

PREFACE

Corporate Sector in India occupies a pivotal position in the economy of India. It has come to play a predominant role in economic life of our country. It has made rapid strides both in numbers and in the paid up capital over the years. 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 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 sector industries and industrial sickness were major concerns in the pre-reforms period.

Eastern India is one of the economically backward regions facing a large number of problems for its industrial growth in spite of the fact that it is endowed with rich natural resources. Its rate of investment in the industrial and corporate activities is the lowest in the country.

The growth of corporate sector is primarily based on its success which in turn depend on proper management of liquidity and profitability. Financial management always links the twin goals - liquidity and profitability. Liquidity helps in securing short-run position, keeping the short-run position in tact, the financial manager plans for enhancing profitability in long-run, which constitute the principal motivating force in conducting a business. Thus, liquidity is a means towards the end-profitability and major precondition for survival. It leads to business failure, frustrates the business objectives. A firm in order to remain in existence and sustain its activities must remain liquid.

With this background in view, the present study was undertaken for a proper insight into the study of liquidity in the corporate sector of Eastern India.

The study is based on the annual accounts and financial statements of the 80 sample companies published in the various volumes of Stock Exchange Official Directory, Mumbai. Other relevant informations was also collected from Companies News and Notes, RBI Monthly Bulletins and other allied publications. The study period is limited to one decade commencing from 1987-88 and ending on 1996-97. The study was confined only to the listed non-financial and non-government public limited companies in the private sector of Eastern India viz., in Assam, Bihar, Orissa and West Bengal. For better analysis of liquidity the sample companies are grouped under different structural variables such as industry-wise, age-wise and size-wise. The analysis is made with the help of accounting ratios and different statistical techniques. 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 study has been divided into *two* parts (i.e., Part-I- Theoretical and Part-II- Analytical) and running into nine chapters. Chapter-1 introduces the subject which deals with importance, objectives and limitations of the study, while Chapter-2 broadly outlines the methodology adopted in selection of the sample. Chapter-3 and 4 of the first part are related to liquidity concepts and context, and growth of corporate sector in India, respectively. The second part contains an empirical analysis of the data collected and divided into four chapters, viz., 5,6,7, and 8. The Chapter-5 analyses the composite liquidity and evaluates the liquidity parameters. Chapter 6 critically examines and analyses the liquidity of the total sample companies. Chapter-7 includes the variable wise analysis of liquidity of sample companies in the Eastern India. Testing of hypotheses have been made in Chapter-8. Finally, summing up the findings of the study finds place in the last Chapter-9. The study will be useful to the corporate sector in India and also other interest parties for evaluating the liquidity of an enterprise.

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Finally the responsibility for the facts stated and the views expressed in the study is entirely my own.

Maj A.K. Panda.