



Studies on Financial Performance - A Review

KEYWORDS

Gorlin-Goltz, intercostal space, thorax, ribs, sclerotome

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ABSTRACT *The earlier studies carried out by various academicians, economists and researchers in the area of financial performance are reviewed in this article to help the researchers. In case of conflicting and unexpected results, the researcher can take the advantage of knowledge of other researchers simply through the medium of their published works. Therefore, the present article reviews the various approaches on the study of financial performance.*

It is seen that different authors have analyzed performance in different perspective. This study is of very much useful to the research community and will be helpful for the researchers to explore their knowledge about the past research in this area.

INTRODUCTION

The earlier studies carried out by various academicians, economists and researchers in the area of financial performance are reviewed in this article to help the researchers. In case of conflicting and unexpected results, the researcher can take the advantage of knowledge of other researchers simply through the medium of their published works. Therefore, the present article reviews the various approaches on the study of financial performance.

REVIEWS

Viswanath and Lalitha (1979)¹ carried out a study on "Performance of Sugar Factories in India - An Inter-State Comparison". They assessed the efficiency of the sugar factories in terms of (i) Quantity of sugarcane crushed and sugar produced, (ii) Installed capacity, (iii) Area, Production and productivity of Sugarcane and (iv) Profit and Loss in sugar factories. The study also ranked the factories on the basis of performance.

Mahalingam (1980)² conducted a study entitled "Financial Performance of Indian Sugar Industries" and highlighted the theoretical as well as practical advantages of operation of sugar mills. In his study, he had shown the actual benefits derived from the cooperative sugar mills. He had pointed out that the benefits included rise in remuneration and the consequent change in their cropping pattern, additional employment opportunities and the development of their industrial and business activities in and around cooperative sugar mill.

George Paul (1985)³ in his study entitled "The Financial Performance of Diversified Companies in India: A comparative study of diversified and non-diversified companies" attempted to compare the financial performance of 32 relatively matched pairs of diversifying and non-diversifying companies in five Indian industries. The findings showed that diversifiers generally outperform non-diversifiers on indicators of profitability, safety, growth and market evaluation. However, inter-industry differences in the benefits of diversification indicated that diversification was selectively useful.

Thangavelu (1987)⁴ in his research work "A Study of the Working of Paper Industry with Special Reference to Sri

Venkatesa Paper and Boards Ltd, Udumalpet", analyzed the cost efficiency and financial performance of Sri Venkatesa Paper and Board limited, Udumalpet, from the years 1977-1978 to 1985-1986. The relevant data were collected from the annual reports of the company and were fitted to a regression model. He concluded that the coefficient of output and raw materials was significant at 1 per cent level. The study also revealed that the cost had increased by 2.67 times; the profit ratio had shown a declining trend and the operating cost had gone up ranging to 48 per cent on sales throughout the period under study.

Tata (1988)⁵ came out with a report called "Quarterly Survey of Industries". The report dealt with the overall performance of paper and paper products industries. It was concluded that the small-scale paper and paper products manufacturing units constitute nearly 50 per cent of total capacity. It was suggested that the demand for paper and paper products could be easily met by improving the capacity utilization of the industry and hence there was no need for licensing more units.

Khan and Mohammed Tufail Khan (1990)⁶ in their article on "Paper Industry: An Appraisal", pointed out that the paper industry was a highly capital intensive industry and was not able to function effectively due to heavy overheads, steady rise in the cost of inputs, scarcity of power and adverse impact of control orders. The authors had selected some of the important companies for the analysis from 1980-81 to 1985-86 and the statistical analysis showed that the profitability of these companies was not satisfactory during the period of study. The profitability of these companies was hindered because of control over prices and production of printing paper and the authors suggested that the control over price and production of printing paper should be removed.

Bhavani (1992)⁷ in her research work on "Performance of Sugar Cooperative in Tamilnadu", had examined the physical performance, growth and capacity utilization of sugar cooperatives in Tamilnadu using ratio analysis, regression analysis and compound growth rate. It was observed that the sugar production and said variables were positively correlated and sugar recovery was not significantly correlated with sugar production, sugarcane acreage, sugarcane

production, number of factories and sugarcane crushed. The author also examined the physical performance of sugar factories in Tamilnadu in terms of sugarcane crushed, duration of crushing, sugar recovery and sugar production. The author observed that most of the cooperative sugar mills in Tamilnadu were underutilized in some periods. The outcome of the study revealed that the efficiency of the selected nine cooperative sugar mills assessed in terms of four indicators were not uniform.

