
A study on Funds flow Statement On Muthoot Fincorp ,Jammalamadugu

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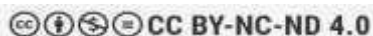
ABSTRACT

The study entitled "A Study on Fund Flow Statement of Muthoot Fincorp Limited" analyzes the movement of funds for a period of five years (2020–2024). The Fund Flow Statement helps in understanding how funds are generated and utilized between two balance sheet dates.

The study is based on secondary data collected from annual reports and RBI publications. The analysis highlights the sources and applications of funds, changes in working capital, and the financial strategy adopted by the company.

Keywords: Fund Flow Statement, Working Capital, Sources of Funds, Application of Funds, NBFC, Financial Strategy.

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INTRODUCTION

Funds Flow Statement

A Fund Flow Statement highlights the changes in financial position, particularly focusing on sources of funds and application of funds. It helps management, investors, and creditors to evaluate long-term financial planning, working capital management, and overall financial strategy.

For Non-Banking Financial Companies (NBFCs) like Muthoot Fincorp Limited, fund management is extremely important because their primary business involves lending and financial services. Efficient management of funds ensures liquidity, solvency, and profitability. The company must balance between raising long-term funds and utilizing them effectively for asset growth and working capital needs.

Definition:

Fund Flow Statement

According to I.M. Pandey,

“A Fund Flow Statement is a statement prepared to show the movement of funds and to explain the changes in the financial position of a company between two balance sheet dates.”

According to **Khan and Jain**,

“Fund Flow Statement is a statement which indicates the sources from which funds were obtained and the uses to which they were put during a particular period.”

◆ **Meaning**

A **Fund Flow Statement** is a financial statement that explains how funds are generated (sources) and how they are utilized (applications) during a specific period. It mainly focuses on changes in **working capital** and long-term financial position.

REVIEW OF LITERATURE:

1. I.M. Pandey (2022) – Fund flow analysis helps in long-term financial planning.
2. Khan & Jain (2021) – Working capital movement reflects liquidity position.
3. Brigham & Houston (2020) – Sources and uses of funds indicate financial strength.
4. RBI Reports (2024) – NBFCs must maintain adequate capital structure.
5. Sharma (2022) – Efficient fund utilization improves profitability.
6. Patel (2023) – Trend analysis helps measure growth.
7. Gupta (2021) – Fund flow statements aid in investment decisions.
8. Mehta (2022) – Working capital control improves stability

NEEDS FOR THE STUDY:

The present study is undertaken to understand the financial stability of the company by carefully examining its cash flow position and overall financial structure. It aims to analyze changes in working capital in order to determine how efficiently the company manages its short-term assets and liabilities for smooth operational functioning. The study also focuses on identifying the major sources of funds, including internal cash generation and external borrowings, to understand the company’s financing pattern. Further, it examines the utilization of funds to evaluate whether financial resources are properly allocated toward operating activities, investments, and debt obligations.

OBJECTIVES OF THE STUDY:

1. To know the study of the funds flow statement
2. To identify major source of the funds
3. To know how funds are moving from year to year
4. To utilization of the funds
5. To analyze the financial strategy adopt by the company

RESEARCH METHODOLOGY:

The study is based on Descriptive Research Design.

