

EXPLORING THE SIGNIFICANT DIFFERENCES AMONG THE FINANCIAL PERFORMANCE OF THE PUBLIC SECTOR TEXTILE UNITS IN MAHARASHTRA

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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 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 Public sector textile units in Maharashtra. In the present study researcher has identified various significant ratios to evaluate financial performance of selected public 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 Public textile units in Maharashtra

Company	Product Portfolio
Barshi Textile Mills, Barshi- Maharashtra	Yarn, Polyester Filament Yarn, Aloe Yarn, Hemp Yarn, Texturized Yarn
India United Mills No 5, Mumbai- Maharashtra	Yarn Manufacturers, Textile Mills

Podar Mills, Mumbai- Maharashtra	Textile Manufacturers, Yarn Manufacturers.
Tata Mills, Mumbai- Maharashtra	Cotton fabric, synthetic fabric, silk fabric, georgette fabric, embroidered yarns, synthetic yarns,

**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 public 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 indirectly. The available literature has helped the researcher to find out the research gap.

Kumar and Kulkarni (2012) had conducted analysis of the Gujarat textile industry where various ratios like current and quick ratio, current asset on total asset, sales, turnover etc. were analyzed with the help of ANOVA.

Channar and Ram (2011) concludes that overall performance of the textile sector was adversely affected by crisis due to various factors like obsolete technology, unavailability of high quality raw material, unskilled labor etc

Agrawal (2010), in his thesis entitled "A study of corporate restructuring of central public sector undertakings-with special reference to SAIL India Ltd" tried to study the financial performance of Central PSU in general and SAIL in particular. On the basis of study it was concluded that financial condition of SAIL was not satisfactory and capital restructurings and modernization in financial management was suggested in order to improve overall financial performance of the company.

Singh and Bansal (2010) in their research work evaluated the Performance of co-operative sector in his study. An attempt was made to analyze working capital management and to serve the purpose they used ratio analysis, t-test and operating cycle analysis. The researchers concluded that this sector should concentrate on liquidity and current assets utilization and focus on working capital management techniques, its implementation and profitability measures.

Dong (2010) in his study revealed that the firm's liquidity and profitability are affected by working capital management. To conduct the analysis, Pooled data was selected for the time period of 2006-2008 for assessing the companies listed in stock market of Vietnam. His variables

included profitability, conversion cycle and its related elements and the relationship that exists between them.

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:

- i. What are the factors responsible for slower growth rate of Public sector textile units in Maharashtra?
- ii. What is the reason behind unsatisfactory performance of public sector textile units in Maharashtra?

Keeping the above issues in mind it becomes necessary to analyze the financial performance for a comprehensive evaluation of public textile units in Maharashtra in order to find out 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 public textile units in Maharashtra.

Research Gap:

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

SCOPE OF THE STUDY

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

IMPORTANCE OF THE STUDY

Public 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 public sector and also figure out the causes for the slow pace of growth of textile industry in Maharashtra.

Findings of this study will be beneficial to different groups like

1. Management in financial planning
2. Financial projections and business forecast
3. Government and policy makers
4. Bankers, the other financial institutions
5. Investors and other market participants
6. Guide for conducting further research

OBJECTIVES OF THE STUDY

The objective of the study is to:

1. To find out the significant difference among the financial performance of the Public sector textile units in Maharashtra State with the help of Profitability, liquidity, solvency and efficiency analysis.
2. Draw conclusions make recommendations for further growth & development of the sector.

HYPOTHESIS OF THE STUDY

H₀₁: Testing the significant difference between the Solvency Profiles of selected Public Textile units in Maharashtra.

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

H₀₂: Testing the significant difference between the Liquidity Profiles of selected Public Textile units in Maharashtra.

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

H₀₃: Testing the significant difference between the Profitability Profiles of selected Public Textile units in Maharashtra.

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

H₀₄: Testing the significant difference between the Turnover Profiles of selected Public Textile units in Maharashtra.

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

H₀₅: Testing the significant difference between the Expenses ratio of selected Public Textile units in Maharashtra.

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

H_{05.2} There is no significant difference between the Costs of goods sold ratios among the selected Public 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 publish annual reports of the companies published, data from Ministry of textile, books, journals, CMIE prowess database etc.

