CHAPTER - 1
Introduction

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CHAPTER 1
INTRODUCTION

Working capital is synonymous to the lifeblood for every business. In absence of adequate working capital, the survival of a firm is put to test. The efficient management of working capital is vital for the health and growth of any business firm. May it be the manufacturing enterprise or a service enterprise, for smooth functioning, the role of working capital management is of considerable importance. With the development of Indian economy, the Service Sector has grown by leaps and bounds. The studies in the area of working capital management generally relates to the manufacturing sector. However, it is felt that to study the working capital management of the Service Sector would be equally important and provide insight on some important aspects of working capital management. In light of this background the present study deals with the working capital management prevalent in the Service Sector in India.

1.1 Indian Economy and Service Sector

Indian economy has been witnessing a phenomenal growth since the last decade and has "the third largest investor base in the world, with the largest number of listed companies, *i.e.*, 10,000 companies across 23 stock exchanges"[1]. The services sector has been a major and vital force steadily driving growth in the Indian economy for more than a decade. The Indian economy has successfully navigated the turbulent years of the recent global economic crisis because of the vitality of this sector in the domestic economy as well as its prominent role in India's external economic interactions"[2]. Thus, services sector has turned out to be one of the most important segments of Indian economy as validated by its contribution to the gross domestic product (GDP) in recent years. It has been at the forefront of the rapid growth of the Indian economy contributing nearly 59% of the GDP in 2011-12 **(Table 1.1)**. In addition, the services sector is contributing to about a quarter of total employment; accounting for a high share in foreign direct investment (FDI) inflows; over one-third of total exports. Further, it has recorded also very fast (27.4%) export growth through the first half of 2010-11[3].

India thus stands out for the size and zing of its services sector. The share of services in India's GDP at factor cost (at current prices) increased rapidly from 30.5 per cent in 1950-51 to 59 per cent in 2011-12 **(Table 1.1)**.

