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A Study on Working Capital Management of Gayke Multi Services

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Abstract: ***Working capital management is one of the most crucial aspects of financial management for any business enterprise, irrespective of its scale or sector. Efficient management of short-term assets and liabilities directly determines an organization's operational liquidity, profitability, and long-term sustainability. This research paper investigates the working capital management practices of Gayke Multi Services, a multi-service enterprise located at Waluj MIDC, ChhatrapatiSambhajinagar (Aurangabad), Maharashtra, India. The study analyzes the firm's liquidity ratios, activity ratios, and working capital cycle over a period of three financial years (2021-22 to 2023-24), drawing on both primary and secondary financial data. The findings reveal that while Gayke Multi Services maintains adequate short-term solvency, significant inefficiencies persist in receivables collection, inventory management, and cash conversion. The study proposes a set of targeted recommendations aimed at optimizing working capital utilization, improving the cash conversion cycle, and enhancing overall financial performance. The research contributes to the limited body of empirical literature on working capital management in small multi-service enterprises in Tier-2 Indian cities.***

Keywords: Working Capital Management, Current Ratio, Cash Conversion Cycle, Receivables Management, Liquidity, Gayke Multi Services, Waluj MIDC, ChhatrapatiSambhajinagar, Financial Performance, SMEs, Multi-Service Enterprise.

I. INTRODUCTION

Working capital, defined as the difference between an organization's current assets and its current liabilities, serves as the lifeblood of daily business operations. Unlike fixed capital, which is deployed in long-term assets and infrastructure, working capital circulates continuously through the operational cycle — from procurement of raw materials and services, through the delivery of output, to the realization of revenue through collections from clients. The efficiency with which this cycle operates determines not only the firm's capacity to meet its immediate financial obligations, but also its ability to invest in growth, maintain supplier relationships, and respond to market opportunities without recourse to expensive external financing.

For small and medium enterprises (SMEs) in India's service sector, working capital management poses a particularly acute challenge. Unlike large corporates that can access capital markets and negotiate preferential credit terms, small service enterprises are heavily dependent on internally generated cash flows and short-term bank credit. Delays in receivables collection, idle inventory (where applicable), and mismatched payment cycles can rapidly precipitate liquidity crises that threaten operational continuity, even in organizations that are nominally profitable on an accrual basis.

Gayke Multi Services is a multi-service enterprise headquartered at Waluj MIDC, ChhatrapatiSambhajinagar (Aurangabad), Maharashtra, engaged in a diversified portfolio of services including facility management, contractual manpower supply, housekeeping and sanitation solutions, and ancillary support services to industrial, commercial, and institutional clients. The firm operates in a competitive environment characterized by thin margins, volume-driven revenue, and extended credit periods extended to corporate and government clients. In such a context, effective working capital management is not merely a financial optimization exercise — it is a strategic imperative for survival and growth.

Despite the practical significance of working capital management for firms like Gayke Multi Services, empirical academic research on working capital practices in small multi-service enterprises in Tier-2 Indian cities remains limited. Most extant studies focus on listed manufacturing companies or large service conglomerates, leaving a gap in the understanding of how micro-dynamics of working capital function in smaller, geographically concentrated service businesses. This study seeks to address that gap through a systematic examination of Gayke Multi Services' working capital structure, ratios, and management practices over a three-year period, culminating in actionable recommendations for improvement.

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II. LITERATURE REVIEW

A. *Theoretical Foundations of Working Capital Management*

The academic literature on working capital management is rich and spans several decades of theoretical and empirical inquiry. Gitman (1974) was among the first scholars to formalize the concept of the cash conversion cycle (CCC) as a measure of working capital efficiency, defining it as the net number of days a firm's cash is tied up in the production and sales cycle. A shorter CCC indicates more efficient working capital management and is associated with lower financing requirements and higher free cash flow generation.

Shin and Soenen (1998) extended this theoretical grounding in their empirical study of US firms, demonstrating a robust negative relationship between the CCC and corporate profitability — that is, firms with shorter cash conversion cycles consistently delivered superior returns. Their findings established the empirical case for actively managing working capital rather than treating it as a passive outcome of operational decisions.

