

A Study on Current Asset Structure and Profitability of Selected Footwear Companies in Kerala

Soumya P¹, Dr. D. Saravanan²

¹*Ph.D Scholar in Commerce, Park's College (Autonomous) Tirupur-5, Tamilnadu (Affiliated to Bharathiar University, Coimbatore)*

²*Professor, Park's College (Autonomous) Tirupur-5, Tamilnadu (Affiliated to Bharathiar University, Coimbatore)*

INTRODUCTION

Establishing the background of Kerala footwear industry should be the first step in an instruction to the study on the “current asset structure and profitability of selected footwear companies in Kerala”. This study is vital to the state’s economy because it serves both local and international markets. Due to the fierce competition they frequently encounter, footwear companies must efficiently manage their costs and maximize their resources.

A companies daily operations , liquidity and short term financial health all depend on its current assets, which include cash , inventories, receivables, and other short tem resources. Because effective asset management can increase operating efficiency , lower financing costs, and boost profits, the structure and management of these assets have a big impact profitability. When evaluating the financial performance and sustainability of footwear companies, profitability-as determined by ratios like return on assets and net profit margin is essential. Asset management techniques are considerably more important in Kerala since variables including supply chain dynamics, local market demand, and operating cost affect profitability.

This study investigates the connection between the profitability of a few Keralan footwear companies and their current asset structure. The study intends to identify strategies that result in efficient resource allocation and enhanced financial performance by looking at how these business handle their short term assets. It also illustrate the difficulties small business encounter in sustaining profitability in the face of shifting market conditions. For stakeholders looking to understand the elements that contribute to success in Kerala’s footwear sector, such as managers,

investors and legislators, this analysis can offer insightful information.

STATEMENT OF THE PROBLEM

The purpose of the study is to look at the connection between the probability of few keralan footwear companies and their existing asset structure. It specifically aims to determine the finest practices in current asset management in the area, comprehend how different aspects of current assets add to or subtract from profitability, and offer suggestions for enhancing asset utilisation for improved financial performance. The result will aid in answering the crucial query: what tactics can improve financial stability and expansion in the business, and how does the present asset structure affect profitability in Kerala’s footwear sector.

SIGNIFICANCE OF THE STUDY

The study intends to advice keralan footwear companies on the best asset management techniques available today that can boost their bottom line. It can draw attention to asset management issues unique to footwear sector and offer standards for regional financial performance.

REVIEW OF LITERATURE

1. A.Vijaykumar & Dr.A Venkatachalam(Oct 95) Working Capital and Profitability an Empirical Analysis Analysis Management Accounting Vol.30, No.10 pp745-750
2. Mauleshkumar Nilkanthao Joshi & Prof. Amita S. Kantawala(January 2011)A study on the components of current assets for selected industries of India.
3. K. Manjushree Naidu & Prof. K Sreenivasalu Naidu(Novmber2003)Development of footwear Industries In Andra Pradesh

4. Chakraborty Kaushik (2008) Working Capital and Profitability: An empirical Analysis of their Relationship with reference to selected companies in the Indian Pharmaceutical Industry, The Icfai Journal of Management Research, Vol VII, No 12

Objective of the study:

- To examine the relationship between the composition of Current assets and Profitability of Selected Companies.

Hypothesis:

H₀: There is no significant relationship between Current Asset Structure and Profitability of Selected Companies.

H₀₁: There is no significant relationship between cash and cash equivalents and profitability of Selected Companies.

H₀₂: There is no significant relationship between inventory and profitability of Selected Companies.

H₀₃: There is no significant relationship between receivables and profitability of Selected Companies.

H₀₁: There is no significant relationship between cash and cash equivalents and profitability of Selected Companies.

H_{01a}: There is no significant relationship between cash and cash equivalents and profitability of POLYTEX.

Table 1: Relationship between cash and cash equivalents and profitability of POLYTEX

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Cash and Cash Equivalents	1026813.9220	2233678.06566	-0.155	0.803
Profitability	1599036.9600	2793977.63470		

Source: Computed data

The table 1 shows a negative Pearson correlation of -0.155 suggests a weak negative relationship between cash and profitability for POLYTEX. The high p-value of 0.803 indicates that this relationship is statistically insignificant, meaning cash and cash equivalents do not have a significant impact on the

profitability of POLYTEX, consistent with the null hypothesis.

H_{01b}: There is no significant relationship between cash and cash equivalents and profitability of DIADORA.

