CHAPTER - II

REVIEW OF LITERATURE

2.1 INTRODUCTION

Review of related literature is an important step in undertaking research. It helps in clarifying and defining the problem, stating objectives, formulating hypotheses, selecting appropriate design and methodology of research as well as interpreting the results in the light of the research work already undertaken. In this chapter, an endeavour has been made to provide an overview of various aspects of this study through the review of existing literature. The sources referred from various journals related to financial performance, working capital, cost analysis, leverage analysis, profitability analysis, capital structure in paper industry and also other manufacturing industries.

2.2 REVIEW OF LITERATURE

Yamuna et al., (2014) found that ratio analysis is a commonly used analytical tool for verifying the performance of a firm. It involves the calculation and comparisons of ratios which are derived from the information given in the company’s financial statements (balance sheet and income statement). This analysis plays an important role in determining the strengths and weakness of a company. Analysing financial statements showcases the true financial position of a firm. The purpose of this study is to analyse the liquidity position of TNPL, which portrays the firm’s ability to meet its short term obligations. To achieve this objective, data has been collected from secondary sources and ratio analysis is used as the statistical tool. Inferences from the study provide potential information to the creditors to determine whether a company will be able to continue as a going concern.

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Rajangam and Selvaraj (2012)\textsuperscript{5} observed that this paper aims to assess the profitability position of SPBL from the year 2001-02 to 2010-11. To evaluate the profitability of the company, relevant ratios were used and statistical tools like mean, standard deviation, coefficient of variation, minimum, and maximum were applied, and to test the significant relationship between the relevant variables, the variables were tested with the help of correlation and regression analysis (t-test). In hypotheses testing, most of the hypothesis showed a statistically significant relationship between two variables. Hence, it was concluded that the overall performance of Seshasayee Paper & Boards Limited regarding profitability was sound during the study period, the company's market is growing, and it was earning an acceptable return on invested capital, and it has good future opportunities for growth.

Yuvaraaj and Sasikumar (2013)\textsuperscript{6} suggested that financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of ‘analysis’ is to resolve or separate a thing into its element or components parts for tracing their relation to the things as whole and to each other. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm’s position and performance. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors & investors. Thus financial analysis helps to highlight the facts and relationships concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness of the company. This paper seeks to test the applicability of the Altman's "Z score formula" model in Tamil Nadu Newsprint Ltd and find out if it is used by the companies. Financial statements of TNPL Ltd., Karur were collected. Their Z score was calculated, compared with Z score cut off limit, and then grouped as either bankrupt or non-bankrupt. The grouping was


then compared with the current corporate situations. This paper highly recommends the adoption of the Altman model.

Kephar (2013)\textsuperscript{7} suggested that in the study of the analysis of financial statements of Tamil Nadu Newsprint Papers Limited, the leading world paper-mill with high quality, premium, surfacesized and non-surfaced sized writing and printing papers. It focuses on the inside of the present and forecast the future prospects of the company's operations in the present competitive environment other than to meet the basic objectives of the company in the stakeholders point of view of providing adequate dividends and safeguarding the assets of the company. The Analysis is based on the historical data of the company for the period of five years from year ended march 2005 to march 2009 by employing comparative, common size and trend analysis techniques. The study discloses a trend that indicates impressive future given the company maintains and keeps on improving the its operation with the continues innovation to keep up with the dynamism in the present era of production.

Madhavi (2014)\textsuperscript{8} explained that a well designed and implemented working capital management has a significant contribution for firm’s profitability as well as to maintain liquidity powers. The purpose of this study is to assess working capital adequacy and its impact on profitability; to investigate the relationship between profitability and liquidity of firms. Working capital refers to the firm’s investment in short term assets. The management of working capital is important to the financial health of business of all sizes. The amounts invested in working capital are often high in proportion to the total assets employed and so it is vital that these amounts are used in an efficient way. The management of working capital affects the liquidity and the profitability of the corporate firm and consequently its net worth (Smith, 1980). Working capital management therefore aims at maintaining a balance between liquidity and profitability while conducting the day to day operations of business concern. Inefficient working capital


management not only reduces the profitability of business but also ultimately lead to financial crises, Chowdhury and Amin (2007). The study aims to provide empirical evidence about the effects of in current assets and current liabilities of Andhra Pradesh Paper Mills Limited and Seshasayee Paper Mills Limited.

Rajangam and Selvaraj (2013) examined that this paper has attempted to study the financial health of west coast paper mill limited. The study unit is situated at Dandeli in Uttar Kannda district of Karnataka state near the banks of River Kali and it is one among the nineteen large size paper mills in the Indian paper industry. The period of the study covers twelve financial years from 2000-01 to 2011-12. To evaluate the financial health of west coast paper, Altman’s Z score model was used. It is observed that the overall financial health of the west coast paper is satisfactory during the study period.

Basavarajappa (2012) found that inventory Management and Inventory Control must be designed to meet the dictates of the marketplace and support the company's strategic plan. The many changes in market demand, new opportunities due to worldwide marketing, global sourcing of materials, and new manufacturing technology, means many companies need to change their Inventory Management approach and change the process for Inventory Control. Despite the many changes that companies go through, the basic principles of Inventory Management and Inventory Control remain the same. Some of the new approaches and techniques are wrapped in new terminology, but the underlying principles for accomplishing good Inventory Management and Inventory activities have not changed. The Inventory Management system and the Inventory Control Process provides information to efficiently manage the flow of materials, effectively utilize people and equipment, coordinate internal activities. Inventory Management and the activities of Inventory Control do not make decisions or manage operations; they provide the information to Managers who make more accurate and timely decisions to manage their operations. This study was conducted to investigate the inventory management

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practices followed by MPM limited. This study conduct to fill the gap in theoretical and empirical knowledge of Inventory management practices of paper manufacturing units. The data was collected using in-depth structured and non-structured interviews with senior managers, lower level managers, operational workers, site-observations and analysis of existing documented data sources. Validity of the data is ensured through triangulation. This qualitative research uses critical analysis of the facts to present aspects of the findings. The research findings reveal that manual operation of the inventory management process.

Almazari (2014)\textsuperscript{11} stated that the relationship between the Working Capital Management (WCM) and the firms’ profitability for the Saudi cement manufacturing companies. There were 13 Saudi cement manufacturing companies operating in the market. Only eight companies were included which listed in the Saudi stock exchange market (Tadawul) and were established before the year 2005 and the rest were excluded for the period of 5 years from 2008-2012. The study results showed that Saudi cement industry current ratio was the most important liquidity measure which effected profitability, therefore, the cement firms must set a trade-off between these two objectives so that, neither the liquidity nor profitability suffers. It was also found as the size of a firm increases, profitability increased. Besides, when the debt financing increased, profitability declined. Linear regression tests confirmed a high degree of association between the working capital management and profitability. The Saudi cement firms could strengthened their working capital in more efficient ways by adopting more advanced financial devices which helped to manage cash, accounts receivables and inventories and ultimately increased their profitability. There was much to be done about working capital in Saudi Arabia in future.

Yuvaraj and Perumal (2013)\textsuperscript{12} found that the empirical study on working capital management with special reference to Sakthi Sugars Ltd. The determinants that had effect on working capital derived from the literature of Ratio analysis and Cash conversion cycle. Working capital was a financial metric which represented operating liquidity available to a business, organization or other entity, including governmental entity. Along with fixed assets such as plant and equipment, working capital was considered a part of operating capital. Net working capital was calculated as current assets minus current liabilities. It was a derivation of working capital that was commonly used in valuation techniques such as DCFs (Discounted cash flows). If current assets were less than current liabilities, an entity had a working capital deficiency, also called a working capital deficit. A company could be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital was required to ensure that a firm was able to continue its operations and that it had sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involved managing inventories, accounts receivable and payable and also cash. By definition, working capital management entails short-term decisions generally, relating to the next one-year period which was "reversible". These decisions were therefore not taken on the same basis as capital-investment decisions (NPV or related, as above); rather, one measure would be based on cash flows, or profitability, or both. The cash flow was provided by the cash conversion cycle that the net number of days from the outlay of cash for raw material to receiving payment from the customer. As a management tool, this metric made explicit the interrelatedness of decisions relating to inventories, accounts receivable and payable and cash. Because this number effectively corresponds to the time that the firm's cash was tied up in operations and unavailable for other activities, management generally aims at a low. In this context, the most useful measure of profitability net count was return on capital (ROC). The result was shown as a percentage, determined by dividing relevant income for the 12 months by capital employed; return on equity (ROE) showed this result for the firm's shareholders. Firm value was enhanced when and the return on capital, which

resulted from working-capital management, exceeds the cost of capital, which results from capital investment decisions as above. ROC measures were therefore useful as a management tool in that they link short-term policy with long-term decision making. See economic Credit Policy of the Firm that another factor affecting value added (EVA). Working capital management was credit policy of the firm. It included buying of raw material and selling of finished goods either in cash or on credit. This affected the cash conversion cycle.

Weng et al., (2013)\textsuperscript{13} found that the qualitative factors, leisure and recreation, experience economy and cultural products affect the value-added of quantitative factors and builds the financial performance evaluation construction of the Hualien Tourism Sugar Factory redevelopment in Taiwan. The survey results indicated that the consumers' willingness to pay for living, food and beverage, leisure and recreation, experience economy, and cultural products for the Japanese dormitories renovation project respectively. Instead of traditional financial analysis, applying EVA evaluation to avoid the developmental value underestimated, the rate of return of this investment would be financially feasible and support the Industrial heritage revitalization plan.

Vijaya and Rama (2013)\textsuperscript{14} explained that working capital was considered the life-giving force to an economic entity and managing working capital one of the most important functions of corporate management. Working Capital Management (WCM) was the management of short-term financing requirements of a firm which includes maintaining optimum balance of working capital components - receivables, inventory and payables and using the cash efficiently for day-to-day operations. The main objectives of this study were to examine and evaluate the working capital management in Cement Industries Limited, examine the management pattern of inventory, liquidity position and receivables management. This also found the relationship between Working Capital Efficiency and Profitability.