Chart-1.1: Sector wise Contribution to GDP from 1991-92 to 2011-12

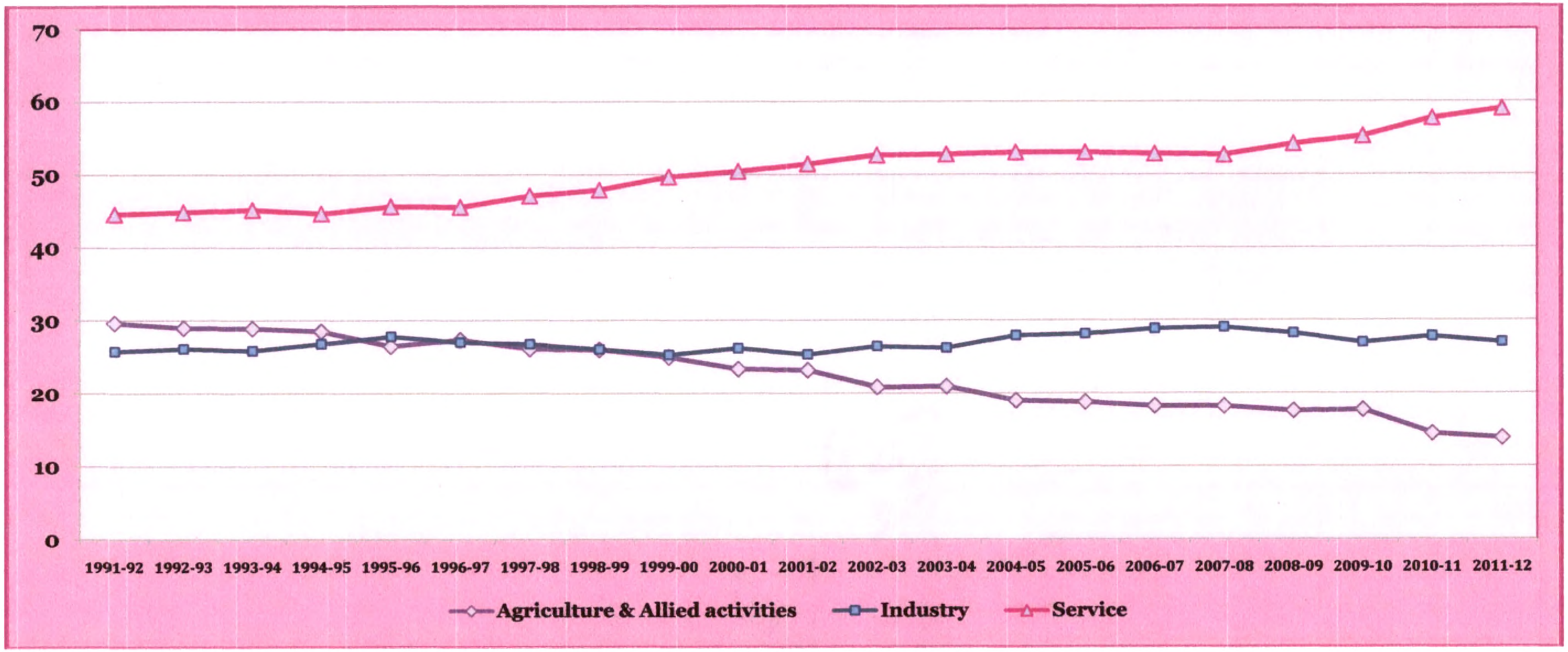

TABLE - 1.1

Sector wise Contribution to GDP (At 1999-00 prices till 2003-04 and at 2004-05 prices from 2004-05 onwards)

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Agri. & Allied Act.	29.65	28.99	28.93	28.52	26.49	27.37	26.12	26.02	24.99	23.35	23.20	20.87	20.97	19.03	18.82	18.29	18.26	17.59	17.76	18.98	13.90
Industry	25.76	26.13	25.87	26.8	27.83	27.02	26.78	26.07	25.31	26.19	25.34	26.46	26.24	27.93	28.14	28.85	29.04	28.22	26.97	26.29	27.00
Service	44.59	44.88	45.2	44.68	45.68	45.61	47.11	47.92	49.69	50.46	51.46	52.66	52.79	53.05	53.04	52.86	52.7	54.2	55.27	54.73	59.00
Total	100	100	100	100	100	100	100.01	100.01	99.99	100	100	99.99	100	100.01	100	100	100	100.01	100	100	99.99

(Source: Compiled from various issues of Economic Survey)

The ratcheting up of the overall growth rate (compound annual growth rate [CAGR]) of the Indian economy from 5.7% in the 1990s to 8.6% during the period 2004-05 to 2009-10 was largely due to the acceleration of the growth rate (CAGR) in the services sector from 7.5% in the 1990s to 10.3% in 2004- 05 to 2009-10. The services sector growth was significantly faster than the combined annual output growth of agriculture and industry sectors during the same period. In 2009-10, services growth was 10.1% and in 2010-11 (advance estimates—AE) it was 9.6%[3]. Further, the growth in the services sector as compared to the agriculture and industry has been steady and increasing over a period of time as observed from Chart 1.1 & Table 1.1.

Thus, service sector has remained the major vehicle accelerating growth in GDP.

1.2 Conceptual Framework: Working Capital Management

The fuel of growth in any economy is the investments and fundings which are brought about by the entrepreneurs, government as well as the financial institution. Capital is a scarce and competitive productive resource in developing economies and therefore proper utilization of this resource promotes the rate of growth, cuts down the cost of production and above all improves the efficiency of the productive system. Fixed capital and working capital are dominant contributors to the total capital of the developing country. While fixed capital investment generates productive capacity only working capital makes the utilization of this capacity possible. Thus, every organization needs two types of capital, *viz,* fixed and working capital.

1.2.1 Short Term and Long Term Finance: A Comparison

An analysis of the statistics of past three decades as provided by Reserve Bank of India reveals that there has been gradual and incremental rise in the demand for short term capital, *i.e.,* working capital **(Table 1.2).**

The long term loans disbursed had increased from ₹ 60 crores in 1971 to ₹ 26105 crores in 2011, whereas for the same period working capital loan had increased from ₹ 5 crores to ₹ 19949 crores. The long term loans disbursements have increased by 435.08 times whereas the short term loan disbursements have increased by 3989.8 times which implies the significance and importance of working capital and the growing requirements of short term loans in our country.

This phenomenon highlights the growing demand of working capital in the industries which is due to the expansion of business activities to support the growing demand of customers. The growing demand leads to growth in sales resulting into increased demand for cash, inventory as also increasing receivables to support growth in a competitive environment. The procurement and management of short term capital is thus an important decision making arena for the smooth functioning of business as well as earning desirable returns.

