AN ANALYSIS OF FINANCIAL PERFORMANCE OF INFOSYS & WIPRO USING DESCRIPTIVE STATISTICS: DURING 2017-18 TO 2021-22

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Abstract:

This paper present the statistical analyses of financial performance of two IT companies named INFOSYS & Wipro on the basis of its annual financial reports for the period 2017-2018 to 2021-22. The whole study based on the objective of to analyze the liquidity position, profitability position, capital structure and working capital position of both the IT companies. In this study the descriptive statistics of both the company. The analysis shows that (1) Due to more use of outside debt it has increased the interest burden on Wipro and it leads to unsatisfactory situation. (2) It has also founded that liquidity position is not up to accepted level because of more current liabilities. (3) The capital structure shows that Wipro use more outside debt rather than equity. It is suggested to Wipro to increase internal debt, to increase production levels, to control operation cost and to adopt forward integration strategy to expand the market.

[1.1] INTRODUCTION

In the market we live in now, finance means giving money to people when they need it. Businesses of all sizes, no matter how big, middle, or small, need money to run and reach their goals. Finance is so important these days that it is rightly called the "lifeblood" of a business. There is no way for a business to reach its goals without enough money. The principles of financial management can be used by any kind of business, no matter what size it is. Any business, no matter how big or small, can use it. Businesses that trade and make things can both benefit from the app in the same way. When it comes to business groups that need to handle money, this subject is important and useful for all kinds of groups. Every management wants to make the best use of its money and make the most money possible. So this subject is becoming useful for everyone. Finance management is important for any business because it helps with: 1. Planning finances and promoting a business successfully; 2. Getting funds when needed at the lowest possible cost; 3. Making good decisions about money; 4. Making businesses more profitable through financial controls; 5. Raising investors' and the country's wealth; and 6. Encouraging and getting people and businesses to save.

[1.2] OBJECTIVES OF FINANCIAL MANAGEMENT

Getting and spending money is what financial management is all about. Its main goal is to make the best use of business funds so that the company makes the most money and is worth the most. There are several different ways to spend business cash. Each alternative plan needs to be carefully looked at. It is important to weigh the pros and cons of each choice before making a final decision. The business's long-term goals will have to be taken into account when making choices. Financial management helps people choose the right course of action and a business plan that will work. The main goal of a business is to make the owner as much money as possible. Profit maximization and wealth maximization can help reach this goal.

[1.3] IT Sector:

Information technology, according to the Information Technology Association of America, is "the study, design, development, application, implementation, support, or management of computer-based information systems." However, the term has also been used more narrowly to refer to a field of engineering that studies how to use computers and telecommunications equipment to store, retrieve, send, and change data. IT usually means computers and computer networks, but it also includes TVs and phones and other tools that send and receive information. This broader field is called information and communications technology. This field has grown into one of the strongest in the world: information technology. IT has raised productivity more than any other business or part of the economy, especially in the developed world. It is one of the main things that makes the world economy grow. This industry is growing very quickly because of economies of scale and a never-ending demand from both consumers and businesses. The Indian IT industry makes up about 8% of the country's GDP. India is now the center of the IT industry, and this industry has also created a lot of jobs. About 7 lakh people work for the top 5 IT companies around the world. People all over the world are aware of Indian IT.

[2]Review of literature:

Mohammed Rafiqud Islam looked into how profitable the Bangladeshi fertilizer business was from 1985–1986 to 1994–1995 in 2000. The sample was made up of five of the seven fertilizer companies in Bangladesh that are run by the Bangladesh Chemical Industries Corporation (BCIC). The study's results show that none of the chosen units were reliable, and all of them were played with the goal of making money. At the end of the study, suggestions were made for how the fertilizer business in Bangladesh could make more money.

In his study on Financial Intermediation (2001), Cooper saw that the process of intermediation can either cause changes or spread real shocks. He watched how business-cycle models behaved quantitatively. In neither case do we find strong proof that the process of intermediation is a key part of aggregate changes.

Debashish Rei and Debashish Sur looked into the Indian food products industry's earnings in 2001. A look at Cadbury India Limited as a case study. The study tries to figure out how profitable Cadbury India Limited is by looking at the relationships between different profitability factors and how they affect each other using the multiple correlation co-efficient and multiple regression methods. The study that looked at the relationships between the chosen ratios about the company's situation, performance, and profitability found both positive and negative links.

[3]Research Methodology

Research methodology is a planned and ongoing way to define a problem, gather facts, analyze them, come to a conclusion, and make generalizations.

3.1 Research Statement: This study looks at how well INFOSYS and WIPRO did financially from 2017-18 to 2021-22 using descriptive statistics.

