ABSTRACT

FINANCIAL PERFORMANCE ANALYSIS OF ZORAM INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (ZIDCO): A CASE STUDY

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTFOR THE DEGREE OF MASTER OF PHILOSOPHY

K. LALRAMNGHAKA

MZU REGN NO: 4564 of 2012

M.Phil. REGN. NO & DATE: 631 of 05.11.2020

DEPARTMENT OF MANGEMENT

SCHOOL OF ECONOMIC MANAGEMENT AND INFORMATION SCIENCE

JULY, 2021

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IN PARTIAL FULFILMENT OF THE REQUIREMENTFOR THE DEGREE OF MASTER OF PHILOSOPHY IN MANGEMENT OF MIZORAM UNIVERSITY,AIZAWL

DEPARTMENT OF MANAGEMENT

SCHOOL OF ECONOMICS, MANAGEMENT AND INFORMATION SCIENCES, MIZORAM UNIVERSITY,

AIZAWL

2021

DECLARATION

I **K. Lalramnghaka**, hereby declared that the subject matter of this dissertation is the record of work done by me, and the content of this dissertation did not form basis of the award of any previous degree to me or to do the best of my knowledge to anybody else, and that the dissertation has not been submitted by me for any research degree in any other University / Institute.

This is being submitted to the Mizoram University for the degree of Master of Philosophy in Management.

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No Objection Certificate

This is to certify Mr. K. LALRAMNGHAKA who conducted a study on FINANCIAL PERFORMANCE ANALYSIS OF ZORAM INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (ZIDCO): A CASE STUDY, for M. Phil from Department of Management, Mizoram University. He used performance and Non-performance data of ZIDCO and completed his thesis. We do not have any objections regarding presentation of data of Zoram Industrial Development Corporation Limited (ZIDCO) for his academic purposes.

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C E R T I F I C A T E

This is to certify that "Zoram Industrial Development Corporation Limited (ZIDCO): A Case Study" by K. Lalramnghaka has been written under my supervision.

He has fulfilled all the required norms laid down under the M. Phil Regulations of Mizoram University. The dissertation is the result of his own investigation. Neither the dissertation as a whole nor any part of it was ever submitted to any University for any research degree.

Aizawl   Dr. Bidhu Kanti Das

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K. Lalramnghaka

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Abbreviations

AFP	:	Accounting-Based Financial Performance
CBBE	:	Customer Based Brand Equity
CCC	:	Cash Conversion Period
DIC	:	District Industries Centre
DBT	:	Direct Benefit Transfer
EMS	:	Execution Management System
FY	:	Financial Year
FTI	:	Foreign Traders Index
IDBI	:	Industrial Development Bank of India
ISO	:	Incentive Stock Option
JNV	:	Jawahar Navodaya Vidyalaya
LEV	:	Leverage
LSC	:	Land Settlement Certificate
MKVIB	:	Mizoram Khadi & Village Industries Board
MSME	:	Micro, Small and Medium Enterprises
MEDMOC	:	Mizoram Entrepreneurship Development and Monitoring Committee
NMDFC	:	National Minorities Development & Finance Corporation
NERTPS	:	North Eastern Region Textile Promotion Scheme
NEDP	:	New Economic Development Programme
NLUP	:	New Land Use Policy
OPPRO	:	Operating Profit
PMEGP	:	Prime Minister Employment Generation Programme
RONW	:	Return on Net Worth
ROA	:	Return on Assets
ROS	:	Return on Sales
SME	:	Special Micro-Enterprise
SOE	:	State Owned Enterprises
SSI	:	Small Scale Industries
WCR	:	Working Capital Ratio
ZIDCO	:	Zoram Industrial Development Corporation Limited
ZOHANCO	:	Zoram Handloom and Handicraft Production Corporation Limited

Chapter-1

Introduction

1.1 Prelude

The word "performance" is derived from the word "parfourmen," meaning 'to do' or 'to make'. This applies to the act of execution, accomplishment, satisfaction, etc. Output, in the context of the border, refers to the accomplishment of a given mission calculated against preset levels of precision, completeness, price, and rate. It refers, in other words, to the degree to which an achievement is being or has been achieve (Tripathi, 1991). Performance is used to define increased attempts to efficiently and consistently meet the goals. Objective attainment involves the integrated used of human, financial and natural resources (Robert Alban, 1978).

By correctly identifying relationships between the items of the Balance sheet and the record of gains and losses, the financial performance analysis identifies the company's financial strengths and weaknesses. The first task is to select data related to the decision under consideration from the total information contained in the financial statements. The second is to organize the data in such a way as to highlight substantial relationships (Trivedi, 2010).

Financial performance is a quantitative measure of an organization's ability to generate revenue from its main business mode. The term can also be used as a general indicator of a company's overall financial health over a period of time. Financial statements were used by analysts and investors to compare similar companies in the same industry or to measure industries or sectors. The financial output determines how effectively a company produces income and handles its assets, liabilities, and stakeholder financial interests. It is also a company’s level of success for a given period of time, measured in terms of net gains and loss during that time. Assessing the financial performance of businesses helps decision-makers to evaluate the outcomes of company plans and operations in an analytical monetary sense (Will Kenton, 2020).

In this study, an attempt was made to study the overall financial performance of ZIDCO to assist the industrial sectors and entrepreneurship programme in Mizoram and also will be crucial in motivating the society to conducted new business activities which plays an important role in economic development. The study was also helpful in the recovering process of loans provided to the other industries and entrepreneurs.

1.2 Zoram Industrial Development Corporation Limited (ZIDCO)

Zoram Industrial Development Corporation Limited (ZIDCO) was founded in 1978 and registered under the Companies Act, 1956. It was designed to be the Corporation's twin. It is a joint venture between the Mizoram government and Industrial Development Bank of India (IDBI). The Authorized Share Capital is Rs.1500 lakhs i.e., (Rs.15 crores), out of this Rs.1370.10 lakhs are fully subscribed and paid up. Out of the paid-up capital of Rs. 1370.10 lakhs, only 31.24% is contributed by IDBI and Government of Mizoram holds 68.76% of the total share capital contribution. As a result of economic liberalization, Government of India stopped share capital contribution to IDBI and subsequently IDBI has completely stopped contributing share capital to ZIDCO since 1991-92. In fact, Government of Mizoram is only contributing share capital to ZIDCO. The registered office of ZIDCO is located in Aizawl, the state capital of Mizoram. ZIDCO currently has one branch office in Lunglei. Lunglei, Lawngtlai, and Siaha districts are all part of the Branch Office.

ZIDCO's activities include assisting, financing, protecting, and promoting the interests of Mizoram's industries, as well as procuring and distributing raw materials to business ventures, facilitating licenses, establishing export and marketing facilities, acquiring and developing plans for the development of industries under ZIDCO's financing, power supply, and water supply, and coordinating the procurement and distribution of raw materials to business ventures. It is to enter into partnership, business and joint ventures with any other company, firm or persons, carrying on manufacturing or other business in sharing of profits within the objects of the company. IDBI and the Government of Mizoram are making efforts to diversify their activities towards the mobilization of sources of finance, industrial growth and other activities. Ministry of Textile (Govt. of India) have setup Apparel and Garment Making Centre under the schemes of the North Eastern Region Textile Promotion Scheme (NERTPS) and selected the Industrial Growth Centre, Luangmual as to be the first place in Aizawl, Mizoram. ZIDCO has been selected as the Project Implementing Agency by the Government of Mizoram.

ZIDCO has given Rs. 4575.85 lakhs loans to 4961 loanees. Repayment of loans were received from the loanees only a sum of Rs. 6455.47 lakhs (including the interest) till 30th March, 2020. Different measures have been taken to recover the loan and interest from the loan beneficiaries of ZIDCO. House to House recovery drive has been conducted, retrieval of Industrial Assets, auctioning the mortgaged L.S.C.

1.3 Measurement of Financial Performance

The financial statements of a firm (balance sheet, income statement, and cash flow statement) are used to calculate a firm's financial performance. The balance sheet is a snapshot of an organization's financial assets. It offers a summary of how well the firm is handling its assets and liabilities. Analyst may find information on the balance sheet about long-term vs short-term debt.

The income statement contains a year- round overview of the activities. The declaration of income begins with revenue or profits, and ends with net profit. The gross profit margin, product costs, operating profit margin, and net profit margin are all included in the income statement, also known as the profit and loss statement. This includes a summary of the number of outstanding securities as well as a comparison to the previous year's performance. The balance sheet and the income statement are combined in the cash flow statement. For some investors, the cash flow statement is the most important financial statement because it compares net profit and cash flow. This is where investors can see how much the company has spent on equity sales, dividends, and capital expenditures. This also includes the foundation and applications of sales, expenditure, and funding cash flow.

1.4 Functions of Financial Management:

Since finance is regarded as the most important factor in any company, it necessitates special attention. The traditional approach to the finance feature of business emphasizes the acquisition of funds for the company, but it overlooks the effective and proper use of those funds for the company's success. Any company requires funds for a variety of ventures and projects. Any concern should pay careful attention to how much to allocate, when to allocate, and how to allocate the necessary funds to a specific project.

The management must consider the benefits and drawbacks of each project, as well as the amount of funding required and the sources from which to obtain it. As a result, financial management is crucial in the acquisition, distribution, and control of funds.

The finance manager is also required to coordinate the finance role with other business functions in addition to preparing and procuring funds. As a result of the tight and proper coordination between the financial departments, the key roles that financial managers usually perform are as follows:

1. Capital requirement estimation
2. Assuring investors of a fair rate of return.
3. Identifying a suitable funding source
4. Determining the best and most appropriate capital structure for the company.
5. Overseeing the different departments' activities
6. Financial statement preparation, review, and interpretation.
7. Establishing a sound dividend strategy.
8. Negotiating for outside funding.

1.5 Importance of Financial Management:

It is impossible to overstate the value of financial management. Sound financial management is required in every organization that deals with money.

"Poor production management and bad sales management have slain in the hundreds, but defective financial management has slain in the thousands," says Collin Brooks.

When a company takes a big decision, the consequences of that decision will be felt in the organization. In both for profit and non-profit organizations, good financial management is critical. Financial management aids in the efficient allocation of funds between fixed assets and working capital. The finance manager calculates the total amount of money needed in the short and long term. The finance manager evaluates the company's financial position by calculating the return on capital, debt-equity ratio, cost of capital from each source, and comparing the capital structure to that of competitors.

Financial management also aids in determining how a company will perform in the future by indicating whether the company will be able to raise enough funds to fulfil its various obligations, such as debt repayments and the redemption of other liabilities.

A company's financial management is critical to its success. It aids benefit planning, capital expenditure, cost measurement, inventory tracking, accounts payable, and so on. Financial management basically aids in optimizing the performance from a given input of funds.

1.6 Methods of Financial Management:

The word "financial system" (or "financial tool") refers to any rational method or strategy that is used to achieve the following two objectives:

1. Measuring the impact of a company's activities and decisions.
2. Assessing the soundness of decisions about potential projects that have been accepted or rejected. The following are some of the most critical financial instruments or strategies used by a financial planner in the course of his duties.

1.6.1 Cost of Capital

It aids the finance manager in determining the sources from which funds will be collected. When deciding between various sources of financing, such as bonds, debentures, loans from financial institutions, banks, public deposits, and so on, the finance manager considers the cost of capital and chooses the cheapest option. When deciding the best capital structure, the cost of capital is often taken into account.

1.6.2 Financial Leverage or Trading on Equity

It is also another method that aids the finance manager in growing the return to stockholders.

1.6.3 Capital Budgeting Appraisal Methods

It includes payback period, average rate of return, internal rate of return, net present value, profitability index, and other factors that aid the finance manager in deciding which capital investment plan is the best.

1.6.4 ABC Analysis, Cash Management Models, Aging Schedule of Inventories, Debtor's Turnover Ratio Etc.,

It aids the finance manager in managing current assets effectively.

1.6.5 Ratio Analysis

It is an additional tool for assessing various aspects of a business.

Different ratios serve different purposes.

1.6.6 Funds Flow Analysis and Cash Flow Analysis

Techniques assist the finance manager in deciding whether funds were obtained from the best available source and used in the most efficient manner possible. The finance manager will use estimated funds flow analysis and projected cash flow analysis to estimate or plan for potential working capital and cash needs.

1.7 Terminology:

Balance Sheet

Balance Sheet is a mirror, which reflects the true position of assets and liabilities on a particular date. (Siddiqui and Siddiqui 2003)

Current Assets Turnover Ratio

This ratio establishes the relationship between current assets and net sales or cost of goods sold. This ratio affects the efficiency in the utilization of working capital. (Siddiqui and Siddiqui 2003)

Cost of Capital

Cost of capital is the required return necessary to make a capital budgeting project, such as the construction of a new factory, worthwhile. As analysts and investors analyses the cost of capital, they generally mean the weighted average of the company's debt and equity costs combined. (Kenton 2020)

Capitalization Rate

In the world of commercial real estate, the capitalization rate (also known as the cap rate) is used to denote the rate of return that is expected to be generated on real estate investment property. (Chen 2020)

Debt Equity Ratio

This ratio expresses the relationship between long term debts and shareholder's funds. It indicates the proportion of funds which are acquired by long-term borrowings in comparison to shareholder's funds. (Goel, Goel and Goel 2017)

Financial Performance

The Financial Performance accurately identifies the relationship between the balance sheet items and the profits and losses record to describe the company's financial strengths and weaknesses. (Trivedi, 2010)

Fixed Assets Turnover Ratio

Fixed assets are used in the company for producing goods to be sold. The effective utilization of fixed assets will result in increased production and reduce cost.

(Siddiqui and Siddiqui 2003)

Liquidity Ratio

These ratios are used to evaluate a company's short-term financial position. They show whether the company can meet its current commitments with its current resources. (Goel, Goel and Goel 2017)

Management of Funds

Management of Funds is the supervision and management of the cash flow of a financial institution. The fund manager guarantees that the maturities of the deposits are compatible with the demand for loans. To do this, the manager examines both the liabilities and the assets that affect the ability of the bank to issue credit. (Kenton 2018)

Profitability Ratio

Profitability ratios measure the various aspects of the profitability of a company, such as the rate of profit on revenue from profit operations and whether the profits are increasing or decreasing and if the decreasing the cause of their decrease. (Goel, Goel and Goel 2017)

Quick Ratio

Quick ratio indicates whether the firm is in a position to pay its current liabilities within a month or immediately. As such, the quick ratio is calculated by dividing liquid assets by current liabilities. (Goel, Goel and Goel 2017)

Return on Equity Ratio

Return on equity (ROE) is a financial performance metric measured by dividing net profits by the equity of shareholders. Since the equity of the shareholders equals the assets of a corporation minus its debt, the return on net assets is considered to be ROE. (Hargrave and Mansa 2020)

Source of Funds

Reference is made to the sources of the specific funds or some other monetary instrument which is the subject of a transaction between the financial institution and the client. (Low 2018)

Working Capital Ratio

This ratio explains the relationship between current assets and current liabilities of a business. (Goel, Goel and Goel 2017)

1.8 Research Gap

From the available literature reviewed, it was found that various studies have been made with relation to the financial performance analysis from different industries around the world and different parts of India. But researches have never been found on ZIDCO to study the proposed topic. It is an attempt to study the financial performance of ZIDCO for the improvement of companies' financial performance and the study will be helpful for industries and entrepreneurship programme in Mizoram. The annual Audited Report showing Statement of Profit and Loss Account and Balance Sheet are usually adopted for realizing the reliability, efficiency and profitability of a business. The present research highlights the Financial Performance of ZIDCO by implementing different accounting ratios to show Profitability Ratio consisting of Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment. And Liquidity Ratio, consisting of Current Ratio or Working Capital Ratio, Quick Ratio or Acid Test Ratio. Solvency Ratio consisting of Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio and Activity Ratio consisting of Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Working Capital Turnover Ratio. And lastly Return on Equity Ratio.

So, this present study on, "Financial Performance Analysis of Zoram Industrial Development Corporation Limited (ZIDCO): A Case Study" is undertaken to study in depth, the financial performance, the loan recovery process and qualitative aspects of financial issues of ZIDCO for the last five years i.e., 2015-16 to 2019-20 Financial Year.

1.9 Significance of the study

Zoram Industrial Development Corporation Limited (ZIDCO) plays an important role for Mizoram's development in providing capital to the general entrepreneurs and industries through loans to support the people who are intended to startup their own business industries. The study of Financial Performance Analysis of ZIDCO focus on the financial performance of ZIDCO through the study of financial issues being faced by ZIDCO. There is the occurrence of non- repayment of loans from the borrowers which effects the financial institutions and are unable to implement the updated financial schemes to ZIDCO.

In carrying out finance functions, the checking of financial results in a company needs a lot of focus. It necessitates a retrospective examination of the operating period in order to assess the wisdom and efficiency of financial planning. The analysis of what occurred can be extremely useful in developing the standards, techniques, and procedures. Financial statements are mainly used to make decisions. Financial statements, also known as financial reports, are account balances that are arranged in an effective and substantive order such that the facts and principles they depict can be easily interpreted and used as a basis for decisions by those involved in business matters.

In modern company, the term "financial statements" applies to two documents: a balance sheet, which shows the assets, liabilities, and capital as of a specific date, and an income statement, or profit and loss statement, which shows the results obtained during a specific period and is prepared at the end of the accounting year for a business entity. Adding a third statement of retained earnings has become common practice, particularly among large corporations. Financial analysis is the process of properly identifying the relationship between the balance sheet goods and the profit and loss account in order to determine a company's financial strengths and weaknesses. Comparative statements, schedules of adjustments in working capital, common size ratios, funds analysis, trend analysis, and ratio analysis are some of the tools or strategies used in financial statement analysis. The most important method in financial analysis is the ratio analysis. The importance of financial analysis in financial management cannot be overstated. Finally, the accurate study of a business enterprise's financing is critical to its performance.

This research tells us about ZIDCO at the level of improving the financial performance, recovery process, and overall management of the fund of the company. The study of financial performance of ZIDCO is helpful for the same industry in the state for improving their financial management. And also helpful in creation of employment opportunities on the level of their pattern and employments generations by ZIDCO in the state of Mizoram. This research would not only shed light on the level of their issues on creation of employment opportunities but would also help to improved their functions and performance in the future. The outcomes of the studies are helpful for the state government for the management of state-owned enterprises. Also, the outcome of the studies is also helpful for researcher, entrepreneur, and society at large by improving economic performance of the enterprise.

1.10 Scope of the study

The study of Financial Performance Analysis of Zoram Industrial Development Corporation Limited (ZIDCO) gathered insightful information on the level of their financial performance of ZIDCO for the last five years and also recovery methods of loan provided by ZIDCO. This research shed light on the level of their financial issues and would also help to improved their functions and performance in the future. The study was conducted within ZIDCO and its different branches in Mizoram for a period of five years i.e., 2015-16 to 2019-20 Financial Year.

Financial statement analysis and interpretation are attempts to assess the value and purpose of financial statement data so that a prediction of potential earnings, willingness to pay interest, and so on can be made. Financial statement analysis focuses on determining the relationship between various financial factors in a business as shown by a single set of financial statements, as well as the pattern of these factors as seen in a series of statements. Although analysis entails calculating ratios to resolve the statements, interpretation is the mental process of comprehending the terms of such statements and forming opinions or inferences about the financial health, profitability, performance, and other aspects of the company. This type of financial analysis offers crucial details for control purposes.

1.11 Statement of the Problem

There was a financial performance problem in ZIDCO in terms of financial results and repayment of loans from the borrowers which has to be studied in details including the financial status, performance, and challenges of ZIDCO. The organization was making losses for the period of more than 10 years i.e., (2004-2014). And now turn around at least from loss making to operating profit-making company.

1.12 Objectives:

i. To analyze the financial performance of ZIDCO for a period of 5 years from FY 2015- 16 to FY 2019-20.

ii. To study the Return on equity ratio of the company for a period of 5 years from FY 2015-16 to FY 2019-20.

iii. To examine the recovery process of ZIDCO loan provided to the other industries and entrepreneurs.

iv. To assess the qualitative aspects of financial issues faced by the organization with reference to the performance or non-performance.

1.13 Hypotheses:

H_1: There is a significant relationship in Profitability and Efficiency Ratio of ZIDCO

H_2: There is a significant relationship in Profitability and Liquidity Ratio of ZIDCO

1.14 Methodology:

The present study on "Financial Performance Analysis of Zoram Industrial Development Corporation Limited (ZIDCO): A Case Study" studied and analyses the financial performance of ZIDCO for the past 5 years with effect from 2015-16 to 2019-20 Financial Year and identified the main parameter of performance and non-performance. And also finds the causes of performance and non-performance and further suggested ZIDCO for better performance in the future. The details of the methodology are mention below:

1.14.1 Data source

Both primary and secondary were collected. Secondary data were collected from the Audited financial report, Balance Sheet and Annual handbook of ZIDCO. Apart from this, books as well as papers from journals, different websites and the reports of government department were consulted to understand the financial performance of ZIDCO. Primary data were collected from the top officials of ZIDCO through a set of schedule and structure interview to know the financial issues faced by the organization with reference to the performance or non-performance. The study of Zoram Industrial Development Corporation Limited (ZIDCO) covers a period of 5 years, commencing from Financial Year 2015-16 to 2019-20.

1.14.2 Study Period

To assess on Zoram Industrial Development Corporation Limited (ZIDCO) it was decided to study for a period of the past 5 years from financial year 2015-16 to 2019-20 about the financial performance and loan recovery processes of ZIDCO.

1.14.3 Analysis tools

To analyze the financial performance of ZIDCO, financial accounting, different statistical tools and Regression Analysis were used. For this purpose, Profitability Ratio consisting of Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio, Return on Investment, Liquidity Ratio consisting of Current Ratio or Working Capital Ratio, Quick Ratio or Acid Test Ratio, Solvency Ratio consisting of Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio, Activity Ratio consisting of Inventory Turnover Ratio, Trade Receivables Turnover Ratio and Working Capital Turnover Ratio and Return on Equity Ratio were adopted to identified the financial performance of ZIDCO which were extracted from the Audited Report of ZIDCO from 2015-16 Financial Year to 2019-20 Financial Year. The hypotheses were tested by using statistical tool of simple regression analysis, One-way ANOVA test and regression analysis of financial performance as to find out the significant relationship between profitability and efficiency ratio including the significant relationship between profitability and liquidity ratio of ZIDCO.

1.15 Limitations of the study:

The following are some of the limitation’s studies:

- The study duration is only 5 years long, which limits our ability to learn more about ZIDCO's financial results. The performance for this five year may not show the financial performance of ZIDCO for entire period (1978-2020 FY) of the company. The larger size (More number of years) of analysis may represent a different result of the study.
- Since this analysis relies heavily on secondary data derived from ZIDCO's published Annual Reports and Audited Report. So, findings of the study depend on the authenticity of the data of ZIDCO.

- There are a variety of approaches to analysing financial results, and experts may have differing opinions.
- The performance of the managers and top officials were not included in this research, which is one of the crucial parts of the financial performance of the company.
- The expenditure on employees and the retired person were not included in this study.
- The present study is mainly on quantitative financial data. Qualitative data like managers performance, timely reminder to loanees for repayment, timely assessment of performing assets which are shifting to non-performing assets and their reasons. Steps taken to revive non-performing assets were not included in this study.
- Time frame of the study was too small; the study was undertaken for last five financial year starting from 2015-16 to 2019-20. Longer period of data may represent different results.
- This research relies heavily on financial ratio review, which has its own set of drawbacks.

1.16 Chapterization:

Chapter-1: Introduction

This chapter include – Prelude - Zoram Industrial Development Corporation Limited (ZIDCO) - Measurement of Financial Performance - Functions of Financial Management - Importance of Financial Management - Methods of Financial Management - Terminology - Research Gap - Significance of the Study - Scope of the Study - Statement of the Problem – Objectives – Hypotheses – Methodology - Limitations of the Study.

Chapter-2: Literature Review

This chapter talks about the research history of different studies conducted various part of the world about Financial Performance Analysis. It discusses the financial analysis of Banks, Small-Scale and Cottage Industries, Steel Industries, Cement Industries, Textile Industries, Pharmaceutical Industries, State-Owned Enterprises, Micro, Small and Medium Enterprises etc. It was segregated into four sections i.e., Global Study on Financial Performance, Indian Study on Financial Performance, Study in North East India, Study in Mizoram about Financial Performance.

Chapter-3: Brief Profile of ZIDCO

This chapter include – Prelude - Share Capital Contribution - Loan / Refinance - Recovery of Loans - Action Plan - Activities of Zoram Industrial Development Corporation Limited (ZIDCO) - Financing Decision - Grand-in-Aid – Objectives of ZIDCO in Creating New Industrial Units - Investment Decision - Investment in Financial Institutions (FIs) - Utilizations of Borrowed Fund - Failure to claim defaulted Ginger Loan from NMDFC - Disbursement of loan under BAFFACOS - Loan under Hire Purchase Scheme - Housing loan to Government Employees - Disbursement of loan for Multi-Storeyed Car Parking Complex - Non-performing assets - Setting up of Integrated Infrastructural Development Centre (IIDC) - Setting up of Call and Training Centre (CTC) - Brief History of National Minorities Development and Financing Corporation Limited (NMDFC) Loans.

Chapter-4: Data Analysis and Interpretation

This chapter includes Financial Performance of ZIDCO for a period of five years starting from 2015-16 to 2019-20 financial year. It is divided into 8 sections - Profitability Ratios - Liquidity Ratios - Solvency Ratios - Activity Ratios - Return on Equity Ratio of ZIDCO - Analysis of recovery process of ZIDCO - Analysis of qualitative aspects of performance of ZIDCO - Testing of Hypotheses.

Chapter-5: Findings, Conclusions and Suggestions

This chapter includes the Major Findings on ZIDCO financial performance, loan recovery processes, qualitative aspects of financial issues and hypothesis testing. Conclusions were made and suggestions on the study, as well as a suggested roadmap for improvement and future research areas.

Chapter-2

Review of Literature

Chapter-2: Review of Literature

2.1 Global Study on Financial Performance

Altman (1968) has examined and assess the problem as an analytical approach, the consistency of ratio analysis in the United States of America. The prediction of corporate bankruptcy is used in particular; a collection of financial and economic ratios would be investigated in a context of bankruptcy prediction in which a simple discriminant statistical approach is employed. The data used in the analysis is limited to production companies. A brief overview of the history of conventional ratio analysis as a corporate performance investigation methodology is discussed. In a bankruptcy prediction sense, the shortcomings of this method are addressed and simple discriminant analysis is incorporated with the emphasis centered on its compatibility with ratio analysis. The discriminant model is created where an initial sample of 66 firms is used to construct a function that discriminates best between firms in two mutually exclusive groups: bankrupt and non-bankrupt firms. The empirical results obtained from the initial sample and several secondary samples are chosen to analyze the reliability as a predictive tool of the discriminant model. The adaptability of the model to realistic decision-making circumstances and its possible advantages are suggested in a number of situations.

Ohlson (1980) has examined the Financial Ratios and the Probabilistic Bankruptcy Prediction. As demonstrated by the case of bankruptcy, this paper presents some empirical findings of a study forecasting corporate collapse. The major findings are summarized briefly, four fundamental factors could be described as being statistically important in influencing the likelihood of failure (within one year). These are: the company's size; (ii) a financial structure measures (iii) an efficiency measures (iv) a current liquidity measure.

Capon et al., (1990) have studied that development is consistently associated with higher financial performance. Growth in assets and sales individually show positive relationships to performance at both industry and firm/business levels of analysis. Market share is positively associated with financial performance. Size of firm or business appears unrelated to financial performance. There is some evidence supporting a positive performance relationship when size is measured as industry level sales. Strength of capital investments indicates a favorable relationship to industry-level financial performance. Higher investment is linked to lower performance at the client/sector level.

Kangari et al., (1992) have studied the construction industry for predicting company's financial position. One method of fault analysis is the study of major financial ratios to forecast a company's results. Models built for the manufacturing sector are not suitable for the construction industry. This paper provides a quantitative model focused on financial ratios for assessing a construction company's financial performance and ranking, and its business survival chances. The model takes into account the characteristics of various construction industry trades and the effects of the scale of the enterprise.

Teruel and Solano (2007) have studied the impact of working capital management on the performance of a sample of small and medium-sized Spanish companies. The authors have compiled a panel of 8,872 small to medium-sized enterprises (SMEs) covering the period 1996-2002. Using the panel data approach, the authors evaluated the impact of working capital management on SME profitability. The findings, which are robust in the presence of endogeneity, show that by reducing their inventories and the number of days on which their accounts are unpaid, managers can produce value. Moreover, shortening the period of cash conversion also increases the profitability of the company.

Zariyawati et al., (2009) examine the relationship between management of working capital and company profitability. The cash exchange period is used as an indicator of the management of working capital. This study uses 1628 firm-year panel data for the period 1996-2006, consisting of six distinct economic sectors listed in Bursa Malaysia. A clear negative significant relationship between the cash conversion period and firm profitability is given by the coefficient results of Pooled OLS regression analysis. This shows that reducing the time of cash conversion results in an improvement in profitability. Therefore, in order to generate shareholder value, the business manager should be concerned with shortening the period of cash conversion until the optimum amount is reached.

Yalcin et al., (2011) have studied that financial performance evaluate in a highly competitive setting is very important for the manufacturing industries. Hence, an objective and correct assessment of the results is important. As financial performance metrics reflect a company's competitiveness, they have to be carefully defined in the evaluation process. Traditionally Accounting-Based Financial

Performance (AFP) metrics are commonly used for the performance evaluation.

Mansoori (2012) investigated the effects of working capital management on firm's profitability. Using panel data analysis, pooled OLS and Fixed Effect estimation, for a sample of Singapore firms from 2004 to 2011, they find that managers can increase profitability by managing working capital efficiently. Moreover, managers can improve firms' profitability by shortening receivable conversion period and inventory conversion period. The analysis is applied at the level of full sample as well as economic sectors. However, the results of industry analysis suggested the effect of economic sector on relationship between working capital management and profitability.

Guisse (2012) studies on Malaysian Banks have been carried out using financial ratios in order to calculate output in terms of profitability, liquidity, ROA, ROE and risk. The result shows that there are no substantial means of distinguishing profitability between banks.

Karim and Alam (2013) have studied the performance of selected private sector banks in Bangladesh which was calculated using financial ratios that mainly indicate the adequacy of risk-based capital, credit growth, credit concentration, non-performing credit position, liquidity gap analysis, liquidity ratio, return on assets (ROA), return on equity (ROE), net interest margin (NIM). To understand the effect on credit risk, operating efficiency and asset management, simple regression analysis was conducted and a good-fit regression model was developed to forecast the potential financial performance of these banks.

Tauringana and Afrifa (2013) studied the relative importance of the management of working capital calculated by the Cash Conversion Period (CCP) and its components (inventory, receivable accounts and payable accounts) to the profitability of SMEs has been studied. The paper employs an analysis of panel data regression and a questionnaire survey on a sample of 133 SMEs listed in the Alternative Investment Market (AIM). The study of panel data uses financial data for the period from 2005 to 2009. The survey results of the questionnaire are based on 19 responding SMEs. It was found that the results of the Panel data analysis indicate that the management of accounts payable (AP) and receivable accounts (RA) is essential for the profitability of SMEs. AP management, however, is relatively more important than AR management. Management of inventories (INV) and CCP is not necessary for the profitability of SMEs. The findings of the questionnaire indicate that CCP management and all its components are considered to be essential for the profitability of SMEs. AR management is most important in terms of relative value, followed by AP, INV and CCP, respectively.

Adam (2014) has studied the analysis which was conducted to examine the financial performance of the Erbil Bank for Investment and Finance, Kurdistan Region of Iraq for the period 2009-2013. For the purpose of evaluating simple variables that would influence the banking system in general, the author used a statistical tool to assess if these variables are significantly associated with the bank's financial performance. The results of the study show the positive behavior of Erbil Bank's financial position and the financial success of the bank is affected by some of its financial variables. The author also noted that Erbil Bank's overall financial performance is improving in terms of liquidity ratios, asset or credit quality ratios, profitability ratios, etc (NPM, ROA and ROE). In addition, the study proposes a collection of recommendations regarding the growth and enhancement of certain banking operations that will increase the profitability of the bank and boost the bank's financial performance.

