PERFORMANCE OF HIRE PURCHASE AND LEASING COMPANIES ON THE BASIS OF LIQUIDITY WITH SPECIAL REFERENCE TO SELECTED COMPANIES

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Abstract:

Hire purchase and Leasing concept was an old concept but it has greater importance. This paper elucidates the performance of Hirepurchase and Leasing companies by considering Liquidty as one of the parameters. To judge the liquidity conditions few ratios have been adopted by selected companies namely Bajaj, Cholamandalam, Mahindra & Mahindra, Sriram and Sundaram Finance. Liquidity is the one of the importance measure to judge the converting the funds easily. At end of the study ranking applied to judge the better performance among all the companies interms of liquidity. The researcher first time applied CAMEL model but this paper taken last letter that is liquidity to the hirepurchase and leasing companies to judge the performance.

Keywords: liquidity, performance, companies.

Objectives:

1. To study the liquidity financial position of Hire purchase and leasing companies in General

2. To analyze the liquidity financial position of five select Hire purchased companies and Leasing companies using CAMEL model

3. To evaluate the liquidity financial position of five select Hire purchase and Leasing companies using CAMEL model.

Need of the study

It is very important to make an attempt to judge the performance of Hirepurchase and Leasing companies interms of liquidity. It judges how best the companies able to face any

challenges to meet unforeseen circumstances and also meet the day to day requirement of financial aspects.

Methodology:

The research used secondary data to judge the performance of Hire Purchase and Leasing companies interms of liquidity by obtaining the data through website and annual reports of the companies.   CAMEL rating system was employed. In this paper researcher taking the Liquidity as one of the parameter to judge the performance of select companies.

Limitations:

The performance of the companies is judged only on the basis of liquidity ratios. Period of the study 2006-2016, 10 years' data was considered to judge the liquidity of the companies.

LIQUIDITY

It is very essential that liquidityis inevitableto decide everyday's operations in the business and easy convertibility of cash. The capability of a company to give liquidity requires the presence of a very fluid and promptly transferable supply of money related resources. Liquidity and transferability are the basic elements for such exchanges.   The liquidity necessity implies that money related resources must be accessible to proprietors without prior warning (day or less) at standard. The liquidity position of the companies' understudy is displayed in table V.

Review of Literature:

Iqbal, M. J., (2012)[1]the paper emphasizes the performance of banks in Bangladesh by considering 4 types of banks with one another and also with another country.   The performance has been analysis with the help of CAMEL model.   The result of the study was found that the performance of the banks were differ with one another.   Ratios are considered to judge the performance.

Mohammead Farhan Akhtar (2011) [2]The study influence the profitability of the Islamic banks.   The two parameters i.e gearing ratio and capital adequacy ratio are judged to

evaluate the performance. The study found very positive in their result whereas size differs their performance. Two models has been adopted to judge the performance.

P.Muralidhara and Chokka Lingam (2017) [3]An attempt has been maketo judge the performance by considering nationalized banks in India. Among all the banks 5 banks has been considered under this study.   CAMEL model has been adopted to analyze the performance. The study found that each bank has their own way of functioning and it has its own importance. The research also made a suggestion that the banks has to manage to compensate the Non-performing assets.

The liquidity ratios employed to understand the concept of liquidity of the companies are outlined below:

CURRENT RATIO:

The current proportion is utilized as a marker of an organization's liquidity. It is an indicator and ability of the organization to accommodate its liabilities. Companies anticipated having 2 as the idle current ratio.   It'sbased on the industries if it is for Retails less than one also preferable. It is determined by dividing Current Assets with Current Liabilities.

QUICK RATIO:

It is more traditional than Current Ratio as it won't take into consideration stock. According to it other Current Assets& Cash except stock and prepaid expenses are easily convertible in cash.   The idle ratio is 1:1.   The greater the ratio superior the company's liquidity performance.   It means company is having 1 as assets to recoup 1 as liabilities. This ratio must be used carefully it is always true in all cases. A Quick Ratio of 1:1 does not undoubtedly mean
adequate liquidity environment if the debtors cannot be actualized and cash is required instantly to accommodate the present commitment and vice versa.