Deloof (2003) reinforced these conclusions in the Belgian context, showing that aggressive management of accounts receivable, accounts payable, and inventory is positively associated with corporate profitability. His study highlighted the trade-off between liquidity and profitability inherent in working capital decisions: while more generous credit terms can stimulate sales, they simultaneously increase the working capital requirement and the risk of bad debts.

B. *Working Capital Management in Indian SMEs*

In the Indian context, Padachi (2006) and Raheman and Nasr (2007) demonstrated that working capital management has a significant impact on the profitability of small firms, with receivables management and the CCC emerging as the most critical variables. Indian SMEs face compounded challenges relative to their counterparts in developed economies: weak legal infrastructure for debt recovery, asymmetric bargaining power with larger clients who impose extended payment terms, limited access to affordable short-term credit, and inadequate financial management expertise at the owner-manager level.

Mohamad and Saad (2010) examined the relationship between working capital management and firm performance across multiple sectors and found that current ratio, quick ratio, and net trade cycle were significant predictors of firm profitability. Their study emphasized the importance of sector-specific analysis, noting that optimal working capital levels vary substantially between manufacturing, retail, and service industries.

In the service industry context specifically, Enqvist, Graham, and Nikkinen (2014) found that working capital efficiency gains are more pronounced during economic downturns, making proactive working capital management particularly valuable during periods of market stress — a finding of direct relevance to service SMEs operating in post-pandemic economic conditions.

C. *Research Gap*

While the broad theoretical and empirical framework for working capital management is well-established, specific studies examining working capital dynamics in small multi-service firms in Tier-2 Indian cities are notably absent from the literature. Gayke Multi Services, operating at the intersection of facility management, manpower services, and ancillary support, presents an analytically interesting case: its working capital dynamics are driven primarily by service delivery costs (primarily labour) and receivable collection efficiency rather than physical inventory, creating a distinct working capital profile compared to manufacturing firms. This study contributes to filling the identified gap.

III. OBJECTIVES OF THE STUDY

A. *Primary Objectives*

1) To analyze the working capital structure and composition of Gayke Multi Services over the financial years 2021-22, 2022-23, and 2023-24.
2) To evaluate key liquidity and activity ratios to assess the efficiency and adequacy of working capital management at the firm.
3) To compute and interpret the Cash Conversion Cycle (CCC) of Gayke Multi Services and identify areas of inefficiency in the operational cycle.
4) To examine the firm's receivables management practices and their impact on overall working capital position.

B. *Secondary Objectives*

1) To propose a structured working capital optimization framework tailored to the operational characteristics of Gayke Multi Services.

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2) To provide evidence-based recommendations for improving working capital efficiency, liquidity, and profitability.
3) To contribute empirical insights on working capital management practices in small multi-service enterprises in the ChhatrapatiSambhajinagar (Aurangabad) region.

IV. RESEARCH METHODOLOGY

A. Research Design

This study adopts a descriptive and analytical research design. The descriptive component maps the structure, composition, and historical trends of working capital at Gayke Multi Services. The analytical component applies ratio analysis, trend analysis, and cash conversion cycle computation to derive insights about working capital efficiency and identify areas for improvement. The study is primarily quantitative in nature but is supplemented with qualitative data gathered through structured interviews with the firm's management.

B. Data Sources

The study relies on both primary and secondary data. Primary data was gathered through structured interviews with the proprietor and accounts team of Gayke Multi Services, covering working capital management practices, client credit policies, supplier payment terms, and short-term financing arrangements. Secondary data was drawn from the firm's audited financial statements — balance sheets and profit and loss accounts — for the three financial years from 2021-22 to 2023-24, supplemented by internal management reports on receivables ageing and operational costs.

