Chapter-1

INTRODUCTION

1.1 INTRODUCTION:

The developing economies are generally faced with the problem of inefficient utilisation of resources available to them. Capital is one of the scarcest productive resources in such economies, which is considered life blood of any business. It's a predominant factor of production. The more modern an enterprise is the more capital needed therein.

In general capital invested in industry takes two forms (I) long term capital or fixed capital and (II) short term capital or working capital. The long term capital is the core of the business, the main bearing around which the short term capital revolves. The former is spent in obtaining the fixed assets which is essential property of the business concerns, while later is required for effective utilisation of those fixed assets. The former provides the necessary means of production, while the later provides all other necessary expenses that are required to make and sell the product or service offered by the business concern.

The present chapter deals with back-ground of literature, review of related research work, methodology of the study and plan of the study and technique of analysis.

1.2 THE WORKING CAPITAL:

The investments in fixed assets represent a fixed capital while the investments in current assets represent the working capital. The investment in current assets represents a substantial portion of total capital employed. The emphasis has ever been on the growth and efficiency of fixed capital which can only be achieved with the help of working capital. The working capital is a financial lubricant which keeps business operation
moving. The management of working capital has often been neglected, resulting in sub-optimal utilisation of not only working capital but also fixed capital.

The current assets and current liabilities are flowing round in the business like an electric current. Working capital funds are generated and circulated in the business. As and when this circulation stops, the business becomes lifeless. Therefore "working capital is considered the life-blood and the controlling nerve centre of the business". When we say working capital is a life blood of business, we mean to say that the stock of working capital is of course important in the business but more important is the flow of working capital which will give the life to the business. This concept also states that the excess or the inadequacy of the working capital is also dangerous. Hence the optimum level of working capital should be maintained through out its existence.

1.3 REVIEW OF RELATED RESEARCH WORK:

1.3.1 Statement of the Problem :

Industrial economy of India consists of both public and private corporate sectors. Public sector units are mainly engaged in the production of certain items like steel, and various types of machinery and transport equipments. The remaining part of the manufacturing sector is, of course, the private sector. Most of the output in the private sector is produced by the public and private limited companies, which together constitute the private corporate sector. The performance of public sector under-taking has been subjected to close scrutiny. Because of their charter of social accountability, information pertaining to all aspects of their operation is regularly called for by the Parliament and by various committees.
Though the private sector plays a dominant role in an Indian industrial scene, its performance, however, has been a relatively neglected area of research, the basic reason being non-availability of adequate data. Just as in the case of public sector, the private sector has not lived up to its expectations. There is a sizable gap between the profit rates expected and the rates actually realised. Different financial and other factors would have caused such a situation. However, one basic financial factor that should not be ignored in this context is the management of working capital. It need not be emphasised that the efficient management of working capital funds lead to better financial performance. An imprudent management of working capital generally leads to decrease in returns on investments.

1.3.2 Survey of the Literature:

In recent past it has been observed that working capital management has acquired a significant position. And for success or failure of any firm or industry, the working capital management is considered one of the prime cause, however, the empirical research work in this regard is still in its infancy. Working capital management which is related to short term financial decision seems to be relatively neglected by financial experts. In spite of such a great significance of working capital management, it is strange that so far it could not attract as much attention of the researchers in India as it deserves.

It is proposed to survey the literature that exists in the field of working capital management. The relevant studies having impact on the present work have been bifurcated for the purpose of this review into two parts.
I. Concept studies and
II. Research studies.

(I) **Concept Studies**:

Studies of this sort provide strong theoretical and conceptual foundation for the management of working capital. The studies included here are again categorised as inclusive and exclusive studies.

Inclusive studies are those books or writings which deal with the concepts and problems of management of working capital as a part of the study in the area of financial management. The text books that belong to this category were authored by the writers like, Gitman, Van Horne, Baker and Malott, Walker; Field, Mead, Gestenberg, Guthman and Dougall, Cohen and Robbins, Lincoln, Sailers, Stevens, Zenoff and Zack Zwick, Donaldson, Hampton and Solomon.

