IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF FOOTWEAR MANUFACTURING COMPANIES OF INDIA

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Abstract

Footwear & Footwear Sector has been identified as one among the 12 focus sectors by Government of India holding a prominent place in the Indian economy. This industry is among the top ten earners of foreign exchange for the country. The country produces around 13% of the total Footwear production in the world. India is also the second-largest producer and consumer of footwear. The contribution of Footwear industry in creating employment has been tremendous providing jobs to almost 4.42 million people, mostly from the weaker sections of society. The present paper analyses and examines the financial performance of selected Indian Footwear manufacturing companies listed in India on the data collected for a period of 10 years (2013 to 2022) and establishes a linear relationship between liquidity, performance and profitability using several accounting ratios and statistical tools like ANOVA & CAGR.

Keywords: Footwear Companies, Ratios, Liquidity & Profitability Analysis, ANOVA, CAGR.

Introduction

"India has the potential to become a world leader in Footwear and Footwear": Shri Piyush Goyal

For developing countries like India, small and medium enterprises play a vital role in the overall development of economy. They help in reducing the poverty, act as major employment provider; ensure maximum utilization of local resources. Also they provide the much needed support to the underprivileged and poor masses that do not have access to the various facilities and benefits. In India, there are a large number of industries that work under the MSME sector, of which, one of the most prominent industry is the Footwear Manufacturing Industry. It provides livelihood to an astounding number of more than 45 lakh people of the country.

The Footwear industry being one of the top-most foreign exchange earners of the economy has a prominent place in the economic system of the country. It is consistently appearing in the top 10 list of the exporters and foreign exchange earners. The footwear sector of Footwear industry contributes almost 47.59% in the total Footwear exports of the country.

Besides, India is the 2nd largest producer of footwear in the world, 2nd largest producer of Footwear garments in the world, 5th largest exporter of Footwear goods and 3rd largest exporter of saddlery and Harness.

There is plethora of opportunities in Footwear sector as India has around 20% of world cattle & buffalo. It also has a significant population of goat & sheep which stands around 11% of the world. This makes the availability of raw material very smooth and cheap. This sector enjoys the youngest workforce across many industries as around 55% of them are below the age of 35. These young workers are plentily skilled and trained as compared to the competitors. This provides an edge over other Footwear manufacturing countries.

Keeping all this in view the government is targeting an overwhelming export of USD 10 billion till 2025. Also, the government is planning to set up BIS Standards laboratories near Footwear industries under 'Make in India' campaign. The sector showed a commendable growth of 2.4% in 2021-22 as per the data of Index of Industrial Production.

The sector has been one of the most promising sectors due to the huge opportunity for exports, easy availability of raw materials and Government initiatives for modernization and expansion. Also, the availability of cheap labour, proximity to foreign markets in a globalized market combined with availability of skilled and technically sound workforce and sufficient institutional help for technical assistance, designing, manpower development and marketing has made the sector favorable for government policies.

However, there are some challenges also like slow modernization and upgradation of technology, major part of manufacturers is from unorganized sector, modern finishing facilities for Footwear are very few in numbers, working environment is relatively unhygienic and lack of awareness of Footwear industries about international standards.

Literature Review

(**Sankaran S.) 1999** the Indian Footwear industry is marching ahead year after year with improved sales in local market. (**D. Saranya & V. Kavitha) 2015** observed that economic fundamentals are elementary in increasing the exports. Also Indian Footwear industry has a huge scope for export of Footwear to many countries. (**Sandeep Kumar Gupta et al.) 2018** reveal that the firm size and partial factor productivities have significant positive correlation with technical efficiency in Footwear industry of West Bengal, Tamil Nadu and Uttar Pradesh. (**Sandeep Gupta et. al.) 2019** observed that the three leading states of Footwear industry Tamil Nadu, West Bengal and Uttar Pradesh showed a trade-off while measuring their competitive advantage over each other in terms of economic value, social value and environmental value. **(Aribawa) 2016** explains that financial literacy is the knowledge of financial concepts, abilities and skills in business management. (**Halabi et al.) 2010** financial management skills are beneficial for the survival of small firms and lack of financial literacy could be the reason for the failure of SMEs. (**Arthur Benedict et. al.) 2021** credit access and tax are statistically significant financial factors affecting the performances of SMEs. (**P. S. Deepa)** Liquidity, solvency, profitability, and operating efficiency are the four primary elements of financial health that should be reviewed. **(Guo et al.) 2016** measured the performance of SME using financial measures like sales growth, market share, profit increase, return on assets and return on sales. (**Sanchez) 2012** measured the financial performance of firms using measures like sales growth, sales return, cash flow, return on investment, growth in market share. **(Al-Ansari) 2014** used both non-financial and financial factors for measuring the performance in both manufacturing and service sector of SMEs. (**Santos and Barito) 2012** recommend further studies for generalizations to be made on organizational performance measurement. (**Kamuri) 2021** observed that creativity and innovation had a significant positive causal relationship with performance of firms in Footwear industry. (**Kamuri) 2022** established the validity of vision for growth as an entrepreneurial orientation, and both innovation and performance as entrepreneurial outcomes and factors of entrepreneurship. (**Cannon) 2008** in his research indicated no link between improvements in inventory performance and overall improvement in performance of firm.

