Working Capital Management of Micro & Small Enterprises

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Working capital management (WCM) has played an important role in achieving profitability for micro, small and medium enterprises. A major cause for the failure of micro and small firms could be attributed to improper WCM. Micro and small ventures are especially susceptible to WCM crisis as they are typically placed in hand to mouth conditions. Lack of funds in tight situations might result in severe existential crisis. With the mission to be the leader in industrial development in India by 2020, Government of Andhra Pradesh has consciously taken steps to fulfill its dreams. This study attempts to comprehend the WCM practices followed by micro and small enterprises in Srikakulam district of Andhra Pradesh.

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Introduction

Micro, Small and Medium Enterprises (MSMEs)in India were being categorized based on the size of investment in plant and machinery for manufacturing enterprise and on equipment for enterprises providing or rendering services [MSMED Act, 2006]. The upper limits for the classification of MSMEs, as per the MSMED Act, 2006 have been tabulated in Table 1.

Katyal (2015) explained how economic development in India had been propelled by MSMEs, and the role of MSMEs in creating job opportunities for a semi and unskilled labor force. Chakrabartty (2016) described the role of MSMEs in the expansion of entrepreneurial culture and business innovations. Studies done by researchers (Garg &Walia, 2012; Subrahmanya, 2004; Slyal, 2015) clearly emphasized the importance of MSMEs across different sectors of the Indian economy, which had been producing diverse range of products and services to cater to local and global market demands. MSME's contribution has been represented in Table 2.

Table1 Classification of MSMEs Based on the Investment Caps

Classification	Manufacturing Enterprises (Investment limit in Plant & Machinery)	Service Enterprises (Investment limit in equipment)
Micro	Rs. 25 lakh	Rs. 10 lakh
Small	Rs. 5 crore	Rs. 2 crore
Medium	Rs. 10 crore	Rs. 5 crore

Source: MSMED Act, 2006

Table 2 Share of MSME Sector in GDP & Total Manufacturing Output

	Manufacturing Output at Current Price		% Share of MSME in GDP	
Year	MSME Manufacturing Output (Rs. crores)	Share in Total Manufacturing Output (%)	MSME Manufacturing Sector(In GDP)	MSME Services Sector(In GDP)
2011-12	2167110	33.12	6.16	23.81
2012-13	2385248	33.22	6.27	24.13
2013-14	2653329	33.27	6.27	24.37
2014-15	2783433	33.40	6.11	24.63

Source:Annual Report 2016-17, Ministry of Micro, Small, and Medium Enterprises, Govt. of India

Bose (2013) had reported that many of these enterprises either operated with inadequate capital or solely depended on the owner's capital and firm profits generated.

Working Capital Management

Funds were required for the purpose of procurement of raw materials, payment of wages and other daily expenses (Gupta, 2015). These funds, working capital(WC)formed that part of the firm's capital which was essential for financing short-term assets such as cash, securities, debtors and inventories (Popli & Puri, 2013).Tauringana and Afrifa (2013) explained WC as a practice for carrying daily operations effectively. The basic objective of working capital management (WCM) was to make sure that an organization had enough funds to meet its operating costs (Sagner, 2010). Banos-Caballero et al. (2010) stressed upon the importance of WCM and its effects on profitability and risk. Deloof (2003) explained that the significance of WCM for firms had attracted many studies that were focused on the extent of its effect on profitability and risk. However, Mehmet et al. (2009) mentioned that these studies were mostly related to large companies. Stephen and Elvis (2011) stressed that though there has been literature which indicated the importance of WCM to SMEs and its impact of WC on SMEs. The challenges in effective WCM and its role on a strategic front had remained untouched. MSMEs, basically small entities played a crucial role in Indian economy contributing to 33% of the total manufacturing output from the manufacturing

enterprises and 45% to the total exports from the country as per Small and Medium Business Development Chamber of India (2016-17). This depended significantly on WCM.

Adequacy of Working Capital

Yasasway (1978)stressed that WC was important for running any business and it was challenging to carry out the business with fixed capital alone. A positive correlation was reported by Sharma and Kumar (2010) between WCM and profitability. One of the major reasons for the failure of many small enterprises was accounted for by poor WC decisions (Haswell & Holmes, 1989). WC laid the basis for the objectives of profitability and liquidity (Shin & Soenen, 1998). Major research in this area also emphasized the correlation between corporate profitability and healthy WCM practices (Singh & Kumar, 2013). Kulkarni (1983) highlighted the significance of efficient WCM and thus WCM has been looked upon as the key driver for any successful business organization.

