Review of Literature
CHAPTER-II

REVIEW OF LITERATURE

INTRODUCTION

The review of literature guides the researchers for getting better understanding of methodology used, limitations of various available estimation procedures and data base 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 with 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 large number of research studies have been carried out on different aspects of the working of public and private sector by the researchers, economists and academicians in India. Different authors have analyzed financial performance in different perspective.

A review of these analyses is important in order to develop an approach that can be employed in the context of the study of selected Manufacturing Enterprises viz. Paper, Cement, Sugar, Steel, Minerals and Metals, Coal and Lignite, Power, Petroleum and Chemicals and Pharmaceuticals. Therefore, the present chapter reviews the various approaches to the study on financial analysis and performance.

Nizam Mohammed (1985)\(^1\) in his study entitled “Indian Paper Industry: Heading for a Bright Future” has analyzed the causes of low capacity utilization during the 1970s. He observes that the major problem which causes the relatively low capacity utilization include the shortage of raw materials, inadequate supply of power, coal and transport bottlenecks. He has also observed that the capacity utilization in paper industry is influenced by several factors.
Bansal and Gupta (1985)² in their study entitled, “Financial Ratio Analysis and Statistics” enlightened that the coefficient of variation in the study period had a wide gap varying between 7.1 per cent and 51.3 per cent for current ratio and ratio of fixed assets to sales. The correlation of components of short term liquidity ratio generally possesses low correlation as against long term solvency ratio components but the components of both ratios independently possess quite satisfactory correlation in cotton textile industry. The profitability ratio elements in the industry also have quite high correlation in cotton industry as compared to synthetic industry.

Arun Ghosh (1987)³ in his article entitled “Education and Environment Contribution of the Paper Industry” has reported that the growth of the paper industry was impressive and that the annual growth rate over the period 1951-1986 was 8.7 per cent for capacity and that of production, 7.4 per cent. He has observed that the overall capacity utilization had been declined from ninety six per cent in 1951 to sixty per cent in 1986. He has also observed that the capacity utilization was not in accordance with the growth of capacity of the paper industry.

Kulkarni (1989)⁴ in his article entitled “Paper and Paper Board” has examined the capacity utilization of the Indian Paper Industry during the two decades. He has observed that the capacity utilization declined very sharply from 823 per cent to 66.4 per cent during the first decade and to 60.41 per cent during the second decade of the study. He has further found the installed capacity was increased to 28.51 lakh tonnes per annum during the year 1988 as against the installed capacity of 9.54 lakh tonnes in the year 1971. The production of paper and paper boards was also increased in a similar manner as from 7.75 lakh tonnes to 17.20 lakh tones during the same period. Thus, it is noted that the capacity utilization of the paper industry has an inverse relationship with the installed capacity and production.
Khan and Mohol Tutail Khan (1990)\textsuperscript{5} in their study, “Paper Industry: An appraisal” pointed out that the paper industry is a highly capital intensive industry. Due to steady rise in the cost of inputs, heavy overheads, paucity of power and adverse impact of control orders over the industry, this industry has been unable to function vigorously. They have selected some of the important companies for the analysis during the period 1980-81 to 1985-86. The statistical analysis shows that the profitability of these companies during the period under review is not satisfactory. The profitability of these companies has been hampered because of controls over prices and production of printing paper. The study concluded that the control over price and production of printing paper should be removed.

Praveen Kumar Jain (1993)\textsuperscript{6} conducted a study among seven paper companies in India to “Analyze the basic components of Working Capital”. The study revealed that the current ratio in public sector undertakings during the study period was found to be highly erratic while the same in private sector undertakings registered continuous decrease. As far as the inventory was concerned, the study revealed that it was highly unplanned in public sector undertaking units when compared to private sector units. The study contributed much in terms of realizing the importance of effective management of working capital.

Srinivasa Rao and Indrasena Reddy (1995)\textsuperscript{7} in their study entitled “Financial Performance in Paper Industry- A Case Study” stated that the financial position of the company had been improving from year to year. The company’s performance in relation to generating internal funds in the form of reserves and surplus was excellent and also was doing well in mobilizing outside funds. The liquidity position of the company was sound as it was revealed by current and liquid ratios which were above the standard. The solvency ratios showed that the company had been following the policy of low capital gearing from 1990-91 as these ratios had been decreasing from this year. The performance of the company
in relation to its profitability was not up to the expected level. The company’s ability to utilize assets for generation of sales had not been improved much during the study period as it was revealed by its turnover ratios.

