A STUDY ON FINANCIAL PERFORMANCE ANALYSIS USING RATIO ANALYSIS WITH REFERENCE TO MAITRA MARKET RESEARCH PRIVATE LIMITED

Ms. Monica V G,
Prof. Sarah Merlyn,

PG Research Scholar, Department of Management Studies, GlobalAcademyof Technology, Bengaluru – 560 098
Assistant Professor, Department of Management Studies, GlobalAcademyof Technology, Bengaluru – 560 098

ABSTRACT

This study aims to conduct a comprehensive financial performance analysis of Maitra Market Research Private Limited, utilizing the powerful tool of ratio analysis. The analysis focuses on examining various financial ratios to assess the company's liquidity, profitability, efficiency, and solvency .The study employs both qualitative and quantitative methods to gather relevant financial data from Maitra Market Research Private Limited's financial statements, such as the balance sheet, income statement, and statement of cash flows. The selected financial ratios include profitability ratios (gross profit margin, net profit margin), turnover, and solvency ratios (Gearing ratio and interest coverage ratio).

Keywords: Profitability, Financial Performance Analysis, Long -term Liquidity, Correlation Analysis, Regression Model

I. INTRODUCTION

Financial performance analysis is the process of assessing a company's financial performance using different financial tools and methodologies to pinpoint its strengths and flaws. To assess the profitability, liquidity, solvency, and efficiency of the organization, the study frequently entails looking at financial data such income statements, balance sheets, and cash flow statements. Financial performance analysis strives to assist managers, investors, and other stakeholders in making wise decisions regarding the business. The examination can shed light on the company's financial stability, capacity for making a profit, resource management skills, and potential for future expansion. Overall, financial performance analysis is a crucial tool for assessing a company's financial health and for making defensible choices about lending .Financial performance analysis, as a whole, is a crucial procedure that enables firms to evaluate their financial situation and make wise decisions regarding the future. It aids stakeholders in assessing the investment choices, consider the company's financial status, and pinpoint prospects for development. A business can take remedial action and increase its profitability, cash flow, and growth potential by routinely reviewing its financial performance.

Ratio analysis is a potent technique for assessing a company's financial performance. It is a quantitative approach that offers insightful data about the firm's solvency, profitability, and liquidity. Investors, analysts, and management can all make well-informed choices regarding a company's financial health and future prospects by carefully examining its financial measures.

1.1 STATEMENT OF THE PROBLEM

Assessing financial performance involves assessing the common elements of financial statements to get a better picture of the situation and performance of the company. Using financial performance analysis, investors and Creditors assess past, present, and financial situation in order to forecast future performance. In this study, a company's profitability and financial stability are assessed using its financial statements.

1.2 OBJECTIVE OF THE STUDY

- To study the relation between long term liquidity and profitability of a business concern
- To analyze the financial situation and performance of the business.
- To suggest insightful suggestions and directives for enhancing the present financial management

II. REVIEW OF LITERATURE

Wondmagegn Biru Mamo , Habtamu Legese Feyisa , Mekonnen Kumlachew Yitayaw (2021) studied on Financial performance of commercial banks in the emerging markets The study concludes that adequate capital, liquidity, asset quality, and operational effectiveness all have a substantial impact on profitability. The report also contends that banks in emerging nations can enhance their financial performance by investing in technology and implementing solid risk management procedures. Overall, the study offers insightful information about the elements that affect how well commercial banks operate financially in emerging markets. Sultana Akter (2021) researched on Profitability Analysis Using Ratios in Selected Conventional Banks of Bangladesh: A Comparative Study , According to the study, there were differences in the profitability of the banks, with some displaying more profitability than others, as measured by profitability measures such Return on Assets (ROA) and Return on Equity (ROE). In addition to highlighting the value of ratio analysis in determining a bank's profitability, the article offers insights on the financial performance of conventional banks in Bangladesh.K. Keerthi and S. Eshwari (2020) studied on A Study on Financial Performance using Ratio Analysis of Kumbakonam Central Co-operative Bank.

