CHAPTER – II

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INTRODUCTION

Review of Literature is essential for every researcher to carry on the investigation successfully. In fact, review of literature begins, with a search for a suitable topic and continues throughout the duration of the research work. A thorough review of literature will expose the researcher to the previous researches conducted, their area of study which in turn would help the researcher to decide upon the area which was not studied upon and that which the researcher’s study should concentrate on.

This study attempts to analyse the performance differentials and seeks to link the results to various factors. There are two schools of thought, which study and interpret the performance differentials, viz., strategic management and industrial organization economics. Both of these research fields describe different meanings to performance differentials between groups, or to variables that correlate with performance.

Hence, the available research studies regarding the financial performance of selected industries in India are presented here. Of course, there is no dearth of such research studies related to other industries.
Neither it is necessary nor it is possible to give a detailed review of all such existing studies; still an attempt has been made to discover the appropriate proposition of this research work by reviewing the important existing literature meaningfully.

**Kirkpatrick (1964)** says that during the last decade, the attention of those concerned with the economic advancement of the less-developed countries has increasingly turned on the analysis of the role which international trade can play in the development process. The questions of protection to ‘infant industries’, of the value of import-substitution, of comparative advantage, of trade preferences for the goods produced by the underdeveloped countries, have all been subjected to considerable theoretical and empirical analysis. An increasing number of studies of the effects of protective barriers on domestic activity has employed the technique of estimating effective rather than nominal protection and the present study is an attempt to add to this existing stock of knowledge about effective protection by estimating the levels of protection enjoyed by industrial activities in India during 1964-65.

**Mohan (1973)** in his study “Financial appraisal of Indian Automotive Tyre Industry” concludes that in order to facilitate steady progress of the industry, the finance in a tyre unit should be managed in a
productive manner and with a pragmatic outlook. Further, he suggested that tyre enterprises should design and develop a balanced financial structure and use the fixed assets with greater efficiency. In order to maintain a balanced financial condition it is necessary to concentrate the main areas viz., adequate depreciation provision should be created, level of inventory should be optimized, degree of liquidity should be strengthened, sound credit policy should be adopted and above all operating expenses ought to be controlled effectively.

Meahn and Duchesmeau (1973)³ focused their study to examine whether the association between concentration and profitability discontinues at some critical level. Their sample consisted of 186 firms classified into 32 industries. They reported that concentration of profitability was discontinuous at a specific critical level. A Critical level was found to exist at 55% at four-firm level and 70% at eight-firm level. The findings suggested that it ceased to raise profitability when concentration had reached their critical level.

A study conducted by Smith (1974)⁴ suggested that, parallel monthly forecasts of liquidity and profitability can be useful in evaluating trade off between these two goals. The study also pointed out individual and combined effects of accounts receivable, inventories, accounts payable and
other accruals on profitability and liquidity. Further, on the basis of some assumptions, the study observed that a tightened inventory policy reduces the necessity of borrowings to lower level. Collection of receivables must be fast and the payments of current liabilities must be slow. But profitability increases slightly as a result of lower interest payment on lower level of needed borrowings.

Dutta and Ganguly (1975)\textsuperscript{5} concludes that the possibility of using pulse rate during work as a measure of the energy cost of that work in lieu of the more cumbersome gas analysis techniques, has been examined in actual industrial environments for varied work and thermal loads. Three sets of data from some hot dry industries situated in different parts of India were analyzed. They are a) extreme levels; b) moderate levels and c) comparatively low levels of work and heat loads. Pulse rate (PR) measurements, in conjunction with body surface area (BSA) and corrected effective temperature (CET) were found to be significantly correlated with energy expenditure (EE) at both high and moderate levels ($r = 0.889$ and 0.902, respectively); the predictive ability of the corresponding regression co-efficient was also high (SE of estimate 10%). PR was also found to bear a linear relationship with work load at various levels of heat stress. Further, it was evident that at all levels (a), (b) and (c) the effect of work effort on
observed pulse rate was more significant than that of heat exposure during work in hot environment. From the observed relationship between PR, CET and BSA on the one hand and EE on the other, it could be suggested that it is possible to predict the physiological cost of work from easily measurable parameters on the shop floor.