TABLE 1.2

INDUSTRIAL FINANCE BY RESERVE BANK OF INDIA (₹ In Crores)

Year	Long-term Finance Outstanding					Total	Short-term Finance Outstanding						Total
	IDBI	SIDBI	EXIM BANK	IIBI	NHB		IFCI	SFCs	ICICI	IDBI	SIDBI	DFHI	
1971	60	-	-	0	-	**60**	2	3	0	0	-	-	**05**
1972	118	-	-	0	-	**118**	2	4	0	0	-	-	**06**
1973	135	-	-	0	-	**135**	0	4	0	0	-	-	**04**
1974	204	-	-	0	-	**204**	0	5	0	0	-	-	**05**
1975	320	-	-	0	-	**320**	0	9	0	11	-	-	**20**
1976	385	-	-	0	-	**385**	0	12	0	0	-	-	**12**
1977	517	-	-	0	-	**517**	0	3	0	0	-	-	**03**
1978	614	-	-	0	-	**614**	0	1	0	0	-	-	**01**
1979	868	-	-	0	-	**868**	0	0	0	0	-	-	**00**
1980	1097	-	-	0	-	**1097**	0	5	0	0	-	-	**05**
1981	1303	-	-	0	-	**1303**	0	5	0	23	-	-	**28**
1982	1520	-	25	0	-	**1545**	0	3	0	0	-	-	**03**
1983	1828	-	70	0	-	**1898**	0	11	0	0	-	-	**11**
1984	2085	-	125	0	-	**2210**	3	8	0	141	-	-	**152**
1985	2341	-	180	0	-	**2521**	0	4	2	188	-	-	**194**
1986	2595	-	260	10	-	**2865**	0	11	3	138	-	-	**152**
1987	2885	-	345	25	-	**3255**	0	20	15	88	-	-	**123**
1988	3199	-	435	45	-	**3679**	0	30	10	38	-	-	**78**
1989	3531	-	530	70	50	**4181**	0	58	0	262	0	878	**1198**
1990	3822	-	625	95	75	**4617**	30	53	0	400	0	981	**1464**
1991	3705	400	745	130	125	**5105**	44	35	0	0	0	849	**928**
1992	3577	840	877	170	175	**5639**	0	66	0	0	0	630	**696**
1993	3422	840	877	170	175	**5484**	0	236	0	0	0	0	**236**
1994	3244	1172	877	170	175	**5638**	0	32	0	360	0	0	**392**
1995	3033	1380	877	170	175	**5635**	0	49	0	280	0	0	**329**
1996	2809	1604	877	170	175	**5635**	0	0	200	0	0	0	**200**
1997	2563	1730	852	170	175	**5490**	0	0	0	120	0	0	**120**
1998	2266	2004	807	170	875	**6122**	0	48	0	40	0	0	**88**
1999	2000	2004	752	170	875	**5801**	0	25	0	0	0	0	**25**
2000	1740	2004	697	170	875	**5486**	0	43	0	0	0	0	**43**
2001	1440	11454	617	160	875	**14546**	0	80	0	0	2956	0	**3036**
2002	0	10252	-	-	175	**10427**	0	93	-	0	2908	0	**3001**
2003	0	8361	-	-	175	**8536**	0	89	-	0	4367	0	**4456**
2004	-	8549	-	-	175	**8724**	0	40	-	-	1515	0	**1555**
2005	-	8523	-	-	50	**8573**	0	0	-	-	2339	0	**2339**
2006	-	11295	-	-	-	**11295**	0	0	-	-	2595	0	**2595**
2007	-	12461	-	-	50	**12511**	0	0	-	-	3570	0	**3570**
2008	-	11489	-	-	50	**11539**	0	0	-	-	8737	0	**8737**
2009	-	14786	-	-	0	**14786**	0	0	-	-	16100	0	**16100**
2010	-	22719	-	-	-	**22719**	-	-	-	-	15303	-	**15303**
2011	-	26105	-	-	0	**26105**	-	-	-	-	19949	-	**19949**

Notes: 1) Data for 2011 are Provisional.
2) Data for short-term finance outstanding by SFCs for 1993 are as per Under Section 17(4)(a) of the Reserve Bank of India Act, 1934.
3) For EXIM BANK, outstandings have been converted into tier I bonds of Government of India since 2002-03.
4) Pursuant to the Industrial Development Bank (Transfer of undertaking and repeal) Act 2003, IDBI Act was repealed on October 1, 2004 and IDBI was converted into bank w.e.f. that date.
5) ICICI was merged with ICICI Bank Ltd. effective March 30, 2002
6) IIBI is in the process of voluntary winding up.
7) Data relate to end-March for Long term finance and last Friday of March for Short term finance.

