*Research Paper* *IJBARR*
*Impact Factor: 4.729* *E- ISSN -2347-856X*
*Refereed, Listed & Indexed* *ISSN -2348-0653*

# WORKING CAPITAL ANALYSIS OF SELECT TEXTILE INDUSTRIES IN INDIA

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***Abstract***
*A major portion of any country's Gross Domestic Product is contributed by its corporate sector. On the same lines, the success of India also depends on the exploitation of all its available resources for the development of its economy. Even though many studies in this direction have been conducted, the present one will be of great significance to many.objectives of the study, To analyze working capital of the selected textile companies in India. Methodology of the study, Top three companies have been selected Textile industry in India. In order to identify the prominent factors responsible for the working capital of textile industries and also to measure the extent of influence of the independent variables on the dependent variable, the following tools were applied by the researcher: a) inter correlation ion Analysis and Multiple Regression Analysis. Suggested this study, The selected textile companies should try to match the amount of working with the sales trends. Where there is a deficit of working capital, they should try to build on adequate amount of working capital. Where, there is an excessive working capital, it should be invested either in trade securities or should be used to repay the borrowings. Conclude this study, In a World that is fast losing its traditional boundaries and borders are becoming invisible, there is need to bring about technological improvement, structural changes, liberalisation from controls and regulations, increased productivities of labour and machine and reliable quality assurance systems.*

***Keywords: Working Capital, Inventory, Current Assets Etc.***

## Introduction

The prosperity of a country depends, to a large extent, on the performance of the economy. A major portion of any country's Gross Domestic Product is contributed by its corporate sector. On the same lines, the success of India also depends on the exploitation of all its available resources for the development of its economy. The Corporate houses provide the medium through which these resources can be profitably exploited. The success of the country and its economy to a large extent depend on the performance of its corporations. The financial resources of a country should be properly appropriated and endowed to the right sector or the needy sector, if its economy has to prosper and develop.

## Selected Industries

### Arvind Ltd

Arvind Ltd was started in the year 1931. The company is headquartered in Ahmedabad, India. It is offering a range of products including Denim, Knits, Woven etc. It is one of the top denim manufacturers in India. The company is also running its retail and clothing chain.

### Bombay Dyeing and Manufacturing Company Ltd

Bombay Dyeing and Manufacturing Company is one of the top textile companies in India. It was founded in the year 1879. It is flagship company of Wadia Group. It is offering wide range of products including Bed Linen, Furnishings, Towels.

### Grasim Industries Ltd

Grasim Industries Ltd was founded in the year 1948 in Mumbai. Its headquarter is located in Mumbai, Maharashtra. It is the subsidiary of Aditya Birla Group.Grasim Industries is one of the world's largest producer of Viscose Staple Fiber. Aditya Birla Group is the parent company of Grasim Industries Ltd. It is exporting its products to various countries.

## Significance of The Study

According to the CMIE (Centre for Monitoring Indian Economy), the textile industry has a significant presence in the economic life of India. The sales, productivity and profitability function in the textile industry differs from the other Industries. Even though many studies in this direction have been conducted, the present one will be of great significance to many. It will be helpful in understanding the pattern and the structure of the financial variables of leading companies apart from identifying the financial relationship of companies with their respective Industry. The change in the economic policy of the government certainly has got impact on the performance of corporate units in India. The topic has particular relevance to the changes in the economy and the effect of such changes on the performance of the textile industry.

## Selection of Textile Industry

1. In the first place, in a number of industrializing countries, the textile industry was among the earliest to be established. Since it satisfies a basic human need, in many of the countries the industry has subsequently come to occupy an important position in the economy in terms of its contribution to national output, employment and exports.

2. Secondly, apart from the fast industrial revolution that began with the mechanization of textile production and that some of the highly industrialized countries owe much of their initial growth to the rapid expansion of their textile manufacturing Industry. The vigorous growth of this sector has contributed in a very major way to the spectacular performance of the industrializing countries of South East Asia.

**Statement of The Problem**

India's manufacturing sector used to account for only about ten percent of its GDP in the early 1950s, but currently it accounts for about nineteen percent. Currently, the growth is estimated to be around US$ 52 billion and is projected to be around US$ 115 billion recent year. The current domestic market of textiles in India is expected to increase to US$ 60 billion by the recent yearsfrom the current US$ 34.6 billion. The share of exports is also expected to increase from 4 per cent to 7 per cent last two years. Against this background, it is very important to analyze the working capital analysis selected textile industries after liberalization to show how the liberalization has really led to an improvement in the growth working capital analysis of textile industries. Hence researcher has selected the three industries how to manage working capital analysis.