Working Capital Management Principles

WCM involved various challenges making it hard for MSMEs to handle it effectively (Das, 2008). According to Kovelskly (2015), a greater risk prevailed with higher disparity between the maturities of a firm's short-term debt instruments and its flow of internally generated funds. Therefore, as the WC levels increased, amount of risk decreased, and vice-versa, so the opportunity for benefit was more likely to be affected adversely (Banerjee, 2015).

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One of the objectives of WCM has been to increase the profitability of a company so as to ensure sufficient funds to meet firm's obligations to continue the business (Azeez, 2016).Thus, the two main objectives of WCM have been to increase profitability and to ensure that MSMEs have sufficient liquidity to meet its short-term obligations.

Literature Review

The authors carried out a string search on WCM and WC challenges in the Indian context in journals, data bases on ProQuest, EBSCO, Emerald Insight, Wiley, Sage, Blackwell and such others. For efficient management, various aspects like inventory management, receivables and cash management must be simultaneously managed. This had to be done along with WCM and its impact on liquidity and profitability, and further WC policies have been studied. The area of research under inventory management has been tabulated in Table 3. Research contributions under receivables management in WCM has been tabulated in Table 4. Extant research on overall WCM and firm management has been tabulated in Table 5.

Table 3 WCM & Inventory Management

Sl. No.	Author and the year of study	Research Methodology	Findings
1	Gaur, Fisher & Raman (2004)	An Empirical model using financial data of 311 publicly listed firms and correlation analysis was used.	While considering firms with same inventory turnover, the one with lower capital intensity had better inventory management.
2	Boute, Lambrecht, Lambrechts & Sterckx (2007)	The authors examined the levels of inventory in manufacturing and wholesale using ANOVA.	Discrete production processes led to high inventory ratio when compared to that of a continuous production process.
3	Chowdhury & Mohd(2007)	Ratio analysis was carried out.	Inventory turnover ratio played an important role in the profitability of a firm.
4	Shah (1974)	Analysis of investment in inventories of two textile mills was done.	Inventory and the costs associated formed the major chunk of the total cost of production.
5	Singh (2008)	The author examined firms that were listed on Ghana Stock Exchange.	Firms with conservative current asset investment policy should have an aggressive current financing policy for higher profitability.
6	Soni (2012)	The author collected primary data through interaction with the respondents and then regression analysis was performed.	Significant correlation was found between inventory and sales. The inventory classification used was UED (undesirable, essential, desirable) followed by ABC (high, medium and low value) HML (high, medium, low) and VED (vital, essential, desirable).

Table 4 WCM & Receivables Management

Sl. No.	Author and the year of study	Research Methodology	Findings
1	Gama & Mateus (2010)	The authors examined representative sample data of Spanish and Portuguese SMEs and mathematical modeling was done.	It was challenging for firms to get loans as bankers had little knowledge of the kind of projects handled by small firms.
2	Reddy, Reddy & Reddy (2003)	The authors carried out ratio analysis of various cotton and textile industries in Andhra Pradesh, India.	High inventory levels affected profitability.Sundry creditors were to be utilized to finance the current assets to improve profitability.
3	Shukla (2007)	Empirical study on a sample of 10 Indian Pharmaceutical companies was done.	Profitability was impacted if conservative policy was prioritized at the cost of liquidity.

4	Kannadhasan (2008)	The relationship between WCM, liquidity and profitability were examined.	Profitability and liquidity were observed to be inversely proportional.
5	Nageswari, Bennet & Selvam (2011)	Ratio analysis of a sample of eleven automobile firms was carried out.	Receivables played a key role in the operating cycle and with better coordination helped achieve higher sales turnover.

