7.1 The Preliminary Remarks

Research is like a long journey on the path of finding a new knowledge. The first stage begins with the precise formulation of the problem to be tested. After that the collection of data is started. Classification and the processing of data succeed the classification of data. After this stage, the hypothesis is formulated and put to test. Once generalization have been drawn and formulated, the report has to be prepared. It contains the statement of the procedure adopted, the stages covered and findings arrived at by the investigator. The research report starts with the statement of the issue on which the study is focused. The report contains a description of different stages of the survey and the conclusion arrived at. In fact it is the statement and description of significant facts that are necessary for understanding the generalizations drawn.

7.2 General

The problems related to working capital management are common in any small enterprise. In a small enterprise, these problems and issues get magnified because of its low capital base and weak bargaining power in a competitive environment. In addition, the inflationary trend in the country causes considerable pressure on the small enterprises due to frequent increase in the cost of goods and services. Inadequate management of working capital exposes the small enterprises to various adversities quite often.

7.2.1 Working Capital Estimation

The entrepreneurs do not generally seem to comprehend the components of working capital or its estimation. Even the efforts made to estimate working capital requirements do not always depend upon the enterprise's technology, the degree of efficiency with which the enterprise manages the operating cycle and its level of sales. The shortcut methods used in estimating their working capital proved faulty because they do not consider the interaction between different cash flows apart from the accrued amounts. Most of the entrepreneurs have taken up working capital management in their enterprise among other management areas. The employees in these enterprises are regarded as
persons external to the enterprise and therefore not to be vested with any internal management, more with a view to maintain secrecy than for any other reason.

7.2.2 Working Capital and Profitability

Generally, the enterprises do not relate working capital to the profitability or otherwise of their operations. A loss is always related to working capital deficiency, while profit is regarded as an achievement, independent of working capital management. In view of this attitude, seldom efforts are made by these enterprises to manage the components of working capital and achieve desired profit levels or to prevent losses.

7.2.3 Maintenance of Books of Accounts

The books of accounts and other records are maintained to meet the minimum statutory and other requirements. Also, the data generated from these books and records are not used by the enterprises to analyze and review working capital position through funds flow and ratio analysis.

7.3 Findings and Results

In conclusion, this study’s major findings would hopefully help focus the attention of researchers, business practitioners and policy makers on the needs and challenges facing small businesses in the field of working capital management. These small business units/firms can be formidable competitive forces both domestically and internationally, as they often are the sources of technological innovation and employment generation for developing countries like India. Such findings should accelerate the search for ways to improve the efficiency of small business units to match their high growth rates in sales with higher achievement level.

Based on the results that have been achieved in the part of analysis (due to the analytical procedures depending on the statistical and mathematical facts and formulas) a rational approach has been taken (with the help of null hypothesis testing method), from which the appropriate findings and conclusions are derived and achieved.
The findings and results are based on the facts being observed and derived through analysis of the data being collected, and prediction and conclusions made on those facts through scientific approaches and laws.

7.3.1 Results of Hypothesis A;

Hypothesis A- Question No. 1
Cash plays a very important role in any organization. With respect to the data brought in the table 6.2 & due to frequency value in the graph 6.1 from chapter six, giving the calculated value of \( Z > \) the tabulated value of \( Z_a \), it means it is concluded that lack of motives for holding cash affects the organizational liquidity. Therefore, cash is the most crucial component of the working capital of a firm, as every transaction results either in an inflow or an outflow of cash. The pivotal point in present day financial management is to maximize cash generation and to minimize cash outflows in relation to the cash inflows. Generally, there are three motives for holding cash; the transaction motive, the precautionary motive and the speculative motive. While cash serves these functions, it is an idle resource which has an opportunity cost. Hence, it should be carefully planned and controlled. Also, liquidity should not be compromised for the shake of profitability and vice versa.

