

“FINANCIAL INFORMATION FOR DECISION MAKING IN SELECTED CEMENT INDUSTRIES IN TAMILNADU”

Dr. K. SUMITHRA,

Assistant Professor

PG& Research Department of Management Studies

Bishop Heber College (Autonomous)

Tiruchirappalli-620017

Tamil Nadu

ABSTRACT

Financial information is one of the most effective tools for decision making. Decision making has being described as a purposeful choosing from a number of alternative courses of action. The Financial information provides managers with the necessary information they need. In this case, it is the accountants and others that provide the information with which the management uses for its decision making.

Financial information is essential for decision making to identify and controls Fraud, mismanagement, irregularities and encourage better use of information to support good decision-making and provide good analysis and reporting of information about the undertakings.

From this paper, it is proved that the management of the selected cement company took effective decision making, for controlling the financial activities and to prevent the fraud, mismanagement and irregularities. It have been identified how effectively used the finance by way of taking different types of ratios. The management authorities have effectively using the financial information for improving the overall financial performance of the organization. The overall financial performance of Ramco Cements Limited Company is in satisfactory level.

Keywords: Financial Information, Decision making, controls the activities, different types of ratios, Profitability of the organization.

INTRODUCTION

The process of decision making is all pervasive in nature because it is inevitable for each and every success of the organization. For this, the management should take the steps to collect different types of financial information from different sources. Managements can only come up with a good decision if they are able to get correct financial information from different sources. The essence of using Financial information is to enable managers make wise decision.

Financial information also used to set up system of internal control to increase efficiency and prevent fraud in companies. Financial information aids in profit making, budgeting and cost control. In a company, management accountant needs to see that his company keeps good and genuine records and prepare proper financial norms and regulations. Management people also need to keep up the latest development and technologies in the use of computers and in the system design. Accountants should give many special reports and returns in the right time for management to take decision making. This process requires the gathering of both historical and projected data and information.

One of the most effective uses of financial information is decision making. Financial information is an important part of today's life which is necessary to analyze and understand the accurate financial situation of the organization and used as the basis of making any decisions. Strategic decisions give a long-term effect on the success of business and therefore it is important to analyze and evaluate financial information for making these strategic decisions. Everyone know that the decision-making process is a burdensome task. In most of all decision is

as disastrous as making a wrong one, so that a plan of action is indispensable and inevitable. Management is always faced with the problem of sudden alternative decision making because of that resources are relatively scarce and limited. Therefore good financial information should be available for proper and accurate decision making, optimal utilization of scarce resource and maximization of profitability.

Financial information should be in the following characteristics:

Relevant: The financial information that the organization wants to know should be relevant.

Complete: The information needed for decision making should be complete.

Reliable: The management should assure that the information related to finance are reliable and has no error.

Timely: The requirement of financial information should be at right time.

Understandable: The information should be in the form of understanding manner.

Verifiable: It purports to represent or that the chosen method of measurement has been used without error or bias.

Accessible: The financial information should be available when it needed with a useful format.

NEED OF FINANCIAL INFORMATION:

Financial information usually compiled into financial statements, which include the following documents:

- Income statement

- Balance sheet
- Statement of cash flows
- Statement of retained earnings
- Disclosures that a company's financial statements