Existing exclusive studies on the working capital management belong to second category. Much of these studies are of recent origin reflecting the significance of this area of financial management. The exclusive studies by the authors like Smith, Mehta, Howard, Stancill, Beraneck, Michael, Fees, Ramamoorthy and Roy Chowdhury fall under this category. At the conceptual level, these studies discussed the various aspects of working capital management. Besides, management of the publications found dealing with the management of individual components of the working capital, viz, inventory, receivables, cash and marketable securities. Comparatively, studies appeared on inventory management are greater among all the components of working capital. These are the writings of Buchan and Koenigsberg, Bopalakrishnan and Sandilya, Prichard and Eagel, Star and Miller, Plosal and Evert Welch, Willets,
Within, Armer, and Dobler and Lee. In addition, there is a lot of articles on inventory management and include the contributions of Rao, Chelapathi Rao, Fernandes, Suresh, Rao and Gupta, Madan, and Ramaswamy.

Limited publications appeared on the management of cash and receivables. Discussions on the cash management are included in the work of highly influential writers like Keynes, Baumol, Bierman, Beehler, Parashar and Hartely and Meltzer. Books on receivable management included that of Beckman and Ronald, Seiden, and Credit management hand book of National Association of Credit Management. Articles on the financing and other aspects of working capital include those made by authors like Yadav, Ananthakrishnan, Agarwal and Jain, Desai and Darji, Natarajan, Pradhan, Kishore, George, Chopra and Chakraborty.

(II) Research Studies:

A brief review of the dispersed efforts at research in the field is attempted in the following paragraphs.

In 1966, National Council of Applied Economic Research (NCAER) conducted a study entitled "Structure of working capital" with special reference to three industries, namely fertilizers, cement and sugar. This study was mainly devoted to the analysis of composition of the working capital in these industries for the period 1959 to 1963. However, NCAER failed to put into sharp focus the various components of working capital.

Another study (in 1975) was made at the university of Rajasthan by Dr. Ram Kumar Mishra under the title "Problem of Working Capital" with special reference to public enterprises functioning of a chosen sample of six large public enterprises during the period 1960-61 to 1967-68. No doubt, the basic issues outlined in Dr. Mishra's study and the finding therein
are relevant to many of the units in the public sector even today, but due to the functional and structural changes that public enterprises have witnessed in the post-1968 era, a repeated effort on a different sample is called for to bring the prescriptions up to date.

Dr. N. K. Agrawal made a study in 1977 at the university of Delhi on the "Management of Working Capital" in respect of certain large manufacturing and trading public limited companies. The sample of this study covered 34 companies in all and related to the period 1966-67 to 1973-74. Dr. Agrawal observed that although most of the companies were making use of modern control techniques in the areas of inventory, receivables and cash management, there appeared a sufficient scope for reduction in investments in almost all the segments of working capital. However, Dr. Agrawal tried to draw general conclusions for all categories of industries and business (ten in number) covered in the sample which do not seem feasible. As different industries have to operate under different forces, some specific to particular units, an industry wise close and critical look at the varying dimensions of problems relating to management of working capital is needed.

Many other contributions have appeared in different issues of leading periodicals, from time to time, throwing light on the chosen aspect in the management of working capital. Some of the contributions in recent years are cited below that confirm the view that the spirit of enquiry is being sustained, though in a halting and piecemeal fashion.

Dr. S.P.Vijayasaradhi's review of the "problem of working capital management in public enterprises" (Lok Udyog - January - 1981) has covered inventories, receivables, loans and advances and cash management, as also problem of cash credit, in the light
of the aggregate financial data of public enterprise and on the basis of a few case studies of individual units. His observations amplify the fact that, in the matter of implementation of basic steps and rational approaches to management at operational levels, much remains to be done in many cases. He provides elaborate insights into the diverse working problems and some prevalent practices concerning the management of the individual segments of working capital at the middle management level. This gives an impetus to further intense scrutiny of the specific problem of the different categories of enterprises in relation to management of working capital and its constituents.

Bazle Karim and Bahadur have made an incisive study of "Spare parts management in public enterprises" (Lok Udyog - July and August 1978). They have spotlighted the missing links in spare parts management and offered suggestions for improving efficiency in this direction.

The need to reorient the "organisation of material management function" with due emphasis on linkage between materials planning and production planning rather than between material planning and purchase, has been stressed by A Wahi (Lok Udyog - August - 1980).

Attention has been drawn to the rather neglected area of material handling in Lt. Gen. Bunga's Importance of Material Handling in Corporate System" (Lok Udyog - Sept.-1980) wherein he identifies material handling as a key result area and discusses its potential.