Table 2: Relationship between cash and cash equivalents and profitability of DIADORA

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Cash and Cash Equivalents	101587.8200	18218.16069	0.144	0.856
Profitability	6563669.6900	7113136.78748		

Source: Computed data

Table 2 represent the result of Pearson Correlation. The Pearson correlation coefficient between cash and cash equivalents and profitability is 0.144. This indicates a weak positive Correlation. The p-value for this correlation is 0.856, which is much higher than the typical significance level of 0.05. This high p-value indicates that the observed relationship is

statistically insignificant. The result confirming that there is no significant relationship between cash and cash equivalents and profitability.

H_{01c}: There is no significant relationship between cash and cash equivalents and profitability of FORTUNE.

Table 3: Relationship between cash and cash equivalents and profitability of FORTUNE

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Cash and Cash Equivalents	15031400.0000	18914386.33157	0.619	0.266
Profitability	84453182.0000	14609848.26349		

Source: Computed data

The relationship between cash and cash equivalents and profitability for FORTUNE, as shown in Table 3, reveals that correlation coefficient between cash and cash equivalents and profitability for FORTUNE is 0.619. This suggests a moderate positive relationship. The p-value for this correlation is 0.266, which is higher than the typical significance threshold of 0.05.

This indicates that the observed relationship between cash and cash equivalents and profitability is not statistically significant.

H_{01d}: There is no significant relationship between cash and cash equivalents and profitability of KINALUR.

Table 4: Relationship between cash and cash equivalents and profitability of KINALUR

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Cash and Cash Equivalents	392340.4860	352600.11040	0.604	0.28
Profitability	-2489336.7700	4024515.18200		

Source: Computed data

Table 4 reveals the result of correlation. The Pearson correlation coefficient between cash and cash equivalents and profitability for KINALUR is 0.604. This indicates a moderate positive correlation. The p-value for this correlation is 0.28, which is above the conventional threshold of 0.05. This high p-value

implies that the observed relationship is not statistically significant.

H_{01e}: There is no significant relationship between cash and cash equivalents and profitability of SLIPONS.

Table 5: Relationship between cash and cash equivalents and profitability of SLIPONS

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Cash and Cash Equivalents	883045.4800	892100.26327	0.56	0.327
Profitability	-12757436.1600	6048015.26370		

Source: Computed data

The Pearson correlation coefficient between cash and cash equivalents and profitability for SLIPONS is 0.56. This suggests a moderate positive association. The p-value for this correlation is 0.327, which exceeds the standard significance level of 0.05. This indicates that the observed correlation is not statistically significant.

H₀₂: There is no significant relationship between inventory and profitability of Selected Companies.

H_{02a}: There is no significant relationship between inventory and profitability of POLYTEX

Table 6: Relationship between inventory and profitability of POLYTEX

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Inventory	58479651.5700	10920976.32463	0.889	0.04362
Profitability	1599036.9600	2793977.63470		

Source: Computed data

Table 6 reveals the Pearson correlation coefficient between inventory and profitability is 0.889, indicating a strong positive relationship. This suggests that as inventory levels increase, profitability tends to increase significantly. Such a strong correlation implies that inventory management may play an important role in enhancing profitability for POLYTEX. The p-value for this

correlation is 0.04362, which is below the conventional significance threshold of 0.05. The researcher concluded that there is a significant positive relationship between inventory and profitability for POLYTEX.

H_{02b}: There is no significant relationship between inventory and profitability of DIADORA

Table 7: Relationship between inventory and profitability of DIADORA

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Inventory	120193807.9680	190463504.44656	-0.552	0.334725
Profitability	6563669.6900	7113136.78748		

Source: Computed data

The Pearson correlation coefficient between inventory and profitability is -0.552. This indicates a moderate negative relationship. The p-value for this correlation is 0.334725, which is above the typical significance level of 0.05. The result indicating that

inventory levels do not have a statistically significant impact on profitability for DIADORA.

H_{02c}: There is no significant relationship between inventory and profitability of FORTUNE

Table 8: Relationship between inventory and profitability of FORTUNE

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Inventory	208368000.0000	43005862.83287	-0.756855029	0.13855
Profitability	84453182.0000	14609848.26349		

Source: Computed data

The Pearson correlation coefficient between inventory and profitability is -0.7569. This indicates a strong negative relationship, suggesting that as inventory levels increase, profitability tends to decrease. The p-value for this correlation is 0.13855,

which is above the conventional significance level of 0.05. This high p-value indicates that the observed negative relationship is not statistically significant.