Peltzman (1977)\textsuperscript{6} studied a sample of 165 four digit-standard Industrial classification (SIC) manufacturing industries over the period 1947-67 to investigate the concentration-profitability relationship. He found a positive relationship between the two but concentration in profitability was not related solely to collusion. Efficiency effects were reported to dominate. The findings indicated that higher concentration reduced costs. An inverse relationship was identified between changes in concentration and changes in costs. In other words, the higher the concentration, the more the reduction in costs.

Ravenscraft (1983)\textsuperscript{7} investigated the association between profit and concentration at the Line of Business (micro) and industry (macro) level. A number of structural variables were included in the model to analyse the relationship. The sample consisted of data on 3,186 LB operating in 285 four digit FTC manufacturing industries for the year 1975. The regression results of industry equation were considerably different from those of the LB
equation. Industry advertising was found positively associated with profitability. According to LB equation, advertising had negative impact on profitability but Industry equation indicated that large firms have enjoyed comparatively higher returns than their smaller counterparts. This finding had been reported to be akin to that of Demsetz (1973). In other words, increased profitability in highly concentrated industries was supposed to be due to the superior efficiency of large firms. On the other hand, results of the LB regression, depicted concentration impact on profitability to be negative.

Chappell and Cottle (1985)\textsuperscript{8} investigated the concentration profitability relationship to find the relative role of efficiency and collusion in explaining the industry profitability. Their sample contained 274 four-digit manufacturing industries. However, data on all the variables were available in respect of only 263 industries. Two different industry profit equations were employed to analyse the data for different firm sizes in each industry. In the first equation concentration was the main explanatory variable and in the second both concentration and efficiency variables were assumed to explain the profitability. The regression result of the first equation revealed that concentration exerted positive and significant influence on profitability in the larger size classes. However, the coefficient was negative and insignificant for the smaller size classes. This finding was
akin to that of Demsetz’s and indicated that larger firms earned profits higher than those of smaller firms by virtue of their higher efficiency. The results of the second equation in which both concentration and three efficiency variables were included as explanatory variables, revealed that concentration was positive but insignificant for the largest size class and negative but insignificant for the rest of the three size classes. They concluded that when concentration was included in the profitability equation without the efficiency variables, it was simply reflecting the effects of efficiency variables.

Jain (1986)\textsuperscript{9} evaluated the financial management of automobile industry in India. The researcher concluded that the capital structure of the industry is highly geared and cost of goods sold consumed more than 90 percent of sales revenue. Both these factors have adversely affected its profitability. Further, inventory constitutes 75 percent of current assets which lead to low quick ratio and a lesser liquid position. Thus, he suggested that industry should generate more funds of its own to reduce the inventory level.

Garg (1993)\textsuperscript{10} stated that profitability performance of enterprise in Haryana is not satisfactory. They suggested that the management should introduce a dynamic marketing management and cost conscious pricing
policy to attract the clients. Further, they suggested that there is a need for effective and efficient profit planning which may ensure better utilization of resources and enhance earnings.

Gopal and Mishra (1993) conducted a study on performance of state level enterprises in Uttar Pradesh and stated that the performance of the selected enterprises is below expectations. Many enterprises have failed to mobilize the funds and effective utilization of assets. Further, they pointed out that poor performance is due to lack of clarity in objectives. They also said that there is a need to reduce the political interference in administration of these enterprises.

Rajeevasinha (1993) in his study made an attempt to ascertain the relationship between various forms of foreign participation (FP) and the technical efficiency of the firms in Indian Industry. The exercise covers 164 large manufacturing companies distributed evenly across four industry groups. A distinction between four different forms of FP has been made. The firm level analysis clearly brings out the positive and significant influence of foreign equity participation on technical efficiency. The impact of the other forms of FP varies from industry to industry. However, greater technical efficiency does not imply greater volume of exports as a corollary technical
efficiency has no relationship with exports in three industry groups and a significant negative relationship in one industry group.

