WORKING CAPITAL MANAGEMENT: A COMPARATIVE STUDY OF DIFFERENT OWNERSHIPS

Viqar Ali Baig

If a firm has inadequate working capital – the money necessary to keep your business running – the firm is doomed to fail. Many firms, that are profitable on paper, are enforced to “close their doors” due to their helplessness to meet short-term debts when they come due. However, by implementing sound working capital management strategies, your enterprise can flourish; in other words, assets are working for the firm. The objective of Working Capital Management is to make certain that the firm is able to carry on its operations and that it has enough cash flow to satisfy both maturing short-term debt and upcoming operational expenses. In order to improve the working capital management practices, it is essential for the finance managers to adopt a proper approach of working capital decisions making to drive their respective firms towards success in order to generate the value for the shareholders. In addition to the proper approach, there may be some other factors that may prove to be important while dealing with working capital decision making and certainly these factors may include ownership, government regulation, managerial empowerment and cultural factors.

Therefore, the main purpose of this paper is to report comparative findings of a survey of working capital management practices of selected agribusiness firms from dairy co-operatives, private and MNC dairy firms as a part of research thesis completed in July 2008. This paper is also an attempt to know the effect of the ownership, government regulation, managerial empowerment and cultural factor on the working capital decision making. Working capital management practices of the firms are analyzed with the help of a two dimensional approach for working capital decision making, developed as a part of the thesis, in order to analyze the improvements in the working capital management practices. A sample of three state dairy co-operatives, three private dairy
and three MNC dairy firms was taken for the study. With each firm one of its supplier and customer was also selected to study the level of cooperation between the firm-supplier and firm-customer. These findings provide deeper insights into working capital management practices and provide suggestions for improvements.

Keywords: Working capital management, state dairy cooperatives, private dairy firms, MNC dairy firms.

INTRODUCTION

Agribusiness firms, generally, of all size need to particularly control and monitor their working capital. This is because they are generally associated with a higher proportion of current assets (up to 60%) relative to large firms, less liquidity, volatile cash flows, and a reliance on short-term debt (Peel et al., 2000). Evidence suggests that mostly these firms practice ad hoc or subjective working capital decision-making rather than modern approach for creating the value for the firm (Nayak and Greenfield, 1994; Khoury et al., 1999). Peel and Wilson (1996) assert that these firms should adopt proper working capital management practices in order to reduce the probability of business closure, as well as to enhance business performance.

Knowledge and understanding of the working capital management practices of agribusiness firms is currently inadequate. Research in this area is determined by absence of an agreed framework for model development and hypothesis formulation. Little theoretical justification has been provided for the lower take-up of working capital management practices by agribusiness firms (Pike and Pass, 1987; Mitchell et al., 1998). Most empirical studies simply describe the characteristics of their sampled firms and the proportion of firms reporting the utilization of specific working capital management techniques (Peel and Wilson, 1996; Maxwell et al., 1998). The factors associated with the adoption of working capital management practices have generally been explored within a univariate statistical framework (Kim and Chung, 1990; Mian and Smith, 1992; Ng et al., 1999).

Therefore, the main purpose of this paper is to report comparative findings of a survey of working capital management practices of selected agribusiness firms from dairy co-operatives, private and MNC dairy firms as a part of my thesis conducted in July 2008. This paper is also an attempt to know the effect of the ownership, government regulation, managerial
empowerment and cultural factor on the working capital decision making. Working capital management practices of firms are analyzed with the help of a two dimensional approach for working capital decision making, developed as a part of my thesis, in order to analyze the improvements in the working capital management practices.

This paper is divided into five sections; second section covers introduction of approached used for studying the working capital management practices, research methodology is a part of section third and empirical findings of dairy firms, are discussed in section four, and section five concludes the paper findings.

APPROACHES EMPLOYED FOR STUDYING WCM PRACTICES

The approach used of this paper is a two-dimensional approach - internal and external. This approach, I have developed as a part of my PhD. Internally, it takes care of the management of level of investment in current assets and short-term financing as well as the management of operations (that affect the balances of current assets and liabilities) and therefore maximises the benefits and minimize the cost of the working capital assets and short-term financing (Short-term debts) by taking care of internally generated problems. Externally it manages the firm-supplier and firm-customer cooperation and therefore minimizes the costs of inter-firm transactional relations and thereby results in synergy effects on firm value by taking care of the externally generated problems. This is achieved by reducing inter-firm transaction costs and creates firm value in a win-win condition (Rubin and Alvarez, 1998).

We classify the functions of managing working capital internally, the first dimension, into the management of level of current assets, current liabilities and management of operations (that affect the balances of current assets and liabilities) as well as the management of activities of cash payments and cash receipts (as shown in figure 2). With respect to the working capital management on operations, we concentrate on the operations of purchases and sales and related activities of cash payments and cash receipts.
Working Capital Management

Fig. 2 Two-dimensional Approach of Working Capital Management

If a firm can effectively design the purchasing and sales policies, it would have other direct effect in a firm’s external value chain as credit purchasing and payment as well as credit selling and collection policies have. In the management of the activities of cash payment, the firm has to slow-down cash payments and pay debts as late as it is reliable with maintaining its credit standing with suppliers so that it can make the most efficient use of the money it already has. In the management of the activities of cash receipt, the firm has to speed-up and control cash collection. A firm has to speed-up the collection of sales so that it earns income and uses the money sooner, for investment or paying bills and save future expenses. One important thing that we have to note, here, is that for our purpose managing working capital internally refers only to the levels and operations, which are directly, connected with the firms external linkages (that its suppliers and customers). It therefore, makes it clear that our paper does not refer to internal operations such production operations and other internally performed administrative activities.

We classify the function of managing working capital externally, second dimension, as the management of relations (co-operation) of firms with their forward linkages (Customers) and backward linkages (suppliers) (as shown in figure 2). As not a single firm can survive in isolation, it has to make transactions with the other firms e.g. suppliers, customer. Every transaction between the two firms has costs, which can only be minimized, for both, by mutual co-operation. It, therefore, originates need for development of an appropriate inter-firm managerial governance pattern. With the help of which transaction costs for both the firms may decrease. It may cause to increase in value of the firm. Two types of costs are associated with each transaction, one is of working capital balances (change in the balances of
current assets and liabilities caused by the transaction) and other originates from the inter-firm transactional relationship. Therefore total cost of a transaction is aggregate of these two costs. Cost of working capital balances is subjected to control in managing working capital internally. Here, our issue of discussion is the second component of transaction cost. The volume and spread of inter-firm transactional relationship cost depend upon the transacting characteristics existing between the transacting firms. Aggregate cost of transaction of a firm may increase if both the firms in transaction seek to maximize their own benefits without considering the effects of their actions on other transaction firm. But there are some costs, under the head of inter-firm relationship costs, which can be avoided if the two parties co-ordinate their common operations (Williamson, 1985). It can be achieved if firms can assess their transaction and decide on the appropriate inter-firm managerial governance pattern. It will possibly reduce the aggregate costs of firms to a level below the sum total of costs of both firms without co-operation. Therefore the environment of cooperation (inter firm managerial governance pattern) between transacting parties may result at a concomitant benefit of creating value to both firms by reducing inter-firm transactional relationship cost.

Inter-firm cooperation has become important as a result of specialization and globalisation. Number of inter-firm transactions will rapidly increase in numbers as the firms are specializing in few of their operations and leaving the rest to other firms. Inter-firm cooperation will also decrease cost of working capital balances within the firm. A good inter-firm assistance decreases the need to hold extra balances of cash, receivables and inventories within the firm. Another factor that generates the need of inter-firm cooperation is globalisation of firms due to cost and market factors. When a firm performs global it is forced to depend on the cooperation of other firms, which are accustomed to the new environment in terms of business culture, social culture and regulatory requirements. This inter-firm cooperation creates value chain (Porte, 1985), which is inter-connected with value network (Rappaport, 1986). Though, firms have to set up a feasible inter-firm governance patterns (Van Der Meer Kooistra and Vosselman, 2000).

RESEARCH METHODOLOGY

A qualitative approach with the emphasis on case study method of research correctly suits for the approach used for studying the working capital management practices. Though we have an input of the exploratory case study, we have basically focused on the descriptive and explanatory case
study approach. In this paper a brief review is made for the approach used for working capital management – internally and externally. Internally, study relates to the value creating characteristics of working capital. Externally, business to business cooperation is assessed. After that, description is on what working capital approaches – internally and externally dairy co-operatives use. Finally a comparison is made among the practices of the dairy co-operatives. Consequently, research sub-divides the design of the case research into overall case study, the field research or data collection, data analysis and criteria used to ensure the credibleness of the findings.

Both the qualitative and quantitative data analysis is used. WCM approach requires using the qualitative data analysis, which according to Miles and Huberman (1994), refers to essences of people, objects and situations and is expressed in terms of words based on observations, interviews and documents. Quantitative data analysis refers to the analysis of working capital decisions using financial performance ratios. Out of the sources of data collection for case study, archival records, interviews and questionnaires are selected to be used, because of their relevance to the research. Focused and open-ended interviews are conducted with the respondents (managers of firm, its supplier and customer). Interviews would enable to target directly at the case study topic and to perceive casual inferences. Questionnaires are also personally administered and collected from the firms’ managers. As archival records, the audited (as much as it is possible) financial statements of the firms for ten years (1998 to 2007) are collected and are used in this research. Taking audited financial data of five consecutive years has the advantage of retrievability, unbiased selectivity (by both researcher and provider) and accessibility.

