was found to be significant at 5 percent. Thus, by increasing its sales turnover, LMW would be in a poistion to increase its profitability.

The Cobb-Douglas production function was fitted to analyse the interrelationship between output on the one hand and capital and labour on the other hand.

The analysis revealed that nearly 79 per cent of the variations in output was due to variations in capital and labour. Both the regression coefficients were estimated to have a positive influence on output. Further, the elasticity of labour with respect to output (1.074) was higher than that of capital (0.623) indicating that the concern was labour-intensive. The sum of the regression coefficients (1.697) was greater than one indicating that the concern was facing increasing returns to scale.

LIQUIDITY MANAGEMENT - A CASE STUDY

- R. ROOPA
- M. SELVAM

1.0 Textile Engineering Indutsry :

Textile engineering industry has progressed with the development of Textile Mills. They are engaged in the manufacture of textile machinery, tools and equipments. The Indian textile machinery market size is around Rs.33 bn. The production of domestic textile engineering industry has grown at a CAGR of 11% during the last three years i.e. from 1995-96 to 1998-99. The global textile industry at present is undergoing a major shake out, with poor investment in spinning and weaving capacities because of which textile engineering industry is affected. In India the present production is only 30% of the industries installed capacity. Due to size and export potential, the Government of India is expected to encourage investment in this industry.

2.0 Profile of Textool Company Limited :

The present study on liquidity management is conducted on Textool Company Limited, which falls under textile engineering industry. Textool Company Limited was incorporated in 1946 under the Companies Act 1913. The company is engaged in the manufacture of textile machines, tools and components for textile mills. The Company earned enormous profit for twenty years since its incorporation i.e., from 1946 to 1966. Due to general recession in the textile industry the Company suffered losses during the period of three years (1966-1969). It was during this time that the Tamilnadu Government came forward to take up the management of the company on March 1970 under "Tamilnadu

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Relief Undertaking Special Provisions Act, 1969". After that the company made a remarkable profit.

In the year 1984, the management of the company was taken over by "Lakshmi Machine Works (LMW) "group of companies by purchasing maximum shares and as a result, the company's profitability and producitivity increased many folds. Since 1997, there was again a gereral recession in the textile industry. As a result, Textool Company Limited suffered losses during the past three years. Government's recent announcement Rs.250 bn package for modernisation of textile industry under the "Technology Upgradation Fund Scheme" is expected to lead textile industry to a better climate. Textool Company Limited won the following awards in 1986-87 for excellence in various field, which are as follows :

- Import substitution award presented by Association of Textile Stores and Machinery, India.
- Technical and RAD award by Textile Machinery Maufacturers Asscociation, India.
- National Productivity Council Award by the President of India.

3.0 Liquidity Management :

It is no exaggeration that liquidity position plays a vital role in the successful functioning of any business undertakings. The liquidity may be defined as the ability to realise the value in money. A firm should ensure that it does not suffer from lack of liquidity and also from too high degree of liquidity. In short, the company should maintain the optimum degree of liquidity and avoid both high and low degree of liquidity. No doubt that the low degree of liquidity may lead to the failure on the part of the company to meet its current obligations; it results in bad credit ratings and result in the closure of the company. On the other hand the very high degree of liquidity reveals that idle assets earn nothing for the company. In the above background an attempt is made in the present study to evaluate the efficiency of liquidity

management of Textool Company Limited, a leding manufacturer of Textile Machinery, tools and components for textile mills.

4.0 Objecitve of the Study :

The present study is carried out with the following two objectives. They are :

a) To study liquidity postion of Textool Company Limited, and

b) To analyse liquidity managment of Textool Company Limited.

5.0 Methodology of the Study :

5.1. Data Collection :

The present study largely depends on secondary data; the required secondary data were mainly collected from the published annual reports of Textool Company Limited. Apart from this, through presonal enquiry, discussion with officials at various lelvels, required primary data were collected and used in this study wherever possible. Data collected by first author of this paper for her research project has been used in this study.

5.2 Period of Study :

For the purpose of this study, the data were collected for a period of 10 years from 1990-91 to 1999-2000.

5.3 Analysis of Data :

The data collected were analysed with the help of tehniques like ratio analysis, standard deviation and co-efficient of variation.

6.0 Detailed Discussion of the Study :

As pointed out earlier, liquidity refers to the ability to meet its current obligation as and when these become due. If the company's current assets can pay off its current liabilities, then liquidity position of the company may be considered satisfactory. The liquidity position of Textool Company Limited for the period 1990-91 to 1999-2000 is shown in Table-I.

