

Abstract

Among various sectors of an economy, the manufacturing of steel sectors plays a significant role in the growth and economic development of the country. This sector contributes a major portion of Gross Domestic Product (GDP) to the nation and creates an ample of employment opportunities in the country which improves the living standard and raises income of the society; thereby, it forms a balanced and integrated economy. To achieve all the above goals, companies should administer their working capital efficiently and effectively so that they could keep safeguard from the risk of liquidity failure and insolvency. This research was undertaken to achieve the major objective to find out the working capital efficiency and its relationship with the profitability in the selected units. The present study is based on the secondary data for a period of twelve years from 2001-02 to 2012-13 of three giant companies operating wholly under central government, i.e., subsidiaries of Maharatna Company SAIL; companies are situated in the Durgapur industrial belt and Asansol sub-division, area in West Bengal. Relevant audited data have been analyzed with the well known techniques such as Ratio analysis, Descriptive statistics, Pearson correlation, One-way ANOVA, Post hoc test and Linear regression analysis to attain and test the objectives and hypotheses of the study respectively.

From the empirical evidence, the study has found that the two major components of working capital management have not been managed at symphony level after comparing with the bench mark. The result of One-way ANOVA and Linear regression indicates that CCC (Cash Conversion Cycle) and ICP (Inventory Conversion Period) have significant impact on the profitability of the selected samples. Not only the major components of WCM, other internal factors responsible for deteriorating the financial and liquidity health of the selected sample in the study are WCTR, FATR and TATR; these efficiency ratios have been found to be below the desired level.

Keywords: Working Capital Management Efficiency, Profitability, BenchMark, One-way ANOVA, Efficiency ratios.