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# Use of Statistical Tool: A Necessity in Research

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***Abstract***

***In this study the researcher has tried to measure the relationship of short term solvency position of the company with its profitability with the help of correlation, as a tool of statistical analysis. For this the researcher has selected, the above given ratios of the four (4) leading Oil Producing companies as a sample for understanding the relationship of short term solvency position of the company with its profitability with the help of correlation, as a tool of statistical analysis. These four prominent companies include, namely, Reliance Industries Ltd. (RIL), Indian Oil Corporation Ltd. (IOC), Bharat Petroleum Corporation Ltd. (BPCL), Essar Oil Ltd. (Essar) and Hindustan Petroleum Corporation Ltd. (HPCL) as a sample of the study, on the basis of Total Assets of theses respective companies. In this study a simple statistical tool i. e. Correlation is used to make the beginners in research to understand 'as to how statistical tools are being used in analyzing and interpreting the statistical data and to draw inferences there from to conclude about the same.***

***The contribution of the study is that, it shows how the statistical tools such as 'Correlation Analysis' could be used for measuring the relationship that might exist between two variables, where it is not known that which one of them is 'Dependent' and which one is an 'Independent' variable.***

**Keywords:** Short Term Solvency Ratios, Profitability Ratios, Current Ratio, Quick Ratio, Operating Profit Ratio

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