



## IMPACT OF FINANCIAL PERFORMANCE OF CEMENT INDUSTRIES ON INVESTMENT DECISION IN COLLATERAL SECURITIES

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### ABSTRACT

*The present study aimed to know the impact of financial performance of cement industries on investment decision in collateral securities in major cities of Tamilnadu. The investor has various alternative options for investing savings to flow in accordance with his preference. Savings are generally flown into investment with an expectation of return, but savings kept as cash are unproductive. Savings are invested into return yielding assets depending on their risk and return characteristics. To determine the proper price for a firm's securities, the security analyst must forecast the dividend and earnings that can be expected from the firm. This is the heart of fundamental analysis – that is, the analysis of determinants of value such as earnings prospects. Ultimately, the business success of the firm determines the dividends it can pay to shareholders and the price it will command in the security market. Because the prospects of the firm are tied to those of the broader economy however, fundamental analysis must consider the business environment in which the firm operates. For some firms, macroeconomic and industry circumstances might have a greater influence on profits than the firm's relative performance within its industry. In other words, investors need to keep the big economic picture in mind.*

**KEYWORDS** : Investment, Assets, Securities, Performance, Circumstances.

### INTRODUCTION

Financial Performance is the snapshot of a concern's position and ability to survive the ever-changing environment. It is the blue print of the financial affairs of the concern and reveals how a business is prospered under the leadership of its management human resources. In fact, financial performance is the medium of evaluation of management performance. According to accounting point of view financial statement are prepared by a business enterprise at the end of every financial year. Financial statements are end products of financial accounting. They are capsule periodical reports of financial and operating data accumulated by a firm in its books of accounts and the General Ledger. The overall objective of a business is earning satisfactory returns on the funds invested in it. Consistent with maintaining a sound financial position, an evaluation of such performance is done in order to measure the efficiency of operations or the profitability of the organization and to assess the financial strength as compared with a similarly situated concern. Financial Appraisal is generally directed towards evaluating the liquidity, stability and profitability of a concern which put together symbolizes the financial efficiency of a concern. Financial performance of financial statements for balance sheet and profit and loss account aimed at diagnosing the liquidity, profitability, productivity, activity and financial condition of a business concern. Satisfactory diagnosis can rarely be made on the basis of such information which are included in these financial statements alone because figures are derelict. But, if they are analysed, they get a tongue and therefore they assist the management and other interested parties-groups in assessing the financial adventure of an enterprise. Information included and contained in balance sheet and profit and loss accounting is often in the form of raw material data rather than the same as information useful for decision-making. So, the Analysis of Financial statement is requiring. The process of converting the raw data contained in the financial statements into meaningful information for decision making is known as financial statement analysis. Through these kinds of analysis, one can derive the facts regarding the financial performance of the business unit. Thus, financial performance is a process of creation of an intellectual activity. The analysis of both these statements gives a wide-ranging understanding of business operations and their impact on the financial health of the concern. Financial performance is also concerned with the business operations which contribute to increase the profits and also to enhance the total investments. Financial performance is also concerned with the prosperity of shareholders.

Of all the modern service institutions, collateral securities play a crucial role as agents and facilitators of entrepreneurial progress. After the industrial revolution, as the size of the business enterprises grew, it was no longer possible for individual person or even partnerships to raise such huge amount for undertaking these ventures. Such huge requirements of capital can be met only by a large number of individuals. These investors could be expected to participate actively only if investment is liquid or they could sell a part of their stake whenever they wish to generate cash. This liquidity can be achieved through shares and debentures representing smallest units of ownership and lending represented by the public. The institution where these securities are traded is known as stock exchange. This stock exchange is one of the most important institutions in the capital market. Financial management in any company is largely concerned with two main functions: Procurement of funds and utilization of funds. There are three major decision areas in any decisions and the dividend decisions. While procurement of funds is largely the result of financing decisions, utilization of funds is the result of investment decisions. Investment is the economic decision of committing a set of fixed monetary resources with the expectation of receiving a stream of returns over a reasonable long period of time in the future. Since the decision to invest in securities is revocable, investment ends are momentary and investment environment is fluctuating, the reliable bases for reasoned expectation become more and more ambiguous as one envisages the distant future. Investment is concerned with the purchase and sale of financial assets and an attempt of the investor to make logical decisions about the various alternatives in order to earn suitable return. The present study aimed to know the impact of financial performance of cement industries on investment decision in collateral securities in major cities of Tamilnadu.

