CHAPTER-2

REVIEW

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The review of literature guides the researchers for getting better understanding of methodology used, limitations of various available estimation procedures and database, and lucid interpretation and reconciliation of the conflicting results. Besides this, the review of empirical studies explores the avenues for future and present research efforts related to the subject matter. In case of conflicting and unexpected results, the researcher can take the advantage of knowledge of other researchers simply through the medium of their published works. A number of research studies have been carried out on different aspects of performance appraisal by the researchers, economists and academicians in India and abroad. Different authors have analyzed performance in different perspectives. A review of these analyses is important in order to develop an approach that can be employed in the context of the study of Indian companies. Therefore, the present chapter reviews the empirical studies related with the different aspects of financial appraisal.

Agarwal (1978) in his study entitled "size, profitability and growth of some manufacturing industries" highlighted relationships between profitability measured as profit / net worth and net profit / net assets and size expressed as total sales for seven Indian manufacturing industries viz., cotton spinning industry, jute textiles, paper and pulp, sugar and aluminum for the period 1962-1972. The relationship between size and profitability was absorbed in cotton spinning industry, jute textiles industry, sugar and brewing industry and aluminum industry, while in case of cement and cotton spinning and ginning industry no such relationship was observed.

Agarwal R.N (1999) studied the profitability and growth in Indian Automobile manufacturing industry. The objective of this study was to examine if firms have been making super normal profits since 1975 when price controls were removed. It also evaluated the impact of policy changes since 1981-82 on profitability and growth of firms in the industry using Tobin's square as measure of profitability. The study finds no evidence to show that firms have made super normal profits. Profitability was found to be explained
mainly by age of the firms, vertical integration, diversification and industry policy dummy variable. Important determinants of the growth of firms were found as diversification, industry policy dummy variables, growth retained profits and expansion of capabilities. Results also revealed differences in performance between car and non car sectors as well as within the sectors of the industry.

1. Working Capital and Financial Performance

Akkihal (1984) study of 94 small scale industries in Hubli Dharwad Municipal Corporation (HDMC) in the state of Karnataka revealed that the management of working capital in sample industries was found to be highly unplanned. The study concentrated on the ratios like current ratio, inventory turnover ratio, fixed assets turnover ratio, total assets turnover ratio, earnings power and gross profit margin. The application of ratio analysis has revealed that the mismanagement of working capital had adverse effect on the performance of the industries.

2. Working Capital and Proficiency

Amit Mallick and Debasish Sur (1998) examined the working capital and profitability: a case study transaction. The study explores the correlation between ROI and several ratios relating to working capital management. In this study an effort has been made to make an empirical study of AFT industries Ltd., a tea producing enterprise in Assam for assessing the impact of working capital on profitability by computing simple correlation co-efficient between ROI and each of some selected important ratios relating to working capital management and to test the significance of such coefficients. The study on their relation between the selected ratios in the areas of Working Capital Management and Profitability of the company revealed both negative and positive association.

3. Technological Changes and Financial Performance

Arya I.C. (1981) measured technological change in Indian cement industry by computing “Solow Index” of technical change for period 1951-70. The study
observed that the upward shift in the production function was neutral since no change was traceable in the margin rate of the substitution between capital and labour. The rate of technical progress was higher during 1961-70 as compared to 1951-1960, which indicated that major shifting in the production function took place in the latter decade.

4. **Price-Cost margin as measurement tool**

Asha Jain (1980) in “Price-Cost Margin in Indian Manufacturing industries: An Econometric Analysis” analyzed the price cost margin over time in the 2 digit industries. Price-Cost margin was used as a measure of profitability while the structural variables like concentration Ratio, capacity utilization, and growth and capital intensity showed mixed pattern. Results varied among industries.

5. **Financial health of companies.**

Azhagalah R, Priya Sabari N (2008) has examined the impact of dividend policy on shareholder’s wealth. The researcher has examined the relationship between the shareholder’s wealth and dividend paid out by the firm with specific reference to organic and inorganic companies in India during span of 10 years with the multiple regression method taking into account dividend per share, retained earning per share, price earning ratio and market price. The study depicts that dividend payment by organic chemical companies has significant positive impact on shareholder’s wealth as well as in long run wealth of shareholders of dividend paying companies has increased significantly when compelled to that of non dividend paying companies. It also depicts that there is significant difference in average market value related to book value of equity between dividend payers and non-payers of both organic and inorganic chemical companies. Higher a dividend increases the market value of the shares which enables shareholder to generate high return on investment as well as many shareholders prefer current dividend as to future income. Hence, in the present scenario, cash dividend available right now is considered very important factor in taking decision for investment in particular script. Fixed income retail investors considered cash dividend as most significant factor in shareholder value
creation as well as company image. But actual wealth of the shareholder is greatly influenced by growth in sales, improvement of profit margin, capital investment decision (both working capital and fixed capital), capital structure decision, cost of capital, etc. However, a small investor ignores all these factors but consider only amount of dividend paid which reflect very narrow concept towards investment valuation.

6. Financial Policies and growth in Return on Investment

B.M. Patel (1992) studied financial policies and practices of giant companies in India. He studied companies having total assets or total sales more than one hundred crores or more. He studied the policies of these companies with reference to fixed assets investment and working capital investment. He observed that investment activities of the companies were mainly geared up to achieve the target of increase in ROI and growth of the firm.

7. Correlation between economies of scale, firm growth on profitability of firm

Bothwell Cooley and Hall (1982) in their research, "A New view of market structure – Performance debate" used a sample of 156 large U.S. manufacturing firms over a period 1960-67 for determining the relationship between profit rate and other variable like seller concentration, advertising intensity, economies of scale, absolute capital requirements, leverage, profit variability, firm growth, firm size and market share etc., positive correlation between seller concentration, market stock and growth of demand, business risk, advertisement expenses and profit rate was found. Profit rates were negatively related with the extent of economics and capital requirements.

8. Size of Business unit and growth of Business

Boumol (1967) in "Business Behaviour, Value and Growth" has emphasized that there is a positive relationship between firm size and profits. He states that increased money capital will not only increase the total profits of the firm but because it puts the firm in a higher echelon of imperfectly computing capital groups, it may also increase its earning per dollar of
investment. Besides large firms have as they can enter in variety of product lines which gives them the benefits of both the scale and the size. Generally this firm are in a position to take full advantage of technical and pecuniary economies in manufacturing, marketing, supervision and raising capital.

9. Performance of ICICI

C. H. Bhagwan Rao (2000) studied the performance of Industrial Credit and Investment Corporation of India. The performance of the corporation of forty four years i.e. for the period 1995 to 1999 was studied. The study recorded many ups and downs in the initial growth, diversification and modernization.

10. Determinants of Profitability in cement industry

Chandra Sekaran (1993) studied the determinants of profitability in cement industry. The study aimed at drawing inference on impact of policy measures which led to change in price and distribution policies relevant for cement industry. Determinants of profitability were analyzed using the technique of ordinary least squares. To find out whether the profitability function has shifted after the estimating the function and the test was also done to ascertain the inference. The main findings of this study are that the profitability of the company is based on the assets structure and proper utilization of the production capacity.

