



**T.C.**  
**CANKIRI KARATEKIN UNIVERSITY**  
**INSTITUTE OF SOCIAL SCIENCES**  
**BUSINESS ADMINISTRATION DEPARTMENT**

**THE IMPACT OF FINANCIAL MANAGEMENT ON  
THE COMPANIES PERFORMANCE: ANALYTICAL  
STUDY ON MEDICATIONS MANUFACTURING  
COMPANIES**

**Ahmed Adnan Imran MURAD**

**MASTER'S THESIS**

**Supervisor**  
**Assoc. Prof. Dr. Bilgehan TEKİN**

**Çankırı – 2022**



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## SCIENTIFIC ETHICS STATEMENT

In the process from the proposal stage to the conclusion of the study titled [*The Impact of Financial Management on the Companies Performance: Analytical Study on Medications Manufacturing Companies*] which I prepared as a master's thesis, I carefully followed the academic ethics and rules that I obtained all the information in the thesis within the framework of academic ethics and tradition that I prepared in accordance with the rules of writing the thesis. I declare that I have cited every citation as a reference and that the works I have benefited from are those shown in the bibliography.

04/11/2022

Signature

Ahmed Adnan Imran MURAD

# THESIS ACCEPTANCE AND APPROVAL

## ÇANKIRI KARATEKİN UNIVERSITY

### TO THE DIRECTORATE OF THE INSTITUTE OF SOCIAL SCIENCES

This study titled *The Impact of Financial Management on the Companies Performance: Analytical Study on Medications Manufacturing Companies* prepared by [Ahmed Adnan Imran MURAD] was found successful [*unanimously/by majority of votes*] as a result of the thesis defense held on [04/11/2022] and was accepted as a Master's thesis in the [*Business Administration Department*] by our jury.

### **THESIS JURY MEMBERS**

Supervisor: Assoc. Prof. Dr. Bilgehan TEKİN Signature: .....

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Member : Assoc. Prof. Dr. Eatessam AL-SHAKRCHY Signature: .....

### **APPROVAL**

This Thesis has been accepted by the jury determined in the session of Çankırı Karatekin University Social Sciences Institute Administrative Board, dated .../.../ 2022... and numbered .....

Prof. Dr. Coşkun POLAT

Director of the Institution

## **PREFACE**

This study is titled “The Impact of Financial Management on the Companies Performance: Analytical Study on Medications Manufacturing Companies”. I would like to thank to my supervisor Assoc. Prof. Dr. Bilgehan TEKİN for his guidance, support and encourage in completion of this thesis. My special thanks goes to my family for their unconditional support, patience and love.

**04/11/2022**

**Ahmed Adnan Imran MURAD**



## ABSTRACT

**Thesis Title** : The Impact of Financial Management on the Companies Performance: Analytical Study on Medications Manufacturing Companies  
**Author of the Thesis**: Ahmed Adnan Imran MURAD  
**Supervisor** : Assoc. Prof. Dr. Bilgehan TEKİN  
**Department** : Business Administration  
**Type of Thesis** : Master's  
**Acceptance Date** : 04/11/2022

The subject of financial management has mainly three activities which have to deal with namely financing activity, investment activity, and dividend distribution activity. For financing decisions, the study analyzed the debt-equity ratio. For a short-term investment, the study analyzed current ratios (CR), quick ratios (QR), and working capital turnover ratios (WCTR). For dividend decisions the study analyzed earnings per share ratio (EPS) and dividend per share (DPS). The key objective of the study is to analyze the effect of financial management on companies' performance with all selected ratios of financial management considered as explanatory variables and return on assets (ROA) considered as a response variable. The study sample contained four selected companies provide offer their medical products and services to Arab countries. The study depends on period starting from 2012-13 to 2021-22. For the identification of differences among financial management ratios for sample companies, the one-way Anova test was used. Correlation analysis has been used to identification of an association between independent variables and dependent variable. The impact has been checked by a panel data analysis regression model for each selected companies. The study concluded that there is a discrepancy in the financial ratios among selected companies within the study period except for DPS and WCTR. The study further found that while financial management has no effect on the performance of the Aurobindo and Cipla companies, it has an impact on the performance of the Biocon and Wockhardt companies.

**Keywords:** Financial management, Companies performance, One-way Anova, Correlation analysis

## TURKISH ABSTRACT

**Tez Adı :** Finansal Yönetimin Şirketlerin Performansına Etkisi: İlaç Üreten Şirketler Üzerine Analitik Çalışma

**Tezin Yazarı :** Ahmed adnan Imran MURAD

**Danışman :** Doç. Dr. Bilgehan TEKİN

**Anabilim Dalı :** İşletme

**Tezin Türü :** Yüksek Lisans

**Tarih :** 04.11.2022

Finansal yönetim konusu temel olarak, finansman faaliyeti, yatırım faaliyeti ve kâr dağıtım faaliyeti olmak üzere ele alınması gereken üç faaliyetten oluşmaktadır. Finansman kararları için çalışma, borç-öz sermaye oranı analiz edildi. Kısa vadeli bir yatırım için, çalışmada cari oranlar (CR), hızlı oranlar (QR) ve işletme sermayesi devir oranları (WCTR) analiz edildi. Temettü kararları için, çalışmada hisse başına kazanç oranı (EPS) ve hisse başına temettü (DPS) analiz edildi. Çalışmanın temel amacı, açıklayıcı değişkenler olarak kabul edilen tüm seçilmiş finansal yönetim oranları ve bir yanıt değişkeni olarak kabul edilen aktif getirisi (ROA) ile finansal yönetimin şirketlerin performansı üzerindeki etkisini analiz etmektir. Çalışma örnekleme, Arap ülkelerine tıbbi ürün ve hizmetlerini sunan seçilmiş dört şirketi içeriyordu. Çalışma, 2012-13'ten 2021-22'ye kadar olan dönemi kapsamaktadır. Örnek şirketler için finansal yönetim oranları arasındaki farklılıkların tespiti için tek yönlü ANOVA testi kullanılmıştır. Bağımsız değişkenler ve bağımlı değişkenler arasındaki ilişkinin belirlenmesinde korelasyon analizi kullanılmıştır. Etki, seçilen her şirket için bir panel veri analizi regresyon modeli ile kontrol edilmiştir. DPS ve WCTR hariç, çalışma süresi içinde seçilen şirketler arasında finansal oranlarda bir zıtlık olduğu sonucuna varılmıştır. Çalışma ayrıca finansal yönetimin Aurobindo ve Cipla şirketlerinin performansı üzerinde hiçbir etkisi olmadığını, Biocon ve Wockhardt şirketlerinin performansı üzerinde bir etkisi olduğunu buldu.

**Anahtar Kelimeler:** Finansal Yönetim, Şirketlerin Performansı, Tek yönlü Anova, Korelasyon analizi

## ABBREVIATIONS

<b>ROA</b>	Return on Assets
<b>D/E.R</b>	Debt to Equity Ratio
<b>CR</b>	Current Ratios
<b>QR</b>	Quick Ratios
<b>WCTR</b>	Working Capital Turnover Ratios
<b>EPS</b>	Earning Per Share
<b>DPS</b>	Dividend Per Share
<b>EQ</b>	Equation
<b>MS</b>	Microsoft



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## 1. INTRODUCTION

Recently, most businesses, especially big businesses, are operating in more complex work environments. Many reasons have led to this complexity. For example, the emergence of recent markets and new policies of labor, and the mergers and alliances between agencies or international locations. In addition, the continuous alternate in ideas, era, tastes, products, offerings, and populace. Furthermore, the erosion of geographical separations below the Globalization, which is certainly one of the largest challenges going through businesses (Folajinmi & Peter, 2020). Continuity and profitability are among the goals of any business, so it is necessary to face change and keep pace with progress as a result, businesses have adopted different strategies to face these challenges and solve any possible problems related to internal and external variables. These new strategic management have formed to meet the challenges of this rapidly changing environment. These strategies are important process since they lead to benefit businesses (Wood et al, 2017). They can lead to achieve the required interaction between the businesses goals and the changing work environment.

Financial management is one of the most important part of companies' overall control. Financial management gadget is strongly suffering from the internal and external elements. It has the big part of changes among different elements of companies control systems. Therefore, it is important to constantly screen and evaluate the consequences of these modifications on the organizations performance. That can assist identifying any extra wishes for updating, and fixing any hassle (Chandra, 2011).

Financial management is one of the most important basic functions that is found in almost all businesses. It has great importance in organizing the overall work of businesses. Historically, the financial management was part of economics science. It was separated from economics at the beginning of the current century, and became an independent science.

When financial management began as an independent science, it was limited to topics related to financial tools and institutions, and the procedural aspects of the capital market. Later, it was developed to include many other subjects. These developments were mostly in response to the changes in the conditions experienced by the industrial and commercial establishments (Lasher, 2016).

Financial management field is responsible for studying the best ways to obtain the necessary financial resources, and the best means of using them. It aims to reach the most important goals of businesses. For instance, maximizing the corporations' marketplace value and making an investment capital successfully. That can ensure maximizing the wealth of shareholders and achieves survival. In addition, it can lead to growth and continuity of the businesses in the markets.

In most companies, there is monetary management department that undertakes the abilities associated with following up the financial and accounting actions. It is also known as the budget, which plays according with the pre-set up goals of the capital operation coverage (Brigham & Houston, 2021).

The most common types of financial management are those in commercial businesses. Most of financial management objectives are represented in creating and managing the financial resources.

That can be completed via setting the primary capital, growing capital, and strengthening monetary liquidity. In addition, by means of increasing the financial profit to acquire the appropriate go back on funding in parallel with sensible managing commercial enterprise dangers.

It is vital to indicate that the monetary management is not similar to the accounting management. The hyperlink among the financial and accounting departments may be visible through the near relationship that unites them. The accountants post the reports that the economic branch makes use of a good way to implement and take appropriate choices.

Understanding the monetary management gives the accountants the capability to apprehend all types of statistics that topics economic management. In widespread, it qualifies them on how the financial department makes use of the accounting statistics and records obtained. As a result, the convergence among accounting and financial management, accountants contribute to the financial choice-making procedure.

The financial management within companies is one of the most important factors that affect their performance. This idea is applied on large companies in terms of financial and administrative structure and small or emerging companies. As the financial management is responsible for all the company's funds and their movement.



## **2. CONCEPTUAL BACKGROUND**

### **2.1. The Concepts of Financial Management**

In general, the financial management is described as a fixed of rules that paintings on studying the quality feasible methods to attain a monetary profit. In addition, to provide the ability to finance all of the responsibilities that take place in the corporations. The financial department in most corporations seeks to support the production and marketing of products or services. These goods and offerings are usually provided through the agencies or their centers (Chandra, 2011).

One of the maximum vital part of financial management is making financial decisions. The extra monetary choices that are taken contribute to reaching correct outcomes, the extra this suggests the achievement of the financial control within the challenge it is doing. The financial management, specifically, making financial decisions is one of the most important basic functions that companies focus on. That is because of its great importance in organizing the work of the company (Brigham & Houston, 2021).

Financial management and accounting are confused by many because the terminology is similar and financial statements are central to both. However, financial management is distinct from accounting, where the outputs of accounting are considered inputs to financial management. In addition, financial management is concerned with the analysis and interpretation of financial statements, converting data into information to form the basis of financial decisions.

### **2.2. The Concept of Performance**

The output word is derived from "performer," which means "render" or "do." It refers to the act where an event occurs. It means performance or outcomes. It refers to a mission's execution stage.

The term 'efficiency' refers to extended attempts to accomplish the goals successfully and efficiently. Objective success includes the balanced utilization of individual,

financial and natural capital. Performance is the generic term used for part or more of an organization's operations over a timeframe, often in reference to past or future costs, effectiveness, management duty or transparency or similar (Hamawandy et al, 2021).

Based upon the above interpretation of two definitions, success means not just appearance, but it also refers to a sense of consistency and overall outcomes attained by every company's management. It contrasts the achievements of today with those of the past in the form of some management objectives or priorities. Performance is also the term used to demonstrate a wide range of successes, weaknesses, causes and circumstances for businesses and enforcement.

### **2.3. The Concept of Manufacturing Companies**

The concept of industrial company refers to the economic unit that aims for transform the materials found in nature into final usable products. In addition, the exercise of storage, sale and purchase activities related to products. Thus, achieving the goals for which the institution was existed.

Industrial companies are one of the main pillars of the economy, as this sector has developed with the development of technology and human needs until it has become a pivotal goal for achieving sustainable economic development.

At the present time, industrial companies play an important role in the national economy because of the unlimited capacity of industrial companies to satisfy the basic needs of individuals. In addition, capital increases and is important for providing the means of production to other sectors and to the sector itself.

### **2.4. Modern Approach of Financial Management**

This approach explains the financial decision-making process that includes all administrative aspects of financial planning, regulation and control. In addition, financial planning and its strategic dimension have a major role in financial decision-making, as it shows the results of financial decision-making in the run as long

(Overton, 2008). The ability of the institution or the responsible party to take sound and successful financial decisions depends to a large extent on its efficiency and ability to analyze its financial environment (Sujová, 2013). However, deriving strengths and weaknesses, taking advantage of opportunities, avoiding threats, and avoiding the negative influence of the factors of the financial environment on financial decisions. The decisions that this approach focuses on can be clarified as follows (Chatterjee, 2014).

**Financing decision:** Decisions related to the formulation of the financing structure of the institution are considered one of the most difficult tasks carried out by the financial management, which is to choose the optimal financing structure that allows maximizing the wealth of owners or maximizing the esteem of stock. The strategic objective of the corporation in making the financing decision is to maximize the riches of proprietors by maximizing the value of firm, which is measured by the market esteem of common shares. Therefore, the institution must determine how to obtain the necessary funds at the lowest fetched cost (Martynova & Renneboog, 2009).

**Investment decision:** The One of most momentousness factors in investment and complex financial management decisions because of their investment nature. Mostly, the financial management resorts to it in the hope of increasing the investment return in order to maximize the wealth of owners or to maximize the market advantage of a single share. This decision refers to use of money to fund a certain movement in order to arrive a future profit, so that the investment is acceptable if it meets the applicable standards or achieves the expected profit ( Aharoni, 2015).

**Dividend decision:** Investment decisions and financing decisions are accompanied by other decisions which are dividend decisions. Certainly, a set of decisions that enter into the distribution process are important for financial management due to the conflicting desires between investors and management. Whereas management wishes to enhance the retained portion to secure crucial funds for the goals of investment expansion within the organization, investors want to boost their cash gains by transferring a higher percentage of profits to them (Zhang, 2014).

## **2.5. Keys to Successful Financial Management**

The keys of successful financial management are the following (Rahman et al, 2014):

### **1. Adopting suitable economic making plans**

The economic planning consists of drawing up monetary and operational paintings techniques in accordance with the desired financial liquidity. It targets to making sure the supply of financial liquidity in a well-timed manner to cowl commercial enterprise needs.

### **2. Adopting good monetary manipulate**

It consists of the methods carried out by the employer to make certain the correctness and accuracy of its financial statements. It is applied through accounting controls that ensure compliance with laws and regulations, and designed to help the organization comply with legal methods.

### **3. Making right monetary decisions**

One of the maximum touchy processes in the discipline of monetary management is making monetary decisions. It generally involves numerous exchange-offs among priorities, all of which might be important. For example, postponing the distribution of profits to shareholders and keeping them as financial liquidity. That contributes to helping investment and financing.

## **2.6. Medications Manufacturing in India**

India has an important place in the pharmaceutical sector of the world. There are many advantages unique to the Indian pharmaceutical sector. Among them is the price advantage due to the low cost of land, labor, utilities, and equipment in the country. India's production line costs are less than 40 percent of those of Western countries, and Labour costs are 50 to 55 percent lower than in the West.

India has a large group of engineering scientists with the capabilities to direct and upgrade the industry. Currently, 80 per cent of the antiretroviral drugs used

worldwide in the fight against HIV/AIDS are supplied by Indian pharmaceutical companies.

Other major factors that led to the boom of the Indian pharmaceutical industry concerned the laws and policies in force in the country. There is the Indian Patent Act of 1970, which grants a novel drug a patent right to the same previous product as long as there are modifications made or made to the drug development process, whatever simple those modifications may be. The immediate consequence is that Indian pharmaceutical companies can copy previously patented drugs from international original drug producers, laying the foundation for their later development.

## **2.7. The Importance of Study**

The medication manufacturing industry plays an important role in the areas of economic and social development. It is one of the chemical and strategic industries that directly affect human health and life. Where it is considered one of the most industries that are subject to a large number of laws and restrictions. In addition, it relies heavily on scientific and technological discoveries, with the need for large capital and specialized scientific competencies to establish them.

