

PRAGMATIC SCRUTINY OF FISCAL STATUS RELATING TO NON-BANKING FINANCIAL SERVICES SECTOR AT SOUTH INDIA

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Abstract

The purpose of this search is to identify the level of financial position in non banking financial service sector at southern states. The analyses are done on the basis of secondary data and the period is limited to certain extend. The study is necessary to look at its financial situation with its own figures for the past five years and compare them to analysis for its success. The study is totally confined about the non banking financial service organization and identifies the company's position and made suggestions to improve the existing system. The main objective is to analyze financial statement analyses has made to know about the sector's current financial position and the suggestions and recommendation should be given to improve the current position. The methodology used is that the statement is being analyzed through comparative Balance Sheet, Common Size Balance Sheet, Fund Flow Statement, Trend Analysis and through various ratio Analysis. The Current Financial Position is analyzed and new ideas are suggested to improve the current condition.

Keywords: financial crisis, liquidity, economic downturn & financial analysis, pecuniary crisis.

I. INTRODUCTION

In present day economy, finance is defined as the provision of money at times when it requires. Every venture, whether big or small, the need for finance to carry out its maneuver and to achieve its goal. In fact finance is so indispensable today. It is the livelihood of any financial endeavor to complete its task. Since finance were viewed as the most significant aspect in every venture. The conventional approach to finance function in business highlights the procurement of funds on the most economic and favorable term to the concern, but it ignores the efficient and proper use of the needed ventures and project. How much to allocate, when to allocate and how to allocate the required fund to a particular project deserves special attention in every concern. The management has to look at the nook and corner of each project, the amount of funds necessary for them and the source from which to arrange to shun financial crisis. Financial Management plays a vital role in procurement allocation and control of funds. The basis for financial planning and analysis is financial information. It is also required to aid in economic decision making investment finance decision making. The financial information of an enterprise is contained in the financial statement annual reports.

II. NEED FOR THE STUDY

The need for the study is:

- To enhance financial efficiency of the non banking company.
- To find the financial statement need to evaluate profitability, liquidity and solvency.
- To identify current trend development in the non-banking sector.
- To measure the strength and weakness at non- banking sector.

III. SCOPE OF THE STUDY

- The scope of the study on financial statement to engender the soundness of the company.
- The study helps to improve the liquidity and solvency position of the non- banking sector.
- The study helps to improve the short term funds management.

IV. OBJECTIVE OF THE STUDY

- To analyze and interpret the financial efficiency of non- banking service.
- To analyze the financial performance of the non- banking sector.
- To find out current assets and current liability of the non- banking company
- To identify the liquidity position of the non- banking company
- To analyze the variance level in the financial position.

V. RESEARCH METHODOLOGY

Research Design- Non-Probability sampling-(simple random sampling)

Sample size- Balance sheet for 5 years(April 2016 till March 2021)

VI . STATISTICAL TOOLS

The statistical tools used in the study are mentioned below.

- Comparative Balance Sheet
- Common-Size Balance Sheet
- Ratio Analysis
- Trends Analysis

VII. LIMITATIONS OF THE STUDY

- Time has been a limiting factor and it has been difficult to analysis the various other related aspects of finance.
- Financial Statements were in terms of reports. They are not final because the exact financial position can be known only when the business windup.
- Financial Statement is required for endurance in the short term, but in order to survive in the long term a business must be gainful.
- A huge financial balance is not a sign of good management if the cash could be invested elsewhere to generate profit.

