Chapter - II

Review of the Literature
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Review of the Literature

Literature Survey is a process of developing an insight into both conceptual and research based studies available on the area and the topic chosen. The objective of such review is to understand the importance of the topic and find out research gaps if any in the chosen area. Thus the review of literature in the present study does consist of both published and unpublished research based and conceptual based studies available in India as well as abroad. The organization of the review was done on the basis of sequential arrangement of the studies related to Financial Performance Analysis and its components. A deeper look into the survey indicates that there were only a few studies available abroad and plentiful of studies in India. The survey also revealed that though a few case studies on individual plastic companies were available no attempt was made in India to study the plastic industry in any specific. Thus review of literature in the present study does comprise the following studies and observations.

1. Falope OI, Ajilore OT, 2009. Financial management and corporate profitability: evidence from panel data analysis of selected quoted companies in Nigeria. Research Journal of Business Management, 3: 73-84, they used a sample of 50 Nigerian quoted non-financial firms for the period 1996 -2005. Their study utilized panel data econometrics in a pooled regression, where time-series and cross-sectional observations were combined and estimated. They found a significant negative
relationship between net operating profitability and the average collection period, inventory turnover in days, average payment period and cash conversion cycle for a sample of fifty Nigerian firms listed on the Nigerian Stock Exchange. Furthermore, they found no significant variations in the effects of working capital management between large and small firms.

2. **Garcia-Teruel PJ, Martinez-Solano PM, 2007** - Effects of financial management on Profitability. International Journal of Managerial Finance, 3: 164-177, they collected a panel of 8,872 small to medium-sized enterprises (SMEs) from Spain covering the period 1996 - 2002. They tested the effects of working capital on SME profitability using the panel data methodology. The results, which are robust to the presence of endogeneity, demonstrated that managers could create value by reducing their inventories and the number of days for which their accounts are outstanding. Moreover, shortening the cash conversion cycle also improves the firm's profitability.

3. **CHOPRA, K.C.(2006), “Financing for The Decentralized Sector- Small and Medium Industries” THE BANKER, AUGUST, 2006** – The above article prepared on the thesis, reveals the financing for the SMUs in the decentralized sector. This article helped me in selecting the path for my study on credit facilities for SMUs. The article vividly discussed about the possible ways to finance the SMUs in the decentralized sector like Agricultural based and Artisan based SMUs. Really there is a gap between the centralized and decentralized sectors in getting
the finance from the banks. The banks are very much lenient in providing loan facilities to the centralized sector. Study was an attempt to study the intricacies faced by the decentralized sector SMUs in Guntur District, well known for its agricultural based industries.

4. **JAILAL SAAW (2005),** “Growth of Small Scale Industries in India” JOURNAL OF INDUSTRY AND TRADE, April – 2005, the growth of small and medium industries in India was discussed in the above article. The expected growth was not there because of lot of root causes to sickness and underdevelopment in the SME sector. This article discussed about the slow growth rate of SMUs, due to several problems. Through this study he focused on the one problem that is financial problems faced by the SME segment. He concentrated on the credit facilities offered by the governmental agencies as well as the commercial banks.

5. **Chander, Subhash and Rajan Kumar (2004) An Empirical Analysis of Some Aspects of Capital Requirements Small Scale Textile Industry of Punjab The Management Accountant July,** 2004 pp, 542 – 549, This study on small scale textile industry in Punjab found that the selected units by and large had used percentage method, need based method and sales percentage methods, need based method was the most popular method in determining the working capital requirement. The study also revealed that bank finance was the most widely used method next to own funds. The study also brought out the while
financing working capital requirement the banks heavily depended on periodical financial performance statement.

6. **Eljelly A, 2004.** Liquidity-profitability tradeoff: an empirical investigation in an emerging market. International Journal of Commerce and Management, 14: 48-61, empirically examined the relationship between profitability and liquidity, as measured by current ratio and cash gap (cash conversion cycle) on a sample of 929 joint stock companies in Saudi Arabia. Using correlation and regression analysis, Eljelly [9] found significant negative relationship between the firm's profitability and its liquidity level, as measured by current ratio. This relationship is more pronounced for firms with high current ratios and long cash conversion cycles. At the industry level, however, he found that the cash conversion cycle or the cash gap is of more importance as a measure of liquidity than current ratio that affects profitability. The firm size variable was also found to have significant effect on profitability at the industry level.