Milhem and Istaiteyeh (2015) studies on Islamic banks have been carried out using financial ratios in order to calculate output in terms of profitability, liquidity, ROA, ROE and risk. The result shows that there are no substantial means of distinguishing profitability between banks.

Ijaz and Naqvi (2016) have studied the financial performance literature regarding the cement industry in Pakistan which is presented in this paper. Studies from Iran, India and Pakistan are included in the literature, but some foreign evidence is also provided. Profitability ratios, asset usage ratios, debt ratios, liquidity ratios and cash conversion periods from the period 2006-2014 are the financial ratios used to assess the financial output of the cement industry. Return on Investment (ROI) is taken as an expected variable and five parameters of the ratio are taken as predictor variables. The study showed that all parameters except the leverage ratios that have an insignificant relationship have a positive relationship with the dependent variable.

2.2 Indian Study on Financial Performance

Chakraborty (1977) has also presented a research paper on the debt equity ratio in India's private corporate sector. He looked at the relationship between debt equity ratio and age, total assets, retained earnings, and profitability. Total assets and capital intensity were found to be positively linked to debt equity ratio. He gave an overview of the regional trends of debt-to-equity ratio in India's various industrial centers. He also attempted a dept ratio forecast equation for each sector, as well as a very basic cost of capital measurement methodology. He demonstrated the cost of capital estimate for 22 businesses. The cost of capital rose from 7.36 percent to 12.36 percent, according to him.

Daga (1985) in his thesis, titled "Analysis of Financial Statements of the Aluminium Industry in India," was written to examine the complicated financial condition in which the Indian aluminium industry found itself from 1973 to 1983. Mr. Daga attempted to examine the financial statements of Indian aluminium firms, which had previously been a neglected field of analysis. An effort had been made to ascertain the financial difficulties of various industry units. The research assisted in the creation of realistic solutions to the major issues that have arisen as a result of them. He gathered data for the analysis from publicly available accounting records from aluminium firms. Via correspondence from the Indian Aluminium Manufacturers Association, he was able to complement the knowledge he had gathered with evidence.

Rao (1985) in his thesis "The effect of debt equity ratio on profitability-An exploratory study of the Engineering Industry in India," he discovered a negative relationship between profitability and debt equity ratio. Profitability declined in the case of a high debt-equity ratio due to large interest payments, while profitability improved in the case of a low debt-equity ratio due to low interest payments.

Sharma (1988) presented a research study on "Corporate Financial Structure" with the following objectives: i) examine financial structure in order to determine car companies' ability to make sound financial decisions; ii) recommend ways to improve profitability without incurring additional financial obligations; iii) suggest sources from which additional funds can be collected and the uses that can optimise the concern's welfare. iv) to evaluate the firms' long-term and short-term solvency or financial condition in order to propose ways to boost the financial solvency of the car companies under investigation.

Patra (2005) in his research, considering the case of Tata Iron & Steel Company Limited, the effect of liquidity on profitability was analyzed. The study of the profitability effect of liquidity ratios showed a negative as well as a positive correlation. Out of the seven liquidity ratios chosen for this analysis, four ratios showed a negative correlation with the profitability ratio, namely the current ratio, the acid test ratio, the current asset to total asset ratio and the inventory turnover ratio. These co-efficient of co-relation, however, were not statistically important. The remaining three ratios, namely the working capital turnover ratio, the receivable turnover ratio and the cash turnover ratio, were positively related to the profitability ratio, all of which were statistically important at the 5% significance level. The consequence of all the co-efficient of correlation was as desirable except for the co-efficient of correlation between the inventory turnover ratio and ROI. However, the simple regression analysis did not accept this undesirable sign between ITR and ROI, which indicated a positive correlation between these two variables. Profitability is increasing and depends on several variables, including liquidity.

Gaur (2010) has studied the financial performance metrics of Indian non-metallic group companies. The study uses financial data from 57 Indian non-metallic mineral products industry market groups (cement, glass, gems & jewellery, refractories, ceramic tiles, abrasives and abrasives, granite) over a 10-year time span (1999-2008) and explores the financial results of the company using Operating Profit (OPPRO) and Return on Net Worth success metrics (RONW). The Size (SIZE), Leverage (LEV), Working Capital Ratio (WCR) and Age (AGE) of the firm are included as determinants of firm performance.

Bhunia (2010) studied Indian Pharmaceutical Industry's Financial Performance Report. By properly creating ties between the balance sheet products and the profit and loss account, the financial performance review determines the company's financial strengths and weaknesses. Therefore, to assess the company's liquidity, profitability, and other metrics that the company is managed in a reasonable and natural manner, the present paper is of critical importance; ensuring sufficient returns to shareholders to retain at least their market value. In this context, researchers have conducted a financial performance review of pharmaceutical companies to understand how financial management plays a key role in growth. The current research includes two BSE-listed public sector drug & pharmaceutical enterprises. The research was performed from 1997-98 to 2008-09 for a period of 12 years. Various accounting ratios have been applied to assess financial performance in terms of liquidity, solvency, profitability and financial quality. Statistical methods have been used, i.e., linear simple regression analysis and hypothesis evaluation.

Zala and Virambhai (2010) studied Indian Textile Industry Productivity and Financial Performance. It covers a group of companies' big textile plants. The focus of this study is secondary data from a textile group of companies' annual reports and accounts. The report's primary goal is to raise awareness of the financial performance and efficiency analysis of the 7 (seven chosen units of the textile group of companies). Public Sector Enterprise Issues, Literature Review, Problem Statement, Study Objectives, Study Hypothesis, Study Universe, Study Period, Sampling Design, Data Collection Method, Tools and Techniques are all covered in this chapter. Different statistical measures like mean, standard deviation, regression, and index number are included.

Minaxi (2011) in his research article on financial results, he pointed out and suggested that financial statement analysis entails reviewing financial statements to obtain details that can aid decision-making. It is a method of exploring the relationship between financial statement component parts in order to achieve a better understanding of the status and results of an entity.

Priyaaks (2012) according to his research article on financial results, financial statement analysis is the process of analysing relationships among financial statement components and making comparisons with relevant information. It's a decision-making procedure for stocks, bonds, and other financial instruments.

Pal (2012) has studied a comparative analysis of Indian steel companies' financial output under globalization. The study's goal was to examine the financial performance of Indian steel companies and to establish a linear relationship between liquidity, leverage, productivity, and profitability. For the twenty-year period from 1991-92 to 2010-11, Indian steel companies were chosen for the study on the basis of market share in 2008-09. Following Tata Steel Limited, JSW Steel Limited, Essar Steel Limited, JSW Ispat and Steel Limited, Rastriya Ispat Nigam Limited, Jindal Steel and Power Limited, Bhushan Steel Limited, Llyods Steel Industries Limited and National Steel and Agro Industries Limited, the public sector Steel Authority of India holds the largest market share. Simple regression analysis was conducted to estimate the effect of selected variables on profitability and the models were projected for this reason.

Krishna and Pandey (2013) have studied an Indian Steel Industry Liquidity Role Analysis Report. In this paper, an attempt was made to research the financial efficiency and liquidity positions of the steel industry in India and their effects. The study is focused on Jindal Steel, SAIL and TISCO's portrayal of the steel industry. To analyze the results, ratio analysis and statistical tools such as standard deviation and coefficient of variation were used in the study. Five types of financial ratios have been determined in the present analysis, i.e., current ratio, rapid ratio, working capital turnover ratio, inventory to working capital turnover ratio, and inventory turnover ratio. The results showed that India's current steel industry ratio is very satisfactory, meaning Indian steel companies retain a solid liquidity role in the market. Liquid ratios demonstrated a strong liquidity status in the same way. But separately, the outcome is not the same in every sector, as it is for the whole. The proportion of working capital inventory owned by each company is approximately the same and the same result is also expressed by the inventory turnover ratio. But in the case of the Working Capital Turnover ratio, the negative picture shows that it is very different in every sector, which shows that working capital is used inappropriately by the Indian Steel Industry.

Manisha B (2014) studied on analysis of financial performance on the basis of materials used and modes of operation. Financial results can be analyzed on the basis of modus operandi such as a) Horizontal Analysis, the financial statements for a number of years are checked and evaluated in this form of analysis. The current year's figures are compared to the regular or base year, and changes are usually expressed as percentages. The management was able to gain insight into the levels and areas of strength and weakness as a result of this study. Dynamic Research is another name for this type of study. (b) Vertical analysis in this form of research study, the quantitative relationship of the various items of financial statements on a given date is made. This study is useful when analyzing the output of many companies in the same sector, or the same company's divisions or departments. This analysis is not very helpful in properly assessing the financial condition of the company, since it relies on the data for one period. This analysis is also called Static Analysis as it based on data from one date or for one accounting period.

Haque (2014) studies on major Indian Banks have been carried out using financial ratios in order to calculate output in terms of profitability, liquidity, ROA, ROE and risk. The result shows that there are no substantial means of distinguishing profitability between banks.

Nataraja et al., (2018) studied the results of the three major private sector banks listed on both the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) were analyzed. For statistical analysis of the results of banks, financial ratios are used. Three main metrics, namely Return on Assets (ROA), which measures internal efficiency, Tobin's Q formula (price/book ratio), which measures market-based performance, and Return on Equity (ROE), which is a key profitability ratio used by investors to calculate the sum of profits of a bank returned as shareholder equity, were used to measure the financial performance of the selected equity. The data was selected from the selected banks for the period 2006 to 2017. In order to find the financial performance calculated by the three metrics based on independent variables, bank size, credit risk, asset management, operating efficiency and debt ratio, simple regression techniques were used. The results show that all of the ratios chosen have an effect on private commercial banks' financial efficiency.

2.3 Study in North East India

Bhat and Nishant (2006) have studied the private hospitals' financial performance in North East India. The study is based on data from private hospitals from 1999 to 2004 on the financial statements. The study finds six key financial dimensions with 25 key financial ratios. These include: fixed asset age, current asset efficiency, functional efficiency, financial structure, the appropriation of surpluses/profit and the profit/cost ratio in financial terms. The results indicate that the financial performance of the hospitals over the year has increased marginally. Even if the overall debt amount is not high, it is the debt costs and debt service capabilities that increase the hospital's debt burden. Because of lower profitability and less operative efficiency, the financial risks in this sector are high. The consequences of the results are discussed.

Saikia (2012) has examined the financial performance of small-scale industries in Assam in order to assess their production effectiveness. Efficient output is the primary condition for any industry's production, which can boost the economy's industrial growth. Industry can turn the entire spectrum of economic activity from agriculture through intensive resource used in a country with high population pressure. However, for the introduction of a technology, financial performance often needs to be addressed. An attempt has been made in this paper to evaluate the financial performance of small-scale industries in Assam using the tool of Data Envelopment analysis.

Thangasamy (2013) has studied Nagaland Pulp and Paper Company Limited (NPPC) financial performance. It was a secondary data-based empirical one. For this study, a period of six years was considered. Subsequent data were gathered from Nagaland Pulp and Paper Company Limited's annual reports, other newspapers, Nagaland Government Publications, relevant books and journals. Even internet services have also been used to generate useful secondary information. The primary information was gathered through observations and personal interviews with Nagaland Pulp and Paper Limited officials and personnel. The data collected were subsequently classified and tabled according to the study requirement. In order to determine the data inferences and conclusions, useful statistically relevant tools such as average, percent, ratios, and correlation analyses have been used. The study shows that the liquidity position of the company as a whole is poor and strong, highlighting the better management of liquidity.

Dutta and Borah (2016) have studied Assam Food Processing Industries' financial performance with regard to calculating various financial ratios. The study is based on secondary information. Data are primarily collected from the Central Statistical Office reports and publications; the Government of India. The ratios revealed something of themselves and a different ratio. It revealed the business' strong and weak points and thus provided clues for managing the problems that occur and for taking appropriate remedial measures for the industry to function effectively. The study revealed that the ratios of FPI in the state were poor. It has furthermore found that Assam's profitability ratio and liquidity ratio is a long-term association.

Kakati and Roy (2017) have examined the Performance Score Method for measuring Farmer Producer Companies (FPC) performance using financial ratios. Using financial ratios, the researchers looked at four Farmer Producer Companies. Using the Performance Score Method, the financial ratios were given performance scores based on their efficiency and effectiveness. Liquidity, solvency, performance, and profitability were the study's variables. The analysis relied on the financial statements of four Farmer Producer Firms. During the three years under investigation, the Farmer Producer Companies performed poorly in terms of solvency, quality, and profitability, according to the study's findings. The companies' liquidity positions are in a precarious state. The only variable that is found to be in the yellow (average) category, while the others are in the red (poor) category, is the Liquidity Variable. The overall Performance Score (Industry), which measures the four FPCs' overall performance, was also in the red (poor) zone.

Dey and Choudhury (2018) studies the profitability and liquidity position of selected small enterprises in Shillong city of Meghalaya. In this study, they have selected few small enterprises as a sample and taken the financial data for the period of five years from 2008-09 to 2012-13 and studied the effect of some of the different components of working capital. The data was analysed using both primary and secondary data. Consequently, the findings of the study were that, working capital management practices were low amongst Small Enterprises as a majority had not adopted formal working capital management routines and their financial performance was low on an average. The study concluded that working capital management practices have influence on the financial performance of Small Enterprises, hence there was a need for managers to embrace efficient working capital management practices as a strategy to improve their financial performance and survive in the uncertain business environment.

Baruah and Bezbaruah (2020) have studied this paper which is based on an analysis of such businesses in Assam, a state in northeast India where access to finance is generally limited. The article investigates the degree to which the availability of financial services influences the growth and financial output of unorganised sector enterprises in Assam, using data from a customised survey. A customised financial access index, a generalised linear model, and an ordered LOGIT regression are among the tools used. The findings show that while the extent of an enterprise's financial access has no major impact on its financial output, it is critical to its development.

Arab, Masoumi and Barati (2015) studies with the financial performance review of selected steel units. The ratios measured and evaluated in this analysis include; Current ratio, Fast Ratio, Absolute Cash Ratio, Debt-Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio, Interest Coverage Ratio, Total Assets Turnover Ratio, Inventory Turnover Ratio. One approach is to test the hypotheses using the ANOVA test. The study and testing of the hypotheses concluded that there is a substantial difference in the financial output of the identified steel units in terms of liquidity, solvency, operation and profitability. All the null hypotheses were dismissed.

Selvakumar and Abima (2020) have studied in their paper and an attempt has been made to analysis the results of short-term solvency, long-term solvency and profitability for Assam Gramin Vikash Bank and Maharashtra Gramin Bank and Karnataka Vikash Gramin Bank. The secondary information was compiled on websites, newspapers, journals, books and annual reports. This study is restricted exclusively to RRBs. It does not include commercial banks, cooperative banks and banks for industrial development. It only takes into account the factor of financial analysis; other factors are not known. It is concluded that the Assam Gramin Vikash Bank, Maharashtra Gramin Bank and Karnataka Vikash Gramin Bank are good in terms of financial performance. Only secondary data are used in the study.

2.4 Study in Mizoram About Financial Performance

Rodinga (1991) studied the growth of Mizoram's small and cottage industries and the potential for further development of the industrial unit indicate that Bairabi has been described as Mizoram's most prospective growth centre for small and large industries. It was noticed that this area would be most appropriate for locating any pulp and paper plant or medium density fibre board unit based on the Bamboo industry line. If such a plant is established in Bairabi, the Tlawng, Teirei and Tut reverine reserve forests will provide the required quantity of bamboo as the basic raw material to sustain production for such a project. The achievement of small and cottage industries is that different activities were initiated by the Zoram Handloom and Handicraft Production Corporation Limited (ZOHANCO), which was incorporated during 1988-99. The Corporation's Sales Emporium was opened in Aizawl and Lunglei. In share capital, Rs. 30 lakhs were contributed. Grant-in-Aid and Subsidy were supported by 214 numbers of Handloom artisans and 200 numbers of Handicraft artisans under the Handloom and Handicraft scheme. For the development of the electronics sector, a memorandum of understanding was assigned to Electronic Commerce Technology Development Corporation (Government of India) for a term of 3 years to assist the Governor and ZENICS in the development of work in the electronics sector in the State.

Colney (1997) studies the industrial structure, distributional pattern and growth patterns of the Small-Scale Industrial units in Mizoram. He noted factors such as product marketability volatility, raw material scarcity, lack of fuel, transport and communication, inefficiency of the attributes of entrepreneurs to the characteristics of the Mizoram in industrial sector. During the period from October 1992 to March 1993, a stratified purpose sampling of 250 industrial units from each trade of different categories was selected for his research and conducted a survey. He revealed from the secondary data he collected that Mizoram experienced a rapid annual growth rate of industrial jobs from 0.43 percent during the year 1961-1991 to 2.82 percent. The study found that four groups dominate the entire industrial universe, such as service-based, food and allied industries, wood and wood products and textile industries, employing more than 73% of the total industrial jobs in Mizoram's industrial sector. The study also found that the relationship between the size of urban centers and the growth of SSI units in Mizoram is positive and extremely important.

Lalmuanpuii (2016) studied Mizoram Khadi & Village Industries Board's position in fostering the state's entrepreneurship. It also discusses the role played by entrepreneurs in creating jobs and their role in economic growth. It also explores the relationship between entrepreneurship and Khadi and Village Industries and how MKVIB is an agent for the implementation of KVIC's programme. It discusses the various activities conducted by MKVIB to encourage entrepreneurship. Insufficient financing is always a problem which hampers the functioning of the organisation. The KVIC normal fund has stopped and replace by the new schemes of PMEGP which have many drawbacks in its implementation as mentioned earlier.

Lalroluahpuia (2016) studies the performance of MSMEs in Lunglei District, Mizoram has been studied and analysed. This research has shown that the sector has provided workers with a number of employment opportunities, especially those belonging to uneducated groups, and that its contribution is relevant at all levels. Not only does it contribute to higher economic growth rates, but it also increases demand for goods and services, contributing to inclusive and balanced economic growth. While there have been a range of difficulties in the MSME sector, one of the major issues facing the MSME sector is the lack of sufficient financing facilities. At the moment of need, it is not very easy for entrepreneurs to collect or acquire the necessary money. Different sources are helping entrepreneurs to increase their finances, but they are facing more problems getting loans. The study considers that for the growth and development of the MSME market, the government must play the most important role. Fostering existing enterprises would therefore be fair and should help build a favourable environment to promote the rapid growth of MSMEs within the district, state and region.

Lalbiakzuali and Kumar (2020) has studied the Financial Management in Mizoram State Owned Enterprises (SOEs) was researched and addressed the financing, spending, and dividend decisions made by the Mizoram Government's five SOEs. State enterprises are created to conduct economic activities while considering the welfare of the people. The main goal of these SOEs is to promote and develop the state's industrial sector, but they have not made a meaningful contribution and have continued to lose money. In order to come up with potential ideas and suggestions for change, an effort is made to research financial management. From the viewpoint of financial, expenditure and dividend decisions, the study of the financial management of state-owned enterprises has shed light on serious problems with erroneous practices. It emphasises the importance of financial management in the overall organisation and how it is largely responsible for a company's success or failure. The state-owned enterprises under investigation lack financial management professionalism, as evidenced by the fact that they have not filed their own financialreport in up to ten years and their accounts are past due.

Chapter-3

Brief profile of ZIDCO

3.1 Prelude

Mizoram's oldest state-owned corporation, Zoram Industrial Development Corporation Limited (ZIDCO), was established to provide aid, assistance, and finance to industrial companies, projects, or businesses in the state of Mizoram in order to develop industrial areas and promote entrepreneurship. The Zoram Industrial Development Corporation Limited (ZIDCO), formerly Mizoram Small Industries Development Corporation Limited (MSIDC), was established on February 27, 1978, under the Companies Act, 1956. Mizoram Small Industries Development Corporation Limited (MSIDC) was renamed Zoram Industrial Development Corporation Limited. (ZIDCO) on September 13, 1985. There are 38 employees under ZIDCO including 3 persons on Muster Roll and 2 other persons on Contract Basis such as: -

Group-A = 9, Group-B = 12, Group-C = 8,

Group-D = 9, Contract = 2, Muster Roll = 3

It was established primarily as a financing institution to aid the state's efforts to create an industrial environment. The Government of Mizoram and the Industrial Development Bank of India (IDBI) formed ZIDCO as a joint venture with a 51:49 share ratio.

The board of directors appointed by the Governor of Mizoram is governed by ZIDCO. One of the Directors, the Managing Director, who is also the corporation's chief executive, was also nominated as a member, Secretary of the Board, by the Governor. The Chairman of ZIDCO is Pu Lalthlengliana, Ex MLA, and the Managing Director is Pu Lalramsanga Sailo, IRS.

3.2 Share Capital Contribution

The Authorized Share Capital is Rs.1500 lakhs i.e., (Rs.15 crores), out of this Rs.1370.10 lakhs were fully subscribed and paid up. The Government of Mizoram and IDBI are to make a matching contribution, as per the agreement. Every share contribution was matched by IDBI until 1990-91, with the exception of the initial contribution of Rs. 15 lakhs by the Mizoram Government. IDBI however, refused to equal the contribution made by the government of Mizoram from 1991-92 onwards. Out of the paid-up capital of Rs. 1370.10 lakhs, only 31.24% is contributed by IDBI and Government of Mizoram holds 68.76% of the total share capital contribution. As a result of economic liberalization, Government of India stopped share capital contribution to IDBI and subsequently IDBI has completely stopped contributing share capital to ZIDCO since 1991-92. In fact, Government of Mizoram is only contributing share capital to ZIDCO. The Share Capital contribution made by IDBI and Government of Mizoram ends in 1992 and 2000 respectively.

3.3 Loan / Refinance

ZIDCO's borrowings loans from IDBI, SIDBI, NMDFC and HUDCO. ZIDCO received refinancing from 1982-83. On the grounds of weak repayment of ZIDCO overdues to IDBI and SIDBI, they had refused to extend further refinancing from the middle of 1991-92 financial year. Since 1992-93, ZIDCO has not obtained a single refinancing rupee from IDBI and SIDBI. ZIDCO also obtained interest-free loans of Rs. 150 lakhs in 1992-93 financial year and Rs. 225 lakhs in 1993-94 financial year from the Government of Mizoram, and the same interest-free loan has already been paid back to the Government of Mizoram. Management efforts have been made to begin refinancing from IDBI and SIDBI.

ZIDCO availed funding from Financial Institutions such as follow: -

- SIDBI – Rs. 1045.14 lakhs (Liquidated in 2008)
- NMDFC – Rs. 1446.58 lakhs
- HUDCO – Rs. 1277.00 lakhs

3.4 Recovery of Loans

The key sources of ZIDCO funds are the recovery of loans from loan holders. Loan repayments have been far from acceptable. There are a variety of reasons for low overdue recovery. First of all, the projects/industries were not launched and the loanee were not able to repay the loan. Secondly, in some situations, the projects were introduced, but due to a lack of managerial expertise, lack of demand for finished products and inadequate power supply, they could not be properly managed. Thirdly, there are some borrowers that are not prepared to repay the loan.

Several efforts have been undertaken to boost loan repayments. The recovery workers are now visiting the maximum number of borrowers and the house-to-house recovery drive is now frequently performed. The defaulters, especially Small Road Transport Operator (S.R.T.O) loans, often seize their vehicles such as taxis, buses and trucks to realize full recovery. Stern steps are also being taken, such as the selling of mortgaged properties.

Efforts are also being made to assist the creditors in disposing of loanees' immovable assets to either the public or the government. For them, the pending loan bills in different departments are often pursued in the departments concerned. Many defaulters are often referred to the court of law to take necessary legal actions.

3.5 Action Plan

In view of the huge overdues to ZIDCO, the following actions are being taken: -

i. Auction of properties mortgaged or buildings in case of hotels to realize the overdues.
ii. Transfer ownership of management of sick units.
iii. Rehabilitation of sick Industrial units with the help of Small Industries Service Institute, Department of Industries, Government of India and also IDBI.
iv. Reduction in administrative expenses.
v. Diversification facilities.
vi. The Corporation now initiating One Time Settlement Package for better recoveries of loan overdues by giving more incentives to defaulters. This incentive packages will give opportunities to the defaulters to clear their overdues, and hopefully it may transform the financial position of the Corporation.

3.6 Activities of Zoram Industrial Development Corporation Limited (ZIDCO):

ZIDCO's activities include assisting, financing, protecting, and promoting the interests of Mizoram's industries, as well as procuring and distributing raw materials to business ventures, facilitating licenses, establishing export and marketing facilities, acquiring and developing plans for the development of industries under ZIDCO's financing, power supply, water supply, and coordinating the procurement and distribution of raw materials to business ventures.

It is to form partnerships, business ventures, and joint ventures with any other company, firm, or person engaged in manufacturing or other business in exchange for a share of profits within the company's objectives. The Mizoram government is attempting to diversify its activities by focusing on the mobilization of financial resources, industrial development, and other activities

3.6.1 Apparel and Garment Making Centre

Ministry of Textile (Govt. of India) have setup Apparel and Garment Making Centre under the schemes of the North Eastern Region Textile Promotion Scheme (NERTPS) and selected the Industrial Growth Centre, Luangmual as to be the first place in Aizawl, Mizoram. ZIDCO has been selected as the Project Implementing Agency by the Government of Mizoram. Three units were selected as to occupy the Industrial Growth Centre such as: -

i. Vakiria Computerized Embroidery, Zarkawt.

ii. Vocational School of Education, Chaltlang.

iii. Computerized Embroidery, Millennium Centre.

All this Industrial units carry out certain type of businesses like Cloth Designing, Tailoring i.e., (School Uniforms, Sport Dress, Cultural Dress etc.) and Training Institute for Designing and Tailoring are conducted in Mizoram. All these three units are one of the most continuously functioned in the North East States. This units submitted a monthly rent of Rs. 75,000/- to ZIDCO. All the rental revenue is used for renovations of the building and certain types of requirements.

3.6.2 Construction of JNV School (Phase-A) Siaha

Navodaya Vidyalaya Samiti, (Autonomous Organization, Ministry of Human Resources Development) has appointed ZIDCO on April 2008 as Jawahar Navodaya Vidyalaya (JNV) School, Siaha Construction Agency.

At the beginning the estimate for Jawahar Navodaya Vidyalaya School was Rs. 1420.43 lakhs. In 2017 the project cost was revised to Rs. 2774.17. Out of the total works 75% of the works are completed for Phase-A. ZIDCO has received interest @10% from Construction Agency including 3% from Contingencies.

3.6.3 Entrepreneurship Development Scheme (EDS) under NEDP – MEDMOC:

a) **New Economic Development Programmed (NEDP)** In collaboration between Mizoram Entrepreneurship Development and Monitoring Committee (MEDMOC) and ZIDCO, Entrepreneurship Training Centre was established at ZIDCO Building. It was inaugurated by Commerce & Industries Minister in September, 2017. There is well organize training center for Skill Development under the supervision of Planning Department and named as Entrepreneurship Knowledge Center (EKC) and also Entrepreneurs can gather information regarding Industrial Data and Guidelines.

b) **MEDMOC Mizoram Outstanding Entrepreneur's Award 2017** With the collaboration between ZIDCO and MEDMOC, they organize Mizoram Outstanding Entrepreneur's Award for entrepreneurs with the Chief Minister of Mizoram at Aijal Club on 15th November, 2017. Mementoes, Certificates and Cash Prize of Rs. 40,000\- were awarded to certain categories mention below: -

   i) Manufacturing Section (Men & Women)
   ii) Service Sector (Men & Women)
   iii) Innovation Sector
   iv) Social Entrepreneurship Sector
   v) Franchise Sector

The CAG Audit Report for Mizoram included a detailed examination of the company's operations. The Committee on Public Undertakings (COPU) took up the issue. The COPU's main recommendations on the management Action Taken Report were as follows:

1. Management should then follow the presentation, appraisal, effective monitoring, and post-disbursement inspection study guidelines.
2. Management should take the necessary steps to identify overdue loans in accordance with RBI guidelines.
3. The company should devise a realistic approach to recover all overdue debts from creditors and recycle the funds for the benefit of the state's people and industrial development;
4. Management should account for bad and doubtful debts in their books.
5. Strict measures should be taken against defaulters, and management should reduce unnecessary institution costs.

3.7 Financing Decision

The company's paid-up capital stood at Rs. 1370 lakhs, 31.24% is contributed by Industrial Development Bank of India (IDBI) and 68.76% is contributed by Government of Mizoram. Earlier this year, the Government of Mizoram and the Industrial Development Bank of India (IDBI) reached an agreement to make a matching contribution to the share capital. However, from the 1991-92 fiscal year onwards, IDBI ceased contributing to the share capital due to poor repayment of loan overdues.

3.8 Grand-in-Aid

Since inception, the company has received grants-in-aid as a source of funds annually. The capital grant of Rs. 7.35 crore from the Ministry of Small-Scale Industries (MSSI), the Government of India (GOI) and Rs. 0.93 crore from the Government of Mizoram (GOM) for the implementation of the Integrated Infrastructure Development Centre (IIDC) at Pukpui and Zote was obtained by ZIDCO. The revenue grant-in-aid of Rs. 3 crores were also obtained from the Mizoram Government, which was intended to wipe out the remaining balance of ginger loans borrowed from the New Delhi, National Minorities Development and Finance Corporation (NMDFC).

The company, on the other hand, did not keep a separate “grant-in-aid” register and assets register for the receipt and use of grants as required by the General Financial Rules (GFR) (Rule No.19); the revenue grant of Rs. 3 crores were not accounted for as income from other sources. The company did not account for the receipt of grants from the GOI and GOM, as well as the subsequent expenditures on capital work-in-progress and asset creation for the implementation of the IIDC.

The government claimed that because it lacked ownership rights, the state enterprise maintained a separate set of accounts for IIDC implementation. The response is in violation of the IIDC scheme's rules, which state that the implementing agency has ownership rights to the IIDC Centers.

3.9 Objectives of ZIDCO in Creating New Industrial Units

ZIDCO's key objective is to provide assistance for the development of new industrial units, as well as to extend, modernize and diversify existing units.

3.10 Investment Decision

ZIDCO is separate from the other state corporations; it is essentially a financial institution, and it has had less difficulty getting funding. These funds, on the other hand, are commonly used for specific purposes. The problem arises in the effective and systematic execution of investment. On many occasions, the CAG has seriously considered its poor financial management.

3.11 Investment in Financial Institutions (FIs)

ZIDCO did not formulate any investment strategy for parking grant-in-aid surplus funds and lending funds obtained from FIs before disbursement. The corporation put Rs. 2.06 crore into FIs and Rs. 2.12 lakh into Kisan Vikas Patra (KVP). It also put Rs. 1.88 crore of its own money into the Life Insurance Corporation of India (LIC) (Rs. 1.18 crore Market Plus scheme) and Bajaj Alliance Life Insurance Corporation Ltd (BALICL) (Rs.70 lakh) Unit Benefit Plus schemes, which mature after five and ten years, respectively. This investment was made in the names of various company employees who had broken ZIDCO's RBI and Articles of Association (AOA) rules. The BOD's approval for the aforementioned investments was also not received. It made no attempt to calculate the market interest rates of various Financial Institutions in order to ensure the company's best returns on investment.

Thus, the company's officials' investment of Rs.1.88 crore in LIC and BALICL not only failed to safeguard ZIDCO's interests, but also went against the RBI and SOE's prescriptions and guidelines. The enterprise had received a signed affidavit from the officials for whom the investments were made, according to the government. The response is silent on why the SOE received an affidavit that is not legally valid for the assignment of interest to the company without the permission of the respective insurance company. ZIDCO purchased a community gratuity scheme policy from LIC, Silchar branch priced at Rs. 48.90 lakh covering 60 employees for which no administrative approval was obtained from the BOD and the State Government.