C. Tools of Analysis

The following analytical tools were employed to evaluate working capital management at Gayke Multi Services:
(a) Liquidity Ratios: Current Ratio, Quick Ratio (Acid Test Ratio), and Absolute Liquid Ratio to assess short-term solvency and liquidity adequacy.
(b) Activity / Efficiency Ratios: Debtors Turnover Ratio, Average Collection Period, Creditors Turnover Ratio, Average Payment Period, and Working Capital Turnover Ratio to measure the efficiency of working capital utilization.
(c) Cash Conversion Cycle (CCC): Computed as Debtor Days + Inventory Days (where applicable) minus Creditor Days, to measure the net cash tied up in the operational cycle.
(d) Trend Analysis: Year-on-year analysis of working capital components to identify structural changes and emerging trends in the firm's short-term financial position.

V. COMPANY PROFILE: GAYKE MULTI SERVICES

Gayke Multi Services is a privately-owned multi-service enterprise established and operating at Waluj MIDC, ChhatrapatiSambhajinagar (Aurangabad), Maharashtra, India. The firm was founded with the objective of providing comprehensive facility and support service solutions to industrial, commercial, and institutional clients in the Marathwada region.
The firm's service portfolio encompasses the following core offerings: (i) Facility Management Services — encompassing civil maintenance, electrical support, and infrastructure upkeep for industrial plants and commercial establishments; (ii) Contractual Manpower Supply — providing trained and semi-skilled manpower under contractual arrangements to manufacturing units and government organizations; (iii) Housekeeping and Sanitation Solutions — offering customized sanitation, cleaning, and hygiene services to hospitals, office complexes, and educational institutions; and (iv) Ancillary and Miscellaneous Support Services — including pest control, waste management support, and event-based facility services.
The firm's client base includes manufacturing enterprises in the Waluj and Chikalthana MIDC areas, government and semi-government undertakings, private hospitals, and educational institutions. Client contracts typically carry payment terms ranging from 30 to 90 days, which significantly influences the firm's working capital cycle and cash flow patterns.
As a labour-intensive service enterprise, the working capital structure of Gayke Multi Services is dominated by trade receivables rather than physical inventories. The firm's primary working capital challenge is the management of the gap between outflows on account of wages, statutory obligations, and operational expenses — which are due weekly or monthly — and inflows from client collections, which are frequently delayed beyond contractual terms.

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VI. WORKING CAPITAL ANALYSIS

A. Composition of Working Capital

The following table presents the structure of Gayke Multi Services' working capital over the three-year study period. All figures are in Indian Rupees (₹ Lakhs).

Particulars	2021-22 (₹ L)	2022-23 (₹ L)	2023-24 (₹ L)
Current Assets			
Trade Receivables	18.42	24.67	31.15
Cash & Bank Balances	3.14	4.22	5.08
Advances & Prepaid Expenses	1.80	2.35	2.90
Other Current Assets	0.64	0.76	0.87
Total Current Assets (A)	24.00	32.00	40.00
Current Liabilities			
Trade Payables	6.50	8.30	10.20
Outstanding Wages & Salaries	4.80	6.10	7.50
Statutory Dues Payable	2.20	2.90	3.60
Other Current Liabilities	1.50	1.70	2.20
Total Current Liabilities (B)	15.00	19.00	23.50
Net Working Capital (A - B)	9.00	13.00	16.50

The data reveals a consistent and significant increase in net working capital over the study period, growing from ₹9.00 Lakhs in 2021-22 to ₹16.50 Lakhs in 2023-24 — an increase of 83.3% over three years. This growth broadly reflects the firm's business expansion during the period. However, the disproportionate contribution of trade receivables to total current assets (averaging approximately 77% across all three years) signals a structural dependence on timely client collections that warrants careful monitoring.

B. Liquidity Ratio Analysis

The following table summarizes the key liquidity ratios for Gayke Multi Services over the study period:

Ratio	Formula	2021-22	2022-23	2023-24	Ideal Standard
Current Ratio	CA / CL	1.60	1.68	1.70	2:1
Quick Ratio	(CA - Inventory) / CL	1.55	1.63	1.65	1:1
Absolute Liquid Ratio	(Cash + Bank) / CL	0.21	0.22	0.22	0.5:1

The current ratio of Gayke Multi Services ranges between 1.60 and 1.70 across the study period, indicating that the firm maintains adequate short-term solvency. While this falls below the conventional benchmark of 2:1, current ratio benchmarks in the service sector are typically lower than in manufacturing due to the absence of significant raw material inventories, and a ratio in the 1.5–2.0 range is generally considered satisfactory for service enterprises.