Hypothesis A- Question No. 2
Motivation plays a very significant role for the development of any organization. From the information given in the table 6.3 & due to frequency value in the graph 6.2 chapter six, the calculated value of \( Z > \) the tabulated value of \( Z_a \). Therefore, it is observed that creation of motivating behavior affects positively with manpower and can increase organizational efficiency.
As a result, motivators are part of the work itself and when present increase the desire to perform better (motivators include achievement, recognition, responsibility, advancement, growth, and the work itself).
Creation of motivating behavior in manpower is external to the job and make up the context in which the work is done. Their absence is linked with dissatisfaction and reduced performance (include company policy, supervision, pay, co-worker relationship, status, and security).
The power motive – "personal" power, often negative, is linked with having one's way, whereas "social" power is more positive and is linked with helping people in achieving goals for the betterment of the organization.

**Hypothesis A- Question No. 3**

Economic order quantity is considered as an instrument for controlling the cost of inventory. With respect to the data brought in the table 6.4 & due to frequency value in the graph 6.3 from chapter six, giving the calculated value of \( Z > \) the tabulated value of \( Za \), it is revealed that the application of Economic Order Quantity affects the firm and can reduce ordering costs, storage costs, and cost of capital as they are related to inventory.

Thus, the economic order quantity affirms that the optimal quantity of an inventory item to order at any one time is that quantity which minimizes total inventory costs over our planning period.

An inventory item's order point is that quantity to which inventory must fall to signal a reorder of the EOQ amount.

**Hypothesis A- Question No. 4**

As has already been discussed, proper management always brings positive results in the process of operational development. From the field study of selected respondents it is observed that the calculated value of \( Z > \) the tabulated value of \( Za \). (table 6.5 & graph 6.4 in chapter-6). Hence, it can be concluded that proper management affects positively in coordinating the operation and can reduce the costs as they are pertinent to working capital.

As a consequence, prudent management of working capital acts as a key for the successful operations through a coordination undertaking. To have adequate, healthy and efficient circulation of working capital, it is necessary that working capital should be properly determined and regularly reviewed. Efficient utilization of working capital management is determined by the efficient management and administration of its various components.

**Hypothesis A- Question No. 5**

It is always better to have a good credit policy. From the field study of selected institutions it is found that the calculated value of \( Z > \) the tabulated value of \( Za \), hence,
it can be very well concluded that the application of credit policy can have a significant influence on sales and increase organizational profitability of working capital to due prudent management (table 6.5 & graph 6.4 in chapter-6). Accordingly, even though the intention of the company may be to increase the profits by increasing the sales, the company may not like to sell its products to any customer who comes its way. For this purpose the company has to decide the customers to whom it should sell its product on credit. The credit should be extended only to those customers whose creditworthiness is established. For deciding the credit worthiness of the customers, the company may consider various factors viz., analysis of the financial status of the customer, reputation of the customer, record of previous dealing of the customer with the company, quality and character of the management running the business of the customer etc. Hence, it is very much essential that every company should have a proper credit policy which no doubt would enhance the profitability of the organization.

Result;
Proper utilization of available resources is one of the key factors of success of any organization. As is evident, from the data brought in the table 6.7 & due to frequency value in the graph 6.6 pertaining to the hypothesis "A" from chapter six, giving the calculated value of Z > the tabulated value of Za, this proves that, under-utilization of the available resources in the firm can reduce organizational profitability due to mismanagement of working capital.

7.3.2 Results of Hypothesis B;
Hypothesis B – Question No .1
Environmental factors play a very significant role for the success or failure of any organization. Further, unpredictable environment is more critical and may create endanger situation in the firm. During the study efforts has been made to correlate unpredictable environmental situations with lack of authority which have been presented in the form of results of hypothesis –B.
The data in the table 6.10 & due to frequency value in the graph 6.7 from chapter six, has given the calculated value of Z > the tabulated value of Za. Therefore, it can be concluded that unpredictable environmental situations, lack of authority affect on business cycle of the firm and increase costs related to working capital.
Hypothesis B – Question No .2
From the information in the table 6.11 & due to frequency value in the graph 6.8 in chapter six, has revealed the calculated value of $Z >$ the tabulated value of $Z_a$, it signifies that unpredictable environmental situations, lack of authority can derange assigned planning in the firm.

