

Pearls Analysis of selected Indian Information Technology Companies

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ABSTRACT

The Indian IT industry originated under very unfavorable conditions. During olden times local markets were absent and government policy toward private enterprise was hostile. The Indian IT Industry was begun by Bombay-based conglomerates that entered the business by supplying programmers to global IT firms located overseas. During 1970's the Indian economy was state-controlled and remained hostile to the software industry. Even the Import tariffs were high like 135% on hardware and 100% on software. Even the exporters were ineligible for bank finance. In 1984 Rajiv Gandhi became Prime Minister and the Government policy towards IT sector changed. The New Computer Policy (NCP-1984) consisted of a package of reduced import tariffs on hardware and software which reduced to 60%.

1. Introduction

Introduction to Global Information Technology Industry

To understand the processes and impacts of a globalizing technology like the Internet, one must account for the historical development of that technology, the process of technology transfer in general, and the local cultural dynamics in unique regions. The Internet will diffuse differently in different regions and among different sectors within those regions. It is simplistic to assume that the Internet will resolve inequities in social, political, economic and even scientific terms. It is a noble perspective, but the last 50 years of development failures based on other western technologies and protocols does not provide much optimism. The following session review highlights the complex factors involved in Internet diffusion, post war history, technological culture, case studies in the developing world, and innovations in technology research and development.

Contribution of India's I.T. Industry To Economic Progress

The contribution of India's I.T. industry to economic progress has been quite significant. The rapidly expanding socio-economic infrastructure has proved to be of great use in supporting the growth of Indian information technology industry. The flourishing Indian economy has helped the I.T. sector to maintain its competitiveness in the global market. The I.T. and I.T. enabled services industry in India has recorded a growth rate of 22.4% in the last fiscal year. The total revenue from this sector was valued at ` 2.46 trillion in the fiscal year 2007. Out of this figure, the domestic I.T. market in India accounted for ` 900 billion. So, the I.T. sector in India has played a major role in drawing foreign funds into the domestic market.

2. FDI In India's I.T. Industry

Foreign Direct Investment (FDI) is now recognized as an important driver of growth in the country. Government is, therefore, making all efforts to attract and facilitate FDI and investment from Non Resident (NRIs) including Overseas Corporate Bodies (OCBs) that are predominantly owned by

them, to complement and supplement domestic investment. To make the investment in India attractive, investment and returns on them are freely repatriable, except where the approval is subject to specific conditions such as lock -in period on original investment, dividend cap, foreign exchange neutrality, etc. as per the notified sectoral policy.

Initiatives In Indian Information Technology Sector

The Information, Communication Technology and Electronics (ICTE) are the world's largest and fastest growing industry. ICTE is increasingly finding applications in all sectors of the economy and thus is accepted as a key enabler in development. Today, India is a large, vibrant and one of the fastest growing economies in the world. As a result of impressive growth of the economy, steadily increasing buying power of the people and aspirations of the young, the consumption of electronics gadgets in the country is growing fast. India is one of the World's fastest growing electronics hardware markets. The domestic demand of electronics hardware is estimated at US\$ 400 billion by 2020.

3. Review of literature

- **“Information Technology and Productivity: Evidence from India's Manufacturing Sector”** This paper is an attempt at addressing the issue of developing Indian Manufacturing sector with the help of Information Technology usage by analyzing an unpublished data set on the investment in computers and software at the industry level made available by the CSO. The study finds that low level of I.T. investment intensity in the manufacturing sector notwithstanding, I.T. investment does have a positive and significant impact on both partial and total factor productivity.
- **“A Framework for Regulating Microfinance Institutions”** This paper seeks to provide a framework for addressing regulatory issues which impact operations and institutional development of

microfinance institutions (MFIs). Arguing against universal regulation or creating separate specialized regulations, the approach in this paper uses the analysis of MFIs' liabilities to highlight the distinguishing features of different types of MFIs and focuses on risk-taking activities that need to be managed and regulated. The paper points out the benefits from a transparent and inclusive regulatory framework within which MFIs can progressively evolve into formal financial institutions.