### MATERIALS AND METHODS

Mohamed Ajmal (2015) attempted to evaluate the financial performance of Cement Industry of India with special reference to Cement Corporation of India limited (CCI). The financial performance will have been evaluated through the financial ratios. Liquidity position of the company will be checked through short term solvency ratios while earning performance have been evaluated with the help of profitability ratios. Other financial and statistical tools and techniques have also been applied in order to check the overall financial position of the company. Neeraj Pandagre (2015) stated that growing concerns arise about energy consumption and its adverse environmental impact in recent years

in India, which cause manufactures to establish energy management groups. The purpose of the Audit is to identify the performance of Energy Guzzlers and set the Energy Baseline for the facility. For finding out the energy baseline various testing has been performed. As per the current pattern there are numerous measures which will help facility to reduce their energy baseline in future. The study aimed to determine energy situation in cement plant and the possible energy conservation measures and financial saving potentials. The major heat losses for the system were identified as the preheated exhaust gases (GCT) and heat carried away by cooler vent air (grate cooler). The study concluded that the energy cost plays a major role in production cost of the cement, so thermal energy conservation study is carried out in a cement industry and the conservation is concluded depends on the payback period. Vahide Hajihassani (2015) stated that in analyzing companies, it is often important to measure their performance relative to other companies in the industry. Designing method for long and short term planning in every organization will start by evaluating the all condition. By indicative the present condition of company between other companies, and by making a competitive space in the financial evaluating model, companies bring up to achieve a best state. This matter equipped needed tools for companies to access the information in all industry. Standards of industry can be growth by believing in ability of human. The study mainly aimed to know the factors affecting on the performance of Cement industry based on Copeland method and found that the growth, profitability, liquidity, financial leverage, activity have an impact on the performance of cement companies.

Research in familiar parlance refers to a search for knowledge. One can also define research as a scientific and systematic look for pertinent information on a specific topic. In fact, research is an art of scientific investigation. The present study used both primary as well as secondary data. The primary data was collected from the investors located in major cities of Tamilnadu. Field survey technique was employed to collect the pertinent data from the 650 selected sample respondents in major cities of Tamilnadu. The respondents were selected by using simple random sampling method from the selected cities. Questionnaire was the main tool for collecting the data. The secondary data was also collected for the study. The data thus collected from the primary sources were arranged in the simple tabular statements. Regression analysis was used for the further analysis.

RESULTS AND DISCUSSIONS

The following analysis shows the relationship between of impact of financial performance of cement industries on investment decision in collateral securities and twelve independent variables that were studied. It was found that among these twelve variables, four variables were closely associated with the impact of financial performance on investment decision. In order to measure the interdependence of independent factors and their total contribution to the level of impact of financial performance on investment decision, the results of the analysis were put into multiple regression analysis, and detailed results are shown in the table 1.