7. **Banerjee Prashanta Kumar (2003) “Performance Evaluation of Indian Factoring Business : A study of SBI factors and Commercial Services Limited and Can Bank Factors Limited “, Vision The journal of Business Perspective, January – June 2003, pp .55 – 68, In his study established the relationship between liquid ratio, debtors’ turnover ratio, creditors, turnover ratio and the movement of overdraft. The study found out that when the liquid ratio was below the norm, debtors’ turnover ratio and creditors turnover ratios were high while the movement of
overdraft showed declining trend. Banarjee demonstrated how turnover ratios would affect the financial performance of a given company. The study concluded that the management of working capital was not satisfactory.

8. **Deloof M, 2003.** Does working capital management affect profitability of Belgian firms? Journal of Business Finance and Accounting, 30: 573-588, To test the relationship between working capital management and corporate profitability, Deloof [5, p. 573] used a sample of 1,009 large Belgian non-financial firms for a period of 1992-1996. By using correlation and regression tests, he found significant negative relationship between gross operating income and the number of days accounts receivable, inventories, and accounts payable of Belgian firms. Based on the study results, he suggests that managers can increase corporate profitability by reducing the number of day’s accounts receivable and inventories.

9. **Jack Large Ed Krawitt from Memec (2003) -** Discussions among bankers vendors and own mangers on European cash management in 2002 – 03 revealed that the banks have a key role to play in improving the effective working capital management. It also came out that the change in focus of the businesses to working capital management was key ingredient factor in enhancing the effective working capital management, speaking on this occasion the members have stressed the need for value chain analysis in order to benefit in terms of infrastructure with efficiencies and massive opportunities of integrated working
capital management. The members in the panel included Jack Large Ed Krawitt from Memec, John Gorrie from Hitachi, Richard Martin from ABN Amro Michae Cannon from JP Morgan, Peter Hazou from HSBC Michael Mueller from Deutsche Bank and Claudia Colic From Citigroup.


11. **Colina and Juan (2002) “Capital Optimization, Colina and Juan,”** Pulp and Paper, July 2002, Vol 76, No.7, pp.64, This is study on capital optimization at Georgia Pacific Corporation a paper industry, Colina and Juan discussed the advantages of optimizing working capital for pulp and paper industry, The
study revealed that when their exists credit crunch relying on outside sources for capital requirements would result in further hazards. Speaking on the occasion Jim Terrell, the then Vice President of the corporation has stressed the need and importance of tuning the capital in any business.

12. **Harczak Jr. Harry (2001)** Collaborating With it – what a concept” Treasury and Risk Management June 2001, Vol 11 No. 6, pp. 6, While speaking on the importance of integrating information technology and capital management he said that it benefits a lot if organizations integrate information technology with decision making and capital management.

13. **Dutta, Joginder Singh (2000)** Capital Management of Horticulture Industry in H.P. – A case Study of HPMC “Unpublished thesis, Himachal Pradesh University 2000, This study on “Capital Management of Horticulture Industry in Himachal Pradesh” – a case study of Himachal Pradesh Horticulture Produce Marketing and Processing Corporation (HPMC), for the period from 1990-1991 to 1997-98, it also attempted to analyze and evaluate capital management by throwing light on financing pattern of capital. The study revealed that the capital position worsened drastically during the study period. It was also found out that, despite suffering huge losses, the firm was holding huge idle inventories and hence miserably failed to trade off between liquidity and profitability. The regression result of the study has revealed that there was no significant correlation between capital and sales.
14. **Harinath Reddy S, (2000)** “Capital Management in small scale industries – A Case Study of Cuddapah District unpublished thesis sir venkateswra University, Tirupati 2000, This study on capital management in small scale industries – a study of Cuddapah district, Andhra Pradesh in 2000s. Harinath Reddy attempted to examine the capital structure in 30 small scale industries. The study revealed that 50% of the sample industries did have very close watch on capital and one third of sample units controlled capital by preparing production and sales budget. Excess investment was noticed in debtors and it was due to ineffective collection mechanism. In all sample industries the cash capital needed was in excess of the average balance sheet working capital. The existence of wide gap between cash working capital and balance sheet working capital led to insufficient working finance. The overall profitability of all sample units was found to be satisfactory during the observed period. He suggested the industries to enhance the profitability by adopting effective working capital management practices envisaged in the study.

15. **Cecilica Ricci and Nino Divito (2000)** “International Financial Management Practices in the UK, “European Financial Management, Vol.6 No.1 2000, pp 69 – 84, This study is among 88 UK based companies addressed the gap between academic research and practitioners views with respected financial management practices. The study revealed that though factoring services was the prime method in UK, the same was not used
prominently in the sample companies. The study also revealed that 50 percent of the respondents were using letter of credit major source of financing.