3.12 Utilizations of Borrowed Fund

The State Government supported ZIDCO by providing a full guarantee of Rs. 24.67 crore to SIDBI and NMDFC for repayment of the term loan, as well as a grant and loan for repayment of Rs.3 crore to NMDFC and Rs.8.72 crore to SIDBI. Instead of recovering Rs.10.42 crore from creditors, the company made a loan payment to the FIs of Rs.2.88 crore, diverting the remaining Rs.7.54 crore to cover administrative and management costs.

By sanctioning the grant of Rs.3 crore and Rs. 8.72 crore interest free loans for repayment of loans from NMDFC and SIDBI respectively, the State Government was forced to bail out ZIDCO from the debt in order to avoid invoking guarantees given to Financial Institutions due to irregular repayment. As a result of the diversion of the borrowed sum and irregular repayment to the Financial Institutions in order to obtain more funds from the Financial Institutions, the SOE faced a serious setback in its lending activity, resulting in a shortage of disbursement funds and depleting the State exchequer to the extent of the amount settled.

3.13 Failure to claim defaulted Ginger Loan from NMDFC

In April 2001, ZIDCO was nominated as the State Channeling Agency (SCA) for the implementation of the NMDFC program for the disbursement of term and cash margin loans to beneficiaries of notified minorities. The SOE disbursed a ginger cultivation loan of Rs. 2.81 crore to 5620 ginger cultivators at a rate of Rs. 5000 each in 2000-01, against a penalty of Rs. 3 crores, and the balance of Rs. 0.19 crore was used for other purposes. According to the scheme, the borrowers were required to repay the loan with a 6% annual interest rate within 12 months of the date of disbursement. The dues of Rs. 3.56 lakh had not been recovered by the SOE (principal Rs.3.20 lakh, interest Rs. 0.36 lakh). The farmers were unable to repay the loan due to major blight and root-borer pests that had infected their crops.

Meanwhile, the NMDFC had come forward for a one-time settlement for clearing ginger loan by waiving the compound interest of Rs. 51.82 lakh and demanded Rs. 3.22 crore due to loan default since 2001-02. In response to the bid, the Government of Mizoram submitted a grant to the SOE on February 28, 2007, to repay the ginger loan of Rs. 3 crores to NMDFC without having to invoke a State Government guarantee. In this regard, it was observed that the NMDFC had adopted a mechanism, which was notified in November 2006, to write off the beneficiaries' loans/dues in the event of death, disability, or calamity.

According to the scheme, the amount written off will be credited to the State Channelizing Agency (SCA) loan/dues account in question and conveyed to the SCA for accounting adjustments. Instead of attempting to write off the loan due to natural calamities as provided for in the scheme, ZIDCO chose to repay the entire sum of Rs.3 crore through a grant from the Government of Mizoram (GOM). In addition, in the books of accounts, the company had removed unpaid ginger loans amounting to Rs. 2.81 crore by writing off poor and dubious debts without BOD's approval. The repayment made by the GOM would have been avoided if the SOE had taken measures to demand a defaulted ginger loan of 2.78 crore from NMDFC. Despite the new scheme announced by NMDFC in November 2006, the government argued that GOM had committed to repaying the ginger loan on behalf of the borrowers long before 2006 and needed to follow the process. The response does not explain why ZIDCO has taken no action to date to write off the number of individual borrowers in the BOD's account books and demand the default amount from the NMDFC.

3.14 Disbursement of loan under BAFFACOS

The total assistance of Rs. 3.53 crore was disbursed to the borrowers by ZIDCO against the total receipt of Rs. 3.95 crore under BAFFACOS during 2005-06 and 2006-07. For other factors, the undisbursed balance of Rs. 42 lakhs were kept by ZIDCO. A term loan of Rs. 2.45 crore at a rate of 10 per cent interest on the M/s was disbursed by ZIDCO. Mizoram Venus Bamboo Products Limited (MVBPL), Aizawl, in two installments, with a repayment duration of five years, in August 2005 and December 2005. In addition, the applicant M/s was sanctioned for the term loan. MVBPL for the discharge of the borrower's liability to the Central Bank of India, Kolkata, as directed by the Mizoram Government, by the provision of the BAFFACOS fund as a share capital contribution.

In addition, in December 2005 and June 2006, ZIDCO also approved a working capital loan of Rs.0.35 crore in two instalments, with a repayment period of three years. As per ZIDCO's Articles of Association (AoA), the penalty and disbursement of the term loan of Rs. 2.45 crore for settlement of the time-barred unpaid dues of another FI (Central Bank of India, Kolkata) was not permissible. The project assessment, such as credit worthiness, margin capital, repayment ability and product promotion before disbursement of the loan, was not assessed. No arrangement had been entered into to build charges such as land mortgage and plant and machinery hypothecation and stock against the protection for disbursement of Rs. 2.80 crore for term loan and working capital loan. No protection against the loan was obtained.

No sum was repaid by the borrower. Thus, the recovery of the loan through repossession of the properties was not enforceable under the State Finance Corporation Act due to the penalty and disbursement of the loan of Rs. 2.80 crore in breach of the procedure of lending without generating charges. Although accepting the truth, the Government claimed that the loans were disbursed entirely out of the funds given by them in the case of GOM. The reply does not clarify why ZIDCO did not follow the penalty and disbursement process for the loan.

In another case, in November 2006, ZIDCO approved Rs. 26 lakh term loan to M/s. R. P. Bamboo Industry for the purchase of 120 power operated bamboo stick making machine slicers for the Agarbati stick manufacturing unit. In November 2006, ZIDCO paid the borrower the first instalment of Rs. 15.60 lakh. The borrower had used the loan money to buy two Fine Silver Machines, one Stick Making Machine, and 337 hand slicing and stick machines instead of buying a power operated stick and slice machine, according to the loan sanction and disbursement records; the collateral security of the land and building was not in the borrower's name. ZIDCO had not agreed to the creation of charges against the security in the enterprise's favour.

Since May 2007, the creditor had repaid Rs. 0.42 lakh, leaving an outstanding balance of Rs.8.50 lakh. As a result, the loan was sanctioned and disbursed without sufficient security, and the funds were used for other purposes, resulting in non-recovery. M/s L. Z. Bamboo Industry, Aizawl was also approved by ZIDCO in August 2006 for a term loan of Rs. 44.50 lakh to set up a bamboo stick manufacturing unit, and the loan was disbursed in two instalments in August 2006 and March 2007. According to the Project Manager, despite the faulty project report, ZIDCO had sanctioned the loan without considering the project's viability for repayment; the borrower had only purchased 28 Bamboo Agarbati square stick making machines for a total cost of Rs.7 lakh instead of 50 stick making machines.

The SOE had released the second instalment of Rs. 20 lakh without determining whether the first instalment had been used for the intended purpose; the

SOE had not properly assessed the valuation of securities because the borrower had a negligible collateral security of land; the entire project was financed by ZIDCO without the borrower's contribution; and the project was not financed in a single instalment. As a result, the loan was disbursed without sufficient security and the second instalment was released without inspection, leaving only a slim chance of recovery. The SOE has begun action to recover the loan, according to the government.

3.15 Loan under Hire Purchase Scheme

ZIDCO approved and disbursed a loan of Rs. 25,000 to 50 members for the purchase of Agarbati stick making machines with an interest of seven percent per annum for repayment within three years, adding to the overall amount of Rs. 12.50 lakh. The method of borrowers' selection and identification was not made available, no agreements were concluded with borrowers for the mortgage of plants and equipment, and no pre and post inspections were carried out to ensure that borrowers used the loan for the purchase of machinery, according to an analysis of the penalty and disbursement of the loans. The marketability of the borrowers' goods was not assessed prior to the loan being approved, and only Rs.9,392 was repaid against the unpaid loan of Rs.12.50 lakh.

As a result, the loan's non-recovery, non-hypothecation of the plant and equipment, irregular repayment, and non-assessment of the products' marketability resulted in the loan's non-recovery. The government argued that the SOE had already started repossession proceedings against the plant and machinery's defaulted creditors. The data of the borrowers, as well as the repossession of their homes, were not made available for auditing.

3.16 Housing loan to Government Employees

ZIDCO approved and disbursed 474 officials employed in the State / Central Government / Public Sector Undertaking in Mizoram, funded by HUDCO under the State Government Guarantee, with a housing loan of Rs.10 crore for the construction of houses. The significant terms and conditions for the grant of housing loans included, inter alia, that the borrower had to be in permanent government/PSU service and that the loan had to be secured as collateral protection by the Land Settlement Certificate. It was found that most of the borrowers did not meet

HUDCO's terms and conditions upon scrutiny of the penalty and disbursement.

Instead of submitting their own individual estimates according to the plan of their property, the borrowers submitted the same standard estimates, on test check of 30 cases, it was noted in 11 cases that the names of borrowers did not fit the names given in the Land Settlement Certificates, the non-encumbrance certificate in the name of the borrower was not obtained until the date of the approved loan. After the disbursement of the housing loan, ZIDCO had not performed a post-inspection to find out if the loan was used for construction; and the completion certificate of the houses was not available on record.

3.17 Disbursement of loan for Multi-Storeyed Car Parking Complex

ZIDCO, however, disbursed Rs. 2.77 crore to three promoters depriving two other promoters of a loan of Rs.1 crore. It was found out that ZIDCO had not reassessed the Debt Equity Ratio, Margin of Safety and Means of Funding in compliance with the Comprehensive Project Report for the assessment of repayment ability while reviewing the records of penalties and disbursements. ZIDCO did not receive the two months' payments from the borrowers as a fixed deposit with the commercial bank or HUDCO's Public Deposit Scheme (PDS) by opening the escrow account as provided for in the letter approved by HUDCO. The robust insurance policies for the building of the multi-storeyed car parking complex were not obtained from the borrowers to cover the loan sum against natural calamities and other hazards. The Government reported that the SOE had ample protection to cover the loan. The most critical component of any financing business for retaining its capacity to fund and reduce debt risk is the timely and efficient recovery of dues. Pursuant to the provisions of The State Financial Corporation Act, 1951, ZIDCO shall take action against defaulting borrowers as follows:

1. Send a notice under Section 30 to the defaulting creditor to discharge the company's liabilities immediately.
2. Issue of a notice pursuant to section 29 with a view to taking over the control or ownership of properties or of all industrial concerns.
3. Sale the promised, mortgaged, hypothecated or allocated property as insurance.

3.18 Non-performing assets

Reserve Bank of India, released guidelines (March 1994) to classify loan assets into four categories according to their chances of realization as standard assets, sub-standard assets, questionable assets, and loss assets. The SOE, however, listed the properties as normal assets and questionable assets only (non-performing assets). ZIDCO did not examine the reasons for the decrease in loan recovery or take any concrete measures to boost the recovery. No records of the number of units visited by recovery personnel and the number of recovery campaigns carried out have been made available. Also, periodic (monthly/quarterly) demand notices were not routinely sent to the borrowers. At the top management level, the matter was not properly controlled or monitored, nor did it get sufficient attention at the level of the board.

Under The State Financial Corporation Act and Recovery Act, the SOE did not file any petition for recovery of loans from defaulted borrowers. The SOE implemented the One Time Settlement (OTS) system in 1999. The SOE recovered the loan sum of Rs.4.43 crore under the OTS scheme (principal: Rs. 2.73 crore; interest: Rs. 1.70 crore) by waiving unpaid interest of Rs.1.70 crore from 173 borrowers. It was found out that no time period for the introduction of the OTS system was set by the SOE. As a result, the repayment of the loan by the borrowers was affected on time and ZIDCO incurred a loss of Rs. 2.07 crore by waiving interest due to insufficient monitoring of the action in normal circumstances, 98 instances of part payment estimated at Rs. 3.23 crore were pending for a period of more than one and a half years from the date of approval, and the balance was not adjusted against the outstanding interest by removing the benefits under the package in compliance with OTS Regulations No. 3 and 9.

Furthermore, ZIDCO did not take measures for the possession of properties pursuant to section 29. In January 2003, the SOE approved the OTS scheme for the repayment of the Hotel Ahimsa term loan of Rs.30.08 lakh in three installments against the total outstanding of Rs. 55.06 lakh. In order to recover its dues, ZIDCO did not take any action to repossess the assets under section 29 of the SFC Act.

The SOE introduced a new special OTS scheme for approval by the Board of Director for the benefit of term loan defaulters. The borrowers had to repay the principal within a year, as per the proposed plan, with the advantage of waiving the entire outstanding interest. In consultation with SIDBI, the BOD approved the

Managing Director to formulate the modalities. It was noted in the audit that, the SOE adopted the proposed package without obtaining the approval of the Board of Director and Government of Mizoram and also did not formulate the guidelines. The SOE had liquidated 51 borrowers' loans and obtained the principal of Rs. 50.71 lakh by waiving the interest amount of Rs. 87.17 lakh. The waiving of interest was illegal and unauthorized without the consent of the Board of Director and Government of Mizoram.

3.19 Setting up of Integrated Infrastructural Development Centre (IIDC)

The Integrated Infrastructure Development Centre (IIDC) scheme was established in March 1994 by the Government of India's Ministry of Small-Scale Industries (MSSI) for small-scale rural industries in rural/backward areas. In July 2001, GOM nominated ZIDCO as the implementing agency. Among other items, the goals of the scheme were to provide:

a) Infrastructure for the development of small scale and tiny units in backward districts/rural areas which are not covered by the Growth Centre Scheme.

b) Agriculture and Business linkages.

c) In the selected center, traditional service facilities and technical backup services.

Under the scheme, in the backward districts of Pukpui (Lunglei District) and Zote (Champhai District), ZIDCO promoted two Integrated Infrastructure Development Centers (IIDC) with a combined outlay of Rs. 9.37 crore with the participation of the Government of India (80 percent) and the Government of Mizoram (20 per cent). The IIDC work was completed at a total cost of Rs. 7.43 crore for IIDC Pukpui and Zote, respectively. The following paragraphs address the application of the above system.

Out of the overall penalty of Rs. 9.37 crore, ZIDCO received a total grant of Rs. 8.28 crore from the Government of India and the Government of Mizoram and the balance of Rs. 1.09 crore has yet to be received. The total expenditure of Rs. 7.43 crore from the total grant plus interest of Rs.8.40 crore was incurred and Rs. 89 lakhs were used in breach of the guidelines provided by the Government of India for administration and management expenses. In breach of the rules of the legislative regulations, the SOE did not receive the stamped receipts where the payment exceeded Rs. 5,000. For more than 15 days, ZIDCO held huge sums in the savings bank account without depositing the same amount in the fixed deposit account to gain more interest. According to the Detailed Project Report (DPR), for housing industrial units, ZIDCO had to build infrastructural facilities such as site development & civil works, internal roads, drainage & sewerage system, water supply and telecommunication system.

The study was carried out by the departmental project manager who was allowed to incur expenditure in full accordance with the codal formalities and accounting practices. Even after the completion of the IIDC project in Pukpui (May 2005), the SOE did not undertake any land transfer action on behalf of the SOE and, as proposed, did not initiate an extension of the lease duration from 25 years to 33-66 years for the Zote IIDC. ZIDCO had not floated tenders for civil works to be performed. As a result, it was not possible to determine the completion of the work with respect to the economy through an audit. Against the estimates of Rs.6.51 crore in some of the products in IIDCs Pukpui and Zote, the SOE had incurred expenditure of Rs.3.07 crore. The cost incurred below estimates could not be vouch safe in respect of omission/reduction/deviation of works in the absence of a completion certificate for execution of work with regard to the DPR. In IIDC Pukpui and Zote, the SOE had incurred expenditure of Rs. 94.46 lakh for the construction of guest house and chowkidar quarters (Rs. 32.49 lakh), industrial shed (Rs. 11.92 lakh), tree planting (Rs.1.09 lakh), black road topping (Rs. 47.53 lakh) and the procurement of two motorcycles (Rs.1.09 lakh) which were not included in the authorized DPR estimate.

Excess expenditure of Rs.13.56 lakh was also incurred by the SOE over the approved sum for administrative block construction at IIDCs Pukpui. An expenditure of Rs.49.05 lakh at Pukpui and Rs.52.26 lakh at Zote was incurred by the SOE for the payment of labor fees for site construction and other works. The payment could not be vouched with the actual work done in the absence of regular payment registry, muster roll and calculation books. By hiring JCB for site construction and other civil works without floating tenders, an expenditure of Rs.31.71 lakh at Pukpui and Rs.26.56 lakh at Zote was incurred. The payments were made without the correct bill of JCB owners by hand vouchers. The measurement book for calculating the work was not maintained by the SOE. For the purchase of groceries such as rice, chana and dal, a total of Rs.13.78 lakh was incurred for the provision of food to workers at IIDC Pukpui. As one bill was received from the supplier of construction material M/s, it appeared doubtful. C.T. Businesses for the procurement of bulk groceries (average of 75 quintals) without sufficient storage on the job site. For the planting of trees in IIDCs, a sum of Rs.1.42 lakh was charged without getting the details of the source of purchase/reception of plants/trees. Therefore, due to non-compliance with the codal formalities as defined by the funding agencies, viz. The expenditure of Rs.7.43 crore as mentioned above lacked adequate documentation from the Government of India and the Government of Mizoram. Though acknowledging the truth, the Government claimed that due to efficient management, the SOE had completed various works that incurred less expenditure. Furthermore, due to the lack of a sufficient number of qualifying contractors, the tendering procedure was not followed in selecting contractors. The reply does not explain why the organization was unable to follow the codal procedures with sufficient job execution documentation.

By incurring total spending of Rs.7.43 crore, ZIDCO produced 243 plots (Pukpui 118 and Zote 125) from 272 plots in IIDCs. The SOE had not given any letter of allocation or agreement with the entrepreneurs to lease out the plots in any of the IIDCs. The SOE was responsible for the management and execution of the project, as per the DPR. In addition, financial support, technical assistance, information on grants and concessions offered by the Government and an adequate training programmed are to be given to ensure the performance of the proposed units. In July 2005, ZIDCO leased the IIDC Pukpui to the Mizoram Khadi & Village Industries Board (MKVIB), Aizawl, immediately after the project was completed without the approval of the funding agencies, the Government of India and the Government of Mizoram. Rs.1.12 lakh for Pukpuii and Rs.0.30 lakh for Zote.

The construction of the infrastructure at IIDC Pukpui and Zote did not take place on the basis of any minimum number of entrepreneurs applying for allocation to build their center units and the SOE had not established any scheme or marketing strategy for the lease-out of the parcels by extending financial assistance with provisions for industrial subsidies to entrepreneurs as envisaged in Industrial Policy of the State to establish the industrial units in the IIDC centre. Thus, the expenditure incurred for Rs.7.43 crore turned out to be unproductive due to the move of IIDC Pukpui to KVIB and non-allotment of IIDC Zote, and failed to achieve the objective of the project. Though accepting the truth, the Government claimed that the IIDC Pukpui was released to MKVIB as no single unit was able to make the best use of the center by setting up industries at the time of completion and since a large number of small and small units were financed by MKVIB. The reality remains that, in support of the above claim, ZIDCO did not have any specifics of the allocation by MKVIB of the plots of housing enterprises at IIDC Pukpui.

3.20 Setting up of Call and Training Centre (CTC)

ZIDCO and Public Soft Corporation (PSC) signed a Memorandum of Understanding (MOU) for the establishment and operation of the Call Centre and Information Technology Enabled Services (ITES) Training Centre (Call and Training Centre) in Aizawl, Mizoram in order to create a core competence center in the IT segment and to impart skills among educated young people to expand in the industrial sector in order to generate employment opportunities in addition to creating markets for local agro & forest products, handloom & handicraft and other related products in other parts of the country and abroad.

According to the MOU, PSC was to provide its expert services, technology, hardware, software, training, consultancy and other support for the establishment and operation of a call center and an Information Technology Enabled Services (ITES) training center under the supervision, administration and control of PSC. PSC will also bear the burden of working capital and retain all services, including regular wear and tear. The duties of ZIDCO were to provide an appropriate location to set up the CTC, to assist in the selection of trainees and to provide for the project's capital cost of Rs.1.09 crore. PSC was to be responsible for operating the CTC, and after one year of successful CTC service and 20% of the membership fees received, ZIDCO will earn Rs.1 lakh per month. ZIDCO will have no influence over the CTC's management and oversight of the operation. Through mutual consent, the MOU may be terminated in writing by all parties and would remain in effect for a period of 10 years unless prolonged by a written agreement between the parties. Later the Government of Mizoram approved Rs.1 crore to ZIDCO for setting up the CTC that was issued to PSC by ZIDCO.

The scrutiny revealed that the MOU executed with PSC by ZIDCO did not safeguard ZIDCO's interest as it gave full control of the finances and assets generated from ZIDCO's funds. ZIDCO had no influence over the management or assets generated to ensure that the PSC would enforce the goals for which the CTC was to be formed. Furthermore, the MOU did not specify the specifications and configurations of the hardware and software to be supplied as per the MOU, which were most important. The reason for arriving for these products mentioned at the capital cost of Rs.1.09 crore was absent. The MOU also did not contain any sufficient penalty levy clause/or to prohibit PSC from abandoning the operations during the time of agreement.

3.21 Loans

Loans are given to 7292 loanees including ginger loans. Loans are given to the target groups of NMDFC i.e., minority communities for setting up of small business and cultivation of ginger. The NMDFC insisted that no security shall be taken from the poor beneficiaries but the ZIDCO rather took securities in the form of mortgaged of land etc. from the loanees. About 1400 loanees whose loan amount does not exceed Rs. 50,000/- were sanctioned without collateral security. As such is the case, it is difficult to expect good repayment of loan. Trade wise numbers of beneficiaries are shown in Table No.3.1

Table-3.1

Abstract of Loan (Trade Wise) NMDFC

SI No.	Name of Trade	No. of loanees
1	Bakery	8
2	Barber Shop	4
3	Beauty Parlour	3
4	Beverage	4
5	Carpentry	18
6	Departmental Store	16
7	Desktop Printing	1
8	Dhaba	7
9	Electronics	15
10	Fruits & Vegetables Vendors	11
11	General Store II	135
12	General Store I	139

13	Hardware	2
14	Hosiery	5
15	Meat Shop	6
16	Medical Shop	13
17	Motor Workshop	2
18	Pan Shop	61
19	Public Call Office	2
20	Photocopier	10
21	Readymade Garments	23
22	Steel Fabrication	4
23	Sweet Shop	5
24	Tailoring	31
25	Tea Shop	6
26	Tyre Puncture Repairing	3
27	Miscellaneous	8
28	SRTO	20
	TOTAL	562

Source: *ZIDCO Status Report 2020*

3.21.1 Employment generated by ZIDCO in the state of Mizoram

It shows that 1357 get employed from the loans given to 562 entrepreneurs by ZIDCO in the state of Mizoram. Maximum numbers of employees are from Bakery and Beverage industries having 30 employees in general and minimum numbers of employees are from Barber Shop, Fruits & Vegetables Vendors, General Store II, Meat Shop, Pan Shop, Photocopier, Sweet Shop, Miscellaneous and SRTO having 1 employee approximately.

Table-3.2

ZIDCO Generated Employment from 562 loanees in MSME

SI No.	Name of Trade	No. of loanee	Employee in General	Employment Generated
1	Bakery	8	30	240
2	Barber Shop	4	1	4

3	Beauty Parlour	3	10	30
4	Beverage	4	30	120
5	Carpentry	18	3	54
6	Departmental Store	16	2	32
7	Desktop Printing	1	3	3
8	Dhaba	7	4	28
9	Electronics	15	2	30
10	Fruits & Vegetables Vendors	11	1	11
11	General Store II	135	1	135
12	General Store I	139	2	278
13	Hardware	2	2	4
14	Hosiery	5	12	60
15	Meat Shop	6	1	6
16	Medical Shop	13	3	39
17	Motor Workshop	2	2	4
18	Pan Shop	61	1	61
19	Public Call Office	2	2	4
20	Photocopier	10	1	10
21	Readymade Garments	23	3	69
22	Steel Fabrication	4	4	16
23	Sweet Shop	5	1	5
24	Tailoring	31	2	62
25	Tea Shop	6	3	18
26	Tyre Puncture Repairing	3	2	6
27	Miscellaneous	8	1	8
28	SRTO	20	1	20
	TOTAL	562	130	1357

Source: *Analysis of Secondary Data Collected from ZIDCO Status Report 2020*

a) **Pattern on Sectors:** It shows the pattern of different sectors where Service Sectors is maximum constituting 21 entrepreneurship followed by Manufacturing Sectors constituting 4 entrepreneurships. The minimum numbers constituting 3 entrepreneurships is Composite Sectors.

Table—3.3

Pattern on Sectors

SI No.	Manufacturing	Service	Composite
1.	Carpentry	Barber Shop	Bakery
2.	Hosiery	Beauty Parlour	Beverage
3.	Steel Fabrication	Departmental Store	Miscellaneous
4.	Tailoring	Desktop Printing	
5.		Dhaba	
6.		Electronics	
7.		Fruits and Vegetables Vendors	
8.		General Store I	
9.		General Store II	
10.		Hardware	
11.		Meat Shop	
12.		Medical Shop	
13.		Motor Workshop	
14.		Pan Shop	
15.		Photocopier	
16.		Public Call Office	
17.		Readymade Garment	
18.		Sweet Shop	
19.		Tea Shop	
20.		Tyre Puncture Repairing	
21.		SRTO	
TOTAL	4	21	3

Source: *Analysis of Secondary Data Collected from ZIDCO Status Report 2020*

b) Pattern on Skills:

It shows the pattern on skills where maximum numbers constituting 13 entrepreneurships are from Unskilled category followed by Highly Skilled category constituting 9 entrepreneurships. The minimum numbers, constituting 6 entrepreneurships are from Semi Skilled category.

Table-3.4

Pattern on Skills

SI No.	Unskilled	Semi -Skilled	Highly Skilled
1.	Departmental Store	Desktop Printing	Bakery
2.	Dhaba	Motor Workshop	Beverage
3.	Fruits and Vegetables Vendors	Photocopier	Carpentry
4.	General Store I	Steel Fabrication	Hosiery
5.	General Store II	SRTO	Tailoring
6.	Hardware	Tyre Puncture Repairing	Barber Shop
7.	Meat Shop		Beauty Parlour
8.	Pan Shop		Medical Shop
9.	Public Call Office		Electronics
10.	Readymade Garment		
11.	Sweet Shop		
12.	Tea Shop		
13.	Miscellaneous		
TOTAL	13	6	9

Source: *Analysis of Secondary Data Collected from ZIDCO Status Report 2020*

3.21.2 Ongoing Activities / Potential Works

a. Implementing Agency for JNV Siaha
b. Apparel & Garment Centre, Industrial Growth Centre, Luangmual
c. Entrepreneurship Knowledge Centre (EKC)
d. Industrial Growth Centre Hostel
e. Implementing Agency for Handloom Export Hub, Thenzawl

Chapter-4

Data Analysis and Interpretation

4.1 Introduction

It's important to note that the balance sheet, at its most basic stage, represents the company's current financial condition. In comparison, a profit and loss account are a document that is written for a particular fiscal year. Where an analyst must depend on an audited financial statement for a particular company, success must be calculated solely on the basis of the financial statement in India.

The financial statements of a company (balance sheet, income statement, and cash flow statement) are used to determine the financial performance of the company. To explain a company's financial performance, no single metric should be used. A balance sheet is a representation of a company's financial assets. It summarizes how well the company manages its assets and liabilities. Long-term vs. short-term debt details can be found on the balance sheet.

The income statement gives a year-by-year summary of the company's operations. The income statement starts with sales or gains and ends with net profit. The gross profit margin, product costs, operating profit margin, and net profit margin are all included in the income statement, also known as the profit and loss statement. This includes a rundown of the number of outstanding securities as well as a reference to the previous year's results.

The measures of two critical factors are financial statements:

a) Profitability and

b) Financial Soundness

As a result, analysis and evaluation of financial statements relates to the handling of the details found in the Income statement and the Balance Sheet in order to provide a complete diagnosis of the business's performance and financial soundness. There is a distinction between the term’s "analysis" and "interpretation." The term "study" refers to the systematic classification of data in financial statements. If the statistics in the financial statements are condensed, they would not be useful. The word interpretation means describing the purpose and importance of the data so condensed. However, both “Analysis and Interpretation” are complementary to each other. Interpretation requires analysis, while Analysis is useless without interpretation. “Analysis and Interpretation of financial statements are an attempt to determine the significance and meaning of the financial statement data so that the forecast may be made of the prospects for future earnings, ability to pay interest and debt maturities (both current and long term) and profitability of a sound dividend policy.” (Kennedy and Muller, 1999)

4.2 Financial performance of ZIDCO: An analysis

Financial Performance of ZIDCO implemented different accounting ratios to show Profitability Ratio consisting of Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment. And Liquidity Ratio, consisting of Current Ratio or Working Capital Ratio, Quick Ratio or Acid Test Ratio. Solvency Ratio consisting of Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio and Activity Ratio consisting of Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Working Capital Turnover Ratio. And also Return on Debt Equity Ratio.

The ratio analysis is an important financial analysis tool. "The indicated quotient of two mathematical expressions" is how a ratio is described. "The relationship between two or more things," as well as "the relationship between two or more things." A ratio is a metric used in financial analysis to assess a company's financial condition and performance. A financial ratio, or simply ratio, is a mathematically expressed relationship between two accounting figures. The ratio aids in the summarization of a large qualitative assessment of a company's financial results (Will Kenton, 2020).

The ratio analysis entails a comparison in order to analyse the financial statement correctly. A single ratio does not mean whether a situation is favourable or unfavourable. It should be compared to a benchmark. It gives an opportunity to study the company for its financial performance for the last five years using different ratio analysis.

4.2.1 PROFITABILITY RATIOS:

Profitability refers to a company's ability to produce sales and maintain growth over the short and long term. Benefit inability refers to a company's inability to make a profit and expand over time, both in the short and long term. A business must make enough money to thrive and expand in the long run. Profits are important, and any stakeholder in a company needs to know about its financial health and profitability. If a company's management is interested in calculating its operational performance by profitability, shareholders invest their capital in the hope of earning a fair return. Thus, a company's operating performance and ability to offer sufficient returns to its shareholders are largely dictated by the income it receives. (Khan and Jain, 2007).

Five profitability ratios calculated for the study are: i) Gross Profit Ratio ii) Operating Ratio iii) Operating Profit Ratio iv) Net Profit Ratio v) Return on Investment (ROI)

The main objectives of every business are to earn profits. A business must be able to earn adequate profits in relation to capital invested in it. The efficiency and success of a business can be measured with the help of profitability ratios. (Goel, Goel and Goel 2017)

There was a financial performance problem in ZIDCO in terms of financial results and repayment of loans from the borrowers which has to be studied in details including the financial status, performance, and challenges of ZIDCO. The organization was making losses for a period of more than 10 years i.e., (2004-2014) that is the reason why we studied the present conditions using Financial Ratios.

