

Impact of Financial Performance, Profitability of IT Companies with special reference to Wipro Infrastructure Engineering Private Limited

Dr. Buvaneswari P
Professor, Dept. of MBA
Pooja Bhagavat Memorial Mahajan Education Centre
PG Wing of SBRR Mahajana First Grade College (Autonomous)
KRS Road, Metagalli, Mysore - 570016

Abstract

Financial Management for Information Technology is very useful for exchanging Information through electronic links. The management of funds is very important for each organization as we know Finance is the life blood of the business. The role of Information Technology is very wide in any nature of an activity. In the present competitive world, every kind of an activity in an organization needs some improvisation for attracting the more market share. The growth rate of an industry also determines through that how the companies are excelling with one another in terms of usage of Information Technology (IT) corridor. Here, the researcher needs to have some basic idea about the Information technology (IT). Hence the study is undertaken with support of primary source and secondary information.

Keywords: *Financial Performance, Profitability Funds, Growth Rate, Market share*

1. INTRODUCTION

Financial management is necessary for each business to earn money by managing and investing of funds in good projects. Management of money in business increases the working conditions of a company. Financial management refers to the effective and efficient management of funds to reach the set objectives of the organization. Information Technology (IT) refers to the use of computers, networking and the processes to create, process, store, secure and exchange all forms of data through electronic device. Information system helps the organization in exchanging of data from one corner to another and to maintain the past records of all the necessary data. Financial transactions like accounting, exchange of information, budgetary control and so on, is all done by using Information Technology which reduces the risk and time required. Therefore, management of finance mainly relies on the Information Technology at present. Impact of Information Technology in Financial Management is the presence of electronic devices like computers, printers and scanners. This has transformed the manual work into Information Technology based work. There will be security for all the information of the company, identification and passwords limit the access to confidential information. So, Information Technology has impact on Financial Management.

2. STATEMENT OF THE PROBLEM

The role of Information Technology is very wide in any nature of an activity. In the present competitive world, every kind of an activity in an organization needs some improvisation for attracting more market share. The growth rate of an industry also determines through that how the companies are excelling with one another in terms of usage of Information Technology (IT) corridor. Here, the researcher needs to have some basic idea about the Information technology (IT). Hence, the study is undertaken in support of primary source and secondary information. Information technology is needed for a company to reduce its risk in handling the accounting manually by the adoption of technology that is centralized with all the branches of the company. By this way, the company can reduce risk and can increase the liquidity and profitability position. Hence, the present study is the need of an hour to determine the role of Information Technology for Financial Management.

3. REVIEW OF LITERATURE

Hasin Sahin, Bayaram Topal (2016) in his article “The effect of the use of Information Technology in Businesses on Cost and Financial Performance” with an objective to investigate the contribution of technologies for measuring the performance and the findings of the study forecast the importance of management systems. It gives the positive effect on cost and financial performance. The study has observed that Electronic Data Interchange (EDI) feature and Enterprise Resource Planning (ERP) systems have also contributed positively to measure financial performance.

Shaun D’olene Kecia Barret (2016) in his article “Effects of IT Risk Management and Institutional Size on Financial performance” with an objective to survey the relationship between Information Technology risk management, institutional size and money related execution of credit unions. The study found that institution size is the main contributor to determine the financial performance. The study also implies that there will be a positive relationship between the IT risk management and institutional size of financial performance.

Mahyar Mehdinezhad, et (2015) in his article “the impact of using IT on financial management of third party Logistic providers” with an objective to examine how the role of information technology influence improving human source performance, improvement of planning and the impact of IT for determines the logistics system of an organization. The study found that information technology has positive and significance in improving all the above variables like human source performance, improvement of planning and transportation and logistics system

4. OBJECTIVES OF THE STUDY

The researcher undertaken the study with the help of following objectives

1. To analyse the factors influencing the effectiveness of Information Technology in Financial Management at Wipro Infrastructure Engineering.
2. To analyse the Financial Management tools for measuring the performance of the company.

