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MANAGEMENT OF WORKING CAPITAL IN TEXTILE INDUSTRY OF RAJASTHAN

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ABSTRACT

In every textile company, the amount of money designated for working capital constitutes a sizeable portion of the total investment. The management of working capital is becoming increasingly important as a result of the rising cost of capital and the limited availability of funds. The profitability and liquidity of a textile company are strongly impacted by the manner in which the company manages its working capital. The primary objective of managing working capital is to obtain the required funds in an adequate amount and from the appropriate sources. It has been discovered that one of the most difficult aspects of working capital management is deciding the pattern of financing for current assets. This is considered to be one of the most significant challenges associated with working capital management.

keywords: *Management ,Capital ,Textile*

Introduction

Both the decision regarding fixed assets and the capital decision regarding working capital/current assets are important in terms of financial management. Because of this, a company will always analyse both of these decisions in terms of their effect to final impact upon the firm's ability to profit and risk. The business's working capital is analogous to its beating heart. The purpose of managing a company's current assets and liabilities in such a way as to maintain a satisfactory level of working capital is the objective of working capital management. Beginning around the year 3000 B.C., the textile industry is one of the oldest and most traditional industries in the world. The textile industry is one of the industries that uses the most workers and has the second highest employment rate. The term "textile" refers to any material that is woven together, regardless of whether it is made of natural or synthetic fibres or yarns. The English word "textile" originates from the Latin word "texere," which literally translates to "to weave." The robust production base is this industry's primary source of competitive advantage. The basic requirements of the general public no longer adequately describe the scope of the textiles industry's expansion. It is fair to say that a high degree of industrialization and the associated economies of scale have made fashion accessible to a large percentage of the population, thereby giving them greater choice, despite the fact that there are still areas where adequate clothing is not yet available. This is the case despite the fact that there are still pockets where adequate clothing is not yet available. The textile industry has become one of the pillars of the new consumption-driven market economy. It also encompasses a number of subsidiary trades, some of which may or may not have a direct connection with the manufacturing of garments themselves. It is highly unlikely that the trend will reverse anytime in the near future at least due to the fact that value chains in today's society are largely integrated, and competition is driving prices down. As time has progressed, textiles have evolved from being a fundamental requirement into an era of expansion in which they reflect human aspersion. The transformation of raw materials into finished goods for the textile industry involves a number of significant processes, the most important of which are development, production, manufacturing, and distribution. The responsibility of the textile industry includes the collection of raw materials (such as wool or cotton), the spinning of those materials into yarn, and the creation of fabric. Before the textile industry established its foothold in India, there was an industry known as handloom, which took the form of a cottage industry. Before the industrial revolution, many textile products could be made at home without the assistance of machines; however, this changed once the industrial revolution got underway. The first modern textile mill was established by Messers Freguson & Company in 1817 near Kolkata. The first spinning mill was established by two Frenchmen in 1830 at Pondicherry. Inventions such as the flying shuttle, spinning jenny, power loom, cotton gin, and others like them were instrumental in bringing about the major revolution in industrialization and making it possible to produce mass levels of fabric. Since the beginning of the modern era until the present day, the textile industry in India has established a distinct position for itself across the globe. The textile industry in India is the largest in the world.

Meaning and Definition of Working Capital

Working capital refers to the funds that are required for both the financing cycle and the operating cycle of a business. Kulshrestha makes the observation that "working capital is just like the heart of business." If it continues to be weak, the company will have a difficult time expanding and will probably not be able to survive for very long. The most common definition of working capital is the difference between a company's current assets and its current liabilities, including those owed to employees and other parties.

- Gross working capital
- Net Working capital

Definition of Working Capital Management:

The following are some of the different definitions of working capital that have been given by various management specialists: In its most basic form, the term "working capital" refers to a situation in which the volume of current assets is greater than the volume of current liabilities.

One unknown thought is like:

"All capital resources are available to business organizations from shareholders, bondholders, and creditors, and they "work" up in the business activities to generate revenues and make natural future growth and expansion, so they are to be considered as "working capital."

Hoagland:

“Working capital” defines that capital which is not fixed.

