

## CHAPTER IV

### CONCLUSIONS

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### RECOMMENDATIONS

- ✓ Macro IT programme for financial analysis
- ✓ Value maximisation solutions to corporates studied
- ✓ Usefulness in Government Accounting
- ✓ Recommendations

## I. Value Maximisation of Public Sector through better Financial Administration

The macro IT programme prepared by the undersigned in the research work, to standardise and analyse the financial information system of any organisation helps in providing a holistic view of financial performance and provides solutions to all internal variables of any organisation. Important conclusions arrived at w.r.t. financial results of companies studied are as follows :-

1. It would help in finding optimal capital structure (debt-equity mix) to achieve solvency-profitability balance, e.g., Petroleum & Civil Aviation sector debt issues.
2. Sustainable future capital expansion projects only possible through internal resource generation, e.g., utilisation of surplus cash reserves, e.g. Petroleum & Coal sectors.
3. Value analysis of cost-structure regularly required to control overheads & concentrate upon core business functions, e.g., Civil Aviation sector.
4. Evaluation of returns from assets deployed (working capital & fixed assets) by management to see whether optimal capacity is being utilised – evaluate the input-output ratio in economic terms, e.g., Power sector.
5. Human capital pay-structure, automation of functions & greater contribution to value addition possible through profit-centre creation, e.g., international experiences in Civil Aviation & Power sectors.

6. Use of synergy in chain management would lead to ease in liquidity crisis, e.g., Petroleum-Civil Aviation partnership.
7. Could serve as base for future dis-investment programme of the Govt. & net valuation of an entity in stock markets, successful example of Coal India Ltd.
8. Increase returns on capital employed for biggest shareholder (i.e., Govt of India) through taxation proceeds & dividends, thus helping in control over deficit in budget.
9. Creation of global entities possible only through big-size operations (case for petroleum sector integration).
10. Correct inventory control through supply chain management, thus reducing cost through business knowledge.
11. Development of debt-money markets to finance municipal assets creations.
12. Solution to problems of Air India :-
  - ✓ Need for workforce re-deployment
  - ✓ Control over overheads & outsourcing of non-core operations
  - ✓ Capital structure re-defining urgently required
  - ✓ Linkage with current financial position & future commitments , esp w.r.t. assets procurement
  - ✓ Re-visit to merger issues & separate evaluation of thus created smaller responsibility centres.

## II. Correlation of Accrual Accounting Model & Financial Information System with Government Accounting

1. Future financial reforms to include implementation of accrual accounting which has already been initiated at Municipal Corporations level (a case study of cities of Trivandrum & Cochin is examined). Accounting disclosures would help in better financial administration through :-

- ✓ Costs control
- ✓ Deficit and internal revenue correlation
- ✓ How to evaluate special programmes performance
- ✓ Mode of financing of fixed assets
- ✓ Approach towards debt instruments' usage
- ✓ Mechanism to increase collections (debtors' turnover)
- ✓ Scientific cash management

Need for accrual accounting & analysis is highlighted in examination of the MGNREGA data reports & the limitations as highlighted in the same.

2. Financial information systems is most essential input for various stakeholders since it would highlight significance of :-

- ✓ Public choice in projects – citizens
- ✓ Funds generation from Fin. Institutions & credit rating
- ✓ Authority-responsibility linkage – employees
- ✓ Assets management for future generations

**III. Based upon findings from financial analysis of five important industry segments, the following recommendations are submitted :-**

1. Good financial administration requires continuous intra & inter sector comparisons & appropriate SWOT analysis to help monitor weak links in time & take corrective action.
2. Good public sector performance would require financial autonomy in operations & authority-responsibility correlation to achieve best results from management-employees.
3. The model of accrual accounting based information system has served towards transparency & disclosures and should thus be implemented at all levels of government functioning to help create stakeholders' knowledge.
4. Long-term efforts to strengthen public sector (including government at all levels) would provide right partnership for sustained and higher economic growth in the country.