International Academy of Science, Engineering and Technology

IASET Connecting Researchers; Nurturing Innovations

EXPLORING THE SIGNIFICANT DIFFERENCES AMONG THE FINANCIAL PERFORMANCE OF THE PRIVATE SECTOR TEXTILE UNIT IN MAHARASHTRA

MOHAMMED PERVEJ

Assistant Professor, School of Business and Commerce, Glocal University, Saharanpur, Uttar Pradesh, India

ABSTRACT

Indian Textile Industry is one of the leading textile industries in the world. The economic liberalization of Indian economy in 1991 gave the much needed thrust to the Indian textile industry, which has now successfully become one of the second largest in the world. There are many states like West Bengal, Tamil Nadu, Gujarat, Kerala and Maharashtra, which are the textile hub of the Country. Among them Maharashtra is one of the giants in the textile manufacturing and also the one to owe highest industrial outputs in the textile sector. There are abundant natural resources, skilled manpower and premiere R&D centers. Additionally, bulk of raw material available is all responsible for pushing down the cost of textile industry. Due to all these favorable factors, it contributes highest FDI in the country and highest contribution to India's GDP. This industry comprises of both Public and Private sector textile units. Though it is leading textile producing state, but it is struggling hard to uphold and maintain its position. Therefore, it is important to check the financial performance of Private sector textile units in Maharashtra. In the present study researcher has identified various significant ratios to evaluate financial performance of selected private textile units and applied one way ANOVA to check significant difference among them.

KEYWORDS: Indian Textile Industry, Maharashtra's Textile Industry, Financial Performance, ANOVA

INTRODUCTION

The term Textile comes from the Latin word "Texere" meaning "to weave". The art of textile making started to develop in the Stone Age. Weaving is a craft developed initially in a very crude and under developed form with the advent of agriculture. The art of weaving yarn into fabric slowly developed from the weaving of strips into mats and baskets. (Ghosh and Shukla, n.d) Today, Indian Textile Industry is one of the leading textile industries in the world. After the economic liberalization of Indian economy in 1991, the opening up of economy gave the much needed thrust to the Indian textile industry, which has now successfully become one of the second largest in the world. It plays a major role in the economy of the country as it earns about 27% of the total foreign exchange. Further, the textile industry of India contributes nearly 14% of the total industrial production and also contributes around 4% to the GDP of the country. The industry is the largest in the country in terms of employment generation. (International Trade Division, 2014)

Maharashtra & Its Textile Sector

Maharashtra has a booming economy which is based on the edifice of a strong infrastructural foundation. The state has a well balanced economic and social structure and is rich in two main industries namely textile and sugar. This state is one of the leading producers in the textile manufacturing and also holds first position in industrial outputs in the textile sector. It contributes approx 65 million kg of cotton, which is statistically 25% of the country's total production.

This industry holds a very prominent position in the country as it is the single largest employer and contributes around 27% of India's total exports. Furthermore, this state contributes 10.4 per cent to the country's textile and apparels output. Also, the state accounts for 10.2 per cent of the country's employment generation in the textile sector. (Doing Business in Maharashtra, n.d)

Maharashtra is also one of the largest producers of cotton in India. Furthermore, there are abundant natural resources, skilled manpower and premiere R&D centers. Additionally, bulk of raw material available is all responsible for pushing down the cost of textile industry. Due to all these favorable factors, it contributes highest FDI in the country and highest contribution to India's GDP.

Maharashtra Textile Industry basically comprises of both private as well as public textile units. Both these sectors deal in Spinning and Composite (Non SSI & SSI).In order to check the financial performance of Public sector textile units in Maharashtra, the researcher has selected four public sector textile units, deals in Spinning and Composite (Non SSI & SSI) that have greater influence on the overall economic performance of the state. For the purpose of critical financial analysis, some of the key units of public textile units in Maharashtra were selected. A brief profile of the selected textile firms of the state which deals in Spinning and Composite (Non SSI & SSI) are:

Table 1: Selected Private Textile Units in Maharashtra

Company	Product Portfolio
Morarjee Textile, Mumbai Maharashtra	Plain, Dobby and Jacquard Twill, Poplin and Oxford Woven, Dyed, Printed and Finished Fabrics
Ksl & Industries, Mumbai, Maharshtra	Cotton, Fibre and Textile.
Indo Count, Mumbai- Maharashtra	Manufacture of Combed Cotton Yarn of Fine Counts.
Abhishek Corporation- Maharashtra	Manufacturer of 100% Combed Cotton Yarn, Spindles of Compact Spinning With Value Added Facilities Like Autoconer, TFOs, Singeing

Source: Government of Maharashtra, Co-operation, Marketing and Textile Department Government of Maharashtra

REVIEW OF LITERATURE

The review of literature is being done to find out available literature in the field of financial performance analysis and also to find out the gap of such performance in private textile units in Maharashtra. The researcher has presented some of the excerpts of various studies conducted by the financial analysts in the past. Some studies are directly related and some are indirect. The available literature has helped the researcher to find out the research gap.