4. Research Methodology

Statement of Problem

"PEARLS ANALYSIS OF SELECTED INDIAN INFORMATION TECHNOLOGY COMPANIES"

Objective of the Study

- It must have obvious issue and dependent on it the destinations should likewise be plainly characterized. Along these lines, that research gets clear thought regarding their assignment. The accompanying goals have been encircled to evaluate development, advance and different parts of the Indian Information Technology organizations recorded on National Stock Exchange.

Scope of the Study

- The Information Technology (I.T.) division in India holds the refinement of propelling the nation into the new-age economy. The development force achieved by the general economy since the late 1990s, as it were, can be owed to the I.T. segment, all around bolstered by a changed approach routine with decrease in media transmission cost and import obligations on equipment and programming.
- The present research examine is wide. In any case, for this research PEARLS examination will be thought about with the end goal of assessment and investigation. This examination is explicitly constrained to Information Technology Companies recorded on National Stock Exchange. The investigation is for ten money related years as it were. Here researcher will attempt to examine the chose Companies based on Six Parameters for example Insurance, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity and Signs of Growth.

Type of Research

There are different sorts of research which a researcher can receive like Descriptive and Analytical, Applied and Empirical, Historical research, Experimental research, and so forth here the researcher will embrace an Experimental kind of research.

Exploratory research otherwise called theory testing research and it is the one in which the researcher tests the speculation of easygoing connections between factors.

Hypothesis of the Study

(A) Null Hypothesis

- There would be no critical contrast in Protection Ratios in chose units.
- There would be no huge distinction in Effective Financial Structure Ratios in Selected units.

(B) Alternate Hypothesis

- There would be huge distinction in Protection Ratio in chose units.
- There would be critical contrast in Effective Financial Structure Ratios in Selected units.

5. Tools and techniques of analysis

Pearls Analysis

(1) PROTECTION

- P-1 = Allowance for Loan Losses/Delinquency greater than 12 months
- P-2 = Net Allowance for Loan Losses/Delinquency of 1- t 2 months
- P-3 = Total Write-off of Delinquent Loans greater than t 2 months
- P-4 = Annual Loan Write-offs/Average Loan Portfolio
- P-5 = Accumulated Loan Recoveries/Accumulated Loan Write-offs
- P-6 = Solvency (Net Value of Assets/Total Shares and Deposits)

(2) EFFECTIVE FINANCIAL STRUCTURE

- E-1 = Net Loans/Total Assets
- E-2 = Liquid Investments / Total Assets
- E-3 = Financial Investments / Total Assets
- E-4 = Non-Financial Investments / Total Assets
- E-5 = Savings Deposits / Total Assets
- E-6 = External Credit / Total Assets
- E-7 = Member Share Capital/Total Assets
- E-8 = Institutional Capital/Total Assets
- E-9 = Net Institutional Capital! Total Assets

(3) ASSET QUALITY

- A-1 = Total Loan Delinquency / Gross Loan Portfolio
- A-2 = Non-Earning Assets / Total Assets
- A-3 = Net Institutional & Transitory Capital + Non Interest-Bearing Liabilities / Non-earning Assets

(4) RATES OF RETURN AND COSTS

- R-1 = Net Loan Income / Average Net Loan Portfolio
- R-2 = Total Liquid Investment Income / Average Liquid Investments
- R-3 = Total Financial Investment Income / Average Financial Investments
- R-4 = Total Non-Financial Investment Income/Average Non-Financial Investments
- R-5 = Total Interest Cost on Savings Deposits / Average Savings Deposits
- R-6 = Total Interest Cost on External Credit / Average External Credit
- R-7 = Total Interest (Dividend) Cost on Shares / Average Member hares
- R-8 = Total Gross Income Margin / Average Total Assets
- R-9 = Total Operating Expenses / Avg. Total Assets