16. **De Chazal Du Mee (1998)** - “Research Study on Small and Medium Enterprises”, Final Report Narasimhan, M. S. and Murty, L. S. 2001. “Emerging Manufacturing Industry: A Financial Perspective”, Management Review, June, pp. 105-112, Along the same line, Berry et al (2002) finds that SMEs have not developed their financial management practices to any great extent and they conclude that owner-managers should be made aware of the importance and benefits that can accrue from improved financial management practices. The study conducted by De Chazal Du Mee (1998) revealed that 60% enterprises suffer from cash flow problems. Narasimhan and Murty (2001) stress on the need for many industries to improve their return on capital employed (ROCE) by focusing on some critical areas such as cost containment, reducing investment in working capital and improving working capital efficiency.

17. **Indrasena Reddy P. and Someswar (1996)** working capital management in public sector Undertakings – A case Study The management Accountant September 1996, pp 643 – 645, they conducted a study in Hindustan Cables Ltd for the period for 1989-1994. Having studied current ratio, quick ratio, working capital turnover ratio and average collection period, the authors concluded that liquidity position of the company was unsatisfactory. However, the study revealed that there was a sign
of improvement in the management of inventory and ineffectiveness in the management of debtors. The study recommended for effective utilization and control of current assets.

18. Dr. Khwaja Amjad Saeed (1995) - In conference held by chartered Institute of Management Accountants at its Lahore Chapter 75 anniversary the importance of effective working capital management was discussed in detail speaking on the occasion Dr. Khwaja Amjad Saeed, the then Pro. Vice Chancellor of Punjab University organization primarily depends on effective managements working capital (CIMA, 1995).

19. Manjumdar (1994) - Concentrating exclusively on borrowing as source of financing working capital requirements in the corporate sector in India. Manjumdar (1994) has carried out an empirical analysis among 20 corporate companies in India (10 from private sector and 10 from public sector) for the period from 1981 to 1990. The study revealed that the share of public deposits to total borrowings on an average was only 6 % in public limited companies and this was only 0.08 % in private sector companies. The results indicated that the public deposit was not a significant source of working capital finance among the selected sample companies during the study period. The study revealed that current ratio in private corporate limited companies was 1.38, which indicated aggressive policy. In government companies the current ratio was 4.32 indicating conservative policy adopted by them which in turn resulted in higher debt equity ratio. On
overall basis this comparative study indicated that working capital management in public sector companies was better than of private sector companies.

20. Jain Praveen Kumar (1993) - Management of working capital R. B. S. A. Publishers Jaipur 1993, They studied seven paper companies in India to analyze the basic components of working capital. The study revealed that the current ratio in public sector undertakings registered continuous decrease. As far as the inventory was concerned the study revealed that it was highly unplanned in Public sector undertaking units when compared to private sector units. The study contributed much In terms of realizing the importance of effective management of working capital.


Business Banker it has been found out that online service is of
great use from both the industry and bankers point of view.

23. **Joshi, Navin Chandra, (1999)**, “Inventory Management Re-
    Defined,” Indian Management, May 1999, pp.52-55, in his
    article emphasized the importance of maintaining a fair degree
    on the levels of inventory based on sound management practices
    and principles. He concluded that it was worthwhile to make
    inventory control part of production control in order to maintain
    a flow of materials this connection the author recommended for
    coherence and coordination with the production programmes.

24. **Kargar, J. and Blumenthal, R. A. 1994** - “Leverage Impact of
    No.6, pp.46-53. While the performance levels of small
    businesses have traditionally been attributed to general
    managerial factors such as manufacturing, marketing and
    operations, working capital management may have a consequent
    impact on small business survival and growth (Kargar and
    Blumenthal, 1994). The management of working capital is
    important to the financial health of businesses of all sizes. The
    amounts invested in working capital are often high in proportion
    to the total assets employed and so it is vital that these amounts
    are used in an efficient and effective way. However, there is
    evidence that small businesses are not very good at managing
    their working capital. Given that many small businesses suffer
    from undercapitalization, the importance of exerting tight control
    over working capital investment is difficult to overstate.
25. **Manjula S. (1990)** - In her study on working Capital Management – A Comparative study of Fertilizer Industry attempted to make a comparative analysis of working capital management practices between six large scale public sector undertakings and six private sector undertaking and one co-operating firm. Time period of the study was from 1980-1990. The study primarily focused on identifying the factors leading to abnormal growth of working capital as against growth in sales. The study revealed that there were no proper methods and controlling techniques of working capital management in the selected industries. However, the results showed that management of working capital was found to be ratio analysis; fund flow analysis revealed that the financial performance of the private sector companies was better than that of public sector which in turn indicates inefficient management of working capital in public sector companies.