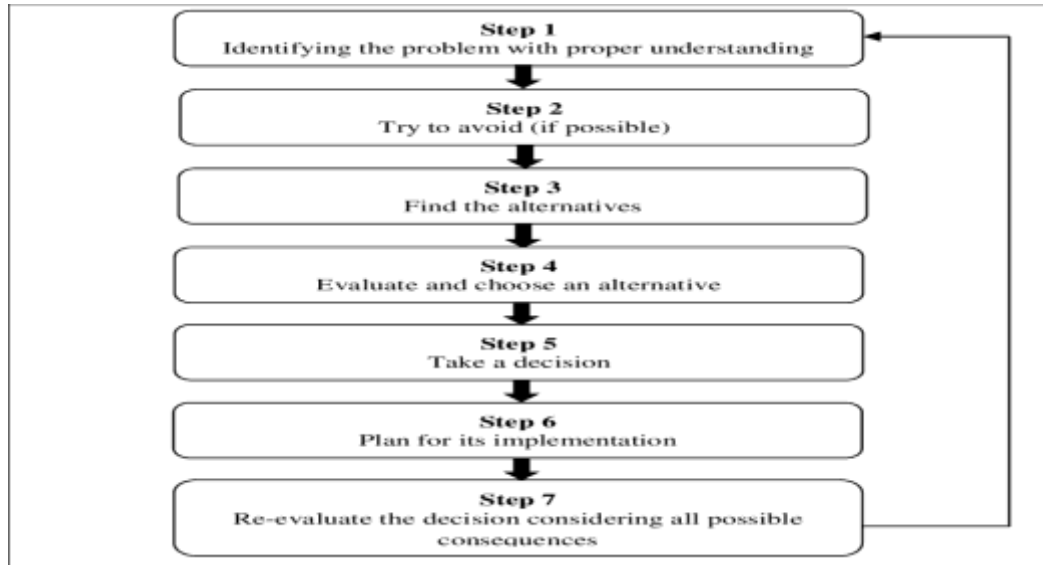
FACTORS DETERMINING FINANCIAL INFORMATION

- ❖ Timeliness of Information
- ❖ Quality of Information
- ❖ Availability of Resources
- ❖ Effective Feedback

DECISION MAKING

Decision making is a daily process for any person. In case of business organizations, decision making is a habit and a process as well. Effective and successful decisions will help to make profit to the company and unsuccessful ones make losses. Therefore, corporate decision making process is the most critical and important process in any organization. For this, the management get right information from different sources and it ensure the decisions taken by them were in the right way at right time.

PROCESS OF DECISION MAKING



TYPES OF DECISIONS

Every organization has the duty to take the following main decisions.

➤ ***Programmed and non-programmed decisions:***

The type of the problems of repetitive nature or routine type matters are considered as Programmed decisions.

Non-programmed decisions are considered the difficult situations for which there is no easy solution.

➤ ***Routine and strategic decisions:***

It is related to the general functioning of the organization.

➤ ***Tactical (Policy) and operational decisions:***

Decisions which are pertaining to various policy matters of the organization are called policy decisions.

➤ *Organisational and Personal decisions:*

If an individual as an executive takes decision in the concern, it is known as organizational decision.

➤ *Individual and group decisions:*

If a single individual takes the decision, it is known as individual decision.

In this study, the researcher selects a cement company which is located in Tamil Nadu. This study helps to identify the effectiveness of financial information for decision making of Ramco Cements Limited Company.

NEED FOR THE STUDY

In this modern era, the increasing level of competition has intensified the challenges for managers and financial information is to maintain its relevance it needs to adapt to meet the changing needs of managers. So this study becomes important. The researcher wants to study the effectiveness and uses of financial information for decision making purposes of selected cement companies in Tamilnadu.

STATEMENT OF THE PROBLEM

In Tamilnadu, the cement industries face a tough competition because of entry of large number of companies in the field of cement industry. It is very difficult to sustain in the industry with providing quality products.

OBJECTIVES OF THE STUDY:

- ❖ To identify various factors affecting decision making process adopted by cement industries.
- ❖ To determine how financial information is used for decision making in selected organizations.

- ❖ To analyze how financial information aids in profit making, budgeting and cost control.
- ❖ To conclude findings, suggestions and conclusion.

RESEARCH METHODOLOGY

The study is concerned with the secondary data. Secondary data are the data referred from Internet, journals, previous research thesis, books dealing with the relevant areas of topics.

SAMPLING

There are 134 cement companies in all over India. It consists of both public and private companies. Cement companies are highly focusing and contributing their activities in Tamil Nadu. The cement companies are first stratified and basis of their sales and production. Then one cement company is selected at random from the 134 companies. Thus the sample for the purpose of the study is taken on stratified random sampling basis.

STATISTICAL TOOLS

Various tools are used to analyze the data. It includes Simple Percentage analysis, Correlation coefficient, Descriptive analysis, Chi-Square Test etc.,

COLLECTION OF DATA

The Researcher has chosen 5 years financial data for the study. The study period is from the year 2014-2015 to 2018-2019.

