Chapter 6

Findings and suggestions

Findings and suggestions

6.1   Introduction

The general conclusions about Indian automobile industry are as follow:

1. India is emerging as one of the most attractive automotive markets in the world and is being stabilized as a key sourcing base for auto components.

2. The Indian automotive industry has witnessed an unprecedented boom in recent years.

3. India is the second largest two-wheeler market in the world

4. India is the fourth largest commercial vehicle market in the world

5. It is the eleventh largest passenger car market in the world

6. It is the fifth largest bus and truck market in the world (by volume)

7. It has been predicted to be the seventh largest automobile market by 2016 and world's third largest by 2030 (after only China and the US).

8. It's automotive sector comprises of original equipment manufacturers (OEMs) and auto component manufactures.

9. The Government of India allows automatic approval for foreign equity investment up to 100 percent for the manufacture of auto components.

10. India is currently experimenting a range of alternative fuels. In both Delhi and Mumbai, CNG is already widely used for business, taxis, and three-wheelers.

Through analyzing the reported data in the previous chapter, the researcher comes to the following findings and suggestions.

6.2   Findings of the Study

The findings of each hypothesis are as follow:

6.2.1   Hypothesis No.1

In combine i.e. 10 years' data from 2000-01-2009-10 with 13 available companies from automobile industries in Pune, The findings of sub-hypotheses of Hypothesis No.1 are as under:

6.2.1.1   Sub-Hypothesis No.1.1

For hypothesis testing, homogeneity test of DFL with 5 percent level of significant is done. The P-value is equal 0.394 and, P-value is more than 0.05. Therefore, the null hypothesis (H_o) is accepted and alternative hypothesis (H_1) is rejected. As such all Indian automobile industries have used the same financial strategy.

6.2.1.2   Sub-Hypothesis No.1.2

For this hypothesis, population proportion test for difference between proportions with 5 percent level of significant is done. Namely, the hypothesis tester function (Z) is equal 20.97 and is more than critical region (1.96). Therefore the Null hypothesis is rejected. So from this testing, the researcher infers that all Indian automobile industries in Pune, have used the same accounting system for recording transactions, in:

1. Maintaining at a minimum, a general journal and a general ledger.
2. Having a chart of accounts.
3. incorporating the annual budget
4. posting the transactions to the general journal
5. producing monthly financial reports by staffs
6. Comparing the financial reports with revenue, expenditure and fund balances.
7. identifying the basis of accounting
8. Complying the accounting system with generally accepted accounting principles.
9. Upholding the responsibilities for ensuring and adequate in maintaining of accounting system.
10. Maintaining the subsidiary ledger for accounts.

6.2.2 Hypothesis No.2

In combine i.e. 5 years' data from 2006-2010, the coefficient of correlation between Sub-hypotheses research variables of hypothesis No.2 are as follows:

6.2.2.1   Sub-Hypothesis No.2.1

For testing of this hypothesis first the relationship between CAR and CR tested for every year separately then five years together. The findings are as below.

1.   The findings in 2006 are as under.
The coefficient of correlation between CAR and CR is R = 0.26

It shows Poor negative correlation.

Coefficient of determination (R-S_q = 7.1%) shows that 7.1% of change in CR is due to change in CAR.

The P-value is equal 0.38 which is more that 5%.

Therefore, Null Hypothesis is accepted. As such there is not significant relationship between CAR and CR.

2.   The findings in 2007 is as follows:
The Coefficient of correlation between CAR and CR is R = 0.29.

It shows poor negative correlation.

Coefficient of determination (R-S_q = 8.5%) shows that 8.5% of change in CR is due to change in CAR.

The P-value is equal 0.33 which is more that 5%.

Therefore, Null Hypothesis is accepted. As such there is not significant relationship between CAR and CR.

3.   The finding of 2008 is as follows:
The Coefficient of correlation between CAR and CR is R = 0.36.

It shows poor negative correlation.

Coefficient of determination ($R\text{-}S_q = 13.3\%$) shows that 13.3% of change in CR is due to change in CAR.

The P-value is equal 0.22 which is more that 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between CAR and CR.

4. The finding in 2009 is as under.
The Coefficient of correlation between CAR and CR is $R = 0.25$.

It shows poor negative correlation.

Coefficient of determination ($R\text{-}S_q = 6.1\%$) shows that 6.1% of change in CR is due to change in CAR.

The P-value is equal 0.41 which is more that 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between CAR and CR.

5. The finding in 2010 is as under.
The Coefficient of correlation between CAR and CR is $R = 0.28$.

It shows poor negative correlation.

Coefficient of determination ($R\text{-}S_q = 8.0\%$) shows that 8.0% of change in CR is due to change in CAR.

