

ECONOMIC DETERMINANTS OF SOME INDIAN FIRMS' FINANCIAL PERFORMANCE

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Abstract

The fundamental objective of every firm is to run successfully but unfortunately every firm is unable to do so. This paper tries to find out the answer to this critical question about the factors that affect the performance of the firms? The Information Technology-Business Process Outsourcing (IT-BPO) industry is one of the shimmering sector for Indian economy. It is fuelled with 'Digital India Initiative' by the Government of India and it's likely to flourish in the near future.

Using the data of 8 'emerging' IT-BPO companies listed on Bombay Stock Exchange (BSE) over a period of 7 years, this study explores and tests the relationship between the micro economic factors and financial performance. The financial performance is captured through return on asset (ROA) and return on equity (ROE) and micro-economic determinants considered are firm size, firm growth, capital intensity and human resource. This study has inferred useful results for budding entrepreneurs, investors, managers and advisory board.

Keywords: Firm performance, performance measurement, return on asset (ROA), return on equity (ROE), microeconomic determinants, ITes-BPO

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