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ARTICLES

UNION BUDGET 2022-23	*Nirmala Sitharaman*
STATE OF THE ECONOMY	*V. Anantha Nageswaran*
PREDICTING DIVIDEND OMISSION BEHAVIOUR OF INDIAN FIRMS USING MACHINE LEARNING ALGORITHMS	*Ramesh Bhat*
HOW INSTITUTIONALIZED IS INDIA'S RURAL FINANCE ACROSS FARM AND NON-FARM HOUSEHOLDS : A PUBLIC POLICY PERSPECTIVE	*Simrit Kaur & Cheshta Kapuria*
AN EXPLORATORY RESEARCH ON BANK-BASED FINANCIAL INCLUSION FOR SUSTAINABLE ECONOMIC GROWTH	*Vidya Suresh & Bipasha Maity*
CATEGORY SPECIFIC VOLATILITY CHECK ON DERIVATIVES INTRODUCTION - INDIAN CONTEXT	*K. Kannan & G. Balamurugan*
STOCK MARKET INTEGRATION: EMPIRICAL EVIDENCE FROM LEADING STOCK INDICES	*Shruti Aurora & Vasudha Kumar*
MODELING STOCK MARKET RETURN VOLATILITY: GARCH EVIDENCE FROM NIFTY REALTY INDEX	*Dhara Jain, Sachin K. Mittal & Vipin Choudhary*
DETERMINANTS OF HUMAN RESOURCE DISCLOSURE INDEX (HRDI) OF INDIAN COMPANIES	*Anju Verma & Kirti Aggarwal*
INVESTIGATING THE INFORMATIONAL EFFICIENCY OF EXCHANGE TRADED FUNDS (ETFS) : EMPIRICAL EVIDENCE FROM INDIAN EQUITY ETFS	*Prabhdeep Kaur & Jaspal Singh*
INVESTORS' PERCEPTION TOWARDS EQUITY ETFS AND IFS IN INDIA	*Prashanta Athma & B. Mamatha*
IMPACT OF FACTORS INFLUENCING INVESTMENT BEHAVIOUR ON RISK APPETITE OF WOMEN : EVIDENCE FROM SURVEY	*Sanjeet Kumar & Prashant Kumar*
PRIORITY SECTOR LENDING IN BANKS : TRENDS AND PERFORMANCE IN INDIA WITH SPECIAL REFERENCE TO PUNJAB	*Dilpreet Kaur & Amarjit Singh Sidhu*
DETERMINANTS OF CONSUMPTION AND INVESTMENT OF HOUSEHOLDS IN NCR	*Meenu Baliyan*
FORENSIC ACCOUNTING AND NON-AUDIT SERVICES : INDIAN CONTEXT	*Reshma K. Tiwari & Jasojit Debnath*

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Dieter Bender
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Contd....

FORENSIC ACCOUNTING AND NON-AUDIT SERVICES : INDIAN CONTEXT 281
Reshma K. Tiwari and Jasojit Debnath

AN ANALYSIS OF B2B CONSUMERS OF CEMENT BRANDS IN MUMBAI 297
D.Y. Patil, Kamini Khanna and Ravi Shankar

GROWTH AND PERFORMANCE OF MSMES IN INDIA – A REVIEW 309
D. Vennila

IMPACT OF RBI'S LIQUIDITY POLICIES ON THE PROFITABILITY OF COMMERCIAL BANKS 319
D. Veena, G.V. Bhavani Prasad and P. Amaraveni

FINANCING OF WORKING CAPITAL IN SELECT PUBLIC SECTOR OIL AND GAS COMPANIES IN INDIA : A COMPARATIVE STUDY 331
Nirmala Rajak

ABSTRACTS OF D. LITT / DOCTORAL DISSERTATIONS

PAYMENT METHODS AND SHAREHOLDERS' GAINS IN MERGERS AND ACQUISITIONS : AN EMPIRICAL INVESTIGATION INTO INDIAN COMPANIES 343
B.P. Bijay Sankar

KNOWLEDGE MANAGEMENT PRACTICES IN BIOTECHNOLOGY INDUSTRIES WITH REFERNCE TO ANDHARA PRADESH 353
A. Arun Kumar

CONFERENCES PAPERS

PREDICTING THE PROBABILITY OF FAILURE OF CENTRAL PUBLIC SECTOR ENTERPRISES : A STATISTICAL AND MACHINE LEARNING APPROACH 363
Bhushan Pardeshi, Padmalochana Bisoyi and Pranita Burbure

IMPACT OF COVID - 19 ON NSE SECTORAL INDICES 389
Srikrishna Bhagawan and Satish Kumar B

PREDICTORS OF FINANCIAL ANXIETY AMONG INDIAN POPULATION DUE TO COVID - 19 : A HIERARCHICAL REGRESSION ANALYSIS 411
Pallavi Dogra and Arun Kaushal

DETERMINANTS OF LOAN REPAYMENT BEHAVIOR OF BANK BORROWERS : A RELATATIVE STUDY WITH EVIDENCE FROM BENGALURU 439
Senthil Kumar Arumugam, Prakash M. and S. Ramesh

FINANCIAL PERFORMANCE ANALYSIS OF FRUIT PROCESSING FIRMS IN MANIPUR, NORTH EAST INDIA : A CASE STUDY 455
Rajkumar Romensana Singh and A.S. Yarso

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Financing of Working Capital in Select Public Sector Oil and Gas Companies in India : A Comparative Study

NIRMALA RAJAK*

Abstract

It is generally argued that the permanent or fixed portion of total current assets should be financed by long term sources and the temporary or variable portion of the total current assets should be financed by short term sources. However, in the real world situation this argument does not always holds good. The pattern of financing current assets adopted by a firm depends upon several factors, such as cost of capital, risk performance of owners etc. several studies on this issue have been made in India and abroad but no significant study on Indian public sector oil and gas companies considering the matter addressed here has been carried out. Oil and gas companies have a significant place in our national economy as it provides the basic input to infrastructure and consumer goods. In this backdrop, the present study seeks to examine financing pattern of working capital of select public sector oil and gas companies during the period 1978-79 to 2015-16. The present study has been made by simple mathematical analysis of collected secondary data.

JEL Code : D24, E62, F32, G32, H83, I70, I95 M49
Keywords : Finance, WCM, PSU, Oil, Gas, India, Capital, Fuel

I. Introduction

WORKING CAPITAL IS the amount of funds which an enterprise has to use to finance its day-to-day working on operations. It can also be regarded as that portion of the firm's total capital which is employed in current assets. It is generally argued that the permanent or fixed portion of the total current assets should be financed by long term sources and the temporary or variable portion of the total current assets should be financed by short-term sources. However, in the real world situation this argument does not always hold good. The pattern of financing current assets adopted by a firm depends upon several factors, such as cost of capital, risk preference of the owners, demand and supply position in the money market etc.

* Associate Professor of Commerce, Dr. Bhupendra Nath Dutta Smiriti Mahavidyalaya, The Department of Commerce, Kalna Road, Hatgobindapur, District Burdwan, West Bengal 713407, INDIA

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