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MEASURING SATISFACTION FROM THE TRADITIONAL MEASURES USED BY FMCG COMPANIES IN INDIA

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ABSTRACT

There are many different methods to assess financial success, but they should all be seen as a whole in order to be meaningful. Line items such as revenue from operations, operating income, and cash flow from operations, as well as total unit sales, may be used to calculate profitability. Although the FMCG companies in India are not much interested in adoption of accounting innovation and this study is conducted to measure about their satisfaction with the use of the traditional measures for measuring satisfaction of different groups including employer, employee, effective persons, and other concerned parties using questionnaire filled by the 357 respondents of FAMCG companies in India. The data is analysed with the SPSS software using the multiple regression technique. The results revealed that the Cost of Equity and Increase Net profits after taxes are the two variables behind the satisfaction of the FMCG companies in terms of the traditional measures used.

Keywords: *FMCG, Traditional Measures, Financial Performance, Profitability, Operating Income.*

Introduction

Business concern needs finance to meet their requirements in the economic world. Any kind of business activity depends on the finance. Hence, it is called as lifeblood of business organization (Weston, 2013)[1]. Whether the business concerns are big or small, they need finance to fulfil their business activities. In the modern world, all the activities are concerned with the economic activities and very particular to earning profit through any venture or activities (Welter et.al., 2015)[2]. The entire business activities are directly related with making profit. (According to the economics concept of factors of production, rent given to landlord, wage given to labour, interest given to capital and profit given to shareholders or proprietors), a business concern needs finance to meet all the requirements. Hence finance may be called as capital, investment, fund etc., but each term is having different meanings and unique characters. Increasing the profit is the main aim of any kind of economic activity (Chowdhury et.al., 2015)[3].

Using financial performance as a subjective indicator, we may determine how successfully a company can employ assets from its principal method of operation to create revenues. Over a certain length of time, the phrase is also used to refer to a generic gauge of a company's overall

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1 Weston, K. (2013). Lifeblood, liquidity, and cash transfusions: beyond metaphor in the cultural study of finance. *Journal of the Royal Anthropological Institute*, *19*, S24-S41.

2 Welter, F., Smallbone, D., & Pobol, A. (2015). Entrepreneurial activity in the informal economy: a missing piece of the entrepreneurship jigsaw puzzle. *Entrepreneurship & Regional Development*, *27*(5-6), 292-306.

3 Chowdhury, F., Terjesen, S., & Audretsch, D. (2015). Varieties of entrepreneurship: institutional drivers across entrepreneurial activity and country. *European Journal of Law and Economics*, *40*(1), 121-148.

financial health. In order to compare comparable enterprises across the same industry or to compare industries or sectors in aggregate, analysts and investors use financial performance as a benchmark. The financial performance of a corporation provides information to investors about the overall health of the organisation (Aras et.al., 2010)[1]. It gives an overview of the company's economic health and the work its management is doing, as well as insight into the company's future prospects, including whether its operations and earnings are on track to increase, as well as the forecast for its stock (Oeyono et.al., 2011)[2].

A company's stakeholders include trade creditors, bondholders, investors, workers, and management. Monitoring a company's financial performance is important to any organisation for a variety of reasons (Churet & Eccles, 2014)[3]. In terms of financial performance, a company's revenue generation and asset management, as well as the financial interests of its stake and shareholders, are all evaluated (Przychodzen & Przychodzen, 2015)[4].

Fast-Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG) are products that are sold quickly and at a relatively low cost. Examples include non-durable goods such as packaged foods, beverages, toiletries, over-the-counter drugs, and other consumables. Many fast-moving consumer goods have a short shelf life, either as a result of high consumer demand or as the result of fast deterioration. Some FMCGs, such as meats, fruits, vegetables, dairy products, and baked goods are highly perishable. Other goods, such as pre-packaged foods, soft drinks, candies, and toiletries have high turnover rates. Sales are sometimes influenced by holiday and/or seasonal periods and also by the discounts offered. Fast-moving consumer goods (FMCG) sector is the 4th largest sector in the Indian economy with Household and Personal Care accounting for 50 per cent of FMCG sales in India. Thus, this paper measures satisfaction of different groups including employer, employee, effective persons, and other concerned parties of FAMCG companies in India.