26. **KAURA, M.V., SHARMA, G.L. (1999), “Financing Small Industries – Institution Should Change Their Attitudes, Procedures” ”** JOURNAL OF INDUSTRY AND TRADE, MARCH, 1999, - the above article discussed very vividly the attitudes of the financial institutions whether belong to Central Government or State Government or the Governmental Agencies promoted for this purpose. In the wake of the MSME Act, 2006 passed in the interest of the small scale sector by the Government of India, the attitude of the financial institutions towards SME sector was totally changing. The Employees of above said
financial institutions are very much helpful and friendly with the promoters of the SMUs.

27. **Keating Edward and Susan M Gates (2002)** - Working Capital fund pricing policies lessons from Defense Finance and Accounting Service Expenditure and Workload Data,” Public Administration Review January – February 2002, Vol.62, No.1, pp. 73 – 81, in their study in defense finance and accounting service (DFAS) of Washington analyzed how serve providing governments agencies should set the prices they charge to other governmental customers. While setting the price defense working capital fund (DWCF) was used as the expected average cost transfer pricing. The study presented and analysis of the costs and performance of the defense financing and accounting service. The study strongly recommended simple non – linear pricing structure in pricing the products of one service department to another service department .The study is indicative of sub - optimization.

28. **Khan Mohd Amir (1998)** - “Working Capital Management at Escorts Ltd.,” Unpublished thesis Aligarh Muslim University, Aligarh 1998, He conducted a study on working capital management at Escorts limited with a thrust on analyzing financing of working capital, management of cash, management of accounts receivable and management of inventory. The study revealed that the company did not use real professional assistance and expertise, which in turn impaired the overall performance of the company. Financial decisions taken were
found to be short-term perspective ignoring the effect in the long run. The cash planning was found to be very ineffective and hence the company found it to be very difficult to procure the cash from operation even though there was enough cash generated from operation. It was also found out that apart from following hedging approach the company depended on ordinary share capital, preference share capital and debentures as the long-term sources of working capital. The management of inventory in the company was found to be very effective and hence no stock was found to be lying idle.

29. **Kibria Nazli Susan Lee and Romano Olvera (2003)** - “Peer Lending Groups and Success a case study of working capital “Journal of developmental entrepreneurship Norfolk,. April 2003 Vol.8. No. 1, pp. 41, They have produced innovative work on working capital management They conducted face to face interactions and discussions among members of the peer lending group a system in which small groups of unrelated individuals work to support and enforce loan giving and repayment the analysis draws on a case study of working capital. They helped the members of the above said group in meeting short term funds requirements for their small and diversified businesses.

for the period of 2001 - 2004 and found statistically significant relationship between profitability, measured through gross operating profit, and the cash conversion cycle and its components (accounts receivables, accounts payables, and inventory). Based on the results analysis of annual data by using correlation and regression tests, they suggest that managers can create profits for their companies by correctly handling the cash conversion cycle and by keeping each component of the conversion cycle (accounts receivables, accounts payables, and inventory) at an optimal level.

31. **Mathuva D, 2009.** The influence of working capital management components on corporate profitability: a survey on Kenyan listed firms. Research Journal of Business Management, 3: 1-11, He examined the influence of working capital management components on corporate profitability by using a sample of 30 firms listed on the Nairobi Stock Exchange (NSE) for the periods 1993 to 2008. He used Pearson and Spearman’s correlations, the pooled ordinary least square (OLS), and the fixed effects regression models to conduct data analysis. The key findings of his study were that: i) there exists a highly significant negative relationship between the time it takes for firms to collect cash from their customers (accounts collection period) and profitability, ii) there exists a highly significant positive relationship between the period taken to convert inventories into sales (the inventory conversion period) and profitability, and iii) there exists a highly significant positive relationship between the
time it takes the firm to pay its creditors (average payment period) and profitability.

32. Mohan, Reddy P. (1991) - “Management of Working Capital,” Print well Publishers, Jaipur, 1991. This study examines various issues related to working capital management among selected (six companies) private large – scale companies in the state of Andhra Pradesh during the period from 1977 to 1986. The study revealed that investment in current assets in the sample companies. Analysis revealed that the liquidity and solvency position of sample units was found to be highly unsatisfactory because the companies carried with lesser balance sheet working capital that the liquidity and solvency position of sample units was found to be highly unsatisfactory because the companies carried with lesser balance sheet working capital than cash working capital. He based on his findings suggested the dire need for improvement of liquidity and solvency position of sample companies failing which the situation would lead to serious liquidity crunch.

