, Surampatty Society and Veerappan Chatram Society maintained compact gross raw material cycles ranging between 9 days and 121 days, the delay in payment for yarn and other inputs caused negative net raw material cycles. Especially in the case of Surampatty Society the duration of trade credit always exceeded one year going up to 5 years in 1998-99. This Society has become almost dormant. Analysis reveals that inventory planning has been more effective in Chennimalai Society and Chenkumar Society than in the other two societies falling under the furnishing goods category.

Veerappan Chatram Society has consistently reduced the length of the conversion cycle, followed by Chenkumar Society. In Chennimalai Society the duration of the conversion cycle fluctuated sharply between 25 days and 50 days, showing the need for greater production control. In Surampatty Society the conversion cycle (as well as net raw material cycle) rose sharply because of mismanagement, and misappropriation of funds in the society. Thus, Veerappan Chatram and Chenkumar Societies have had better production planning than the other two societies. Delay in settlement, of wages prolonged the conversion cycle in the other two societies.

In the storage cycle also Veerappan Chatram Society has recorded the shortest; duration followed by Chennimalai Society and Chenkumar Society with Surampatty Society at the bottom of
the table. Longer marketing season of the furnishing materials, fairly less competition from the mill sector, and low unit value are among the reasons for the relatively short storage cycle. However, all the societies suffered sharp increase in the storage cycle in 1997-98 because of the market glut and the withdrawal of the sales rebate of 20% offered by the Government of Tamil Nadu.

In the collection cycle, Veerappan Chatram Society was ahead of the other societies, followed by Chennimalai, Chenkumar and Surampatty Societies. However, in all the societies the duration of the collection cycle exceeded six months in most of the years. In Surampatty Society the collection cycle exceeded one year in 1995-96, 1996-97 and 1998-99. It is the delay in collection of dues which has been responsible for the long duration of trade credit and of the conversion cycle, since inadequacy of cash inflow delays payment for yarn as well as payment of wages. The storage cycle and the collection cycle are the major components of the operating cycle. Eventhough Chenkumar Society and Veerappan Chatram Society had shorter duration of storage cycles than the other two societies, according to the data in Table 7.3 the turnover of working capital was the highest in Surampatty Society followed by Veerappan Chatram, Chenkumar and Chennimalai Societies, indicating that Surampatty Society had the best management of working capital among the four societies. However, perusal of the component cycles reveals that the above findings are misleading. Long delay in settlement of dues and consequent long negative net raw material cycles in Surampatty and Veerappan Chatram societies reduced the length of their operating cycles.

Especially in Surampatty Society the operating cycle itself was negative from 1991-92 onwards. Therefore, the turnover of working capital as found in Appendix.58 cannot lead to any conclusion about the management of working capital in the lour
societies. When we exclude net raw material cycle and infer findings on the basis of the other three cycles, Veerappan Chatram Society has the best showing, followed by Chennimalai Society and Chenkumar Society even though Veerappan Chatram Society suffered net loss during the last two years. Surampatty Society, which suffers from financial mismanagement, needs thorough overhauling in financial management for survival and for sustaining its activities.

7.2.4 Handloosra Weavers’ Cooperative Societies dealing with Blended Goods

Data on the operating cycles of the four co-operative societies under study producing blended goods are furnished in Table 7-1.

Negative net raw material cycles occur less frequently in these four societies than in the twelve societies in the other three categories. The societies producing pure silk textiles, pure cotton textiles and furnishing textiles buy yarn largely from private traders who permit long duration of supplier's credit. On the other hand, Co-optex which exclusively supplies the synthetic, yarn required by the blended goods societies deducts the cost of yarn from the cash credit made available to these societies. That is why the duration of trade credit is more compact in these blended goods societies than in the other twelve societies. The net raw material cycle was the shortest in Srimurugan Society, closely followed by Kalaimagal Society and at a distance by Gandhij, Society and krishnapuram Society. In Krishnapuram Society a long delay of about 15 months in payment for yarn caused a large negative raw material cycle in 1993-94. When compared to the other three categories, raw material cycle in blended goods societies was better managed thanks to the financial discipline imposed by Co-optex. It may, therefore, be assumed that a more disciplined
### Table 7.4

