PREFACE

Survival and growth in the competitive market of today depends greatly upon smart marketing strategies and practices as well as efficient control over all types of costs. This draws our attention to the issue of short-term finances and their management in industries. In an economy like that of ours where availability of borrowed finance is becoming increasingly scarce and costly, optimal management of working capital and finance assumes even more critical significance.

Trade credit as a source of finance in India has been on the rise over a period of time. Bank credit on the other hand, has to bring agriculture, small scale industry, rural poor, self employed youth and public enterprises also into its orbit in addition to medium and large scale industries. The result is that bank credit has become a scarce source not only to large and medium scale industries alone but to “priority sectors” too, as phenomenal expansion has taken place. Coupled with all these features is the challenge generated by the wave of liberalisation of economy. In the given situation, management of short-term finance in an optimal and sound manner has assumed critical dimension.

Even a casual look at the management practices in respect of short-term finance by industrial units in India, leads us to infer by and large that ad-hocism and hunch-based strategies have been the characterising features. This might have worked in the past when availability of credit was not so scarce.
Moreover, carrying stock of slow moving, obsolete and imbalanced inventories which has always been a prohibitive proposition has become still more so.

It is high time for the industries to be more fund conscious. They can ill afford to continue with past practices. Now, they have to go for modern method of funds management, cost control and increasing productivity of various inputs etc. This entails rising productivity of working capital investment through efficient management of short-term finance.

Moreover, efficient management of short-term finance is not and should not confine itself only to looking into management of current assets and current liabilities and their inter relationship but also into the entire financing process of firm including its long term assets and liabilities. Therefore, the scope of management of short-term finance cannot be limited to the individual items of current assets, current liabilities and their relationships but the total financial management. The present study is divided into seven chapters namely :-

The first chapter is introductory which covers the concept of finance and financial decisions, need for short term finance/working capital, concept of short term finance and sources, linkage between long-term and short-term finance. This chapter also includes the objectives of the study, scope of the study, sources of data, period of the study, limitations of the study and usefulness of the study.

The second chapter highlights and reviews the different studies conducted by various experts in the related field. This chapter also includes the different approaches to the problems of managing short-term finance.
Capitalisation, capital structure and management of capital have been discussed in the chapter three under the banner of comprehensive financial planning in the selected companies.

The fourth chapter contains the overall working capital trends in two selected Indian companies (Hero Cycle and Atlas Cycle) and the way of the analysis how the management of working capital has been practising so far in these units.

The fifth chapter deals with the unit level financial in planning selected Indian companies. Twenty companies have been selected from four sectors i.e. cement, iron and steel, automobile and cotton textile.

The relevance of contingencies planning and financial strategies related to short-term finance have been discussed in this chapter.

Conclusions and Suggestions relating to the selected companies have been offered in the seventh chapter. The chapter covers the conclusions and suggestions with a view to improve the management of short-term finance/working capital in the selected units under the study. These findings may be useful to serve as a guide to take appropriate measures for the management of short-term finance for rational decisions.

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