The quick ratio, which adjusts for any non-liquid current assets, closely mirrors the current ratio given the firm's predominantly receivables-based current asset structure. This again confirms adequate short-term solvency, though the ratio's dependence on receivables collection efficiency should be noted.

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The absolute liquid ratio — measuring the most liquid assets (cash and bank balances) against current liabilities — stands at approximately 0.21-0.22, substantially below the conventional benchmark of 0.5:1. This indicates that Gayke Multi Services maintains a relatively low cash buffer relative to its immediate obligations, creating vulnerability in the event of collection delays or unexpected expenditure. Maintaining a minimum absolute liquid ratio of 0.35-0.40 would be advisable to provide an adequate safety margin.

C. Activity / Efficiency Ratio Analysis

Ratio	2021-22	2022-23	2023-24
Debtors Turnover Ratio (times)	5.43	5.08	4.84
Average Collection Period (days)	67	72	75
Creditors Turnover Ratio (times)	7.69	7.23	6.86
Average Payment Period (days)	47	50	53
Working Capital Turnover Ratio (times)	11.11	9.69	9.09

The Debtors Turnover Ratio exhibits a declining trend, falling from 5.43 times in 2021-22 to 4.84 times in 2023-24. This reflects a corresponding increase in the Average Collection Period from 67 days to 75 days — a deterioration of 8 days over three years. Given that the firm's contractual payment terms with clients typically range from 30 to 60 days, an actual collection period of 75 days represents a significant and worsening divergence between contractual terms and collection reality. This trend points to systematic weaknesses in receivables follow-up and collection enforcement.

The Average Payment Period to suppliers and service vendors has increased from 47 days to 53 days. While extending payables is a common working capital management strategy, Gayke Multi Services must exercise caution: extended payment periods to labour contractors and statutory agencies can attract penalties, damage supplier relationships, and create compliance risks.

The Working Capital Turnover Ratio, measuring the revenue generated per rupee of net working capital employed, has declined from 11.11 times to 9.09 times over the study period. This declining trend indicates that the firm is becoming less efficient in deploying its working capital to generate revenue, likely driven by the growing receivables base absorbing proportionally more capital relative to revenue growth.

D. Cash Conversion Cycle Analysis

Component	2021-22 (Days)	2022-23 (Days)	2023-24 (Days)
Average Collection Period (A)	67	72	75
Inventory Holding Period (B)	Nil	Nil	Nil
Average Payment Period (C)	47	50	53
Cash Conversion Cycle (A + B - C)	20	22	22

As a pure service enterprise, Gayke Multi Services carries no physical inventory in the traditional sense, eliminating the inventory holding period component from the CCC computation. The Cash Conversion Cycle therefore reduces to the difference between the Average Collection Period and the Average Payment Period.

The CCC of 20-22 days indicates that the firm, on average, has its cash locked in the operational cycle for approximately three weeks between making payments and receiving collections. While this is not alarming in absolute terms, the widening gap between collection and payment periods — driven primarily by the deteriorating ACP — suggests a gradual increase in the firm's working capital financing burden. If collection continues to lengthen while payment terms stabilize or shorten (due to supplier pressure), the CCC could widen significantly.

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VII. KEY FINDINGS

The analysis of working capital management at Gayke Multi Services yields the following principal findings:

Finding 1: Trade receivables constitute approximately 77% of total current assets, making the firm's liquidity position critically dependent on collection efficiency. Any systemic deterioration in client payment behaviour directly threatens the firm's short-term solvency.

Finding 2: The Average Collection Period has increased from 67 days in 2021-22 to 75 days in 2023-24, significantly exceeding the firm's standard contractual credit period of 30-60 days. This overrun suggests inadequate receivables follow-up, weak client credit assessment, or excessive accommodation of slow-paying clients.

Finding 3: The Absolute Liquid Ratio of approximately 0.21-0.22 is substantially below the recommended minimum of 0.50, indicating an insufficient cash buffer that leaves the firm exposed to liquidity stress in the event of collection delays.

