



## **PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS – SIGNALS FROM WORKING CAPITAL MANAGEMENT**

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### **ABSTRACT**

*Public sector Undertakings (PSU) constitute every major segments of industrial activity of India. The importance of the study stems from the fact that many of the public sector undertakings set up by the Government of Kerala are showing poor financial performance consistently for a long period of time .The present study has drawn inputs from the working capital management of some of the profit making and loss making enterprises set up by the Government of Kerala. The twin objectives of the study were to examine the relationship between profitability and the management of working capital and the pattern of utilization of working capital by the PSU's in Kerala. The analysis of working capital management of the PSU's of Kerala revealed significant difference on all aspects of working capital management between profit making and loss making enterprises. The study further reveled that many of the working capital management measures pertaining to loss making PSU's have shown sub optimal values indicating strong association between profitability and proper management of working capital. Loss making companies must undertake restructuring exercises touching all aspects of the business process. There is an urgent need for bringing up the liquidity levels of loss making enterprises. Disinvestment of PSU's by retaining control with the Government will be helpful to introduce professional management as well as fresh capital for restructuring loss making enterprises .Public Private participation in management of PSU's is expected to rejuvenate our PSU's to take up challenges of the free market.*

**KEYWORDS:** Liquidity, Working capital, Cash flow from operations, operating cycle.