

A Study on Financial Performance in Kumbakonam Mutual Benefit Fund Limited

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ABSTRACT

The title of this project is an "A study of financial performance of KUMBAKONAM MUTUAL BENEFIT FUND LTD., and this is solely an internal analysis of the organization. The project aims at analysing the operating efficiency using ratio analysis and to suggest measures for improving the operating efficiency of the company. The source of data collection for this study includes primary and secondary data, particularly balance sheet; profit and loss accounts collected from the organization was carried out and studies.

KEYWORDS: liquidity, solvency and profitability

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INTRODUCTION

Financial performance analysis includes evaluation and interpretation of financial statement in such a way that it take on full determination of the profitability and financial stability of the business. Its helps to measure firms overall financial health over a given period of time.

Financial statement analysis may be a method of gauge and examine a company's accounting reports (financial statements) so as to measure its past, present or projected future performance. This process of reviewing the financial statement allows for better economic deciding of company.

The main objectives of monetary statement analysis are

- To evaluate the gaining capacity of the concern.
- To judge the financial position and financial performance of the company.
- To know the credit capacity of the business.
- To decide about the longer term prospects of the enterprise.

OBJECTIVES OF STUDY

- To make an analysis on the financial performance of KUMBAKONAM MUTUAL BENEFIT FUND LTD., for 5 years extending from 2014-2019.
- To know the liquidity and solvency position of the firm.
- To calculate profitability ratio and financial ratio to assess the financial position of the firm.

- To determine whether the KMBF is moving in a favourable or unfavourable direction by using of comparative balance sheet.

SCOPE OF THE STUDY

- The study is based on the financial position of the firm by using Ratio analysis, Trend analysis, Comparative statements and Common size statements
- The study is meant to throw the light on the financial performance of KMBF, which is limited to five years financial statement only.

LIMITATIONS OF THE STUDY

- Financial statements are fully based on historical data, so it didn't correctly predict the future.
- In the balance sheet, original costs of the assets are recorded. Replacements cost or realizable value of the asset is ignored. Hence, it does not give the exact position of the business.

RESEARCH METHODOLOGY

RESEARCH

Research is the process of finding facts and solving problems in a prepared way. And also research is gathering information about a specific topic.

RESEARCH DESIGN

In this research the project is in descriptive form.

The descriptive research major purpose is to description of state of affairs of the company as it exists at present. The nature and characteristics of the financial statements of **KUMBAKONAM MUTUAL BENEFIT FUND LTD.**, have been described in this study.

DATA

Data refers to information or facts. Often researchers understand by data only numerical source. It also includes descriptive facts non-numerical information, and qualitative and quantitative information.

SOURCES OF DATA

Only secondary data has been collected for the study. The data have been collected from the company annual report, company books and journals constitute the secondary data.

DATA ANALYSIS

PERIOD OF STUDY

The data has been collected for the period of 2014-2019

ANALYTICAL TOOL USED

The data collected were edited, classified and tabulated for tools used in this study are

- Comparative statement analysis
- Common size statement analysis
- Trend analysis
- Ratio Analysis

TABLE-1 Comparative balance sheet as on March 2015-2019

(.....Rs in Lakhs)

