



Research Article

EFFECT OF EMPLOYEE BENEFIT COSTS AND ADVERTISING COST ON PROFIT OF KHADIM INDIA LTD.: AN EMPIRICAL ANALYSIS

Debajyoti Das Gupta

Commerce Jogesh Chandra Chaudhuri College, Kolkata, West Bengal

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ABSTRACT

Post-Globalization period has experienced huge lay-offs and retrenchments in job market. Corporate world seems to perceive human resource as a major problem area. On the other hand, it is popularly believed and accepted that advertising results in higher profit. This paper aims to study effect of employee benefit costs and advertising costs on profit of Khadim India Ltd.

Key words:

Employee Benefit Costs, Advertising Costs, Profit.

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INTRODUCTION

In modern time business world confront of prosperity, prospect and uncertainty at the same time. Globalization has brought in enormous business opportunity for the corporate world but at the same time companies are exposed to take-over, merger or in the worst-case complete winding up. Needless to say, maintaining and improving productivity is one challenge that every company is facing. Human Resource is surprisingly perceived as problem area by the corporate world. On the other advertising has been widely accepted as an important weapon to augment sales. This paper aims to study effect of these two contradictory elements viz, manpower cost and advertising cost on profit of Khadim India Ltd.

Objective of the Study

This paper aims to assess effect of employee benefit costs and advertising cost on profit of Khadim India Ltd.

RESEARCH METHODOLOGY

This paper is based on secondary data. Empirical data<sup>18</sup> has been collected from on-line resources and theoretical materials has been collected from books and journals.

Annual Reports of Khadim Ltd. for the years 2013-2014 to 2021-2022 could be found from online<sup>18</sup>. However, considering the fact that covid has adversely affected global business this study has been conducted taking into account years from 2013-2014 to 2018-2019. Thus, data during the years 2019-20 to 2021-2022 has not been considered because

there has been an abnormal decline in sales and profit which could have distorted results of this study.

In this study Linear Regression Model has been used.

REVIEW OF LITERATURE

Future of footwear industry lies with adoption of technologies for not only enhancing the productivity but also comply with environmental regulations and reducing carbon footprint of the industry; ensuring compliance with animal rights and protection through new technologies<sup>1</sup>.

The platform economy comprises digital intermediaries or aggregators that offer innovative solutions through solving inefficiencies in a system, thereby improving productivity<sup>2</sup>. A mobility aggregator platform, for instance, efficiently bridges the gap between supply and demand, creating economies of scale<sup>2</sup>.

Higher labour productivity of competing countries (China and Vietnam for leather footwear, Pakistan and Italy for leather apparel, and China and France for leather goods) is one of the sources of their competitive advantage over India<sup>3</sup>. This shows that competing countries, China, France and Italy in particular, have been able to successfully manage the system inefficiencies and have been able to progress towards the next stages of competitiveness<sup>3</sup>.

Advanced technologies in the area of footwear design, footwear construction, maintenance, and operation of footwear technology, new tools and techniques have the potential of achieving cost savings and productivity improvements as well as enabling new developments in Footwear Sector<sup>4</sup>. There is a

\*Corresponding author: Debajyoti Das Gupta

Commerce Jogesh Chandra Chaudhuri College, Kolkata, West Bengal

general feeling the footwear industrialist possess that the much of the future growth and development in footwear sector would depend upon how effectively these new technologies are adopted in the footwear sector<sup>4</sup>.

India experienced almost a 20% drop in labour share during the last two decades<sup>5</sup>. Scholars argue that the share declines more in the states which hold pro-workers labour legislation than those with pro-employer legislations<sup>5</sup>. In other works, the degree of labour rigidity depends heavily on the labour legislation and the market conditions do not affect it much<sup>5</sup>.

It can be concluded from the study that there are mainly six factors which that are significantly affecting the ability of Indian footwear companies to create global footwear brands<sup>6</sup>. These six factors or problems are mainly related to the marketing practices, human resource management, functions and processes, supply chain management, facilities for manufacturing and safety & environmental concerns<sup>6</sup>.

A study on Sri Lanka suggests that employees or human capital are now recognized as valuable strategic assets of an organization, which leads to sustainable competitive advantages, organizational performance and ultimately to the value creation for all the stakeholders of the organization<sup>7</sup>. Therefore, enhancing the productivity of human capital gains substantial attention among the companies' management as well as among scholars<sup>7</sup>. Because, the enhanced productivity of employees is a vital factor affecting enhancing organizational performance, specially from a financial perspective<sup>7</sup>. Financial performance is a leading indicator of the success of any organization<sup>7</sup>. Financial performance can be measured based on different financial characteristics; like profitability, liquidity, leverage and turnover<sup>7</sup>. Out of these characteristics, profitability gets prominence as the key aspect of company performance<sup>7</sup>.

