INTRODUCTION

Working capital management is the life blood for every small scale industry, therefore management of working capital considered as one of the most important area in the field of financial management. Working capital management is the most important area in the field of financial management. Every small scale industry as well as large scale industry requires some amount of fixed capital to get fixed assets like plant and machinery, land and building, furniture, vehicles, loose tools etc. along with the fixed capital. Every small scale industry and large scale industry requires additional capital for financing day to day activities which is known as ‘working capital’. Working capital is very important for smooth conduct of business activities. Working capital is very crucial for dictating success or failure of an industry.

Researcher is interested in examining working capital management of small scale industry and to determine management performance in certain small scale industry, the efficiency of working capital management is determined by the efficient administration of its various components like cash management, accounts receivable management, and inventory management.

Table 1.1

Pattern of assets and liabilities of small limited companies for the year 2007-2008 (percentage to total)

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Assets</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share and capital</td>
<td>21</td>
<td>Fixed Assets</td>
<td>29</td>
</tr>
<tr>
<td>Reserve and Surplus</td>
<td>17</td>
<td>Inventories</td>
<td>17</td>
</tr>
<tr>
<td>Borrowed Funds</td>
<td></td>
<td>Loans and Advances</td>
<td>31</td>
</tr>
<tr>
<td>Secured loan</td>
<td>23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured loan</td>
<td>14</td>
<td>37</td>
<td></td>
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</tbody>
</table>
Effective working capital management has always increased profitability of the firm. Most of time it is observed that rightly well planning made in working capital management will enhance efficiency small scale industry, but it is unfortunate in India mostly small scale industry is not paying more attention toward working capital; Due to this burden of credit squeeze the problem of working capital management has acquired special importance in India. The lending policies of commercial banks have undergone, revolutionary changes in the recent periods. The shift in the emphasis from security to purpose of advance has affected large number of borrowers. His, norms for inventory and debtors have also been laid down's. All these development aim at introducing a sense of discipline in the management of working capitals Besides Small-Scale and Ancillary Unit

The definition of small-scale industry (SSI) sector is broadly based on the criterion of regional value of plant and machinery which has been revised over the years.

Prior to 1975, having investment in fixed assets in plant and machinery not exceeding Rs.7.5 lakh were to be included in the small scale industries sector. In the case of ancillary unit, this limit was Rs.10 lakh. These limits have been continuously raised upwards. In April 1999, the
limit was fixed at Rs.60 lakhs for small-scale units and Rs.75 lakh for ancillary units. The investment limit was raised to Rs.3 corer for both small-scale and ancillary units in February 1997. This was lowered to Rs.1 core in 1999 and continued unchanged till 2006-07. The Finance Minister in his Union Budget, 2007-08, presented to the Parliament on February 28, 2007 has raised this limit to Rs.15 core. Therefore, now the investment limit (in plant and machinery) for small-scale industry stands at Rs1.5 core. However, to facilitate technology up gradation and enhance competitiveness, the investment limit (in plant and machinery) has been raised to Rs.5 core in respect of 71 hi-tech/export oriented items in the hosiery/knitwear, hand tools, drugs and pharmaceuticals, stationery and sports goods sector. It is also necessary to point out at this juncture that the sector now includes not only the SSI units but also small scale service and business enterprises (SSSBEs) and is thus referred to as the small enterprises sector.

Tiny Units

In addition to the small-scale and ancillary units, the government has also defined tiny units. Prior to 1991, a tiny unit was defined as one having investment of less than Rs.2 lakh. In 1991, this limit was raised to Rs.5 lakh. Presently the limit stands at Rs.25 lakh.