Table-4.1

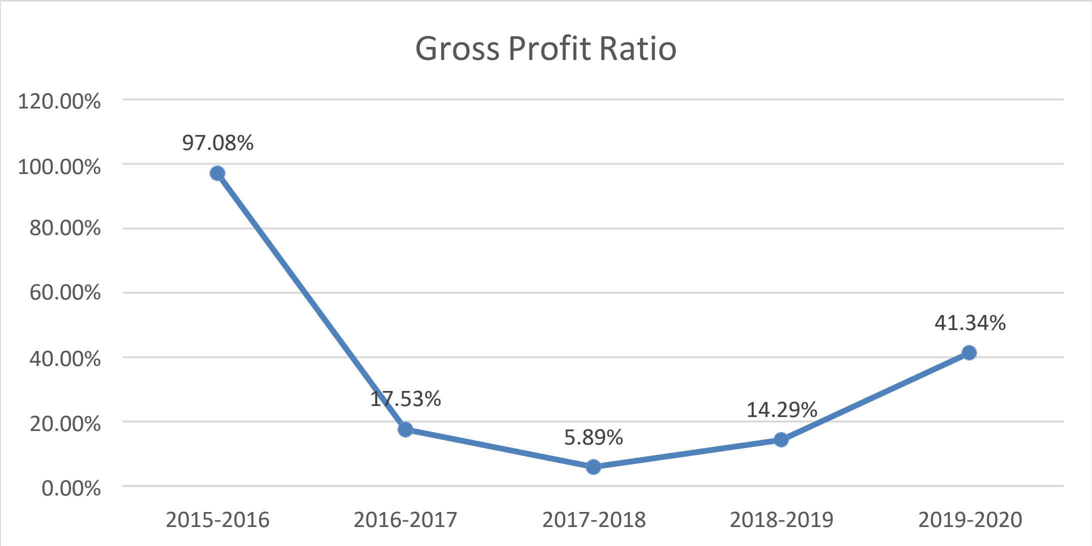
Gross Profit Ratio 2015-16 to 2019-20

Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Gross Profit (Rs)	159,426,807.67	22,466,150.17	7,519,016.5	13,896,136	12,473,191
Revenue from Operations (Rs)	164,219,265	128,136,104	127,609,519.5	97,237,853	30,170,306
Gross Profit Ratio	97.08%	17.53%	5.89%	14.29%	41.34%
Average Gross Profit Ratio	**35.23%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.1

Model of Gross Profit Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: The above table and Chart depicts the gross profit ratio of ZIDCO. The Gross Profit Ratio for the years stood as 97.08%, 17.53%, 5.89%, 14.29% and 41.34% for the year 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 it has been fluctuating over the years. The maximum Gross Profit Ratio is 97.08% in 2015-16 financial year followed by 41.34% in 2019-20 financial year. The minimum Gross Profit Ratio is 5.89% in 2017-18 financial year. The Average Gross Profit Ratio is 35.23%. Gross profit ratio has decreased from 2015-16 financial year till 2017-18 financial year. The decline in the gross profit ratio in comparison to the previous year may be due to the rise in prices of material purchases or wages and other direct charges may have increased but the sales prices may not have increased in the same proportion.

This gross profit ratio calculates the profit margin available on Revenue from Operations. The higher the gross profit ratio, the better. There is no perfect requirement for this ratio, but the gross profit ratio should be sufficient not only to cover operating expenses but also to pay for depreciation, interest on loans, dividends and the development of reserves. In 2019-20 financial year profit margin available on Revenue from Operations is 41.34%.

Gross Profit Ratio has consistently showing positive efforts for the last five years and has continuously showing an upward trend and it is increasing more and more from 2017-18, 2018-19 and 2019-20 with percentage of 5.89%, 14.29% and

41.34% respectively. From the analysis it is clear that ZIDCO has a sufficient gross profit to cover the operating expenses.

Table-4.2

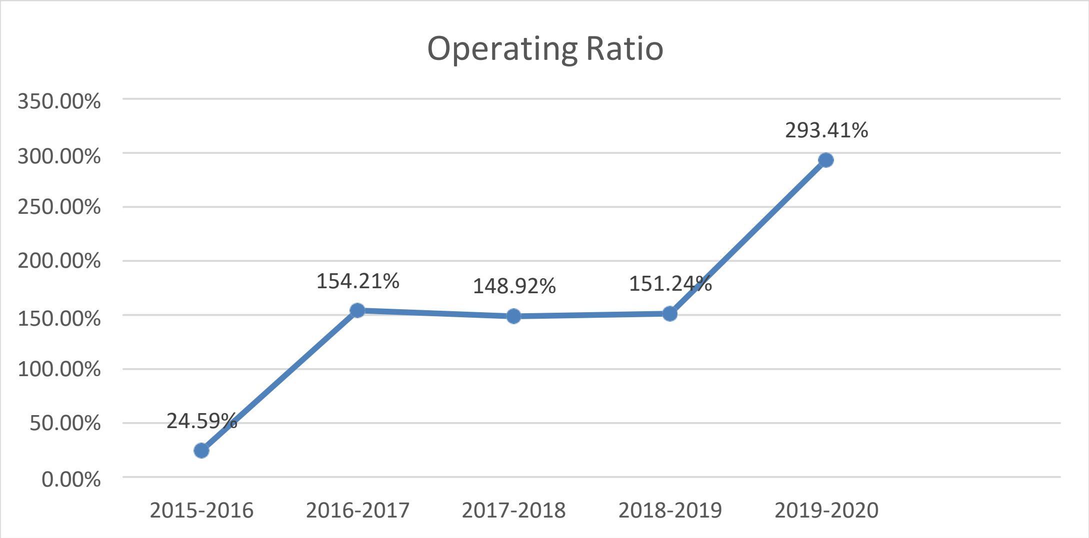
Operating Ratio 2015-16 to 2019-20

Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Cost of Revenue from Operations (Rs)	-4,792,457.33	105,669,953.83	120,090,503	83,341,717	17,697,115
Revenue from Operations (Rs)	164,219,265	128,136,104	127,609,519.5	97,237,853	30,170,306
Operating Expenses (Rs)	47,937,653.31	91,940,214.75	69,955,612.66	72,592,792.77	70,825,167.94
Operating Income (Rs)	12,345,000	NA	NA	8,871,374	NA
Operating Ratio	24.59%	154.21%	148.92%	151.24%	293.41%
Average Operating Ratio	**154.47%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.2

Model of Operating Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: The above table and Chart depicts the operating ratio of ZIDCO. The Operating Ratio for the years stood as 24.59%, 154.21%, 148.92%, 151.24% and 293.41% for the year 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 it has been fluctuating over the years. The maximum Operating Ratio is 293.41% in 2019-20 financial year followed by 154.21% in 2016-17 financial year. The minimum Operating Ratio is 24.59% in 2015-16 financial year. The Average Operating Ratio is 154.47%. Operating Ratio is a measurement of the efficiency and profitability of the business enterprise. The ratio indicates the extent of Revenue from Operations that is absorbed by the Cost of Revenue from Operations and Operating expenses. The lower the operating ratio, the better, since it leaves a higher profit margin on Revenue from Operations. From the above analysis it is clear that profit margin will be higher on Revenue from Operations in 2020-2021 financial year.

Operating Ratio has consistently showing insufficient efforts for the last five years and has continuously showing an upward trend from 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 with percentage of 24.59%, 154.21%, 148.92%, 151.24% and 293.41% respectively. From the above analysis it is clear that profit margin will be higher on Revenue from Operations for the next financial year.

Table-4.3

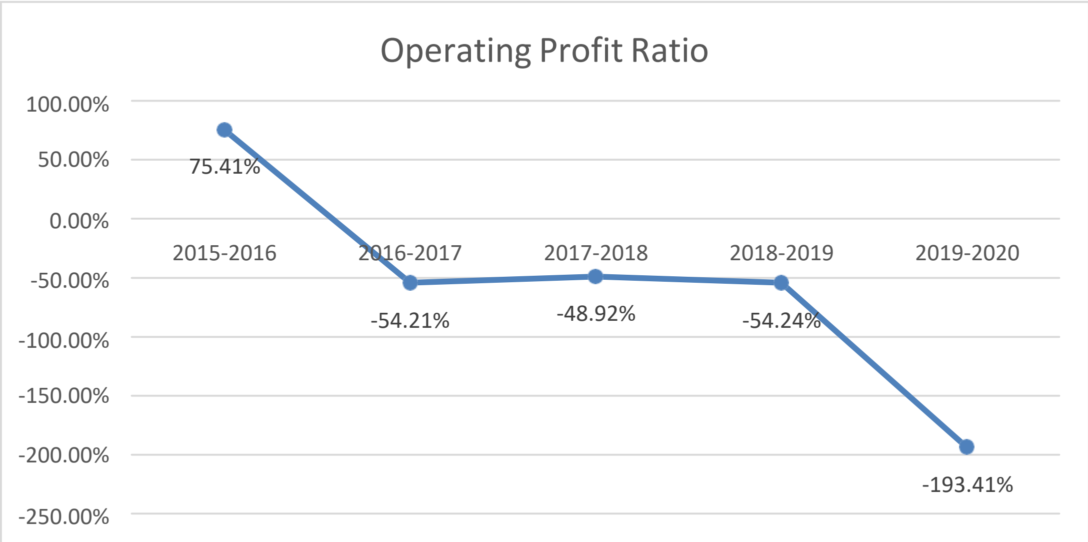
Operating Profit Ratio 2015-16 to 2019-20

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue from Operations (Rs)	164,219,265	128,136,104	127,609,519.5	97,237,853	30,170,306
Operating Profit (Rs)	123,834,154.36	-69,474,064.58	-62,436,596.16	-49,825,282.77	-58,351,976.94
Operating Profit Ratio	75.41%	-54.21%	-48.92%	-54.24%	-193.41%
Average Operating Profit Ratio	**85.24%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.3

Model of Operating Profit Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: 'Operating Ratio' and 'Operating Profit Ratio' are interrelated. The total of these two ratios is going to be 100. The increase in Operating Ratio' would lead to a corresponding decrease in 'Operating Profit Ratio' and vice versa. The operating profit ratio provides a link between operating profit and net revenue from operations (net sales). The operating profit ratio, which is expressed as a percentage, is a form of profitability ratio. The Operating Profit Ratio can be used to calculate Operating Profit as a percentage of revenue generated by operations. This ratio is used to determine a company's operational efficiency. A high ratio can mean better resource management, i.e., increased operational performance, which leads to increased operating profits in the business. A low ratio can imply organisational flaws and poor resource management; it also indicates that the profit produced from operations is inadequate in relation to total revenue generated from sales. The maximum is 75.41% in 2015-16 financial year followed by -48.92% in 2017-18 financial year. The minimum is -193.41% in 2019-20 financial year. The Average Operating Profit Ratio is 85.24%. From the above analysis it is clear that the Operating Profit Ratio declines till 2019-20 financial year which shows that profit produced from operations is inadequate in relation to total revenue generated from sales.

Operating Profit Ratio were in a positive position five years earlier and it has consistently showing negative efforts from 2016-17, 2017-18, 2018-19 and 2019-20 with percentage of -54.21%, -48.92%, -54.24% and -193.41%respectively. From the analysis it is clear that ZIDCO has flaws and poor resource management and also indicates that the profit produced from operations is inadequate in relation to total revenue generated from sales.

Table-4.4

Net Profit Ratio 2015-16 to 2019-20

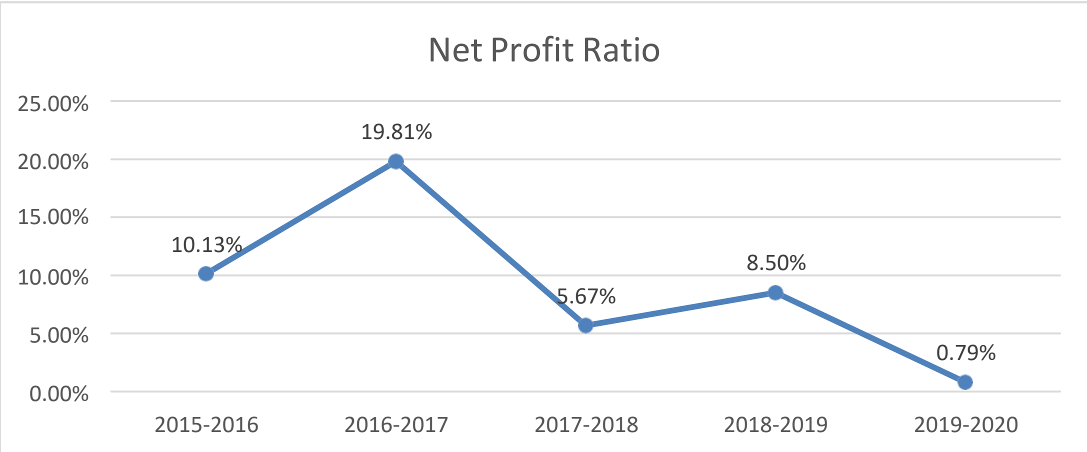
Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Revenue from Operations (Rs)	164,219,265	128,136,104	127,609,519.5	97,237,853	30,170,306
Net Profit after tax (Rs)	16,635,689.17	25,378,081.43	7,240,042.56	8,246,555.42	2,39,195.78

Net Profit Ratio	10.13%	19.81%	5.67%	8.5%	0.79%
Average Net Profit Ratio	**9%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.4

Model of Net Profit Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: The above table and Chart depicts the net profit ratio of ZIDCO. The Net Profit Ratio for the years stood as 10.13%, 19.81%, 5.67%, 8.5% and 0.79% for the year 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 it has been fluctuating over the years. This ratio measures the rate of net profit generated on Revenue from Operations. It helps to assess the overall performance of business operations. The increase or decrease in the ratio over the previous year indicates that there is improvement or no improvement in the overall performance and profitability of the organization. The maximum Net Profit Ratio is 19.81% in 2016-17 financial year followed by 10.13% in 2015-16 financial year. The minimum is 0.79% in 2019-20 financial year. The Average Net Profit Ratio is 9%. The Net Profit Ratio fluctuates over the last five years which declines continuously and is at its lowest point i.e., 0.79% in 2019-20 financial year which shows that there is no improvement in the overall performance.

Net Profit Ratio has increased from 10.13% to 19.82% in 2015-16 and 2016-17 which is fair for the company but decreased in the year 2017-18 and 2018-

19 i.e., 5.67% and 8.5% and is at its lowest point over the last five years by 0.79% in 2019-20 which is an indication for the company to improve its performance.

Table 4.5

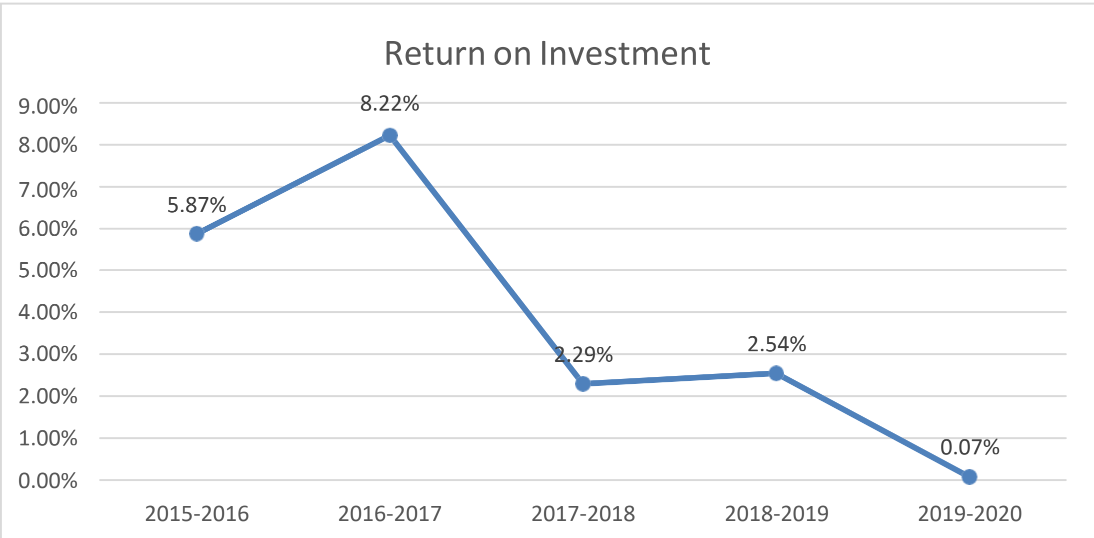
Return on Investment (ROI) 2015-16 to 2019-20

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Net Profit before Interest, tax and dividend (Rs)	16,635,689.17	25,378,081.43	7,240,042.56	8,246,555.42	2,39,195.78
Capital Employed (Rs)	283,259,148.32	308,637,229.75	316,271,289.74	324,517,845.16	3,24,757,040.94
Return on Investment	5.87%	8.22%	2.29%	2.54%	0.07%
Average Return on Investment	**3.80%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.5

Model of Return on Investment of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: The above table and Chart depicts the return on investment of ZIDCO. The Return on Investment for the years stood as 5.87%, 8.22%, 2.29%, 2.54% and 0.07% for the year 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 it has been fluctuating over the years. This ratio is the barometer of the company's overall results. It tests how effectively the capital employed in the company is used. This ratio can be used to judge the borrowing policy of the enterprise. This ratio also indicates that capital employed in the business is efficiently used or not efficiently used. The maximum is 8.22% in 2016-17 financial year followed by 5.87% in 2015-16 financial year. The minimum is 0.07% in 2019-20 financial year. The Average return on Investment is 3.80%. From the above analysis it is clear that the Return- on-Investment declines and is at its lowest point 2019-20 financial year which shows that capital employed in the business is not efficiently utilised.

Return on Investment increased from 5.87% to 8.22%, in 2015-16 and2016-17 which is favourable for the company but decreased in the year 2017-18 i.e., 2.29% and increased in 2018-19 by 2.54% and again decrease and is at its lowest point over the last five years i.e., 0.07% in 2019-20 which is an indication for the company that capital employed is not effectively used and is an indication for improvement in its performance.

4.2.2 LIQUIDITY RATIOS:

Short-term Solvency Ratios are another name for liquidity ratios. The ability of a corporation to fulfil its obligations in the short term, typically one year, and to measure its ability to sustain positive cash flow when fulfilling immediate obligations is referred to as liquidity. (Khan and Jain 2007)

Liquidity is, in reality, a prerequisite for the company's survival. Liquidity, on the other hand, should be neither excessive nor insufficient. Failure of a company to meet current obligations due to a lack of liquidity would result in a bad credit rating and a loss of trust among creditors. A high degree of liquidity, once again, implies unproductive properties. For efficient financial management and benefit enhancement, a proper balance between the two, i.e., high liquidity and lack of liquidity, is needed. (Pandey 2008)

The important liquidity ratios are: (i) Current Ratio (ii) Acid-Test Ratio or Quick Ratio

"Liquidity" refers to the willingness of the company to fulfil its existing obligations. Liquidity ratios are also often referred to as short-term solvency ratios.' These ratios are used to determine the short-term financial situation of the concern. They reflect the capacity of the company to fulfil its current obligations from current capital. (Goel, Goel and Goel 2017)

In the last few years ZIDCO is facing a problem regarding the liquidity position that is the reason why we studied the present conditions using Financial Ratios.

Table-4.6

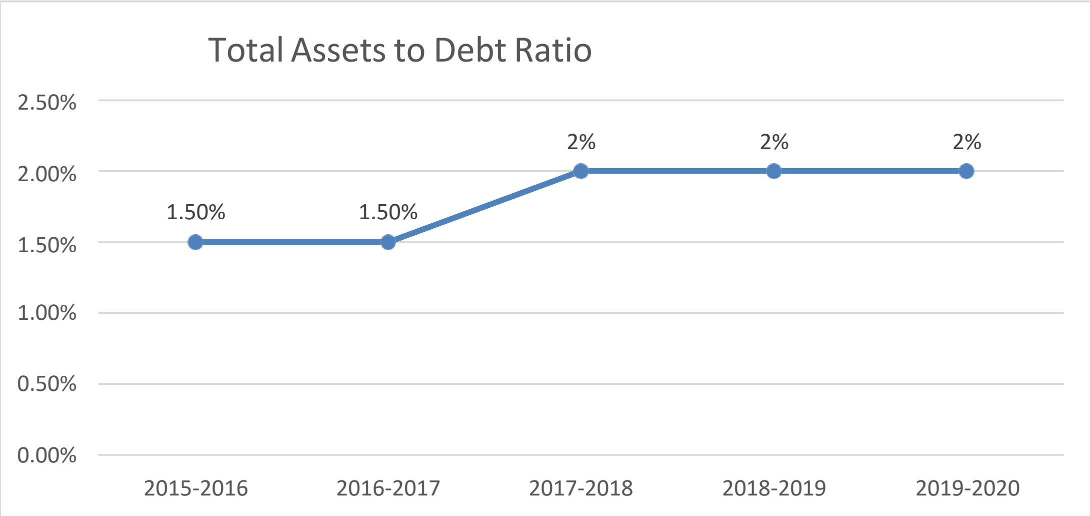
Current Ratio or Working Capital Ratio 2015-16 to 2019-20

Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Current Assets (Rs)	312,946,041.41	318,825,768.76	335,288,752.29	351,451,093.58	3,53,149,151.66
Current Liabilities (Rs)	90,611,570.28	90,618,428.15	90,548,678.65	91,574,785.65	90,869,910.65
Current Ratio	3.47%	3.53%	3.72%	3.86%	0.03%
Average Current Ratio	**2.92%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.6

Model of Current Ratio or Working Capital of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: The above table and Chart depicts the Current Ratio or Working Capital Ratio of ZIDCO. The Current Ratio or Working Capital for the years stood as 3.47%, 3.53%, 3.72%, 3.86% and 0.03% for the year 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 it has been increasing from 2015-16 financial year till 2018-19 financial year and declines in 2019-20 financial year. The maximum is 3.86% in 2018-19 financial year followed by 3.72% in 2017-18 financial year. The minimum is 0.03% in 2019-20 financial year. The Average Current Ratio is 2.92%. A high current ratio means that the company is liquid and capable of meeting its current obligations on time, when and when they are due. The protection of a short-term creditors' fund is higher. A low current ratio, on the other hand, means that the firm's liquidity situation is poor. Also, very high ratios would have a negative impact on the company's profitability. The current ratio, also known as the working capital average current ratio, is 2.92 percent, which is higher than the industry norm i.e., 2:1. As a result, the company is said to be liquid, ensuring it will fulfil its current obligations on time.

Five years earlier Current Ratio were below the standard condition i.e., 2:1 in 2015-16 and 2016-17 with percentage of 1.50% and 1.50% respectively and it has consistently showing positive efforts for the last three years in 2017-18, 2018-19 and 2019-20 with percentage of 2% each. It shows a good financial position of ZIDCO.

Table-4.7

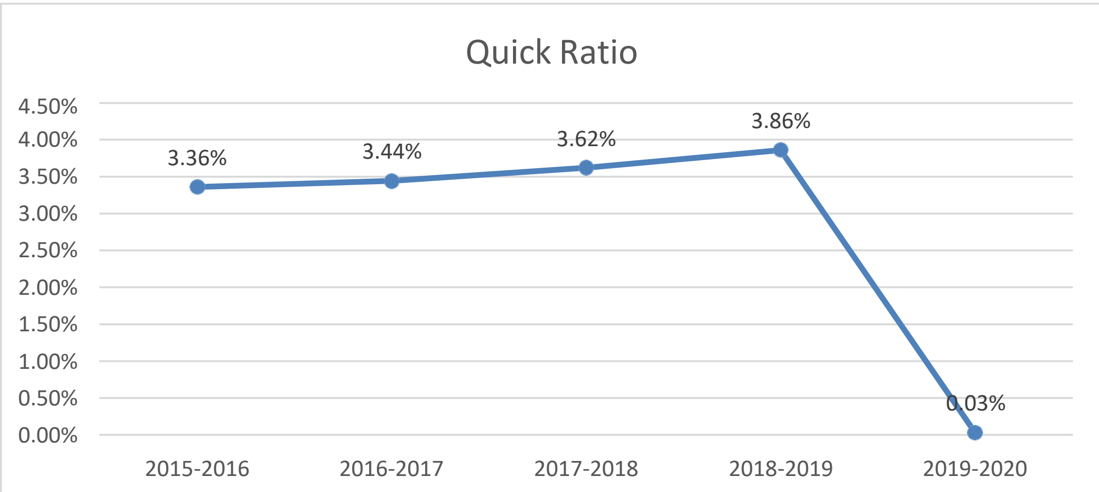
Quick Ratio or Acid Test Ratio or Liquid Ratio 2015-16 to 2019-20

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Liquid Assets (Rs)	302,326,630.75	310,272,684.76	326,577,772.29	351,451,093.58	3,53,149,151.66
Current Liabilities (Rs)	90,611,570.28	90,618,428.15	90,548,678.65	91,574,785.65	90,869,910.65
Quick Ratio	3.36%	3.44%	3.62%	3.86%	0.03%
Average Quick Ratio	**2.86%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.7

Model of Quick Ratio or Acid Test Ratio or Liquid Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: The quick ration of ZIDCO is depicted in the table above. For the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20, the Quick Ratio was 3.36 percent, 3.44 percent, 3.62 percent, 3.86 percent, and 0.03 percent, respectively. It has been rising from 2015-16 to 2018-19, and then declining in 2019-20. If the actual quick ratio is equal to or greater than the normal quick ratio of 1:1, the corporation is liquid and can pay its immediate liabilities without difficulty. However, if the quick ratio is lower than the normal ratio, the company is not liquid. From the above review, it is obvious that the average Quick Ratio is higher than the industry norm, indicating that the company's ability is adequate. It was able to satisfy its debt obligations, and its short-term liquidity was adequate.

Quick Ratio were above the standard condition i.e., 1:1 and it has consistently showing an upward trend and increased more and more for the last five years i.e., 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 with percentage of 3.36%, 3.44%, 3.62% and 3.86% and decreased at its lowest point over the years in 2019-20 i.e., 0.03%. It shows ZIDCO's good liquidity position over the last five years but needs improvement for the future.

4.2.3 SOLVENCY RATIOS:

The word "solvency" refers to a company's ability to fulfil its financial obligations. Debenture holders, financial companies, and creditors selling products on an installment plan all fall under a company's long-term indebtedness. Long-term creditors are mainly concerned with a company's ability to pay interest on long-term borrowings on a regular basis, as well as the repayment of the principal sum at maturity and the protection of their loan. As a result, long-term solvency ratios reflect a company's ability to pay fixed interest and expenses while still repaying long-term debt. In this section, various financial and statistical analyses are used to assess the paper mills' long-term solvency status. (Subramanian, 2009) The following ratios are used to assess a company's long-term financial viability: (i) Debt-Equity Ratio, (ii) Total Assets to Debt Ratio and (iii) Proprietary Ratio.

In the last few years ZIDCO is facing a problem regarding the solvency position that is the reason why we studied the present conditions using Financial Ratios.

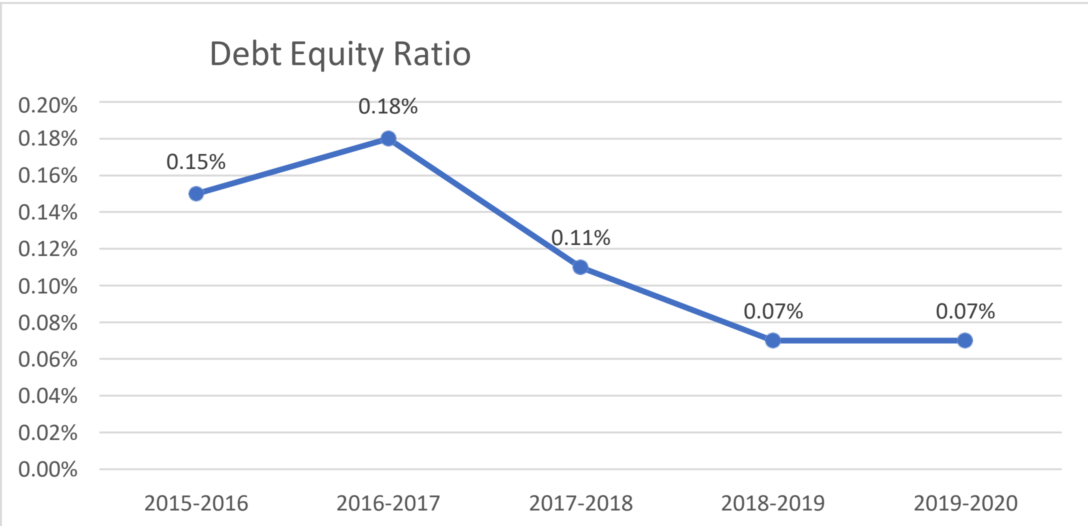
Table-4.8
Debt Equity Ratio 2015-16 to 2019-20

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Long-Term Debts (Rs)	2,96,818,917.00	2,96,818,917.0	2,96,818,917.0	2,96,818,917.0	2,96,818,917.0
Shareholder's Funds (Rs)	-13,559,768.68	11,818,312.75	19,452,372.74	27,698,928.16	27,938,123.94
Debt Equity Ratio	0.15%	0.18%	0.11%	0.07%	0.07%
Average Debt Equity Ratio	**0.12%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.8

Model of Debt Equity Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: The debt equity ratio of ZIDCO is depicted in the table and Chart above. For the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20, the Debt Equity Ratio was 0.15 percent, 0.18 percent 0.11 percent, 0.07 percent, and 0.07 percent, respectively. It has been rising from 2015-16 to 2017-18, and then declining in 2018-19 and 2019-20. The maximum Debt Equity Ratio is 0.18% in 2016-2017 financial year followed by 0.15% in 2015-16 financial year. The minimum Debt Equity Ratio is 0.07% in 2015-16 financial year. This ratio indicates what proportion of funds are provided by long-term debts in comparison to shareholder's funds. Generally, this ratio should not be more than 2:1. The Average Debt Equity Ratio is 0.12% which is lower than the standard. Hence, it may be considered that the long-term financial position of ZIDCO is very sound.

Debt Equity Ratio do not exceed the standard condition i.e., 2:1 and it has consistently showing positive efforts for the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 with percentage of 0.15 percent, 0.18 percent 0.11 percent, 0.07 percent, and 0.07 percent, respectively. From the analysis it is clear that, the assets are higher than the value of the liabilities.

Table-4.9

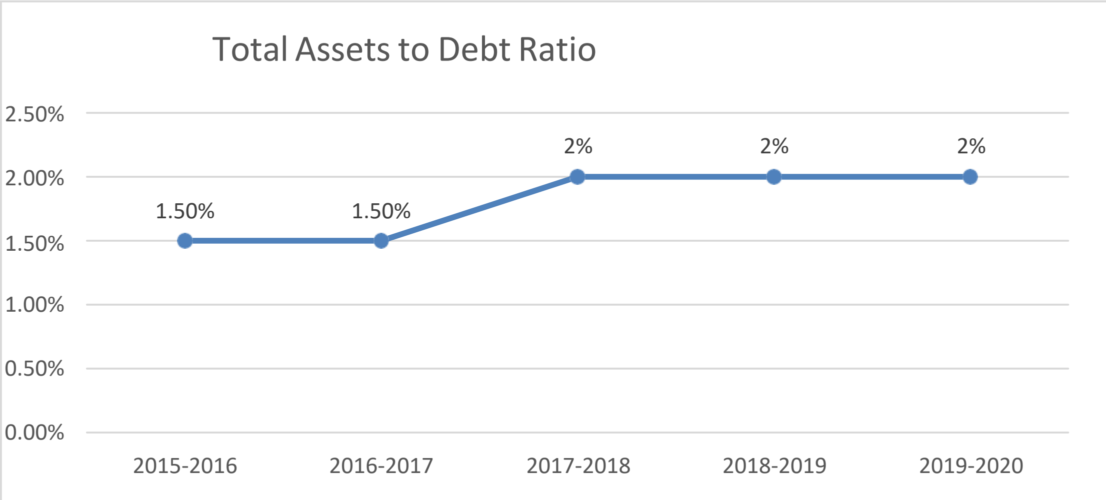
Total Assets to Debt Ratio 2015-16 to 2019-20

Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Total Assets (Rs)	3,73,870,718.60	3,99,255,657.9	4,06,819,968.39	4,16,092,630.81	4,15,626,951.59
Long-Term Debts (Rs)	2,96,818,917.00	2,96,818,917.0	2,96,818,917.00	2,96,818,917.00	2,96,818,917.00
Total Assets to Debt Ratio	1.5%	1.5%	2%	2%	2%
Average Total Assets to Debt Ratio	**1.8%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.9

Model of Total Assets to Debt Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: The total assets to debt ratio of ZIDCO is depicted in the table above. For the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20. The Total Assets to Debt Ratio was 1.5 percent, 1.5 percent 2 percent, 2 percent, and 2 percent, respectively. The maximum Total Assets to Debt Ratio is 2% in 2017-18, 2018-19 and 2019-20 financial year. The minimum Total Assets to Debt Ratio is 1.5% in both 2015-16 and 2016-17 financial year. This ratio is expressed as a pure ratio, i.e., 1:1 and 2:1. The relationship between total assets and long-term debts was represented by this ratio. It shows the margin of safety available to long-term loan providers by measuring the extent to which long-term debts are secured by assets. A greater safety margin is correlated with a higher total asset to debt ratio. A low ratio, on the other hand, indicates a risky financial situation. The average Total Assets to Debt Ratio is 1.8% which is stable and it shows that ZIDCO financial positions is in a safety margin and also shows that the long-term debts will be secured by the assets.