The perusal of the Table-I reveals that total current assets ranges in between Rs.3117.71 lakhs in 1990-91 and Rs.4491.49 lakhs in 1999-2000 with wide fluctuations. The low amount of current assets (Rs.3117.71 lakhs) was recorded in 1990-91 while the high amount of current assets (Rs.7567.71 lakhs) was registered in 1997-98. In the case of current liabilities, the amount falls in between Rs.2783.28 lakhs in 1990-91 and Rs.5062.75 lakhs in 1999-2000 with wide fluctuations. The low and high amounts of current liabilities during the study period were Rs.2586.26 lakhs in 1992-93 and Rs.6975.50 lakhs in 1994-95 respectively. The respective average value of current assets and current liabilities during study period were Rs.4548.30 lakhs and Rs.4058.97 lakhs. The standard deviation for current assets and current liabilities were Rs.1310.36 lakhs and Rs.1396.86 lakhs respectively. The co-efficient of variation was higher with 34.41% in case of current liability in comparision to current assets being 28.81% and this brings out the fact that there is a greater degree of variability in current liabilities.

6.2. Quick Assets :

The analysis of Table-I further reveals that total quick assets increased from Rs.1459.23 lakhs in 1990-91 to Rs.2556.69 lakhs in 1999-2000. The highest value of quick assets was recorded in 1997-98 (Rs.3682.83 lakhs) followed by 1999-2000 (Rs.2556.69 lakhs), 1993-94 (Rs.2527.10 lakhs), 1998-99 (Rs.2381.09 lakhs), 1995-96 (Rs.2326.60 lakhs), 1992-93 (Rs.2116.27 lakhs), 1994-95 (Rs.1894.92 lakhs), 1991-92 (Rs.1585.88 lakhs), 1996-97 (Rs.1555.05 lakhs) and 1990-91(Rs.1459.23 lakhs).

The values of average and standard deviation of quick assets were Rs.2208.57 lakhs and Rs.626.34 lakhs. The co-efficient of variation of quick assets was 28.36% and this reveals the fact that variability in quick assets (28.36%) is less than current liabilities (34.41%).

6.3. Net Working Capital :

Net working capital generally refers to excess of current assets to current liabilities. The basic objective of working capital management is to manage the current assets and current liabilities in such a way that the satisfactory level of working capital is maintanied. In other words, it is neither inadequate nor excessive. Working capital management is concerned with all problems that arise while managing the current assets and current liabilities. The current assets should be sufficient enough to cover current liabilities so as to maintain a reasonable safety margin.

The amount of working capital of Textool Company Limited ranges from Rs.334.43 lakhs in 1990-91 to Rs.1897.22 lakhs in 1998-99. However, in the years 1993-94, 1994-95 and 1999-2000, the current assets is less than current liabilities and hence negative working capital was registered in the years of 1993-94 (Rs.-306.98 lakhs), 1994-95 (Rs.-2962.62 lakhs) and 1999-2000 (Rs.-2962.62 lakhs) and 1999-2000 (Rs.-71.26 lakhs). The higher amount of working capital was recorded in 1997-98 (Rs.244.35 lakhs) while lower amount of working capital was registered in 1994-95 (Rs.-2942.23 lakhs i.e. negative). The average working capital for the study periods is Rs.489.33 lakhs while the growth was negative (-21.31%). The standard deviation of net working capital was Rs.1471.99 lakhs while co-efficient of variation was 300.82%. This shows that the variability of net working capital (300.52%) is greater than that of current assets (28.81%), current liabilities (34.41%) and quick assets (28.36%). Hence the liquidity position of Textool Company Limited is poor.

7.0 Liquidity Management - Analysis of Liquidity Ratios :

7.1. Current Ratios :

Current ratio is calculated by dividing current assets and current liabilities. It is calculated to find out whether the company is able to meet the current obligations of the company with current assets. The ideal ratio is 2:1.

Table - 2 brings out the liquidity ratios of Textool Company Limited for the period from 1990-91 to 1999-2000. It is evident from the Table-2 that current ratio ranged between 1.12 in 1990-91 and 0.98 in 1999-2000. The low and high current ratios were registered in 1994-95 (0.58) and in 1998-99 (1.55). It could be inferred that current ratio in all the years of study period has been less than the standard current ratio (2:1). This indicates that Textool Company Limited failed to maintain sufficient current assets to meet out current liabilities.

