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A Study on Financial Statement Analysis towards Muthoot Finance Ltd., Coimbatore

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ABSTRACT

Financial statement analysis helps evaluate key aspects such as liquidity, profitability, efficiency, and cash flow by comparing ratios over different periods. This study analyses the financial performance of Muthoot Finance Ltd., Coimbatore, from 2019-20 to 2023-24 using an analytical research design and secondary financial data. Techniques like ratio analysis, trend percentage analysis, and comparative balance sheets are applied. Findings indicate a significant decline in net profit trend percentage, with inefficiencies in asset utilization. The study suggests minimizing debt levels and improving asset efficiency. Overall, financial performance is favourable, but optimizing borrowing and lending strategies is crucial. Effective asset utilization is recommended for maximizing profitability.

Keywords: Financial Statement Analysis, Liquidity, Profitability, Asset Utilization and Debt Management

I. INTRODUCTION

Financial statement analysis involves reviewing a company's financial reports to make better business decisions. To understand a company's financial stability and performance, the income statement, balance sheet, and cash flow statement play a vital role by offering insights into profitability, asset management, and liquidity flow. Techniques such as **ratio analysis, trend analysis, horizontal analysis, and vertical analysis** are used to evaluate performance. This study specifically focuses on analyzing **Muthoot Finance Ltd., Coimbatore** from 2019-20 to 2023-24. By applying these tools, the goal is to identify strengths, weaknesses, and areas for improvement. Ultimately, this analysis will help enhance financial management and guide future growth.

II REVIEW OF LITERATURE

BSR Murthy (2018) conducted a study on the financial statements of Hatsun Agro Products Ltd. Financial statement analysis helps assess a company's current performance and compare it to past results. The success of companies largely depends on how effectively management formulates and implements strategies. The findings and recommendations from such analysis can be valuable for the company's management. The study aims to evaluate the financial statements and assess performance in terms of asset utilization and profitability. The research methodology focused on analyzing both past and present performance, with data collected from the income statement and balance sheet available on the company's website. The study's goal was to evaluate the company's financial performance over a specific period. Financial analysis is crucial for planning and managing a company's financial resources. The researcher applied various techniques for analyzing the financial statements.

E.A. Osadchy (2018), aimed to enhance the framework for preparing a company's financial statements, positioning them as a key source of information for decision-making in a changing economic environment. The study establishes the economic significance of financial statements through an integrated perspective, highlights their role in supporting effective organizational management, and categorizes both financial and non-financial indicators. Additionally, the research recommends making the disclosure of non-financial indicators a mandatory part of corporate reporting and suggests improvements to the methods used for analyzing financial statements to better support company management.

KiranMaka (2020), reviewed existing literature related to identifying fraud in financial statements. The study outlines different types of financial fraud and highlights the challenges involved in detecting such fraud. It explains various data mining techniques used in fraud detection and discusses the significance of specific variables within financial statements. The research also analyzes two key studies on fraud detection, detailing their modeling features and approaches. Additionally, the study presents best practices and describes a method for eliminating certain variables from the complete list found in financial statements.

Shaikh Salman Masood (2020) conducted a financial analysis of Tata Motors Limited through this project, employing both ratio analysis and detailed research. This research employed a combination of numerical data analysis and descriptive insights to provide a comprehensive understanding of the

subject. The qualitative aspects included the introduction and literature review, while the quantitative side involved analytical methods and chart presentations. The annual financial figures for 2017, 2018, and 2019 were retrieved from the Yahoo Finance database for analytical purposes. The report evaluates whether the financial changes observed during this period were significant or minor and assesses the overall financial health of Tata Motors Limited.

SCOPE OF THE STUDY

The study focused on analyzing the financial statements of Muthoot Finance Ltd., Coimbatore, with special emphasis on a five-year period from 2019–2020 to 2023–2024. The analysis was limited to the data available in the income statement and balance sheet. This research provides insights into the company's financial standing and assists in evaluating the profitability position of Muthoot Finance Ltd., Coimbatore.

STATEMENT OF PROBLEM

The primary objective of financial statements is to deliver essential information about an organization's operational outcomes, financial status, and cash flows. This data aids stakeholders in making informed decisions about resource allocation. Key financial statements namely the income statement, balance sheet, and cash flow statement serve as valuable tools for assessing a company's financial strength, offering a snapshot of its financial health and intrinsic value.

