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## AN ANALYTICAL RATIO OF TOWN BENEFIT FUND NIDHI (KUMBAKONAM) LTD

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### ARTICLE DETAILS

Research Paper

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### ABSTRACT

Finance is absolutely necessary for the survival and smooth running of a business. Finance function is concerned with the procurement of funds and their effective utilization. Financial executives need certain yardstick to evaluate the financial position and performance of the business. The study focused the financial performance of Town Benefit Fund (TBF) Nidhi (Kumbakonam) Ltd with the help of analytical ratios.

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### Introduction

Finance is the life blood of a business. Circulation of blood is necessary for maintaining life in human body. In the same path, finance is absolutely necessary for the survival and smooth running of a business. Finance function is concerned with the procurement of funds and their effective utilization. Generally, the financial statements are prepared for the purpose of disclosing the financial position of the business concerns at a point of time and also operating results during the period under review.

Ratio analysis is one of the tool or technique used for analysis of financial statements. Financial executives need certain yardstick to evaluate the financial position and performance of the business. Financial ratios may be used internally by managers within a firm, by current and potential share

holders, creditors of a firm and other audience interested in understanding the strengths and weaknesses of a nidhi ltd.

### **Steps involved in Ratio Analysis**

1. An analyst should decide the objectives of ratio analysis.
2. Select the appropriate ratios on the basis of objectives of ratio analysis.
3. Calculation of the selected such ratios.
4. Comparison of the calculated ratios with the ratios of the same business concern in the past.
5. Comparison of the calculated ratios with the same type of ratios of other similar business concern.
6. Comparison of the calculated ratios with the same type ratios of the industry to which the business concern belongs.
7. Interpretation of the ratios.

### **Mutual Benefit Fund**

Mutual benefit fund is one of the division of Non Banking Financial Company (NAFC) which does not need any license from Reserve Bank of India (RBI) . Mutual Benefit Fund works through its members. It can accept deposits and lends loans to their members only. Mutual Benefit Fund is the safest and the cheapest way of raising funds from the Public.

#### **Basics of Mutual Benefit Fund:**

1. Mutual Benefit Fund is also called a Nidhi Company. It promotes the savings and usage of funds within its members.
2. Anybody can register a Mutual Benefit Fund; there is no background check, nor there did any prescribe qualification of its owners.
3. Mutual Benefit Fund cannot deal with anybody otherthan its members.
4. The minimum capital requirement of Mutual Benefit Fund is five lacs with at least seven members needed to incorporate a company.

## **Objectives of the study**

1. To know the role of Mutual Benefit Fund (Nidhi) Limited
2. To analyse the financial performances of Town Benefit Fund Nidhi (Kumbakonam) Ltd.

## **Profile of the study**

Town Benefit Fund (TBF) Nidhi (Kumbakonam) Limited is an unlisted public company incorporated on 5<sup>th</sup> August 1993. TBF classified as a public limited company and located in Kumbakonam. The authorized share capital is Rs.20 cr and the total paid up capital is Rs. 8.52 cr. TBF offered different kind of products and services like Children's Educational Saving Scheme, Fixed Deposit and Cumulative Deposit and Jewellery Loan Services. The company has 11 directors. TBF donated for the Development and Renovation of Temples, Libraries, Trust etc. TBF Ltd stimulate the mutual growth of their members through Trust and Responsibility. TBF Ltd building and maintaining sound relationships with the members, employees and stake holders. TBF provides frequent healthcare benefit camps and eye checkup camps for the TBF employees and for senior citizens.

## **Methodology**

### **1. Importance of the study**

Financial Institutions plays a crucial role in the economy by channeling funds from savers to borrowers, facilitating the efficient allocation of resources and supporting economic growth and development. From that Nidhi Ltd also play a important role in mobilizing and lending funds. So the research paper must analyse the financial performance of Town Benefit Fund ( Nidhi ) Ltd, Kumbakonam.

### **2. Area of the study**

The study covered the area of an analytical ratio of Town Benefit Fund ( Nidhi ) Kumbakonam Ltd.

### **3. Period of the study**

The period taken up for the study would be the 3 years, viz. 2020-21 to 2022- 2023.