11. Liquidity management of power sector

Dabasish Sur (2001) studied the Liquidity Management: An overview of Four Companies in Indian Power Sector. In this study a comparative analysis regarding the liquidity management in electricity generation and distribution industry has been made for the period 1987-88 to 1996-97. The study reveals that the overall liquidity should be managed in such a way that not only it should not hamper profitability but also its contribution towards increase in profitability should be positive.
12. Liquidity management in private sector

Dabasish Sur, Joydeep Biswas and Prasenjit Ganguly (2001) studied the Liquidity Management in Indian Private Sector Enterprises — A Case Study of Indian Primary Aluminum Industry. The data of HINDALCO and JINDAL for the period 1989-90 to 1996-97 used in this study have been taken from the Stock Exchange Official Directory of the Mumbai Stock Exchange. From the analysis, it may be summarized that the overall performance regarding liquidity management at JINDAL was better in terms of efficient utilization of short term funds, when as HINDALCO was unable to do so. A very high degree of positive correlation between liquidity and profitability in case of both the companies was a notable feature, reflecting the favorable effect of liquidity on profitability.

13. Profitability analysis of food product industry

Debases Rei and Debasish Sur (2001) studied the profitability analysis of Indian Food products industry: a case study of Cadbury India Ltd. The study attempted to measures the profitability scenario of Cadbury India Ltd. And analyzed the relationship among various profitability ratios and their joint impact using multiple correlation co-efficient and multiple regression method. The study on the inter relation between the selected ratios regarding the companies position and performance and profitability of the company revealed both negative and positive association.

14. Profitability analysis of Indian made Fibers Industry

Deepak Chawla (1986) studied an empirical analysis of the profitability of the Indian man-made fibers industry. This study examined and explained the trends in the profitability of the Indian man-made fibers industry. The relevant data for the study was obtained from 17 firms found in BSE Official Directory for the period 1963-64 to 1977-78. An increase in the excise duty of man-made fibers seems to be associated with the decline in profitability of the industry. Both concentration and vertical integration influenced the profitability. However, their impact differed for cellulosics and Petro-chemical based group of fibers.
15. Analysis of Short term liquidity in steel companies

Dr. Bhunia Amalendu (2011) has deeply analyzed short term liquidity management of two market leader steel companies of India. The study reveals that lack of working capital management with specific reference to receivables and inventory management, both giant company's profitability is highly affected with the help of regression model, relationship of profitability with current ratio, absolute liquid ratio, age of inventory and age of debtors had been established indicates that there is nearly cent percent relationship between profitability in terms of return on capital employed and short term liquidity factors in case of Tata Steel Limited. It further reveals that increase in liquid ratio, debt equity ratio and age of creditors having negative relationship with the profitability of the firm in case of Tata Steels Limited. In case of JSW Steels Limited only one co-efficient was associated with profitability of the firm positively which is current ratio. Inverse relationship has been found between profitability and increase in liquid ratio, absolute liquid ratio, debt equity ratio, age of inventory, age of debtors and age of creditors. Inventory management as well as receivable management affects overall short term liquidity of the firm which creates acute shortage of cash which ultimately results into overall reduction in the profit. The study concluded that proper composition of net current assets should be sustained by the means of indexes of Indian Steel Companies as well as any short term finance obtained should be paid-out within short period of time otherwise it dents out operating profit. However, best management team could not create any impact on the profitability through better working capital management. The examination of the said research has ignored seasonal impact on profitability as well as working capital management. The researcher has not taken into account benchmark ratio of Steel Industries in deriving any conclusion as well as any changes in the organisation which are highly affecting short term liquidity are ignored.

16. Accounting valuable, profitability and risk

Fombrun and Shanlcy (1990) has examining the concept of reputation with reference to perception of firm's performance by its various stakeholders. The study has focused that there is diversity in the information sources used by the stakeholders to evaluate and establish the reputation of the firm. The
most significant variable in the study is accounting variable, profitability and risk followed by market valuation. Some non-financial variables like charitable work, dividend pay-out, corresponding to the previous financial year, property concentration and other aspects has less impact in creation of positive perception of the firm. The study has ignored the reliability level of sources of information which is used by the researcher. Not only this, but reputation can be highly affected by various other factors like strategy followed by management, market situation and reaction of the firm in the adverse situation, impact of all such factors had not been examined.

17. Performance evaluation approach

From the above review of empirical works it is clear that different authors have approached financial 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 financial performance appraisal. It has been noticed that the studies on financial performance in various sectors provide divergent results relating to the study period overlap or coincide. The main reason for the divergence in the results is the different in the method used for the measurement of factors specially profitability, assets productivity, capital structure, solvency, working capital, liquidity, dividend policy and growth rate in the operating performance and social performance. All the studies aimed to analyze the financial performance in Indian Manufacturing sector with number of factors. Very few studies appeared which used cost trends and sales trends to explore the financial performance of the industries.

18. Market share and rate of return

Gale (1972) in “Market Share and Rate of Return”, states the effect of market share on the rate of return of selected firms operating in different environments using data of high market share is associated with high rates of return and that the effect on share on profitability depends on other firm and industry characteristics such as degree concentration and rate of growth in the industry in which the firm completes and on the absolute size of the firm.
He also found that the relation between rate of return on equity and the equity of capital ratio to be positive and significant.

19. Financial performance of diversified and non-diversified companies

George Paul (1985) studied the financial performance of diversified companies in India: A comparative study of diversified and non-diversified companies. The financial performance of 32 relatively matched pairs of diversifying and non-diversifying companies in five Indian industries were compared. The findings indicate that diversifiers generally outperform non-diversifiers on indicators of growth, profitability, safety and market evaluation. However, inter industry differences in the benefits of diversification indicate that diversification is selectively useful.

20. Working Capital Management and Profitability

Gill Amarjit, Biger Nahum, Mathur Neil (2010) has established relationship between working capital management and profitability of several firms of United States with reference to earlier study in the same area. The finding indicates slow collection of accounts receivables is co-related with low profitability. Hence, operational managers in the area of finance should improve their working with reference to increasing profitability of the firm. Indirectly speaking researcher is of the opinion that by reducing credit period granted to the customers one can enhance collection or liquidity which reduces shortage of working capital. The study found no satisfactory relationship between average days of accounts payable and the profitability of the firm in the sample of US based companies. However, the study of the sampled firm reveal that there is very insignificant relationship between average number of days the inventory held and profitability, which is inconsistent with the earlier research in the same area. However, a positive relationship between cash conversion cycle and gross operating profit has been established with the co-relation model. The conclusion of the researcher in many cases is not matching with the earlier research which indicates that financial performance in terms of profitability is highly influenced by other non-financial matters as well as size of the firm and its gross operating profit has no relationship. The researcher focussed on the functions of the middle level
manager in the finance area and suggests that operational managers are playing very important and key role in creation of shareholder's value by reducing credit period allowed to customers, which ultimately increases working capital and restricts short term borrowing. The study has absolutely ignored US government implications as well as typical problems of the sampled firm industries, while establishing relationship between working capital management and profitability. However, every firm and industry is always affected by seasonal changes which have been ignored.