The P-value is equal 0.35 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between CAR and CR.

6. The findings of five years together (from 2006-2010) is as follows:
The coefficient of correlation between CAR and CR is $R = 24\%$.

It shows poor negative correlation. Coefficient of determination (R-Sq = 6%). Shows that 6% of change in CR is due to change in CAR.

The P-value is 0.049 which is less than 5%.

Therefore, Null hypothesis is rejected. As such in five years together (from 2006-2010) there is Relationship between CAR and CR. If CAR changes to one Unit then CR change to 0.0147 unit with P-Value = 0.049

6.2.2.2   Sub-Hypothesis No.2.2

1.   The findings in 2006 is as follows:

The Coefficient of correlation between CAR and QR is R = 0.23.

It shows poor negative correlation.

Coefficient of determination (R-S$_q$ = 5.1%) shows that 5.1% of change in QR is due to change in CAR.

The P-value is 0.46 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such there is not significant relationship between CAR and QR.

2.   The findings in 2007 is as follows:

The Coefficient of correlation between CAR and QR is R = 0.30.

It shows poor negative correlation.

Coefficient of determination (R-S$_q$ = 8.8%) shows that 8.8% of change in QR is due to change in CAR.

The P-value is 0.325 which is more that 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between CAR and QR.

3.   The findings in 2008 is as follows:

The Coefficient of correlation between CAR and QR is R = 0.33.

It shows poor negative correlation.

Coefficient of determination (R-S$_q$ = 10.8%) shows that 10.8% of change in QR is due to change in CAR.

The P-value is equal 0.27 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between CAR and QR.

4.   The findings in 2009 is as follows:

The Coefficient of correlation between CAR and QR is R = 0.27.

It shows poor negative correlation.

Coefficient of determination (R-S$_q$ = 7.2%) shows that 7.2% of change in QR is due to change in CAR.

The P-value is equal 0.38 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between CAR and QR.

5.   The findings in 2010 are as follows:

The Coefficient of correlation between CAR and QR is R = 0.17.

It shows poor negative correlation.

Coefficient of determination (R-S$_q$ = 2.8%) shows that 2.8% of change in QR is due to change in CAR.

The P-value is equal 0.59 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between CAR and QR.

6.   The finding of five years together (2006-2010) is as under:

The coefficient of correlation between CAR and QR is R = 0.22.

It shows poor negative correlation.

Coefficient of determination (R-S_q = 4.8%) shows that 4.8% of change in CR is due to change in CAR.

The P-value is equal 0.08 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such in five years together (from 2006-2010) there is not a significant relationship between CAR and QR.

6.2.2.3   Sub-Hypothesis No.2.3

1.   The findings in 2006 is as follows:

The Coefficient of correlation between I/FR and CR is R = 0.06.

It shows poor negative correlation.

Coefficient of determination (R-S_q = 0.4%) shows that 0.4% of change in CR is due to change in I/FR.

The P-value is 0.84 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between I/FR and CR.

2. The findings in 2007 are as follows:

    The Coefficient of correlation between I/FR and CR is R = 0.10.

    It shows poor negative correlation.

    Coefficient of determination (R-S_q = 1.1%) shows that 1.1% of change in CR is due to change in I/FR.

    The P-value is 0.73 which is more that 5%.

    Therefore, Null Hypothesis is accepted. As such there is not significant relationship between I/FR and CR.

3. The findings in 2008 are as follows:

    The Coefficient of correlation between I/FR and CR is R = 0.45.

    It shows poor negative correlation.

    Coefficient of determination (R-S_q = 20.8%) shows that 20.8% of change in CR is due to change in I/FR.

    The P-value is equal to 0.12 which is more than 5%.

    Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between I/FR and CR.

4. The findings in 2009 are as follows:

    The Coefficient of correlation between I/FR and CR is R = 0.46.

    It shows average positive correlation.

    Coefficient of determination (R-S_q = 21.6%) shows that 21.6% of change in CR is due to change in I/FR.

The P-value is 0.11 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between I/FR and CR.

5.   The findings in 2010 is as follows:

The Coefficient of correlation between I/FR and CR is R = 0.15.

It shows poor positive correlation.

Coefficient of determination ($R\text{-}S_q$ = 2.4%) shows that 2.4% of change in CR is due to change in I/FR.

The P-value is equal to 0.61 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such there is not a significant relationship between I/FR and CR.

7.   The findings of five years together (from 2006-2010) are as

Follows:

The Coefficient of correlation between I/FR and CR is R = 0.03.

It shows poor negative correlation.

Coefficient of determination ($R\text{-}S_q$ = 0.1%) shows that 0.1% of change in CR is due to change in I/FR.