**Sukamal Datta (1995)** in his study entitled “Working Capital Management through Financial Statements: Analysis of Paper Industry in West Bengal” found that most of the firms were suffering from shortage of working capital. One of the primary causes of such shortage of working capital was that most of the firms under study were not capable of earning adequate profit and were also suffering from losses. The expansion of fixed assets also caused the working capital crisis. The utilization of fund had not been covered by sufficient amount of fund by way of long-term investment.

**Roger M. Shelor & et al. (1998)** this study examines changes in “Operating Performance among Real Estate Investment Trusts” following an Initial Public Offering (IPO). The purpose is to determine whether there is an enhancement in the value of the underlying asset that is related to the IPO. They analyze equity, mortgage and diversified REITs separately. They also compare the operating performance of recent IPOs to those of earlier years to address the impact of the 1993 Revenue Reconciliation Act on institutional investors” demand for REIT stock. Unlike previous analyses of industrial firms, REITs were found to have significant increases in return on Assets and selected measures of financial performance. The post-IPO cumulative stock price decline and recovery is illustrated.

**Gangadhar (1998)** has made an attempt on “Financial Analysis of Companies in Criteria: A Profitability and efficiency focus” one of the objectives of the study is to analyze the liquidity position of the companies and to point out the factors responsible for such a position. It is concluded that the liquidity position was quite alarming since these are facing chronic liquidity problems. Their proportion current assets in relation to the current liabilities are very low.
It is suggested that, they may be improved by reducing excessive burden of current liabilities or increasing the level of current assets depending upon the requirements.

**Muhammad Rafiqule Islam (2000)**\(^{11}\) “Working Capital Management of Paper Mills in Bangladesh-An Overall View” concluded that all the units of the paper industry had failed to manage their working capital requirements properly. The reasons for working capital crisis were improper use of short-term funds, operating losses, over stocking to stores and spares; and non-availability of raw-materials.

**Harris (2001)**\(^{12}\) analyses the link between market orientation and performance has been claimed largely on the basis of the analysis of subjective measures of performance. Consequently, the aim of this study is to examine the links between market orientation and objectively measured financial performance. The paper begins with a brief examination of the definition and components of market orientation. Thereafter, extant research into the consequences of developing market orientation is reviewed critically, leading to the development of a number of research hypotheses. After detailing the research design and methodology adopted in this study, the findings of a survey of UK industry are presented. Briefly, the results indicate that when subjective measures of performance are adopted, market orientation is associated with company performance in certain environmental conditions. However, when objective measures of performance are adopted, there is a narrower range of environmental conditions where market orientation is positively associated with performance. The paper concludes with a series of implications for both theorists and practitioners.

**Mahes Chand Garg and Chander Shekhar (2002)**\(^{13}\) found that the asset composition is to be significantly negatively related with total Debt equity and long term dept equity in cement industries. Value of the assets and life of the company were significantly positively related to total debt equity. Life of the
company was significantly positively related with long term debt equity in cement industries. The regression coefficient of collateral value of assets was significant at 10 per cent level and was positively associated with total debt equity.

**Bortolotti & et al. (2002)**\(^\text{14}\) examine the financial and operating performance of thirty one national telecommunication companies in twenty five countries that were fully or partially privatized through public share offering. Using conventional pre-versus post-privatization comparisons and panel data estimation techniques, they find that the financial and operating performance of telecommunications companies improves significantly after privatization, but that a sizable fraction of the observed improvement results from regulatory changes-alone or in combination with major ownership changes-rather than from privatization alone.

**Sahu (2002)**\(^\text{15}\) in his article titled “A Simplified Model for Liquidity Analysis of Paper Industry” has examined the liquidity of paper industry. The model developed by him has been 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. The findings have revealed a very high predictive ability of the estimated discriminant function.