H_{02d}: There is no significant relationship between inventory and profitability of KINALUR

Table 9l Relationship between inventory and profitability of KINALUR

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Inventory	9100163.7920	5301346.42912	0.808424896	0.09771
Profitability	-2489336.7700	4024515.18200		

Source: Computed data

The correlation between inventory and profitability is positive and strong, indicating that as inventory increases, profitability tends to increase as well. This suggests a strong linear relationship. The p-value is greater than the common significance level. Since the

p-value (0.09771) is greater than 0.05, you fail to reject the null hypothesis.

H_{02e}: There is no significant relationship between inventory and profitability of SLIPONS

Table 10: Relationship between inventory and profitability of SLIPONS

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Inventory	60514941.6280	30611267.05143	-0.31	0.612
Profitability	-12757436.1600	6048015.26370		

Source: Computed data

The Pearson correlation coefficient between inventory and profitability of SLIPONS is -0.31, indicating a weak negative relationship. The significance value (p-value = 0.612) is much higher than the typical threshold of 0.05, suggesting that, there is no significant relationship between inventory and profitability for SLIPONS.

H₀₃: There is no significant relationship between receivables and profitability of Selected Companies.

H_{03a}: There is no significant relationship between receivables and profitability of POLYTEX.

Table 11: Relationship between receivables and profitability of SLIPONS

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Receivables	22700819.6500	2602173.90222	-0.396458657	0.50877
Profitability	1599036.9600	2793977.63470		

Source: Computed data

The Pearson correlation coefficient between receivables and profitability of POLYTEX is -0.396, indicating a weak to moderate negative relationship. The p-value is 0.50877, which is significantly greater than the 0.05 threshold for statistical significance. This indicates that the relationship between receivables and profitability is not statistically

significant. The researcher concluded that there is no significant relationship between receivables and profitability of POLYTEX.

H_{03b}: There is no significant relationship between receivables and profitability of DIADORA.

Table 12: Relationship between receivables and profitability of DIADORA

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Receivables	71278042.7700	11272597.09518	0.657	0.229
Profitability	6563669.6900	7113136.78748		

Source: Computed data

The result reveals that the Pearson correlation coefficient between receivables and profitability of DIADORA is 0.657, indicating a moderate positive relationship. The p-value is 0.229, which is much greater than the commonly used significance level of

0.05. The study concluded that there is no significant relationship between receivables and profitability of DIADORA.

H_{03c}: There is no significant relationship between receivables and profitability of FORTUNE.

Table 13: Relationship between receivables and profitability of FORTUNE

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Receivables	715424000.0000	321560167.97872	-.949*	0.013715
Profitability	84453182.0000	14609848.26349		

Source: Computed data

The table shows the Pearson correlation coefficient between receivables and profitability of FORTUNE is -0.949, indicating a very strong negative relationship. This suggests that as receivables increase, profitability tends to decrease significantly. The p-value is 0.013715, which is less than the commonly used significance level of 0.05, indicating

that the correlation is statistically significant. The study rejected the null hypothesis and concluded that there is a significant negative relationship between receivables and profitability of FORTUNE.

H_{03d}: There is no significant relationship between receivables and profitability of KINALUR.

Table 14: Relationship between receivables and profitability of KINALUR

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Receivables	6073826.2000	4401606.99001	0.739604832	0.15313
Profitability	-2489336.7700	4024515.18200		

Source: Computed data

The Pearson correlation coefficient between receivables and profitability of KINALUR is 0.740, indicating a strong positive relationship. The p-value

is 0.15313, which is greater than the commonly used significance level of 0.05. This means that the correlation is not statistically significant.

H_{03e}: There is no significant relationship between receivables and profitability of SLIPONS.

Table 15: Relationship between receivables and profitability of SLIPONS

	Mean	Std. Deviation	Pearson Correlation	Sig. (2-tailed)
Receivables	22230871.5800	21925171.57141	-0.138	0.825
Profitability	-12757436.1600	6048015.26370		

Source: Computed data

The Pearson correlation coefficient between receivables and profitability of SLIPONS is -0.138, indicating a very weak negative relationship. The p-value is 0.825, which is significantly greater than the

common significance level of 0.05. This indicates that the observed correlation is not statistically significant.