

PREFACE

An important factor for rapid industrial progress is earning sufficient surpluses by industries. That helps to finance expansion of capacity and minimise needs for external funds. Industry generally does not make the best use of financial resources in India. The present study points out that one important reason for such low performance is wrong management of working capital, mostly emanating from misapplication of working funds.

This research is a study of the working capital problems of small manufacturing companies in Orissa. It covers the problems of adequacy ; the choice, the sources and problems of raising working capital. The study extends over the period 1966 to 1974 for a sample of fifty companies. The utilization of bank credit forms a special part of the study for two reasons. First, since nationalization of the major commercial banks in July, 1969 there is a change in the allocation of bank resources. Secondly, purpose-oriented lending is now made to replace security-oriented lending. Therefore, the small industry, agriculture and public sector gradually increase their shares in bank credit. The small industries in backward areas avail liberal and cheap bank credit on priority basis. Unless they make

best use of this scarce national resource, there may be shortage of development funds in future. The banks would fail to meet industry's requirements. So the reasonableness of credit availed that is relative to utilization of capacity, is examined according to the Reserve Bank standards recommended by the Study Group to Frame Guidelines for Follow-Up of Bank Credit. Of course, a part of the study relates to a period prior to RBI recommendations.

The research report is divisible into two parts. Chapter one to four discuss the conceptual and contextual matters relating to working capital. The other five chapters carry the results of empirical analysis of collected data. The gist of subject matter of each chapter is as follows.

The first chapter presents the economic background of Orissa State, its industrial backwardness, the causes of retardation vis-a-vis the purpose of the research. The second chapter deals with the theory, management, concept and optimality of working capital. The third chapter states the finance problem, principles, the sources and the problems of raising working capital in India. The fourth chapter discusses the meaning, scope, preparation and interpretation of funds flow statement for analysing working capital changes. The fifth chapter describes the data, the sample and presentation of data and the limitations of the study. In the sixth chapter an estimate of the working capital employed in the small companies on the basis of collected data is given. It analyses the trend and the variations in amount of working capital from year to year. The seventh chapter deals with adequacy of working capital in use ; the various sources from which the small companies get

their working capitals and the problems of raising them. Chapter eight shows the deviations from overall trend of companies individually. The ninth chapter contains the summary of findings.

I am extremely grateful to my teacher and supervisor Professor Sampat P. Singh, Faculty Member of the National Institute of Bank Management, Bombay, who has taken all possible cares in supervising this work inspite of his tight engagement with Reserve Bank of India.

I owe my sincere gratitude to Western Regional Centre of ICSSB, Bombay which awarded me a scholarship for two terms and provided me to stay in their hostel during my sojourn at Bombay. I am especially thankful to Dr. S. D. Karnik and his staff for their kind treatment which facilitated the completion of the work. I express my thanks to Director, National Institute of Bank Management for having allowed use of their premises and library. I am thankful to the Administrative Officer and Librarian for their co-operation. I am also thankful to the Bombay University authorities and the Library staff in particular for enabling me to utilize the materials in the reference section of their library.

I thank the Registrar of Joint Stock Companies, Orissa at Cuttack, who permitted me to collect the data and his staff who gave me full co-operation in the work. I thank the Industries Department of Orissa Government for lending me support for collecting the informations that I needed for this project.

I owe my deep sense of gratitude to Professor Surya K. Das, Head of Post-graduate Departments, Utkal University for his interest in my work and encouragement. I am thankful to Sri Mohan D. Nayak of Canara bank formerly a faculty member of NIEM for his valuable suggestions on the topic of research during my stay at NIEM. I thank Shri P. K. Sahu, Lecturer in Commerce, Berhampur University who gave company, and Professor G. P. Panda of L. B. Law College, Berhampur for his encouragement in the work. I am thankful to Professor B. K. Mohanty, Sri D. P. Nayak, Sri R. K. Sahani, Sri T. B. Susari, Sri D. N. Tripathy and Sri S. P. Mishra, for their professional interest in the work. I am especially thankful to Sri S. N. Mohanty, Reader in English, who spared his time to read some portions of the manuscript and offer useful suggestions. I thank Sri N. K. Mishra, Principal, Rajendra College and his office staff for according the formal and institutional facilities for the work.

To the Sambalpur University and its Syndicate I owe a debt of gratitude for permitting me to register as a scholar under their aegis and submitting this thesis.

I thank Sri K. C. Mahapatra, Executive Engineer, Lift Irrigation and Sri K. P. Singh, Branch Manager of Orissa State Finance Corporation who gave secretarial support. Sri Kalakanhu Patel took all the pains to type the whole work and put up with many ordeals.

Ghanashyam Panda

Department of Commerce
Rajendra College, Bolangir
Orissa