**Feroz & et al. (2003)**\(^\text{16}\) Ratio analysis is a commonly used analytical tool for verifying the performance of a firm. While ratios are easy to compute, which in part explains their wide appeal, their interpretation is problematic, especially when two or more ratios provide conflicting signals. Indeed, ratio analysis is often criticized on the grounds of subjectivity that is the analyst must pick and choose ratios in order to assess the overall performance of a firm. In this paper they demonstrate that Data Envelopment Analysis (DEA) can augment the traditional ratio analysis. DEA can provide a consistent and reliable measure of managerial or operational efficiency of a firm. They test the null hypothesis that there is no relationship between DEA and traditional accounting ratios as measures of
performance of a firm. Their results reject the null hypothesis indicating that DEA can provide information to analysts that is additional to that provided by traditional ratio analysis. They also apply DEA to the oil and gas industry to demonstrate.

**Anshan Lakshmi (2003)**17 made “A Study of the Financial Performance with Reference to Steel Industries Kerala Ltd”. This study covered from 1977-1998 to 2001-2002. The objectives of the study was to analyze and evaluate the working capital management, to analyze the liquidity position of the company, to evaluate the receivables, payables and cash management and to suggest ways and means to improve the present date of working capital. The major tools used for the analysis said that the working capital management suggested that the inventory management have to be corrected.

**Sudarsana Reddy (2003)**18 under took a study on “Financial Performance of Paper Industry in Andhra Pradesh” for the period from 1989-90 to 1998-99. The primary objective of the study was to analyze the investment pattern and utilization of fixed assets, ascertaining the working capital condition, reviewing the profitability performance and suggesting measures to improve the profitability. He concluded that the introduction of additional funds along with restructuring of finances and modernization of technology were needed for better operating performance.

**Sukudev Singh & et al. (2003)**19 undertook a study entitled “Status and Growth of Paper and Pulp Board Industry in North India – A Case study”. The study has revealed that due to the availability of raw materials and labour, eighty per cent of the mills are running with the optimum capacity utilization. The authors have observed that more than three thousand people have got employment in ten paper and paper board mills with proportion of thousand eight hundred skilled workers and thousand two hundred unskilled labourers. The authors
have found out that the major problem faced by the industry is frequent breakdown of paper production especially during the summer season due to scarcity of power supply.

Alovsat Muslimov (2005)20 “The Financial and Operating Performance of Privatization Companies in Turkish Cement Industry”. This paper examines the post-privatization performance of privatized companies in the Turkish cement industry. The findings indicate that, when performance criteria for both the state and private enterprises are considered, privatization in the cement industry results in significant performance deterioration. Total value added and the return on investment declines significant after privatization. This decrease mainly stems from deterioration in asset productivity. The decline in asset productivity, however, is not caused by an increase in capital investment, since post-privatization capital investment did not change significantly. Significant contraction in total employment and an increase in financial leverage after privatization are among the key research findings. Privatization through public offering, gradual privatization and domestic ownership are found to stimulate the financial and operating performance of firms.

Ooghe & et al. (2006)21 in their paper examine the financial performance of the acquiring firm after the acquisition, using statistical analysis of industry-adjusted variables. Their findings show that following: the acquisition, the profitability, the solvency and the liquidity of most of the combined companies decline. This decline is also reflected in the failure prediction scores. With respect to the added value, acquisitions are found to be accompanied by increases in the labour productivity, but this is caused by the general improvement of gross added value per employee of Belgian companies in the last ten years. So, it seems that, contrary to the general expectations and beliefs, acquisitions usually do not seem to improve the acquirer's financial performance.
Sudarsana Reddy & et al. (2006)\textsuperscript{22} Examined the internal funds availability for financing fixed assets in paper industry in Andhra Pradesh. The study found that the owner funds were insufficient to finance fixed assets and observed that fixed assets did not have significant relationship with the sales.

Vishnani and Shah (2007)\textsuperscript{23} investigated the impact of working capital management policies on the corporate performance of the India consumer electronics industry. They noted that inventory holding period, debtors" collection period and net working capital cycle had negative relationship on the profitability of firms. Whereas, the average payment periods positive correlation with profitability.

