

Financial Performance Analysis Of Kumbakonam Mutual Benefit Fund Nidhi Limited

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Abstract: This paper titled "Financial Performance Analysis of Kumbakonam Mutual Benefit Fund Nidhi Limited" aims to analyze the financial performance of Kumbakonam Mutual Benefit Fund Nidhi Limited (KMBF) using various financial ratios and tools. The study utilizes both primary and secondary data sources to examine the financial position, profitability, liquidity, solvency, and efficiency of KMBF. The data for the study has been collected from the annual reports of the bank, as well as from various financial websites and publications. The study finds that KMBF has maintained a stable financial position and has consistently improved its profitability over the years. The liquidity and solvency ratios of the bank also indicate a strong financial position. However, there is scope for improvement in the efficiency ratios of the bank. The findings of the study can be used by investors, analysts and other stakeholders to make informed decisions regarding their investment in KMBF bank.

Keywords: Financial performance, KMBF, Financial ratios, Profitability, Liquidity, Solvency

I. INTRODUCTION

The banking sector is the economy's backbone and a prerequisite for the country's survival. It offers a wide range of financial services, including savings account, current account, ATM, deposit, debit card, credit card, internet banking, investment, financial advice, and other financial services. It plays an essential role our day to day transactions. They act as intermediaries, help us to pool and channelize the savings. The banking industry's growth is dependent on the public's traditional services, such as deposits and loans. The banking sector's primary purpose is to collect money from depositors and lend it to those who are in need. Banks are the most prominent participants in the financial and stock markets. The fund is provided for the investment and economic development which contributes in the overall performance. It developed into a division of our society which included corporations as well as individual customers.

The banking sector, as we all know, is the economy's backbone and has a direct impact on economic development. Customer service, deposit and loan facilities, and financial

results are all factors that affect the bank's ability to grow. Following the privatization of India's banking industry, the sector has experienced rapid growth, with public banks expanding their services and earnings. In terms of financial performance, private sector banks are thought to be better planned or structured than public or old private sector banks. Public and private sector banks each have their own set of advantages and disadvantages, so before making any financial decisions about a bank, it is vital to determine its financial efficiency, regardless of whether it is public or private.

Finance studies is the ways of individuals, business organization, raise, allocate and monetary resources over time, taking into account the risks entailed in the projects. The term 'Finance' may thus incorporate as the study of money and other assets; the management and control of those assets; profiling and managing money. The word finance comes from the latin word 'fimis'. Finance is the art and science of handling money. Finance is different from money. Finance may be defined as the provision of money at the time it is needed.

Every enterprise, whether big, medium or small needs finance to carry out its operation and to achieve its goals. It rightly described as the life blood of business finance function or business finance is concerned with procurement of funds and their effective utilization in the business. Finance is used by individual (personal finance), by government (public finance), by business (corporate finance), as well as by a wide variety of organization including profit organizations and non-profit organizations. In general, the goals of each of the above activities are achieved through the use of appropriate financial instruments, with consideration to their institutional setting. Finance is one of the most important aspects of business management. Without proper financial planning a new enterprise is unlikely to be successful.

FINANCIAL ANALYSIS

Analysis of financial performance is an integral part of financial management it helps in the assessment of strengths and weaknesses of the company in respect of liquidity, solvency, profitability, operating efficiency etc. It is also useful in analyzing the capital structure, its effect on earnings of shareholders and the dividend behaviour of a company. Financial analysis is very useful in financial planning and control.

FINANCIAL CONTROL

Financial control is the control function of financial management. Its objects is to ensure that the performance is according to plans. Financial control involves application of control devices such as return on investment, budgetary control, break-even analysis, ratio analysis etc.

II. OBJECTIVES OF FINANCIAL MANAGEMENT

Financial management is concerned with the raising of funds and their effective utilization. The firm has to procure the funds at the minimum possible cost and use them efficiently. There are three key objectives of financial management they are:

- ✓ Profit maximization decision
- ✓ Wealth maximization decision
- ✓ Other important decision

STATEMENT OF THE PROBLEM

The Kumbakonam Mutual Benefit Fund Nidhi Limited has been rendering services through accepting deposits and lending advances. Also, it has been providing various financial services to public. There are many public sector and private sector banks and financial institution, the firm has to overcome the competition by providing quality services to the customer. It is essential to study the financial strength of the Kumbakonam Mutual Benefit Fund Nidhi Limited, and to revise from time to time to maintain the stability in the financial soundness.