In today's competitive banking environment, institutions strive to enhance their performance and profitability. To achieve this, a thorough evaluation of financial statements is crucial. Muthoot Finance Ltd., Coimbatore, being a significant player in the banking sector, is no exception. Understanding its financial position through proper financial statement analysis becomes essential. However, accurately assessing financial performance requires the use of relevant financial ratios. Therefore, this study has been undertaken to analyze the financial statements of Muthoot Finance Ltd., Coimbatore.

LIMITATION OF STUDY

- The financial statement analysis of the organization is solely based on the Balance Sheet and Profit & Loss Account from previous years. The information obtained from the organization is considered valid only in relation to the figures provided.
- A five-year period has been selected for analysis, which helps in gaining a comprehensive understanding of the company's overall performance.
- Due to the limited time available for the researcher, it was not feasible to collect more extensive information for the study.
- There is always a potential risk of financial statements being manipulated or presented in a more favorable manner, commonly known as window dressing.

RESEARCH OBJECTIVES

- To examine the financial statement analysis of Muthoot Finance Ltd., Coimbatore.
- To assess the company's liquidity status.
- To analyze the company's profitability performance.
- To understand the company's long-term financial stability.

III. RESEARCH METHODOLOGY

Research methodology is a structured plan that explains the steps, techniques, and approaches used to find answers to research questions or to test certain assumptions. It combines theoretical knowledge with practical tools to carry out proper research.

The research was carried out at Muthoot Finance Ltd., located in Coimbatore. It mainly relies on secondary data, especially the company's annual reports for five years. Additional information was gathered from textbooks, journals, newspapers, magazines, and various internet sources.

IV. ANALYSIS AND INTERPRETATION

LOAN TO DEPOSIT RATIO

TABLE NO.4.1.1

Year	Bank total loans	Total deposit	Ratio
2019-20	373069.35	4,14,378.79	90.03
2020-21	439650.3	4,53,622.72	96.92

2021-22	494797.97	5,48,471.34	90.21
2022-23	571424.16	6,40,104.94	89.27
2023-24	623720.19	7,07,306.08	88.18

(Source: Secondary Data)

Interpretation:

The above table indicates that the loan-to-deposit ratio rose from 90.03 in 2019–20 to 96.92 in 2020–21. However, it declined to 90.21 in 2021–22 and further dropped to 89.27 in 2022–23. The decline persisted into 2023–24, dropping to 88.18

CHART NO. 4.1.1

LOAN TO DEPOSIT RATIO

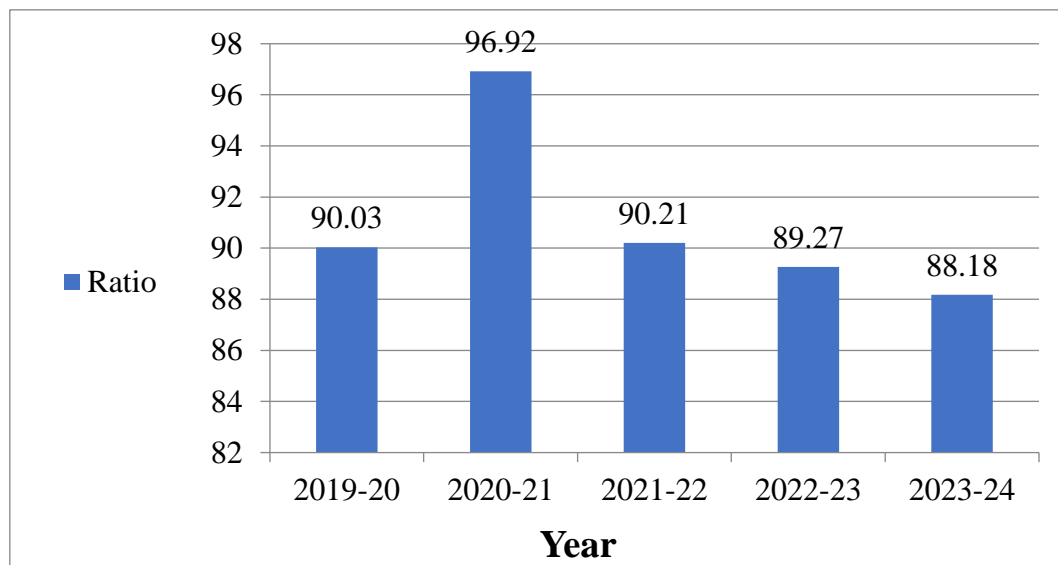


TABLE NO. 4.2.1

TREND PERCENTAGE OF DEPOSIT

The trend percentage of deposit tracks the annual change in deposit figures against a base year. It highlights the rate of increase or decrease in deposits over the years, providing insights into the growth pattern.

