The present study was carried out at three successive stages. At the first stage, the profile of the textile units and the rate of implementation of financial management practices at the units were discussed. At the second stage, the financial analysis in textile units was examined with the help of financial ratios. At the final stage, the linkage between the implementation of financial management (FM) practices and the financial performance were evaluated.

The confined objectives of the study are (1) to reveal the profile of the textile units; (2) to measure the implementation of FM practices at the units; (3) to identify the association between the profile of the units; (3) to identify the association between the profile of the units and the rate the implementation of FM practices; (4) to evaluate the financial performance of the units with the help of financial ratios; (5) to identify the discriminant ratios among the composite and spinning mills; and (6) to measure the impact of implementation of FM practices on the financial performance in textile units.

The total textile mills (composite and spinning) in Southern India namely Andhra Pradesh, Karnataka, Kerala and Tamilnadu are 83 and 1126 units respectively. The sample size of the present study was determined by \( n = \left\lfloor \frac{N}{N_e^2 + 1} \right\rfloor \). It came to 60 and 295 in composite and spinning mills respectively. The determined samples size was distributed among the population with the help of stratified proportionate random sampling.
A special care was taken to prepare the questionnaire to collect data from the textile units. Since the textile units were not ready to send their recent 10 years annual reports, the researcher was forced to depend only upon primary data even on the financial affairs of the units. The questionnaire consists of three important parts. The first part includes the profile of the units whereas the second part covers the financial affairs of the units. The third part of the questionnaire focuses on the implementation of financial management practices at the units. A pilot study was conducted among 10 each composite and spinning mills at Tamilnadu. Based on the results, certain modifications, addition, deletions and simplifications were carried out to prepare the final questionnaire.

Even after the three consecutive attempts, the total response on the questionnaire was 86.53 per cent. The collected data were processed with the help of appropriate statistical tools. The results and interpretations were discussed in the previous chapters. The summary of findings, conclusions and recommendations are discussed in this chapter.

FINDINGS OF THE STUDY

The findings of the study are summarized below.

Descriptive Statistics

The textile units are classified into composite and spinning mills. The important years of establishment among the units are above 20 years. The composite mills are having more years of experience than the spinning mills. The dominant nature of ownership in the units, are partnership which is followed by proprietorship. The ‘company’ type of ownership is very dominant in composite mills whereas in spinning mills, it is partnership. The important number of employees working in the textile units is 401 to 500
employees. The number of employees working in composite mills is higher than that in spinning mills.

The dominant total investment in textile units is Rs.101 to 150 crores and above Rs.200 crores. The total investment in composite mills is higher when compared to spinning mills. The dominant sources of capital in the textile units are ‘all possible sources’. The most important sources of capital in the composite mills are ‘owned capital + bank finance’ whereas in spinning mills, it is ‘all possible sources’. Majority of the textile units are having a separate finance department. The dominant number of finance personnel working in the units is ‘less than 10’ and ‘20’. The number of finance personnel working per composite mills is higher than that in spinning mills.

**Financial Management (FM) Practices in Textile Units**

The rate of implementation of FM practices in textile units are discussed under fifteen practices namely business analysis & control, financial accounting, reporting and analyzing, financial planning and control, investment analysis, capital acquisition, profitability analysis, debt management, capital management, investment management, cash management, inventory management, credit management, working capital management, fixed assets management and dividend management practices.

**Business Analysis and Control Practices**

The rate of implementation of business analysis and control practices is measured by eight variables. The highly implemented variables in it at composite and spinning mills are ‘identify the key measures of business performance’ and ‘using trend analysis’ respectively. The significant difference among the composite and spinning mills have been noticed in the implementation of all eight variables in it. The rate of implementation of
business analysis and control practices is noticed as higher in composite mills than that in spinning mills.

Financial Accounting, Reporting and analyzing Practices in the Textile Units

The rate of implementation of these practices is measured with the help of ten variables. The highly implemented variable in it at composite and spinning mills are ‘use of computers in financial record keeping’ and ‘cost accounting’ respectively. There is no significant difference among the composite and spinning mills regarding the implementation of these practices even though the rate of implementation of this practice is slightly higher in composite mills than that in spinning mills.

Financial Planning and Control Practices in the Textile Units

The highly implemented variable in financial planning and control practices in composite and spinning mills are ‘management of responsibility centers’ and ‘preparation of expenses budget’ respectively. The significant difference among the two groups of mills has been noticed in the implementation of one out of nine variables in this practice. The rate of implementation of this practice is slightly higher in composite mills than that in spinning mills.

