"COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF JET AIRWAYS AND INTERGLOBE AVIATION WORKING IN INDIA"

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ABSTRACT:

The main focus of this study is to analysis the financial performance of selected civil-aviation companies working in India. Secondary data is been used of last five years for the study. Researcher has used accounting tool - Ratio Analysis (Profitability Ratio and Liquidity Ratio). Statistical tools – Descriptive Analysis and one-way ANOVA are also been used for data analysis. Hypothesis are been framed and tested by statistical tool- one-way ANOVA. In this research study researcher concluded that-There is a significant difference among the financial performance of both the civil-aviation companies.

KEYWORDS:

Financial Performance, Profitability Ratio, Liquidity Ratio

INTRODUCTION:

Financial Performance of any industry refers to the act of performing its financial activity. In other words, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period and can be used to compare similar firms across the industry or to compare industries or sector in aggregation.

The firm itself as well as various interested groups such as managers, shareholders, creditors, tax authorities and other seeks answer 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?

These questions may be answered with the help of financial analysis of a firm/industry. Financial analysis involves the use of financial statements. A financial statement is an organized collection of data according to logical and consistent accounting procedure. Its purpose is to convey and understand the financial aspects of a firm/industry.

REVIEW OF LITERATURE:

(Subramanian, April-2016) The main motive of researcher behind this study was to analyze the financial position of the company. Researcher has used secondary data to conduct the study. Researcher has selected only one company- Force Motors Limited as a sample. Accounting tool- Ratio Analysis (Profitability Ratio, Solvency Ratio), comparative statements, etc. At the end researcher concluded in there study that company has enough fund to meet its debt & liabilities. Researcher finds that sales and profit of the company increases every year.

(Bharath, November-2017) Researcher has selected three civil-aviation companies- Jet Airways, Indigo Airlines & SpiceJet Airlines as a sample. Researcher has used secondary source of data to conduct this study. Accounting tool- Ratio Analysis and Statistical tool Two-way ANOVA was been used for data analysis. Researcher used the data of five years (2012 to 2016). By hypothesis testing researcher concluded that, there is a significant difference in financial performance of selected Airline companies.

(Bhavani, April-2018) Researcher has selected two companies ITC Limited and HUL Limited for the study. Researcher has used secondary source of data- collected from annual reports of companies. Accounting tool Ratio analysis was been used for the comparative study of financial performance. Researcher concluded that HUL Ltd. has better profitability and turnover ratio while ITC Ltd. has better liquidity position.

SCOPE OF THE STUDY:

The scope of the study is limited to two civil-aviation companies working in India. Researcher have used only secondary source of data for the proposed study. The does not include cargo-aviation companies working in India. The major scope of this study is limited to profitability and liquidity. Furthermore the scope of study is limited to last five year (2014 to 2018).

OBJECTIVES OF THE STUDY:

1. To study the theoretical aspects of financial performance and financial statement analysis of selected civil-aviation companies.
2. To compare the profitability of selected civil-aviation companies.
3. To compare the liquidity of selected civil-aviation companies.
4. To put forward overall findings and suggestions with a view to improve profitability and liquidity of selected civil-aviation companies.

HYPOTHESIS:

H_{00} -There is no significant difference in Net Profit Margin among selected civil-aviation companies.

H_{01}- There is no significant difference in Operating Profit Margin among selected civil-aviation companies.

H_{02}- There is no significant difference in Return on Assets among selected civil-aviation companies.

H_{03}- There is no significant difference in Return on Equity among selected civil-aviation companies.

H_{04}- There is no significant difference in Current Ratio among selected civil-aviation companies.

H_{05}- There is no significant difference in Liquidity Ratio among selected civil-aviation companies.

RESEARCH METHODOLOGY:

Sampling Technique: Simple random sampling (Probability sampling) technique is been used for the study.

Sample: Two civil-aviation companies are selected as a sample by the researcher. Jet Airways and Interglobe Aviation.

Period of the study: The study evaluated Financial Performance of last five years from (2014 to 2018).

Source of Data: Secondary source of data is been used for data collection.

Research Design: Hypothesis testing, analytical research, quantitative research approach for comparative study.

Analysis of Data:

1. Accounting tool-Ratio analysis is used to evaluate the profitability and liquidity of selected civil-aviation companies.
2. Statistical tool- Descriptive analysis and ANOVA is used for data analysis.
3. Tables and results are derived with the help of MS word, Excel and research software (SPSS).

LIMITATIONS OF THE STUDY:

1. Results and findings are restricted to selected civil-aviation companies working in India.
2. Study is restricted to secondary data only.
3. Study is limited to profitability and Liquidity.
4. Study is limited to last five years (2014 to 2018).
5. All the limitations of accounting and statistical tool are applicable.

