

P R E F A C E

Finance is regarded as the king-pin of business enterprise. In the money-oriented economy of today, finance is one of the foundations of economic activity of mankind. To quote Mr. Paish "in a modern money-using economy, finance may be defined as the provision of money at the time it is wanted." When capital is invested in an enterprise it becomes the responsibility of the management to administer the financial affairs with caution and wisdom to achieve the overall objectives of the business undertaken by the enterprise. The need for working capital arises because of time gaps in manufacturing and marketing cycle of business operations. There is time gaps between -

- i) Purchase and Production,
- ii) Production and Sales and,
- iii) Sales and Realisation of Cash.

During these intervals, the enterprise should have ready cash to keep on the business in full swing. Therefore working capital is required for the following purposes :

- (a) to meet the costs of inventories including that of raw materials, purchased parts, operating supplies, work-in-process, finished goods;
- (b) to pay wages and salaries for direct labour, indirect labour, clerical staff and managerial and supervisory cadres;
- (c) to meet the overhead costs (other than wages and salaries) including those of maintenance, service activities, fuel, power charges, taxes and general expenses of administration; and

(d) to defray the expenses with regard to promotion of sales, for example, expenses on packing, advertising, salesmanship, dealer servicing, after sale service, delivery, credit facilities etc.,

Management of working capital usually involves management or administration i.e. planning and controlling these current assets, namely, cash and marketable securities, accounts receivables and inventories, and also the administration of current liabilities. Current assets are assets convertible into cash within one year.

Cash and credit in business is comparable to the blood of the human body, like blood, finance gives life and strength, i.e. profit and solvency to the business organization. Financial Management is called upon to maintain always the right cash balance, so that flow of funds is maintained at a desirable speed not allowing any slow downs or stoppages. Thus the enterprise can have a balance between liquidity and profitability. Planning and control of working capital naturally centres around sound cash planning which includes setting of cash policies and procedures, and the control over cash and credit. Cash is, of course the major and very sensitive component of working capital.

The basic aims of management of working capital are to speed up the rate of turnover, to reduce the idle periods of excess current assets and to ensure availability of adequate funds to meet commitments on purchases and other recurring payments and to minimise the costs of raising working capital funds.

An attempt is made to study the working capital management in selected small scale industries in Shivaji Udyam Nagar Area of Kolhapur. The study covers five selected industrial units viz;

- 1) Menon Diesel
- 2) Perfect Industry
- 3) Farmer Industries
- 4) Omanand Industries
- 5) Shawn And Farmer Industries.

The study is based on the records of the five selected units. The records considered for study are from the year 1979 to 1983. The primary data was collected from the various records. Most of the data was collected from the Officers of the Finance And Accounts Departments. The Secondary data was collected by interviewing the Officers concerned. The various reports prepared by the different units from time to time during 1979-83 were utilised to analyse and calculate the different ratios.

I have also drawn upon the available scattered material and tried to assimilate it with a view to presenting in a clear and readable language.

During the period of my research, overall study of all the five units with their organizational aspects was carried out mainly with the help of the staff and annual reports of the various industries.

The various forms and statements used in the organisation alongwith the books and registers maintained were consulted and studied. Some of the officers and owners of the industries were contacted directly and their views were taken into account.

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The present study is not only beneficial to the organisations of the similar nature but also to the students of commerce and management in particular.