Research Gap

It has been observed by the researcher that very little work is done in the field of financial performance of Footwear and related industry. Majority of the work is related to entrepreneurship, innovation, HR practices etc. however, financial performance has almost been untouched. Therefore, the researcher has tried to analyze the industry on financial aspects. This study is mainly focused on the financial performance of selected Footwear manufacturing companies of India from 2013-2022.

Research Methodology

Research objectives
1. To compare the financial performance of selected Footwear manufacturing companies in India.
2. To test the liquidity and profitability trend of selected Footwear manufacturing companies in India.
3. To analyze the solvency position.

Research design: The research design used for this study is Descriptive research design.

Sampling:
The sample for the study has been drawn from among the Footwear manufacturing companies of India. Due to the large number of companies the researcher made selection of companies from among the companies listed on BSE on the basis of their market share. The top 5 companies on the basis of their market share are selected for the study. The five Footwear manufacturing companies that are selected as the proxy for analysing the sector as a whole are:

- Liberty
- Khadim
- Relaxo
- Mirza
- Bata

The time period of study is 2013-2022.

Data collection: Secondary data has been used for this research like annual reports of companies, previous research papers, magazines, journals and internet. The financial data of the companies has been collected from sources like BSE Index, Moneycontrol.com. The data has been collected for ten years starting from 2013 till 2022.

Tool and techniques: Financial Analysis is done using tools of Ratio Analysis which include PBIT, Current Ratio, Debt-Equity Ratio, Inventory Turnover Ratio, Return on Capital Employed. All these metrics are used to find out profitability and liquidity position of selected Footwear manufacturing companies. One way ANOVA and CAGR are also used to show the difference in the profitability of selected Footwear manufacturing companies.

Data Analysis

Liquidity Analysis: - It enables to understand the company's ability to meet its daily expenses or short-term obligations. In this research, Current Ratio is used to analyze the liquidity position of the Footwear manufacturing companies.

Solvency Analysis: - It helps in determining the company's ability to cover its long-term obligations. In this research, Debt-Equity Ratio and Inventory Turnover Ratio are used to analyze the solvency position of the Footwear manufacturing companies.

Profitability Analysis: - It helps in determining the company's ability to earn profit. In this research, PBIT and Return on Capital Employed are used to analyze the solvency position of the Footwear manufacturing companies.

Table 1: PBIT (Profit before Interest and Tax)

Testing of Hypothesis

H0= There is no significant difference in the PBIT of selected Footwear manufacturing companies.

Company	Liberty	Khadim	Relaxo	Mirza	Bata
Year	PBIT %	PBIT %	PBIT %	PBIT %	PBIT %
2013	5.75	8.94	8.45	14.91	13.73
2014	6.28	9.18	9.75	14.11	14.23
2015	6.04	0.02	10.88	12.85	11.09
2016	6.59	7.55	11.45	15.95	9.32
2017	5.31	8.84	11.83	14.2	10.5
2018	4.9	7.92	12.73	14.64	10.94
2019	4.64	4.78	11.36	9.37	13.78
2020	4.17	-1.46	12.37	8.58	17.1
2021	3.68	-5.56	16.18	4.79	-5.74
2022	3.31	2.34	11.28	10.17	7.11
CAGR	**-5%**	**-12.50%**	**3%**	**-4%**	**-6%**

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	543.7603	4	135.9401	8.043135	0.00006	2.578739184
Within Groups	760.5621	45	16.90138			
Total	1304.322	49				

Interpretation

The table shows that calculated F value of 8.043 is greater than the table value or critical value of 2.578 at 5% level of significance with degrees of freedom (v1=4 and v2=45). Therefore, the null hypothesis is rejected. Hence, it can be said that there is a difference between the PBIT of selected Footwear manufacturing companies.