**Objectives of the Study**

To fulfill the above status, this study has the following objectives.

1. To analyze working capital of the selected textile companies in India.
2. To offer suggestions on the basis of findings for the improvement of textile companies in India.

**Methodology of The Study**

Out of these 234 companies of the selected only top three companies, 10 years data were collected . Top three companies have been selected Textile industry in India. In order to identify the prominent factors responsible for the working capital of textile industries and also to measure the extent of influence of the independent variables on the dependent variable, the following tools were applied by the researcher: a) inter correlation ion Analysis and Multiple Regression Analysis. Study period from 2007-08 to 2016-17. Secondary data have been collected for this study. Secondary data have been collected throuh CMIE(centre for monetary indian economy).

**Limitations of The Study**

1. Financial information collected for the present study is entirely secondary in nature. In such a case, the study carries all the limitations inherent with the secondary data and financial information.
2. The study is restricted to selected companies only for the period of ten years.
3. While computing the data for the purpose of analysis, the approximation of decimal places leads to minor variations in ratios as well as percentage analysis and hence these are bound to exist in the present study.
4. Various accounting and statistical tools extensively used for the present study have their own incidental limitations.

**Analysis and Interpretration**

**Analysis of Working Capital Performance of Sample Firms of Textile Industry in India**

**Inter Correlation Analysis**

Correlation analysis attempts to study the relationship that exists between two variables. The correlation co-efficient of the selected independent variables with the 'working capital, dependent variable, has been worked out in order to identify the most important variable, which has relationship with the dependent variable. Also, the correlation co-efficient among the different variables has been worked out so as to arrive at a correlation matrix, which incorporates correlation co-efficient of all the selected variables with the dependent variable, as well as correlation coefficients among different independent variables. The calculated correlation co-efficient values were compared with a critical value of simple correlation co-efficient available in the statistical tables (Fisher and Yates) for its significance.

**Variables List**

| Code | Variables Name | Code | Variables Name |
|---|---|---|---|
| $X_1$ | Inventories | $X_4$ | SHORT TERM deposits |
| $X_2$ | Cash and Bank Balance | $X_5$ | CURRENT LIABILITIES |
| $X_3$ | Loans and Advances | $X_6$ | Provisions |

**Working Capital of Selected Textile Industries**

| Aravind | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Current Assets** | **2016-17** | **2015-16** | **2014-15** | **2013-14** | **2012-13** | **2011-12** | **2010-11** | **2009-10** | **2008-09** | **2007-08** |
| Inventories | 1,299.24 | 1,137.20 | 1,040.54 | 942.61 | 877.96 | 728.42 | 699.16 | 432 | 581.47 | 575.34 |
| Sundry Debtors | 490.03 | 419.66 | 462.27 | 518.93 | 442.42 | 405.55 | 563.63 | 424.16 | 350.84 | 261.77 |
| Cash and Bank Balance | 13.28 | 23.41 | 45.02 | 123.82 | 150.6 | 39.37 | 29.09 | 33.35 | 20.15 | 14.79 |
| Loans and Advances | 951.71 | 1,494.08 | 1,523.40 | 1,179.30 | 779.9 | 662.17 | 575.21 | 579.64 | 633.37 | 617.71 |
| Short term deposits | | | | | | 0 | 0 | 9.79 | 6.68 | 1.53 |
| Current Liabilities | 1,012.09 | 1,316.47 | 1,197.18 | 1,053.58 | 922.63 | 857.4 | 852.39 | 446.24 | 476.11 | 373.36 |
| Provisions | 33.56 | 94.8 | 107.07 | 94.6 | 98.94 | 144.08 | 11.63 | 7.38 | 132.66 | 21.81 |
| **Working capital** | **1,708.61** | **1,663.08** | **1,766.98** | **1,616.48** | **1,229.31** | **834.03** | **1,003.07** | **1,025.32** | **983.74** | **1,075.97** |