Investment Analysis

The implementation of investment analysis is measured by seven variables. The highly implemented variable in investment analysis at composite and spinning mills is ‘obtain relevant information on opportunities’. The significant difference among the composite and spinning mills have been noticed in one out of seven variables in it. The rate of implementation of investment analysis is higher in composite mills compared to spinning mills.
Capital Acquisition Practices

The rate of implementation of capital acquisition in textile units is measured with the help of eight variables. The highly implemented variable in composite and spinning mills are ‘evaluation of various sources of capital’ and ‘evaluation of financial benefits’ respectively. The significant difference among the composite and spinning mills are noticed in the implementation of all eight variables in it. The rate of implementation of capital acquisition practices is higher in composite mills than that in spinning mills.

Profitability Analysis

The implementation of profitability analysis in textile units is measured with the help of seven variables. The highly implemented variable in it at composite and spinning mills is ‘estimation of return on investment’. The significant difference among the two groups of mills has been noticed in the implementation of all variables in profitability analysis. The rate of implementation of profitability analysis is identified as higher at composite mills than that at spinning mills.

Debt Management Practices

The rate of implementation of debt management practices is measured with the help of seven variables. The highly implemented variable in this practice at composite and spinning mills are ‘collection period’ and ‘periodical review of debts’ respectively. The significant difference among the composite and spinning mills have been noticed in the implementation of six out of seven variables in it. The rate of implementation of debt management practices is higher at composite mills than that at spinning mills.

Capital Management Practices (CMP)

The implementation of capital management practices are measured with the help of eight variables. The highly implemented variable in CMP at
composite and spinning mills are ‘searching of optimal capital mix’ and ‘extending the sources of capitals’ respectively. The significant difference among the spinning and composite mills have been noticed in the implementation of all eight variables in it. The rate of implementation of CMP is higher in composite mills than that in spinning mills.

**Investment Management Practices (IMP)**

The rate of implementation of investment management practices in textile units are measured with the help of ten variables. The highly viewed variable in IMP at composite and spinning mills are ‘market forecast’ and ‘non-economic factors’ respectively. The significant difference among the composite and spinning mills have been noticed in the implementation of eight out of ten variables in it. The rate of implementation of investment management practices are noticed as higher in composite mills compared to the spinning mills.

**Cash Management Practices (CHMP)**

The implementation of cash management practices at the textile mills are measured with the help of six variables. The highly implemented variable in CHMP at composite and spinning mills is ‘keeping enough cash balance at banks’. The significant difference among the composite and spinning mills have been noticed in the implementation of all six variables in CHMP. The rate of implementation of CHMP is higher at composite mills than that at spinning mills.

**Inventory Management Practices (IVMP)**

The level of implementation of IVMP at the textile units are measured with the help of eight variables. The highly implemented variable in IVMP at composite and spinning mills are ‘reduction of dead stock’ and ‘removal of stock and situation’ respectively. The significant difference among the composite and spinning mills have been noticed in the implementation of
four out of eight variables in it. The rate of implementation of inventory management practices is noticed as higher in composite mills than that in spinning mills.

**Credit Management Practices (CRMP)**

The implementation of credit management practices in textile mills are measured with the help of seven variables. The highly implemented variable in CRMP at composite and spinning mills are ‘consideration of regular supply of credit’ and ‘keep up more sources of trade credit’ respectively. The significant difference among the composite and spinning mills have been noticed in the implementation of all seven variables in it. The rate of implementation of credit management practices in composite mills is higher than that in spinning mills.

**Working Capital Management Practices (WCMP) in Textile Units**

The rate of implementation of working capital management practices in textile units are measured with the help of seven variables. The highly implemented variable in WCMP at composite and spinning mills are ‘avoidance of excess and inadequate working capital situation’ and ‘consider the cheapest source of working capital’ respectively. The significant difference among the composite and spinning mills have been noticed in the implementation of all seven variables. Working capital management practices in Composite mills are higher than that in spinning mills.

**Fixed Assets Management Practices (FAMP) in Textile Unit**

The implementation of FAMP in textile units is measured with the help of eleven variables. The highly implemented variable in FAMP at composite and spinning mills is ‘evaluation of proposals by capital budgeting’. There is a significant difference among the composite and spinning mills regarding the implementation of eight out of eleven variables
in FAMP. The rate of implementation of FMP in composite mills is higher than that in spinning mills.

