

# A CRITICAL EVALUATION OF FINANCIAL AND OPERATIONAL PERFORMANCE THROUGH 360 DEGREE ANALYSES

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**Abstract:** Though 360 degree analysis is related with human resource management but here the 360 analysis will include the overall analysis of operational and financial performance from every angle. In human resources or Industrial psychology, 360-degree feedback, also known as multi-rater feedback, multisource feedback, or multisource assessment, is feedback that comes from all around an employee. "360" refers to the 360 degrees in a circle, with an individual figuratively in the centre of the circle. Financial statements provide information that helps investor and creditors in assessing an enterprise's prospects of obtaining net cash inflow through its earnings and financial activities.

**Key Words:** Financial performance, Operational performance, Business Firm, Performance.

## INTRODUCTION:

Though 360 degree analysis is related with human resource management but here the 360 analysis will include the overall analysis of operational and financial performance from every angle. Financial performance supplies the reader relevant information to enable him to make material economic decisions. The most important users of the financial statements are the present and prospective shareholders, creditors, employees, financial analysts, customers and some government agencies. These users have different needs for the kind of information depicted in the statements. They are concerned with investment decisions, evaluation of management credit decisions, employment terms and other related economic matters.

## MEANING OF FINANCIAL PERFORMANCE ANALYSIS:

Financial performance supplies the reader relevant information to enable him to make material economic decisions. The most important users of the financial statements are the present and prospective shareholders, creditors, employees, financial analysts, customers and some government agencies. These users have different needs for the kind of information depicted in the statements. They are concerned with investment decisions, evaluation of management credit decisions, employment terms and other related economic matters.

When both financial position and results of operation are presented, disclosure of changes, in the separate account comprising stock holder equity (in addition to retained earnings) and of the changes in number of share of equity securities is required to make the financial statements sufficiently informative. Disclosure of such changes may take the form of separate statements or may be made in the basic financial statements or notes thereto.

An analyst of financial statement attempts to interpret or draw conclusions from the statements. Financial statements are intended to give an accurate picture of concerns' financial condition and operating results in a condensed form. The overall objective of a business is to earn a satisfactory return on the funds invested in it consistent with maintaining a sound financial position.

## CONCEPT OF FINANCIAL PERFORMANCE ANALYSIS:

In short, the firm itself as well as various interested groups such as managers, shareholders, creditors, tax authorities, and others seeks answers to the following important questions:

1. What is the financial position of the firm at a given point of time?
2. How is the Financial Performance of the firm over a given period of time?

These questions can be answered with the help of financial analysis of a firm. Financial analysis involves the use of financial statements. A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of a Balance Sheet, or may reveal a series of activities over a given period of time, as in the case of an Income Statement. Thus, the term ‘financial statements’ generally refers to two basic statements: the Balance Sheet and the Income Statement.

However, financial statements do not reveal all the information related to the financial operations of a firm, but they furnish some extremely useful information, which highlights two important factors profitability and financial soundness. Thus analysis of financial statements is an important aid to financial performance analysis. Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business.

“The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm’s position and performance.”

#### **AREAS OF FINANCIAL PERFORMANCE ANALYSIS:**

Financial analysts often assess firm's production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance. However in the present study financial health of GSRTC is measured from the following perspectives:

1. Working capital Analysis
2. Financial structure Analysis
3. Activity Analysis
4. Profitability Analysis

#### **MEANING OF OPERATIONAL PERFORMANCE ANALYSIS:**

The term operational performance is composed of two words: Operational + Performance, Concept of Operational: Operational is used to mean “relating to operation” which in turn implies “performing something involving practical application of principles or processes. As a matter of fact the term ‘operation’ was originally used for military, naval or airy action, mission or maneuver including its planning and action. In management science, the term operation is defined as an action to perform in a planned manner with a view to achieving the pre-determined goals of the organization.

#### **CONCEPT OF OPERATIONAL PERFORMANCE ANALYSIS:**

Concept of Performance: Performance is a complex, multi-dimensional concept, and one which requires careful interpretation in any particular context of performance and policy. The term performance has a very wide coverage because the concept of performance not only concessive the qualities of using men, machine, material money and management. It also intends to measure their relative ability of being productive of the desired effects. The concept of performance is as old as economic sciences or management philosophy because efficiency has been a conventional measure of performance in term of predetermined standards of objectives.

Operational Efficiency of an organization is the ability utilizes itsavailable resources to the maximum extent Operational Efficiency can be judged in the light of financial efficiency. It can be said that neither profitability ratios turnover ratios by themselves provide good indicators measure operational efficiency. Operational Efficiency of a bank is associated with diverse aspects such as operational cost effectiveness profitability customer services, priority sector lending, and deployment of credit in rural and backward regions and mobilization of deposits.