Sumathi (2009) & Jhawar (2009) stated that, the Indian Textile industry holds a prominent position in the economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings.

Ahuja and Majumdar (1998) in their paper titled "An Assessment of performance of Indian state owned enterprises" made an attempt to analyze the performance of 68 state owned enterprise in the manufacturing sector during the five year period 1987 to 1991 with the help of regression analysis.

Danuletiu (2010) in his research work made an attempt to analyze 20 companies of Alba country, in order to investigate and explore the effect of working capital management on the financial performance of these companies for a period of five years i.e. 2004 to 2008. To conduct the investigation researcher has used net working capital (NWC) as a measure of long-term financial balance, working capital necessary (WCN) as a measure of short-term financial balance. Moreover, he has taken net treasury (NT) as a difference of both NWC and WCN. As a measure of the profitability,

the researcher has selected Return on Assets, Return on Sales and Return on equity. To find the results, Pearson correlation analysis was used. The study revealed that there is an inverse relationship between profitability and working capital management components.

Bawa and Chattha (2013) evaluated the financial performance of Indian life Insurance industry, with the help of multiple regression models taking profitability, as the dependent variable and liquidity solvency, leverage, sizes and equity capital as the independent variable. The study concluded that, the profitability of Insurance industry is positively influenced by the liquidity and size of the firm, whereas negatively influenced by capital. Furthermore, the study shows that, there is no impact of solvency and leverage on the profitability of the firm.

STATEMENT OF THE PROBLEM

The Indian textile in general and Maharashtra's textile industry in particular has in-born strengths like availability of all types of fibres in the textile value chain, huge geographical infrastructure, recognition of India in its design capabilities, rising exports and support of the various Ministries of the Government. Even then this industry lags behind its competitors at global front and is struggling hard with some structural problems like infrastructure, fragmented industry structure, and high transaction cost affecting the global competitiveness of the industry. Therefore the question arises:

- What are the factors responsible for slower growth rate of Private sector textile units in Maharashtra?

- What is the reason behind unsatisfactory performance of private sector textile units in Maharashtra?

Keeping the above issues in mind it becomes necessary to analyze the financial performance for a comprehensive evaluation of private textile units in Maharashtra in order to find out the actual problem of these sectors. The main thrust of the present study is to find out the main reason behind the suffering and losses of private textile units in Maharashtra.

Research Gap

Review of the literature done above highlights that very few studies till date have been conducted to analyze financial performance of the private sectors of Indian textile Industry in general and private sectors of textile units of Maharashtra in particular.

SCOPE OF THE STUDY

Financial analysis of the private sectors of textile mills in Maharashtra is done in the period of 10 years, starting from F.Y 2006-07 to F.Y 2015-16. The financial performance of the sector is measured on the basis of liquidity, solvency, turnover, profitability and expenses. For the purpose of study 4 private units of textile in Maharashtra are taken into consideration.

IMPORTANCE OF THE STUDY

Private sector of this industry is unable to perform satisfactorily, though they have various benefits at their side. Therefore, it is the need of the hour to investigate and find out the possible reasons for poor performance of private sector and also figure out the causes for the slow pace of growth of textile industry in Maharashtra.

The findings of this study will be beneficial to different groups like

- Management in financial planning

- Financial projections and business forecast

- Government and policy makers

- Bankers, the other financial institutions

- Investors and other market participants

- Guide for conducting further research

OBJECTIVES OF THE STUDY

The objective of the study is to:

- To find out the significant difference between the financial performance of the Private sector textile units in Maharashtra State with the help of Profitability, liquidity, solvency and efficiency analysis.

- Draw conclusions; make recommendations for further growth & development of the sector.