Hence, a company possesses a high quick ratio may not have a satisfying liquidity position if it has slow-paying-debtors. A company having a low quick ratio may have a good liquidity position if it has moving inventories. It is used reciprocal ratio to current ratio.

CURRENT ASSETS TO TOTAL ASSETS (CA/TA):

It estimates the 0verall liquidity status of the company. It gauges the general liquidity status of the company. It includes money at call, cash in hand, and balances with institutions.

Total Assets = Re-evaluation of Assets

GOVERNMENT-SECURITIES TO TOTAL ASSETS (G-SEC/TA):

It estimates the hazardstangled in the Assets. This proportion evaluates the Government-Securities to Total Assets.

CURRENT ASSETS:

It is assumed that these assets can be transformed into currency in a very short time period. For this purpose. Current Assets carry - cash, Bank balances, receivables, securities, stock and other liquid assets.

LIQUIDITY (Bajaj Fiserv)

Liquidity Ratios	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	Mean	Stdev
Current Ratio	1.82	1.62	1.46	2.3	1.02	1.37	1.16	1.04	1.48	1.57	1.48	0.39
Quick Ratio(liquid assets to current liabilities)	0.41	0.3	0.64	2.3	1.02	1.37	1.16	1.04	1.48	1.57	1.13	0.60
Current Assets to Total Assets (CA/TA):	4.74	3.26	11.26	0.47	49.42	44.67	2.34	3.16	0.67	0.75	12.07	18.73
G-Sec to Total Assets (G-Sec/TA):	0.64	4.08	3.89	2.12	0.06	0.04	0.03	0.11	0.93	1.61	1.35	1.56

Table 4.25: CAMEL Ratings (2006-2016) Liquidity Ratios Bajaj Finance
Source: Data collected from Annual Reports and Money control.com, Evaluation and calculations by the researcher own work.

LIQUIDITY (MAHINDRA & MAHINDRA)

Liquidity Ratios	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	Mean	SD
current Ratio	1.37	1	0.99	1.16	0.91	1.08	1.1	1.29	1.13	1.09	1.11	0.14
Quick Ratio(liquid assets to current liabilities)	1.05	0.71	0.78	0.93	0.63	0.76	0.8	0.97	0.86	0.84	0.83	0.13
Liquid Assets to Total Assets (LA/TA):	246.33	264.79	277.81	238.58	219.30	211.39	181.24	170.36	156.94	117.60	208.43	51.155
G-Sec to Total Assets (G-Sec/TA):	0.06	0.02	0.01	0.03	0.14	0.97	1.08	1.29	1.63	2.00	0.72	0.76

Table 4.26: CAMEL Ratings (2006-2016) Liquidity Ratios M & M

Source: Data collected from Annual Reports and Money control.com, Evaluation and calculations by the investigator own work.

4.6.2 Table 4.26 depicts the Liquidity Status of the Mahindra & Mahindra, in the year2006-07 current ratios is 1.37 and a minute decline in the proportion for the adjacent year is 1 and 2008-9 it reaches almost equal to 1 ie. 0.99, during 2009-10 there is a growth in the proportion it stands at 1.16 and minute decline in the ratio during 2010-11 stood at 0.91 and maintained little fluctuation equal ratios for the followed years ie. 0.91,1.08,1.1,1.29,1.13,1.09 between 2011-16. 0verall mean is 1.11 and very less deviation i.e. 0.14.

Quick ratio of Mahindra during 2006-07 is1.05 and it falling down during 2007-08 is 0.71 and minute rise in the proportion for 2008-09 is 0.78. Table is depictingandeveloping movement during 2009-10 i.e. 0.93. A Minute down fall in proportion of the company in 2010-11 is 0.63. In 2011-12 20% growth for quick ratio ie. 0.76. In 2012-13 the proportion stood at 0.8. During 2013-14 there is 21% growth i.e.0.97. It has shown a decreasing trend in the

followed year's i.e2014-16 0.86 & 0.84. The 0verall 10 years average sustained by the Mahindra is 0.83 with minute deviation of 0.13.