The report of ICICI (1995)\textsuperscript{13} highlights the financial performance of non-banking financial companies (NBFCs) in terms of profitability. The study revealed that gross profit ratio and return on investment ratio have increased during the study period. But the Net profit ratio has decreased to some extent over the period. Further, the study pointed out that NBFC's have played a catalytic role in financing for industrial development in short-term as well as long-term.

Majumdar (1995)\textsuperscript{14} in his study entitled "public, joint and private sector in Indian industry - evaluating relative performance differences" stated that private sector is more efficient in terms of generating profitability and achieving social and economic objectives than joint and public sectors, whereas public sector is less efficient in generating profitability than joint venture. The researcher suggested that public sector enterprises' management should be restructured the various resources viz., capital, human resources as the organization to increase profitability and all round performance.

Jain (1996)\textsuperscript{15} in his study concluded that cooperative sector is highly geared, and the industry as a whole and private sector in particular could not
take the advantage of trading on equity. Further, the researcher concluded that the long-term debts of private sector were safer than the debts of cooperative sector because private sector has sound equity base. Similarly, management of working capital in the private sector is better in comparison to cooperative sector, but the industry does not enjoy a solid liquidity position. As the case of profitability is concerned, the private sector has an edge over the cooperative sector.

Kumar (1996)\textsuperscript{16} in his study on “Delhi Financial corporation: an Appraisal of its Role and Functions” stated that the company has been able to make effective and efficient utilization of its resources and has attained its objectives to some extent. However, the company has not taken intensive advantage of financial leverage to magnify the profitability and trading safely. The study has suggested the need of more professionalism at various levels.

Mohanty and Lakhe (1998)\textsuperscript{17} says that during the past two decades, Total Quality Management (TQM) programmes have been implemented in many organizations. There has been a paucity of systematic empirical research to prescribe what factors are really crucial to the successful implementation of TQM programmes. This study is an attempt to identify the critical factors for TQM implementation through survey-based research
carried out in Indian industry. Meaning and operational measures of such critical factors are articulated and developed by involving the industry managers as the appropriate subjects. The measures are subject to internal consistency and reliability tests. A factor model is evolved which may facilitate the articulation of global perspectives and understand business imperatives and undertake strategic initiatives to implement TQM programmes across different industry sectors. Some pertinent remarks relating to Indian industry are mentioned. In doing so, this paper establishes a framework for subsequent research and for evaluation of TQM programmes by industry practitioners.

Chandrasekaran (1999) in his study of financial performance of Indian Sugar industry concluded that industry’s financial performance was found moderate to poor during the period of study, i.e., 1990-91 to 1995-96 except in the year 1993-94. The Financial structure decreases if the industry is unfavourable due to high gearing. Further, both business risk and financial risk are also higher, serving the debt becomes difficult. The researcher suggested that firms must focus on enhancing earnings steadily by controlling and reducing the cost of production. He further suggested that share of external as well as internal equity should also be increased in the financial structure of the mills.
Juliet and William (1999) conducted a study: “The Financial and Operating Performance of Privatized Firms during the 1990’s”. They compared the pre and post privatization of financial and operating performance of 85 companies from 28 industrialized countries that were privatized through public share offerings during the period 1990 to 1996. They found significant increase in profitability, output, operating efficiency and dividend payments and significant decrease in leverage ratios after privatization. Further, the study revealed that capital expenditure increased significantly in absolute terms while relatively sales and employment declined insignificantly. The findings of the study strongly suggest that privatization leads to improve the performance skills.

Acharya and Ray (2000) depicts that the Indian industries have gone for ISO certification in a big way since 1990. This independent survey was undertaken to assimilate the experiences of the companies gathered in the path of certification, its impact on their business, opinion about the auditing reports and hurdles faced in the path of certification. This survey is the largest and most wide-ranging of its kind to be conducted in this country. It covers well over 1200 ISO 9000-certified organizations of all sizes and industry sectors and registered by different certification bodies. Analysis of the survey data revealed that ISO 9000 implementation has benefited in:
better understanding of process / activities being performed; better understanding of responsibilities / authorities and linkage across the organisation. In this article, the endings of the survey were discussed and also suggestions were made of the counter measures for improving the effectiveness.