Registered and unregistered SSI (Small Scale Industries) units

Registration in the SSI sector is voluntary. The registration is done with the District Industries Centers (DICs), first on a temporary basis and subsequently, on the request of the concerned entrepreneurs, on a permanent basis. However, as far as manufacturing units are concerned, their registration is mandatory under Sections 2m (i) and 2m (ii) of the Factories Act. Section 2m (i) refers to units engaging 10 or more workers and using power whereas section 2m (ii) refers to units engaging 20 or more workers and using power. Besides, some State government notify certain industrial activities for mandatory registration although they do not confirm to the criteria laid down under section 2m (i) and 2m (ii).SSI (Small Scale Industries) census

To obtain knowledge regarding the activities of the SSI sector and improve the information base on this sector, the Office of the Development Commissioner (Small Scale Industries) of the Government of India has conducted three Censuses so far. The First Census was
conducted in 1973-74 in respect 2.58 lakh SSI units registered up to 30.11.1973. The Second Census was conducted during 1990-91 in respect of 9.87 lakh SSI units registered up to 31.3.1988. The latest and the most ambitious was the Third Census conducted during 2001-02. In addition to 13.75 lakh registered SSI units, this census also covered 19.46 lakh unregistered units making up a total of 105.21 lakh SSI units. Collection of data for the unregistered SSI sector along with the registered SSI sector has considerably enhanced the information-base on the total SSI sector.
REVIEW OF LITERATURE

Adina Elena Danuletiu (2010), the purpose of this study to analyze the efficiency of working capital management of companies or firms or industries from Alba country, The researcher also study the relation between the efficiency of the working capital management and profitability. The conclusion of the study says that there is a negative relationship between working capital management and profitability.

Akinwande (2010), in his text explained about the working capital management and its impact in liquidity, investment portfolio, and profitability, all above three factors are decisive in the growth or failure of business. Hence good performance of working capital management affects these decisive factors in favor of small scale industries and helps in development of growth and success of the business. His work is mainly on the theory that efficient management of working capital is very crucial for business survival. If you too much attention towards working capital management this also not give you positive result, researcher work evaluated on various working capital management strategies and their effective application by small medium enterprises. Most small business do not managed their short term finance or fund effectively.

According to Anusha Agrawal (2011), The Working Capital Management approach to liquidity management has long been the prominent technique to plan and control liquidity. Efficient liquidity profitability management involves planning and controlling current assets and current liabilities in such a manner that eliminates the risk of the inability to meet due inability to meet due short term obligation on the one hand and avoids excessive investment in these assets on the other. The Working Capital includes all the items shown on a company’s balance sheet as short term or current assets while net working capital excludes current liabilities this research paper measures the profitability liquidity and risk trade – off of automobile industry. Working Capital is like blood to human body. It is the most vital ingredient of the business. Working Capital refers to the industries investment in the short term assets.

Ashok Sharma and kumar (2011), the main aim of this article is to examine the effect of Working Capital on profitability of Indian firms. The finding of researcher shows significantly depart from the various international markets. The result show that Working Capital
Management and profitability in positively correlated in Indian companies Research also shows that the inventory of number of day and number of days account. Payment is negatively whereas number of days accounts receivable and cash conversion period a positive relationship with corporate profitability.

Beaumont and Begeman (1997) said in his research that Working Capital is an important component in the financial decision of the company. An optimal working capital management is reach through a trade of between profitability and liquidity. This study aims to provide empirical evidence about the effect of working capital management on the profitability of small scale industry.

Beydokhti Abbas Taleb (2007), author clearly said in his literature that The Small Scale Industry (SSI) sector is a key of economic growth and contributes substantially to India’s total industrial production; export and employment generation. As a result, 3.6 million SSI units in the country produce over 8000 items and provide employment to about million people. Small Scale Industry unit have weak capital base of their own because they are mostly organize on proprietary or partnership basis and are usually of very small in size. They are poorly placed in the matter of capital formation. It is the fact the success or failure of an enterprises to a large extent depend upon the effectiveness with which financial resource of the firms applied and managed there is positive relationship between a firm’s growth and working capital needs.

David Mathuva (2010), the study focuses the impact of Working Capital Management components of corporate profitability. There exists a highly significant negative relationship between the times taken by the firms to collect cash from their costumers secondly there exists a highly significance positive relationship between the period taken to convert inventories into sales. Thirdly there exists a highly significance positive relationship between the time to pay its creditor the more profitable it is.