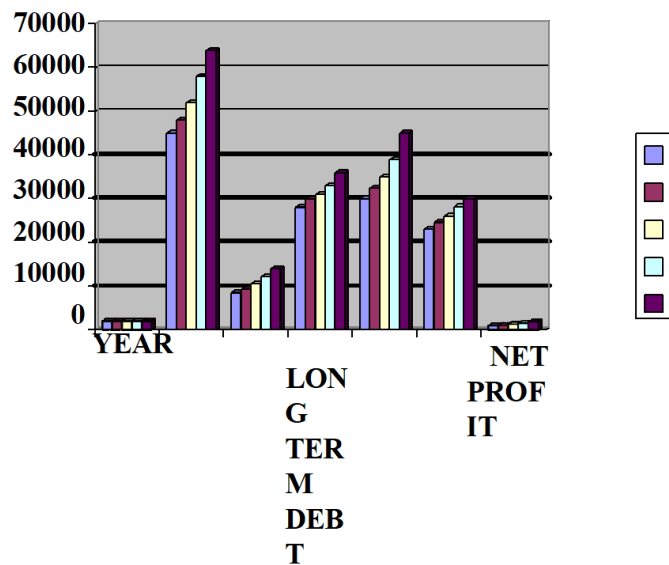
Sources of Data

1. Annual Reports of Muthoot Fincorp Limited (2020–2024)
2. Reserve Bank of India (RBI) Reports on NBFCs
3. Financial Management Textbooks
4. Company publications and official website
5. Calculation of increase or decrease in working capital.

DATA ANALYSIS & INTERPRETATION

1. FINANCIAL DATA (₹ in Crores – Academic Illustration)

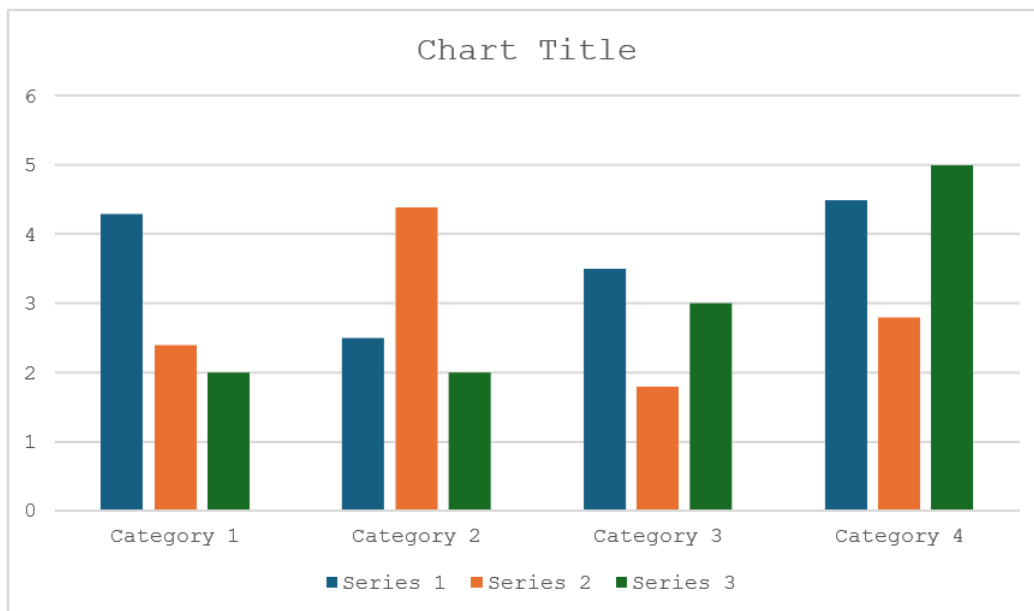
YEAR	TOTAL ASSETS	EQUITY	LONG TERM DEBT	CURRENT ASSETS	CURRENT LIABILITES	NET PROFIT
2020	45000	8500	28000	30000	23000	1050
2021	48000	9300	29900	32500	24600	1150
2022	52000	10500	31000	35000	26000	1350
2023	58000	12200	33000	39000	28200	1650
2024	64000	14000	36000	45000	30000	1950



