International Journal of Academic Multidisciplinary Research (IJAMR)
ISSN: 2643-9670
Vol. 6 Issue 11, November - 2022, Pages: 97-99

Profit Rate Trends of Agro Industry in Indian CPSEs: An Aggregate Stratum Study

Sudipta Ghosh[1] and P.S. Aithal[2]

[1]PDF, Srinivas University, Mangaluru, Karnataka, India
Department of Commerce (UG & PG), Prabhat Kumar College, Contai, West Bengal, India
*Corresponding Author E-mail: sgcostmanagement@gmail.com
[2]Institute of Management and Commerce, Srinivas University, Mangaluru, Karnataka, India
E-mail: psaithal@srinivasgroup.com

Abstract: *Profit rate is a wide glance at how gainful a venture has been, by means of existing marketplace information to inspect industry expenses. Thus, profit rate is the comparative profitability of an enterprise. It is analogous to the notion of the pace of income on investment made by an enterprise. In practice, ROI indicates the effectiveness of diverse investments of a firm. In particular, ROI gauge the income in terms of the cost of its investment. The agro industry has generated both positive and negative returns, with negative returns are observed in most of the cases. Thus, agro industry has not produced the preferred outcome during the period under study. The profit rate performance of the agro industry at aggregate level as appraised in this study may act as a baton to the Govt. for generation of positive profit returns by adopting suitable steps. In this respect, essential measures like cost minimization, suitable pricing and optimum utilization of resources would go a long way to improve the profit returns of agro industry in Indian CPSEs. The study is restricted at aggregate level. Moreover, only investment ratios are used in the cram. Therefore, future research may be carried out at disaggregate level within agro industry in Indian CPSEs.*

Keywords: Agro industry, Indian CPSEs, profit rate trends, ROA, ROCE, ROE.

1. INTRODUCTION

Profit rate is a wide glance at how gainful a venture has been, by means of existing marketplace information to inspect industry expenses. Thus, profit rate is the comparative profitability of an enterprise. It is analogous to the notion of the pace of income on investment made by an enterprise. In practice, ROI indicates the effectiveness of diverse investments of a firm. In particular, ROI gauge the income in terms of the cost of its investment.

The popular profit rate measures are ROA, ROCE and ROE. ROA indicates the profit rate in terms of total assets. ROCE measures profitability from the stand point of long term funds supplied by the owners and creditors, while ROE shows profitability that is available to the equity shareholders of a firm.

2. REVIEW OF PAST STUDIES

Kumar, S. (1992), indicated that through personal auction of shares, the prospective owner was recognized in advance and evaluated in terms of profit.

Sankar, T.L. and Mishra, R.K. (1994), stated that the Indian Govt. was unable to realize the purpose of the disinvestment scheme.

LaPorta, R. and Lopez-De, S. (1998), observed that profitability of the selected firms that were privatized showed improvement in profitability due to increased productivity. The study also observed that cutthroat markets had upper level of profitability as compared to the profitability of the non-competitive markets.

Gupta, K.L. and Kaur, H. (2004), indicated that ill PSEs should be stopped by selling their assets since these PSEs are the primary reason for the overall poor recital of the PSEs.

Singh, G. and Paliwal, D. (2010), showed that working sales and profitability of the cutthroat firms had reduced during the post-disinvestment episode. On the other hand, the monopoly firms performed well towards generating profit during the study episode.

Pardeshi, B. and Thorat, H. (2014), observed that the CPSEs had produced low profits, low production, enormous losses in a few cases, and high price. The poor recital was attributed to the underutilization of installed capacity of the CPSEs.

Kumar, R.S. (2017), indicated that the process of disinvestment was very imperative to build the PSEs further proficient and to reduce financial shortage.

Behera, R.K. and Dhal, S.K. (2020), stated that ERP system that was adopted by the CPSEs had a significant impact on their financial recital during the study episode.

3. OBJECTIVE OF THE STUDY

The objective of the study is to analyze the profit rate trends in agro industry at aggregate level that occupy an important position in Indian CPSEs.

4. RESEARCH DESIGN

4.1 Sample and Data: The agro industry forms the sample of our study. In this respect, aggregate data have been collected from the published annual reports of PSEs, Govt. of India.

4.2 Study Epoch: To conduct the study, a 10 year episode is taken into consideration i.e., from 2010-11 to 2019-20. A 10 year episode is considered to be sufficient to draw valid conclusion on the results of the study.