Reviews of Literature

Ganyam, A. I., & Ivungu, J. A. (2019)[5] revealed that financial performance analysis is a fundamental tool in managers striving to remain in a competitive advantage amidst the rapid technological advancement, increased awareness and challenging demands from customers and business owners. This review examines the effect of financial performance of firms. The main objective is to review conceptual and theoretical foundations and empirical literature relating to accounting information systems and the financial performance of firms. Findings from the review reveal that past studies on the effect of accounting information on financial performance limitedly aligned their works to the cost implication of accounting information systems as it relates to the financial performance of firms. This review also found that most of the studies employed survey research design to examine this relationship. Most of the studies were carried out in advanced economies where computerized accounting system techniques have been accepted to a large extent. This review, therefore, recommends further research into this area to fill the gap in the literature

Beg (2018)[6] explained that an accounting information system combines people, equipment, policies, and procedures that work together to collect data and transform it into useful information. It is a system, an assemblage of various facilities and personnel, providing information to support managerial decision-making. It is an entity composed of multiple interdependent subsystems to provide timely, reliable, and accurate information for decision-making. This study investigated the role of the accounting information system on the financial performance of ten major Indian FMCG companies. A self-administered questionnaire designed on a five-point Likert scale has been used to collect data. Judgmental sampling has been applied, and the sample size is 283 employees. After applying simple linear regression, the findings highlighted a significant impact of accounting information systems on the financial performance in the companies under study.

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1 Aras, G., Aybars, A., & Kutlu, O. (2010). Managing corporate performance: Investigating the relationship between corporate social responsibility and financial performance in emerging markets. *International Journal of productivity and Performance management*.

2 Oeyono, J., Samy, M., & Bampton, R. (2011). An examination of corporate social responsibility and financial performance: A study of the top 50 Indonesian listed corporations. *Journal of Global Responsibility*.

3 Churet, C., & Eccles, R. G. (2014). Integrated reporting, quality of management, and financial performance. *Journal of Applied Corporate Finance*, *26*(1), 56-64.

4 Przychodzen, J., & Przychodzen, W. (2015). Relationships between eco-innovation and financial performance–evidence from publicly traded companies in Poland and Hungary. *Journal of Cleaner Production*, *90*, 253-263.

5 Ganyam, A. I., & Ivungu, J. A. (2019). Effect of accounting information system on financial performance of firms: A review of literature. *Journal of Business and Management*, *21*(5), 39-49.

6 Beg, K. (2018). Impact of Accounting Information system on the financial performance of Selected FMCG companies. *International Digital Organization for Scientific Research*, 117-128.

Bagchi, B., & Khamrui, B. (2012)[1] has tried to examine the financial performance of two leading FMCG companies in India – Britannia Industries and Dabur India, over ten years (2000-01 to 2009-10). The FMCG sector in India has been experiencing a phenomenal pace of growth since the last decade, thanks to increasing consumer incomes and rapidly changing consumer tastes and preferences. Large scale and low-cost production, modern retailing strategies, branding and maintenance of intense distribution networks have given FMCGs an edge over others in raising hovering revenues. This study used various accounting ratios and statistical tools like linear regression analysis and multiple correlation analysis. The results reveal that though Britannia Industries is passing through hard times in terms of profitability, Dabur India enjoys its enhanced performance and continuous growth in the sector.

Paswan, R. K. (2013)[2] tried has been made to know the solvency position of selected FMCG companies in India. The data was collected from the annual reports from 2005-06 to 2010-11 from India's selected six FMCG companies. The study concentrates on the various accounting ratios to analyze the financial performance regarding the chosen companies' solvency. Statistical tools like Average, Standard Deviation and Co-efficient of variation have been applied. The results revealed that ITC, Emami, Dabur, and Colgate could repay their debt during the study period. The result of Emami and Dabur shows a high Debt Equity ratio, which indicates that there is more investment of loans than equity. Debtors Turnover Ratio of Nestle and Colgate offer the efficiency of debt management. But the DTR of the rest of the companies is unsatisfactory. All the companies under study except Emami and Dabur show more proprietary fund use in acquiring total assets. The debt to Total Assets ratio of Emami and Dabur shows that more company assets are financed through debt.