Dick Nato (2009), The world is near the bottom of a global recession that is causing widespread business unemployment and shrinking government revenues even though present data indicate economics may have reached bottom and are beginning to recover but still unemployment is enhancing. Numerous of small scale industries facing huge problems in their balance sheet, the small and medium sized entrepreneur needs funds for
both expansion and working capital and the company cannot get its requirement without financial institution. In case of recession financial institution funds very difficult to finance to the small scale industries,

Working Capital Management has been greater importance in small scale industries. (SSI) Unit, but most of these have not strong financial at market, The Working Capital practices in small and medium enterprises are more owner centric than professionally managed. Working Capital is vital for any business just as blood. In this study it is found that the perceptions about the working capital management differ among business persons small scale industry sickness has repeatedly emphasized the need for adequate working capital.  

Islam uddin khan (2011), Liquidity management of crucial importance in financial management decision, the optimal of liquidity management could be achieved by company that manages the trader – off between profitability and liquidity management. A descriptive statistic discloses that liquidity and solvency position is very satisfactory and relatively efficient liquidity management is found. Multiple regression tests confirm association between the liquidity management and profitability Working Capital always being ignored financial decision marketing since it involve investment and financial in short term period.

Jaiswal Vikas Kumar and Pandey, shishir (2011), Management of Working Capital is essential it has direct impact on profitability and liquidity. An attempt has been made in this paper to study Working Capital components and impact of Working Capital Management on profitability. The research also make on attempt to study the correlation between liquidity and profitability of NALCO study is based on totally secondary data and period cover for the study between 1995 to 2008.

Janardhan Rao (2007), The broad objective of the study is to examine the existing level of Working Capital Management in the selected units it is proposed to make a cross examination of the utility of having expertise managerial know – how with that of not having such know – how. Major topics are performance of the selected unit’s management of inventory management of cash management of account receivables.

James. Gentry, Dileep Mehta Bhattacharyya Robert cobbout (1979), This research shows that Working Capital Management is nothing but the managing short – term resources and increase the profitability and liquidity of the firm / industry but in many industries there is
gap between working capital management of short – term resource. The study intercepts management ranking of working capital objectives and indicates the need to improve financial planning models to include explicitly short – run objectives this study examine management perceptions of long ranges objectives in order to provide a proper perspective to the short run financial planning.

Jasmin kaur (2010) the present study indicates that working capital is one of the most importance and challenging factors for financial management. Working Capital Management is related with the problems that arise in attempting to manage the current assets, current liabilities and the interrelation that exists between them. Efficient management of working capital and its components have a direct effect on the profitability levels of tyre industry.

Jayshri kadam (2011), Small Scale Industries encompasses vast scope covering manufacturing servicing, financing construction infrastructure etc. Small Scale Industries is an importance for economic growth in any countr.it is more significance to developing country like India. It contributing its increasing share to be national production employment and export Small Scale Industries is also infection by the problems of raw materials, finance, marketing underutilization of capacity and ignorance of management of working capital, lack of finance has driven many small business units into bankruptcy.

Kaburi Simeon Nyandemo (2008) this study provides a comprehensive analysis of Working Capital Management practice in sameta division district secondary school. The paper surveys show how secondary school teacher who are the school manage. The school cash inventories, accounts receivable, and accounts payable. Management of school become a concern of most people in society as there seems to lack professionalism in are of management of school finance. Financial decision made will affect most people in society as majorly meet vested interest in the school. The study project in corporate cash, accounts receivable and account payable management practice of secondary school in sameta division

Karamjet singh and firew chekol (2009), it is focused on assets and liabilities that may affect free cash flow and the cost of capital financing in the company. The small scale industries can choose one of the three working capital investing and financing policies which
are mentioned in most financial management Aggressive policy where by a major portion of the company’s fixed demand assets is satisfied with short term financing. Conservative policy where by both fixed assets and volatile levels of current assets are maintained with long term financing. This policy relies heavily on long term financing and therefore, the firm has less risk of facing the problem of shortage of funds. Moderate (matching) policy (hedging approach) aiming to adjust the period when financing is needed to the period when the company requires given assets. As a result of such approach, fixed portion of current assets is financed with long term funds while the volatile portion of these assets is financed with short term funds.

