

**A STUDY OF WORKING CAPITAL  
MANAGEMENT AND PROFITABILITY IN  
SELECTED INDIAN COMPANIES**

Synopsis

**Rana Pratap Pal**

**Title of the Thesis\* :** A Study of Working Capital Management and Profitability in Selected Indian Companies

**Name of the Scholar:** Rana Pratap Pal

**Name of the Supervisor:** Dr. Amit Kumar De

## **SYNOPSIS OF THE THESIS**

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We have studied what are the different factors affecting the working capital and how it affects the profitability of the business enterprise. We have studied the working capital management of five different industries name automobile, cement, fertilizer, heavy engineering and steel. We have analyzed the working capital of five firms under each industry. The objectives of the study are 1) To find the relationship of Working Capital Management and profitability of selected Indian companies over a period of ten years. 2) To find the effect of various parts of Working Capital on the profitability. 3) To find out the effect of working capital and size of the firm. We have used several techniques to analyze the data such as trend analysis where we have studied the movement of various components of working capital for last ten years and the ratio analysis to study the impact of different components of working capital on profitability. In factor analysis an attempt is made to club the homogeneous ratios in the form of either liquidity or profitability ratio and then correlation coefficient has been calculated between the principal component factor of liquidity and profitability ratios. We have done multiple regression analysis between the profitability and liquidity ratios of the companies under different industries. The profitability ratios like Return on Assets (ROA), Return on Equity (ROE) and Net Profit Ratio (NP) are taken as dependent variable and Debtor turnover ratio, Inventory turnover ratio, working capital turnover ratio, current ratio and Sales have been considered as independent ratios. We have made some general and specific suggestions regarding management of working capital for the different firms we have taken in our study. There is very wide scope for further research in this area, need to be done more extensively. Parameters like analysis of individual debtors, creditors, stock, and cash flow analysis may further be increased to get more detail result in this area. Transition from working capital management application of Just-In-Time approach can be explored.