



A STUDY ON EFFECT OF FINANCIAL VARIABLE ON PROFITABILITY OF SELECTED COIR COMPANIES

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Abstract: Coir is a gift to us from the nature as it is said as a waste material which is derived from coconut husk. Indian coir industry is also important among other old traditional cottage industry which significantly contributing to the economy. The Indian coir Industry is one of the best example for sustainable development efforts because now it is exporting products to more than 25 countries. India is considered to be a land of villages with more than it's half of the population existing in rural areas, therefore Rural Industrialization plays a key role in the country. The study here aims to understand the relationship between the profitability factors using dependent and independent variables.

Index Terms – Profitability factors, return on total assets, ratios.

Introduction

Coir industry is one among the old traditional based agricultural industry in India. It plays vital role in development of rural areas as the main source of coir industry depends upon Coconut husk which is declared as waste material in the past. It gives employment opportunity to majority rural peoples of those whom are mostly women. As per government order to avoid using plastic, scope of coir industry has been increased. So the demand of the product helps in emerging of new Entrepreneurs. As its one of the old traditional cottage industry, the root of various industries are very strong as they adopted to new technologies and changes and help in economic development of the country by exporting coir products. Under Coir board there are 16,000 registered coir units in India. Among the total Coir and Coir value products produced 60% of the total production is being sold for local customers and 40% is being exported.

Significance

The present study is confined to and highlights the financial performance of the selected Coir Companies in India through facts and figures of published financial statements. In this study we here only analyze the effect of various financial variables on profitability of the selected coir companies using available financial variables.

Statement of the problem

Coir industry is one of the traditional foreign exchange earners of the country. It also occupies a significant and unique place in world market with the infrastructural facilities obtainable in the state and very strong support from both central and state government. Lately, the coir industry had gone through an unprecedented expansion covering all phases beyond its traditional purview. However the coir industry and its export of coir and mostly coir value products are in development, it appeared to be suffering with number of irregularities, complexities and inadequacies. Hence this study has been made to analyse the effect of various financial variables on profitability position of the selected coir companies.

Objectives of the Study

The main objective of this study is to analyze the effect of financial variables on profitability of selected Coir Companies in India.

Research Methodology

The Study is made mainly based on the secondary financial data available through CMIE database source. In order to select the companies to fulfill the purpose of the study only 5 Coir Companies on basis of profitability are being selected with an average paid up capital for five years, which includes:

1. Kerala Balers Private Limited
2. Palm Fibre India Private Limited
3. Harish Coconut Products Private Limited
4. Travancore Cocotuft Private Limited
5. Duinkop Enterprises Private Limited

Review of literature

Rajagopalan¹ (2012) examined the critical analysis on the performance of coir industry in Thanjavur district, five performance indicators such as growth, production cost analysis, returns and resource in which use of efficiency, marketing and human resource management are used. The primary data required for the study has been collected using Interview method. And for secondary data collected from the year 2000-2001 to 2009-2010. For this study 52 coir units has been taken divided into two groups as small and medium sized units. Trend analysis, Compound growth rate, Cobb-Douglas test, Chow's F-test, Regression using analysis.

Senthilkumar² (2015) suggest that coir industry has a wider scope for future prospects in terms of availability of coconut husk (raw material), providing employment, improving standard of living of the people, creating demand in both domestic and international markets, generating income, developing entrepreneurship and promoting country's economy.

Ravikumar Selvam³ (2017) undertook a study to analyse the growth and performance of coir industry in India and SWOT analysis of coir industry in India. The study was Descriptive in nature. The researcher had dealt with Employment Trends, Market size, Investment, government Initiatives, Factors Influencing Growth of the Coir Industry and SWOT Analysis of Indian coir industry. The study evidenced that, the SWOT Analysis shows that the coir industry in India will grow at a good rate, which is more than what the present estimates show.

