Chapter 2
Research Methodology
Research Methodology

Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation.

Research is an academic activity and as such the term should be used in a technical sense\(^{10}\). According to Clifford Woody research comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis.

Research is, thus, an original contribution to the existing stock of knowledge making for its advancement. It is the pursuit of truth with the help of study, observation, comparison and experiment. In short, the search for knowledge through objective and systematic method of finding solution to a problem is research. The systematic approach concerning generalization and the formulation of a theory is also research.

The title of the study is “Study of Financial Performance Evaluation of Indian Companies”. The research evaluates two leading companies of leading five industries of India. It includes industries like Automobiles four wheeler, Steel, Cement, Pharmaceuticals and Banking. A criterion to select the companies is their turnover year over year.

The research is purely based on secondary data as it takes all printed financial statements and market announcements.

10. Levin, Richard L, Rubin David S., Statistics for Management, PHI, Delhi, India, pg.380
Financial data will be taken from the annual reports of the company and time frame decided is last five years from current. For stock market and share prices analysis different stock exchange sites and stock market related sites will be used. For non-financial research company websites, newspapers, magazines and other internet data will be used.

Research importance

Research helps to understand what works and why, what the short and long-term implications are, provide a justification and rationale for decisions and actions, help to build a repertoire to help deal with the unexpected, identify problems, inform improvement and so forth.

This study can be useful to many stakeholders of the companies chosen. The financial, non-financial performance analysis will be helpful to the companies themselves for future decision making and further planning. The study can be used to make strategic changes in for further development.

It will also be useful to the internal and external stakeholders of the companies chosen like employees, investors, creditors, government for decision making purpose.

11. Cooper, Donald R., Schindler, Pamela S., Business Research Methods, TMH, pg.467
Research Objectives

The purpose of research is to discover answers to questions through the application of scientific procedures. The main aim of research is to find out the truth which is hidden and which has not been discovered as yet. The research objectives of the study are as under.

To evaluate the financial performance of different Indian companies in last five years
To analyse changes in the financial position of different Indian companies in last five years
To do intercompany comparison using different performance measurement tools.
To analyse the effect of profit and loss on the short and long term investment pattern of the company
To analyse the impact of financial performance on the dividend pattern of the company
To analyse the impact of financial performance on stock market and share price of the company.
To analyse the impact of management decision on financial performance of the company
To analyse the impact of market forces on the company performance.

Scope of the study

The research evaluates two leading companies of leading five industries of India. It includes industries like Automobiles four wheeler, Steel, Cement, Pharmaceuticals and Banking. A criterion to select the companies is their turnover year over year.

The companies selected under each industry are;
1. Automobiles Four Wheeler Industry – Tata Motors, Mahindra and Mahindra Ltd.
2. Steel Industry – Tata Steel, SAIL
4. Pharmaceuticals Industry – Cipla Ltd., Sun Pharmaceuticals
The research work will be divided into two main parts, i.e., Financial Analysis and Non-Financial analysis. The evaluation of financial performance of above said companies will be based on different measurement tools and parameters. It will use different financial statements like Balance Sheet, Profit and Loss Account, Cash Flow Statement, Funds Flow Statement, Cost Sheet, Share Prices of different times and other financial data of the organization.

The measurement tools used for the financial analysis are Ratio Analysis with Du Pont chart, Common Size Statement analysis, Trend Analysis, Cash Flow and Funds Flow Statement analysis, EBIT – EPS – DPS Relationship analysis. The study also focuses on the stock market data to analyze the impact of financial performance on the share price. For banks selected CAMEL model is used to analyze the financial data of past five years.

The non-financial performance analysis of the company will be done using different tools like PEST, SWOT, Michel Porter’s Five Forces analysis, Management Analysis etc.

**Data Collection Method**

The data collection method chosen is quantitative research. The research is purely based on secondary data as it takes all printed financial statements and market announcements of last five years. Financial data is taken from the reports of the companies selected and time frame decided is last five years i.e. from the year 2006-2007 to 2009-2010 are taken.

Financial data will be taken from the annual reports of the company and time frame decided is last five years from current. For stock market and share prices analysis different stock exchange sites and stock market related sites will be used. For non-financial research company websites, newspapers, magazines and other internet data will be used.
Chapterization Scheme

First chapter is divided into two parts, first is introduction to financial and non-financial analysis and the second is of literature review. First part is of introduction to the financial analysis, what it is, why it is important and what the tools of financial analysis are. The chapter also talks about the non-financial analysis, what it is and what are the tools of non-financial analysis. Second part is of literature review, past work done on the related topic and research of different people done in past.

Second chapter is of Research methodology which includes research objectives, research methodology, rationale of the study, scope of the study, limitations of the study, and further study opportunities.

Chapter 3 is giving introduction to the industries selected, why they are selected and introduction to the companies selected, why they are selected.

Chapter four is about the non-financial analysis. In this chapter different analysis are done like PEST, SWOT, Five force, strategic analysis, and management analysis of all industries and companies selected.

Fifth chapter is very crucial as it is on the financial analysis of all the industries and companies selected. This chapter includes Ratio Analysis, Common Size Statement analysis, Cash Flow and Funds Flow Statement analysis of the industries and companies selected, and EBIT – EPS - DPS Relationship analysis of the companies.

Major findings, recommendations for policy framework and conclusions are presented in the last chapter followed by bibliography and other annexure.
Limitations of the study

All attempts have been made to study the stated objectives in depth. However, the researcher observed the following major limitations.

1. The study focuses on limited companies which may not represent the performance of the whole industry.

2. The study focuses on limited industries thus the conclusion cannot be taken for the whole economy.

3. Some of the details are collected from the Internet and their accuracy is not tested.

4. Not too much study is done in the same field therefore comparison of findings of this research with other research work is not made.