In terms of Current-Assets to Total-Assets maintained by M&M during 2006-07 is 246.33 and in 2007-08 it increased to 264.79. CA/TA shows a growing tendency in 2008-09 with 277.81. During 2009-10 14% decrease andit stood at238.58. In 2010-11 8% fall in the proportioni.e.219.30. From 2009 to 2016 CA/TA showing decreasing trend. From 2011-12 to2015-16 it maintained 211.39, 181.24, 170.36, 156.94, and 117.60.   10 years average is 208.43 and standard deviation is 51.15.

Government Securities to Total Assets M&M maintained during 2006-07is 0.06. In 2007-08 66% and reduced to 0.02 and 50% decline in the followed year i.e. 2008-09 as 0.01 and from 2009 onwards shows growth in trend excluding in2013-14 i.e. 1.29. The present year proportion manage by the firm is 2.00. Average of a decade is 0.72 with the Deviation is 0.76.

LIQUIDITY (CHOLAMANDALAM)

Year/ Ratio	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	Mean	Stdev
current Ratio	0.94	0.77	0.81	0.94	0.69	4.22	2.81	2	2.62	1.23	1.70	1.18
Quick Ratio	0.94	0.77	0.81	0.94	0.69	4.22	2.81	2	2.62	1.23	1.70	1.18
LA/TA	96.78	96.02	91.15	94.25	37.06	33.59	32.87	34.88	31.10	31.29	57.90	31.62
G-Sec/TA	0.45	0.18	0.14	0.07	0.07	0.03	0.78	0.13	0.05	0.00	0.19	0.24

Table 4.27: CAMEL Ratings (2006-2016) Liquidity Ratios Cholamandalam
Source*: Data poised fromAnnual Reports and Money control.com, Evaluation and calculations by the researcher own work.

4.6.3 The current Ratio of Cholamandalam in 2006-07 is 0.94. It was down fall in 2007-08 as 0.77 and appeared a decrease duringi.e. 2008-9 and 2009-10 with 0.81 & 0.94 again fallen in 2010-11 with 0.69. There is drastic increase of almost 51% growths in 2011-12 with 4.22 and fall down with 2.81 & 2.00 in 2012-2014. In 2014-15 shows improved tendency with 2.62 and in 2015-16 decreased i.e. 1.23almost 50% decreasing trend, the 0verallMean is 1.70 with deviation of 1.18. The Chola deviation is less and has to take steps to gain the ratio to meet the present requirements.

In terms of Quick ratio M&M followed same ratios i.e. current ratio Cholamandalam in 2006-07 is 0.94. It has descend in 2007-08 as 0.77 and appeared there is a growth in 2008-9 and 2009-10 with 0.81 & 0.94 again fallen in the year 2010-11 with 0.69. There is drastic increasing in proportion almost 51% growths in 2011-12 with 4.22 and appeared fallen with 2.81 & 2.00 in 2012-2014. During 2014-15 appearedrise with 2.62. In 2015-16 decreased i.e. 1.23almost 50% decreasing trend, the 0verallMean is 1.70 with standard deviation of 1.18. The deviation is less, the firm is maintained a stable position.

M&M liquidity position in terms of CA/TA 96.78 in 2006-07. The further 2Yrs. cut down with 96.02 & 91.15 in 2007-08 & 2008-09. In the year2009-10 increased with 2.4% i.e. 94.25. Exorbitant decline in the scale from 2010-11i.e. 37.06 61%. From 2011 onwards almost maintained uniformity till 2015-16 with 33.59, 32.87, 34.88, and 31.10. 0verall 10 years average is 57.90 and the common deviation of 31.62. Its liquidity status is satisfactory. The deviation is very high, company has to maintain a stable status leads to good convertibility to meet the present monetary requirement.

In terms of Govt-sec to Total-Assets in 2006-07 was 0.45 and decreased in 2007-08 with 0.18 and in 2008-09 it decreased to 0.14 and 50% decrease in 2009-10 with 0.07 and same ratio maintained in 2010-11 with0.07. In 2011-12 almost more than 50% decreasing in the ratio i.e. 0.03. The investment pattern has been changed. In 2012-13 it stood at 0.78 drastic decreases in 2013-14 to 2015-16 with 0.13, 0.05, and 0.00. Mean is 0.19 with deviation of 0.24. The Cholas investment less proportion in Government Securities, better if it increases the investment or firm may be spending money for improve the business.