OBJECTIVES OF THE STUDY

- ✓ To analyse the financial changes over a period of 5 years.
- ✓ To study the profitability and productivity of the Kumbakonam Mutual Benefit Fund Nidhi Limited.

SCOPE OF THE STUDY

The aim of the study is to analyse the financial analysis of the Kumbakonam Mutual Benefit Fund Nidhi Limited. The study has been made with the analysis of Balance Sheet, Profit and Loss account by using ratio analysis to evaluate the financial soundness of the firm.

TOOLS USED IN RESEARCH

- ✓ Ratio analysis
- ✓ Standard deviation
- ✓ Co-efficient of variation

III. REVIEW OF LITERATURE

Kumar & Kumar (2016) studied and compared the output of four public sector banks from 2011 to 2015. They compared SBI to other public banks using a variety of financial ratios and came to the conclusion that SBI is superior. (*Karri et al., 2015*) used the CAMEL model and T-test to evaluate the financial strength of Bank of Baroda and Punjab National Bank. Based on 14 financial ratios, they discovered that Bank of Baroda outperformed Punjab National Bank on average.

Chintala & Kumar (2016) studied public and private bank's financial performance. SBI, BoB, PNB, CBI, IDBI, HDFC, ICICI, Kotak and IndusInd bank's total income, interest income and service income were analyzed for the five years i.e. from 2011 to 2016. They came to the conclusion that private sector banks were the most profitable and experienced the fastest growth.

Vanlalzawna C (2018) used ratio analysis, ANOVA and the CAMEL model to evaluate the financial performance of two public and two private Indian banks from 2008 and 2013. When comparing public and private sector banks, it was found that private sector banks perform better in all of the selected parameters compared to public sector banks.

IV. PROFILE OF KMBF

Kumbakonam Mutual Benefit Fund Nidhi Limited is a public incorporated on 01st December 1903. It is classified as non-Government company and is registered at Registrar of Companies, Chennai. It's authorised share capital is Rs. 40,00,00,000 and its paid up capital is Rs. 29,70,35,360. It is involved in other financial intermediation other than that conducted by monetary institutions. KMBF has been taking effort continuously to expand its business. It has 114 branches in TamilNadu.

The core business of KMBF company is lending against jewels. During this year also, the value of the yellow metal has continued to remain volatile like last year on account of various market both international and domestic. The directors cautiously formulating policies closely watching the day to day movements of gold price. Nevertheless, this has its own minimum effect on the business of the company.

V. ANALYSIS & INTERPRETATION

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency and profitability by comparing information contained in its financial statements. Ratio analysis is also known as financial analysis.

Ratios allow us to compare companies across industries, big and small, to identify their strengths and weakness. Financial ratios are often divided up into seven main categories: liquidity, solvency, efficiency, profitability, market prospect, investment leverage and coverage.

Current Ratio

(Rs. in lakhs)

Year	Current Assets	Current Liabilities	Ratio
2019-2020	2,14,990.65	1,93,210.13	1.11
2020-2021	2,47,065.23	2,23,701.79	1.10
2021-2022	2,65,956.58	2,22,255.51	1.19
2022-2023	3,07,903.68	2,76,312.09	1.11
2023-2024	3,52,065.65	3,14,509.96	1.11
Average			1.12
Std Dev			0.04
CV			0.001

It purely denotes from the table that highest range of ratio is 1.19 in the year 2021-2022 and the lowest range of ratio is 1.10 in the year 2020-2021. Finally, the average current ratio of the company over five years is 1.12.

Debt Equity Ratio

Year	Debt	Equity	Ratio
2019-2020	3,278.29	2,942.58	1.11
2020-2021	1,125.18	2,954.24	0.38
2021-2022	1,229.88	2,970.35	0.41
2022-2023	2,537.78	2,984.27	0.85
2023-2024	2,537.85	2,998.61	0.84
Average			0.71
Std Dev			0.31
CV			0.09

The table shows that highest range of ratio is 1.11 in the year 2019-2020 and the lowest range of ratio is 0.38 in the year 2020-2021. The average of debt equity of the company over five years is 0.71.

