



WORKING CAPITAL MANAGEMENT AND PROFITABILITY: A LITERATURE REVIEW

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ABSTRACT

Objective of this paper is to review research on working capital management (WCM) and its impact on profitability of manufacturing sector in India. WCM and its impact on profitability have appealed serious research attention in the recent past, particularly after the financial crisis of 2008 which result slowdown in the economy. Using systematic literature review (SLR) method, the present study reviews more than 100 research papers from referred journal and international conferences published on WCM and its impact on profitability of manufacturing sector in India. Study reveals that most of the research work is empirical and focuses on impact of working capital on profitability of firm and working capital practices. Major research work has concluded that WCM is essential for corporate profitability. This paper also reveals there is a stable pattern of industrial performance in terms of working capital management efficiency.

INTRODUCTION

Working capital may be regarded as the lifeblood of any business unit and defined as the excess of current assets over current liabilities. The very first formal study in the field of working capital in India was conducted by NCAER in 1966. Working capital management becomes crucial task in manufacturing sector because half of the assets of this concern comprise working capital. The main aim of this paper is to review various aspects of working capital management and to give direction to future researcher. The present research highlights the numerous studies, which have carried out to understand the relationship between working capital management and profitability, and impact of working capital on the profitability of companies.