

P R E F A C E

Financial management is an appendage of the finance function. With the creation of a complex industrial structure, the function has grown so much that it has given birth to a separate discipline — financial management — which is to-day recognised as the most important branch of business management. Financial considerations reign supreme particularly for line executives who are directly involved in the decision-making process.

As a discipline financial management is both dynamic and evolving. The old concept of finance as trusteeship has broadened so as to include the new, equally meaningful concept of controllership. While the treasurer keeps track on the money, the Controller's duty extends to planning, analysis and the improvement of every phase of company's operations which are measured with a financial yardstick.

Financial management applies to an organisation irrespective of its size, nature of ownership and control, and whether it is a manufacturing or servicing organisation. It applies to all activities of an organisation which have financial implications.

Financial management is intimately inter woven into the fabric of the management itself. Its central role is concerned

with the same objectives as those of the management; with the way in which resources are employed and business is financed. The scope of financial management may be divided into three main areas viz., decision on the capital structure, allocation of available funds to specific uses and analysis and appraisal of problems.

The discipline of financial management is extremely broad and complex. The difficulty is compounded by the fact that it can be approached in a variety of way — a descriptive, a theoretical, an analytical or applicative way. Further complications arise because the technicians with diverse backgrounds operate in the field — economist, behaviourists, attorneys, accountants and 'finance men'.

We have approached financial management in an applicative way with the background of an accountant by considering published financial statements of 19 Teral tea companies for a period of eight years (1974-81). Though a number of techniques can be applied to analyse financial statements, we have used the techniques of ratio analysis. By describing significant relationships which exist between figures shown in a balance sheet and profit and loss account the ratio analysis provides guides and clues especially in spotting trends towards better or poor performance. We have attempted an empirical study through this tool. A number of statistical tools have also been used for analysis and interpretation of ratios.

As tea industry occupies an important position in our agro-industrial economy and as it is the only important industry in North Bengal our choice for industry naturally fell on it. The industry has run into a situation which is disquieting. A number of tea companies have become sick; more are to follow the suit. Though nationalization is no panacea for its ills, there is oft repeated demand for nationalization.

Our attempt in this study is to examine and analyse financial performance of tea companies with the hope that it may provide an insight to management and government for corrective policy decisions.

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