21. Impact of inventory management on profitability

Investment in inventory contributed to 46 percent of total current assets in the companies under study. It was also noted that most of the companies in the industry carried excess inventory, affecting adversely an profitability of the companies. It was found in the study that most of the companies did not adhere to the policies laid down by them. It was also found that there was very poor planning about an important component cash.

It has been noticed that studies on the profitability analysis in various industries used the variables like seller's concentration, advertising intensity, economies of scale, absolute capital requirement, leverage, profit variability, firm growth and size. So far very few studies appeared which used the quantum of sales, return on investment and appropriate of profits to explore the profit variation of the manufacturing industries. A very substantial literature is available dealing with the trends of productivity growth and degree of factor substitution in Indian manufacturing sector at aggregate and various levels of desegregation. These studies did not reflect the specific pattern of elasticities of substitution in Indian manufacturing sectors.

It was observed in the study while analyzing capital structure of the corporation that cost of debt capital range between 6.5 percent to 16 percent. The performance of ICICI in post liberalization period reveals higher growth rate in operations which was mainly due to large flow of assistance from infrastructure sector.
22. Financial appraisal of Indian Automobile tyre industry

Jagan Mohan Rao (1993) studied the financial appraisal of Indian Automobile tyre industry. The study was intended to probe into the financial condition, financial strength, and weakness of the Indian tyre industry. To this end, a modest attempt has been made to measure and evaluate the financial performance through inter company and inter sectoral analysis over a given period of time (1981-1988). The main findings are that fixed assets utilization in many of the tyre undertakings was not as productive as expected, and inventory was managed fairly well. The tyre industry's overall profit performance was subjected to inconsistency and ineffectiveness.

23. Corporate reputation and financial performance

Juan Manuel de la Fuente Sabate and Esther de Quevedo Puente (2003) examining empirical analysis of relationship between corporate reputation and financial performance. On examining various literature review and studies, an track in the above mentioned area, researcher conclude that relationship between corporate reputation and financial performance is depending upon various factors. The initial study only suggests possibility of such relationship, but, most recent work an empirical studies considered casual direction of the link. The study reveals that there is lack of unbiased financial performance reporting as well as unbiased evaluation of communication for creating corporate reputation is necessary to establish relationship between corporate reputation and financial performance. Diversity of financial performance measures, the creation of reputation measures as well as possibility of financial bias in some ranking measurements, has enriched the literature and give evidence of the interest aroused by this area of research. Huge gap has been found in the line of research. The two major restrictions has been observed in the literature review, reviewed by the researcher viz lack of theoretical framework and inappropriateness of the methodological tools employed, which could not conclude the finding in the right direction, which enables results to develop from being mere signs of a possible relationship between variables into empirical evidence that significantly depends on the knowledge of the firm. The stakeholders perception towards firm’s reputation is highly depends upon several formal
and informal contents or information obtained, but, the study reveals that firm with the good reputation which has been created jointly with financial performance efforts as well as through several non-financial efforts enjoyed privilege market position and enable to capture better resources more favourable conditions and it helps to generate better shareholder value creation.

24. Financial and operating performance evaluation

Juliet D’Souza and William L. Megginson (1999) have studied the financial and operating performance of 85 companies from 28 industrialized countries that were privatized through public share offerings for the period from 1990 through 1996. The significant increases in profitability, output, operating efficiency, dividend payments and significant decreases in leverage ratios for the full sample of firms after privatization were noticed. Capital expenditures increase significantly in absolute terms, but not relative to sales. Employment declines, but insignificantly. Combined with results from two previous, directly comparable studies, these findings strongly suggested that privatization yields significantly performance improvements.

25. Inter-company finance analysis of tea-companies

Kallu Rao (1991) has made a study of inter-company financial analysis of tea industry retrospect and prospect. An attempt has been made in this study to analyse the important variable of tea industry and projected future trends regarding sales and profit for the next 10 years period, with a view to help the policy makers to take appropriate decisions. Various financial ratios have been calculated for analyzing the financial health of the industry. The forecast of sales and profits of tea manufacturing companies showed that the Indian tea industry has bright prospects. The recent change in the Indian economic policies will boost up the foreign exchange earnings which will benefits those companies, which are exporting to hard currency areas.

26. Liquidity Management

Kartik and Pradeep Kumar Singh (2003) examined the liquidity management in EICHER Ltd., A Case Study. The data of EICHER Ltd. For
the year 1994-95 to 1998-99 used in this study have been taken as secondary source. It can be concluded that the liquidity management of EICHER Ltd. Is not satisfactory. The companies require to improve their liquidity position in the coming years.

27. Impact of Globalization medium scale industry

Kaushik Joshi (2002) studied impact of globalization on medium scale industries particularly on some selected companies in Gujarat and Maharashtra with special reference to financial and management aspects. It was suggested that to increase the profitability cost of basic raw material should be reduced. The government should rationalize and should replace excise duty and customs on the product under study.

28. Examining Relationship profitability, growth and risk

Kim and Kunchul (1996) studied the relationship between profitability, growth and risk (optimization). An attempt was made to understand the profitability differentials in terms of simultaneously determined inter-relationships among profitability, growth and risk. The authors focused on the process of production and investment decision making, which was the main activity for a firm’s profits maximization. The major objective of the investment and production decision is to simultaneously choose optimum levels of profitability, growth and risk. Therefore, these variables were endogenous in a firm’s profit maximization and simultaneously inter-related.

29. Performance appraisal of Indian Chemical Industry

Krishna Veni (2005) examined the performance appraisal of Indian Chemical Industry after liberalization with the help of several benchmark ratios and other statistical tour who considered 723 companies having internal segments like drugs and medicines, organic chemical, inorganic chemicals, paints, pesticides and other fertilizer companies. The study reveals that average operating profit margin is highest in inorganic sector followed by drug, pesticides, organic, fertilizers and paint sectors. Fluctuation in the profit margin in the various sub sectors is due to market condition, planned product mix and efficient use of machinery. But the overall picture of whole chemical
industry shows that operating profit is sufficient for payment of debt as well as satisfactory return to its shareholders. The analysis of return from the investment viewpoint is also seen effective utilization of operating assets which cross the benchmark return of 10% across the sector. The study further reveals that profitability is highly depend upon growth of investment in fixed assets. Current and liquid ratios have increased slowly and steadily over a period of time which gives indication that operating efficiency can be obtained after span of 5 years. In case of paints, inorganic sector, drugs and fertilizers, although the ratio was less than the standard norms but liquidity position of such sector is considered satisfactory. A long term finance strength is measured with the help of debt equity ratio reveals that chemical industry considered satisfactory. The average debt to equity ratio varied from sub sector to sub sector, but highest 1.64 times in organic and fertilizer followed by inorganic 1.36 times paints 1.18 times, pesticides 1.08 times and drugs 0.94 times. The detailed analysis of cost for fluctuating trend indicates that such changes are due to change in capital structure, demand in the market as well as ability to generate new assets. Major portion of long term funds are used as working capital by many organizations. By analyzing asset turnover ratio it indicates that there is effective utilization of assets. The analysis of working capital turnover ratio reveals that all the sub sectors able to handle working capital properly. The inventory management was at satisfactory level, but liberal credit and collection policy of the firm affects adversely to sub sectors like fertilizers, paints, etc. This ultimately increases short term debt cost. The study concluded that liberalisation measures helps the Indian Chemical Industry to improve their performance individually and the impact of policy of liberalisation should be most strengthen to make this sector more profitable and contribute to accelerate the economic growth in the country.