These findings show that the bank has a solid overall financial performance. The results show that the bank's investment in government securities has increased and to increase its cash flow and profitability, the bank must take several required steps. Yet, the bank uses and manages its funds properly. Using the bank's financial statements, this report was very helpful in analyzing the bank's financial performance. Accordingto the data, the bank needs to put forth more effort to increase its effectiveness even though financial performance has been improving year. Dr R Suresh , Sheikh Majedul Huq , Nandhini.S,Dr.L.Arunachalam (2020) researched on A study on financial performance analysis with reference to Super Auto Forge pvt ltd According to the research, the business's financial performance dramatically increased between 2017 and 2019. The corporation might, however, make some improvements in certain areas, like debt and inventory management, to boost its financial performance. Overall, the article offers insightful information about the financial standing of Super Auto Forge Pvt Ltd. Arti Verma (2019) studied on Financial Performance Evaluation of Punjab National Bank The analysis identifies the bank's advantages and disadvantages with regard to profitability, liquidity, asset quality, andsolvency.

The authors also discuss the difficulties the bank is facing and make recommendations for ways to enhance its financial performance. Overall, the essay offers a thorough evaluation of the bank's financial standing and is an invaluable resource for stakeholders, decision-makers, and scholars. Yichilal Simegn Filatie (2019) studied on Evaluation of Financial Performance Analysis of Commercial Bank of Ethiopia The research revealed that, despite variances in the financial performance of certain institutions, Ethiopia's banking industry as a whole showed steady expansion and profitability. Policymakers, regulators, and investors interested in Ethiopia's banking industry might learn a lot from the article. Petrit Hasanaj ,Beke Kuqi , Pristina, Haxhi Zeka" (2019) studied on Analysis of Financial Statements: The Importance of Financial Indicators in Enterprise, In order to analyse financial accounts, it gives an overview of various financial ratios and how they should be interpreted. The essay stresses the value of utilising a variety of financial indicators to get a comprehensive view of a company's financial health. Mr. P.Rajendran , Dr. B.Sudha.(2019) researched on A study on financial analysis and performance of HDFC bank The analysis discovers that HDFC Bank has continually demonstrated outstanding financial performance throughout the years, with healthy growth in assets, deposits, and profits.

The necessity to preserve asset quality in a difficult economic environment is one of the problems the bank must overcome, according to the report. Nataraja NS, Nagaraja Rao Chilale, Ganesh L, (2018) researched on Financial Performance of Private Commercial Banks in India: Multiple Regression Analysis. In summary, factors such as bank size, credit risk, operational effectiveness, asset management, and debt ratio have a major impact on internal performance, market performance, and bank income,which displays the financial performance of the three chosen private commercial banks in India. Chnar Abdullah Rashid1, Sulaimani Polytechnic University, Sulaimani, Iraq 2Cihan University, Sulaimani, Iraq Chnar Abdullah Rashid, Sulaiman , Iraq. (2018) studied on Efficiency of Financial Ratios Analysis for Evaluating Companies' Liquidity. According to the study, when analyzing its current ratio, it can be assumed that the company does not have any liquidity issues.

RamjiGautam (2018) studied on Determinants of financial performance: An evidence from Nepalese Commercial Banks. Regression analysis is used in the study, which concludes that profitability, capital sufficiency, and bank size are important predictors of financial performance. To improve the financial performance of Nepalese commercial banks, the authors advise policymakers and bank management to take these variables into consideration.

III. DATA AND METHODOLOGY

3.1 Type of research: Empirical research, it is the research which analysis done through empirical evidence.

3.2 Source of data: Secondary data which is collected through the company financial reports.

3.3 Sample size: 5 years of time period of study.

3.4 Period of the study: April 2019 to March 2023

3.5 Tools and techniques: Ratio Analysis , Co – Relation Analysis , Regression Analysis

3.6 HypothesisHypothesis 1

H0: There is no relationship between long-term liquidity and profitability of a business concern
H1: There is a relationship between long-term liquidity and profitability of a business concern