7.2 Quick Ratios :

Quick ratio is determined by dividing quick assets by current liabilities. Quick ratio measures the ability of the company to meet its day-to-day obligations with quick assets. Quick asset is calculated by deducting inventory from current assets. This is done because inventories are the least liquid component of current assets and it cannot be converted into cash easily. The ideal liquid ratio is 1:1.

In respect of quick ratio, it is understood that quick ratio moved between 0.52 in 1990-91 and 0.51 in 1999-2000 with wide fluctuations. Quick ratio in all the years is too less than the ideal ratio (1:1). From the above analysis, it is inferred that the liquidity management of Textool Company Limited is not satisfatory.

8.0 Conclusion:

It is clear from the above analysis that the liquidity position of Textool Company Limited is not stable. The quick or liquid ratio in all the years of study period is not satisfactory. As pointed out earlier a very high degree of liquidity is also bad, as idle assets earn nothing for the company and no doubt affects profitability. The low degree of profitability also affects the normal functioning of the company. As far as Textool Company Limited is concerned, liquidity position is highly unstable. Further it is concluded that liquidity management of Textool Company Limited is poor and is not satisfactory. For the better liquidity position, the Textool Company Limited must have liquid resources on the assets side and less liquid resources on the liability side. Hence the Textool Company Limited is advised to take necessary step to improve its position.

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Table : 1 Liquidity Position (Rs. in Lakhs)

Year	Current Assets	Current Liabilities	Quick Assets	Net working Capital
1990-91	3117.71	2783.28	1459.23	334.43
1991-92	3208.15	2858.23	1585.88	349.92
1992-93	3416.10	2586.26	2116.27	829.84
1993-94	3542.46	3849.44	2527.10	-306.98
1994-95	4033.33	6975.56	1894.92	-2942.23
1995-96	5411.80	5237.30	2326.60	174.42
1996-97	4864.34	2701.02	1555.06	2163.32
1997-98	7567.71	5103.36	36820.83	2464.35
1998-99	5329.59	3432.37	2381.09	1897.22
1999-00	4991.49	5062.75	2556.69	-71.26
Average	4548.30	4058.97	2208.57	489.33
Growth Rate	160.10%	181.90%	175.21%	-21.31%
Standard Deviation	1310.36	1396.86	626.34	1471.99
Co-efficient of Variation	28.81%	34.41%	28.36%	300.82%

Source :- Computed from the Annual Reports of Textool Company Limited from 1990-91 to 1999-2000.

Table : 2
Liquidity Ratios

Year	Current Ratio (CA/CL)	Quick Ratio (QA/CL)
1990-91	1.12	0.52
1991-92	1.12	0.55
1992-93	1.32	0.82
1993-94	0.92	0.66
1994-95	0.58	0.27
1995-96	1.03	0.44
1996-97	1.80	0.58
1997-98	1.48	0.72
1998-99	1.55	0.67
1999-00	0.98	0.51

Source :- Computed from the Annual Reports of Textool Company Limited from 1990-91 to 1999-2000.

AN ECONOMIC PROFILE OF COIMBATORE LABOUR MARKET

- SANGAMITHRA NAGARAJAN*
- NAGARAJAN**

INTRODUCTION

In a modern society the role of labour as a factor of production is becoming increasingly important.The manpower is considered to be the key ingradient to the nation's growth and well being.In a service oriented era,the quality,quantity and utilisation of human resources are of central importance.Capital and natural resources are vital factors in an economy,but it is the quality of labour-the human resource-which contributes most to the contemperory 'Wealth of Nations'.

COIMBATORE DISTRICT-AN ECONOMIC PROFILE

Coimbatore is an important district located in the North Western part of Tamil Nadu.It is bounded by the Nilgiris on the north,Erode district on the east,Dindigul district on the south and Kerala state on the west.This geographical location enabled the district to emerge as an important industrial city in the state.Coimbatore is bordered by the Western ghates,of which the Nilgris on the North-West and the Anamalis on the south are the chief ranges.In between these two ranges,there is a pass to the west coast known as Palghaut Gap which is important from the climatic and commercial point of view.

The total area covered by this district was 7.49 lakh hectares.As per the 1991 Census,the total population of the district was 35.32 lakhs.Out of which nearly 16.53 lakhs are living in the rural areas,and the remaining 18.78 lakhs were in the urban centres. If we distinguish the total population into males and females,male populations apppeared to be higher than that of the female population.

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