Research Design for Financial Analysis

During the study the researcher has found that only 5 textile units in public sectors are operating in Maharashtra, out of which data of one unit is not available. Therefore remaining four has being selected for the study.

Data Analysis & Interpretation

The main objective is to check the significant difference in the financial performance among the selected Public 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 researcher 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 Public Textile units in Maharashtra using ANOVA

Table 2 Debt equity ratio (ANOVA Test)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	122.025	9	13.558	.774	.641
Within Groups	525.750	30	17.525		
Total	647.775	39			

Source: SPSS output

Table No.2 shows that the calculated P value of F-statistics is .641 which is more than critical P value (.05) at 5% significance level. Thus the null hypothesis is rejected. Hence it is concluded that the Debt equity ratio between groups and within the groups of selected Public Textile units in Maharashtra does not differ significantly.

Statistical Analysis of Liquidity profile of selected Public Textile units in Maharashtra using ANOVA

Table 3 Current ratio (ANOVA Test)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1110.900	9	123.433	2.591	.024
Within Groups	1429.000	30	47.633		
Total	2539.900	39			

Source: SPSS output

From table 3 it is evident that the calculated P value of F-statistics is .024 which is less than the critical P value (.05) at 5% significance level. Therefore, the null hypothesis is rejected and 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 Public Textile units in Maharashtra using ANOVA

Table 4 Return on Capital Employed (ANOVA Test)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	167229.725	9	18581.081	1.866	.097
Within Groups	298695.250	30	9956.508		
Total	465924.975	39			

Source: SPSS output

Table No.4 shows that the calculated P value of F-statistics is .097 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 total capital employed between groups and within the groups of selected Public Textile units in Maharashtra does not differ significantly.

Statistical Analysis of Turnover profile of selected Public Textile units in Maharashtra using ANOVA

Table 5 Total assets turnover ratios (ANOVA Test)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	11.100	9	1.233	3.524	.004
Within Groups	10.500	30	.350		
Total	21.600	39			

Source: SPSS output

From table 5 it is evident that the calculated P value of F-statistics is .004 which is less than the critical P value (.05) at 5% significance level. Therefore, the null hypothesis is rejected and alternative hypothesis is accepted. Therefore it can be concluded that Total asset turnover ratio in between groups and within the groups does differ significantly.

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

Table 6 Cost of goods sold ratio (ANOVA Test)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	11412.725	9	1268.081	1.348	.255
Within Groups	28230.250	30	941.008		
Total	39642.975	39			

Source: SPSS output

Table No.6 shows that the calculated P value of F-statistics is .255 which is more than critical P value (.05) at 5% significance level. Thus the null hypothesis is rejected. Hence it is concluded that the Costs of goods sold ratio between groups and within the groups of selected Public Textile units in Maharashtra does not differ significantly.

Table 7 Operating Expense ratio (ANOVA Test)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	93432.725	9	10381.414	5.000	.000
Within Groups	62284.250	30	2076.142		
Total	155716.975	39			

Source: SPSS output

From table 7 it is evident that the calculated P value of F-statistics is .000 which is less than the critical P value (.05) at 5% significance level. Therefore, the null hypothesis is rejected and alternative hypothesis is accepted. Therefore it can be concluded that Operating ratio in between groups and within the groups does differ significantly.

FINDINGS AND CONCLUSIONS FROM ONE WAY ANOVA ANALYSIS

- It is found that the calculated P value of F-statistics for Solvency profile of selected Public textile units is .641 which is more than critical P value (.05) at 5% significance level. Therefore, the null hypothesis is accepted.
- It is found that the calculated P value of F-statistics for Liquidity profile of selected Public textile units is .024 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 Profitability profile of selected Public textile units is .097 which is more than 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 turnover profile of selected Public textile units is .004 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 is .255 for COGSR in selected public textile units, which is more than critical P value (.05) at 5% significance level whereas, the calculated P value of F-statistics is .000 for OER which is less than the critical P value (.05) at 5% significance level. Therefore, Null hypothesis stating that *there is no significant difference between the COGSR among the selected Public Textile units in Maharashtra* is accepted. Furthermore another null hypothesis stating that *there is no significant difference between the OER among the selected Public Textile units in Maharashtra* is rejected.

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