JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue
JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)
An International Scholarly Open Access, Peer-reviewed, Refereed Journal

STUDY ON WORKING CAPITAL MANAGEMENT IN TEXTILE INDUSTRY

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Abstract-
A complex component of financial strategy, working capital management calls for ongoing consideration and modification. Through comprehension and efficient management of key factors that determine working capital, companies may maximise their working capital and guarantee resilience and continuous expansion in the ever-changing business landscape of today. A company's profitability is also impacted by how its working capital is managed. Given that the majority of textile companies invests a sizable sum of money in working capital and relies heavily on short-term payables for funding, it stands to reason that how working capital is managed will have a big influence on companies' profitability. A sample of ten businesses has been chosen for this purpose from the specified industry, Numerous statistical and accounting approaches, including regression analysis, trend analysis, correlation matrix analysis, and ratio analysis, have been employed throughout the analytical process. The results show Descriptive Statistics for working capital for selected years 2012-2023. Total 10 companies selected for this ratio analysis. Secondary data is used and is received from their respective annual reports. Total 10 outcomes are provided based on year 2012-2023. Mean, SD are calculated based on their data received by oscillators chart.

Keywords: Working Capital Management, Textile Industry, Cash Management, Inventory Management etc.

I. INTRODUCTION

Working capital is essential to a company's ability to carry out its daily operations. As a result, working capital administration is required. The surplus of current assets over current obligations is typically what is meant. As a result, working capital management deals with issues relating to current assets and obligations, making bonding between them crucial. It describes the management of both current assets and current liabilities, to put it briefly. The main goal of the working capital super vision is to preserve a decent level of working capital because both the current situation—insufficient working capital and additional working capital—is bad for businesses. Extreme working capital involves active resources that generate new revenue for the company, whilst insufficient working capital may lead the company to bankruptcy. A company's working capital management strategy has a significant impact on its prosperity, liquidity, and general business health. Working capital management is carried out in this situation using three alternative methods, or strategies.
Three working capital regulatory strategies—conservative, aggressive, and maturity-matching—can be used to choose the right mix of long- and short-term financing for businesses' net operating capital (Hedging). These approaches differ from trade-off, risk, and prosperity because of this. The extent volume of the long-term and short-term fund blend for working capital is the second obvious discrepancy. In general, all three definitions of working capital administration can be used interchangeably. The basic objective of the three principles is to keep the business's necessary working capital in place. Here, we make an effort to fully comprehend the idea.

1. Short Term Vs Long Term Financing and Risk and Profitability Trade off

Working capital management and techniques are typically swapped with the deadline need. But understanding the significance and goals of working capital management is crucial. In the same way, it is crucial to fully understand these ideas.

2. Short Term Financing With Risk and Profitability

Due to the term premium, the interest rate for short-term financing is lower. Therefore, short-term finance has a low interest rate and a high rate of profitability. I consider the risk from the standpoint of short-term financing. We discover two risk measures associated with this type of financing, one of which is refinancing, and the other is interest rate volatility. Since refinancing depends on the lender's attitude, the lender may refuse to lend money in against the firm, forcing it to sell assets, liquidate, or borrow money at a high interest rate in order to handle the required scenario. The risk of the reverse trend is that refinancing at higher interest rates will raise the cost of financing and result in lower profitability.

3. Long Term Financing With Risk and Profitability

When long-term borrowing is used for working capital, unnecessary interest must be paid during the period when the funds are not being utilized, which results in low profitability. In this case, inexpensive funding wins to increase profit. When you look at the risk area for prolonged financing, you won't find refinancing risk or interest rate volatility. Finance from long-term sources is advised at this time.

This paper is ordered as follows: section II provides brief about overview of textile industry. Section III provides research methodology of system. Section IV describes main results of system. At last, conclusion is described in Section V.

