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**RELATIONSHIP BETWEEN EFFICIENCY OF WORKING CAPITAL  
MANAGEMENT AND PROFITABILITY OF SELECT FMCG  
COMPANIES IN INDIA: A STUDY**

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**ABSTRACT**

One of the most controversial and unresolved questions in corporate finance is whether the efficiency of Working Capital Management (WCM) of a firm has a bearing on its profitability. On this issue academicians and finance experts are sharply divided into two schools of thought. One school of thought considers the WCM of a firm as relevant to its profitability. The other school of thought argues that WCM is not a factor influencing the profitability. Several studies on the relationship between WCM and profitability have been carried out in India and abroad during the last four decades. However, these studies have provided conflicting results. No definite conclusion on the nature and extent of relationship between WCM and profitability of Indian FMCG sector has so far been established. Against this backdrop, the present paper attempts to examine the nature and degree of relationship between some selected parameters relating to WCM and profitability of 16 selected companies in Indian FMCG sector during the period 1995-96 to 2011-12. The issue addressed in this paper has been tackled using relevant statistical measures.

**KEY WORDS:** Working capital, Working capital management, FMCG Sector, Liquidity, Profitability.