Finding 4: The Working Capital Turnover Ratio has declined from 11.11 to 9.09 times, indicating declining efficiency in deploying working capital to generate revenue. Growth in receivables is outpacing growth in revenue, consuming increasing proportions of working capital.

Finding 5: The Cash Conversion Cycle of 20-22 days, though manageable at present, is at risk of widening if receivables management is not proactively addressed.

Finding 6: The firm currently has no formal receivables management system, credit policy framework, or working capital monitoring dashboard, relying instead on ad hoc follow-up and owner-manager oversight.

VIII. RECOMMENDATIONS

A. Implement a Formal Receivables Management Policy

Gayke Multi Services should formalize a written credit policy that specifies standard credit terms by client category (government, private corporate, institutional), maximum credit limits, escalation procedures for overdue accounts, and criteria for declining or restricting credit to persistent slow payers. A systematic receivables ageing analysis should be conducted monthly, with formal follow-up protocols triggered at 30, 45, and 60 days past due.

B. Accelerate Collections through Incentive Structures

The firm should consider offering a modest early payment discount (1-2%) to clients who settle invoices within 15-30 days, reducing the cost of capital tied up in receivables. Additionally, negotiating shorter payment cycles (30 days maximum) in new client contracts — with explicit penalty clauses for delays — will help bring actual collection periods closer to contractual terms over time.

C. Strengthen the Cash Buffer

The firm's Absolute Liquid Ratio should be actively managed to a minimum of 0.40. This may be achieved by maintaining a dedicated working capital overdraft facility with a bank, sized to cover at least 30 days of operating expenditure. A pre-approved overdraft facility ensures that collection delays do not translate into payment defaults on wages and statutory obligations.

D. Deploy a Working Capital Monitoring Dashboard

Management should implement a simple but structured working capital monitoring tool — even a well-designed spreadsheet will suffice — that tracks, on a weekly basis: total outstanding receivables by ageing bucket, cash and bank balances, upcoming payables by due date, and projected net cash position. This visibility will enable proactive decision-making and early identification of emerging liquidity stress.

E. Optimize Payables Management

While extending payables improves short-term liquidity, the firm should avoid stretching payments to labour contractors and statutory agencies beyond due dates, as this creates regulatory and reputational risks. Instead, payables to commercial vendors should be managed strategically — maintaining payment within terms to preserve relationships while negotiating extended terms where suppliers are willing and no penalties apply.

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F. Pursue Revenue Diversification to Reduce Client Concentration Risk

To the extent that receivables delays are driven by dependence on a small number of large clients (particularly government-linked entities with slow payment cultures), the firm should actively diversify its client base to include private sector clients with shorter payment cycles. A more diversified revenue stream reduces the impact of any single client's collection delay on the overall working capital position.

IX. CONCLUSION

This research has conducted a systematic examination of working capital management at Gayke Multi Services, a multi-service SME located at Waluj MIDC, ChhatrapatiSambhajinagar (Aurangabad), Maharashtra. The study finds that while the firm maintains adequate nominal liquidity — with current and quick ratios within acceptable ranges for service enterprises — there are material inefficiencies in receivables management, a structurally thin cash buffer, and a declining trend in working capital deployment efficiency that collectively warrant urgent management attention.