Scientific research in financial management is an effective tool for elevating all sectors of society by identifying the financial realities of companies and enhancing knowledge about the performance situation.

The study's importance stems from its emphasis on Indian pharmaceutical companies that are critical to economic development in Arab countries. Where the researcher seeks to know the impact of financial management on the performance of those companies.

The following details illustrate why research is important:

- 1- Knowing the impact of financial management on the performance of pharmaceutical companies as a key factor in achieving balance between liquidity and profitability of companies.
- 2- This study is concerned with Indian pharmaceutical companies active in Arab countries.
- 3- Providing information to current and potential Arab investors in Indian medical industry companies about the nature of strategy followed in those companies.
- 4 - This study is anticipated to contribute of support researchers and analysts to assess study's findings compare with the results of studies in other sectors.
- 5- This study is anticipated to contribute as a reference framework support future studies for the development and promotion of knowledge.

## **2.8. Objectives of Study**

- To analyze liquidity position in selected medication companies.
- To know capital structure of selected medication companies.
- To analyze dividend distribution in selected medication companies.
- To analyze performance with the help of return on asset for selected companies.
- To measure impact of financial management on performance of selected companies.

## **2.9. Questions of Study**

- Does there significant variation in current ratios (CR) among selected Medications Manufacturing companies ?
- Does there significant variation in quick ratios (QR) among selected Medications Manufacturing companies ?
- Does there significant variation in working capital turnover ratios (WCTR) among selected Medications Manufacturing companies.
- Does there significant variation in debt equity (D/ER) ratios among selected Medications Manufacturing companies ?
- Does there significant variation in earning per share (EPS) ratios among selected Medications Manufacturing companies ?

- Does there significant variation in dividend per share ratio (DPS) among selected Medications Manufacturing companies ?
- Does there significant variation in return on assets (ROA) ratios among selected Medication Manufacturing companies ?
- Does there remarkable impact of financial management on Aurobindo medications manufacturing company's performance ?
- Does there remarkable impact of financial management on Biocon medication manufacturing company's performance ?
- Does there remarkable impact of financial management on Cipla medications manufacturing company's performance ?
- Does there remarkable impact of financial management on Wockhardt medications manufacturing company's performance ?

### 3. LITERATURE REVIEW

#### 3.1. Meaning of Financial Management

Financial management is an important science that constantly occupies the mind of companies and makes them in constant research about it. Its role is to make optimal use of asset financing. When financial professionals use money properly and allocate it wisely, it reduces business expenses and increases the company's estimated capital. Financial management assessment tools are a mirror that shows weaknesses and strengths in performance. A good financial manager also plans, organizes, and monitors the flow of money entry and exit, the ultimate goals of which are to increase the worth of the company. However, the structure of corporate financial management can be illustrated by the following figure.

**Figure 3.1: An example of a company's financial management structure**



**Source:** (Razdan, 2021)

Figure (3.1) that the structure of financial management system has several dimensions. These dimensions are financial accounting, supplier management, revenue management, and cash management. In addition, it has resources management and sped management. Therefore, the financial management is

connected to every activity within the company. That makes it very important issue since it can affect every part of the companies' operation systems.

The most important aspects that are related to discussing the financial management are:

- The financial management department.
- Financial management tasks.
- The objectives of financial management.
- Financial management function.

A common question arise is asking about the meaning and definition of financial management or about its function and the purpose of its allocation.

### **3.1.1. The Financial Management Department**

The financial department is usually a separate department within a company that is considered the main element of the financial system. The department is responsible for studying the best ways to obtain the necessary capital. In addition, identifying the best means to use this financing in order to reach the most important goal of the company. These goals must maximize the company's market value (Ghosh et al, 2003).

The different duty of the department is to making an investment capital efficaciously. In other words, making an investment capital in a manner that guarantees maximizing the wealth of shareholders. In addition, to acquire survival, and increase and continuity of the institution. That is, it is certainly the efficiently manner of dealing with finance in agencies and institutions. In standard, maximum trade and commercial enterprise entities and various carrier, our bodies have economic branch. These departments undertake the talents associated with following up the financial and accounting movement (the budget).

The budget are managed in accordance with the pre-established objectives of the capital operation policy. The dimensions of the financial management system that are shown in figure (3.1) can be discussed as following:

#### 1. The financial accounting management

The term account management is related to managing customer accounts of companies. The account management works in various fields, and it can be said that it performs a variety of tasks. For example, it managed the relationship between the business owner and customers. It also helps to develop various businesses that aim to attract new customers. It is responsible for managing various fields, such as financial services, sales, and media matters, and the field of technology (Otley & Emmanuel, 2013).

The financial accounting management is an important part of the marketing and sales operations. Its role is not limited to selling customers, but rather to form a relationship with the customer. In addition, to form a point of contact between the customer and the company. This is to ensure the provision of high quality services, and to meet the requirements of customers.

The main objective of financial accounts management is to implement and develops the system of companies' financial conditions and requirements. In addition, to collect financial information and analyze them carefully. Then preparing the financial reports for the responsible authorities. It additionally reviews any illness that could arise on the subject of economic matters. It consists of the management of all financial matters inside the company (Taipaleenmäki & Ikäheimo, 2013).

The main purpose of the financial accounts management is to determining the financial situation of the company. It also supports management in terms of decisions related to operation and the work of the financial manager. The financial accounts management can be summarized as a treasurer of the company. It aims to achieve the maximum return for the company from investing its money. It aims to reduce the

risks that may be exposed to the minimum possible. It also ensures that there is control over the transfer of funds, and their investment.

In short, financial accounts management is a set of processes and procedures. These processes and procedures are used for collection financial information.

They also used for recording and arranging the financial statements. Its goal is to be used in determining the financial position of the company and to assist in decision-making.

## 2. Supplier management

Suppliers are individuals or company that provide products or services to another entity. The supplier's role in business is to provide high-quality products from the manufacturer at a good price to the retailer for resale. The supplier in a business is someone who acts as an intermediary between the manufacturer and the dealer. Retail, ensuring communications are imminent and stock quality is adequate (Prajogo et al, 2012).

Supplier relationship control is the process of planning and managing all relationships with carriers who provide any products or services to the organization. This may additionally encompass raw material suppliers, provider providers or suppliers of cleansing services. It is important to manipulate those relationships so that the agency can make sure the powerful supply of products and services. It is likewise important to hold a dealer control method that explicitly units out the path to be accompanied in managing the supplier. That can help the organization to pick the proper suppliers that match its needs.

It is likewise important to align the organization's objectives to provider performance and activities with strategies and plans. In addition, balancing the costs, efficiencies and offerings' quality. Furthermore, establishing working relationships based totally on cooperation, consider and open communication. That can encourage joint innovation and improve services with providers. Engaging the providers can help

growing the mutual advantage by way of addressing operational incidents, issues, and different causes of warfare. It can also assist the use of clear paths to speak about and clear up problems, and managing overall performance and danger in working with a couple of providers (Akamp & Müller, 2013).

The supplier management system is defined as the system in which suppliers are identified. In addition, their data is managed and tracked, their levels are analyzed, and their due reports are reported. The most important functions of that system are:

- Opening the suppliers' account.
- Operating different actions such as price requests, purchasing, and disbursement.
- Editing and issuing supplier contracts.
- Determine the supplier's indebtedness document when repaying it.
- Entering suppliers' bills of exchange.

### 3. Revenue management

The Revenue is the full earnings that the investors earn from their investments each year. It is expressed as the share of the funding's unique cost. The investors get returns from their investments in stocks or funding price range whilst those funding vessels distribute earnings. The returns on funding may be obtained by using dividing the distributed income that the investor gets all through the year with the aid of the overall amount spent to purchase the investment device (Talluri et al, 2004).

Revenue management is a varies pricing strategy that primarily based on understanding, expecting and influencing patron behavior. Its important purpose is to maximize revenue or profits. It includes strategic manipulate of stock to promote the proper product to the proper client on the right time and on the proper price. This manner can cause price discrimination. In other words, whereby customers who devour equal items or offerings are charged one-of-a-kind costs. Revenue control is a full-size supply of earnings for many primary industries (Boyd & Bilegan, 2003).

Revenue control has emerge as part of mainstream business concept and exercise over the last fifteen to twenty years. Revenue management is a set of sales maximization techniques that aim to improve the profitability of corporations. It is complex because it entails many components of control. For example, it includes fee control, revenue movement management, and distribution control.

Revenue management is interdisciplinary as it blends factors of advertising, operations, and monetary management into a brand new and surprisingly a success technique. Revenue management strategists should work with one or greater departments which can be associated with designing and imposing sales control techniques (Hayes et al, 2021).

#### 4. Cash management

Cash management provides multiple services and products that are needed in any company. It provides banking solutions to meet the needs of these companies such as collection services. In addition, electronic payment, liquidity management, and investment services. This is done through managing liquidity and cash, while allowing the use of companies' clients' surpluses through investment accounts (Ogunbade et al, 2021).

#### 5. Resources management

The financial resources management includes planning and directing the use of the company's financial resources. Companies may have accounting staff or an outside accounting firm to provide financial resources management. The financial resources management is considered as an essential function of any business. That is because any company needs to obtain financing resources. That can help companies carry out production activities and other business processes. In addition, pay compensation to suppliers, and others (Pahl-Wostl, 2007).

### **3.1.2. The Tasks of Financial Management**

The most common types of financial management are those in commercial business companies. The most common objectives of financial management are represented

in creating the financial material and for the entity. That can be done by setting the main capital, increasing capital, and strengthening financial liquidity. In addition, by achieving financial profit, achieving the appropriate return on investments, and wise dealing with business risks (Allen et al, 2013).

The financial management is also considered a process of planning, organizing and directing. In addition, controlling the financial resources and activities related to financial matters. The goal is to organize the companies' financial transactions and achieve their goals. Financial management works to maintain its continuity through the management's work to define a set of goals and the necessary resources. In addition, to develop appropriate plans for the use of resources to achieve the goals of the company in the short and long term (Moyer et al, 2014).

It is important to note that the financial department in most companies works to monitor each of the expenditures. It also records each of the debit and credit accounts, cash flows and profit. It analyses all financial data to make many financial decisions.

The financial manager is usually responsible for determining the company's ability to fulfil its obligations towards others. In addition, determining the company's ability to operate its resources. Specifically, the financial department can determine the following:

- Determining the sources of funds.
- Determining whether the company suitable for long-term or short-term loans.
- Determining whether the company capitalizes the profits.
- Determining the use of financial funds.
- Determining the activity of the company as a whole.

The good financial management is reflected in the profits of the company. The opposite is the presence of a failed financial management that will lead to the

bankruptcy of the company in the near future. Therefore, the outcomes of the company can explain the quality of its financial management.

### **3.1.3. Financial Management Function**

The financial management is considered part of the overall management of companies. It is usually entrusted with the responsibility of managing the company's financial affairs. It works in coordination with the other functions of the companies' departments. Its main goal is to control the use and sources of funds (Baker & Powell, 2009). Based on that, the framework of the financial management functions can be discussed as below:

#### **1. Financial planning / financial needs estimation:**

The financial planning includes the identification of the companies' financial needs of both long-term and short-term. This identification process is based on the companies' plans for the future. The main part of this process is the estimating of cash budgets and balance sheets. It is important to note that the uncertainty, with regard to future expectations, should not discourage the financial managers from using these planning tools (Overton, 2008). They must take the possibilities of deviation into account, and make flexible plans to the extent that accommodates such deviations. This function is considered as one of the most important functions of the financial department. Therefore, the financial department must exercise it in coordination with other departments

#### **2. Investment decisions**

This job includes all decisions related to investing funds of various types of the companies' assets. Before making investment decisions, the financial management determines its expected financial needs. In addition, obtains the necessary requirements to meet these needs. The goal of that is to ensure that the resources available have been directed to the best economical use within the company. The use of these resources should lead to greatest possible benefits (Bradbury et al, 2015).

#### **3. Financing decisions**

This function includes all decisions related to evaluating the effects of the use of various types of financing. For example, the effect of using of short and long-term financing on the value and profitability of the company. When the financial department has known its needs of funds, it begins to search for appropriate sources of funding to meet these needs. These funds will be the appropriate combination of the left side of the budget. They must be within the framework of the company's general objective, which maximize the current value of the company (Schlingemann, 2004).

#### 4- Financial control

The development of financial plans is usually associated with the existence of a good control system. That is because good control system enables the financial management to compare the actual performance with the expected one. The aim is to know the deviations and determine the causes of their occurrence. Then, find the necessary solutions to address these deviations (Ryan & Trahan, 2007).

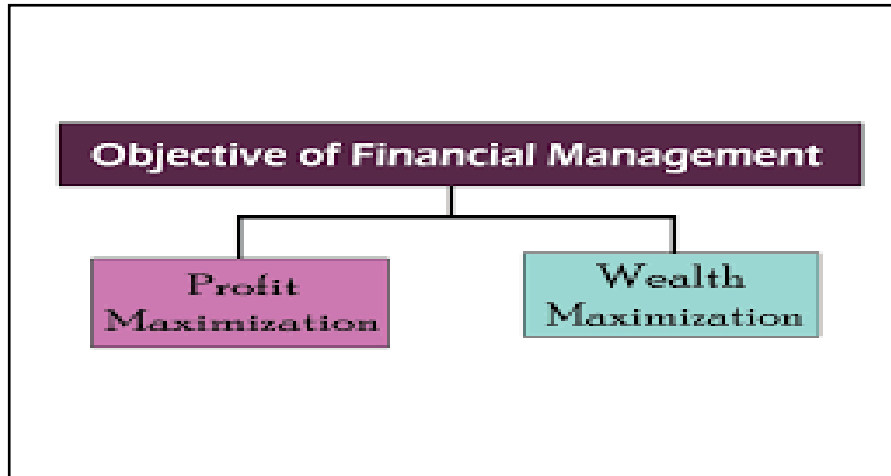
#### 5- Dividends decisions

The dividend distribution policy includes determining the percentage that will be paid in cash to shareholders. In addition, it includes determining the profits that will be distributed in the form of free shares. It also includes working on stabilizing the distribution rates over time. Distribution decisions are closely related to financing decisions. That is because undistributed profits are among the most important sources of financing. In addition, undistributed profits has the advantage of increasing the companies' ability to borrow (Al-Ajmi & Hussain, 2011).

### **3.1.4. The Financial Management Objectives**

It is well-known that the existence of the financial entity of any company stems from achieving a list of objectives. The general objectives of the financial management are shown in figure (3.2), and discussed as following (Brigham & Ehrhardt, 2013):

#### **Figure 3.2: The general objectives of the financial management**



**Source:** (Saxena, 2018)

### 1. Providing cash

One of the vital elements for the continuation of any economic entity is the economic liquidity. The planning for this purpose is one of the first steps of a success businesses. In other words, planning to achieve profits as quickly as possible with a view to create a stability between spending and earning costs.

### 2. Achieving a return for shareholder investors

Achieving return for shareholder investors can help gain confidence within the business entity. It gives the company the opportunity to increase shareholders and increase capital. The evidence showed that securing the liquid cash cover is one of the most important factors for continuity. For example, after the global economic crisis in 2008, some institutions were able to recover from this setback. That was because of the availability of financial liquidity.

### 3. Increasing Profit

Increasing profit is the most important goal of most businesses at all levels.

The importance of setting this financial goal has emerged as the reference point based on which financial performance is measured.

From the above discussion, it has become clear that the concept of financial management and its functions. This section will explain in detail the goals of financial management as following (Kadam, 2012):

#### A. Determining the financial strategies

One of the most critical desires of financial management is figuring out the financial techniques. This purpose includes drawing up financial and operational work strategies according with the required economic liquidity. It includes ensuring the provision of economic liquidity in a timely way to cowl business wishes. These wishes can be imparting equipment, purchasing investment stocks. In addition, paying employees' salaries, financing deferred income, and others. In the lengthy-run, the economic liquidity is usually required to make balances for the manufacturing capacity of work.

#### B. Identifying the Financial Supervision

This purpose includes figuring out the methods and strategies that the organization implements to make sure the accuracy and validity of its economic statements. This aim is done through accounting manage that ensures compliance with legal guidelines and guidelines. In addition, facilitates the employer observe criminal processes. It is essentially the system where in the economic follow-up works to verify the achievement of procedural goals. These are:

- High effectiveness of running financial property.
- Securing monetary property.
- Confirming shareholders' rights according with hard work legal guidelines.

#### C. Helping in making financial decisions.

One of the important purpose of financial management is it to cause make the right economic choices. It is one of the most sensitive tactics in the field of financial management. That is because, creating an economic decision may be vital for the destiny of the employer. Especially whilst it involves trade-offs between priorities, which are all considered important. It is widely recognized that there are a few aspects of spending on investment earlier than making income. In addition, there are some components of spending on different variances related to paintings systems.