**Blended Goods Societies**

**Operating cycle**

**Inter-Society Comparative Statement**

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Sri Murugan Society</th>
<th>Krishnapuram Society</th>
<th>Gandhi Society</th>
<th>Kalaimagal Society</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>NR MC Con Cy St Cy Col Cy Op Cy To We</td>
<td>NR MC Con Cy St Cy Col Cy Op Cy To We</td>
<td>NR MC Con Cy St Cy Col Cy Op Cy To We</td>
<td>NR MC Con Cy St Cy Col Cy Op Cy To We</td>
</tr>
<tr>
<td>1</td>
<td>98-89</td>
<td>-26 71 109 427 498 0.73</td>
<td>-296 13 130 249 447 0.81</td>
<td>20 10 68 35 18 2.79</td>
<td>10 23 48 235 316 1.16</td>
</tr>
<tr>
<td>2</td>
<td>99-90</td>
<td>-16 15 55 525 579 0.63</td>
<td>18 16 192 264 430 0.85</td>
<td>20 12 73 35 134 2.77</td>
<td>26 29 74 190 343 1.17</td>
</tr>
<tr>
<td>3</td>
<td>99-01</td>
<td>-13 15 42 532 576 0.63</td>
<td>30 18 122 114 304 1.20</td>
<td>2 11 54 16 84 1.35</td>
<td>10 15 104 158 2.31</td>
</tr>
<tr>
<td>4</td>
<td>99-02</td>
<td>-26 15 45 722 754 0.48</td>
<td>22 16 108 125 341 1.07</td>
<td>7 13 17 89 4.10</td>
<td>21 12 39 135 207 1.76</td>
</tr>
<tr>
<td>5</td>
<td>99-03</td>
<td>-47 19 38 455 463 0.79</td>
<td>15 16 139 180 418 0.69</td>
<td>-26 13 36 115 141 2.66</td>
<td>9 14 63 126 206 1.77</td>
</tr>
<tr>
<td>6</td>
<td>99-04</td>
<td>-16 15 25 275 334 1.09</td>
<td>-344 20 287 251 224 1.63</td>
<td>-5 14 28 20 46 7.93</td>
<td>6 13 27 123 199 1.83</td>
</tr>
<tr>
<td>7</td>
<td>99-05</td>
<td>-31 21 23 241 328 1.11</td>
<td>50 20 407 209 680 0.53</td>
<td>20 18 19 8 74 4.95</td>
<td>21 15 68 128 232 1.57</td>
</tr>
<tr>
<td>8</td>
<td>99-06</td>
<td>-32 21 42 235 347 1.05</td>
<td>47 25 204 558 622 0.38</td>
<td>18 14 38 9 72 4.95</td>
<td>3 10 88 130 245 1.49</td>
</tr>
<tr>
<td>9</td>
<td>99-07</td>
<td>-30 13 32 266 352 1.076</td>
<td>14 24 271 245 354 0.66</td>
<td>4 23 96 32 147 2.55</td>
<td>8 23 89 163 285 1.29</td>
</tr>
<tr>
<td>10</td>
<td>99-08</td>
<td>-29 15 38 187 267 1.36</td>
<td>23 53 470 241 769 0.48</td>
<td>89 38 127 61 315 1.15</td>
<td>-40 24 290 363 637 0.57</td>
</tr>
<tr>
<td>11</td>
<td>99-09</td>
<td>-36 16 48 161 254 1.44</td>
<td>-43 38 416 219 660 0.55</td>
<td>8 17 45 27 97 3.76</td>
<td>9 8 64 125 206 1.77</td>
</tr>
<tr>
<td>12</td>
<td>99-10</td>
<td>-31 16 14 367 432 0.84</td>
<td>-33 22 276 250 486 0.75</td>
<td>15 17 58 35 125 3.68</td>
<td>61 25 85 116 282 1.29</td>
</tr>
</tbody>
</table>