Inter-company comparison

The research observed that the CAGR for PBIT of Liberty is -5%, Khadim is -12.5%, Relaxo is 3%, Mirza is -4% and Bata is -6%. It shows that the growth rate of Liberty, Khadim, Mirza and Bata follow a negative trend from 2013 to 2022, whereas, Relaxo is showing a positive growth trend from 2013 to 2022. It can be concluded that the profitability position of Relaxo is stronger as compared to other selected Footwear manufacturing companies.

Table 2: ROCE (Return on Capital Employed)

Testing of Hypothesis

H0= There is no significant difference in the ROCE of selected Footwear manufacturing companies.

Company	Liberty	Khadim	Relaxo	Mirza	Bata
Year	ROCE%	ROCE%	ROCE%	ROCE%	ROCE%
2013	4.09	5.23	11.26	13.26	22.68
2014	8.4	10.09	15.42	12.01	20.72
2015	10.37	-11.54	18.85	13.92	20.64
2016	5.98	14.24	18.92	15.56	17.01
2017	14.84	28.76	27.17	24.17	11.1
2018	9.7	20.57	28.44	16.97	23.27
2019	10.07	11.3	23.06	11.61	27.58
2020	8.96	-0.91	23.89	12.24	31.78
2021	6.12	-4.02	25.96	6.78	-0.54
2022	6.48	9.25	18.3	21.18	12.65
CAGR	**5%**	**6%**	**5%**	**5%**	**-6%**

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	1357.539	4	339.3847	5.871844	0.000686	2.578739184
Within Groups	2600.939	45	57.79865			
Total	3958.478	49				

Interpretation

The table shows that calculated F value of 5.871 is greater than the table value or critical value of 2.578 at 5% level of significance with degrees of freedom (v1=4 and v2=45). Therefore, the null hypothesis is rejected. Hence, it can be said that there is a difference between the ROCE of selected Footwear manufacturing companies.

Inter-company comparison

The research observed that the CAGR for ROCE of Liberty is 5%, Khadim is 6%, Relaxo is 5%, Mirza is 5% and Bata is -6%. The research shows a positive trend in the growth rate of Liberty, Khadim, Relaxo and Mirza from 2013 to 2022, whereas, Bata is showing a negative growth trend from 2013 to 2022. It implies that the profitability position of Bata is weaker as compared to other selected Footwear manufacturing companies and Khadim has a slight edge over others as per ROCE.

Table 3: CR (Current Ratio)

Testing of Hypothesis

H0= There is no significant difference in the Current Ratio of selected Footwear manufacturing companies.

Company	Liberty	Khadim	Relaxo	Mirza	Bata
Year	CR	CR	CR	CR	CR
2013	1.22	0.87	1.15	1.23	1.93
2014	1.22	0.78	1.1	1.16	1.99
2015	1.2	0.91	1.2	1.18	1.96
2016	1.23	1.01	1.16	1.59	2.48
2017	1.26	1.1	1.24	1.87	2.74
2018	0.95	1.25	1.1	0.93	2.75
2019	0.96	1.12	1.27	0.88	2.93
2020	0.8	0.97	1.39	0.77	1.27
2021	0.91	1.07	1.3	0.92	1.38
2022	1.02	1.05	1.64	1.13	1.34
CAGR	**-2%**	**2%**	**4%**	**-1%**	**-4%**

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	7.542592	4	1.885648	16.32087	0.00000002	2.578739184
Within Groups	5.19912	45	0.115536			
Total	12.74171	49				

Interpretation

The table shows that calculated F value of 16.320 is greater than the table value or critical value of 2.578 at 5% level of significance with degrees of freedom (v1=4 and v2=45). Therefore, the null hypothesis is rejected. Hence, it can be said that there is a difference between the Current Ratio of selected Footwear manufacturing companies.

Inter-company comparison

From the above analysis, it can be observed that the CAGR for CR of Liberty is -2%, Khadim is 2%, Relaxo is 4%, Mirza is -1% and Bata is -4%. It shows that the growth rate of Liberty, Mirza and Bata is negative whereas, growth rate of Khadim and Relaxo is showing a positive trend from 2013 to 2022. It implies that the liquidity position of Khadim and Relaxo is stronger as compared to other selected Footwear manufacturing companies and that Relaxo is performing better than Khadim as per CR.

Table 4: DER (Debt/Equity Ratio)

Testing of Hypothesis

H0= There is no significant difference in the Debt/Equity Ratio of selected Footwear manufacturing companies.