Mohammad, K., & Arfat, A. (2016)[3] has made an attempt made to examine the financial performance of Colgate Palmolive and Dabur India Ltd, which are the leading brands in the personal care segment of the FMCG Sector in India over the past few decades, India with a population more than one billion is the largest economies in the world in terms of purchasing power and consumer spending next to china and fourth-largest sector in India which had grown at an average of 11 percent in the last decade with a compounded growth rate of 17.3 percent in the previous 5 years. It is expected to reach 20.6 percent to USD of 103.7 billion during the year 2016-2020. The total consumption expenditure and spending are estimated to reach USD 3600 billion during 2016-20 from USD 1411 billion in 2014; large scale and low production cost, growing demand, attractive opportunities, higher investment and supportive policies had given a better scope for development in India. The present study used accounting ratios and statistical tools such as linear regression analysis and multiple correlation analysis to determine the financial performance; overall, Dabur India ltd is reasonable compared to Colgate Palmolive.

Shaikh, M. J. (2012)[4] The phrase by Feigenbaum (1951) that quality is never an accident; it is the result of intelligent efforts is rightly indicating the beneficial effects and outcomes for quality management systems like TQM and depicting that right and intelligent efforts in the right direction will produce quality results which in turn creates value of organization in the market. While examining this independent study, I will analyse the impact of TQM practices in fast moving consumer sector of Pakistan (FMCG). FMCG which are chosen for this research are Unilever, Reckitt and Engro foods. The main areas encompassed in this research are revenue and profitability improvement and organizational fat reduction by TQM practices in these organizations. Do the organization’s vision, mission, and quality management systems contribute to the firm’s revenue and productivity improvement and fat reduction? If any relationship exists among them then what is the significance among them. What are impacts of effective business processes, financial well-being and financial competitiveness on revenue and profitability improvement and fat reduction? Is TQM is an integral part of firms strategy for continuous improvement? Is this industry is truly benefited by TQM principles in terms of business performance at a larger extent? This variety of inquiry will be retort in this study.

[1] Bagchi, B., & Khamrui, B. (2012). Financial performance of FMCG companies in India: A comparative study between Britannia Industries and Dabur India. *Zenith International Journal of Business Economics and Management Research*, *2*(3), 222-232.

[2] Paswan, R. K. (2013). Analysis of solvency of selected FMCG companies in India. *Global Journal of Management and Business Studies*, *3*(4), 401-406.

[3] Mohammad, K., & Arfat, A. (2016). financial performance evaluation of FMCG companies in India: a comparative study between Colgate Palmolive and Dabur India limited. *Editorial Board*, *5*(6), 1-16.

[4] Shaikh, M. J. (2012). TQM and business performance: An investigation into FMCG Companies in Pakistan. International Journal of Scientific & Technology Research, 1(10), 1-12.

Singh, A. K., & Bansal, P. (2016)[1] revealed that in corporate finance, capital structure decisions have gained currency in the academic world as sufficient and in-time availability of required finance from appropriate source. Its effective utilization is the key to success in every field. Many firms become insolvent because they have improper capital mix. Thus, companies must have right mix of capital which reduces their insolvency risk and maximizes their firm value. The present study investigates the impact of financial leverage on the firm's financial performance and the firm's valuation. For this purpose, 60 Fast Moving Consumer Goods (FMCG) companies listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) have been considered for a period of 10 years from 2007 to 2016. These companies constitute S&P BSE FMCG Index. Due to information availability constraint, 2 firms have been excluded and the study is based on remaining 58 companies. Return on Total Assets and Economic Value Added are taken as indicators of firm's profitability, whereas Enterprise Value and Tobin's Q are taken as indicators of firm's valuation. So, four regression equations have been developed to study the impact of financial leverage on firm's performance and valuation. The technique of panel data regression has been used on SPSS. The results showed that leverage has a significant negative impact on firm's performance indicator EVA and ROA and firm's valuation indicator Tobin's Q.

