CHAPTER – III

REVIEW OF LITERATURE

Introduction

The researcher will present the review of all the previous studies, articles published, books published etc., The researcher would normally classify into three or four parts i) Review of journal articles, ii) Review of books, iii) Review of thesis and iv) Review of reports. The purpose of presenting the details of the previous studies is to prepare the relevant background. Through this, the researcher would able to state the findings of the previous study on the topic being researched by the researcher.

Nirmala.N\(^1\) Pointed out, the financial statement analysis of India cement ltd, would able to understand the financial position and performance of the concern with the help of financial statement analysis. She has noted that the liquidity and profitability position of India cement ltd has normal and they have maintained the significant level of Ratio.

Annual survey of industries\(^2\) reveals that Average debt-equity ratio of all listed companies (excluding banks) is 1.33 on excluding banks and Non-banking financial companies average debt equity ratio is 1.03 about
4.9 percent of the companies are totally debt free and about 32 percent have debt equity up to 0.5. 22 percent have Debt equity higher than 0.5 but up to 1.0. Thus around 58 percent of the companies have debt equity of up to two, seven percent have debt equity is range of 2-3 and 7.2 percent have debt equity higher than three and 5.7 percent have negative network. Generally speaking companies having high debt-equity are loss making companies. The average debt equity ratio of National stock Exchange –50 companies is 0.80.

Maheshwari S.N\(^3\) pointed that, comparative balance sheet as on two or more different dates can be used for comparing assets and liabilities and findings out any increase or decrease in those items. Thus, while in a single balance sheet the emphasis is on present position. It is on change in the comparative balance sheet. Such a balance sheet is very useful in studying the trends in an enterprise.

Arya\(^4\) estimated the cost function in 12 cement companies for the period 1951-1970, on the basis of secondary data collected from profit and loss accounts and balance sheets of these companies. He found that there was no significant relationship between capacity and average total cost. The rate of increase of inputs prices during the seventies was much more than the rate of increase of inputs prices during the seventies was much more than the rate of increase of output prices. According to him, under Utilization of capacity and technological obsolescence also existed in the industry.
He examined the self-sufficiency of the Indian cement industry. He analyses the history of cement and of the view that acute shortage, frequent price controls low capacity use, profiteering, black marketing and elusive targets plague the cement industry. Infrastructure deficiencies and unimaginative policies of pricing and distribution responsible for this turbulence in the industry. The technological obsolescence, low productivity and low returns had all formed a vicious circle. He pointed that some of the factors that affected the growth of cement industry were non-availability of good quality coal, power, technological obsolescence and frequent price controls. He argues that only if these defects were rectified, the cement industry could attain self-sufficiency.

A study by Nirmala Devi attempted to study the trend in productivity of cement industry in India during 1973-74 to 1987-88. There had been near stagnation in cement production in the 1970s, in the 80's however there had been a remarkable upward trend in production aided by the introduction of the dual pricing system in early 1982. The author, however, felt that the recent change in policy with regard to the industry might adversely affect the productivity trends of the industry. To analyses trends in productivity of cement, a linear trend had been fitted for the data. An increasing trend with a significant growth rate of 1.65 percent during 1973-74 to 1987-88 was observed in the cement production in India. In 1973-74 the percentage change was significantly negative. In 1974-75 also the percentage change was
negative through negative growth was very insignificant during 1980-81 to 1987-88. The cement production showed a continuous rise. Through the increasing trend in growth was not consistent, the percentage growth rose from 5.49 to 16 percent.

Nair⁶ made an attempt to study productivity in Indian cement industry. Particularly his study was based on identifying major problems and the prospects to solve them. He found that cement plants in India were one of the major contributors to air pollution. He pointed out that the pollution control was a social necessity and effective device should be installed to control air pollution as air pollution was injurious to health.

Pradhan⁷ examined the concentration in cement industry under new policy regime. He found that the concentration of the cement industry was changing in India, keeping in view of the recent changes in policy, which allowed it to operate in a less controlled environment. To show a better performance its concentration must decline, so that the competition was initiated among a larger number of producers since the post-decontrol period precluded the possibility of collusive behavior. He concluded that the concentration of the industry had been following a declining trend since the 50s. With the partial decontrol of the price and the distribution of cement in 1982, the rate of decline had come down and the producers concentration might be increasing under the new policy.
Nagesh Kumari\textsuperscript{8} made a comparative analysis of compound growth of installed capacity production and capacity utilization made among Indian industry as a whole and nine cement industry units in Tamil Nadu for eight year from 1988-89 to 1995-96. The compound growth rate of India’s installed capacity was composed to all the units in Tamil Nadu, Dalmia, sankari Drug, Alangulam, Ariyalur and Tamil Nadu cements are having zero compound growth rate of installed capacity. Regarding growth rate of production except ACC cement, unit all other units were having low rate of production.

Grasim Industries chairman Birla\textsuperscript{9} believes that cement and viscose staple fiber will be the key growth drivers for the company in future. In Financial Year 02, these two businesses together accounted for 81 percent of net revenues and 91 percent of operating profit. He is confident that both will continue to score well even in the future.

Arya\textsuperscript{10} made an attempt to estimate the production function for Madras cement, based on the data collected from the annual reports of the company during the period, 1961 to 1974. He used cobb-Douglas production function and the labour alone explained for more than 63 percent change whereas capital alone account for very little changes in physical output. Taken together, both become significant variables and more than 94 percent change in output was explained by these two variables R was the significant variable, as it explained more than 95 percent change in output. The sum of elasticity

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Co-efficient was significantly different from unity which indicated that the unit was enjoying increasing returns to scale. His conclusions were.

- Labors was relatively factor of production i.e., marginal addition of labors could raise output significantly.
- An increase in material inputs which slight addition of labor and improvement in utilization of capital could raise output significantly.
- The unit was operating with increasing returns to scale.
- Increasing in output due to technical change was negligible.

Suganaya devi D noted that A study on financial performance of the India cements ltd., during June 2000. She found that, overall performance of the company during the study period is satisfactory. But considering the liquidity position of the company, it is not satisfactory. So, the company has to make some changes in its investment policies to improve the liquidity position of the company.

R.Jefferson, waymond and scott. Estimating financial statement information An Entropy Approach reveals that, Accountant fore casts are crucial to management decisions regarding resource allocation. The accountant assists in these decisions by providing appropriate financial forecasts for decisions based on the best accounting information available. The accountant forecasts combine the disparate financial figures into a set of accounts for each course of action which allows comparison. Then
management may compare each proposal and come to a decision based on the financial benefit of each.

This entropy approach finds most probable accordant estimators quickly. It easily accommodates diverse methods for calculating the raw estimates. The estimates can then be compared. It can be used in a variety of situations in which accounting estimates or forecasts are needed. For eg, a similar approach could be used to compare one company to another. Thus entropy provides the means to assist the accountant with a variety of such estimation / forecasting problems.
REFERENCE