**Dividend Management Practices (DMP) in Textile Units**

The implementation of DMP in textile units is measured with the help of ten variables. The highly implemented variable in DMP at composite and spinning mills are ‘periodical revision of dividend’ and ‘lesser dividend for ploughing back of profits’ respectively. The significant difference among the composite and spinning mills have been noticed in the implementation of all ten variables in it. The rate of implementation of DMP at composite mills is higher than that in spinning mills.

**Implementation of Financial Management Practices (FMP) in Textile Units**

The highly implemented FMPs in composite mills are capital management practices and; business analysis and control practices whereas in spinning mills, these are financial planning and control practices and financial accounting, reporting and analyzing practices. Regarding the implementation of FM practices, the significant difference among the composite and spinning mills have been noticed in the case of nine out of fifteen FM practices. The significantly associating important profile variables with the level of implementation of FM practices are years of establishment, total investment, sources of capital, existence of finance department and number of personnel working in finance department.

The important discriminant FM practices among the composite and spinning mills are working capital management practices and capital management practices which are higher in composite mills than that in spinning mills. In total, the rate of implementation of FM practices is noticed as higher in composite mills than that in spinning mills.
Financial Analysis in Textile Units

The financial analysis in textile units is discussed by the ratio analysis and Altman’s ‘Z’ score analysis in order to measure the financial performance and financial health respectively.
**Liquidity Ratios in the Textile Units**

The current ratio in the composite mills is higher than that in spinning mills. The higher quick ratio is noticed in composite mills compared to spinning mills. The lesser inventory to current assets ratio is seen in composite mills than that in spinning mills. The networking capital to total assets ratio is noticed as higher in composite mills compared to spinning mills. The higher cash to current assets and liquid funds to current liabilities are seen in the composite mills than that in spinning mills. The higher bad debts receivables are seen in spinning mills compared to composite mills.

**Activity Ratios in the Textile Units**

The inventory turnover ratio is higher in composite mills than that in spinning mills. The working capital turnover ratio is noticed as higher in composite mills than that in spinning mills. The higher fixed assets and working capital turnover ratio are noticed in the composite mills than that in the spinning mills. The higher cash turnover ratio is seen in composite mills than that in spinning mills.

The higher debtors’ turnover ratio is visible in composite mills compared to spinning mills. The lesser debt collection period is seen in composite mills than that in spinning mills. The lesser receivables to sales ratio is noticed in the composite mills compared to spinning mills.

**Leverage Ratios in the Textile Units**

The higher ratio of capital and long term funds to total fixed assets is noticed in composite mills than that in spinning mills. The higher proprietary ratio is identified in composite mills than that in spinning mills. The capital to reserves ratio is seen as higher in composite mills compared to spinning mills. The higher capital employed to net growth ratio is noticed in the composite mills than that in spinning mills. The higher borrowed fund to
working capital ratio is seen in the spinning mills compared to the composite mills. The higher debt equity ratio is seen in the case of spinning mills than that in composite mills. The higher collateral value of assets to total assets ratio is seen in the case of composite mills than that in the spinning mills.

**Profitability Ratios**

The return on capital employed in the composite mills are higher than that in spinning mills whereas the same trend is also noticed in the case of return on assets. The higher gross profit margin is seen in the composite mills than that in spinning mills whereas the net profit margin is noticed as higher in composite mills compared to spinning mills.

The important discriminant financial ratios among the composite and spinning mills are debtors’ turnover ratio and fixed assets turnover ratio which are higher in composite mills than that in spinning mills.

**Financial Health of Textile Units**

The financial health of textile units is examined with the help of Altman’s ‘Z’ score analysis. The ratios included to measure the financial health in textile mills are working capital to total assets, net operating profit to total net sales, net operating profit to total assets, market value of equity to bank value of debts and sales to total assets. The above said five ratios are noticed as higher in composite mills than that in spinning mills. The composite mills are lying in the ‘health zone’ whereas the spinning mills are lying in the ‘certain to fall’ zone.

**Linkage between the General FM Practices and Performance**

The significantly influencing general FM practices on the Return on capital employed in composite mills are business analysis and control, financial accounting, reporting and analyzing, and financial planning and control whereas in spinning mills, it is financial accounting, reporting and
analysis. The rate of impact of general FM practices on ROCE is higher in composite mills than that in spinning mills. Regarding Return on assets the significantly influencing general FM practices in composite mills are all the three practices whereas in spinning mills, it is only financial accounting, reporting and analyzing.