Dr. Prakash has argued the case for credit squeeze vis a vis unused Inventories in central government enterprises. (Lok-Udyog - Dec. 1978 and Jan. 1979.) Asserting that under effective management, inventories should move in square root relationship with sales/usage. Dr. Prakash contends that if management efforts
over the decade had been successful in controlling the inventories at a level determined by square root relationship, under "Laboratory Controlled" condition of 1966, the public enterprises would have had nearly 64 % of less total inventories in the terminal year (1976) Without having any adverse impact on production. This observation is of major importance to keen researchers.

Dr. Vijayasaradhi and Rajeshwar Rao have inquired into the "Management of Advances of Public Enterprises in India" (Lok-Udyog January-1980) and suggested measures to contain their levels. It is revealing that as much as 50 % to 100 % of cash credit and working capital loan from government constitute advances, which in many cases are typical instances of high cost acquisition and low cost disposal of funds. The same authors have also made out a strong case for decentralised "cash management in a multi division enterprises" (Lok Udyog - Oct.1980), spelling out the sizable benefits accruing therefrom.

Khandelwal's study on "Working Capital Management in Small Scale Industries" is based on empirical research done by late Prof. V.S.Agrawal of Jodhpur University. The period covered by this study is 5 years i.e. from 1975-76 to 1979-80. The study revealed that the selected units were found to have recorded slower and declining rates of transmutation of working capital. The main reason responsible for this situation was high share of inventories in current assets which ranged between 40 % and 70 % with an increasing trend during the period of study. Another important cause responsible for slow transmutation of working capital in the selected units was inefficient management of receivables. On an average, 40.9 % of the working capital was accounted for by receivables. He stressed the need for efficient management of working capital as any trouble in this area should
be a major factor contributing to higher degree of incidence of sickness in small scale industrial units.

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Panda studied the working capital problems of small manufacturing companies confined to the State of Orissa, the study covered the problems of adequacy, the choice, sources and problems of raising working capital. The project is based on a sample of 50 small manufacturing companies. However, the sample was further reduced to 26 companies for the reasons mentioned.

(a) Incomplete Data,
(b) Non-manufacturing, and
(c) Habitual defaulters.

Some of the issues which were examined in the study are:

(i) Large current investment in the small firms leads to low current ratios.

(ii) Small firms depend mainly on short term credit, because the accessibility to acquire long term funds is relatively limited.

(iii) Small firms at growth stage characteristically hold a high proportion of total investment in current form.

(iv) The expanding sales of firms and the need for financing current assets have close and direct relationship.

(v) Higher funds generating ability determine current position of firms.

(vi) Firms finance a low proportion of current assets from net working capital.

(vii) Bank loans bridge a greater part of working capital gap in the firms.

Lastly, he concluded that one important reason for low performance is imprudent management of working capital, mostly emanating from misapplication of operating funds in these small
manufacturing companies.

Rajeswara Rao thoroughly examined the managerial aspects of inventories, receivables and advances and cash of certain central public enterprises in India. The study revealed that inventories formed a major proportion of total current assets investment which recorded 63 percent in 1971-72 and 66 percent by 1976-77 in the public sector. The inventory of finished goods proportion had been increasing year after year. He pointed out that the policies of public enterprises for achieving the working capital objectives were not clearly defined. His impression is that the prudent management of working capital shall be recognised as an important area for the enterprises studies.

Singh, Sinha and Singh thoroughly analysed the extent to which volume of working capital has been effectively and efficiently utilised in the fertiliser industry, i.e. in the Fertilizer Corporation of India (FCI) and its daughter units and compare it with that of Gujarat State Fertiliser Company (GSFC) Limited, during the period 1978-79 to 1982-83. In their study, besides studying the quantum of working capital in relation to operational requirement, the structural aspects covering inventory, cash, receivables and working finance, have also been analysed so as to identify the shortcomings in the management of working capital in the fertiliser industry. The study reveals that a large portion of working capital was tied-up in different components especially in inventory and receivables. Modern techniques of management of inventory, receivables and cash were not applied to exploit fully the working funds available in the public sector undertakings. They pinpointed that though the industry has the problem of paucity of funds in general, idle funds were lying at different pockets, for instance, cash-in-
transit, dues with the Government departments and undertakings.

Jain has highlighted various facets of working capital management in the state enterprises in Rajasthan. In his study ten selected manufacturing, trading, financing and service motive enterprises of the public sector in Rajasthan have been included. After careful investigation he suggested that the state enterprises should try to match their working capital with the sales/services trends. Where there is a deficit of working capital, the enterprises should try to build an adequate amount of working capital. Where there is an excessive working capital, it should be invested either in securities or be used to repay borrowings. The cash position of working capital should be improved by reducing inventories and efficient collection of debts.

