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IMPORTANCE OF WORKING CAPITAL FOR SMALL AND MEDIUM ENTERPRISES

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SUMMARY

With the search for better results and profitability, organizations are increasingly looking for improvement in their business management. Working capital in the financial management of companies means the capital needed to finance the continuity of the organizations' operations. Thus, being resources for financing customers, in sales in installments, resource to maintain inventory and to make payment to suppliers, referring to the purchase of raw material or product for sale. And other obligations related to the company. Working capital in the financial management of organizations is directly related to the operating cycle and other business techniques. The main objective of the article is to highlight the importance of working capital management in micro, small and medium-sized companies.

Key words: Working capital, Operating Cycle, Companies.

1. INTRODUCTION

The small business segment, according to information from SEBRAE, are those that generally employ the most. This is due to the fact of their great breadth in the national context, as they comprise more than ninety percent (90%) of the enterprises and employ about fifty percent (50%) of the Brazilians. According to the complementary law 123/06 known as “General Law of Micro and Small Companies”, a duly registered business is considered as a small company when it has an annual turnover of more than three hundred and sixty thousand reais (R $ 360,000.00) and less to three million and six hundred thousand reais (R $ 3,600,000.00).

The formation of micro and small companies is not only a privilege for those who have talent. But yes, the result of hard work, effort and dedication by the segment you have chosen. It is important to note that the existence of micro and small companies is the sustainable basis of the country's economy. For this reason, emphasis must be placed on the survival of this segment in order for economic and social development to occur (PALERMO, 2002).

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Furthermore, according to Palermo (2002), 71% of micro and small enterprises are no more than four years old and 48.5 million workers are in the informal sector. Business success increasingly depends on using appropriate financial practices.

Due to the needs of this business segment, working capital management has been demanding greater care, due to the growing complexity of the Brazilian economy, the expansion and sophistication of the financial market and the high cost of credit. But this business segment goes through several negative factors such as lack of working capital, financial problems, high tax burden, economic recession, lack of customers and competition (ARAÚJO; SIQUEIRA, 2012).

Organizations increasingly need new means to manage their resources, in order to reduce cost and increase productivity, in order to be able to meet demand, a consequence of such actions, which aim to prioritize the company's liquidity and profitability. Since I increasingly consumed itpain, is more demanding, a fact that is more than a generation connected to shopping, and deciding to choose a product and / or service. Also emphasizing that the consumer is opting for products and / or services with high quality and low prices (DELOOF, 2003).

In this sense, special care is required for the management of working capital to prevent possible disappointments or future imbalances and maintain the company's solvency status.. As Araújo and Siqueira (2012) point out that, according to research, in small organizations, about 90% of the financial manager's time is dedicated to the management of working capital. Emphasizes Gitman (2004, p. 510), that current assets, commonly called working capital, "represent the proportion of the total investment of the company that circulates, from one way to another, in the normal conduct of operations". This idea involves the repeated transition from cash to inventory to accounts receivable and back to cash.

Corroborating this view, Assaf and Silva (2010), when he says that, defines it as the capital that is spinning within the organization financing the organizational cycle, from the purchase to the receipt of the goods sold. And when completing this cycle, it should be greater than the initial value. In a simplified way, capital is what the organization has in cash available to meet its immediate operational needs.

Working capital is impacted by the various changes faced by the organization, including receivables, accounts payable, cash management, inventory management, among other processes aligned with business management. Another point to make is that the company's need to use working capital can occur due to the reduction in sales volume, or also, if the growth in this need is greater than working capital. Thus, resulting in a negative treasury balance, and if this situation occurs once or more, the organization automatically undertakes to use third party capital to then maintain the operational activities taking place in the organization. This being the alternative, to try to solve the problem, since the working capital, is not being enough to supply the needs (ASSAF; SILVA, 2010, MATARAZZO, 2010, CARVALHO; SCHIOZER, 2012, TÓFOLI, 2008).

Note that when the company opts for working capital loans, it means that its immediate liquidity does not present a satisfactory situation. This fact, which ends up reducing its competitive power in the market, giving the opportunity to other competitors, gain space and make more sales.Through good working capital management, it is possible to obtain good results in the business. Because it involves a continuous process in decision making, aimed at preserving the organization's liquidity, which consequently affects its profitability (ASSAF; SILVA, 2010).