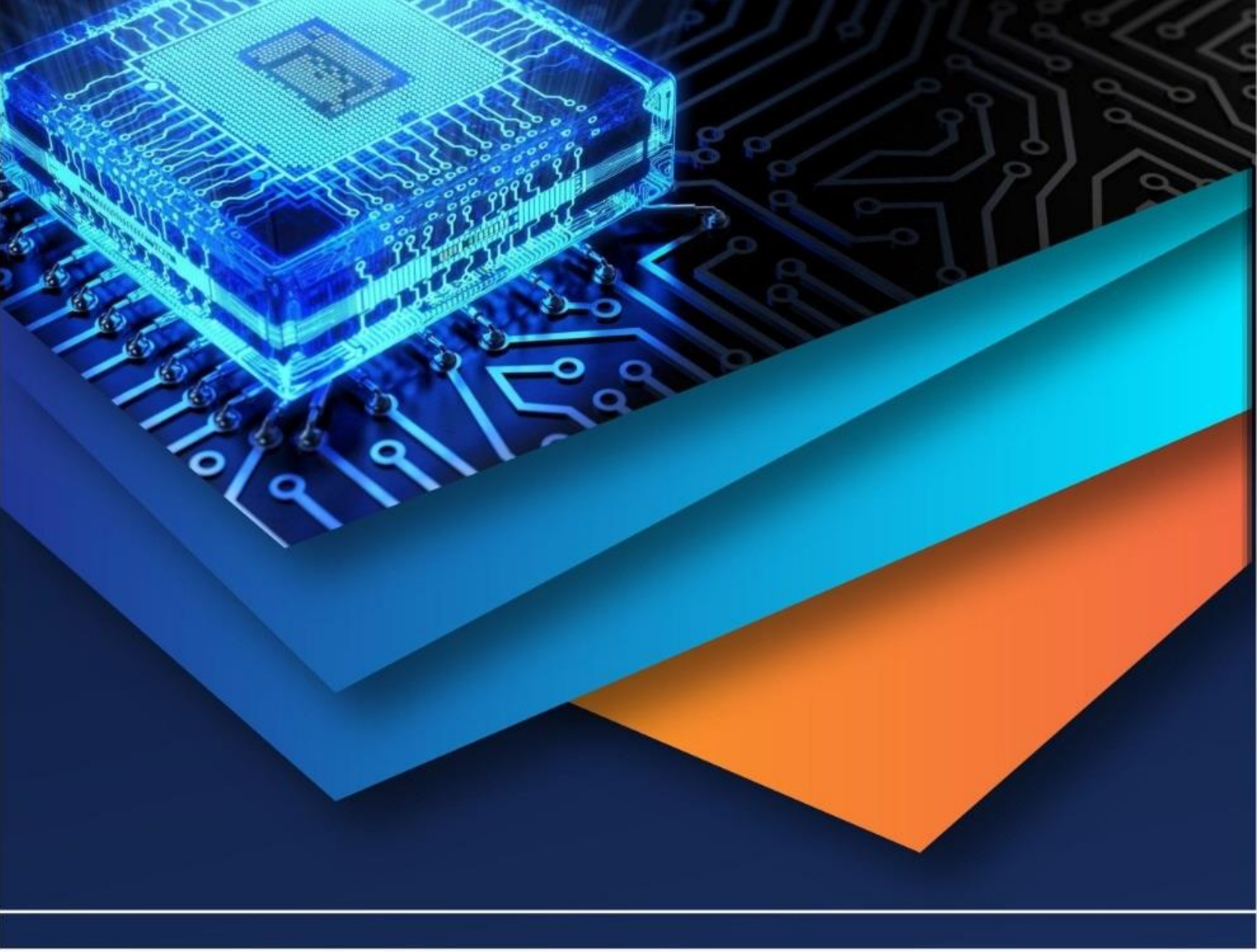
The firm's working capital challenges are characteristic of labour-intensive service enterprises serving clients with asymmetric bargaining power: the costs of service delivery are incurred upfront and with certainty, while the realization of revenue through collections is subject to delay and uncertainty. In this context, disciplined working capital management is not a peripheral financial function but a core operational competency that directly determines the firm's capacity to sustain operations, honour its obligations to workers and vendors, and invest in business growth.

The recommendations proposed in this study — encompassing the formalization of a receivables management policy, acceleration of collections through incentive mechanisms, strengthening of the cash buffer, and the deployment of a working capital monitoring framework — are designed to be practically implementable within the resource constraints of a small enterprise without requiring significant capital investment. Their collective implementation is projected to reduce the Average Collection Period by 10-15 days, improve the Absolute Liquid Ratio to the recommended minimum of 0.40, and enhance the Working Capital Turnover Ratio through more efficient capital deployment.

Future research should track the longitudinal financial performance of Gayke Multi Services following the implementation of these recommendations, examine the role of digital payment platforms in accelerating collections from SME clients, and expand the analysis to a broader sample of multi-service enterprises in the Marathwada region to generate generalizable insights for the sector.

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