Vallalnathan and Joriye (2013) identified that the impact of Working Capital Management (WCM) of the cooperative unions in Ethiopia was imperative. Although the impact of WCM on profitability had been studied by some researchers but appreciable efforts had not been made on the sectors of cooperative unions. Therefore, the present study was carried out to investigate the impact of WCM on the profitability of cooperative unions in East Showa, Ethiopia. The quantitative research approach was employed to accomplish the objectives of this study. The secondary data were collected from eight sample cooperative unions in East Showa, Ethiopia that fulfil the criteria of the data availability from the financial statement of the unions during the period from 1999-2003 Ethiopian Calendar (E.C.). Random effect multiple regression model was used to analyse the panel data for the standard determinants of working capital. The Generalized Least Square (GLS) estimator was used as an efficient estimator for the Breusch Pagan test. The most relevant impact of WCM on profitability of the unions employed based on a sequential regression approach with two alternative specifications of the models. The results showed that Average Collection Period (ACP) had a negative effect on the profitability of the unions and also indicated that as the unions decreased, ACP had increased the profitability of the unions. The results from regression Inventory Turnover Period (ITP) had a positive effect on the profit of the unions and also revealed that the comprehensive measure of WCM i.e. Cash Conversion Cycle (CCC) showed a positive effect on the profitability. This was mean that as the union increases, a period for cash conversion lead the unions to more profit. The regression results also indicated that there was a positive relationship between liquidity, which was measured by Current Ratio (CR) and profitability of the unions. The results showed a significant positive relationship between the size of the unions and its profitability and a positive relationship between debt used by the cooperative unions and its profitability. The results also delivered some insights on the impact of WCM on profitability of the unions in East Showa zone, Ethiopia. This could be intended to encourage and create conducive environment for cooperative unions to use working capital as a viable source of finance in order to meet their noble objectives. Finally, the focus should be placed on the relationship between

ownership and governance structure and their effects on the profitability of the cooperative unions left for further studies to be conducted in future. The beneficiaries of the results of this study was corporate finance academicians whose interest was in the area of impact of WCM on the profitability of cooperative unions, so that they consider the impact of these unique sectors and also help as a baseline for further studies and the cooperative managers to understand the relationship between WC and profitability for the management of the cooperative unions in Ethiopia.

Thapa (2013)\textsuperscript{16} examined that the working capital management of the Food and Beverage Corporations from the U.S.A. and Canada during the 10 years study period from year 2000 to 2009. Firstly, unlike previous studies which advocate a linear relationship between the working capital management and profitability, it investigated the existence of a possible non-linear relationship. Secondly, the efficiency of working capital management was checked using performance index, utilization index and efficiency index rather than using the conventional turnover ratios. Thirdly, the distribution of working capital measure i.e. cash conversion cycle and factors affecting viz. leverage, growth, size, age, cash flow and fixed assets to total assets ratio had been studied. The results suggested the existence of concave relationship between the working capital management and profitability. The findings also revealed that the corporations were efficient during the study period.

Srinivas and Saroja (2013)\textsuperscript{17} observed that the nationalization phase of the early 1970s brought some of the elite banks under the government’s control. The next decade heralded the second phase of nationalization with the merging of old private sector banks. The 1990s saw partial liberalization of the banking industry and the emergence of new private sector banks as well as international banks. During the next few years, fears of liberalization were put to rest and in the past decade the banking system had gained much from it. Liberalization brought out the best in the industry inducing competitive spirit among various banks. The present research paper was aimed to analyze and compare the


Financial Performance of HDFC and ICICI Bank and offer suggestions for the improvement of efficiency in select banks. For the purpose of analysis of comparative financial performance of the select banks, world-renowned, CAMELS model with t-test was applied. CAMELS stand for Capital Adequacy, Asset Quality, Management, Earning Quality, Liquidity and Sensitivity. The capital adequacy and Tier I capital ratio of ICICI and HDFC bank was more than the Basel Accord. The conclusion of both the banks was good with respect capital adequacy because it was above the Basel norms. The efficiency of HDFC Bank management was good because its NPAs were less than 0.5 for the study period from 2013 to 2012. The net profit, operating profit, return on net-worth, spread, liquidity and loans to total assets of HDFC bank had more compared with ICICI bank. Hence, HDFC bank earned more profits compared with ICICI bank. The total advances to customer deposit, debt-equity and burden of HDFC had less compared with ICICI bank and hence long term solvency was well in ICICI bank. The CAMELS’ analysis and t-test concluded that there was no significance difference between the ICICI and HDFC bank’s financial performance but the ICICI bank performance was slightly less compared with HDFC.

Senthilmani (2013)\textsuperscript{18} stated that Working capital management was given higher priorities by the corporate world. Companies which were effectively using their working capital components were likely to had competitive advantage over their competitors. The purpose of this research was to investigate the relationship between the working capital components and corporate profitability in different industries. The 60 manufacturing companies, 20 construction companies and 17 telecommunication companies listed on the London stock exchange was used for this research covering the period of 2006-2011. The dependent variable, profitability was measured using gross operating income. The independent variables were receivable days and payable days, inventory days, cash conversion cycle, debt, and size of the firm. The Pearson’s correlation and regression analysis were to explore the relationship between the profitability and the working capital components. The results showed that there was no significant relationship between the

working capital components and profitability. There was a negative relationship between gearing and profitability in manufacturing firms.

Rehman (2013)\(^{19}\) presented that sugar industry was the 2\(^{nd}\) most main industry of Pakistan after cotton. Pakistan was rich in the production of sugar, most of the production of sugar was consumed by the locals and surplus was exported. It was general concept that financial leverage and financial performance had positive relationship. The objective of the current study was to investigate the influence of financial leverage on financial and to investigate whether financial leverage had an effect on financial performance by taking evidence from listed sugar companies of Pakistan. The results of the study showed the mix results. The results showed that the positive relationship of debt equity ratio with return on asset and sales growth and negative relationship of debt equity ratio with earning per share net profit margin and return on equity.

Reddy and Reddy (2013)\(^{20}\) explained that financial distress was a situation where a firm’s operating cash flows were insufficient to satisfy current obligations and the firm was forced to take corrective actions. A firm in financial distress may also face bankruptcy or liquidation to meet its liabilities. Financial Distress may be caused by losses and dividend reduction. This paper used the Altman’s Z-score model to predict the risk of financial distress of select sugar manufacturing units in Andhra Pradesh, India. The results clearly indicated that the liquidity, working capital turnover efficiency and solvency position of the companies was not good. The Z-Score analysis also showed the companies were suffering from the financial distress and tending towards bankruptcy.

Rapheal (2013)\(^{21}\) stated that to evaluate the performance of Indian tyre industry in terms of various financial indicators, sales trend, production trend, export trend etc for the period of 2003-04 to 2011-12. The result suggested that the tyre industry had been passing through turbulent phases characterized by enhanced debt burden, low utilization of assets


and above all huge liquidity crunch. The key to success in the industry was to improve labour productivity, labour flexibility and capital efficiency.

Rabirou et al., (2013)\textsuperscript{22} examined that the financial performance of agricultural cooperative societies in Ibadan Metropolis, Oyo State; this as a way of ensuring impact on members and the communities of location. Primary data were collected from thirty (30) cooperatives through interview of principal officers using well structured questionnaire while secondary data were from the cooperatives annual reports. The analytical techniques used include descriptive statistics applied to financial aggregates and ratios and regression analysis. The financial aggregates analysed include current assets, current liabilities, cash and account receivable, and owners’ equity. The financial ratios were current ratio, acid test and equity to assets, debt to equity, debt to assets and current debt to equity. Cooperative’s structural and financial elements were hypothesized as determinants of cooperative financial performance. All variables except cooperative size had significant effect on financial performance. But years of operation and number of loans beneficiaries only had negative effect on performance. The study concluded on appropriate measures needed to improve cooperative financial performance.

Pouraghajan et al., (2013)\textsuperscript{23} investigated that full development and advance of working capital management had effective contribution in creating the value of companies. The purpose of this research was to provide empirical evidence about the effects of working capital management on viability of sample of listed automotive companies in the Tehran Stock Exchange. Data used in the study were given from financial statements of listed companies in stock during the years 2006 to 2010. In this study, three models were used. To investigate the effect of leverage degree (financial and operational), firm size and liquidity on profitability of companies the first model, the effect of inventory turnover on return on assets the second model and the effect of cash conversion cycle on return on assets of companies the third model was estimated. Results


from the first model estimation indicate that all studied variables had significant and positive effect on the profitability index of companies. The second and third model estimation also showed that inventory turnover and cash conversion cycle had significant and negative effect on the returns on assets.

Nadoni et al., (2013) stated that the present investigation was aimed at studying the relative economics of private and cooperative sugar factories in Belgaum district of Karnataka State during the year 2011-2012. The study was based on the primary data which was elicited from 120 sugarcane growers through survey method using structured questionnaire. Statistical tools like financial ratio, capacity utilization and unit cost of production were used to assess the relative performance of factories. The results revealed that the cooperative sugar factory performed better than private sugar factory based on the overall averages such as solvency ratios, turnover ratios and financial strength ratios. Whereas the overall averages of liquidity ratios viz. current ratio, acid ratio and liquid assets to total assets ratio except inventory ratio showed that Private sugar factory performed better than Cooperative sugar factory. The capacity utilization analysis revealed that Private sugar factory (67.71%) was more efficient as compared to Cooperative sugar factory (58.38%). It was found that the overall average of total cost of sugar processing was higher in Private sugar factory (Rs.1650.65/quintal) as against to Cooperative sugar factory (Rs. 1564.08 per quintal).

Manyo and Ogakwu (2013) found that the impact of liquidity on Return on Assets on 46 quoted firms listed on the Nigerian Stock Exchange from 2000-2009. Liquidity and its management determine to a great extent the growth and profitability of a firm because inadequate or excess liquidity may be injurious to the smooth operations of the firm. This had become a source of concern for business managers as bank loans were becoming too expensive to maintain as a result of tightening of both the local and international financial market and the reluctance of the public to invest in the shares of


companies sequel to the partial crash of the capital market. From the hypothesis test carried out, the result of the study showed that liquidity had a significant positive impact on Return on Assets (ROA) implying that a unit change in liquidity result into a corresponding increase in ROA. It was concluded therefore that managers increased profitability by putting in place good credit policy, short cash conversion cycle and an effective cash flow management procedures.

Malyadri and Kumar (2013) analyzed that Indian sugar industry was highly stragmented with organize and unorganized players. The unorganized players mainly produce Gur and Khandsari, the fess refined forms sugar. The sector had a number of transformational opportunities. These opportunities had remained largely untapped. The industry had the potential to cater to the large and growing domestic sugar consumption and emerge as a significant carbon credit and power producer. Further, the industry improved its cost competitiveness through higher farm productivity and by managing the domestic production variation through international trade with a focus on countries in the Indian Ocean. Thus, transformed sector would be less cyclical with greater alignment between sugar cane and sugar prices, and had stable diversified sources of revenue.

Lwiki et al., (2013) stated that manufacturing firms apply various techniques in the management of their inventories. The practices adopted had a significant impact on returns, profitability and volume of sales. Manufacturing firms that efficiently apply these practices had an excellent financial performance. This paper examined that the impact of inventory management practices on the financial performance of sugar manufacturing firms in Kenya, by analyzing the extent to which lean inventory system, strategic supplier partnership and technology are being applied in these firms. The research survey was conducted in all the eight operating sugar manufacturing firms from the period 2002-2007. The primary data was collected using structured and semi-structured questionnaires administered to key informants in the organizations. Secondary data was obtained from

annual financial performance statements available in the year Book sugar statistics. Descriptive statistics was used to test the impact of inventory management practices and Correlation analysis was used to determine the nature and magnitude of the relationship among inventory management variables. The results indicated that there exists a positive correlation between inventory management and Return on Sales ($r=0.740$) and also with Return on Equity ($r=0.653$) which were found to be statistically significant at 5% level.