Ray and Bhaduri (2001)\textsuperscript{21} found that the estimation of research production functions have produced rich and useful results for the developed countries in the past. This paper makes a pioneering attempt to estimate the same in the context of a less-developed country (LDC) (India). The objective is to examine the process of technology generation and learning in Indian industry. The existing literature recognizes two principal characteristics of technological activities in LDCs. First, their R&D effort is geared towards “minor” as opposed to “major” innovations. Second, technological learning constitutes an integral part of their research thrust. This paper attempts to capture these characteristics in a rigorous econometric framework by estimating a comprehensive research production function incorporating the role of learning. The use of Indian raw-material in house R&D data for two sectors: pharmaceuticals and electronics. This study not only captures the role of learning in determining research effort and research output but also re-examines some of the existing hypotheses
relating to the effects of raw material size, technology import and ownership. When the two sectors display two distinct learning trajectories, in both cases learning proves to be crucially important in technology generation.

Sarkar (2001)\(^{22}\) says that the concern for quality of products and services is universal in the modern industrial world. It is rising continuously with increasing consumer consciousness of quality and the growing international competitiveness in technology and industry. In India too, all industrial and service organisations are becoming increasingly concerned with the need to upgrade the quality of their products and services so as to keep pace with the competition both within and outside the country.

Kishore (2002)\(^{23}\) in his study of financial appraisal of cement industry in India, the selected 10 cement companies having highest capital employment on 31\(^{st}\) March, 2001. The study revealed that the profitability position of seven companies was higher than industry leverage. Further, it was found that the industry has more capital intensive and six companies are using more debt than industry leverage. Similarly, it was found that liquidity position of six companies is better than industry leverage. The researcher suggested that the cement industry should increase its production to ensure economies of large-scale production and higher return on capital employed. Cost reduction techniques should also be adopted to enhance profitability.
Thirupurasundari (2002) in a case study on financial analysis of fishnet works made an attempt to analyze the financial position of the Fathima Networks functioning in Kaval Kinaru of Tirunelveli district of Tamilnadu. She concluded that liquidity position is not satisfactory and fixed assets are not utilized efficiently and effectively. Further, the profitability position is also not satisfactory.

Veni and Narayana (2002) in a case study of Coromandel Fertilizers Ltd., Visakapatnam on its operating and financial leverages, capital structures and dividend policies, pointed out that the company has abundant internal resources and it maintains a stable debt-equity ratio. The company is also maintaining as increasing trend in its dividend payout. Further, the study revealed that operating leverage of the company has more ups and downs whereas financial leverage is more or less stable.

Kambhampati and Parikh (2003) analysed in this paper the effects of increased trade exposure on the profitability of firms in Indian industry. While trade reforms are often expected to decrease profit margins as firms struggle to compete in international markets, there is the possibility that increased competition may improve firm’s efficiency and provide a positive impetus to firm’s profitability. The unique work of this paper is that an efficiency index is created to directly analyse the impact of changing
efficiency levels on firm profit margins. Results indicate that liberalization significantly influenced profit margins. However, its main effect is through the impact that it has had on other firm variables – market shares, advertising, R&D and exports – all of which changed after 1991. While exports have had a pro-competitive effect on profit margins in the selected sample, AD and R&D both cause an increase in profit margins. It is also found that neither capital nor managerial capabilities (as proxied by remuneration) are particularly effective in increasing profit margins.

**Khatik and Kumar (2003)** in their case study of liquidity management in Eicher Ltd. Concluded that the liquidity management of Eicher Ltd is not satisfactory and it is required that company should improve its liquidity position in the coming years.