Krishnaveni (2008)\textsuperscript{24} studied the performance appraisal might be said that the adoption of liberalization measure and above suggestions would doubtlessly help the Indian chemical industry to improve their performance individually and other industry as a whole. This study also suggests that the policy of liberalization should further be strengthened. Thus, the dreams of our planners to accelerate the economic growth in the country are still possible to be translated into reality

Adolphus (2008)\textsuperscript{25} showed that there was a statistically significant relationship between measure of liquidity and selected measures of profitability, efficiency and indebtedness in Nigerian quoted manufacturing companies. The impact of one per cent increase in average liquidity measures produces a more significant increase in average profitability (21.9 per cent), efficiency (16.1 per cent) and indebtedness (16.6 per cent).

Burange & et al. (2008)\textsuperscript{26} deals with the “Performance of Indian Cement Industry - The Competitive Landscape”. The Cement Industry is experiencing a boom on account of the overall growth of the Indian Economy primarily because of increased industrial activity, and expanding investment in the cement sector. The industry experienced a complete shift in the technology of production. The competitiveness among the firms in Indian Cement Industry has also been
evaluated for the year 2006-2007, out of seventeen firms (90.21 per cent of the total market share), about 47 per cent have been recorded, above industry average performance in the overall competitiveness index.

**Ramanchandran and Janakiraman (2009)**\(^{27}\) analyzed the relationship between working capital management efficiency and earnings before interest and tax of the paper industries in India. The study revealed that cash conversion cycle and inventory days had negative correlation with earning before interest and tax. While accounts payable days and accounts receivable days related positively with earning before interest and tax.

**Pieter Van Beurden & et al. (2009)**\(^{28}\) reported the “Relation between Corporate Social and Financial Performance”. One of the older questions in the debate about Corporate Social Responsibility (CSR) is whether it is worthwhile for organizations to pay attention to societal demands. This debate was emotionally, normatively, and ideologically loaded. Up to the present, this question has been an important trigger for empirical research in CSR. However, the answer to the question has apparently not been found yet, at least that is what many researchers state. This apparent ambivalence in CSR consequences invites a literature study that can clarify the debate and allow for the drawing of conclusions. The results of the literature study performed here reveal that there is indeed a clear empirical evidence for a positive correlation between corporate social and financial performance. Voices that state the opposite refer to out-dated material. Since the beginnings of the CSR debate, societies have changed. It can therefore clearly state that, for the present Western society, “Good Ethics is Good Business.”

**Protopappa & et al. (2009)**\(^{29}\) reported that Financial flows are often frosted in a fragmented and discounted way from the physical product flow. Managers” false division from an operational point of view concerning inventory, service level of capacity needs. The implementation of such division influences
financial performance informs of profit margin working capacity requirements and return on investment. However, the interdependency of operational and financial objectives is rarely well understood. Such proactiveness has serious implication on the profitability of a company and its responsiveness to market needs. Therefore, companies increasingly acknowledge the importance of financial supply chain management as an effective way approved to optimize the working capital levels and to direct the cash flow efficient working capital allocation and visibility of accounts payable and receivables can achieve significant cost savings, enhance cash flow predictability and boost company performance.

Choi Jaepil & et al. (2009) examined the effect of a firm's relationship with its non-financial stakeholders, including its employees, suppliers, customers, and communities, on the persistence of both superior and inferior financial performance. In particular, integrating and extending the resource-based view of the firm and stakeholder management literatures, develops the arguments that good stakeholder relations not only enable a firm with superior financial performance to sustain its competitive advantage for a longer period of time, but more importantly, also help poorly performing firms to recover from disadvantageous positions more quickly. The arguments are supported by the analysis of a series of first-order autoregressive models. The findings further suggest that the positive effect of good stakeholder relations on the persistence of superior performance is not as strong as that of some other firm resources, such as technological knowledge, but it is the only factor examined that promises to help a firm to recover from inferior performance. Therefore, the role of positive stakeholder relations in helping poorly performing firms recover is found to be more critical than its role in helping superior firms sustain their performance advantage.