We referred the questions on overall working capital management to the firms’ general managers, questions on levels of investment in current assets and short-term financing to financial managers and the questions on operations to commercial managers.

Selected Cases: Main Firms and their Supplier and Customer Linkages

Main Firms: The firms that this study concentrates on are nine main firms along with one supplier and one customer for each firm (Table 3). The main firms include three state dairy co-operatives - Pradeshik Co-op Dairy Federation Ltd., Punjab State Cooperative Milk Producers’ Federation Ltd, Haryana dairy development coop. Fed. Ltd., three private dairy firms -
Mother Dairy Ltd., Kwality Dairy (India) Ltd., V R S Foods Ltd., three MNCs working in dairy sector in India - Heinz India Pvt. Ltd, Nestle India Ltd., Cadbury India Ltd.

**Suppliers:** The suppliers of whose responses have been studied include Rohtat district milk union Ltd – supplier of Haryana Dairy Development Coop. Fed. Ltd., Ludhiyana District Milk Union Ltd - supplier of Punjab State Cooperative Milk Producers’ Federation Ltd, Aligarh District Milk Union Ltd – supplier of Pradeshik Co-op Dairy Federation Ltd. The suppliers of the private dairy firms are Simbhaoli Sugars Ltd for Mother Dairy, Anirudh Foods Ltd for Kwality Dairy, and Parag Dairy as supplier of VRS foods. Suppliers of the MNC dairy firms include Ridhi Sidhi sugar Ltd for Heinz India Ltd, and Vidiani Agrotech Industries Ltd as supplier of Cadbury and Nestle India Ltd.

**Customers:** The customers of the dairy co-operatives firms whose responses have been studied include, Mother dairy for Haryana Dairy Development Co-operative Federation Ltd, Parul Foods Specialities Private Ltd for Pradeshik Co-operative Dairy Federation Ltd and Sheel International Ltd For Punjab State Cooperative Milk Producers’ Federation Ltd, for private and MNCs dairy firm from customer point of view, wholesalers in Delhi are taken and their name are not mentioned as per their choice.

**Table 3 Data base for Firm, Suppliers & Customers**

<table>
<thead>
<tr>
<th>Firm and ownership group</th>
<th>Supplier</th>
<th>Customer</th>
</tr>
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<tbody>
<tr>
<td><strong>Dairy Cooperatives</strong></td>
<td></td>
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<tr>
<td>Pradeshik Co-op Dairy</td>
<td>Aligarh District Milk</td>
<td>Parul Foods Specialities</td>
</tr>
<tr>
<td>Federation Ltd.</td>
<td>Union</td>
<td>Pvt. Ltd</td>
</tr>
<tr>
<td>Punjab State Cooperative</td>
<td>Ludhiana District Milk</td>
<td>Sheel International Ltd.</td>
</tr>
<tr>
<td>Milk Federation Ltd.</td>
<td>Union</td>
<td></td>
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<tr>
<td>Haryana dairy development co-op. Fed. Ltd.</td>
<td>Rohtak District Milk</td>
<td>Mother Dairy</td>
</tr>
<tr>
<td><strong>Private Dairy Firms</strong></td>
<td></td>
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</tr>
<tr>
<td>Mother Dairy Ltd.</td>
<td>Simbhaoli Sugars Ltd.</td>
<td>Wholesaler</td>
</tr>
<tr>
<td>Kwality Dairy (India) Ltd.</td>
<td>Anirudh Foods Ltd.</td>
<td>Wholesaler</td>
</tr>
<tr>
<td>V R S Foods Ltd.</td>
<td>Parag Dairy</td>
<td>Wholesaler</td>
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<tr>
<td><strong>MNC Dairy Firms</strong></td>
<td></td>
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<tr>
<td>Heinz India Pvt. Ltd.</td>
<td>Ridhi Sidhi Sugar</td>
<td>Wholesaler</td>
</tr>
<tr>
<td>Nestle India Ltd.</td>
<td>Vidiani Agrotech Inds. Ltd.</td>
<td>Wholesaler</td>
</tr>
<tr>
<td>Cadbury India Ltd.</td>
<td>Vidiani Agrotech Inds Ltd.</td>
<td>Wholesaler</td>
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Main Cases Researcher has selected a typical firm from each group as a main case for the detail study. First, as a representative of dairy co-operatives, an analysis of Haryana dairy development coop. Fed. Ltd is presented for managing working capital internally, its supplier linkage with Rohtak District Milk Union and its customer linkage with Mother Dairy. Then management of working capital levels and operations - internally and externally of Haryana dairy development coop Fed Ltd was compared with other co-operatives - Punjab State Cooperative Milk Producers’ Federation Ltd, and Pradeshi Co-op Dairy Federation Ltd.

Second, as a representative of private dairy firms in, an analysis of Mother Dairy Ltd is presented for managing working capital internally, its supplier linkage with Simbhaoli Sugars Ltd and its customer linkage with a wholesaler in Delhi. A comparison is then made between the management of working capital levels and operations -internally and externally of Mother Dairy Ltd and the other two private dairy firms namely - Kwality Dairy (India) Ltd and V R S Foods Ltd.

Third, it was studied how three MNCs in dairy sector manage their working capital levels and operations. Particularly, an analysis of Heinz India Pvt. Ltd is presented for managing working capital internally, its supplier linkage with Ridhi Sidhi Sugar and its customer linkage with a wholesaler in Delhi. A comparison is then made between the management of working capital levels and operations - internally and externally of Heinz India Pvt. Ltd and the other two MNCs namely – Nestle India Ltd. and Cadbury India Ltd.

The author has written separate papers for the analysis of dairy co-operatives, private dairy firm and MNC dairy firms. In this paper a comparative study of the dairy co-operatives, private and MNCs firms is made.

EMPIRICAL FINDINGS

Section four is divided into four parts, findings on overall working capital management is discussed in Section A, findings on managing working capital internally is discussed in section B, section C covers finding on managing working capital externally and finally in section D general issues in Indian context are discussed.
A. Overall Working Capital Management

In this section, there is a comparative study of the three categories of firms’ with regard to overall working capital management policy. Particularly, background information of the firms with regard to their organizational structure, their overall management policies and constraints with particular reference to government regulations is considered. Finally, examine the managers’ opinion on the role of working capital management on value creation.

Organization structure: The co-operatives and private firms have the same organizational structure. Organizational structure is categorized into five divisions under the general manager, namely, production, personnel, marketing and financial administration. First, production and repairs section with production and maintenance sub-sections. Second, finance with accounts subsection. Third administration section and personnel sub-sections, fourth, marketing with purchasing subsection. Fifth, a quality controls section. The finance section is responsible to manage the financial affairs, which includes working capital levels. The marketing section deals with the management of working capital operations including the purchase of materials and the sales of products. It is particularly responsible to purchase, store and control inventories including raw materials, finished goods and spare parts.

Organization structure of MNC is more developed than Co-operatives and private firm. Under each functional area MNC has more number of designations, like VP finance, treasurer, GM finance, GM accounts, Assistant manager finance and accounts. Therefore, each subsection is more developed and is taken care by comparatively more number of persons. Similarly, qualification and experience of MNC personal is higher than Co-operative and private firms.

Firm policies and constraints: The main objective here is to study if the firms have clearly stated mission statements on the overall policy of working capital management. Particularly, managers are asked the whether their working capital management policy was targeted at increasing sales, decreasing costs, generating profit or remaining liquid. The co-ops replied that their main objective was to increase profits, to remain liquid and to keep smooth operation but not to decrease costs and increase sales. Interviews with the managers revealed that the costs and profit margin of the co-operatives is decided by the management. It was also found out that the co-ops do not bother much about liquidity because they have readily available...
bank loan from co-operative banks. Government subsidy is presently not available. On the other hand, the private firms responded that their main working capital policy is tailored towards increasing sales, remain liquid, and to keep smooth operation. This focus on liquidity has not made a negative impact on the private firms’ profitability objective because the firms reported that their major emphasis is on increasing sales by improving product quality and customer satisfaction. MNC’s working capital management policy is tailored towards maximizing profit by decreasing costs and increasing sales and smooth operations. They show less interest on liquidity aspects of working capital management. Finance manger of MNCs revealed that there is no problem of liquidity in MNCs.

On the issue of constraints in achieving firm policy, the managers of the Co-ops replied that it is only the lack of working capital investments and skilled labor that is a problem in achieving firm objectives. Moreover, the private firms consider short-term financing and investment as well as production market be their main constraints. However, the MNCs firms are hindered from achieving their objectives because of problems in working capital investment and product demand and market. The empirical findings reveal that co-ops, private and MNCs are fully empowered to decide on working capital levels and operations without interference from outside. To the some extent co-ops have to work under the NDDB, as they are the parts of the NDDB functioning. But, complete regulations regarding the financing and investment of working capital are not directed by the NDDB.

On the factors affecting working capital levels, the co-ops replied that sales growth, seasonality of sales and price levels of input mainly affect the levels and operations of working capital. Private firms replied that sales growth, seasonality of sales, credit policy and price levels of input mainly affect the levels and operations of working capital. MNCs revealed that sales growth, seasonality of sales, credit policy are the main factors deciding the levels of working capital. In addition to this, the price levels of inputs in the co-operatives, seasonality of sales in the private firms and the availability of credit in the MNCs are also considered as important factors affecting working capital. Credit policy and availability of credit are not considered as main factors in both co-ops and private firms. This supports the finding that the co-ops have no problem of financing their short-term investments because of the government bank overdraft facilities.