Therefore, the main objective of this article is to highlight the importance of managing working capital in micro, small and medium-sized companies.

However, in the next chapter the bibliographic review is presented, thus describing the topics covered: definition of micro, small and medium-sized companies, working capital management, gross working capital and net working capital, own and third party working capital. , operating cycle and cash flow. In chapter 3, the methodology used to carry out the research is presented, being an exploratory and theoretical research, based on bibliographic material and scientific articles. In chapter 4, the final considerations are presented.

2 THEORETICAL FOUNDATION

The management of a company, in an efficient and intelligent way, is considered as the key to success for entrepreneurs, traders and professionals, of micro, small, medium or large companies. Anyone involved in the business world, offering goods and services, in the current economic scenario, needs to have knowledge of negotiation, in this complex and innovative world in products and / or services. In order to do so, be prepared to use viable instruments, which allow the optimization of yields or have the ability to estimate future financing needs. Accordingly, an organization needs a management system that involves the financial and economic control of the company.

Emphasizing that its financial control occurs through the management of working capital, which requires daily monitoring, as the information in an organization, or the market to which it belongs, may change daily. Concluding the theoretical framework, with the concept of cash flow, which aims to assess the financial situation of the company, thus knowing its real capacity for payment.

2.1 Definition of micro, small and medium-sized enterprises

According to data from CEMPRE (Central Register of Enterprises) - IBGE (Brazilian Institute of Geography and Statistics) - of 2012, they inform that micro-enterprises represent 89% of the total of companies in Brazil, hold 21.4% of employed persons and 6.4 % of total wages and other remuneration paid. With regard to small companies, the figures are, respectively, 9.3%, 17.8% and 10.7%, while for medium-sized companies, there is 1.3%, 13.4% and 12, 6%. These numbers make micro, small and medium-sized companies vitally important, both economically and socially. Luna (1983, p.4) lists a series of characteristics specific to these economic units, including:

> [...] the capacity to absorb significant contingents of labor, at low cost, with lesser demands in terms of qualification, including an important labor training school for the large company; the considerable participation in the generation of the gross national product and, consequently, in the stability of the economy; its contribution to the solution of regional imbalances and the process of strengthening the interior, given its greater flexibility in terms of location; the action of complementing the large company, operating in sectors incompatible with its scale.

Worldwide, there are several criteria used to define small and medium-sized enterprises. Thus, definitions that are based on the number of employees, capital, gross revenue, net operating revenue, degree of technological sophistication, among others, considered in isolation or together (LUNA, 1983).

Even if the quantitative criteria prevail, SOLOMON (1986, p. 32) states that “none of the quantitative definitions of Small Business can be considered universally satisfactory”. In view of the question about the definition of small and medium-sized companies, it can be concluded that, currently, there is no universal standard that classifies companies as Small or

Medium. Each body, state or country, has its own definition, as they use the criteria that best lead to their goals.

According to SEBRAE (2016), the General Law on Micro and Small Enterprises was instituted in 2006 to regulate the provisions of the Brazilian Constitution, which provides for differentiated and favored treatment for micro and small businesses. It was conceived with the broad participation of civil society, business entities, the Legislative and Executive Authorities and has gone through four rounds of change, always with the objective of contributing to the development and competitiveness of Brazilian micro and small companies, as a generation strategy employment, income distribution, social inclusion, reducing informality and strengthening the economy.

Through the General Law, the specific tax regime for small businesses was instituted, with a reduction in the tax burden and simplification of the calculation and collection processes, which is Simples Nacional. In addition, the Law provides benefits for small companies in various aspects of daily life, such as simplification and red tape, facilities for accessing the market, credit and justice, stimulating innovation and exports. The General Law standardized the concept of micro and small companies by framing them based on their annual gross revenue (SEBRAE, 2016).

