Small Business is an important constituent of Indian economy. But these business units continue to function in an apparently, unprofessional way. Growing literature on the Financial Management of Small Business suggest that there is a considerable reason to believe that developing skill in reading and interpreting historical financial statements by the owner-managers to monitor financial health and progress is important for allround growth and development of a small business.

In course of my M.Phil. Project work on small business, I have observed that there exist a wide gap between theory of financial management and its practices in this sector, which prompted to take up the present research work.

I hope that the findings of the study will be useful for small business units, academicians and policy makers, to take appropriate measures for sustained development of this sector.

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