The significantly influencing general FM practices on gross and net profit margin in composite mills are all the three general FM practices whereas in Spinning Mills, it is only financial planning and control. The most influencing general FM practices on gross profit are business analysis and control whereas on the net profit, it is financial planning and control.

Linkage between Investment Management Practices and Performance

In composite mills, the significantly influencing investment management practices on ROCE and ROA are investment analysis, investment management practices and fixed assets management practices whereas in the case of spinning mills, no practices have a significant impact on ROCE. The significantly influencing practices on ROA in spinning mill are investment management practices. The rate of impact on investment management practices on ROA is higher in composite mills than that in spinning mills.

In the case of gross and net profit margin, the significantly influencing investment management practices are investment analysis and fixed assets management practices in composite mills whereas in spinning mills, it is fixed assets management practices. The rate of impact is noticed as higher in composite mills than that in spinning mills.

Linkage between Capital Management Practices and Performance

Regarding the return on capital employed, the significantly influencing capital management practices in composite mills are capital
acquisition, debt management and capital management practices whereas in the spinning mills, it is only capital management practices. Regarding the return on assets, the significantly influencing capital management practices are capital acquisition, debt management and capital management practices in composite mills whereas in spinning mills, these are capital acquisition and debt management practices. The rate of impact of capital management practices are noticed as higher in composite mills than that in spinning mills.

Regarding the Gross and Net profit margin, the significantly influencing capital management practices in composite and spinning mills are capital acquisition, debt management and capital management. In the case of spinning mills, the significantly influencing practices on gross profit margin are debt management whereas in the case of net profit margin, it is capital management practices.

**Linkage between Working Capital Management Practices and Performance**

In the case of composite mills, the significantly influencing working capital management practices on the ROCE and ROA are inventory, trade credit and working capital management practices. In the case of spinning mills, these practices are inventory and trade credit practices. The rate of impact of working capital management practices on the ROCE and ROA is noticed as higher in composite mills than that in spinning mills.

The significantly influencing practices on the gross and net profit margin in composite mills are inventory, trade credit and working capital management practices whereas in the case of spinning mills, this practice is working capital management practice. The rate of impact is noticed as higher in composite mills than that in spinning mills.

**Linkage between the Profit Management Practices and the Performance**
The significantly influencing profit management practices on ROCE in composite mills are profitability analysis whereas in spinning mills, it is no practice. Regarding the ROA, the significantly influencing profit management practices in composite mills are profitability analysis and dividend management practices whereas in spinning mills, it is profitability analysis. Regarding the gross and net profit margin, the significantly influencing practices are both profitability analysis and dividend management practices in composite mills whereas in spinning mills, it is only profitability analysis. The rate of impact of profit management practices on the performance is noticed as higher in composite mills than that in spinning mills.

**Linkage between Financial Health Ratios and the Performance**

The significantly influencing financial health ratios on the ROCE in composite mills are working capital to total assets, net profit to total assets, equity to debt and sales to total assets. In the case of spinning mills, these are working capital to total assets and sales to total assets. Regarding the ROA, the significantly influencing ratios in composite mills are working capital to total assets, equity to debt and sales to total assets whereas in spinning mills, these are working capital to total assets and sales to total assets.

Regarding the gross and net profit margin, the significantly influencing ratios to composite mills are net profit to sales, net profit to total assets and equity to debt whereas in the case of spinning mills, it is net profit to sales. The rate of impact of financial health ratios on the performance of the units are noticed as higher in composite mills than that in spinning mills.

**CONCLUDING REMARKS**

The rate of implementation of financial management practices is higher in composite mills than that in the spinning mills. The financial
analysis reveals that the financial performance of the composite mills is better than the spinning mills. The financial health of the composite mills is better whereas it is very weak in the spinning mills. The rate of implementation of financial management practices has a significant positive impact on the financial performance of the textile units. The rate of impact is higher in composite mills than that in spinning mills. The important discriminant FM practices implemented by composite and spinning mills are working capital and capital management practices, which are higher in composite mills than that in spinning mills. The important discriminant financial ratios among the composite and spinning mills are debtors and fixed assets turnover ratio which are higher in composite mills than that in spinning mills. The study concludes that the spinning mills are very weak in financial management especially in their activity. The activity of the spinning mills are not justifiable to the investment made on the units. Unless the spinning mills understand the importance of the implementation of FM practices, they may quit from the market since these mills are already in the dangerous zone of financial health. At the same time, the composite mills are in better position but not in the excellent situation. It requires more efficient financial management in their units.
POLICY IMPLICATIONS

Based on the findings of the present study, the following policy implications are drawn to improve the financial performance of the textile units.