Particulars	2015	2016	Increase/Decrease	% of increase/ Decrease
Total Current Assets(A)	1,78,306.69	1,74,563.85	-3,742.84	-2.09
Total Fixed Assets(B)	2,608.46	2,890.19	+281.73	+10.8
TOTAL ASSETS(A+B)	1,80,915.15	1,77,454.04	-3,461.11	-1.91
Total Current Liabilities(A)	1,67,068.67	1,61,744.55	-5,324.12	-3.18
Total Non C-liabilities	1,591.14	1,860.08	+268.94	+16.90
Total Reserves & Capital(C)	12,255.34	13,849.41	+1,594.07	+13.00
TOTAL LIABILITIES(A+B+C)	1,80,915.15	1,77,454.04	-346.11	-1.91
Particulars	2016	2017	Increase/Decrease	% of increase/ Decrease
Total Current Assets(A)	1,74,563.85	1,86,365.82	+11,801.97	+6.76
Total Fixed Assets(B)	2,890.19	2,526.72	-363.47	-12.5
TOTAL ASSETS(A+B)	1,77,454.04	1,88,892.54	+11,438.5	+6.44
Total Current Liabilities(A)	1,61,744.55	1,71,075.43	+9,330.88	+5.76
Total Non C-liabilities	1,860.08	2,527.25	+667.17	+35.8
Total Reserves & Capital(C)	13,849.41	15,289.86	+1,440.45	+10.4
TOTAL LIABILITIES(A+B+C)	1,77,454.04	1,88,892.54	+11,438.5	+6.44
Particulars	2017	2018	Increase/Decrease	% of increase/ Decrease
Total Current Assets(A)	1,86,365.82	2,00,407.05	+14,041.23	+7.53
Total Fixed Assets(B)	2,526.72	2,463.77	-62.95	-2.49
TOTAL ASSETS(A+B)	1,88,892.54	2,02,870.82	+13,978.28	+7.4
Total Current Liabilities(A)	1,71,075.43	1,81,975.86	+10,900.43	+6.37
Total Non C-liabilities	2,527.25	3,907.91	+1,380.66	+54.6
Total Reserves & Capital(C)	15,289.86	16,987.05	+1,697.19	+11.10
TOTAL LIABILITIES(A+B+C)	1,88,892.54	2,02,870.82	+13,978.28	+7.4
Particulars	2018	2019	Increase/Decrease	% of increase/ Decrease
Total Current Assets(A)	2,00,407.05	2,14,990.65	+14,583.6	+7.27
Total Fixed Assets(B)	2,463.77	2,604.21	+140.44	+5.7
TOTAL ASSETS(A+B)	2,02,870.82	2,17,594.86	+14,724.04	+7.25
Total Current Liabilities(A)	1,81,975.86	1,93,210.13	+11,234.27	+6.17
Total Non C-liabilities	3,907.91	4,685.90	+777.99	+19.9
Total Reserves & Capital(C)	16,987.05	19,698.83	+2,711.78	+15.9
TOTAL LIABILITIES(A+B+C)	2,02,870.82	2,17,594.86	+14,724.04	+7.25

TABLE-2 Common size balance sheet as on March 2015-2019

(.....Rs in Lakhs)

Particulars	2015	2016	2017	2018	2019
Total Current Assets(A)	96.6	98.37	98.66	98.8	98.8
Total Fixed Assets(B)	3.4	1.623	1.334	1.203	1.19
TOTAL ASSETS(A+B)	100	100	100	100	100
Total Current Liabilities(A)	92.34	91.15	90.56	89.7	88.8
Total Non C-liabilities	0.87	1.05	1.34	1.93	2.15
Total Reserves & Capital(C)	6.7702	7.8009	8.1004	8.3706	9.0505
TOTAL LIABILITIES(A+B+C)	100	100	100	100	100

ABLE-6 Trend Percentage of balance sheet as on March 2015-2019**(.....Rs in Lakhs)**

Particulars	2015	2016	2017	2018	2019
Total Current Assets(A)	100	97.9	104.5	112.39	120.57
Total Fixed Assets(B)	100	110.80	96.86	119.11	99.8
TOTAL ASSETS(A+B)	100	98.08	104.40	112.13	120.27
Total Current Liabilities(A)	100	96.8	102.39	108.92	115.64
Total Non C-liabilities	100	116.90	158.8	245.6	294.49
Total Reserves & Capital(C)	100	113.00	124.76	138.60	160.7
TOTAL LIABILITIES(A+B+C)	100	98.08	104.40	112.13	120.27

TABLE-4 RATIO ANALYSIS

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Current Ratio	1.06	1.07	1.08	1.1	1.1
Quick Ratio	1.06	1.07	1.08	1.1	1.1
Debt-Equity Ratio	0.54	0.6	0.8	1.33	1.5

