



“Financial Performance Analysis of Kerala State Financial Enterprises Limited, Thrissur”

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ABSTRACT

Financial performance analysis means establishing relationship between the items in the balance sheet and profit and loss account for determining the financial strength and weakness of the firm. The study entitled to know the financial position of the company that helps in making sound decision by analysing the recent trend. In this study, an attempt is made to identify the financial strength and weakness of the firm by properly establishing relationship between the items in the balance sheet and profit and loss account of KSFE Ltd., Thrissur on the past five years. The study aims to analyse the liquidity, profitability, solvency position of the company. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise. The present study attempted to discuss the financial performance of the company. For this purpose, the relevant secondary data from the study units for a period of 5 years and data were analysed using comparative balance sheet. The analysis of the data has provided major conclusion that the company is witnessing a lot of risks in the form of competition, less profitability etc.

Key words: Liquidity, Comparative balance sheet, trend.



INTRODUCTION

Finance is defined as the provision of money at the time when it is required. Every enterprise, whether big, medium, or small, needs finance to carry on its operations and to achieve its targets. In fact, finance is so indispensable today that it is rightly said to be the lifeblood of an enterprise. Without adequate finance, no enterprises can possibly accomplish its objectives. Finance refers to the management of flow of money through an organization.

Financial management refers to that part of the management activity which is concerned with the planning and controlling of firm's financial resources. It deals with finding out various sources for raising funds for the firms.

Financial performance analysis means establishing relationship between the items in the balance sheet and profit and loss account for determining the financial strength and weakness of the firm. It is the process of scanning of the financial statements to judge profitability, solvency, stability, growth and prosperity of a firm.

The study entitled "Financial Performance Analysis of Kerala State Financial Enterprises Limited, Thrissur" has been oriented with a view to study the financial position of the company that helps in making sound decision by analyzing the recent trend.

STATEMENT OF THE PROBLEM

Analyzing financial performance is the process of evaluating the common parts of financial statements to obtain a better understanding of firm's position and performance. Financial performance analysis enables the investors and creditors evaluate past and current performance and financial position, and to predict future performance.

Financial statement is used to judge the profitability and financial soundness of a firm. In this study, an attempt is made to identify the financial strength and weakness of the firm by properly establishing relationship between the items in the balance sheet and profit and loss account of KSFE Ltd., Thrissur.

Objectives of the study

- To study the financial position and financial performance of the company.
- To judge the solvency of the firm.
- To determine the long term liquidity of the funds.
- To provide valuable suggestions and recommendations for the improvement of current financial management.

METHODOLOGY AND DATA COLLECTION

Research comprises, defining and re-defining problems, formulating hypothesis or suggesting solution, collecting, organizing and evaluating data, at last carefully testing the conclusion to determine whether they fit the formulated hypothesis.

RESEARCH DESIGN

Research design is the basic frame work which provides guidelines for the rest of research process. It is a map or a blueprint according to which the research is conducted. It specifies the methods for data collection and data analysis.

SCOPE OF THE STUDY

The study was carried at The Kerala State Financial Enterprises Limited, Thrissur analyze its financial performance on the past five years.

The study aims to analyze the liquidity, profitability, solvency position of the company. Liquidity ratios like current ratio, quick ratio etc is prepared to analyze the financial position of the company. Profitability of the company is found out by using ratios like return on net profit ratio, return on capital employed ratio etc. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise.

METHOD OF DATA COLLECTION

Primary Data

The primary data have been collected through discussions with the concerned executives of the company.

Secondary Data

Secondary data are those data which are gathered for some other purpose and are already available in the firm's internal records and publications. The secondary data is collected from annual report of the company of the last 5 years from 2010-11 to 2014-15.

LIMITATIONS OF THE STUDY

1. The period considered for the study is the last 5 years' financial statement only. So it is not possible to find out the life time performance of the company.
2. Figures are rounded off whenever it was necessary.
3. The study is made exclusively on the financial aspects of the company.
4. Most of the information is collected from the financial statements. So the limitations of financial statements may affect the study.
5. Non-monetary factors like human behavior, their relationship etc are not considered.

ANALYSIS AND INTERPRETATION

A financial tool is a logical method employed by a skilled analyst to measure the effectiveness of operations of a company and to assess validity of the decisions. Methods employed to examine the vertical as well as horizontal relationship of different variables with the view to study profitability & financial position of a business enterprise is called tools for analysis. The important method is Comparative Balance Sheet.

COMPARATIVE BALANCE SHEET

The comparative balance sheet analysis is the study of the trend of the same items, group of items and computed items in two or more balance sheets of the same business enterprise on different dates. The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise. The comparative balance sheet has two columns for the data of original balance

sheets. A third column is used to show increases in figures. The fourth column may be added for giving percentages increases or decreases.