(Source: http://www.rbi.org.in/scripts/PublicationsView.aspx?Id=13641 accessed on 1st August, 2012)

1.2.2 Purpose and Significance of Working Capital Management

Working capital is more commonly referred to as revolving capital, circulating capital *etc.* As the word itself implies that the capital works, revolves and circulates in the business thereby taking different forms, *viz,* cash, inventory, receivables and prepaid expenses termed as current assets and in the process various short term liabilities are created termed as current liabilities. Working capital ensures smooth flow of operations and is an important factor driving growth of any business entity. Hence, a scientific and systematic management of short term finances as well as investments is indispensible which brings out the importance of short term financial management, *i.e.,* working capital management (WCM) and is often referred to as management of current assets and current liabilities. Thus, "Working capital management is the process of planning and controlling the level and mix of the current assets of the firm as well as financing these assets"[4] with an objective to ensure optimum investment in current assets in order to strike a right balance between the two fold objectives of liquidity and profitability in the utilization of funds. The goal also is to make sure ample flow of funds for day-to-day operations as well as to speed up the flow of funds, *i.e.,* minimize the stagnation of funds.

The importance of working capital also originates from its size. It is a large portion of a firm's investment in assets. It usually amounts to 40% in manufacturing industries and 50% - 60% in retailing and wholesales[5]. Trading and construction industries have 80% – 90% of their assets as current assets whereas service industries like hotels and restaurants have only 10% to 20% of assets as current assets, followed by electricity generation and distribution firms with 20% to 30% as current assets[6]. Thus, nature of business activities determine the level of working capital investments required thereby arising the requirements of finance to fund them. In addition, firms can save relatively large amounts by economizing on working capital investments as well as working capital finance, which is possible through efficient working capital management. Thus its effective provision can do much to ensure the success of a business, while its inefficient management can lead not only to decline in profits but also an ultimate downfall of the concern. A deeper understanding of the importance of working capital management and its adequacy can assist in cost savings and maintaining financial return on minimum capital employed. Further, "working capital management is vital both at the national level and at the corporate level. At the corporate level, investment in working capital is as important as investment in fixed assets. The subject of WCM is important at the national level for ensuring maximum capital formation.[7]"

1.2.3 An Overview of Few Empirical Studies

Weston[8] noted that largest portion of a financial manager's time is devoted to day to day internal operations of a firm, i.e. working capital management. Lamberson[9] observed that in practice, WCM has become one of the most important issues in the organizations where many financial executives are struggling to identify the basic working capital drivers and the appropriate level of working capital. Block and Hirt[10] noted, "While long-term decisions, involving plant and equipment or market strategy, may well determine the eventual success of the firm, short-term decisions on working capital determine whether the firm gets to the long term." Motaal[11] observed, "Inadequacy of working capital is a symptom, and sometimes an excuse of business failure." Thus, "the management of working capital plays an important role in maintaining the financial health of the firm during the normal course of the business[12]." Misra[13] identified inventory, receivables, cash and working finance as the four problem areas of working capital management. Hence, many empirical studies have been carried out on various aspects of working capital management. Major studies carried out in Indian context include that of Agrawal[14] who undertook a study in 10 manufacturing sectors taking a sample of 34 companies and concluded that WCM of the firms in these industries was inefficient. Further, studies of Ansari[15], Khandelwal[16], and Reddy[17] focused on the peculiarities of WCM in the SSI. And since then the literature has become replete focusing on the WCM of manufacturing or SSI's taking a large sample, case study or comparative study.