Chakraborty, K., & Sarkar, S. (2015)[2] The FMCG sector with a market share of $13.1 billion has presently proved itself the fourth largest sector in the Indian economy. Rural India with more than 70 percent share of the total Indian population has emerged as the most significant FMCG market. During the last two decades, the central government's deregulation, globalization, and liberalization measures have changed the FMCG sector paradigm. Both the foreign direct and portfolio investments in Indian FMCG sector in the post-reform period have notably influenced the financial performance of the companies belonging to this sector. Moreover, the increasing presence of MNCs in the Indian market has forced the existing domestic companies in the FMCG sector to reorient their financial strategies to survive. A large number of studies have been carried out to evaluate individually the different aspects of the financial performance of the FMCG companies in India. However, no comprehensive study has been made to measure the overall financial performance of the Indian FMCG sector by considering the financial data of the last two decades. This chapter seeks to analyse the overall financial performance of 16 selected companies in the Indian FMCG sector during the period 1993-94 to 2012-13. The companies have been selected from "India's Most Respected Companies" as published by Business World, New Delhi, February 14, 2011 (Vol. 30, Issue 39) by following purposive sampling procedure. Relevant statistical techniques and tests have been used in carrying out the analysis.

Vyas, C. A. H., Vyas, C. N., Shah, K., & Bhatt, V. (2018)[3] aims to assess the financial performance of different categories of entities operating in dairying and edible FMCG products. For this, they propose a model that can gauge an entity's financial performance involved in dairying and allied activities. The proposed model clarifies the deficiencies of the widely used Altman's Z score model for financial distress prediction. The proposed model has also been validated using ANOVA and Post hoc analysis. They have considered a sample of 9 entities, three from each category: Indian cooperative dairies, Indian private dairies and India incorporated entities of global FMCG companies (also involved in selling dairy products). The proposed model helps distinguish the financial performance of cooperative and private dairies from global FMCG companies incorporated in India. It is observed that the financial performance of global FMCG companies (incorporated in India) is better than private or cooperative dairies.

Amsaveni, R., & Gomathi, S. (2013)[4] Investment decisions are part of their economic life. Everybody takes such decision at different context. Investment decisions are to be made systematically with two approaches: technical and fundamental analysis. The present study aims to analyse the fundamental analysis of BSE listed FMCG companies in India with a sample size of six companies from 2006-07 to 2011-12. The study's objectives are to conduct Fundamental analysis for BSE listed FMCG companies and the SWOT analysis for the FMCG industry. The Economic, Industry and company analysis have been made to attain the objectives of the study. From the Economic analysis, it is found

[1] Singh, A. K., & Bansal, P. (2016). Impact of financial leverage on firm's performance and valuation: a panel data analysis. *Indian Journal of Accounting*, *48*(2), 73-80.

[2] Chakraborty, K., & Sarkar, S. (2015). Financial Performance of Selected FMCG Companies in India during Post-Reform Era: A Comprehensive Analysis. *Strategic Infrastructure Development for Economic Growth and Social Change*, 260-272.

[3] Vyas, C. A. H., Vyas, C. N., Shah, K., & Bhatt, V. (2018). Comparison of the financial performance of cooperative dairies vis a vis global FMCG companies in India through a proposed model

[4] Amsaveni, R., & Gomathi, S. (2013). Fundamental analysis of selected FMCG companies in India. *Asia-Pacific Finance and Accounting Review*, *1*(3), 37.

that Gross National Product, Inflation, Interest rates, Exchange rate, foreign exchange reserves, Agricultural production, Government Receipts and Expenditure has a positive growth rate during the study period. Gross Domestic Product, Gross Domestic Capital Formation, Gross Domestic Savings and Balance of Payments have a negative growth rate during the study period. The industry analysis found that India's FMCG sector is the 4th largest sector with the total market size of US$ 13 billion during the year 2012. This sector is expected to grow to US$ 33.1 billion by 2015. Hence, it has great potential in rural and urban markets and provides more employment opportunities.

