CHAPTER 6

SUMMARY, RECOMMENDATIONS & CONCLUSIONS
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<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Summary</td>
</tr>
<tr>
<td>6.2</td>
<td>Recommendations</td>
</tr>
<tr>
<td>6.3</td>
<td>Conclusions</td>
</tr>
<tr>
<td>6.4</td>
<td>Scope of future Research</td>
</tr>
<tr>
<td>6.5</td>
<td>Limitations of the study</td>
</tr>
</tbody>
</table>
CHAPTER- 6
SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

The previous two chapters i.e. data interpretation and results and discussions gives details on the data’s collected for the purpose of the study. This part of the chapter is focused and dealing with the topic suggestions and conclusions drawn, which is based on the analysis of data and interpretation made by the researcher for the study. The results also give the in-depth understanding of the capital budgeting techniques, which is used for the measurement and evaluation of financial performance of the manufacturing companies working in Mumbai.

Through the study it is crystal clear that capital budgeting techniques were mostly used by all the companies and the financial managers of the companies were adopting capital budgeting tools especially modern techniques as a major tool for the evaluation of financial performance of the manufacturing companies. Based on the findings of the study, the following suggestions were made which could help financial managers and other employees using capital budgeting techniques are as follows:

6.1 SUMMARY:

The study deals with the topic called capital budgeting, which consider as one of the tool of planning or forecasting made by the company to examine their investments to be done. It is important for the company to understand the appropriate reasons to apply the appropriate method in their organisation. Capital budgeting is considered to take decisions in relations to the fixed/long term assets refer to assets for the getting the better returns in the organisation. Every business work for the purpose of creating yields for which capital budgeting methods is employed to evaluate the investment schemes in the company.

The researcher has discussed various aspects of capital budgeting and its various techniques used in the company and accordingly thrown light on its significance. The researcher has also focussed on the objectives and on the basis of that hypotheses were stated. The researcher has proved each hypotheses by making analysis on applying statistical tools like chi-square test, symmetrical measure etc.
The study was mostly based on the manufacturing firms working in Mumbai and Mumbai suburbs. The study was made to measure and evaluate the financial performance of the manufacturing firm and how the company apply those methods for their projects. The study brings out various facts and figures on the capital budgeting and its techniques that is modern techniques of capital budgeting i.e. excess present value, PI and breakeven point of NPV (IRR) in the area of the study.

The efficiency of capital budgeting techniques is also studied in the research work based on manufacturing companies in Mumbai city and Mumbai suburbs. It is also important to see that how capital budgeting techniques has impacted the financial performances of the company. The association between capital budgeting techniques and financial performance is also a major aspect seen in the study in relation to manufacturing companies, which are working in Mumbai.

The reviews were also taken for the study and about 115 studies were considered as the appropriate literature to analyse the gap. Many countries have worked on the topic of capital budgeting, its techniques, importance, financial and non-financial factors, features and other aspects. There were reviews taken across the countries and maximum part of India. The review of literature gives brief of works done on the techniques of capital budgeting with special reference to manufacturing firms in Mumbai city and Mumbai Suburbs. The study also measures the gap between the monetary practices and capital budgeting practices. The researcher has suggested the suitable and appropriate measures to overcome the existing gap for the purpose of the study.

The researcher has also framed the appropriate research methodology of the study, which is based on exploratory method and for that survey method is selected. For the study Random sampling method is used to select respondents from Mumbai city and Mumbai suburbs were selected as the study area.

There were 225 samples of respondents were selected from 225 companies and the selection of one respondent from each 225 manufacturing companies from Mumbai city and Mumbai suburbs. The questionnaire was handed over to the chief executive officer (CEO), chief financial officer (CFO), financial managers, Financial
Accountants, and other financial associates. The researcher tried to get those question filled by these respondents and fetch few of their inputs on the same.

The researcher has selected questions, which are close ended for which there were about 14 relevant questions were put up in front of the respondents for their response. The questions framed by the respondents were structured questions by the suggestions of the expert and guide and approx 300 samples were selected for the study and 225 respondents handed it to the researcher.

The study was analysed and interpreted by the researcher and used SPSS method for the purpose of the study. The results and discussion were made after proving it with the appropriate tool applied by the researcher. The study also says that hypotheses is proved significantly and showing the positive results. The result also says that modern method is in much use in the organisation than the traditional methods on the basis of three given factors i.e. age of the company, annual turnover of company and volume of capital budget.

6.2 RECOMMENDATIONS:

There were following suggestions or recommendations could bring to the notice through this study by the researcher:

1) The researcher in the study suggests that the management/ top level managers of different level of industries should have the thorough understanding of the investment decisions. In this manner the management can effectively monitor and control the implementation of investment decisions. This need to be implemented by the organisation so that they can effectively adopt the appropriate technique of capital budgeting.