Kumbirai, M. & Webb, R. (2013) investigated that the performance of South Africa’s commercial banking sector for the period 2005-2009. Financial ratios were employed to measure the profitability, liquidity and credit quality performance of five large South African based commercial banks. The study found that overall bank performance increased considerably in the first two years of the analysis. A significant change in trend was noticed at the onset of the global financial crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector.

Kaur et al., (2013) found that efficient management of working capital helped to avoid financial crises, thereby, increasing the profitability and enhanced the firm value. The present study analysed the working capital performance of 164 manufacturing BSE 200 companies classified into 19 industries over the period of 2000-2010 based on working capital score calculated by using normalized values of Cash Conversion Efficiency, Days Operating Cycle and Days Working Capital. The study explored abundant scope to increase the efficiency of 145 companies by improving the parameters of analysis. The improvements were bound to generate increased profits and profitability of leading corporate of India. The study tested the relationship between the working capital score and profitability measured by Income to Current Assets and Income to Average Total Assets. The results of the study support earlier studies revealing that efficient management of working capital significantly affects profitability.

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Innocent et al., (2013)\textsuperscript{30} presented that financial ratio analysis was a vital one since the profitability of an enterprise was directly affected by such decision. The successful selection and use of appropriate financial ratio was one of the key elements of the firm’s financial strategy. Hence, proper care and attention need to be given while such decision was taken. The purpose of this study was to examine the relationship between the financial ratio analysis and profitability of the Nigerian Pharmaceutical industry over the past eleven (11) years period from 2001–2011. These financial ratios analyzed immense potentials to help organizations in improving their revenue generation ability as well as minimization of costs. The researcher used five (5) variables for the analyses such as: Inventory turnover ratio (ITR); Debtors’ turnover ratio (DTR); Creditors’ velocity (CRSV); Total assets turnover ratio (TATR) and Gross profit margin (GPM). Profitability as a dependent variable was represented by Gross profit margin (GPM) while financial ratio analysis stands as ITR, DTR, CRSV and TATR for independent variables. Secondary data were obtained from the financial statements (Balance sheet and Profit and Loss account) of the selected quoted pharmaceutical companies’ financial statement. The data had been analyzed using descriptive research method and multiple regressions to find out the relationship between the variables. The results of the analysis showed that there is a negative relationship between all independent variables with profitability in the Nigerian pharmaceutical industry. It also revealed that debtors’ turnover ratio, creditors’ velocity and total assets turnover ratio had no significant relationship on the profitability of the company while only inventory turnover ratio shows a significant relationship with profitability. The results further suggested that only 17.8\% of the independent variables were determinant factors of profitability in the enterprises sampled while 82.2\% of the major factors were determined from other factors outside the independent variables. Based on the above premises, the researcher recommended that the inventories of the company should be checked and monitored more frequently by management to prevent out of stock syndrome or over stocking of their products. It was also recommended that creditors’ velocity should be at a point where the creditors and purchases are equal in order to take the advantage of credit facility and any discount associated with prompt

payment for goods to increase the profitability of the company. The management should utilize its assets efficient in generating more income for the company.

Ijaz et al., (2013)\textsuperscript{31} observed that since 1968, after the development of multivariate model, financial health of the corporate sector to predict their financial failure was heavily studied. Altman Z-Score was the most efficient model to judge the financial failure of the companies. This study used Altman’s Z-Score and current ratio to assess the financial status of sugar sector companies listed at Karachi stock exchange. Sugar sector was the second largest slice among all sectors listed at Karachi stock exchange. Total population sampling technique was used in this study and all thirty five sugar sector listed companies at KSE were included in this study to get the deep insights of the issue. State bank’s balance sheet analysis and companies’ financial reports were used to compile the data for the years 2009 and 2010. The results of the study showed that current ratio and Altman’s Z-Score are the reliable tool of assessing financial health of sugar sector listed companies of Karachi stock exchange. This study further explores that there are financially distressed companies among sugar sector listed companies.

Huda (2013)\textsuperscript{32} represented that ‘Z’ score analysis of co-operative sugar mills in Haryana in terms of their economic viability for the period of 2000-01 to 2009-10. This paper has been divided into four major segments namely Introduction, Methodology, Main Findings and discussion and finally Suggestions and Conclusion. The outcome indicates that co-operative sugar mills in Haryana needs quality management at all levels of activities to enhance their productivity and sugar production to overcome their financial losses. Attention is also required on the cost minimization at all levels. It is necessary for the Government to frame a sound and effective sugar policy, an also discourage the import of sugar by imposing high rate of excise duty on it and should be encouraged every possibility to crush more cane by relaxing in licensing for installation of new sugar mills and expansion in the old in India. For making co-operative sugar mills


economically viable Public Private Partnership (PPP) formulae should also be appropriate.

Govindarajan and ThamilSelvan (2013)\textsuperscript{33} explained that finance is the life blood of every organization. Finance act as a fulcrum to activate the operating and financial efficiency of every company. The efficiency can be judged with analysis made on financial statement. Financial performance analysis is made on a known Public sector under taking Neyveli Lignite Corporation Ltd to assess the operating and financial efficiency of the corporation. Ratios of solvency, profitability and activity have been used to assess the performance. In this present study it is proved that the corporation is sound in its efficiency.

Girei and Giroh (2013)\textsuperscript{34} found that the study was conducted to analyze profitability of sugarcane production in questionnaire survey where 120 farmers were randomly selected. Data collected were analyzed using budgetary technique. Analysis of the results indicated revealed that the cost of production of sugarcane per hectare which consist of both the total variable cost (TVC) and total fixed cost (TFC) per hectare were and N 20,959.accounting for 85.48% and 14.52% of the total cost of production. The gross farm income was N38, 625.83 while the NFI was N17, 666.83/ha. Similarly, the return/naira invested in the production of sugarcane by the out-grower farmers was No.84 implying a positive return of 84 Kobo on every N1 invested, showing that production is profitable in the short run. Recommendations were however made in the study.

George et al., (2013)\textsuperscript{35} found that the sugar industry plays a significant role in socio-economic development of the Kenyan economy and by the nature of its operations, faces a myriad of challenges as a result of financial risk exposure. With the liberalization of trade and free movement of financial assets, risk management through the use of


derivatives has become a necessity and despite enormous benefits that can be derived from using derivatives to manage financial risks, Kenyan sugar firms have not embraced their use to full potential and there is lack of a thriving derivative market locally due to limited number of derivative instrument and lack of knowledge of existence of the instrument. This research examined the effects of financial risks on profitability of sugar firms in Kenya. Financial risks examined included credit risks, interest rate risks and liquidity risks. Census research design was used where all the 48 finance officers of the 8 sugar firms registered by the Kenya sugar board were studied. Questionnaires were used to solicit data. Descriptive data was analyzed using frequency counts, percentages, and mean while inferential analysis was done using Pearson correlation analysis. The study established that, a significant, negative correlation existed between firms level of liquidity risk and firms profitability, \( r = -0.777, P< 0.01 \). A significant, strong, negative correlation between firms risk rating and profitability \( r = -0.689, P<0.01 \) and a strong, positive correlation also existed between firms efficiency of risk management and profitability \( r = 0.714, P< 0.01 \). This indicates that as the firm manages its risks more efficiently, the chances of loss are minimized hence higher profitability is realized. Financial risk management practices are therefore useful to sugar industry that operates in dynamic and competitive environments like Kenya. Liquidity risks have an effect on the profitability of sugar firms in Kenya and therefore the firms should ensure that they are financially stable so that there is smooth running of all operations. Since sugar firms extend credit to farmers in the form of seed cane, fertilizers, and other farm inputs, the firms should ensure constant monitoring of the credit through stringent internal credit control mechanisms. Firms should also try to reduce the sources of funding from loans by diversifying their activities like production of ethanol and being listed in the Nairobi securities exchange to supplement their capital to minimize the effects of fluctuations in interest rates on their profitability.
Ganesamoorthy and Rajavathana (2013)\textsuperscript{36} suggested that working capital management was very essential one for any organization. Poor working capital management will affect a company in many ways. If a company does not have sufficient liquidity, it will not be able to meet its short term financial obligations, it will decrease its profitability and some time it may lead to shutdown the business. In the study, an attempt was made to known the relationship between working capital management and profitability of selected automobile companies such as Tata Motors and Mahindra and Mahindra. The study found insignificant relationship between working capital management and profitability of Tata Motors and Mahindra and Mahindra.

\textit{Ejigu} (2013)\textsuperscript{37} presented that Dredging Corporation of India (DCI) undertaking the administrative control of department of shipping, ministry of shipping, road transport and highway incorporated in 1976 with the objective of integrated company & its turnover is Rs 550crores. Government of India disinvested part of its share in the company & its current holding 78.56 of equity of the company. DCI has grown tremendously & become one of the leading public sector undertakings in the country. Informatively, DCI is the 6\textsuperscript{th} largest dredging company in the world. DCI is pioneer organization in the field of dredging & maritime development. Dredging corporation of India is fully equipped to offer the complete range of dredging & allied services to the users in India & abroad & to provide the vital input for national development. Its head office is strategically situated on the east coast of India at Visakhapatnam. It serves the nation in a variety of ways, by capital dredging for creation of new harbors, deepening of existing harbors or maintenance dredging for upkeep of the required depth at various ports along the 7500 kilometers coastline of India. It is providing quality dredging services to major & minor ports, Indian navy, shipyard & other coastal organization. It has been fulfilling its social objectives. The company aims to be a global player, cost effective & self sustained. Exploring the possibility of entering into joint ventures & special purpose vehicles with


suitable partners both in India & abroad, to gain access for foreign markets & enhance technical skills of its personnel. As far as working capital is concerned, it has no problems; since it’s currently has substantial cash & bank balances. In DCI, the investment of cash balances in the form of cash bank deposit. It invests surplus cash & bank balance in bank deposit rather than other investment option, which is yield more return. In line with industry surveys and evidence gave by the company’s finance manager that companies over-invest in working capital. Given this evidence, it is imperative then to focus on what factors influence DCI working capital management. The industry practices, company size, future company sales growth, Executive compensation, and significantly influence the efficiency of a company’s working capital management. In what influences a firm’s management of working capital, discover during the interview with the finance manager that a company’s working capital policy is influenced by its industry’s working capital policies, its size, its expected sales growth, & etc have a significant influences on a firm’s working capital management performance. Given the above evidence that working capital management significantly influences company value; let now turn to the question of what factors influence a firm’s working capital management are the company’s working capital management practice, the size of the firms & the amount of the firm’s asset.

Dhevika et al., (2013)\textsuperscript{38} analyzed that financial Performance refers to the achievement of the bank in terms of profitability. Profitability of a bank denotes the efficiency with which a bank deploys its total resources to optimize its net profits and thus serves as an index to the degree of asset utilization and managerial effectiveness. In this article an attempt is made to find out the financial position of City Union Bank, borrowings of the bank, the liquidity position and solvency of the bank through ratio analysis. This study is for academic purpose.