Chadda assessed inventory management practices of Indian companies. The application of modern inventory control techniques like operations research has been suggested for the advantage of companies.

Lal examined the inventory problems of Modi Steels. He pointed out that the current practice of inventory management is that the price variable is not taken into account in inventory decision-making and all the existing inventory models are based on this practice. In studying the inventory problem in Modi Steels he has followed the existing practice of ignoring the price-variable. Later on, however, he has developed a model which takes into account the price variable also. He has concluded that a well worked out inventory policy must take care of number of variables both indigenous and exogenous and help management to decide the largest economic order quantity at the most appropriate time.
Swamy's study "Materials Management in Public Undertaking" comprises the case studies of five centrally owned public enterprises functioning in Rajasthan. The study covers the various aspects of materials management in the enterprises from 1977-78 to 1981-82. The study reveals that inventory represented more than 61 percent of the total current assets of the concerns. At the same time inventories stood more than 100 percent of the net working capital of the undertakings taken together. Moreover, the rate of growth of inventory in the selected public enterprises has been very high. In the end, Swami concluded that the existing system of materials management in public undertakings in Rajasthan selected for study is not satisfactory and needs improvements in all directions without delay.

No specific research studies were made in respect of Bills Receivables and Cash Management in relation to Indian industry except for Bari's study Cash Planning and Management in certain selected public undertakings of the Central Government. However, some articles have appeared in respect of these two components of current assets in various journals dealing with finance and industry. To mention a few of them-Goel, Goel and Nagar, Narendra Kumar, Ramachandra Rao, and Ramakrishnan.

Thus several studies have been made in this field in Indian contest but they are either pertaining to particular industry or particular sector, public or private or co-operative in some region or the other. In very few studies an overall analysis of working capital management is done and that too out of date by now. Hence an analytical study of "Management of Working Capital in the Cement Industries and Pharmaceutical Industries in India" has been undertaken.
1.4 Methodology of the Study:

1.4.1 Scope of the Study:

The scope of the present study is defined below in terms of units covered, concepts adopted and period under study.

The study "Management of Working Capital" covers two industries from private sector namely cement and pharmaceutical. Maximum available numbers of private sector public limited companies registered at Bombay stock exchange from both the industries have been included for the study. There are 83 (Eighty Three) Companies selected for analysis from both the industries, out of which 44 (Fourty Four) Companies are from cement industry and 39 (Thirty Nine) Companies are from pharmaceutical industry.

There are two concepts relating to working capital, gross working capital and net working capital. We have used both the concept for our analysis purpose.

1.4.2 Nature of the Data Required, and Source of Data:

The study relates to the selected time series data of 14 years, because the time series data have been available from the Bombay stock exchange official directory from 1981-82 to 1993-94.

Due to difficulties in collecting primary data for all the companies we have selected library research. The study is based on secondary data. The published accounting data by Bombay stock exchange official directory are being used.

Audited balance sheets and income statements constitute the only basic and authentic source of data to generate financial statistics pertaining to the public ltd. companies. The Bombay stock exchange official directory makes use of this primary source to publish its own data under classified heads of more meaningful and broader character than presented in the prescribed legal format of public accounts. The data from above sources have been analysed by using various tools and techniques (accounting
and statistical) with a view to evaluating the performance of selected units in the management of working capital and its various components. Accounting techniques include ratio analysis. Statistical techniques include trend analysis, simple arithmetic and statistical average and percentage. The graphs, charts and diagrams have been prepared to facilitate understanding.

In both the industries the companies selected for study have different accounting year. The accounting year, some have an ending on 31st March, some have an ending on 31st December, some have an ending on 30th June, some have 30th September, some have 31st October. Even in the same company, the accounting year was changing because study period from 1980-81 to 1992-93, the company itself changed its accounting year. So we have adjusted all companies' accounting year ending on 31st March every year and accounting data also adjusted likewise.

1.4.3 Objectives of the study:

Based upon the theoretical analysis provided by the authors mentioned hereafter, the present study seeks to conduct working capital analysis of Public Ltd. Companies in private sector in the selected two industries, viz. 1. Cement Industry and 2. Pharmaceutical Industry.

This is done with the help of the financial statement of the selected companies for the period 1980-81 to 1993-94.

