

Assesment of Financial Performance: An Empirical Study of Crude Oil and Natural Gas Companies in India

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Abstract : Background and significance of the study: Crude oil and natural gas is of crucial importance due to its increasing demand in India. The demand has been increased because of change of lifestyle overtime. Since India has poor utilization of oil production capacity, constantly the import of it has been increased progressively day by day. This ultimately hit the foreign exchange reserves of India, however it negatively affect the Indian economy as well. The financial performance of crude oil and natural gas companies in India has been trimmed down year after year because of underutilization of production capacity, enhancement of demand, change in life style, and change in import bill and outflows of foreign currencies. In this background, the current study seeks to measure the financial performance of crude oil and natural gas companies of India in the post liberalization period. Keeping in view of this, this study assesses the financial performance in terms of liquidity management, solvency, efficiency, financial stability, and profitability of the companies under study. Methodology: This research work is encircled on yearly ratio data collected from Centre for Monitoring Indian Economy (CMIE) Prowess database for the periods between 1993-94 and 2012-13 with 20 observations using liquidity, solvency and efficiency indicators, profitability indicators and financial stability indicators of all the major crude oil and natural gas companies in India. In the course of analysis, descriptive statistics, correlation statistics, and linear regression test have been utilized. Major findings: Descriptive statistics indicate that liquidity position is satisfactory in case of three crude oil and natural gas companies (Oil and Natural Gas Companies Videsh Limited, Oil India Limited and Selan exploration and transportation Limited) out of selected companies under study but solvency position is satisfactory only for one company (Oil and Natural Gas Companies Videsh Limited). However, efficiency analysis points out that Oil and Natural Gas Companies Videsh Limited performs effectively the management of inventory, receivables, and payables, but the overall liquidity management is not well. Profitability position is very much satisfactory in case of all the companies except Tata Petrodyne Limited, but profitability management is not satisfactory for all the companies under study. Financial stability analysis shows that all the companies are more dependent on debt capital, which bears a financial risk. Correlation and regression test results illustrates that profitability is positively and negatively associated with liquidity, solvency, efficiency, and financial stability indicators. Concluding statement: Management of liquidity and profitability of crude oil and natural gas companies in India should have been improved through controlling unnecessary imports in spite of the heavy demand of crude oil and natural gas in India and proper utilization of domestic oil reserves. At the same time, Indian government has to concern about rupee depreciation and interest rates.

Keywords : financial performance, crude oil and natural gas companies, India, linear regression

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