Pass and Pike[18] concluded that the two main objectives of working capital management are to increase the profitability of a company and to ensure that it has sufficient liquidity to meet short-term obligations as they fall due to continue the business. Smith[19] through his empirical work concluded that WCM is important because of its effects on the firm's profitability and risk, and consequently its value. In the Indian context, Misra[13] submitted that the way in which working capital is managed has a significant impact on the profitability of companies. Since profitability is related to the goal of shareholder wealth maximization, it is desirable that investments in current assets be made to maximize the returns. However, sometimes, the most unproductive asset, *i.e.,* idle cash is held to have sufficient liquidity. And therefore there is also conflict between the twin goals of profitability and liquidity. This is because on one hand current assets should be maintained to earn returns and avoid the risk of opportunity loss due to its inadequacies whereas on the other hand there has also to be sufficient liquidity to avoid the risk of technical insolvency. Several contributions have been made and still the puzzle of whether liquidity has a positive or negative impact on profitability is unresolved. A few major studies which were carried out with this objective are discussed here.

Jose, Lancaster and Stevens[20] concluded that aggressive liquidity management is associated with higher profitability. Similar results were observed in the comparative study of Wang[21] on Japanese and Taiwanese firms.

Shin and Soenen[22] through his empirical analysis on US Firms concluded that reducing the level of current assets to a reasonable level increases a firm's profitability and that the relationship between net trade cycle and return on total assets differed across the industries.

Thereafter many studies were carried out taking the operating cycle or cash conversion cycle to examine its impact on profitability. For *e.g.*, Deloof[23] carried out study for firms in Belgiam Lazaridis and Tryfonidis[24] conducted in Greek context; Shah and Sana[25] in Pakistan context; Tereul and Solano[26] in Spain context; Ganesan[27] in UK context; Samiloglu and Demirgunes[28] for Turkey firms; Nobanee and Alhajjar[29] in Japanese context whereas Falope and Ajilore[30] in Nigerian context and all the studies broadly agreed that lengthier the operating cycle or cash conversion cycle or its component lower is the profitability and established positive influence of liquidity on profitability.

In, Indian context, Singh and Pandey[31] in their case study found that CR, QR, RTR and working capital to total assets had significant impact on profitability. Mallick and Sur[32] in their case study on FMCG companies witnessed a very high degree of positive association between liquidity and profitability. However, Kannadhasan[33] in his case study found negative relation between liquidity and profitability. Similar conclusions were made by Sofat[34] in a study on seven Indian Cement companies as well as Saini and Saini[35] in their case study on IT sector firm.

Thus the mystery continues and more and more studies are focusing on examining the impact of liquidity on profitability to unravel the truth.

Further, Walker[36] in his pioneering work empirically examined the impact of change in level of working capital on the returns and concluded that the nature of finance utilized for financing current assets affects not only the profitability but also risk preposition of an enterprise and therefore the firms have to achieve a risk-return tradeoff to balance the tangle of liquidity, profitability and risk. Since then few studies have also been undertaken with an objective to examine the nature of working capital policy followed as well as its impact on profitability.

In a study of 10 diverse industry groups of, Weinraub and Visscher[37] made an attempt to examine the relative relationship between their aggressive/conservative working capital policies of US firms and concluded that the industries had distinctive and significantly different working capital management policies.

In a study of working capital financing policy of selected co-operatives of Botswana, Sathyamoorthi[38] found that the selected co-operatives followed conservative working capital policy.

Afza and Nazir[39] through their empirical study in Pakistan context concluded that aggressive working capital policy leads to decline in profitability. Similar conclusions were drawn by Singh and Chekol[40] in Indian context.

Overall it can be observed that various studies concentrating on a range of aspects of working capital management have been conducted and all of these have reinforced the essence of working capital management and its decision on the liquidity, risk and profitability of firms across the globe.

1.3 Rationale of the Study

Working capital management essentially is managing the relationship between a firm's short-term assets and its short-term liabilities. The management of working capital involves managing inventories, accounts receivables, payables and cash. In managing working capital the time involved in implementing the decision is so short that decisions involved are tactical. It is therefore important on the part of management to pay particular attention to the planning and control of working capital.