Company	Liberty	Khadim	Relaxo	Mirza	Bata
Year	DER	DER	DER	DER	DER
2013	0.65	1.64	0.96	0.61	0.54
2014	0.8	1.45	0.59	0.66	0.48
2015	0.91	0.94	0.57	0.59	0.07
2016	0.83	0.68	0.42	0.43	0.48
2017	0.84	0.57	0.22	0.28	0.05
2018	0.66	0.26	0.16	0.47	0.07
2019	0.61	0.38	0.08	0.55	0.05
2020	0.66	1.23	0.02	0.43	0.54
2021	0.51	1.19	0.04	0.19	0.48
2022	0.34	0.59	0.01	0.1	0.49
CAGR	**-6%**	**-10%**	**-37%**	**-17%**	**-1%**

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	2.560912	4	0.640228	7.304740051	0.000127	2.578739184
Within Groups	3.94405	45	0.087645556			
Total	6.504962	49				

Interpretation

The table shows that calculated F value of 7.304 is greater than the table value or critical value of 2.578 at 5% level of significance with degrees of freedom (v1=4 ad v2=45). Therefore, the null hypothesis is rejected. Hence, it can be said that there is a difference between the Debt/Equity Ratio of selected Footwear manufacturing companies.

Inter-company comparison

The research observed that the CAGR for DER of Liberty is -6%, Khadim is -10%, Relaxo is -37%, Mirza is -17% and Bata is -1%. It shows that the solvency position of Liberty, Khadim, Relaxo, Mirza and Bata are showing negative trend however the position of Bata is better as compared to other companies in respect of the capital structure. Bata is comparatively less risky.

Table 5: ITR (Inventory Turnover Ratio)

Testing of Hypothesis

H0= There is no significant difference in the Inventory Turnover Ratio of selected Footwear manufacturing companies.

Company	Liberty	Khadim	Relaxo	Mirza	Bata
Year	ITR	ITR	ITR	ITR	ITR
2013	3.74	2.96	6.33	4.65	3.99
2014	4.3	4.19	7.39	3.69	3.54
2015	3.67	4.04	5.95	4.08	3.82
2016	3.22	5.3	5.99	3.52	3.56
2017	3.03	5.33	5.62	3.54	3.5
2018	3.25	5.91	6.21	2.55	3.46
2019	3.45	5.16	5.99	2.66	3.49
2020	3.28	4.55	5.38	3.05	3.49
2021	2.25	4.45	5.59	2.46	2.81
2022	2.9	3.52	3.94	3.18	2.74
CAGR	**-3%**	**2%**	**-5%**	**-4%**	**-4%**

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	48.603092	4	12.150773	24.14825289	0.0000000001	2.578739184
Within Groups	22.64283	45	0.503174			
Total	71.245922	49				

Interpretation

The table shows that calculated F value of 24.148 is greater than the table value or critical value of 2.578 at 5% level of significance with degrees of freedom (v1=4 ad v2=45). Therefore, the null hypothesis is rejected. Hence, it can be said that there is a difference between the Inventory Turnover Ratio of selected Footwear manufacturing companies.

Inter-company comparison

The research observed that the CAGR for ITR of Liberty is -3%, Khadim is 2%, Relaxo is -5%, Mirza is -4% and Bata is -4%. It shows that the growth rate of Liberty, Relaxo, Mirza and Bata is negative however the growth rate of Khadim is positive. The performance of Khadim is better as compared to other companies in terms of turnover. The stock of Khadim is more volatile which is a good sign for improvement.

Results and Findings

- The above analysis shows that there was a significant difference observed between the various metrics of the selected companies. It can be concluded that the performance of selected companies in different criteria was:

1. Profitability: There was a huge variation in the profitability of the selected companies and only Relaxo has shown a positive growth rate. However, Khadim is utilizing its capital efficiently.
2. Liquidity: There was not much variation found in the liquidity position of the selected companies. However, only Khadim and Relaxo have a positive growth in liquidity which means they are in a better position to meet their current liabilities.

3. Solvency: There was a huge variation in DER and Bata being the best performer with the minimum negative growth rate. It implies that its solvency position is stronger than others. In case of ITR, the variation observed was minimal with only Khadim showing the positive growth rate.

- The analysis proved that the performance of Relaxo and Khadim is satisfactory during the time-period of 2013-2022 with Relaxo being the best performer.
- This research will prove to be helpful in increasing the knowledge of creditors and investors regarding the financial performance of selected companies.

Conclusion

At present time, the Indian Footwear industry is witnessing a huge scope of growth with government promoting the Footwear and Footwear based industries by providing raw material, skilled and trained workforce and encouraging R & D. Also, the global Footwear industry is shifting its manufacturing base from developed to developing nations which will provide opportunity in the process of shifting its manufacturing base from developed to developing nations. This provides for an increased inflow of foreign direct investment (FDI) into India.

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