The role of working capital management on value creation: It is observed that most managers consider overall working capital management,
particularly managing working capital levels of investment and operations to be relevant both for increasing sales and decreasing costs. When it comes to details, the managers of the firms believe managing working capital investments particularly cash, receivables and inventory as well as operations of sales and purchases help to increase sales and decrease costs. It is also observed that managers of co-ops consider managing short-term financing particularly, trade payables, bank loans and overall liquidity is not as important for increasing sales and decreasing costs as managing working capital investment and operations. However, for private firms all these factors are as important working capital investment and operations. Responses of the MNCs managers are almost similar to co-ops in this regard.

B. Working Capital Management from Within

This section covers working capital management – internally, which is divided into levels of investment (B.1.) and financing (B.2.) as well as operations of purchasing and selling (B.3.) and performance evaluation in section (B.4).

B.1. Managing working capital investments:

In this section, discussion is on the manager’s responses to questions on how the firms manage working capital investments of cash, receivables and inventories. The objective is to find out if firms apply value-creating methods of managing working capital levels of investment.

B.1.1. Management of Cash

In this section, it will be compared how the co-ops, private and MNCs firms manage their cash balances, cash collections and cash payments. Concentration is on the firms’ motives for holding cash levels, purposes for cash forecasts and forecasting approaches, cash flow approaches and purposes as well as approaches of controlling cash payments and collections.

_The motives of holding cash:_ All the co-ops, private and MNCs firms reported that the main objective of cash management is for transaction purposes. No firm manages cash for speculative, precautionary (other than MNCs) or bank compensating purposes. This is for three main reasons. First, there is no alternative investment opportunity, so there is no need to keep money for speculative purposes. Second, if the firms need cash, the bank overdraft facility is there to use, hence there is no need to keep extra cash for precautionary purposes. Third, the banks do not require any
compensating balance for extending overdraft facilities so they do not need to deposit extra cash for that purpose. Therefore, all the firms do not have a problem of borrowing from the bank. Easy availability is some time causing idle cash with co-operatives and private firms, but sometimes, survival of firms is based on the bank financing.

**Cash budgeting and control:** According to their financial managers, all co-ops prepare cash budgets as a management requirement, which they also use to plan their cash needs, to control the safety of cash levels as well as operations of cash collection and payment. All the firms have the purpose of cash requirement of cash budget forecast. It is only HDDCFL from the co-ops, Kwality Dairy and VRS Foods from private firms reported not to use cash budgets to control liquidity. An only VRS food from private firm has reported the use of cash budget forecasting for long-term planning needs. All the firms, other than VRS Foods from private, Punjab Co-op and Heinz India Ltd from MNC, use the forecasted budget for cash control. All the co-ops and MNCs use cash budgets for liquidity purposes. Therefore control of liquidity is more important in the co-ops and MNCs firms than in the private firms. In addition to this, Punjab co-ops, and all private and MNCs use cash budgets to plan cash needs in the short-term. All the co-ops, private and MNCs firms reported that the main forecasting base that they use to estimate their cash collections, cash payments and balances is their past experience and forecasted sales. However, for private firm management opinion is also used as forecasting base. Not a single firm is using marketing research as a source to prepare cash budgets. All firms use the receipts and disbursements approach in preparing cash flow statements, which they also use to improve future cash forecasts and to control cash.

**Managing Cash collection and payments:** Most of the firms strictly control their cash payments using the voucher system (except Kwality Dairy among private firms), bank reconciliation (other than private firms) and the petty cash system (other than Mother Dairy among private and Nestle among MNC). They also control cash collections by depositing daily in the bank (leaving Mother Dairy and Kwality Dairy). Not a single firm is using separating responsibility for sequential cash operations, handling and record keeping. It can be concluded that cash management in all the co-ops, private and MNCs firms is highly control oriented. There is very little reason to believe that cash management is serving a good purpose in creating value to the firms because these control measures do not help in increasing income or decreasing costs related to investments in cash.
B.1.2. Management of inventory

The objective of this section is to make a comparative study of the three categories of firms in order to know if they create value by managing their materials and finished goods inventory balances. For this purpose, researcher asked the managers how they determine inventory costs and values, how they formulate and implement their inventory planning and control (physical and cost) and in doing so if the costs are relevant and worth of special managerial attention.

Material inventory management: The managers of most firms reported that the main purpose for managing materials inventory is to safe guard against shortages and to keep production running. However Kwality Dairy and VRS Foods from private don’t have this purpose. All the private and MNC firms have the purpose of reducing costs of holding, however, co-ops don’t have this purpose. Only private firms have the purpose of raw material inventory management as reducing ordering costs.

All the firms consider the cost of power as important (other than Punjab co-op, Kwality India, and Nestle India) cost of holding inventory of materials. The entire private and MNCs consider opportunity cost of capital and deterioration cost (leaving Mother Dairy and Cadbury India) as important cost of holding inventory of materials. However Co-ops do not consider it as cost. Cost of handling is considered as important by all the firms (except UP co-op). However, none of the firm considers the cost of insurance, security, clerical work and property tax as important. However, only the financial managers of the HDDCFL and MNC firms consider the costs of materials inventory as significant for the management to give it special attention.

The approach that all firms apply in order to achieve the objectives of materials inventory management is by strictly controlling and buy just in time for production. Moreover, all the private firms minimize the inventory level for managing cost of holding of material inventory. However no one is applying economic order quantity for this purpose. All the firms are using FIFO method for costing and average cost method for valuation of material inventory. Moreover, MNCs also use average costing and lower of average cost or market for valuation. The firms selectively control the physical movement of materials inventory on the basis of cost (Other than UP co-op) and usage rate (leaving Punjab and Haryana co-ops). In addition the firms use scarcity (except Mother Dairy and VRS Foods) and criticality of
the materials (excluding Kwality Dairy and VRS Foods).

**Finished goods inventory management**: The managers of all the firms have replied for the purpose of finished goods inventory management as satisfying customer demand. However, they have all denied for the purpose of taking advantage of economies of scale. All the private firms (other than Mother dairy) and MNCs revealed that they are having the purpose of reducing holding cost for finished goods inventory management. All the co-operatives and MNCs have the purpose of keeping safety stock also. However, only co-ops have the purpose of meeting seasonal high demand. The co-ops (leaving UP co-op) and MNC (leaving Nestle) have cost of power a main cost of holding finished inventory. Private and MNC also have opportunity cost of capital and deterioration cost as important part of holding cost. Only co-ops responded for insurance as important cost of holding. Moreover, all firms have replied for handling cost as important part of inventory holding cost. However, no one has replied for the costs of security, clerical and property tax as important. In the interview with the managers all have show the significance of the holding cost of the finished goods inventory for management decision making.

The firms have differing management policy in controlling inventory costs, particularly the specific approach of inventory control they apply. In order to manage their costs of inventory all the co-ops and private firms are using just in time approach to reduce the holding cost. However, not a single manger believes in holding minimum for managing holding cost. All the firms’ managers are agreeing on establishing long-term customer relations for managing holding cost. Only private firms’ mangers apply the approach of making customer pay the costs for managing holding cost. The co-ops and privet firms are using FIFO method for costing of finished goods inventory, while, MNCs are using average costing method. For valuation, weighted average cost is used by co-ops and MNCs, while private firms are using lower of average or market cost. The selective control approaches used by the co-ops include usage rate and criticality in case of shortage for UP co-op. Private firms and MNC use average cost and usage rate (leaving Heinz India) for selective control of finished goods inventory. However, MNCs only consider criticality in case of shortage as selective control approach.

**B.1.3. Management of receivables**

The purpose of this section is to study if and how the firms’ manage their receivables. Hence, researcher asked the managers if they have a credit
sales policy (if not, why). If the firms have a credit policy, what their sources of information are for screening credit applicants, determining credit terms and standards as well as what measures they take to collect overdue receivables. Managers are also asked about the risk of uncollectible and how they monitor their credit customers and reduce the level of receivables.

Credit policy and receivables management: Both co-ops and private firms sell to private customers only on cash basis, for a very short credit period, while they sell on credit to fellow government firms. Credit selling to the private customers can not be fully avoided in order to achieve the sales target and due to the presence of competition, but private firms are given short period of time to return the money. Generally, private firms are given time of 15 days, as Mother Dairy by Co-ops and government firms are given time of 30 days, as ministry of defense by co-ops. However, to small firms they certainly sell on cash only. According to the interviews conducted with the commercial managers of the co-ops sell on credit to private firms, like Mother Dairy for the duration of 15 days. From a purely business point of view credit management is existent with these co-ops. The only debtor account in the balance sheet of both co-ops and private firms is due from related enterprises (Mother Dairy in case of co-ops) and government ministries. The MNCs firms have different sales policies depending on whether the customer is a government or private (large or small) firm. The cash sales refer to smaller private firms while the credit sales (without discount) refer to larger private and all government firms. All the co-ops and MNCs have replied that they don’t want to extend credit to small private firms. Whereas, private firms have replied that they have lack of information on credit applicant for extending credits. All the managers use prior experience, financial statements and customers’ payment history as sources of information for credit screening purpose. All the firms have credit terms of open account no discount only leaving Heinz India Ltd. However, UP and Haryana co-ops also have open account with discount credit terms. Heinz and Nestle India Ltd are also using promissory notes for this purpose. All the firms have standards for screening credit applicants of 5Cs and repeat sales approach. However, private firms are also using one time sale approach for screening credit applicants. In order to collect overdue receivables they all make telephone calls, send reminder and extend credit periods (other than co-ops), but they do not make personal visits nor do they employ collection agents or take legal action (other than co-ops). Moreover, according to the financial managers, the risk of bad debt is very low and none of them makes allowances for it. According to the finance managers, they make the customer to pay outstanding debt to reduce the level of
receivables. Managers of private and MNCs firm revealed that they stop selling on credit if due amount is not received. Only the managers of MNC replied that they revised credit policy and standards to reduce the level of receivables.