"The rationale of the study is emphasized by the fact that the manner of management of working capital determines the success or failure of the operation of the business.[41]" Shortage of funds for working capital has caused many businesses to fail and in many cases has retarded the growth. Lack of utilization of working capital either does permit a business enterprise to earn a plausible rate of return on capital employed or compels it to sustain continual losses. The need for skilled working capital management has thus become essential in recent years.[42]

The Weekend edition of Business Standard[43] reads, "Working Capital Crunch delays EIL's electric 3-wheeler launch. The two to three months of working capital is stuck which has resulted in production slowing down leading to a supply crunch in the market pushing wait periods for an e-bike due to which the company is losing its customers and has also to shut over 250 dealerships in the country whereas another 250 are in process to close down reducing the dealership to almost 50%." The shortage of working capital can thus rust the growing business and bring it an unfortunate halt.

Thus, efficient working capital management is necessary for achieving both liquidity and profitability of a company. A poor and inefficient working capital management leads to tie up funds in idle assets and reduces the liquidity and profitability of a company.[44]

A number of research studies in the nature of comparative studies, case studies and fact finding studies have been undertaken by many researchers on the various aspects of working capital management which includes, Efficiency of working capital management including in depth study on each component of working capital; Structure of Working Capital; Impact of Working capital management on Profitability of the firm; Working capital management practices followed; Relationship between efficiency of working capital management and EBIT; Financing of Working capital; Inventory Management; Cash Management, reiterating the essence of working capital management. Studies have concentrated either on working capital management or on working capital policy of on impact of liquidity on profitability.

These studies have been undertaken in variety of industries with different business verticals, amongst which most of them have been carried out in Cement Industry[35, 45], Chemicals & Pharmaceutical Industry[46], Cooperatives[38], Textile Industry[47], Food Industry[48], Paper Industry[49,50], Public Sector Undertakings[42], Horticulture Industry[51], Small Manufacturing Enterprises[15,16,17], State Public Sector Undertakings[52], Steel Industry[53,54], Sugar Industry[55], Tea Industry[56], Tyre & Tube Industry[57] and Automobile Industry[58].

However, it was difficult to find a specific study of working capital management covering the whole of Non Financial Service Industry. Further a study focusing on all the important aspects of working capital management was also not found. In addition, a revolutionary growth in the service sector is observed globally and its growing importance in the development of Indian economy is evident from Table 1.1. In the said context, it is considered to be apt to understand the nature and management of working capital in the service industry. Hence, through this study, an attempt is made to bridge this gap in existing literature by undertaking a study on some important aspects of working capital management in Non Financial Service Industry.

Thus, the present study entitled as "A Study on Some Important Aspects of Working Capital Management in Selected Indian Industries" will be undertaken in Non Financial Services Industry based on review of literature and research, which is likely to add to the wealth of knowledge in the area of Working Capital Management with special reference to Non Financial Services Industry.

1.4 Objectives of the Study

The present study proposes to understand the working capital structure, working capital financing, its efficiency and its management performance. The researcher intends to carry out the present study with the following objectives for the Non Financial Services Industry for the financial years 1995-1996 to 2009-2010 (16 years).

1. To review the state of affairs and progress of Indian Non Financial Services Industry.
2. To study the structure of current assets and current liabilities of selected sample and examine trends over the study period.
3. To study the current asset investment and financing policy as well as the overall working capital policy of selected sample and examine the trends over the study period.
4. To study the nature of working capital requirements in the sample units for the period under study.
5. To study the liquidity position of the sample units and examine trends over the period under study.
6. To study the management of Inventory, Receivables, Cash and Payables of the selected sample and examine trends over the study period.
7. To examine, differences, if any regarding management of working capital, leverage position as well as profitability between the sample companies, between the selected non financial service industries and between the years over the selected time frame.
8. To measure working capital leverage of the selected sample units and examine trends as well as its impact on profitability for the period under study.
9. To examine the impact of Sales on Working Capital.
10. To examine the impact of liquidity, working capital policy, and working capital management efficiency on the profitability of the sample units of the selected industries for the period under study.

1.5 Contribution of the Study

Through the literature the researcher understood that the Non Financial Service Industry is a Sector which is hardly ventured upon. On the other hand there is phenomenal growth in this Sector. Under the circumstances, it is considered apt to carry out a study on some important aspects of working capital management in the Service Industry and it is felt that the present study will help in providing a detailed insight into the ways working capital is managed in Service Industry which will go a long way to fill this research gap.