30. Relationship between size-growth and profitability

Kuldip Kaur (1998) studied size, growth and profitability of firms in India. In the context, the study of various facets of 235 firms of India have been undertaken, covering the period from 1970-71 to 1989-90 growth pattern of the firms showed that majority of the firm recorded growth rate from 10 to 20 percent. Two measures of profitability margin (operating profits as
percentage of net sales). Second measure was the profitability rate (gross as percentage of net sales). However, the analysis in case of Indian firms showed that there was no systematic tendency for average profitability to increase/decrease as the size of the firm changed.

31. Corporate growth and profitability in large company

Kumar P. (1985) examined the corporate growth and profitability in the large Indian companies. To meet the objectives of the study, 100 largest non-banking, non-financial, non-government joint stock companies in Indian ranked on the bases of there total net assets in 1979 were selected from the Economic Times directory of Private Sector Giants. The study covers the period from 1969-70 to 1978-79. The growth of firm was measured by the growth of total net assets at current prices. From the analysis the profitability explained a very small part of the growth and the ability to perceive growth opportunities and exploit them fully exert an important influence on the finance growth seems to have been provided by the sector institutions like IDBI, ICICI, IFC and SFC.

32. Evaluating Borrowing as a source of working capital

Manjumdar (1994) has carried out an empirical analysis among 20 corporate companies in India 1990. Concentrating exclusively on borrowing as a source of financing working capital requirements in the corporate sector in The study revealed that the share of public deposits to total borrowings on an average was only 6% in public limited companies and this was only 1.08% in private sector companies. The results indicated that the public deposit was not a significant source of working capital finance among the selected sample companies during the study period. The study revealed that current ratio in private corporate limited companies was 1.38 which indicated aggressive policy. In government companies the current ratio was 4.32 indicating conservative policy adopted by them which in turn resulted in higher debt equity ratio. On overall basis, this comparative study indicated that working capital management in public sector companies was better than that of private sector companies.
33. Profitability and size of the firm

Marcus (1969) in “profitability and size of the firm: some further evidence” tried to re-evaluate the hypothesis that the rate of return increases with the size of the firm, against new data within an improved analytical framework. His conclusion was that the hypothesis did not perform uniformly in all the industries and that it cannot therefore be viewed for having general validity.

34. Evaluating Profitability

Martani Dwi, Mulyono, Khairarurizka Rahfiani (2009) has examined the effects of financial ratio, firm size, cash from operating activities in the interim report to the stock return. Study has successfully established relationship between all these factors to stock return in case of interim report. However, the researcher were argued that second report which is final one having more impact on price fluctuation in the respective stock exchange. Based on the regression result, it has been concluded that financial ratios, firm size, cash flow from operating activities affect market return. Financial ratios are useful in making decision on investment for retail investor. The research also exposed that stock price is affected by factors other than firm’s financial performance. From all models, used in this research, it suggests that other information other than internal fundamental factors having great impact in the stock return or firm’s stock price. Micro economic condition, political situation, government industrial policy and technical aspects within firms are factors other than financial performance that can affect change in the stock price. Researcher could not find out clear cut relationship in the stock price movement of particular stock price and any particular financial factor. However, other factors such as interest rate, inflation rate, exchange rate, influence changes in stock return significantly, which are out of control for the firm as well as having no direct relationship between profitability of the firm and such factors.

35. Influence of working capital on corporate profitability

Mathuva (2009) examined the influence of working capital management components on corporate profitability by using a sample of 30 firms listed on the Nairobi Stock Exchange (NSE) for the periods 1993 to
2008. He used Pearson and Spearman's correlations, the pooled ordinary least square (OLS), and the fixed effects regression models to conduct data analysis. The key findings of his study were that: (i) there exists a highly significant negative relationship between the time it takes for firms to collect cash from their customers (accounts collection period) and profitability, (ii) there exists a highly significant positive relationship between the period taken to convert inventories into sales (the inventory conversion period) and profitability, and (iii) there exists a highly significant positive relationship between the time it takes the firm to pay its creditors (average payment period) and profitability.

36. Working Capital policy and efficiency

Nabil, Smith, and MacKay (1999) had conducted a very comprehensive survey conducted among 57 Smaller firms in Canada (in 1994), 105 largest firms in U.S. (in 1998) and 39 largest firms in Australia (in 1989) revealed very interesting relationship among various working capital practices. The authors attempted to make international comparison of working capital practices among three nations. The major aspects of the study were working capital policy, cash and equivalents, accounts receivables, Inventory, accounts and notes payable and managing working capital itself. The study revealed that 7% of the Canadian firms have formal working capital policies, which is found to be very negligible. This is attributed to the fact that the surveyed firms are smaller ones. It was found that 28.5% of Canadian firms had a cautious working capital policy. The study revealed that as far as the criterion for evaluating changes in credit terms was concerned the Canadian firms were found to lean more on the effect on sales whereas the Australian and U.S. companies were found to have focussed more on the impact on the effect on firms profit. Very interestingly, the study revealed that the Canadian firms used adhoc decisions in replenishing the inventory while the Australian and U.S. Companies used computerized control systems.

37. Size of the firm and profitability

Nagarjunan and Barathwal (1989) found positive relationship between large size firms and profitability. He suggested that large firms would be in a
position to take advantage of technical know-how and economies in manufacturing, marketing, supervision and in rising capital.

38. Risk Bearing and rate of return

Neumann, Bobel and Haid (1979) in their study entitled "profitability, risk and market structure in west german industries", explained mean rates of return of the period from 1965 to 1973 of 334 West German joint stock companies by risk and market structure. The results suggested that investors were risk averters and that risk bearing was accordingly compensated by a higher rate of return. Degrees of concentration and product differentiation were positively related to profitability while export and import ratio exerted and adverse impact on profitability. As regards size and profitability, smaller firms tended to be more flexible, tended to take chances of growth more easily then the bigger once. So there was inverse relationship between growth and profitability.

