ABSTRACT: The corporate finance literature has traditionally focused on the study of long-term financial decisions, particularly investments, capital structure, dividends or company valuation decisions. However, short-term assets and liabilities are important components of total assets and needs to be carefully analyzed. Management of these short-term assets and liabilities warrants careful investigation since the working capital management plays an important role for the firm’s profitability and risk as well as its value. Efficient management of working capital is a fundamental part of the overall corporate strategy to create the shareholders’ value. Firms try to keep an optimal level of working capital that maximizes their value. In general, from the perspective of Chief Financial Officer (CFO), working capital management is simple and a straightforward concept of ensuring the ability of the organization to fund the difference between the short term assets and short term liabilities. In practice, working capital management has become one of the most important issues in the organizations where many financial executives are struggling to identify the basic working capital drivers and the appropriate level of working capital (Lamberson 1995). Consequently, companies can minimize risk and improve the overall performance by understanding the role and drivers of working capital. A firm may adopt an aggressive working capital management policy with a low level of current assets as percentage of total assets or it may use high level of current liabilities as percentage of total liabilities. Excessive levels of current assets may have negative effect on the firm’s profitability whereas a low
level of current assets may lead to lower level of liquidity and stock outs resulting in difficulties in maintaining smooth operations. The main objective of working capital management is to maintain an optimal balance between each of the working capital components. Business success heavily depends on the ability of financial executive to effectively manage receivables, inventory, and payables. Firms can reduce their financing costs and/or increase the funds available for expansion projects by minimizing the amount of investment tied up in current assets. Most of the financial managers’ time and effort are allocated in bringing non-optimal levels of current assets and liabilities back toward optimal levels. An optimal level of working capital would be the one in which a balance is achieved between risk and efficiency. It requires continuous monitoring to maintain proper level in various components of working capital i.e. cash receivables, inventories, etc. The impact of working capital policies on profitability is highly important, however, a little empirical research has been carried out to examine this relationship. This paper investigates the potential relationship of aggressive/conservative policies with the accounting and market measures of profitability as well as the risk factor of Indian firms. The present study is expected to contribute to the better understanding of these policies and their impact on profitability especially in an emerging market like India. Under the above backdrop, let us present before you an interesting discourse for your cerebral exercise. It will spot on some financing techniques for financing working capital and also management of the same in the determining the optimum capital structure of a corporate undertaking.

**Key Words:**
REFERENCES


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