Kehinde James Sunday (2011), the need of main effective working capital management within small scale enterprises remain importance to solvency and liquidity of small medium enterprises. Most small medium enterprises do not care about working capital position, and many of them have only little regard toward their working capital position and many do not have any standard for credit policy. They only run business without paying attention toward financial position. Main items for them only cash. They pay attention toward on cash receipt and what their bank position is. Standard working capital ratios were used to measures the effectiveness of working capital in the selected firm. The industry elected show sign of overtrading and illiquidity, their main concern was on profit maximum without taken into consideration of payment of creditors. The industry also show low debt recovery over credit payment. Small medium enterprises must give enough attention toward management of their working capital to secure growth and solvency and therefore good a standard credit policy, good financial report and control system is very essential for small medium enterprises.

Kesseven Padachi (2006), a well-designed and implement Working Capital Management is expected to contribute positively to the creation of a firm’s value. The purpose of this paper is to examine the trends in Working Capital Management and its impact on firm’s performance. The trend in Working Capital Management and profitability of firm are examined to identity the causes for any significant different between industries, it depends variable return on total assets is used as a measure of profitability. A strong significant relationship between Working Capital Management and profitability has been found in
previous empirical work. An analysis of the liquidity profitability and operational efficiency of the five industries shows significant change and how best practices in the paper industry have contributed to performance. The finding also reveals and increasing trend in the short-term component of Working Capital financing.

**Mathur and Suraj Narain (2010),** the purpose of this chapter is to present a review of literature relating to the working capital management even though Working Capital is an important ingredient in smooth functioning of business entities. It has not attracted much attention of scholars. Indian researcher has also conducted studies on various aspects of Working Capital. Special studies have been undertaken mostly economists to study the dynamics inventory investment which often represented largest component of total Working Capital.

**Mohanmad Alipur (2011),** the main objective of this research is studying the relationship between Working Capital Management and profitability cash conversion cycle is one of the important measuring tools to calculate the efficiency of Working Capital Management. The time take by research was 2001-2006 there is significance relation between Working Capital Management has great effect on the profitability of the companies.

**MERYAM RELLOUMA (2010),** Working Capital Management is an important component in the financial decision of the company. An optimal Working Capital Management is reached through a tradeoff between profitability. The study aims to provide empirical evidence about the effect of Working Capital Management on profitability of Tunisian export small medium enterprises from 2001 to 2008. The result of fixed and random effect modes shows a negative relationship corporate profitability and the different Working capital components. This shows that firms shorten their cash conversion cycle by reducing the number of days of accounts receivable and inventories to increase their profitability.

**Mohammad Talha (2010),** Working Capital Management almost determines the ability of a firm to earn profit efficiency with which a firm handles working capital ensures prosperity while neglect would spell dangers for the very survivals of the firm. The study focuses on the impact of working capital management on profitability of selected Indian corporate hospital. The result of regression analysis point out that the current ratio, Cash turnover
ratio, proportion of current ratio to operating income and leverage have a negative influence on profitability while current ratio has the least direct effect.

Muhsin Salim (2010), the study focuses on the effect of working capital management on profit and trend of small and medium enterprises. The result shows that there is a positive linear relationship between working capital management and profitability of firm.

Namashvayam and Vijay kumar (2004), Globalizations has no about provide expanded opportunities in the different part of the world. World become small village due to globalization and liberalization before the introduction of economic reform 1991 following the inevitable globalization With Globalization they are more exposed to serve competition from large scale sector as well as small scale sector.

Nunza Binti Nlohd Saad (2010), the paper is made with an attempt to bridge the gap in the literature by offering empirical evidence about Working Capital Management and its effect to the performance of Malaysian listed companies from the perspective of market valuation and profitability. There is significant negative association between working capital variable with firms performance. Thus it highlights the importance of managing working capital requirement to ensure an improvement in firm’s market value and the company’s strategic and operational thinking in order to operate effectively and efficiently.

Olufemil falope and Olubanio (2009), the study explained about the empirical evidence about the effect of working capital management on profitability the study shows a significance relationship between net operating profitability and average collection period, inventory turnover in days. The result of the study shows that firm get more profitability of the firm manage their working capital management in more efficient ways by reducing the number of days accounts and inventory to a reasonable minimum.

