

# **CHAPTER 9**

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## CHAPTER 9

### SUMMARY AND CONCLUSIONS

#### 9.1 *Introduction*

India has made a phenomenal advance in the industrial front in recent years. The corporate sector is the backbone of the Indian economy. It occupies a pivotal position and has come to play a predominant role in the economic life of our country. The corporate sector in India provides an effective and organised system for the overall growth and development of the economy.

India launched her programme of planned development in 1951. The basic objectives of planning in India can be grouped under four heads, viz., growth, modernisation, self-reliance and social justice. In pursuance of the economic policy of the government, the corporate sector have proliferated in different field of economic activity. Economic and industrial growth is the result and interaction of three key factors : investment in capabilities, the productivity with which these capabilities are used and entrepreneurial ability. A good, capable and efficient entrepreneur helps in stimulating the economic growth of the country.

The industrial policy pursued during the first four decades of planned economic development in the country gave rise to several issues which were sought to be addressed in the new industrial policy of July 1991. While the issues of infrastructural development, competition, technological upgradation and restructuring of PSUs became prominent in the post-reforms period, those of economic concentration, balanced regional development, employment, development of small scale industries and industrial sickness were major concern in the pre reforms period.

Eastern India is one of the bottom-line region in the country. It is one of the economically backward regions facing a large number of problems for its industrial growth. On the contrary, it has plentiful mineral, water and other natural resources. The most important challenge faced by the Eastern region during post independence era is stepping up the rate of growth in the region to overcome

economic stagnation which greatly depends on proper management of liquidity and profitability. Financial management always links the twin goals— liquidity and profitability. Profit constitutes the principal motivating force in conducting a business. Liquidity is a means towards the end-profitability and a major condition for survival. It leads to business failure and frustrates the business objectives. A firm in order to remain in existence and sustain its activities must remain liquid. With this backdrop, the present study was undertaken for a proper insight into the study of liquidity in the corporate sector of Eastern India. The present study analysed the liquidity of the non-government, non-financial public limited companies in the Eastern India during the period from 1987-88 to 1996-97 with the help of accounting ratios and statistical techniques. The sample constitute 80 companies which represent the universe of the study. Further, these sample companies have been grouped under different structural variables namely, industry groups, age-groups and size-groups.

The study is based on published annual accounts and statement of sample companies available in the various volumes of Stock Exchange Official Directory, Mumbai. Vital informations relevant for the study have also been obtained from RBI monthly bulletins, Companies News and Notes, etc. The present study is on the whole an analytical research on the trend and pattern of liquidity in the corporate sector of Eastern India.

The objectives of the study was to make a critical analysis of liquidity in Eastern India corporate sector by measuring composite liquidity as well as general liquidity by formulating a package of parameters for evaluation of liquidity. It also aims at making a variable wise analysis since liquidity might be expected to vary depending upon the industrial activities, size and age of the companies. Finally an attempt has been made to compare the liquidity of Eastern India Vis-a-Vis all India.

This chapter being the concluding part of the study, makes an endeavour to present a summarised version of the findings of the present study.

## 9.2 *Liquidity Concept and Context*

The concepts of liquidity cannot be equated with the concept of working capital. It is a much broader term having both quantitative, i.e., Stock Concept and qualitative approach which is basically a flow concept. It is defined as the quantum structure and utilisation of "near cash assets" available with the firm to meet day-to-day requirements. The higher the quantum of such assets, the higher the liquidity the firm possesses. Near cash assets are those assets which can be converted in to cash within a short period. Since near cash assets, i.e., current assets normally get converted into cash in the course of business and not that the firm can readily convert them into cash as and when it so desires, it is difficult to precisely measure liquidity in this approach. On the other hand, qualitative approach defines liquidity as the ability of the firm to generate cash (either selling assets, by making liabilities or from operations) to meet potential expenses both in the short run and in the long run. Therefore, in the quantitative approach, liquidity management covers structure and utilisation of cash and its receivables, where as in the qualitative approach, liquidity explores all possible means of raising sources and utilising them in a way to meet all obligations in the best manner and at the minimum cost.