39. Strategic planning and financial performance

Noel Capon and John V. James M. Hulbert (1994) studied the strategic planning and financial performance more evidence. A recently published meta – analysis of the impact of strategic planning on financial performance omitted a major study of corporate planning in fortune 500 manufacturing firms. This study briefly reviewed the result of the Meta analysis. Additional analysis examined the performance and firm survival over a longer time period than in the original book. The overall conclusion is that a small but positive relationship between strategic planning and performance exists and persists.

40. Working Capital Management at Paper Industry

P. Siva Rama Prasad (1998) studied the working capital management in paper industry. He studied 21 paper mills. The study says that working capital is major chunk of total capital, yet adequate attention is not given on working capital aspects.
41. Socio Technical system approach and appraisal process

Pandey and Ramesh Bhatt (1990) studied the financial ratio pattern in Indian manufacturing companies. The socio technical system approach provides a useful framework for designing and implementing effective performance appraisal system. It is proposed that in designing appraisal system, the appraisal technology should be chosen and operationalised, keeping in mind not only organizational goals, culture and politics but also the socio-psychological needs of employees as well as other over and unconscious dynamics that would influence the appraisal process.

42. Efficiency ratios and profitability

Pandey Shishir and Jaiswal Vikas Kumar (2011) has examined the effectiveness of effectiveness on profitability through working capital management with reference to NALCO with the help of various working capital and profitability ratios like Cash Turnover Ratio, Inventory Turnover Ratio, Current Ratio, Return on Capital employed, etc. The study reveals that there is high fluctuation in gross working capital in a span of 11 years and there is very stiff increase in gross working capital in last three years but with reference to current liability, net working capital is very highly fluctuating. To meet the financial requirements, enterprise has various source to finance its working capital like short term financing and long term financing. Long term financing is contributing from 0% to 45.20% to current assets in a span of a study, but it has been reduced to 10% between 2001 to 2004 and further more, it has been increased to 45% in 2006 to 2007 which indicates there is no clearcut policy for working capital management in the organisation which affects adversely to the profitability, efficiency and overall liquidity position of the company. However, the said study has ignored to examine the factors responsible for such instability in the net working capital, but the various components of working capital like cash and inventory shows good rotation as average cash turnover ratio is 3.6. Surprisingly, the researcher has ignored benchmark ratio comparison in case of current ratio and liquid ratio. Though, working capital amount is highly fluctuating, a very high profitability of the company has been maintained. The current assets of NALCO have witnessed fluctuations over the past years which were four times more in 2008 in
comparison to that of 1999 which is clearly due to privatization of the organization. The researcher has not made an attempt of examining the impact of privatisation or disinvestment of the NALCO on working capital management and profitability of NALCO. The regression result of the study indicates that there is very insignificant impact on return on capital employed of different working capital ratios.

43. Liberalization and Capital structure

Panigrahi Ashok Kumar (2010) examining the capital structure of Indian corporate with the help of 300 Indian private sector companies having different 20 sectors. Mainly study focussed on impact of various qualitative measures taken by Government of India, Finance Department, Regulating Authority, Reserve Bank of India, Stock Exchanges and other institutions. Capital Structure of Indian companies have been analysed deeply which indicates that there is a clear cut impact of liberalisation on capital structure of Indian companies. Majority of Indian companies are utilizing debt for medium term requirement of loan. The Government regulated prices at which firm can issue equity, rate of interest which could offer on the bonds, permissible debt equity ratio as a benchmark for issue of bonds, etc. has created significant impact on capital structure. Researcher conclude that subsidized institutional finance is the most attractive source of finance either through financial institutions or through nationalized banks which usually meant maximum debt equity ratio and leverage such debt which help in creating shareholder value creation. The other most important reason for the change in the capital structure is the flexibility in the debt management as institutions are ready to reschedule them with little cost. Foreign direct investment helps Indian companies in generating long term fixed assets to greater extent, but the role of primary issues in the capital market and financial behaviour of small investors also contribute to greater extent. The researcher further conclude that although the size of the firm, its age, the region to which it belongs to an industry classification contribute to the existing variation in the capital structure across industry classes, but still the dominance of industry persists. The study reveals that in terms of average inflow fund western region of the country is still enjoying first position, where industrial environment in the form
of State Government policies helps industries to grow. The external fund requirement which is exclusively based on technology play a leading role in determining inter industry variation in capable structure. Factors determining capital structure vary from industry to industry. The study indicates that size, age, location, place, even market segment plays important role in determination of capital structure. Government has to play a dominant role for allocating limited resources for more public investment through different policies. It is advisable to go for domestic capital formation rather than depending upon foreign institutions or foreign financer in long run. The contribution from Non Resident Indians can be soughted with relaxation in regulating act. The present scenario in the corporate sector is just like “jungle raj” fittest can “survive”. Hence small and medium size companies which has been established by new entrepreneur could not get finance easily.

44. Credit Policy and Performance

Parasuraman (2004) study attempts to understand the relationship between credit period given by companies and their actual performance in terms of sales and profitability. He has also attempted to find average level of other key financial parameters connected to working capital management. Having laid the emphasis on Indian pharmaceutical companies, he found out that leading companies have employed greater working capital for enhancing profitability. The study also revealed that Days Sales Outstanding had gone up in the sample companies. Though the rise was marginal, it played an important role in the management of working capital. The study inferred that the top pharmacy companies strategies on their working capital policy to relax the credit policy to achieve greater sales and greater profits.

45. Leverage and performance

Peswani Shilpa (2011) examining the impact of Leveraged Capital Structure of a firm on its financial performance with reference to two market leader FMCG companies in India. The study is highly focussed on two companies viz Britania Industries Limited and Marico Industries Limited. Researcher observed that both the firms are obtaining finance from different sources for their expansion project but Britania Industries Limited bank on
promoter's fund in such projects, while Marico Industries depend upon debts. Though, both the firms are leveraged differently, the profitability is remaining more or less same. As sales performance of both the companies has been almost same with Compounded Average Growth Rate. Though the solvency ratio of Marico is low due to high leverage, but its return on equity shareholder's fund is higher as to Britania due to benefit of tax credit. The study concluded that profitability of the company is not entirely depend upon source of financing, but in the study it also highly influenced by top level management initiatives, but the universal acceptable phrase “a high leveraged firm gives better return to the equity shareholders as to low leveraged firm is established in the study”. The study depicts that merger and acquisition in the fast moving consumer goods company is the benchmark policy for expansion of market, which directly impact profitability of the firm, but it is highly depend upon source of finance for such merger and acquisition as well as repayment schedule determined by the financial Executives of the firm. However, study has not considered special features of the FMCG companies which highly affect profitability of the firm like small life span of the product, huge brand building cost and other aspects.