Ratio of Total Debt to Total Assets

Year	Total Debt	Total Assets	Ratio
2019-2020	1,97,896.03	2,17,594.86	0.91
2020-2021	2,26,303.40	2,49,651.41	0.91
2021-2022	2,41,459.20	2,68,689.60	0.90
2022-2023	2,80,415.83	3,18,436.68	0.88

2023-2024	3,18,474.95	3,63,112.20	0.88
Average			0.90
Std. Dev.			0.01

The above table shows highest range of ratio is 0.91 in the year 2019-2020 and the lowest range of ratio is 0.88 in the year 2023-2024. The average of ratio of total debt to total assets of the company over five years is 0.90.

Ratio of Advances to Deposits

Year	Advances	Deposits	%
2019-2020	1,73,916.32	1,91,363.25	0.90
2020-2021	1,97,129.13	2,20,912.16	0.89
2021-2022	2,20,802.51	2,35,688.75	0.93
2022-2023	2,60,891.00	2,73,744.00	0.95
2023-2024	2,88,987.00	3,11,972.00	0.92
Average			0.91
Std.Dev			0.24

The above table indicates highest range of ratio is 0.95 in the year 2022-2023 and the lowest range of ratio is 0.89 in the year 2020-2021. The average of ratio of advances to deposits of the company over five years is 0.91.

Return on Total Assets Ratio

Year	Net profit	Total assets	%
2019-2020	4,954.14	2,17,594.86	2.27
2020-2021	6,039.45	2,49,651.41	2.41
2021-2022	6,363.36	2,68,689.60	2.36
2022-2023	7,515.00	3,18,436.68	2.36
2023-2024	9,327.00	3,63,112.20	2.56
Average			2.39
Std.Dev			0.10
CV			0.01

The above table shows that highest range of ratio is 2.56 in the year 2023-2024 and the lowest range of ratio is 2.27 in the year 2019-2020. The average return on total assets ratio of the company over five year is 2.39.

Profit Per Branch

Year	Net profit	No. of branches	Rs. in lakhs
2019-2020	4,959.14	108	45.91
2020-2021	6,039.45	109	55.40
2021-2022	6,363.36	112	56.81
2022-2023	7,515.00	113	66.50
2023-2024	9,327.00	114	81.81
Average			61.28
Std.Dev			13.6

The above table portrays that highest range of ratio is 81.81 lakhs in the year 2023-2024 and the lowest range of ratio is 45.91 lakhs in the year 2019-2020. The average of profit per branch of the company over five years in 61.28 lakhs.

Jewel Loan to Total Loan

Year	Jewel Loan (Rs)	Total Loan Amount (Rs)	%
2019-2020	1,70,628.90	1,73,045.08	98.60
2020-2021	1,93,838.45	1,96,346.16	98.70
2021-2022	2,17,016.21	2,20,078.83	98.60
2022-2023	2,58,505.45	2,60,890.66	99.08

2023-2024	2,86,001.81	2,88,987.26	98.96
Average			98.78
Std.Dev			0.22
CV			0.05

The above table indicates highest range of ratio is 99.08% in the year 2022-2023 and the lowest range of ratio is 98.6% in the year 2021-2022. The average of jewel loan to total loan of the company over five years is 98.78%.

Capital Gearing Ratio

Year	Long Term Debt (Rs)	Equity Shareholders Funds (Rs)	Ratio
2019-2020	3,278.29	2,942.58	1.11
2020-2021	1,125.18	2,954.24	0.38
2021-2022	1,229.88	2,970.35	0.41
2022-2023	2,537.78	2,984.27	0.85
2023-2024	2,537.85	2,998.61	0.84
Average			0.71
Std.Dev			0.31
CV			0.09

The above table indicates that highest range of ratio is 1.11 in the year 2019-2020 and the lowest range of ratio is 0.38 in the year 2020-2021. The average of capital gearing ratio of the company over five years is 0.71.