According to data from SEBRAE (2016), the criteria that classify the size of a company are an important support factor for micro and small companies, allowing establishments within the limits established to enjoy the benefits and incentives provided for in the legislation. It is important to note that the simplified taxation regime - SIMPLES, which is a strictly tax law, adopts a different criterion to fit micro and small companies. The limits, as provided for in Provisional Measure 275/05, the values of which were updated by the Draft Law of the Chamber (PLC) 77/11 that adjusts the General Law of Micro and Small Enterprises (Complementary Law 123/06), are:

a) Microenterprise: annual gross revenue equal to R $ 360 thousand;
b) Small Business: gross annual revenue of R $ 3.6 million;
c) Individual Entrepreneur: with gross revenue of R $ 60 thousand;

According to SEBRAE data, the changes directly benefit 5.5 million companies in Brazil (Simples Nacional), since the benefit also affects about 1.6 million individual entrepreneurs in the country;

Simples Nacional gathers six federal taxes - IRPJ, IPI, PIS, Cofins, CSLL and employer's INSS, plus ICMS collected by states and ISS collected by municipalities. Emphasizing that each Brazilian state has a variety of concepts and criteria to classify micro and small companies, according to their own economic and fiscal situation. Municipalities lack laws in this regard, with very few of those that include the MPE segment with their own development legislation.

2.2 Working Capital Management

Certain business processes must be properly managed, such as working capital, an important tool for decision making, being considered a resource to sustain the day-to-day operations of your company's assets and liabilities (MATARAZZO, 2010).

According to Assaf e Silva, "working capital has a relevant participation in the operating performance of companies, generally covering more than half of their total invested assets". (ASSAF; SILVA; 2012, p.01).

> The study of working capital is essential for the financial administrator (investment of resources) and for other operational areas in companies, such as production,

> purchases and sales, for example. For business analysts, the concepts related to working capital management also serve as a means of understanding basic analysis structures. (SILVA, 2012, p.387).

One of the factors causing the financial crisis in a company is precisely the lack of control of its working capital, causing an insolvent situation, that is, loss of liquidity. The need to measure working capital leads entrepreneurs to define financial strategies, as interpreted by the author:

> [...] it is not only a fundamental concept for the analysis of the company from a financial point of view, that is, cash analysis, but also of financing, growth and profitability strategies. (MATARAZZO, 2010, p.283).

Also contributing, that working capital is directly linked to the operating and cash cycle of organizations, thus making a chain of stocks and business logistics (CARVALHO; SCHIOZER, 2012, TÓFOLI, 2008).

Emphasizing Assaf and Lima (2009, p.632) “working capital is basically formed by three important current assets: available (cash and financial investments), amounts receivable and inventories”. Matarazzo (2008, p. 338) mentions that “the need for working capital is the key to a company's financial management”.

For Assaf and Silva (2010, p. 15), “working capital represents the resources demanded by a company to finance its operational needs.” Stressing that, according to the same author, that the management of working capital, ensures that the resources are sufficient in the company, to be able to continue with the operation, thus aiming to avoid costly interruptions.

Through working capital management, the organization's current assets and liabilities can be managed. Since, when the Current Assets is greater than the Current Liabilities, the organization has positive net working capital, and when the opposite occurs, it has negative net working capital (CARVALHO; SCHIOZER, 2012, LEVINE, 2004). Still Tófoli (2008) and Batistella (2006), say that the management of working capital covers the management of the organization's Current accounts, including also current assets and liabilities. Noting that Current assets represent more than half of total assets and a portion of total financing that is represented by current liabilities in organizations.

Figure 1. Balance sheet and working capital

ACTIVE	***PASSIVE***
Current Assets (AC) Available Amounts Receivable Stocks	Current Liabilities (PC) Providers Salaries and Social Charges Loans and Financing
Long-term assets (RLP)	Long-term liabilities (ELP) Loans and Financing
Permanent assets (AP) Investments Immobilized Deferred	Shareholders' Equity (PL) capital Bookings Accumulated Profits / Losses

Source: Assaf e Silva (2010).

According to Gitman (2004), working capital management addresses current (current) assets and liabilities, identified as those capable of being converted into cash within one year.

Because the current assets commonly called working capital, represents the proportion of the total investment of the company that circulates, in order to finance operations, among these: cash, stock, accounts receivable, among others. Current liabilities represent the short term, as they include all debts, with a maximum maturity of one year, which are values referring to suppliers, banks, employees and the government.

> The objective of short-term financial management is to manage each current asset (inventories, accounts receivable, cash and short-term financial investments) and each current liability (accounts payable, expenses payable, and financial institutions payable in the short term) in order to achieve a balance between profitability and risk that contributes positively to the company's value. (GITMAN, 2004, p. 510).

Gitman (2004) adds that Net Working Capital is generally defined as the difference between current assets and current liabilities. Analyzing the written context, it is clear that when the former exceeds the latter, the company has positive working capital, whereas when the former are less than the second, it represents that the organization has negative net working capital.

