



# Evaluating Profitability and Employee Perception Using Mixed Methods: A Case Study of Kaveri Garments

Dr. A. Maheswari.<sup>1</sup>, Renuka B<sup>2</sup>, Manju Joshna Ebilin K<sup>3</sup>

<sup>1</sup>M. Com, M. Phil, Ph. D, Assistant Professor, Department of Commerce with CS & AF, Hindusthan College of Arts & Science Coimbatore, Tamilnadu

<sup>2</sup>III B.COM Accounting & Finance, Department of Commerce with CS & AF, Hindusthan College of Arts & Science Coimbatore, Tamilnadu

<sup>3</sup>III B.COM Accounting & Finance, Department of Commerce with CS & AF, Hindusthan College of Arts & Science Coimbatore, Tamilnadu

DOI: <https://doi.org/10.51244/IJRSI.2026.130200154>

Received: 28 February 2026; Accepted: 05 March 2026; Published: 16 March 2026

## ABSTRACT

Financial performance analysis plays an important role in evaluating the operational efficiency and profitability of a business concern. The survival and growth of a business depend on its ability to generate profits and maintain financial stability. The present study analyses the financial performance of Kaveri Garments, a sole proprietorship textile unit located in Tirupur, Tamil Nadu. The study covers a period of selected financial years and uses ratio analysis as a primary tool. Key ratios such as Gross Profit Ratio, Net Profit Ratio, Operating Profit Ratio, Working Capital Turnover Ratio, Current Ratio, and Absolute Liquid Ratio are applied to evaluate profitability, liquidity, and efficiency. The study helps in understanding the financial strength and weaknesses of the company and provides suitable suggestions for improvement. Furthermore, this study incorporates primary data through hypothesis testing to gauge employee perception of the company's working capital management.

**Key Words:** Financial Statement Analysis, Profitability, Liquidity, Ratio Analysis, Textile Industry.

## INTRODUCTION

Financial statement analysis refers to the process of examining and interpreting financial statements to assess the financial health and performance of a business. It involves the evaluation of income statement and balance sheet to measure profitability, liquidity, solvency, and operational efficiency. In the textile industry, especially in Tirupur which is known as the “Knitwear Capital of India”, financial management plays a vital role due to fluctuating raw material prices, export demand variations, and working capital requirements. Therefore, analyzing the financial performance of Kaveri Garments becomes essential to understand its sustainability and growth prospects.

## REVIEW OF LITERATURE

Several studies have examined financial performance in textile industries:

- Marimuthu and Rajendran (2020) studied profitability and liquidity of selected textile firms in Tamil Nadu and found fluctuations due to cotton price changes.
- Indhumathi and Palanivelu (2021) observed liquidity issues in spinning and weaving units in Coimbatore.



- Thabasvini and Nandhini (2023) analysed Tiruppur-based textile firms and found declining profit margins due to rising raw material costs.
- Subha and Ramu (2014) studied textile firms in Coimbatore and concluded that effective cost control improves profitability.

From the above studies, it is clear that profitability and working capital management are major factors influencing textile companies.

### Statement of the Problem

Textile manufacturing units face challenges such as fluctuating demand, rising raw material costs, and increasing competition. Small and medium enterprises like Kaveri Garments must maintain proper financial control to survive in the competitive market. Hence, this study attempts to analyse the financial performance of Kaveri Garments using financial statement analysis tools.

### Objectives of the Study

- To analyse the profitability of Kaveri Garments.
- To measure the operational efficiency of the firm.
- To evaluate employee perception regarding working capital management using primary data.
- To suggest improvements based on financial analysis.

### Scope of the Study

The study focuses on analysing the financial statements of Kaveri Garments using ratio analysis. It helps in assessing profitability, liquidity, and efficiency of the firm. The findings will be useful for management in decision-making and future planning.

### Hypothesis

- **Secondary Data Hypothesis 1:** There is no significant relationship between profitability ratios of Kaveri Garments during the study period.
- **Secondary Data Hypothesis 2:** There is no significant relationship between liquidity ratios of Kaveri Garments during the study period.
- **Primary Data Hypothesis:** There is no significant relationship between the employees' years of experience and their level of satisfaction with the company's working capital management.

### Period of the Study

The study covers selected financial years based on the availability of financial statements.

## RESEARCH METHODOLOGY

### Research Design

The study uses a mixed-methods approach, being both analytical in nature for financial data and descriptive for primary data.

### Sources of Data

- **Secondary Data:** The study is based on secondary data collected from the financial statements of Kaveri Garments.
- **Primary Data:** Data was collected through a structured questionnaire distributed to a sample of 50 employees within Kaveri Garments.

## Tools Used for Analysis

- Ratio Analysis (Gross Profit Ratio, Net Profit Ratio, Operating Profit Ratio).
- Chi-Square Test for Hypothesis Testing.

## Limitations of the Study

- The study is limited to a few financial years.
- It is based only on secondary data (for the financial portion).
- Since it is an academic project, expert-level analysis tools are not used.
- Primary data responses are subject to personal bias of the respondents.

## ANALYSIS AND INTERPRETATION (SECONDARY DATA)

### Profitability Ratios

Profitability ratios measure the ability of the firm to generate earnings relative to sales, assets, and capital employed. The following ratios are analysed: Gross Profit Ratio, Net Profit Ratio, and Operating Profit Ratio.

**Gross Profit Ratio:** The gross profit ratio is a financial metric that helps a company to assess its profitability. It is a profitability measure calculated by dividing the gross profit to net sales. The main objective for computing the gross profit ratio is to determine the efficiency of the business.  $\text{Gross Profit Ratio} = \text{Gross Profit} / \text{Net Sales} * 100$ .

