

**A STUDY ON FISCAL APPRAISAL WITH REFERENCE TO SRIMAN MADHWA  
SIDHANTAONNAHINI PERMANENT NIDHI LIMITED (S.M.S.O)**

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**ABSTARCT:**

*The basic concept of Nidhi Company is “principle of maturity”. These companies existed even prior to the existence of companies’ act 2013. Nidhi companies are more popular in south India and 80% of nidhi companies are located in Tamil Nadu. The study mainly concentrated on measuring financial performance in terms of capital adequacy and asset quality of public sector Nidhi companies. Secondary data was collected for the period of 3 years from 2016-2019. This study consists of three chapters the first chapter deals with the introduction of the study, industry profile, company profile, review of literature, need of the study, objective of the study and scope of the study. Second chapter deals with data analysis and interpretations using ratio analysis, trend analysis and comparative analysis. Third chapter deals with summary of findings, suggestions and conclusion. This study finds that the performance of the company was very good and appreciable. So, the company’s financial growth was really satisfactory and it shows increasing trend.*

**Key Words: Maturity, Performance, Growth, Financial, etc...**

**INTRODUCTION**

A Financial statement analysis is defined as the process of reviewing and analysing a company’s or a bank’s financial statements which include income statement, balance sheet and cash flow statement in order to take better economic decisions to earn good return on capital in future. The financial statement of any company should generally follow the principles laid down by the GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) OF USA. These principles require a company to record and maintain three accounting financial statements as said above. Any

registered public company should follow stricter standards for maintaining financial statements whereas all the private companies have the freedom of choosing their own method of maintaining financial statements as accrual or cash reporting.

## **STUDY OF PROBLEMS**

- ❖ The data given in these statements is only approximate.
- ❖ The study is limited to a period of 3 years only.
- ❖ The study covers only the financial performance and product portfolio of SMSO nidhi limited.
- ❖ Data of this study has been taken from published annual reports only.
- ❖ Authorities were reluctant to reveal full information about the financial performance of the company.

## **OBJECTIVES OF THE STUDY**

### **Primary objective:**

- ❖ To examine financial performance of SMSO for the past three years.
- ❖ To study the comparison of SMSO with other nidhi companies.
- ❖ To give constructive suggestions for the improvement of financial performance of the company.
- ❖ To examine the growth of the company for the past three years.

## **REVIEW OF LITERATURE**

**Hari Govinda Rao & et al. (2013)** in their study entitled “An Empirical Analysis on Financial Performance of Public Sector Housing Corporation in India: A Case Study of HUDCO”, stated that the main concept of their study is Profitability and liquidity management is of crucial importance in financial management decision. The most favorable financial performance could be achieved by a company that can tradeoff between profitability and liquidity performance indicators. The purpose of this study is to find out the financial position to and know the significance of them. Descriptive statistics discloses that performance of the selected unit in terms of liquidity, solvency and

profitability position is very satisfactory. They suggested that both the institutions under the study should concentrate on financial profitability, especially unexplained variables in purpose of creating shareholder's wealth.

**S.Sankar and K.Maran(2013)** gathered the primary data for this research from a sample of 125 people who are presently doing stock trading from 15 different broking companies in the city of Bhubaneswar, India. The data was examined with the help of statistical tools like Chi-square test, SPSS and Spearman's correlation was used for this purpose. These study findings can be utilized by investors, stock broking firms and scholars for future analysis on secondary market trading and to understand this problem critically

**Gokilamani and Natarajan (2014)** in their study explains that the customers of Indian commercial banks are positively responding to retail banking. It is important for banks to focus on service quality for strengthening their competitive edge and to allocate the limited resources to serve the personal banking division. They further views that the success of a retail bank will depend on product innovation, technological developments and strategies to retain their customers.

**Prakash pinto (2017)** Banks is one of the important players in the financial system in any economy. This study evaluates the financial performance of commercial banks in Bahrain. This study is based on eight commercial banks for the period from 2005 to 2015. We used regression, correlation analysis & t-tests to determine the relationship between different financial parameters. The results of the study indicate that the profitability has an impact on capital adequacy and financial leverage, whereas the study did not ratify the relationship between the profitability and efficiency of the banks. This study also reveals that enforcement of higher capital adequacy ratio will adversely affects the profitability of the banks. The impact of financial and oil crisis might have influenced the financial leverage of the banks there by resulted in an adverse effect on the profitability of the banks.

## **RESEARCH METHODOLOGY**

### **RESEARCH:**

Research is defined as the systematic investigation process employed to increase or to revise current knowledge by discovering new facts.

### **RESEARCH DESIGN:**

A detailed outline of how an investigation will take place. A research design will typically include how data is to be collected, what instrument will be employed, how the instrument will be used and the intended means for analysing data collected.

### **TYPE OF RESEARCH:**

#### **ANALYTICAL RESEARCH:**

In this type of research, we have to use facts (or) information that has been already available, and analyse these to make a critical evaluation of the material. The researcher depends on existing data for this research work.

The analysis is carried out based on the material collected (or) available.