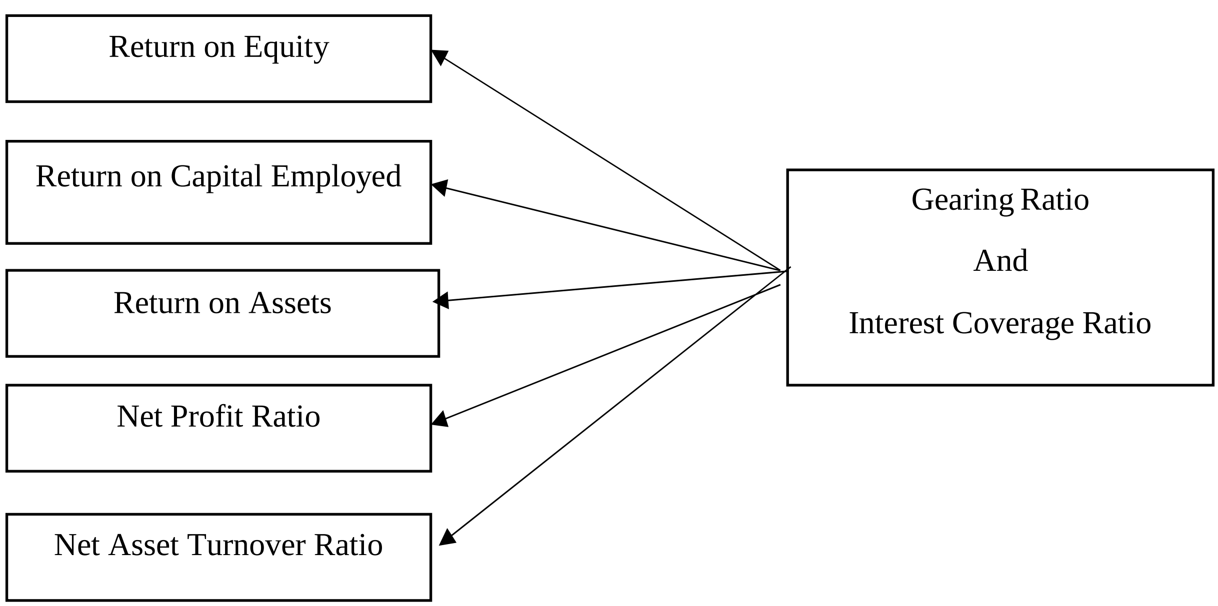
Hypothesis 2

H0: There is no impact of profitability on long term liquidity of a business concernH1 : There is a impact of profitability on long term liquidity of a business concern

3.7 Limitations

- The study is confined to single company only
- The study was limited to only five years financial data (2019-2023).
- The study is purely based on secondary data.

DATA ANALYSIS FRAMEWORK



A company's long-term liquidity is critically dependent on profitability , so in the above frame work the profitability ratios are considered for the study such as Return on Equity , Return on Capital Employed , Return on assets , Net Profit Ratio , Net Asset Turnover Ratio and the long term liquidity ratios which are considered for the analysis are Gearing Ratio and Interest Coverage Ratio , in which the profitability ratios are Independent variables and Long term liquidity ratios are dependent variables .

IV. DATA ANALYSIS AND FINDINGS

4.1 Ratio Analysis of Maitra Market Research Private Limited

Return on Equity	Return on capital Employed	Return on assets	Net profit Ratio	Net Asset Turnover Ratio	Gearing Ratio	Interest Coverage Ratio
1.116751	0.00218353	0.21639	1.605487	13.60043	0.80465049	0.029188162
2.935251	0.01490307	0.585957	0.427292	3.487791	0.5	0.018132335
53.86884	0.20252359	11.98046	6.240044	3.245548	0.78773688	0.096062266
65.53191	0.54683616	30.83083	4.826678	11.32945	0.317964807	1.228266071
69.14894	0.53296163	21.5021	2.321429	0.229583	0.384615385	6.764069264

Source : Company financial Reports and Results from M S Excel

Interpretation: Table shows company's ROA growth in 2021-2022, lower profitability in 2023. The table shows that the company has lower return on equity in 2019 and 2020, but increased profitability in 2021. This indicates a more efficient use of shareholder's equity to generate income. The company's profitability for sales in 2019 and 2020 is lower, but in 2021, it shows higher profitability. The company effectively uses its assets to generate revenue in 2019 and 2022, with a lower interest coverage ratio in 2022 and 2023.This indicates a better financial position and increased return value for shareholders. 2022-23 interest coverage ratios indicate less risk, increased ability to pay interest.