DATA ANALYSIS AND INTERPRETATION:

Ratio Analysis:

1. NET PROFIT MARGIN (%)

YEAR	JET AIRWAYS	INTERGLOBE AVIATION
2014	-21.19	4.26
2015	-9.26	9.36
2016	5.54	12.30
2017	6.87	8.92
2018	-3.29	9.74

The above table shows Net Profit Margin ratio of Jet Airways and Interglobe Aviation. NPM of Interglobe Aviation is comparatively higher than Jet Airways.

2. OPERATING PROFIT MARGIN (%)

YEAR	JET AIRWAYS	INTERGLOBE AVIATION
2014	-8.58	4.55
2015	-0.59	13.42
2016	10.46	19.31
2017	7.03	11.53
2018	0.10	12.84

The above table shows OPERATING PROFIT MARGIN ratio of Jet Airways and Interglobe Aviation. OPM of Interglobe Aviation is comparatively higher than Jet Airways.

3. RETURN ON ASSETS (%)

YEAR	JET AIRWAYS	INTERGLOBE AVIATION
2014	-19.96	5.21
2015	-9.62	12.11
2016	6.12	15.73
2017	11.72	10.90
2018	-6.14	10.61

The above table shows RETURN ON ASSETS of Jet Airways and Interglobe Aviation. ROA of Interglobe Aviation is comparatively higher than Jet Airways.

4. RETURN ON EQUITY (%)

YEAR	JET AIRWAYS	INTERGLOBE AVIATION
2014	144.22	113.48
2015	41.16	312.73
2016	-35.24	72.93
2017	-22.89	43.90
2018	10.59	31.68

The above table shows RETURN ON EQUITY of Jet Airways and Interglobe Aviation. ROE of Interglobe Aviation is comparatively higher than Jet Airways.

5. CURRENT RATIO (X-Times) :

YEAR	JET AIRWAYS	INTERGLOBE AVIATION
2014	0.44	0.69
2015	0.49	0.80
2016	0.53	0.99
2017	0.47	0.85
2018	0.55	0.86

The above table shows CURRENT RATIO of Jet Airways and Interglobe Aviation. CR of Interglobe Aviation is comparatively higher than Jet Airways.

6. LIQUID RATIO (X-Times) :

YEAR	JET AIRWAYS	INTERGLOBE AVIATION
2014	0.52	0.68
2015	0.63	0.78
2016	0.63	0.98
2017	0.45	0.83
2018	0.53	0.85

The above table shows LIQUIDITY RATIO of Jet Airways and Interglobe Aviation. LR of Interglobe Aviation is comparatively higher than Jet Airways.

DESCRIPTIVE ANALYSIS OF RATIOS:

1. NET PROFIT MARGIN (%)

DESCRIPTION	JET AIRWAYS	INTERGLOBE AVIATION
Mean	-4.2660	8.9160
S.D	11.53779	2.91573
Kurtosis	-0.432	2.404
Skewness	-0.718	-1.034
Minimum	-21.19	4.26
Maximum	6.87	12.30
Sum	-21.33	44.58
Count	5	5

Mean, Standard Deviation, Skewness and Kurtosis of Interglobe Aviation is higher than of Jet Airways.

2. OPERATING PROFIT MARGIN (%)

DESCRIPTION	JET AIRWAYS	INTERGLOBE AVIATION
Mean	1.6840	12.3300
S.D	7.39303	5.27582
Kurtosis	-0.518	1.744
Skewness	-0.277	-0.369
Minimum	-8.58	4.55
Maximum	10.46	19.31
Sum	8.42	61.65
Count	5	5

Mean, Standard Deviation, Skewness and Kurtosis of Interglobe Aviation is higher than of Jet Airways.

3. RETURN ON ASSETS (%)

DESCRIPTION	JET AIRWAYS	INTERGLOBE AVIATION
Mean	-3.5760	10.9120
S.D	12.64436	3.78327
Kurtosis	-1.300	1.750
Skewness	-0.030	-0.553
Minimum	-19.96	5.21
Maximum	11.72	15.73
Sum	-17.88	54.56
Count	5	5

Mean, Standard Deviation, Skewness and Kurtosis of Interglobe Aviation is higher than of Jet Airways.

4. RETURN ON EQUITY (%)

DESCRIPTION	JET AIRWAYS	INTERGLOBE AVIATION
Mean	27.5680	114.9440
S.D	71.71391	114.96387
Kurtosis	1.798	3.499
Skewness	1.366	1.845
Minimum	-35.24	31.68
Maximum	144.22	312.73
Sum	137.84	574.72
Count	5	5

Mean, Standard Deviation, Skewness and Kurtosis of Interglobe Aviation is higher than of Jet Airways.