B.2. Management of Working Capital Finances

In order to study the sources and costs of short-term financing, researcher asked the financial managers on their sources of finance, the cost of financing and the factors influencing the need for short-term financing.

Sources, costs and influences of short-term financing:

In addition to cash collected from operations, all firms have the opportunity to use bank overdraft to the extent of the cash credit limit offered by banks, therefore they all consider it as a main source of short-term financing. Both private and MNCs firms also reported that, retained earnings and trade creditors are the main sources of their short-term financing. The main source of financing for all the co-ops are bank loan offered from co-operative banks in the respective states. Accruals are also being used as sources of finance by private and MNCs firms. Researcher has also interviewed the managers of the co-ops, private and MNCs firms about the extent of their cooperation with the financial suppliers particularly the Commercial Banks of India regarding short-term borrowing, overdraft and long-term loans. All firms responded that they are satisfied with the relationship with the commercial bank. However, most managers of the private and MNCs firms replied that they do prefer to take over draft rather than short-term or long-term bank loans. The main reason they give for not opting for the short and long-term borrowing is because the term borrowings unlike the overdraft loans oblige them to clear their outstanding loans within a limited time period. In addition to this co-ops consider short-term bank loans from co-operative banks as main source of finance.

The bank interest cost and service charges are singled out to be the main cost of financing working capital investments for the private firms. According to the commercial managers of the co-ops and MNCs firms the cost of financing is only interest expenses and not relevant for management to give it special attention. Nevertheless, the cost of short-term financing in the private firms is found to be a considerable portion of the firms’ annual expenses.
Only Mother Dairy and Kwality Dairy from private and Heinz India from MNC do not consider seasonality of sales in finalizing the levels of financing. All the firms other than UP co-op use sales growth in calculating levels of financing. However, only MNCs have replied for availability of credit as influencing factor for deciding the level of financing. Punjab co-op, Mother Dairy from private, and Heinz and Nestle India from MNC do not feel that price level of input influence the levels of financing, otherwise all the firms consider this factor. Availability of credit, operating efficiency and government subsidy are not found relevant by any of the firm.

B.3 Management of Working Capital Operations

B.3.1. Management of Purchase Operation

Purchase policies: it is observed that all firms could state what their purchasing policy is about. Common factors of the purchase policy of all the firms are meeting marketing demand and to keep production uninterrupted. All the firms, other than Kwality Dairy from private and Heinz India from MNC, also chose meeting seasonal production requirements as purpose of purchase policy. Heinz India and Cadbury India take the purpose of quantity and cash discount of purchase policy. Moreover, all the MNCs define the purpose of decreasing holding cost for purchase policy.

According to the commercial managers of the firms, all of them purchase on credit, specifically milk for a credit period ranging from 15 days to one month. All the co-ops take from milk unions on one month credit, similarly private firms also take from milk unions and local suppliers on weekly credit. Other materials like sugar, wheat, rice, etc are also purchased on credit basis as well as cash basis. Wherever material has to be imported, advance payments are made.

Forecasting and control of purchasing: The purpose of purchase forecasting for all the firms is to meet production demands but not to help in determining the quantity on hand and on order during lead times (other than Mother Dairy and Cadbury India Ltd), inventory usage determination (other than Nestle India Ltd). However, all the co-ops and Nestle India do the purchase forecasting to take care of safety stocks also.

With all the firms, purchase forecasting is based on past experience and forecasted sales volume. While, UP co-op, Mother Dairy and Kwality Dairy from private and Nestle and Cadbury from MNCs also use management
As for the contact, contract and control of suppliers, all co-ops, private and MNCs firms, choose the cheapest channel of communication to get in contact with suppliers. Moreover, UP co-op, Kwality Dairy and VRS Foods and Nestle and Cadbury India also manage its contacts by trust. However, no one is taking the help of purchasing agents. For managing contracts and control of purchase transactions all the firms from Co-ops, private and MNCs use routine contract agreement and making terms known in advance (other than Heinz India Ltd). However the help of lawyers is not being taken by any one. In case of contacting, contracting and controlling, co-ops have to follow the guidelines of NDDB on some issues, but for most of the issues they are independent. Relevance of cost of contacting, contracting and controlling is nothing from co-ops point of view. Mother Dairy and Heinz India have replied for the relevance of contacting, contracting and controlling cost of purchasing. Moreover, Cadbury has shown the positive for contacting and controlling.

B.3.2. Management of Sales Operations

Sales policy: The responses of the co-op’s commercial managers to interview questions indicated that their main objectives of sales policy is to satisfy the demands of the ministries and Mother Dairy to meet seasonal sales requirement and to expand market. However, co-ops do not have the purpose of decreasing inventory holding and ordering costs. All the private firms and MNCs have the same purpose of meeting seasonal sales requirement and to expand market. However MNCs also have the purpose of meeting seasonal sales requirement. Both, Nestle and Cadbury India from MNCs have the purpose of decreasing inventory holding cost also. The reported sales terms for all the co-ops, private and MNCs firms are the cash and credit basis. All the co-ops, private and MNCS have credit sales standard of 5C’s. However, co-ops also use one time sales as standard. Both, Nestle and Cadbury from MNCs also use repeat sales approach as credit sales standards.

Sales forecasting and control: All the co-ops, private and MNCs have the purpose of future demand forecasting from sales forecasting. However, UP co-op, Mother Dairy and all MNCs have the purpose of inventory
forecasting from sales forecast. Forecasting of quantity on hand and on order is chosen as purpose by Kwality Dairy and Nestle India. All co-ops and two from MNCs (Nestle and Cadbury India) have the purpose of forecasting safety stock also.

For most of the firms sales forecasts are based on past experience and statistical forecasting other than UP and Punjab co-ops. Management opinion is also used by Punjab and Haryana co-ops, Mother Dairy and Heinz India Ltd. However, no one is taking the help of sales staff opinion and others production capacity estimates. All the co-ops, private and MNCs have the terms of cash and credit sales. For credit sales standards all use 5C’s, however, Nestle and Cadbury India also use repeat sales approach.

All the co-ops, private and MNCs firms (except Heinz Idia Ltd) choose the cheapest channel of communication to get in contact with customers. In addition to this, all are developing long lasting relationship with their customers (except Punjab Co-ops) In getting into contract with customers all the co-ops, private and MNCs firms make routine contract agreements with their terms of sales known to both parties in the sales transaction. All the co-ops, private and MNCs firms also make routine control agreements with control terms known in advance to both transaction partners.

Generally, all co-ops reported that the costs of contact, contract and control of sales transaction are very small and therefore not relevant for the management. However, private firms replied in favor of the importance and relevance of the costs of contacting, contracting and controlling. Moreover, MNCs also have indicated the importance and relevance of costs of controlling the sales transactions. But, the cost of contacting is ignored by all. All firms reported also that the possibility of customers to back down from their sales agreement is very small and it is not difficult to find another customer. Regarding management of back down customers all firms believe in negotiation and in stop dealing till bills are settled.

B.4. Performance Evaluation of Working Capital Decision

In this section researcher study if the all the co-ops, private and MNCs firms evaluate the performance of their working capital decisions with regard to the levels of investment and financing as well as operations of purchasing and selling. For this purpose, managers are asked what specific financial and non-financial criteria they apply to measure and evaluate their performance, and what factors determine their overall performance. Firms’
financial statements have also been used to study the comparative performance of their working capital levels and operations.

**Determinants of performance:** Fixed assets and financing is not used by any of the company as determinants of firm’s performance. However, working capital investment and financing is commonly used by the firms as the determinants of the performance. Whereas, some firms like UP co-ops and Heinz India do not consider working capital investment, moreover, Heinz India also not consider short-term financing as determinant.

The private firm reported that their performance is also determined by the profitability. However, they reported that their performance is not reported by availability of fixed capital investment and financing as well as labor (both skilled and unskilled). According to the managers of the MNCs firms’ fixed capital investment and long-term financing as well as availability of labor do not determine how well or bad they perform.

**Performance measurement and evaluation criteria:** researcher asked the firms’ managers, what mechanisms they use to evaluate the internal and external performance of their working capital decisions. In order to evaluate their performance, all co-ops, private and MNCs firms reported that they compare their past performance with their present (except Heinz India) achievements, actual with the expected performance and comparing inter-firm benchmarks (other than Punjab and Haryana co-ops).

**Customer satisfaction based performance evaluation:** Only the MNCs have replied for minimizing costs for customer satisfaction based performance evaluation by allowing quantity discounts. However, no one is gaining the customer satisfaction by charging lower prices and allowing cash discounts. All the co-ops, private and MNCs firms reported that the take care of their customers satisfaction by improving the quality of products by decreasing defects rate, maintaining higher customer retention rate and providing higher customer perceived value (other than Haryana co-op). All the co-ops, private and MNCs firms reported that the take care of their customers satisfaction by trying to be efficient on their communication by applying the policy of faster response and delivery time.