3.2 Why the study is important

The financial knowledge gives us the tools we need to plan, analyze, and make decisions about money. Financial information is needed to guess, contrast, and rate the company's ability to make money, its short- and long-term financial health, and its ability to do its job. Because the world is becoming more open and connected, financial statements are being studied and used by a wider range of people who have a direct or secondary interest in the business. This research/study is about comparing the finances of the two IT companies. In spite of that, they do give out some very useful information. In this way, the financial records give a brief picture of a company's finances and how it runs. Because of this, you can learn a lot about a company by carefully reading its financial success reports. So, looking at how well money is being spent is a big part of studying money. The main focus of financial analysis is on important numbers and how they relate to each other. Financial performance analysis is the process of looking at how the different parts work together. It's important for our business that IT companies are around. The goal of this study is to fill in this gap.

3.3 Planning the Research

A research design is a detailed plan for what needs to be done for a research project. It gives researchers a way to think about their study questions and tells them how to collect, measure, and analyze data. It spells out the steps and methods that will be used to gather the data that is needed to solve the study problem. The authors of the study, Jahoda and Selltiz, say that a research strategy is the plan for gathering and analyzing data in a way that is both relevant to the research question and efficient. Prof. Miller says that research design is "the planned order of all the steps that need to be taken to do a research study."

3.3.1 Source of Data: The study is based on secondary data. The secondary data are collected from information various journals, magazines, newspapers and annual reports, literature and websites and through various search engines.

3.3.2 Sample selection: The convenient sample method has been adopted to select the Information Technology companies namely INFOSYS & WIPRO for the present study.

3.3.3 Period of study: The study covers a period of 2017-18 to 2021-22.

3.4 Objectives of study: To know the profitability, liquidity and activity ratio and debt equity of both the IT companies.

3.5 Scope of the study

The scope of study is confined only to selective IT companies on the basis of their financial performance and analyzing the financial performance of the IT companies. The study is restricted to collecting information about the companies from websites and annual report.

3.6 Tools of Analysis

The following tools and techniques are used for the present study.

3.7.1 Ratio Analysis

3.7.2 Descriptive statistics

DESCRIPTIVE STATISTICS

Sr. No.	*Ratio*	*Maximum*		*Minimum*		*Range*		*Mean*		*S.D.*		*C.V.*	
		Infosys	WIPRO	Infosys	WIPRO	Infosys	WIPRO	Infosys	WIPRO	Infosys	WIPRO	Infosys	WIPRO
1	*Return on capital employed*	27.92	31.87	18.08	23.14	9.84	8.73	**24.92**	**26.31**	3.64	3.84	14.61	14.59
2	*Fixed assets turn over*	4.91	5.03	3.67	3.98	1.24	1.05	**4.83**	**3.98**	0.59	0.41	12.21	10.30
3	*Gross profit*	22.98	21.56	15.86	16.83	7.12	4.73	**18.84**	**19.36**	1.86	1.81	9.87	9.34
4	*Net profit*	19.99	18.87	15.53	14.43	4.46	4.44	**17.04**	**18.52**	2.23	2.10	13.09	11.34
5	*Earning per share*	32.65	34.14	19.95	18.79	12.7	15.35	**23.87**	**25.66**	6.05	6.47	25.35	25.21
6	*Operating profit margin*	25.72	23.41	19.58	18.68	6.14	4.73	**20.79**	**22.08**	1.78	1.93	8.56	8.74
7	*Debt equity*	0.44	0.32	0.19	0.17	0.25	0.15	**0.23**	**0.20**	0.03	0.06	13.04	30
8	*Interest coverage*	43.97	43.32	11.49	10.42	32.48	32.9	**25.31**	**26.28**	11.87	12.56	46.9	47.79

9	*Current ratio*	2.37	2.22	1.32	1.64	1.05	0.58	**2.28**	**1.89**	0.20	0.24	8.77	12.70
10	*Stock turnover*	178.23	154.96	35.87	34.65	142.36	120.31	**81.46**	**86.57**	74.18	53.48	91.06	67.78

[Sources : Descriptive statistics has been performed in MINITAB 17]

1. As above Table, the Wipro Company outperformed compare to Infosys in terms of return on capital employed ratio with a highest mean of 26.31 and Infosys underperformed compare to Wipro in the term of return on capital employed ratio i.e. was 24.92. According to CV, there is the high variability in Infosys and less in Wipro. Hence, Wipro may be considered to be more consistent in terms of return on capital employed ratio.