4.2 Descriptive Statistics of Maitra Market Research Private Limited

	Return on Equity	Return on Capital Employed	Return on Assets	Net Profit Ratio	Net Asset Turnover Ratio	Gearing Ratio	Interest Coverage Ratio
Mean	38.52034	0.25988	13.02315	3.084186	6.37856	0.558994	1.627144
Median	53.86884	0.202523	11.98046	2.321429	3.487791	0.5	0.096062
Standard Deviation	33.79586	0.267688	13.31156	2.388679	5.758665	0.226193	2.91692
Minimum	1.116751	0.002183	0.21639	0.427292	0.229583	0.317965	0.018132
Maximum	69.14894	0.546836	30.83083	6.240044	13.60043	0.80465	6.764069

Source: Company financial Reports and Results from M S Excel

Interpretation:
From the above table, Mean of Return on Equity is 38.52, minimum value is 1.116751, Maximum value is 69.14894, Standard deviation is 33.79. Mean of Return on Capital Employed is 0.259, minimum value is 0.002, Maximum value is 0.5468, Standard deviation is 0.26768. Mean of Return on Assets is 13.02, minimum value is 0.216, Maximum value is 30.83, Standard deviation is 13.31. Mean of Net Profit Ratio is 3.084, minimum value is 0.427, Maximum value is 6.2406, Standard deviation is 2.388. Mean of Net Asset Turnover Ratio is 6.37, minimum value is 0.22, Maximum value is 13.6, Standard deviation is 5.75. Mean of Gearing Ratio is 0.558, minimum value is 0.317, Maximum value is 0.804, Standard deviation is 0.226. Mean of Interest Coverage Ratio is 1.627, minimum value is 0.018, Maximum value is 6.76, Standard deviation is 2.916.

4.3 Correlation Analysis of Maitra Market Research Private Limited

	Return on Equity	*Return on capital Employed*	*Return on assets*	*Net profit ratio*	*Net asset turnover ratio*	*Gearing ratio*	*Interest cover ratio*
Return on Equity	1						
Return on capital Employed	0.9283	1					
Return on assets	0.9149	0.9705	1				
Net profit ratio	0.6875	0.4468	0.5759	1			
Net asset turnover ratio	-0.3468	-0.1997	-0.0562	0.008	1		
Gearing ratio	-0.5046	-0.7381	-0.6992	0.106	0.2124	1	
Interest cover ratio	0.6089	0.6987	0.5056	-0.101	-0.5306	-0.5485	1

Source: Company financial Reports and Results from M S Excel

Interpretation: From the above table, we conclude that Return on Equity has lower degree of negative correlation towards gearing ratio, Return on capital employed has higher degree of negative correlation on gearing ratio, Return on assets has higher degree of negative correlation towards gearing ratio, Net profit ratio has lower degree of positive correlation on gearing ratio and Net asset turnover ratio also has lesser degree of positive correlation on gearing ratio.
It is also represented that Return on Equity has higher degree of positive correlation towards interest coverage ratio , Return on Capital Employed has higher degree of positive correlation on interest coverage ratio , Return on assets has lower degree of positive correlation on interest coverage ratio , Net profit ratio has lower degree of negative correlation on interest coverage ratio , Net asset turnover ratio indicates it has lesser degree of negative correlation on interest coverage ratio and gearing ratio has lesser degree of negative correlation towards Interest coverage ratio .From the above correlation analysis it can be concluded that Ho is rejected and H1 is accepted that is there is a relationship between profitability ratios (Return on Equity , Return on Capital Employed , Return on Assets , Net Profit Ratio , Net asset turnover Ratio) has relationship with long term liquidity ratio (Gearing Ratio and Interest Coverage Ratio) therefore it is represented that profitability has relationship with long term liquidity of a business concern.

4.3 Regression Analysis of Profitability Ratios and Long – term Liquidity Ratios

	ROE		ROCE		ROA		NPR		NAR	
	R square	Intercept	R square	Intercept	R square	Intercept	R square	Intercept	R square	Intercept
GEARING RATIO	0.2546	-0.033	0.544	-0.623	0.488	-0.011	0.0111	0.010	0.0451	0.083
INTEREST COVERAGE RATIO	0.3707	0.052	0.488	7.613	0.255	0.110	0.010	-0.123	0.281	-0.268

Source: Company financial Reports and Results from M S Excel

Interpretation:

The above table indicates that R-square value is 0.254633 that is 25.46%.which indicates that the Return on Equity explains 25.46% variation on Gearing Ratio. This implies Return on Equity is impacting the Gearing Ratio to an extent of 25.46 % and remaining 74.54 % of the impact is explained by other ratios some of which are considered in this study. For 1 unit change in Return on Equity the GearingRatio will show a negative change of 3.3%, If the Return on equity increases by 1 unit the gearing ratio willincrease by 3.3% as a result. The above table indicates that R-square value is 0.544737 that is 54.47%.which indicates that the Return on Capital Employed explains 54.47% variation on Gearing Ratio. This implies Return on Capital Employed is impacting the Gearing Ratio to an extent of 54.47 % and remaining 45.53

% of the impact is explained by other ratios some of which are considered in this study. For 1 unit change in Return on Capital Employed the Gearing Ratio will show a negative change of 62%, If the Return on Capital Employed increases by 1 unit the gearing ratio will increase by 62% as a result. The above table indicates that R-square value is 0.488933 that is 48.89 %.which indicates that the Return on Assets explains 48.89% variation on Gearing Ratio. This implies Return on Assets is impacting the Gearing Ratio to an extent of 48.89% and remaining 51.11% of the impact is explained by other ratios some of which are considered in this study. For 1 unit change in Return on Assets the Gearing Ratio will show a negative change of 1.1%. If the Return on assets increases by 1 unit the gearing ratio will increase by 1.1% as a result. The above table indicates that R-square value is 0.011167 that is 11.16%.which indicates that the NetProfit Ratio explains 11.16 % variation on Gearing Ratio.

This implies Net Profit Ratio is impacting the Gearing Ratio to an extent of 11.16 % and remaining 88.33% of the impact is explained by other ratios someof which are considered in this study. For 1 unit change in Net Profit Ratio the Gearing Ratio will show a positive change of 1 %. If the Return on Net Profit Ratio increases by 1 unit the gearing ratio will increase by 1% as a result, the above table indicates that R-square value is 0.045135 that is 45.13%.which indicates that the Net Asset Turnover Ratio explains 45.13% variation on Gearing Ratio. This implies Net Asset Turnover Ratio is impacting the Gearing Ratio to an extent of 45.13 % and remaining 54.87 % of the impactis explained by other ratios some of which are considered in this study. For 1 unit change in Net Asset turnover Ratio the Gearing Ratio will show a positive change of 0.83 %. If the Net asset turnover Ratio increases by 1 unit the gearing ratio will increase by 0.83% as a result the above table indicates that R- square value is 0.0370721 that is 37.07%.which indicates that the Return on Equity explains 37.07% variation on Interest Coverage Ratio. This implies Return on Equity is impacting the Interest Coverage Ratio to an extent of 37.07 % and remaining 62.93 % of the impact is explained by other ratios some of which are considered in this study.

For 1 unit change in Return on Equity the Interest Coverage Ratio willshow a positive change of 5.2 %, If the Return on equity increases by 1 unit the interest coverage ratio willincrease by 5.2% as a result, The above table indicates that R-square value is 0.48812 that is 48.81%.whichindicates that the Return on Capital Employed explains 48.81% variation on Interest Coverage Ratio. Thisimplies Return on Capital Employed is impacting the Interest Coverage Ratio to an extent of 48.81 % and remaining 51.19 % of the impact is explained by other ratios some of which are considered in this study.

Findings

- ❖ By the above analysis it is interpreted it is found that the profitability of a company is increasingthrough the Return on Assets from past 5 years.
- ❖ It is found that the Return on Equity is also increasing and more profitable and it also represents it hasmore efficiency in using its shareholder's equity to generate more income
- ❖ The return on capital employed is found that it is also more profitable and the shareholder's equity isused efficiently and the income is also more generated
- ❖ Through Net Profit Ratio it is found that the company has generated less profitability in the year 2020rather than other years
- ❖ It is found that in the year 2020 and 2021 the company has not utilized its much of assets to generateprofitability
- ❖ By Gearing Ratio , it is found that the company has faced higher financial risk in the year 2021compared to other years
- ❖ Through Interest Coverage Ratio it is represented that in the year 2023 it has more interest coverageratio it signifies that it has more ability to pay its interests and less risky .
- ❖ When the analysis is interpreted it is found that there is a lower significant relationship between Returnon Equity and Gearing Ratio
- ❖ There is a moderate negative significant relationship exists between Return on Capital Employed andGearing Ratio
- ❖ The results of the analysis finds that there is moderate significant negative relationship between Returnon Assets and Gearing Ratio
- ❖ There exists a lower significant positive relationship between Net Profit Ratio and Gearing Ratio

V. CONCLUSIONS

According to the interpretation of the aforementioned data, it may be concluded that a company's profitability has been rising during the last five years as evidenced by its Return on Assets. The return on equity is discovered to be rising and more profitable, and it also shows that it is more effective at using its shareholders' equity to generate more income.