4.3 Methodology: To analyze the data in order to achieve the purpose of the cram, investment ratios are used as a proxy for profit rate measurement in the study. The investment ratios selected in the study are stated below:

Investment Ratios	**Measures of Investment Ratios**
ROA	Net Income after Levy ÷ Entire Property
ROCE	EBIT ÷ Capital Engaged
ROE	Net Income after Levy ÷ Shareholders' Equity

Beside investment ratios, descriptive measures comprising of mean, standard divergence and coefficient of variation are also applied in the cram.

5. RESULTS AND DISCUSSION

5.1 ROA Trends of Agro Industry: The profit rate trends in ROA of agro industry are presented below in Table 1 and Figure 1:

Table 1: ROA Trends of Agro Industry

Year	ROA
2010-11	0.03
2011-12	-0.10
2012-13	-0.10
2013-14	-0.08
2014-15	-0.06
2015-16	-0.04
2016-17	-0.02
2017-18	-0.05
2018-19	-0.01
2019-20	-0.03
Average	-0.05
S.D.	0.04
C.V.	80.00%

Source: Computed by the Authors

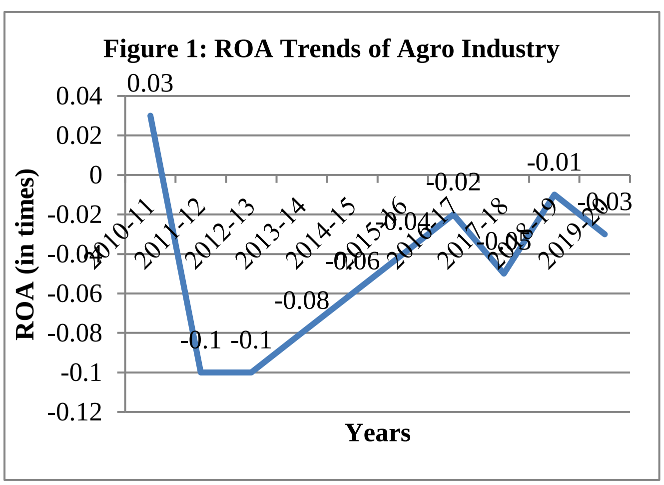


Figure 1: ROA Trends of Agro Industry

From table 1 and Figure 1, we found no specific trend in ROA of agro industry. However, negative returns are observed during all the years (except 2010-11) under study. The ratio varies between -0.10 and 0.03 with an average of -0.05 and it has fluctuated erratically (C.V. 80.00%) during the study episode.

5.2 ROCE Trends: Table 2 and Figure 2 show ROCE trends in agro industry from 2010-11 to 2019-20.

Table 2: ROCE Trends of Agro Industry

Year	ROCE
2010-11	0.11
2011-12	-0.09
2012-13	-0.03
2013-14	0.02
2014-15	-0.03
2015-16	0.03
2016-17	0.06
2017-18	-0.01
2018-19	0.04
2019-20	0.03
Average	0.01
S.D.	0.06
C.V.	600.00%

Source: Computed by the Authors

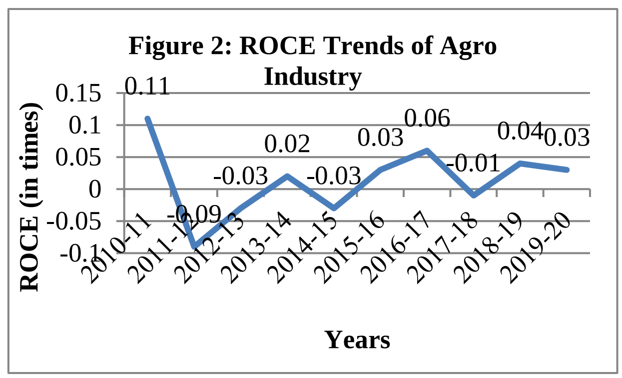


Figure 2: ROCE Trends of Agro Industry

From Table 2 and Figure 2, it is observed that overall profitability (i.e., ROCE) of agro industry shows a fluctuating trend with an average of 0.01 during the study period. The ratio has fluctuated erratically (C.V. 600.00%) and it moves between -0.09 and 0.11 during the entire period.