Srihari and Gunaseelaprabhu⁴ (2020) they analyzed and interpreted the financial performance of the company with the help of comparative balance sheet and ratio analysis. It was identified that the financial position is satisfied. The study is undertaken by utilizing the secondary data such as financial reports of the firm for five years 2011-2015. They stated that the company had the low current ratios and it should increase its current ratio where it can meet its short term obligation smoothly. The company should also has to maintain capital, only then company has got to reply on debt.

Analysis and Interpretation

The technique of path analysis is based on a series of multiple regression analyses with an added assumption of causal relationship between independent and dependent variables. The direct and indirect effect of independent variables on the dependent variable was calculated for the sample companies of Coir industry in India for the study period from 2011-12 to 2020-21. For this study the dependent variable is selected using Factor analysis is Ratio of Return on Total assets and Independent variables is selected using Multiple Regression Analysis are given below.

TABLE No. – 1
KERALA BALERS PRIVATE LIMITED

Code	Ratio	Standardized Coefficients – Beta
X2	Quick Ratio	1.229
X6	Return on Equity	1.034
X7	Return on Capital Employed	-1.280

The above table indicates that they are directly paid its contribution towards the ratio of return on total assets and indirectly responsible when combined with other variables. Thus the above variables X2, X6 and X7 contributed towards profitability position of the selected coir company.

TABLE No. – 2
PALM FIBRE INDIA PRIVATE LIMITED

Code	Ratio	Standardized Coefficients – Beta
X4	Current Asset to Total Asset Ratio	-.390
X12	Net Fixed Assets to Equity Ratio	.654

The above table indicates that they are directly paid its contribution towards the ratio of return on total assets and indirectly responsible when combined with other variables. Thus the above variables X4 and X12 contributed towards profitability position of the selected coir company.

TABLE No. – 3
TRAVANCORE COCOTUFT PRIVATE LIMITED

Code	Ratio	Standardized Coefficients – Beta
X9	Debtors Turnover Ratio	-1.655
X11	Working Capital Turnover Ratio	.756

The above table indicates that they are directly paid its contribution towards the ratio of return on total assets and indirectly responsible when combined with other variables. Thus the above X9 and X11 variables contributed towards profitability position of the selected coir company.

TABLE No. – 4
DUINKOP ENTERPRISES PRIVATE LIMITED

Code	Ratio	Standardized Coefficients – Beta
X1	Current Ratio	-.099
X6	Return on Equity	-.182
X8	Operating Ratio	-.655
X9	Debtors Turnover Ratio	1.004
X11	Working Capital Turnover Ratio	.547

The above table indicates that they are directly paid its contribution towards the ratio of return on total assets and indirectly responsible when combined with other variables. Thus the above variables X1, X6, X8, X9 and X11 contributed towards profitability position of the selected coir company.

TABLE No. – 5
HARISH COCONUT PRODUCTS PRIVATE LIMITED

Code	Ratio	Standardized Coefficients – Beta
X5	Working Capital to Total Assets Ratio	.247
X6	Return on Equity	-1.312
X12	Net Fixed Assets to Equity Ratio	-.541

The above table indicates that they are directly paid its contribution towards the ratio of return on total assets and indirectly responsible when combined with other variables. Thus the above variables X5, X6 and X12 contributed towards profitability position of the selected coir company.

Findings

Path analysis is used here to identify the effect of various financial variables which is actively involving itself in the analyzing of direct and indirect effects of these ratios in which are majorly contributing towards profitability. It is found from the analysis that Return on Equity ratio is the most contributing one to the Return on total assets ratio. Other than that Working Capital turnover Ratio, Debtors turnover Ratio and Net Fixed Assets to Equity Ratio are the ones contributing towards Return on total assets ratio.

Conclusion

Profitability position of the company indicates the company's credit worthiness, proper utilization of resources, and return on investments, operational efficiency and long term durability. Here the analysis made using various financial ratios indicates that the companies have still long way ahead. It is just their starting as only now they are rising from cottage industry to its new era. Demand for coir and Coir value products is been increasing in the market as a result export of Coir products and its value products are been increasing.

Reference

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