Total Assets to Debt Ratio stays on the standard condition i.e., 1:1 and 2:1 and it has consistently showing positive efforts for the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 with percentage of 1.5 percent, 1.5 percent 2 percent, 2 percent, and 2 percent, respectively. From the analysis it is clear that, ZIDCO financial positions is in a safety margin and also shows that the long-term debts will be secured by the assets.

Table-4.10

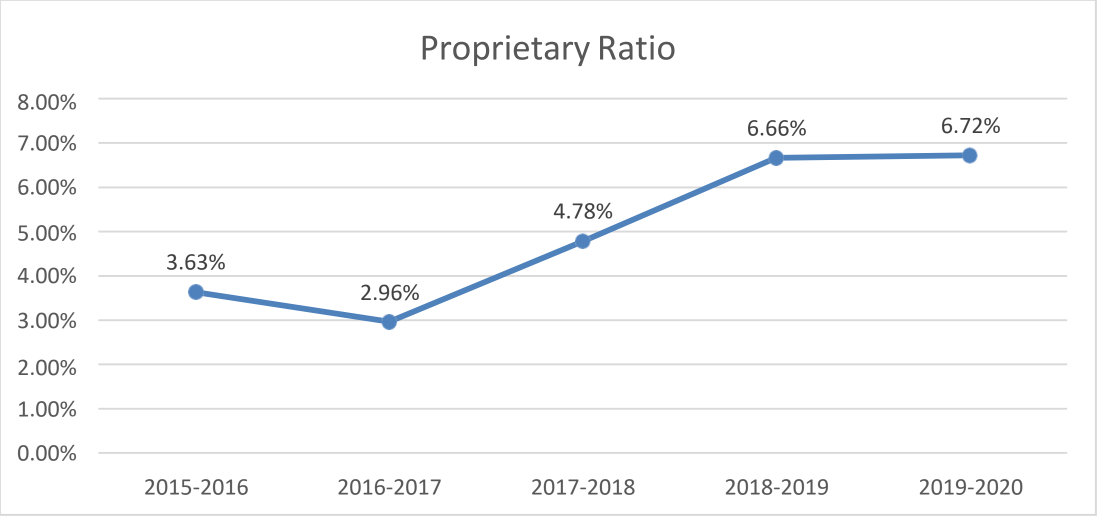
Proprietary Ratio 2015-16 to 2019-20

Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Shareholder's Funds (Rs)	-13,559,768.68	11,818,312.75	19,452,372.74	27,698,928.16	27,938,123.94
Total Assets (Rs)	3,73,870,718.6	3,99,255,657.90	4,06,819,968.39	4,16,092,630.81	4,15,626,951.59
Proprietary Ratio	3.63%	2.96%	4.78%	6.66%	6.72%
Average Proprietary Ratio	**4.95%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.10

Model of Proprietary Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: Proprietary Ratio of ZIDCO is depicted in the table above. For the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20, The Proprietary Ratio was 3.63 percent, 2.96 percent, 4.78 percent, 6.66 percent, and 6.72 percent, respectively.

The maximum Proprietary Ratio is 6.72% in 2019-20 financial year followed by 6.66% in 2018-19 financial year. The minimum Proprietary Ratio is 2.96% in 2016-17 financial year. The average Proprietary Ratio is 4.95%. A higher proprietary ratio is regarded as a long-term measure of sound financial status, whereas a low proprietary ratio is regarded as a warning sign for long-term lenders because it implies a low margin of protection. Proprietary Ratio increased from 6.66% in 2018-19 financial year to 6.72% in 2019-20 financial year. The Shareholder's funds of ZIDCO are 6.72% in comparison to total assets of ZIDCO. In other words, 6.72% of the total assets of ZIDCO are funded by Equity which indicates that the long-term financial position of ZIDCO is very sound.

Proprietary Ratio decreased from 3.63% to 2.96% in 2015-16 and 2016-17 and has consistently showing an upward trend and increased more and more from 2017-18, 2018-19, and 2019-20 with percentage of 4.78 percent, 6.66 percent, and 6.72 percent, respectively and ZIDCO has consistently showing positive efforts. From the above analysis it is clear that ZIDCO has sound financial status.

4.2.4 ACTIVITY RATIOS:

Turnover Ratios and Efficiency Ratios are other names for Activity Ratios. Operation ratios are also known as performance ratios or asset usage ratios because they are used to evaluate a company's efficiency in handling its assets. When all other factors remain constant, the higher the rate of turnover or conversion, the more productive the asset use. As a result, these ratios are also known as turnover ratios. As a result, an operation ratio is a metric for determining the relationship between a company's revenue (or cost of sales) and its different properties. (Khan & Jain, 2007). Furthermore, these ratios show whether the firm's current and long-term asset investments are too high or too small. The turnover ratios mentioned were determined: (i) Inventory Turnover Ratio, (ii) Trade Receivables Turnover Ratio and (iii) Working Capital Turnover Ratio.

In the last few years ZIDCO is facing a problem regarding the efficiency that is the reason why we studied the present conditions using Financial Ratios.

Table-4.11

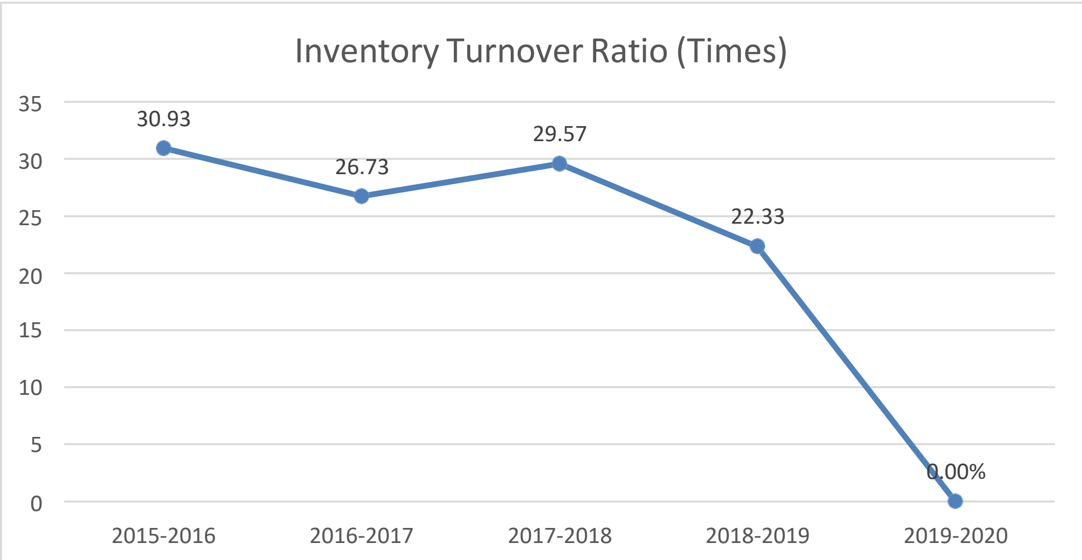
Inventory Turnover Ratio 2015-16 to 2019-20

Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Cost of Revenue from Operations (Rs)	4,792,457.33	105,669,953.83	120,090,503	83,341,717	17,697,115
Average Inventory (Rs)	5,309,705.33	47,93,123.67	43,16,016.00	4,355,490.00	-
Inventory Turnover Ratio (Times)	0.90	22.05	27.82	19.13	0
Average Inventory Turnover Ratio (Times)	**13.98**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.11

Model of Inventory Turnover Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: Inventory Turnover Ratio of ZIDCO is depicted in the table above. For the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20, The Inventory Turnover Ratio was 0.90 times, 22.05 times, 27.82 times and 19.13 times respectively. There are no inventories in 2019-20 financial year and shows no inventory turnover ratio. The maximum Inventory Turnover Ratio is 27.82 times in 2017-18 financial year followed 22.05 times in 2016-17 financial year. The minimum Inventory Turnover Ratio is 0 times in 2019-20 financial year. The average Inventory Turnover Ratio is 13.98 times. This ratio shows whether inventory has been used effectively or not. It displays the rate at which inventory is rotated into revenue from operations, as well as the amount of times inventory is rotated into revenue from operations over the course of the year. As Inventory Turnover Ratio declined from 27.82 times in 2017-18 to 19.33 times in 2018-19 and is at its lowest point in 2019-20 financial year it shows that inventories are not efficiently used.

Inventory Turnover Ratio were declining from 27.82 times in 2017-18 to 19.33 times in 2018-19 respectively and zero inventory turnover in 2019-20 and it has consistently showing negative efforts for the last five years. From the analysis it is clear that inventories are not efficiently used and ZIDCO has to improved its inventory management.

Table-4.12

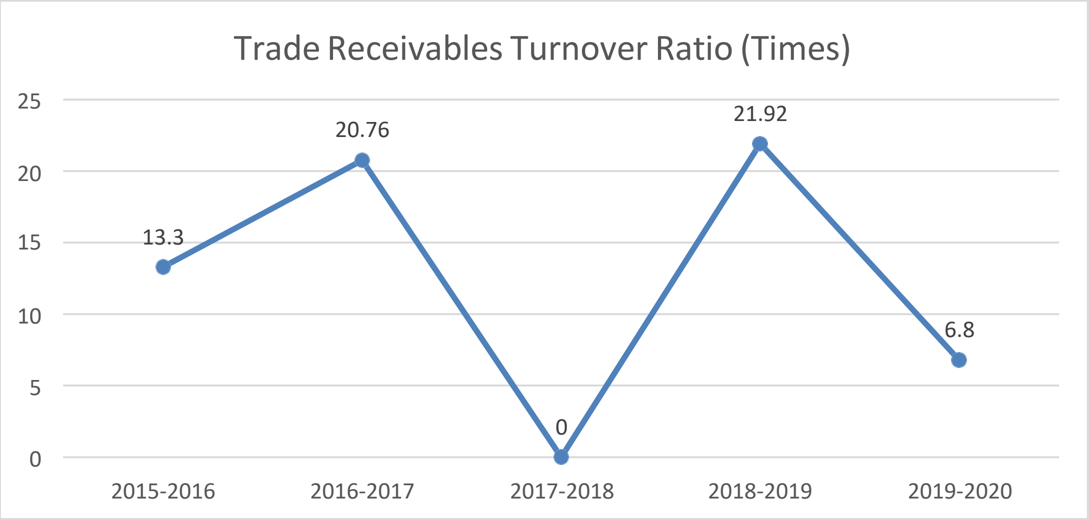
Trade Receivables Turnover Ratio 2015-16 to 2019-20

Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Revenue from Operations (Rs)	164,219,265	128,136,104	127,609,519.5	97,237,853	30,170,306
Average Trade Receivables (Rs)	12,345,000.00	61,72,500.00	-	44,35,687.00	44,35,687.0
Trade Receivables Turnover Ratio (Times)	13.30	20.76	0	21.92	6.80
Average Trade Receivables Turnover Ratio (Times)	**15.70**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.12

Model of Trade Receivables Turnover Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: Trade Receivables Turnover Ratio of ZIDCO is depicted in the table above. For the years 2015-16, 2016-17, 2018-19, and 2019-20, The Inventory Turnover Ratio was 13.30 times, 20.76 times, 0 times, 21.92 times and 6.80 times respectively. There are no trade receivables in 2017-18 financial year and shows no Trade Receivables Turnover Ratio. The maximum Trade Receivables Turnover Ratio is 21.92 times in 2018-19 financial year followed by 20.76 times in 2016-17 financial year. The minimum Trade Receivables Turnover Ratio is 0 times in 2017-18 financial year. The average Trade Receivables Turnover Ratio 15.70 times. This ratio represents how quickly money is obtained from trade receivables. The higher the ratio, the better, since it means that trade receivables are being obtained more rapidly. It is possible to determine whether the management's sales strategy is effective or not by comparing the current year's trade receivables turnover ratio to the previous years. As Trade Receivables Turnover Ratio declined from 21.92 times in 2018-19 to 6.80 times in 2019-20 financial year it shows that sales strategy is not effective and efficient.

Trade Receivables Turnover Ratio increased from 13.30 times to 20.76 times in 2015-16 and 2016-17. And also shows zero trade receivable turnover ratio in 2017-18 financial year. It has increased in 2018-19 by 21.92 times and later decreased by 6.80 times in 2019-20. From the analysis it is clear that ZIDCO has to improved its trade receivables turnover.

Table-4.13

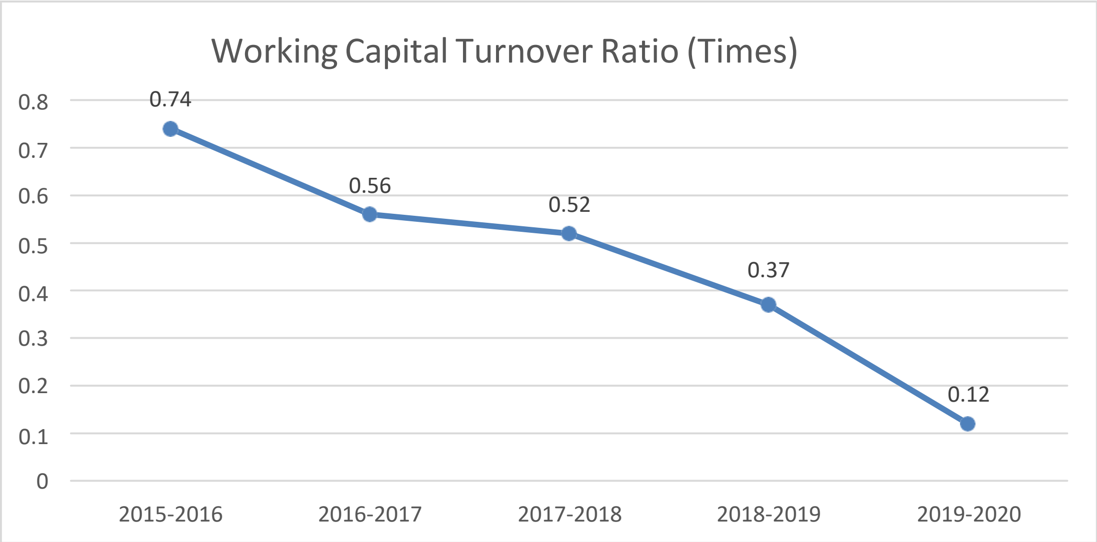
Working Capital Turnover Ratio 2015-16 to 2019-20

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue from Operations (Rs)	164,219,265	128,136,104	127,609,519.50	97,237,853	30,170,306
Working Capital	2,22,334,471.13	2,28,207,340.61	2,44,740,073.64	2,59,876,307.93	2,62,279,241.01
Working Capital Turnover Ratio (Times)	0.74	0.56	0.52	0.37	0.12
Average Working Capital Turnover Ratio (Times)	**0.46**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.13

Model of Working Capital Turnover Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: Working Capital Turnover Ratio of ZIDCO is depicted in the table above. For the years 2015-16, 2016-17, 2018-19, and 2019-20, The Working Capital Turnover Ratio was 0.74 times, 0.56 times, 0.52 times, 0.37 times and 0.12 times respectively. The maximum Working Capital Turnover Ratio is 0.74 times in 2015-16 financial year followed 0.56 times in 2016-17 financial year. Working Capital Turnover Ratio declines from 2015-16 till 2019-20 financial year. The minimum Working Capital Turnover Ratio is 0.12 times in 2019-20 financial year. The average Working Capital Turnover Ratio 0.46 times. This ratio shows how effectively working capital was used to generate Revenue from Operations. The number of times working capital has been rotated in the production of Revenue from Operations is shown. Working Capital Turnover Ratio continuously declines from 0.74 times in 2015-16 to 0.56 times in 2016-17, 0.52 times in 2017-18, 0.37 times in 2018-19 and 0.12 times in 2019-20 financial year which shows under-utilization of Working Capital.

Working Capital Turnover Ratio were consistently declining for the years i.e., 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 i.e., 0.74 times, 0.56 times, 0.52 times, 0.37 times and 0.12 times respectively. From the analysis it shows under-utilization of Working Capital and it is clear that the used of working capital needs to be improved.

4.3 RETURN ON EQUITY RATIO OF ZIDCO:

The Return on Equity (ROE) ratio basically calculates the rate of return on a company's common stock owned by its shareholders. The company's ability to produce returns on the investment it earned from its shareholders is calculated by its return on equity. ROE is more than a benefit measurement; it is also a productivity measurement. (Khan and Jain 2007). Here in this table 4:14 an analysis was done for the ZIDCO for last five years on their return equity ratio starting from 2015-16 to 2019-20.

We have studied the present condition comparing to the last five returns on equity ratio of ZIDCO. For the present study we analyse the Return on Equity ratio of ZIDCO using ratio analysis and found that five years earlier it is in a negative position and it shows a positive effort for the last four years.

Table-4.14

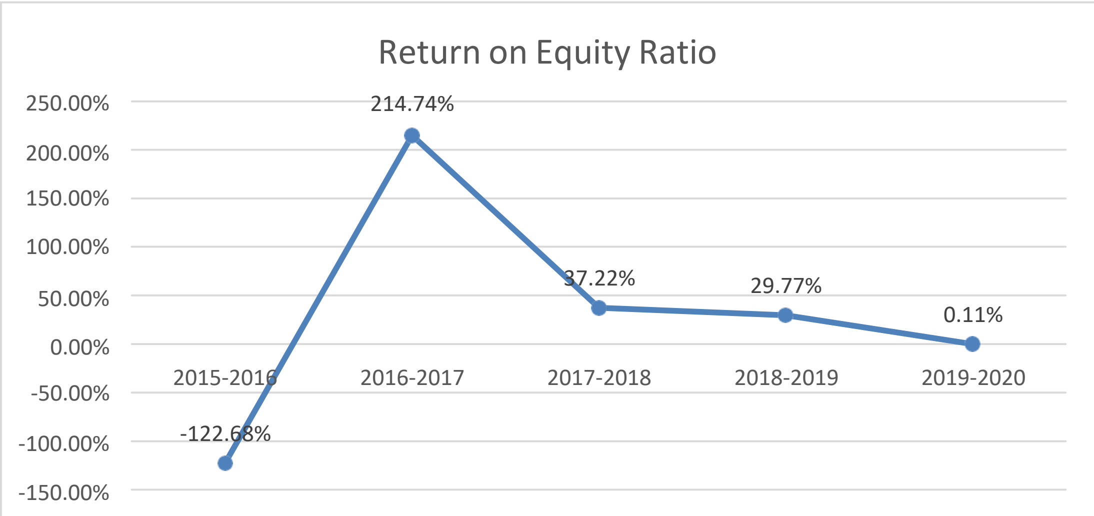
Return on Equity Ratio 2015-16 to 2019-20

Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Net Income (Rs)	1,66,35,689.17	2,53,78,081.43	72,40,042.56	82,46,555.42	2,39,195.78
Shareholder's Equity (Rs)	-1,35,59,768.68	1,18,18,312.75	1,94,52,372.74	2,76,98,928.16	20,96,77,945.24
Return on Equity Ratio	-122.68 %	214.74%	37.22%	29.77%	0.114%
Average Return on Equity Ratio	**80.90%**				

Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Figure 4.14

Model of Return on Equity Ratio of ZIDCO



Source: *Analysis of ZIDCO Audit Report 2015-16 to 2019-20*

Interpretation: The Return on Equity calculated above measured to -122.68% in the year 2015-16 financial year. 214.74% in the year 2016- 2017, 37.22% in the year 2017-18, 29.77% in the year 2018-19 and 0.114% in 2019-20 financial year respectively. The maximum Return on Equity Ratio is 214.74% in 2016-17 financial year followed by 37.22% in 2017-18 financial year. The minimum Return on Equity Ratio is (122.68%) in 2015-16 financial year. The Average Return on Equity Ratio is 80.90%. A higher ROE is generally better which shows how well shareholder capital is deployed by the management of a company, whereas a decreasing ROE indicates a less efficient used of equity capital. Return on equity Ratio declines rapidly for the year 2017-18, 2018-19 and 2019-20 This suggests that the organization is not successfully using shareholder capital to increase profits.

Five years earlier it is in a negative position i.e., -122.68% in 2015-16 and it has consistently showing positive efforts for the last four years i.e., 214.74%, 37.22%, 29.77% and 0.11% respectively. As the percentage decreased from 2017-18 to 2019-20 it is clear that is has to improve the utilization of shareholder funds more effectively.

4.4 Analysis of Recovery Process of ZIDCO:

The key sources of ZIDCO funds are the recovery of loans from loan holders. Loan repayments have been far from acceptable. There are a variety of reasons for low overdue recovery. First of all, the projects/industries were not launched and the loanee was not able to repay the loan. Secondly, in some situations, the projects were introduced, but due to a lack of managerial expertise, due to a lack of demand for finished products, due to inadequate power supply, they could not be properly managed. Thirdly, there are some borrowers that are not prepared to repay the loan.

Several efforts have been undertaken to boost loan repayments. The recovery workers are now visiting maximum number of loanees and the house-to-house recovery drive is now frequently performed. The defaulters, especially S.R.T.O loans, often seize their vehicles such as taxis, buses and trucks to realize full recovery. Stern steps are also being taken, such as the selling of mortgaged homes.

Efforts are also being made to assist the creditors in disposing of loanees' immovable assets to either the public or the government. For them, the pending loan bills in different departments are often pursued in the departments concerned. Many defaulters are often referred to the court of law to take necessary legal action.

Loans that have been recovered in the last five years and up to this stage i.e., 2015-16 financial year to 2019-20 financial year is shown in Table.4.15.

Table-4.15

Recovery Position of Loan 2015-16 to 2019-20

YEAR	PRINCIPAL	INTEREST	TOTAL	Recovery Rate
2015-16	8,711,757	7,156,931	15,868,688	1.82%
2016-17	8,862,480	8,387,547	17,250,027	1.95%
2017-18	5,629,590	5,868,623	11,498,213	2.04%
2018-19	17,462,552	13,001,780	30,464,332	1.74%
2019-20	4,292,528	5,589,986	9,882,514	2.30%
TOTAL	**4,49,58,907**	**4,00,04,867**	**8,49,63,774**	**1.89%**

Source: *ZIDCO Status Report 2020*

Interpretation: The above table shows the Analysis of Recovery Position of Loan of ZIDCO for the last five years. For the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20. The Recovery Rate was 1.82%, 1.95%, 2.04%, 1.74% and 2.30% respectively. The Recovery Rate is maximum 2.30% in 2019-20 financial year followed by 2.04% in 2017-18 financial year. The minimum Recovery Rate is 1.74% in 2018-19 financial year. The total recovery rate of loan for the last five years is 1.89%. The recovery rate is increasing and is at its highest rate in 2019-20 financial year which shows that ZIDCO recovery position of loan is effective and efficient.

Table-4.16

Non-Performing Assets

SL NO	NAME OF TRADE	SANCTIONED DATE	AMOUNT DISBURSED	RECOVERIES			OVERDUES		
				PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
1	2	3	4	5	6	7	8	9	10
2	Auto Rickshaw	29-Dec-99	63,000	22,271	14,540	36,811	40,729	52,047	92,776
3	Auto Rickshaw	29-Dec-99	7,000	636	827	1,463	6,364	25,227	31,591
4	Auto Rickshaw	07-Nov-01	63,000	20,201	15,585	35,786	42,799	49,796	92,595
5	Auto Rickshaw	02-Mar-00	56,500	34,028	12,685	46,713	22,472	27,588	50,060
6	Auto Rickshaw	15-May-01	63,000	37,756	10,644	48,400	25,244	45,820	71,064
7	City Bus/Bazar Bus	06-Apr-94	3,67,205	3,18,709	2,66,181	5,84,890	48,496	1,81,056	2,29,552
8	City Bus/Bazar Bus	16-Mar-88	2,39,600	1,06,489	1,64,472	2,70,916	1,33,111	4,13,512	5,46,623
9	Bakery	20-Jul-00	40,000	13,500	14,930	28,430	26,500	35,011	61,511
10	Bakery	13-Dec-02	50,000	14,500	19,000	33,500	35,500	43,392	78,892
11	Bakery	22-Sep-88	1,20,000	0	10,700	10,700	1,20,000	4,68,248	5,88,248
12	Bakery	25-Aug-99	24,000	0	119	119	24,000	7,213	31,213
13	Bakery	22-Aug-88	2,45,000	1,000	0	1,000	2,44,000	9,84,545	12,28,545
14	Bakery	18-Dec-85	25,000	5,552	7,053	12,605	19,448	63,622	83,070
15	Bakery	03-Feb-86	25,000	0	0	0	25,000	89,030	1,14,030
16	Bakery	03-Feb-86	25,000	700	1,000	1,700	24,300	87,063	1,11,363
17	Bakery	05-Mar-86	25,000	2,000	0	2,000	23,000	87,367	1,10,367

18	Bakery	14-Feb-03	50,000	48,118	23,035	71,153	1,882	32,759	34,641
19	High Income Group - I	03-Mar-06	3,00,000	2,44,424	2,21,448	4,65,872	55,576	1,02,042	1,57,618
20	High Income Group - I	03-Mar-06	3,50,000	2,49,182	2,41,523	4,90,705	1,00,808	2,14,032	3,14,850
21	Carpentry	07-Oct-86	1,75,000	22,250	59,750	82,000	1,52,750	6,56,827	8,09,577
22	Carpentry	21-Dec-87	1,75,000	1,100	18,705	19,805	1,73,900	7,16,873	8,90,773
23	BAMBOO	06-May-05	2,80,00,000	0	18,35,890	18,35,890	2,80,00,000	3,92,19,452	6,72,19,452
24	BAMBOO	25-Aug-06	44,50,000	6,12,587	4,97,413	11,10,000	38,37,413	31,44,144	69,81,557
25	BAMBOO	28-Nov-06	15,60,000	1,52,500	1,99,686	3,52,186	14,07,500	11,98,859	26,06,359
26	Seed Money	17-Nov-99	5,00,000	1,36,739	59,261	1,96,000	3,63,261	29,621	3,92,882
27	Seed Money	20-Jan-82	20,000	6,500	0	6,500	13,500	29,259	42,759
28	Seed Money	22-May-81	20,000	0	0	0	20,000	33,049	53,049
29	Seed Money	22-May-81	20,000	0	0	0	20,000	33,049	53,049
30	Seed Money	02-May-94	8,10,000	2,30,279	1,69,721	4,00,000	5,79,721	28,811	6,08,532
31	Seed Money	12-Jul-95	10,00,000	5,02,800	2,39,323	7,42,123	4,97,200	0	4,97,200
32	Seed Money	01-May-97	13,50,000	0	1,58,671	1,58,671	13,50,000	1,50,719	15,00,719
33	Slipper Industry	10-Apr-90	1,15,000	1,15,000	75,009	1,90,009	0	2,90,643	2,90,643
34	Slipper Fabrication	07-Nov-89	73,500	0	371	371	73,500	22,254	95,754
35	Slipper Fabrication	07-Nov-89	3,67,500	2,31,500	23,708	2,55,208	1,36,000	11,43,961	12,79,961
36	Slipper Fabrication	07-Nov-89	67,500	0	0	0	67,500	2,93,147	3,60,647
37	Computerised Embroidery	23-Mar-17	5,00,000	1,35,000	1,35,000	2,70,000	3,65,000	63,370	4,28,370
		TOTAL	**4,13,41,805**	**32,65,321**	**44,96,250**	**77,61,526**	**3,80,76,474**	**5,00,63,408**	**8,81,39,892**

Source: *Analysis of Recovery Position of Loan of ZIDCO*

Interpretation: The above table shows 37 numbers of Non-Performing Assets. The loan or Project becomes Non-Performing Assets after 8 and half years. The maximum amount of loan overdues is Rs. 6.72 Crores from Bamboo loan dated 6th May, 2005 and the minimum amount of loan is Rs. 31,213 from Bakery loan dated 25th August, 1999. The total amount of all the overdues is Rs. 8.81 Crores. Different settlements are implemented by ZIDCO from the loanees. The defaulters, especially Auto-Rickshaws and Buses loans were often seizing their vehicles to realize full recovery. Stern steps are also being taken, such as the selling of mortgaged properties. Efforts are also being made to assist the creditors in disposing of loanees' immovable assets to either the public or the government. For them, the pending loan bills in different departments are often pursued in the departments concerned. Many defaulters are often referred to the court of law to take necessary legal actions. Different Measures have been taken to recover the loan and interest from the loan beneficiaries of ZIDCO. House to house recovery drive twice in a year had been conducted and demand notices were given to loanees and Guarantors on quarterly basis. As many as 1400 loanees were sanctioned without collateral security, it is as such difficult to expect good repayment of loan. A number of Taxis are seized and disposed for recovery. Some cases are also referred to Lok Adalat.

Table-4.17

Performing Assets

SL NO	NAME OF TRADE	SANCTIONED DATE	AMOUNT DISBURSED	RECOVERIES			Recovery Rate
				PRINCIPAL	INTEREST	TOTAL	
1	2	3	4	5	6	7	8
2	Auto Rickshaw	13-Dec-02	75,000	75,000	19,687	94,687	1.26%
3	Auto Rickshaw	13-Jun-01	63,000	63,000	36,853	99,853	1.58%
4	Auto Rickshaw	13-Jun-01	63,000	63,000	37,874	1,00,874	1.60%
5	Auto Rickshaw	13-Jun-01	63,000	63,000	28,354	91,354	1.45%
6	Bakery	14-May-01	50,000	50,000	43,953	93,953	1.88%
7	Bakery	21-Jan-03	80,000	80,000	64,488	1,44,488	1.81%
8	Bakery	10-May-99	42,500	42,500	41,219	83,719	1.97%
9	Bakery	15-Feb-00	73,000	73,000	38,294	1,11,294	1.52%
10	Bakery	17-May-99	42,500	42,500	34,707	77,207	1.82%
11	Bakery	24-Jul-00	1,50,000	1,50,000	1,18,574	2,68,574	1.80%
12	Bakery	07-Aug-01	50,000	50,000	37,376	87,376	1.75%
13	Bakery	12-Nov-85	25,000	25,000	18,967	43,967	1.76%
14	Bakery	09-Dec-85	25,000	25,000	10,900	35,900	1.44%
15	Bakery	18-Feb-86	25,000	25,000	3,740	28,740	1.15%
16	Bakery	13-May-86	25,000	25,000	5,630	30,630	1.26%

17	Bakery	28-Jun-01	80,000	80,000	83,887	1,63,887	2.05%
18	Car Parking	29-Sep-05	84,71,000	84,71,000	1,15,84,260	2,00,55,260	2.34%
19	Car Parking	05-Dec-05	93,73,000	93,73,000	66,84,858	1,60,57,858	1.71%
20	Car Parking	05-Dec-05	98,56,000	98,56,000	1,12,29,742	2,10,85,742	2.14%
21	High Income Group – I	21-Feb-06	2,50,000	2,50,000	1,63,940	4,13,940	1.66%
22	High Income Group – I	07-Mar-06	3,00,000	3,00,000	1,06,614	4,06,614	1.36%
23	High Income Group – I	03-Mar-06	2,00,000	2,00,000	71,855	2,71,885	1.34%
24	High Income Group – I	16-Mar-06	3,00,000	3,00,000	2,33,515	5,33,515	1.78%
25	High Income Group – I	13-Mar-06	3,00,000	3,00,000	1,58,469	4,58,469	1.53%
26	Carpentry	03-Mar-88	3,50,000	3,50,000	25,122	3,75,122	1.07%
27	Carpentry	07-Mar-88	2,00,000	2,00,000	12,500	2,12,500	1.06%
28	Carpentry	04-Apr-90	2,00,000	2,00,000	0	2,00,000	1.0%
29	Seed Money	03-Feb-81	20,000	20,000	12,088	32,088	1.60%
30	Seed Money	21-Jan-82	20,000	20,000	27,016	47,016	2.35%
31	JNV School	11-Aug-16	70,00,000	70,00,000	7,12,017	77,12,017	1.10%
		TOTAL	**3,77,72,000**	**3,77,72,000**	**3,16,46,499**	**6,94,18,529**	**1.84%**

Source: *ZIDCO Status Report 2020*

Interpretation: The above table shows 31 numbers of Performing Assets who pays their loans regularly. The maximum Recovery Rate is 2.35% on Seed Money dated 21st January, 1982 followed by 2.34% on Car Parking dated 29th September, 2005. The minimum Recovery Rate is 1.0% on Carpentry dated 4th April, 1990. The total Recovery Rate of Performing Assets is 1.84%. Out of 68 numbers of assets under recovery, 37 numbers are from non-performing assets and 31 numbers are performing assets.