Table No.1

Comparative balance sheet of The KSFE Ltd. For the year ending March 31, 2010 and 2011

Particulars	As on 31-03-2010	As on 31-03-2011	Increase/ Decrease (amount)	Increase / Decrease (Percentage)
<u>SOURCE OF FUNDS</u>				
1. Share holders fund:				
a. Capital	100000000	100000000		0%
b. Reserves and Surplus	365186284	515454145	150267861	41%
2. Loan funds:				
a. unsecured	12285368938	12037319807	248049131	-2%
Total	12750555222	12652773952	-97781270	-1%
<u>APPLICATION OF FUNDS</u>				
1. Fixed Assets:				
a. Gross Block	105849221	122427706	16578485	16%
b. Less: Depreciation	65294753	74409025	9114272	14%
c. Net block	40554468	48018681	7464213	18%
d. Capital Work-in-progress	41135	41135		
	40595603	48059816	7464213	18%
2. Current Assets, Loans & Provisions	28187793568	28701880457	514086889	2%
Less : Current Liabilities & Provisions	15477833949	16097166321	619332372	4%
Net Current Assets	12709959619	12604714136	-105245483	-1%
TOTAL	12750555222	12652773952	-97781270	-1%

Interpretation

The balance sheet of the company reveals that during 2011, there has been an increase in share holders' fund i.e. 41% while loan funds are shown a decrease in trend of 2%. This results a decrease in source of fund by 1%. Fixed assets are shown an increase trend by 18% and net current assets are shown a decrease in net current assets by 1%.

Table No:2

Comparative balance sheet of The KSFE Ltd. For the year ending March 31, 2011 and 2012

Particulars	As on 31-03-2011	As on 31-03-2012	Increase/ Decrease (amount)	Increase/ Decrease (Percentage)
<u>SOURCE OF FUNDS</u>				
1. Share holders fund:				
a. Capital	100000000	100000000	0	0
b. Reserves and Surplus	515454145	687124126	171669981	33%
2. Loan funds:				
a. unsecured	12037319807	11240696066	-796623741	-7%
Total	12652773952	12027820192	-624953760	-5%
<u>APPLICATION OF FUNDS</u>				
1. Fixed Assets:				
a. Gross Block	122427706	139341943	16914237	14%
b. Less: Depreciation	74409025	85597779	11188754	15%
c. Net block	48018681	53744164	5725483	12%
d. Capital Work-in-progress	41135	41135		0%
	48059816	53785299	5725483	12%
2. Current Assets, Loans & Advances	28701880457	28626073894	-75806563	0%
Less : Current Liabilities &	16097166321	16652039001	554872680	3%

Provisions				
Net Current Assets	12604714136	11974034893	-630679243	-5%
Total	12652773952	12027820192	-624953760	-5%

Interpretation

The balance sheet of the company reveals that during 2012, there has been an increase in share holders' fund i.e. 33% while loan funds are shown a decrease in trend of 7%. This results a decrease in source of fund by 5%. Fixed assets are shown an increase trend by 12% and net current assets are shown a decrease in net current assets by 5%.

Table No: 3

Comparative balance sheet of The KSFE Ltd. For the year ending March 31, 2012 and 2013

Particulars	As on 31-03-2012	As on 31-03-2013	Increase/ Decrease (amount)	Increase/ Decrease (Percentage)
SOURCE OF FUNDS				
1. Share holders fund:				
a. Capital	100000000	100000000	0	0
b. Reserves and Surplus	687124126	902832777	215708651	31%
2. Loan funds:				
a. unsecured	11240696066	11905225151	664529085	6%
Total	12027820192	12908057928	880237736	7%
APPLICATION OF FUNDS				
1. Fixed Assets:				
a. Gross Block	139341943	150327256	10985313	8%
b. Less: Depreciation	85597779	97527919	11930140	14%
c. Net block	53744164	52799337	-944827	-2%
d. Capital Work-in-progress	41135	41135	0	0%
	53785299	52840472	-944827	-2%

2. Current Assets, Loans & Advances	28626073894	30246817368	1620743474	6%
Less :Current Liabilities & Provisions	16652039001	17391599912	739560911	4%
Net Current Assets	11974034893	12855217456	881182563	7%
Total	12027820192	12908057928	880237736	7%

Interpretation

The balance sheet of the company reveals that during 2013, there has been an increase in share holders' fund i.e. 31% while loan funds are shown an increase in trend of 6%. This results an increase in source of fund by 7%. Fixed assets are shown a decrease trend by 2% and net current assets are shown an increase in net current assets by 7%.