All of these components must be taken under consideration when making economic selections. Therefore, the financial management may take a decision that its precedence is to boom economic liquidity at the fee of other factors. For example, suspending the distribution of earnings to shareholders and retaining them as monetary liquidity. That contributes to helping investment and financing. Another instance can be promoting a few stocks, making financial institution loans, and obtaining deferred charge transactions from dealers.

### **3.1.5. Factors Affecting Financial Management**

There are many factors that affecting the movement of cash. When placing the desires of financial management, they may be set in keeping with those elements. The first one is the internal factors that are related to the character and ownership of the capital. For instance, newly hooked up capital, joint stock employer, and lengthy-standing economic entity. The second component is the scale and standing of the commercial enterprise entity. In confined or newly mounted business entities, the focus is on continuity and balancing spending extra than attaining profitability. As for large financial institutions with monetary dominance, the focal point is on growing the range of shareholders and elevating the cost of stocks (Chuah et al, 2020).

The other elements are all qualitative impacts that can battle with the agency's monetary goals For instance, the factors that can be related to exertions rights problems, and hard work depth in phrases of organization. In addition, the governing legal guidelines and rights that must be fulfilled.

The second group of factors are the external elements or the economic situations. These may be (Kimwele, 2011):

- A. The severe economic disaster compelled many agencies to reschedule their financial work.
- B. The legal guidelines of the market and transactions can play full-size function in figuring out the minimum and most levels of economic liquidity.

C. The changes in interest prices, which is the amount to be paid by means of the lender to the borrower.

D. The modifications in trade charges, that is the charge of a country's forex. That is, the rate at which a country's currency may be exchanged for some other currencies.

E. The exchange and fluctuation in foreign money quotes are a few of the factors affecting the goals and economic determinants formerly set.

F. Competitors, which mirror the aggressive surroundings that impacts the extent to which the goals are executed. For instance, lowering fees may also come to be a need if the competitor is able to develop in marketplace. In addition, competitor may increase its market occupancy fee

G. Political and social alternate, that have indirect results. For example, the environmental laws guidelines regarding emissions and landfills. That may also compel the sector of funding to boom funding in areas over other.

### **3.1.6. The Types of Financial Management**

It is natural that the authority and specialization of financial management differ from one institution to another. The differences are based on the institution's objective and the powers granted to it. The difference between the financial management has two main divisions (Diamond, & Khemani, 2006).

The first one is the financial management in the public sector. The second one is the financial management in the private sector. It is important to indicate that these two types are not completely separate from each other, but there is a mutual influence between them. That is, the private financial management supports the public financial management. That support is coming through taxes paid by the private sector, and public finance provides support for private finance through spends on services, projects and infrastructure. In addition, they both deal in the same financial market (Wang, 2014).

The mission of the financial management in the public sector is to develop studies and financial research in public sector institutions, which owned by the state government. The public financial administration follows up on exports and imports

of money. They do that by imposing control over public funds in order to analyze financial and economic conditions.

The mission of financial management in the private sector is to develop financial studies and research in private sector institutions, which owned by the owners of capital and businessmen. For example, service and commercial companies and others. The private financial department follows up the company's financial position by linking it to the budget allocated to it. In addition, seeks to assess how much success it has achieved within the competitive conditions with other companies (Wynne, 2003).

It is important to compare between the financial management in the public sector and in the private sector. The Financial management in the public sector differs from that in the private sector in terms of goals and objectives. Public financial management aims first to achieve societal goals that benefit society as a whole. While the financial management in the private sector aims to achieve the interests of the owners of companies (Van, 2004).

That can be achieved by getting profits for them. This quest towards achieving private goals, therefore, leads to the realization of the community's goals indirectly. This is represented in increasing the gross national product that the public financial management seeks. The differences between financial management in the public sector and finance in the private sector can discussed as following (English et al, 2005):

#### 1. In terms of financing

The state collects its financial needs through direct and indirect taxes. In addition, through non-tax revenues such as fees, licenses, revenues from state property, and state participation in projects. Furthermore, profits, and borrowing. For the private companies, they obtain their financing needs through the contribution of project owners. In addition, borrowing and undistributed profits

2. In terms of investment

The decision taken by the public sector to invest or spend depends on the achievement of social welfare and profit. However, the private sector makes its investment decision according to its expectation of obtaining an appropriate return on the invested capital. In addition, according to less interest in societal goals.

### **3.1.7. Financial Management of Working Capital**

The financial management of working capital deals with decisions regarding short-term property and liabilities. Its objective is to ensure consistency of the operations of the company and the availability of sufficient cash flow to cover the payment of short-term obligations in due time while managing the requirements for the operational activities during the period (Gill, 2011).

One method used in working capital management is assets liability management strategy that improves the efficient use of the resources available to an enterprise. This strategy is based on the principle of matchmaking, that is, on funding assets with funding sources that have the same maturity date. If a company needs cash seasonally, it can borrow from short-term sources of funding to meet these needs. On the other hand, most companies need permanent sources of financing to invest in inventory and receivables, since they are short-term current assets and are constantly replaced. Therefore, the permanent capital is financed from long-term funding sources or through equity (Arkan, 2016).

The main task of financial management to working capital is balance and maintain the objective of liquidity and profitability. These two goals are inherently contradictory: increasing liquidity means increasing current non-profit assets, which is contrary to profitability and the goal of increasing corporate value. On the other hand, increasing profitability would require increasing investment in long-term assets. This would also run counter to the objectives of liquidity and of increasing the value of the company, which would expose it to risk. The risk is a company's inability to provide money when it needs, which is known as liquidity risk (Restianti & Agustina, 2018).

### **3.2. Meaning of Financial Performance**

Financial success is a financial action execution operation. It shows how much financial goals or priorities have been met. Financial success of the company is monetized and used in decision making. For a particular period of time, a company's financial success reflects financial stability. Financial performance review thus constitutes a method of comprehensive measurement of a company's viability and financial stability by applying a financial statement analysis. In addition to finding the best ways to obtain profits, manage the company's financial portfolios and monitor them for all the company's activities (Bagh et al, 2016).

Most researchers agree that the businesses' performance is a set of strategies that lead the businesses to achieve their long-term mission and goals. Specifically, by making outstanding performance about its competitors. Businesses' performance has been defined as the outcome of all the operations carried out by the businesses. Businesses performance is presenting the characteristics of businesses with a superior attitude (Liargovas & Skandalis, 2010).

There are four factors, in general, that lead to distinguished between the businesses' performance. They are identifying stakeholders, as businesses must meet the needs and desires of stakeholders. Second, the basic business operations managements that are represented in developing new products, attracting customers, and reducing expenses. Third, the appropriate allocation of human, material, financial and informational resources. Finally, the effective management capability of developing strategies for employees, and for what the organization wants to achieve and how to achieve it.

Therefore, businesses' performance reflects the ability and effectiveness of businesses in achieving their long-term goals. Specifically, long-term responding to work environmental changes and achieving acceptable results.

In short, no commercial enterprise could be able to live to tell the tale if it does no longer have a few form of economic management. Every organization needs a

structure to control the flow of cash into and out of its enterprise. The powerful financial management machine can do greater than that. It can enhance profitability, degree cash drift, decide tax liabilities, make certain compliance, and keep the lengthy-time period sustainability of the corporation.

### **3.2.1. Areas of performance**

Inside an organization, a comprehensive assessment would certainly improve or alter the efficiency of various types of tasks and activities in different areas of business operations. The production region can be defined as these operating areas. The financial expert also considers or assesses the following related areas for performance or evaluation research:

- Productivity output.
- Rent ability output.
- Fund balance output.
- Liquidity output.
- Functional capital performance.
- Efficiency output etc.

### **3.2.2. Performance analysis**

The company's management needs several forms of knowledge to control the company (operations). Management tasks or functions in particular are essential for a constant flow of quantitative and qualitative information. For example, managers may need organizing, managing, leading, budgeting and decision-making data or facts.

Planning is a decision-making mechanism in preparation for the upcoming operation. Planning is "a principle of managerial activity which embodies the capacity to anticipate, influence and monitor changes." In order to collect quantitative statistics or results, planning requires always knowledge and performance analyses. The management is also helpful because data flows enable them to control day-to-day processes in an effort to achieve optimum productivity. Ultimately, effective control

directs all businesses to meet pre-determined corporate goals. Management must sometimes send their workers guidance in accordance with the condition and results. The review of performance provides the details for this mission, and also for budgeting decisions, market growth, etc. The study of performance becomes a basis for sound data. Listing research offers essential management knowledge useful for sustainable corporate operations and the efficient use of business capital.

### **3.2.3. Importance of Performance Analysis**

There are a host of interest parties in the success assessment of business organizations. Therefore, for many reasons, such organizations continue to evaluate the financial performance of an organization and know the financial situation. The final result of a financial state of a company is used by several actors and can be noted below:

(A) From a management point of view: management is often concerned with internal regulation, improved financial status and efficiency. The management should assess its strategy efficiency by not just measuring the results of its own strategic plans and strategies in a success review. This is very helpful in determining the continuity of current policy or in implementing new policies.

(B) From the point of view of creditors: the liquidity of company companies is often the concern of creditors. They therefore have an interest in analyzing the liquidity of a business. Via different ratios, lenders will carry out performance analyses and use the real details on liquidity and other sector business aspects.

(C) From a commercial banking viewpoint: government and trade banks are still closely associated with economic growth and are still interested in the ultimate performance of the bank. On the basis of the performance of banks, banks may have an idea and understanding of the current country's economies and may even predict the probable region's economy.

(D) Investors still have a stake in potential income and in stability and improved incomes from the point of view of investors. Consequently, their interest lies in the sustainability, competitiveness and financial conditions of the company.

(E) From depositors and bondholders' point of view: Cash balance, liquidity and viability of the firms or businesses are the focus of depositors and bondholders. They are also engaged in the analysis of cash and liquidity, current and projected profits and the composition of the assets. The financial circumstances of various firms can include all these considerations for depositors and bondholders.

(F) From a labor and labor perspective: employees are one of the key players in a business. They are part of the bank's income, cash and financial position. Staff would also consider all these things as they point to the financial condition of the banks. Trade unions will like to hear more about financial performance when they are in need of increased salaries, programs and other benefits, etc.

(G) Long-term loan providers are concerned with the profits or liquidity of business companies by vendors of long-term debts or finance. This class of individuals will rely on solvency and the sustainability of the company as they fund it a little longer. You will recognize all this by pointing to a business company's financial circumstances.

#### **3.2.4. Components of Performance Evaluation**

The following general elements should be provided in order to evaluate the performance of the company (Karagiorgos, 2010):

##### **1- The creation of accounting systems**

The presence of a reliable and advanced accounting system facilitates obtaining sound financial and accounting data, which is one of the pillars on performance control. In addition, its contributes toward clarifying extent to which government agencies adhere, applicable legislative rules, and facilitates the audit and oversight processes exercised by relevant authorities.

## 2- Strategic management

The method adopted by the senior management, which is derived from higher goals of the company to become a means to achieve those goals. Its guides the future fateful decisions taken by that administration in mobilizing its resources around the continuous development of its competitive position. The describes a long-term strategy that focuses on analyzing the company's position in terms of nature work, competitive position, position in the market, and determining its objectives in future.

## 3- Transparency

Each citizen has right to access information and know the mechanisms institutional decision-making. It is a necessary requirement to set ethical standards or an institutional charter for what leads to a mechanism of trust, and to help discover errors.

## 4- Adoption the principle of effective accountability

A public employee who is given responsibilities and powers perform a specific job is responsible for performing the tasks of that job according to what is specified in advance. When accountability is used as a mechanism for evaluating performance. That where the focus is on each of level performance which has been achieved in light providing the elements for implementing effective accountability.

### **3.2.5. Benefits of Performance Appraisal**

Researchers' perspectives on performance appraisal is process as a post-decision process, the purpose of which is to examine financial position and internal audit. However, the performance evaluation process is represented by actual field behavior to translate the set goals into a tangible reality, that is, moving from the idea to the field in its implementation. The company's performance appraisal process aims to achieve the following (Al-Zawahreh & Khasawneh, 2013):

1- Determine level of achievement to the economic unit compared with goals included in its production plan.

- 2- Exposing of weaknesses in the activity of economic unit, conducting a comprehensive analysis and stating its causes with the aim of developing.
- 3- Determine the necessary solutions and correcting of defects, plus to guiding of implementers to ways to avoid them in the future.
- 4- Determine the efficiency of using available resources in a rational manner that achieves a greater return at lowest evaluation costs for each project in order to reach the comprehensive evaluation.
- 5- Determining the extent of facility's ability to meet current obligations.
- 6- Measuring the degree of growth of the facility and detecting weaknesses and strengths.
- 7- Providing the necessary data and information for decision-making, policy formulation, and budget preparation discretionary.
- 8- Measuring the overall effectiveness of the facility and its level of performance.
- 9- Measuring the efficiency obtained by the facility by exploiting its various assets to achieve profitability.

The majority of establishments, financial departments, consulting offices and chartered accountants are interested in ratios Financial as a tool for measuring the performance and financial conditions of companies at a given time or during a financial year. Researchers' perspectives on performance appraisal is process as a post-decision process, the purpose of which is to examine financial position and internal audit. However, the performance evaluation process is represented by actual field behavior to translate the set goals into a tangible reality, that is, moving from the idea to the field in its implementation (MaS, 2020).

### **3.3. Meaning of Measurement**

Quality measurement is a performance evaluation type, or the key performance indicator (KPI). KPI may be used by a corporation to evaluate its success or decide its operating success of a certain industry. Measurements include the allocation of numerical features by statute, entities, events or occurrences. What is evaluated is not the entity itself, individual, state or event but its characteristics: for example, we do

not measure the object itself; we measure its features, for example. When counting objects.

Different groups or organizations of employees are organized or founded in a business organization to accomplish or achieve these aims and objectives. Both groups of individuals need to assess or analyze their success in order to determine the extent to which their tasks have been planned well beforehand.

Knowledge regarding the success of companies by measurements of profits and its components is the main subject of financial statements. The actual aim of the preparation of the financial statement is to disclose the company's financial results. A financial accounting suite is a coherent and realistic compilation of data by accounting policies and procedures. Two main simple statements usually mean financial statements. Most of them is the balance sheet, and another is the declaration of gains and losses.

The balance sheet is a document that indicates the company's financial status on a certain day. That is a summarized financial statement in a given year. The declaration of benefit and loss account indicates the income and costs of the company for a certain amount of time. Financial statement reporting is strong guidance and support for company financial results analysis. Measuring financial results offers valuable knowledge about the company's financial success and vulnerability and thus makes decisions.

### **3.3.1. Meaning of Financial Analysis**

The first task of the financial report is to pick from the overall details found in the financial statement the correct information for the judgment under review. The second step is to organize the details so that important relationships are highlighted. The last move is to analyze and draw assumptions and conclusions. The collection, relationship and assessment process is the financial statement (El-Haj et al, 2019).

### **3.3.2. Features of Financial Analysis**

To have a straightforward and comprehensible presentation of a complicated details in the financial statement.

Inconvenient and fair classes to identify products in the financial statement.

To draw different conclusions from a distinction of different classes.

### **3.3.3. Meaning of Financial Statement**

These documents, which provide financial reports on a business, lead to financial statements. At the conclusion of the accounting cycle, they announce profitability and the financial status of the company. At least two accounts prepared at the conclusion of an operating cycle are included in the financial statement of the team.

The two statements are: -

The Balance Sheet

Profit and Loss Account

They have really valuable details in the same way The Sheet reflects the financial condition on the asset structure, the liability and the equity of the owners on a certain date and, during the amount of time in question, the income gained and the expense paid over the year indicate the income and loss accounts. This gives a summarized view of a company's financial status and activities (Lewis & Young, 2019).

Purpose of Analysis of financial statements:

- Knowing the viability or earnings potential.
- Solvency awareness.
- Knowing the qualities of finance.
- Knowledge of interest and dividend payment ability.
- Comparison with other companies.
- Knowing the company pattern.

- Knowing mgt's efficiency.
- Providing mgt with valuable facts

A financial statement is a written record of the financial activity of a corporation, persons or any other body that describes a company or a person's short and long-term financial conditions. They demonstrate the conditions of a company and provide condensed results. Corporate managers and investors primarily use financial statements as a strategic means for assessing the overall position and success of a business. An review and interpretation of financial reports helps to assess the liquidity, long-term solvency, financial viability and profitability of a business (Prayogo & Setiany, 2020).

