A business undertaking primarily requires funds to meet two objectives i.e., to create productive capacities through purchase of fixed assets and to finance current assets required for day to day running of the business. Effective management of these two types of funds is very essential. No undertaking can think of its promotion, expansion or stabilization without adequate financial resources. Though the availability of finance is of great importance, securing it from the right source is of prime concern. Efficient financial management improves the credit standing of an enterprise as well as generation of right amount of funds at the right time.

Though the whole concept of financial management has been given great importance in economically advanced countries it was not seriously considered and applied to many of the industries in developing countries like India. Of late, a beginning has been made to recognize the importance of financial management in well-established enterprises and it is hoped that due importance to this aspect will be given by all the enterprises. Nowadays the emphasis is steadily shifting towards closer internal financial controls. This would certainly make working capital management more and more important. Working capital management which is considered as an inseparable segment of overall financial management is a prerequisite for effective and efficient functioning of any undertaking. Prudent
management of working capital acts as an effective tool for the successful operation of a business undertaking. Proper determination and regular review of working capital is necessary to ensure effective management of working capital which in turn involves efficient administration of its various components, namely, cash, receivables and inventory.

An analysis of the performance of various industries in India reveals that the financial position of major industrial units was far from satisfactory. The implementation of the Tandon Committee report in the middle of the 1970s, the Chore Committee report and the Maratha Committee report in the beginning of 1980s has compelled the business units to manage their working capital efficiently.

Sugar industry in India is one of the oldest and the largest agro-based industries. It is an indigenous industry in which the country is well-endowed with all the necessary raw-material, skilled man-power, machinery, technology and know-how. This industry not only provides employment to nearly 4 lakh workers with an annual wage bill of Rs.500 crores, but also contributes about Rs.500 crores as Central excise duty and about Rs.200 crores as various taxes to the State Governments. It also made significant contributions to the foreign exchange earnings of the country over the years. As such the sugar industry in India has been accorded considerable importance by the Government and both price and availability of sugar has been subjected to strict regulations.
The sugar industry possesses certain special features like control of raw material prices, limited manoeuvrability in the prices of finished product and control of distribution etc., These features make working capital management more complicated in the sugar mills. How do all these features affect profitability and liquidity in them? How is working capital managed? These and other related issues arise as regards working capital management in sugar industrial units. These issues call for a scientific investigation. This study is an attempt in this direction.

After reviewing the existing literature available, it is found that most of the studies are concentrated on some aspects of the sugar industry but no specific study has been made on working capital management in sugar industry in Andhra Pradesh. Hence the researcher has undertaken this project for scientific investigation.

The study is confined to the sugar mills functioning in Andhra Pradesh only. The study is based on the data collected both from primary and secondary sources. Both quantitative and qualitative data relating to the working of sugar mills, cost of production, financial performance and other related aspects are collected from individual sugar mills through interview method with the help of a pre-structured schedule in addition to the collection of Annual accounts and reports. An effort is also made to learn from the executive personnel as to how they perceive the management of working capital and how they deal with it.
The study has brought to light many interesting problems and provided an empirical basis for offering specific suggestions for effective and efficient management of working capital in the sugar industry in India. It is hoped that the study would supplement the available knowledge on the working capital management in various industries in India.