VIII. REVIEW OF LITERATURE

According to **Dr.Manvinder Tandon**, “A Study on Financial Performance of Selected Indian Banks”, 2019, the Indian banking sector plays an important position in the economic progress of the country and is the most dominant division of the financial sector. The banking sector has shown a significant receptiveness to the needs of the intended economy. It has brought about a substantial growth in its efforts at deposit mobilization and has it takes a number of actions in the recent past for accelerating the velocity of deposits. According to **Jabir Al Mursalin**, “Financial Performance Analysis Of Dhaka Bank limited”, 2014, this internship report is based on my internship program and financial statements of 2017, 2011 and 2012 of Dhaka Bank Limited. According to **Anthony Rahul Golden.**, “An Analysis on Financial Performance of Tata Steel Limited for the Financial Years 2015 to 2012”, 2013, Tata steel limited is one of the standard companies in the steel industry. Due to pecuniary crisis, all the sectors were affected. According to **R.Idhayajothi, Dr.O.T.V.Latasri, N. Manjula, A. Meharaj Banu, R. Malini**, “A Study on Financial Performance of Ashok Leyland Limited at Chennai.”, 2015, financial is regarded as the life blood of a business enterprise. In the modern oriented economy, finance is one of the basic brass tacks of all kinds of economic activities. The financial statements were prepared prime for any decision -making. According to **M.C Arthi and John**, “Apple Computer’s Financial Performance”, 2018, since its formation in 1976 Apple Computer has been a pioneer in the PC market. Despite its brilliance in design, Apple was increasingly challenged by the rise of IBM-compatible machines and the Windows operating system. Since the sympathetic catastrophe in the 1990s, the firm had a resurgence under the leadership of its previously exiled founder, Steve Jobs. Finally, the escapee victory of the iPod and iTunes music products restored the firm’s prosperity. According to **Radoslav Petrov**, “A study on financial performance using ratio analysis at in Vysya bank”, 2020, this part provides a review of some notable, hypothetical and empirical research mechanism done by various non banking sectors in evaluating the financial performance.

IX. DATA ANALYSIS AND INTERPRETATION

COMPARATIVE BALANCE SHEET

Table No: 1
2020 – 2021 of Comparative Balance Sheet

Particulars	2020	2021	Increase(+) Decrease(-)	
			Amount	Percentage
Assets				
Cash balance	2,48,649	0	-2,48,649	-100.00
Balance with banks and money at call	7,40,710	9,067,75	1,66,065	22.42
Investment	14,78,625	0	14,78,625	-100.00
Advances	21417	0	-21417	-100.00
Fixed Assets	3,50,656	16,18,533	19,69,189	-561.57
Other Assets	34,54,540	38,32,692	-6000	-0.17
Suspense	4000	2000	36,19,218	90480.45
Total Assets	62,98,597	63,60,000	61403	0.97
Liabilities				
Capital	21,32,886	16,66,056	-4,66,830	-21.89

Reserves	2,56,839	0	-2,56,839	-100.00
Deposits	29,85,987	30,67,773	81786	2.74
Borrowing	7,40,710	9,06,775	1,66,065	22.42
Other liabilities and provisions	1,82,175	7,19,396	5,37,221	294.89
Total liabilities	62,98,597	63,60,000	61403	0.97

(Source: Annual Report)

It is clear that the current asset of the company is decreased from 2467984 INR during the year 2020 to 906775 INR in the year 2021. And the current liability is increasing trend. It is increased from 182175 INR in the year 2020 to 719396 INR in the year 2021.

COMMON SIZE BALANCE SHEET

Table No: 2

2020 – 2021 of Common Size Balance Sheet

(Amount in lakhs)

Assets	2020		2021	
	Amount	%	Amount	%
Cash and balance with RBI	2,48,649	8.74	0	0.00
Balance with banks and money at call	7,40,710	26.04	9,06,775	35.88
Investment	14,78,625	51.99	0	0.00
Advances	21417	0.75	0	0.00
Fixed Assets	3,50,656	12.33	16,18,533	64.04
Other Assets	34,54,540	121.47	38,32,692	151.65
Suspense	4000	0.14	2000	0.08
Total Assets	62,98,597	100.00	63,60,000	100.00
Liabilities				
Capital	21,32,886	33.86	16,66,056	26.20
Reserves	2,56,839	4.08	0	0.00
Deposits	29,85,987	47.41	30,67,773	48.24
Borrowing	7,40,710	11.76	9,06,775	14.26
Other liabilities and provisions	1,82,175	2.89	7,19,396	11.31
Total liabilities	62,98,597	100.00	63,60,000	100.00

(Source: Annual Report)

It is clear that the current asset of the company is decreased from 2637072 INR during the year 2020 to 2467984 INR in the year 2021. And the current liability is decreasing trend. It is decreased from 191263 INR in the year 2020 to 182175 INR in the year 2021. The fixed asset of the company is decreased from 508778 INR to 350656 INR.

RATIO ANALYSIS

Table No: 3

CURRENT RATIO

Current Ratio = Current Assets / Current Liabilities

Year	Current Asset	Current Liabilities	Current Ratio
2017	55,76,689	22,66,843	2.46
2018	32,96,923	72025	45.77
2019	46,51,638	1,91,263	24.32
2020	44,65,316	1,82,175	24.51
2021	47,39,467	7,19,396	6.59

The current ratio states that in the year 2017 indicates 2.46, 2018 indicates as 45.77, 2020 indicates as 24.32, 2019 indicates as 24.51 and in 2021 indicates as 6.59 respectively.