Kaur Raghvir & et al. (2009) observed that the factors determinant of Capital Structure - Experience of Indian Cotton Textile Industry. This study has
two objectives: First, to identify important determinants of capital structure and secondly to test for the applicability of trade-off and pecking order theories based on sample data drawn from the Indian Cotton Textile Industry for the five year period 2003-04 to 2007-08. Multiple Regression Analysis and Step-wise regression analysis have been carried out taking total debt to equity ratio as the dependent variable. Profitability, growth opportunities, liquidity and business risk turned out to be the most important determinants, followed by non-debt tax shield and uniqueness. Only firm size and asset structure, two of the eight explanatory variables of the study, were not found to be significant even at ten per cent level. On the basis of the signs of the regression coefficients trade-off theory has been found to be applicable, rather than pecking order theory, a position upheld by other empirical research works in the area.

**Sumathí (2009)**\textsuperscript{32} stated that the Indian Textile industry occupies an important place in the economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings. One of the earliest to come into existence in India, it accounts for 14 per cent of the total Industrial production, contributes to nearly 30 per cent of the total exports and is the second largest employment generator after agriculture. Profit earning is the aim of business. In the course of analysis of this study various Statistical techniques have been made. The Statistical techniques used are correlation, t-test, and Multiple Regression analysis to find out the relationship between the variable and to identify the factor influencing the profitability. Based on the analysis net sales and net profit have some relationship and working capital management was a highly influencing factor to find out profitability of selected textile companies in Coimbatore district. Companies must concentrate with other influencing factor for better profit of the company.

**Amalendu Bhunia (2010)**\textsuperscript{33} has undertaken an analysis of financial performance of pharmaceutical companies to understand how management of
finance plays a crucial role in the growth. The study covers to public sector drug & pharmaceutical enterprises listed on Bombay Stock Exchange (BSE). The study has been undertaken for the period of twelve year from 1997-98 to 2008-09. In order to analysis financial performance in terms of liquidity, solvency, profitability and financial efficiency, various accounting ratios have been used. Statistical measures namely Liner Multiple Regression Analysis and Test of Hypothesis – t test has been used.

**Dharmendra Mistry (2010)**\(^{34}\) in his study “A Comparison of Financial Performance of Major Gujarat Pharma” players through value added and economic value added”. The purpose of this study is to classify major Gujarat pharmacy players in cohesive categories on the basis of their financial characteristic revealed by the financial statements. The study also revealed that economic value added has also positive correlation with firm size, funds of proprietors, and funds of money lenders and have significant impact on economic value added.

**Gaur Jighyasu (2010)**\(^{35}\) focuses on the financial performance measures of business group companies of India non-metallic mineral products industries. The study uses financial data of fifty seven business group companies of Indian non-metallic mineral products industries namely cement, glass, gems & jewellery, refractories, ceramic tiles, over a period of ten years (1999-2008) and examines the firm”s financial performance using performance measures through Operating Profit and Return on net worth, the size, Leverage, Working Capital Ratio and Age of the firm are included as determinants of firm performance. Non-metallic mineral product categories consist of important industries of the manufacturing sector (which contributes almost fifteen per cent to the GDP) and three- four per cent to the GDP.

**Prasanta Paul (2011)**\(^{36}\) reported that “Financial Performance Evaluation - A Comparative Study of Some Selected NBFCs”. In this study, five listed NBFCs
have been considered for analyzing comparative financial performance. Different statistical tools like, Arithmetic mean, Standard Deviation, Coefficient of Variance, Correlation and Analysis of Variance have been used extensively. Arithmetic Mean (AM) is an ideal measure of central tendency, which is rigidly defined, easy to calculate, based on all observations and affected least by fluctuations of sampling has been applied in this study. It has been used to get a stable average and it is easy to understand the results of the study. It concludes that the selected companies differ significantly in terms of their financial performance indicators from one to another, may be for the different services they provide. There are no significant differences in the last five years in the management of financial performance of each selected NBFCs, except marginal deviation in some cases in the year 2006-07 may be for the effect of general recession in that period

**Neha Mittal (2011)**

studies the determination of capital structure choice of the selected Indian industries. The main objective is to investigate whether and to what extent the main structure theories can explain the capital structure choice of Indian firms. It has applied multiple regression models on the selected industries by taking data for the period 2001-2008. It examines the relevance of capital structure in selected Indian industries based on a regression analysis and data study. It concludes that the main variables determining capital structure of industries in India are agency cost, assets structure, non-debt tax shield and size. The coefficients of these variables are significant at one per cent and five per cent levels.