**Accounting based performance evaluation criteria:** all co-ops, private and MNCs firms reported that they check their liquidity by current ratio. Moreover, all private firms and two MNCs (Nestle and Cadbury India) also use quick ratio for keeping the eye on liquidity. Inventory and receivable
turnover (except UP and Haryana co-ops) are commonly used by all the co-ops, private and MNCs firms for analyzing operational efficiency. However no one has replied for the use of overall working capital ratio in order to check operational efficiency. In order to check financial efficiency, the finance managers of all the co-ops, private and MNCs firms replied for calculating inventory and receivable to working capital. Moreover co-ops also use cash to working capital for checking financial efficiency. However, they all denied the calculation of working capital to total assets in order to check financial efficiency. By the interview with finance managers of all co-ops, private and MNCs firms, it is observed that they check their short-term debt leverage by calculating current debt to total debt. All the co-ops and MNCs have reported the observation of gross profit margin for tracing profitability. However, private firms have replied for the use of net profit margin, return on working capital investment and return on total investment for checking profitability. Moreover, MNCs also use return on investment for this purpose.

B.4.1 Performance Evaluation of Working Capital Investments

Investment composition: the firms’ investment composition is studied by computing working capital to total assets. In order to have specific insight into the firms’ working capital investment composition, research evaluated the breakdowns of working capital into cash, receivables and inventory. The study years average current asset to total asset for the Private and MNCs firms are 58.4%, and 45.2% respectively. The implication of these ratios is that the composition of working capital in total assets is slightly excessive in private firms (when compared to the global ratio of 50%) given the manufacturing nature of the activities that the firms are in. Particularly, the private firms with an average of 58.4% of total investment tied up in working capital assets show excessive investment in current assets. The comparative trend over the ten years of current assets to total assets composition that is indicated by Figure 4.A also supports the above argument. Private firms have recorded increasing trend of investment in current assets, while MNCs have recorded decreasing trend. Researcher also computed cash, receivables and inventory to working capital, which on average accounted to 15.6%, 30.7% and 46.1% respectively for the private firms, 15.8%, 32.5% and 49.2% respectively for the MNCs. Both the private and MNCs firms have invested most of their working capital assets in inventory followed by receivables and lastly in cash. Particularly, the composition of inventory in the total working capital assets is large for the firms, which is normally due to the nature of the operations in industry as told by the financial
managers. As it is revealed by Figure 4.B, the short-term debt compared to the total assets in the private and MNCs firms was zero. This implies that the assets are not financed by the short-term debts.

**B.4.2. Performance Evaluation of Working Capital Finances**

**Liquidity position:** In order to study how the firms’ investments are financed and their liquidity position, the firms’ financial statements are analyzed by computing liquidity ratios. The liquidity position of the firms is analyzed using current and quick ratios.

**Current ratios:** The average current ratios for the private and MNCs firms were 1.5, and 1.3 respectively. When compared with the global norm on current ratio of 2 the both firms may indicate liquidity problems.
Moreover, the trend in Fig. C.1 shows that the current ratio of the private and MNCs firms at the end of the study period fell below the generally accepted norm. However, private firms have recorded increasing trend, while MNCs firms have recorded decreasing trend for current ratio. **Quick ratio** the private and MNCs firms respectively have quick ratio of 0.79 and 0.57 (See fig. C.2). When compared with the global norm of 1, these ratios still indicate that the both the firms have problems of liquidity, implying also that relatively a large portion of their current assets is composed of inventory.

**Short-term financing composition:** the private firms use only trade creditors and others which accounted to about 64.2% and 35.8% respectively. The MNCs firms use trade creditors (68.6%) (See, figure 4.C.3), other (31.4%) (See figure 4.C.4), and short-term bank loans (0%). However, the private and MNCs firms use mainly trade creditors and others accruals.

C.4.3. **Performance Evaluation of Working Capital Operations**

Researcher used activity and profitability ratios respectively to study how efficient and profitable the private and MNCs firms were during the years of the study.

**Operational efficiency of working capital activities:** Operational efficiency of working capital activities is measured by using activity ratios, which include, inventory turnover, receivables turnover and overall working capital turnover. The turnovers can also be converted to average days the current assets are held.

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Inventory turnover and days that the inventory was not collected indicate that annual cost of goods sold for the private and MNCs firms respectively is 11.5 (or 31 days), and 8.6 (or 42 days). This inventory turnover ratio and days outstanding for all the firms indicate good moving inventory possibly due to efficient working capital management, that is, good buying and selling practice and sound inventory management. A closer observation at Figure 4.D reveals that the inventory turnover of the private and MNCs firms is improving. Private firms have indicated abnormally high turnover in 2002, due to the Kwality Dairy abnormally high turnover (89) in that year.

Receivable turnover and average collection days reveal 14.95 (or 24 days) and 14.7 (or 24.3 days) respectively for the private and MNCs dairy firms. As indicated by Figure 8.E, the receivables turnover for the private firms is indicating decreasing trend while for MNCs firms it is showing increasing trend. Private firms have indicated abnormally high turnover (114) in 2001, due to the Kwality Dairy abnormally high turnover in that year. Both types of firms have recorded good receivable turnover for the study period.

Overall working capital turnover respectively for the private and MNCs firms indicate that sales is 4.0 and 4.3 times the average annual balance of current assets respectively (see Figure 4.F). Again the overall working capital turnover is above average implying the days that the working capital assets take to turnover is not very long.

Overall profitability measures of performance evaluation include operating profit margin, net profit margin and return on total assets. The firms’ operating profit margin on average respectively for the private and MNCs firms was -2.92%, and 14% and net profit margin on average was -
5.2% and 8.6% respectively while the return on assets was -2.3% and 16.1% respectively for the private and MNCs firms (See also Figure 4.G).

As indicated by the figure 4.G.1, operating profit margin for both private and MNCs firms is improving. However, for private firms operating profit margin is recorded negative from 1998 to 2003, while for MNCs it is recorded positive for all the years of study on average basis. Only VRS foods in private firms has recorded positive margin for all the years of study. All the three MNCs firms have recorded positive operating profit margin for all the years of study.
As indicated by the figure 4.G.2, Net profit margin for private and MNCs firms is following the pattern of operating profit margin. Private firms recorded positive net profit margin 2004 onward, while MNCs have recorded positive net profit margin for all the years of study. Only VRS foods in private firms has recorded positive margin for all the years of study, while all the three MNCs firms have recorded positive net profit margin for all the years of study.

Figure 4.G.3, indicates that return on total assets is improving for both types of the firm 2004 onward and also return on total assets is following the same pattern of operating and net profit margin for private and MNCs firms.

Reflections: Firms create value when the objective of working capital management is tailored towards value creation, rather than only the custody of property and operations. Empirically, the managers reported that they apply controlling mechanisms in order to manage their working capital levels and operations. In the co-operatives firms the problem is mainly due to managerial empowerment. In the private and MNCs firms study trace this lack of managing for value creation due to problems of liquidity, as well as lack of capital market investment opportunities and sometimes alternative financing sources.

Dairy Co-operatives lack managerial empowerment. Managers of Co-operatives are not fully empowered to manage their internal working capital levels and operations as well as their external supplier linkages. In the co-operative firms, NDDB has the final say in both internal and external affairs of the firms and the Ministry of Agriculture also plays the key role. The management of these firms is given little authority and power to manage the affairs of the firms.

For the private and MNCs firms, the main constraint is not the problem of managerial empowerment. The private firms’ problems can be traced to lack of clarity of managerial objectives, lack of capital market investment and financing opportunities as well as lack of both skilled and unskilled labor.

The following table (4.A) summarizes overall findings with regard to the managing working capital internally.
Table 4A Summary of Findings for Managing Working Capital Internally

<table>
<thead>
<tr>
<th>Item</th>
<th>Dairy Cooperatives</th>
<th>Private Dairy Firms</th>
<th>MNCS Dairy Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Management policy is to remain liquid, generate profit and smooth operation. Objectives constrained by lack of working capital investment, skilled labor and managerial empowerment.</td>
<td>Objective is to increase sales. Remain liquid and smooth operations. Objectives constrained by working capital financing and investment and market.</td>
<td>Management policy is to increase sales, decrease costs and generate profit. Objectives are constrained by lack of market and working capital investment.</td>
</tr>
<tr>
<td>Dairy Cooperatives</td>
<td>Do not manage the carrying costs of surpluses and shortage costs of deficits of cash, receivables and inventory levels. Do not try to harmonize policies of cash levels with that of trade receivables and inventory. Management is restricted to the control function.</td>
<td>They manage the carrying costs of surpluses and shortage costs of deficits of cash, receivables and inventory levels. They also try to harmonize policies of cash levels with that of trade receivables and inventory. Management is not only restricted to the control function.</td>
<td>They manage the carrying costs of surpluses and shortage costs of deficits of cash, receivables and inventory levels. Management is restricted to the control of costs and physical safety. They also try to harmonize policies of cash levels with that of trade receivables and inventory.</td>
</tr>
<tr>
<td>Private Dairy Firms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNCS Dairy Firms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall working capital management</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Managing Internally - Levels

<table>
<thead>
<tr>
<th>Investment</th>
<th>Dairy Cooperatives</th>
<th>Private Dairy Firms</th>
<th>MNCS Dairy Firms</th>
</tr>
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</tr>
<tr>
<td>Private Dairy Firms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNCS Dairy Firms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing</td>
<td>Working capital investment financed through short-term bank loan. Lack careful management of financing sources, costs and liquidity positions. Do not harmonize policies of cash levels with that of trade payables and inventory of materials.</td>
<td>They harmonize policies of cash levels with that of trade payables and inventory of materials. Objectives constrained by lack of financing opportunities. They try to harmonize policies of cash levels with that of trade payables and inventory of materials.</td>
<td></td>
</tr>
</tbody>
</table>

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C. Managing Working Capital Externally  Highlighting Supplier and Customer Linkages

This section presents a comparative study of the external working capital management of the three categories of firms – co-ops, private and MNCs. It explores if the firms have proper inter-firm cooperation on both the supplier

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and the customer side. Particularly, researcher study if the firms have proper inter-firm cooperation with their suppliers and customers on the primary activities, purchase and sales operations and inventory management and what benefits they get as a result of their cooperation or why they do not cooperate.

