A Study on some important aspects of Working Capital Management in selected Indian Industries

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I. Introduction and Rationale

WORKING CAPITAL MANAGEMENT (WCM) is the most dynamic financial decision making aspect of every business entity as it involves the management of ever changing and dynamic current assets and adjusting them with the level of sales and market demands. WCM being a major revenue generating activity is thus of prime importance for maintaining a healthy and wealthy business. Since its inception in late 1860’s, the literature on WCM is replete with various empirical studies being either a case study or comparative or of a fact finding nature or for developing a theory based on empirical analysis. In the course of literature review it was observed that all the research studies focused on industries belonging to manufacturing sector and it was very difficult to find a specific study with full fledged focus on nature of WCM in the Service Sector. Further, it was difficult to find a comprehensive study covering all the important aspects of WCM, i.e., working capital policy; current asset structure; current liabilities structure; liquidity management; wcm efficiency; working capital leverage; the impact of sales on working capital; impact of WCL on ROTA; impact of WCM on profitability even in the manufacturing sector with large samples. In context of the above, the current study bridges this gap in literature by examining many dimensions of WCM over a period of 16 years in the Indian service sector due to the growing importance of this sector in the Indian and world economy. This study would contribute to the existing literature by providing an insight to the WCM of the Non Financial Service Industry (NFSI) in Indian context.

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