Year	Deposit	Trend
2019-20	4,14,378.79	100
2020-21	4,53,622.72	109.47
2021-22	5,48,471.34	132.36
2022-23	6,40,104.94	154.47
2023-24	7,07,306.08	170.69

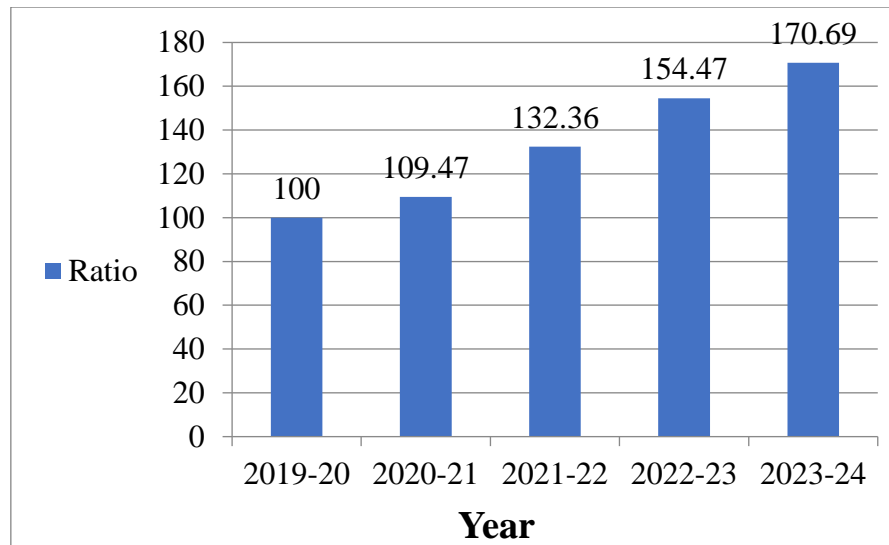
(Source: Secondary Data)

Interpretation

The table shows a consistent increase in the trend percentage of the deposit ratio, beginning at 100 in 2019–20 and rising to 109.47 in 2020–21. This upward trend continued with values reaching 132.36 in 2021–22 and 154.47 in 2022–23. It further increased to 170.69 in 2023–24.

CHART NO. 4.2.1

TREND PERCENTAGE OF DEPOSIT



V.FINDINGS

LOAN DEPOSITE RATIO

The loan-to-deposit ratio rose from 90.03 in 2019-20 to 96.92 in 2020-21. It then fell to 90.21 in 2021-22 and further decreased to 89.27 in 2022-23. The ratio continued its decline in 2023-24, reaching 88.18, reflecting a consistent decrease over the years.

TREND PERCENTAGE OF DEPOSIT

From 2019-20 to 2023-24, the deposit trend percentage showed continuous growth. It moved from a base of 100 to 109.47 in the first year, then climbed to 132.36 and 154.47 over the next two years. In 2023-24, it reached 170.69, reflecting steady expansion. This pattern highlights a consistent rise in deposit levels throughout the period.

VI.SUGGESTIONS

- To ensure financial stability, the bank should maintain a healthy balance between loans given and deposits received.
- Since the loan-to-deposit ratio has shown a decline, strategies to boost lending or regulate deposits can be considered.
- The continuous growth in deposits reflects increasing customer confidence and financial strength.
- To maintain this progress, the bank could introduce appealing deposit options and enhance its service quality to attract more customers.

VII.CONCULSION

Different methods are applied in financial analysis to assess the financial health of an organization. The banking sector, being a key contributor to India's economic growth, was the focus of this study, which aimed to assess the performance of financial institutions through their financial statements. The study sought to understand the risk exposure of the bank over the past five years and predict its future financial trajectory. The results reveal that the bank has demonstrated positive financial results, indicating a healthy financial environment. To increase profitability in the future, the bank should focus on enhancing its lending and borrowing operations. By making these areas more efficient, the bank could improve its overall financial position.

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