The term liquidity and solvency are considered synonymous by defining liquidity as an all time activity in meeting obligations both short term as well as long term. But the term "financial flexibility" is of recent origin describing the ability to generate and alter cash flows at any point of time. Therefore, financial flexibility is considered as a major objective of liquidity.

Generally, it is assumed that there is an inverse relationship between liquidity and profitability. It has the shape of an inverted cup. Profitability may not guarantee liquidity, but it does not result in low liquidity in the long run. Similarly increased growth reduces the liquidity since huge funds are required to be pumped into new investment. Its immediate impact would be a squeeze in liquidity, though it would start paying after its gestation period and enhance

liquidity. Thus, it can be said that there is a close affinity between liquidity, profitability and growth. They are not antithetical as are made out to be by many writers. In a short period there is an inverse relationship between liquidity and profitability. It extends to a relatively long period between liquidity and growth as growth does not contribute directly to liquidity and has to pass through profitability stage.

Liquid assets are usually the first line of defence against anticipated cash deficits, marketability, price stability and yield. Therefore, the level of liquid assets to be maintained by a firm should be very scrupulously made. The mode of financing of liquidity assets should very much depend on the frequency and magnitude of cash deficits it experiences. The various motives for holding liquid assets are transaction motive (i.e., for conducting routine business operations), precautionary motive (i.e., for meeting future contingencies) and speculative motive (i.e., for availing future favourable market conditions). The liquidity position can be directly influenced by available liquid assets held and maturity composition of its liabilities. In order to maintain a happy and healthy liquidity position, it must follow any of the following policy :

- (i) Hedging financing policy, i.e., the maturing structure of liabilities should be approximately equal to the maturing structure of assets.
- (ii) Conservative financing policy, i.e., the firm always keeps high level of liquid assets as the firm is a risk averter.
- (iii) Middle path, which is being adopted by most of the firms.

Further, the term "cash flow" is most relevant in liquidity analysis. It is considered as a more appropriate technique for liquidity measurement and evaluation.

Different specific parameters have been prescribed by the financial analysts to measure liquidity position of an enterprise. The approaches to measure liquidity have been developed in three phases.

### ***The First phase***

This was basically the quantitative approach to measure liquidity. This reflects the age old views on liquidity, i.e., a function of net working capital. Hence, the concept of ratios to measure liquidity was developed. Some of these include current ratio, quick ratio and supporting ratios like debtors turnover ratio, inventory turnover ratio, etc. The ratios of the first phase have been criticised as they fail to predict the sickness of the firm in a more appropriate manner.

### ***The Second Phase***

In this phase the move was from stock concept to flow concept of measuring liquidity. Some of the important ratios used were namely Bierman's Measures; Interval Measures and liquidity flow Index. They try to combine the stock measures with flow measures. However the limitations of these measures were that they could be used in very specific and limited conditions.

### ***The Third phase***

It includes the latest development in the field in measuring liquidity. It includes some of the cash flow ratios. It is believed that these ratios are more direct and straight forward indicators of liquidity. They show a greater degree of mobility and respond sharply to the changes in real situations and thus quickly attract the attention of analysts. The ratios are gross surplus ratio, cash flow from operation to sales ratio, cash flow from operation to capital employed ratio and cash flow from operation to total debt ratio.

## **9.3 Main Findings**

A brief resume of the main findings of the study are as follows :

### 9.3.1 *Evaluation of Liquidity Parameters And Analysis of Composite Liquidity*

Cross sectional Pearson's correlations coefficient has been found out to select and identify a few appropriate ratios of liquidity out of a pool of thirteen ratios for use. There exists a very high degree of correlation between the ratios : liquid ratio and absolute liquid ratio. It is due to the appearance of common components in both the ratios. Hence we can consider liquid ratio and delete absolute liquid ratio for the analysis of firms liquidity. Gross surplus ratio (GSR) is highly and very positively correlated with cash flow ratios namely CFOCE and CFOTD having correlation coefficient of + 0.9486 and + 0.9608, respectively. Similarly, cash flow ratios have a very strong bond of relationship among themselves, i.e., CFOCE with CFOTD with 'r' of +0.9374. GSR, CFOCE and CFOTD have distinctly come out as a group of measuring corporate liquidity position. Hence only CFOCE can be considered as a better indicator of liquidity. The other allied ratios— GSR and CFOTD may be dropped from analysis. From among thirteen ratios, ten ratios have been short-listed for analysis of corporate liquidity. They are namely, CR, LR, DTR, ITR, CBTR, WCTR, WCTTA, IM, CFOS and CFOCE ratios.