33. Nambiar, P.C.D. 2007 - “FINANCING for PRIORITY SECTORS” S.B.I MONTHLY REVIEW DEC16, 2007 – The article on the above topic paved the way for the thinking strategy for the financing the small scale and medium scale industries by the bank officers. The government of India through its industrial policy clearly stated that the commercial banks should give priority treatment to the SMUs. The nature of the banking officials also discussed in the article. But that is not sufficient to
promote the SME sector because the sector was totally neglected for the last several decades due to invention of the MNCs. By enacting the MSME act, 2006, the government of India clearly indicated the signal to the banking people to provide the credit facilities to the SMUs. This article is very much helpful in preparing the script for my thesis.

34. **Narasimhan and Murty (2001)** stress on the need for many industries to improve their return on capital employed (ROCE) by focusing on some critical areas such as cost containment, reducing investment in working capital and improving working capital efficiency. The pioneer work of Shin and Soenen (1998) and the more recent study of Deloof (2003) have found a strong significant relationship between the measures of WCM and corporate profitability. Their findings suggest that managers can increase profitability by reducing the number of day’s accounts receivable and inventories. This is particularly important for small growing firms who need to finance increasing amounts of debtors.

35. **Narayana Swamy M.V. (1997)** “Management of Working Capital in primary agricultural credit” A Note Canadian journal of administrative science march 1999 vol. 16.1, pp. 53 – 57, This study of 19 primary agricultural societies in the area of Dakshina Kannada district in Karnataka has revealed that the balancing of liquidity and profitability was the major problem of working capital management in the sample units Having been safe in terms of liquidity the sample companies were found to be
suffering from low profitability due to heavy interest burden. The units were found to be financing their working capital requirements through borrowings in the form of deposits. The study stressed the importance and utmost priority to be given to the effective working capital management in the societies so that they did well in future.

36. Novneon (2002) “KPMG Report Lower Earnings chemical week vol 164, No 11 pp 5 – 10 March 2002, The survey on a chemical based company in US found that the prudent in working capital management resulted in increase in cash inflows. The increase in cash inflows due to improved working capital management was almost double which indicated the tangible benefits of effective working capital management.

37. Oppedahl and Richard (1990) essay expressed capital budgeting projects consume much of the time of a firm’s management group to the detriment of the quality of the working capital decisions. It emphasized that the business executives must become more cognizant of the working capital decisions that their firms face every day. The stress in thesis essay has accounts received and marketable securities. The essay revealed that the mangers have to the very cautions in accounts receivables and marketable securities decisions.

attempts to understand the relationship between credit period given by companies and their actual performance in terms of sales and profitability. He has also attempted to find average level of other key financial parameters connected to working capital management. Having laid the emphasis on Indian pharmaceutical companies he found out that leading companies have employed greater working capital for enhancing profitability. The study also revealed that Days Sales Outstanding had gone up in the sample companies. Though the rise was marginal it played an important role in the management of working capital. The study inferred that the top pharmacy companies strategies on their working capital policy to relax the credit policy to achieve greater sales and greater profits.

39. **PATNAIK, S.M. 2004** - “COMPREHENSIV ELEGISTRATION NEEDED “ECONOMIC TIMES DEC 2004 – in the year 2004 the author of this article expressed his grief for an enactment to safe guard the SME sector. The Government of India in the year 2006 came with the special law for the protection of SME sector. Really it is a welcome gesture for the safekeeping the SMUs. In the thesis he discussed the intricacies and the implementation of the act by the nodal agencies for the promotion of the SMUs.

40. **Peel, M. J. Wilson, N. and Howorth, C. A. 2000** - “Late payment and Credit management in the small firm sector: Some Empirical Evidence”, International Small Business Journal 18(2), 52-68. Although working capital is the concern of all firms, it is the small firms that should address this issue more seriously.
Given their vulnerability to a fluctuation in the level of working capital, they cannot afford to starve of cash. The study undertaken by (Peel et al., 2000) revealed that small firms tend to have a relatively high proportion of current assets, less liquidity, exhibit volatile cash flows, and a high reliance on short-term debt.

41. **Peel, M.J. Wilson, N. 1996** - “Working capital and financial management practices in the small firm sector”, International Small Business Journal 14(2), 52-68. Given these peculiarities, Peel and Wilson (1996) have stressed the efficient management of working capital, and more recently good credit management practice as being pivotal to the health and performance of the small firm sector.

42. **Rafuse E Maynard (1996)** “Working Capital Management An Urgent Need to Refocus, “Management Decision, 1996 Vol 34, No., 2 pp, 59 – 63, He proposed that enhancing working capital by halting payment to creditors was an effective strategy. The article revealed that the apparent intention of many U.K. companies was to defer payments as long as possible well beyond the agreed arrangements. Very astonishingly a report issued in 1994 by the Forum for Private Business (FPB) a UK small – business trade association stated threat on an average the debtors accounts were paid more than 50 days beyond the agreed due date. The article also stressed the need for lean value systems. Close. Supplier customer relationship was found to be the core characteristic feature of such value system The survey
warranted the firms to reduce the inventory levels immediately in order to maximize the profits of the firms. The survey also revealed that the responsibilities of such control rests will the finance managers.