Das, S. (2019)[1] expressed that cash flow ratios are generally prepared from cash flow statement as per AS-03. It is helpful for financial users, including shareholders, management, accountants, auditors, and investors, get the relevant information regarding its financial resources for a certain period. Currently cash flow ratios are randomly used instead of traditional ratios due to its wideness and acceptability. In credit rating and forecasting the failure of an organization, cash flow ratios are very much relevant. In this study, they considered different companies from different sectors. From the study, it is clear that the liquidity and solvency position of the companies are moderate whereas the companies maintained low profitability. The efficiency and sufficiency ratios of the companies selected in this study provide a new look at financial judgment. In their study, they selected three companies from FMCG and Pharmaceuticals sectors. They used the data for a period of 10 years from 2004 to 2013 financial years.

Research Methodology

The data for the current study is gathered from the original source by the different groups (employer, employee, effective persons, and other concerned parties) through questionnaire method. The primary data are collected from 357 respondents by the different groups (employer, employee, effective persons, and other concerned parties) through questionnaire method. Further secondary data are the data gathered earlier by the other researcher and not they are used in our study.

Data Analysis

To analyse the data gathered for satisfaction of the respondents related with the use of various traditional and modern measures are measured. First the satisfaction from the traditional measures were analysed with the following hypothesis:

H_0: The variables have insignificant impact in improving satisfaction of the respondents with the use of traditional measures.

To check the above hypothesis the traditional ratios taken first to measure the performance the multiple regression is calculated as under:

Table 1: Multiple Regression Results for Satisfaction with Traditional Measures

Descriptive Statistics				
Variable	**SPSS code**	**Mean**	**S D**	**N**
Are you satisfied with the method used by your company for financial performance measurement?	Satisfied	2.3223	1.12726	273
Making strong position of Financial Liquidity	sat_tr_1	2.4286	1.07931	273
Company's image improvement	sat_tr_2	2.1099	.97901	273
Stable Sales Growth	sat_tr_3	2.0623	1.15990	273
Increasing total Revenue growth	sat_tr_4	2.2381	1.08045	273
Improve Market share Growth	sat_tr_5	2.0330	1.26419	273
Increase After tax return on Assets	sat_tr_6	2.2234	1.00982	273
Improve EPS growth	sat_tr_7	2.1978	1.06984	273
Improvement of Working capital	sat_tr_8	2.6447	1.17657	273
Increase Net profits after taxes	sat_tr_9	2.2088	1.07972	273
Growth of current assets	sat_tr_10	2.2015	1.09464	273
Improve in Return on Investment	sat_tr_11	2.4212	1.22258	273
Improve in Assets Turnover Ratio	sat_tr_12	3.3626	1.03451	273
Improve in Debt Equity ratio	sat_tr_13	2.8059	1.04091	273
Increase in Fixed assets	sat_tr_14	3.3736	.87844	273
increase in Cost of Equity	sat_tr_15	3.4432	.86893	273
Increase in Reserve and Surplus	sat_tr_16	3.1355	.94321	273

[1] Das, S. (2019). Cash flow ratios and financial performance: A comparative study. Accounting, 5(1), 1-20.