The P-value is 0.84 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such in five years together (from 2006-2010) there is not significant relationship between I/FR and CR.

6.2.2.4   Sub-Hypothesis No.2.4

3)   For testing this hypothesis first the relationship between QR and I/FR tested for every year separately then five years together. It is as under:

1.   The findings in 2006 is as follows:

The Coefficient of correlation between I/FR and QR is R = 0.29.

It shows poor positive correlation.

Coefficient of determination (R-S$_q$ = 8.5%) shows that 8.5% of change in QR is due to change in I/FR. Adjust R equal 0.2%

The P-value is 0.33 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such in 2006, there is not a significant relationship between I/FR and QR.

2.   The findings in 2007 are as follows:

The Coefficient of correlation between I/FR and QR is R = 0.044.

It shows poor negative correlation.

Coefficient of determination (R-S$_q$ = 0.2%) shows that 0.2% of change in QR is due to change in I/FR. Adjust R equal 0.0%

The P-value is 0.9 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such in 2007, there is not significant relationship between I/FR and QR.

3.   The findings in 2008 are as follows:

The Coefficient of correlation between I/FR and QR is R = 0.44.

It shows average negative correlation.

Coefficient of determination (R-S$_q$ = 19.8%) shows that 19.8% of change in QR is due to change in I/FR. Adjust R equal 12.5%

The P-value is 0.13 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such in 2008, there is not significant relationship between I/FR and QR.

4.   The findings in 2009 are as follows:

The Coefficient of correlation between I/FR and QR is R = 0.29

It shows poor positive correlation.

Coefficient of determination (R-S$_q$ = 8.7%) shows that 8.7% of change in QR is due to change in I/FR. Adjust R equal 0.4%

The P-value is 0.33 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such in 2009, there is not a significant relationship between I/FR and QR.

5.   The findings in 2010 are as follows:

The Coefficient of correlation between I/FR and QR is R = 0.26.

It shows poor positive correlation.

Coefficient of determination (R-S$_q$ = 6.9%) shows that 6.9% of change in QR is due to change in I/FR. Adjust R equal 0.0%

The P-value is 0.38which is more than 5%.

Therefore, Null Hypothesis is accepted. As such in 2010, there is not a significant relationship between I/FR and QR.

6.   The findings of Five years together (From 2006 to 2010) are as under:

The Coefficient of correlation between I/FR and QR is R = 0.0.

It shows poor positive correlation.

Coefficient of determination (R-S$_q$ = 0.0%) shows that 0.0% of change in QR is due to change in I/FR. Adjust R equal 0.0%

The P-value is 0.98 which is more than 5%.

Therefore, Null Hypothesis is accepted. As such in five years together (from 2006-2010) there is not a significant relationship between I/FR and QR.

So the hypothesis No.2 approved, as such the annual accounts of the companies have been prepared on a going concern basis.

6.2.3 Hypothesis No.3

For this hypothesis, population proportion test for deference between proportions with 5 percent level of significant is done. Namely, the hypothesis tester function (z) is equal 14.07 and is more than critical region (1.96). Therefore, the Null hypothesis is rejected. So from this testing, the researcher infers that Indian accounting standards are used for accounts in Indian automobile industry in:

1.   Following going concern, in financial statements
2.   Following consistency in accounting policies.
3.   Taking physical verification of inventory.
4.   The appropriate classified of inventory in financial statements
5.   The appropriate disclosure of contingent assets/liabilities in accounts.
6.   The appropriate disclosure of cash flow into operating, financing and investment activities.
7.   Revaluating fixed assets.
8.   Recognizing revenue on accrual basis.
9.   The correct calculation cost of fixed assets.
10.   Classification current investment on individual basis or category of investment.

11. Preparing present interim financial report.

12. Recording all non-monetary assets/liabilities by rates prevailing on transaction date, at the reporting date of balance sheet.

But, respondents did not believe about:

1. Recording all monetary assets/liabilities by closing rate at the reporting date, balance sheet.

2. Issuing bonus shares during the year or after year end but before approval of accounts by the Board of Directors.

3. Making share split during the year or after year end but before approval of account by the Board of Directors.

It is clear from above findings the statement of hypotheses under study have been proved.

6.3   Conclusion

The conclusions resulted from interpretation of finding could be expressed as follows:

1. Growth and going concern of the company is required to their financing point of view. These financial resources totally consists of two main groups that means financing through shareholders equity and the other one is financing through debts.

In the first hypothesis there are two sub-hypothesis:

All Indian automobile industries have used the same financial Strategy.

All Indian automobile industries have not used the same financial Strategy.

