Why are we exclude cash while calculating working capital?

Operational Efficiency focus :-

By excluding Cash, the analysis can focus on how efficiently a company uses on how efficiently a company uses its operational assets (inventory and accounts receivable) to manage its Current liabilities.

Cash Surplus :-

If a company has a significant cash reserve this may indicate that it is not utilizing its assets efficiently. Excluding cash allows analysts to better assess the liquidity derived from current operational activites

Temporary nature of cash

Cash levels can fluctuate, so excluding it offers a clearer view of daily operational liquidity.

Industry - Specific Needs :-

Some business models benefit from focusing on non-cash assets for a better assessment of short-term obligations.

Creditworthiness :-

Provides a clearer picture of a company's ability to meet obligations using its operational resources.