It is observed that, as a source of cash to settle current liabilities, companies choose to convert current assets from inventories to accounts receivable and cash. Cash outflows for payment of these liabilities are quite predictable. This fact occurs, bearing in mind, that the moment an organization makes a payment commitment, it is preparing to settle its obligation on the agreed date. It is then understood that the greatest difficulty is in the amount received, in the cash inflows, noting that they depend on external factors, which are not always controlled by a company. Collaborating further, Gitman (2004, p.510) says that “the more predictable your cash inflows are, the less net working capital you need to have”.

According to Assaf and Silva (2010), a management with working capital deficiencies can result in serious financial problems. These often cannot be reversed, thus contributing to a situation of insolvency.

Tófoli (2008) also points out that the objective of working capital management is to have a balance between profitability and risk. This fact, which has its relevance, related to production operations, since sales and collections are not synchronized with each other, causing the division of working capital into:

a) Fixed or permanent - referring to the minimum volume required to keep the organization running.

b) Variable or seasonal - defined as the additional and temporal needs for precise resources in a given period, an example of a case would be the advance purchase of inventories, or greater sales volume in a certain period of the year.

2.2.1 Gross Working Capital and Net Working Capital

Gross working capital is comprised of total current assets, with greater relevance for inventory accounts, amounts receivable, among others (TÓFOLI, 2008).

For Gitman (2004) the Net Working Capital (CGL) or Net Working Capital (CCL) represents the net value of the investment, noting that it is deducted from the short-term debts, which are made in the organization's current assets (capital) . The formula used to obtain the Net Working Capital:

CGL (CCL) = Current Assets - Current Liabilities

This formula is obtained by the difference between current assets and current liabilities. Therefore, it is identified if the organization has acceptable financial availability, being able to settle its liabilities in the short term. It also reports that it may occur from negative net working capital, not being able to honor its short-term obligations (GITMAN, 2004).

The net working capital, due to the periods that each organization uses to buy and sell, the financial results may vary, the liquidity in the company measured through the CCL will present greater liquidity when the CCL is higher. The net permanent capital, for Silva, (2012, p.392), "is the difference of the non-current accounts, that is, it is the non-current liability plus the equity less the non-current asset." Working capital involves short-term situations in companies, which are directly assimilated with cash flow, as this type of movement in the company is involved.

2.2.2 Own and third party working capital

Own working capital can be differentiated into own working capital or third party working capital. Own working capital is defined when current assets are greater than current liabilities. Since the assets within a year, are greater than the debts and obligations payable in the same period. In this way, the working capital itself represents the working capital values that belong to the organization, that is, the investments made by the company itself, through its own resources (DI AGUSTINI 1999, ASSAF; LIMA, 2009).

Oworking capital of third parties, represents a source of financing through the resources of financial institutions. Since, organizations that use third-party working capital, or financing sources and mechanisms, need to carefully analyze the relationship between the cost of working capital and its profitability related to the operation (ASSAF; LIMA, 2009).
Own Working Capital is commonly obtained from the calculation expression:

Figure 2. Own working capital

Equity XXX
(-) Permanent applications:
Permanent Assets XXX
Long-term assets XXX
Own Working Capital XXX

Source: Assaf and Lima (2009)

The formula presented above corresponds to the volume of own resources that the organization has invested in its current assets (ASSAF; LIMA, 2009). In conclusion, according to Di Agustini (1999), the working capital of third parties is defined when the current asset is less than the current liability, noting that the convertible asset within a year is less than its chargeable obligations within the same timeframe.

2.2.3 Operational Cycle

The operational cycle corresponds to the period of time that goes from the moment when the organizations receive the products and / or raw material in their facilities, until the moment when they carry out the negotiation, that is, when they receive the money for the sale of the finished product. . The operating cycle represents the interval between the moment when the organization acquires the goods and the moment when it receives the money related to sales. The author also says that the operating cycle refers to the period on average, that the resources are invested in the operations, without the corresponding cash inflows having occurred. Noting that part of this capital is financed by the suppliers that granted the payment term (MESQUITA, 2008, ASSAF; SILVA, 2010).