Table 5 WCM & Firm Management

Sl.No.	Author & the year of study	Research Methodology	Findings
1	Sagan (1955)	Ratio analysis was performed.	WCM has been essential and significant for the smooth running of any business organization.
2	Smith (1997)	Ratio analysis of 135 firms listed on Johannesburg stock exchange was performed.	WC requirements and policies varied as per the capital and type of industry.
3	Agarwal (1976)	The author examined WCM for a sample of 34 large manufacturing and trading limited companies based on ratio analysis.	WC varied across the industries and most of the firms were unsuccessful in applying the capacity of current assets utilization to the fullest.
4	Sayaduzzaman (2006)	The author evaluated the WCM of British American Tobacco Bangladesh firm over a period of five years using correlation analysis.	WCM efficiency dealt with the planning of timely cash inflows and other components related to inventory and asset management.
5	Padachi, Narsimham & Howorth (2008)	Empirical study based on a sample of 101 small manufacturing companies was carried out.	Short term credits significantly helped in financing WC.
6	Reddy & Rao (1996)	Inventory analysis and its ratio to the total current assets over a period of 5 years was performed.	For industries dealing with high intensity capital requirements, WC decisions must be deliberated strongly.
7	Prasad (2000)	The author examined current assets and financing of 21 paper firms over a period of ten years.	Public deposits had grown as a potential source to finance WC requirements.
8	Anand & Gupta (2002)	The author examined the data of 427 manufacturing companies over a period of three years.	WC decisions varied as per the Cash Conversion Cycle (CCC) and the operating cycle of that industry.
9	Ghosh & Maji (2004)	The authors examined the WCM efficiency of 20 Indian cement manufacturing firms over a period of ten years using performance index, utilization index and overall efficiency index.	Effective WCMwas a challenging task and the Indian cement industry was no different to this, with relatively poor WCM index, there was a lot of scope for improvement.
10	Janakiramudu (2010)	The author examined the WC structure of five companies of Indian commercial vehicles	Accounts payables and receivables played an important role in WCM and firms which managed this

		industry over a period of ten years.	achieved high sales turnover.
11	Teruel & Solano (2007)	The author examined 38464 SME firms belonging to 8 sectors for the period 1996-2002.	Short CCC improved firm's profitability.
12	Bhagchi (2012)	The author examined the profitability of Indian FMCG firms for a period of 10 years.	By the reduction of CCC to the minimum possible level, value could be created.
13	Gupta (1969)	The author analyzed the data published in the internal revenue service.	With an increase in the size of the organization, liquidity ratios rise, but it fell with the growth rates.
14	Chakraborty (1973)	The author analyzed the data of two Indian firms.	WC policies varied significantly across industries.
15	Filbeck & Krueger (2005)	The authors analyzed working capital policies of 26 non- financial industries in USA.	WC policies and practices varied significantly across industries.
16	Kovelskiy (2015)	The author examined a sample of 15 registered MSMEs in Ludhiana, India.	Respondents were not aware about WCM. In most of the cases, small firms' owners managed WC themselves.
17	Chandraiah & Vani (2014)	The authors analyzed secondary data from MSMEs.	Lack of availability of adequate and timely credit was the primary challenge.Higher cost of credit, collaterals, and limited access hampered the growth of MSMEs in India.
18	Arunkumar & Radharaman (2012)	The authors analyzed sales growth and profitability of two public sector undertakings in Kerala, India.	Accounts payable has a significant negative affect over Net Profit Margin (NPM).
19	Ramachandran (2010)	The author analyzed secondary data provided on CMIE of 85 listed companies in BSE.	Less profitable firms should delay its bill payments and must try to decrease the days of receivables to shorten the CCC.
20	Deloof (200 3)	The author analyzed a sample of 1009 Belgian firms.	Value could be created by reducing the accounts receivable to the minimum extent.
21	Azhagaiah Ramachandran & Muralidharan Janakiraman (2006)	Analysis of 30 BSE listed firms for a period of ten years on WCM efficiency and EBIT was carried out.	Delaying payment to suppliers improved Earnings Before Interest & Tax (EBIT).Paper industry had effectively managed the WC.
22	Singhania (2010)	Correlation analysis between profitability and WCM ratios was performed.	CCC of a firm had a negative correlation with its profitability. Performance could be improved by decreasing the number of days receivables and increasing the number of days for payables
23	Ben Ebo Attom (2016)	Survey of WCM practices of 214 medium and small-scale firms in the central region of Ghana was done.	Majority of the respondents failed to put in place WCM practices.