46. “Relationship of Planning and Performance”

Prajapati and Trivedi (1990) has made a study to the comparative efficiency of public and private enterprises: further evidence. The comparative efficiency of public and private enterprises has remained an unsolved issue. This study attempted to examine the methodological issues involved in evaluating the relative performance of the two sectors as well as to provide an empirical application of a preferred methodology. It also examined the comparative performance of public and private enterprise in the Indian cement industry and finds that, many of these studies based their findings on a small number of firms. Brian K Boyd (July 1991) strategic planning Financial performance. The study used Meta analysis to aggregate the results of 29 samples on a total of 2496 organizations. Analysis of previous studies found modes calculation between planning and nine performance measures like profitability, asset productivity, capital structure, solvency, working capital, liquidity, dividend policy, growth
rate in operating performance and social performance. Extensive measurement problems suggests that these findings underestimate the true relationship between planning and performance.

47. Liquidity analysis of paper industry

R.K. Sahu (2002) examined a simplified model for liquidity analysis of paper industry. The study was based on the assumption that the liquidity management of a company in a particular year is effective if its' earnings before depreciation is positive and not effective if its earnings before depreciation is negative. Thus, the empirical findings revealed a very high predictive ability of the estimated discriminate function.

48. Liquidity management and profitability

Rageswari (2000) studied the liquidity management of Tamil Nadu Cement Corporation Ltd. Alangulam – A Case Study. To analyse the liquidity position of TANCEM the researcher has collected information from the annual reports of TANCEM for a period of five years starting from 1993-94 to 1997-98. It can be concluded from the analysis, the liquidity position of TANCEM is not stable. Regarding liquidity ratios, there was too much of liquidity is also bad as idle assets earn nothing and affects profitability. Hence, it can be concluded that the liquidity management of TANCEM is poor and not satisfactory.

49. Corporate performance of post liberalization

Raghnathan and Prabina das (1999) have made a study of the corporate performance of post liberalization. In this study, they analysed the performance of Indian manufacturing sector in the last 8 years since liberalization on the parameters of profitability, liquidity, leverage and solvency. While the solvency and profitability ratios were encouraging till 1996 they have been gradually diminishing after that. This problem gets more pronounced when the EVA is calculated which shows that the Indian manufacturing sector has destroyed wealth for their shareholders. The study points out that poor corporate performance has led to an economic slowdown and not the other way round. Corporate raised funds during the blacken days
of equity markets and ended up investing these funds at below their cost of capital. The outcome has been a prolonged economic slowdown.

50. Financial health – checked by ratio analysis

Raiyani J. R., Dr. Batasana R. B. (2011) had studied the financial health of Textile Industry of India with the help of published financial statements of major Textile Industries covering the period of seven years. The financial health has been examined with reference to retained earnings to total assets, earnings before interest and tax to total assets, debt equity ratio and total asset turnover ratio. The study reveals that the average net working capital ratio of textile industry having the mean of 41.09 which is very very high working capital. One should match this mean with industrial mean which is not compared. Very high net working capital ratio indicates blockage of high amount of capital in total current assets, specifically with reference to debtors. Surprisingly, return on total assets or utilisation of assets is very low and its mean is 7.16, which is lower than average bank's fixed deposit interest. The excess working capital resulted in the companies going for less debt raising ultimately affecting adversely to the shareholders’ return in the form of low earning per share. The operating efficiency of all the four units examined is very poor as to industrial benchmark return. Not only this, but even though in increasing the investment in the fixed assets in all four units could not increase profitability in the same proportion even. Indirectly speaking the result shows over utilization of fixed assets. But the study has ignored further detailed analysis of reasons for low profitability with reference to capital invested as well as assets utilization. The study is restricted to four companies only which indicates that the result obtained in the said research may not be applicable to other sectors.

51. Actual rate of return and risk analysis return

Raj S. Dhankar (1998) has studied a new look at the criteria of performance measurement for business enterprises in India a study of public sector undertakings. Numerous criteria for measuring the performance of business enterprises in India have been developed during the past. But unfortunately, none of the criteria has succeeded in winning the general
consensus of leaders in industry and academics so far, for their obvious weakness. The author has given a new model for measuring the performance of a business enterprise in India, where in, the basis is to compare its actual rate of return with its expected risk adjusted rate of return. Realizing the importance and controversy of public sector in India, an attempt was made to measure the performance of all public sector undertakings, which were started up to 1964 and were in operation until 1983. It is shocking to know that half of them on an average what to talk of making excess returns, have not been able to earn equal to their cost of capital.

52. Evaluation of Performance and Sector

RBI 2005 study analyzed the performance of private corporate business sector in India from 1991-92 to 2002-03. It studied working of around 2031 companies. It reveals that the performance of the sector improved during the initial period of liberalization, but could not be sustained in the later half of the period (after 1995-96) in terms of profitability. However the sector has shown improvements in better management practices. The companies thrived to reduce the inventory cost by improving to sales ratio during the period under review.

53. Performance of Financial and non-financial companies

RBI Corporate Studies Division (Sep.2003) has made an attempt to study the performance of corporate business sector during the first half of 2002-2003. The results of 146 private companies of various sectors were analysed on the various parameters of performance. Aggregation and comparison of the results of the first two quarters was done on these performance parameters. It was concluded that the performance of the private sector was better when compared with the first half of the previous year (2001-2002). This was indicated by the following parameters viz., higher sales, reduced interest, payments and ultimately improved profitability. Sector industry wise analysis of performance has been done to highlight those areas where the performance has been better vis-à-vis sectors, which have lagged behind in performance.
54. Performance of Financial Investment companies

RBI study (1995), an attempt was made to study the financial performance of private corporate business sector during the period 1994-95 of the 1030 companies covered in this study, 925 were non-financial companies and 105 were financial companies. The results of the non-financial and financial companies were also analyzed size wise (Size classified on the basis of 1994-95 paid up capital of the companies). Apart from the analysis of the consolidated results for the entire sector. The good corporate performance during 1994-95 reflected in major profitability ratios registering distinct improvement in the year under review as compared to the previous year.

RBI study (2002-03) an attempt was made to study the performance of financial and investment companies. The study covered 957 Indian companies. The consolidated results of the companies indicated improved performance in terms of their income as well as profit. The study showed that the profit margin and return on stakeholder’s funds were higher in these companies in 2002-03 as compared to previous year.

Researcher has taken into account only positive volatility, but has not estimated anything in terms of reduction in liquidity. As there is high volatility it has been observed that there is reduction in the liquidity, it affects adverse to the profitability of the company to greater extent. Liquidity maintenance is also to be treated with bias, as maintenance of high liquidity is also bearing opportunity cost. In case of shortage of liquidity in the Nigerian capital market and money market, it is not easy to obtain fund – this aspect is just ignored.

55. Corporate Reputation and Firm Value

Roberts, P.W. and Dowling, G.R. (1997) have attempted to provide justification for this relationship from a resources based view. This approach allows them to account for the sustainability of the competitive advantage derived from reputation, but fails to account for the origin of the higher incomes. An adequate theoretical framework, therefore, is still missing. More importantly, a framework which explains why corporate reputation generates firm value, on the one hand and which, on the other, allows for sorting the diversity of studies and the range of measures of financial performance, reputation indexes, methodologies and control variables used to verify this
relationship, would also validate them and link them with previous literature. This absence of theoretical explanations, coupled with empirical analyses that acknowledge a two-way relationship, leads us to wonder whether there really is a mutual influence between these variables, or whether the existence of the relationship in one direction gives the impression, artificially, of inverse direction.

