Working Capital

Business & Management

The cash tied up in day-to-day operations, and how to free it.

The cash conversion cycle is how long cash is tied up between paying suppliers and being paid by customers.

CCC = inventory days + receivable days − payable days

60 + 45 − 30 — **75 days**

Cash tied up for 75 days.

Negative CCC — **Customers pay before suppliers**

Supermarkets, some subscriptions.

Reduce it by — **Faster collection, less stock, longer terms**

THE COMMON MISTAKE

× **Treating working capital as free**

✓ **It is capital, and it has a cost**

Every day of inventory or receivables is financed by something — debt, equity or supplier credit — and all three cost money.

> **A negative cash conversion cycle means growth funds itself. It is one of the most valuable structural positions a business can hold.**