LIQUIDITY (SUNDARAM FINANCE)

Year/ Ratio	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	Mean	Stdev
current Ratio	5.23	7.65	6.45	5.91	1.38	1.09	0.97	1.04	1.15	0.84	3.17	2.77
Quick Ratio	4.92	7.28	6.12	5.73	1.38	1.09	0.97	1.04	1.15	0.84	3.05	2.61
Liquid Assets to Total Assets (LA/TA)	87.68	91.34	89.04	90.55	51.99	47.48	48.41	48.69	48.09	43.52	64.68	21.61
G-Sec to Total Assets (G-Sec/TA):	1.041	1.041	1.246	1.168	1.026	1.112	1.001	1.380	4.241	2.478	1.57	1.04

Table 4.28: CAMEL Ratings (2006-2016) Liquidity Ratios Sundaram Finance
Source: Data polled fromAnnual Reports and Money control.com,
Evaluation and calculations by the investigator own work.

4.6.4 In terms of Liquidity of Sundaram Finance in 2006-07 is 5.23 and increased in 2007-08 with 7.65. In 2008-09 decreased with 15.7% i.e. 6.45. A slight decreased its direction in 2009-10 with 5.91. During 2010-11 ample decline in the proportion from then onwards maintained uniform almost not much variation. 2010-11 to 2015-16 ratios are 1.38, 1.09, 0.97, 1.04, 1.15& 0.84. The mean value for a decade is 3.17 the deviation 2.77. Sundaram liquidity is not satisfactory as it declining in appearance. Take proper care to improve the status.

In case of quick ratio managed by the Sundaram finance is 4.92 and 47.96% improve in the year 2007-08 with 7.28. In 2008-09 it maintained 6.12 again decrease in the year 2009-10 it stood at 5.73. There was vast decrease with 3 times & ratio was 1.38. In 2011-12 it was 1.09 and 0.97, 1.04, 1.15, & 0.84 between 2012 to 2016. Mean value for 10 years calculated by researchers comes to3.05 with deviation 2.16. The proportion is not upto the mark. Firm should work for the betterment of the proportion.

Sundaram finance Current-Assets to Total-Assets ratio in 2006-07 is 87.68 percent & it increasedto 91.34 in 2007-08 and in 2008-09 declined i.e.89.04 and again minute increase by 90.55 in 2009-10 tremendous fall in 2010-11 i.e. 51.99 and from then onwards maintained uniformity almostequal 2011 to 2016 are 47.48, 48.41, 48.69, 48.09, 43.52.

Average is 64.68 and standard deviation is 21.61. Sundaram interms of CA/TA is good prior 5 years improving its status.

In terms of Government-Securities to Total-Assets in 2006-07 is 1.04 and same ratio maintained in 2007-08 i.e. 1.04. In 2008-09 ratio increased and it stood at 1.25. In 2009-10 to 2013-14 it was 1.17, 1.03, 1.11, 1.00, 1.38 and in 2014-15 it growing up to 4.24 and appeared a declining mode in 2015-16 with 2.48. Average of 10 years is 1.57 with SD of 1.04. A microscopic portion was in terms of Govt. Securities.

Consolidated liquidity of 5 companies

Ratios/ Name of the Company	current Ratio		Quick Ratio		CA/TA		G-Sec/TA		Group	
	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank	Avg	Rank
Bajaj	1.48	3	1.13	4	12.07	5	1.35	3	4.01	1
Cholaman dalam	1.18	4	1.18	3	31.62	4	0.24	5	8.56	2
M&M	1.09	5	0.84	5	208.43	1	2.00	1	53.09	5
Shriram Trans	2.63	2	2.63	2	81.09	2	0.77	4	21.78	4
Sundaram Finance	3.17	1	3.05	1	64.68	3	1.57	2	18.12	3

Table: 4.29 Liquidity Position (2006 – 2016)
Source: Researcher herself evaluatedwith the help of annual reports and money control.com

4.6.5 Table 4.29 depicting the consolidated 5 companies' liquidity with their corresponding secured ranks. In terms of current ratio sundaram finance stood at first position with 3.17 as average and the shriram trans with 2.63 ranked 2nd position and 3rd position secured by Bajaj Finserv with 1.48 and cholamandalam and Mahindra & Mahindra with 1.18 and 1.09 4th and 5th positions.