2) Throughout the course of the study, it is observed that in modern method i.e. excess present value (NPV) is the most used technique for the purpose of the
study. It is also important for the industries/organisation to make awareness of the benefits of other techniques of capital budgeting.

3) For better understanding of capital budgeting techniques and its impact, it is important to conduct training program for all the employees to understand capital budgeting theory and capital budgeting techniques practices thoroughly and this can be initiated by the company themselves.

4) In the finding it is also observed that as the age of the company is more the use of excess present value and IRR is more than payback period, average rate of return and PI. It is suggested that all the age group of the company should learn the advantages and disadvantages of capital budgeting and its techniques, for which workshop and seminars should be conducted.

5) The study also suggests that there is requirement of regular internal checks to prevent various errors occurred in the business and to provide right information of the business update. In this ways there will regular flow of information of applying appropriate measures to deal such errors.

6) The study also put forward that the investment projects which are executed in the organisation required the periodical reviews on a regular basis. Periodical reviews will suggest that what methods need to be applied in the future and what is to be dropped out.

7) The researcher also examined that there should be post-performance audit and evaluation of the project performance in the organisation, so that the organisation could understand the best and appropriate technique to be used.

8) The government should play a significant role in promoting and development in facilitating capital budgeting decisions in the manufacturing firms and other companies.
9) The researcher also suggests in the study that there is requirement of using of all the traditional and modern methods by understanding the need of each method by the organisation.

10) The careful and cautious financial management is the essence for the survival of their firms. In this manner, the profitability of the company performance won’t get affected.

11) For future sustainability, there must be prudent financial management practices required and appropriate person should be appointed who has sound knowledge of accounting practices.

12) It is also suggested by the researcher that the owner or financial managers of the business should learn the standard financial reporting systems in their organisation.

13) The study also reveals that there is necessity to discover the gaps in the present business planning and capital budgeting practices as well as support business development of an action plan and budget.

14) To review and examine the weakness and threats in the organisation in relation to the investment projects and to make the recommendations to solve those obstacles.

15) The research also suggests that there is requirement by the company for checking regular recovery period of the investments by the various types of businesses.

16) The government positive attitude towards project is also required for the organisation, like legal difficulties i.e. copyrights, patents etc. the government should take immediate action to overcome the different kind of problems.

17) The goodwill of the company is fully dependent on the accounting policies and practices adopted by the industries. It is very important for the firm to
revive the policies according to the environmental situation for the success of the business.

6.3 CONCLUSIONS:
The capital budgeting decisions is related to the investment decision and long-term assets which are in operation and could yield a return over a period of time. Therefore, they involve the existing outlays in return for series of expected flow of future benefits. Capital budgeting decisions are of supreme importance as they affect the profitability of a firm and are the major determinants of its efficiency and competing power. It is said that the esteem investment decisions can yield spectacular returns; any incorrect decision can jeopardize the survival of a firm. Any businesses with the strong financial management capabilities are proficient to overcome the obstacles in the business growth voyage. It has also found that the use of suitable financial reporting system and management practices could be one of the important aspects of business endurance.

Therefore, it’s very important for any company to adopt and use the right technique in making investment decisions for the survival and success. The profitability of the company is being analyzed through the relation between the outcome and the invested capital. From this above study, it is very clear that investment and profitability cannot be separated from the performance. The performance ensures competitiveness for the entity and stability on the market. The main objectives of an investment are to obtain the maximum profit by maintaining the lowest level of the risk.

The results show the large percentage of the firm/company has adopted net present value (NPV) to measure and evaluate the financial performance of the manufacturing companies in Mumbai (Western Mumbai). In survey, when asked from the respondents about which technique they considered to be their primary technique, Net present value (NPV) was the most popular technique than other techniques.

6.4 SCOPE FOR FUTURE RESEARCH:
The researcher in the study has made an effort to understand capital budgeting and its techniques and practices on manufacturing firms/companies in Mumbai. Therefore, the study suggests to other researchers or academicians to conduct studies relating to certain areas of capital budgeting in which further research is required:

1) The present study is focused on to measure and evaluates the financial performance of the manufacturing companies by using capital budgeting techniques in Mumbai. Future study can also be done on the financial performance of the service sector by using capital budgeting techniques.

2) The future research can also be conducted on the relationship between the corporate planning and strategy used by the company and capital budgeting techniques used by their businesses.

3) The study can also examine on the impact of tax system and government policies on capital budgeting decisions of the firms in India or other part of the country.

4) The study can also explore different obstacles associated with capital budgeting technique decision making process in regards to financial and non-financial factors affecting businesses of the country.

6.5 LIMITATIONS OF THE STUDY:

The researcher has discussed few of the limitations in the research work:
1. The study has focused only on various techniques of capital budgeting and evaluation of risk & uncertainties is excluded from the study.
2. The study is limited to Mumbai and Mumbai western suburbs.