**Bombay Daying**

| **Current Assets** | **2016-17** | **2015-16** | **2014-15** | **2013-14** | **2012-13** | **2011-12** | **2010-11** | **2009-10** | **2008-09** | **2007-08** |
|---|---|---|---|---|---|---|---|---|---|---|
| Inventories | 799.7 | 679.87 | 710.27 | 718.72 | 1,285.99 | 1,549.73 | 1,031.72 | 144.24 | 380.31 | 141.68 |
| Sundry Debtors | 140.76 | 238.15 | 264.79 | 195.8 | 216.8 | 137.59 | 119.85 | 634.57 | 405.93 | 262.69 |
| Cash and Bank Balance | 162.3 | 113.77 | 68.42 | 28.23 | 42.55 | 33.31 | 21.02 | 18.86 | 9.95 | 7.2 |
| Loans and Advances | 2,876.80 | 2,420.25 | 1,980.70 | 1,753.74 | 1,134.94 | 780.05 | 349.02 | 278.86 | 257.38 | 310.71 |
| Current Liabilities | 1,085.01 | 985.75 | 1,027.81 | 1,166.04 | 1,083.69 | 2,500.68 | 1,521.61 | 1,091.56 | 1,167.20 | 771.19 |
| Provisions | 85.59 | 56.44 | 56.07 | 67.93 | 38.73 | 952 | 699.86 | 309.86 | 335.94 | 285.63 |
| working capital | 2,808.96 | 2,409.85 | 1,940.30 | 1,462.52 | 1,557.86 | 983.81 | 725.16 | 326.86 | 347.4 | 317.72 |

**Grasim**

| **Current Assets** | **2016-17** | **2015-16** | **2014-15** | **2013-14** | **2012-13** | **2011-12** | **2010-11** | **2009-10** | **2008-09** | **2007-08** |
|---|---|---|---|---|---|---|---|---|---|---|
| Inventories | 1,732.74 | 1,609.41 | 1,433.15 | 1,212.27 | 789.34 | 630.91 | 421.65 | 417.24 | 1,378.24 | 978.44 |
| Sundry Debtors | 1,189.55 | 992.37 | 687.49 | 613.79 | 516.63 | 509.23 | 455.63 | 345.01 | 559.93 | 711.98 |
| Cash and Bank Balance | 52.74 | 36.1 | 53.19 | 26.3 | 16.27 | 11.02 | 14.65 | 13.78 | 113.15 | 127.22 |
| Loans and Advances | 617.36 | 1,303.59 | 1,205.14 | 1,066.46 | 1,008.05 | 1,029.70 | 606.08 | 398.24 | 1,099.39 | 1,193.09 |
| fixed deposits | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 | 2.14 | 0.23 | 0.25 |
| **Current Liabilities** | 3,013.06 | 2,351.77 | 1,750.13 | 1,410.03 | 1,242.16 | 836.47 | 864.71 | 566.7 | 2,603.55 | 2,258.80 |
| Provisions | 162.57 | 645.12 | 503.41 | 508.5 | 516.01 | 469.87 | 458.42 | 580.55 | 590.88 | 540.21 |
| **Working Capital** | 416.76 | 944.58 | 1,125.43 | 1,000.29 | 572.12 | 874.52 | 174.88 | 29.16 | -43.49 | 211.97 |

| | Aravind | Bombay Daying | Grasim |
|---|---|---|---|
| | Current Ratio | | |
| 2007-08 | 1.89 | 3.40 | 1.19 |
| 2008-09 | 1.06 | 3.31 | 1.68 |
| 2009-10 | 1.02 | 2.79 | 1.93 |
| 2010-11 | 1.34 | 2.19 | 2.07 |
| 2011-12 | 1.89 | 2.39 | 1.88 |
| 2012-13 | 1.77 | 0.72 | 2.61 |
| 2013-14 | 2.25 | 0.68 | 1.73 |
| 2014-15 | 1.51 | 0.77 | 2.06 |
| 2015-16 | 1.49 | 0.70 | 1.21 |
| 2016-17 | 1.38 | 0.68 | 1.33 |

