ORIGINAL RESEARCH PAPER

Commerce

COMPARISON OF MEAN VALUE OF LIQUIDITY RATIOS OF SELECTED MANUFACTURING UNITS OF CONSUMER DURABLE PRODUCTS IN INDIA

KEY WORDS: Liquidity ratios, Consumer durable products, Manufacturing units, Home Appliances.

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ABSTRACT

The purpose of the study to compare the mean value of liquidity ratios of selected manufacturing units of consumer durable products in India with reference to Home appliances. So, for this research data has been collected from websites and reference books. Through the comparison best manufacturing units has been found and also rank has been given.
SUMMARY: The summary of present research paper is Introduction, Review of Literature, objectives, Research Methodology, comparison of liquidity mean value ratios, conclusion.

1. INTRODUCTION

Financial statement analysis gives structural relationships of the various items in the financial statements. The main focus of financial analysis is on the key figures in the financial statements and the significant relationship that exist between them. Followers of fundamental analysis use the quantitative information obtained from financial statements to formulate investment decisions. The financial statement provides a summarized view of the financial position and operations of a firm. Thus, much can be learnt about a firm from a careful examination of its financial statements as invaluable documents/ performance reports.

The liquidity ratios are useful in measuring the firm's ability to meet its current obligations i.e., short-term liabilities. It is defined as the ability to realize value in money. The corporate liquidity has two dimensions viz, quantitative and qualitative concepts. Quantitative aspect includes the quantum, structure and utilization of liquid assets and in the qualitative aspect, it is the ability to meet all present and potential demands on cash from any source which minimize the cost and maximize the revenue.

2. REVIEW OF LITERATURE

1. NPC RESEARCH DIVISION (April June 1991) published an article in "Productivity Quarterly Magazine" in which an attempt was made to analyze the productivity and performance ratio of the industry with a view to identifying the measure problem- areas and the prospects of solving them. The study covers 26 companies, comprising of large size plants, medium size plants and mini plants. On profitability front, of the 26 companies examined, at least 11 have shown losses.

2. Dr. Pramod Kumar published a Book in 1991, "Analysis of Financial statements of Indian industries." The study covered the 17 private, 5 state owned and 1 central public sector companies. He studied analysis of activities, assessment of profitability, return on capital investment, Analysis of financial structure, Analysis of fixed assets and working capital. In this research he revealed various problems of cement industries and suggested remedies for the problems .He also suggested for the improvement of profitability and techniques of cost control.

3. A study was made by **E. Eldon Eversull and Beverly L Rotan** on "Analysis of Financial Statements: Local Farm Supply, Marketing Cooperatives" in March 1997 under Rural Business – cooperative service, US Department of Agriculture. This study analyzes the balance sheets and income statements of local farm supply and marketing cooperatives, comparing 1995 and 1994 and trends over the past 10 years. The data represent four cooperative sizes and types. Common size income statements and balance sheets are used to compare different cooperative sizes and types. Trends for major balance sheet and income statement items and ratio analysis are used to compare and contrast cooperatives by size and type.

4. The study titled **"Emerging trends in consumer electronics and durables industry"**, has been released by The Associated Chamber of Commerce and Industry of India (ASSOCHAM) and focuses on consumer demand and its supporting factors. The study reveled findings that "Demand for consumer electronics and durables is driven by a young demographic population, coupled with rising disposable incomes and skilled and highly educated people."

5. Khan and Jain (2005) expressed uses of the financial statements, profit planning and cost control, corporate decision-making whether they were strategic, analytical or simple routine decision managers.

3. OBJECTIVES OF RESEARCH

The study will be based on following objectives:

- To know about manufacturing units of consumer durable products in India.
- To give rank according to better performance during the study period.
- To find out best performing unit out of selected units.

4. RESEARCH METHODOLOGY

- **Period of the Study**

The present study will be of six years i.e. to 2012-13 to 2017-18.

- **Sample Design**

There are about 293 durable industries in India including MNCs as well as domestic industry. So it is not possible for the researcher to conduct census study. Therefore, researcher has taken total 8 units for the present problem.

The sample has been selected considering on following factors:-

1. The units which are manufacturing white goods and home appliances.
2. The units which have the leading position in the Indian Market i.e. which has positive gross profit margin during the study period.
3. The data which are available for the period of the study i.e. from the year 2012-13 to 2017-18.
4. The units which have financial year ends on every 31-3 for the period of the study.
5. The units which are listed in stock exchange of India.

- **Scope of the study**

The scope of the study is limited to the some selected leading manufacturing units of consumer durable products. These units are:

Blue star, Bajaj, Godrej, IFB, Mirc, Sharp India, Voltas and Whirlpool.

- **Source of Data Collection**

The data collection is very important task for the researcher for the research study. This research study is mainly based on secondary data. The data will be collected from annual report of consumer durable units; other information related to consumer durable products and units will be collected from stock exchange official directory, Economic times, financial express and other periodicals and Journals etc.

- **Tools and Techniques of analysis**

For the present study, following tools have been used for analysis of comparison:

- Ratio Analysis
- Trend Analysis
- Mean

5. Comparison Of Mean Value Ratios In Relation To Liquidity

The current ratio measures the solvency of the company in the shortterm which means the assets converted in to cash with in a year or the liabilities and provisions that are payable with in a year. It is calculated to establish relationship between the current assets and current liabilities. It is shown as:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Where as, Quick ratio is used to measure the company's ability to meet its current obligations. However, bank overdraft is secured by the inventories, the remaining current assets must be sufficient to meet other current liabilities.

This ratio is also known as Acid Test ratio. It is calculated as:

$$\text{Quick/ Liquid Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

For the present study, following table shown the comparison on the basis of mean value ratios of in relation to liquidity through which researcher found best performing unit of consumer durable product unit.

Table no. 5 Comparison of mean value ratios of Liquidity

Sr. No.	Liquidity Analysis	Blue star	Bajaj	Godrej	Ifb	Mirc	Sharp India	Voltas	Whirlpool
1	CR	1.14	1.38	0.84	1.47	1.12	1.44	1.44	1.30
2	QR/LR	1.00	1.08	0.85	0.88	0.77	0.88	1.07	0.70
	Sum of Mean Value	2.14	2.46	1.69	2.35	1.89	2.32	2.51	2.00
	Avg. Score	1.07	1.23	0.85	1.18	0.95	1.16	1.26	1.00
	Ranking	**5**	**2**	**8**	**3**	**7**	**4**	**1**	**6**

From the above table it can be said that Voltas manufacturing unit leads in Liquidity analysis as compared to all other seven units. Voltas's liquidity score is 1.26. However Bajaj and Ifb also have nearer score that is 1.23 and 1.18 respectively. Sharp India, Blue star, Whirlpool, Mirc and Godrej got 4th, 5th, 6th, 7th and 8th position respectively.

6. CONCLUSION

From the study it can be concluded that current ratio and quick/liquid ratio of selected manufacturing units shows significance differences during the study period. From the comparison between mean value ratios of liquidity it is clear that Voltas manufacturing unit leads in analysis that means good solvency position during the study period. Among other units, Godrej unit has very low solvency during the study period.

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