India is the major manufacturer of footwear products at a world level after China, with approximately 13% of world footwear product with 95 % output remain in country for the people where as 5 % production / output are exported in different countries of the world<sup>8</sup>.

The footwear sector continues to remain highly working capital intensive due to substantial requirements of raw material as well as finished goods inventory and significant credit extended to clients selling partners, especially in the case of footwear exports<sup>9</sup>. The Government of India had identified the Leather Sector as a Focus Sector in the Indian Foreign Trade Policy in view of its immense potential for export growth prospects and employment generation<sup>9</sup>. Accordingly, the Government is also implementing various Special Focus Initiatives under the Foreign Trade Policy for the growth of leather sector<sup>9</sup>.

The Indian footwear industry is associated with the following weaknesses namely low level of modernization and technology upgradation, low level & labour productivity, horizontal growth of tanneries, a smaller number of organized product manufacturers, environment of inadequate hygiene, low level & awareness and conformity to International standards<sup>10</sup>.

Study reveals that by the enhancement of quality in footwear articles through the introduction of concept 100 % inspection in Production department as well as by identifying effective

Sampling Plan from lots of finished products, the footwear industry will earn more profit by improving the number of footwear articles sold<sup>11</sup>.

It can be concluded that the student's choice to watch advertisements is not influenced by the ownership of T.V. at home<sup>12</sup>. The students like the advertisements because of the commercial message it carries<sup>12</sup>. They also like advertisements because of the popular models acted in it<sup>12</sup>. Interestingly the vulgarity or sex in advertisements did not find any place in the interest of the students<sup>12</sup>. While watching advertisements and buying advertised products, students showed a great deal of maturity<sup>12</sup>.

In recent years children's market has become very important to manufacturers and marketers, even for goods traditionally targeted at children and adults<sup>13</sup>. There are many aspects that make children an important segment<sup>13</sup>. Children indulge in independent shopping at a much younger age than the earlier generations, and have an increasing influence on their family's purchase<sup>13</sup>.

Children perception of television and their reaction to television advertising have led us to conclude that, television is one of the most important influences in children lives and that children are watching more television than ever before and this is only likely to increase with time as television extends their reach and offer greater viewing options<sup>13</sup>.

This study was done to find out various factors under place and product factors which influence consumer buying behaviour<sup>14</sup>. Consumer buying behaviour was measured through the frequency of purchase<sup>14</sup>. The study also identified five most important factor which is a combination of both place and product factor through factor analysis<sup>14</sup>. Customers give more importance to product factors than the place factors<sup>14</sup>. In product factors comfort, quality, durability and brand are the most important four factors for the consumers<sup>14</sup>. The study shows that the customer is least bothered about the location factor rather they are ready to spend more time and money to get a suitable, comfortable and quality product<sup>14</sup>.

Most of respondents prefer to purchase shoes from showroom<sup>15</sup>. Majority of respondents buy footwear once in every six months<sup>15</sup>. Businessmen, servicemen and professionals prefer to wear formal shoes because of status<sup>15</sup>. Students like to wear only sports and casual branded shoes and sandals<sup>15</sup>. It was observed that the respondents have given their first priority to price, then durability, comfort and brand<sup>15</sup>.

This study is done to assess primarily upon the difference in purchase behaviour between males and females, the aspects of sales promotion and its influence in the purchase decision and how it impacts the branded footwear choice<sup>16</sup>. With the tests being conducted, it was found that the Indian female generation Z purchase footwear more frequently as in comparison to its counterpart which indicates that either the females are more trend-conscious or less quality-conscious thereby indulging them to buy more frequently as in comparison to the males<sup>16</sup>. After testing the proposed set of hypotheses, the study revealed that the impact of sales promotion is more on the female generation Z than the males<sup>16</sup>. Additionally, they tend to be inclined more towards sales promotional tools rather than other promotional measures which indicates that the female group are more interested in short term purchase behaviour<sup>16</sup>. This can also be

interlinked with the phenomenon that as their footwear purchase frequency of the female group is on a greater scale, they prefer offers that are time-bound so that the new trends in footwear can be experienced<sup>16</sup>. It was also found that the female generation Z are more preferable towards branded footwear<sup>16</sup>.

On the basis of the survey results, it is implicative that more the attractiveness of an advertisement, the more is the chance that the consumers will purchase them<sup>17</sup>. In addition, advertisements must not only look attractive but also informative, educational, and interesting<sup>17</sup>. In addition, the advertisements must also be innovative and competitive against its challengers<sup>17</sup>. Repeated viewing of a particular product attracts consumers in purchasing the products<sup>17</sup>.