HYPOTHESIS OF THE STUDY

H_{01}: Testing the significant difference between the Solvency Profiles of selected Private Textile units in Maharashtra.

$H_{01.1}$: There is no significant difference between the Debt-Equity ratios among the selected Private Textile units in Maharashtra.

H_{02}: Testing the significant difference between the Liquidity Profiles of selected Private Textile units in Maharashtra.

$H_{02.1}$: There is no significant difference between the Current ratio among the selected Private Textile units in Maharashtra.

H_{03}: Testing the significant difference between the Profitability Profiles of selected Private Textile units in Maharashtra.

$H_{03.1}$: There is no significant difference between the Return on Capital Employed among the selected Private Textile units in Maharashtra.

H_{04}: Testing the significant difference between the Turnover Profiles of selected Private Textile units in Maharashtra.

$H_{04.1}$: There is no significant difference between the Total Asset turnover ratios among the selected Private Textile units in Maharashtra.

H_{05}: Testing the significant difference between the Expense ratios of selected Private Textile units in Maharashtra.

$H_{05.1}$: There is no significant difference between the Operating Expense ratios among the selected Private Textile units in Maharashtra.

H$_{05.2}$: There is no significant difference between the Costs of goods sold ratios among the selected Private Textile units in Maharashtra

RESEARCH METHODOLOGY

The research is based on secondary data. The collection of the quantitative data is done through the sources such as published annual reports of the companies published, data from Ministry of textile, books, journals, CMIE prowess database etc.

Research Design for Financial Analysis

For the purpose of selecting textile units in private sectors a total of 65 units was identified out of which data of 45 private textile units were either not available or their data was missing for few years. Therefore out of available 20 private textile units, top 4 units were selected on the basis of Net Block of the current year.

Data Analysis & Interpretation

The main objective is to check the significant difference in the financial performance among the selected Private textile units in Maharashtra. Various ratios are used for the study. The data of ten years have been analyzed with the help of SPSS software.

The significant difference between the liquidity profile, solvency profile, profitability profile, turnover profile and expense ratios profile of selected Public textile units is checked with the help of ANOVA. It is a collection of statistical equations used to study the differences among group means and their associated procedures. It is an important tool used by researchers worldwide for comparing and testing three or more means of groups to check their significant differences. (Analysis of Variance, n.d)

Statistical Analysis of Solvency Profile of Selected Private Textile Units in Maharashtra Using ANOVA

Table 2: Debt – Equity Ratio (ANOVA)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	436.125	9	48.458	3.443	.005
Within Groups	422.250	30	14.075		
Total	**858.375**	**39**			

Source: SPSS output

From table 2, it is evident that, the calculated P value of F-statistics is .005, which is less than the critical P value (.05) at 5% significance level. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. Therefore, it can be concluded that, Debt equity ratio in between groups and within the groups does differ significantly.

Statistical Analysis of Liquidity Profile of Selected Private Textile Units in Maharashtra Using ANOVA

Table 3: Current Ratio (ANOVA Test)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	9.400	9	1.044	2.507	.028
Within Groups	12.500	30	.417		
Total	**21.900**	**39**			

Source: SPSS output

From table 3 it is evident that the calculated P value of F-statistics is .028, which is less than the critical P value (. 05), at the 5 % significance level. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. Therefore, it can be concluded that Current ratio in between groups and within the groups does differ significantly.

Statistical Analysis of Profitability Profile of Selected Private Textile Units in Maharashtra Using ANOVA

Table 4: Return on Capital Employed (ANOVA Test)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1174.725	9	130.525	1.004	.458
Within Groups	3899.250	30	129.975		
Total	**5073.975**	**39**			

Source: SPSS output

Table 4, shows that, the calculated P-value of F-statistics is.458 which is more than critical P value (.05) at 5% significance level. Thus the null hypothesis is rejected. Hence it is concluded that the Return on Net Capital Employed ratio in between groups and within the groups of selected Private Textile units in Maharashtra does not differ significantly.

Statistical Analysis of Turnover Profile of Selected Private Textile Units in Maharashtra Using ANOVA

Table 5: Total Assets Turnover Ratio (ANOVA Test)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.625	9	.069	.141	.998
Within Groups	14.750	30	.492		
Total	**15.375**	**39**			

Source: SPSS output

Table No.5 shows that the calculated P value of F-statistics is.998 which is more than critical P value (.05) at 5% significance level. Thus the null hypothesis is rejected. Hence it is concluded that the Total assets turnover ratio between groups and within the groups of selected Private Textile units in Maharashtra does not differ significantly.