FINDINGS, SUGGESTION & CONCLUSION

- The comparative balance sheet of the company in the year **2015-16** reveals that the current assets have been decreased by 2.09% and the fixed assets have been increased by 10.8%. The total assets have been decreases by Rs. 346.11 lakhs (1.91%), it shows that the financial position of the company is not satisfactory.
- A short-term borrowing has increased by Rs. 4,085.88 lakhs (2.76%) and short-term provisions also increased by Rs.768.59 lakhs (18.97%). But the total current liabilities have been decreased by Rs. 5,324.12 lakhs (3.18%). Reserves and Surplus have increased by Rs. 1,586.45 lakhs (16.96%) which shows that the company has utilized reserves and surplus for the payment of dividends either in cash or by way of bonus.
- **This comparative balance sheet indicates that the business is moving in unfavourable direction.**
- The comparative balance sheet of the company in the year **2016-17** reveals that the current assets have been increased by 6.76% and the fixed assets have been decreased by 12.5%. The total assets have been increases by Rs. 11,438.5 lakhs (6.44%), it shows that the financial position of the company is quite satisfactory.
- A short-term borrowing has increased by Rs. 7,369.15 lakhs (4.84%) and short-term provisions also increased by Rs. 2,966.04 lakhs (59.6%). The total current liabilities have been increased by Rs. 9,330.88 lakhs (5.76%). Reserves and Surplus have increased by Rs. 1,431.82 lakhs (16.96%) which shows that the company has utilized reserves and surplus for the payment of dividends either in cash or by way of bonus.
- **This comparative balance sheet indicates that the business is moving in positive direction.**
- The comparative balance sheet of the company in the year **2017-18** reveals that the current assets have been increased by 7.53% and the fixed assets have been decreased by 2.49%. The total assets have been increases by Rs. 13,978.28 lakhs (7.4%), it shows that the financial position of the company is satisfactory.
- A short-term borrowing has increased by Rs. 9,486.22 lakhs (5.95%) and short-term provisions also increased by Rs. 1,611.8 lakhs (20.3%). The total current liabilities have been increased by Rs. 10,900.43 lakhs (6.37%).
- Reserves and Surplus have increased by Rs. 1,687.32 lakhs (13.6%) which shows that the company has utilized reserves and surplus for the payment of dividends either in cash or by way of bonus.
- **This comparative balance sheet indicates that the business is moving in positive direction.**
- The comparative balance sheet of the company in the year **2018-19** reveals that the current assets have been increased by 7.27% and the fixed assets have been decreased by 5.7%. The total assets have been increases by Rs. 14,724.04 lakhs (7.25%), it shows that the financial position of the company is more satisfactory.
- A short-term borrowing has increased by Rs. 2,916.04 lakhs (1.72%) and short-term provisions also increased by Rs. 8,633.5 lakhs (90.4%). The total current debt has been increased by Rs. 11,234.27 lakhs (6.17%). Reserves and Surplus have increased by Rs. 2,698.61 lakhs (19.1%) which shows that the company has utilized reserves and surplus for the payment of dividends either in cash or by way of bonus.
- **This comparative balance sheet indicates that the business is moving in positive direction.**
- From the **Common Size balance sheet**, it is observed that the total Current Assets 98.8% in 2018 and 2019 has the highest value of compared from the other study period it shows that company is financially stable. The fixed assets 3.4% in 2015 have the highest value as compared from the other period of study.
- Current Liabilities 92.34% in 2015 has the highest value and 88.8% in 2019 has the lowest value of compared from the other period of study. It shows that the company increasing their assets by decreasing their current liabilities.
- Share Capital has the highest value in 2016 i.e. 1.64% as compared to other period of study. Reserves and Surplus has the highest value in 2019 that is 9.05%, it indicates that the company moves in positive direction.
- From the **Trend Percentage of balance sheet**, it is observed that the total Current Assets have been increases in all the year. The percentage in 2019 is 120.57 as compared to 100 in 2015. The increasing in total assets is quite satisfactory. Fixed Assets have been increases and decreases from the year 2015-2019, it indicates the fluctuated trend. Reserves and Surplus of

the company has increase substantially in 5 years i.e.2015-19 it has more than double. It shows that the company moves in favourable direction.

- **Therefore the overall financial performance of the Kumbakonam Mutual Benefit Fund Ltd is good.**
- As a **conventional rule a Current Ratio of 2:1** or more is satisfactory. Since the ratios are closer to the thumb-rule across the years the study on Current Ratio reveals a fluctuating trend. The top most value of the ratio in the year of 2017-19 is 1.1 and lower the value of ratio in the year 2014-15 is 1.06 and also nearly same in the other years.
- The **ideal quick ratio is 1:1**. From the above table understood that 2015-19 the company met the ideal quick ratio. So the company sufficiently able to meet their short-term liabilities.
- The **ideal Debt-Equity ratio is 2:1**. All the period the company does not met the ideal ratio. That means the company has less debt. So the company is in less gearing position.

SUGGESTIONS

- The company increased the performance by reducing the borrowing capital, so that the interest an finance charges will be less.
- The company may maintain a balance between the current assets and current liabilities to maintain the solvency position.
- The company may improve its profit earning capacity through effective utilization of available resources and assets.

- The company can give many schemes to attract the customers.
- The company increases the financial position by increasing the assets by decreasing the liabilities.

CONCLUSION

The Kumbakonam Mutual Benefit Fund Limited has been in existence for a quite long period. It has crossed several milestones in its history. The present study has analysed the financial performance of the company. The company has enjoying a sound liquidity position by utilizes their funds in appropriate manner. The suggestions given if adopted will improve the position of the company substantially and optimal profitability coupled with better service and satisfaction for investors may be achieved.

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