1) **Financial Management Practices- Programs**

The level of implementation on various FM practices are relatively lesser in spinning mills compared to composite mills, the District Industries Centres has to organize some programmes on the FM practices and its uses in business especially among the spinning mills.

2) **Advice of Financial Experts**

The financial experts may be invited by the chamber of textile association or chamber of commerce to conduct a regular programme on the usage of FM practices in their business.

3) **Special Programmes on Working Capital Management**

Since the working capital management practices are playing more important role in the determination of financial performance of the units, the cluster of the units may arrange some programmes to know the optimum utilization of working capital at their units and also the appropriate matching of needs and sources of working capital.

4) **Activities of the Units**

The lesser performed units are weak in their activity especially these are having lesser turnover ratios. Due to globalization, the scale of production and marketing is becoming competitive weapon in the textile market. Hence the textile units are advised to increase their operations in order to avail the economies of scale of production and marketing.

5) **Financial Assistance**
Most of the spinning mills are getting financial assistance through all possible sources to meet their working capital needs and other needs. Hence the average cost of capital is increasing. However these units are not optimally using the funds mobilized from various sources. Hence, the investments are not viable to the spinning mills. So these spinning mills are advised to limit their sources of investment and also to choose the cheapest source of finance in order to reduce the cost of capital.

6) EDP attached with FM Practices

The Entrepreneurship Development Programmes should be attached with the financial management practices since it has its own merits on the financial performance. This EDP may be provided by the District Industrial Centres. These programmes will be helpful to enrich not only the entrepreneurship among the owners of the units but also enrich their knowledge in adoption of FM practices to increase their performance.

7) Focus on Working Capital Management

Since the important discriminant adoption of FM practices among the composite and spinning mills is adoption of working capital management practices, namely debtors’ turnover ratio and fixed assets turnover ratio, the concerned authorities should take essential steps to focus on the enrichment on above said turnover ratios. Among the spinning mills, the adoption of activities related practices are very weak. The units are subjected with lack of activities as per its Sundry debtors and fixed assets.

8) Need for Intensive Profit Management Practices

The net profit margin in the textile units are slowly declining in both composite and spinning mills. The rate of decline in net profit management is very high in spinning mills. The textile units are advised to analyse the
reason for their fall in net profit. They have to formulate appropriate profit management practices in order to enrich their net profit.

9) Financial Health

The financial health of spinning mills is too dangerous since it lies in the zone of ‘certain to fall’. It is the appropriate time to examine the reason for such poor financial health. Otherwise these textile units will be closed very soon with accumulated losses.

10) Try to optimize the Capital Mix

Majority of the textile units are suffering by high debt equity ratio. Their financial risk is mounting up. Their average cost of capital is higher than its return on capital. It needs an optimum capital mix. The textile units are advised to adopt appropriate capital structure strategies as per the needs of the present scenario, and then only they can survive in the competitive market.

11) Matching of Source and Application of Working Capital

Majority of the units are using all possible sources to meet their working capital needs. It leads to high indebtedness and higher cost of capital. Hence the owners of the units are advised to avoid the usage of all possible sources at the available cost of capital. They should be properly trained to analyse the cost of capital and the respective return on capital.

12) Bank Finance

The commercial banks and investment banks are advised to reduce the formalities to get the short term and long term loans to the textile units. They should also try to reduce the period of processing the application of loans. The regular visit and inspection on the management of finance of the units may be done by the financial institutions at a friendly manner.
13) Utilization of Trade Credit

The owners of the units are advised to think and use the trade credit available to them since its cost of capital may be nil or very less. It may avoid the composite cost of capital of the unit and also increase the profit of units.

DIRECTIONS FOR FUTURE RESEARCH

The present study discusses the three important aspects, namely financial performance, implementation of financial management practices and impact of financial management practices on the financial performance of the units. The present study may be utilized as a base for some future research works. These are:

- An in-depth study on linkage between adoption of FM practices and profitability of the textile units only;
- The comparative study on adoption of FM practices in textile mills and other mills;
- A separate study on the level of problems in the adoption of FM practices in the textile units;
- The financial performance of textile units in India;
- The corporate study on the role of adoption of FM practices and the financial health of the textile and other units;
- Industrial sickness and its causes in textile units; and
- Formulation of effective financial management model in the textile units.

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