The return on capital employed is discovered to be rising andmore profitable, and it also shows that its shareholders' equity is used effectively and that more income is produced. According to Net Profit Ratio, the corporation achieved less profitability in 2020 than it did in prior years.

It was discovered that the business did not make the most of its assets in 2020 and 2021 to produce a profit. In comparison to past years, the corporation had greater financial risk in 2021, according to the gearing ratio. Through the Interest Coverage Ratio, it is shown that in 2023, there will be a greater increase in interest coverage ratio, which means that the company will be less risky and more able to pay its interest. When the data is evaluated, it is discovered that there is a lower significant relationship between Return on Equity and Gearing Ratio and that Return on Capital Employed and Gearing Ratio have a somewhat negative significant relationship. A less substantial positive link occurs between the gearing ratioand the net profit ratio.

VI. REFERENCES

- Tawfik, O. I., Kamar, S. H., & Bilal, Z. O. (2021). The effect of sustainable dimensions on the financial performance of commercial banks: A comparative study in emerging markets. The Journal of Asian Finance, Economics and Business, 8(3), 1121-1133
- Keerthi, K., & Eswari, S. (2020). A Study on Financial Performance Using Ratio Analysis of Kumbakonam Central Co-operative Bank. ICTACT Journal on Management Studies. 1664- 1667.
- Suresh, R., Huq, S. M., & Arunachalam, L. (2020). A Study On Financial Performance Analysis With Reference To Super Auto Forge Pvt Ltd. Ilkogretim Online, 19(3), 4715-4721.
- Haile, A., Getacher, T., & Tesfay, H. (2014). Financial Performance Analysis of Selected Commercial Banks in Ethiopia. Ethiopian Journal of Business and Economics (The), 4(2), 251-282.
- Hasanaj, P., & Kuqi, B. (2019). Analysis of financial statements. Humanities and Social Science Research, 2 (2), 17-27.
- Rajendran, P., & Sudha, D. B. (2019). A Study on Financial analysis and performance of HDFC Bank. Journal for the study and research, 11(11), 37-49.
- Nataraja, N. S., Chilale, N. R., & Ganesh, L. (2018). Financial performance of private commercial banks in India: multiple regression analysis. Academy of Accounting and Financial Studies Journal, 22(2), 1-12.
- Rashid, C. A. (2018). Efficiency of financial ratios analysis for evaluating companies' liquidity. International Journal of Social Sciences & Educational Studies, 4(4), 110.
- Gautam, R. (2018). Determinants of financial performance: An evidence from Nepalese commercial banks. Amity Journal of Strategic Management, 1(2), 7-13.
- Osadchy, E. A., Akhmetshin, E. M., Amirova, E. F., Bochkareva, T. N., Gazizyanova, Y. Y., & Yumashev, A. V. (2018). Financial statements of a company as an information base for decision-making in a transforming economy. European Research Studies Journal, XXI (2), 339-350.
- Anand, R. A. (2017). A study on the financial performance using comparative analysis and ratio analysis as a tool with reference to maruti suzuki india limited. International Journal of Accounting and Financial Management Research (IJAFMR), 7(4), 1-8.
- Rahman, M. M. (2016) Financial Performance Analysis of Scheduled Commercial Banks in Bangladesh Universal Journal of Accounting and Finance , 4(5) , 166-184.
- Adam, M. H. M. (2014) Evaluating the Financial Performance of Banks Using Financial Ratios- A Case Study of Erbil Bank for Investment and Finance, European Journal of Accounting Auditing and Finance Research 2(6) , 162- 177.
- Islam, M. A., (2014) An Analysis of the Financial Performance of National Bank Limited Using Financial Ratio , Journal of Behavioural Economics, Finance, Entrepreneurship, Accounting and Transport, 2(5), 121-129
- Burca, A. M., & Batrinca, G. (2014). The determinants of financial performance in the Romanian insurance market. International journal of academic research in accounting, finance and management sciences, 4(1), 299-308.