56. Performance of Public Enterprise

Rosario G. Manasan, Junaita Amatong and Gil Beltran (1988) have made a study of the public enterprise sector in the Philippines: economic contribution and performance, 1975-1984. The public enterprise sector in the Philippines has grown at a tremendous pace in the last decade. It has contributed a large proportion of gross domestic capital formation but it impacts on production, employment and savings were not significant. At the same time, estimates of financial profitability ratios and factor productivity measures suggests that the public sector enterprise were generally inefficient.

57. Profitability and Size of Firm

Samuels and Smyth (1968) in “Profits and Firm size” took the cross section data of annual observation (1959 to 1963) of profits and net assets for 186 United Kingdom companies. These companies were engaged in manufacturing distribution and mining. These companies were classified, into ten size classes according to their assets in 1954. Net Assets were used as measure of firm size and the ratio of profits (after depreciation but before taxation) to net assets, was the measure of profitability. They calculated average profit rates over the ten – years period and applied analysis of variance. There was some evidence that firm’s size was significant factor in the determination of its mean profits over the ten-year period. The analysis did not indicate whether the higher profit rates were associated with large or small firms. But the mean rate of return for each size group for each year and also the average for the whole ten year period, suggested that higher the profit rates were associated with the smaller firms were becoming more marked over time. In order to examine the variability of profit rates, the hypothesis tested was that large companies are more able to withstand fluctuations in the
level of activity against profits in another. Time was greater variability among profit rates of firms of the same size for small firms than for large size.

58. Inter Industry variation of Capital Structure in Pharma

Shanmugasundaram G (2008) examines inter-industry variation of capital structure in pharmaceutical industry in India. The study indicates that intra industry variation in the capital structure for Indian Pharmaceutical companies is perfectly proving conventional capital structure theory. The higher the proportion of fixed assets to the total asset and the higher the growth rate of asset results into higher is the industry debt equity ratio. The study has been made with the reference to multinational pharmaceutical companies in India for process and transition period with the help of regression analysis indicates that proportion of fixed assets to the total asset has shown positive and insignificant relationship in the transition period. The overall industry picture indicates that Indian companies are shifting from high debt to high equity over the period of time. Not only this, but several multinational pharmaceutical companies who has experienced more than three decades in India preferred to keep their debt nil, which reduces interest costs and increases shareholder profitability which is indicating consistency with the static trade of theory. The average growth and size of the companies are positively related. In case of foreign pharmaceutical companies, only profits adjusted to total assets and sales are positively related but risks measured with the standard deviation of the growth in gross profit is negatively related. There is significant structural change in the form of source of finance particularly in Indian companies, after policy of favouring product patent by Government of India. The study indirectly reveals that the decision of government for product patent has compel the promoters and existing management to replace external debt to owner’s fund.

59. Working Capital Turnover in Pharma

Siddharth and Das, (1994) in his study on “Working Capital Turnover in Pharmaceutical Companies” attempted to ascertain efficient or otherwise use of working capital in selected pharmaceutical firms in India. Having studied the data of 10 years he concluded that the overall working capital turnover
ratio was 9.03 times. The overall analysis of the data indicated that the selected companies did very well in terms of employment of working capital. The study also revealed that working capital turnover ratio declined gradually over the period from 1981 to 1990.

60. Factors affecting profitability in textile industry of India

Sidhu and Gurpreet Bhatia (1998) studied the factors affecting profitability in Indian textile industry. In this study an attempt was made to identify the major determinants of profitability in Indian textile industry with the help of empirical data taken from Bombay stock Exchange Director for the year 1983. To find out the factors affecting profitability, regression analysis has been applied. From the analysis, it was found that there is no clear cut relationship between current profitability and capital intensity. The age of the firm having generally negative but statistically insignificant relationship with current profitability which points towards the fact that add firms in Indian textile industry are obsolete and need modernization.

61. Growth Profitability and valuation

Singh, Ajit and Whittington (1968) in “Growth profitability and valuation” conducted an empirical study of the relationship between the growth, size and profitability of the firm, growth being the main dependent variable, for 450 UK public quoted companies, existing over the period 1948-60. The book value of the “net assets” was used as a measure of size of the firm and the difference in size of firm. The results exhibited that the average growth rate measured in terms of net assets was independent of the opening size of the firm. The same was also true of profitability. But the variability of the growth rates and the profit rates as between firms did change with the size to a significant extent. In both cases it tended to decrease as size increased. Large firms had a more predictable rate of profits, but not a higher one.

62. Working Capital Management in Indian paper industry

Sivarama (1990) study on working capital management in Indian paper industry laying emphasis on individual current assets like cash, receivables and inventory. The study revealed that the working capital formed 47.2% of
the total net assets during 1984-93. The rate of return on current assets was negative or insignificant in all selected mills indicating inefficient management of working capital. The results of correlation analysis indicated close relationship between profitability and working capital efficiency emphasizing the need to exercise better control over working capital. The study also attempted to assess the perceptions of chief executives on management of working capital. Fifty per cent of the executives favoured budgetary method as the tool to plan working capital. Even though majority of the executives felt that the funds meant for working capital should not be diverted to any other applications, it was found in majority of the cases that funds were diverted to other uses. The survey revealed that collection of receivables and inadequate working capital were serious problems in running the business.

63. Profitability trend in Indian cotton mill industry

Soumyendra Kishore Dutta (1999) examined an analysis of profitability trend in the Indian Cotton Mill Industry. The disadvantage situations of a large number of mills were reflected in the haphazard movement of the mill sector's profitability ratio. Loss of market share of mill made cotton cloth to synthetic substitutes, burden of unfavorable excise duty, uncertainty in supply of raw cotton, untoward labour legislation, under utilization of capital and high capital cost added to the aforesaid fluctuations in profitability. Lower base of the profitability ratios and the warning financial position of the majority of the mills have left them with resources to undertake renovation and modernization.

64. Influence of corporate reputation on stock market

Srivastava, R.K. McInish, T.H., Wood, R.A. and Capraro, A.J. (1997) have examined the influence of corporate reputation on the stock-market through regression analysis which shows a positive relationship. The further study reveals that reputation reduces on the reduction of return on investment that shareholders expect to maintain market value. In the event of sudden and unexpected decline, firm with good reputation suffer a lower decrease in their shares' value. They also observed, however, that when a crisis strikes so deeply that investors are overcome by panic and this governs their investing
decisions, corporate reputation by itself cannot cushion the fall. The study also indicates that change in the market sentiment dilute the impact of corporate reputation and even the more profitable firm in terms of financial aspect having very strong positive perception loses its market value. The study ultimately concludes that the efforts of the organization in creating positive perception in terms of building good reputation had been wipeout easily by the other non-financial performance factors. Market efficiency where prices of such firm’s share are reflected are ignored.

