CHAPTER - 3

OPERATIONAL DEFINITION OF THE KEY TERMS CONSIDERED IN THE STUDY
3.1. KEY TERMS, REGARDING PHYSICAL AND PSYCHOLOGICAL VARIABLES.

**Investment Decision**: It is a decision to commit funds in long term activities in anticipation of an expected flow of future benefits. The decisions are very much important to the firm because they influence the firm's wealth, determine its size, set the direction of its growth and affect its business risk (Pandey, 1979; Kuchhal, 1988). For the purpose of the present study, decision to commit funds in the leased water reservoir has been regarded as investment decision.

**Leasing**: It is a contract whereby the owner of the asset grants to another party the exclusive right to use the asset, usually for a specified period of time, in return for a specified payment of rent (Van Horne, 1988). For the purpose of the study, the asset includes ponds or water reservoir which is acquired by the fish farmer from the owner through leasing.

**Lessee and Lessor**: A lessee is a party who acquires the asset on lease. A lessor is the owner of the asset who grants to the lessee the right to use the asset. For the purpose of the present study, fish farmer is considered as lessee who has acquired the right to use the pond or water reservoir on the basis of the lease agreement.

**Inland Fish Farming**: Inland fish farming represents aquaculture which comprises culture of fast growing water fish in -

i) Ponds and tanks

ii) Lakes and reservoirs

iii) Static water including swamps
For the purpose of the present study only those fish farms are considered where aquaculture originates, grows and develops in the ponds — static water reservoirs which are acquired by the fish farmer on lease.

Fish Farmer: A fish farmer is one who is engaged in inland fish farming. In this study, only those fish farmers are considered who are engaged in the process of developing spawn to fingerlings.

Success of the Lessee: Good financial health of the fish farm is considered as the effect of success of the respective lessee in his investment decision. A success index scale (SIS) has been constructed on the basis of the financial performance of the fish farm which, in its turn, determines objectively the success of the lessee in taking the decision. The lessees, the scores of which lie below $P_{33.33}$, between $P_{33.33}$ to $P_{66.67}$ and above $P_{66.67}$ in the distribution of success score have been considered in the study as unsuccessful (US), Moderately successful (MS) and highly successful (HS) respectively.

Achievement Motivation (n-Ach): It refers to the need to achieve, i.e., individual's desire to compete with some standard of excellence and success in performance. A high achiever should set his level of aspiration differently than a person whose n-Ach is relatively low (Atkinson, 1957; Pandy & Tewary, 1979).

Personality factors: In the study it refers to the following 16 personality factors (P.F.) as described by Cattell (Form-C,1962).
Risk-taking disposition: It is an attitude to take risk which is precisely the expression of one's value for risk (Wallach and Wing, 1968). It is an important domain of psychological value which influences the performance style of an individual (Brown, 1965; Bazerman, 1986).

3.2. KEY TERMS REGARDING DEMOGRAPHIC AND SOCIAL VARIABLES

Social and other environmental variables: Operationally these variables include age, caste, family structure, experience, religion, etc.

3.3. KEY TERMS REGARDING FINANCIAL VARIABLES

Financial Statements: Financial statements usually include income statement (or profit and loss account) and financial position.
statement (or Balance sheet). Profit and Loss Account is a condensed and classified statement showing the result of the operations (Profit or loss) of the concern during a particular accounting period. This statement is helpful in measuring the economic performance of an enterprise. On the other hand, the Balance sheet is a statement of assets and liabilities of a concern on a particular date from which the financial position of the concern is reflected. For the present study, required financial data have been collected from the financial statements of the fish farms for ratio analysis.

**Ratio Analysis:** A ratio is the mathematical expression of the relationship between two accounting figures. The ratio establishes a quantitative relationship and is used to make a qualitative judgement. 'Analysis and interpretation of various ratios should give experienced, skilled analysts a better understanding of the financial condition and performance of the firm than they would obtain from analysis of financial data alone' (Van Horne, 1988). For the purpose of the present study, six financial ratios for four successive periods (1986-87 to 1989-90) have been considered to determine the success score of each fish farm, representing its financial health.

**Financial Health:** Financial performance of a concern as judged by the analysis of stipulated ratios for a particular time span is considered as the financial health of the concern. General trend of the business, i.e., the improvement or deterioration of the economic performances including solvency position of a concern can well be judged through the technique of financial ratio analysis (Kaveri, 1980). In present study, financial health of each fish
farm has been determined objectively on the basis of stipulated profitability, solvency and activity ratios.

**STIPULATED FINANCIAL RATIOS CONSIDERED IN THE STUDY**

**Gross Profit Ratio (GPR):** It is calculated by dividing gross profit by sales and multiplied by 100.

- Gross profit is the excess of sales over cost of goods sold.

This ratio measures the efficiency of producing each unit of product. Higher ratio implies better efficiency in producing goods.

**Operating Net Profit Ratio (ONPR):** It is calculated by dividing operating net profit by sales and multiplied by 100.

-- Operating net profit is the excess of operating income over operating expenditure.

This ratio serves as an index of overall efficiency. Higher ratio indicates better operating efficiency.

**Current Ratio (CR):** This ratio is determined by dividing current assets by current liabilities.

- Current assets include cash in hand and at Bank, Sundry debtors, bills receivables, stock etc.

- Current liabilities include sundry creditors, short term loan, Bank overdraft, outstanding expenses etc.

This ratio measures the short-term solvency position of the concern. Too high ratio indicates excessive accumulation of current assets while too low ratio signifies a position of poor liquidity. Both the situation reflect inefficient management.
Fixed Asset Turnover (FAT) : It is calculated by dividing sales by net fixed assets.
- net fixed asset means the depreciated value of fixed asset.

This ratio measures the efficiency of the firm in generating sales through the use of the fixed assets. A high ratio indicates efficient management and utilisation of fixed assets.

Working Capital Turnover (WCT) : It is calculated by dividing sales by net working capital.
- net working capital is the difference between current assets and current liabilities.

This ratio measures the efficiency of utilising the working capital in generating sales. Too high and too low ratio reflects inefficient management of working capital.

Labour cost of sales Ratio (LCSR) : It is calculated by dividing direct wages by total sales and multiplied by 100. Lower ratio indicates better efficiency in labour management.

* In the study, water reservoir acquired by the fish