44. **Raheman A, Nasr M, 2007.** Working capital management and profitability – case of Pakistani firms. International Review of Business Research Papers, 3: 279-300, they studied the effect of different variables of working capital management including average collection period, inventory turnover in days, average payment period, cash conversion cycle, and current ratio on the net operating profitability of Pakistani firms. They selected a sample of 94 Pakistani firms listed on Karachi Stock Exchange for a period of six years from 1999 - 2004 and found a strong negative relationship between variables of working capital management and profitability of the firm. They found that as the cash conversion cycle increases, it leads to decreasing profitability of the firm and managers can create a positive value for the shareholders by reducing the cash conversion cycle to a possible minimum level.
45. **RAMACHANDRA, K.S. 2001,** REVIVING SICK UNITS, “FINANCIAL EXPRESS” OCT 9, 2001 – the above article discussed the reviving the sick SMUs in various aspects, like providing technology, management training, skilled labor, export promotion and giving finance. The root cause for all the above problems is the financial problem. The financial institution should provide sufficient amount at an easy disbursal system to promote the SMUs.

46. **Rao (1997)** conducted a study among six paper mills in the state of Andhra Pradesh to ascertain the working capital condition. The study revealed that the sample companies overtraded with insufficient working capital and the system of cash forecasting and planning and control was haphazard. The sample units were compelled to under stock raw material for want of adequate working capital. It was also found that even though liberal credit policy of the sample companies boosted up the sales the companies failed to ensure effective collection mechanism. The current ratio and liquid ratio of sample companies were found to be very low indicating liquidity crunch,

47. **Rao K.V and Chinta Rao (1991)** Evaluating Efficiency of working capital management are the conventional technique adequate decision vol. 18 No.2 April - June 1991, pp 81 – 89, In their study among a few public sector enterprises belonging to manufacturing sector in the state of Karnataka have attempted to probe into the capacity of the various techniques in evaluating working capital efficiency of business enterprises. The study
revealed that the investment in working capital was considerably high when compared to the total investment. The Tandon Committee norms were found to be yielding better results among the surveyed companies. However the study also revealed that the working capital planning and control was found to be disorderly and ineffective and hence the urgent need for full focus on working capital management.

48. **Romero R Richard (1995)** - Invest Working Capital for Better Returns Business press Vol. 8 No. 21 September 1995, in their work express their experience an survey based opinions. They have felt that the investment in working capital has to be capitalized. They have felt that the goals of investment in working capital were threefold. To find income producing opportunities for cash that is temporarily idle, to maximize yields and to maintain the liquidity of the investments with his experience as associate financial consultant with Merrill Lynch’s private Client Group in Arlington. Mr Romero felt that the firms have to have concrete formula of optimum investment in working capital.

49. **SAHNEY, M. 2005**, “BANKS ASKED TO STEM INDUSTRIAL SICKNESS” INDUSTRIAL INDIA VOL 36, 12 DEC 2005. Through this article the author tries to express the need for banks intervention in the promotion of the SMUs. the officials of the banks in India are belong to middle class families and unaware of the industrial promotion and its need. Mere advice to the bankers is not helpful. So for that reason Srimathi
Indira Gandhi Nationalized all private banks for the development of agricultural sector in 1971. The MSMEact 2006, instigates the banks to provide the credit facilities without any hesitation to the SMUs.

50. **Sathyamoorthi C.R. (2002)** - “Management of Working Capital in selected Co. – Operatives in Botswana Finance India New Delhi September 2002 Vol. 16 No. 3, pp 105 – 125, in his work attempted to ascertain how the current assets were financed and also attempted to discover the relative importance of various current asset components. The study covered four years data of selected co – operative organizations in Botswana. The study revealed that the liquidity ratios played a vital role to evaluate the short term efficiency of the organization. The study showed that the co – operatives had low liquidity resulting their week position to pay short term debts. The survey also revealed that co – operatives was in action working towards a break – through to be achieved.

51. **Shankar (1996)** developed a new concept of working capital called zero working capital which means the current ratio of one and quick ratio of below one. As per the observations made by the author zero working capital would ensure a smooth and uninterrupted working capital cycle and it would pressurize the finance manger to improve the quality of current assets at all times to keep them 100 percent reliable.