C.1. Cooperation between Firm-Supplier

C.1.1 Response of the Main Firms

Firm-supplier cooperation on primary activities: Managers are asked if they cooperate with their suppliers on the primary activities. All the co-ops, private and MNCs firms cooperate on primary activity with suppliers on the inbound activity particularly shipment and storing (except Punjab Co-op and Heinz India) of material. Moreover, MNCs also cooperate on inventory control and material handling (other than Heinz India Ltd). Private firms also cooperate on material handling but not on inventory control and distribution to production. Moreover, co-ops also not control on distribution to production, inventory control and material handling.

For the cooperation on production operation as primary activity, all the managers replied negative for machining, packaging, assembling and equipment maintenance. However, they have responded positive on the cooperation for product testing, facility operations (except UP and Haryana co-ops) and timely availability of raw material. For marketing and sales, only MNCs cooperate on sales and purchase channel selection and Co-ops and private firms cooperate for value evaluation of delivery of inputs. However, no one cooperate on the issues of advertising, promotion and sales force. The only issue where all the firms cooperate with their supplier after sales is product adjustment.

Firm-supplier cooperation on purchases and inventory management: On the issue of firm-supplier cooperation on purchases and inventory management, most co-ops, private and MNCs firms cooperate with regard to quality and quantity of materials, terms of transportation as well as getting the materials just in time for production. Regarding the benefits of the firm-supplier co-operation, firms’ managers responded for decrease in the time for purchasing (except Mother Dairy); minimizing the cost of carrying inventories (leaving UP and Punjab co-ops) and creates trust of the suppliers. Moreover private firms are experiencing the benefit of reduced ordering cost.
Punjab and Haryana co-ops replied that they don’t have the policy of cooperation with private suppliers, moreover all the co-ops fell that suppliers other than milk unions do not cooperate because they have easy options. All co-ops enjoy the benefits of cooperation with milk unions. Private firms have responded for the existence of policy on co-operation, supplier’s cooperation and the benefits of co-operation, but they also feel that suppliers have easy options with them. Main issue of MNCs is that suppliers do not cooperate, otherwise they have the policy and also see the benefits. From the responses of all the firms, it is observed that suppliers have high bargaining power other than milk unions in case of co-ops, reason for this is that demand of milk is rising rapidly and there is shortage of supply in the market, particularly in the months of April, May and June supply decreases sharply. Therefore, due to the high demand and availability of easy options suppliers do not feel the need of co-operation.

C.1.2. Response of Suppliers

Suppliers of the firms are approached to find their responses and study the value creation potential of the backward linkages. In this section, researcher comparatively studies the firm-supplier cooperation of the co-ops, private and MNCs firms from the point of view of their main suppliers. It is tried to explore their cooperation on primary activities, sale-purchase operations and related benefits or the reasons for the lack of co-operation. Finally, suppliers’ evaluation of firm efficiency is covered.

Firm-supplier cooperation on the primary activities: The suppliers of all the Co-ops, private and MNCs firms responded generally that they do not have strong firm-supplier cooperation on most of the issues of production operations under primary activities. However, they have shown their cooperation on the issues of product testing and facility operations (except co-ops). Only suppliers of MNCs responded cooperation with the firms on all the outbound activities, like finished goods warehousing, material handling, delivery vehicle operation and order processing. Suppliers of the private firms also recorded cooperation on all the outbound activities other than finished goods warehousing (except Mother Dairy). However, co-ops have only replied for the cooperation on delivery vehicle operation and order processing. Managers of suppliers of all the co-ops, private, MNCs firms have reported no cooperation on any issue of marketing and sales. However suppliers of MNCs replied for cooperation only on value evaluating of delivery of inputs. In case of after sales services, cooperation is reported only on product adjustment.
Firm-supplier cooperation on purchase and inventory management:
The suppliers of all co-ops, private and MNCs firms responded that they cooperate with the firms in providing goods when just needed and on credit sales without discounts. However, suppliers of all the MNCs and two private firms (Kwality Dairy and VRS Foods) reported their cooperation on credit sales with discount also. But there is no cooperation between the suppliers and firms on exchanging skilled staff.

The benefits of co-operation: The suppliers of all the MNCs firms responded the benefits on the maximum issues they get as a result of their cooperation including decrease cost of selling goods, creating trust of customers (except Heinz India), decreasing the time needed to sell the goods (except Heinz India), as well decreasing the carrying cost of inventory (except Cadbury India). Minimum co-operational benefits are reported by the suppliers of co-ops, only creating trust and decreasing time. However, suppliers of private firms have shown the benefit of decreasing carrying cost also. Supplier of VRS foods from private and Heinz from MNC has reported the benefit of minimizing the cost of ordering and transportation. It can be concluded from the observations that, maximum benefit of cooperation is being achieved by the MNCs and their suppliers; therefore, level of cooperation is highest in MNCs. After MNCs, private firms and their suppliers are availing the benefits of co-operation. Least cooperation is observed in case of co-ops.

Supplier rating of firm efficiency: The suppliers of all the co-ops, private and MNCs rated their partners as efficient on purchase order processing, bilateral communication and payment habits. Moreover suppliers of co-ops also rate on the basis of explanation to the enquiries and using suppliers’ services. While, suppliers of MNCs also consider marketing approach for the purpose of rating their customers.

Reflections on firm-supplier cooperation: it is observed in most cases that the co-ops agree with their suppliers on the lack of cooperation on major of primary activities as well as on sale/purchase and inventory management. However, the responses of the private firms and their suppliers reveal that their suppliers support the claim of the private firms’ cooperation on primary activities as well as on sale/purchase and inventory management. The co-ops’ claim of cooperation on inbound activities also contradicts with that of their suppliers. For MNCs the cooperation is reported best on primary and on sales/purchase and inventory management. Generally, according to the responses of the suppliers on the firm-supplier cooperation on the primary
activities, sales/purchase operations and inventory management is very poor for co-ops. But it is good for MNCs and private. As a result of which it is believed that private and MNCs firms are efficiently managing their transaction costs and that their value creation potential remains weak. However, co-ops are lacking in the management of their transaction costs and that their value creation.

C.2. Firm-Customer Linkages

In order to study how efficient firms manage their customer linkages researcher asked their commercial managers about what and how they cooperate on primary activities, sales operations and inventory management. It was also inquired on the benefits the firms get as result of their cooperation or why they do not cooperate and whether the firms assess their customers’ opinion.

C.2.1. Responses of the Main Firms

Comparatively, how efficient are the co-ops, private and MNCs firms in managing their customer linkages? researcher seek an answer to this question by asking the financial and commercial managers of the firms about if and how they cooperate with their customers on primary activities, sales operations and inventory management. It is also inquired that what benefits they get as a result of their cooperation or why they do not cooperate.

Firm-customer cooperation on primary activities: All the co-ops, private and MNCs firms reported that they cooperate with their customers on production operation for packaging, assembly (except MNCs), product testing and facility operations. However, VRS Foods do not cooperate assembly and Heinz India also not cooperate in facility operations. However, no one is co-operating in machining and equipment maintenance. All the co-ops, private and MNCs firms reported that they cooperate with their customers on outbound activities, particularly finished goods warehousing, delivery vehicle operation, material handling (except co-ops) and order processing (except private firms). Regarding marketing and sales activities, all the co-ops, private and MNCs have replied full cooperation on advertising promotion, sales force and sales/purchase channel selection (except Mother Dairy). All the firms manager cooperate with their customers on product adjustment after the sales. However, co-ops and MNCs also cooperate for providing customer training. From the above responses of the managers, it is evident that the firms, co-ops, private and MNCs cooperate with their customers for major of the activities. However, co-ops reported that their
cooperation with government customers and Mother Dairy is strong enough but with the private customers the level of cooperation is low. Private firms also have high cooperation with government customers comparatively, but they are also maintaining sufficient level with private firms also. MNCs have same level of cooperation with all types of firms.

Firm-customer cooperation on purchase and inventory management: All the co-ops, private and MNCs firms reported that they cooperate with their customers on the quality and quantity they have to sell to customers, on the terms of transportation and in providing the goods just in time for production. Therefore full cooperation is reported by all the firms’ managers on all the activities related to the purchase and inventory management. Regarding the benefits of the cooperation all the firms’ managers responded for increasing sales, creating trust of the customers and minimizing the cost of inventory carrying. However for the benefits of minimizing the cost of ordering and transportation, only private firms’ managers and Cadbury India responded positively. All the firms have responded for the importance of the cooperation between firm and customer. They have also shown that they have policies also for co-operating with customers. But some MNCs firms like Heinz and Cadbury India reported that customer don’t cooperate. Co-ops also reported for private customers that sometimes that don’t cooperate. Due to these reasons, co-ops sometimes do not plan cooperation with private customers.

Assessing customer satisfaction: According to the financial managers, all firms get feedback on their customers’ opinion on the quality of their products, and services by allowing them to return any product with inferior quality, make periodic assessments of customer opinion and making strict quality control at the production floor. However, no one allow customer to pay only if products are as per their expectations.