**Pradeep Kumar (2003)** conducted a study to evaluate the financial appraisal of IDBI Bank Ltd. through financial indicators. The study reveals that IDBI Bank has maintained a comfortable capital adequacy ratio since its inception. The bank is also having a very sound liquidity position. It has made full provision for NPA’s as per the prudential norms of RBI. Further, the study exhibits that the bank has showed a marginal growth of 3.5 percent in total deposits and 7.5 percent in total advances. However, it will also have
to follow all healthy practices to ensure better financial performance of the undertakings.

Cheng and David (2004)\textsuperscript{29} in their prior research, finds that earnings restatements are linked to CEOs’ excessive option-based compensation and equity holdings. In this paper, they investigate whether firms that experience earnings restatements recontract with their CEOs to reduce their option-based compensation and if so, whether this leads to the improvement of firm’s performance. Based on 289 restatement firms over the period 1997–2001, it is found that the proportion of CEOs’ compensation in the form of options declines significantly in the two years following the restatement. Furthermore, it is clear that this reduction is accompanied by a decrease in the riskiness of investments as reflected in lower stock return volatility and subsequent improvements in operating performance. The results suggest that a decrease in option-based compensation reduces CEOs’ incentives to take excessively risky investments resulting in improved profitability. Above all, the findings provide insights into the design and efficacy of CEO compensation contracts.

Eberhart et al., (2004)\textsuperscript{30} report after their study their study that “They examine a sample of 8,313 cases, between 1951 and 2001, where firms unexpectedly increase their research and development (R&D) expenditures
by a significant amount. They found consistent evidence of a misreaction as manifested in the significantly positive abnormal stock returns that their sample firms’ shareholders experience by following these increases. They also found consistent evidence that their sample firms experience significantly positive long-term abnormal operating performance by following their R&D increases. Their findings suggest that R&D increases are beneficial investments and that the market is slow to recognise the extent of this benefit (consistent with investor under reaction).

Gadad and Thomas (2004) in their study, “Do asset sales lead to improvements in operating performance?” depict that the changes in operating performance associated with asset sales investigated for a sample of UK firms. Asset sales are followed by an improvement of 11% per annum in the level of operating performance relative to the pre-sale performance level. Further, improved abnormal operating performance is found, which is measured after controlling for the performance of the industry the pre-sale performance of the firm and the level of competition in the market for asset sales. The abnormal operating performance of the remaining assets improve by 2.4% per annum, an average, for three years after the asset sales. This study also finds that the market for asset sales is imperfectly competitive.
Gokarn et al., (2004)\textsuperscript{32} depict that The Indian economic scenario presents an interesting study in terms of the richness of its tapestry. The country has a history of early industrialization and if it is not spectacular in comparison to certain other economies, it makes up for this shortfall with its variety. An early history of industrialisation has enabled a number of product specific industries to set roots and grow in later years. In the colonial period, a fairly comprehensive array of industries came up, ranging from matchboxes to steel, the latter in turn supporting a wide range of industries. These and many other new products required a fair degree of sophistication as regards production facilities and distribution logistics. Thanks to the rapidly developing ability to industrialize production and different products, older products like tea and jute also came to have a much larger market than was hitherto available. The industrial facilities set up in the pre-independence period provided a base on which a lot more was built with state support in independent India.

Hendricks (2005)\textsuperscript{33} in his paper empirically documents the association between supply chain glitches and operating performance. The results are based on a sample of 885 glitches announced by publicly traded firms. Changes in various operating performance metrics for the sample firms are compared against a sample of control firms of similar size and
from similar industries. In the year leading up to the announcement, the control-adjusted mean percent changes in operating income, return on sales, and return on assets for the sample firms are -107%, -114%, and -92%, respectively. During this same period, the control-adjusted changes in the level of return on sales and return on assets are -13.78% and -2.32%, respectively. Relative to controls, firms that experience glitches report on average 6.92% lower sales growth, 10.66% higher growth in cost and 13.88% higher growth in inventories. More importantly, firms do not quickly recover from the negative economic consequences of glitches. During the two-year time period after the glitch announcement, operating income, sales, total costs and inventories do not improve. They also find that it does not matter who caused the glitch, what was the reason for the glitch, or what industry a firm belongs to glitches are associated with negative operating performance across the board.