Chellaswamy and Revathi (2013) observed that Sugar production in India has been cyclic in nature. An estimated 75 percent of the population depends on the sector either directly or indirectly. Sugar industry is also expected to develop further, thereby offering more employment opportunities to a number of semi-skilled and skilled workers in the rural areas of the country thereby contributing towards their development. The sugar industry also supports diversified ancillary activities and skills that support the local economy. The dependent population creates substantial demand for local goods and services. There are broad areas of public intervention that regulate the sugar market in India. First, both the Central and the State Governments set a price support for sugar cane. Next is by restrictions on sugar quantities to be sold in the market also impose on the sugar factories a so-called sugar levy, by which they are required to sell at below market price to the public distribution centers. There are 34 companies were included for this study among 119 universal companies. The data were appropriately tabulated and classified to analyze the tools like Annual compound growth rate, trend analysis by method of least squares. The productivity ratios and the production function were computed by Solow model. Multiple Regression analysis was used to ascertain its impact on variables and they were tested by 5% level of significance. The analysis reveals that the relationship between Raw Materials and other independent variables i.e. the Capital, Labour and Sales has contributed 99 percent on dependent variable of the companies which started after green revolution period. The growth of the northern region has positive growth in terms of output, capital employed and also there is better rainfall and irrigation in this region than that of the southern region. The trend line moves towards maximum in BHL companies. The average growth of sugar industry was slower in the southern region than that of northern region due to poor irrigation and rainfall. There is a need for improving the productivity and it can be done by improving the quality of labour compensation such as providing reward to their workers.

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Bose (2013)\textsuperscript{40} identified that the rapid and un-predictive business changes make the business markets all over the world more competitive and exert competitive pressures on the firms. It is characterized by considerable amount of uncertainty regarding the demand, market price, and availability of raw materials. The markets in which real firms operate are not perfectly competitive. Hence this necessitates the firms to have working capital to meet the demand. Working capital management is a very important aspect of corporate Finance. The study has been undertaken to examine the management of finance playing a crucial role in the growth. It is concerned with examining the structure of liquidity position and profitability position of six major sectors such as Auto ancillaries, Sugar, Pharmaceuticals, Engineering, Fertilizers and electric equipment. The research design followed for this study is descriptive research of the working capital management of the above sectors. For analyzing the data, an in depth research analysis and various statistical tools and techniques were used. The data for analysis is collected from the financial statements published in the annual reports and some of the data has been collected through interviews and questionnaire. It was found that the study of working capital management of the company is very effective and also the firm has to maintain the liquidity and solvency position to repay its obligations in time. The purpose of this paper is to examine the trends in working capital management and its impact on firms’ profitability. The dependent variable, return on total assets (ROTA) is used as a measure of profitability and the relation between working capital management is investigated for a sample of 30 manufacturing firms using panel data analysis for the period 2004-2012.

Bashir and Ahmad (2013)\textsuperscript{41} observed that the current paper aspires to explore further the impact of working capital management on profitability by considering recent statistics. For the stated purpose, a sample of 100 non-financial firms listed on Karachi Stock Exchange (KSE) for the period of 2005-2009 is considered. Inventory turnover in days (ITID), Average Collection period (ACP) and Average Payment period (APP) are used as components of working capital. Having used net profit after tax as a measure of profitability, study results show that managers can enhance profits of the firms by


mounting ITID and APP to an optimal level. The improved ITID increases sales of the firm while distended APP makes available the opportunity of short term investment.

Badar and Saeed (2013)\(^{42}\) examined that the impact of firm’s capital structure components and leverage on firm’s performance. Data of 10 firms of food sector is taken. All the firms are listed on Karachi stock exchange. Data duration of this paper consists of five years from 2007-2011. Variables used in this paper are assets turnover ratio, return on assets, current liabilities to total assets, long term debts to total assets and debt to equity ratio. Results are derived by applying multiple regression models. The results of this model show that here is a significant positive impact of long term debts on firm’s performance and significant negative impact of short term debts on firm’s performance. There is a negative relationship of firm’s leverage on firm’s performance. As firm’s leverage increases its performance decreases. There is a negative relationship between them. Results show that firms using high amount of short term debts are facing negative trend in performance. So, results indicate that firms must try to use long term debts to meet their daily needs.

Arunkumar and Ramanan. (2013)\(^{43}\) analyzed that the effect of working capital management on the profitability of manufacturing firms. The data analysis was carried for 1198 manufacturing firms listed in Centre for Monitoring Indian Economy for a period of 5 years. The relationship of debtor’s days, inventory days, creditor’s days, current ratio, ratio of current liability to total assets, assets turnover ratio, financial assets to total assets, and size with return on assets employed is analyzed in this study. The authors apply correlation analysis and group wise weighted least squares regression analysis to identify the effects of these variables on profitability. The correlation analysis shows that the firms’ profitability is highly influenced by the variables relating to assets. The positive relationship between profitability and debtors’ days and inventory days are


noted. Creditor’s days shows a significant positive relationship. The sensitivity analysis has to find out the range of return on assets to the given level of independent variables.

Andrew (2013)\textsuperscript{44} analyzed that working capital management efficiency was done on Mumias Sugar Company limited. Panel regression analysis was employed for period covering 2006 to 2011 to find the relationship between working capital management efficiency and profitability and liquidity in the sugar industry. The analysis was done to find statistical evidence to support or reject the two hypotheses. Result for panel regression indicated that profitability is negative but statistically insignificant. Liquidity is negative and statistically significant. This indicates that there is significant impact of Liquidity on working capital management efficiency. Beta coefficients associated with all the variables are statistically significant at 5% level. These variables explain around 84.6% of variation in working capital management efficiency. The remaining variables incorporated in the model explain only 15.4% of the variation. These facts conclude that Liquidity play a major role in on working capital management efficiency of the sugar-producing firms, while profitability do a dismal role.

Ahmad (2013)\textsuperscript{45} aimed to investigate the effect of working capital management on the operational liquidity position of diverse manufacturing firms listed on Karachi Stock Exchange, Pakistan. Descriptive statistics, Pearson’s correlation analysis and Pooled (OLS) analysis techniques are applied on the balanced panel data set of 148 manufacturing firms for the period (Jan. 2006 to Dec. 2011). It is found that tight credit policy, efficiency of inventory management, delayed payment policy and overall efficiency of working capital management have significant positive effect on firm’s operational liquidity position. But conservative strategy of investment in current assets and aggressive strategy of short terms financing are found to have negative effect on operational liquidity position of firms. The study suggested that operational liquidity position of listed manufacturing firms can be improved by using appropriate policies and


strategies of working capital management. This study can be extended by investigating the differences in working capital management efficiency and working capital policies across various industries and their effect on various measures of liquidity position of firms.

Agarwal and Banga (2013)\textsuperscript{46} investigated that the optimum capital structure has been defined as combination of both debt and equity that leads to maximum value of the firm and overall cost of capital is minimum. The importance of an appropriate capital structure is, thus, obvious. The capital structure decision can influence the value of the firm through the earning available to the share holder which maximize the shareholders wealth, capital structure can affect the value of the company by affecting either its expected earnings or cost of capital both. While it is true that financing-mix cannot affect the total earning of the firm as they are determined by investment decisions, it can affect the shareholders earning belonging to the ordinary share holders. Factors Influencing Capital Structure are 1. Economic Factors: State of capital Market, Policy of Term financing Institutions, Taxation. 2. Industry Factors: Stage of Life Cycle, Industry Policy. 3. Firm Specific Factors: Size of Business, Asset Structure, Stability of earning, Credit Standing. 4. Other Factors: Cost of Capital, Cost of floatation, Regulatory Norms etc. Some recent empirical studies have attempted to through light on capital structure issues. The primary purpose of the study is to obtain insights into the problem by the Sugar sector. On the basis of literature review up till now some of the specific objectives are to examine whether and how Capital Structure (Debt-Equity Ratio) effect of growth, profitability, Size, Business risk, non-debt tax of the firm. The study attempts to analyze the important determinants of capital structure in Sugar. The data for analysis are drawn from company’s office al websites for a period of 2002 to 2012; all the listed companies from sugar sector had taken for analysis. On the basis of regression model Multiple Regressions, ANOVA and t-test are applied to analyze the data. Asset structure (As) has negative relationship with leverage and debt service capacity (Ds), growth of the company (Gr) and tax-shield (Ts) have positive relationship with leverage.

Abbas and Habiba (2013)\(^{47}\) stated that the main purpose of this study is to analyze the impact of liquidity on the performance of sugar industry in Pakistan. The data were collected from the non financial companies’ analysis of the State of Bank in Pakistan for the period of six years covering 2006-2011. For the purpose of analysis used very famous software called SPSS and have used regression analysis for our study result purposes. According to the regression analysis the null hypothesis one is accepted because inventory is insignificant at 5% level of significance. According to the regression analysis the null hypothesis two is rejected because cash is significant at 5% level of significance. The results also show that cash has positive relationship with profitability of the firms. According to the regression analysis the null hypothesis three is rejected because debtors are insignificant. According to results debtors have negative relationship with profitability. According to the regression analysis the null hypothesis four is rejected because creditors have significant at 5% level of significance. The results show that rest of the all the variables are highly significant according to the t and p value of variables where current assets, sales are positively affecting the profitability but current liabilities are negatively correlated with profitability. These results also indicate that this sector must focus on this issue that they must reduce current liabilities and increase the current assets and sales volume for the better results.

Noronha and Thakor (2012)\(^{48}\) explained that the Indian Sugar Industry is marked by co-existence of different ownership and management structures. At one extreme, there are privately owned sugar mills in Uttar Pradesh that procure sugarcane from nearby cane growers. At the other extreme are cooperative factories owned and managed jointly by farmer. This article attempts to find the financial viability of sugar factories located in South Gujarat in India. It uses ratio analysis and discriminant analysis to give the actual prediction equation to classify new cases. There is tremendous scope for India to emerge as a significant player in the world sugar trade [milling and overheads] improvement. If we can make a fair degree of progress on agricultural efficiency [per hectare output of sugar and cost of production] as well as conversion efficiency, India will surely become a


major exporter which will stabilize the industry and reduce its cyclicality significantly, as well as open up new vistas of growth for the Indian Sugar Industry. An efficient and well managed future trading mechanism needs to be put in place to facilitate price discovering both for farmers and millers both in the domestic and global markets.

Yasir et al., (2012)\textsuperscript{49} the purpose of their research is to discuss growth of Sugar industry of Pakistan (2001 to 2009). In study the Paid-up-capital, Total numbers of Shares and Equity took as explanatory variables and Total Sales of sugar industry as Dependent variable. Same Method is applied for TA to check that to what extent TA is explained by Paid-up-capital, Total numbers of Shares, Sales and Equity. With the help of graphical representation the trends can be seen for Sales and profit, which is much easier to take value-added outcome that sales and profit is rising or declining since 2001 to 2009.