C.2.3. Firm-Customer Cooperation in Response of Customers

Firm-customer cooperation on the primary activities: The customers of all the firms, co-ops, private and MNCs responded that they have the cooperation with their supplier firms on the activities of order processing and delivery vehicle operations for inbound activities as a part of primary activities. Moreover, the customers of co-ops and MNCs have also replied for their cooperation with the suppliers firms on receiving the goods. For storing, customers of Nestle and Cadbury India from MNCs, Kwality Dairy from private and Haryana co-op have recorded their co-operation. However,
no customer has replied for its cooperation with supplier firms on distribution to production, inventory control and material handling (except Nestle and Cadbury India). Regarding the production operation under primary activities, commercial managers of the entire customer replied that they have cooperation on packaging, product testing and facility operations (except Heinz India and Haryana co-op) with supplier firms. However they do not have cooperation on machining, assembling and equipment maintenance. It may be due to the nature of the operations and product. Commercial managers of all the customers have responded very positively on all the activities, advertising, promotion, sales operation, sales force and sales/purchase channel selection. Customers of Co-ops indicated their cooperation on supplier training. Mother Dairy conducts workshop on regular basis for their supplier co-ops. For product adjustment all customers replied their cooperation with their suppliers.

Firm-customer cooperation purchase and inventory management: during the interview with the commercial managers of customers of all co-ops, private and MNCS, they replied for their cooperation credit purchase without discount and receiving the goods when just needed. Moreover, customers of co-ops also reported their cooperation on exchanging skilled staff with their suppliers. Customer of Heinz and Cadbury India has expressed their cooperation on credit purchase with discount from their suppliers. Customers have responded the absence of well defined specific policy from management on cooperation as the reason for non co-operation, however, the level of cooperation in practice is recorded good. All are agree with the cooperation of their suppliers firms and the benefits of co-operation.

Customer rating of firm efficiency: Customer of the co-ops replied that they rate their suppliers on marketing approach (except Haryana), sales processing, product quality, delivery of goods (except Haryana Co-op) knowledge about the customers, explanation to enquiries, bilateral communication, using customer services and cash collection habits (Haryana co-op). Customer of the private firms replied that they rate their suppliers on sales processing, product quality, delivery of goods, impartiality with other buyers (only VRS Foods), and explanation to enquiries (except VRS Foods), and knowledge about the customers (only Kwality Dairy), bilateral communication (except Kwality Dairy) and cash collection habit (other than Kwality Dairy). Customer of the MNCs firms rate their suppliers on marketing approach, sales processing (except Nestle India), product quality, delivery of goods, and explanation to enquiries, and cash collection habits. No one has responded for the cost of the product for rating the supplier.
Some reflections on inter-firm cooperation: Let now make some concluding remarks with regard to the overall firm-supplier-customer cooperation which is prevalent in the co-ops, private and MNCs firm.

Overall, from the above empirical findings it can be conclude that the co-ops’ relationship with their customers and suppliers is partially determined by NDDB regulations, otherwise they are empowered to take the decisions regarding how they have to co-ordinate their primary activities, sales/purchase and inventory management related to both backward and the forward linkage. So the firms’ management has sufficient managerial empowerment. On the other hand the private firms have full autonomy to manage their inter-firm linkages with suppliers and customers. They can design and implement dynamic approaches of firm-customer cooperation.

The firm-supplier-customer relation of the MNCs firms is also efficient because of the customer oriented management culture, best managerial experience with the private sector and existence of other competing private and MNCs firms, which could provide for exemplary firm-customer co-operations

In general, most firms do not use a well defined and particular approach to keep in touch with their suppliers and customers or expedite their backward and forward linkages. However, when the responses of the firms and their customers are compared, all firms and their suppliers and customers agree that they have cooperation in major of the marketing/sales and after sales services.

Table: 4.B The Practical Findings on Managing Working Capital Externally

<table>
<thead>
<tr>
<th>Item</th>
<th>Dairy Cooperatives</th>
<th>Private Dairy Firms</th>
<th>MNCs Dairy Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier Linkages</td>
<td>cooperation depends partially on the basis of NDDB regulations, otherwise they are independent for their co-operative policies and practices. There is close inter-cooperative firm cooperation with the</td>
<td>Most have strong firm-supplier cooperation. They are planning synchronization among the policies of cash, payables and inventories with the policies of suppliers. Inter-firm cooperation decreased ordering cost, time needed to</td>
<td>Have strong firm-supplier cooperation. They are planning and implementing synchronization among the policies of cash, payables and inventories with the policies of suppliers. Inter-firm cooperation decreased time</td>
</tr>
</tbody>
</table>
## Evaluation

<table>
<thead>
<tr>
<th>Customer Linkages</th>
<th>Evaluation</th>
<th>Evaluation</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation depends partially on the basis of NDDB regulations, otherwise they are independent for their co-operative policies and practices. There is close inter-co-operative firm cooperation with the private sector except Mother Dairy is weak. With this closer firm customer cooperation sales is enhanced and the carrying costs of inventories minimized.</td>
<td>Evaluate their performance using comparative analysis of past versus present, actual versus expected and inter-industry benchmarks. Use liquidity and activity and profitability measures of accounting. Use customer satisfaction criteria of improving quality and communication.</td>
<td>Evaluate their performance using comparative analysis of past versus present, actual versus expected and inter-industry benchmarks. Use liquidity and activity and profitability measures of accounting. Use customer satisfaction criteria of improving quality and communication.</td>
<td>Have strong firm customer cooperation. They are planning and implementing synchronization among the policies of working capital levels and operations with the policies of its customers. Inter-firm cooperation has increased sales, trust with suppliers, decreased carrying and transportation costs.</td>
</tr>
</tbody>
</table>
Moreover, most firms have responded that they cooperate on sale/purchase operations as well as their customers also responded the existence of inter-firm cooperation on the same activities. The MNCs firms have also expressed their firm-supplier and customer cooperation on their inbound and outbound and production activities along with the opinion of their customers. Findings on managing working capital externally are summarized in table 4.B

**D. General Issues in Indian Context**

In the interviews conducted researcher asked the managers of the firms the effect of ownership, government regulations, managerial empowerment and cultural factors on the management of working capital. The findings reveal these factors have substantial influence on the managers. Table 4.C summarized these findings.

**Ownership:** With the co-operatives control by NDDB regulations impaired managerial empowerment to the some extent. There is also interference through subsidies, not presently and market protection. Competition is hindered by interference from the NDDB regulation to some extent and the firms have similar objectives and control patterns which aim at enhancing social objectives such as creating employment. Managers of the private firms face flexibility for empowerment but they have to face tough competition. And also there is no market protection for them. Management has to face tough challenge for their survival and growth. Firms have similar objectives and control patterns in trying to enhance social and profit objectives and so reflect characteristics of both government and MNCs firms. MNCs firms reveal strong resistance to new MNCS and private business environment. Due to presence of efficient financial institutions and capital markets they have good backup for investments and financing. They have full independent in policy making and also best available managerial manpower. The firms’ main aim is operational efficiency with a value creation as the ultimate objective.

**Government regulation:** Managers of the co-operatives are influenced partially by the NDDB requirements and interference of higher government bodies. Government regulations influence the type of business operations and inter-firm linkages. Government also determines the rules and guidelines on how the firms have to be managed. With the private and MNCs firms government regulations have negligible influence on the type of business operations, inter-firm linkages and the type of competition.
Managerial Empowerment: With the co-operatives managers, lack of management power has made an impact in the selection of alternative management approaches and has played a role in the development, acquisition and adaptation to proper managerial policies, but, to the less extent. Private firms’ managers are not influenced by the government requirements and interference of higher government bodies. Government sets guidelines on the type of business operations and how the firms have to be managed.

MNCs managers are fully empowered and free to select from alternative management approaches. However, they made high visible change in the development, acquisition and adaptation to proper managerial policies because of their multinational background, managerial experience and presence of financial institutions and capital markets.

Cultural Factors Researcher did not find any cultural practices, believes, or norms that hinder managing working capital levels and operations internally or externally.

Table: 4.C Practical Findings on the General Issues in the Indian Context

<table>
<thead>
<tr>
<th>General</th>
<th>Dairy Cooperatives</th>
<th>Private Dairy Firms</th>
<th>MNCS Dairy Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner ship</td>
<td>Control by NDDB regulations partially impaired managerial empowerment. There is government interference through market protection. Competition is hindered by the government. Firms have similar objectives and control patterns. Firms enhance political and social objectives.</td>
<td>Managers of the private firms face flexibility for empowerment but they have to face tough competition. Firms have objectives and control patterns of growth and increasing profit. Try to enhance profit objectives and reflect characteristics of both government and MNCs firms.</td>
<td>They reveal resistance to new MNCs and private business environment. Presence of efficient financial institutions and capital markets. Competition is not hindered by political interference from the government. Firms opt for operational efficiency with a firm’s value creation as the ultimate objective.</td>
</tr>
</tbody>
</table>

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**CONCLUSIONS**

Here researcher presents an overview of the findings on the comparative management of working capital levels and operations internally and externally in the co-ops, private and MNCs firms. Internally, it is explored the firms’ objectives, the constraints they encounter in achieving their objectives, their working capital management policy on levels of investment and financing.
as well as operations of purchasing and selling. It is also covered the external management of working capital with regard to the firms’ supplier and customer linkages. Particularly, the firms’ supplier and customer cooperation is investigated on primary activities, benefits of their cooperation or reasons for non cooperation and customer ratings on firm efficiency.