The composite liquidity refers to an overall measure of liquidity of a firm expressed in a single index. It is a multivariate approach to determine liquidity of a firm. The composite index gives an overall rating of the firm. It is computed by combining four ratios depicting the various segments/components of current assets (working capital), i.e, inventory to current assets, debtors to current assets, cash and bank to current assets, and other current assets including loans and advances to current assets. The four ratios have been combined into a point score. In case of inventory to current ratio, a lower ratio shows a more favourable positions and hence ranking has been done in that order, that is, score from 1 to 80 for sample companies and 1 to 15 for sample industries groups. For other three ratios a high ratio indicates a relatively favourable position and score has

been done from 1 to 80 (high to low ratio) for sample companies and 1 to 15 for sample industries groups. The ratio-wise scores have been aggregated and ultimate ranking was made on the principle that the lower the points scored, the more favourable is the liquidity position. Finally it was revealed that tea plantation companies occupy 2nd, 3rd, 5th, 6th and 7th rank. The first rank went in favour of East India Hotels. Fourth, eighth, ninth and tenth rank went in favour of AFT India, Ispat Alloys Ltd., Hukumchand Jute Industries, and Reckitt and Colman of India, respectively. As regards to industries groups the first, second and third rank was occupied by tea plantations, paper and chemicals industries, respectively. Thus, composite index helped in analysing one dimension of composite liquidity that is the quantitative or stock concept. On the other hand, the analysis of liquidity on the basis of qualitative concept has also been made with the help of a multiple discriminant analysis.

In multiple discriminant analysis, an empirical 'Y' score model was adopted with the help of four ratios namely cash flow to total tangible assets ratio, defensive assets to total operating expense ratios, net sales to total tangible assets ratio and current ratio. Y score value of all ten years period under study and average Y score value for the study period was obtained with the help of the model. If the 'Y' score value is more than 1.7068, it can be said that the management of working capital and liquid resources have been efficiently made. If 'Y' score value is less than 1.7068 it depicts unsound liquidity management (i.e., a sick unit). It is observed from our analysis that except 4 companies out of 80 sample companies namely Ispat Alloys, Kalyanpur Cements, ICI India and Dhana Laxmi Mills, the computed average 'Y' score values are less than the standard value and in case of another five companies computed average 'Y' score value is marginally in excess of the standard value. They are, viz., Texmaco, Century Extrusions, Ferro Alloys Corporations, Indian Charge Chrome and Rasoi. Thus, we can conclude that most of the sample companies have effectively managed their working capital and liquid assets. Both composite index and 'Y' score model can be used as a potent tool for corporate planning and control, and

finance managers may use them for assessing their position in terms of liquidity in the industry to which they belong.

### 9.3.2 *Total Sample Analysis*

The analysis of liquidity of the corporate sector as a whole with the help of ten short listed ratios was made. It revealed that the sample corporate sector in Eastern India had shown an increasing trend during the period under study although the liquidity position varied from year to year. The annual growth rate of six out of ten ratios has witnessed an increasing trend. Only four ratios namely debtors turnover ratio, cash turnover ratio, working capital turnover ratio and cash flow from operation to capital employed ratio depicted a negative growth rate. Most of the liquidity ratios in the selected corporate sector of Eastern India during the first five years of the study period remained below their corporate average, while the reverse was true during the last five years of the study period. On the whole it can be said that there is a marked improvement in the liquidity position during the latter part of the period under study.

The RBI sample companies representing all-India corporate sector had always a higher liquidity ratios as compared to Eastern India corporate sector, in terms of current ratio, Interval measures, cash flow from operation to sales ratio and cash flow from operation to total capital employed ratio, while the reverse was true in terms of LR, DTR, ITR, CTR, WCTR and WCTTAR. The liquidity position of Eastern India sample companies may improve if their cash flow and current ratios were higher than or at least at par with all India corporate sector.