Vural (2012)\textsuperscript{50} identified that the working capital management has an important role for the firm’s success or failure because of its effect on firm’s performance and liquidity. The study is based on secondary data collected from 75 manufacturing firms listed on Istanbul Stock Exchange Market for the period 2002-2009 with an attempt to investigate the relationship between working capital management components and performance of the firms by using dynamic panel data analysis. The results demonstrate that firms can increase profitability measured by gross operating profit by shortening collection period of accounts receivable and cash conversion cycle. Leverage as a control variable has a significant negative relationship with firm value and profitability of firms. This means, increase in the level of leverage will lead to decline in the profitability of the firm and the value of the firm.


Venkatesan and Nagarajan (2012)\(^{51}\) found that India is among the top producers of all forms of steel in the world. Easy availability of low cost manpower and preference of abundant referrers make India competitive in the global set up. Finance is needed for day to day operation. Profitability is the profit earning capacity which is a crucial factor contributing for the survival of the firms. The profitability level should maintain at increasing level in order to overcome this problem. The data is purely based on secondary Profitability position is major determined by the direct and indirect expenses and two away ANOVAs of ROI of selected steel company was, there is a significant different on the selected steel company viz, they are maintaining different level of returns on their investment and correlation of sail to tata of Net Profit and bhushan to jsw of OP was positive it tells, they are maintaining similar level in the Net Profit a of sail to tata and jsw to bhushan of OP. finally tata, sail has got better first better performer in the area of earning power. Bhushan and jsw have got second better performer in the area of overall earning power. Visa’s financial position has a negative result of the study period. It is the drawback to get lost position in their analysis.

Usama (2012)\(^{52}\) found that to extend the Rehman and Nasr finding regarding Working capital management and its affect on profitability and liquidity of Pakistani firms. For the purpose of the analyses have been selected the other food sector and selected the data from 2006-2010 of 18 companies of this sector listed on Karachi Stock Exchange. For this purpose to examine the effect of different variables of working capital management like average collection period, average payment period, inventory turnover in days, cash conversion cycle, debt ratio, financial asset to total asset ratio, current ratio and net operating profitability. It used pooled least square regression and common effect model. It found that there is significant positive affect of working capital management on profitability and liquidity of the firms. Size of the firm and financial asset to total asset ratio have significant positive effect on firm’s profitability while average collection


period has significant negative effect on firm’s profitability. Size of firm and cash conversion cycle has significant positive effect on firm’s liquidity.

Uma Maheswari, and Reddy. (2012)\textsuperscript{53} found that Sugar Industry faces many problems such as fluctuations in the production due to inadequate availability of sugarcane and power failure. The profitability of the sugar industry is comparatively very low because of high cost of production. In fact, some units are incurring losses continuously. The industry has failed to retain more profits, consequently been forced to define more on external sources. Hence, it is necessary to study the working capital management practices in various sugar mills. To analyze the working capital management, the present study focused on Sri Venkateswara Co-operative Sugar Factory limited and Sagar Sugars & Allied Products Limited in Chittoor district of Andhra Pradesh.

Tehrani (2012)\textsuperscript{54} observed that in the contemporary world, with the rapid growth of commercial activities there is no doubt on the inevitability of existence of a performance evaluation system in all organizations. This necessity is so evident that the lack of an evaluation system is regarded as a symptom of the organization unhealthiness. Financial evaluations encourage companies to attain a higher level of performance by showing current financial position of a company in relation to other companies and creating a competitive environment. Such evaluations are also useful in reforming and improving weaknesses which is done through recognition of the strengths of performed activities. To this end, the present study has developed a model to evaluate corporate performance through data envelopment analysis and has examined the model on a group of companies. To do so, the means of financial performance for a five year period including: liquidity, activities, leverage, and economic added value are employed as input indices of Data Envelopment Analysis (DEA) Model and profitability ratios as output indices of the model. BCC input oriented covering model was used to rank the companies


under study. Besides, a group of 36 companies were employed as the sample in the present case study of which 9 companies were found as efficient and the remaining 27 companies were regarded as inefficient. Efficient corporate were further ranked by Anderson Peterson Model. Finally, the extent and causes of weaknesses of each company were expressed by the use of reference units and auxiliary variables.

Taghizadeh (2012)\textsuperscript{55} identified that working capital management is an essential part of the short-term finance of a firm. With an efficient working capital management, a firm can release capital for more strategic objectives, reduce the financial costs, and improve profitability. The present research studies the relationship of working capital management on performance of firms Listed in Tehran Stock Exchange (TSE). Average Collection Period, Inventory Turnover in days, Average Payment Period, Cash Conversion Cycle, and Net Trading Cycle were used to assess working capital management, and Net Operating Profitability was used to assess firm’s performance. The findings of studying 50 firms during the period between 2006 and 2009 by using an Ordinary Least Square Method (OLS) showed that there would be a negative and significant relationship between the variables of Average Collection Period, Inventory Turnover in day, Average Payment Period, Net Trading Cycle and the performance of firms Listed in Tehran Stock Exchange (TSE). There were no evidences to prove the existence of a significant relationship between Cash Conversion Cycle and the firm’s performance (NOP) for all years from 2006 to 2009. The results showed that the increase in Collection Period, Payment Period and Net Trading will lead towards the reduction of profitability in the firm. In other words, managers can increase the profitability of their firms reasonably, by reducing Collection Period, Inventory Turnover and Payment Period.

Shah and Laddha (2012)\textsuperscript{56} expressed that India stood first in sugar production country during the year 2001 – 2002 by producing 19.87 million ton of sugar. while


Brazil stood 1st in sugar production during 2002–2003 by producing 23.65 million ton of sugar followed by India producing 21.90 million ton sugar in the world using sugar cane as a raw material. There are 122 countries producing sugar with total quantity of 148.91 million tones in the world during 2002 – 2003, Using sugar cane & sugar beet as a raw material. The major sugar producing countries are Brazil, India, China, Thailand, Australia, Mexico, France & Germany.

Sathe (2012) found that the finance is life blood of business. The finance is most important function of the organization. Its unable to imagine a business without finance because it is central point of all business achieves. Its effective management can do much more to the success of the business while its ineffective management will undoubtedly lead to ensure failure of the business. In the past few years, the sugar industry has been facing several problems like mounting stocks, controls by the Government and underutilization of capacity. The financial Analysis of Sugar unit was done by using Ratio Analysis technique and analyzed previous five years financial statements from 2004-05 to 2008-09. It was observed that the particular unit needs to improve its liquidity position and should utilize its financial resources which is helpful for increasing the profitability of the sugar unit.

Ray (2012) stated that to measure the economic performance of Indian sugar industry in terms of capacity utilization measured econometrically at aggregate level over a period from 1979-80 to 2008-09. In this study, optimal output is defined as the minimum point on the firm’s short run average total cost curve and the rate of capacity utilization is merely ratio of its actual output to capacity output level. Under Choice theoretic framework, the results suggest that a significant variation in the capacity utilization rates over years within same industry was found. There has been diminishing capacity utilization growth rate in this industry during post reform period. The impact of liberalization on economic capacity utilization of Indian sugar industry is noticed to have significant negative impact.

Raheman (2012)\textsuperscript{59} observed that Working Capital Management and Productivity growth plays an important role in the performance and value creation of a firm. In order to analyze these two issues in detail for manufacturing firms of Pakistan, the objectives of the current study are to analyze sector-wise WCM and profitability of manufacturing sectors, to empirically analyze the impact of WCM on performance of manufacturing firms listed at Karachi Stock Exchange and also to estimate and compare this impact on sectoral basis, to estimate sector-wise total factor productivity growth and to decompose the TFP growth into technical change and efficiency change. The present study covers a period of 10 years from 1998 to 2007 for manufacturing firms listed at Karachi Stock Exchange (KSE). Secondary data is extracted from the annual reports of 204 selected firms belonging to 24 manufacturing sectors. The impact of WCM on performance of manufacturing firms and also on sectoral basis is tested by using panel data fixed effect model. Furthermore, TFP growth and its sources are estimated by Malmquist TFP Index based on non-parametric, Data Envelopment Analysis approach. Sector-wise WCM and profitability analysis have found divergence among sectors over study period. Oil & Gas Exploration & Refinery, Oil and Gas Marketing, Cement and Fertilizer sectors have the shorter CCC and NTC. All Textile sectors are among the laggard sectors in terms of WCM measures and operating profitability. In most cases, the CCC and NTC are driven by the inventory turnover of the firms. Regarding impact of WCM on performance of manufacturing firms we found that WCM has a significant impact on profitability of the firms and played a significant role in value creation for shareholders of manufacturing firms. The CCC, NTC and ITID have significant negative association with NOP. The negative association between ITID and NOP implies that keeping lesser inventories, increases profitability The negative association of ACP with NOP and positive association of APP with NOP are not proven in case of fixed effect model. It shows problem with the collection and payment policy in general for the manufacturing firms. The findings related to other variables of the model are presented in this research. Sector-wise impact analysis results of CCC model shows that the CCC has negative association with NOP for Automobile & Engineering, Chemical & Fertilizer and Textile sectors.

Sector-wise negative impact of ACP on NOP is only proven for the Synthetic & Leather sector. Regarding sector-wise estimated results of inventory turnover model, there exist negative impact of ITID on NOP for Automobile, Cement, Sugar and Textile sector where inventory management policy can play a significant role in enhancing performance. Sector-wise results of APP model reveal that positive association with NOP is proven in case of chemical & Fertilizer and Auto & Engineering sectors. It implies that for these sectors lengthening the payment period increases profitability and it does make economic sense because longer a firm takes time to make payments to credit suppliers, the higher level of working capital it reserves and use to improve profitability. The significant negative impact of APP on the NOP for Sugar and Allied sector implies that less profitable firms wait longer to pay their bills. Analysis of TFPG and its components in Pakistan’s manufacturing sector finds that the TFP for the overall manufacturing sector declined by -0.3%. Managerial Efficiency improved by 1.2% while technical (technological) change deteriorates by -1.5%. TFP and its components for manufacturing sector presents year-wise divergent trend and TFP declined in 5 out of nine years. TFP growth is mainly affected by technical change which is negative for nineteen out of twenty four sectors indicating that manufacturing sectors are lacking in terms of technological adoption. The Textile sectors are among the worst performers in terms of productivity growth over the study period mainly due to non-adoption of new technology. Other worst performers in terms of TFP growth are Power Gen. & Dist., Paper and Board, Tobacco and Vanaspati & Allied sectors. Year 2006-07 is the most crucial year for most of the sectors where TFP declined almost for all sectors.