Gitman (2004, p.513), mentions that the operating cycle of a company refers to the period from the beginning of the production process to the receipt of re cashresulting from the sale of the product. "This cycle involves two basic categories of short-term assets: inventories and accounts receivable". The calculation presented for the result of the operating cycle, which corresponds to the average age of the stock (IME) with the average collection period (PMR), is presented by the following formula:

$$CO = IME + PMR$$

However, Mesquita (2008) and Gitman (2004) say that the process of manufacturing and selling a product also involves the acquisition of production factors in installments, resulting in accounts payable. As accounts payable, they end up reducing the days for which an organization's resources are spent in the operational cycle. The applicable period for settling accounts payable, measured for days, is determined by the average payment term (PMP). Since, the operating cycle, less the average payment term, is defined as the cash conversion cycle (CCC), which represents the period over which the organization's resources are invested. The formula for the cash conversion cycle is as follows:

$$CCC = CO - PMP$$

Assaf and Silva (2010) emphasize that the operational cycle is relevant to the company's situation and positioning. Some organizations have an operating cycle of less than one year, others already have a longer cycle, consequently a greater volume of working capital financing. Emphasizing that, the need for financing for working capital must be linked to some parameter that transforms it, when deemed important, into monetary values.

Gitman (2004) reports that companies can minimize the need for operational assets, as follows:

- Rotating the stock with the highest possible speed;
- Collect accounts receivable faster;
- Manage correspondence, processing and compensation times to reduce them when charging customers and increase them when paying suppliers;
- Pay the bills payable with the greatest patience, without prejudice to the organization's credit rating.

The economic cycle presented by Araújo and Siqueira (2012), the author says it can be translated as the period in which the goods are bought and stored until the sale is made. Noting Assaf and Lima (2009), the economic cycle is related to the entire production base of organizations, that is, storage of raw materials, manufacturing and, finally, sales. The period linked between the inputs of raw material purchased and the sale of the product at the final moment. And the financial cycle, represents the period in which it involves the payment of goods and / or raw materials to suppliers and the receipt for the sale of the product (ARAÚJO; SIQUEIRA, 2012).

The financial cycle is also defined as:

> The financial cycle exclusively measures cash movements, covering the period between the initial cash disbursement (payment of materials to suppliers) and the receipt of the sale of the product, in other words, it represents the time interval that the company will actually need financing for their activities (ASSAF and SILVA, 2010, p. 22).

Assaf and Lima (2009) present some strategies to manage the financial cycle:
a) Reduction of investments in inventory (thus promoting a greater turnover in inventories);
b) Maintain more efficient control over accounts receivable, adding, then, the credit granting analysis techniques and their collection policies;
c) Negotiating longer payment terms with suppliers, that is, observing that the situation of financial costs does not exceed earnings.

2.2.4 Cash flow

Organizations' planning of resources received, expected disbursements and cash must be monitored daily, allowing for better rationalization of resources. To support decision-making, financial management must use cash flow among more tools (GITMAN, 2004, MATARAZZO, 2010).

Being understood, by researchers in the area, as: “cash flow is the means by which the financial administrator calculates the company's financial inflows and disbursements in a given period.” (ZDANOWICZ, 1998, p.23). In the strict sense of cash flow "it means cash inflows deducted from outflows and added to the initial cash balance", but the term is also used to designate the financial resources generated by the operation. (PEREZ JUNIOR, et al. 1995, p. 85).

Cash Flow, according to the concept of Assaf e Silva: "... it is an instrument that relates the inflows and outflows of monetary resources within a company within a certain period of time." (ASSAF; SILVA, 2012, p. 33). The main objectives of cash flow, as described by Matarazzo (2010, p. 234) are: “evaluation of alternatives for investment; evaluation and control of decisions taken in the company that have monetary effects and evaluation of the company's cash, present and future, to avoid liquidity ”.

The cash flow statement includes operating, investing and financing activities. According to Gitman (1997, p.81), “operating cash flow is the inflows and outflows related to the production and sale of the company's products. This model shows the results and transactions made in a period ”. Investment flows are associated with equity interests and the purchase and sale of fixed assets. Financing flows are the result of loans and equity.