TABLE 1  
IMPACT OF FINANCIAL PERFORMANCE OF CEMENT INDUSTRIES ON INVESTMENT DECISION IN COLLATERAL SECURITIES (MULTIPLE REGRESSION ANALYSIS)

Variables	B	Std. Error	T	P
(Constant)	57.339	5.848	9.805	.000
Gender	-.4866	1.434	-3.392	.001
Age	.132	.985	.134	.894
Educational status	-.162	.813	-.199	.842
Marital status	2.737	1.523	1.797	.073
Occupational status	.922	.655	1.408	.159
Monthly income	-.350	.707	-.495	.621
Family size	2.195	1.000	2.195	.028
Residential area	2.727	.923	2.953	.003

Field of investment	-1.774	.608	-2.917	.004
Investment period	-.456	.698	-.653	.514
Influencing factor	-.078	.541	-.144	.885
Way of investment	-1.026	.849	-1.208	.227

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.250	.062	.045	17.558

The multiple linear regression component (Dependent Variable) is found statistically a good fit as R2 is 0.062 which shows that the three independent variables contribute about 62% on the variations in level of impact of financial performance of cement industries on investment decision in collateral securities and this is statistically significant at 1% and 5% level. The Multiple linear regression components are found statistically a good fit. It shows the four independent variables contribute on the impact of financial performance of cement industries on investment decision in collateral securities and statistically significant at 1% and 5% level.

The table indicates that the co-efficient of respondent's gender, family size, residential area and field of investment were significant at 1 and 5% level. It also noted that the variables such as age, marital status, occupational status, family size and residential area are positively associated with the impact of financial performance of cement industries on investment decision in collateral securities. Further, it indicates that these variables that contribute to the impact of financial performance of cement industries on investment decision in collateral securities are statistically significant and implying that their influence is stronger than the other variables. The rate of increasing the level of impact of financial performance of cement industries on investment decision in collateral securities shows better results of the independent variables such as respondents' age with 0.134 units change, with 1.797 units change in marital status, with 1.408 units change in occupational status, with 2.195 units change in family size and 2.953 unit changes in residential area. Thus, from the analysis, the following observations could be made. The impact of financial performance of cement industries on investment decision in collateral securities showed positively associated with increase choice in age, marital status, occupational status, family size and residential area. On the other hand gender, educational status, monthly income, field of investment, investing period, influencing factor and way of investment were showed negative association with the level of impact of financial performance of cement industries on investment decision in collateral securities.

RECOMMENDATIONS

1. Most of the respondents are not aware of various types of collateral securities of cement industries and the features offered by them. So, proper guidance should be given to them.
2. For regular investors friendly seminar can be organized to suit the timings of the investing public. For instance such seminars can be interactive sessions, arranged at frequent intervals. This can help the investor to get an awareness regarding the collateral securities.
3. The newsletters published helps investors. Hence newsletters, weekly magazines and pamphlets regarding collateral securities of cement industry should be published for guidance.
4. Similarly in the position for liquid ratio and absolute quick ratio hence the company should take immediate steps to strengthen the proportion of current assets are else it will prove to be dangerous for the short-term liquidity position.
5. Efforts to be taken to popularize collateral securities of cement industry through appropriate publicity measures.
6. Investors can be connected through phone calls and communicated through phones frequently by knowing the collateral

securities of cement industry updates.

7. Cement industries should periodically inform about their financial performance to the new investors.

8. Cement industries should concentrate their financial performance because the financial performance because investment in collateral securities largely depends upon the financial performance of the firm.

## CONCLUSION

The cement industry is one of the most energy-intensive sectors within the Indian economy. The energy costs and cement freight costs are the two most important elements in the cost structure of a cement company. While, the share of energy costs has increased marginally, freight cost has experienced a decline in its share of total operating costs. The share of other costs has declined. The share of costs on account of material, repair and maintenance, employees and selling expenses have more or less remained stable. Today, the success of investment in collateral securities largely depends upon the financial performance of the firm. The importance of financial performance of cement industry can hardly be over emphasized. Much other business failure takes place due to poor financial performance. Hence, financial performance is considered as the lifeblood and the controlling nerve centre of a investor. Poor financial performance is a business ailment. Therefore, a firm has to maintain the better financial performance. It is as important as blood circulation in our body to maintain life and flow of funds is very necessary to maintain investors.

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