This study uses a sample of companies belonging to 6 Indian Non Financial Service Industry groups covering a time span of 16 years, *i.e.,* 1995 to 2010 which is another aspect which differentiates this study from the previous ones. Further a long period of 16 years would provide an insight into the trends in working capital management over a period of time for all the Service Industry companies as well as for the individual industry groups.

It was difficult for the researcher to trace a study carried out on working capital management covering all its important aspects, *viz,* Current Assets Structure, Current Liabilities Structure, Working Capital Policy, Liquidity, Efficiency, Working Capital Leverage and impact of working capital management on profitability of a firm even for a large sample of manufacturing firms. In this study an attempt is made to focus on all of these with large number of ratios to derive behavioural conclusions on the same.

Specific firm level data with detailed accounting information for each firm have been used in this study. Apart from firm level analysis, an attempt has also been made to analyze the industry effects on various aspects of working capital management by making an industry-wise classification to find out differences, if any in working capital management when the firm belongs to a particular industry group.

In addition, this study has taken up the concept of "Net Trade Cycle". It was very difficult to trace any previous study in the Indian Context with special reference to Service Industry applying the concept of *"Net Trade Cycle".*

Further, this study examines the impact of Sales on Working Capital; Working Capital Leverage on Return on Total Assets for sample companies. Also, taking 30 explanatory variables, the Impact of Firm Size, Leverage, Working Capital Policy, Liquidity and Working Capital Management Efficiency on ***five*** Profitability measures is taken up to understand if the impact differs when profitability is defined in a different way. This would also help in contributing to the existing literature.

1.6 Organization of Thesis

The present study is divided into eight chapters.

The **Chapter One "Introduction"** presents the theme, conceptual framework and rationale of the study. It also states the objectives of the study, contribution of the study and details the organization of the study in terms of different chapters and sections.

The **Chapter Two "Indian Services Sector: A Review"** presents a review of the development of Indian Service Sector over a period of time, the contribution of the important services in the Indian Economy as well as the present state of affairs of the sector along with the opportunities in the sector.

The **Chapter Three "Review of Literature"** gives an account of theoretical development in the area of working capital management over a period and presents review of major studies on working capital management carried out by academicians, practitioners and researchers in India and in abroad covering various aspects of working capital management. This is done to account for the work already undertaken by earlier researchers along with the findings of their study which helps in identification of the related areas of working capital management where certain behavioral conclusions are yet to be reached. This chapter serves as the foundation stone on which the current study proceeds. This chapter is divided into two sections. Section 1 details the theoretical construct and Section 2 presents review of empirical work on working capital management in India and Abroad with concluding remarks on the same.

The **Chapter Four "Research Methodology"** details the research methodology of the study. An attempt is made to cover various aspects of research design and gives an account of the technicalities of the research study including Sampling decisions, Data sources, Study period, Hypotheses of the Study, Financial techniques, Methodology adopted for examining the WCM as well as the impact of WCM on profitability of the Indian Service Industry. The quantitative tools applied to examine the empirical data are discussed in detail.

The **Fifth Chapter "Working Capital Management: Trend Analysis"** is devoted to the analysis of behavior of selected ratios of working capital management to gauge understanding about the management of current assets and its components, current liabilities and its components, working capital policies, nature of working capital requirements, liquidity management and efficiency of working capital management of the selected industries. The trends in working capital leverage of the selected industries are also examined in this chapter. This chapter also analyzes the leverage and profitability position of the selected industries as they are utilized in the latter part of analysis.

The **Sixth Chapter "Working Capital Management: Analysis of Variances"** attempts to analyze the variations if any for between parameters of working capital management, leverage and profitability between companies, between years and between industries which helps in understanding the differences in practices of the selected industries with respect to working capital management.

The **Seventh Chapter "An Empirical Analysis of Working Capital Management and Profitability"** examines the impact, if any, of liquidity, working capital policy, size, leverage, working capital risk and working capital management efficiency on the profitability. It also examines the impact of Sales on Working Capital as well as impact of working capital leverage on profitability of the Indian Service Sector Companies.

The **Eighth Chapter** presents **"Findings, Conclusions and Suggestions"** based on the results received in the form of the outcome of application of various statistical tools and test of significance applied to test the various statistical hypothesis in this research study. Further suggestions are also made for the selected industries based on the analysis.

Finally, thesis has been supported with Selected Bibliography, Webliography and Appendix.

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