On an average, the sample corporate sector in Eastern India had an average current ratio of 1.335 times, liquid ratio of 0.818 times, DTR of 5.944 times, ITR of 4.779 times, cash turnover ratio of 39.18 times, WCTR of 8.774 times, Interval measure of 120.2 days, WCTTAR of 0.13 times, CFO to sales ratios of 10.06% and CFO to capital employed ratio of 16.79%. Further, on comparison of the calculated 't' value with that of the table value of 't' it is revealed that there was a

significant difference between the mean ratios of Eastern India and All India sample companies in respect of DTR, ITR and CTR, and the relevant ratios of total sample companies in Eastern India was significantly higher than that of All India RBI sample companies. On the contrary, the reverse is true in case of Interval measure (in days) and cash flow from operation to sales ratio. For other ratios, the difference between the two is insignificant.

### 9.3.3 *Variable-wise Analysis*

The ability of the firm to pay obligations is, more or less, expected to differ if the nature of industrial activities, age or size of the firm differs. The study assumes inter-group differences and intra-group similarities in the trend and pattern of liquidity. Further, an effort has been made to study the growth of overall liquidity of different variable groups.

The corporate liquidity marked in general an upward trend during the period under review except in case of debtors turnover ratio, working capital turnover ratio, CFO to capital employed ratio, where the annual growth rate was negative. The industry-wise analysis of current ratio revealed that synthetics industry had the highest average ratio. Aluminium and sugar industries followed next. The cotton textile industry had the lowest average ratio during the study period. With regards to liquid ratio, the average ratio was the highest for aluminium industry, closely followed by synthetics, paper, tea plantations and chemicals industries. The cotton textiles industry had again the lowest average ratio during the period of study. The industry-wise analysis of turnover ratios also marked in general an increasing trend barring debtors turnover ratio and working capital turnover ratio. The average DTR was the highest for sugar industry followed by cotton and jute textile industries. It was the lowest for metals and alloys industry. The inventory turnover (ITR) average ratio during the period under study was the highest for food products industry followed by tea plantations, miscellaneous and jute textiles industries. It was the lowest for the sugar industry.

The average ratio of working capital turnover (WCTR) was the highest for jute industry. Miscellaneous groups of companies and general engineering industry followed next. The average WCTR was the lowest for food products industry.

The average cash turnover ratio (CTR) was the highest for aluminium industry and it was closely followed by food products, cotton textiles and synthetics industries. Companies belonging to cement industry reported the lowest average ratio.

The interval measures (in days) for various industries in general revealed an increasing trend with the exception of cement industry. Its average ratio was the highest for tea plantations industry followed by those in metals and alloys and general engineering industries. The lowest average ratio was reported by cotton textile industry with the highest coefficient of variations.

The net working capital to total tangible assets ratio exhibits in general a marginal increasing trend in the corporate sector. Its average ratio was the highest for aluminium industry which was closely followed by electro-electrical equipments and synthetics industry. It was the least for the cotton textiles companies.

The cash flow ratios indicates a mixed trend. In case of ratio of cash flow from operations to sales (CFOS) the annual growth rate is positive whereas the other cash flow indicator, that is ratio of cash flow from operation to capital employed (CFOCE) showed a declining trend. Further, it was revealed that the average CFOS of tea plantations industry was the highest followed by sugar and synthetic industry. It was the lowest for the cotton textile industry. On the other hand, the average CFOCE ratio was the highest for food products industry. It was followed by electro electrical equipments and sugar industry. Companies belonging to chemicals industry reported the lowest average ratio.

Thus, from the above analysis, it was revealed that for companies belonging to aluminium, tea plantations, food products, sugar and synthetics industries liquidity was relatively better managed during the study period in relation to other industry-groups. On the other hand, in case of cotton textile industry its

liquidity in general was unsatisfactorily managed.