STEP 1: STATEMENT OF CHANGES IN WORKING CAPITAL

Working Capital = Current Assets – Current Liabilities

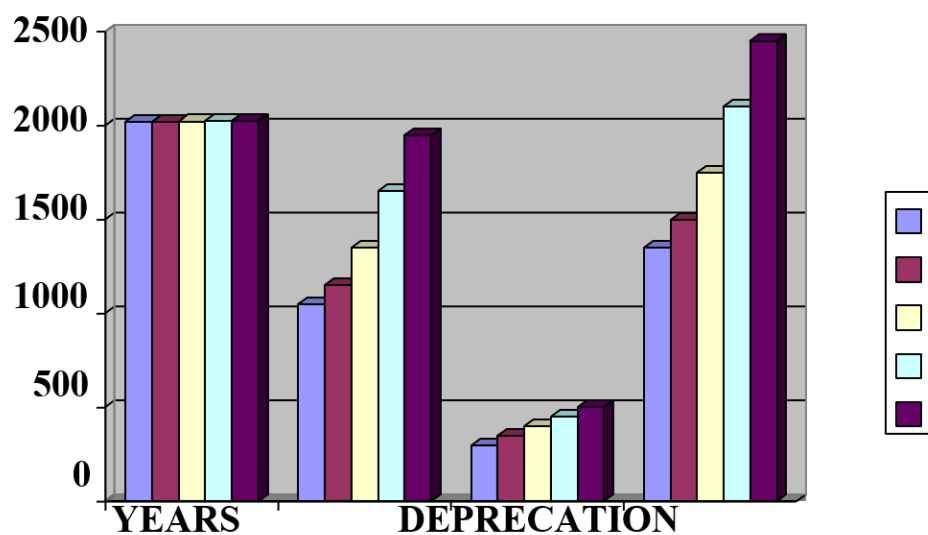
YEARS	CURRENT ASSETS	CURRENT LAIBILITES	WORKING CAPITAL
2020	30000	23000	7000
2021	32500	24000	7900
2022	35000	26000	9000
2023	30900	29000	10800
2024	43500	30000	13000



STEP 2: FUNDS FROM OPERATIONS

Funds from Operations = Net Profit + Depreciation

YEARS	NET PROFIT	DEPRECIATION	FUNDS FROM OPERATIONS
2020	1050	300	1350
2021	1150	350	1500
2022	1350	400	1750
2023	1650	450	2100
2024	1950	500	2450



Total Funds from Operations (5 years) = ₹ 9,150 Cr

STEP 3: FUND FLOW STATEMENT (2020–2024)

◆ SOURCES OF FUNDS

1. Increase in Equity
= 14,000 – 8,500 = 5,500
2. Increase in Long-term Debt
= 36,000 – 28,000 = 8,000
3. Funds from Operations
= 9,150

Total Sources = 5,500 + 8,000 + 9,150 = ₹ 22,650 Cr

APPLICATION OF FUNDS

1. Increase in Fixed Assets
= Total Assets Increase
= 64,000 – 45,000 = 19,000
2. Increase in Working Capital
= 6,000

Total Applications =
19,000 + 6,000 = **₹ 25,000 Cr**

YEAR-WISE FUND MOVEMENT ANALYSIS 2020–2021

- Equity and profits increased.
- Working capital increased by ₹900 Cr.

2021–2022

- Expansion financed mainly by long-term debt.
- Working capital increased by ₹1,100 Cr.

2022–2023

- Strong profit growth funded asset expansion.
- Working capital increased by ₹1,800 Cr.

2023–2024

- Significant growth in assets and equity.
- Working capital increased by ₹2,200 Cr.

FINDINGS

1. Continuous increase in working capital.
2. Internal profits contributed significantly.
3. Balanced debt-equity management.
4. Expansion financed through long-term funds.
5. Stable financial strategy observed.

SUGGESTIONS

- Maintain Continuous Growth in Working Capital

- Strengthen Internal Profit Generation
- Sustain Balanced Debt-Equity Management
- Utilize Long-Term Funds for Expansion
- Continue Stable Financial Strategy

CONCLUSION

The Fund Flow analysis of Muthoot Fincorp Limited from 2020 to 2024 indicates steady growth, proper fund utilization, and sound financial planning. The company demonstrates strong liquidity management and balanced financial strategy, ensuring sustainable long-term performance. The analysis shows a continuous increase in working capital over the study period, which signifies improvement in the company's short-term financial strength. The growth in working capital indicates that the company is capable of meeting its current obligations comfortably while maintaining sufficient liquidity for operational needs.

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