**Table No.1: Correlation Analysis Between Selected Variables With Working Capital of Aravind Textile Ltd (R-Value and P Value)**

| | | Y | X1 | X2 | X3 | X4 | X5 | X6 |
|---|---|---|---|---|---|---|---|---|
| **Pearson Correlation ( r )** | **Y** | 1.000 | .860 | .362 | .145 | .889 | -.441 | .758 |
| | **X1** | .860 | 1.000 | .434 | .114 | .751 | -.686 | .862 |
| | **X2** | .362 | .434 | 1.000 | .315 | .256 | -.339 | .593 |
| | **X3** | .145 | .114 | .315 | 1.000 | .126 | -.268 | .264 |
| | **X4** | .889 | .751 | .256 | .126 | 1.000 | -.454 | .839 |
| | **X5** | -.441 | -.686 | -.339 | -.268 | -.454 | 1.000 | -.706 |
| | **X6** | .758 | .862 | .593 | .264 | .839 | -.706 | 1.000 |
| **Sig.(1-tailed) ( p )** | **Y** | | .001 | .152 | .345 | .000 | .101 | .006 |
| | **X1** | .001** | | .105 | .377 | .006 | .014 | .001 |
| | **X2** | .152 | .105 | | .187 | .238 | .169 | .036 |
| | **X3** | .345 | .377 | .187 | | .364 | .227 | .230 |
| | **X4** | .000** | .006 | .238 | .364 | | .094 | .001 |
| | **X5** | .101 | .014 | .169 | .227 | .094 | | .011 |
| | **X6** | .006** | .001 | .036 | .230 | .001 | .011 | |

****Correlation is significant at the 0.01 level (p<0.01) *Correlation is significant at the 0.05 level (p<0.05)**
Source: CMIE

The table presents, the correlation coefficient matrices of the selected variables with the dependent variable, i.e., working capital of the selected company for the period from 2007-08 to 2016-17. In Aravind textile industries, it can be seen from the table – that five variables namely $X_1$ Inventories, $X_2$ Cash and Bank Balance $X_3$ Loans and Advances, $X_4$ short term deposits and $X_6$ Provisions have significant positive correlation with company working capital and the coefficients are .860, .362, .145, 889, and .758, respectively and remaining three variables namely $X_5$ **Current liabilities,** have significant but negative correlation with company working capital -.441 respectively.

**Table No.2 - Correlation Analysis Between Selected Variables With Working Capital of Bombay Daying Textile Ltd (R-Value and P Value)**

| | | Y | X1 | X2 | X3 | X4 | X5 | X6 |
|---|---|---|---|---|---|---|---|---|
| **Pearson Correlation** | **Y** | 1.000 | .332 | -.486 | .926 | .978 | -.152 | -.525 |
| | **X1** | .332 | 1.000 | -.696 | .169 | .195 | .720 | .394 |
| | **X2** | -.486 | -.696 | 1.000 | -.346 | -.416 | -.338 | -.163 |
| | **X3** | .926 | .169 | -.346 | 1.000 | .907 | -.166 | -.428 |
| | **X4** | .978 | .195 | -.416 | .907 | 1.000 | -.215 | -.583 |
| | **X5** | -.152 | .720 | -.338 | -.166 | -.215 | 1.000 | .848 |
| | **X6** | -.525 | .394 | -.163 | -.428 | -.583 | .848 | 1.000 |
| **Sig.(1-tailed)** | **Y** | | .175 | .077 | .000 | .000 | .338 | .059 |
| | **X1** | .175 | | .013 | .320 | .295 | .009 | .130 |
| | **X2** | .077 | .013 | | .163 | .116 | .170 | .326 |
| | **X3** | .000** | .320 | .163 | | .000 | .323 | .109 |
| | **X4** | .000** | .295 | .116 | .000 | | .275 | .038 |
| | **X5** | .338 | .009 | .170 | .323 | .275 | | .001 |
| | **X6** | .059 | .130 | .326 | .109 | .038 | .001 | |

****Correlation is significant at the 0.01 level (p<0.01) *Correlation is significant at the 0.05 level (p<0.05)**

The table presents, the correlation coefficient matrices of the selected variables with the dependent variable, i.e., working capital of the selected company for the period from 2007-08 to 2016-17. In Bombay Daying textile industries, it can be seen from the table – that five variables namely $X_1$ Inventories, $X_3$ Loans and Advances and $X_4$ short term deposits and have significant positive correlation with company working capital and the coefficients are .332, .926, and .978 respectively and remaining three variables namely $X_2$ Cash and Bank Balance, $X_6$ Provisions and $X_5$ **Current liabilities,** have significant but negative correlation with company working capital -.486,-.152 and -.525 respectively.