Overall working capital management: All managers believe that working capital management can play a very important role in creating value for their firms, in terms of both increasing sales and decreasing costs. However, it is also find that all the firms lack a clear objective in managing both working capital levels and operations. The co-ops and private firms also believe that they are doing little in managing their working capital. The managers are more involved in the control function, which is evidenced by the strict control mechanisms imposed over the levels of cash, receivables and inventory as well as operations of cash collections, cash payments, purchases and sales. The MNCs firms on the other hand have relatively better stated and applied objectives and better working capital management policies.

Constraints: The major constraint with the co-ops are lack of managerial power to take decision at all the fronts, lack of managerial experience an expertise and investment options available to them. For private firms, constraints are to the some extent lack of managerial experience and expertise and also investment options. For the MNCs firms it is neither the problem of managerial empowerment nor the lack of investment opportunities, financing sources, labor as well as lack of managerial knowledge and experience, which may constrain the achievement of objectives.

Working capital investment: All firms are excessively investing in current assets. They keep cash and inventory only for transaction purposes with an emphasis on the control aspect. Credit policy is also prevalent in all the firms in the real business sense.

With the co-ops and private firms, the level of receivables is controlled mainly because of the timely payment by the related enterprises. Moreover, in the private firms, the inventory balance is also under control because of increase in sales along with the increase in production. The cumulative effect of this is the decrease of both bank overdrafts and creditors. However, working capital levels are increasing because management has no opportunity or motive for investing working capital or minimizing its holding costs. In the MNCs levels of cash inventory and receivable are managed in the better
position than co-ops and private firms. MNCs are able to maintain sufficient liquidity, to minimize inventory and receivables. And, they are also synchronizing their policies with policies of their suppliers and customer to efficiently manage the levels of working capital.

**Short-term financing:** The firms has clear policy of managing the levels of working capital financing. As a result most firms are in a safe position of liquidity. Firms generally finance their working capital operations from cash collected from sales, trade credit and bank overdrafts. Co-ops are taking the help of co-operative banks of state. The finding on working capital level of investment and short-term financing signals that these firms’ policies of short-term financing are working well. Cost of financing is being paid in the form of interest to the banks. Some firms are also availing the facility of cash credit limit offered by bank and also special services provided by the banks. MNCs are also making fixed deposits with bank to facilitate the processing of overdrafts whenever required. However excess cash of the firms is not being invested in other options, it is being accumulate for future expansion and modification.

**Working capital operations:** The co-ops’ sales policies, to the some extent and are dictated by the NDDB regulations, but they are independent in making policies for private and Mother Dairy. Private firms are fully independent in making their policies for sales and purchase. The managers of the co-ops and to the some extent of private also lack the experience to apply a value creating management system. Analysis of purchase and sales operations shows that although firms have policies on how to purchase their materials and sell their products, but value creating dimension is missing. However, MNCs are in better position than co-ops and private firms; they consider the policies of their suppliers and customers while drawing policies for themselves. Management of all co-ops’ working capital operations is restricted only to the application of clerical procedures of purchases and sales and they have no mechanism of enhancing the contact, contract and control aspects of purchases and sales transactions.

**Performance evaluation of managing working capital internally:** The study of performance evaluation has indicated that most firms evaluate their performance by comparing their past with the present and actual with the expected. Their financial managers said that they apply some accounting, customer satisfaction and product quality based performance measurement and evaluation criteria. Moreover, private and MNCs firms reported also that they compare their performance with their competitors. MNCs provide quantity discounts for customer satisfaction; moreover, other firms also
improve quality of the products and communication with the customer to improve customer satisfaction. Liquidity of the firms is being checked by current and quick ratios, financial managers are also calculating inventory and receivable turnover for checking operational efficiency and cash, inventory and receivable to working capital for financial efficiency. Financial managers of all the co-ops, private and MNCs firms are also tracking the profitability and the firms’ performance determinants.

Liquidity analysis indicates that the private and MNCs firms are in liquidity problem because on the average all liquidity ratios are below the generally accepted global norms. The exception is VRS Foods from the private firms and the Heinz India Ltd from the MNCs firms. Investment in current assets whose turnover is very low make 58% and 45% in the private and MNCs firms respectively. When compared with the global norm of 50%, this current to total assets ratio is disproportionate particularly with the MNCs firms. The profitability ratios, particularly net profit and return on assets indicate low levels, particularly in most of the private firms (leaving VRS Foods). Overall performance findings suggest that the firms are doing little to create value by managing working capital levels of investment and short-term financing as well as operations of purchasing and selling.

**Firm-supplier linkages – the firms’ point of view:** The response of the co-ops firms indicate that they cooperate with their suppliers on the inbound activities, particularly, shipment and storage, production operation for product testing, facility operations and timely availability of raw material, product adjustment for after sales services. Moreover, Private and MNCs firms also cooperate on material handling and inventory control for inbound activities, sales /purchase channel selection on marketing and sales. Therefore, level of cooperation is high in case of private and MNCS firms. The co-ops revealed the weakest firm-supplier cooperation with private suppliers.

Generally, all firms have very weak firm-supplier linkage on all marketing/sales and after sales services. The co-ops traced the reason for the lack of firm-supplier cooperation to the non cooperation of private suppliers and to the some extent NDDB regulations. The reason for the lack of firm-supplier cooperation according to the private and MNCs firms is for two reasons. First, their suppliers do not cooperate and second, suppliers have easy options.

**Inter-firm linkages suppliers’ point of view:** The suppliers of all firms reported that they have very little cooperation on all the primary activities.
The suppliers indicated that the only cooperation is on production operation for product testing, facility operations, delivery vehicle operation and order processing for outbound activities and timely availability of raw material, product adjustment for after sales services. The private firms’ supplier response on inter-firm cooperation with regard to all primary activities is comparatively better than co-ops. The main reason for lack of cooperation according to all the suppliers is that the central firms’ lack the willingness to cooperate. Comparing the responses of the co-ops and private firms and their suppliers indicate that both firms have exaggerated their firm-supplier and customer cooperation on their inbound and outbound and production activities in comparison to the opinion of their suppliers.

**Firm-customer linkages – the firms’ point of view:** The co-ops firms revealed the weakest firm-private-customer co-operation. Their responses show that they have good firm-customer cooperation with Mother Dairy on major of the primary activities. The responses of the private firms also indicate that they cooperate well with their private customers only on major of the primary activities. According to the MNCs firms’ cooperation with their customers on major of primary activities is very strong. As it is the case with the firm-supplier linkages, all firms have very weak firm-customer cooperation on the activities related to after sales services. All the managers have mentioned the importance of cooperation and have not responded much about reasons for non co-operation, however, MNCs have responded that some times, customer do not cooperate but it is not regular practice. However, all the mangers are agree with this fact that they do not have the policies of cooperation from view point of creating value for the firm, and also they expressed the need of it. Position of MNCs is at the top for the cooperation with their customer, may be due to their international exposure and best manpower available. Private firms are after MNCs, however, co-ops are lacking in cooperation with their private customers, but with Mothhr Dairy they have exceptionally good relations. It may be due to the reason that both come under NDBD.

**Inter-firm linkages from customers’ viewpoint:** The customers of all firms reported that they have moderate cooperation on the primary activities, working capital levels and operations. All the managers of customer firms have replied for the benefits of the cooperation and they feel that there is the absence of well defined co-operative policy. Whatever the cooperation they have but the dimension of value creation for the firm is missing.

**Customer evaluation:** All firms are evaluated by their customers as efficient on their marketing approach, sales processing (except Nestle India), product
quality, delivery of goods, and explanation to enquiries, and cash collection habits. No one has responded for the cost of the product for rating the supplier.

Customer of the private firms replied that they rate their suppliers on sales processing, product quality, delivery of goods, impartiality with other buyers (only VRS Foods), and explanation to enquiries (except VRS Foods), and knowledge about the customers (only Kwality Dairy), bilateral communication (except Kwality Dairy) and cash collection habit (other than Kwality Dairy).

**Finally summing up:** How close the firms cooperate with their suppliers and customers is highly influenced by whether the supplier or customer is Government or private firm. Generally, it is observed that there is close inter-firm cooperation between the firms and their Co-ops/government supplier/customers. Though they may not necessarily have a written instruction when it comes to inter-firm cooperation, all co-ops firms give more priority to other “related” co-ops. It is argued here that there are two reasons for the inter-co-ops firms’ cooperation. First, the co-ops firms trust each other more than they trust the private firms and therefore make transactions on credit basis. Second, government regulations require them to transact among themselves. Private firms also have the same tendency of co-operating more with government firms or giving preference to them than private firm may be due the reason of government guidelines, however, they have also shown good cooperation with their private counter parts. MNCs are having good cooperation with private firms, because they have only private suppliers/customers. Therefore, there is no matter of any preference.

A clear difference that is also observed among the co-ops, private and MNCs firms is on the existence of a plan for the future. The private and MNCs firms have a clearer strategy to expand into new markets and to strengthen their existing supplier linkages. The co-ops are also planning to expand their operations to meet growing demand but they are not much clear for course of action may be due to the NDDB intervention in their operations. It is observed that more inter-firm trust exists among the private/MNC and Government/Co-ops/MNC. The fact that they are co-ops has increased trust among the firms and decreased the possibility of opportunistic behavior and the need for ex-ante safeguarding and ex-post control measures. However, when it comes to the inter-firm linkages with the private firms it is observed that they apply collaborative incentives or cohesive. Moreover,
it is believed that the inter-firm cooperation between the firms has helped the firms to increase their profit.

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**PRAYER**

Prayer needs no speech.

- Mohandas K.Gandhi

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