Gerestenberg :

"Circulating capital" refers to the process by which a company's current assets are converted from one form to another during the regular course of business, such as when cash is converted to inventories, inventories are converted to receivables, and receivables are converted back to cash. "The amount of funds is required in order to cover the expenses associated with running the business," said Shubin. Brown and L.R. Housard were the authors. "Working Capital" refers to a company's investment in assets that are held for a short period of time, such as cash, short-term securities, account receivables, and inventories. J.S. Mill. [Note: If current liabilities are greater than current assets, then a working capital deficit has been eliminated.

Role of Working Capital Management:

The management of working capital is an essential component in the success of any commercial enterprise. A sizeable portion of businesses that are experiencing a loss or are stressed financially could be profitable and fluid if they were employing the knowledge of working capital management. The management of working capital both assists in and ensures that funds are used in a profitable manner. The management of working capital is frequently overlooked by professionals, despite its critical importance. In most cases, they don't get very far without first accepting the best possible utilisation of their working capital management. This can be accomplished through the careful management of the available working capital. Working capital management is a very important task that needs to be done if a company wants to be successful over the long term. It encompasses management of cash, accounts receivable and payable, management of inventory, management of current assets, and management of current liabilities. The financial officer needs to keep a close eye on all of the activities that have been mentioned above.

History of Textile Industry

The Indian textile industry has been around for a very long time; as human civilization has progressed, so has it, and as a result, the history of the textile industry has been enriched. Silk was first introduced to India around the year 400 AD, while cotton cultivation dates back to 3000 BC. Because of the Industrial Revolution, the discovery of various synthetic fibres, such as nylon, produced a sizable market for textile goods and eventually led to the development of new and improved sources of original thread means fibre. In addition, the development of transportation and communication facilities has made it possible to create a road map for the transaction of locally sourced talent and textile expertise among various nations. The industrial revolution that occurred in the textile industry in the 18th century made it possible to produce yarn and fabric on a large scale. John Kay is credited with being the first person to invent the flying shuttle in 1734. This invention was the first in a long line of innovations that were associated with the cotton industry. Shri Jamshedji Tata in 1869 bought a bankrupt oil mill and converted it into to cotton mill and renamed it "Alexandra Mill," next to it in duration 1900 to 1960 players came in existence in textile industry Shri G G Birla, Lala Sriram (DCM), Shri Mafatlal Gaganbhai, Shri Piramal Chaturbhai, JK/Raymond, Wadia – Bombay Dyeing, others. The Indian textile industry is proceeding smoothly towards 1970 Shri Dhirubhai Ambani (Reliance Industries) 1980 Shri S.P. Oswal (Vardhman), others 1990 Shri Sanjay Lalbhai (Arvind), others 2000 Jiwarajka family, others such as SKNL, BRFL, Welspun, and Abhishek – each already or poised to soon become a billion US$ integrated textile business.

Development of Textile Industry

India's textile industry is one of the largest in the world, thanks in large part to the country's abundant supply of raw materials and its robust foundation in the production of textiles. The abundant availability of raw materials in the textile industry in India, including cotton, wool, silk, jute, and manmade fibres, gives it a large amount of potential application in that sector. In addition, the producer has a competitive advantage over the primary textile producers across the globe in terms of the amount of skilled labour available to them and the cost of production. The fabric and apparel sector is responsible for 14 percent of total industrial production, 4 percent of India's Gross Domestic Product (GDP), and 15 percent of the country's total income from exports. In the years 2015 and 2016, the textile and apparel industry was the nation's second-largest employer, employing close to 51 million people directly and 68 million people indirectly. In 2015 and 2016, India's textile exports were valued at 40 billion US dollars. The production of fibre in 2015–2016 reached 9 million tonnes, and it was anticipated that it would reach 10 million tonnes in 2017–2018. From 66 million square metres produced in 2015–2016, it is anticipated that total fabric production will increase to 69 million square metres in 2017–2018. In the 2015–16 agricultural year, India produced 5984 million kilogrammes of cotton, making it the world's largest cotton producer. In terms of production of jute, India has surpassed all other countries with a total of 1,710 million kilogrammes produced in 2013–2014. In the years 2014-2015, India produced 29 million kilogrammes of silk, making it the world's second-largest producer after China. If we are talking about wool production, then this region has also become a significant producer in the world with 48 million kg in 2014-2015. Additionally, this region is the second-largest producer of manmade fibre and filament in the world with 2511 million kg in 2015-2016. The expansion of this industry is heavily dependent on the two primary factors, the first of which is geography, followed by government policy. India possesses a favourable geographical climate and land that can be used as a source of raw materials for the production of textiles.