5. CURRENT RATIO

DESCRIPTION	JET AIRWAYS	INTERGLOBE AVIATION
Mean	0.4960	0.8380
S.D	0.4450	0.10849
Kurtosis	-1.581	1.167
Skewness	0.016	0.074
Minimum	0.44	0.69
Maximum	0.55	0.99
Sum	2.48	4.19
Count	5	5

Mean, Standard Deviation, Skewness and Kurtosis of Interglobe Aviation is higher than of Jet Airways.

6. LIQUID RATIO

DESCRIPTION	JET AIRWAYS	INTERGLOBE AVIATION
Mean	0.5520	0.8240
S.D	0.7759	0.10922
Kurtosis	-1.669	1.015
Skewness	-0.139	0.238
Minimum	0.45	0.68
Maximum	0.63	0.98
Sum	2.76	4.12
Count	5	5

Mean, Standard Deviation, Skewness and Kurtosis of Interglobe Aviation is higher than of Jet Airways.

ONE-WAY ANOVA (Level of Significance 0.05**)**

1. NET PROFIT MARGIN

Source	SS	Df	MS	
Between treatments	434.4128	1	434.4128	F=6.13482
Within treatments	566.4884	8	70.8111	
Total	1000.9013	9		

The f-ratio is 6.13482. The p-value is 0.0383 which is less than 0.05. We fail to accept null hypotheses. Therefore, there is a significant difference in Net Profit Margin of both the companies.

2. OPERATING PROFIT MARGIN

Source	SS	df	MS	
Between treatments	283.3433	1	283.3433	F=6.86966
Within treatments	329.9647	8	41.2456	
Total	613.308	9		

The f-ratio is 6.86966. The p-value is 0.0306 which is less than 0.05. We fail to accept null hypotheses. Therefore, there is a significant difference in Operating Profit Margin of both the companies.

3. RETURN ON ASSETS

Source	SS	df	MS	
Between treatments	524.7554	1	524.7554	F=6.02499
Within treatments	696.772	8	87.0965	
Total	1221.5274	9		

The f-ratio is 6.02499. The p-value is 0.0396 which is less than 0.05. We fail to accept null hypotheses. Therefore, there is a significant difference in Return of Assets of both the companies.

4. RETURN ON EQUITY

Source	SS	df	MS	
Between treatments	19086.4134	1	19086.4134	F=2.07918
Within treatments	73438.3036	8	9179.788	
Total	92524.717	9		

The f-ratio is 2.07918. The p-value is 0.187298 which is higher than 0.05. We accept null hypotheses. Therefore, there is no significant difference in Return of Equity of both the companies

5. CURRENT RATIO

Source	SS	df	MS	
Between treatments	0.2924	1	0.2924	F=42.53236
Within treatments	0.055	8	0.0069	
Total	0.3474	9		

The f-ratio is 42.53236. The p-value is 0.000184 which is less than 0.05. We fail to accept null hypotheses. Therefore, there is a significant difference in Current Ratio of both the companies.

6. LIQUID RATIO

Source	SS	df	MS	
Between treatments	0.185	1	0.185	F=20.60836
Within treatments	0.0718	8	0.009	
Total	0.2568	9		

The f-ratio is 20.60836. The p-value is 0.0019 which is less than 0.05. We fail to accept null hypotheses. Therefore, there is a significant difference in Liquid Ratio of both the companies.

FINDINGS

Ratio analysis- Net Profit Margin, Operating Profit Margin, Return on Assets, Return on Equity, Current Ratio and Liquid Ratio of Interglobe Aviation is higher in comparison to Jet Airways.

Descriptive analysis- Mean, Standard Deviation, Skewness and Kurtosis of Interglobe Aviation is higher than of Jet Airways.

One-way ANOVA shows that, there is significant difference in Net Profit Margin, Operating Profit Margin, Return on Assets, Current Ratio, and Liquid Ratio. One-way ANOVA shows that, there is no significant difference in Return on Equity of both the companies.

Hypothesis testing shows that, there is a significant difference in financial position on Jet Airways and Interglobe Aviation.

CONCLUSION

The researcher has attempted the research to study and understand the financial position to two civil-aviation companies namely Jet Airways and Interglobe Aviation. The researcher made an effort to understand and evaluate the profitability and liquidity position of both the civil-aviation companies.

The study highlighted that, there is a significant difference in the financial position of Jet Airways and Interglobe Aviation.

REFRENCES