**Table 1: Gross Profit Ratio**

Year	Gross Profit (Rs)	Net Sales (Rs)	Grossprofit Ratio (Inpercentage)
2021-2022	6,92,915	3,93,541	22.4%
2022-2023	10,16,479	26,47,956.1	38.4%
2023-2024	12,29,698	3,98,850	40%

**Source:** Secondary Data

### Interpretation

The above table shows that the gross profit ratio of the increases year by year. In the year 2022-2023 the gross profit of the company has increased to 38.4% more than the year 2021-2022 where the profit is 22.4%. The year 2023-2024 has the highest gross profit 40%.

**Net Profit Ratio:** Net profit ratio determines the overall profitability of the firm. The net profit ratio indicates the overall efficiency of the company. Higher the net profit ratio, better is the business. Net profit ratio is the relationship between the net profit and the net sales of the company.  $\text{Net Profit Ratio} = \text{Net Profit} / \text{Net Sales} * 100$ .

**Table 2: Net Profit Ratio**

Year	Net Profit(Rs)	Net Sales(Rs)	Net Profit Ratio (Inpercentage)
2021-2022	4,13,740	30,93,541	13.4%

2022-2023	4,14,639	26,47,956.10	15.7%
2023-2024	4,19,899	3,98,850	13.6%

**Interpretation**

From the above table, the net profit of the year 2018-2019 is highest which is 15.7% by comparing to 2017-2018 the profit is 13.4% and in 2019-2020 the profit is 13.6%.

**Operating Profit Ratio:** The objective of computing the operating profit ratio is to determine the operational efficiency of the business. The operating profit ratio shows how much profit a company makes from its principal business in relation to its total sales. It is a metric that is obtained by dividing the operating income of the business by its net sales. Operating Profit Ratio = Operating Profit / Net Sales \* 100.

**Table 3: Operating Profit Ratio**

Year	Operating Profit(Rs)	Net Sales (Rs)	Operating Profit Ratio (In Percentage)
2021 – 2022	6,80,156	30,93,541	22%
2022 – 2023	5,60,262	26,47,956.10	21.1%
2023 – 2024	5,98,739	30,98,850	19.32%

Source: Secondary Data

**Interpretation**

From the above table, we can determine that the operating profit has gradually decreased year by year. The operating profit of the year 2022-2023 is 21.1% which low as compared to the year 2021-2022 22% and the operating profit of the year 2023-2024 Is 19.32% which is low when compared to the previous year.

**Primary Data Analysis & Hypothesis Testing**

**Formulation of Hypothesis**

To understand if an employee's work experience affects their perception of the company's working capital management (which impacts liquidity and profitability), a Chi-Square ( $\chi^2$ ) test was conducted.

- **Null Hypothesis (H0):** There is no significant relationship between the employees' years of experience and their level of satisfaction with the company's working capital management.
- **Alternative Hypothesis (H1):** There is a significant relationship between the employees' years of experience and their level of satisfaction with the company's working capital management.

**Cross-Tabulation of Primary Data**

**Table 4: Work Experience vs. Satisfaction with Working Capital Management**

Work Experience	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Total
Less than 2 Years	5	7	5	3	20
2 - 5 Years	6	8	1	0	15
More than 5 Years	8	5	1	1	15
Total	19	20	7	4	50

Source: Primary Data

## Chi-Square Test Analysis

The formula used for the calculation is:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where O = Observed Frequency, and E = Expected Frequency.

**Table 5: Chi-Square Test Results**

Statistical Parameter	Value
Calculated $\chi^2$ Value	7.95
Degrees of Freedom (r-1)(c-1)	6
Table Value at 5% level of significance	12.592
Significance	Not Significant

**Inference:** The calculated value of Chi-Square (7.95) is less than the table value (12.592) at a 5% level of significance. Therefore, the Null Hypothesis (H<sub>0</sub>) is accepted. We conclude that there is no significant relationship between an employee's years of experience and their satisfaction with the company's working capital management.

## CONCLUSION

Financial statement analysis is essential for understanding the financial position and performance of a business. Based on ratio analysis, the profitability, liquidity, and efficiency of Kaveri Garments can be evaluated effectively. Proper cost control, efficient working capital management, and better receivable management will help the firm improve its financial stability. Continuous monitoring of financial performance will ensure long-term growth and sustainability. Additionally, the primary data reveals that employees across different experience levels generally share similar, satisfactory views on how the company manages its working capital, indicating strong internal communication regarding financial policies.

## REFERENCES

1. Marimuthu, K.N. and Rajendran, S. (2020). Financial Performance of Selected Textile Companies in Tamil Nadu, CMIE Prowess Database Study.
2. Priyadharshini, N. and Swetha, S. (2025). A Study on Financial Performance Using Ratio Analysis of a Selected Textile Company in Tamil Nadu, IRJMETS, Vol. 4.
3. Indhumathi, S. and Palanivelu, R. (2021). Financial Soundness of Spinning and Weaving Units in Coimbatore, Journal of Management and Commerce Studies.
4. Thabasvini, B.J. and Nandhini, M. (2023). Financial Performance Analysis of Tirupur-Based Textile Firms, E3S Conference Proceedings.
5. Subha, R. And Ramu, N. (2014). 'Financial Performance of Textile Industry in Tamilnadu with Special Reference to Coimbatore-A study of profitability analysis', International Journal of Scientific Research, ISSN NO 2277 – 8179.