52. **Shanmugam R. and Poornima (2001)** - Working capital turnover in pharmaceutical companies The management
accountant march 1994, pp 151 – 153. This study of 28 medium and large scale spinning mills in Coimbatore industrial area (Tamil Nadu) revealed that effective working capital management is still most of the industries (10 mills) depended on production plans in working capital planning leaving all norms aside. The budgetary control was found to be the widely applied criterion of working capital control. When the researchers interviewed the CEO of the sample companies, it has come out that every CEO spent majority of the time on working capital management which in turn highlights the importance of working capital management.

53. **Shin HH, Soenen L, 1998.** Efficiency of working capital management and corporate profitability. Financial Practice and Education, pp 37-45, they researched the relationship between working capital management and value creation for shareholders. The standard measure for working capital management is the cash conversion cycle (CCC). Cash conversion period reflects the time span between disbursement and collection of cash. It is measured by estimating the inventory conversion period and the receivable conversion period, less the payables conversion period. In their study, Shin and Soenen [7] used net-trade cycle (NTC) as a measure of working capital management. NTC is basically equal to the cash conversion cycle (CCC) where all three components are expressed as a percentage of sales. NTC may be a proxy for additional working capital needs as a function of the projected sales growth. They examined this
relationship by using correlation and regression analysis, by industry, and working capital intensity. Using a COMPUSTAT sample of 58,985 firm years covering the period 1975-1994, they found a strong negative relationship between the length of the firm's net-trade cycle and its profitability. Based on the findings, they suggest that one possible way to create shareholder value is to reduce firm’s NTC.

54. **Shin, H.H and Soenen, L. 1998.** “Efficiency of working capital and corporate profitability”, Financial Practice and Education, Vol 8 No 2, pp. 37-45 & Deloof, D. 2003, “Does Working Capital Management affect Profitability of Belgian Firms”? Journal of Business Finance and Accounting, Vol 30 No 3 & 4 pp. 573 – 587The pioneer work of Shin and Soenen (1998) and the more recent study of Deloof (2003) have found a strong significant relationship between the measures of WCM and corporate profitability. Their findings suggest that managers can increase profitability by reducing the number of day’s accounts receivable and inventories. This is particularly important for small growing firms who need to finance increasing amounts of debtors.

55. **Siddhartha, M R and Das G., (1994),** “Working Capital turnover in pharmaceutical companies”, in his study on Working Capital Turnover in Pharmaceutical Companies’ attempted to ascertain efficient or otherwise use of working capital in selected pharmaceutical firms in India. Having studied the data of 10 years he concluded that the overall working capital
turnover ratio was 9.03 times. The overall analysis of the data indicated that the selected companies did very well in terms of employment of working capital. The study also revealed that working capital turnover ratio declined gradually over the period from 1981 to 1990.

56. **Singh P.K. (2004)** working capital management in Lupin laboratories Ltd- A Case Study The Management Accountant July 2004, pp 534 – 539, This study on working capital, in Lupin Laboratories Ltd. attempted to assess the significance of management of working capital through working capital ratios and operating cycle. Having analyzed seven years data (1995-2002), he concluded that the liquidity position of the company was good, mean percentage of current assets was very high when compared to the percentage of net fixed assets and the operating cycle showed declining trend. The element-wise analysis of working capital also revealed that trade debtors constituted the highest percentage of current assets followed by loans and advances, inventories and cash bank balance. The study brought out the need for efficient management of debtors, the percentage of which was the highest.

57. **Sinha, K.P, A.K, Sinha and S.C. sinha (1988)** Management of working capital in India Janaki Prakashan New Delhi, 1988, This study on analysis of working capital management in fertilizer corporation of India and Gujarat State Fertilizer Corporation. The analysis revealed that a huge portion of funds was tied up as working capital especially in inventories and receivables, The
study revealed that the sample companies failed to manage working capital efficiently by the usage of latest techniques and hence the funds were locked up at various levels during the course of business operations. The study recommended for urgent need for streamlining working capital management practices failing which the firms would get affected.