#### **SOURCE OF DATA:**

To conduct the study secondary data is used and were collected from organizational documents, departmental manuals, annual reports, periodical, books etc...published by the company and the proposal forums.

#### **TOOLS FOR ANALYSIS:**

- ❖ Ratio analysis
- ❖ Comparative analysis
- ❖ Trend analysis

#### **COMPARATIVE ANALYSIS:**

This analysis is used to compare the three years performance of the SMSO and helps to find out whether the company is doing good or not.

- Comparative analysis of balance sheet of three years.
- Comparative analysis of profit and loss statement of three years.

#### **DATA ANALYSIS AND INTERPRETATION**

<b>RATIO</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019</b>
<b>Current ratio</b>	1.2	1.3	1.3

<b>Quick ratio</b>	3.6	3.0	2.3
<b>Debt to equity ratio</b>	17.9	25.5	17.8
<b>Debt to capital ratio</b>	1.8	1.2	1.3
<b>Total debt to total assets</b>	0.6	0.5	0.5
<b>Financial leverage</b>	352.051	387.252	410.444
<b>Long term debt to equity ratio</b>	93.113	130.313	125.724
<b>Return on capital employed</b>	0.613	0.340	0.335
<b>Return on assets</b>	0.264	0.256	0.241
<b>Return on equity</b>	2.495	2.488	2.258

## TREND ANALYSIS

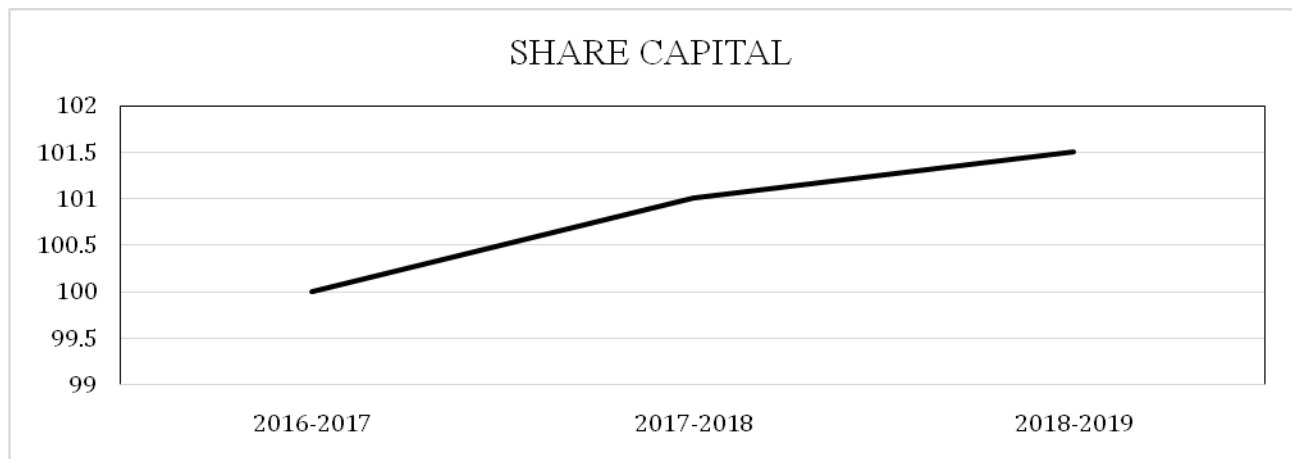
Trend analysis is a statistical technique in financial analysis that tries to determine the future aspects of the particular subject under study.

$$\text{Trend analysis} = \frac{\text{current year}}{\text{Base year}} \times 100$$

## SHARE CAPITAL:

Funds raised by issuing shares in return for cash or other considerations. The amount of share capital a company has can change over time because each time a business sells a new share to the public in exchange of cash, the amount of share capital will increase. share capital can be composed of both common and preferred shares. It is also known as equity financing.

## GRAPH SHOWING TREND ANALYSIS OF SHARE CAPITAL



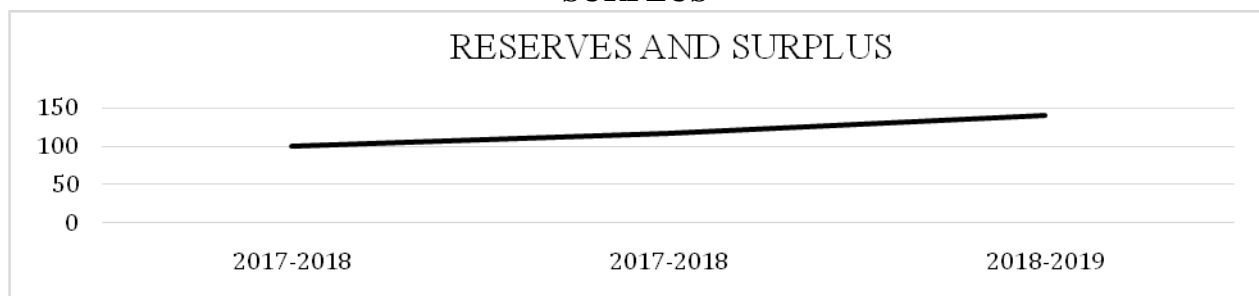
#### **INTERPERTATION:**

Share capital of the company has shown a growth in the period 2017-2019 and the share capital is more than 6 crores in all the three years. Therefore, this creates an advantage to the shareholders of the company in buying stocks as many as possible.