For testing sub-hypothesis No.1.1 a homogeneity test has been used after data collection consists of financial leverage of investigated companies and observations of study. According to the test has been done P-value is equal to 0.394 because it is bigger than 5 percent thus H_o is accepted and H_1 is

rejected which means Automobile Industries for financing have used the same combination, that means issuing of shares (ordinary and preference) and borrowing.

For testing sub-hypothesis No.1.2 after data collection (questionnaires information) and its testing null hypothesis (H_o) is rejected and alternative hypothesis (H_1) is accepted. Such as all Indian automobile industries have used the same accounting system for recording transactions and including as follow:

Maintaining general Journal and a general ledger, having a chart of accounts, incorporating posting the transactions to the general journal, producing monthly financial reports by staffs, comparing the financial reports with revenue, expenditure and fund balances, identifying the basis of accounting, compiling the account system with generally accepted accounting principles, upholding of responsibilities for ensuring and adequate in maintaining of accounting system and maintaining the subsidiary ledger for accounts.

2. In sub-hypotheses 1 to 4 of hypothesis No 2:

As the results of research displayed the correlation models between accounting variables, These variables consisted of traditional liquidity ratio (accrual based) and capital acquisition ratios derived from cash flow statement, have much important in financial statements analysis of companies and their going concern evaluation.

With investing and testing hypotheses in this research due to correlation investigation between cash and accrual ratios, with some procedure – informational relations of these data depends on each other are investigated.

If there is significant relationship between cash and accrual ratios so that one can substitute one another , discloser of one ratio explain the unnecessary disclosure of other. But if (there is no) the significant

relationship between variables, it can be resulted that the disclosure of both of them are necessary therefore can not substitute one another.

The present study with emphasis of cash and accrual financial ratios in disclosing and evaluating of going concern in financial statement of companies is going to answer this question whether liquidity ratios (accrual based) are sufficient by itself for evaluating going concern of companies or it should be used of ratios based on cash accounting, too.

The researcher has founded the considerable results with investing and testing of ratios relationship mentioned which can be useful in companies evaluating process.

The results of hypotheses test, indicates the luck of significant relationship between liquidity ratios based on accrual accounting and capital acquisition ratios derived from cash flow statement in evaluation of going concern of automobile industries.

These tests have been calculated from 2006 to 2010, once a year and then five years together.

After testing considered that the correlation degree between mentioned variables had been poor and the change of one is not considerable for indicator the changes of another one. In other words they are not presented the completely same information. Thus, disclosure of accrual information doesn't show the sufficient of cash information disclosure.

3. For hypothesis No.3 after collecting data and testing that the null hypothesis (H_o) rejected and alternative hypothesis (H_1) accepted that means Indian accounting standards for accounts are used in Automobile Industry and that consist of following going concern and consistency in financial statements, taking physical verification of inventory, the appropriate classified of inventory in financial statements, the appropriate disclosure of contingent assets/liabilities and cash flow in

accounts and financial statements, revaluating fixed assets, recognizing revenue on accrual basis, the correct calculation cost of fixed assets, the appropriate classification of current investments, preparing present interim financial report and recording all non-monetary assets/liabilities by rates prevailing on transaction date, the reporting date of balance sheet. But respondents did not believed about, recording all monetary assets/liabilities by closing rate at the reporting date, balance sheet and issuing bonus and mixing split shares during the year or after year end but before approval of account by the Board of directors.

6.4   Suggestions

In this step of research that the findings have been reported and conclusions have been derived and declared, some suggestions related to automobile industries management and future researches that are to be presented are as follows:

6.4.1   Suggestions for Automobile Industries

Management as a supervisory board in automobile industries is responsible to set up strategies polices, and they should ensure that automobile industries are running in an efficient and effective manner's. In the following, some Suggestions for management are presented.

1.   Investigation of financial strategy in various groups of Indian Automobiles Industries.
2.   Checking the effect of financial methods in various shareholders profit of Indian Automobile Industries.
3.   Investigation of financial methods in various groups' risk of Indian Automobile Industries.
4.   Checking of financial methods in various groups of share value or Indian Automobile Industries.

5.   Preparation and publication of financial book that consist of many type of discussion about financing such as financing projects, non finance projects 'structural and etc. In Indian and English languages, so that it could provide of interested people and users and financial students needs.

6.   Investigation of inefficiency effective of Indian capital market on financial methods of Indian automobile industries.

7.   Investigation of risky able various companies in financing with use of borrowings and issuing shares.

8.   Investigation of the amount of knowledge and announcement financial managers about financial various methods.

6.4.2   Recommendations for future researches.

1.   To do this research for a 10 years duration and using other variables of evaluation of financing methods.

2.   To do this research for 10 years duration for going concern statistically which has a better valid base.

3.   To do this research for a 5 years duration for going concern by Altman or Ohlson methods.