Radhika et al., (2012)\textsuperscript{60} found that working Capital (WC) is regarded as the lifeblood of a business. It plays a pivotal role in keeping the wheels of a business enterprise running. However, the management of WC is a delicate area as it involves complex decision-making. Every organization whether profit oriented or not, depends on its size and nature of business needs requisite amount of WC. Sugar Industry in India is well developed with a consumer base of more than billion of people. It is also the second

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largest producer of sugar in the world. There is around 45 millions of sugar cane growers in India and a larger portion of rural labourers in the country largely rely upon this industry. This paper is a maiden attempt on the impact of working capital management on profitability using liquidity ratios, and turnover ratios. Correlation and regression models are applied to associate the relationship and estimate the association between explained and explaining variables. The regression model viz., measure of WC management shows that the ratios like Current Ratio and Inventory Turnover Ratio have highly significant positive coefficient with profitability while Quick Ratio has significant negative coefficient with profitability.

Patel and Mehta (2012)\textsuperscript{61} presented that the Financial Statements are generally prepared for the measurement of financial position of a particular company for a particular period of time. The financial statements i.e. (i) Profit and loss account and (ii) Balance sheet provide useful information regarding financial situation of company. The information has its own value, but if someone wants to have better judgment of the concern, he has to analyse them. This paper provides the guidelines about analysis of profitability ratio of Krishak Bharati Co-operative Ltd. located at Kawas-Hazira in Surat District.

Nidhyananth and Aarthi (2012)\textsuperscript{62} stated that the present study of the research entitled “a study on financial performance using the ratio analysis at kaleeswarar mills unit of national textile corporation Ltd”. The study was based on secondary data from records, reports and profile of the organization. The validity of any research is based on the systematic method of data collection analysis. The Ratio analysis is the process of identifying the financial soundness and cost effectiveness of the firm by establishing relationship between the items of balance sheet and profit and loss a/c. The present study has thrown major concentration in ratio analysis, from the 5years balance sheet and profit and loss a/c. An objective of the study includes the profitability, cost of goods sold and


other experience company overall financial performance of the company. Based on the five years balance sheet and profit and loss a/c suitable suggestion were given by the researcher for a better soundness and cost effectiveness of the company.

Narware (2012)\textsuperscript{63} identified that an accepted financial axiom is that the role of managers is to maximize the wealth by the efficient utilization of resources available to them. The management of Working Capital is one of the most dominant and challenging aspect of the overall financial management. Working Capital has acquired a great significance and sound position for the twin objects of "profitability and liquidity." The efficient working capital management is the most crucial factor in maintain survival, liquidity and profitability of the concerned business enterprise. In this paper an effort has been made to make a case study of Balrampur Chinni Mills Limited for assessing the trend of working capital management and also to suggest an appropriate audit program to facilitate proper working capital management in the Sugar Industry. For the purpose of investigation both primary and secondary data is used. The impact of working capital management on profitability has been examined by computing coefficient of correlation and multiple regression analysis between profitability ratio and some other statistical tools are included for prediction of working capital policy indicator ratios. The result reveals that there is a significance negative relationship between liquidity and profitability.

Mittal et al., (2012)\textsuperscript{64} observed that Indian cement industry is the second largest cement industry in the world. The paper attempts to examine the working capital trends on the basis of size of working capital, ratio of working capital to total assets, fitting trend line analysis, and correlation amongst the profit, sales and current assets. The present study opined that in India, cement industry has low level of profitability due to mismanagement of current assets and current liabilities. The main objective of working capital management is to arrange the needed funds at right time from the right sources


\textsuperscript{64} Mittal, S., Joshi, N. & Shrimali, K. (2012). Empirics on working capital management; a case of Indian cement industry. International Conference on Humanities, Economics and Geography (ICHEG'2012), Bangkok.
and for the right period so that tradeoff between liquidity and profitability may be realized. The study unearthed that the cement industry in India are failing to maintain the required level of working capital.

Menapara and Pithadia (2012)\textsuperscript{65} identified that as per current scenario corporate restructuring is one of the most widely used strategic tools. In daily news we come across frequently with the headlines of merger, acquisitions, takeover, joint venture, demerger and so on. Since last two decades as especially after, the liberalization and consequent globalization and privatization have resulted into tough competition not only in Indian business but globally as well. The present study is mainly based on secondary data. In order to evaluate financial performance, Ratio analysis, Standard Deviation and ‘t’ test have been used as tools of analysis.

Malviya (2012)\textsuperscript{66} focused that this paper is a conceptual analysis of working capital and its impact on profitability of an organization. Working capital is the most crucial asset. Working capital management is a very important component of corporate finance because it directly affects the liquidity and profitability of the company. It deals with current assets and current liabilities. There are two concepts of working capital: (i) Gross Working Capital, and (ii) Net Working Capital. In the broad sense, the term working capital refers to the gross working capital and represents the amount of funds invested in current assets. In a narrow sense, the term working capital refers to the net working capital. Net working capital is the excess of current assets over current liabilities, or say: Net working Capital = Current Assets – Current Liabilities. Working capital is the life blood and nerve centre of a business. Just as circulation of blood is essential in the human body for maintain in life, working capital is very essential to maintain the smooth running of business. No business can run successfully without an adequate amount of working capital. The optimal of working capital management is could be achieve by firm that manage the tradeoff between profitability and liquidity.

\textsuperscript{65} Menapara, M. & Pithadia, V. (2012). A study on financial performance of selected companies during pre-post merger and acquisition. Abhinav national monthly refereed journal of research in commerce & management, 1(11), 192-198.

Objectives of study and Research methodology helped in proving the research. Despite the constraints and limitations of the study, the Conclusions can help to overcome these problems and highlights the best possible use of various components of W. C. This is possible if latest techniques of management and cost accounting are used to manage these components.

Malik and Iqba (2012)\textsuperscript{67} found that management of working capital performs a very vital part in the performance of firms in sugar industry. This thesis tests the impact of working capital management on firm’s profitability in sugar industry of Pakistan for years 1999 to 2009. To analyze this, data of 19 sugar mills which are listed at Karachi Stock Exchange is used. The result shows that the Sales Growth, Current Ratio, Number of Days Inventory and Nourumber of Days Accounts Payables are significantly affecting the profitability of the firms while Sales, Gearing Ratio and Number of Days Account Receivables are insignificant in the research. Pearson Correlation and Multiple Linear Regression are used in this research to study the relationship between variables.

Mahesh and Prasad (2012)\textsuperscript{68} observed that mergers and Acquisitions are important corporate strategy actions that aid the firm in external growth and provide it competitive advantage. In today’s globalized economy, mergers and acquisitions (M&A) are being increasingly used the world over, for improving competitiveness of companies through gaining greater market share, broadening the portfolio to reduce business risk, for entering new markets and geographies, and capitalizing on economies of scale etc. This paper has focused on the performance of Indian Airline Companies after the consolidation of Airline sector in year 2007-08. The main objective of this paper is to analyze whether the Indian Airline Companies have achieved financial performance efficiency during the post merger & acquisition period specifically in the areas of profitability, leverage, liquidity, and capital market standards. Paired sample t - test has been performed to determine the significance differences in financial performance standards two year before and two year after the merger activity. In general, Airline


Companies merger in India does not bring significance difference on the financial performance after the merger. The finding of this study shows that there is no improvement in surviving Company’s return on equity, net profit margin, interest coverage, earning per share and dividend per share post-merger & acquisition.

Kumar and Arora (2012) stated that the inter-temporal and inter-state variations in technical and scale efficiency levels of Indian sugar industry. In the first stage, full cumulative data envelopment analysis (FCDEA) is used to derive efficiency scores for 12 major sugar producing states. The panel data truncated regression is employed in the second stage to assess the key factors explaining the observed variations in the efficiency levels. The results suggest that the extent of technical inefficiency in Indian sugar industry is about 35.5 percent per annum, and the observed technical inefficiency stems primarily due to managerial inefficiency rather scale inefficiency. Also, a precipitous decline in the level of technical efficiency has been noticed in the post-reforms period relative to the level observed in the pre-reforms period. The availability of skilled labour and profitability has been found to be most significant determinants of technical efficiency in Indian sugar industry.

Kumar (2012) found that the present study of the research entitled “A study on financial performance of sakthi sugars limited”, the details regarding the history and accounting policies of the company was collected through discussion with the company officials. The study was based on secondary data from records, reports and profile of the organization. The first page deals with the introduction about the project title “Financial performance” and profile of the company. And also deals with the scope, objectives and limitations of the study. The main objectives of the study is to make an analysis on the financial performance of the company for 5 financial Years (2006-11), to calculate profitability turnover & financial ratios to assess the financial position of the firm, to study the efficiency and liquidity position using ratios, to study the trend of financial performance.

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performance of the company, to assess individual financial segments and put forth the strength and weakness of the financial elements of balance sheet through trend analysis. Last part of the project deals with Analysis and Interpretation. The tools used in this study are ratio analysis, trend percentages of sales and net profit, common size balance sheet and comparative balance sheet. Tables are used for better understanding. Through ratio analysis the company could understand the Profitability, Liquidity, Turnover positions of the company. The comparative balance sheet reveals the comparison between the various year periods. And finally deals with findings, suggestions for the improvement of the company and conclusion. Findings of the study shows that the profitability position is good as the Net profit ratio have an increasing trend during the period of study.

Khan et al., (2012)\textsuperscript{71} stated that the effects of working capital management on firm’s profitability in Pakistan by using average annual cross sectional data from 2004 to 2009. Four different sectors namely textile, chemical, engineering and sugar and allied are considered. Inventory turnover, average payment period, current ratio, firm size, average collection period and debit ratio are used. Regression results indicate that average collection period has insignificant effects on profitability except in sugar and allied sector. At the same time debit ratio also has insignificant effect on profitability except in engineering sector. Furthermore average payment period has insignificant effect only in sugar and allied sector. Inventory turnover, current ratio and firm size has significant effects on profitability in all sectors. Sensitivity analysis confirms that the results are robust.

Kalra (2012)\textsuperscript{72} explained that the production function is the combination of the Labour and Capital. It is really a business concept that defines the maximum rate of output approaching from specified input rates of capital and labour. The least cost capital-labour combination for the production or the output rate would yield maximum profit,


\textsuperscript{72} Kalra, G. (2012). Study on indian sugar industry & estimation of the production of sugarcane & white sugar in the country using spss through cobb douglas model. \textit{Available At SSRN 2180416}.
and are not the objectives of this function. This function only shows that the maximum output should be obtained from any input combination. Economists use variety of functional form to describe the function, but the most frequently used function is Cobb-Douglas production function. It was proposed by Charles Cobb and Paul Douglas in 1928. It is widely used in economics because it has good properties and is representative of much production process. Almost every production manager is interested in maximizing his production. The attempts to minimize the cost or maximize production, subject to producing a specified output rate. In this sense estimation of production plays the crucial role for planning maximum production but the main problem is which procedure of estimation should be used for the forecasting of production. This problem seriously depends on the behaviour of production curve while Cobb-Douglas is a non-linear model and, therefore, the behaviour of this model is curvilinear. In this paper, the objective is to estimate the sugar production for the years to come. All the analysis is carried by using the Statistical Package for Social Science (SPSS). This is widely used statistical package for the linear and non-linear regression analysis. The behaviour of production is normally non-linear and can be analyzed through Cobb-Douglas function. This function consists of two independent variables i.e., labour and capital. In this software linear & non-linear regression analysis can be performed via Curve Estimation procedure, but Cobb-Douglas model is analyzed through nonlinear regression menu. During the model building of Cobb-Douglas, starting values of parameters are essential to be given. In production function Return to Scale refers to a technical property of production that examines the changes in output following proportional changes in all inputs. Usually many functions have a property called constant return to scale which means an increase of an equal percentage in all factors of production causes an increase in output of the same percentage. In the SPSS during the modelling of production function the assumption of the constant returns to scale is followed which is that the sum of parameters is an exponent (i.e., $\alpha$ and $\beta$) on capital and labour variables must be equal to one. Estimation procedure makes iterations & due to these iterations the models select the best parameters values for estimation. In this study, estimated model for sugar production of the country for the collected data was found to be satisfactory with some
diagnostic checks such as standard deviation of regression and coefficient of determination (R-square); all these practices followed by SPSS.