Hypothesis B – Question No .3
With respect to the data brought in the table 6.12 & due to frequency value in the graph 6.9 from chapter six, the calculated value of $Z >$ the tabulated value of $Z_a$. It is concluded that unpredictable environmental situations, lack of authority affects on the current decision making and increase costs pertinent to working capital.

Hypothesis B – Question No .4
From the data in table 6.13 & due to frequency value in the graph 6.10 from chapter six, has given the calculated value of $Z >$ the tabulated value of $Z_a$. Thus, it can be concluded that the unpredictable environmental situations, lack of authority affects the improper flows of current operations of the firm and increase costs on working capital.

Every organization operates within an environmental situation, and interacts with that environment. Hence, environment is not simply "everything out there" but consists of those factors, external to the organization, which influence the performance of the organization over which it has little or no control.

Organizations do not directly control their environments. As these are external factors, they do have an impact on the environment in many ways and through several mechanisms. Deciding what that impact should be requires managers to gather information about the external environment through the scanning methods of surveillance and search. The environment provides very good opportunities if it is considered positively otherwise if may be a threat for the organization.

Uncertainty renders decision making difficult and can be reduced through information. Environmental components are keys to organizational growth or decline a failure. Opportunities, threats, constraints from competition, government legislation, existing technology, and other elements can have affect on business cycle, current decision making and can cause improper flows of current operations, and also can derange assigned planning of the firm and increase costs on working capital.
Hypothesis B – Question No .5
From the analysis of field data presented in the table 6.14 & due to frequency value in the graph 6.11, it has been revealed that the calculated value of $Z >$ the tabulated value of $Z_a$. Hence, it can be concluded that organizations can make attempt to reduce uncertainty by influencing their environments in order to implement regular operations in the firm.

As a result, even though organizations attempt to reduce uncertainty such as, seek to influence legislation, long-term contracts in relation to ensure supply of materials, coalitions, stockpiling, influence government regulation rationing to resources, reduce services, but they can't affect perfectly on its performance due to unpredictable environmental situations and due to lack of authority.

Result :
As is evident, from the information in the table 6.15 & due to frequency value in the graph 6.12 in relation to the hypothesis "B" from chapter six, the calculated value of $Z >$ the tabulated value of $Z_a$. This indicates that, unpredictable environmental situations lack of authority in the firm causes the improper implementation and thereby increase costs related to working capital.

7.3.3 Results of Hypothesis C;

Hypothesis C - Question No. 1
As has clearly been mentioned earlier, that the lack of proper supply of required material creates problems such as delays in product delivery, improper flow of work, reduction in the volume of output etc. which ultimately have effect on increase of cost. All these aspects have been dealt in detail during the field study which has been presented in the following paragraphs.

With respect to the field data incorporated in the table 6.18 & due to frequency value in the graph 6.13, using the calculated value of $Z >$ the tabulated value of $Z_a$. It is found that an insufficient supply of materials by a company very well causes delays in product delivery and increase costs associated with the lack of inventories due to lack of motives.
Hypothesis C - Question No. 2
From the information presented in the table 6.19 & for frequency value in the graph 6.14, the calculated value of \( Z > \) the tabulated value of \( Za \). Therefore, it is revealed that an irregular supply of materials by a company can cause improper flows of work in the production process and ultimately increase costs.

Hypothesis C - Question No. 3
With respect to the data presented in the table 6.20 & also due to frequency value in the graph 6.15, it is found the calculated value of \( Z > \) the tabulated value of \( Za \). Therefore, an insufficient supply of materials by a company affects the reduction in the volume of output and increase costs related with the lack of inventories.