Correlations

		Satisfied	sat_tr_1	sat_tr_2	sat_tr_3	sat_tr_4	sat_tr_5	sat_tr_6	sat_tr_7	sat_tr_8	sat_tr_9	sat_tr_10	sat_tr_11	sat_tr_12	sat_tr_13	sat_tr_14	sat_tr_15	sat_tr_16
Pearson Correlation	Satisfied	1.00																
	sat_tr_1	-.035	1.00															
	sat_tr_2	-.056	.028	1.00														
	sat_tr_3	-.080	.049	-.003	1.00													
	sat_tr_4	-.121	-.066	-.049	.097	1.00												
	sat_tr_5	-.108	.022	-.119	-.094	.016	1.00											
	sat_tr_6	-.022	-.078	-.032	-.021	-.056	-.144	1.00										
	sat_tr_7	-.068	-.013	-.063	.147	.007	-.027	.007	1.00									
	sat_tr_8	-.099	-.053	.050	.014	.078	.097	.163	-.002	1.00								
	sat_tr_9	.099	.027	.058	-.096	-.024	-.010	.055	-.049	-.089	1.00							
	sat_tr_10	-.068	-.111	.144	-.016	.012	-.047	-.041	-.125	-.115	.036	1.00						
	sat_tr_11	.050	-.068	.010	-.034	.055	.036	-.127	.040	-.072	-.045	.013	1.00					
	sat_tr_12	-.009	-.110	-.069	.012	-.041	.072	-.043	.045	-.096	-.150	.062	-.083	1.00				
	sat_tr_13	-.078	-.066	-.033	-.185	.009	.036	.027	-.078	-.081	-.003	.025	.076	-.006	1.00			
	sat_tr_14	.082	-.049	-.052	.111	-.051	.009	.034	.113	-.117	-.141	-.037	-.072	.510	-.117	1.00		
	sat_tr_15	.154	-.050	-.101	.016	-.050	-.007	.071	.016	-.201	-.138	-.029	-.100	.467	-.059	.476	1.00	
	sat_tr_16	-.031	-.018	-.008	-.095	.008	-.019	.065	.090	-.106	.073	-.091	.014	-.069	.293	-.057	-.029	1.00
Sig. (1-tailed)	Satisfied	.																
	sat_tr_1	.280	.															
	sat_tr_2	.180	.321	.														
	sat_tr_3	.094	.210	.482	.													
	sat_tr_4	.023	.139	.209	.056	.												
	sat_tr_5	.037	.359	.025	.060	.398	.											
	sat_tr_6	.362	.099	.297	.363	.180	.009	.										
	sat_tr_7	.130	.414	.150	.008	.455	.331	.457	.									
	sat_tr_8	.051	.190	.205	.412	.098	.055	.003	.484	.								
	sat_tr_9	.052	.328	.169	.058	.347	.432	.183	.212	.071	.							
	sat_tr_10	.132	.034	.009	.398	.421	.218	.251	.019	.028	.278	.						
	sat_tr_11	.203	.133	.433	.287	.184	.276	.018	.255	.118	.232	.414	.					
	sat_tr_12	.440	.035	.130	.423	.248	.117	.241	.232	.057	.006	.154	.085	.				
	sat_tr_13	.099	.137	.293	.001	.444	.279	.326	.100	.092	.480	.342	.105	.460	.			
	sat_tr_14	.088	.209	.195	.034	.199	.443	.288	.031	.027	.010	.274	.119	.000	.026	.		
	sat_tr_15	.005	.203	.048	.394	.205	.456	.121	.396	.000	.011	.320	.049	.000	.166	.000	.	
	sat_tr_16	.306	.386	.446	.058	.448	.376	.144	.069	.041	.114	.068	.408	.127	.000	.174	.318	.
N		273	273	273	273	273	273	273	273	273	273	273	273	273	273	273	273	273

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
2	.596[b]	.538	.431	1.10954	.015	4.109	1	270	.044

b. Predictors: (Constant), sat_tr_15, sat_tr_9

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	13.242	2	6.621	5.378	.005[c]
	Residual	332.392	270	1.231		
	Total	345.634	272			

a. Dependent Variable: Satisfied

c. Predictors: (Constant), sat_tr_15, sat_tr_9

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tol	VIF
2	(Constant)	1.278	.327		3.914	.000		
	sat_tr_15	.222	.078	.171	2.834	.005	.981	1.019
	sat_tr_9	.128	.063	.122	2.027	.044	.981	1.019

a. Dependent Variable: Satisfied

The above analysis with the value of adjusted r square of 43.1 for the Dependent variable satisfaction and predictor independent variables of sat_tr_15, sat_tr_9 explains the satisfaction with the value of 5.378 which is significant reveals that the model is fit for future use.

Conclusion

Measuring the financial performance by taking views of consumers and Retailers is the new area to relate it with financial performance of selected FMCG companies. This work is undertaken to give an insight into the financial performance of selected FMCG firms using the traditional tools to measure the liquidity, and profitability. Moreover, there is a huge demand for fast moving consumer goods in India which is the major problem identified for the current study. From the above analysis of variance table reveals that the above stated null hypothesis is rejected and two variables sat_tr_15, sat_tr_9 predicted the satisfaction of the respondents from the use of traditional measures. The variables are increase in Cost of Equity (sat_tr_15) and Increase Net profits after taxes (sat_tr_9).

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