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The cotton textile industry of RAJASTHAN

The history of the region's cotton textile industry brings to mind the beginnings of "Dhaka Moslin," a product whose name and reputation speak volumes about its level of excellence. It is believed that the industry had a significant part in the production of high-quality goods during the time of "Kautllya", which occurred in the fourth century a.d. it It is generally accepted that the Cotton Textile industry in that region reached its highest level of productivity somewhere in the early part of the 17th century. It wasn't until the early half of the 19th century that the industry was ultimately able to establish its dominance, at which point it was widely recognised as the most important industry in the entire globe. Its product, particularly "Mull Mull of Dhaka," which is also commonly known as "Moslin," is renowned for its excellence all over the world, particularly in Bangladesh. At that time, the quality of the yam was said to be so high that one grain of 12 mosin thread could be stretched to the entire length of 500 yard (one grain equals one tola, where one tola = 11.66 grammes). In point of fact, the dexterity and ability of the weavers in what was formerly known as Bengal are considered to be just amazing. The weavers were able to manufacture moslin fabric in a wide variety of colour configurations. It is said that the company's overall output is said to be so high that it has been able to satisfy the demand on both the domestic and international markets. This is in addition to the product's high quality. The superior quality of moslin has also piqued the interest of members of the aristocratic class, particularly the emperor and the princes. The ladles of the western world, and imperial 13 Rome in particular, have always had an insane fondness for embroidered moslin.

Cotton goods exported from what was then the state of Bengal contributed significantly to the country's total earnings in foreign exchange. In the year 1772, cotton items with a total value of seven lakhs of pounds were shipped to England for the aim of subsequent re-exportation to other nations. It was around that period that there was an expectation that the product demand would reach its peak. These cotton goods have often been sold overseas at prices that result in profits of between sixty and seventy percent. 1750 taka ($0 lakhs 16) worth of rooslin textiles were shipped from Dhaka alone to nations in Europe. These exports went to several countries. Cotton goods with a total value of Taka166 lakhs and Taka133 lakhs were shipped in 1816-17 and 1817-18, respectively; however, the value of such exports fell to Tak« 8.20 lakhs in 1832-3317 after a decline in quantity. In the years that followed, there was a discernible slowdown in the falling demand for items originally sourced from Bengal. It's possible that the crucial reasons were the Industrial Revolution in England and the self-serving commercial policies implemented by the British government at the time. Both the production trend and the idle demand for cotton textile products have undergone significant shifts as a result of the development of two notable processes, namely the invention of the spinning jenny and the introduction of the powerloom. These shifts have occurred not only in Britain but also in Bengal and other regions of the world. It is likely that the handicrafts of Bengal have not been able to compete successfully with the mass-produced goods generated by machines. In addition to this, the protective measures that were implemented by the British government at that time had a significant impact on both the external and the internal markets of the textile items that were produced in what was then Bengal. In the year 1821, when English machine-made textile items first began entering Bengal's market, the British Government began implementing a strategy of subjecting weavers who were involved in the production of fabric of the highest possible quality to various forms of physical torture. Even the thumbs and index digits have been severed in order to prevent them from twisting finer count yam. This was done in 18 in order to disable them. 19 Additionally, this has had an impact on the textile industry in Bengal. The hand woven fabric that is exported from Bengal is subject to a tax to the tun that ranges from 70% to 80%. This tariff was established in attempt to decrease the amount of cloth that is exported. On the other hand, British textile items have often been permitted to enter into India with a modest import charge, which has generally been set up at the rate of 2% per cent par cent in 1815. The process of decline is thought to be spontaneous, possibly as a result of the dramatic shifts in fashion that the British ruler in India has been inclined to bring there gradually and the inability of the industry to adopt 22 itself with the modem requirements. Both of these factors contributed to the decline. Because of this, towards the end of the 19th century, the potton textile industry in Bengal was on the verge of collapse, and the majority of the region's weavers were forced to give up their traditional jobs in order to work as farmers or boatmen.