5.SCOPE OF THE STUDY

The survey is concerned with the importance of information technology for financial management in the company. Many tools like working capital management, cash management, receivables management, capital structure and budgeting help in measuring the performance of the company. The study covers the factors influencing the effectiveness of financial management at Wipro. Apart from this, there will be further scope for a study about the effectiveness of information technology for determining the financial performance of Wipro.

6.HYPOTHESIS

1. The impact of Information Technology with its networking capabilities does not affect the ROE and ROI.
2. There is no relationship between current assets and current liabilities for determining the changes in Working Capital.

7.RESEARCH METHODOLOGY

The study is based on descriptive analytical in nature. The researcher was undertaken the study with help of both primary and secondary information. The structured questionnaire has used as a primary data collection tool. For secondary data, the researcher depends on audited financial statements of the concern.

7.1 POPULATION

The study population consists of 50 respondents in numbers for primary data collection and four years of audited financial statements for secondary data.

The researcher has adopted the convenient sampling technique.

7.2 STATISTICAL TOOLS

Percentage analysis, Ratio analysis, Mean, Standard deviation, Correlation.

8.DATA ANALYSIS & INTERPRETATION

The researcher was able to undertake the research by using both primary and secondary data. The following analysis made by the researcher.

- Analysis of Role of IT in FM by using the following parameters
Analysis the level of coordination achieved, Analysis of Development through integration, Analysis of single mode operation, Analysis of coordination between the departments, Analysis of exchange of information between the users, Analysis of data base & Analysis of Effects on ROE & ROI

The researcher analyses the secondary data by using following parameters like Current Ratio, Quick Ratio, Working capital turnover ratio, Fixed assets turnover ratio, Debtors turnover ratio, Debtors collection period & Cash turnover ratio, The use of Information technology (IT) in Financial Management leads to achieve co-ordination between various departments.

(Strongly Agree – SA, Agree – A, Strongly Disagree – SD, disagree – DA, Either Agree Nor Disagree – EANDA)

TABLE – 1

Particulars	Achieve Coordination		Development Of Integrated Activities		Integrate Various Operations in Single Mode		Leads to cooperation between various activities of the department	
	F	%	F	%	F	%	F	%
SA	25	50	21	42	15	30	15	30
A	24	48	27	54	27	54	33	66
SDA	-	-	02	04	03	06	02	04
DA	1	2	-	-	-	-	-	-
EANDA	0	0	-	-	05	10	-	-
Total	50	100	50	100	50	100	50	100

The use of Information technology (IT) in Financial Management leads to achieve co-ordination between various departments.

From the above analysis it reflects that 50% of employees Strongly Agree, 48% of employees Agree and 2% of them Disagree with the above statement. The above analysis indicates that overall 98% of employees have Agree and Strongly Agree with the use of Information Technology (IT) in Financial Management. Hence, Information Technology (IT) helps to achieve the coordination between departments. In every concern, one department depends on another department. The intra-departmental coordination is very much required. This can be achieved through implementing an Information Technology (IT).

To achieve the development of integrated activities, the Information Technology (IT) plays an important role.

It reflects that 42% of employees Agree, 54% of employees Strongly Agree and 4% of them strongly disagree with the development of integrated activities to achieve with help of Information Technology. The above analysis specifies that overall 96% of employees have Strongly Agree and agree that to achieve development of integrated activities, in this Information Technology (IT) plays a prominent role. The use of IT in Financial Management leads to reduce the cost per transactions, better handling of CRM and is more efficient tool for attaining the integrated activities of an organization. This can be achieved through the proper implementation of ERP techniques and other IT tools for the same.

Information Technology (IT) helps to integrate various operations in a single mode.

The above table reflects that 30% of employees Strongly Agree, 54% of employees Agree, 6% of employees Strongly Disagree and 10% of them Either Agree nor Disagree that diverse operations integrate in a single mode with the help of Information Technology (IT). Hence, the company has familiar with the implementation of various techniques for achieving the same. The company is presently using ERP- SAP software, Car portal, FICR Portal and Hyperion which is centralized all over the organization in all departments.

Implementation of Information Technology (IT) in Financial Management leads to co-ordination between the various activities of the departments.