65. Profitability of firm using cash recovery method

Taylor and Christopher Thomas (1995) examined an inquiry into firm profitability using the cash recovery method: an application to pharmaceuticals. An important as the concept of profit and the empirical measure, the profit rates were to economics, there was no universally acceptable empirical measure of the long term profitability of a firm. In order to ascertain firm profitability, cash recovery method (CRM) was developed. In this method the firm was modelled as a collection of overlapping projects with the same Internal Rate of Return (IRR). Before implementing the profitability analysis, a new investigation of cash flows in the pharmaceutical industry from New Chemical Entities (NCE) was performed. Sales data from individual NCE’s were analyzed to determinant the trends in the product life cycle and this analysis shows that sales profiles have been getting steeper, but peak sales are being reached easily. The analysis on a product level is necessary for computing profitability using the CRM.

The survey of the existing literature indicates that so far no specific work has been carried out to examine the financial appraisal of an Indian pharmaceuticals industries after liberalization in the manufacturing sector, although the performance of such a study cannot be understand. The present study is an attempt in this direction and therefore, aims to enrich the literature of financial of performance, determinants of profitability, productivity and factor substitution relating to Indian selected industries. Further this study is intended to employ different sophisticated statistical and economic techniques before qualifying any aspect of performance appraisal for wider acceptability and appreciation. The present study is a humble attempt in this regard.
They in their research work entitled “profitability and structure” “A firm level study of Indian Pharmaceuticals Industry”, intensely examined the relationship between profitability and structure, using a sample of thirty eight pharmaceutical firms in India for the period 1970-1982. Two measures of profitability i.e. ratio of net profits to total assets have been used to find out the condition of price controls the most significant determinant of the profitability of the firm in this industry was vertical integration. Size and advertising intensity did not inability of firms to translate their market power into prices, because of controls. The coefficient of growth rate of sales was positive and significant, suggesting that factors on the demand side of a firm had a greater impact on profitability than on the supply side.

66. Financial distress and corporate performance

Tim C. Opler and Sheridan Titman (1994) studied the financial distress and corporate performance. This study finds that more conservatively financed competitor in industry down turns. Specifically firms in the top leverage decide in industries that experience output contractions decline by 26% more than the firms in the bottom leverage decide. A similar decline takes place in the market value of equity. These findings are consistent with the view that the indirect costs of financial distress are significant and specialized products are especially vulnerable to financial distress, the researchers find that they suffer the most in economically distressed periods. They also find that the adverse consequences of leverages are more pronounced in concentrated industries. Pai. Vadivel and K.H.Kamala (1995) studied the “diversified companies and financial performance”: A study. An effort was made to study the relationship between diversified firms and their financial performance. Seven large firms having different products both related and otherwise in their portfolio and operating in diverse industries were analysed. Basically, a set of performance measures / ratios were employed to determine the level of financial performance. Subsequently was introduced to rank firms to establish relative superiority of performance. The results revealed that the diversified firms studied have been healthy financial performance. However, variation in performance from one firm to another has been observed and statistically established.
Toby Adolphus (2006) has examined the co-relation between liquidity management and performance of Nigerian Manufacturing Company with the help of 87 Nigerian Quoted Manufacturing Companies registered at Nigerian Stock Exchange. The study reveals that there is direct relationship between liquidity and profitability. The regression result shows significant relationship between measures of liquidity and selected measures of profitability, efficiency and indebtedness in Nigerian companies. Better management of working capital and very precisely liquidity management enhance the profitability of companies as well as increased shareholder value creation. The impact of 1% increase in average liquidity measures produces a more significant increase in average profitability by 21.9% and efficiency by 16.1% and indebtedness by 16.6%. Further it has been estimated that (with regression model), the 5% increase in liquidity expects to increase profitability by 109.5% and company efficiency by 80.5% and debt can be leveraged by 83%. The study directly focus on clear-cut and very positive impact of liquidity on profitability. The proceeding empirical results imply that liquidity behaviour of manufacturing companies is significant both for macro-economic policy management and company financial policy. Liquidity management with specific reference to cash and bank management is very critical function in a country like Nigeria and almost all the manufacturing companies are required to depend upon unorganized banking sector. Profitability and liquidity is by and large also affected by government policy, organizational capital structure and efficiency of organization's financial manager.

**Determinants of profitability of sugar industry**

Vijayakumar (2000) Examined in Determinants of Profitability-A firm Level study of the sugar Industry of Tamil Nadu", delved into the various determinants of profitability viz., growth rate of sales, vertical integration and leverage. Apart from these three variables, he has selected current ratio, operating expenses to sales ratio and inventory turnover ratio. Econometric models were used to test the various hypotheses relating to profitability with other variables. The researcher noted in his conclusion that efficiency in
inventory management and current assets are important to improve profitability.

69. Assessment of corporate liquidity

Vijayakumar (2002) studied the assessment of corporate liquidity – health discriminant Analysis Approach. There are 28 firms in the sugar industry operating in Tamil Nadu of which 14 are under co-operative sector and classified as poor risky in all the selected years as per current and liquid ratio. The way of discrimination analysis employed is a useful exercise to determine the combined effects of various ratios. The study reveals that the overall liquidity position of the industry is satisfactory.

70. Determinants of corporate size, growth and profitability

Vijaykumar A. (1998) has examined the determinants of corporate size, growth and profitability the Indian experience. This study emphasized that the growth has been found to be significantly associated with profitability. To meet the objective of the study, Indian public sector industries were selected. The data relating to size, growth and profitability were collected from their annual reports published by the Bureau of Public Enterprise (BPE), Government of India. The study covers the period 1980-81 to 1995-96. The technique of average, correlation and linear and multiple regression analysis has been used in this study. Inter industry analysis reveals that the growth was positively and significantly associated with the size in all the industry groups except textiles.

71. Profitability size of firm in Indian minerals and metal industry

Vijaykumar and Kadirvelu (2003) studied the profitability and size of firm in Indian Minerals and Metals industry. Generally, it is suggested that the larger the firm may be in a position to earn a higher rate of return on its investment than the smaller firm similar, a counter argument is that size breed's inefficiency and hence profitability may decline with size of firms. Thus, they find that some theoretical arguments suggest that profitability should increase with the firm size, others suggest a negative relationship. It is in view of these contradictory suggestions, that it become necessary to study
the relationship between size and profitability of the firms. For this purpose, Indian public sector minerals and metals industry has been selected. The study reveals that size was found to be significantly associated with the profitability during the study period. It is also evident from the analysis that size was positively associated with the profitability. Thus, large firm may be in a position of earn higher rate of return on investment through diversification and moving into higher technology.

In subsequent chapter No. – 3 research methodology adopted is discussed. All research work become useful as and when appropriate and relevant methodology is used. A chapter of methodology clarify the process adopted by the researcher.