Hypothesis C - Question No. 4
With respect to the data revealed in the table 6.21 & because of the frequency value in the graph 6.16, it has been found the calculated value of \( Z > \) the tabulated value of \( Za \). It is evident that a regular supply of materials by a company can facilitate uninterrupted production and reduction of costs.

Hypothesis C - Question No. 5
While using the collected information in the table 6.22 & due to frequency value in the graph 6.17, it has been revealed that the calculated value of \( Z > \) the tabulated value of \( Za \). Hence, it can be concluded that maintaining a sufficiently large size of materials can cause uninterrupted and smooth production and continued sales operation. Therefore, from the analysis of field information it is revealed that materials form a link between the production and sale of a product. A manufacturing company must maintain certain amount of materials. It gives the firm flexibility in its purchasing, production scheduling, and servicing of customer demands.
Materials form 50 to 90 per cent of the cost of production, if not more. Hence, is of a particular interest for management is the area in which huge amounts of capital is invested and expended. Therefore, management of materials in the process of production of goods and services occupies an important place where one should concentrate his attention so as to maximize profit by minimizing consumption, avoid costly production holdups. In short, materials management represents that aspect of management activities which deals with the supply of materials, accounting, storing,
issue and movement as also such other allied activities which seek to achieve maximum coordination for optimum utilization of materials.

It will be considered therefore that efficient materials management involves acquisition, storage, control and disposition of inputs like raw and other materials which go into the production process directly and also capital equipment, tools and accessories, spare parts and other indirect materials which are required for day-to-day operations.

Even in non-production organizations, a proper assortment and accounting of materials are necessary. The stores and materials quality, in right quantity, at right time, at right price and at right place acquired from a right source ensure economy, efficiency and smooth operation of an organization. In essence, by coordinating purchase, inspection and quality control, storage and inventory control, physical handling and movement control, the basic management objective of cost control is achieved.

However, there are certain basic objectives of purchasing so as to ensure a continuous supply of materials to facilitate uninterrupted production, to buy economically in a competitive market, to keep inventory investment low, to develop good buyer-supplier relations, to maintain sufficient stocks of raw materials in periods of short supply and anticipate price changes, to develop alternative and reliable sources of supply etc.,

The minimum level of raw materials is the lowest quantitative balance of an item of material which must be maintained in hand at all times so that there is no stoppage of production due to material being not available. The minimum level of raw materials may be determined by; consumption during lead period, consumption during lead period plus safety margin, and changes in prices.

The maximum level of raw materials is the maximum quantity of an item of material which can be held in stock at any time. The stock in hand is regulated in such a manner that normally, it does not exceed this level. The maximum level of raw materials may be determined by; future production plans, supply conditions of goods, price changes, carrying cost of inventories, such as; insurance - interest and rent, storage space available, opportunity cost of funds employed, and transportation bottlenecks.

**Result ;**

Hence, it is evident, from data brought in the table 6.23 & also due to frequency value in the graph 6.18 regarding the hypothesis "C", the calculated value of $Z >$ the tabulated value of $Z_a$, which proves that, lack of regular supply of materials affects the increase in costs related to working capital.
7.3.4 Results of Hypothesis D;

Hypothesis D - Question No. 1
Huge capital is invested in the form of inventories for smooth conduct of the production process. Proper control on investment in inventories ensures reduction in ordering cost, shortage cost, opportunity cost etc., During the field study all these aspects have been dealt carefully for further testing of hypothesis "D" which has been presented in the following paragraphs.
With respect to the data brought in the table 6.26 & due to frequency value in the graph 6.19 from chapter six, the calculated value of $Z >$ the tabulated value of $Z_\alpha$. Hence, it is concluded that lack of control on investment in inventories in the firm causes disorder at ordering costs, storage costs, and increase costs related to working capital.