#### **3.3.4. Financial Ratios**

Financial ratios are a monetary arithmetic relationship between two variables, one of which is a numerator and the other a denominator, each of which represents a paragraph or a group of final accounts (financial position statement and income statement). The numbers that appear in the final accounts may not mean anything and do not clearly disclose the financial position and performance form in the business establishment. This necessitates tying them together in a relative manner to obtain results with a specific content that is useful in the performance evaluation process (Restianti & Agustina, 2018).

Financial analysis with ratios did not spread widely until after the great depression that swept the world at the end of the second decade of the twentieth century, although it was known for a long time. Especially after the separation of the ownership of organizations from their management and the ensuing legislation that required the administration to publish the financial statements of the collectively owned enterprises. Which has become an urgent need to analyze and understand this data and to come out of it with useful information and indicators that help the stakeholders. Those who may not be specialized in accounting and finance should read and know the facts that hide behind the numbers. Subsequently, facilitating their

task in making decisions that achieve their interested maximize their wealth with the highest degree of efficiency and effectiveness (Musallam, 2018).

The process of financial analysis relies heavily on financial ratios, which are also used to illustrate the financial and competitive condition of various industries' organizations. Its expresses the connection between two elements related to financial operations, and this is done by dividing one on the other. It's does not add anything new to the two items, but rather tries to explain the relationship between them in order to facilitate the process of obtaining results from the analysis and putting them at the service of administrative decision makers. It requires tracking trends and monitoring changes that occur in the company's financial position over time (Myšková & Hájek, 2017).

The importance of the financial ratios is highlighted by comparing them with other similar ratios, as the comparison reflects the situation more accurately. The comparison process can be based on the analysis of the general trend, such that the comparison is made based on similar companies or units in terms of the nature and work for more one year. Such comparisons increase the value of financial indicators as control tools to determine the strengths and weaknesses of the company. That leads to evaluate such organizations' competitive standing and degree of performance (Arkan, 2016).

#### **3.3.4.1. Current Ratio (CR)**

The current ratio is the main and optimal indicator for predicting the extent of coverage of short-term creditors' claims with assets that are expected to be converted into cash and at a reasonable speed. Therefore, it is the most widely used method for measuring the company's ability to meet its short-term obligations (Nuryani & Sunarsi, 2020).

The current ratio when it is closer to the correct one, this means that the current assets increase the current liabilities, that is, there is a margin of safety that covers those short-term financial obligations, and the high ratio indicates that the firm's

liquidity is high and the capacity to pay its immediate or short term obligations is also considered large (Nugraha & Susyana, 2021).

This ratio is a good measure of the company's liquidity, as it takes into account all current assets, but these assets differ in the degree of their liquidity, cash is considered ready liquidity, while the commodity inventory is less liquid than cash. The reason is that the second needs a longer time to convert it into accounts receivable and then into ready liquidity. Thus, when using the trading ratio, we find that it does not differentiate between ready-made and non-ready liquidity, such as stocks, banknotes and receivables, so the trading ratio can be viewed as a quantitative measure rather than a qualitative measure (Nuryani & Sunarsi, 2020). The measurement criteria of this indicator can be shown in the EQ below.

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

#### **3.3.4.2. Quick Ratio (QR)**

This ratio is used to gauge the effectiveness of the cash and semi-cash resources available to the institution in meeting its short-term obligations without having to liquidate its assets from inventory of goods. In other word, this ratio considered an audit of the trading ratio because it measures extent to which the institution is able to pay its short-term obligations from cash, securities and debts it has without relying on goods. where there is no room for any question about the liquidity of the available cash, as well as the securities to some extent. However, the importance of this ratio depends to a large extent on the type of debt (Anggraeni, 2015).

This ratio excludes merchandise and prepayments from the numerator, since the commodity component is the most important reason for which it is taken into account in the trading ratio as an accurate indicator of liquidity. Because it is the most likely component of current assets to decline in value, and because it takes the most time to convert it into liquid cash. In addition, reliance of the item of goods appearing in the balance sheet on the estimate in determining its value more than any other component of the assets. Therefore, this ratio aimed to neutralize this element in

order to reach a better indicator of liquidity by limiting the use of elements with high liquidity, such as cash, quasi-cash and debtors' accounts of all kinds (Chatterjee, 2014).

The financial analysts are looking at 1:1 quick liquidity as an acceptable target for this ratio. They consider decrease from this rate lead to a necessity for institution to approve the liquidation of goods in order to fulfill its short-term obligations, and the analyst must estimate whether such credit is in his position or not. The supermarket, for example, often has a very low quick liquidity ratio, but it depends on its sales primarily to meet its obligations, and this is a valid assumption. The deviation of this ratio from the acceptable rate means pressure on liquidity, and confirms the institution's need to liquidate some of its goods in order to be able to pay its short-term debts (Anggraeni, 2015). The measurement criteria of this indicator can be shown in the EQ below.

$$QR = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$$

#### **3.3.4.3. Working Capital Turnover Ratio (WCTR)**

This ratio is especially significant as an indicator to know the suitability of the capital to the company's operations, as well as its relative importance to the total assets, because the low of this relative importance may be one of the negative indicators of the company's position.

This ratio is traditionally positively correlated with the business performance of the institution in its field. A higher head turnover demonstrates that the business is producing more sales from its existing working capital. This is often a sign that the company is becoming more efficient at generating revenue, moving more products or services, and streamlining operations. However, there is a downside, as an unusually increased working capital turnover indicator in line with industry standards can be an indication of insufficient working capital for a company (Widiyanti & Bakar, 2014).

This ratio is of special importance as an indicator to know its suitability to the company's operations, as well as its relative importance to the total assets, because the low of this relative importance may be one of the negative indicators of the company's position. Therefore, we are assured of the momentousness of working capital for the institution to enable it to work and continue, which the working capital is an important percentage of the institutions' assets (Jasmani, 2019). The measurement criteria of this indicator can be shown in the EQ below.

$$\text{WCTR} = \frac{\text{Net Sales}}{\text{Working Capital}}$$

#### **3.3.4.4. Debt to Equity Ratio (D/E.R)**

This ratio is refers to the sum of other people's money that company has used in its attempt to make profits. The long-term financing - long-term debt - is also of great interest to a financial analyst. As this obliges the company to pay interest over a long-term period as well as repay the value of the loan. As long as the rights of the creditors must be fulfilled first before any distributions are made to the shareholders (Mahardhika & Marbun, 2016).

The current and prospective owners pay close attention to company's ability to meet its obligations on time in accordance with the terms of the borrowing. The financiers or borrowers are also interested in the company's ability to service its debts.

The rise in the proportion of company's debt indicates a relatively higher likelihood of its inability to meet its obligations. Therefore, management takes care of the amount of a company's debt due to external and internal interest, so that the company does not become in a difficult financial position (Mahardhika & Marbun, 2016). The measurement criteria of this indicator can be shown in the EQ below.

$$\text{D/E.R} = \frac{\text{Total Debt}}{\text{Total Shareholders' Equity}}$$

#### **3.3.4.5. Earnings Per Share (EPS)**

This ratio represents the actual return realized from the process of acquiring and selling shares which consists of capital gains which represent the difference between the sale and purchase price of the share. In addition, the dividends resulting from the operation and employment of funds, in the form of a non-fixed percentage. This ratio expresses a financial indicator that includes financial information of fundamental importance in evaluating the financial health of companies. They must be disclosed and available to all investors because they are supposed to have an important role in making investment decisions (Kiboi, 2015).

The rate of return depends on the investment through the ratio of return to the size of the investment, but in fact the return has different concepts and meanings. The financial analyst has what he cares about his understanding of the return, in addition to the fact that every beneficiary and dealer with the company has his own concept of returns. That means the concept of return is broad and has many implications, but what is agreed upon is that it is a relative concept with future implications (Ramadan, 2015).

This ratio represents the share of one ordinary share of net income that accrues to the ordinary shareholders. It indicates the amount of net income earned per share of the company's issued common stock. In other words, It shows how much money was made after interest and tax, and the dividend for preferred shares realized for each ordinary share held by the shareholder of the company's shares (Kiboi, 2015). The measurement criteria of this indicator can be shown in the EQ below.

$$\text{EPS} = \frac{\text{Earning after Tax}}{\text{No of Equity Shares}}$$

#### **3.3.4.6. Dividends Per Share (DPS)**

This ratio refers to the policy of distributing profits, which is one of the most important administrative policies in public joint stock companies due to its direct relationship with shareholders and its repercussions on the share price in the market.

It also concerns the decision to divide the company's net profits between dividends distributed to investors and retained profits (Kiboi, 2015).

According to stock pricing models, the stock price in the stock market's current pricing is affected by the dividend policy adopted by the company. In other words, the share price is also affected by the company's growth rate, which in turn is directly affected by the amount of profits that are retained and reinvested in the company. The case of retaining more profits on account of distributing a smaller amount of return, this leads to an increase in the growth rate and thus an increase in the value of shares and a decrease in the share of the ordinary share of dividends. While reducing retained earnings on account of increasing the amount of distributed profit reduces the growth rate. In the end, that's lowers the share price and the ordinary share of dividends to rise (Ramadan, 2015).

Based on what was mentioned above, it is clear that the policy followed in the distribution of profits affects the share price, sometimes positively and sometimes negatively. In the short term, the announcement of the percentage recommended by the governing body for distributing profits leads to a rise in the share price, but this price will decrease after the company actually distributes those profits to shareholders. Therefore, the company's management must choose the appropriate policy for distributing profits that achieves the required balance between the profits distributed to shareholders and the company's interest in achieving the required growth rate (Warrad, 2017). The measurement criteria of this indicator can be shown in the EQ below.

$$DPS = \frac{\text{Dividend}}{\text{No of Equity Shares}}$$

#### **3.3.4.7. Return on Assets (ROA)**

This ratio is considered one of the most important basic indicators for measuring the profitability and performance of companies as a whole and of the medical industry in particular. The ability of the corporation to make the best possible investments is gauged by the rate of return on assets. In other words, it evaluates how well

management of the business makes use of all of its resources. Through this indicator, it is possible to measure the income per monetary unit from the average assets owned during this period (Nugraha & Susyana, 2021).

This ratio shows the company's efficiency in the use of assets, and it is of great benefit in evaluating the success of the company's basic operations and the extent of the ability to pay obligations. Since net profit is generated during a financial period, it is not appropriate to measure return on assets using total assets at the beginning or end of the period. This is because both numbers represent one point in time and from a technical point of view return on assets is calculated using the average operating assets. That is, the assets used to finance the income during the period, not its beginning or end (Solihin, 2019). The measurement criteria of this indicator can be shown in the EQ below.

$$\text{ROA} = \frac{\text{Earnings Before Interest and Taxes}}{\text{Total Assets}} \times 100$$

## **4. METHODOLOGY AND DATA ANALYSIS**

### **4.1. Research Design**

Research design is most important aspect in research work. It gives basic structure to research work. Every research has its own research design which identify road map for further research. For this research following research design has been prepared. The subject financial management has mainly three activities which have to deal with namely financing activity, investment activity and dividend distribution activity. Financing activity deals with sources of fund whereas investment decision deals with where to invest raised fund and whatever profit earned by both decisions have been distributed by dividend decision.

In this study, researcher analyzed financial management activities and its impact on companies' performance in selected medication manufacturing companies. For identification of difference among selected companies financial management and performance one-way Anova test used (Mehta, Raj, & Sharma, 2021). Correlation analysis has been used for identification of association between independent variables and dependent variable. Finally impact has been checked by panel data analysis regression model for each selected Medication Manufacturing companies within selected time span (Keglević Kozjak, Kovšca & Šestanĳ-Perić, 2021).

### **4.2. Period of The Study**

The period of study gives time framework in which study has been carried out. It is not possible for research doing research without time framework. Period of the study bound research work in specific time framework so, this study considered study period starting from 2012-13 to 2021-22.

### **4.3. Variables of Study**

Functional scope has been considered study variables. For the research work variables like current ratios (CR), quick ratio (QR) , working capital turnover ratio (WCTR), debt equity Ratio (DER), earning per share ratio (EPS), and dividend per

share ratio (DPS) have considered as independent variables and return on assets is considered as dependent variable for identify impact of financial management on performance of selected companies.

#### 4.4. Sample of Study and Data Collection

The sample is considered as most important element for research work because whole population study is not possible and feasible for researcher so, researcher try to take samples from the population and study it thoroughly. The selected companies provide offer their medical products and services to whole over India plus its active in Arab countries. For the selection of samples researcher used probability sampling technique which have equal chance for population element to select as sample. The study sample contained four companies as shown in the (Table 4.1). In addition, the money control website was relied upon to obtain data for the annual reports of companies.

**Table 4.1: Sample of Study**

<b>Sr. No.</b>	<b>Name of Company</b>	<b>Year of Founded</b>	<b>Sector</b>
1.	Aurobindo Ltd	1986	Medications Manufacturing
2.	Biocon Ltd	1978	Medications Manufacturing
3.	Cipla Ltd	1935	Medications Manufacturing
4.	Wockhardt Ltd	1967	Medications Manufacturing

**Source:** (www.moneycontrol.com)

#### 4.5. Hypothesis of Study

Hypothesis Testing For One-way Anova:

$H_0$  = There is no significant variation in current ratios (CR) among selected Medications Manufacturing companies within selected time span.

$H_0$  = There is no significant variation in quick ratios (QR) among selected Medications Manufacturing companies within selected time span.

$H_0$  = There is no significant variation in working capital turnover ratios (WCTR) among selected Medications Manufacturing companies within selected time span.

$H_0$  = There is no significant variation in debt equity (D/ER) ratios among selected Medications Manufacturing companies within selected time span.

$H_0$  = There is no significant variation in earning per share (EPS) ratios among selected Medications Manufacturing companies within selected time span.

$H_0$  = There is no significant variation in dividend per share Ratio (DPS) among selected Medications Manufacturing companies within selected time span.

$H_0$  = There is no significant variation in return on assets (ROA) ratios among selected Medications Manufacturing companies within selected time span.

Hypothesis Testing For Regression analysis:

$H_0$  = There is no remarkable impact of financial management on Aurobindo medications manufacturing company's performance.

$H_0$  = There is no remarkable impact of financial management on Biocon medications manufacturing company's performance.

$H_0$  = There is no remarkable impact of financial management on Cipla medication manufacturing company's performance.

$H_0$  = There is no remarkable impact of financial management on Wockhardt medications manufacturing company's performance.

#### **4.6. Data Analysis Tools**

Data analysis and interpretation is considered as hart of research work. without data analysis it is not possible for reaching to the conclusion. For this research work two type of tools have been used for generalizing and interpreting data. 1. Accounting Tools 2. Statistical Tools.

*Accounting Tools*

There are number of accounting tools available before researcher but for requirement and nature of data ratio analysis is most suitable accounting tool for research work has been used.

### *Statistical Tools*

The mostly statistical tools have been used for hypothesis testing. For hypothesis testing parametric and non-parametric tools are used but for this research hypotheses have been tested with following parametric test:

- One-way Anova

Parametric test one way Anova is used for comparison of means with more than two samples. For identification of difference among selected companies financial management and performance one-way Anova test used at 5% level of significant.

- Correlation analysis

Correlation analysis is also one kind of parametric test which is use for identifying association between selected variables. For this research work correlation analysis is used to check relationship between independents variable like current ratio (CR), quick ratio (QR), working capital turnover ratio (WCTR), debt equity ratio (DER), earning per share ratio (EPS) and dividend per share ratio (DPS) with dependent variable return on assets (ROA).

- Regression analysis

Regression analysis helps in identifying impact of financial management on performance of selected companies. With regression analysis there is one dependent variable named as return on assets has analyzed with independent variables. It gives regression model which clearly indicated that how many independent variables directly impacted on dependent variable and what extent it is related with dependent variable.

## **4.7. Financial Ratios Analysis**

The process of financial analysis relies heavily on financial ratios, which are also used to illustrate the financial and competitive condition of industry organizations. The comparisons in financial analysis increase the value of financial indicators as control tools to determine the strengths and weaknesses of the company. The comparison process can be based on the analysis of the general trend, such that the comparison is made based on similar companies or units in terms of the nature and work for more one year. Therefore, in this research step, the financial ratios as determined by the financial statements are compared using mathematical equations and trend analysis for each ratio between the sample companies for a period of 10 years. In addition, test one-way Anova is used at 5% level of significant for identification of difference among selected companies financial management ratios.