LIMITATIONS OF THE STUDY

- The study is limited to selected cement companies in Tamilnadu.
- The study is limited only to the decision making process adopted by companies.
- The study is limited only to selected number of techniques used for obtained financial information for decision making in selected cement industries in Tamilnadu.

- The study is limited to the Ramco cements Limited only.



RAMCO CEMENTS LIMITED –AN OVERVIEW

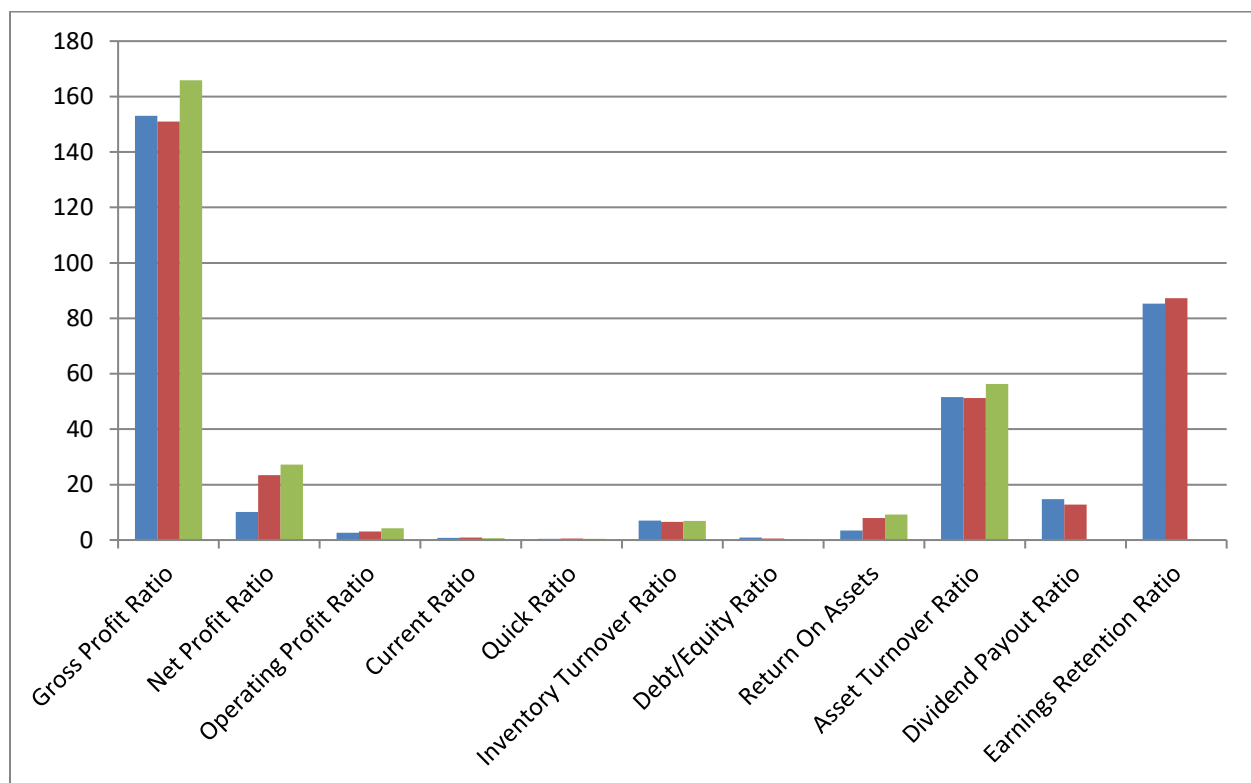
The Ramco Cements Limited, located in Tamilnadu state is the flagship company of the Ramco Group. It is a well-known business group of South India. The headquarter is at Chennai. Portland cement is the main product of the company and is made in eight state-of-the-art production facilities that include Integrated Cement plants and Grinding units. The current total production capacity is **16.69 MTPA (out of which Satellite Grinding units capacity alone is 4.20 MTPA)**. The Ramco cement company is the 5th largest cement producer in the country. It is the most popular cement brand in India. Ready Mix Concrete and Dry Mortar products are the other products of the company, and operates a largest wind farms in the country.