Gupta (2012)\textsuperscript{73} suggested that financial health is the Stepping stone for the economic activities in every business Enterprise. Financial health reflects the success of the sugar mills. The scenario circles around diagnosing the wealth health of sugar mill by peeping deep into the annual reports of the concerns. In this paper an attempt has been made to study the degree of financial health of the selected units with the help of Edward Altman’s Z-score model and the comparison of wealth health among the selected units with the help of statistical tools i.e. Mean, Standard Deviation and Coefficient of Variation. The study depicts the issues relating to the financial performance only. Non-Financial aspects like marketing; Personnel, etc. are not taken into consideration. The objective of the study is to ascertain the degree of financial health condition of the selected units and the success thereof.

Das (2012)\textsuperscript{74} identified that Management of working capital is a very common phenomenon of every business firm and is of great importance for its overall growth and decline. Working capital management decisions are related with current assets and current liabilities and also the short-term financing. Such decisions involve the relationship between firm’s short-term assets and its short-term liabilities. The main objective of working capital management is to assure the liquidity position of the company by proper controlling of adequate cash flow for meeting the short-term obligation and future operational costs. Excessive and inadequate working capital is harmful to the business. Therefore, for achieving the objective of the business, working capital should be managed in such a way that it controls liquidity and at the same time increases the profitability of the business. The present study is made to make a detailed analysis of working capital management of Hindustan Unilever Limited.

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Baveld (2012) found that how public listed firms in the Netherlands manage their working capital. A sample of 37 firms is used, which are among the fifty largest companies in The Netherlands. The working capital policies during the non-crisis period of 2004-2006 and during the Financial Crisis of 2008 and 2009 are compared. This comparison investigates whether companies have to change their non-crisis working capital policies when the economy is into a recession. The results of this study indicate that, in crisis periods, firms don’t need to change their working capital policy concerning accounts payables and inventory, if their goal is to enhance profit. For the working capital policy managing accounts receivables this is not the case. This is because during a crisis accounts receivables have a positive effect on a firm’s profitability of the next year. These results are on short-term basis. On the long-term, benefits of aiding customers during crisis periods are likely to grow, because future sales will still be there. Also the risks taken by these aiding firms are relatively low and for large reputable firms it is also relatively cheap.

Balasubramanian (2012) observed that Indian sugar industry, second largest agro-based processing industry after the cotton textiles industry in country, has a lion’s share in accelerating industrialization process and bringing socio-economic changes in under developed rural areas. Sugar industry covers around 7.5% of total rural population and provides employment to 5 lakh rural people. About 4.5 crore farmers are engaged in sugarcane cultivation in India. Sugar mills (cooperative, private, and public) have been instrumental in initiating a number of entrepreneurial activities in rural India. Present paper is an attempt as to review progress of sugar industry in India, understand its problems and challenges in context of ongoing liberalization process. Indian sugar industry can be a global leader provided it comes out of the vicious cycle of shortage and surplus of sugarcane, lower sugarcane yield and lower sugar recovery, ever increasing production costs and mounting losses. It needs quality management at all levels of

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activity to enhance productivity and production. Attention is required on cost minimization and undertaking by product processing activities.

Bagchi and Khamrui (2012)\textsuperscript{77} found that the purpose of this paper is to investigate the relationship between working capital management and firm profitability and to identify the variables that most affect profitability. Working capital management is considered to be a vital issue in financial management decision and it has its effect on liquidity as well as on profitability of the firm. Moreover, an optimal working capital management positively contributes in creating firm value. In this study, have selected a sample of 10 FMCG (Fast Moving Consumer Goods) companies in India from CMIE database covering a period of 10 years from 2000–01 to 2009–10. Profitability has been measured in terms of return on assets (ROA). Cash conversion cycle (CCC), interest coverage ratio, age of inventory, age of creditors, age of debtors and debt-equity ratio have been used as explanatory variables. Pearson’s correlation and pooled ordinary least squares regression analysis are used in the study. The study results confirm that there is a strong negative relationship between variables of the working capital management and profitability of the firm. As the CCC increases, profitability of the firm decreases and managers can create a positive value for the shareholders by reducing the CCC to a possible minimum level. There is also a stump negative relationship between debt used by the firm and its profitability.

Azhagaiah and Gejalakshmi (2012)\textsuperscript{78} presented that the objective of this study is to analyze the financial performance of banking sector in India by classifying the banks based on their financial characteristics. A total of thirty six banks (17 private and 19 public sector banks) were considered for analysis, and simple regression model was used to estimate the impact of asset management, operational efficiency, and bank size on the financial performance. The study reveals that the banks with higher total capital, deposits, and total assets do not always mean that they have better financial performance. The


overall banking industry is strongly influenced by asset utilization (ASSTUTZ), operational efficiency (OPEFF), log of asset size (Log of ASSTSIZ), in addition to return on assets (ROA) and interest income (INTINC). Private sector banks are positively influenced by asset utilization (ASSTUTZ) and operational efficiency (OPEFF) with interest income (INTINC). While public sector banks are strongly and positively influenced by operational efficiency (OPEFF), asset management (ASSTMGT), return on assets (ROA) and interest income (INTINC). This shows that public sector banks performed remarkably well during the period than that of the private sector banks. The overall regression analysis shows that the financial performance of the banking industry is strongly and positively influenced by the operational efficiency, asset management and interest income size.

Ashraf (2012)\(^79\) identified that working Capital Management has its effect on liquidity as well on profitability of the firm. In this paper a sample of the 16 Indian firms, listed on BSE including firms from different sectors of our economy for a period which extends to five years starting from 2006 to 2011 has been taken. An attempt has been made to examine the effect of different variables of working capital management including the Debt ratio, Average collection period, Inventory turnover in days, Average payment period, Cash conversion cycle and Current ratio on the Net operating profitability of sample firms. Descriptive and Regression are used for analysis. The results show that there is a strong negative relationship between variables of the working capital management and profitability of the firm except the sales (Size of the company). And also find that there is a positive relationship between size of the firm and its profitability. There is also a significant negative relationship between debt used by the firm and its profitability.

Arun Kumar et al., (2012)\(^80\) explained that financial ratio analysis is the selection, evaluation and interpretation of financial data in easier to understand ratios, which have

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been identified as critical indicators of financial performance of the business and can be used for strategy and decision-making. Financial ratio analysis is popularly used to compare a firm's financial performance over a period of time (trend analysis) or to assess performance in comparison to other businesses. A company should earn profits to survive and grow over a long period of time. Profits are essential, but it would be wrong to assume that every action initiated by the management of a company should be aimed at maximizing profits, irrespective of concern for customers, employs, suppliers are social consequences.

Almazari (2012)\textsuperscript{81} stated that to measure the financial performance of the Jordanian Arab commercial bank for the period 2000-2009 by using the DuPont system of financial analysis which is based on analysis of return on equity model. The return on equity model disaggregates performance into three components: net profit margin, total asset turnover, and the equity multiplier. Arab bank is one of the largest financial institutions in the Middle East and is ranked amongst the largest international financial institutions. The bank witnessed a continuation of challenges brought on by the global financial crisis. It was found that the financial performance of Arab Bank is relatively steady and reflects minimal volatility in the return on equity. Net profit margin and total asset turnover exhibit relative stability for the period from 2001 to 2009. The equity multiplier also show almost stable indicators for the period from 2001-2005 and the ratios declined from 2006-2009 which indicates that the Arab bank had less financial leverage in the recent years, which means the bank is relying less on debt to finance its assets.

Ajao and Nkechinyere (2012)\textsuperscript{82} observed that the existence of firms and ensuring the going concern gross depend on liquidity and working capital management of firms, to examine this, an Ex-post -facto research involving trend analysis of five years financial statements of five manufacturing companies was carried out using purposive sampling


Multivariate analyses were made to test the research hypotheses. The result however, indicated that each working capital component affected the company’s level of profitability at varying rates, but, these effects when pooled together are not significant. To facilitate the smooth running and/or effective management of working capital so as to enhance the level of profitability, it was recommended that the companies should adequately plan and control their operations, adjust the shortfalls as noted, consider the principles of finance in their decision making, employ the services of experts (analysts) in complex business areas, and conduct periodic stock taking if possible every two weeks.

Abbas (2012)\(^{83}\) found that the purpose of this study is to check the financial performance of the commercial banks of Pakistan by covering the period of five years from 2007 to 2011. The reasons for choosing this period is repaid growth of the banking sector of Pakistan and revolutionary change in financial performance of banks. There are more than twenty scheduled banks in Pakistan and out of those we have selected top five scheduled banks on the basis of their networks consist of more than 4000 branches. There are so many past studies in which the researchers used different financial ratio to check the financial performance of the Commercial banks such like Return on assets (ROA), Return on Equity (ROE), Return on Capital (ROC) and by using some other operating and efficiency ratios. But in this study, used another indicator for assessment of financial performance that is Return on Operating Fixed Assets (ROFA). Return on Fixed Assets indicates that how the banks are using their Operating Fixed Assets and what is the contribution of the Operating Fixed Assets in the performance of the banks. This study shows that banks having more Total Assets, Total equity and Total operating fixed assets have better financial performance or not. It is does not means that the banks having higher total assets, higher total operating fixed assets and higher equity have better performance.

Sunday (2011)\textsuperscript{84} stated that the need to maintain effective working capital management within Small and Medium Scale Enterprises (SMEs) remain pivotal to solvency and liquidity of SMES. Most SMES do not care about their working capital position, most have only little regard for their working capital position and most do not even have standard credit policy. Many do not care about their financial position, they only run business and they mostly focus on cash receipt and what their bank account position. For the purpose of this study, Standard working capital ratios were used to measure the effectiveness of working capital in the selected firms. The firms selected show signs of overtrading and illiquidity was on profit maximization without taken cognizance of payment of creditors. The firms exhibit low debt recovery over credit payment. It is recommended that for SMEs to survive within Nigeria economy they must design a standard credit policy and ensure good financial report and control system. They must give adequate cognizance to the management of their working capital to ensure continuity, growth and solvency.