Hogan and Lewis (2005)\textsuperscript{34} say that firms adopted economic profit plans between 1983 and 1996 and they document changes in investment behaviour that lead to improvements in operating performance and growth opportunities relative to these firms' past performance. The improvements, however are similar to those realized by a set of non-adopting control firms that are selected on the basis of a logistic regression model of adoption
choice. As per this study, some firms are performed better for economic profit plans than others and classify adopters according to whether they make anticipated or surprising choices based on the adoption choice model. It is found that anticipated adopters make changes in investment behaviour that reduces invested capital and allows them to become more profitable than a sample of control firms that were expected to adopt but choose to continue using a traditional plan. The classification analysis suggests that economic profit plans work best for firms that are expected to adopt such plans based on pre-adoption operating, organizational, financial, and compensation characteristics.

Balakrishnan et al., (2006)\textsuperscript{35} conclude that using firm-level panel data, it is investigated that reform of the trade and industrial policy regimes in India introduced in 1991 resulted in a reduction in market power and/or an acceleration in productivity growth, which have been predicted in theory. Econometric testing of the theory for every industry group at the two-digit level in India yielded limited evidence of acceleration in productivity growth and no evidence of a reduction in market power. It is understood that in the case of Indian industry trade liberalization has not exhibited the potential often attributed to it.
Morris (2006) says that over the last two decades, business have increasingly shown quality and quality-related issues. The conventional wisdom states that quality is an important component of survival for today's companies. The quality movement has seen the development of an international quality standard known as ISO 9000. Although developed in the late 1980s, ISO 9000 became increasingly popular in the U. S. and internationally during the 1990s. From an academic standpoint, the link between quality and financial performance is still a poorly researched area (Wruck and Jensen, 1994; Easton and Jarrell, 1999). Likewise, the link between ISO 9000 and financial performance is still undetermined. This study was designed to help better in explaining the link between quality as indicated by ISO 9000 certification and financial performance. Specifically, this study examined financial performance of U. S. firms in the electronics industry. ISO 9000 certification served as an indication of quality management practice. Financial data from Computerised stat was used to determine financial performance. Firms that have become ISO 9000 certified (quality firms) were anticipated to have superior financial performance to firms that were not certified to ISO 9000 standards. The results fail to support the hypotheses.
Mwendia (2006)\textsuperscript{37} states that in the last decade or so, there have been many leadership studies focusing on the relationship between leadership competencies or practices and performance. But, hardly any studies have specifically, measured performance using profitability. The problem for the leaders of Swara Hotels and Lodges (SHL) was whether the level of leadership competencies might be improved so as to enhance the level of financial performance measured by profitability on rooms (POR). Hence, the purpose of this study was to determine whether there is a relationship, and if so, how strong it is between the level of leadership competencies under the transformational model (independent variables) and the level of POR (dependent variable) in 13 business units of SHL. Successful leadership in terms of achieving a vision is characterized by certain key competencies in three categories related to: strategy, people, and personal role model.

Uzelac (2006)\textsuperscript{38} says that from the perspective that integrates marketing and banking practice and theory, this work reaffirms the relevance of interactions between the issues of ‘what’ (marketing strategy) and ‘why’ (financial performance). The key finding is that the marketing strategy – financial performance link faces serious difficulties but they do not inevitably prevent the promotion and greater acceptance of the basic idea. The strongest barriers include negative attitudes of marketers to the language
of financial indicators, different paradigms of people from marketing and banking, insufficient presence of the key concepts in the basic literature and unrealistic requirements of academic models. On the other side, the demand that becomes more powerful and sophisticated and intensifying competition are the major drivers of positive changes in practice and theory. Greater respect for risk indicators improved short term / long-term balance, stronger integration of marketing strategy elements as well as more realistic general frameworks constitute the group of encouraging trends.