4.5 Analysis of qualitative aspects of performance of ZIDCO:

Personal interview with Mr. R. Lalsangzuala who joined as the General Manager of ZIDCO with effect from 6th August, 2019 were carried forward on 22nd March, 2021 at 11:30 am regarding the qualitative aspects of performance of Zoram Industrial Development Corporation Limited (ZIDCO).

1. In which sectors ZIDCO is investing?

   Ans: The main function of ZIDCO was giving loans to entrepreneurs for different industrial units. We are giving about 3000 loanees for running and setting up of Industrial Loan, Housing Loan and for operating different kinds of vehicle. Besides that, we are doing construction work at Integrated Industrial Development Center (IIDC) at Pukpui, Lunglei and Zote, Champhai with a project cost of around 5 Crores. And now we are doing a construction work of Jawahar Navodaya Vidyalaya (JNV) School at Siaha with a project cost of 28 Crores besides that we are doing Rice supply for the whole of Mizoram. Lastly, there is Industrial Growth Center at Luangmual under the supervision of ZIDCO they are running Garment making units, three units are there with 100 numbers of modern stitching machines and that is the main investment done by Zoram Industrial Development Corporation Limited (ZIDCO).

2. What are the factors responsible for making profit by ZIDCO for last few years?

   Ans: Actually, we are losing corporation but the Government of India has given us Grant-in-Aid (GIA) with effect from 2010 onwards. Before that we did not received any share capital contribution from the Government for more than 10 years that is the reason, we could hardly manage ourselves for salary and for administrative expenses so in reality we are not making any profit.

3. What are the major sources of Profit of ZIDCO? We have found out that when conducting a ratio analysis from the Audit Report of ZIDCO you have gain some profits but you have mention that ZIDCO did not make any profits. Can you explain such kinds of profits?

   Ans: Yes, in our Balance Sheet we have shown some profits for the last five years. So, the main thing here is our Balance Sheet, the liabilities are not taken into account because our money is actually in the hands of the public. And we are still having some profit from our projects and from selling liquor in the past years.

4. What are the major sources of Loss of ZIDCO?

Ans: The main reason is non-recovery of loans. The recovery rate of loan is unfavourable which is less than 5%. And another thing is that we have not receive share capital contribution from the Government of Mizoram. Majority of our loan is a non-performing asset.

5. Are you taking any kind of collateral security for loan?

Ans: Below Rs. 50,000 and for this operating vehicle loan we do not insist any kind of collateral security. Above Rs 50,000 we take collateral security in the form of Land Settlement Certificate i.e., land & building.

6. Are you going for redemption of collateral security if any loan becomes Non-Performing Assets (NPA)?

Ans: Yes, we have disposed of so many Land Settlement Certificate (LSC) i.e., land & building for those who do not repay their loans. More than 100 land & building have been sold out to the public.

7. What are the criteria to be selected for receiving funds from ZIDCO by the entrepreneurs?

Ans: Firstly, they have to clearly know their proposal for industrial units. We are having screening committee that means whenever they apply for the loan they appeared before the screening committee in which they are questioning about their proposed project and after that we are having in-depth study especially management appraisal and financial appraisal so if they gone through that they are selected.

8. Who are those people who are eligible for Industrial loans from ZIDCO? Ans: For Housing loan they must be a government servant people only and forother loans they should not be a government servant.

9. What are the different categories of loan?

Ans: We have 10 different kinds of loan such as follow: -

i) Mahila Udyam Nidhi
ii) Single Window Scheme
iii) Working Capital Loan
iv) Composite Loan
v) Ex-Servicemen Loan
vi) Industrial Loan
vii) Small Road Transport Operator (SRTO)
viii) Bamboo Loan
ix) Housing Loan
x) Ginger Loan

10. Is there any verification being carried forward regarding implementing their projects?

Ans: Yes, we used to disburse in three installments so at every installment we conducted spot verifications and working progress to verified whether there is mis-appropriation of funds and if we are satisfied then the other installments are disbursed accordingly.

11. What steps were taken when a loan become NPA (Non-Performing Assets)?

Ans: One important thing is those NPA are referred to Lok Adalat which helps us to recovered some amount. And also, disposal of mortgaged Land Settlement Certificate (LSC) and then we are engaging most of our staff in recovery drive every month or quarterly basis as convenience. So, they are still pursuing those NPA loans.

12. How many months/installments becomes due to declare a loan become NPA?

Ans: We take is as Non-Performing Assets after their payment period is over. The payment period is at the maximum of 8 and half years.

13. What is the reason that a project or loan become NPA?

Ans: It is the attitude of the loanees. Most of our loanees are well established but they have no intention to repay the loan that is the main problem.

14. What steps you are taking for improving the performance of ZIDCO?

Ans: We are not very much interested now in giving loans. So now we are thinking about turning ZIDCO sanction towards constructions that is the reason we are planning to change our name from Zoram Industrial Development Corporation Limited to Zoram Infrastructure and Industrial Development Corporation Limited.

15. Who are the competitors of ZIDCO?

Ans: Different banks are the competitors.

16. How you are taking competition?

Ans: We are giving a low rate of interest. The lowest rate of interest is 7% only and that is our advantage.

17. What is your market share compare to your competitors?

Ans: Previously, our market share is quite high, we are having major portion of the market like more than 50%. Especially regarding this SRTO loan almost all the buses, taxis and auto-rickshaw took loans from ZIDCO. But now the Financial Institutions have stopped giving further loans to ZIDCO and the market share is decreasing.

18. As I was going through your financial report, I observe that ZIDCO is maintaining huge cash. What are the reasons that there are lots of un-used cash i.e., Cash and Cash Equivalents in 2019-20 Financial Year?

Ans: Yes, that is correct. One important thing is now we are having huge overused with Housing and Urban Development Corporation Limited (HUDCO) so they are going to debt recovery tribunal and today itself is the hearing date i.e., 22nd March, 2021. We have maintained separated account where all the repayments are kept or deposited which are received from the loanees. As we are asking for one-time settlement, their recovery is accumulated.

19. Are there any future plans for the better performance of ZIDCO? Please explain.

Ans: As I have mention earlier, we are turning towards infrastructure development works so we are proposing different projects under central government ministries but due to Covid-19 situation it cannot be done quick enough.

20. When ZIDCO will be a debt free company? Is there any plan of action? Please explain.

Ans: Yes, that is very important for us. I cannot tell when ZIDCO will be a debt free Company but certain actions are being carried forward. We are getting refinance from National Minorities Development and Financing Corporation (NMDFC), New Delhi and Housing and Urban Development Corporation Limited (HUDCO), Kohima in which we are having overused. So, this refinance is avail by ZIDCO under the guarantor of Government of Mizoram. So, we are wholly depending upon the Government of Mizoram and they are taking action to liquidated that overused.

21. Is there any other business plan by ZIDCO for improvement of its financial performance?

Ans: Yes, we have taken so many economic measures to reduce our administrative expenditure. As I have mention earlier, we are turning to infrastructure development works and now Grade A empanel firm under the Government of Mizoram so we will be taking different project in which we can improve our financial performance. Also, recovery drive is still carried forward.

Interpretation: ZIDCO received Share Capital contributions from IDBI and Government of Mizoram till 1992 and 2000 respectively and did not received any further share capital contributions. ZIDCO were a losing company for a period of more than 10 years i.e., (2004-2014). And now turn around at least from loss making to operating profit-making company. ZIDCO was making profit for the last 5 years i.e., 2015-16 to 2019-20 financial year. It is clear that ZIDCO is investing mostly in the manufacturing, constructions and service sectors. And also, ZIDCO investment is done by giving loans to entrepreneurs, it was found out that ZIDCO is a losing company but Grant-in-Aid (GIA) were received from the Government of India for salary and for administrative expenses. ZIDCO did not take their liabilities into account and is still having profits from their project works and from the selling of liquor in the past years i.e., (2015-2018). They also suffered huge losses due to insufficient repayment of loan and they do not receive share capital contribution from the Government of Mizoram. Majority of the loans are non-performing assets. ZIDCO did not take any collateral security below the loan of Rs. 50,000\- and for the operating vehicle loans. Collateral security is taken only above Rs. 50,000\- loans in the form of Land Settlement Certificate. If any loan becomes non-performing assets ZIDCO have taken measures in disposing their Land Settlement Certificate (LSC) and more than 100 Land & Building have already been sold out to the public. In order to be selected for receiving funds from ZIDCO the entrepreneurs have to clearly knew about their proposal feasibility for industrial units. Entrepreneurs have to pass through the screening committee in which they are questioning about their proposed projects. The screening committee will be having an in-depth study of the proposed project regarding management appraisal and financial appraisal. Government servant people can avail Housing loan from ZIDCO and all the other loans can be avail by non-government servant people only. It is stated that ZIDCO has given out 10 different kinds of loans i.e., Mahila Udyam Nidhi, Single Window Scheme, Working Capital Loan, Composite Loan, Ex-Servicemen Loan, Industrial Loan, Small Road Transport Operator (SRTO), Bamboo Loan, Housing Loan, Ginger Loan. Verification regarding implementation of the entrepreneur's projects is conducted by spot verifications and working progress to verified whether there is mis-appropriation of funds before every installment are disbursed and if satisfied then the other installments are disbursed accordingly. It was found out that when a loan becomes non-performing assets, they are referred to Lok Adalat for loan recovery. And also, disposal of mortgaged Land

Settlement Certificate (LSC) is carried forward and recovery drive are also conducted every month or quarterly basis. Loan becomes non-performing assets at the end of their payment period. The payment period is at the maximum of 8 and half years. The project or loan becomes non-performing assets base on the attitude of the loanees. It is also found out that most of the loanees are well established but they have no intention to repay the loan which is the main problem. ZIDCO is not very much interested in giving loans due to insufficient repayment of loans. They intended on turning ZIDCO sanction towards constructions for improving their performance and also planned to change their names i.e., Zoram Industrial Development Corporation Limited to Zoram Infrastructure and Industrial Development Corporation Limited. It was found out that different kinds of banks are their competitors and ZIDCO have more advantage than their competitors by giving low rate of interest which is 7% only. ZIDCO owned major portion of the market share in the last few years. As financial institutions were not providing any further loans to ZIDCO, market share of ZIDCO is decreasing. ZIDCO is maintaining huge cash in the last previous years i.e., 2019-20 financial year due to the maintenance of separated account for all the repayments made by the loanees which increases the un-used cash i.e., cash and cash equivalents of ZIDCO. ZIDCO is turning towards infrastructure development works in which they are proposing different projects under the central government ministries but pending due to the Covid-19 pandemic situation. There is an unclear future to when ZIDCO will be a debt free Company. ZIDCO is depending on the Government of Mizoram to liquidated their loans from National Minorities Development and Financing Corporation (NMDFC), New Delhi and Housing and Urban Development Corporation Limited (HUDCO), Kohima in order to get refinance from them. Lastly, ZIDCO have taken measures to reduce their administrative expenses and also, they are turning towards infrastructure development works in which they will taking different projects to improve its financial performance.

4.6 Testing of Hypotheses:

In this study there were two hypotheses i.e.,

1) H_1: There is a significant relationship in Profitability and Efficiency Ratio of ZIDCO

   H_0 There is no significant relationship in Profitability and Efficiency Ratio of ZIDCO

Table-4.18

Simple regression results of Profitability to Efficiency ratio

Regression Statistics	
R Square	0.003
Adjusted R Square	-0.329
Standard Error	42.654
Observations	5.000

Source: *SPSS Output*

Table 4.18 Represents simple regressions results of gross profit to efficiency ratio and as can be seen from the Table 4.18, R Square or coefficient of determination is only 0.003 which indicates Profitability and Efficiency ratio have no relationship.

Table-4.19

One-way ANOVA test for variables.

	df	***SS***	***MS***	***F***	***Significance F***
Regression	1	17.187	17.187	0.009	0.929
Residual	3	5458.177	1819.392		
Total	4	5475.364			

Source: *SPSS Output*

Table 4.19 shows One-way ANOVA test for Profitability and Efficiency Ratio and as can be seen from the table 4.19 significance F value is 0.929 which is higher than the accepted p-value (< 0.05). This indicates that there is no significant relationship between Profitability and Efficiency Ratio of ZIDCO. So, the efficiency ratio does not provide any relationship to profitability ratio of ZIDCO in the study period.

Table-4.20

Regression analysis of financial performance

	Coefficients	***Standard Error***	***t Stat***	***P-value***
Intercept	31.645	41.490	0.763	0.501
Profitability	0.163	1.681	0.097	0.929

Source: *SPSS Output*

Interpretation: From the above table 4.20, it can be shown that P-value are higher than 0.05 common alpha level, indicating not statistically significant p-value. Using simple regression analysis p-value i.e., (< 0.05) means the hypothesis can be rejected. There is no significant relationship between profitability and efficiency ratio as the p-value is 0.929 which is higher than the accepted p-value (< 0.05) so, we accept the null hypotheses. Which implies that efficiency ratio does not provide any relationship to profitability ratio of ZIDCO in the study period.

2) H_2: There is a significant relationship in Profitability and Liquidity Ratio of ZIDCO

   H_0 There is no significant relationship in Profitability and Liquidity Ratio of ZIDCO

Table-4.21

Simple regression results of Profitability to Liquidity ratio

Regression Statistics	
R Square	0.21
Adjusted R Square	-0.57
Standard Error	46.44
Observations	5

Source: *SPSS Output*

Table 4.21 Represents simple regressions results of Profit to liquidity ratio and as can be seen from the Table 4.21, R Square or coefficient of determination is only 0.21 which indicates Profitability and Liquidity ratio have no relationship.

Table-4.22

One-way ANOVA test for variables

	df	***SS***	***MS***	***F***	***Significance F***
Regression	2	1160.507	580.253	0.268	0.788
Residual	2	4314.855	2157.427		
Total	4	5475.363			

Source: *SPSS Output*

Table 4.22 shows One-way ANOVA test for Profitability and Liquidity Ratio and as can be seen from the table 4.22 significance F value is 0.788 which is higher than the accepted p-value (< 0.05). This indicates that there is no significant relationship between Profitability and Liquidity Ratio of ZIDCO. So, the liquidity ratio does not provide any relationship to profitability ratio of ZIDCO in the study period.

Table-4.23

Regression analysis of financial performance

	Coefficients	***Standard Error***	***t Stat***	***P-value***
Intercept	43.548	46.761	0.931	0.450
Profitability	335.489	491.731	0.682	0.565

Source: *SPSS Output*

Interpretation: From the above table 4.23, it can be shown that P-value are higher than 0.05 common alpha level, indicating not statistically significant p-value. Using simple regression analysis p-value i.e., (< 0.05) means the hypothesis can be rejected. There is no significant relationship between profitability and liquidity ratio as the p-value is 0.565 which is higher than the accepted p-value i.e., (< 0.05) so, we accept the null hypotheses. Which implies that liquidity ratio does not provide any relationship to profitability ratio of ZIDCO in the study period.

Chapter-5

Findings, Conclusions and Suggestions

5.1 Major Findings:

Following is some of the observations that were discovered after the data was analyzed:

1. Gross Profit Ratio has consistently showing positive for the last five years and has continuously showing an upward trend and it is increasing more and more from 2017-18, 2018-19 and 2019-20 with percentage of 5.89%, 14.29% and 41.34% respectively. From the analysis it is clear that ZIDCO has a sufficient gross profit to cover the operating expenses.

2. Operating Ratio has continuously showing an upward trend from 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 with percentage of 24.59%, 154.21%, 148.92%, 151.24% and 293.41% respectively. From the above analysis it is clear that profit margin will be higher on Revenue from Operations.

3. Operating Profit Ratio were in a positive position five years earlier and it has consistently showing negative efforts from 2016-17, 2017-18, 2018-19 and 2019-20 with percentage of -54.21%, -48.92%, -54.24% and -193.41%respectively. From the analysis it is clear that ZIDCO has flaws and poor resource management and also indicates that the profit produced from operations is inadequate in relation to total revenue generated from sales.

4. Net Profit Ratio has increased from 10.13% to 19.82% in 2015-16 and 2016-17 which is fair for the company but decreased in the year 2017-18 and 2018-29 i.e., 5.67% and 8.5% and is at its lowest point over the last five years by 0.79% in 2019-20 which is an indication for the company to improve its performance.

5. Return on Investment increased from 5.87% to 8.22%, in 2015-16 and 2016-17 which is favourable for the company but decreased in the year 2017-18 i.e., 2.29% and increased in 2018-19 by 2.54% and again decrease and is at its lowest point over the last five years i.e., 0.07% in 2019-20 which is an indication for the company that capital employed is not effectively used and is an indication for improvement in its performance.

6. Current Ratio were below the standard condition i.e., 2:1 in 2015-16 and 2016-17 with percentage of 1.50% and 1.50% respectively and it has consistently showing positive efforts for the last three years in 2017-18, 2018-19 and 2019-20 with percentage of 2% each. It shows a good financial position of ZIDCO.

7. Quick Ratio were above the standard condition i.e., 1:1 and it has consistently showing an upward trend and increased more and more for the last five years i.e., 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 with percentage of 3.36 %, 3.44%, 3.62% and 3.86% and decreased at its lowest point over the years in 2019-20 i.e., 0.03%. It shows ZIDCO's good liquidity position over the last five years but needs improvement for the future.

8. Debt Equity Ratio do not exceed the standard condition i.e., 2:1 and it has consistently showing positive efforts for the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 with percentage of 0.15 percent, 0.18 percent 0.11 percent, 0.07 percent, and 0.07 percent, respectively. From the analysis it is clear that, the assets are higher than the value of the liabilities.

9. Total Assets to Debt Ratio stays on the standard condition i.e., 1:1 and 2:1 and it has consistently showing positive efforts for the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 with percentage of 1.5 percent, 1.5 percent 2 percent, 2 percent, and 2 percent, respectively. From the analysis it is clear that, ZIDCO financial positions is in a safety margin and also shows that the long-term debts will be secured by the assets.

10. Proprietary Ratio decreased from 3.63% to 2.96% in 2015-16 and 2016-17and has consistently showing an upward trend and increased more and more from 2017-18, 2018-19, and 2019-20 with percentage of 4.78 percent, 6.66 percent, and 6.72 percent, respectively and ZIDCO has consistently showing positive efforts. From the above analysis it is clear that ZIDCO has sound financial status.

11. Inventory Turnover Ratio were declining from 27.82 times in 2017-18 to 19.33 times in 2018-19 respectively and zero inventory turnover in 2019-20

and it has consistently showing negative efforts for the last five years. From the analysis it is clear that inventories are not efficiently used and ZIDCO has to improved its inventory management.

12. Trade Receivables Turnover Ratio increased from 13.30 times to 20.76 times in 2015-16 and 2016-17. And also shows zero trade receivable turnover ratio in 2017-18 financial year. It has increased in 2018-19 by 21.92 times and later decreased by 6.80 times in 2019-20. From the analysis it is clear that ZIDCO has to improved its trade receivables turnover.

13. Working Capital Turnover Ratio were consistently declining for the years i.e., 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 i.e., 0.74 times, 0.56 times, 0.52 times, 0.37 times and 0.12 times respectively. From the analysis it shows under-utilization of Working Capital and it is clear that the used of working capital needs to be improved.

14. Five years earlier Return on Equity it is in a negative position i.e., -122.68% in 2015-16 and it has consistently showing positive efforts for the last four years i.e., 214.74%, 37.22%, 29.77% and 0.11% respectively. As the percentage decreased from 2017-18 to 2019-20 it is clear that is has to improve the utilization of shareholder funds more effectively.

15. For the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20. The Recovery Rate was 1.82%, 1.95%, 2.04%, 1.74% and 2.30% respectively. The Recovery Rate is maximum 2.30% in 2019-20 financial year followed by 2.04% in 2017-18 financial year. The minimum Recovery Rate is 1.74% in 2018-19 financial year. The total recovery rate of loan for the last five years is 1.89%. The recovery rate is increasing and is at its highest rate in 2019-20 financial year which shows that ZIDCO recovery position of loan is effective and efficient.

16. There are 37 numbers of Non-Performing Assets. The loan or Project becomes Non-Performing Assets after 8 and half years. The maximum amount of loan overdues is Rs. 6.72 Crores from Bamboo loan dated 6th May, 2005 and the

minimum amount of loan is Rs. 31,213 from Bakery loan dated 25th August, 1999. The total amount of all the overdues is Rs. 8.81 Crores.

17. There are 31 numbers of Performing Assets who pays their loans regularly. The maximum Recovery Rate is 2.35% on Seed Money dated 21st January, 1982 followed by 2.34% on Car Parking dated 29th September, 2005. The minimum Recovery Rate is 1.0% on Carpentry dated 4th April, 1990. The total Recovery Rate of Performing Assets is 1.84%. Out of 68 numbers of assets under recovery, 37 numbers are from non-performing assets and 31 numbers are performing assets.

18. It is clear that ZIDCO is investing mostly in the manufacturing, constructions and service sectors. And also, investment is done by giving loans to entrepreneurs.

19. ZIDCO is a losing company but Grant-in-Aid (GIA) were received from the Government of India for salary and for administrative expenses.

20. ZIDCO did not take their liabilities into account and is still having profits from their project works and from the selling of liquor in the past years.

21. ZIDCO suffered huge losses due to insufficient repayment of loan and they do not receive share capital contribution from the Government of Mizoram. Majority of the loans are non-performing assets.

22. ZIDCO did not take any collateral security below the loan of Rs. 50,000\- and for the operating vehicle loans. Collateral security is taken only above Rs. 50,000\- loans in the form of Land Settlement Certificate.

23. If any loan becomes non-performing assets ZIDCO have taken measures in disposing their Land Settlement Certificate (LSC). We have also found out that more than 100 Land & Building have been sold out to the public.

24. In order to be selected for receiving funds from ZIDCO the entrepreneurs have to clearly knew about their proposal feasibility for industrial units. Entrepreneurs have to pass through the screening committee in which they are questioning about their proposed projects. The screening committee will be having an in-depth study of the proposed project regarding management appraisal and financial appraisal.

25. Government servant people can avail Housing loan from ZIDCO and all the other loans can be avail by non-government servant people only.

26. ZIDCO has given out 10 different kinds of loans i.e., Mahila Udyam Nidhi, Single Window Scheme, Working Capital Loan, Composite Loan, Ex-Servicemen Loan, Industrial Loan, Small Road Transport Operator (SRTO), Bamboo Loan, Housing Loan, Ginger Loan.

27. Verification regarding implementation of the entrepreneur's projects is conducted by spot verifications and working progress to verified whether there is mis-appropriation of funds before every installment are disbursed and if satisfied then the other installments are disbursed accordingly.

28. When a loan becomes non-performing assets, they are referred to Lok Adalat for loan recovery. And also, disposal of mortgaged Land Settlement Certificate (LSC) is carried forward and recovery drive are also conducted every month or quarterly basis.

29. Loan becomes non-performing assets at the end of their payment period. The payment period is at the maximum of 8 and half years.

30. The project or loan becomes non-performing assets base on the attitude of the loanees. It is also found out that most of the loanees are well established but they have no intention to repay the loan which is the main problem.

31. ZIDCO is not very much interested in giving loans due to insufficient repayment of loans. They intended on turning ZIDCO sanction towards constructions for improving their performance and also planned to change their names i.e., Zoram Industrial Development Corporation Limited to Zoram Infrastructure and Industrial Development Corporation Limited.

32. Different kinds of banks are ZIDCO competitors.

33. ZIDCO have more advantage than their competitors by giving low rate of interest which is 7% only.

34. ZIDCO is having major portion of the market share in the last few years. As financial institutions were not providing any further loans to ZIDCO, market share of ZIDCO is decreasing.

35. ZIDCO is maintaining huge cash in the last previous years i.e., 2019-20 financial year due to the maintenance of separated account for all the repayments made by the loanees which increases the un-used cash i.e., cash and cash equivalents of ZIDCO.

36. ZIDCO is turning towards infrastructure development works in which they are proposing different projects under the central government ministries but pending due to the Covid-19 pandemic situation.

37. It was found out that there is an unclear future to when ZIDCO will be a debt free Company. ZIDCO is depending on the Government of Mizoram to liquidated their loans from National Minorities Development and Financing Corporation (NMDFC), New Delhi and Housing and Urban Development Corporation Limited (HUDCO), Kohima in order to get refinance from them.

38. ZIDCO have taken measures to reduce their administrative expenses and also, they are turning towards infrastructure development works in which they will be taking different projects to improve its financial performance.

5.2 Conclusions:

The key objectives of the study were to find out the financial performance of Zoram Industrial Development Corporation Limited (ZIDCO) for the last five years starting from 2015-16 to 2019-20 financial year. This research gathered insightful information on the level of their financial performance of ZIDCO from the last available Audited Financial Report from 2015-16 to 2019-20 regarding their Ratio Analysis which shows their Profitability and Efficiency Ratios, Liquidity Ratio and Solvency Ratios. The recovery process of loan is studied with performing and non-performing assets and lastly, interview is carried forward with the General Manager of ZIDCO regarding qualitative aspects of performance of ZIDCO.

From the study we have found out that profitability ratios show positive result and liquidity ratios shows a good financial position of ZIDCO. Solvency ratios also indicates financial positions is in a safety margin and also shows that the long-term debts will be secured by the assets. Activity ratios show that ZIDCO has to improved its inventory management, trade receivables turnover and the used of its working capital. It is also found out that Return on equity has to improve the utilization of shareholder funds more effectively. Loan recovery rate is increasing and is at its highest rate in 2019-20 financial year which shows that ZIDCO recovery position of loan is effective and efficient.

5.3 Suggestions:

Based on the conclusions arrived from the analysis of financial performance of Zoram Industrial Development Corporation Limited (ZIDCO), the following suitable suggestions are offered to improve the situation, the following suggestions are given.

5.3.1 Raising of Capital

From the Interview with General manager, it was found that ZIDCO were facing a financial problem (New Capital infusion) for many years and also the organization was making losses for a period of more than 10 years i.e., (2004-2014) ZIDCO was making profit for the last 5 years i.e., 2015-16 to 2019-20 financial year. So, ZIDCO will be able to raise capital by enlisting in stock markets such as Calcutta Stock Exchange (CSE), National Stock Exchange of India Ltd (NSE), Bombay Stock Exchange Ltd (BSE), etc. This will help the company to mitigate its capital related problem and enhanced capital will lead to more business and profit.

5.3.2 Financing Mechanism

An entrepreneur pursuing financing facilities is still faced with difficulties in securing bank financing even after being chosen by the selection committee. The selection procedures should be updated in order to ensure simple funding of approved schemes. For the past five years, Zoram Industrial Development Corporation Limited (ZIDCO) has been profitable, but it continues to face challenges due to flaws in financial management, project planning, implementation, operations management, and monitoring which shows that it requires serious focus at this point of level in order to avoid future losses. ZIDCO may generate new funds by listing in stock exchanges or finding new investors to increase its capital.

5.3.3 Monitoring Mechanism

There is no proper control process in the current framework. Also, there is no regular proper monitoring mechanism regarding implementation of the entrepreneur's projects. It is therefore proposed that there should be a proper monitoring system to provide a practical image of jobs, functional units and accurate information to resolve grassroots realities.

5.3.4 Convergence with other line departments

ZIDCO's key objectives are to support, advise, assist, finance, protect and promote the interests of Industries in the state of Mizoram. In the meantime, different government agencies have come up with the same inspiration and vision of encouraging people to start up new businesses. So, information sharing with other similar institutions is required. The ZIDCO projects would be more competitive and would have major impacts if these schemes converged with the authority of ZIDCO.

5.3.5 Policy restructuring

ZIDCO's needs to take constructive and effective measures to encourage entrepreneurship in the state. Also, Zoram Industrial Development Corporation Limited (ZIDCO) should restructure its financial management policy. ZIDCO had not implemented a proper financial planning system, nor had it produced a business plan or resource forecasting for debt repayment using borrowed funds from financial institutions.

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ANNEXURE-1

To analyze the financial performance of ZIDCO different types of ratio analysis formulae were adopted to identified the financial performance of ZIDCO such as Profitability Ratio consisting of Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio, Return on Investment, Liquidity Ratio consisting of Current Ratio or Working Capital Ratio, Quick Ratio or Acid Test Ratio, Solvency Ratio consisting of Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio, Activity Ratio consisting of Inventory Turnover Ratio, Trade Receivables Turnover Ratio and Working Capital Turnover Ratio and Return on Equity Ratio.

FORMULA USED IN THE THESIS: -

A) PROFITABILITY RATIOS:

1) Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Net Sales/ Revenue from Operations}} \times 100$

2) Operating Ratio =

$$\frac{\text{Cost of Revenue from Operations + Operating Expenses – Operating Income}}{\text{Revenue from Operations}} \times 100$$

3) Operating Profit Ratio = $\frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$

4) Net Profit Ratio = $\frac{\text{Net Profit after tax}}{\text{Revenue from Operations}} \times 100$

5) Return on Investment = $\frac{\text{Net Profit before Interest, tax and dividends}}{\text{Capital Employed}} \times 100$

B) LIQUIDITY RATIOS:

1) Current Ratio $= \dfrac{\text{Current Assets}}{\text{Current Liabilities}} \times 100$

2) Quick Ratio $= \dfrac{\text{Liquid Assets}}{\text{Current Liabilities}} \times 100$

C) SOLVENCY RATIOS:

1) Debt Equity Ratio $= \dfrac{\text{Long Term Debts} \quad \times 100}{\text{Shareholder's Funds}}$

2) Total Assets to Debt Ratio $= \dfrac{\text{Total Assets}}{\text{Long Term Debts}} \times 100$

1) Proprietary Ratio $= \dfrac{\text{Shareholder's Funds}}{\text{Total Assets}} \times 100$

D) ACTIVITY RATIOS:

1) Inventory Turnover Ratio $= \dfrac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$

2) Trade Receivables Turnover Ratio $= \dfrac{\text{Revenue from Operations}}{\text{Average Trade Receivables}}$

3) Working Capital Turnover Ratio $= \dfrac{\text{Revenue from Operations}}{\text{Working Capital}}$

E) RETURN ON EQUITY RATIO

Return on Equity $= \dfrac{\text{Net Income}}{\text{Shareholder's Equity}} \times 100$

ANNEXURE-2

QUESTIONNAIRE FOR STRUCTURE INTERVIEW

Personal interview with Mr. R. Lalsangzuala who joined as the General Manager of ZIDCO with effect from 6th August, 2019 were carried forward on 22nd March, 2021 at 11:30 am regarding the qualitative aspects of performance of Zoram Industrial Development Corporation Limited (ZIDCO).

1. Joining date as a General Manager of ZIDCO?
2. Investment done by ZIDCO?
3. In which sectors ZIDCO is investing?
4. What are the factors responsible for making profit by ZIDCO for last few years?
5. What are the major sources of Profit of ZIDCO? We have found out that when conducting a ratio analysis from the Audit Report of ZIDCO you have gain some profits but you have mention that ZIDCO did not make any profits. Can you explain the such kinds of profits?
6. What are the major sources of Loss of ZIDCO?
7. Are you taking any kind of collateral security for loan?
8. Are you going for redemption of collateral security if any loan becomes Non-Performing Assets (NPA)?
9. What are the criteria to be selected for receiving funds from ZIDCO by the entrepreneurs?
10. Who are those people who are eligible for Industrial loans from ZIDCO?
11. What are the different categories of loan?
12. Is there any verification being carried forward regarding implementing their projects?
13. What steps were taken when a loan become NPA (Non-Performing Assets)?
14. How many months/installments become due to declare a loan become NPA?
15. What is the reason that a project or loan become NPA?
16. What steps you are taking for improving the performance of ZIDCO?
17. Who are the competitors of ZIDCO?