Table No:4

ADVANCE TO CURRENT ASSET RATIO

Advance to Current Asset Ratio=Advance / Current Ratio

YEAR	Advance	Current Asset	Advance to Current Asset Ratio
2017	26599	55,76,689	0.00
2018	28671	32,96,923	0.01
2019	30599	46,51,638	0.01
2020	21417	44,65,316	0.00
2021	0	47,39,467	0.00

The current ratio states that in the year 2017 represents 0.00, 2018 represents 0.01, 2019 represents 0.01, 2020 represents 0.00 and in 2021 represent 0.00 respectively.

Table No: 5**FIXED ASSET TO CURRENT ASSET RATIO**

Fixed Asset to Current Asset Ratio = Fixed Asset / Current Asset

	Fixed Asset	Current Asset	Fixed Asset to Current Asset Ratio
2017	4,08,422	55,76,689	0.07
2018	4,56,293	32,96,923	0.14
2019	5,08,778	46,51,638	0.11
2020	3,50,656	44,65,316	0.08
2021	16,18,533	47,39,467	0.34

The current ratio states that in the year 2017 represent the value 0.07, 2018 represent the value 0.14, 2019 represent the value 0.11, 2020 represent the value 0.08 and in 2021 represent the value 0.34 respectively.

TREND ANALYSIS**Table No: 6****TREND LINE OF CURRENT ASSETS**

Year	Current Assets(y)	Deviation of (X)	Xy	X²	Trend
2017	55,76,689	-2	-1,11,53,378	4	46,47,217
2018	32,96,923	-1	-32,96,923	1	45,96,612
2019	46,51,638	0	0	0	45,46,007
2020	44,65,316	1	44,65,316	1	44,95,402
2021	47,39,467	2	94,78,934	4	44,44,796
Total	$\sum Y = 2,27,30,03$ 3	0	$\sum XY = -$ 5,06,051	$\sum X^2 = 10$	

Table No: 7**TREND LINE OF FIXED ASSETS**

Year	Fixed Assets(y)	Deviation of (X)	Xy	X ²	Trend
2017	4,08,422	-2	-8,16,844	4	-
2018	4,56,293	-1	-4,56,293	1	-
2019	5,08,778	0	0	0	4
2020	3,50,656	1	3,50,656	1	29,82,695
2021	16,18,533	2	32,37,066	4	52,96,853
Total	$\sum Y=33,42,682$	0	$\sum XY=-23,14,585$	$\sum X^2=10$	

Table No: 8**FUNDS FLOW ANALYSIS****SCHEDULE FOR CHANGING IN WORKING CAPITAL FOR YEAR 2020– 2021**

Particulars	2020	2021	Increase	Decrease
Current Asset				
Cash & Short term Investments	2,48,649	0	-	2,48,649
Balance	7,40,710	9,06,775	1,66,065	-
Advances	21417	0	-	21417
Other Assets	24,54,540	38,32,692	3,78,152	-
Total(A)	44,65,316	47,39,467		
Current liabilities				
Other liabilities and provisions	1,82,175	7,19,396	-	5,37,221
Total(B)	1,82,175	7,19,396		
Working capital (A-B)	42,83,141	40,20,071		

Decrease in working capital		2,63,070	2,63,070	
Total	42,83,141	42,83,141	8,07,287	8,07,287

Table No: 9**FUND FLOW STATEMENT**

SOURCES	AMOUNT	APPLICATIONS	AMOUNT
Investment	14,78,628	Purchasing Fixed Asset	12,67,877
Deposit	81786	Capital	4,66,830
Borrowing	1,66,065	Fund from Operation	2,56,839
Suspender A/C	2000		
Decrease in working capital	2,63,070		
Total	19,91,546	Total	19,91,546

X. CONCLUSION

This is to conclude that, the financial statement analysis is conducted for a period five years to analyze the non banking company's financial statement. As the financial statement analysis is a vast arena, it needs deep study in various financial statements and other resources. The study gave a detailed picture of the financial statements of the corporation possessed and techniques are used to manage the same. The findings are done based on the ratios that are derived from the financial records also shows positive signs towards the growth of non banking financial service sectors at southern region. Such sectors can follow the suggestions and recommendations in order to show good numbers for the upcoming years to avoid economic downturn and also to raise the financial standards of the business.

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