Table No: 4

Comparative balance sheet of The KSFE Ltd. For the year ending March 31, 2013 and 2014

Particulars	As on 31-03-2013	As on 31-03-2014	Increase/ Decrease (amount)	Increase/ Decrease (amount)
<u>SOURCE OF FUNDS</u>				
1. Share holders fund:				
a. Capital	100000000	100000000	0	0%
b. Reserves and Surplus	902832777	1011369108	108536331	12.02%
2. Loan funds:				
a. unsecured	11905225151	11450998843	-454226308	-3.82%
Total	12908057928	12562367951	-345689977	-2.68%
<u>APPLICATION OF FUNDS</u>				
1. Fixed Assets:				
a. Gross Block	150327256	225501150	75173894	50.01%
b. Less: Depreciation	97527919	131039853	33511934	34.36%
c. Net block	52799337	94461297	41661960	78.91%
d. Capital Work-in-progress	41135	41135	0	0.00%
	52840472	94502432	41661960	78.84%
2. Current Assets, Loans & Advances	30246817368	31673434447	1426617079	4.72%
Less : Current Liabilities &	17391599912	19205568928	1813969016	10.43%

Provisions				
Net Current Assets	12855217456	12467865519	-387351937	-3.01%
Total	12908057928	12562367951	-345689977	-2.68%

Interpretation

The balance sheet of the company reveals that during 2014, there has been an increase in share holders' fund i.e. 12.02% while loan funds are shown a decrease in trend of 3.82%. This results a decrease in source of fund by 2.68%. Fixed assets are shown an increase trend by 78.84% and net current assets are shown a decrease in net current assets by 3.01%.

Table No: 5

Comparative balance sheet of The KSFE Ltd. For the year ending March 31, 2014 and 2015

Particulars	As on 31-03-2014	As on 31-03-2015	Increase/ Decrease (Amount)	Increase/ Decrease (Percentage)
<u>SOURCE OF FUNDS</u>				
1. Share holders fund:				
a. Share holders fund:	100000000	100000000	0	0.0%
b. Reserves and Surplus	1011369108	1042948691	31579583	3.12%
2. Loan funds:			0	
a. secured	166702486	81786431	-84916055	-50.9%
b. unsecured	15882536036	18677962669	2795426633	17.6%
Total	17160607630	19902697791	2742090161	16.0%
<u>APPLICATION OF FUNDS</u>				
1. Fixed Assets:				
a. Gross Block	225501150	248425696	22924546	10.2%
b. Less: Depreciation	131039853	159607919	28568066	21.8%
c. Net block	94461297	88817777	-5643520	-6.0%
d. Capital Work-in-progress	41135	41135	0	0.0%
	94502432	88858912	-5643520	-6.0%
2. Current Assets, Loans & Advances	31673434447	39605962635	7932528188	25.0%

Less : Current Liabilities & Provisions	14603480090	19792123756	5188643666	35.5%
Net Current Assets	17066105198	19813838879	2747733681	16.1%
TOTAL	17160607630	19902697791	2742090161	16.0%

Interpretation

The balance sheet of the company reveals that during 2015, there has been an increase in share holders' fund i.e. 3.12% while loan funds are shown a tremendous decrease in trend of 99.29%. This results an increase in source of fund by 16%. Fixed assets are shown a decrease trend by 6% and net current assets are shown an increase in net current assets by 16.1 %.

INTRODUCTION

With the help of certain tools in financial management, the researcher has very thoroughly analyzed the financial statement of “The Kerala State Financial Enterprises Ltd”. Financial statement of five year i.e.; 2010-11 to 2014-15 was considered to analyze the financial performance of the business.

FINDINGS

The following are the findings with regard to the analysis and interpretation of financial performance of The Kerala State Financial Enterprises Ltd.

1. The contribution of reserves and surplus maintain constant
2. The amount of fixed deposit of the company fluctuates year after year.
3. More and more new branches are opened year after year.
4. The profitability capacity of the firm increased.
5. The working capital of the firm fluctuates year after year. It is not good for the firm.
6. There is an increasing trend of current liability is not good for the firm.
7. There was constant increase in the case of other income.
8. The quick asset of the firm is not satisfactory. There is no constant growth in quick assets.

SUGGESTIONS

- The working capital has to be utilized efficiently by preparing working capital budgets. So that the long term and short term working capital needs can be properly estimated.
- In order to increase the efficiency of the company, performance system appraisal can be adopted.
- The company can plan of investing more amounts on research and development. So that innovative and modern services can be developed and adopted in coming years.
- Company must think of modernization and diversification programmes. Otherwise it won't be able to withstand the competition.
- There is idle utilization of fixed asset in the concern. Thus the company must formulate and implement policy for effective utilization of fixed assets.
- It is better to start new branches outside Kerala. So The KSFE can expand its business.

CONCLUSION

The study was conducted to analyze the financial performance of The Kerala State Financial Enterprises Limited. The financial statement of the company was analyzed and interpreted by the help of comparative balance sheet, so as to identify the financial strength and weakness of the company.

KSFE Ltd. is one among those public undertakings in India who has got affected due to the fortunes of Liberalization, Privatization and Globalization. The present study attempted to discuss the financial performance of the company. For this purpose, the relevant secondary data from the study units for a period of 5 years and data were analyzed using the appropriate statistical tools and techniques. The analysis of the data has provided major conclusion that the company is witnessing a lot of risks in the form of competition, less profitability etc.

It would be better for the company to look forward on modernization and diversification programmes. The company may concentrate more on chitty based business, accepting deposits, liberalize loans and advances.

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