The age variable-wise analysis revealed that very old age-group of companies had the highest average ratio in relation to debtors turnover ratio, inventory turnover ratio, working capital turnover ratio, cash turnover ratio, net working capital to total tangible assets ratio and cash flow from operation to capital employed ratio. On the other hand, the highest average was witnessed by new age-group of companies in respect of liquid ratio, interval measures (in days) and cash flow from operation to sales ratio. Old age-group of companies showed the highest average only in current ratio. Thus, it can be inferred that liquidity of very old and new age-group of companies was better as compared to old and moderately old age-group of companies during the study period.

On analysis of size variable-wise groups of companies it is noted that small sized companies registered the highest average ratio in the study period in respect of current ratio, liquid ratio, DTR, ITR, CTR and NWC to total tangible assets ratio, while medium sized companies showed the highest average ratio in respect of WCTR and CFOS. The average CFOCE ratio and average interval measures (in days) in respect of large sized company was the highest during the period under review. Thus, it can be deduced from the above analysis that the liquidity management of giant sized companies is not satisfactory as compared to other size-groups of companies,

The sample of corporate sector as a whole registered a positive growth rate with regard to their overall liquidity. Almost all industry groups showed a positive growth rate except sugar and cotton textile industries. It was also found that the growth rate in overall liquidity of about half of the number of industries was higher than that of sample corporate sector. Further, it was revealed that all age-group and size-group industries had also recorded a positive growth rate. Thus, the overall picture presents an increasing liquidity trend.

## 9.4 *Test of Hypotheses*

Hypothesis is usually considered as the principal instrument in research. A set of hypotheses was formulated while planning the study and tested with available data and techniques.

### ***Hypothesis No.1***

***The measure of general liquidity remains constant over the years.***

In order to test the hypothesis,  $\chi^2$  (chi-square) test has been employed in respect of liquid ratio both for total sample and variable-wise analysis. The calculated value of  $\chi^2$  in refractories, jute textiles and food products are more than the table value of  $\chi^2$ . Similarly, on all size-wise group of companies barring giant sized companies calculated  $\chi^2$  value is more than the table value at 5% level of significance. On the contrary for different age group of companies the calculated value is less than the table value of  $\chi^2$  excepting new age group of companies at 5 percent level of significance. Hence, our null hypothesis is rejected and it is concluded that the measure of general liquidity does not remain constant from year to year.

### ***Hypothesis No. 2***

***The nature of business, size and age of a firm have no bearing on its liquidity.***

This hypothesis has been tested in reference to liquid ratio only. The null hypothesis tested is that the mean industry liquid ratio of the 15 industries is the same and similar hypothesis for 4 age-wise and 4 size-wise variables has also been developed. The alternative hypotheses are that at least one industry, age-group and size-group mean liquid ratio is significantly different from other 14 industries, 3 age-groups and 3 size-groups, respectively. We have applied a two-way ANOVA technique to test the hypothesis. The calculated value of 'F' ratio between industry-groups, age-groups and size-groups are more than the critical value of 'F' at 5% and 1% level of significance. Hence, our null hypotheses are rejected both at 5% and 1% level of significance for all the three variables.

Thus a significant differences in liquidity ratios exist. Therefore, the nature of the business, age and size of the firm have a bearing on their liquidity.

### ***Hypothesis No.3***

***The corporate sectors mean liquidity ratios are perceived as the target ratios by the industry.***

We have used only one liquidity ratio, i.e., the liquid ratio for the entire study period from 1987-88 to 1996-97 to test the above hypothesis. When an industry observes a deviation between its liquidity ratio and the corporate sector's mean liquidity ratio and there does not exist substantive reasons for the deviations, then it will take steps to adjust its liquidity ratio in the next period, so that its liquidity ratio approximates to corporate mean and the observed deviation will be partially eliminated. Ordinary least square regression model has been used to test the hypothesis. The analysis revealed that the estimated  $\hat{\beta}$  is statistically significant at 0.05 level of significance for cement, synthetics, tea plantations and food products industries. For other industries though  $\hat{\beta}$  is insignificant, yet positive. The speed of adjustment is very high for cement, tea plantation, food products, synthetics, metal and alloys, and jute industries. The  $R^2$  is also high ( $0.3 < R^2 > 0.7$ ) in case of five industries. Further, D-W Statistic value for most of the industries lie in between 1.35 and 2.65 and for some industries, the D-W Statistic is very near to 2. So the residuals are serially uncorrelated. Hence, the estimated  $\hat{\beta}$  is an unbiased estimator of population  $\beta$  value. Thus, it is concluded that the corporate sector's mean liquidity ratios are perceived as the target ratios by the industries.