**Table No.3: Correlation Analysis Between Selected Variables With Working Capital of Grasim Textile Ltd (R-Value and P Value)**

| | | Y | X1 | X2 | X3 | X4 | X5 | X6 | X7 |
|---|---|---|---|---|---|---|---|---|---|
| **Pearson Correlation** | **Y** | 1.000 | .360 | .286 | -.369 | .555 | -.494 | -.041 | .008 |
| | **X1** | .360 | 1.000 | .846 | .424 | .482 | -.456 | .883 | -.238 |
| | **X2** | .286 | .846 | 1.000 | .259 | .235 | -.441 | .823 | -.505 |
| | **X3** | -.369 | .424 | .259 | 1.000 | .416 | -.136 | .700 | .097 |
| | **X4** | .555 | .482 | .235 | .416 | 1.000 | -.600 | .377 | .440 |
| | **X5** | -.494 | -.456 | -.441 | -.136 | -.600 | 1.000 | -.408 | .267 |
| | **X6** | -.041 | .883 | .823 | .700 | .377 | -.408 | 1.000 | -.288 |
| | **X7** | .008 | -.238 | -.505 | .097 | .440 | .267 | -.288 | 1.000 |
| **Sig.(1-tailed)** | **Y** | | .153 | .211 | .147 | .048 | .073 | .455 | .491 |
| | **X1** | .153 | | .001 | .111 | .079 | .093 | .000 | .254 |
| | **X2** | .211 | .001 | | .235 | .257 | .101 | .002 | .068 |
| | **X3** | .147 | .111 | .235 | | .116 | .353 | .012 | .394 |
| | **X4** | .048 | .079 | .257 | .116 | | .033 | .141 | .102 |
| | **X5** | .073 | .093 | .101 | .353 | .033 | | .121 | .228 |
| | **X6** | .455 | .000 | .002 | .012 | .141 | .121 | | .209 |
| | **X7** | .491 | .254 | .068 | .394 | .102 | .228 | .209 | |

****Correlation is significant at the 0.01 level (p<0.01) *Correlation is significant at the 0.05 level (p<0.05)**

The table presents, the correlation coefficient matrices of the selected variables with the dependent variable, i.e., working capital of the selected company for the period from 2007-08 to 2016-17. In Grasim textile industries, it can be seen from the table – that five variables namely $X_1$ Inventories, $X_2$ Cash and Bank Balance, and $X_4$ short term deposits, $X_5$ **Current liabilities,** and $X_7$ short term deposits have significant positive correlation with company working capital and the coefficients are .360, .286,.555 and .008 respectively and remaining three variables namely, $X_3$ Loans and Advances $X_6$ Provisions and have significant but negative correlation with company working capital -.369 and -.041 respectively.

**Suggestions**

As a researcher on the basis of analysis, the researcher has found the following suggestions for the betterment of the selected textile companies:

1. Current ratio is not satisfied of selected companies,Hence these companies are advised to enhance their working capital position through proper mix of debt and equity.
2. Textile companies are required to invest in the right avenue.
3. Textile companies are advised to enhance their profitability position through sound financial plan.
4. Selected textile companies are advised to enhance the assets of these companies.
5. These companies are advised to enhance their working capital position through sound financial plan.
6. The company should try to increase the production so as to reap the economies of large-scale production. It wil assist in raising the rate of return on capital employed. The management should try to utilize their production capacity fully in order to reduce factory overheads and to utilize their fixed assets properly.
7. The textile companies should reduce power and fuel consumption by using lignite and agro waste product especially ground nut husk and beggass should be used as coal substitute.
8. The selected textile groups of companies are the capital intensive in nature but the policy of purchase of fixed assets should be carefully planned and reviewed so that the funds may be properly utilized. For regular supply of raw materials and the final product infrastructure facilities require further improvement.
9. The selected textile companies should try to match the amount of working with the sales trends. Where there is a deficit of working capital, they should try to build on adequate amount of working capital. Where, there is an excessive working capital, it should be invested either in trade securities or should be used to repay the borrowings.
10. The labour productivity should be increased by adopting modern manufacturing process and productivity based wages policy should be implemented by textile companies.

**Conclusion**

In a World that is fast losing its traditional boundaries and borders are becoming invisible, there is need to bring about technological improvement, structural changes, liberalisation from controls and regulations, increased productivities of labour and machine and reliable quality assurance systems. If there is insecurity inherent in the globalised economy, there is also opportunity – opening up of vast markets to Indian textiles and Indian clothing that were earlier closed or regulated Indian textile industry is ready to take up this opportunity of free trade and secure its well deserved position in the international textile arena.

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