### **360 DEGREE ANALYSIS FOR EVALUATION OF PERFORMANCE:**

With the help of 360 degree analysis the overall performance of the business can be measured. In the proposed study an attempt will be made to evaluate the operational as well as financial performance of manufacturing Companies under study. The operational efficiency will cover various aspects such as productivity, customer relationship, research and development, growth etc. On the other hand the financial performance will include the profitability as well as capital structure analysis.

#### **OBJECTIVES OF STUDY:**

The proposed will be carried out with the following objectives;

1. To assess the operational performance of the companies under study
2. To examine the financial performance of the companies under study
3. To assess whether the companies under study continuously evaluate the operational and financial performance
4. To assess the measures adopted by the companies to improve the operational efficiency and the financial performance.
5. To examine the effect of the application of 360 degree analysis
6. To offer the suggestions wherever required to improve the operational and financial performance

#### **STATEMENT OF THE PROBLEM:**

The critical evaluation of financial and operational performance through 360 degree analysis has been the subject of considerable debate, both theoretically and in empirical research. Throughout the literature, debate has centered on whether there is a financial and operational performance for an individual firm or whether the proportion of debt usage is irrelevant to the performance of a firm.

Industry is one of the oldest industry where high amount of capital is invested but their financial and operational performance is not up the expectation. Keeping it in view the present topic of research has been taken where the financial and operational performance of the company will be studied and its impact on operational efficiency and the financial performance will be examined.

#### **RESEARCH METHODOLOGY:**

To complete the proposed study, following methodology will be adopted -**Primary Data:** For primary data questionnaire will be prepared and **Secondary Data:** Secondary data will be collected from the published annual reports and accounts under study. The journals, magazines and newspapers will also be used to collect the required information.

#### **SIGNIFICANCE OF THE STUDY:**

Operational performance is the base for financial performance under 360 degree analysis. This base is evaluated and vice versa. The proposed study will prove the relationship between operational and financial performance. Till now whatever the research has been done were confined to the measurement of operational efficiency or evaluation of financial performance. But my proposed study will help to evaluate the effect of operational performance on the financial performance.

#### **REVIEW OF LITERATURE:**

There is wide range of literature available on financial performance analysis of different companies in conforming to its dynamic value and significance of intuitive nature. A good dealing in analytical part of literature exists at broad levels like size and technology, problem Associated with productivity, financial performance, and capacity utilization. Relevant existing literature and studied have been clipped below. A researcher has studied of this literature for gaining insight into the problem,

**Siddharth Mahajan and Mainak Sarkar (2007)**, in their study, has made an attempt to compare the financial performance of three Indian Companies, namely, Tata Motors, Maruti and Mahindra and Mahindra with two MNCs, Honda and Hyundai. The study indicated that the MNCs are more efficient in utilizing their assets to generate profits. However, the return on equity of the Indian companies was about ten times than that of the MNCs. Regarding the solvency ratios, the debt-equity ratio of the Indian companies were about one-and-half times than that of the MNCs. This was because the Indian Companies used much less equity capital than that of MNCs.

**L.G.Burange and Shruti Yamini (2008)** in their study computed the Annual Compound Growth Rates (ACGR) as per semi log method for 37 years from 1970-71 to 2006-07. According to the study the performance of primary indicators in the Indian cement industry has been very impressive during the period 1970-71 to 2006-07.

**S. Chandrakumarmangalam and P. Govindasamy (2010)** investigate the relationship between the leverage (financial leverage, operating leverage and combined leverage) and the earning per share, and this study also explains the relationship between the Debt equity ratio and Earning per Share and how effectively the firm be able debt financing, the results suggest that the leverage and profitability and growth are related and the leverage is having impact on the profitability of the firm. Chakraborty (2010) employed two performance measures, including ratio of profit before interest, tax and depreciation to total assets and ratio of cash flows to total assets and two leverage measures, including ratio of total borrowing to assets and ratio of liability and equity, and reported a negative relation between these ones.

**Mistry Dharmendra S (2011)** found that Liquidity is closely related with the profitability of the Indian Cement Industry as compared to the Total Assets, Inventory Turnover Ratio, Debt-Equity Ratio and Operating Expenses Ratio.

**Hajihassani (2012)** presented A Comparison of Financial Performance in Cement Sector in Iran. This study presents comparison of financial performance for the period 2006–2009 by using financial ratios and measures of cement companies working in Iran. Financial ratios are divided into three main categories and measures including two indicators. This work concludes that the performance of cement companies on the basis of profitability ratio is different than on the basis of liquidity ratio, leverage financial.

## CONCLUSION:

360 degree analysis is related with human resource management but here the 360 analysis will include the overall analysis of operational and financial performance from every angle. "360" refers to the 360 degrees in a circle, with an individual figuratively in the centre of the circle. Financial statements provide information that helps investor and creditors in assessing an enterprise's prospects of obtaining net cash inflow through its earnings and financial activities achievements.

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