R-10 = Total Loan Loss Provision Expense / Average Total Assets
 R-11 = Total Non-Recurring Expenses / Total Assets Ratio
 R-12 = Net Income / Average Total Assets

(5) LIQUIDITY

L-1 = Short Term Investments + Liquid Assets - Short Term Payables / Savings Deposits
 L-2 = Liquidity Reserves / Savings Deposits
 L-3 = Non-Earning Liquid Assets / Total Assets

(6) SIGNS OF GROWTH

S-1 = Growth in Loans to Members
 S-2 = Growth in Liquid Investments
 S-3 = Growth in Total Assets

(7) STATISTICAL TOOL

- 1) Mean :
- 2) Standard Deviation
- 3) Co-Efficient Of Variance
- 4) Two-Way Anova Table
- 5) One-Way Anova Table
- 6) Multiple Correlation Of Co-Efficient

SELECTED COMPANIES WITH LISTING DATE AND ISIN CODE

Sr No	Name of Company	ISIN Code	Listing Date
1	TCS Ltd.	INE467B01029	25th August, 2004
2	HCL Infosystems Ltd	INE236AO 1020	1st January, 1997
3	Infosys Technologies Ltd	INE009AO 1021	8th February, 1995
4	Wipro Ltd	INE075AO 1022	8th November, 1995

6. Analysis of selected information technology companies through pearls analysis

- Infosys Technologies Ltd. stood the best Information Technology Company in the Solvency ratio.
- There is a significant difference in the Solvency ratio within selected Indian Information Technologies Companies during period under review.
- The Liquid Investments to Total Assets ratio differs significantly within Selected Information Technology Companies as the calculated value of F-test two ways ANOVA is greater than tabulated value.
- Infosys Technologies Ltd. comes out as out performer Information Technology Company as it has not having external credit.
- Infosys Technologies Ltd. stood first in Financial Investment Income to Total Financial Investments ratio.

- HCL Info System secured the first rank in Other Income to Total Income ratio during the period under review. The second and third rank secured by Polaris Software Lab Ltd. and GTL Ltd. respectively.
- TCS Ltd. secured first rank in Total Gross Income Margin to Total Assets ratio.
- TCS Ltd. again comes out as out performer Information Technology Company in Total Operating Expenses to Total Assets ratio.
- TCS Ltd. again secured first rank in Total Non - Recurring Expenses to Total Assets ratio.
- Infosys Technologies Ltd. comes out as the best performer Information Technology Company in Liquidity Reserves to Total Savings Deposit ratio The second rank secured by TCS Ltd.
- HCL Technologies was the least rank company in Liquidity Reserve to Total Savings Deposits ratio of selected companies during study period as it had the lowest average among selected companies.
- Infosys Technologies Ltd. secured first rank and TCS Ltd. was the least rank company in growth of Total Assets during the period under review.

7. Conclusion

- I.T. industry of India got a major boost from the liberalization of the Indian economy. India's software exports have grown at an annual average rate of more than 50% since 1991. The structure of the I.T. industry is quite different from other industries in the Indian economy. The I.T. industry of India is hugely dependant on skilled manpower.
- PEARLS is also a supervisory tool for regulators. The companies fall under Information Technology Industry will have to be assessed to have proper industry picture. The study reveals that selected companies have been working well during the study period.
- It is also observed that Infosys Technologies Ltd. does not have any external credit so its creditworthiness is the highest amongst selected companies during the period under review. It was also found that GTL and TCS faced problem in many ratios and has to solve this problem. It can also be concluded that the financial performance of all the selected companies is comparatively good.

8. Limitations of the Study

Present investigation will be finished considering PEARLS examination just and there are sure proportions which are not relevant to Information Technology organizations so it will be one of the significant constraints of the investigation. The monetary condition changes at various purpose of time and that will influence the discoveries of the present investigation.

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