II. OVERVIEW OF TEXTILE INDUSTRY

Textile describes a material that a clothing maker weaves and knits from yarn to make fabric. Therefore, the textile industry definition is the platform or industry in which the development, production, processing, manufacture, and distribution of textile and fabric materials occur. A textile business takes raw materials like wool and cotton and creates a yarn that is later used to make and create fabric. These are the processes involved in the textile industry, which are the development, production, manufacture, and distribution of textiles. Following these steps, raw material is transformed into a finished commodity for consumption in the market by consumers. There are many products that emanate from the textile industry. These products contain fabric, and some examples are blankets, curtains, clothes, mats, carpets, etc. So, the textile industry basically creates and provides products that contain fabric.

Before the Industrial Revolution, textile was commonly home-made and the process was devoid of machines. Therefore, textile products were mostly for personal use, but some manufacturers would resell them on small-scale terms. However, the creation of machines led to the development of the textile industry as it is today. This translated to the mass production of fabric materials. Some of the major inventions that spurred the expansion of the textile industry are the flying shuttle, spinning jenny, and the cotton gin. The cotton gin was invented by Eli Whitney in 1794 and hastened the removal of cotton seeds from cotton fiber. Initially, the cotton seeds were removed from the cotton manually, making it a very slow process. The cotton gin made cotton the leading export in America by the mid-1800s.

The spinning jenny was invented in the 1760s by James Hargreaves and enabled the spinning of multiple threads of wool or cotton at a time. This invention is accredited with moving the textile industry from homes to factories, expanding the industry greatly. The flying shuttle is another invention that intensified the growth of the textile industry. It was invented in the 1730s and enabled a weaver to use one hand in weaving wider fabrics. Previously, the shuttle would be thrown or passed by hand, limiting the fabric size to be woven. Previously, two weavers would weave wide fabrics for them to pass the shuttle between them as they would be seated side by side.

The main processes that occur in the textile industry are spinning, manufacturing and processing. Spinning is the process that entails converting a fibre material into yarn. Manufacturing involves the transformation of fibre into yarn and the yarn into the fabric, which brings about the final commodities. Processing refers to the removal of unwanted materials and dyeing fabrics.

A. Development of Textile Industry

The textile industry of India is one of the largest in the global with a vast raw material and textiles manufacturing foundation. In India, it's extensive scope in the textile industry because of abundant availability of raw materials such as cotton, wool, silk, jute and manmade fibres. Furthermore, the producer gets a relative advantage in terms of skilled manpower and cost of production over chief textile producers across the sphere. Fabric and attire segment contributes 14% to industrial production, 4% to India's Gross Domestic Product (GDP) and constitutes 15% of the country's export income.

Textile and apparel sector were the second-largest employment provider in the country, employing nearly 51 million people directly and 68 million people indirectly in 2015-16. Export of textile of India placed at USD 40 billion in 15-16. The fibre production in 2015 -16 is 9 million tonnes, and it was expected 10million tons in 2017-18. The total fabric production is expected to rise to 69million sq.mts by 2017-18 from 66 sq.mts in 2015-16. India became the largest producer of cotton with 5984 million kg in 2015-16. In the area of Jute also become the largest producer with 1710 kg million in 2013-14. India became the second-largest producer of silk in the world with 29 million kg in 2014-15. Ifwe talk about wool production in this area also has become significant producer in the world with 48 million kg in 2014-15 and second-largest producer of manmade fibre and filament in the world with 2511 million kg in2015-16.

The growth of this industry widely depends on the major two factors, one is geographical as well as government policy as India has pleasant geographical climate and land for the raw material for the production of fabrics. Another factor plays a vital role behind the growth of an industry that government policies are very favourable in terms of a boost of the textile industry. Right now the government is focusing on creating all over value chain starting from production of natural fibre to the production of Yarn, cloth material and attire within the country as well giving over the countries. Like Bangladesh, Vietnam, especially market is developed for traditional skill sectors, i.e. handloom and handicraft for that market entry arrangement with South Korea, Japan, Asian, Chile as well negotiations with Australia, EU, these country are under process for economic partnership.