### **4.7.1. Current Ratio Analysis**

The (Table 4.2) and (Figure 4.1) indicated current ratios (CR) of selected medication manufacturing companies for the study period from 2012-13 to 2021-22. Current ratio is indicated portion of current assets towards current liabilities. The standard current ratio is 2:1 which indicates as 1 rupee of current liability, 2 rupees of current assets. For Aurobindo Ltd. Current ratio indicated on an average as 1.65:1 which means company had only 1.65 rupees of average current assets as compared to 1 rupee of current liabilities. For the year 2012-13 to 2020-21 ratios indicated as 1.31, 1.53, 1.61, 1.45, 1.55, 1.56, 1.54, 1.76 and 1.83 respectively. During that time period company not satisfied standard current ratio but in the year 2021-22 company maintain current ratio as to meet standard norms as reached 2.35:1. From 2012-13 to 2021-21 the ratio indicated increasing trend. For the company Biocon current ratio indicated well maintained because average current ratio of 10 years indicated 2.97:1 which was quite better than Aurobindo. Performance of current ratio for Biocon saw Zigzag trend within selected time span . For the year 2012-13 to 2020-21 ratio were 2.34, 2.43, 3.08, 2.74, 3.37, 2.47, 2.46, 2.86 and 3.94:1 respectively.

It was also indicated increasing trend. For Biocon highest ratio was recorded in 2021-22 as 4.07:1 that means company had 4 rupees of current assets to meet 1

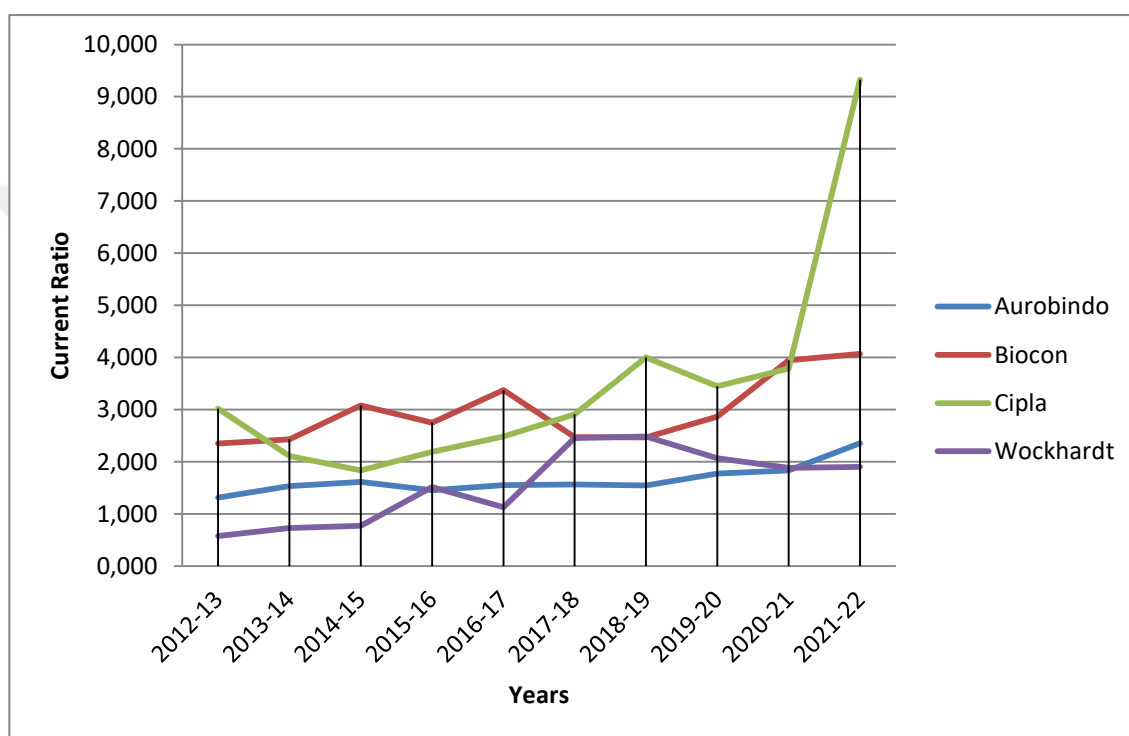
rupees of current liabilities. For Cipla average current ratio indicated as 3.5:1 which was greater within the selected time span out of selected companies. The trend of current ratio of cipla looked as fluctuations within selected time span . For the year ratio was 3.01:1 which was decreased till the year 2014-15 as 1.83:1. From 2015-16 to 2017-18 ratio seems like constant trend but after it was increased till 2021-21 and reached at 9.32:1 which was highest ratio for selected time period. Wockhardt position of current ratio was not well as compared to other selected companies. For the year 2012-13 to 2014-15 ratios were 0.57:1, 0.73:1 and 0.77:1 respectively. For the year 2015-16 and 2016-17 ratios indicated as 1.51 and 1.12 respectively that was increased as compared to previous years. For the year 2017-18 to 2019-20 company's ratios satisfied standard ratio and indicated as 2.45, 2.48 and 2.06 respectively but for the year 2020-21 and 2021-22 increase in the ratio up to 1.88 and 1.90 respectively. For the company average ratio was 1.55:1 which was lowest out of selected companies within selected time span.

**Table 4.2:Current Ratio**

<b>Years</b>	<b>Aurobindo</b>	<b>Biocon</b>	<b>Cipla</b>	<b>Wockhardt</b>
<b>2012-13</b>	1.312	2.346	3.019	0.577
<b>2013-14</b>	1.532	2.430	2.109	0.731
<b>2014-15</b>	1.614	3.078	1.833	0.769
<b>2015-16</b>	1.455	2.749	2.189	1.516
<b>2016-17</b>	1.552	3.373	2.483	1.127
<b>2017-18</b>	1.561	2.474	2.906	2.452
<b>2018-19</b>	1.545	2.463	4.003	2.483
<b>2019-20</b>	1.769	2.862	3.446	2.065
<b>2020-21</b>	1.832	3.943	3.786	1.881
<b>2021-22</b>	2.352	4.065	9.327	1.902
<b>Average</b>	1.652	2.978	3.510	1.550
<b>Minimum</b>	1.312	2.346	1.833	0.577
<b>Maximum</b>	2.352	4.065	9.327	2.483

**Source:** (Calculated from annual financial statement of selected companies)

**Figure 4.1: Current Ratio**



The (Table 4.3) indicated one way Anova for hypothesis testing at 5% level of significant. The result of test indicated p-value 0.00107 which is minimal than 0.05 that means null hypothesis has been rejected and it can be concluded that there is significant variation among (CR) current ratios of selected medication manufacturing companies.

**Table 4.3: Anova Test of Current Ratio**

Variation Source	(S.S.)	(d.f.)	MS	F	P-Value	F-Crit
<b>Between Groups</b>	28.46101	3	9.487003	6.666582	0.001073	2.866266
<b>Within Groups</b>	51.23046	36	1.423068			
<b>Total</b>	79.69147	39				

**Source:** (Calculated from MS Excel)

#### **4.7.2. Quick Ratio Analysis**

The (Table 4.4) and (Figure 4.2) indicated quick ratios of selected companies for the study period of 2012-13 to 2021-22. Quick ratio indicates composition of quick assets and quick liabilities. Quick assets and liabilities are those assets which convert into cash quickly. The standard quick ratio is 1:1 which indicated 1 rupee of quick assets to 1 rupee of quick liabilities. For Aurobindo Ltd. Average quick ratio was 1.06:1 which reveals satisfactory performance of quick ratio. For the year 2012-13 ratio was 0.79:1 which increased in the year 2013-14 to 2016-17 as 1:1 after that ratio was recorded as 0.96 and 0.95 for the years 2017-18 and 2018-19 respectively. In the year 2019-20 to 2021-22 ratio was recorded as 1:1 which indicated improvement in performance. For Biocon average quick ratio saw satisfactory performance. The minimum and maximum quick ratio was 1.64:1 and 3.16:1 in the year of 2018-19 and 2020-21 respectively. The fluctuating trend has been identified of quick ratio for Biocon. For the years 2020-21 and 2021-22 ratio was 3.16:1 and 3.15:1 recorded which means company has more quick assets as compared to current liabilities.

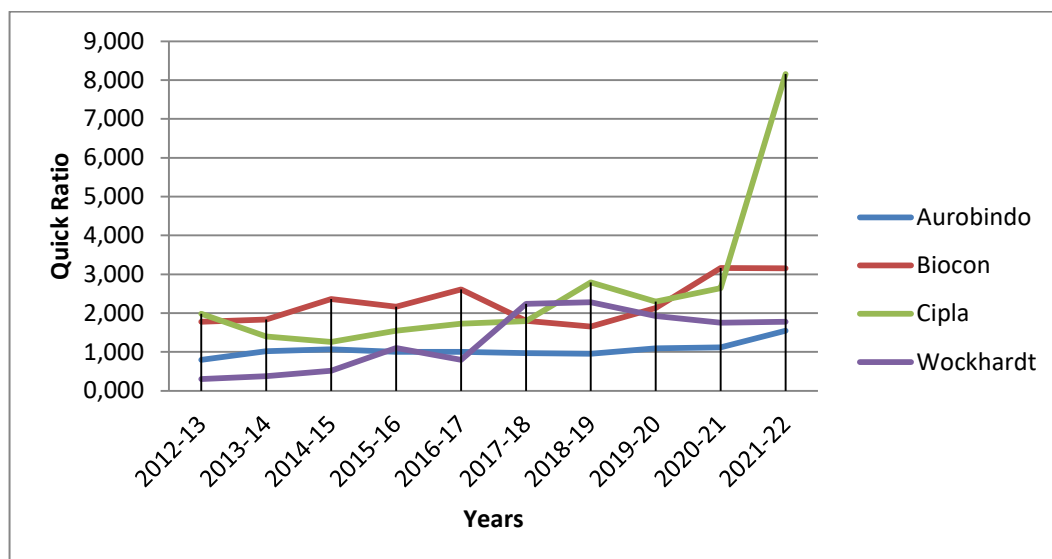
Average quick ratio of Biocon was higher than standard ratio. For Cipla average quick ratio was 2.55:1 which was highest out of selected companies. Within selected time span ratios saw increasing trend. From 2012-13 to 2020-21 ratio indicated as 1.98, 1.39, 1.25, 1.54, 1.72, 1.79, 2.79, 2.29, 2.64 and 8.15 respectively. In the year 2021-22 highest ratio has been identified. For Wockhardt Ltd. Average quick ratio indicated as 0.29, 0.37, and 0.51 for the year 2012-13 to 2014-15 respectively. In the year 2015-16 company's quick ratio meets standard ratio which is 1:1. For the year 2016-17 it was decreased up to 0.79. For the year 2017-18 and 2018-19 ratios was 2.24 and 2.28 have been recorded after remaining years it was recorded as near about 1:1. Average ratio of Wockhardt indicated as 1.31:1 which was indicated satisfactory performance.

**Table 4.4: Quick Ratio**

<b>Years</b>	<b>Aurobindo</b>	<b>Biocon</b>	<b>Cipla</b>	<b>Wockhardt</b>
<b>2012-13</b>	0.794	1.775	1.984	0.299
<b>2013-14</b>	1.016	1.838	1.394	0.373
<b>2014-15</b>	1.070	2.357	1.257	0.512
<b>2015-16</b>	1.000	2.164	1.547	1.102
<b>2016-17</b>	1.005	2.608	1.724	0.792
<b>2017-18</b>	0.968	1.799	1.794	2.241
<b>2018-19</b>	0.956	1.656	2.791	2.280
<b>2019-20</b>	1.090	2.128	2.293	1.928
<b>2020-21</b>	1.115	3.160	2.640	1.748
<b>2021-22</b>	1.550	3.149	8.154	1.775
<b>Average</b>	1.056	2.263	2.558	1.305
<b>Minimum</b>	0.794	1.656	1.257	0.299
<b>Maximum</b>	1.550	3.160	8.154	2.280

**Source:** (Calculated from annual financial statement of selected companies)

**Figure 4.2: Quick Ratio**



The (Table 4.5) indicated one way Anova for hypothesis testing at 5% level of significant. The result of test indicated p-value 0.0123 which is minimal than 0.05 that means null hypothesis has been rejected and it can be identified that there is significant variation in quick ratios among medication manufacturing selected companies.

**Table 4.5: Anova Test of Quick Ratio**

Variation Source	(S.S.)	(d.f.)	MS	F	P-Value	F-Crit
<b>Between Groups</b>	15.86959	3	5.28985	4.170317	0.012384	2.866266
<b>Within Groups</b>	45.66443	36	1.26846			
<b>Total</b>	61.53402	39				

**Source:** (calculated from MS Excel)

#### 4.7.3. Working Capital Turnover Ratio Analysis

The (Table 4.6) and (Figure 4.3) indicated working capital turnover ratios for the study period 2012-13 to 2021-22. Working capital turnover ratio compare net sales with working capital. Higher the ratio indicated effective utilization of working capital for generating sales. For the year 2012-13 ratio was 6.2 times means working capital has been converted into sales 6 times. For the year 2013-14 to 2018-19 ratio indicated as 3.99, 3.31, 3.67, 3.81, 3.10 and 3.25 times respectively. For the year 2019-20 to 2021-22 ratio indicated decreasing trend as 2.64, 2.77 and 1.99 times. The mean or average working capital turnover ratio was 3.47 times which was

highest within selected time span . For the company Biocon average working capital turnover ratio was 1.63 times which indicated mild satisfactory performance of the company. For the year 2012-13 and 2013-14 the ratio was 2.17 times and 2.42 times respectively it was decreased till the year 2021-22 as 1.82, 1.41, 1.42, 1.80, 1.81, 1.39, 1.12 and 0.96 times respectively.

For this company the performance of working capital was decreased as compared to previous years. For Cipla, trend of working capital turnover was fluctuating in nature within selected time span . Average working capital turnover ratio was 2.26 times which was second highest for selected companies. Wockhardt indicated negative working capital turnover ratio for 2012-13 to 2014-15. During that time period ratio looked like -2.75, -4.49 and -3.61 times respectively. Negative working capital turnover ratio (NWCT) also indicated non-productive management of working capital. From 2015-16 to 2021-22 ratio indicated as 3.13, 10.77, 0.81, 0.78, 0.39, 0.43, and 0.50 times respectively. Negative or less than 1 time ratio is not good for the company also this scenario has been seen in Wockhardt. Negative working capital also means that the portion of current liabilities are more than current assets.

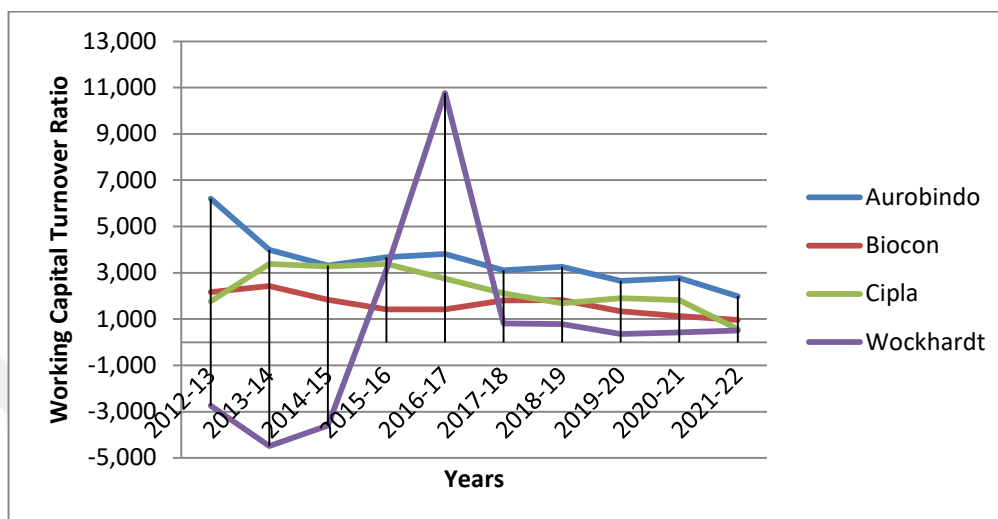
**Table 4.6: Working Capital Turnover Ratio**

<b>Years</b>	<b>Aurobindo</b>	<b>Biocon</b>	<b>Cipla</b>	<b>Wockhardt</b>
<b>2012-13</b>	6.205	2.172	1.759	-2.750
<b>2013-14</b>	3.997	2.428	3.385	-4.490
<b>2014-15</b>	3.311	1.827	3.268	-3.608
<b>2015-16</b>	3.671	1.412	3.380	3.135
<b>2016-17</b>	3.813	1.421	2.753	10.767
<b>2017-18</b>	3.102	1.802	2.103	0.809
<b>2018-19</b>	3.251	1.817	1.683	0.787
<b>2019-20</b>	2.646	1.339	1.907	0.358
<b>2020-21</b>	2.779	1.126	1.815	0.427
<b>2021-22</b>	1.990	0.960	0.565	0.499
<b>Average</b>	3.476	1.630	2.262	0.593
<b>Minimum</b>	1.990	0.960	0.565	-4.490

<b>Maximum</b>	6.205	2.428	3.385	10.767
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**Source:** (Calculated from annual financial statement of selected companies)

**Figure 4.3: Working Capital Turnover Ratio**



The (Table 4.7) indicated one way Anova for hypothesis testing at 5% level of significant. The result of test indicated p-value 0.05274 which is more than 0.05 that means null hypothesis has been failed to rejected and result of test indicated that there is no significant variation in working capital turnover ratios among selected medication manufacturing companies.

