SHODH SAMAGAM

ISSN : 2581-6918 (Online), 2582-1792 (PRINT)

Effectiveness of Automobile Company in Financial Sector

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ORIGINAL ARTICLE


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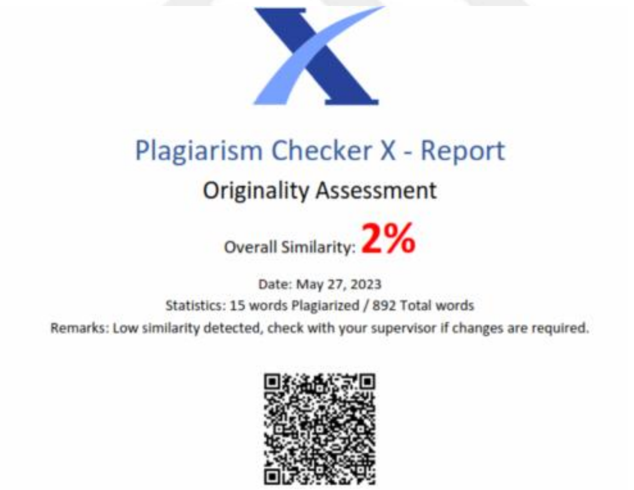
Received on : 27/05/2023
Revised on : -----
Accepted on : 05/06/2023
Plagiarism : 02% on 27/05/2023



ABSTRACT

A strong transportation network is essential to the growth of the economy. India is not an exception to the transportation system's tremendous growth. The Indian automobile industry is likewise expanding quickly, taking up a major position on the country's economic "canvases." By utilising ratio analysis, descriptive statistics, and regression, the present study aims to analyse the profitability and solvency status of a sample of Indian vehicle companies. The study's key finding shows that during the study periods, the short-term solvency position is not sufficient. Therefore, the firms should raise their present assets. Debt equity ratios and current assets to shareholders' funds ratios exhibit a cyclical pattern, thus businesses should focus more on enhancing their debt, equity, and shareholder wealth positions. To increase their profitability, businesses may focus on lowering their cost of production, making fixed asset investments, and increasing their sales turnover.

KEY WORDS

Automobile Companies, Probability, Descriptive Statistics, Solvency, Regression.

INTRODUCTION

One of the best in the world is the Indian auto industry. 8.4 of the country's GDP is represented in the corporate financial records. The two-wheeler segment, which accounts for 67% of the market, helps to lead the Indian automobile industry by standing out to the country's young and middle-class consumers. Additionally, the increasing interest of the businesses in investigating the rural markets contributed to the sector's rise. The entire market share for passenger vehicles was 16%. India is a significant auto exporter as well, and there are high prospects for export growth in the short term.

A strong transportation network is essential to the growth of the economy. India is not an exception to the transportation system's tremendous growth. The Indian automobile industry is likewise expanding quickly, taking up a major position on the country's economic "canvases." In terms of the production of three-wheelers, two-wheelers, commercial vehicles, and passenger automobiles, India's automotive sector came in first place globally, second for two-wheelers, fourth for commercial vehicles, and ninth for passenger automobiles. The Indian automobile industry in general and a few chosen auto manufacturing companies in particular were the primary subjects of the current study.

Research Problem

The growth of industries is influenced by a number of variables, including finances, staff, technology, product quality, and marketing. Out of these, the financial and operational factors play a crucial influence in deciding how quickly industries grow. The requirement for cash is practically impacted by every aspect of the company's activities. However, the finance executive has little direct control over the majority of the data covering operational areas. Financial executives will continue to struggle to determine the profitability situation and solvency status of the company until top management recognises the benefits of a sound financial and operating study. Businesses whose current operations are inherently challenging should make an effort to make their financial analysis so that their management can keep track of where things stand at any given time.

Objectives of the Study

- Analysis of the profitability position of the chosen automobile companies in India is one of the aims.
- To assess the financial health of a few Indian auto manufacturers.
- To provide suitable recommendations for a few Indian automakers.

Research Methodology

Sources of Data

The study only used secondary data, not primary data. The company annual report, journals, magazines, and company websites were used to gather the necessary data for the study

Tools Used for Analysis

Descriptive statistics, ratio analysis, and multiple regression were among the statistical techniques used in the data analysis.

Sample Size

Based on market capitalization, ten vehicle manufacturers were selected as the study's sample size. The chosen sample firms are Tata Motors, Hero MotoCorp, Mahindra & Mahindra, Ashok Leyland, TVS Motor Company, Atul Auto, Force Motors, and Sundaram Clayton (SC)

Scope of the Study

The study was automobilities out in India's automobile industry. The study primarily examines the profitability and solvency of the Indian automobile industry.

Limitations of the Study

The sources of the data were the profit and loss account and balance sheet, which could have been subject to window dressing, therefore the outcomes might not be accurate.

CONCLUSION

The goal of the current study is to understand the financial performance of a few Indian vehicle firms over the course of the investigation. The current investigation came to the conclusion that the short-term solvency situation is inadequate. Companies may focus on their cost of production, investment in fixed assets, and sales turnover during the study period to increase their profitability. In order to boost profits, management should continue to work to keep costs for expenses and disbursements under control.

Suggestions

- Select automobile companies' short term solvency ratios reveal the low points of their guiding principles, thus the businesses should enhance the ratio of current assets to short-term liabilities.
- Debt equity ratio exhibits a shifting pattern; thus, businesses should focus more on enhancing their debt for long-term needs.
- To increase their profitability, the enterprises may focus on lowering their cost of production, investing in fixed assets, and increasing their sales turnover.
- The businesses should use cutting-edge technologies, which could broaden their selection of goods. This will boost export sales, as a result, the foreign exchange earnings will rise.

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