18. How you are talking competition?
19. What is your market share compare to your competitors?
20. As I was going through your financial report, I observe ZIDCO is maintain huge cash. What are the reasons that there are lots of un-used cash i.e., Cash and Cash Equivalents in 2019-2020 Financial Year?
21. Are there any future plans for the better performance of ZIDCO? Please explain.
22. When ZIDCO will be a debt free company? Is there any plan of action? Please explain.
23. Is there any other business plan by ZIDCO for improvement of its financial performance?

Thank you

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RAJIV GANDHI NATIONAL INSTITUTE OF YOUTH DEVELOPMENT SPONSORED NATIONAL SEMINAR

on

LOCAL GOVERNANCE & MANAGEMENT IN NORTHEAST INDIA

14th-15th January, 2021

Certificate of Participation

This is to certify that Mr./Ms./Mrs./Dr./Prof. *K. LALRAMNGHAKA* of *Department of Management, Mizoram University* has participated in the National Seminar on Local Governance & Management in Northeast India organised by **Department of Management, Mizoram University** sponsored by **Rajiv Gandhi National Institute of Youth Development** from 14th January, 2021 to 15th January, 2021 at Department of Management, Mizoram University.

He/ She presented a paper entitled : *Role of Zoram Industrial Development Corporation Limited (ZIDCO) for Creating Employment Opportunities: A Study*.

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on

Innovation and Recent Trends of Entrepreneurship in Current Scenario

Organized by

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Certificate of Participation

This is to certify that Prof. / Dr. / Mr. / Ms. **Mr. K. Lalramnghaka**

Research Scholar *has participated in 5th International Seminar (Webinar) on "Innovation and Recent Trends of Entrepreneurship in Current Scenario" held on 12th & 13th August, 2020 at The ICFAI University Tripura and presented a paper titled*

Family based businesses in Aizawl: A study of entrepreneurship development

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FINANCIAL PERFORMANCE OF GOVERNMENT OWNED ENTERPRISE: A CASE STUDY OF ZORAM INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (ZIDCO)

K. Lalramnghaka and Dr Bidhu Kanti Das***

ABSTRACT

ZIDCO's activities are aimed at supporting, funding, securing and promoting the interests of Mizoram Industries and engaging in the procurement and distribution of raw materials to business enterprises, facilitating licensing, establishing export and marketing facilities, acquiring and developing plans for the growth of industries financed by ZIDCO, power supply and water supply, and co-organizing activities.There is an industrial problems in ZIDCO in terms of financial assistance and repayment of loans from the borrowers. The proposed study of Financial Performance of Government Owned Enterprise: A Case Study of Zoram Industrial Development Corporation Limited (ZIDCO) seeks to gather insightful information on the level of their financial performance of ZIDCO from the last available Audited Financial Report i.e 2018-2019. This research paper would not only shed light on the level of their financial issues but would also help to improved their functions and performance in the future. The proposed study will be conducted within ZIDCO Office in Mizoram. Its attempt is to study the financial performance of ZIDCO for the improvement of companies' financial performance and the study will be helpful for industries and entrepreneurship programme in Mizoram. For the proposed study secondary will be collected. Secondary data will be collected from the Audited financial report, Balance Sheet annual handbook of ZIDCO from the last available Audited Financial Report i.e. *2018-2019.*

Keywords: Financial Performance, Business Ventures, Audited Financial Report, Partnership, Coordinate, Enterprise, Balance Sheet, Annual Handbook, Financial Year.

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INTRODUCTION

The word "performance" is derived from the word "parfourmen," meaning 'to do' or 'to make'. (Tripathi, 1991) This applies to the act of execution, accomplishment, satisfaction, etc. Output, in the context of the border, refers to the accomplishment of a given mission calculated against preset levels of precision, completeness, price, and rate. It refers, in other words, to the degree to which an achievement is being or has been achieve. (Tripathi, 1991). Performance is used to mean increased attempts to efficiently and consistently meet the goals. Objective attainment involves the integrated used of human, financial and natural resources. (Robert Alban,1978)

By correctly describing the relationship between the balance sheet items and the record of gains and losses, the financial performance analysis identifies the financial strengths and weaknesses of the company. The first task is to choose the specifics for the decision under review from the complete information in the financial statements. The second is to organize the data to explain critical relationships.(Trivedi,2010)

Financial performance is a quantitative measure of how efficiently an enterprise can derive assets from its primary business mode to generate revenue. The word also serves as a general predictor of a corporation's overall financial health within a given timeframe. Analysts and investors used the financial statements to compare related firms in the same industry or to measure industries or sectors. The financial output determines how effectively a company produces income and handles its assets, liabilities, and stakeholder financial interests. It is also a company's level of success for a given period of time, measured in terms of net gains and loss during that time. Assessing the financial performance of businesses helps decision-makers to evaluate the outcomes of company plans and operations in an analytical monetary sense. (Will Kenton, 2020)

In this proposed study an attempt will be made to study the overall financial performance of ZIDCO to assist the industrial sectors and entrepreneurship programme in Mizoram and also will be crucial in motivating the society to conducted new business activities which plays an important role in economic development.

Literature Review

Capon, Farley and Hoenig. (1990) research studied that development is consistently associated with higher financial performance. Growth in assets and sales individually show positive relationships to performance at both industry and firm/business levels of analysis. Market share is positively associated with financial performance. Size of firm or business appears unrelated to financial performance. There is some evidence supporting a positive performance relationship when size is measured as industry level sales. Strength of capital investments indicates a favorable relationship to industry-level financial performance. Higher investment is linked to lower performance at the client/sector level.

Rodinga (1991) studied the growth of Mizoram's small and cottage industries and the potential for further development of the industrial unit indicate that Bairabi has been described as Mizoram's most prospective growth centre for small, small and large industries. It was noticed that this area would be most appropriate for locating any pulp and paper plant or medium density fibre board unit based on the Bamboo industry line. If such a plant is established in Bairabi, the Tlawng, Teirei and Tut reverine reserve forests will provide the required quantity of bamboo as the basic raw material to sustain production for such a project. The achievement of small and cottage industries is that different activities were initiated by the Mizoram Handloom and Handicraft Production Corporation (ZOHANCO), which was incorporated during 1988-99. The Corporation's Sales Emporium was opened in Aizawl and Lunglei. In share capital, Rs. 30 lakhs was contributed. Grant-in-Aid and Subsidy were supported by 214 numbers of Handloom artisans and 200 numbers of Handicraft artisans under the Handloom and Handicraft scheme. For the development of the electronics sector, a memorandum of understanding was assigned to Electronic Commerce Technology Development Corporation (Government of India) for a term of 3 years to assist the Governor and ZENICS in the development of work in the electronics sector in theState.

Kangari, Farid and Elgharib (1992) studied the significant research topic for predicting a company's financial position is the business failure studied in the construction industry. One method of fault analysis is the study of major financial ratios to forecast a company's results. Models built for the manufacturing sector are not suitable for the construction industry. This paper provides a quantitative model focused on financial ratios for assesing a construction company's financial performance and ranking, and its business survival chances. The model takes into account the characteristics of various construction industry trades and the effects of the scale of the enterprise.

Laskar (2009) studied the challenges and prospects of the small-scale and cottage industries in Mizoram, where large-scale and medium-scale industries are entirely absent and whose growth is closely related to the numerous programmes and policies aimed at eliminating rural people's poverty, unemployment and backwardness. The study shows that there are several unique characteristics of employees in the state's small-scale and cottage industries. Without possessing any professional skills, most employees are unskilled workers. One of the most significant development factors is capital. The growth, development and promotion of SSI is largely dependent on adequate and timely capital availability. It is found that internal sources, i.e. own assets, are found to be the main source of capital in the state's SSI sector.

Gaur (2010) this paper focuses on the financial performance metrics of Indian non- metallic company group companies. The study uses financial data from 57 Indian non-metallic mineral products industry market groups (cement, glass, gems &jewellery, refractories,ceramic tiles, abrasives and abrasives, granite) over a 10-year time span (1999-2008) and explores the financial results of the company using Operating Benefit (OPPRO) and Return On Net Worth success metrics (RONW). The Size (SIZE), Leverage (LEV), Working Capital Ratio (WCR) and Age (AGE) of the firm are included as determinants of firmperformance.

Yalcin, Bayrakdaroglu and Kahraman (2011) studied that financial performance evaluate in a highly competitive setting is very important for the manufacturing industries. Hence, an objective and correct assessment of the results is important. As financial performance metrics reflect a company's competitiveness, they have to be carefully defined in the evaluation process. Traditionally accounting-based financial performance (AFP) metrics are commonly used for the performanceevaluation.

Manisha B (2014) studied on analysis of financial performance on the basis of materials used and modes of operation. Financial results can be analyzed on the basis of modus operandi such as a) Horizontal Analysis, the financial statements for a number of years are checked and evaluated in this form of analysis. The numbers are contrasted with the standard or base year for the current year and changes are usually shown in percentage form. This research helps management to get an insight into the levels and regions of strength and weakness. This research is also known as Dynamic Research. (b) Vertical analysis in this form of research study, the quantitative relationship of the various items of financial statements on a given date is made. This study is useful when analyzing the output of many companies in the same sector, or the same company's divisions or departments. This analysis is not very helpful in properly assessing the financial condition of the company, since it relies on the data for one period. This analysis is also called Static Analysis as it based on data from one date or for one accounting period.

Awmpuia (2014) studied the organisational structure and functioning of the Aizawl District Industries Centre, as well as the effectiveness of the work of the AizawlDIC to promote small scale industries in the Aizawl Industrial Areas. It also aims to research the issues faced in the Industrial Region by the DIC and SSIs. DIC, Aizawl, today introduced three systems, namely Prime Prime, Jobs Generation Programme (PMEGP) of the Minister, New Land Use Policy Special Micro-Enterprise (SME) and (NLUP). DIC is accountable for the fulfilment of various Jobs and duties. These schemes are intended to support the small-scale sectors helping the new industrial unit by creating jobs and also helping the interested individual for controlling the industrial unit, for poverty eradication and generation of income etc.

Aydin and Ulengin (2015) the purpose of this analysis is to find empirical evidence that connects Customer Based Brand Equity (CBBE) with corporations' financial results. This research covers the results of CBBE and organisations by using independently audited financial statements to take a direct approach to assessing financial performance. In order to test the possible impact of CBBE variables on financial performance metrics, a multiple regression analysis was conducted. As a consequence of the study, the components of the CBBE have been shown to have a positive effect on most financial performance metrics to varying degrees. The perceived quality dimension seems to be the key driver of financial results, followed by the brand recognition and brand association aspect of the composite factor.

Lalmuanpuii (2016) studied Mizoram Khadi& Village Industries Board's position in fostering the state's entrepreneurship. It also discusses the role played by entrepreneurs in creating jobs and their role in economic growth. It also explores the relationship between entrepreneurship and Khadi and Village Industries and how MKVIB is an agent for the implementation of KVIC's programme. It discusses the various activities conducted by MKVIB to encourage entrepreneurship. Insufficient financing is always a problem which hampers the functioning of the organisation. The KVIC normal fund has stoped and replace by the new schemes of PMEGP which have many drawback in its implementation as mentioned earlier.

Lalhunthara (2019) studied Micro, Small and Medium Enterprises (MSMEs), which play a predominant role in the country's socio-economic development, are considered to be the engine of growth that triggers the development process. In addition to solving the problems of unemployment and poverty, extra family income is created by this aid. Although there has been some progress in industrial development and the MSME sector has gradually gained momentum, especially in the service industries, due to its topographical and geographical disadvantages, the growth of industry and industrial development in the state has been relatively slow. MSMEs play an important role in the state's industrial scenario in this context. Among the variables that promote the emergence of entrepreneurship,' success stories of entrepreneurs' were found to be the most significant. It is also found in the report that the most significant persuasive factor for choosing to be an entrepreneur wasunemployment.

Lalbiakzuali and Kumar (2020) research of financial management in Mizoram State Owned Enterprises (SOEs) and address the funding, expenditure and dividend decisions applied to the five Mizoram Government SOEs. State enterprises are set up to undertake economic activities while keeping the welfare of the people into account. The primary objective of these SOEs is to support and develop the industrial sector of the state, but the SOEs did not make a substantial contribution and suffered losses. The research financial management initiative is being made to come up with potential ideas and recommendations for reform.From the point of view of the financial investment and dividend decisions, the review of the financial management of state-owned enterprises sheds light on serious problems with incorrect practices. This reflects the crucial role that financial management plays in the business as a whole and is ultimately responsible for each company's loss or success. The professionalism of financial management, which is measured by the fact that they have not released their own financial statements for up to 10 years, is lacking in state-owned research firms and accounts are in arrears.

Scope of the Study

The proposed study of Financial Performance of Government Owned Enterprise: A Case Study of Zoram Industrial Development Corporation Limited (ZIDCO) seeks to gather insightful information on the level of their financial performance of ZIDCO. This research would not only shed light on the level of their financial issues but would also help to improved their functions and performance in the future.

Objectives

1. To analyze theProfitability Ratio of ZIDCO from the last available Audited Financial Report i.e 2018-2019.
2. To analyze the Liquidity Ratio of ZIDCOfrom the last available Audited Financial Report i.e 2018-2019.
3. To offer suggestions to promote the performance of ZIDCO.

RESEARCH METHODOLOGY

The proposed study, "Financial Performance of Government Owned Enterprise: A Case Study of Zoram Industrial Development Corporation Limited (ZIDCO)" is an attempted to analyze the financial performance of ZIDCO and to identify the main parameter of performance or non-performance. . For the proposed study secondary dataare collected. Secondary data are collected from the Audited financial report, Balance Sheet annual handbook of ZIDCO.

DATA ANALYSIS AND INTERPRETATION

The data received from the Audited Financial Report of ZIDCO secondary data are analyzed by using different Ratio Analysis presented below:

Source: ZIDCO Audited Report (2018-2019)

Profitability Ratios

The main objectives of every business is to earn profits. A business must be able to earn adequate profits in relation to capital invested in it. The efficiency and success of a business can be measured with the help of profitability ratios. (Goel, Goel and Goel 2017)

The following are the important profitability ratios:

1) Gross Profit Ratio
2) Operating Ratio
3) Operating Profit Ratio
4) Net Profit Ratio
5) Return on Investment (ROI)

1) **Gross Profit Ratio:** This ratio is the relationship between gross profit and operating income, i.e. Net Sales. The ratio is computed and presented in percentage. The formula for computing this ratio is:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales/ Revenue from Operations}} \times 100$$

Revenue from Operations = Rs 97,237,853

Cost of Revenue from Operations = Opening Inventories + Purchases + Direct Expenses – Closing Inventories

= Rs 4,355,490 + Rs 50,351,252 + Rs 28,634,975 – Nil

=Rs 83,341,717

Gross Profit = Revenue from Operations – Cost of Revenue from Operations

= Rs 97,237,853 – Rs 83,341,717

=Rs 13,896,136

$$\text{Gross Profit Ratio}=\frac{\text{Rs } 13{,}896{,}136}{\text{Rs } 97{,}237{,}853}\times 100$$

$$=14.29\%$$

Interpretation: The profit margin available on operating profits calculates this gross profit ratio. The higher, the greater the gross profit ratio. There is no perfect criterion for this ratio, but not only should the gross profit ratio be adequate to cover operating expenses, but also to pay for depreciation, loan interest, dividends and reserve growth. Gross Profit Ratio increased from 5.89% in 2017-18 to 14.29% in 2018-19 financial year.

2) **Operating Ratio:** This ratio measures the proportion of an enterprise's cost of Revenue from Operations and operating expenses in comparison to its Revenue from Operations.

Operating Ratio =

$$\frac{\text{Cost of Revenue from Operations + Operating Expenses – Operating Income}}{100}$$

Revenue from Operations

Cost of Revenue from Operations = Opening Inventories + Purchases + Direct Expenses – Closing Inventories

Operating Expenses = Employee Benefit Expenses + Depreciation and Amortisation Expenses + Other Expenses (i.e, Office and Administration Expenses + Selling and Distribution Expenses + Discount + Bad Debts + Interest on short-term loans.)

Operating Income = Trading commission received, Cash discount received

Cost of Revenue from Operations = Rs 83,341,717

Operating Expenses = Rs 36,740,552 + Rs 3,464,487.87 + Rs 32,387,752.90

= Rs 72,592,792.77

Operating Income = Rs 8,871,374

Revenue from Operations = Rs 97,237,853

Operating Ratio =

$$\frac{\text{Rs } 83{,}341{,}717\text{+ Rs } 72{,}592{,}792.77 \text{ - Rs } 8{,}871{,}374}{\text{Rs } 97{,}237{,}853}\times 100$$

= 151.24%

Interpretation: Operating Ratio is a measurement of the efficiency and profitability of the business enterprise. The ratio indicates the extent of revenue from Operations that is absorbed by the cost of Revenue from Operations and Operating expenses. Lower the operating ratio, the better, since Income from Operations leaves a higher profit margin.Operating Ratio increased from 148.92% in 2017-18 to 151.24% in 2018-19 Financial Yearwhich causes higher margin of profit on Revenue from Operations.

3) **Operating Profit Ratio:** This ratio demonstrates the relationship between gross profit and net operating profits.

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$$

Revenue from Operations = Rs 97,237,853

Operating Profit = Gross Profit – Other Operating Expenses + Other Operating Incomes

= Rs 13,896,136 - Rs72,592,792.77 + Rs 8,871,374

= (Rs 49,825,282.77)

Gross Profit =Rs 22,686,064

Operating Expenses = Rs 72,592,792.77

Operating Income = Rs 8,871,374

$$\text{Operating Profit Ratio} \quad \frac{(\text{Rs } 49{,}825{,}282.77)}{\text{Rs } 97{,}237{,}853} \times 100$$

= (51.24%)

Interpretation: 'Operating Ratio' and 'Operating Benefit Ratio' are interrelated. The total of these two ratios is going to be 100. For instance, if the 'Operating Ratio' is 80%, it means that the 'Operating Gain Ratio' is 20% . The increase in the Operating Ratio would lead to a decrease in the 'Operating Gain Ratio' and vice versa. It helps to measure the overall success of company activities. The Operating Profit Ratio rose in the 2018-19 financial year from (48.92 percent) in 2017-18 to (51.24 percent). The rise in the ratio over the previous year reflects an increase in the organization's overall efficiency and profitability.

4) **Net Profit Ratio:** This ratio indicates the relationship between net profit and net operating income.

$$\text{Net Profit Ratio} \quad \frac{\text{Net Profit after tax}}{\text{Revenue from Operations}} \times 100$$

Net Profit after tax = Rs 8,246,555.42

Revenue from Operations = Rs 97,237,853

$$\text{Net Profit Ratio} = \frac{\text{Rs}8{,}246{,}555.42\text{x}100}{\text{Rs } 97{,}237{,}853} \times 100$$

= 8.5%

Interpretation: This ratio measures the rate of net profit on operating income generated. It helps to measure the overall success of company activities. The Net Profit Ratio increased from 5.67% in the financial year 2017-18 to 8.5% in the financial year 2018-19. The rise in the ratio over the previous year reflects an increase in the organization's overall efficiency and profitability.

5) **Return on Investment (ROI):** This ratio reflects the overall profitability of the business. It is calculated by comparing the profit earned and the capital employed to earn it. This ratio is usually in percentage and is also known as 'Rate of Return' or 'Return on Capital Employed' or 'Yield on Capital'. Investment here refers to long-term funds deployed in the enterprise.

$$\text{Return on Investment} = \frac{\text{Net Profit before Intererst, tax and dividends}}{\text{Capital Employed}} \times 100$$

Net Profit before Intererst, tax and dividends = Rs 8,246,555.42

First Method (Liabilities Side Approach)

Capital Employed = Shareholder's Funds + Non-Current Liabilities i.e, (Long term Borrowings + Long term Provisions)

= Rs 27,698,928.16 + Rs 296,818,917

= Rs 324,517,845.16

Second Method (Assets Side Approach)

Capital Employed = Non Current Assets + Working Capital

= Rs64,641,537.22+Rs 259,876,307.93

= Rs 324,517,845.16

$$\text{Return on Investment} = \frac{\text{Rs}8{,}246{,}555.42}{\text{Rs } 324{,}517{,}845.16} \times 100$$

= 2.54%

Interpretation: This ratio is the barometer of the company's overall results. It tests how effectively the capital employed in the company is used. This ratio can be used to judge the borrowing policy of the enterprise. Return on Investment increased from 2.29% in 2017-18 to 2.54% in 2018-19 Financial Year which indicates the growth of overall performance and the how efficiently the capital employed in the business is being used compared to 2017-18 Financial Year.

Liquidity Ratios

"Liquidity" refers to the willingness of the company to fulfil its existing obligations. Liquidity ratios are also often referred to as short-term solvency ratios.' These ratios are used to determine the short-term financial situation of the concern. They reflect the capacity of the company to fulfil its current obligations from current capital. (Goel, Goel and Goel 2017)

Liquidity ratios include two ratios:

1) Current Ratio or Working Capital Ratio
2) Quick Ratio or Acid Test Ratio or Liquid Ratio

1) **Current Ratio or Working Capital Ratio:** This ratio explains the relationship between the current assets and the current liabilities of the firm.

$$\text{Current Ratio} \quad \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Assets = Rs 351,451,093.58

Current Liabilities = Rs 91,574,785.65

$$\text{Current Ratio} = \frac{\text{Rs } 351{,}451{,}093.58}{\text{Rs } 91{,}574{,}785.65}$$

= 27:7

Interpretation: An ideal ratio should be 2:1, which denotes that the current assets of a business should at least be twice of its current liabilities. Current ratio of ZIDCO is 27:7. Therefore, it can be said that the short-term financial position is satisfactory. ZIDCO is in a position to pay its current liabilities in time.

2) **Quick Ratio or Acid Test Ratio or Liquid Ratio:** This ratio shows whether the company is in a position to pay its current obligations within a month or immediately.

$$\text{Quick Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

Current Liabilities = Rs 91,574,785.65

Liquid Assets are comprised of the following:

- Current Investments
- Trade Receivables
- Cash and Cash Equivalents
- Short term Loans and Advances

Less: Inventories, Prepaid Expenses and Advance Tax

Liquid Assets = Rs 351,451,093.58

$$\text{Quick Ratio} = \frac{\text{Rs } 351{,}451{,}093.58}{\text{Rs } 91{,}574{,}785.65}$$

= 27:7

Interpretation: The ideal quick ratio is said to be 1:1. If there is more, it is known to be better.The short-term financial position of ZIDCO is sound because its current ratio is

27:7, which is more than the ideal ratio of 2:1. Liquid ratio of ZIDCO is also 27:7, which is also more than the ideal ratio of 1:1. Therefore, it can be said that the company is in a position to pay its current liabilities instantly.

Findings

Financial Performance of Zoram Industrial Development Corporation Limited (ZIDCO) shows that Gross Profit Ratio increased from 5.89% in 2017-18 to 14.29% in 2018-19 financial year. Operating Ratio increased from 148.92% in 2017-18 to 151.24% in 2018-19 Financial Yearwhich causes higher margin of profit on Revenue from Operations. Operating Profit Ratio increased from (48.92%) in 2017-18 to (51.24%) in 2018-19 Financial Year. The rise in the ratio over the previous year reflects an increase in the organization's overall efficiency and profitability.Net Profit Ratio increased from 5.67% in 2017-18 to 8.5% in 2018-19 Financial Year. Return on Investment increased from 2.29% in 2017-18 to 2.54% in 2018-19 Financial Year which indicates the growth of overall performance and the how efficiently the capital employed in the business is being used compared to 2017-18 Financial Year. The ideal quick ratio is said to be 1:1. If there is more, it is known to be better.The short-term financial position of ZIDCO is sound because its current ratio is 27:7, which is more than the ideal ratio of 2:1. Liquid ratio of ZIDCO is also 27:7, which is also more than the ideal ratio of 1:1. Therefore, it can be said that the company is in a position to pay its current liabilities instantly.

Limitation of the Study

The study is based on the Audited Financial Report of Zoram Industrial Development Corporation Limited (ZIDCO) 2018-19 only as the Audited Financial Report for the Financial Year of 2019-20 have not yet publish due to pandemic situations and this analysis may not represent the overall financial performance of ZIDCO. The larger size of sample may represent a different result of the study.

Suggestions

There is potential for ZIDCO to improve its productivity and capacity to foster entrepreneurship in the state. The ongoing scheme obtained from the central government is not adequate to solve unemployment and to sustain the state's conditions of entrepreneurship. The following points are recommended for improvement.

Financing Mechanism

An entrepreneur pursuing financing facilities is still faced with difficulties in securing bank financing even after being chosen by the selection committee. The selection procedures should be updated in order to ensures imple funding of approved schemes.

Monitoring Mechanism

There is no proper control process in the current framework. It is therefore proposed that there should be a proper monitoring system to provide a practical image of jobs, functional units and accurate information to resolve grassroots realities.

Convergence with other line departments

ZIDCO's key objectives are to support, advise, assist, finance, protect and promote the interests of Industries in the state of Mizoram. In the meantime, different government agencies have come up with the same in spiration and vision of encouraging people to startup new businesses. The ZIDCO projects would bemore competitive and would have major impacts if these schemes converged with the authority of ZIDCO.

Policy restructuring by the state government

The Mizoram Government needs to take constructive and effective measures to encourage entrepreneurship in the state. The state government should restructure its industrial policy and prioritise this area.

Handholding-Support Services to Enterpreneurs

ZIDCO can also take up the task of leading and managing first generation entrepreneurs to setup their micro-enterprises. The Government of India has launched as chemecalled' Rajiv Gandhi Udhyami 12 Mitra Yojana,' which means' Rajiv Gandhi Entrepreneurs' Friends Scheme.' These initiatives will really pave theway for the promotion of entrepreneurship in the state.

ASPIRE (A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship)

ASPIRE can be introduced by ZIDCO to foster creativity, rural industry and entrepreneurship with a one-time grant of 50% of plant and machinery costs. Assistance can also be offered for the expense of training future and prospective entrepreneurs and innovators.

CONCLUSION

The key objectives of Zoram Industrial Development Corporation Limited (ZIDCO) are to support, finance, protect and promote the interests of Mizoram Industries and to procure and distribute raw materials to business enterprises, to facilitate licensing, to set up export and marketing facilities, to acquire and establish plans for the development of industries under financing. This research gathered insightful information on the level of their financial performance of ZIDCO from the last available Audited Financial Report *i.e* 2018-2019 regarding their Ratio Analysis which shows their Profitability and Efficiency Ratios, Liquidity Ratios. Further suggestions were given based on Financing Mechanism, Monitoring Mechanism, Convergence with other line departments, Policy restructuring by the state government, Handholding-Support Services to Enterpreneurs, ASPIRE (A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship). So the study of ZIDCO financial performance indicates there advantages and drawbacks. Also certain measures are highlight for the growth of ZIDCO profitability Ratio and Liquidity Ratio accordingly.

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FINANCIAL PERFORMANCE ANALYSIS OF ZORAM INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (ZIDCO): A CASE STUDY

(ABSTRACT)

A Dissertation submitted in Partial fulfilment of the requirement for thedegree of Master of Philosophy

Submitted By
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(July, 2021)

FINANCIAL PERFORMANCE ANALYSIS OF ZORAM INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (ZIDCO): A CASE STUDY

Abstract

1. Introduction

1.1 Prelude:

The word "performance" is derived from the word "parfourmen," meaning 'to do' or 'to make'. This applies to the act of execution, accomplishment, satisfaction, etc. Output, in the context of the border, refers to the accomplishment of a given mission calculated against preset levels of precision, completeness, price, and rate. It refers, in other words, to the degree to which an achievement is being or has been achieve (Tripathi, 1991). Performance is used to define increased attempts to efficiently and consistently meet the goals. Objective attainment involves the integrated used of human, financial and natural resources (Robert Alban, 1978).

By correctly identifying relationships between the items of the Balance sheet and the record of gains and losses, the financial performance analysis identifies the company's financial strengths and weaknesses. The first task is to select data related to the decision under consideration from the total information contained in the financial statements. The second is to organize the data in such a way as to highlight substantial relationships (Trivedi, 2010).

Financial performance is a quantitative measure of an organization's ability to generate revenue from its main business mode. The term can also be used as a general indicator of a company's overall financial health over a period of time. Financial statements were used by analysts and investors to compare similar companies in the same industry or to measure industries or sectors. The financial output determines how effectively a company produces income and handles its assets, liabilities, and stakeholder financial interests. It is also a company’s level of success for a given period of time, measured in terms of net gains and loss during that time. Assessing the financial performance of businesses helps decision-makers to evaluate the outcomes of company plans and operations in an analytical monetary sense (Will Kenton, 2020).

In this study an attempt was made to study the overall financial performance of ZIDCO to assist the industrial sectors and entrepreneurship programme in Mizoram and also will be crucial in motivating the society to conducted new business activities which plays an important role in economic development. The study was also helpful in the recovering process of loans provided to the other industries and entrepreneurs.

1.2 Zoram Industrial Development Corporation Limited (ZIDCO):

Zoram Industrial Development Corporation Limited was founded in 1978, which was registered under the Companies Act, 1956. It was designed to be the Corporation's twin. It is a joint venture between the Mizoram government and Industrial Development Bank of India (IDBI). The Authorised Share Capital is Rs.1500 lakhs i.e., (Rs.15 crores), out of this Rs.1370.10 lakhs are fully subscribed and paid up. Out of the paid-up capital of Rs. 1370.10 lakhs, only 31.24% is contributed by IDBI and Government of Mizoram holds 68.76% of the total share capital contribution. As a result of economic liberalization, Government of India stopped share capital contribution to IDBI and subsequently IDBI has completely stopped contributing share capital to ZIDCO since 1991-92. In fact, Government of Mizoram is only contributing share capital to ZIDCO. The registered office of ZIDCO is located in Aizawl, the state capital of Mizoram. ZIDCO currently has one branch office in Lunglei. Lunglei, Lawngtlai, and Siaha districts are all part of the Branch Office.

ZIDCO's activities include assisting, financing, protecting, and promoting the interests of Mizoram's industries, as well as procuring and distributing raw materials to business ventures, facilitating licenses, establishing export and marketing facilities, acquiring and developing plans for the development of industries under ZIDCO's financing, power supply, and water supply, and coordinating the procurement and distribution of raw materials to business ventures. It is to enter into partnership, business and joint ventures with any other company, firm or persons, carrying on manufacturing or other business in sharing of profits within the objects of the company. IDBI and the Government of Mizoram are making efforts to diversify their activities towards the mobilization of sources of finance, industrial growth and other activities. Ministry of Textile (Govt. of India) have setup Apparel and Garment Making Centre under the schemes of the North Eastern Region Textile Promotion Scheme (NERTPS) and selected the Industrial Growth Centre, Luangmual as to be the first place in Aizawl, Mizoram. ZIDCO has been selected as the Project Implementing Agency by the Government of Mizoram.

ZIDCO has given Rs. 4575.85 lakhs loans to 4961 loanees. Repayment of loans were received from the loanees only a sum of Rs. 6455.47 lakhs (including the interest) till

30th March, 2020. Different measures have been taken to recover the loan and interest from the loan beneficiaries of ZIDCO. House to House recovery drive has been conducted, retrieval of Industrial Assets, auctioning the mortgaged L.S.C.

1.3 Research Gap:

From the available literature reviewed, it was found that various studies have been made with relation to the financial performance analysis from different industries around the world and different parts of India. But researches have never been found on ZIDCO to study the proposed topic. It is an attempt to study the financial performance of ZIDCO for the improvement of companies' financial performance and the study will be helpful for industries and entrepreneurship programme in Mizoram. The annual Audited Report showing Statement of Profit and Loss Account and Balance Sheet are usually adopted for realizing the reliability, efficiency and profitability of a business. The present research highlights the Financial Performance of ZIDCO by implementing different accounting ratios to show Profitability Ratio consisting of Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment. And Liquidity Ratio, consisting of Current Ratio or Working Capital Ratio, Quick Ratio or Acid Test Ratio. Solvency Ratio consisting of Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio and Activity Ratio consisting of Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Working Capital Turnover Ratio. And lastly Return on Equity Ratio.