B. Textile Industry in Haryana

One of the top producers of textiles and ready-made clothing is Haryana. Haryana has a competitive advantage in the textile industry due to the large supply of trained labor and raw materials. Known as the "city of weavers," Panipat has made a name for itself as a hub for handloom goods worldwide. With 5.57 lakh hectares under cotton cultivation in 2013–14, Haryana is the fourth-largest cotton producer in the nation, accounting for 6% of the nation's total cotton production. The creation of an Integrated Textile Park in Panipat, spanning 30 acres, at a cost estimated by the Indian government to be over Rs. 140 crore, has been agreed by a consortium of private business owners. Gurgaon has become a centre for the production of ready-made clothing. Gurgaon is home to production facilities for some of Asia's biggest manufacturers of ready-made garments. A number of upscale ready-made clothing stores have opened in Gurgaon's Udyog Vihar, a thriving industrial district.

The state is promoting the handloom and textile sectors through a cluster-based development strategy. The Ministry of Textiles has already sanctioned the establishment of a Textile Incubation Centre in Panipat. To promote handloom goods, an International Trade and Convention Centre is also being built in Panipat. The projected International Trade and Convention Centre in Panipat is expected to provide an additional impetus for the handloom industry. It will serve as the handloom products' design hub.

C. Importance of Working Capital Management in Textile Industry

India's textile industry is one among the economies largest. It provides employment to countless people. Indian textile sectors big contribution gross domestic product of the country, in exchange by exporting to earn big returns. Textile industry is engaged in the cultivation industry. Material it receives from farmers and therefore the production. Thus, employment has been related to farming and might use directly in the industry. India's major cities like Jaipur, Ahmedabad, Mumbai, Kolkata, Chennai, Ludhiana, in the development of the textile industry Textile and clothing exports account for one-third of the overall value of exports from the country. Assets are the important measurements of the financial position. Assets show the percentage of easily available assets that a firm possesses. In order to cover unforeseen and anticipated costs, satisfy immediate financial obligations, and maintain the firm itself, assets are needed. It is difficult to attract investors, secure business loans, or get credit when one does not have any assets. Assets are a crucial issue in financial deciding, since it's a component of investment in assets that need appropriate financing.

III. RESEARCH METHODOLOGY

The textile industry, in spite of all its drawbacks, is important since it accounts for 14% of industrial production, 4% of the GDP, and 17% of export revenue for the nation. Although it directly employs over 35 million people, this industry struggles with profitability and liquidity. The majority of research has focused on working capital management-related factors, policies, and profitability; however, most studies have not addressed the particular sector-specific challenges related to working capital management. This study aims to close this gap by examining the unique working capital management requirements of the textile sector in Haryana.The utility of working capital has been measured in this field using a variety of techniques in earlier research. The purpose of this study is to demonstrate how effectively working capital management affects the corporate profitability of ten of the top textile firms that are listed in Haryana.
The states of Gujarat, Punjab, Haryana, Maharashtra, Karnataka, Tamilnadu, and Madhya Pradesh are home to the majority of India's stable textile industries, however certain units are also located in other states. Additionally a vehicle of development, the main industrial product in the places where agriculture is receiving more attention is textiles. This sector is essential from three angles. Its contributions to industrial development and national progress are the first; its direct and indirect shares in industries centred on agriculture are the second and third; and creating jobs is the fourth. From the perspective of industrial development, its financial capability is equally essential. India's textile industry is regarded as one of the best in the world, producing a wide range of goods at the lowest possible prices while also offering the highest quality items at the lowest possible cost.
Notwithstanding these drawbacks, the textile industry is important since it accounts for 14% of industrial production, 4% of the GDP, and 17% of export revenue for the nation. Over 35 million people are directly employed by it (Cotton Association of India, published 2015). India is producing more textiles. However, this industry is dealing with issues related to profitability and liquidity. Examining these units' working capital management is crucial in light of the aforementioned issues. Various aspects of liquidity will be examined for this aim, and the researcher will look for the major issues with managing liquidity. Hence, the main objective of this studies Working Capital Management of Selected Textile Companies of Haryana.

Data Source

The primary source of data for the study is secondary data, which is augmented with material gathered from a variety of books, journals, news stories, and industry-related publications. The Prowess Database and the textile firms' published annual reports are the sources of secondary data. Publications on the relevant topics and financial literature are also taken into consideration. The primary objective of the secondary data is financial analysis. Several journals are also used for study, including the International Review of Business study Papers, Global Business Review, Finance India, and the International Research Journal of Finance and Economics. Sampling method adopted in current study is Random Sampling Method. Company are limited textiles company from Haryana.