Hypothesis D - Question No. 2
From the information in the table 6.27 & due to frequency value in the graph 6.20, the calculated value of $Z >$ the tabulated value of $Z_\alpha$. Therefore, it is observed that lack of control on investment in inventories in the firm affects the opportunity cost and increase costs with working capital.

Hypothesis D - Question No. 3
As regards the data brought in the table 6.28 & due to frequency value in the graph 6.21, the calculated value of $Z >$ the tabulated value of $Z_\alpha$. Therefore it is concluded that maintaining investment on the basis of control in inventories affects to minimize the direct-indirect costs associated with the holding inventories to maximize the profitability.

Hypothesis D - Question No. 4
While considering the data presented in table 6.29 & also because of the frequency value in the graph 6.22, the calculated value of $Z >$ the tabulated value of $Z_\alpha$. It signifies that lack of control on investment in inventories at the optimum level affects the activities of sales both operating and financial.

Hypothesis D - Question No. 5
Further, from data in the table 6.30 & due to frequency value in the graph 6.23 of chapter six, it is revealed that the calculated value of $Z >$ the tabulated value of $Z_\alpha$. 

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Hence, it can be concluded that efficient control on investment affects the liquidity and profitability of the firm.

Thus, although inventory management is usually not the direct responsibility of the financial manager, the investment of funds in inventory is a very important aspect of financial management. Consequently, the financial manager must be familiar with various ways to control inventories effectively so that capital may be allocated efficiently. The greater the opportunity cost of funds invested in inventory, the lower the optimal level of average inventory, and the lower the optimal order quantity, all other things remain constant. The "EOQ" model can also be used by the financial manager in planning for inventory financing.

During the evaluation of the level of inventories, management must balance the benefits of economies of production, purchasing, and marketing against the cost of carrying the additional inventory. Of particular concern to the financial manager is the cost of funds invested in inventory.

The optimal order quantity for a particular item of inventory depends on the item's forecasted usage, ordering cost, and carrying cost, ordering can mean either the purchase of the item or its production. Ordering costs include the costs of placing, receiving, and checking an order. On the other hand, carrying costs represent the cost of inventory storage handling, and insurance and the required return on the investment in inventory.

The economic order quantity "EOQ" model affirms that the optimal quantity of an inventory item to order at any one time is the quantity that minimizes total inventory costs over our planning period.

While the overall objective of the inventory system is to minimize the cost to the firm at the risk level acceptable to the management, the more proximate criteria for judging the inventory system are; comprehensibility, adaptability, and timeliness.

In doing so, it must ensure minimum investment in stores and materials inventory consistent with safety and economy.

It must also maintain quality standards based on the suitability criterion.

In addition, it must procure materials at the lowest possible cost consistent with quality and service requirements.

Further, it must maintain, in so far as materials costs are concerned, the company's competitive position in the market.
Result;
It is evident from the data presented in the table 6.31 & also due to frequency value in the graph 6.24 in relation to the hypothesis "D" from chapter six, the calculated value of $Z > $ the tabulated value of $Z_{a}$. This proves that, lack of control on investment in inventories increases the costs related to working capital.

7.4 Summary and Conclusions

The changing economic circumstances have pushed Indian’s economy from “infant protection strategy” to the stage of economic liberalization to meet the challenges of globalization. Under these circumstances, it is but natural that the government is shifting its focus from small scale industry by curtailing the fiscal concessions and other benefits doled out to this sector in 70’s and 80’s. This new but non-protective culture for small businesses, a different outlook with a competitive attitude to mobilizing and utilizing the resources, is needed by the small entrepreneurs in their struggle for existence in the age of ‘survival of the fittest’.