### ***Hypothesis No.4***

***A firm's liquidity could be well described as random-walk model.***

A random-walk model implies that the liquidity of a firm does not follow a systematic pattern. In order to test the hypothesis, we have selected the liquid ratio as the measure of overall liquidity. The null hypothesis of this test is that the sequence of observations is random. Due to limited number of observations (only ten) the results we obtain may be sensitive to violation of the assumption

of test. To avoid this issue the hypothesis has been subjected to two different tests, viz:

- (a) an examination of the auto correlation function for the first differences series of the liquid ratio of individual firms in the sample and
- (b) a run test for the liquid ratio series (1987-97) of different groups of companies as well as the total sample companies.

Both the tests supported the null hypothesis of randomness at 5% level of significance. Thus, it is concluded that, the liquidity of firm does not follow a systematic pattern, rather a random-walk model.

### ***Hypothesis No.5***

***The industry-wise factors are important factors affecting an individual firms liquidity.***

It is commonly believed that changes in the liquidity series of a firm are influenced by industry and economic factors. Since the sample size of different industries is not large we have selected tea plantations industry consisting of 17 companies. Further, the test has been conducted with reference to the liquid ratio. In order to test the hypothesis, ordinary least square regression technique has been used. The average adjusted  $R^2$  and Durban-Watson Statistic worked out to be -0.123 and 2.377, respectively. A bench mark for suspecting serial correlation in the  $\hat{\epsilon}_t$  series, in a sample of 30 observations is a D-W Statistic  $< 1.35$  or  $> 2.65$ . But in our sample analysis it is evident that the D-W Statistic is not below 1.35 though for B & A Plantations and Industries Ltd., and Rossel Industries Ltd., the value exceeds 2.65. But the average remained within the limit. Hence the OLS regression model used in this test is free from suspicion. The average adjusted  $R^2$  indicates that the variability of a firm's liquidity in general cannot be associated with the industry average liquidity. It is therefore, concluded that the industry factors are not important factors affecting individual firms liquidity and a firm's liquidity is mainly governed by its policy decisions.

### ***Hypothesis No.6***

***There is always a negative relationship between liquidity and profitability.***

Generally it is believed that there is an inverse relationship between liquidity and profitability. To test this hypothesis the liquid ratio (LR) and a profitability ratio, i.e., Gross surplus ratio (GSR) have been selected. The statistical technique used to test this hypothesis is OLS regression analysis. If there exists a negative relationship between liquidity and profitability, the estimated value of  $\beta$  will be negative and significant. The value of  $\beta$  will be significant at 5% level, if the calculated value of  $t_{\hat{\beta}}$  is greater than 1.895. It is evident that the estimated  $\beta$  is negative in case of 6 industries, 3 age-groups and 2 size-groups of companies. The  $\hat{\beta}$  value is significant only for moderately old age-group of companies. The D-W Statistic for most of the groups lies between 1.35 and 2.65. Hence  $\beta$  is taken as unbiased estimator of population  $\beta$  value. Therefore, the above analysis does not strongly support our null hypothesis. Hence, there is not always a negative and inverse relationship between liquidity and profitability. Hence, the null hypothesis is rejected.

### ***Hypothesis No-7***

***Liberalisation policy adopted by the government has no effect on the liquidity management practices of the firm.***

The liberalisation policy was adopted by Government of India in July 1991. To test the hypothesis we have divided the study period in to two parts, namely the first part covering a period of five years from 1987-88 to 1991-92 called pre-liberalisation period and the second part commencing from 1992-93 and ending on 1996-97 called post-liberalisation period. We then proceed with the null hypothesis that there is no significant difference between the mean liquid ratio of two periods. The statistical technique, one tailed 't' test, has been applied to test the hypothesis. It was observed that the difference in mean liquid ratios is positive in respect of 62 companies (out of 80). It implies an increasing trend in the mean liquid ratio during post-liberalisation periods. The value of 't' is also