Table 1: List of Selected Companies from Haryana

SN	Name
1	United Textiles Ltd
2	HP Cotton Textiles Ltd
3	Indo Cotspin Ltd
4	Hisar Spinning Mills Ltd
5	Richa Industries Ltd
6	Ashnoor Textile Mills Ltd
7	Vardhman Textiles Ltd

8	Haryana Texprints Overseas Limited
9	Pearl Global Industries Ltd
10	Padam Cotton Yarns Ltd

Sources of Data

For the purpose of the research data will be collected from secondary sources. Data will be used after Year 2012-2022.

Ratio Analysis

Ratios are mathematical relationships between figures that are related to one another in some way. Comparing two sets of figures that have no relation to one another is obviously pointless. Furthermore, absolute numbers are not appropriate for comparison. A ratio is just one number represented in terms of another, according to Anthony and Reece. One number, the basis, is divided into the other to find it. One type of ratio is a percentage, where the base is equal to 100 and the quotient is stated in terms of the base "per hundred." A ratio is used in financial analysis as a standard for assessing a company's performance and financial status. Large amounts of financial data can be summarized and qualitative assessments of the company's financial performance can be made with the use of ratios.

Quick Ratio

A financial ratio called the fast ratio, sometimes referred to as the acid-test ratio, gauges liquidity by utilizing the more liquid kinds of current assets. It is calculated similarly to the current ratio, with the exception of prepayments and inventories.

$$\text{QUICK RATIO}=\frac{QUICK\ \ ASSETS}{CURRENT\ LIBILITIES}$$

Short-term receivables, marketable securities, cash and cash equivalents, and other liquid current assets are referred to as quick assets. Prepayments and inventories are not covered. Therefore, another way to calculate the quick ratio is as follows:

Quick Ratio = (Cash and Cash Equivalents + Marketable Securities + Short- Term Receivables) / Current Liabilities.

Current Ratio

One liquidity ratio that shows how well a business can pay back short-term debts that are due within the next year is the current ratio. Investors can use it to assess a company's capacity to pay its debts and evaluate its financial stability in relation to rival companies or stocks. It faces difficulties, though, when comparing itself to other industrial organizations.

Current Ratio: Current Assets / Current Liabilities

One of the most important financial ratios is the current ratio equation, which compares the current assets and current liabilities of a business to determine how liquid it is in the short run. Whereas a ratio below 1 indicates possible liquidity concerns, one above 1 shows the corporation can meet its short-term obligations. It helps assess the financial stability and short-term debt-paying capacity of a company.

Table 2: Ratio Variable Description

Variables	How to Measure	Abbreviation
Current Ratio	Currents Assets/ Current Liabilities	CR
Quick ratio	cash+ cash equivalents +short term investments +current receivables /current liabilities	QR
Gross Working Capital Turnover Ratio	Net Sales/ Current Assets	GTA
Current Assets to Total Assets Ratio	Current Assets/ Total Assets	CTR
Current Liabilities to Total Asset Ratio	Current liabilities / Total Assets	CLT

IV. DATA ANALYSIS

In the industry, the quick ratio and current ratio mean values are not particularly high. High CR is better for a company to become financially responsible. The CR value is maximum in year 2018 and minimum in year 2012. The CR value is maximum for Padam Cotton Yarns and minimum for Haryana Taxprints ltd. All have p-value less than 0.05, hence it rejects null hypothesis and hence there is a significant relation between current ratio and selected textile company in India.

High QR is better for a company to become financially responsible. The QR value is maximum in year 2018 with value 258.6 for selected companies. QR value is maximum for Padam Cotton Yarns with value 30.1.3 and minimum for Haryana Taxprints with value 0.18. All have p-value less than 0.05, hence it rejects null hypothesis and hence there is a significant relation between quick ratio and selected textile company in India.