5.3 ROE Trends: The ROE trends of agro industry are presented in Table 3 as well as in Figure 3.

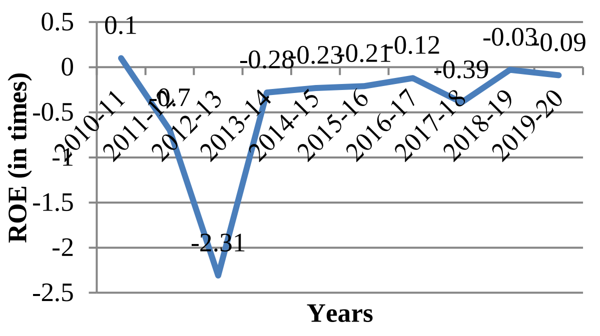
Table 3: ROE Trends of Agro Industry

Year	ROE
2010-11	0.10
2011-12	-0.70
2012-13	-2.31
2013-14	-0.28
2014-15	-0.23
2015-16	-0.21
2016-17	-0.12
2017-18	-0.39
2018-19	-0.03

2019-20	-0.09
Average	-0.43
S.D.	0.70
C.V.	162.79%

Source: Computed by the Authors

Figure 3: ROE Trends of Agro Industry



Like ROA, ROE as observed from Table 3 and Figure 3 has also generated negative returns in the all the years (except 2010-11) with an average of -0.43. The ratio is found to be erratic (C.V. 162.79%) and it moves between -2.31 and 0.10 during the study epoch.

6. CONCLUSION

The agro industry has generated both positive and negative returns, with negative returns are observed in most of the cases. Thus, agro industry has not yielded the desired results during the period under study. The profit rate performance of the agro industry at aggregate level as appraised in this study may act as a baton to the Govt. for generation of positive profit returns by adopting suitable steps. In this respect, essential measures like cost minimization, suitable pricing and optimum utilization of resources would go a long way to improve the profit returns of agro industry in Indian CPSEs.

7. RESTRICTIONS AND FUTURE RESEARCH AGENDA

The study is restricted at aggregate level. Moreover, only investment ratios are used in the cram. Therefore, future research may be carried out at disaggregate level within agro industry in Indian CPSEs.

REFERENCES

[1] Behera, R.K. & Dhal, S.K. (2020). The impact of ERP systems on financial performance of central public sector enterprises working in mineral and metal sector. *International Journal of Recent Technology and Engineering*, *9*(2), 144-149.

[2] Gupta, K.L. & Kaur, H. (2004). *New Indian economy and reforms*. New Delhi: Deep and Deep Publication Pvt. Ltd., 80-113.

[3]https://archive.unescwa.org/profitrate#:~:text=Definition%20English%3A,rate%20of%20return%20on%20investment. (accessed on 20.11.22).

[4]https://smallbusiness.chron.com/difference-between-profit-rate-profit-margin-ratio 10190.html (accessed on 20.11.22).

[5] Khan, M.Y. & Jain, P.K. (1994). *Financial management – text and problems*. (2nd ed.), New Delhi: Tata McGraw-Hill Publishing Company Limited, 103-106.

[6] Kumar, R.S. (2017). Disinvestment of public sector units in India: A strategic analysis. *6th International Conference on Emerging Trends in Engineering, Technology, Science and Management*, Institution of Electronics and Telecommunication Engineers, Bengaluru, Karnataka, India, 265-273.

[7] Kumar, S. (1992). *Public Enterprise Policy and Reform Measures in the 1990s*. Management in Government, 22(2-3), 433-439.

[8] LaPorta, R. & Lopez-De, S. (1998). The benefits of privatization: Domestic reform and international negotiations, *World Bank Policy Research*, Working Paper, 31795.

[9] Pardeshi, B. & Thorat, H. (2014). Central public sector enterprises in India: Not for profit but for social profit. *International Journal of Research in Engineering, Social Sciences, 4*(8), 9-27.

[10] Published Annual Reports of Public Enterprises Survey (2010-11 to 2019-20), *Department of Public Enterprises*, Government of India, New Delhi.

[11] Sankar, T.L. & Mishra, R.K. (1994). Divestments in public enterprises: The Indian experience. *International Journal of Public Sector Management*, *7*(2), 69-88.

[12] Singh, G. & Paliwal, D. (2010). Impact of disinvestment on the financial and operating performance of competitive and monopoly units of Indian public sector enterprises. *International Journal of Research in Commerce & Management, 1*(2), 40-57.