The above table reflects that 94% of employees have Strongly Agree and Agree, and 6% have Strongly Disagree with the activities that coordinate in departments with the implementation Information Technology (IT) in the concern. Hence, the implementation of IT not only achieves the intra-department but also leads to achieve the inter-departmental activities.

TABLE – 2

Particulars	Improves Network Capability		To Achieve Flow of information		Exchange Information between different users		To retrieve the necessary data base	
	F	%	F	%	F	%	F	%
SA	23	46	16	32	13	26	26	52
A	25	50	30	60	33	66	23	46
SDA	-	-	03	09	04	08	01	01
DA	-	-	-	-	-	-	-	-
EANDA	2	04	01	01	-	-	-	-
Total	50	100	50	100	50	100	50	100

The network capability of the company plays an important role with application at high speed leads to adopt the Financial Management Techniques.

The networking capability plays a vital role with an application of high speed of financial management techniques to be adopted. The different portals like ERP-SAP, Car Portal, MS Office, FIRC Portal, ERA Portal, and Windows Portal. These portals are used to get the required information at right time at a high speed and also help in maintaining the records and documents necessary.

Need to achieve the flow of information between the different administrative levels in an organization.

92% of employees have Strongly Agree and Agree, 10% of them Strongly Disagree and Either Agree nor Disagree to the stream of information flow at several stages of management in the concern. Everything is integrated with one another with the help of information technology. Hence, the different departments in an organization like Finance, Human Resources, Materials, Sourcing, Research and Development, Production, Marketing and Services, etc.

Implementation of Information Technology (IT) in Financial Management leads to facilitate the exchange of information between the different users of the company.

Financial Management directs to the exchange of information at several users like finance team, sourcing team, marketing team, materials and services team.

Implementation of the Information Technology (IT) helps to retrieve the necessary data from database.

It indicates that 52% employees Strongly Agree, 46% employees Agree, and 2% employees Strongly Disagree to recover the essential data from records, the implementation of Information Technology (IT) is beneficial.

TABLE – 3

Particulars	Effects on ROE		Effects on ROI		Effects on P/E Ratio	
	F	%	F	%	F	%
SA	07	14	10	20	10	20
A	32	64	27	54	21	42
SDA	-	-	01	02	03	06
DA	02	04	08	16	06	12
EANDA	09	18	04	08	10	20
Total	50	100	50	100	50	100

The above analysis reveals that 78% of employees have Strongly Agree and Agree, 22% of them Either Agree nor Disagree and Disagree as the variables networking capabilities like different portals used in the concern effects the Return on Equity (ROE) that is with increase in the profits which leads to earnings per share with use of Information Technology (IT). It reflects that 20% employees Strongly Agree, 54% employees Agree, 8% employees Either Agree nor Disagree, 16% employees Disagree and 2% employees Strongly Disagree that the impact of Information Technology (IT) with its variables networking capabilities effects the Return on Investment (ROI). It reveals that 78% of employees have Strongly Agree and Agree, 22% of them Either Agree nor Disagree and Disagree as the as the variables networking capabilities effects the Profit Earning Ratio (P/E Ratio) that is the ratio between the market price per share and earnings per share, with the impact of Information Technology (IT).

9.ANALYSIS OF PROFITABILITY

TABLE – 4

Year	Current Ratio	Quick Ratio	Working Capital Turnover Ratio	Fixed Assets Turnover Ratio	Debtors Turnover Ratio
2012 – 13	4.42	4.66	1.73	1.24	11.89
2013 – 14	4.64	4.46	1.52	1.13	11.20
2014 – 15	4.50	3.45	1.29	1.09	10.01
2015 - 16	3.64	2.54	1.34	1.25	9.43
Mean	4.30	3.78	1.47	1.18	10.63

Source: Audited Financial Statement

As far as study is concerned that the current ratio from 2013 to 2015 is 4 times that is the company's liquidity status is good as there are more current assets that can overcome the current obligations of the company. In 2016, it has been lessened to 3.64 that is less compare to last 3 years. But still the company has a good liquidity status to reimburse its short-term debts.