In brief, the objectives of the study can be summarised as below:

I. To analyse and evaluate working capital management.

II. To analyse the management of inventory, receivables and cash.

III. To assess the relative significance of various sources of finance of working capital.

IV. To suggest, on the basis of conclusions, innovations in
the management of working capital in cement and pharmaceutical industries in India

1.4.4 Technique of analysis:

Various Techniques of analysis are discussed in the next chapter. The ratio analysis technique is used in this present study. The following formulas have been used in the study.

(1) Current ratio = \(\frac{\text{Current Assets}}{\text{Current Liabilities}}\)

(2) Quick ratio = \(\frac{\text{Current Assets} - \text{inventory}}{\text{Current Liabilities}}\)

(3) Working Capital Turn Over Ratio = \(\frac{\text{Net Sales}}{\text{Net Working Capital}}\)
and
\(\frac{\text{Net Sales}}{\text{Gross Working Capital}}\)

(4) Inventory Turn Over Ratio
A (in Times) = \(\frac{\text{Cost of goods sold}}{\text{Average Inventory}}\)
B (in Days) = \(\frac{365}{\text{Inventory Turn Over ratio}}\)

(5) Inventory to Current Assets ratio = \(\frac{\text{Inventory}}{\text{Current Assets}} \times 100\)

(6) Receivables to Current Assets Ratio = \(\frac{\text{Receivables}}{\text{Current Assets}} \times 100\)

(7) Cash & Bank To Current Assets Ratio = \(\frac{\text{Cash & Bank balance}}{\text{Current Assets}} \times 100\)

(8) Miscellaneous current assets to current assets ratio = \(\frac{\text{Miscellaneous Current Assets}}{\text{Total Current Assets}} \times 100\)

(9) Cash & Other Current Assets = \(\frac{\text{Cash & Bank + Misc.Curr.Asets}}{\text{X 100}}\)
to total Curr. Assets Ratio

(10) Debtor Turn Over Ratio

(A) (in Times) = \[
\text{Net Sales} = \frac{\text{Average Debtors}}{365}
\]

(B) (in Days) = \[
\text{Debtor Turn Over Ratio} = \frac{365}{\text{Debtor Turn Over Ratio}}
\]

(11) Sundry Debtors to sales Ratio

= \[
\text{Sundry Debtors} = \frac{\text{Net Sales}}{100}
\]

(12) Short Term Sources to Current Assets Ratio

= \[
\text{Total Current Liabilities} = \frac{\text{Total Current Assets}}{100}
\]

(13) Internal Short Term Sources to Current Assets Ratio

= \[
\text{Tax Provisions} = \frac{\text{Total Current Assets}}{100}
\]

(14) External Short term Sources to Current Assets

= \[
\text{Tot.Curr.Liabilities - Provision for tax} = \frac{\text{Total Current Liabilities}}{100}
\]

(15) Long term Sources to Current Assets

= \[
\text{Long Term Sources} = \frac{\text{Total Current Assets}}{100}
\]

(16) Loan & Advances to Current Assets

= \[
\text{Loan & Advances} = \frac{\text{Total Current Assets}}{100}
\]

(17) Sundry Creditors to Current Assets Ratio

= \[
\text{Sundry Creditors} = \frac{\text{Total Current Assets}}{100}
\]

(18) Miscellaneous Curr. Liabilities to Curr. Asst.Ratio

= \[
\text{Misc. Curr.Liabi.} = \frac{\text{Total Curr. Assets}}{100}
\]

(19) Cash & Bank to net Sales

= \[
\text{Cash & Bank Balance} = \frac{\text{Net Sales}}{100}
\]

(20) Miscellaneous Curr. Assets to net Sales

= \[
\text{Miscellaneous Curr. Assets} = \frac{\text{Net Sales}}{100}
\]

(21) Cash & Other Curr. Assets to net Sales

= \[
\text{Cash & Bank + Misc. Curr. Assets} = \frac{\text{Net Sales}}{100}
\]