Since the beginning of the 'Swadeshi Movement in 1906,' the industry has been given a second chance at success. Following the conclusion of the first world war, Bengal's cotton textile industry began the process of becoming more modern. At the time of the partition of India in 1947, there were only eight textile mills in the territory that would later become Rajasthan. These mills had a capacity of twenty-five million spindles and two hundred and thirty looms. At the beginning of the 1950s, it was anticipated that the capacity of the spindles and looms could handle 1,10,000 and 2,700- respectively. Only in April of 1948 did the government of what was then Pakistan come up with its first industrial policy. The policy's stated goal is obviously to develop industrialization through private firms, but with enough backing from the government in terms of both financial and other resources. The policy has unequivocally resulted in the production of certain beneficial outcomes. There were a total of 44 textile mills in Rajasthan before to 1971, when Rajasthan became an independent state. These mills had a capacity of 8,36,000 spindles and 7,000 looms combined. The total number of textile mills in Rajasthan increased.

THE PRESENT TRENDS IN THE COTTON TEXTILE INDUSTRY OF RAJASTHAN

After the state of Rajasthan was freed from British rule, the government of India made the decision to nationalise the country's most important and large-scale industrial businesses in order to fulfil a vow made in the platform of the political party that was in power at the time. As a consequence of this, on March 26, 1972, the Government nationalised all of the Jufee, Textile (with the exception of percent ndloom), and Sugar mills together with other industries. By the same decree, the Government also formed Sector Corporations for each individual 29 industry. Each corporation serves as the governing body for the industrial units of the same kind that have been positioned under its authority. The Rajasthan Textile Mills Corporation (BTMG) was established on the same day as one of the sector companies and began its formal operations in July of 1972. This coincided with the day when the corporation was first given its name. The original share capital of the corporation is Taka 500,000, which has been completely paid up by the Government; the allowed capital, on the other hand, is Taka 1.3 billion. The corporation's purpose is to act as a watchdog and coordinator for the actions of the separate businesses that fall under its jurisdiction. On the other hand, the Nationalised Industries Division (NID) of the Ministry of Industries is going to be in charge of the corporation's day-to-day operations. However, in 1976, a new ministry was established for the textile mills, and the BTMC was thus put under the ministry's direct jurisdiction. Therefore, it would appear that the entirety of the nationalised textile mills' management structure is constrained to a three-tiered organisation consisting of the Textile Ministry, the BTMC, and the management of the individual units.

In this context, it is important to note that the Act for the Nationalization of Industries in Rajasthan, which was primarily enacted for the purpose of regulating and developing the state's industrial sector, does not have a clearly defined goal for the process of nationalisation. In addition, the Act does not provide any room for determining the assets and liabilities of individual units, particularly at the time of nationalisation. As a result, there is no clearly defined goal for the process of nationalisation. This circumstance has contributed to an even greater increase in the cost of manufacturing, which has in turn had an impact on the financial performance of the BTMC's separate business divisions. If we examine the BTMC's operational performance, at the very least our concerns will be proven to have some basis in reality. The operational losses of the BTMC alone in terms of Taka in lakh for the years ending 1977–1978, 1979–1980, and 1980–1981 have been calculated to be 795.27 Taka, 1#868.55 Taka, and I#106. correspondingly. During the course of their investigation into the cotton textile industry in what was formerly known as East Pakistan but is now known as Rajasthan, a research team from the International Labour Organization came to the conclusion that the 35 cotton textile industry in that region suffers from low levels of efficiency. When we take a look at the productivity of labour in what was once known as the Pakistan Cotton Textile Industry, we can begin to get a better idea of the scope of this extremely low level of efficiency. It has been calculated that such productivity is about equivalent to one-fifth of the female workers that are now engaged in the Japanese Textile Industry. The productivity of labour has continued to decline throughout the course of the succeeding years# particularly after the state of Rajasthan was retaken from the British. This progressive decline in the efficiency of labour has therefore led to a fall in the production of yarn, which has decreased from 105 661 thousand pounds in 1969-1970 to 96 579 thousand pounds in the current year. In 1978-793.

There are likely a number of factors that contribute to the country's cotton textile industry's lacklustre productivity, and each of these factors deserves consideration. However, inadequate financial management, particularly management of working capital, appears to be the primary area in which the authorities of the various units are expected to focus the majority of their efforts in order to meet expectations.

This fact has also been validated by the strategists, economists, and decision-makers of the nation's planning and economic institutions.