Research Gap

MSMEs played a major role in the Indian economy providing substantial job opportunities for the semi and unskilled labor (Chakrabharty, 2016). Many of these enterprises either had inadequate capital or entirely depended on the owner's capital and the firm's revenue retention (Bose, 2013). As MSMEs relied on running business on a day to day basis, WCM played a key role in its functioning (Stephen & Elvis, 2011). Literature on the role of WCM in MSMEs was studied to understand the importance of inventory management, cash receivables, operating cycle, cash conversion cycle on both operational and strategic front. As the major reason for the failure of MSMEs was accounted for to poor working capital management, the importance of WCM across various sectors was studied. Though the importance of WCM in MSMEs was reported in many studies, the role of WC on a strategic front and the challenges in implementing WC practices remain relatively untouched. The present study was carried out in Srikakulam district of Andhra Pradesh (AP) as the Government of Andhra Pradesh (GoAP) with its mission of being a leader in the industrial development has undertaken conscious steps in achieving its dreams (AP MSME Policy, 2015-20). Culturally also it has been reported in the past that the practice of entrepreneurship was very prevalent in AP (Upadhya, 1988). This study aims at understanding the WCM in micro and small enterprises on operational versus strategic levels. This study also aims to find out the challenges in effective WCM and its importance as a strategic decision in the smooth functioning of the business unit.

Methodology& Data

The authors used exploratory qualitative research to understand the answers to the research questions as suggested by Maxwell (1996). The second author conducted independent interviews with entrepreneurs in Srikakulam district of Andhra Pradesh. The minimum ownership management of an entrepreneur was 9 years and the maximum experience was 31 years. The 12 interviews were conducted between the months of December 2017 and March 2018. The interviews conducted lasted an average of 55 minutes each. A semi structured open ended questionnaire was provided to the entrepreneurs to secure their inputs. The entrepreneurs belonged to diverse businesses like food processing industries, polymer and metal recovery sectors. The data gathered by the interviews were content analyzed for thematic analysis (Weber, 1990; Popping, 2000; Holsti, 1969). Data collection was closed after 12 interviews because thematic saturation was reached. The profiles of the respondent companies have been tabulated in Table 6. The code data set was additionally analyzed by three more independent content analysis method experts, one subject expert on WCM, one on corporate finance and another subject expert on business strategy. The results of the study have been presented later in the paper. The intra-coder reliability was 93 % while the inter-coder reliability was 94 % (Holsti, 1969; Urbina, 1981). The

author revisited the coding process after a gap of fifteen days. It can be noted that both the reliability levels were well within accepted levels (Holsti, 1969; Urbina, 1981).

Table 6 Profile of Respondent Firms

Company	Sector	Line of Activity	Investment	Employment
1	Food, Agro, Marine products	Rice milling	60	12
2	Food, Agro, Marine products	Rice milling	50	12
3	Food, Agro, Marine products	Cashew nut processing	20	10
4	Food, Agro, Marine products	Cashew nut kernals	42.5	25
5	Furniture	Furniture manufacturing	78	10
6	Fish nets	Fish net manufacturing	200	35
7	Fish nets	Fish net manufacturing	220	40
8	Steel and Aluminum	Steel and Aluminum manufacturing	150	15
9	Steel and Aluminum	Steel and Aluminum manufacturing	120	12
10	Polypropylene ropes	Ropes manufacturing	95	20
11	Plastic recycling	Plastic processing	40	10
12	Polymer	Polymer processing	20	5

Findings

The responses from the entrepreneurs were collected and have been tabulated in Table 7. The thematic content analysis of the 12 respondent's responses has been tabulated in Table 8. The two themes were challenges and strategic imperatives.

Discussion &Conclusion

The primary data was collected by getting responses filled for the pre-designed, semi-structured open-ended questionnaires indicated in Table7 from the respondents who managed the WC requirements. Personal interviews and telephonic conversations were also carried out to get broader knowledge regarding their views on working capital management. The responses collected from the interviews were very much in line with the findings of Kovelskiy (2015). The individual responsible for managing the working capital has generally been the owner in almost all the firms. Also, more than 60% of the respondents did not have any separate calculations for estimating WC requirements. They did it by the rule of thumb or based upon their previous experiences. As the intensity of the capital increased, the inventory management became challenging for firms (Shah, 1974). The respondents planned WC on short term basis which was again in alignment with the previous findings of Kovelskiy (2015).WC requirements and policies changed across firms which was again in alignment with the findings of Chakraborty (1973). Factors like production requirements, capacity utilization, operating cycle had been used in determining the WC by the respondents. As WC has majorly been determined by thumb rule and past experiences, they were generally forecasted on short term basis by the firm owners. During the interviews, it was revealed that most respondents were unaware whether the WC requirements were in line with the