58. **Sivarama, Prasad R., (1999),** “Working Capital Management in Indian Paper Industry,” Unpublished Thesis, Nagarjuna University, Nagarjuna Nagar, 1999, This study on working capital management in Indian paper industry laying emphasis on individual current assets like cash, receivables and inventory. The study revealed that the working capital formed 47.2% of the total net assets during 1984-93. the rate of return on current assets was negative or insignificant in all selected mills indicating inefficient management of working capital. The results of correlation analysis indicated a close relationship between profitability and working capital efficiency emphasizing the need to exercise better control over working capital. The study also attempted to assess the perception of chief executive favored budgetary method as the tool to plan working capital. Even though majority of the executives felt that the funds meant for working capital should not be diverted to any other application, it was found in majority of the case that funds were diverted to other uses. The survey revealed that collection of receivable and inadequate working capital was serious problems in running the business.
59. **Smith, M Beaumont, (1997)**, “Measuring Associations between Working Capital and Return on Investment,” South African Journal of Business Management, March 1997, Vol. 28, No. 1, pp.1-4, They conducted study on the industrial firms listed on the Johannesburg stock Exchange (JSE) and focused on measuring the associations between traditional and alternative methods of working capital measures and the return on investment (ROI). The study revealed some empirical findings on associations between traditional and alternative working capital measures of liquidity and ROI. The applications of chi – square test and step – wise forward regression for association indicated that the traditional working capital leverage measure association with ROI. The study also indicated that a decrease in the total current liabilities divided by gross funds flow lead towards an improvement in ROI and vice verse.

60. **Subramanya, Sarma M and Thiruvengala Chary, (1999)**, “Working Capital Management in VST – An Appraisal”, Finance India, Vol XIII No. 1, March 1999, pp.71-79, This study on VST industries Ltd. Revealed that working capital management in the sample unit was inefficient. A disproportionate investment in current asset in relation to sales resulted in declining working capital turnover ratio. The company did not follow any consistent policy with respect to investment and financing of working capital. Though there existed many opportunities to make use of trading on equity and hedging for appropriate management of working capital the
company never made use of the same. Having analyzed working capital in terms of current ratio, quick ratio, working capital turnover ratio, inventory turnover ratio, debtor’s turnover ratio and average collection period. The study revealed that the company ailed to manage inventory efficiently which in turn has resulted in lower profitability.

61. **Suk H. Seung, Kim H & Rowland (1992)** - Working Capital Practices of Japanese firms in The U.S financial practice and education Spring Summer 1992 Vol. 2 No.1 pp, 89 – 92, This survey was conducted on 94 Japanese companies in U.S. revealed that the Japanese companies differed in working capital management practices from U.S. companies in terms of lower levels of inventory and higher levels of accounts receivables. The surveyor revealed that more than 70 % of the time Japanese investors use outside financing as a major sources of short term financing,

62. **Sur Debasish (1997)** “Working Capital Management in Colgate Palmolive (India) Ltd, A Case Study” The Management Accountant November 1997, pp. 828 – 833, This study is on management of working capital in Colgate Palmolive (India) Ltd. Attempted to assess the efficiency of working capital management in terms of working capital ratio, acid test ratio, ratio of current assets to total assets, ratio of current assets to sales, ratio of inventory to sales, ratio of debtors to sales and compositions of working capital. The study revealed that the working capital management was inefficient during the study
period. Sur recommended for special attention to the management of inventories which constituted the highest part of current assets.

63. **Harczak Jr. Harry (2001)** - The optimization of working capital management even in difficult times highly important. In an article published in treasury and risk management in 2001 the need for optimum utilization of working capital during turbulent times has been emphasized. The article revealed management world yield height return. This is possible only through optimum utilization of working capital.

64. **Haworth and Westhead (2003)** - The recent work of Haworth and Westhead (2003) suggest that small companies tend to focus on some areas of working capital management where they can expect to improve marginal returns. For small and growing businesses, an efficient working capital management is a vital component of success and survival; i.e both profitability and liquidity (Peel and Wilson, 1996). They further assert that smaller firms should adopt formal working capital management routines in order to reduce the probability of business closure, as well as to enhance business performance. The study of Grablewsky (1976) and others have showed a significant relationship between various success measures and the employment of formal working capital policies and procedures. Managing cash flow and cash conversion cycle is a critical component of overall financial management for all firms, especially those who are capital constrained and more reliant on
short-term sources of finance (Walker and Petty, 1978; Deakins et al, 2001). Given these peculiarities, Peel and Wilson (1996) have stressed the efficient management of working capital, and more recently good credit management practice as being pivotal to the health and performance of the small firm sector. Along the same line, Berry et al (2002) finds that SMEs have not developed their financial management practices to any great extent and they conclude that owner-managers should be made aware of the importance and benefits that can accrue from improved financial management practices. The study conducted by De Chazal Du Mee (1998) revealed that 60% enterprises suffer from cash flow problems.

65. **Hyderabad R. L. (1996)** - Throwing the light on management of trade credit as source of finance, Hyderabad (1996) found out that the management of accounts payables and trade credit were the neglected areas. The author concluded that the techniques predominantly used to control credit ratio of trade credit to total current assets ratio of trade credit to total current liabilities, ratio of trade credit to sales and ratio of percentage change in trade credit to total current liabilities, ratio of trade credit to sales and ratio of percentage change in trade credit to percentage change in sales.