Pedro Juun and Pedro (2011), Purpose: The objective of the research presented in this paper is to provide empirical evidence on the effect of Working Capital Management on the profitability of a sample of small and medium – sized Spanish firms. The research tested the effects of Working Capital Management on Small Scale Enterprises profitability using the panel data methodology. Manager can create value by reducing their inventories and the
number of day for which their accounts are outstanding. Moreover, shortening the cash conversion cycle also improve the firms profitability.

**Raju (2008),** It is estimated that Small Medium Enterprises account for almost 90 per cent of industrial units in India and 40 per cent of value addition in the manufacturing sector this shows that SMEs have become engine for economic growth and development in India. Still there are various problems face by small scale industries like lending, financing, marketing, and management of working capital.

**Robert Nyabwanga (2010),** the researcher gives highlights on the effect of working capital management on the financial performance of small scale industry. the study concluded that working capital management practices has an influence on the financial performance of small scale enterprises, therefore the need for SSE managers to embrace efficient working capital management practices as a strategy to improve their financial performance.

**Sanjiv Mittal, Mohinder Kumar and Bhavet (2011)** a strong significant relationship between working capital and profitability has been found in previous research work. Best uses of working capital management in small scale industry increased the liquidity, profitability, and operational efficiency. It indicates that working capital management is of particular importance to the small businessman.

**Sari Vishan Milla Prittila and Timo karri (2011),** Working Capital Management an essential element in short-term financing and cash flows. Old research also shows the impact of working capital management on relative profitability of a company. Present paper study the effect of the management of working capital components like inventories, accounts receivables and accounts and accounts payable on profitability in the content of the value chain, result shows that there is positive relation between components of working capital and profitability of the firm.

**Shambhu Ghatak (2008),** the present articles deal with micro, small, and medium enterprises and their significance in economic growth and employment generation in the Indian content. This paper present research on how the government for promoting MSMEs changed from protectionism.
Sitharamayya (2001), the broad objective of this Research is Working Capital Management. Remained a relatively neglected sector of overall management in small enterprises generally fail more on account of the inadequacies to properly manage their working capital than for other reasons. The performance of enterprises is to a large extent dependent on how efficiently the working capital and its components are managed. The study gives more significance to working capital management and their components. It also contributes significantly in export product of the country. Industrial policy of Government also thrown up challenges for small enterprises.

Sohanlal Yadave and Priyabka Srivastava (2010), in this thesis researcher have found out various reasons which are responsible for failure for small scale industry in India. Sickness in the industrial units is no new scenario in the developing countries like India. Experience suggests small scale industry is more prone to sickness as compared to medium and large scale industries. One of the main reasons for sickness of small scale industries is that ignorance toward working capital management and there is imbalance in its financial structure such as current ratio is less than 1:1.

Sonia (2009), in this study, Due to Globalization world became a small village it provides several things to several people with removal of all trade barriers among countries. Globalizations involve three stages – Trade in goods and services, Movement of capital and flow of finance. In India Globalization mean ‘integrating’ the economy of the Country with the world economy. In this content small scale sector is a vital scale sector is a vital constituent of overall industrial sector of the country. Its contribution in production export and employment is very crucial. The main objective of researcher is to evaluate the performance of small scale industries before and after liberalization and compare them with average annual growth rate and to know the impact of Globalization on the performance of small scale industries.

Solanki and Ashwin kumar (2009), The term Working Capital refers to short term funds required for financing the duration of the operating cycle in a business often known as “Accounting Years” These funds are used for caring out the routine or regular business operation consisting of purchase of Raw Material payment of direct and Indirect expenses, caring out of production, investment in stocks and stores and amount to be maintained in
form of cash. The study of Working Capital Management occupies important place in financial management but has never received so much attention in small scale industry. Working Capital Management has been lock as the engine of train.

_Sayed Talmina Quayyum (2011)_ , this study is an attempt to investigate, If there is any relationship between Working Capital Management and profitability of manufacturing corporations. The purpose of this there is to figure out if there is statically significant relationship the profitability and Working Capital Management and researcher also explained management taking active part to maximum their liquidity and profitability and various Working Capital Components. This paper also shows that the significance level of relationship differ firm industry to industry.