The quick ratio in 2013 and 2014 is of 4 times that is the organization's liquidity status is good as there are more liquid current assets, excluding inventories and prepaid expenses, which can be easily converted into liquidity that can overcome the current obligations of the company. In 2015 and 2016, it diminished to 3.45 and 2.54 that are less equated with prior 2 years. Yet at the same time the organization has a proper liquidity status to repay its obligations. The working capital is increasing in all years but there is decrease in the net sales from 2013 to 2015 and a slight increase in 2016. So, the ratio also decreased from 1.73 in 2013 to 1.29 in 2015 and again increased to 1.34 in 2016.

The fixed assets turnover ratio measures the efficiency with which a company uses its **fixed assets** to generate its sales revenue. Here the company has ideal fixed assets turnover ratio to meet the obligations in near future. A higher debtor's turnover ratio is one of the key considerations among others when companies look to avail working capital loans from banks. A faster cash conversion will facilitate banks with comfort while lending to companies with lower collection period.

TABLE – 5

Year	Debtors Collection Period	Inventory TOR	Cash Ratio	Cash Turnover Ratio	Cash to Current Assets
2012 – 13	30.70	9.24	3.78	1.57	0.85
2013 – 14	32.58	8.42	3.60	1.54	0.70
2014 – 15	36.46	7.19	2.67	1.69	0.59
2015 - 16	38.70	7.16	1.51	2.33	0.42
Mean	34.61	8.00	2.89	1.78	0.66

The above analysis expresses that the collection period has been increased as of 30 days to 38 days. So, company faces a problem of recovering the debt from its customers. Hence, the company must decrease the collection period to recover its debts. The inventory Turnover ratio has been decreased over the years. So, it reveals that there is ineffectiveness in production process, irregular management of inventory and the sales turnover also decreased. So, the company should look over the inventory and production activity. The cash ratio has been declined from 3.78 to 1.51 from 2013 to 2016 respectively, due to reduction in cash and its equivalents like current investments and cash equivalents. The above analysis discloses that the cash is decreasing due to various fluctuations in the other current assets. Hence, it is preferable for the concern to maintain the stable current asset position.

Hypothesis Testing - The impact of Information Technology with its networking capabilities does not affect the ROE and ROI.

TABLE - 6

Correlations				
		Networking Capability	ROE	ROI
Networking Capability	Pearson Correlation	1	.388**	.248*
	Sig. (1-tailed)		.003	.041
	N	50	50	50
ROE	Pearson Correlation	.388**	1	.589**
	Sig. (1-tailed)	.003		.000
	N	50	50	50
ROI	Pearson Correlation	.248*	.589**	1
	Sig. (1-tailed)	.041	.000	
	N	50	50	50
**. Correlation is significant at the 0.01 level (1-tailed).				
*. Correlation is significant at the 0.05 level (1-tailed).				

There is a positive correlation between ROE and ROI for determining the Networking Capabilities and its impact on Information Technology. Hence, the researcher rejects the null hypothesis and accepts the alternative hypothesis that the impact of information technology with its networking capabilities does affect the ROE & ROI. Hence, information technology with its variables that is integrative systems, networking capabilities have direct impact on return on equity, return on investment, stock prices and profitability, market value and daily stock price. Therefore, the IT act as a major role to determine the financial performance of the company.

There is no significant relationship between current assets and current liabilities for determines the changes in working capital.

TABLE - 7

Correlations				
		CA	CL	Changes in WC
CA	Pearson Correlation	1	.929*	.247
	Sig. (1-tailed)		.035	.376
	N	4	4	4
CL	Pearson Correlation	.929*	1	-.128
	Sig. (1-tailed)	.035		.436
	N	4	4	4
Changes in WC	Pearson Correlation	.247	-.128	1
	Sig. (1-tailed)	.376	.436	
	N	4	4	4
*. Correlation is significant at the 0.05 level (1-tailed).				

There is a positive correlation between current assets and current liabilities to determine the changes in working capital. Hence, the positive relationship between current assets and current liabilities reflects that the firm's liquidity positions has well defined with this.