High Gross working capital (GWC) is better for a company to become financially responsible and more efficient. The GWC value is maximum in year 2016 with value 19.37 for selected companies. The GWC value is maximum for Padam Cotton with value 69.47 and minimum for Haryana Taxprints with value 0.48. All have p-value less than 0.05, hence it rejects null hypothesis and hence there is a significant relation between quick ratio and selected company in India.

Table 3: One Sample Statistics of Selected Companies based on Current Ratio

One-Sample Statistics					
	N	Mean	Std. Deviation	T-Value	P-Value
United Textiles Ltd	12	1.1975	.58506	7.090	.000
HP Cotton Textiles Ltd	12	1.0292	.33011	10.800	.000
Indo Cotspin Ltd	12	2.2667	.72972	10.760	.000
Hisar Spinning Mills Ltd	12	2.6817	.65895	14.098	.000
Richa Industries Ltd	12	.6367	.52917	4.168	.002
Ashnoor Textile Mills Ltd	12	1.2633	.22141	19.765	.000
Vardhman Textiles Ltd	12	2.4858	.77884	11.056	.000
Haryana Texprints Overseas Limited	12	.4875	.60266	2.802	.017
Pearl Global Industries Ltd	12	1.2492	.11285	38.344	.000
Padam Cotton Yarns Ltd	12	419.7350	721.63845	2.015	.069

Table 4: One Sample Statistics of Selected Companies based on Quick Ratio

One-Sample Statistics					
	N	Mean	Std. Deviation	T-Value	P-Value
United Textiles Ltd	12	.9983	.97470	3.548	.005
HP Cotton Textiles Ltd	12	.5967	.09604	21.521	.000
Indo Cotspin Ltd	12	1.6042	.37541	14.802	.000
Hisar Spinning Mills Ltd	12	1.0458	.32726	11.070	.000
Richa Industries Ltd	12	.2775	.18390	5.227	.000
Ashnoor Textile Mills Ltd	12	.7883	.17272	15.811	.000
Vardhman Textiles Ltd	12	1.1900	.46726	8.822	.000
Haryana Texprints Overseas Limited	12	.1842	.22813	2.796	.017
Pearl Global Industries Ltd	12	.7333	.10790	23.543	.000
Padam Cotton Yarns Ltd	12	301.3558	729.56909	1.431	.180

Table 5: Sample Statistics of Selected Companies based on Gross Working Capital Ratio

One-Sample Statistics					
	N	Mean	Std. Deviation	T-Value	P-Value
United Textiles Ltd	12	1.3502764	.508223	9.204	.000
HP Cotton Textiles Ltd	12	1.1390557	.214315576	18.411	.000
Indo Cotspin Ltd	12	2.268737	.731417	10.745	.000
Hisar Spinning Mills Ltd	12	2.680484	.6615128	14.037	.000
Richa Industries Ltd	12	.636109	.529534	4.161	.002
Ashnoor Textile Mills Ltd	12	1.26432	.22191580	19.736	.000
Vardhman Textiles Ltd	12	2.486552	.78067098	11.034	.000
Haryana Texprints Overseas Limited	12	.4873503	.60249910	2.802	.017
Pearl Global Industries Ltd	12	1.248918	.113422625531614	38.144	.000
Padam Cotton Yarns Ltd	12	69.473919	82.76863	2.908	.014

V. CONCLUSION

Businesses that have good working capital management are likely to be highly profitable, and vice versa. A short working capital/cash conversion cycle is indicative of efficient working capital. Multiple regression analysis has been used to test the hypothesis that there is no or minimal association between the chosen variables in order to look into how working capital management affects profitability. Since all have p-values larger than 0.05, the null hypothesis is accepted, meaning that there is no meaningful relationship between any of the predictor characteristics and the net profit ratio in India. Therefore, every theory is accepted. The definite and succinct conclusions, which are based on the outcomes of the data analysis and the discussion of the study findings, can be defined as follows: The corporation can take the necessary actions by raising the current ratio company in order to boost stock return. An increase in the current ratio indicates that the business is operating more profitably, primarily through return on equity or profit productivity from its own capital source. The ratio increase of a company's Return on Equity (ROE) becomes a sign that management is performing well and that investors and markets will react favourably, increasing the return on the company's shares that are in circulation.

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