Objective of Working Capital

- A working capital operational cycle that is seamless: This indicates that the cycle beginning with the procurement of row material and ending with its conversion to cash should be smooth.
- the lowest amount of working capital required: while calculating working capital, subtract current liabilities from current assets. It has to be optimised since a greater working capital equals a higher interest cost, and a lower working capital indicates a risk of disturbing the operational cycle. Both of these factors suggest that the interest cost will be higher if the working capital
- Decrease the amount of interest paid by deploying long-term funds in an appropriate proportion in order to lower the overall cost.
- Optimal return on investment in capital assets: the return on the investment made in current assets should be greater than the weighted average cost of capital in order to ensure that the owner's wealth is maximised.

Concept of Working Capital

One of the most misunderstood concepts in contemporary accounting is that of "working capital." It would appear that there is no consensus among those who utilise the notion in terms of its application. According to this theory, working capital takes into account fixed assets, both physical and intangible, up to the amount that will be depreciated or amortised in the next year. On the basis of this idea, some authorities on the topic have argued that the assets side of the balance sheet ought to be reclassified by dividing the amount that is traditionally shown under fixed assets into working and nonworking asset categories. This would be done in order to better reflect the nature of the assets. Every single textile firm is interested in finding out the true worth of their debt paying capability or their liquidity positions. Thus:-

Net concept enables the creditors and investors to judge the financial soundness of textile

- The current financial positions of textile company having the same amount of current assets with companies.

- The excess of current assets over current liabilities is the amount can be realized upon to meet the help of this concept.
- In the long run the matter is the surplus of current assets over current liabilities.
- contingencies and emergencies.

Cycle of Working Capital

In order to solve the issue of cash owed for items that have already been sold, there is an immediate demand for working capital in the form of current assets. Because of the prevalence of credit sales and purchases in today's modern world, it is very necessary to have sufficient finances in order to run the operations of a textile firm. To ensure the smooth operation of a textile company's operations, it is essential to maintain an adequate quantity of working capital. This process, which may also be referred to as the operational cycle or the cash cycle, is known as the working capital cycle.

Following are some important stages of working capital cycle:

- The transformation of accounts receivable into cash.
- The process of transforming finished items into customers and invoices to be collected through sales.
- The completion of work that was previously in progress to produce finished items.
- The transformation of raw materials into work that is now in progress
- The transformation of monetary resources into primary materials

Factors Affecting of Working Capital

For uninterrupted business operations, every textile firm has to maintain a sufficient amount of working cash. Because of this, it is common to refer to working capital as the backbone of any form of corporate concern. In the absence of adequate planning of working capital, a textile company runs the risk of having either insufficient working capital or an excess of working capital at different points in time. As a result, a textile company's working capital must have an adequate quantity in relation to its current assets in order to protect itself from the risk of a decline in the value of its current assets. It is obvious that the financial manager of each textile company spends a lot of his time on the effective management of working capital.

- Size and location of the textile company
- Credit policy of the textile company
- Activity of the textile company
- Realization from various debtors
- The nature of the textile companies' business
- Attitude towards risk
- Profit planning and control
- Changes in technology
- Cash requirement

- Inventory turnover
- Size of the textile company's inventory

Reasons for Maintaining Adequate Working Capital

- Current assets might potentially be used to invest in noncurrent assets.
- It enables a textile firm to offer favourable credit terms to clients;
- Management may be unable to collect cash from sources for the sake of expansion if it does not have access to it.
- To settle all outstanding current obligations as quickly as possible and to maximise the use of cash discounts
- It shields a textile firm from the potentially disastrous impact of a decline in the value of its present assets

Conclusion

The business concern cannot function without adequate working cash. Gross working capital and net working capital are two different concepts related to working capital. It also covers the question of a judicious mix of long term and short term funds for financing current assets for every textile company, there is a minimum amount of net working capital that is permanent in nature. Working capital represent a large portion of total in every textile company. The primary objective of working capital management is to arrange n The many studies have revealed important management practises, and it is anticipated that these practises will help managers recognise areas in which they may be able to improve the financial performance of their organisation. The findings have supplied the owners and managers with information on the fundamental financial management procedures utilised by their employees as well as the views of their staff members toward these practises. Both an organization's demands in terms of working capital and the pace at which it generates cash internally are subject to change over time.

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