10.FINDINGS

1. Greater part of the employees strongly agreed that the use of Information Technology in Financial Management that leads to coordination between various departments.
2. Majority of the employees are strongly agreed and agree with development of integrated activities to achieve with the help of Information Technology.
3. The mass of the respondents has strongly agreed that the Information Technology that helps to integrate several operations in single mode.
4. Majority of the employees strongly agree with the implementation of Information Technology in the concern among various activities in the departments.
5. The largest part employees strongly agreed that the networking capabilities are used to get the required information at right time at a high speed which plays a vital role and helps in maintaining the records and documents necessary.
6. The greater part of employees agrees with the exchange of information at various users in the concern by implementation of Information Technology in Financial Management.
7. Maximum employees strongly agreed that the implementation of Information Technology is beneficial to recover the essential data from the records.
8. The greater part of employees agrees that the variable networking capabilities affects the Return on Equity (ROE) with the impact of Information Technology.
9. The majority employees agree that the variable networking capabilities affects the Return on Investment (ROI) with the impact of Information Technology.

11.SUGGESTIONS

The analysis and interpretation of the study showed the importance of Information Technology (IT) in Financial Management. The results showed the performance of the company and the importance of Information Technology (IT) in different dimensions. The following points are suggested based on the analysis,

1. An organization need to have a common methodology for evaluating the performance with the help of Information Technology (IT).
2. Now they have concentrated only on ERP- SAP and other technology. But in this competitive scenario, they need to adopt a latest technology for delivering their work efficiently.
3. They need to have a proper control over the cost also. Because, adoption on any new techniques which have the own burden of cost. So, the company need to have a better allocation and apportionment of overheads for the better implementation of Information Technology (IT) in Financial Management.
4. For achieving the cost effectiveness, they need to have an efficient budgeting and budgetary control techniques which results in the attainment of new changes at par with organizational excellence.
5. As far as Working Capital Management is concerned, the company has satisfied with the positive manner. Hence, it is suggested that the company has a sole responsibility for maintaining the same in near future also.

12. CONCLUSION

Now-a-days every organization, they need to excel with one another. They have to achieve these; ones need to have better control over the activities in and around. In some of the cases, customers or clients are satisfied only with the basic requirements. But in this competitive scenario, one need to have a command over their job is important. If they want to achieve these, definitely the company needs to adopt some techniques and they have to think out of the box. Hence, instead of adoption of traditional Financial Management model, this Information Technology (IT) based Financial Management gave a strong pillar to satisfy their own stakeholders and they withstand in the market differently. Finally, the research concluded that both traditional and modern techniques used in Financial Management will give a fruitful result in the achievement of organizational excellence.

13,REFERENCES

1. Bareett, S. D. K. (2016). Effects of Information Technology Risk Management and Institution Size on Financial Performance. *Walden Dissertations and Doctoral Studies*.
2. Cebisoal, K. (2011). Use of Information Technology for Financial Management in Czech Enterprises. *Problems of Management in 21st century, 1(1)*.
3. Sahin, H. Topal, B. (2016). The Effect of Use of Information Technologies in Businesses on Cost and Financial Performance. *International Journal of Engineering Innovation & Research, 5(6)*. ISSN: 2277-5668.
4. Mehdinezhad, M., Habibi, A. (2015). Examining the Impact of Information Technology on Financial Performance of Third Party Logistic Providers (Case Study: Qazvin Province). *International Research Journal of Management Sciences, 3(6)*. ISSN: 2147-964.
5. Aldalayeen, B. O., Alkhatatneh, W. R. M., AL-Sukkar, A. S. (2013). Information Technology and its Impact on the Financial Performance: An Applied Study in Industrial Companies (Mining and Extraction). *European Scientific Journal, 9(10)*. ISSN: 1857- 7881.
6. Shashi K Gupta, R K Sharma, Neethi Gupta (2013) Financial Management, Kalyani Publications, 1st edition, pp 1.1 to 1.21.
7. <http://www.wipro.com>
8. <http://www.wiproel.com>
9. <http://www.wiproinfra.com>