In terms of quick ratio again sundaram finance ranked 1st position with 3.05 as its ratio and the second rank with shriram Trans with 2.63 with 0.42 difference 3rd and 4th position with cholamandalam& Bajaj with 1.18 & 1.13 as their quick ratio. Last position with M&M with 0.84.

In terms of current assets to total assets Mahindra & Mahindra finance stood at first position with highest ratio of 208.43, Shriram trans secured 2nd position with 81.09 as the CA/TA ratio and Sundaram finance ranked 3rd position with 64.68 difference of 16.41.

Cholamandalam ranked 4th position with 31.62 a difference with the previous ranks was 33.06. Last position i.e. 5th position with Bajaj 12.07 as its ratio.

Under liquidity performance last parameter researcher considered Government securities to total assets. According researcher analysis Mahindra & Mahindra secured top position with 2.00. 2nd position with sundaram finance with 1.57, 3rd & 4th ranks secured by Bajaj & Shriram with 1.35 & 0.77 and 5th rank stood with cholamandalam with 0.24.

0verall consolidated liquidity performance of all five companies taken into consideration Bajaj finance ranked top position with the Mean 4.01 and second rank secured by cholamandalam 8.26 above 50% variation with the top rank. 3rd and 4th rank are headed with sundaram finance and Shriram Trans with the averages of 18.12 & 21.78. Mahindra & Mahindra ranked last i.e. 5th rank with the Mean 53.09.
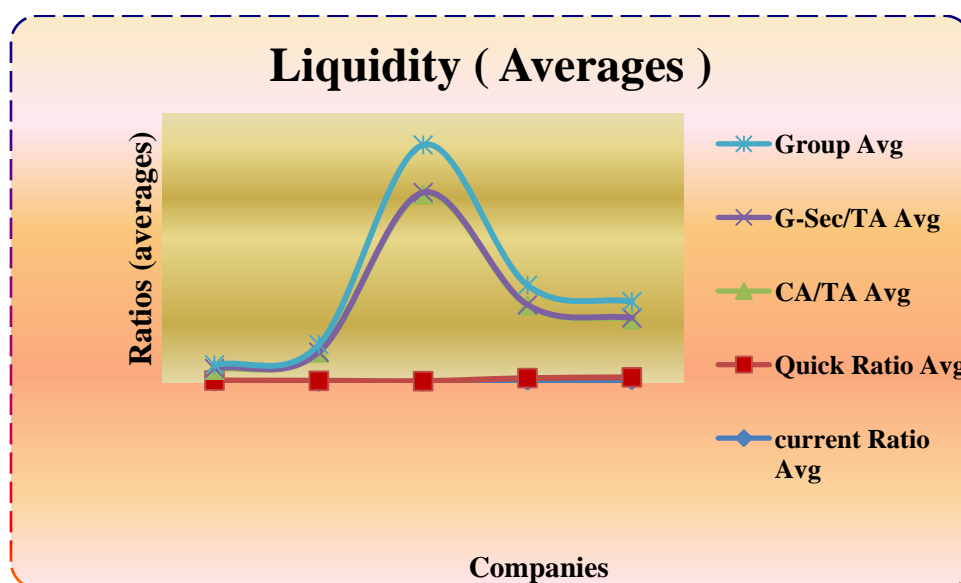

Chart 4.10:Line graph for 0verall Liquidity performance by 5 companies
Source: Researcher herself calculated and framed line chart