**Table 4.7: Anova Test of Working Capital Turnover Ratio**

Variation Source	(S.S.)	(d.f.)	MS	F	P-Value	F-Crit
<b>Between Groups</b>	43.6249	3	14.5416	2.817772	0.052741	2.866266
<b>Within Groups</b>	185.784	36	5.16069			
<b>Total</b>	229.409	39				

**Source:** (Calculated from MS Excel)

#### 4.7.4. Debt Equity Ratio Analysis

The (Table 4.8) and (Figure 4.4) indicated debt equity ratios of selected companies for the study period of 2012-13 to 2021-22. Debt equity ratio indicated proportion of debt to equity or combination between debt funds to ownership funds. The standard ratio of debt equity ratio is 2:1. For Aurobindo Company average debt equity ratio

indicated as 0.084 which was less than 1. It was indicated company use more equity fund as compared to debt fund. For the study period it was indicated that company simultaneously decreased their debt portion as compare to equity. From 2012-13 to 2021-22 the ratio indicated as 0.35, 0.26, 0.13, 0.05, 0.017, 0.003, 0.002, 0.004, 0.005 and 0.004 respectively. For the year 2018-19 portion of debt is used less and for the year 2012-13 portion of debt was used more as compare to other selected years. For Biocon Company average debt equity ratio was 0.035:1 which was indicated as one rupee of equity the portion of debt was just 0.035 rupee. It was second lowest Ratio out of selected companies. It was also considered as company use less leverage. For the year 2012-13 to 2021-22 the ratio was 0.07, 0.065, 0.057, 0.040, 0.034, 0.023, 0.019, 0.006, 0.015 and 0.023 respectively.

For Cipla average debt equity ratio was 0.014 rupee. It was lowest ratio out of selected companies. From 2012-13 to 2021-22 the ratio indicated zigzag trend and looked like 0.009, 0.010, 0.014, 0.022, 0.020, 0.018, 0.014, 0.016, 0.012, 0.007 and 0.014 respectively. For Wockhardt average ratio indicated as 0.76 which was highest our of selected companies for the study period. It was also identified that this company use more debt as compared to other companies and in other words it was also enjoyed benefits of leverage as compared to others. From 2012-13 to 2014-15 the ratio indicated as 0.03, 0.54 and 0.44 respectively. From 2015-16 to 2017-18 the ratio indicated increasing trend as 1.1, 1.44 and 1 which means raised debt fund during that time period. For 2017-18 to 2021-22 the ratio indicated as fluctuating trend except the year 2019-20.

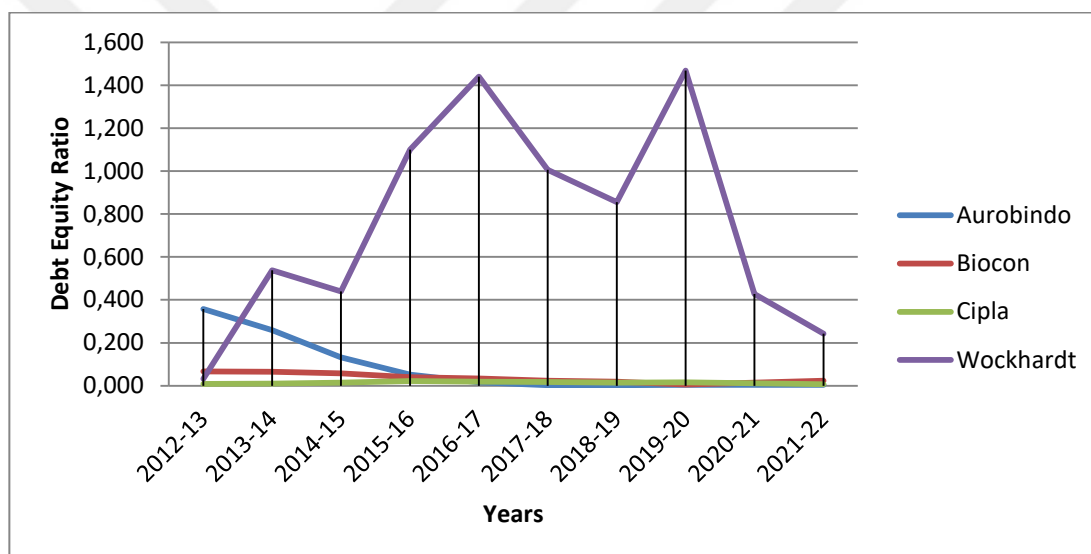
**Table 4.8: Debt Equity Ratio**

<b>Years</b>	<b>Aurobindo</b>	<b>Biocon</b>	<b>Cipla</b>	<b>Wockhardt</b>
<b>2012-13</b>	<b>0.357</b>	<b>0.067</b>	<b>0.009</b>	<b>0.032</b>
<b>2013-14</b>	0.259	0.065	0.010	0.537
<b>2014-15</b>	0.132	0.057	0.014	0.439
<b>2015-16</b>	0.052	0.040	0.022	1.100
<b>2016-17</b>	0.017	0.034	0.020	1.440

<b>2017-18</b>	0.003	0.023	0.018	1.006
<b>2018-19</b>	0.002	0.019	0.014	0.855
<b>2019-20</b>	0.004	0.006	0.016	1.468
<b>2020-21</b>	0.005	0.015	0.012	0.427
<b>2021-22</b>	0.004	0.023	0.007	0.243
<b>Average</b>	0.084	0.035	0.014	0.755
<b>Minimum</b>	0.002	0.006	0.007	0.032
<b>Maximum</b>	0.357	0.067	0.022	1.468

**Source:** (Calculated Annual Financial Statement of selected companies)

**Figure 4.4: Debt Equity Ratio:**



The (Table 4.9) indicated one way Anova for hypothesis testing at 5% level of significant. The result of test indicated p-value 1.19E-07 which is minimal than 0.05 that means null hypothesis has been rejected and it can be concluded that there is significant variation in debt equity ratios among selected medication manufacturing companies.

**Table 4.9: Anova Test of Debt Equity Ratio**

Variation Source	(S.S.)	(d.f.)	MS	F	P-Value	F-Crit
<b>Between Groups</b>	3.81137	3	1.27045	19.3918	1.19E-07	2.866266
<b>Within Groups</b>	2.35853	36	0.06551			

<b>Total</b>	6.16991	39				
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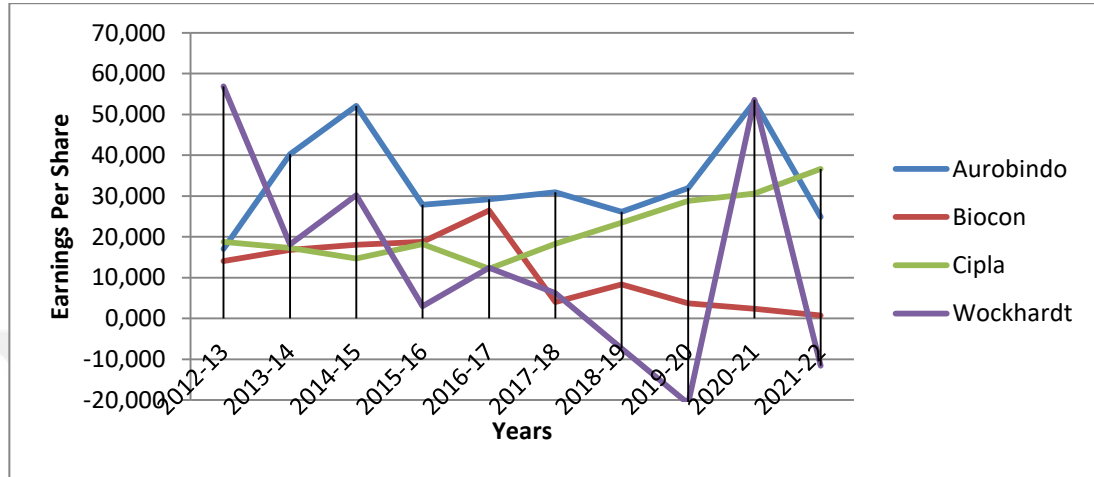
**Source:** (calculated from MS Excel)

#### 4.7.5. Earnings Per Share Ratio Analysis

The (Table 4.10) and (Figure 4.5) indicated earning per share for selected medication manufacturing companies within selected time span of 2012-13 to 2021-22. Earning per share ratio indicated profit after tax which is available of shareholders. Aurobindo Company indicated average earnings per share of Rs. 33.33 which was superior within selected time span . For the year maximum EPS was 53.13 rupees and minimum EPS was 17.04 Rupees have been recorded for the year 2020-21 and 2012-13 respectively. For the company Zigzag trend has been identified for the study period. From 2012-13 to 2021-22 EPS was 17.04, 40.24, 52.1, 27.85, 29.16, 30.94, 26.11, 31.96, 53.13 and 24.83 respectively. For Biocon ratio of EPS indicated as decreasing trend within selected time span. Average ratio of Biocon was 11.34 rupees. Within selected time span EPS of Biocon saw as decreasing trend. From 2012-13 to 2021-22 ratio indicated as 14.08, 16.81, 18.06, 18.78, 26.45 as increasing trend but from the 2017-18 ratio saw drastic decreasing trend and reached at 0.72 rupees. The minimum and maximum ratio of Biocon was 0.72 and 26.40 in the year 2021-22 and 2016-17 respectively. Cipla company indicated increasing trend of EPS within selected time span. The average EPS ratio for Cipla company was 21.88 rupees which was second highest our of selected companies. From 2012-13 to 2017-18 EPS of Cipla company ranged between 12.13 to 18.25 but from 2018-19 to 2021-22 the EPS indicated 23.45, 28.76, 30.61 and 36.62 rupees. The Minimum and maximum EPS of the company indicated as 12.13 rupees and 36.62 rupees. For Wockhardt company EPS indicated as very fluctuating trend within selected time span . In the year 2012-13 EPS was 56.88 rupees which was decreased in next year up to 18.1 rupees. Next year it was further increased up to 30.17 rupees but in the year 2015-16 EPS was 2.97 rupees and for the year 2016-17 it was 6.21 rupees. The trend has been changed in 2018-19 because of EPS was negative -7.4 which indicates loss to the company further in the year 2019-20 it was also negative as -20.88 rupees. For the year 2020-21 EPS was 53.57 rupees which indicated rectification in EPS and it stood as positive way. For the year 2021-22 ratio was -11.62 which indicates losses to the company. The mean ratio of the company

indicated 14.04 rupees and our of selected companies Wockhardt indicated negative ratios within selected time span.

**Figure 4.5: Earning Per Share Ratio**



**Table 4.10: Earnings Per Share Ratio**

Years	Aurobindo	Biocon	Cipla	Wockhardt
2012-13	17.04	14.08	18.77	56.88
2013-14	40.24	16.81	17.29	18.1
2014-15	52.1	18.06	14.71	30.17
2015-16	27.85	18.78	18.21	2.97
2016-17	29.16	26.45	12.13	12.4
2017-18	30.94	4.04	18.25	6.21
2018-19	26.11	8.33	23.45	-7.4
2019-20	31.96	3.72	28.76	-20.88
2020-21	53.13	2.36	30.61	53.57
2021-22	24.83	0.72	36.62	-11.62
<b>Average</b>	33.336	11.335	21.880	14.040
<b>Minimum</b>	17.040	0.720	12.130	-20.880
<b>Maximum</b>	53.130	26.450	36.620	56.880

**Source:** (Calculated Annual Financial Statement of selected companies)

The (Table 4.11) indicated one way Anova for hypothesis testing at 5% level of significant. The result of test indicated p-value 0.014 which is less than 0.05 that means null hypothesis has been rejected and it can be generalized that there is significant variation among earning per Share (EPS) ratios of selected companies.

**Table 4.11: Anova Test of Earnings Per Share Ratio**

Variation Source	(S.S.)	(d.f.)	MS	F	P-Value	F-Crit
<b>Between Groups</b>	2918.99	3	972.999	4.04354	0.01413	2.86626
<b>Within Groups</b>	8662.68	36	240.630			
<b>Total</b>	11581.68	39				

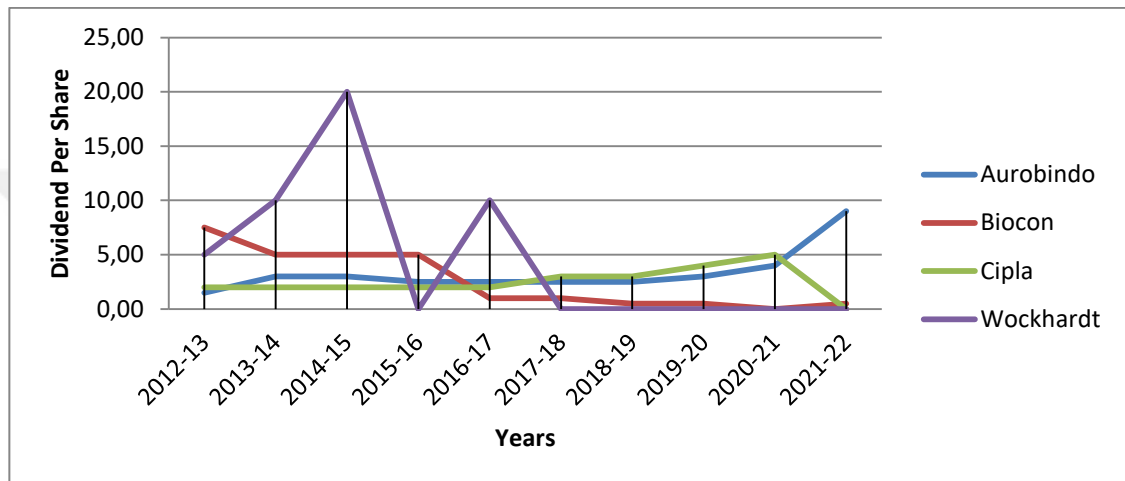
**Source:** (Calculated from MS Excel)

#### **4.7.6. Dividend Per Share Ratio Analysis**

The (Table 4.12) and (Figure 4.6) indicated dividend per share (DPS) ratios of selected medication manufacturing companies within selected time span of 2012-13 to 2021-22. Dividend per share ratio indicated earning distributed to shareholders as a dividend out of profit. Aurobindo Pharma company indicated average 3.35 rupees of dividend have been distributed to its shareholders from 2012-13 to 2021-22. In the year 2012-13 dividend was 1.5 rupees which was increased in the next year and company paid 3 rupees of dividend in the year 2013-14 and 2014-15 respectively. From 2015-16 to 2018-19 DPS was indicated constant trend within selected time span and DPS Was 2.5 rupees recorded. From 2019-20 to 2021-22 DPS was recorded as increasing trend as 3, 4 and 9 rupees respectively. Within selected time span there was increasing trend has been identified from 2012-13 to 2021-22. For the company Biocon decreasing trend of dividend per share have been recorded as 7.5, 5, 5, 1, 1, 0.5, 0.5, 0 and 0.5 rupees for the time period of 2012-13 to 2021-22 respectively. Average dividend per share ratio of Biocon was 2.6 rupees which indicated per share company distributed on an average 2.6 rupees. In the year 2020-21 company not issued dividend to its shareholders. For Cipla Company the trend of DPS was 2 rupees for the years 2012-13 to 2016-17 respectively. From 2017-18 and 2018-19 it was increased up to 3 rupees which indicated 1 rupee of increment has been identified. For Wockardt company DPS was 5 rupee in the year 2012-13 and it was increased in next year up to 10 rupees. For the year 2014-15 DPS was 20 rupees

which indicated 100% increment of dividend as compared to previous year but in next year company had not declared dividend. From 2016-17 to 2021-22 company has declared dividend only in the year 2016-17 remaining years there was no declaration of dividend has been identified may be because of less profit during that time period.