Cheptea (2007)\textsuperscript{39} conveys in his study that the accession of Central and Eastern European (CEE) countries to the European Union (EU) is expected to lead to the new member countries becoming more like the older members even in terms of trade. The focus was on two factors promoting CEE–EU trade integration: trade liberalisation and institutional reforms. Measures of trade liberalisation undertaken by both parties during the 1990s were very substantial but not always produce the expected upsurge of regional trade flows. Much less progress has been made in improving the functioning of CEE institutions. Countries where the most important changes at the institutional level occurred were also those that mostly increased their trade with the EU.
Coakley et al. (2007)\textsuperscript{40} analyse the post-issue operating performance of 316 venture-backed and 274 non-venture UK IPOs 1985–2003. The finding of a statistically significant five-year operational decline exhibited over the full sample period is not robust. Rather, it is driven by the dramatic underperformance during the 1998–2000 bubble years while IPOs perform normally in the remaining years. Cross-section regression results indicate support for venture capital certification in the non-bubble years but a significantly negative relationship between operating performance and venture capitalist board representation during the bubble years. The bubble year underperformance is explained by market timing and by low quality companies taking advantage of investor sentiment.

Cull and Demirgu (2007)\textsuperscript{41} depicts that Microfinance promises to reduce poverty by employing profit-making banking practices in low income communities. Many microfinance institutions have secured high loan repayment rates but relatively few earn profits. So far they examine why this promise remains unmet. They explore patterns of profitability, loan repayment and cost reduction with unusually high-quality data on 124 institutions in 49 countries. The evidence shows the possibility of earning profits while serving the poor but a trade-off emerges between the profitability and serving the poorest. Raising fees to very high levels does
not ensure greater profitability and the benefits of cost-cutting diminish when serving better-off customers.

**Freund et al.,(2007)**\(^{42}\) directly test the impact of increases in global and industrial diversification on firm value and operating performance. Our sample represents 194 US firms that acquired foreign companies during 1985-1998. Announcement period returns significantly positive for the acquirers, and changes in operating performance are lower for firms that increase their global, industrial or both forms of diversification.

**Fung (2007)**\(^{43}\) says by using the comprehensive 2000 and 2002 surveys of Chinese entrepreneurs conducted by the National Association of Private Entrepreneurs and the Chinese Academy of Social Sciences. They examined that the characteristics and financial performance of private enterprises in China are examined by Entrepreneurs, on an average, are 40 years old and many are well-educated; more than one-third of them have a college degree or higher. Their companies are young with an average age of six to seven years. Entrepreneurs contribute most of the equity capital to the private firms, which in general, are profitable with an average return on assets of 16 percent in 2002 and 11 percent in 2000. It is found that social capital (measured by charitable contributions); financing capital (measured by the equity-to-total capital ratio) and human capital have significant
effects on firm’s profitability and younger entrepreneurs tend to be more successful in the new Chinese market economy.

**Karuppusami and Gandhinathan (2007)** in their study found that, Quality management systems help industries to achieve the highest standards in providing world class services to customers. They encourage continuous improvement. The organisations that have implemented the TQM concept focus on producing quality goods and services to customers and are able to provide independent evidence of good quality management practice. Assuring quality is a multifunctional effort covering many aspects of operations. A web-based methodology was demonstrated in this paper to measure the level of TQM implementation in Indian industries. This paper provides a synthesis of the quality literature by identifying ten critical success factors of quality management in manufacturing industries. Operational measures of these factors are developed using data collected through the internet from 104 Indian industries. The measures could be used by decision makers in an organization to assess the status of quality management in order to direct improvements in the quality area.

**Paulino(2007)** explains that the advanced countries and international financial and development organizations have poured financial assistance in the form of loans, grants and technical support to the less developed
countries with the aim of prompting economic growth and reducing poverty. Effective aid is seen as the foremost tool to achieve internationally agreed development targets (e.g. Millennium Development Goals) and to arrest economic atrophy in the poorest regions, particularly, in Africa and Asia, where the majority of Least Developed Countries (LDCs) are found. However, multilateral and bilateral financial assistance is still a disputed issue in these least developed countries. Some academicians and policy makers argue that aid failed to reduce poverty.