Table 7 Response of the interviewed entrepreneurs

Responses						
Questions	Company 1	Company 2	Company 3	Company 4	Company 5	Company 6
Q1. What is your WCM philosophy?	Allocate funds to meet the day to day expenses based on prior experience and to achieve cash surplus to invest in other businesses.	Maintain adequate cash flows for the smooth running of business processes based on thumb rule.	Secure sufficient funds for the procurement of raw materials.	Attain as many orders as possible in advance to avoid any cash crunch.	Secure and attain advance payments required for the procurement of raw materials.	Tried to extend the payments as far as possible.
Q2. What are the determining factors for WCM?	Cash requirements for the next week, obligations (to be given to the lenders, workers). Purchase of raw materials and labour wages.	Cash requirements and repayment of the loan amounts. Purchase of raw materials. WC requirements were approximated using prior experience.	Labour charges. Procurement of raw materials. Machinery maintenance costs. WC requirements were approximated using prior experience.	Cash requirements. Labour wages. Raw material procurement costs. Rough estimation was used to allocate the required funds.	Based on number of orders placed. Labour charges. Procurement of raw materials. Rough estimation was used to allocate the required funds.	Supplier credit period. Buyer credit period. Manufacturing cycle. Based on past data, the WC requirements were approximated.
Q3. What are the methods followed in determining working capital?	No systematic calculations were in place. The allotment was done using rule of thumb.					
Q4. Specify the roles and responsibilities of your financial executive.	As it was a family owned business, no such financial executive was in place and the basic accounting was done by the owner.	Accounts maintenance and handling the day to day expenses.	Accounts and record maintenance.	Accounts and record maintenance.	Partner owned firm outsourcing the tax records to a third-party agency.	Accounts and record maintenance.
Q5. What are the problems specific to your firm?	Though one-third of the orders were secured by Govt., deviation in the rest of the orders has been observed causing hinderances to the daily operations.	Lack of systematic calculations in place to decide on WC requirements which has made the firm prone to deviations in the requirement.	Deviation in the quality of raw materials which in most cases lead to a second-grade output reducing the expected receivables.	High initial capital and raw material quality.	Seasonality has played a significant role and it was difficult to manage the erratic capital requirements.	Capacity fulfilment. No systematic calculation methods were in place in place to schedule the processing of agreed orders.

Table-7: Response of the interviewed entrepreneurs

	Responses					
Questions	Company 7	Company 8	Company 9	Company 10	Company 11	Company 12
Q1. What is your WCM philosophy?	Design the credit periods in such a way to cash upon others' funds.	Maintain enough balance to cash on the fluctuating scrap purchases.	Increase the margins and generate enough cash for scrap on daily basis	Usage of outsourced cash through loans for business operations.	With credit periods from both the supplier and buyers end at par, operating cycle was reduced to leverage on lower CCC.	Reducing CCC was the main agenda.
Q2. What are the determining factors for WCM?	Supplier credit period. Buyer credit period. Manufacturing cycle.	Raw material purchases, operating expenses	Raw material purchases,operating expenses. Labour wages.	Raw material purchases, operating expenses, credit periods of the sales.	No of orders placed. Estimated demand. Procurement of raw materials.	Number of orders placed.Estimated demand.Procurement of raw materials.
Q3. What are the methods followed in determining working capital?	WC decisions were made based on past data.	Funds were allocated based on the rule of thumb.	Funds were reserved based on the rule of thumb.	Based on past data.	Funds were reserved based on the rule of thumb.	Funds were reserved based on the rule of thumb.
Q4. Specify the roles and responsibilities of your financial executive.	Accounts and record maintenance.	Accounts and record maintenance.	Accounts and record maintenance.	Accounts and record maintenance.	Accounts maintenance and responsible for day to day expenses.	Accounts maintenance and responsible for day to day expenses.
Q5. What are the problems specific to your firm?	Capacity fulfilment.	Fluctuating Scrap prices, Considerable daily cash requirement.	Scrap prices, Daily cash requirement.	Capacity fulfilment.	Seasonality and capacity utilization.	Seasonality and capacity utilization.