According to Gitman's definition:

> Combined, operating, investment and financing cash flows over a given period will cause the company's cash balance and marketable securities to increase, decrease, or remain unchanged. (GITMAN, 1997, p. 82)

Profitability refers to the company's profitability and is measured using indicators or indices that are calculated based on the data in the financial statements. According to Matarazzo, "index is the relationship between accounts or group of accounts in the Financial Statements, which aims to highlight a certain aspect of a company's economic or financial situation". (MATARAZZO, 2010, p.81)

Profitability indices measure the company's profitability in relation to its assets, sales, share value and shareholders' equity. There are several measures of profitability, according to Gitman:

> Each of them relates the company's returns to its sales, its assets, its net worth, or the share value. As a whole, these measures allow the analyst to assess the company's profits against a given level of sales, a certain level of assets, the investment of the

> owners, or the value of the stock. Without profits, a company will not attract third party capital; in addition, your current creditors and owners may be concerned about the company's future and try to recover your funds. Creditors, owners and management are always attentive to increasing the company's profits, due to its great importance to the market. (GITMAN, 2002, p. 120)

Profitability indicators can be divided into four types: Return on assets; Return on investment; Return on Equity; Profitability of sales. The return on the asset defines the net profit obtained by the company in relation to its asset. It is not a measure of capital profitability, it measures how much the company generates in net profit and thus can capitalize (ASSAF; SILVA, 2012).

The return on investment calculates the return produced by the total investments made by creditors and shareholders in the business. Therefore, “the investment is composed of the onerous resources raised by a company and the own resources invested by its owners, whose values are recorded in the shareholders' equity account” (ASSAF; SILVA, 2012, p.119).

The purpose of the return on equity is to calculate the rate earned on equity. The higher this rate, the better it will be for homeowners. As Assaf and Silva (2012, p.119) explains, "[...] for each monetary unit of own resources (equity) invested in the company, it is measured how much the shareholders earn profit".

Sales profitability calculates the efficiency that a company has in producing profits through its sales. This indicator can be obtained in net and operational terms, being net margin and operating margin.

3 METHODOLOGICAL PROCEDURES

The preparation of this article was exploratory and theoretical, based on different materials, such as books, specialized websites and scientific articles, in order to obtain information consistent with the theme. Also occurring, a critical and reflective reading for contextualization and general development of the article, in order to highlight the importance of working capital for small and medium sized companies.

Gil (2002) states that the methodology is defined as the study and evaluation of the various methods, with the purpose of identifying possibilities and limitations in the scope of its application in the scientific research process.

Therefore, exploratory research was developed with the aim of providing a broad view on a given subject. It is usually used when the chosen theme is little explored and it is difficult to formulate precise hypotheses about it. In this type of research the student conducts the study through bibliographic surveys of the area or through documentary research, informal interviews and following another alternative that would be a case study related to the subject addressed (GIL, 2002). For Santos (2004, p. 25) "exploring is typically making the first approach to a theme and aims to create greater familiarity in relation to a fact, phenomenon or process".

4 CONCLUSION

In view of the consulted authors, it was possible to verify that working capital represents a determinant factor of an organization's financial situation, since it expresses the level of resources necessary for the maintenance of business turnover. Demonstrating that, the accounts used in calculating the determination of the working capital need are those of short term and of quick effects. Thus, any change in stocking, credit and purchasing policies will have immediate effects on the organization's cash flow.

Assaf and Silva (2010) consider it of great value for the financial health of the organization, to have a certain amount of uncommitted amounts in order to finance the operational cycles. Such a measure avoids negative points in the proposed operations, which may pose risks to the company's objectives. However, many companies are not always able to provide significant amounts to pay off their short-term accounts, and end up using third-party or bank loans, as this is not always the best option.

Understanding thus, that in order not to go through tumultuous moments of company resources, the financial manager needs to be aware of the company's operating cycle, consumer behavior and the economic situation. And yet, have efficient inventory management for the development of operations.

In view of the presented, it is concluded that a good working capital management for an organization is extremely important, as the working capital is directly linked to the business operational cycle. Through working capital, we can find the most relevant and accurate sources, which organizations need to finance their growth.

It was observed that the efficient management of its elements contributes to the growth and maximization of profit, stating that a bad administration of the employed resources, can lead the company to bankruptcy.

Nowadays, the need for working capital is one of the biggest challenges for organization administrators. Because a high volume of working capital can be a facilitator for diversion of financial resources. In contrast, very low working capital ends up restricting the organization's operating and sales capacity.

It is concluded that, the company that adopts the working capital management in a certain way, results in the profitability and longevity of its business. The operational cycle demonstrates when resources are needed and when they are available. Thus having a control of investment and payment of obligations in the short term, in general, managing the terms of the organization's current accounts.

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