### **4. Sources of data**

Secondary data has been considered for the study, which has been collected from the annual reports and audited financial statements of Town Benefit Fund (TBF Nidhi) Kumbakonam Ltd.

### **5. Limitations of the study**

- a) The study is confined to secondary data of annual reports of TBF Nidhi Kumbakonam Ltd.
- b) The study is limited to analytical ratios only.
- c) Only 3 years have been considered for the study.

## Review of Literature

1. **V. Keerthana and Mr. R. Rengarajan (2020)**, their research paper titled on “ A Study on Financial Performance in Kumbakonam Mutual Benefit Fund Limited “. They concluded in their paper, the company has enjoying a sound liquidity position by utilizes their funds in appropriate manner.
2. **K. Keerthi and S.Eswari (2020)**, their research paper titled on “ A study on Financial Performance using Ratio Analysis of Kumbakonam Central Co-operative Bank”. The research study concluded that the financial performance has been improving every year but the bank has to put some more effort to make it more effective.
3. **M.Ganga , P. Kalaiselvan and R.Surya (2015)**, the research paper titled on “Evaluation of Financial Performance”. The authors investigated the South Africa’s performance of commercial banking sector period for 2005 – 2009. The result indicated that the deterioration in profitability due to some reasons like increasing bank’s operating costs, reduction in income etc.

## Analysis and interpretation

**Table No. 1**  
**Analytical Ratio of TBF Nidhi (Kumbakonam) Ltd.**

(Rs. in Lakhs)

<b>Current Ratio</b>			
<b>Year</b>	<b>Current Assets (Rs.)</b>	<b>Current Liabilities (Rs.)</b>	<b>Ratio</b>
2020-2021	31616	30240	1.05
2021-2022	39591	37809	1.05
2022-2023	45419	42883	1.06
<b>Return on Equity Ratio</b>			
<b>Year</b>	<b>Profit (Rs.)</b>	<b>Equity (Rs.)</b>	<b>Ratio</b>
2020-2021	506	841	0.60
2021-2022	593	841	0.70
2022-2023	746	846	0.88
<b>Net Profit Ratio</b>			
<b>Year</b>	<b>Net Profit (Rs.)</b>	<b>Revenue (Rs.)</b>	<b>Ratio</b>

2020-2021	506	3676	0.14
2021-2022	593	4496	0.13
2022-2023	746	5302	0.14
Return on Capital Employed Ratio			
Year	Profit Before Tax (Rs.)	Capital Employed (Rs.)	Ratio
2020-2021	683	2225	0.31
2021-2022	784	2693	0.29
2022-2023	1004	3348	0.30

Sources: Secondary Data / Annual Reports

### Inferences:

- Current Ratio:** The above table shows the liquidity position of the TBF Nidhi (Kumbakonam) Ltd. A range between 1:2 is considered healthy. The Nidhi Ltd. has a more ideal ratio of 1.6 in the year 2022-2023.
- Return on Equity Ratio:** The above table indicate that ROE is the most important indicator of a Nidhi Ltd profitability and growth potential. TBF Nidhi (Kumbakonam) Ltd has higher ROE of 0.88% in the year 2022-2023.
- Net Profit Ratio:** The TBF Nidhi (Kumbakonam) Ltd. should maintain the same Net Profit ratio is 0.14 in 2020-2021 and 2022-2023. The nidhi ltd. must concentrate to increase their profit.
- Return on Capital Employed Ratio:** The TBF Nidhi (Kumbakonam) Ltd. has more return on Capital Employed ratio is 0.31 during the year of 2020-2021.

### Finding of the study

- The Nidhi Ltd. has a more ideal ratio of 1.6 in the year 2022-2023.
- TBF Nidhi (Kumbakonam) Ltd has higher ROE of 0.88% in the year 2022-2023.
- TBF Nidhi (Kumbakonam) Ltd has higher profit of Rs. 746 (in lakhs) in the year of 2022-2023.

### Conclusion

The overall financial performance of TBF Nidhi (Kumbakonam) Ltd during the study period of 2020-2021 to 2022-2023 is discussed here. On the basis of the findings of the study in can be concluded

that analytical ratios can help institutions to determine their financial strength. The financial performance of TTBF Nidhi (Kumbakonam) Ltd has satisfactory level.

### References

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