Solvency Ratio

Year	Equity	Total Assets	Percentage
2019-2020	2,942.58	2,17,594.86	1.35
2020-2021	2,954.24	2,49,651.41	1.18
2021-2022	2,970.35	2,68,689.60	1.10
2022-2023	2,984.27	3,18,436.68	0.93
2023-2024	2,998.61	3,63,112.20	0.82
Average			1.07
Std.Dev			0.21
Cv			0.04

The above table shows that highest range of ratio is 1.35 in the year 2019-2020 and the lowest range of ratio is 0.82 in the year 2023-2024. The average of solvency Ratio of the company over five years is 1.07%.

Fixed Assets Turnover Ratio

Year	Total Income (Rs)	Fixed Assets (Rs)	Ratio
2019-2020	26,254.71	1,262.76	20.7
2020-2021	28,796.91	1,297.90	22.1
2021-2022	31,914.11	1,279.70	24.9
2022-2023	35,447.87	9,697.07	3.6
2023-2024	41,247.79	10,752.53	3.8
Average			15.02
Std.Dev			10.44

The above table indicates that highest range of ratio is 24.9 in the year 2021-2022 and the lowest range of ratio is 3.6 in the year 2022-2023. The average of fixed assets turnover ratio of the company over five years is 15.02.

Net Profit Ratio

Year	Net profit (Rs)	Total income (Rs)	Percentage
2019-2020	4,959.14	26,254.71	18
2020-2021	6,039.45	28,796.91	20
2021-2022	6,363.36	31,914.11	19
2022-2023	7,515.00	35,447.87	21
2023-2024	9,327.00	41,247.79	22
Average			20
Std.Dev			1.5

The above table portrays that highest range of percentage is 22 in the year 2023-2024 and the lowest range of Percentage is 18 in the year 2019-2020. The average of net profit ratio of the company over five years is 20%.

Reserves to Equity Share Capital Ratio

Year	Reserves (Rs)	Equity share capital (Rs)	Ratio
2019-2020	16,755.01	2,942.58	5.69
2020-2021	20,392.13	2,954.24	6.90
2021-2022	24,259.04	2,970.35	8.16
2022-2023	35,036.58	2,984.27	11.74
2023-2024	41,638.64	2,998.61	13.88
Average			9.27
Std.Dev			3.42

The above table shows that highest range of ratio is 13.88 in the year 2023-2024 lowest range of ratio is 5.69 in the year 2019-2020. The average of reserves to equity share capital ratio of the company over five years is 9.27.

VI. SUGGESTIONS

- ✓ KMBF may try to have more fixed assets i.e. it can invest money in safe and long investment schemes, instead of having more current assets.
- ✓ The shareholders funds are good, but it can still be increased to encourage the involvement of shareholders.
- ✓ When comparing with current liabilities, KMBF should try to increase either its current assets or to decrease the current liabilities.
- ✓ KMBF has been concentrating in mobilizing deposits in many forms, care should be given to mobilize fixed deposits so that the amount can be deployed efficiently.
- ✓ As KMBF has gained people's support, it can enhance the number of branches so that many people will be benefited.
- ✓ The firm has been giving loan mostly in the form of jewel loan. It can try to lend for industrial activities which will support for societal development.
- ✓ Though the net profit has increased almost double the time when comparing with the first year and last year of study (KMBF can try to enhance its profitability by implementing more attractive deposits schemes and lending schemes).

- ✓ The firm should try to focus to increase the return on total assets continually without any flow in forthcoming years.

VII. CONCLUSION

The Kumbakonam Mutual Benefit Fund Nidhi Limited has been in existence for a quite long period. It has crossed 121 years. KMBF Nidhi Limited has achieved more profit and it has crossed several milestones in its history. KMBF Nidhi Limited has enjoying a sound liquidity position by utilizing their funds in appropriate manner. The suggestions given if adopted will improve the position of the company. Substantially optimal profitability coupled with better service and satisfaction for investor may be achieved. As KMBF has gained creditworthiness among its customers, it can extend its services by increasing the number of branches which will facilitate to avail the services for more people.

To conclude the overall financial analysis of the Kumbakonam Mutual Benefit Fund Nidhi Limited is highlighted as good and appreciable. It is sure that the Kumbakonam Mutual Benefit Fund in our state will have sustainable growth in the competitive banking scenario as per the study.

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