statistically significant for 31 companies at 5% level and for 41 companies at 10% level of significance. Only 18 companies depicted a declining trend in period II and companies like Mangalam Cement, Sakti Sugar and Ledo Tea revealed a significant decrease in their liquid ratio at 10% level of significance. On further analysis, it is revealed that 13 industries, all four age-groups of companies and all four size-groups of companies and all four size-groups of companies had an increased mean liquid ratio in the post-liberalisation period and in most of the cases the increase is statistically significant. The same results are also provided by the sample corporate sector as a whole. Therefore, we reject our null hypothesis and infer that the liquidity of firms in general has increased. It is therefore, concluded that the liberalisation policy adopted by the government has a great bearing on the liquidity management practices of the firms.

### **9.5 *Practical Utility of the Study***

The present study is an analytical research on the trend and pattern of liquidity in the corporate sector of Eastern India during ten years period from 1987-88 to 1996-97. The concept and context of liquidity and evolution of different parameters have been minutely discussed and analysed. Further an effort was made to discuss the slow pace of the corporate growth in the Eastern region as compared to other regions of the country. The study also gives an overall idea of measuring composite liquidity of a firm and also measures the efficacy of working capital and liquidity management with the help of a multiple discriminant analysis. Further, the study compares the liquidity of the corporate sector in Eastern India with that of All India corporate sector. In attempting to study differences in liquidity across firms, a structural variable-wise analysis of the liquidity of the sample companies has also been undertaken and compared with the sample corporate sector average. Towards the end, the study tests as many as seven hypotheses concerning the liquidity of the corporate sector with the help of theoretical models.

We hope the study would be useful to the corporate sector in India in general and the entrepreneurs, financial managers, financial institutions, investors, policy makers and researchers in particular, for evaluating the liquidity of any business enterprise. It should also be of interest to practising investment and credit analysts. The sick units in the corporate sector can use the findings for improving their liquidity as well as operational efficiency in future. The Government can also use the findings of the study while formulating policies for a better and healthy industrial climate in Eastern India in particular and for the country, in general. Finally, the corporate sector in Eastern India can make the best use of the findings of the study for a better financial management to achieve the key objectives that is liquidity and profitability.

#### **9.6 *Scope for Further Research***

Any research study can explore only a limited field of knowledge. There are many areas of liquidity which need to be researched further. In the present study also there is considerable scope for further research. Other interesting areas are to explore the liquidity in the private limited companies and financial public limited companies in the private sector or the public sector companies. Similarly, studies can be undertaken to find out how far the liquidity has influenced the Government decision to privatise the public sectors. One can make a comparative study of the corporate liquidity in the pre-liberation and the post-liberation period too. Attempts should also be made to identify sick enterprises of various groups of industries categorically and to study their performances and arrive at the specific causes of illiquidity. This may be undertaken by considering one or a few allied industries group at a time. Another interesting theme would be to identify sick and healthy units in the private as well as public sector and find out the discriminating characteristics of each group. Further studies can also be undertaken on the concepts and issues in liquidity management policies and to discuss in detail the liquidity management problems

and measures to overcome them. Finally, to evaluate the current liquidity management practices, examine the strategies adopted by the corporate sectors for planning and controlling liquid resources and identify critical area that require careful attention, research studies can also be undertaken with the help of a primary study.

We have made every attempt to make the study more intensive but due to limitations of time and resources there exist certain gaps in the present study. Hence, the study leaves a wide gap where further research may be attempted to widen the scope of analysis. The coverage of the study is limited to only sixteen percent of the non-financial public limited companies in the private sector of the Eastern India. It can be further extended. Data for the analysis have been collected from secondary sources which have their own limitations. A more useful study can be undertaken by collecting data from primary sources. This will help to enhance the scope of the study and have a better insight into the analysis of liquidity in the corporate sector. The ten years study period can be further extended. More stronger, stable and reliable results may be obtained if the present study is made with finer classification of industries. However, we hope that the analysis presented in this study will act as a launching pad for further extension of the facets of research project.