**Figure 4.6: Dividend Per Share Ratio**



**Table 4.12: Dividend Per Share Ratio**

Years	Aurobindo	Biocon	Cipla	Wockhardt
<b>2012-13</b>	1.50	7.50	2.00	5.00
<b>2013-14</b>	3.00	5.00	2.00	10.00
<b>2014-15</b>	3.00	5.00	2.00	20.00
<b>2015-16</b>	2.50	5.00	2.00	0.00
<b>2016-17</b>	2.50	1.00	2.00	10.00
<b>2017-18</b>	2.50	1.00	3.00	0.00
<b>2018-19</b>	2.50	0.50	3.00	0.00
<b>2019-20</b>	3.00	0.50	4.00	0.00
<b>2020-21</b>	4.00	0.00	5.00	0.00
<b>2021-22</b>	9.00	0.50	0.00	0.00
<b>Average</b>	3.35	2.60	2.50	4.50
<b>Minimum</b>	1.50	0.00	0.00	0.00
<b>Maximum</b>	9.00	7.50	5.00	20.00

**Source:** (Calculated Annual Financial Statement of selected companies)

The (Table 4.13) indicated one way Anova for hypothesis testing at 5% level of significant. The result of test indicated p-value 0.6425 which is more than 0.05 that means null hypothesis has been failed to reject. it is also identified that there is no significant variation among Dividend per share ratios of selected companies.

**Table 4.13: Anova Test of Dividend Per Share Ratio**

Variation Source	(S.S.)	(d.f.)	MS	F	P-Value	F-Crit
<b>Between Groups</b>	25.5687	3	8.52291	0.56357	0.64254	2.86626
<b>Within Groups</b>	544.425	36	15.1229			
<b>Total</b>	569.993	39				

**Source:** (Calculated from MS Excel)

#### **4.7.7. Return on Assets Ratio Analysis**

The (Table 4.14) and (Figure 4.7) indicated return on assets for the selected pharmaceutical companies for the study period of 2012-13 to 2021-22. Return on assets indicated efficiency of assets for generating profit. For Aurobindo company ROA indicated as zigzag trend within selected time span. The mean of ROA of Aurobindo was 14.23% which means 100 of Assets generate 14.23 rupees of profit within selected time span. For the year 2012-13 ratio was 8.24% which was increased in next year up to 17.72%. for the year 2014-15 the ratio was 18.97% and in next year it was decreased up to 17.09% in the year 2015-16 and in the year 2016-17 it was further decreased up to 16.73%. from 2017-18 to 2021-22 the ratio was 14.83, 10.83, 12.17, 18.08 and 7.58% have been recorded. For Biocon company ROA ratio indicated decreasing trend during selected time span. For the year 2012-13 ratio was 11.52% and in next two years it was increased up to 12.69% and 12.85% respectively but for the year 2015-16 and 2016-17 it was decreased up to 7.88% and 7.17%. From 2017-18 to 2021-22 ROA ratio was 3.96%, 6.70%, 6.60%, 4.19% and 1.57% recorded. Average ROA was 7.51% which indicated on an average company's assets generate 7.51% return on its assets.

For Cipla Company return on assets indicated more or less constant trend within selected time span. In the year 2012-13 ratio was 17.51% and in next year it was

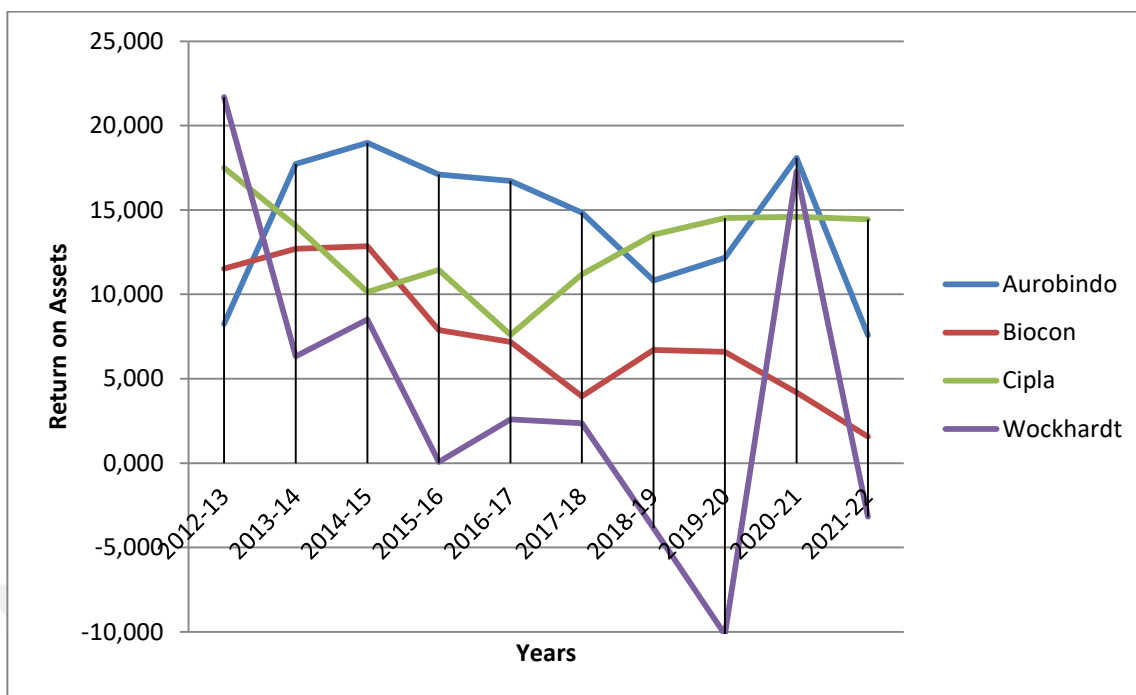
14.07% which indicated decrease in ratio. From 2014-15 to 2018-19 ratio indicated as 10.13, 11.44, 7.61, 11.18 and 13.53% respectively. For the year 2019-20 to 2021-22 ROA was 14.52, 14.59 and 14.44% respectively. Average ratio of Cipla company was 12.90% which was second highest ratio out of selected companies. For Wockhardt Company ratio indicated negative performance of selected companies. In the year 2012-13 the ratio was 21.68% which was highly decrease in next year up to 6.33% further in next year it was increased up to 8.51%. For the year 2015-16 to 2017-18 ratio indicated as 0.07, 2.60 and 2.39% respectively. For the year 2018-19 and 2019-20 ratio indicated negative return on assets as -3.87% and -10.16% respectively but in the year 2020-21 ratio converted into positive 17.29% which indicated second highest return during the study period but in the year 2021-22 ratio indicated -3.17% return on assets.

**Table 4.14: Return on Assets Ratio**

<b>Years</b>	<b>Aurobindo</b>	<b>Biocon</b>	<b>Cipla</b>	<b>Wockhardt</b>
<b>2012-13</b>	8.251	11.516	17.505	21.682
<b>2013-14</b>	17.719	12.695	14.069	6.333
<b>2014-15</b>	18.975	12.850	10.137	8.508
<b>2015-16</b>	17.093	7.881	11.444	0.069
<b>2016-17</b>	16.729	7.179	7.605	2.600
<b>2017-18</b>	14.835	3.958	11.181	2.369
<b>2018-19</b>	10.830	6.700	13.534	-3.866
<b>2019-20</b>	12.172	6.596	14.527	-10.162
<b>2020-21</b>	18.082	4.185	14.591	17.294
<b>2021-22</b>	7.581	1.575	14.440	-3.174
<b>Average</b>	14.227	7.514	12.903	4.165
<b>Minimum</b>	7.581	1.575	7.605	-10.162
<b>Maximum</b>	18.975	12.850	17.505	21.682

**Source:** (Calculated Annual Financial Statement of selected companies)

**Figure 4.7: Return on Assets Ratio**



The (Table 4.15) indicated one way Anova for hypothesis testing at 5% level of significant. The result of test indicated p-value 0.0011 which is minimal than 0.05 that means null hypothesis has been rejected and it can be generalized that there is significant variation among return on assets ratios of selected medication manufacturing companies.

**Table 4.15: Anova Test of Return on Assets Ratio**

Variation Source	(S.S.)	(d.f.)	MS	F	P-Value	F-Crit
<b>Between Groups</b>	661.635	3	220.545	6.54742	0.00119	2.86626
<b>Within Groups</b>	1212.633	36	33.68426			
<b>Total</b>	1874.269	39				

Source: (Calculated from MS Excel)

#### 4.8. Correlation and Regression Analysis

Correlation analysis has been used for identification of association between independent variables and dependent variable. However, regression analysis is useful for identification of impact of independent variable on dependent variable. For the study researcher took one dependent variable as return on assets and various

independent variables. For the study company wise panel data and multiple regression model has been prepared which indicated as follows:

$$Y_{it} = \beta_0 + \beta_i (A_{it}) + \beta_{ii} (A_{it}) + \beta_{iii} (A_{it}) + \dots + \epsilon_{it}$$

Where,  $Y_{it}$ = Return on Assets (ROA)

$\beta_0$ = Intercept or Constant

$\beta_1 A_{it}$ = Current Ratio (CR)

$\beta_2 A_{it}$ = Quick Ratio (QR)

$\beta_3 A_{it}$ = Working capital turnover ratio (WCTR)

$\beta_4 A_{it}$ = Debt Equity Ratio (DERatio)

$\beta_5 A_{it}$ = Earnings Per Share Ratio (EPS)

$\beta_6 A_{it}$ = Dividend Per Share Ratio (DPS)

$\epsilon_{it}$ = (Standard Error)

$$ROA_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 QR_{it} + \beta_3 WCTR_{it} + \beta_4 D/ER_{it} + \beta_5 EPS_{it} + \beta_6 DPS_{it} + \epsilon_{it}$$

#### 4.8.1. Correlation and Regression Analysis of Aurobindo Company

The (Table 4.16) indicated correlation of Aurobindo Company for the study period 2012-13 to 2021-22. Correlation analysis indicated association between selected variables. For this research the relationship has been identified between dependent variable as return on assets (ROA) and Independent variables like current ratio (CR), quick ratio(QR), working capital turnover ratio(WCTR), debt equity ratio(DER), earning per share and dividend per share. Result of correlation analysis indicated as current ratio, quick ratio and working capital turnover ratio were negatively associated with return on assets because r indicated -0.30, -0.22 and -0.10 which means these ratio have inverse relationship. Further debt equity and dividend per share ratio also have inverse relation with return on assets. R for both ratio indicated as -0.089 and -0.35 respectively. Out of all independent ratio EPS have highly positive relation with return on assets which means change in EPS have directly associated with return on assets.

**Table 4.16: Correlation Analysis of Aurobindo Company**

	CR	QR	WCTR	DER	EPS	DPS	ROA
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<b>CR</b>	1						
<b>QR</b>	0.97317	1					
<b>WCTR</b>	-0.77806	-0.76389	1				
<b>DER</b>	-0.50822	-0.4673	0.84266	1			
<b>EPS</b>	0.130208	0.128178	-0.3689	-0.13903	1		
<b>DPS</b>	0.958377	0.974169	-0.64637	-0.35125	0.012945	1	
<b>ROA</b>	-0.30157	-0.22063	-0.10361	-0.08902	0.771201	-0.3586	1

**Source:** (Calculated from MS Excel)

The (Table 4.17) indicated regression analysis for Aurobindo company for the study period 2012-13 to 2021-22. Regression model for Aurbindo Company indicated current ratio, working capital turnover ratio, (EPS) earning per shares and (DPS) dividend per share ratio have associated with return on assets. the association between these variables are indicated 0.96 which means 96% these ratios are correlated. Regression r square indicated 0.93 which means 93% variation have been explained by this regression model.

**Table 4.17: Regression Statistics of Aurobindo Company**

<b>Regression Statistics</b>	
<b>Multiple R</b>	0.965127
<b>R Square</b>	0.93147
<b>Adjusted R Square</b>	0.794409
<b>(Standard Error)</b>	1.91229
<b>Observations</b>	10

**Source:** (Calculated from MS Excel)

The (Table 4.18) indicated Anova test for regression model with selected ratios. The effectiveness of model can be measure with significance F value. If significance F value is less than 0.05 than it is called as model is significant but F value is more than 0.05 it clearly means that model is insignificant. In case of Aurobindo company model is insignificant because significance F value is more than 0.05. It clearly

means that there are also other ratios which have significant impact on performance of medication manufacturing company.

$$ROA_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 EPS_{it} + \beta_3 DPS_{it} + \beta_4 WCTR_{it} + \beta_5 QR_{it} + \beta_6 DER_{it} + \varepsilon_{it}$$

$$ROA_{it} = 6.13 + (-28.294) CR_{it} + 0.309 EPS_{it} + (-0.56) DPS_{it} + 1.43 WCTR_{it} + 40.54 QR_{it} + (-16.30) DER_{it} + 1.91$$

The (Table 4.19) indicated regression model. This regression model explained various independent ratios have impacted on return on assets.  $\beta_0$  indicated constant value for regression model and it is 6.13 for this model. The value of current ratio and dividend per share ratio have negatively impacted whereas earning per share, working capital turnover ratio, quick ratio and debt equity ratio have positively related with dependent variable. As per p-value is considered only EPS (Earning per share ratio) has significantly associated with return on asset because its p-value is less than 0.05.

**Table 4.18: Anova Test of Aurobindo Company**

	(d.f.)	(S.S.)	MS	F	Significance F
<b>Regression</b>	6.000	149.113	24.852	6.796	0.072
<b>Residual</b>	3.000	10.971	3.657		
<b>Total</b>	9.000	160.083			

**Source:** (Calculated from MS Excel)

**Table 4.19: Regression Model for Aurobindo Company**

	Coef.	(Standard Error)	t-Stat	P-Value	95% Lower	95% Upper
<b>Intercept</b>	6.133	28.197	0.218	0.842	-83.60	95.86
<b>CR</b>	-28.294	11.622	-2.43	0.093	-65.27	8.69
<b>EPS</b>	0.309	0.078	3.949	0.029	0.06	0.55

<b>DPS</b>	-0.568	2.240	-0.25	0.816	-7.69	6.56
<b>WCTR</b>	1.435	2.331	0.616	0.582	-5.98	8.85
<b>QR</b>	40.544	24.217	1.674	0.193	-36.52	117.61
<b>DER</b>	-16.301	13.306	-1.22	0.308	-58.64	26.04

**Source:** (Calculated from MS Excel)

#### 4.8.2. Correlation and Regression Analysis of Biocon Company

The (Table 4.20) indicated correlation analysis for Biocon company within selected time span 2012 -13 to 2021-22. For the company independent variable like current ratio, quick ratio, working capital turnover ratio, debt equity ratio, earning per share ratio and dividend per share ratio have been considered. For dependent variable return on assets has been considered. Within selected time span current ratio and quick ratio have moderate negative relationship with return on assets because correlation coefficient indicated  $r$  indicated -0.57 and -0.51 respectively. Working capital turnover ratio has highly positive associated with return on net assets because correlation of coefficient  $r$  indicated 0.78. Debt equity ratio and dividend per share ratio also have highly positive relation with return on net assets because correlation coefficient  $r$  was 0.83 and 0.82 but earning per share ratio has moderate positively related with return on assets with correlation coefficient  $r$  0.67.

**Table 4.20: Correlation Analysis of Biocon Company**

	<b>CR</b>	<b>QR</b>	<b>WCTR</b>	<b>DER</b>	<b>EPS</b>	<b>DPS</b>	<b>ROA</b>
<b>CR</b>	1						
<b>QR</b>	0.990744	1					
<b>WCTR</b>	-0.82599	-0.80041	1				
<b>DER</b>	-0.41386	-0.33923	0.737803	1			
<b>EPS</b>	-0.28235	-0.22606	0.400441	0.639693	1		
<b>DPS</b>	-0.52098	-0.43417	0.666858	0.918294	0.545942	1	
<b>ROA</b>	-0.57171	-0.51342	0.786836	0.834576	0.671315	0.8192	1

**Source:** (Calculated from MS Excel)

**Table 4.21: Regression Statistics of Biocon Company**

<b>Regression Statistics</b>	
<b>Multiple R</b>	0.978984
<b>R Square</b>	0.958411
<b>Adjusted R Square</b>	0.875232
<b>(Standard Error)</b>	1.353218
<b>Observations</b>	10

**Source:** (Calculated from MS Excel)

The (Table 4.21) indicated regression analysis for Biocon company within selected time span of 2012-13 to 2021-22. For the regression model r square indicated association between independent variables and dependent variable. R square for the model is indicated as 0.95 means 95% independent variables associated with dependent variables. In other words current ratio, working capital turnover ratio, debt equity ratio, earning per share ratio, quick ratio and dividend per share ratio have highly associated with dependent variable named as return on assets. Adjusted r square indicated 0.87 that means 87% variation has been explained by this regression model.