_Sundarsana Reddy and Raghunatha Reedy (2007)_ , Working Capital Management has been greater importance in small scale industrial units but most of these have not strong financial at ground base level and limited accessibility to financial market. The working capital practices in small and medium enterprises are more owner centric than professionally managed. In his study it is found that the working capital management differs among business persons. Small Scale Industry sickness has repeatedly emphasized the need for adequate working capital.

_Sushma Rani Verma (2010)_ , Working Capital Management refers to all management decision and action that ordinary influences the size and effectiveness of the working capital. The basic objective of Working Capital Management is to provide adequate support for the smooth functioning of the normal business operation of any firm / company / industry. The study has also shows various components of current assets and current liability of small scale industries. Percentage ratio and index method have been applied for the analysis. The result of analysis shows working capital of the sample firm have grown up rapidly and have got doubled in the respective time period. The highest part of total current assets has been contributed by stock and debtors. It was observed from the analysis of that a very high proportion of long term fund are being used to finance current assets.

_Zahra Mousavi and Azam Jari (2009)_ , Working Capital Management is one of the most important financial decision in corporate. The optimum management of Working Capital will
increase the corporate value so the primary goal of research is evaluating relationship between Working Capital Management and corporate performance. We used factors such as return on total assets return on owners’ equity and market value to book value ratio for evaluating corporate performance and net liquidity balance as criterion for evaluating of Working Capital Management results show that there are positive relationship between Working Capital Management and corporate.
OBJECTIVES OF THE PRESENT STUDY

The following are the important objectives of the working capital.

1. To ensure optimum investment in Current Assets.

2. To strike a balance between the twin objectives of liquidity and Profitability in the use of funds.

3. To ensure adequate flows of funds for current operations.

4. To speed up the flow of funds or to minimize the stagnation of funds. To attain the above objectives of working capital managing the coordination between higher level and lower level authority is very crucial. The study speaks itself to the problem of how to working capital effectively in small scale industry. The specific objects are as under.

(A) To study the practice of working capital management in the selected Small scale industries in Mumbai and Thane area

(B) To assess the relative significance of the various sources of Working Capital in Small Scale Industries

(c) To assess the firm’s utilization of investment in current assets.

5. To suggest measures for ensuring the effective utilization Of Working Capital under inflation and recession conditions.
PROBLEM STATEMENT

The problem statement to be analyzed in this study is that “Does Working Capital Management of Small scale Industry affects profitability and liquidity of Mumbai and Thane region of Maharashtra State of India”

To analyze this problem statement we have developed objectives of our research which will hopeful find out important aspect of financial statement. Not much research done by researcher on this topic.

HYPOTHESES

Liquidity and profitability are the two aspects of paramount importance in business. Researcher feels that working capital management has not been given more importance in small scale industry. Therefore small scale industries have suffered losses or earned very low profit.

H0 There is no significance different between working capital management and profitability

H1 There is significance different between working capital management and profitability.
RESEARCH METHODOLOGY

To attain the above objective and for getting firsthand information knowledge of representative small scale industry preliminary discussion were held with the representatives / partners / managers / officers /and institution connected with small scale industry development and promotion in Mumbai and Thane region of Maharashtra state of India. The study is based on the both primary data and secondary data.

PRIMARY DATA

1. Primary data collected form the questionnaire.
2. Primary data also collected from face to face interview with entrepreneurs, officials and non-officials and others experts in the field.
3. Some information also collected through E-mail.

SECONDARY DATA

The main sources of Secondary Data are as follows.

1. Financial reports of the industry
3. Publish data regarding finances of companies in India, Specially the survey report Published by Reserve Bank of India
4. Various newspapers like local, national, and international.
5. Various website related to the topic
SAMPLING TECHNIQUE

A questionnaire was issued to the 547 selected small scale industries which were located in Mumbai and Thane. The questionnaire was personally given to entrepreneur or manager or who has given responsibility to handle small scale industry. Actually responses were received from 384 small scale industries. 71 personally visited small scale industry in Mumbai and Thane area were given incomplete respond and 90 not responded at all. Some are given incomplete information and some were not interested to respond large part of the research effort involved field studies of personal interview of owners of small scale industries.