The result of the study highlights sincere efforts made in the field of research on developing tools and techniques for small business. With their peculiar problems and limited resources, this small business sector generally “relies more on traditional accounting namely financial and taxation matters, rather than working capital management.” The theories of financial management as so far developed, has little relevance in catering to the specific needs of the small business. Thus, the theory and the practice of working capital management being interdependent may form a vicious circle hindering the growth of this vital sector. However the onus of designing suitable kit for working capital management for small business lies on the academics, which in turn calls for the need of a “real life research”.

But there is no denying fact that small business units in India are facing some problems, which makes the application of these tools difficult due to lack of knowledge, and awareness of the management of working capital as most of the firm are marginal units. Difficulties are there, but they are not insurmountable, given the determination and concerted efforts – problems of implementation can be overcome. There is no alternative to the observance of proper discipline and financial ethics for ensuring the optimal and efficient use of financial resources. Therefore, measures should be taken to familiarize the owner-managers with modern tools, and their benefits to be derived from
their use etc., through the provision of training, short term courses, conferences, seminars/workshops etc. by the development agencies.

During the research work, sincere efforts have been made to identify some factors which affect the management of working capital both positive or negative manner. In addition, the extent of effects of these factors were also studied, evaluated, and compared with the recognized standards, to find out the possible short-comings and difficulties. Further, various factors which affect the positive performances that strengthen the flow of works throughout the process of working capital management development were also studied. For identification of positive or negative factors affecting the management of working capital and development, and also finding out the extent of their effects, extensive efforts were made to describe the potential reasons for these effects in order to facilitate proper suggestions to S.S.I units. Additive suggestions were provided to strengthen the efficient performances of the S.S.I units.

Subsequently, the data analysis of the various aspects affecting the process of working capital development were statistically calculated, upon which proper recommendations were provided, to enable financial managers and developers to optimize their routine performances towards more effective and efficient working capital management and implementation.

As such, it can be concluded that, using the motives for holding cash, creation of motivating behavior in manpower, application of economic order quantity, coordination in operations, application of credit policy, and also effects of issues of unpredictable environmental situation, lack of authority for development of business cycle, improvement of current decision making, proper flows of current operations, uncertainly by influencing their environments for implementation of regular operation, and also effects of issues of lack of regularity of materials for proper delivery, regular flows of work in process of product, reduction in the volume of output, uninterrupted and smooth production and sales operations, and also effects of lack of control on investment in inventories for the opportunity cost, activities of sales, liquidity and profitability of the firm are significant factors which are highly essential for the success of the management of working capital in S.S.I units.

Besides, proper maintenance of documents and records, sending regular reports to top management, creating awareness about the environmental changes, undertaking time and cost estimation, and putting right personnel in the right job are the requirements of the present day for the success of working capital management. In addition to all these
factors, management, using standard certification is as well, very essential for the 
success of working capital development.

7.5 Suggestions and Recommendations

The present analysis has been taken up to bring to light the various deficiencies that 
generally prevail in small scale units. Based on the working capital practices followed 
in the S.S.I units, certain recommendations have been made to improve upon the 
existing practices. While some of the significant findings have been highlighted, it is 
important to consider that more studies would bring to light many more aspects of 
working capital management, as the whole practice is a complex activity.
The proper planning and management of working capital is a major factor behind the 
success or failure of a small scale unit. Therefore the rational and logical 
recommendations and suggestions are provided, in order to overcome the shortcomings, 
and more importantly to take corrective action for the betterment of the working capital 
management.

1. The small scale units should improve their overall efficiency by application of 
modern management techniques in production, marketing and finance. All these 
techniques have a definite impact on working capital management of the S.S.I units.

2. The control over the working capital can be exercised through the preparation of 
periodical working capital reports at least once in a month. The preparation of 
periodical working capital reports enables the SSI units to properly monitor and 
control their working capital. All SSI units should adopt such a system for better 
management of working capital.

3. The S.S.I units, while undertaking the expansion programme should strengthen the 
current assets too, so that the expansion activity ultimately would pay rich dividends 
and plant capacity need not be kept idle for want of working funds.