The (Table 4.22) indicated Anova test for regression model of Biocon company with selected ratios of financial management. With the help of this table 4.22 researcher identify that selected ratios of financial management have impact on performance of Biocon company or not. Significance f value indicated 0.035 which clearly means that there is remarkable impact of financial management on performance of Biocon company because Significant f value is less than 0.05.

**Table 4.22: Anova Test of Biocon Company**

	<b>(d.f.)</b>	<b>(S.S.)</b>	<b>MS</b>	<b>F</b>	<b>Significance F</b>
<b>Regression</b>	6.000	126.597	21.100	11.522	0.035
<b>Residual</b>	3.000	5.494	1.831		
<b>Total</b>	9.000	132.091			

**Source:** (Calculated from MS Excel)

**Table 4.23: Regression Model of Biocon Company**

	<b>Coef.</b>	<b>(Standard Error)</b>	<b>t-Stat</b>	<b>P-Value</b>	<b>95% Lower</b>	<b>95% Upper</b>
<b>Intercept</b>	-54.23	18.265	-2.97	0.05	-112.36	3.88
<b>CR</b>	19.98	9.879	2.02	0.13	-11.45	51.42
<b>WCTR</b>	19.59	5.707	3.43	0.04	1.43	37.75
<b>DER</b>	-488.71	172.69	-2.83	0.06	-1038.29	60.87
<b>EPS</b>	0.33	0.096	3.49	0.04	0.03	0.63
<b>DPS</b>	3.37	1.033	3.26	0.04	0.08	6.65
<b>QR</b>	-11.15	9.232	-1.20	0.31	-40.53	18.22

**Source:** (Calculated from MS Excel)

$$ROA_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 WCTR_{it} + \beta_3 D/E P_{it} + \beta_4 EPS_{it} + \beta_5 DPS_{it} + \beta_6 QR_{it} + \varepsilon_{it}$$

$$ROA_{it} = -54.23 + 19.98 CR_{it} + 19.59 WCTR_{it} + (-488.71)D/E P_{it} + 0.33 EPS_{it} + 3.37 DPS_{it} + (-11.15)QR + 1.35$$

The (Table 4.23) indicated regression model. For this regression model independent variables like (CR) current ratio, (WCTR) working capital turnover ratio, (D/ER) debt equity ratio, (EPS) earning per share ratio, (DPS) dividend per share ratio and (QR) quick ratio have been considered with return on assets as dependent variables. For this model constant value is -54.23 which is significant due to p-values is 0.05. For this model (WCTR) working capital turnover ratio, (EPS) earnings per share ratio and (DPS) dividend per share ratio have significantly impacted on dependent variable or it can be said that management of above said ratios have directly affected on performance of (ROA) return on assets.

#### **4.8.3. Correlation and Regression Analysis of Cipla Company**

The (Table 4.24) indicated r value of correlation coefficient within selected time span 2012-13 to 2021-22. For the company correlation test has been used for the identification of relationship between dependent variable as return on assets (ROA) and independent variable like current ratio(CR), quick ratio(QR), working capital turnover ratio (WCTR), debt equity ratio (D/ER), earning per share ratio (EPS) and

dividend per share ratio (DPS). Result of correlation indicated as current ratio and quick ratio have mild positive relation with (ROA) return on assets. Working capital turnover ratio and debt equity ratio have negative correlated with return on assets and working capital turnover ratio has r value of -0.52 whereas debt equity ratio has r value of -0.72 which means both ratio have negative impacted on return on assets. Earnings per share and dividend per share ratio have 0.57 and 0.12 r value indicated. Positive relation ratios indicated direct relation with dependent variable as return on assets.

**Table 4.24: Correlation Analysis of Cipla Company**

	CR	QR	WCTR	DER	EPS	DPS	ROA
CR	1						
QR	0.995118	1					
WCTR	-0.84587	-0.79387	1				
DER	-0.57393	-0.56561	0.558541	1			
EPS	0.824729	0.791528	-0.79776	-0.52942	1		
DPS	-0.41784	-0.48515	0.054209	0.259441	0.088513	1	
ROA	0.340861	0.29601	-0.51705	-0.72116	0.570818	0.120642	1

**Source:** (Calculated from MS Excel)

The (Table 4.25) indicated regression analysis for Cipla company within selected time span 2012-13 to 2021-22. Regression statistic indicated r square 0.93 which means above mentioned regression model variables like current ratio, (WCTR) working capital turnover ratio, (DER) debt equity ratio, quick ratio, dividend per share ratio and earning per share ratio have associated with return on assets up to 93% or in other words change in independent variables which are mentioned above regression model have positively associated with dependent variable. The value of adjusted r square is just 0.81 which means selected independent variables have power of 81% to change in dependent variable.

**Table 4.25: Regression Statistics of Cipla Company**

<b>Regression Statistics</b>	
<b>Multiple R</b>	0.969201
<b>R Square</b>	0.939351
<b>Adjusted R Square</b>	0.818054
<b>(Standard Error)</b>	1.203083
<b>Observations</b>	10

**Source:** (Calculated from MS Excel)

The (Table 4.26) indicated Anova test for regression model of Cipla company. Anova test is required for identification of model effectiveness. The significance f value indicated effectiveness of the model with selected ratios. For Cipla company it is 0.061 which is more than 0.05 which means that selected ratios are not more effective to predict the performance of Cipla company. It can also said that there are more factors also affect to performance of Cipla company.

**Table 4.26: Anova Test of Cipla Company**

	<b>(d.f.)</b>	<b>(S.S.)</b>	<b>MS</b>	<b>F</b>	<b>Significance F</b>
<b>Regression</b>	6.000	67.254	11.209	7.744	0.061
<b>Residual</b>	3.000	4.342	1.447		
<b>Total</b>	9.000	71.596			

**Source:** (Calculated from MS Excel)

The (Table 4.27) indicated regression model. This regression model has  $\beta_0$  value of 18.23. this model is indicated working capital turnover ratio (WCTR), debt equity ratio (DER) and quick ratio(QR) have negatively related with return on assets whereas current ratio, earning per share ratio and dividend per share ratio have positively related with dependent variable. Earnings per share ratio (EPS) and dividend per share ratio (DPS) have significantly related with return on assets because above table indicted p-value is less than 0.05 for both ratios.

**Table 4.27: Regression Model of Cipla Company**

	Coef	(Standard Error)	t-Stat	P-Value	95% Lower	95% Upper
<b>Intercept</b>	18.2	11.074	1.64	0.19	-17.00	53.47
<b>CR</b>	3.37	6.686	0.50	0.64	-17.90	24.65
<b>WCTR</b>	-1.59	2.298	-0.69	0.53	-8.91	5.71
<b>DER</b>	-278	117.12	-2.37	0.09	-651.2	94.21
<b>EPS</b>	0.73	0.209	3.50	0.03	0.06	1.39
<b>DPS</b>	-2.83	0.951	-2.98	0.05	-5.86	0.19
<b>QR</b>	-7.27	6.390	-1.13	0.33	-27.60	13.07

**Source:** (Calculated from MS Excel)

$$ROA_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 WCTR_{it} + \beta_3 D/E P_{it} + \beta_4 EPS_{it} + \beta_5 DPS_{it} + \beta_6 QR_{it} + \varepsilon_{it}$$

$$ROA_{it} = 18.23 + 3.37CR_{it} + (-1.59)WCTR_{it} + (-278.52)D/E P_{it} + 0.73EPS_{it} + (-2.83)DPS_{it} + (-7.26)QR_{it} + 1.203$$

#### 4.8.4. Correlation and Regression Analysis of Wockhardt Company

The (Table 4.28) indicated correlation analysis for Wockhardt Company. For analysis time period have been considered from 2012-13 to 2021-22. As independent variable like current ratio and quick ratio have negatively related with return of assets as dependent variable because correlation coefficient value r indicated as -0.58 and -0.55 respectively. Another two independent ratio named as working capital turnover ratio(WCTR) and debt equity ratio (DER) also have negative impacted on return on assets (ROA) because r value was -0.30 and -0.60 respectively. Former was slickly related with dependent variable whereas letter one was moderately related with return on assets. For Wockhardt earning per share ratio was highly positively related with return on assets because value of coefficient of correlation was 0.99. dividend per share ratio was mildly positive related with dependent variables.

**Table 4.28: Correlation Analysis of Wockhardt Company**

	CR	QR	WCTR	DER	EPS	DPS	ROA
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<b>CR</b>	1						
<b>QR</b>	0.994507	1					
<b>WCTR</b>	0.235519	0.194291	1				
<b>DER</b>	0.385038	0.331958	0.665916	1			
<b>EPS</b>	-0.57808	-0.55056	-0.27528	-0.60434	1		
<b>DPS</b>	-0.74753	-0.73664	-0.18886	-0.17205	0.346659	1	
<b>ROA</b>	-0.57881	-0.55206	-0.30538	-0.66989	0.990062	0.3013	1

**Source:** (Calculated from MS Excel)

The (Table 4.29) indicated regression analysis for Wockhardt company within selected time span of 2012-13 to 2021-22. The result of regression model r square indicated 0.99 which means 99.9% variables named as current ratio, working capital turnover ratio (WCTR), debt equity (D/ER) ratio and earning per share ratios have associated with dependent variable names as return on assets. Result or regression analysis also indicated 98% variation have been explained by this regression model.

**Table 4.29: Regression Statistics of Wockhardt Company**

<b>Regression Statistics</b>	
<b>Multiple R</b>	0.996928
<b>R Square</b>	0.993865
<b>Adjusted R Square</b>	0.981595
<b>(Standard Error)</b>	1.317562
<b>Observations</b>	10

**Source:** (Calculated from MS Excel)

**Table 4.30: Anova Test of Wockhardt Company**

	<b>(d.f.)</b>	<b>(S.S.)</b>	<b>MS</b>	<b>F</b>	<b>Significance F</b>
<b>Regression</b>	6.000	843.655	140.609	80.997	0.002
<b>Residual</b>	3.000	5.208	1.736		
<b>Total</b>	9.000	848.863			

**Source:** (Calculated from MS Excel)

The (Table 4.30) indicated Anova test for regression model of Wockhardt company. The significance value is key measurement for identification of effectiveness of regression model with selected ratios. For wockhardt company significance f value is less than 0.05 which clearly mean that independent variables are sufficient to predict dependent variable or in other words selected ratios have sufficient to predict dependent variable.

**Table 4.31: Regression Model of Wockhardt Company**

	Coef	(Standard Error)	t-Stat	P-Value	95% Lower	95% Upper
<b>Intercept</b>	1.33	3.592	0.371	0.736	-10.10	12.76
<b>CR</b>	4.99	7.536	0.662	0.555	-18.99	28.97
<b>WCTR</b>	0.06	0.144	0.448	0.684	-0.393	0.522
<b>DER</b>	-2.97	1.612	-1.84	0.162	-8.106	2.154
<b>EPS</b>	0.34	0.024	13.75	0.001	0.259	0.414
<b>QR</b>	-5.32	6.550	-0.81	0.476	-26.16	15.52
<b>DPS</b>	-0.10	0.103	-1.02	0.381	-0.432	0.222

**Source:** (Calculated from MS Excel)

$$ROA_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 WCTR_{it} + \beta_3 D/E P_{it} + \beta_4 EPS_{it} + \beta_5 QR_{it} + \beta_6 DPS_{it} + \epsilon_{it}$$

$$ROA_{it} = 1.33 + 4.99CR_{it} + 0.064 WCTR_{it} + (-2.97) D/E P_{it} + 0.337EPS_{it} + (-5.32)QR_{it} + (-0.105)DPS_{it} + 1.31$$

The (Table 4.31) indicated regression model. The constant value  $\beta_0$  indicated for this model is 1.33. Debt equity ratio, quick ratio and dividend per share ratio have negatively impacted on dependent variable whereas current ratio, working capital turnover ratio have positively related with dependent variable. Earning per share ratio have only ratio which is significantly related with dependent variable because p-value of this ratio is less than 0.05. It is also identify that change in earning per share ratio have directly related with return on assets ratio.

## 5. CONCLUSION

The main motive for any business organization is to earn maximum profit with their financial activities. For doing financial activities business organization must have fund for buying and selling products and services with respect to nature of business. There are number of sources available before business organization to raised fund but combination of sources is most important task for business firm which gives maximum profit and minimum cost. The combination of sources decision has been taken by financial manager who have sound knowledge of financial management. The subject financial management has mainly three Activities which have to deal with namely financing activity, investment activity and dividend distribution activity. Financing activity deals with sources of fund whereas investment decision deals with where to invest raised fund and whatever profit earned by both decisions have been distributed by dividend decision.

In this study, researcher analyzed financial management activities and its impact on companies' performance in selected medication manufacturing companies. For analyzing financial management activities researcher analyzed representative ratios of financial management. For financing decision researcher analyzed debt-equity ratio, for short term investment researcher analyzed current ratios (CR), quick ratios (QR) and working capital turnover ratios(WCTR), for dividend decision researcher analyzed earning per share ratio (EPS) and dividend per share (DPS). The key objective of the study is to analyze effect of financial management on companies' performance with these all selected ratios of financial management are considered as explanatory variables and return on assets (ROA) is considered as response variable. Correlation analysis has been used for identification of association between independent variables and dependent variable. Finally impact has been checked by panel data analysis regression model.

The major findings of the research work indicated as follows. There were four companies named as Aurobindo, Biocon, Cipla and Wockhardt have been selected for analysis of data within selected time span from 2012-13 to 2020-21. Within selected time span Cipla company indicated greater average current ratio (CR) as

examined with other selected medication manufacturing company. The standard current ratio is 2:1 but Cipla company and Biocon company maintain on an average current ratio as 3.5:1 and 2.97:1 which indicated excessive investment in current assets as compared to current liabilities. Aurobindo and Wockhardt maintain average current ratio below the standard ratio within selected time span .

Working capital turnover ratios(WCTR) of selected companies indicated Aurobindo has higher ratio which means company has a potential out of selected companies to convert working capital to sales as compared to other companies. Cipla and Biocon indicated second and third average highest ratio as 1.63 times and 2.26 times respectively. Wockhardt indicated poor performance as compared to other companies. It is advised to Wockhardt to work on current assets and current liability management.

Debt equity ratio represents the combination of debt and equity. For the study it is used for identification of leverage and capital structure of selected firms. More debt in capital structure leads to higher leverage and also benefited with trading on equity. On an average Wockardt used more debt in its capital structure and Cipla used less debt in its capital structure out of selected companies within selected time span. It is advised to Cipla to use more debt in its capital structure and take benefit of leverage.

Earning per share is most useful instrument which gives return to true owner of business organization. Aurobindo gave average higher earnings to its shareholders within selected time span. In second position Cipla gave average Rs.21 earning to its shareholders per share. The position of Wockhardt and Biocon was third and fourth out of selected companies. It is also advise to Biocon that they increase its sales and reduce their expenses so its leads to increase in profit.

It is obvious that those company have higher earning per shares are declare higher dividend to its shareholders. Aurobindo has declared continuous dividend to its shareholder with average 3.35 rupees per share within selected time span but Wockhardt indicated average 4.5 rupees as dividend. This scenario happens because

of from 2012-13 to 2016-17 aurobindo company paid approx. 5 to 20 rupees as dividend but after 2017-18 company did not paid single rupee as dividend. It may happen because of improper management of financial management and profit management within selected time span. Biocon and Cipla company indicated continuous payment of dividend except 2021-22 year for cipla company and on an average both company paid 2.60 and 2.50 rupees as dividend to its shareholders.

The background of all selected companies is medication which is helpful to human being in treatment for major and minor deceases. In the major crises like Covid-19 situation, medication sector one of the sector out of all sector who have capability to survive human being with its products and services. In business it is also said that due to covid-19 profitability of medication sector also increased. It is also happened with selected companies except Aurobindo company. Biocon, Wockhardt and Cipla indicated increase in its performance as compare to previous which is identified with the help of return on assets.

Finally, study concluded that there is a discrepancy in the financial ratios among selected companies within the study period except for (DPS) and (WCTR). In addition, the Aurobindo and Cipla company have no impact of selected ratios of financial management on its performance but Biocon and Wockhardt Company have impact of financial management ratios like current ratio (CR), quick ratio (QR), working capital turnover ratio (WCTR), debt equity ratio (D/E.R), Earning per share ratio (EPS) and dividend per share ratio (DPS) on performance of company.

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<b>Degree</b>	Bachelors
<b>Department</b>	Business Administration

### FOREIGN LANGUAGES

<b>English</b>	C-1
<b>Arabic</b>	C-2

### WORK EXPERIENCE

<b>Organization in Work</b>	
<b>Position</b>	Branch Manager
<b>Experience Period</b>	2 Years

### CALL

<b>Address</b>	
<b>E-mail</b>	