Jagan Mohan Rao (1993)⁸ carried out a study on "Financial Appraisal of Indian Automotive Tyre Industry". The study aimed at probing into the financial strength and weakness of the Indian tyre industry. In this regard, an attempt was made to measure and evaluate the financial performance through inter company and inter-sectoral analysis over a given period of time (1981-1988). The major finding was that fixed assets utilization in many of the tyre undertaking was not so productive as expected. It was also found that inventory was managed fairly well. The author concluded that the overall profit performance of the tyre industry was subjected to inconsistency and ineffectiveness.

An attempt was made to study the "Financial Performance of Private Corporate Business Sector, 1994-95" and the findings were published in **RBI Bulletin (1995)⁹**. The study covered 1030 companies in which 925 were non-financial companies and 105 were financial companies. The consolidated results for the entire sector were analyzed in this study. The results of the non-financial and financial companies were also analyzed size wise on the basis of 1994-95 paid up capital of the companies. The study revealed that the good corporate performance during 1994-95 reflected in key profitability ratios which showed distinct progress in the year under review as compared to the previous year.

Gangadhar (1998)¹⁰ conducted a study on "Financial Analysis of Companies in Eritrea: a Profitability and Efficiency Focus" and investigated the profitability and financial efficiency of two Eritrean sugar companies namely Asmara Breweries Ltd. and Asmara wine and liquor Factory Ltd by analyzing the audited financial statements for a period of five years from 1992. The author computed various ratios relating to profitability, liquidity, solvency and asset management. Statistical techniques such as standard deviation, co-efficient of variation and averages were also applied to analyze the consistency and overall trend in the different financial aspect of the companies. The study revealed that the rate of return was higher and more consistent in Asmara Breweries Ltd. than Asmara Wine and Liquor Factory Ltd. The liquidity analysis disclosed that these companies were facing severe liquidity problems. Besides, the author observed that both the companies were depending heavily on the debt financing and were adopting high capital gearing technique. The author claimed that this type of financing policy would influence higher rate of return on equity and at the same time with high financial risk.

Chandrasekaran (1999)¹¹ carried out a study on "Financial Performance of Indian Sugar Industry" for the period covering from 1990-91 to 1995-96 in which various ratios like profitability ratios, leverage ratios, liquidity ratios and turnover ratios were calculated. It was found that financial performance of the sugar industry had been moderate to poor except during 1993-94. The study disclosed that the financial performance of sugar industry was affected mainly by high stocks of finished goods, average to low coverage ratios due to high variability of earnings, high leverag-

ing and difficulty of controlling cost structure. The author concluded that tough cycle of low production, high price realization followed by higher production and low price realization leading to delay in payments would affect the companies if there was no significant improvement in the financials of industry.

Sudarsana Reddy (2003)¹² carried out an extensive study on "Financial Performance of Paper Industry in Andhra Pradesh" for the 10-year period from 1989-90 to 1998-99 by collecting data from companies having installed capacity of more than 33,000 tonnes per annum. The primary objectives of the study were to analyze the investment pattern and utilization of fixed assets, to review the profitability performance, to ascertain the working capital condition, to evaluate the financing methods and to suggest measures to improve the profitability. Ratios, trend, common size, comparative financial statements and statistical tests were employed for analysis. The author had found that Andhra Pradesh paper industry needed the introduction of additional funds along with restructuring of finances and modernization of technology for better performance.

Hamsalakshmi and Manicham (2005)¹³ in their study on "Financial Performance Analysis of Selected Software Companies", analyzed the financial performance of the thirty four Indian software companies for a period of five years from 1997-98 to 2001-2002. The structure of liquidity position, leverage position and profitability position of the selected companies were analyzed in the study. It was found that the liquidity position and working capital were favourable during the period of study. The debt-equity position revealed that the companies rely more upon the internal financing than debt financing. Based on turnover ratios it was suggested that the efficiency in management of fixed assets and total assets must be increased. Return on investment and return on equity proved that the overall profitability position of selected software companies had been increasing gradually.

CONCLUSION

A large number of research studies have been carried out on different aspects of the financial performance by the researchers, economists and academicians in India and abroad. Different authors have analyzed performance in different perspective. A review on the selective important works were presented in this work. This study is of very much useful to the research community and will be helpful for the researchers to explore their knowledge about the past research in this area.

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