Table 8 Thematic Content Analysis

Firms	Challenges	Strategic Imperatives
1	• Payments were received 15 days after processing the paddy in case of government agents. • Up to one-third of the total annual processing capacity was purchased directly from the farmers and processed where the prices were fluctuating.	• Immediate cash could be raised by processing the paddy of private parties. • A blend of both private and government bodies was entertained to manage the WC requirements and production capacities.
2	• Amount of funds to be sourced through the available sources was not planned systematically. • Proper processing schedule was not available due to varied demands.	• Majority of the revenues were generated through the sale of processed paddy directly brought from the farmers, making it a constant source to keep the cash flows in better position.
3	• WC requirement was high as the raw materials (raw cashew nuts) were purchased in bulk. • Raw Cashew Nuts (RCN) were procured and stored to be utilized through the rest of the year leading to inventory pile up. • Maintaining good quality seeds was a major challenge as it mainly depended on visual inspection.	• Portion of payments were done in advance to the farmers. • A maximum credit period of 45 days was provided to buyers after the sale in order to keep the CCC in check.
4	• High WC requirement and quality deviations were identified as the major hindrances for the smooth operational functioning.	• Partial payments to the suppliers.Taking orders in advance at discounted prices.
5	• Inventory was maintained to cater the placed orders for a period of 60 days incurring majority of the cost for inventory.	• A grace period of 45 days was given by the suppliers for the payment. • A credit period of 15 days was provided to the buyers once the sale had been made.
6	• Machines with different kind of outputs were used to manufacture the required grades of nets as per demand. • These were sold to the local distributors at a credit period of 45 days.	• Poly propylene, low density poly ethylene and high-density poly ethylene granules were brought from established players in order not to extend the CCC.
7	• Customized order of varied requirements hampered the capacity utilization	• Maximum credit period of 45 days is followed across the industry. So, secured number of orders were held with trusted customers.
8	• A considerable amount of more than Rs.1 lakh was maintained daily to cash upon the fluctuating prices of scrap.	• Payments could be received immediately after the sale of the final product (WIP/Semi-finished product/finished product). A max grace period of 15 days was provided to the wholesale parties tied up with.

9	• Considerable amount was secured for day to day scrap procurement to negotiate the fluctuating prices.	• Decision on minimum grace period or no grace period was based on prior relations with the customer period to reduce the CCC.
10	• A grace period of 45 days was provided to the firm while the raw materials were procured, and credit period of 45 days was offered to the local distributors.	• Raw materials were procured from established players and the processed output was sold to trust worthy distributors so as to minimize the deviation in the days of accounts receivables and payables.
11	• There were no advance payments or contracts in place for the funds to be kept flowing. • Availability of loan was complex as the assets involved were of not high value.	• Immediate cash payments to the suppliers and the buyers as the sale was made. • Portion of the profits was secured which would be required for the procurement of scrap.
12	• A portion of the output was processed in anticipation to utilise the production facilities to its fullest which incurred a spike in inventory levels.	• Credit period of 45 days was taken from the suppliers and a credit period of 30 days for the buyers maintaining a negative cash cycle.

daily operations or not. These deviations could be attributed to irregular dispatch schedules, non-existence of proper demand forecasting methods, variability in raw material procurement, delayed collection of receivables and longer production cycles. For all the respondents, it was the owner who was solely responsible for handling the WC and budget planning decisions and there were no standard operating procedures to execute these decisions. There was lack of ratio analysis being carried out by any of the respondents to check the firm's performance levels across the industry and further there was no control and review technique in place.

It was the owner who was solely responsible for handling the WC and budget planning decisions and there were no standard operating procedures to execute these decisions.

WCM has always played a crucial role in the functioning of micro and small enterprises. Though there was the lack of understanding of the concepts of WCM among majority of the respondents, they tried to capitalize on the funds of others. Firms under the rice mill sector tried to maintain the cash flows running through three different sources maintaining a consistent flow of cash. Though the amount of funds to be sourced through the three sources was not planned systematically, they had a strategic overview for the use of their WC. Similarly, the metal recovery sectors tried to gain on the fluctuating prices of scrap by having adequate WC; even when they did not have the exact requirements of the demand. This clearly signified the lack of knowledge regarding WC requirements/ demand and raw material fluctuations hinder their calculations on operational front. The key inference from this study were that firstly, firms either tried to cash upon the funds of others through advance

orders or delayed their payments on the purchase of raw materials. Further, lack of management knowledge hindered the operational efficiency of the WCM decisions made. The present study was limited to the micro and small enterprises belonging to the sectors like food processing, polymer processing and metal recovery located in Srikakulam district of Andhra Pradesh. In future, studies could be carried out in other sectors and in other regions.

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