Face to face interview was arranged with the management of the targeted industries so that relevant issues and question were raised and answers obtained. The interviews which were conducted with entrepreneur or managers or responsible persons who handling small scale industry greatly help throw light on the answers to the questionnaire and give additional information that will be utilized in the research and Annual reports of small scale industries are also to be collected from personal interview.

An effort will be made to understand the problems of small scale industries and how owners of small scale industries deal with it. It was thought, that the personal interviews provide valuable information about management of working capital and thus make a substantial contribution to knowledge in the area of financial management. The study has been restricted to two groups of industry in (Mumbai and Thane) India. The latest period of ten years from 2001 to 2010 selected for the purpose of study.

DATA ANALYSIS

Data Analysis and Discussion: We have performed two types of analyze descriptive and quantitate. The results of these two type of analyze are discussed in this section. Data analyze shows the average and slandered deviation of the difference variable of interest in the study.
For the purpose of various analyses simple data descriptive statistics methods were used. Beside, charts and diagrams are shown to emphasis and highlight growth of small scale industries. The descriptive analysis helps to get some picture of working capital Management of small scale industry in selected from Mumbai and Thane Maharashtra state of India.

**RESEARCH DESIGN**

In the research design adopted for this present research work, I made use of questionnaire on working capital management of small scale industry. I have taken Mumbai and Thane region of Maharashtra State of India. Mumbai is the financial capital of India and Thane region on also following the same way. Both regions highly populated with various industries. The sources of data collected used are both primary and secondary and it allows researcher to collect necessary information from the appropriate and different department of small scale industry. The questionnaire is designed in such way that scholar getting all types information base on the question asked and ensuring

- A proper layout
- The questions in order of importance
- Specifying the information needed
PLAN OF STUDY

The study has been divided into seven chapters. The first chapter presents a brief survey of the engineering and chemical (small scale industry) industry in India besides stating the hypothesis, scope, limitations, methodology, and the objectives of the study.

The second chapter brings out definition and concept of working capital. The factors which influences working capital needs to analyzed in the third chapter.

Chapter fourth deals with tools used for working capital management. Fifth chapter deals with the sources of fiancé to working capital management.

Sixth chapter deals with recession and inflation and working capital management of small scale industry. The seventh chapter describes the summary of findings and a few suggestions for improving working capital management.

LIMITATIONS

No research work is perfect in all respects. Base on my knowledge and different research and publication in my research work also there are many limitation and barrier towards working capital managements of small scale industry which as follows:

1. Due to lack of time and monetary matter, researcher has taken only Limited area for the study.

2. The study is based on the opinion of respondent (questionnaire) and these can be bias.

3. The questionnaire might have excluded some important factor therefore the analysis and interpretation might be exhaustive.

4. For Small Scale Industry registration is not compulsory therefore it is very difficult to find out exactly number of industry in Mumbai and Thane region of Maharashtra State of India
SCOPE OF THE PRESENT STUDY

This is a study of working capital management in the small scale industry in Mumbai and Thane of Maharashtra state of India. Researcher has taken only selected small scale industry for study. The study covers following industry groups.

1. Engineering Industry

2. Chemical industry.

3. Cotton industry

4. Plastic and Rubber industry

The engineering industry group includes in production of tire, tubes, transport equipment’s, professional scientific instruments, electrical machinery etc. The engineering industry is divided into various broad groups for example basis of the raw materials used and the process employed in the manufacture of goods for conducting the annual survey of industries in India.

The period covered by the study extends to ten years 2000 to 2010. The period also covers with the two five years plan. Researcher has studied the period during which crucial changes took place in the various industries under recession and inflation period.
Working capital management is a backbone of every industry. Every industry profitability, to a large extend depends on the quantum of working capital available to it. Adequate working capital is a source of energy to every industry. It is the life blood of an organization. It helps in following ways.

1. Ensures the solvency of a company.
2. Facilities obtaining credit from banks without many difficulties.
3. Enables an industry to meet its obligations.
4. Enables industry to tide over difficult period successfully.
5. Enables an industry to make immediate payments to its Creditors and thereby take advantage of cash and quantity Discounts offered by them.
6. Improves the prospects of prosperity and progress of an industry If enough working capital is introduced in the industry, the industry is going to prosper. Therefore it is rightly said that the working capital is the backbone of the financial structure of a industry.