Statistical Analysis of Expenses profile of selected Private Textile units in Maharashtra using ANOVA

Table 6: COGSR and OER (ANOVA Test)

		Sum of Squares	Df	Mean Square	F	Sig.
COGSR	Between Groups	2502.400	9	278.044	.283	.974
	Within Groups	29489.500	30	982.983		
	Total	31991.900	39			
OER	Between Groups	41.400	9	4.600	.264	.980
	Within Groups	522.500	30	17.417		
	Total	**563.900**	**39**			

Source: SPSS output

Table No. 6 shows that the calculated P value of F-statistics are 974 and 980, for COGSR and OER respectively, which is more than the critical P value (. 05) at 5% significance level. Thus the null hypothesis is accepted and alternative hypothesis is rejected. Hence it is concluded that the Costs of goods sold ratio and Operating expense ratio between groups and within the groups of selected Private Textile units in Maharashtra does not differ significantly.

Exploring the Significant Differences among the Financial
Performance of the Private Sector Textile Unit in Maharashtra

39

FINDINGS AND CONCLUSIONS OF THE STUDY

- It is found that the calculated P value of F-statistics for Solvency profiles of selected Private textile units is. 005 which is less than the critical P value (. 05) at 5% significance level. Therefore, the null hypothesis is rejected.

- It is found that the calculated P value of F-statistics for Liquidity profiles of selected Private textile units is. 028 which is less than the critical P value (. 05) at 5% significance level. Therefore, in the case of selected private textile units, the null is rejected and the alternative hypothesis is accepted.

- It is found that the calculated P value of F-statistics for Profitability profiles of selected Private textile units is. 458 which is more than the critical P value (. 05) at 5% significance level.

- It is found that the calculated P value of F-statistics for the turnover profile of selected Private textile units is. 998 which is more than the critical P value (. 05) at 5% significance level. Therefore, the null hypothesis is accepted and alternative hypothesis is rejected.

- It is found that the calculated P value of F-statistics for an Expense profile of selected Private textile units is. 974 and. 980 for COGSR and OER respectively, which is more than the critical P value (. 05) at 5% significance level. Therefore, the null hypothesis is accepted and alternative hypothesis is rejected.

REFERENCES

1. Ahuja, Gauta., & Majumdar, Sumit K.(1998). An Assessment of performance of Indian owned, state owned enterprises. *Journal of productivity Analysis, 9*, 113-132.

2. Analysis of Variance. (n.d). In Wikipedia. Retrieved on 24 June, 2016 from https://en.wikipedia.org/wiki/Analysis_of_variance**.**

3. Bawa, suminder Kaur., & Chattha, Samiya. (2013). Financial Performance of Life Insurers in Indian Insurance Industry. *Pacific business review international, 6* (5)

4. Danuletiu, A. E. (2010). Working Capital Management and Profitability: A Case of Alba County Companies. *Annales Universitatis Apulensis Series Oeconomica*, *1* (12).

5. Doing Business in Maharashtra, (n.d). Doing Business in Maharashtra. Retrieved from http: / www.doingbusinessinmaharashtra.org/Textile.aspx

6. Ghosh, G.K., & Ghosh, Shukla. (n.d). Indian Textile (Past and Present)" APH Publishing Company, New Delhi-110002 p. 119

7. Jhawar, Shruti. (2009). *Recommending possible solutions to revive the Indian Textile Industry*, Thakur Institute of Management Studies and research, Mumbai.

8. International trade division. (2014). *Note on the Indian textile and Clothing Export*. Retrieved on 14 June, 2016 from: http:// texmin. nic. in /sites/ default/ files/ note_ on_indian_ textile_and_clothing_exports_intl_trade_section.pdf

9. Kumar, Pramod. (1991). *Analysis of Financial Statements of Indian Industries.* Retrieved from:https://books.google.co.in/books/about/ Analysis_of_ Financial _Statement s_of_Indi. Ht ml?id=MN0bqZOrIQwC&redir_esc=y

10. Parmar, S.J. (1998). *Profitability Analysis of Cement Industry in Gujarat state. Book published in 2001.*

11. Sumathi, N. (2009). "A Study on Relationship and Factors influencing the Profitability of selected Textile Companies in Coimbatore District". *Finance India, 23* (4), 1325-1334.