**Velmathi and Ganesan (2012)**

in their article entitled “Inventory Management of Commercial Vehicle Industry in India” reported that the overall analysis of inventory management of all units in the Indian commercial vehicle industry is very good. Among the firms in the commercial vehicle industry TML occupies the first place in the management of inventory. It is evidently proved through strong correlation between inventory and sales. FML”s average growth
rate of sales has been more than the growth rate of inventory which indicates that very good administration of inventory. The study concluded that the proper management of inventory is important to maintain and improve the health of an organization. Efficient management of inventories will improve the profitability of the organization.

Mehran Ali Memon and Izah Mohd Tahir (2012)\textsuperscript{39} in their study entitled “Performance Analysis of Manufacturing Companies in Pakistan” stated that the main objective is to examine the performance of fourteen manufacturing companies in Pakistan using financial accounting ratios. The study suggested as ENGRO being the largest company by total assets over three years (2006, 2007, 2008) spent more, making low sales, having less PBT and ROA than the other thirteen smaller companies: FCC being second largest company by assets it shows high sales, high PBT and ROA during the five year period. On the other hand, NRL being the fourth largest company by total assets shows highest sales in five years, lowest expenditures in 2010 as compared to other thirteen listed companies but it has decreasing PBT and ROA during the period under investigation. Finally, they concluded that in highlighted companies incurred higher expenses as a result of Expense Preference Behavior Theory and low productivity growth.

Kartik Chandra Nandi (2012)\textsuperscript{40} in his study “Trends in Liquidity Management and Their Impact on Profitability: A Case Study”. Made an attempt to observe the trend values of liquidity position of the company and study the correlation between liquidity and profitability. An attempt has also been made to establish the linear relationship between liquidity and profitability with the help of a multiple regression model. The study used various statistical tests viz. t-test, F-test and Durbin-Watson test and has been applied in order to test the significance of the results obtained. He concluded that the selected company always tries to maintain adequate amount of net working capital in relation to current liabilities so as to keep a good amount of liquidity throughout the study period.
**Amir Hossein Jamali and Asghar Asadi (2012)** in their study investigated the relationship between the management efficiency and the firms profitability for a sample of thirteen auto manufacturing companies listed on the Bombay Stock Exchange. The analysis is carried out using Minitab 14 and conducting Pearson Coefficient correlation test on variables of the study including Gross Profit Ratio and Assets Turnover Ratio. The central conclusion of the study is that profitability and management efficiency are highly correlated to each other and based on the results of the study recommendations for improving the management efficiency and profitability in this industry are suggested.

**Owolabi and Obida (2012)** in their article titled “Liquidity Management and Corporate Profitability: Case Study of Selected Manufacturing Companies Listed on The Nigerian Stock Exchange” an attempt is made to measures the relationship between liquidity management and corporate profitability using data from selected manufacturing companies quoted on the floor of the Nigerian Stock Exchange. The result of the study was obtained using descriptive analysis and the finding shows that liquidity management measured in terms of the companies Credit Policies, Cash Flow Management and Cash Conversion Cycle has significant impact on corporate profitability. They found that managers can increase profitability by adopting good credit policy, short cash conversion cycle and effective cash flow management procedures.

**Hima Bindu and Subrahmanyam (2012)** in their study dealt with the evaluation of earning power, analysis of operating efficiency, analysis of financial efficiency and measurement of financial health of Dairy Industry in Andhra Pradesh using Z score analysis. The financial health of Amrit Corp Limited, GSKCH Limited, Heritage Foods India Limited and NDDB differs and these companies fall under too healthy zone. The financial health of Ravi Leela Dairy Products Limited is in danger and the unit is considered to be in bankruptcy zone. Its failure is certain and it would occur probably within a period of two years.
**Venkataramana and Ramakrishnan (2012)**\(^{44}\) evaluate the profitability and financial position of selected cement companies in India through various financial ratio and applied correlation, mean, standard deviation and variance. The study uses liquidity and profitability ratios for assessment of impact of liquidity ratios on profitability performance of selected cement companies.