FINANCIAL ANALYSIS:

Ratios	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Gross Profit Ratio	153.08	151.02	165.88	187.03	218.43
Net Profit Ratio	10.18	23.45	27.27	23.58	21.47
Operating Profit Ratio	2.59	3.12	4.29	4.12	3.63
Current Ratio	0.83	0.88	0.70	0.70	0.67
Quick Ratio	0.47	0.51	0.42	0.40	0.40
Inventory Turnover Ratio	7.00	6.55	6.86	7.87	9.20
Debt/Equity Ratio	0.86	0.57	.30	0.25	0.32

Return On Assets	3.42	7.94	9.26	7.83	6.23
Asset Turnover Ratio	51.55	51.18	56.35	62.14	63.46
Dividend Payout Ratio	14.75	12.80	0.00	12.73	16.85
Earnings Retention Ratio	85.25	87.20	0.00	87.27	83.15

Graphical Presentation



STATISTICAL ANALYSIS-FINDINGS

- ❖ Gross profit ratio is holding the maximum in the year 2018-2019. (218.43).
- ❖ Net profit ratio (10.18 to 21.47) is in fluctuating trend and Operating profit ratio has the minimum value in the year 2018-2019 (3.63).
- ❖ Current ratio and quick ratio are in decreasing trend. In the year 2018-2019, the ratio is 0.67% and 0.40%.
- ❖ Inventory Turnover Ratio is increasing from 7% in the year 2015 to 9.2% in the year 2019.
- ❖ Debt/Equity Ratio and return on assets are in fluctuating trend from 2015 to 2019.
- ❖ In the year 2015-2016, Asset Turnover Ratio was very low (51.18).
- ❖ Dividend Payout Ratio in the year 2018-2019 is 16.85.
- ❖ Earnings Retention Ratio is in fluctuating trend from 85.25 to 83.15.

SUGGESTIONS

- The management should take the decisions to increase the turnover of the business and also to control the expenses of the business for increase the gross profit.
- The management should control the operating expenses for increase the operating profit of the business.
- The management should take the steps for proper utilization of assets to increase the return on total assets.
- The company should take care to maintain the current strategy of paying dividends.
- The management should have to maintain a proper inventory management to earn a reasonable margin of profits.

CONCLUSION

Financial information is mainly concerned with gathering data from internal and external sources, analyzing, processing, interpreting and communicating the result (information) for use within the organization and external people also, so that management can make more effective plan, decisions and control operations. In summary, Ramco Cements Limited is taking effective decisions, controlling the financial activities and prevents mismanagement and irregularities. The management authorities have effectively using the financial information for improving the overall financial performance of the company. The overall financial performance of Ramco Cements Limited is in satisfactory level.

SCOPE FOR FURTHER STUDY

In the present study, there is a considerable scope for further research. In every attempt to make this study more comprehensive, there are quite many fields that remained unexplored owing to constraints of time and resources. A research can also be undertaken to study on financial information for Decision making in selected oil companies, steel companies, textile units, etc. A comparative study can also be made between private and public limited companies.

BIBLIOGRAPHY

1. Bhimani, A. (2006). Contemporary issues in management accounting. Oxford university press.
2. Boyd, L. H., & Cox III, J. F. (2002). Optimal decision making using cost accounting information. International Journal of Production Research, 40(8), 1879-1898.

3. Darrell L. Brown, Jesse F. Dillard, R. Scott Marshall, (2005) Strategically Informed, Environmentally Conscious Information Requirements for Accounting Information Systems, Journal of Information Systems, Volume 19, Issue 2.
4. Carr, C. (2005). Are German, Japanese and Anglo-Saxon Strategic Decision Styles Still Divergent in the Context of Globalization? Journal of Management Studies 42 (6):1155-1188.
5. I.M. Pandey, (2004) Financial Management 9th Edition, Vikas Publishing House Pvt.Ltd., New Delhi.
6. <https://www.moneycontrol.com/financials/>
7. R. Royae, A. Salehi and H.S. Aseman, (2012) Does Accounting Play A Significant Role In Managerial Decision-Making? Research Journal of Business Management and Accounting, 1(4), 57- 63
8. IASB, International Financial Reporting Standards (IFRS), Bucureti: CECCAR, (2011), 82 - 85.
9. Ansari, S., Bell, J., Klammer, T. and Lawrence, C. (1997), Strategy and Management Accounting, Houghton Mifflin Company, p. 8