Srinivasan and Sundari (2011)\textsuperscript{85} explained that the industrial growth of industrial output for the year 2010-11 is found to be 8.6 percent and that of the manufacturing sector registers a growth of 9.1 percent. The cement industry is one of the key industries in India. The production and consumption of cement to a large extent indicate country’s progress. It is a capital intensive industry, which means that competition is confined mainly to a small group of large industrial houses. The economic progress can be achieved by increasing the production coupled with improvement in the ways and means of productivity. This industry has recorded continuous growth since planning began. The government has a complete control over the Production, distribution and price of cement and this has dampened the Growth of the cement industry. The involvement of corporate managers, executives in decision making process would augment financial performance of the cement sectors in south India. Managers in cement industries have a variety of tools at their disposal to analyze the impact of alternative courses of action on costs,


revenues, and profits. In this study, the Z-score uses multiple corporate income and balance sheet values is used to measure the financial health of fourteen south Indian Cement industries. Three modes (Altman, Springate and Fulmer Model) of z-score are used in the present study in order to Measure the ‘Fiscal-Fitness’ of these companies. According to all three methods, few companies that are rated as failure from the sample of fourteen south Indian companies are: Rain Commodities Ltd. and Zuari Cement Ltd.

Quayyum (2011)\textsuperscript{86} found that to investigate the effects of working capital management efficiency as well as maintaining liquidity on the profitability of corporations. For this purpose, corporations enlisted with the cement industry of Dhaka Stock Exchange have been selected and the analysis covers a time period from year 2005 to 2009. The purpose of this paper is to establish a relationship which is statistically significant, the other purpose is to help explain the necessity of firms optimizing their level of working capital management and maintaining enough liquidity as it affects the profitability. The result of this study clearly shows significant level of relationship between the profitability indices and various liquidity indices as well as working capital components.

Pratheepkanth (2011)\textsuperscript{87} stated that Capital structure is most significant discipline of company’s operations. This researcher constitutes an attempt to identify the impact between Capital Structure and Companies Performance, taking into consideration the level of Companies Financial Performance. The analyze has been made the capital structure and its impact on Financial Performance capacity during 2005 to 2009 (05 years) financial year of Business companies in Sri Lanka. The results shown the relationship between the capital structure and financial performance is negative association at -0.114. Co-efficient of determination is 0.013. F and t values are 0.366, -0.605 respectively. It is reflect the insignificant level of the Business Companies in Sri


Lanka. Hence, Business companies mostly depend on the debt capital. Therefore, they have to pay interest expenses much.

Lingesiya and Nalini (2011) observed that management of working capital refers to management of current assets and of current liabilities. Firms may have an optimal level of working capital that maximizes their value. Prior evidence has determined the relationship between working capital and performance. The working capital was determined by the cash conversion cycle and position of working capital, indicated by the current ratio, quick ratio, and stock to current assets. The performance was measured in terms of profitability by return on total assets, and relationship between working capital management and profitability was investigated by using panel data analysis for a sample of 30 listed manufacturing companies for the period of 2006 –2010. Estimated equation by the panel data method to obtain the estimates of the parameter s of pooled model was applied for explanatory variables to measure their effect on firm performance. Results indicate that high investment in inventories and receivables lead to lower profitability and current assets to total assets lead to higher profitability. The results conclude that a strong relationship between working capital management and performance.

Kanagaraju (2011) explained that Indian sugar industry, second agro-based processing industry after the cotton textile industry in India, has a lion’s share in accelerating industrialization process and bringing socio economic changes in under developed rural areas. Sugar industry covers around 7.5% of total rural population and provides employment to 5 lakhs rural people. About 4.5 crore farmers are engaged in sugar cane cultivation in India. Sugar mills (co-operative, private and public sector) have been instrumental in initiating a number of entrepreneurial activities of rural India. Tamil Nadu public sector sugar mills incurred losses because its two mills are under the heavy interest burden on funds borrowed from the government and other public sector

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undertakings. Sector sugar mills could reduce the working expenditure, the sugar mills should also be allowed to diversify their operations to increase the revenues.

Duarte (2011)\(^9\) suggested that in the operations management field, operational practices like total quality management or just in time have been seen as a way to improve operational performance and ultimately financial performance. Empirical support for this effect of operational practices in financial performance has been, however, limited due to research design and the inherent difficulties of using performance as a dependent variable. In this paper, we tested the relationship between selected operational practices (quality management, just in time, ISO certification and services outsourcing) in financial performance outcomes of profitability and growth. A sample of 1200 firms, operating in São Paulo, Brazil, was used. Analysis using multiple regressions explored the direct effect of practices and their interaction with industry dummies. Results did not support the existence of a positive relationship with financial performance. A negative relationship of outsourcing with both profitability and growth was found, supporting some critical views of the outsourcing practice. A weaker negative relationship between ISO certification and growth was also found. Some interactions between practices and industries were also significant, with mixed results, indicating that the effect of practices on performance might be context dependent.

Desai and Joshi (2011)\(^{91}\) stated that working capital management is important part in firm's financial management decision. An optimal working capital management is expected to contribute positively to the creation of firm value. To reach optimal working capital management, the firm manager should control the trade-off between profitability and liquidity accurately. The purpose of this study is to investigate the relationship between working capital management and firm profitability. Cash conversion cycle is used as a measure of Working Capital Management. The coefficient results of pooled Ordinary Least Square (OLS) regression analysis provide a strong negative significant


relationship between cash conversion cycle and firm profitability. This reveals that reducing cash conversion period results to increase in profitability. Therefore, in order to create shareholder value, the manager should concern on cash conversion cycle till achieving optimum level.

De et al., (2011)\textsuperscript{92} observed that for saving considerable time and effort of the analyzers, it is necessary to select the most important financial ratios to be used for the financial analysis. To reduce the number of financial ratios and to find out the categories of financial ratios on the basis of empirical evidence, Factor Analysis technique is being used successfully by different researches during the last three decades. In this study Factor Analysis has been applied over audited financial data of selected cement companies of India for a period of 10 years. Initially 44 variables (financial ratios) grouped in 7 categories are selected for the study. Before conducting Factor Analysis, variables having low inter-correlation with the other variables are excluded. Factor Analysis, conducted over remaining variables, identifies 8 underlying categories (factors). Multiple Regressions Analysis is conducted taking the factor scores for each such factor as dependent variable and constituent variables as independent variables. Statically insignificant variables, evident from the regression analysis, are eliminated from the study. Factor Analysis conducted again over thus remaining 25 variables, resulted in 8 underlying categories with a few changes in their composition. To validate the results of Factor Analysis, Cluster Analysis is performed. Factors are named and representative ratios are identified for each of them.

Awan et al., (2011)\textsuperscript{93} stated that to determine the capital structure of listed firms in the sugar and allied industry of Pakistan. The study finds that a specific industry’s capital structure exhibits unique attributes, which are usually not apparent in the combined analysis of many sectors as done by Shah & Hijazi (2005). The study took 33 firms in the sugar sector, listed at the Karachi Stock Exchange for the period 1999-2004.


and analyzed the data by using pooled regression in a panel data analysis. Following the model developed by Rajan & Zingle (1995) it has chosen four independent variables i.e. firm size (measured by natural log of sales), tangibility of assets, profitability and growth and further analyzed the effects on leverage. The results, except for firm size and growth were found highly significant.

Sim et al (2010) explained that this study on the airline industry covers the period from 1990 to 2006 and finds that “complaints” is a leading indicator of future financial performance as measured by return on sales (ROS) one-quarter ahead. Results also indicate that this effect persists into longer-term future performance (i.e., the average of one-quarter and two-quarter-ahead) as measured by return on assets (ROA) and ROS. Findings also indicate that service recovery effort in reducing mishandled baggage, is associated with higher future financial performance as measured by one-quarter-ahead ROA. Similarly, service recovery efforts, in reducing mishandled baggage and complaints, are found to be associated with both short-term and longer-term future financial performance as measured by ROA or ROS. Nevertheless, this relationship diminishes when flights have a higher “load factor” (or higher enplanements). Literature on service operations states that although service failure (such as flight cancellations, delays, misconnections, mishandled baggage, or over boarding) can negatively affect customer repurchase intentions, employees' ability to diagnose and respond to problems at the critical moment can overcome negative effects of a service failure. This suggests that management should consider having trained frontline employees and flight attendants provide comfort, assurance, empathy, support, and assistance to customers following service failures. This should help to enhance repurchase behavior and brand loyalty thereby improving future financial performance.

Reddy (2010) found that Fiji’s agricultural sector and within it, the sugar industry has been the driving force behind the country’s development. The sugar industry has been the driving force behind the country’s development. The sugar sector has been the driving force behind the country’s development. The sugar

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industry, however, is facing a number of challenges of which production efficiency is one of them. This paper examines farm productivity, efficiency and profitability in the industry. It suggests that without improving farm level efficiency and productivity the industry may not survive in a world free market for sugar.

Misch and Galantine (2009)\(^{96}\) stated that a financial statement analysis project useful in both preparer based and user-based introductory courses in financial accounting. The project requires students to analyze trends in corporate performance, to evaluate corporate financial decisions, to discuss non-financial statement issues that would be important to potential investors, to compare two companies within an industry and to make investment recommendations. The project’s requirements are completely detailed on a single page, and the project is applicable to companies in any industry. The project requires only limited introduction in the classroom, is easily adaptable to reflect instructor preferences, and may be used as either an individual or a group assignment. This paper includes the complete project requirement sheet, a grading rubric, a team evaluation form, examples of items that students might be expected to address in answering the questions posed, comments on the results of employing the project, and additional suggestions for implementation.

Afza & Nazir (2008)\(^{97}\) investigated that the relationship between the aggressive/conservative working capital policies for seventeen industrial groups of public limited companies listed at Karachi Stock Exchange for a period of 1998-2003. The ordinary least square regression model has been used to investigate into the relationship of working capital approaches and the returns of firms. The study found significant differences among their working capital investment and financing policies across different industries. Moreover, these significant differences are remarkably stable over the period of six years. The aggressive investment working capital policies are accompanied by aggressive working capital financing policies. Finally, we found a negative relationship between the profitability measures of firms and degree of


aggressiveness of working capital investment and financing policies. The study would contribute a better understanding of working capital management policies in an emerging market like Pakistan.

Upadhyay (2004)\textsuperscript{98} suggested that every business entity should be able to enhance their competitive strength through achieving the financial goals. Financial statement analysis should be adopted to appraise the financial performance of the concerned companies. Information and results obtained from financial analysis are important to all stakeholders. Interest of the different stakeholders is conflicting. Out of different stakeholders, managements of the companies worry about their financial performance. So, in this paper, an attempt to analyse the financial performance of Pokhara Finance Company and Annapurna Finance Company has been made.