So, this present study on, "Financial Performance Analysis of Zoram Industrial Development Corporation Limited (ZIDCO): A Case Study" is undertaken to study in depth, the financial performance, the loan recovery process and qualitative aspects of financial issues of ZIDCO for the last five years i.e., 2015-16 to 2019-20 Financial Year.

1.4 Significance of the study:

Zoram Industrial Development Corporation Limited (ZIDCO) plays an important role for Mizoram's development in providing capital to the general entrepreneurs and industries through loans to support the people who are intended to startup their own business industries. The study of Financial Performance Analysis of ZIDCO focus on the financial performance of ZIDCO through the study of financial issues being faced by ZIDCO. There is the occurrence of non- repayment of loans from the borrowers which effects the financial institutions and are unable to implement the updated financial schemes to ZIDCO.

In carrying out finance functions, the checking of financial results in a company needs a lot of focus. It necessitates a retrospective examination of the operating period in order to assess the wisdom and efficiency of financial planning. The analysis of what occurred can be extremely useful in developing the standards, techniques, and procedures. Financial statements are mainly used to make decisions. Financial statements, also known as financial reports, are account balances that are arranged in an effective and substantive order such that the facts and principles they depict can be easily interpreted and used as a basis for decisions by those involved in business matters.

In modern company, the term "financial statements" applies to two documents: a balance sheet, which shows the assets, liabilities, and capital as of a specific date, and an income statement, or profit and loss statement, which shows the results obtained during a specific period and is prepared at the end of the accounting year for a business entity. Adding a third statement of retained earnings has become common practice, particularly among large corporations. Financial analysis is the process of properly identifying the relationship between the balance sheet goods and the profit and loss account in order to determine a company's financial strengths and weaknesses. Comparative statements, schedules of adjustments in working capital, common size ratios, funds analysis, trend analysis, and ratio analysis are some of the tools or strategies used in financial statement analysis. The most important method in financial analysis is the ratio analysis. The importance of financial analysis in financial management cannot be overstated. Finally, the accurate study of a business enterprise's financing is critical to its performance.

This research tells us about ZIDCO at the level of improving the financial performance, recovery process, and overall management of the fund of the company. The study of financial performance of ZIDCO is helpful for the same industry in the state for improving their financial management. And also helpful in creation of employment opportunities on the level of their pattern and employments generations by ZIDCO in the state of Mizoram. This research would not only shed light on the level of their issues on creation of employment opportunities but would also help to improved their functions and performance in the future. The outcomes of the studies are helpful for the state government for the management of state-owned enterprises. Also, the outcome of the studies is also helpful for researcher, entrepreneur, and society at large by improving economic performance of the enterprise.

1.5 Scope of the study

The study of Financial Performance Analysis of Zoram Industrial Development Corporation Limited (ZIDCO) gathered insightful information on the level of their financial performance of ZIDCO for the last five years and also recovery methods of loan provided by ZIDCO. This research shed light on the level of their financial issues and would also help to improved their functions and performance in the future. The study was conducted within ZIDCO and its different branches in Mizoram for a period of five years i.e., 2015-16 to 2019-20 Financial Year.

Financial statement analysis and interpretation are attempts to assess the value and purpose of financial statement data so that a prediction of potential earnings, willingness to pay interest, and so on can be made. Financial statement analysis focuses on determining the relationship between various financial factors in a business as shown by a single set of financial statements, as well as the pattern of these factors as seen in a series of statements. Although analysis entails calculating ratios to resolve the statements, interpretation is the mental process of comprehending the terms of such statements and forming opinions or inferences about the financial health, profitability, performance, and other aspects of the company. This type of financial analysis offers crucial details for control purposes.

1.6 Statement of the Problem:

There was a financial performance problem in ZIDCO in terms of financial results and repayment of loans from the borrowers which has to be studied in details including the financial status, performance, and challenges of ZIDCO. The organization was making losses for the period of more than 10 years i.e., (2004-2014). And now turn around at least from loss making to operating profit-making company.

1.7 Objectives:

i. To analyze the financial performance of ZIDCO for a period of 5 years from FY 2015- 16 to FY 2019-20.
ii. To study the Return on equity ratio of the company for a period of 5 years from FY 2015-16 to FY 2019-20.
iii. To examine the recovery process of ZIDCO loan provided to the other industries and entrepreneurs.
iv. To assess the qualitative aspects of financial issues faced by the organization with reference to the performance or non-performance.

1.8 Hypotheses:

H_1: There is a significant relationship in Profitability and Efficiency Ratio of ZIDCO

H_2: There is a significant relationship in Profitability and Liquidity Ratio of ZIDCO

1.9 Methodology:

The present study on "Financial Performance Analysis of Zoram Industrial Development Corporation Limited (ZIDCO): A Case Study" studied and analyses the financial performance of ZIDCO for the past 5 years with effect from 2015-16 to 2019-20 Financial Year and identified the main parameter of performance and non-performance. And also finds the causes of performance and non-performance and further suggested ZIDCO for better performance in the future. The details of the methodology are mention below:

1.9.1 Data source

Both primary and secondary were collected. Secondary data were collected from the Audited financial report, Balance Sheet and Annual handbook of ZIDCO. Apart from this, books as well as papers from journals, different websites and the reports of government department were consulted to understand the financial performance of ZIDCO. Primary data were collected from the top officials of ZIDCO through a set of schedule and structure interview to know the financial issues faced by the organization with reference to the performance or non-performance. The study of Zoram Industrial Development Corporation Limited (ZIDCO) covers a period of 5 years, commencing from Financial Year 2015-16 to 2019-20.

1.9.2 Study Period

To assess on Zoram Industrial Development Corporation Limited (ZIDCO) it was decided to study for a period of the past 5 years from financial year 2015-16 to 2019-20 about the financial performance and loan recovery processes of ZIDCO.

1.9.3 Analysis tools

To analyze the financial performance of ZIDCO, financial accounting, different statistical tools and Regression Analysis were used. For this purpose, Profitability Ratio consisting of Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio, Return on Investment, Liquidity Ratio consisting of Current Ratio or Working Capital Ratio, Quick Ratio or Acid Test Ratio, Solvency Ratio consisting of Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio, Activity Ratio consisting of Inventory

Turnover Ratio, Trade Receivables Turnover Ratio and Working Capital Turnover Ratio and Return on Equity Ratio were adopted to identified the financial performance of ZIDCO which were extracted from the Audited Report of ZIDCO from 2015-16 Financial Year to 2019-20 Financial Year. The hypotheses were tested by using statistical tool of simple regression analysis, One-way ANOVA test and regression analysis of financial performance as to find out the significant relationship between profitability and efficiency ratio including the significant relationship between profitability and liquidity ratio of ZIDCO.

1.10 Limitations of the study:

The following are some of the limitation's studies:

- The study duration is only 5 years long, which limits our ability to learn more about ZIDCO's financial results. The performance for this five year may not show the financial performance of ZIDCO for entire period (1978-2020 FY) of the company. The larger size (More number of years) of analysis may represent a different result of the study.
- Since this analysis relies heavily on secondary data derived from ZIDCO's published Annual Reports and Audited Report. So, findings of the study depend on the authenticity of the data of ZIDCO.
- There are a variety of approaches to analysing financial results, and experts may have differing opinions.
- The performance of the managers and top officials were not included in this research, which is one of the crucial parts of the financial performance of the company.
- The expenditure on employees and the retired person were not included in this study.
- The present study is mainly on quantitative financial data. Qualitative data like managers performance, timely reminder to loanees for repayment, timely assessment of performing assets which are shifting to non-performing assets and their reasons. Steps taken to revive non-performing assets were not included in this study.
- Time frame of the study was too small; the study was undertaken for last five financial year starting from 2015-16 to 2019-20. Longer period of data may represent different results.
- This research relies heavily on financial ratio review, which has its own set of drawbacks.

2. LITERATURE RIVIEW

2.1 Global Study on Financial Performance

Milhem and Istaiteyeh (2015) studies on Islamic banks have been carried out using financial ratios in order to calculate output in terms of profitability, liquidity, ROA, ROE and risk. The result shows that there are no substantial means of distinguishing profitability between banks.

Ijaz and Naqvi (2016) have studied the financial performance literature regarding the cement industry in Pakistan which is presented in this paper. Studies from Iran, India and Pakistan are included in the literature, but some foreign evidence is also provided. Profitability ratios, asset usage ratios, debt ratios, liquidity ratios and cash conversion periods from the period 2006-2014 are the financial ratios used to assess the financial output of the cement industry. Return on Investment (ROI) is taken as an expected variable and five parameters of the ratio are taken as predictor variables. The study showed that all parameters except the leverage ratios that have an insignificant relationship have a positive relationship with the dependent variable.

2.2 Indian Study on Financial Performance

Haque (2014) studies on major Indian Banks have been carried out using financial ratios in order to calculate output in terms of profitability, liquidity, ROA, ROE and risk. The result shows that there are no substantial means of distinguishing profitability between banks.

Nataraja et al., (2018) studied the results of the three major private sector banks listed on both the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) were analyzed. For statistical analysis of the results of banks, financial ratios are used. Three main metrics, namely Return on Assets (ROA), which measures internal efficiency, Tobin's Q formula (price/book ratio), which measures market-based performance, and Return on Equity (ROE), which is a key profitability ratio used by investors to calculate the sum of profits of a bank returned as shareholder equity, were used to measure the financial performance of the selected equity. The data was selected from the selected banks for the period 2006 to 2017. In order to find the financial performance calculated by the three metrics based on independent variables, bank size, credit risk, asset management, operating efficiency and debt ratio, simple regression techniques were used. The results show that all of the ratios chosen have an effect on private commercial banks' financial efficiency.

2.3 Study in North East India

Baruah and Bezbaruah (2020) have studied this paper which is based on an analysis of such businesses in Assam, a state in northeast India where access to finance is generally limited. The article investigates the degree to which the availability of financial services influences the growth and financial output of unorganised sector enterprises in Assam, using data from a customised survey. A customised financial access index, a generalised linear model, and an ordered LOGIT regression are among the tools used. The findings show that while the extent of an enterprise's financial access has no major impact on its financial output, it is critical to its development.

Selvakumar and Abima (2020) have studied this paper and also an attempt have been made to analysis the results of short-term solvency, long-term solvency and profitability for Assam Gramin Vikash Bank and Maharashtra Gramin Bank and Karnataka Vikash Gramin Bank. The secondary information was compiled on websites, newspapers, journals, books and annual reports. This study is restricted exclusively to RRBs. It does not include commercial banks, cooperative banks and banks for industrial development. It only takes into account the factor of financial analysis; other factors are not known. It is concluded that the Assam Gramin Vikash Bank, Maharashtra Gramin Bank and Karnataka Vikash Gramin Bank are good in terms of financial performance. Only secondary data are used in the study.

2.4 Study in Mizoram About Financial Performance

Lalroluahpuia (2016) studies the performance of MSMEs in Lunglei District, Mizoram has been studied and analysed. This research has shown that the sector has provided workers with a number of employment opportunities, especially those belonging to uneducated groups, and that its contribution is relevant at all levels. Not only does it contribute to higher economic growth rates, but it also increases demand for goods and services, contributing to inclusive and balanced economic growth. While there have been a range of difficulties in the MSME sector, one of the major issues facing the MSME sector is the lack of sufficient financing facilities. At the moment of need, it is not very easy for entrepreneurs to collect or acquire the necessary money. Different sources are helping entrepreneurs to increase their finances, but they are facing more problems getting loans. The study considers that for the growth and development of the MSME market, the government must play the most important role. Fostering existing enterprises would therefore be fair and should help build a favourable environment to promote the rapid growth of MSMEs within the district, state and region.

Lalbiakzuali and Kumar (2020) Financial Management in Mizoram State Owned Enterprises (SOEs) was researched and addressed the financing, spending, and dividend decisions made by the Mizoram Government's five SOEs. State enterprises are created to conduct economic activities while considering the welfare of the people. The main goal of these SOEs is to promote and develop the state's industrial sector, but they have not made a meaningful contribution and have continued to lose money. In order to come up with potential ideas and suggestions for change, an effort is made to research financial management. From the view point of financial, expenditure and dividend decisions, the study of the financial management of state-owned enterprises has shed light on serious problems with erroneous practices. It emphasises the importance of financial management in the overall organisation and how it is largely responsible for a company's success or failure. The state-owned enterprises under investigation lack financial management professionalism, as evidenced by the fact that they have not filed their own financial report in up to ten years and their accounts are past due.

3. Brief Profile of ZIDCO

3.1 Prelude

Mizoram's oldest state-owned corporation, Zoram Industrial Development Corporation Limited (ZIDCO), was established to provide aid, assistance, and finance to industrial companies, projects, or businesses in the state of Mizoram in order to develop industrial areas and promote entrepreneurship. The Zoram Industrial Development Corporation Limited (ZIDCO), formerly Mizoram Small Industries Development Corporation Limited (MSIDC), was established on February 27, 1978, under the Companies Act, 1956. Mizoram Small Industries Development Corporation Limited (MSIDC) was renamed Zoram Industrial Development Corporation Limited. (ZIDCO) on September 13, 1985. There are 38 employees under ZIDCO including 3 persons on Muster Roll and 2 other persons on Contract Basis such as: -

Group-A = 9, Group-B = 12, Group-C = 8,

Group-D = 9, Contract = 2, Muster Roll = 3

It was established primarily as a financing institution to aid the state's efforts to create an industrial environment. The Government of Mizoram and the Industrial Development Bank of India (IDBI) formed ZIDCO as a joint venture with a 51:49 share ratio.

The board of directors appointed by the Governor of Mizoram is governed by

ZIDCO. One of the Directors, the Managing Director, who is also the corporation's chief executive, was also nominated as a member, Secretary of the Board, by the Governor. The Chairman of ZIDCO is Pu Lalthlengliana, Ex MLA, and the Managing Director is Pu Lalramsanga Sailo, IRS.

3.2 Share Capital Contribution

The Authorized Share Capital is Rs.1500 lakhs i.e., (Rs.15 crores), out of this Rs.1370.10 lakhs were fully subscribed and paid up. The Government of Mizoram and IDBI are to make a matching contribution, as per the agreement. Every share contribution was matched by IDBI until 1990-91, with the exception of the initial contribution of Rs. 15 lakhs by the Mizoram Government. IDBI however, refused to equal the contribution made by the government of Mizoram from 1991-92 onwards. Out of the paid-up capital of Rs. 1370.10 lakhs, only 31.24% is contributed by IDBI and Government of Mizoram holds 68.76% of the total share capital contribution. As a result of economic liberalization, Government of India stopped share capital contribution to IDBI and subsequently IDBI has completely stopped contributing share capital to ZIDCO since 1991-92. In fact, Government of Mizoram is only contributing share capital to ZIDCO. The Share Capital contribution made by IDBI and Government of Mizoram ends in 1992 and 2000 respectively.

3.3 Loan / Refinance

ZIDCO's borrowings loans from IDBI, SIDBI, NMDFC and HUDCO. ZIDCO received refinancing from 1982-83. On the grounds of weak repayment of ZIDCO overdues to IDBI and SIDBI, they had refused to extend further refinancing from the middle of 1991-92 financial year. Since 1992-93, ZIDCO has not obtained a single refinancing rupee from IDBI and SIDBI. ZIDCO also obtained interest-free loans of Rs. 150 lakhs in 1992-93 financial year and Rs. 225 lakhs in 1993-94 financial year from the Government of Mizoram, and the same interest-free loan has already been paid back to the Government of Mizoram. Management efforts have been made to begin refinancing from IDBI and SIDBI.

ZIDCO availed funding from Financial Institutions such as follow: -

- SIDBI – Rs. 1045.14 lakhs (Liquidated in 2008)
- NMDFC – Rs. 1446.58 lakhs
- HUDCO – Rs. 1277.00 lakhs

4. Data Analysis and Interpretation

4.1 Introduction:

Analysis and evaluation of financial statements relates to the handling of the details found in the Income statement and the Balance Sheet in order to provide a complete diagnosis of the business's performance and financial soundness. There is a distinction between the term’s "analysis" and "interpretation." The term "study" refers to the systematic classification of data in financial statements. If the statistics in the financial statements are condensed, they would not be useful. The word interpretation means describing the purpose and importance of the data so condensed. However, both “Analysis and Interpretation” are complementary to each other. Interpretation requires analysis, while Analysis is useless without interpretation. “Analysis and Interpretation of financial statements are an attempt to determine the significance and meaning of the financial statement data so that the forecast may be made of the prospects for future earnings, ability to pay interest and debt maturities (both current and long term) and profitability of a sound dividend policy.” (Kennedy and Muller, 1999)

4.2 Financial performance of ZIDCO

Financial Performance of ZIDCO implemented different accounting ratios to show Profitability Ratio consisting of Gross Profit Ratio, Operating Ratio, Operating Profit Ratio, Net Profit Ratio and Return on Investment. And Liquidity Ratio, consisting of Current Ratio or Working Capital Ratio, Quick Ratio or Acid Test Ratio. Solvency Ratio consisting of Debt Equity Ratio, Total Assets to Debt Ratio, Proprietary Ratio and Activity Ratio consisting of Inventory Turnover Ratio, Trade Receivables Turnover Ratio, Working Capital Turnover Ratio. And also Return on Debt Equity Ratio.

4.2.1 Profitability Ratios

Profitability position of ZIDCO were studied for five years i.e., 2015-16 to 2019-20 Financial Years using five profitability ratios for the study which are: i) Gross Profit Ratio ii) Operating Ratio iii) Operating Profit Ratio iv) Net Profit Ratio v) Return on Investment (ROI).

4.2.2 Liquidity Ratios

Liquidity position of ZIDCO were studied for a period of five year i.e., 2015-16 to 2019-20 Financial Year. The important liquidity ratios are: (i) Current Ratio (ii) Acid-Test

Ratio or Quick Ratio. In the last few years ZIDCO is facing a problem regarding the liquidity position that is the reason why we studied the present conditions using Financial Ratios.

4.2.3 Solvency Ratios

The long-term solvency ratios reflect a company's ability to pay fixed interest and expenses while still repaying long-term debt. The following ratios are used to assess a company's long-term financial viability for five years i.e., 2015-16 to 2019-20 Financial Year: (i) Debt-Equity Ratio, (ii) Total Assets to Debt Ratio and (iii) Proprietary Ratio.

4.2.4 Activity Ratios

Turnover Ratios and Efficiency Ratios are other names for Activity Ratios, these ratios show whether the firm's current and long-term asset investments are too high or too small. Efficiency ratio of ZIDCO were studied for five years i.e., 2015-16 to 2019-20 Financial Years. The turnover ratios mentioned were determined: (i) Inventory Turnover Ratio, (ii) Trade Receivables Turnover Ratio and (iii) Working Capital Turnover Ratio.

4.2.5 Return on Equity

The Return on Equity (ROE) ratio basically calculates the rate of return on a company's common stock owned by its shareholders. The company's ability to produce returns on the investment it earned from its shareholders is calculated by its return on equity. ROE is more than a benefit measurement; it is also a productivity measurement. We have studied the present condition comparing to the last five years i.e., 2015-16 to 2019-20 Financial Year.

5. Findings, Conclusions and Suggestions

5.1 Major Findings:

Following is some of the observations that were discovered after the data was analyzed:

1. Gross Profit Ratio has consistently showing positive for the last five years and has continuously showing an upward trend and it is increasing more and more from 2017-18, 2018-19 and 2019-20 with percentage of 5.89%, 14.29% and 41.34% respectively. From the analysis it is clear that ZIDCO has a sufficient gross profit to cover the operating expenses.

2. Operating Ratio has continuously showing an upward trend from 2015-16, 2016-17,

2017-18, 2018-19 and 2019-20 with percentage of 24.59%, 154.21%, 148.92%, 151.24% and 293.41% respectively. From the above analysis it is clear that profit margin will be higher on Revenue from Operations.

3. Operating Profit Ratio were in a positive position five years earlier and it has consistently showing negative efforts from 2016-17, 2017-18, 2018-19 and 2019-20 with percentage of -54.21%, -48.92%, -54.24% and -193.41%respectively. From the analysis it is clear that ZIDCO has flaws and poor resource management and also indicates that the profit produced from operations is inadequate in relation to total revenue generated from sales.

4. Net Profit Ratio has increased from 10.13% to 19.82% in 2015-16 and 2016-17 which is fair for the company but decreased in the year 2017-18 and 2018-29 i.e., 5.67% and 8.5% and is at its lowest point over the last five years by 0.79% in 2019-20 which is an indication for the company to improve its performance.

5. Return on Investment increased from 5.87% to 8.22%, in 2015-16 and 2016-17 which is favourable for the company but decreased in the year 2017-18 i.e., 2.29% and increased in 2018-19 by 2.54% and again decrease and is at its lowest point over the last five years i.e., 0.07% in 2019-20 which is an indication for the company that capital employed is not effectively used and is an indication for improvement in its performance.

6. Current Ratio were below the standard condition i.e., 2:1 in 2015-16 and 2016-17 with percentage of 1.50% and 1.50% respectively and it has consistently showing positive efforts for the last three years in 2017-18, 2018-19 and 2019-20 with percentage of 2% each. It shows a good financial position of ZIDCO.

7. Quick Ratio were above the standard condition i.e., 1:1 and it has consistently showing an upward trend and increased more and more for the last five years i.e., 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 with percentage of 3.36 %, 3.44%, 3.62% and 3.86% and decreased at its lowest point over the years in 2019-20 i.e., 0.03%. It shows ZIDCO's good liquidity position over the last five years but needs improvement for the future.

8. Debt Equity Ratio do not exceed the standard condition i.e., 2:1 and it has consistently showing positive efforts for the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 with percentage of 0.15 percent, 0.18 percent 0.11 percent, 0.07 percent, and 0.07 percent, respectively. From the analysis it is clear that, the assets are higher than the value of the liabilities.

9. Total Assets to Debt Ratio stays on the standard condition i.e., 1:1 and 2:1 and it has consistently showing positive efforts for the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 with percentage of 1.5 percent, 1.5 percent 2 percent, 2 percent, and 2 percent, respectively. From the analysis it is clear that, ZIDCO financial positions is in a safety margin and also shows that the long-term debts will be secured by the assets.

10. Proprietary Ratio decreased from 3.63% to 2.96% in 2015-16 and 2016-17and has consistently showing an upward trend and increased more and more from 2017-18, 2018-19, and 2019-20 with percentage of 4.78 percent, 6.66 percent, and 6.72 percent, respectively and ZIDCO has consistently showing positive efforts. From the above analysis it is clear that ZIDCO has sound financial status.

11. Inventory Turnover Ratio were declining from 27.82 times in 2017-18 to 19.33 times in 2018-19 respectively and zero inventory turnover in 2019-20 and it has consistently showing negative efforts for the last five years. From the analysis it is clear that inventories are not efficiently used and ZIDCO has to improved its inventory management.

12. Trade Receivables Turnover Ratio increased from 13.30 times to 20.76 times in 2015-16 and 2016-17. And also shows zero trade receivable turnover ratio in 2017-18 financial year. It has increased in 2018-19 by 21.92 times and later decreased by 6.80 times in 2019-20. From the analysis it is clear that ZIDCO has to improved its trade receivables turnover.

13. Working Capital Turnover Ratio were consistently declining for the years i.e., 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 i.e., 0.74 times, 0.56 times, 0.52 times, 0.37 times and 0.12 times respectively. From the analysis it shows under-utilization of Working Capital and it is clear that the used of working capital needs to be improved.

14. Five years earlier Return on Equity it is in a negative position i.e., -122.68% in 2015-16 and it has consistently showing positive efforts for the last four years i.e., 214.74%, 37.22%, 29.77% and 0.11% respectively. As the percentage decreased from 2017-18 to 2019-20 it is clear that is has to improve the utilization of shareholder funds more effectively.

15. For the years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20. The Recovery Rate was 1.82%, 1.95%, 2.04%, 1.74% and 2.30% respectively. The Recovery Rate is maximum 2.30% in 2019-20 financial year followed by 2.04% in 2017-18 financial year. The minimum Recovery Rate is 1.74% in 2018-19 financial year. The total recovery rate of loan for the last five years is 1.89%. The recovery rate is increasing and is at its highest rate in 2019-20 financial year which shows that ZIDCO recovery position of loan is effective and efficient.

16. There are 37 numbers of Non-Performing Assets. The loan or Project becomes Non-Performing Assets after 8 and half years. The maximum amount of loan overdues is Rs. 6.72 Crores from Bamboo loan dated 6th May, 2005 and the minimum amount of loan is Rs. 31,213 from Bakery loan dated 25th August, 1999. The total amount of all the overdues is Rs. 8.81 Crores.

17. There are 31 numbers of Performing Assets who pays their loans regularly. The maximum Recovery Rate is 2.35% on Seed Money dated 21st January, 1982 followed by 2.34% on Car Parking dated 29th September, 2005. The minimum Recovery Rate is 1.0% on Carpentry dated 4th April, 1990. The total Recovery Rate of Performing Assets is 1.84%. Out of 68 numbers of assets under recovery, 37 numbers are from non-performing assets and 31 numbers are performing assets.

18. It is clear that ZIDCO is investing mostly in the manufacturing, constructions and service sectors. And also, investment is done by giving loans to entrepreneurs.

19. ZIDCO is a losing company but Grant-in-Aid (GIA) were received from the Government of India for salary and for administrative expenses.

20. ZIDCO did not take their liabilities into account and is still having profits from their project works and from the selling of liquor in the past years.

21. ZIDCO suffered huge losses due to insufficient repayment of loan and they do not receive share capital contribution from the Government of Mizoram. Majority of the loans are non-performing assets.

22. ZIDCO did not take any collateral security below the loan of Rs. 50,000\- and for the operating vehicle loans. Collateral security is taken only above Rs. 50,000\- loans in the form of Land Settlement Certificate.

23. If any loan becomes non-performing assets ZIDCO have taken measures in disposing their Land Settlement Certificate (LSC). We have also found out that more than 100 Land & Building have been sold out to the public.

24. In order to be selected for receiving funds from ZIDCO the entrepreneurs have to clearly knew about their proposal feasibility for industrial units. Entrepreneurs have to pass through the screening committee in which they are questioning about their proposed projects. The screening committee will be having an in-depth study of the proposed project regarding management appraisal and financial appraisal.

25. Government servant people can avail Housing loan from ZIDCO and all the other loans can be avail by non-government servant people only.

26. ZIDCO has given out 10 different kinds of loans i.e., Mahila Udyam Nidhi, Single Window Scheme, Working Capital Loan, Composite Loan, Ex-Servicemen Loan, Industrial Loan, Small Road Transport Operator (SRTO), Bamboo Loan, Housing Loan, Ginger Loan.

27. Verification regarding implementation of the entrepreneur's projects is conducted by spot verifications and working progress to verified whether there is mis-appropriation of funds before every installment are disbursed and if satisfied then the other

installments are disbursed accordingly.

28. When a loan becomes non-performing assets, they are referred to Lok Adalat for loan recovery. And also, disposal of mortgaged Land Settlement Certificate (LSC) is carried forward and recovery drive are also conducted every month or quarterly basis.

29. Loan becomes non-performing assets at the end of their payment period. The payment period is at the maximum of 8 and half years.

30. The project or loan becomes non-performing assets base on the attitude of the loanees. It is also found out that most of the loanees are well established but they have no intention to repay the loan which is the main problem.

31. ZIDCO is not very much interested in giving loans due to insufficient repayment of loans. They intended on turning ZIDCO sanction towards constructions for improving their performance and also planned to change their names i.e., Zoram Industrial Development Corporation Limited to Zoram Infrastructure and Industrial Development Corporation Limited.

32. Different kinds of banks are ZIDCO competitors.

33. ZIDCO have more advantage than their competitors by giving low rate of interest which is 7% only.

34. ZIDCO is having major portion of the market share in the last few years. As financial institutions were not providing any further loans to ZIDCO, market share of ZIDCO is decreasing.

35. ZIDCO is maintaining huge cash in the last previous years i.e., 2019-20 financial year due to the maintenance of separated account for all the repayments made by the loanees which increases the un-used cash i.e., cash and cash equivalents of ZIDCO.

36. ZIDCO is turning towards infrastructure development works in which they are proposing different projects under the central government ministries but pending due

to the Covid-19 pandemic situation.

37. It was found out that there is an unclear future to when ZIDCO will be a debt free Company. ZIDCO is depending on the Government of Mizoram to liquidated their loans from National Minorities Development and Financing Corporation (NMDFC), New Delhi and Housing and Urban Development Corporation Limited (HUDCO), Kohima in order to get refinance from them.

38. ZIDCO have taken measures to reduce their administrative expenses and also, they are turning towards infrastructure development works in which they will be taking different projects to improve its financial performance.

5.2 Conclusions:

The key objectives of the study were to find out the financial performance of Zoram Industrial Development Corporation Limited (ZIDCO) for the last five years starting from 2015-16 to 2019-20 financial year. This research gathered insightful information on the level of their financial performance of ZIDCO from the last available Audited Financial Report from 2015-16 to 2019-20 regarding their Ratio Analysis which shows their Profitability and Efficiency Ratios, Liquidity Ratio and Solvency Ratios. The recovery process of loan is studied with performing and non-performing assets and lastly, interview is carried forward with the General Manager of ZIDCO regarding qualitative aspects of performance of ZIDCO.

From the study we have found out that profitability ratios show positive result and liquidity ratios shows a good financial position of ZIDCO. Solvency ratios also indicates financial positions is in a safety margin and also shows that the long-term debts will be secured by the assets. Activity ratios show that ZIDCO has to improved its inventory management, trade receivables turnover and the used of its working capital. It is also found out that Return on equity has to improve the utilization of shareholder funds more effectively. Loan recovery rate is increasing and is at its highest rate in 2019-20 financial year which shows that ZIDCO recovery position of loan is effective and efficient.

5.3 Suggestions:

Based on the conclusions arrived from the analysis of financial performance of Zoram Industrial Development Corporation Limited (ZIDCO), the following suitable suggestions are offered to improve the situation, the following suggestions are given.

5.3.1 Raising of Capital

From the Interview with General manager, it was found that ZIDCO were facing a financial problem (New Capital infusion) for many years and also the organization was making losses for a period of more than 10 years i.e., (2004-2014) ZIDCO was making profit for the last 5 years i.e., 2015-16 to 2019-20 financial year. So, ZIDCO will be able to raise capital by enlisting in stock markets such as Calcutta Stock Exchange (CSE), National Stock Exchange of India Ltd (NSE), Bombay Stock Exchange Ltd (BSE), etc. This will help the company to mitigate its capital related problem and enhanced capital will lead to more business and profit.

5.3.2 Financing Mechanism

An entrepreneur pursuing financing facilities is still faced with difficulties in securing bank financing even after being chosen by the selection committee. The selection procedures should be updated in order to ensure simple funding of approved schemes. For the past five years, Zoram Industrial Development Corporation Limited (ZIDCO) has been profitable, but it continues to face challenges due to flaws in financial management, project planning, implementation, operations management, and monitoring which shows that it requires serious focus at this point of level in order to avoid future losses. ZIDCO may generate new funds by listing in stock exchanges or finding new investors to increase its capital.

5.3.3 Monitoring Mechanism

There is no proper control process in the current framework. Also, there is no regular proper monitoring mechanism regarding implementation of the entrepreneur's projects. It is therefore proposed that there should be a proper monitoring system to provide a practical image of jobs, functional units and accurate information to resolve grassroots realities.

5.3.4 Convergence with other line departments

ZIDCO's key objectives are to support, advise, assist, finance, protect and promote the interests of Industries in the state of Mizoram. In the meantime, different government agencies have come up with the same inspiration and vision of encouraging people to start up new businesses. So, information sharing with other similar institutions is required. The ZIDCO projects would be more competitive and would have major impacts if these schemes converged with the authority of ZIDCO.

5.3.5 Policy restructuring

ZIDCO's needs to take constructive and effective measures to encourage entrepreneurship in the state. Also, Zoram Industrial Development Corporation Limited (ZIDCO) should restructure its financial management policy. ZIDCO had not implemented a proper financial planning system, nor had it produced a business plan or resource forecasting for debt repayment using borrowed funds from financial institutions.

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