(22) Cash & Bank to Curr. Liabilities

= \[
\text{Cash & Bank Balance} = \frac{\text{Total Current Liabilities}}{100}
\]
<table>
<thead>
<tr>
<th>No.</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Miscellaneous Curr. Assets to Current Liabilities = ( \frac{\text{Miscellaneous Curr. Assets}}{\text{Total Current Liabilities}} ) \times 100</td>
</tr>
<tr>
<td>24</td>
<td>Cash &amp; Other Curr. Assets to Curr. Liabilities = ( \frac{\text{Cash &amp; Bank + Misc.Curr.Assets}}{\text{Total Current Liabilities}} ) \times 100</td>
</tr>
</tbody>
</table>
| 25  | Turn Over of Cash & Bank Balance  
A. (in Times) = \( \frac{\text{Operating Cost}}{\text{Cash & Bank Balance}} \) \times 100  
B. (in Days) = \( \frac{\text{Turn Over of Cash & Bank Balance}}{365} \times 100 \) |
| 26  | Turn Over of Misc. Current Assets  
A. (in Times) = \( \frac{\text{Operating Cost}}{\text{Misc. Current Assets}} \) \times 100  
B. (in Days) = \( \frac{\text{Turn Over of Misc.Current Assets}}{365} \times 100 \) |
| 27  | Turn Over of Total  
B. (in Days) = \( \frac{\text{Turn Over of Total}}{365} \times 100 \) |
| 28  | Operating Cost = Cost of goods sold + Depreciation                                           |
| 29  | Net Cash flows = Cash inflows - Cash Outflows                                                |
| 30  | Percentages Changes in terms = \( \frac{\text{Increase/decrease}}{\text{Amount of relative terms in previous Year}} \) \times 100 |
| 31  | Cash From Operation = Difference of Share Holder’s Reserve  
+Difference of Depreciation  
+Profit Distributed  
+Provision for Taxation  
+Difference of Sundry Creditors  
+Difference of Miscellaneous Current Liabilities  
-Non Operating Profit  
-Difference of Sundry Debtors  
-Difference of Inventory  
-Difference of Miscellaneous Current Assets |

Percentage changes by above formula No. 30 have been calculated in current assets, in current liabilities, in net working
capital, in inventory, in debtors, in cash & bank balance, in miscellaneous current assets and in cash & bank & other current assets.

1.4.5 Limitations of Study:

No doubt, the annual published reports incorporate complete information in quantitative form about the past performance of a business unit but the use of these reports for analysis and interpretation is not without limitation.

As it has been stated earlier that we have taken the necessary data from Bombay Stock Exchange Official Directory. Hence it becomes the secondary source of information. So while accepting the data we also accept the classifications of industries as well as data made available in it with all its limitations.

Companies included in this study did not follow a uniform accounting year and the closing dates of accounts are spread over all the twelve months. Some of them had the accounts ending on 31st December, while others on 31st March and on 30th June and on 30th September. For the purpose of comparison, we have adjusted ending of accounting year of all companies to 31st March. In case of the change in accounting year, the proper adjustments have been made.

1.5 PLAN OF THE STUDY:

The present research work is divided into two parts i.e. theoretical description and critical analysis. The study consists of eight chapters.

A First Chapter: I chapter deals with the review of related research work and design and methodology of the study and chapter scheme.
II. **Second Chapter**: II chapter covers conceptual frame work of working capital management. It also deals with techniques of working capital analysis and industries profile.

III. **Third Chapter**: III chapter analyses the overall performance of working capital management of sample companies for both the industries selected for study. It deals with the liquidity aspect, composition, efficiency and trend analysis of working capital.

IV. **Management of Inventory**: IV chapter is about the management of inventory. It includes objectives of inventory management and motives of holding inventory. It assesses the size, and growth of inventory, changes in inventory level and adequacy of inventory in both the industries.

V. **Management of Receivables**: V chapter deals with objectives of maintaining receivables, cost of maintaining receivable and changes in level of receivables. It evaluates the size, growth and efficient use of receivables. It also analyses the change in receivables in relation to sales.

VI. **Management of Cash**: VI chapter consists of motives for holding cash, objectives of cash management and functions of cash management. It also analyses the size and growth of cash balances and the control of cash flows in the industries.

VII. **Management of Working Capital Finance**: VII chapter examines the management of working capital finance. It analyses the sources of financing of working capital in selected private sector industries.

VIII. **Suggestions & Conclusions**: VIII chapter offers some observations drawn from the study. This is a concluding chapter, in which major conclusions are tied up together and some suggestions are also made. Further areas of research are also pointed out.
REFERENCES


[Note: Reference No. 2, 4 to 15, 17 to 24, 29, 31 to 35, 38, 43 to 46, 48, 49, 51 are quoted by P. Mohan Reddy; management of working capital, printwell publication, Jaipur 1991:PP 16-17 and the same are used as they found useful for our study]