**Limitation of the Study**

This study has been done on the basis of secondary data and this is a major drawback of this study. Further this study has been conducted with the help of data<sup>18</sup> for six years viz., 2013-2014 to 2018-2019. Data<sup>18</sup> related to covid period viz., 2019-2020 to 2021-2022 has not been considered in order to eliminate abnormalities. Again data prior to 2013-2014 could not be found from online<sup>18</sup>. It is also a major drawback of this study.

**Scope for Further Research**

Research with the help of secondary data prior to 2013-2014 and primary data primarily based on consumer’s response to Khadim’s advertisements could enhance value of this study.

**Analysis of Data**

**Table One** Profit/(Loss), Employee Benefit Costs, Advertising Cost

Year	Profit/(Loss) (₹ Crore) [y]	Employee Benefit Costs (₹ Crore) [x <sub>1</sub> ]	Advertising Cost (₹ Crore) [x <sub>2</sub> ]
2013-14	16.155	42.15	11.414
2014-15	(19.105)	46.07	17.218
2015-16	25.821	45.282	17.985
2016-17	40.706	55.188	22.818
2017-18	56.961	65.169	19.367
2018-19	33.204	72.055	27.436

**Table Two** Summary Output [Adjusted R Square]

<b>Multiple R</b>	<b>0.651190873</b>
R Square	0.424049553
Adjusted R Square	0.040082589
Standard Error	25.38796972
Observation	6

**Table Three** Summary Output [ANOVA]

	df	SS	MS	F	Significance F
Regression	2	1423.667884	711.833942	1.104391	0.437097
Residual	3	1933.647019	644.549006		
Total	5	3357.314903			

**Table Four** Summary Output [Coefficients, P-Value]

	Coefficients	Standard Error	P-Value
Intercept	-48.083627	52.17217964	0.42469177
Employee Benefit Costs	1.97951416	1.701097506	0.32869669
Advertising Costs	-1.74562207	3.795624313	0.6768679

**Significance of Positive Adjusted R Square [Adjusted R Square= 0.040082589]**

A positive Adjusted R Square signifies the fact that independent variables viz., x<sub>1</sub> and x<sub>2</sub> have been correctly

chosen and they would be able interpret dependent variable viz., y in a correct way. It means this Mathematical Model could be accepted.

**Significance of Having Higher F Value than F Significance Value [F Value= 1.104391; F Significance= 0.437097]**

It implies that this Linear Regression Model could be accepted at 5% level of significance.

**Significance of P Value [In this study at 5% level of Significance]**

In Linear Regression Model independent variables including intercept may be accepted if P-Value exceeds 0.05. In this study P-Value of intercept and independent variable stand above 0.05, hence intercept and independent variables would be accepted in final Mathematical Model.

**Significance of Positive Coefficient of x<sub>1</sub>**

Positive coefficient of independent variable implies that this independent variable (x<sub>1</sub>) has a positive relationship with dependent variable (y).

Here, x<sub>1</sub> stands for Employee Benefit Costs. Result is quite significant. It indicates that Khadim India Ltd. has been successful in making employees productive and in turn these productive employees are contributing to profit of Khadim India Ltd. in a significant way.

**Significant of Negative Coefficient of x<sub>2</sub>**

Negative Coefficient of independent variable signifies that this independent variable (x<sub>2</sub>) varies inversely with dependent variable (y).

Here, x<sub>2</sub> means Advertising Cost. This result is more than shocking. It implies that Khadim India Ltd. has failed to develop suitable advertisement policy and as a result now advertisement costs bear an inverse relationship with profit.

**Significant of Negative Coefficient of Intercept**

It implies that if independent variables viz., x<sub>1</sub> and x<sub>2</sub> become zero, value of dependent variable (y) would become negative. Here x<sub>1</sub> signifies Employee Benefit Costs and if this cost becomes zero company would have to close all operations resulting absorption of sunk cost which would ultimately result in loss.

Final Model

$$Y = -48.083627 + 1.97951416x_1 - 1.74562207x_2$$

Here,

Y=Profit

X<sub>1</sub>=Employee Benefit Costs

X<sub>2</sub>=Advertising Cost

**CONCLUSION**

Results of this study are quite astonishing. In post-globalization period corporate world unfortunately considers human resources as a problem making point resulting in mass scale lay-offs, retrenchments and making company slim and trim. To the contrary if this manpower is trained and motivated could become substantial profit center. Theoretical study of this paper also supports this notion. Khadim India Ltd. must try to retain existing profit-making workforce and may bring some incentive salary system to boost up productivity at a higher level.

It is widely believed and accepted even in academic world that advertisement results in higher in higher profit. Result of this paper has shattered this myth. Advertising Policy of Khadim India Ltd. is so faulty & outdated that now advertising cost bears a negative relationship with profit. It is needless to say that present Advertising Policy must be scrapped with immediate effect. New Advertising Policy may be developed considering the continuous changing pattern of consumer wants, needs and habits. A special focus may be given on the needs and demands of children, teen-agers, youth and women.

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