



A STUDY ON FUND FLOW ANALYSIS IN SHRIRAM FINANCE Ltd, NANDYALA.

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ABSTRACT:

This research report entitled to, “A study on fund flow analysis in SHRIRAM FINANCE Ltd, NANDYAL”. The main objective of the study is to analyze the financial position of the firm and to identify the reasons for change in the profitability and financial position of the firm. It is the process of identifying the financial strength and weakness of the firm through properly establishing relationship between the items of balance sheet and profit and loss account. The research also offers viable suggestions for improvement in relevant aspects based on the results. The details regarding the history and finance details of the firm were collected through discussion with the officers of SHRIRAM FINANCE Ltd., Nandyala, Andhra Pradesh state, Secondary data are based on the annual report of 2018-19 to 2022-23. The different tools used for the study are changes in working capital, funds from operations, Statement of Sources and uses of Fund. Charts and tables are used for better understanding. Through fund flow analysis the firm could understand easily the liquidity position of current assets and its adequacy to meet short term obligations. The largest source of fund to SHRIRAM FINANCE Ltd, NANDYALA is long term borrowings and the largest application of fund is purchase of plant and equipment. The study recommends the firm to use reserves and surplus and long-term borrowings in equal proportion as sources of funds. In addition, the study put viable recommendations to reduce application of funds on fixed assets and to increase on purchase of investments.

KEYWORDS: Application of funds, working capital, sources of funds, liquidity position, long term borrowings.

INTRODUCTION:

The funds flow statement is a report of the financial activities of the company endeavor and a statement that depicts the flow of money. It details the numerous methods used to raise money during a specific time period as well as the uses made of that money.

In simple funds flow statement is a statement of sources and applications of funds. In short, it is a technical device designed to high light the change in the financial condition of a business enterprise between tow Balance Sheets.

Financial analysts, credit-granting institutions, and financial managers frequently employ funds flow statements in the course of their work. It has evolved into a valuable tool in their analytical arsenal. This is due to the restricted function that financial statements like the income statement and balance sheet can play.

REVIEW OF LITERATURE:

- **Habib (2010):** Predicted future fund flows by using a sample of listed Australian firms and found that fund flows from operations has more power in predicting future fund flows compared to other predictor variables used in their study.
- **Varma (2013):** The basic problem of working capital in bank was the surplus investments in current assets rather than inadequacies. The investments mainly found in the inventory and receivable components.
- **Roy and Bhattacharyya (2014):** The study concludes that as long as the income is comfortable for financing of current assets by current liabilities it would not cause any problem. But when the projected income becomes uncertain, the situation will turn to be critical. But it will not be so, if the finance is served from the self-finances like depreciation provision. Here the supply of finance from the depreciation provision is spontaneous if the revenue remains sufficient to cover this provision.

NEED FOR THE STUDY

A funds flow statement is an essential factor in revealing how funds are used. A fund flow statement shows how to assess the fund flow of an organization in the near future. It serves as a financial parameter that helps a company to control its finance and develop a better strategy for long term financial planning, and to utilize short term and long-term funds.

SCOPE OF THE STUDY

The present study is to analyze the flow of funds in **SHRIRAM FINANCE COMPANY** for the period of 5years i.e., from 2018-19 to 2022-23.

OBJECTIVES OF THE STUDY

- To Study fund flow statement from 2018-19 to 2022-23.
- To analyze the schedule of changes of fund flow statement during the study period.
- To analyze the funds from operations.
- To analyze the sources and applications of funds.

RESEARCH METHODOLOGY:

Research Design

The method used for doing the prevailing take a look at is that the records is accumulated from secondary sources. The facts used to calculate the finances flow of funds for interpretation have been made and conclusions drawn.

RESEARCH TYPE:

Analytical research Data sources

Secondary data:

The data which was collected from the published sources of journals, books, magazines and annual financial reports of the company.

Data analysis tools

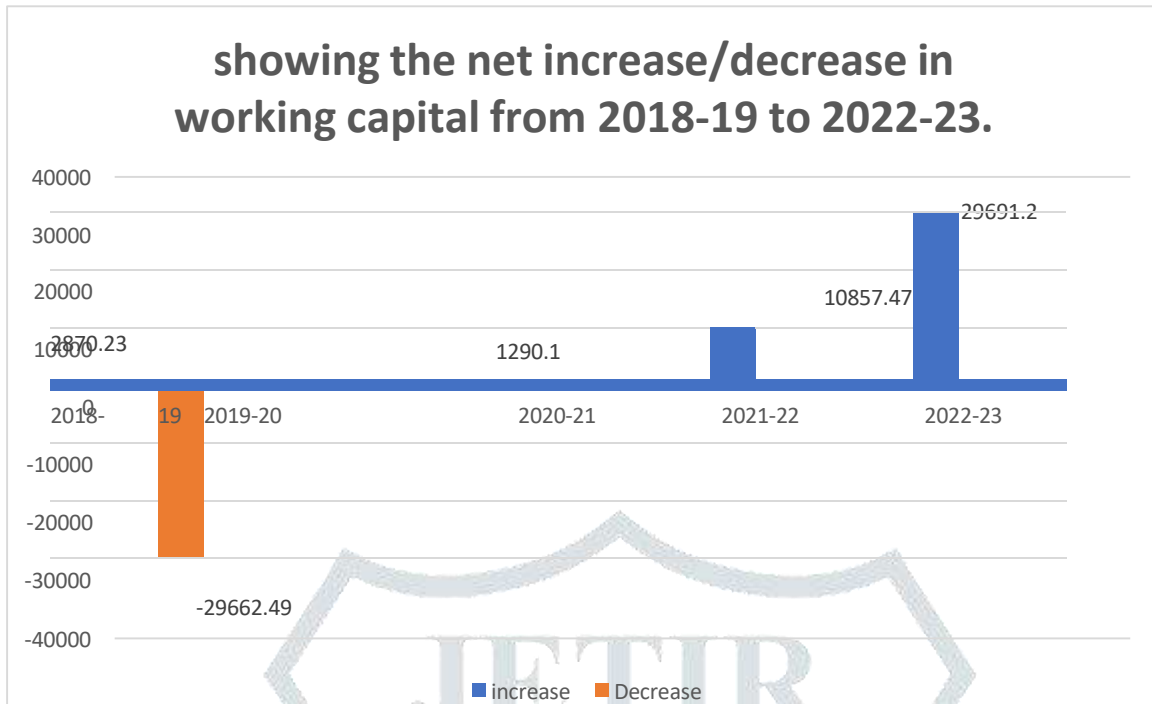
Fund flow analysis:

- 1) Statement of changes in working capital
- 2) Funds from operations
- 3) Statement of sources and applications of funds

DATA ANALYSIS:

Showing the net increase/decrease in working capital from 2018-19 to 2022-23.

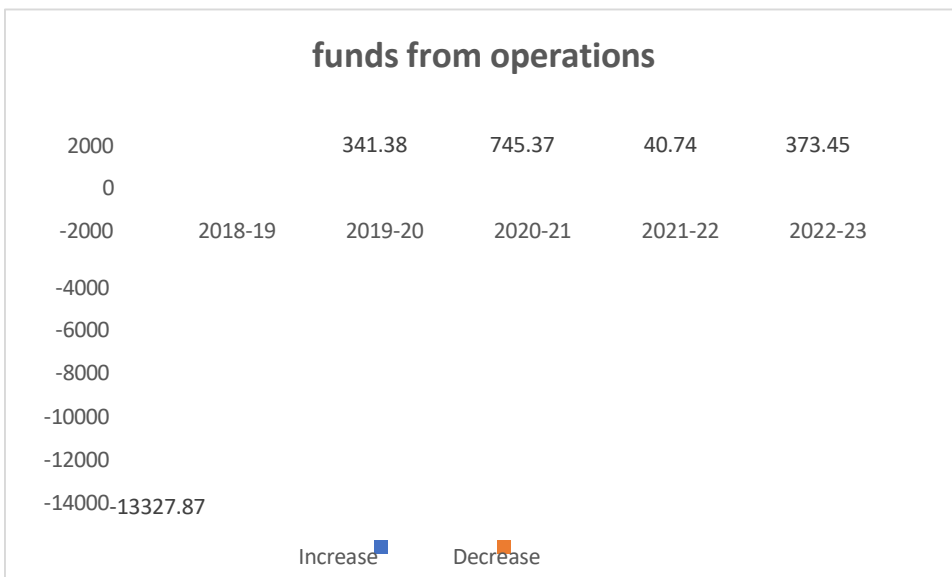
| Year | increase | Decrease |
|---------|----------|-----------|
| 2018-19 | | -29662.49 |
| 2019-20 | 2870.23 | |
| 2020-21 | 1290.10 | |
| 2021-22 | 10857.47 | |
| 2022-23 | 29691.20 | |



The above diagram clearly shows that the net increase/decrease in working capital trend from 2019-2020 onwards 2020-2023.

Showing the funds from operations from 2018-19 to 2022-23.

| year | Funds from operations |
|---------|-----------------------|
| 2018-19 | -13327.87 |
| 2019-20 | 341.38 |
| 2020-21 | 745.37 |
| 2021-22 | 40.74 |
| 2022-23 | 373.45 |



The above figure clearly shows that the funds from operation trend from 2019- 2020 onwards 2020-2023.

FINDINGS:

In 2018-19

- Net decrease in working capital of Rs.29662.49 due to Increase in current liabilities.
- The funds lost operations of Rs.13327.87 due to high operating expenses. In 2019-20
- Net increase in working capital of Rs.2870.23 due to increase in current assets. The funds from operations of Rs.341.38 due to decrease in operating expenses. In 2020-21
- Net increase in working capital of Rs. 12901 due to increase in current assets.
- The funds from operations of Rs.745.37 due to decrease in expenses.

In 2021-22

- Net increase in working capital of Rs. 29691.2 due to increase in current assets.
- The funds from operations of Rs.40.74 due to decrease in expenses. In 2022-23
- Net increase in working capital of Rs. 29691.2 due to increase in current assets.
- The funds from operations of Rs.373.45 due to decrease in expenses.

SUGGESTIONS:

The following suggestions are arrived at based on the observations made on the present study

- The company should maintain adequate working capital for efficient operations of business.
- The company should improve funds from operations for business expansion and development.
- The company should utilize long term sources of funds for purchasing long term assets.

CONCLUSIONS:

“A STUDY OF FUND FLOW ANALYSIS IN SHRIRAM FINANCE Ltd, ” gives a view or analysis evaluation of liquidity position of the company is not well comparing to previous years the company should increase current assets and reduce current liabilities. And profitability of the company is good based on the tools used analysis and interpretation have been made giving way for useful and constructive suggestions.

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