2. As above Table, the Infosys Company outperformed compare to Wipro in terms of fixed assets turnover ratio with a highest mean of 4.83 and Wipro underperformed compare to Infosys in the term of fixed assets turnover ratio i.e. was 3.98. According to CV, there is the high variability in Infosys and less in Wipro. Hence, Wipro may be considered to be more consistent in terms of fixed assets turnover ratio.

3. As above Table, the Wipro Company outperformed compare to Infosys in terms of gross profit ratio with a highest mean of 19.36 and Infosys underperformed compare to Wipro in the term of gross profit ratio i.e. was 18.84. According to CV, there is the high variability in Infosys and less in Wipro. Hence, Wipro may be considered to be more consistent in terms of gross profit ratio.

4. As above Table the Wipro Company outperformed compare to other IT company in terms of net profit margin ratio with a highest mean of 18.52 and Infosys underperformed compare to other sample company in the term of net profit margin ratio i.e. was 17.04. According to CV, there is the high variability in Infosys and less in Wipro. Hence, Wipro may be considered to be more consistent in terms of net profit margin ratio.

5. As above Table, the Wipro Company outperformed compare to other IT company in terms of earning per share with a highest mean of 25.66 and Infosys underperformed compare to Wipro in the term of earning per share i.e. was 23.87. According to CV, there is the high variability in Infosys and less in Wipro. Hence, Wipro may be considered to be more consistent in terms of net profit margin ratio.

6. As above Table, the Wipro Company outperformed compare to other IT company in term of operating profit margin with a highest mean of 22.08 and Infosys underperformed compare to other sample companies in the term of operating profit margin ratio i.e. was 20.79.

According to CV, there is the high variability in Wipro and less in Infosys. Hence, Infosys may be considered to be more consistent in terms of return to net worth ratio.

7. As above Table, the Infosys Company outperformed compare to Wipro in terms of Debt equity with a highest mean of 0.23 and Wipro underperformed compare to Infosys in the term of debt equity ratio i.e. was 0.20. According to CV, there is the high variability in Wipro and less in Infosys. Hence, Infosys may be considered to be more consistent in terms of debt equity ratio.

8. As above Table, the Wipro Company outperformed compare to Infosys in terms of Interest coverage with a highest mean of 26.28 and Infosys underperformed compare to Wipro in the term of Interest coverage ratio i.e. was 25.31. According to CV, there is the high variability in Wipro and less in Infosys. Hence, Infosys may be considered to be more consistent in terms of debt equity ratio.

9. As above Table, the Infosys Company outperformed compare to Wipro in terms of current ratio with a highest mean of 2.28 and Wipro underperformed compare to Infosys in the term of debt equity ratio i.e. was 1.89. According to CV, there is the high variability in Wipro and less in Infosys. Hence, Infosys may be considered to be more consistent in terms of debt equity ratio.

10. As above Table, the Wipro Company outperformed compare to Infosys in terms of stock turnover ratio with a highest mean of 86.57 and Infosys underperformed compare to Wipro in the term of stock turnover ratio i.e. was 81.46. According to CV, there is the high variability in Infosys and less in Wipro. Hence, Wipro may be considered to be more consistent in terms of debt equity ratio.

CONCLUSION

The current investigation examines the financial performance analysis of IT organizations by utilizing annual reports and a variety of financial and statistical methods.

(1) Wipro's profitability was satisfactory over a five-year research period, but Infosys' profitability was unsatisfactory. The unsatisfactory profitability in Infosys may be attributed to high production costs and operational expenses.

(2) The return on capital employed ratio indicates that the capital was efficiently utilized, since it was consistently adequate during the whole study period in both IT organizations.

(3) The fixed assets turnover ratio indicates that the fixed assets have not been efficiently employed in both IT organizations. The rise in investment in fixed assets has resulted in proportional gains for both IT firms.

(4) The liquidity position in Infosys was more favorable compared to Wipro.

(5) The debt equity ratio indicates that Infosys relied heavily on borrowed funds, which had a negative impact on the company's profitability. The debt-to-equity ratio in Wipro was likewise disappointing. Wipro has experienced the financial strain of borrowed funds during the whole 5-year period of the study.

(6) The inventory management in both IT organizations was deemed satisfactory, indicating a high level of efficiency in inventory management and control.

(7) The interest coverage ratio of both IT companies was satisfactory, indicating that they had the funds to regularly pay interest payments to lenders. The investment exhibits a strong level of security, nevertheless, the ratio was excessively high in both IT companies, indicating that the firm is not effectively utilizing external debts.

(8) Infosys incurred a substantial amount of expenses in the form of cost of goods sold and operating expenses. The evidence suggests that the management of Infosys lacked effective oversight of its expenditures.

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