**Seyed Mohammad Alavinasab and Esmal Davoudi (2013)**\(^{45}\) in their study examined the relationship between working capital management and profitability for listed companies on Tehran stock exchange. Hundred forty seven companies were selected for the period of 2005-2009. The effect of various variables of working capital management including cash conversion cycle, the current ratio, current asset to total asset ratio, current liabilities to total asset ratio and debt to total asset ratio on return on assets and return on equity are studied. Multivariate regression and Pearson correlation are used to test the hypothesis. The results of the statistical test of the hypothesis show a negative significant relationship exist between cash conversion cycle and return on assets and cash conversion cycle and return on equity. However, the relationship between current ratio and return on equity is insignificant.

**Hari Govinda Rao & et al. (2013)**\(^{46}\) in their study entitled “An Empirical Analysis on Financial Performance of Public Sector Housing Corporation in India: A Case Study of HUDCO”, stated that the main concept of their study is Profitability and liquidity management is of crucial importance in financial management decision. The most favourable financial performance could be achieved by a company that can trade off between profitability and liquidity performance indicators. The purpose of this study is to find out the financial position of and know the significance of them. Descriptive statistics discloses that performance of the selected unit in terms of liquidity, solvency and profitability position is very satisfactory and relatively efficient financial position is found in
all the cases. They suggested that both the institutions under the study should concentrate on financial profitability, especially unexplained variables in purpose of creating shareholders’ wealth.

**Vivek Kumar and Major Singh (2013)**\(^\text{47}\) conducted a study on “Profitability of Indian Banks – A Comparative Study of SBI and HDFC”. The study revealed that the various profitability ratios of two banks as the measure of profitability. The common denominator used for developing the various profitability ratios is business volume (deposits plus advances). The study analyses the published five-year data from 2007-08 onwards for the two largest banks, i.e., SBI- the largest public sector bank and HDFC- the largest private sector bank. The comparative analysis of the profitability of the two banks clearly reveals that there is a large difference between the profitability of the two banks. HDFC”s profitability is more than that of SBI.

**Dharmaraj and Kathirvel (2013)**\(^\text{48}\) in their study related to “Analysing the Financial Performance of Selected Indian Automobile Companies”, suggested that the financial performance of Atul Auto Ltd, Ashok Leyland, HMT Ltd, Tata Motors Ltd, and SML ISUZU Ltd are highly improved as compared to the group average value for all ratios. In India there is a huge scope for automobile companies. They are financially strong and they are growing at the rate of 17 per cent per annum and contributing to the Indian economy reasonably. Finally, the study provides companies with understanding of the activities that would enhance their financial performances. The results of this study imply that it might be necessary for all companies to take all required decisions to enhance their financial position.

**Moses Joshuva Daniel (2013)**\(^\text{49}\) in his study “A Study on Financial Status of TATA Motors Ltd” stated the main objectives to analyzing the overall financial status of the TATA Motors Ltd by using various financial tools. In order to analyze financial status in terms of Profitability, Solvency, Activity and Financial stability various accounting ratios have been used. It is cleared from the study that
the company’s financial performance is satisfactory. The company has stable growth and it shows a greater status in all the areas it works. The company has been suggested to reduce the expenditure as it increases every year. Decrease in expenses will increase the profitability.

**Kavitha and Palanivelu (2013)** main objectives of their study is know about the financial health of the steel industries and to analyze and compare the financial performances of NSE listed steel industries based on ratio analysis and „Z"Score (Altman/s model). They suggested that the companies’ try to increase production and sales get maximize profit to strengthen financial position of the NSE listed companies. The management may utilize maximum production capacity and reduce interest burden increase profit. The policy of borrowed financing in selected steel group of companies under study was not proper. So the companies may use widely borrowed funds and can try to reduce the fixed charges burden gradually by decreasing borrowed funds and enhancing the owner’s fund. They concluded that the companies might enlarge their equity share capital by issuing new equity shares. For regular supply of raw materials and the final product infrastructure facilities are required further improvement.
References