Chart 4.10 displays the liquidity performance through line graph researcher considered 0verall averages of liquidity ratios and the group performance. The above group line with blue colour depicts the 0verall liquidity performance by the companies M & M highest i.e. 5th and 4th with shriram and sundaram 3rd and cholamandalam 2nd and top bajaj i.e. first position.
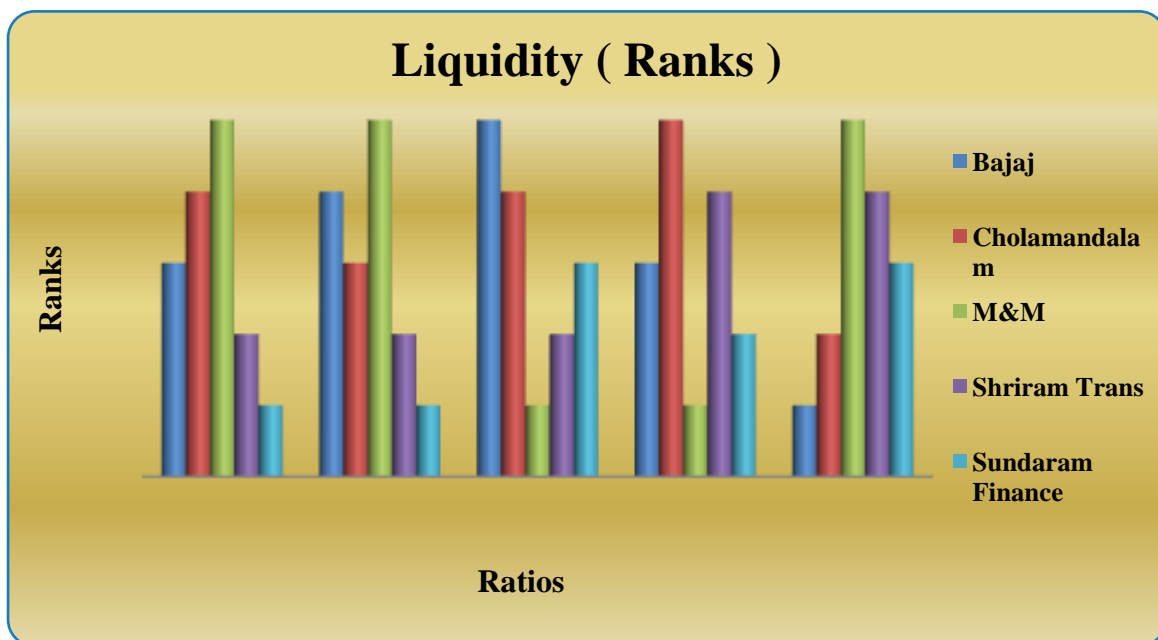

Chart 4.11: cylinder chart for 0verall Liquidity performance with their ranks by 5 companies
Source: Researcher herself calculated and framed line chart

Chart4.11 depicts the cylindrical chart for 5 companies on liquidity performance according to ranks secured.

Conclusions:

Sundaram finance secured 1st rank in current ratio and quick ratio CA/TA 3rd position G-sec/TA 2nd position.

Shriram Trans ranked 2nd in Current, Quick & CA/TA and 4th place in Government securities to total Assets 0verall 4th position for liquidity.

Mahindra & Mahindra Finance secured 5th place in current & quick ratio and 1st rank in current assets to total assets and Government securities to total assets. 0verallranked in 5th position.

Cholamandalam ranked 4th in current ratio and 3rd position in quick ratio again 4th position in current assets to total assets and last rank i.e. 5th rank for government securities to total assets. 0verall stands 2nd rank.

Bajaj finserv ranked 3rd and 4th in current and quick ratio & current assets to total assets secured 5th and government securities to total assets 3rd. 0verall Bajaj ranked 1st place.

Suggestions:

- Bajaj Finserv has to maintain high current ratio. Not much standard deviation found. In the year 2009-10 has maintained high current ratio compared to other years. The same year has to follow with other so that it will give best in its liquidity.

- Bajaj has to take corrective steps to improve current Assets to Total Assets. Standard deviation is very high that should be reduced.

- Investing in Government securities should be made an attempt so that Government securities to Total Assets will improve.

- Mahindra & Mahindra has to invest more in current Assets so that liquidity of the company will improve.

- Cholamadalam has to invest to Government Securities to be more Secured.

- Sundaram Finance has to invest and purchase more Current Assets compare to other 4 companies so that convertibility of cash will be more easy.

- In overall liquidity performance Shriram and Mahindra & Mahindra has to take corrective steps to improve the liquidity of company.

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