**Source:** Computed by the researcher from the operating cycles respective societies.

- **NR:** Net Rose Material Cycle
- **MC:** Conversion Cycle
- **Con Cy:** Conversion Cycle
- **St Cy:** Storage Cycle
- **Col Cy:** Collection Cycle
- **Op Cy:** Operating Cycle

**Note:**

- Operating cycle includes all stages from production to sale.
- Each cycle is calculated separately for each society.
- The table compares the operating cycles of different societies, focusing on the net rose material cycle (NR) and the conversion cycle (MC), as well as the time taken for storage (St Cy), collection (Col Cy), and operating (Op Cy) stages.
- The table also includes the total operating cycle (To We) for each society.
tie-up of the societies with Co-optex may help to streamline the raw material cycle.

The conversion cycle varied between seven days and thirty-eight clays for the four societies during the period under study. That upward movement in the conversion cycle occurred in different societies in different years suggests that such variations were due to internal factors of the society, which should be controlled through adequate production planning.

The storage cycle is found to be the shortest in Srimurugan Society, followed by Gandhiji Society, Kalaimagal Society and Krishnapuram Society. The first three societies sold the bulk of their output to Co-optex, whereas Krishnapuram Society disposed of the major part of their output to private traders. Dependence on private traders explains the long storage cycle of Krishnapuram Society. Gandhiji Society has the shortest collection cycle of about one month, followed by Kalaimagal Society, Krishnapuram Society and Srimurugan Society. Though, Gandhiji Society largely depends largely on Co-optex for marketing Its output, the management vigorously collects the receivables thereby reducing the collection cycle to about one month. Kalaimagal Society and Srimurugan Society, which also depends on Co-optex, were not as vigorous in the collection of dues.

The operating cycle was the shortest in Gandhiji Society, largely thanks to short storage cycle and collection cycle, followed by Kalaimagal Society, Srimurugan Society and Krishnapuram Society. The duration of the operating cycle exceeded one year both Krishnapuram and Srimurugan Societies. Reduction of the duration of the operating cycle will depend largely on the management of storage cycles and collection cycles.
The highest turnover of working capital was registered by andhiji Society, followed by Kalaimagal Society, Srimurugan Dciety and Krishnapuram Society. Among the four societies, Krishnapuram Society needs urgent measures to improve the orange cycle and the collection cycle, which alone can reduce the duration of the operating cycle and improve efficiency. They shoulductose dependence on private traders and avail of the marketing icilities of Co-optex, Chennai, along with exploring new market, venues with the other State Handloom Marketing Federations.

.3 SUMMARY

Analysis of the operating cycle reveals the varying levels of fliciency in the management of working capital in the selected societies. Small societies like Deerar Sathyarnurthy Society and Peerappan Chafram Society have outperformed the larger societies ke Tirubuvananam Society and Chermimalai Society in terms of ranagement of working capital. Because of the seasonality of aarking and competition from the mills and powerlooms, the societies have to tackle the problem of long storage cycles and collection cycles. Thus the hypothesis that the operating cycle ould be long due to storage cycle has been proved by the analysis. -lowcver some small societies like Deerar Sathiyamurthy, Peerappan Chatram, Balaji and Krishnapuram Societies posted etter performance than some large societies thanks to the efficiency of their management.

Inadequacy of cash resources resulting from long operatingycle has led to growing duration of trade credit and negative net -aw material cycles. Societies producing furnishing materials enjoy -datively longer marketing seasons as the furnishing materials are old throughout the yea,. In the remaining three categories of the segues the storage and the cohesion cycles have been very long. Adoption of those varieties of product enjoying longer marl*.
seasons besides festival seasons and vigorous collection of dues can bring down storage cycles and collection cycles and enhance the turnover of working capital and profitability. Adoption of marketing information systems with the use of computers can also improve the marketability of goods, which can lead to reduction in storage cycle in all the societies.
References