Perkins (2007) explains the recent emergence of corporate environmentalism in developing countries and why certain firms have surpassed others in greening their activities? This article situates the uneven dynamics of corporate greening within a theoretical framework of convergence, firm specificity, and heterogeneity. Through a comparative analysis of firms in three sectors—automobiles, steel, and power—of the Indian economy during the past two decades, it is shown that corporate greening is rooted in processes of growing international political engagement, market integration and transnational social communication. Yet firms’ connected to external pressures fostering “upward” convergence vary as do their internal capabilities to respond to them. Heterogeneity in these internal and external variables and the firm-specific strategies linking the
account for much of the unevenness in patterns of corporate environmentalism observed in India.

**Wayhan and Balderson (2007)** studies Total Quality Management (TQM) is arguably one of the most pervasive management strategies of the last several decades. Given the ubiquitous nature of TQM, many attempts have been made to ascertain the impact that this strategy has had on subsequent financial performance. Key studies in the TQM–Financial Performance research stream are reviewed including the most recent which have generally brought increased rigor with each new project. The review of the project will proceed in the following order: anecdotal research, practitioner sponsored, empirical research, individual TQM dimensions and financial performance and the entire TQM construct and financial performance. A brief review of the major methodological limitations inherent in these studies and how future research can address them concludes this review.

**Fung (2007)** in his paper examines political economic issues of service trade liberalization of a developing country in the context of the Doha Round negotiations. First, they discuss various unique characteristics of the service industries were discussed. These features in a Grossman-Helpman style political economy model and the politically-determined
service sector protection were incorporated it was examined how various factors such as increased cross-cutting lobbying, the reduction of state-owned service providers and linking negotiation on agricultural protection with negotiation on service sector liberalization could help to reduce the political constraints on liberalizing the service sectors.

Sanidas and Jayanthakumaran (2008)\textsuperscript{49} highlights that a literature review regarding the consequences of trade liberalization on trade flows, productivity and internal demand has led to consider a simple operational model of how to measure these consequences. This model is applied to the passenger motor vehicle (PMV) industry in Australia. There is clear evidence that this liberalization has increased the volume of trade and productivity but reduced the locally produced cars for internal consumption. In addition, there are significant estimated lags concerning the reaction of these variables as a consequence of trade liberalization. Econometrically, this paper is an application of the bounds-testing procedure based on the Autoregressive.

Sharma and Kodali (2008)\textsuperscript{50} says that manufacturing excellence requires a manufacturer to be the best in its field in each competitive priority and to demonstrate industries best practice. This paper explores the validity and reliability of existing manufacturing excellence/world-class
manufacturing frameworks when applied to Indian companies by means of a survey conducted across a wide range of manufacturing companies based in India. The nature of the questionnaire is outlined together with the results from the analysis of the data obtained from the questionnaire. This research has identified that while a majority of the framework displays a high level of reliability, very few of them display unidimensionality with respect to the construct, i.e. the manufacturing excellence in measures. A frequency analysis shows that the majority of the attributes have a high mean score. As all the framework displays different elements with some overlap among them, it was found that there is a need for a new framework.
SUMMARY

From the above review of empirical works, it is clear that different authors have approached performance appraisal in different ways in varying levels of analysis. These different approaches helped in the emergence of more and more literature on the subject over time. It gives an idea on extensive and diversified works on performance evaluation. It has been noticed that the studies on financial and operating performance in various sectors provide divergent results relating to the study period over trap or coincide. All the studies aimed to analyze the financial performance in the select Indian manufacturing sectors with a number of factors. Very few studies appeared which used cost trends and sales trends to explore the financial performance of the industries.

It is obvious to note that the survey of the existing literature indicates that so far no specific work has been carried out to examine Financial and operating performance of select Indian industries by covering seven sectors viz., Automobile, Cement, Chemical, Cotton, Metal, Paper, Sugar in the liberalized economic environment, which was identified as the research gap. In order to fulfill the gap, this study was selected as his research topic. Hence, this study.
REFERENCES


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