4. The S.S.I units should try to bring down the rate of increase in current liabilities in 
relation to current assets. Further, the units having current liabilities more than the
current assets have to reduce the former considerably so that the working capital position can be strengthened.

5. The inventory levels should be periodically reviewed so as to ascertain stock positions in order to avoid the cost of stock outs. The basis for fixing maximum and minimum inventory levels of raw materials shall always be on scientific lines.

6. The S.S.I units should improve their inventory turnover rate in order to minimize investment in inventories to generate higher sales leading to higher profits.

7. Standardization and variety reduction for stores and spares items should be introduced in those units where it is nonexistent.

8. The S.S.I units should try to improve organizational liquidity due to underutilization of available resources through creation of motivating behavior in manpower and holding cash by proper management of working capital.

9. The S.S.I units should reduce the ordering costs, storage costs, and all costs of capital as they are related to inventory by application and implementation of Economic Order Quantity (EOQ) model.

10. Every undertaking has to constitute a purchase committee for raw materials including stores and spares. The committee may consist of members from finance, production, sales and research and development which can meet at least twice in a month to sort out the impediments.

11. The S.S.I units should try to identify unpredictable environmental situations, lack of authorities to sort out the probably impediments to observe proper business cycle, assigned regular planning, appropriate current decision making, and proper flows of current operations, through prudent management of working capital.

12. The S.S.I units should try to reduce uncertainty by influencing the environments in order to regularize operations through working capital management.
13. The S.S.I units should try to have sufficient supply of materials in order to ensure timely product delivery, regular flows of work in a process of product, increase in the volume of output, and also facilitate uninterrupted production and reduction of costs.

14. The S.S.I units should try to maintain a sufficiently efficient large size of materials in order to maintain uninterrupted and smooth production and sales operations.

15. The S.S.I units should minimize the direct-indirect costs by maintaining investment on basis of control in inventories in order to maintain more liquidity and to maximize the profitability.

16. Effective co-ordination of construction activities at different stages and also among the various units of plants make it easy to minimize the construction stores which is an important part of stores and spares in the selected units.

17. A monthly report of overdues should be regularly prepared and submitted to the management in order to improve the collection efficiency.

18. To promote the overall efficiency of working capital management, the overall credit policy of the concerns has to be restructured to suit to the changing needs of business conditions.

19. The S.S.I units should reduce costs of working capital through co-ordination in operations by working capital management.

20. To regularize and optimize the use of cash balances proper techniques may be adopted for planning and control of cash. Idle cash balances should be invested in marketable securities or in some other profitable venture. It improves not only the liquidity but also strengthens the profitability.

21. The S.S.I units should improve organizational profitability through application of prudent credit policy that can have a significant influence on sales.
22. Further, it is also desirable to promote internal resources from their own operations to finance the working capital requirements. The variable component of working capital should be financed by the cash credit arrangement from scheduled commercial banks, short term loans from other sources and also from internal funds.

23. Since, the S.S.I units usually fail to earn adequate profits; shareholders' confidence about their performance has been vitiated. This particular trend is not conducive to further expansion of the S.S.I sector. Therefore, the management of these units should put sincere and committed efforts to improve the profitability of these units in order to restore their financial health through effective management of working capital.

7.6 Other Working Capital Managerial Functions

Other managerial functions which can contribute to efficient working capital management are as follows:

- Intensifying productivity efforts in the organization,
- Making management information system effective,
- Making extensive use of computers to ascertain aberrant behavior in current assets and to diagnose symptoms,
- Taking other measures such as pooling common functions, implementing suitable incentive schemes, and providing for training and hiring of temporary staff for standard type of administrative and accounting work.

Besides, structural changes in functional areas and fixing responsibility and accountability of key personal are steps towards effective management of working capital,

To conclude, any reduction in operation cost as a result of effective and efficient management of working capital would improve the profitability, liquidity, and solvency of an organization.