#### **RESERVES AND SURPLUS:**

Reserve means certain amount taken from profit and loss account to meet the sudden losses due to natural calamities or to pay the premium to the shareholder's when the profit is insufficient. The excess of income over expenditure is called as surplus.

#### **GRAPH SHOWING TREND ANALYSIS OF RESERVES AND SURPLUS**



#### **INTERPRETATION:**

The table and the graph indicate that the reserve and the surplus shown a drastic increasing trend in the period of 2017 to 2019. The average trend for the three years is 116.2%. this increasing in reserves and surplus shows the increase in profitability of the firm.

## REVENUE:

Revenue is the total income earned by an organization for take overring its normal business operations through selling of its products.

**GRAPH SHOWING TREND ANALYSIS OF REVENUE**



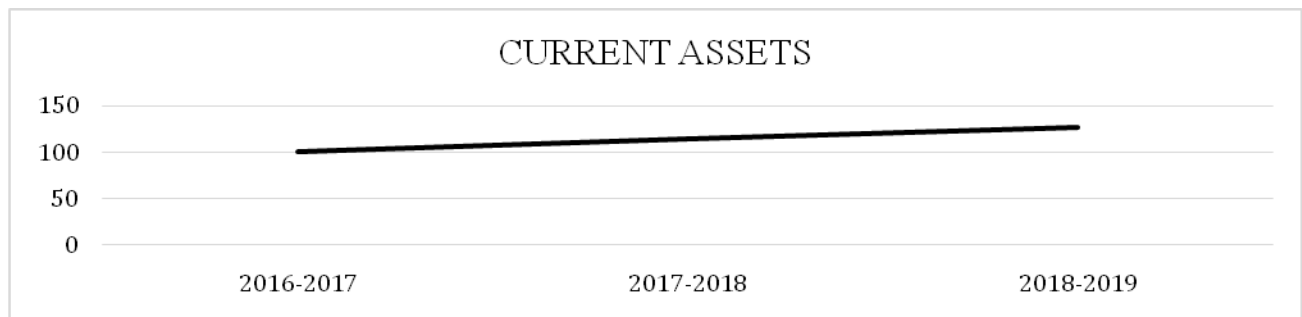
## INTERPRETATION:

The table and the graph indicate that the revenue of the company has been increased in the year 2017 to 2019. The average trend for the three years is 107.7%. This increasing trend in the revenue shows increase in the profitability of the firm.

## CURRENT ASSETS:

A balance sheet account that represent the value of all assets that are reasonably expected to be converted into cash within one year in the normal course of business. Current assets include cash, accounts receivables, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to cash.

**GRAPH SHOWING TREND ANALYSIS OF CURRENTASSETS**



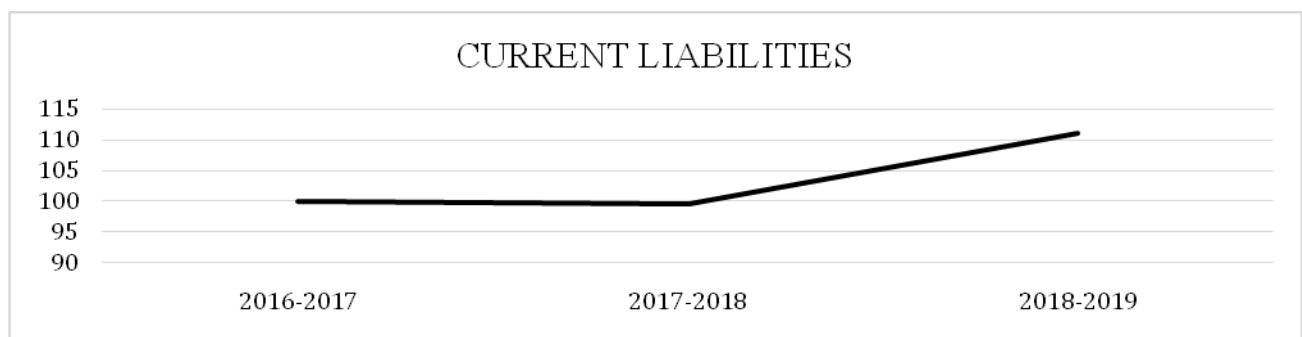
## INTERPRETATION:

The table and the graph indicate that the current assets show positive trend and it is increased in the year 2017 to 2019. The average trend is 114.6%. therefore, increase in current assets leads to increase in profitability of the firm and the company can also able to meet its short-term obligations to a greater extent.

### **CURRENT LIABILITIES:**

A company's debt or obligations that is due within one year. Current liabilities appear on the company's balance sheet and it include short term debt, accounts payable, accrued liabilities and other debts.

#### **GRAPH SHOWING TREND ANALYSIS OF CURRENT LIABILITIES**



### **INTERPRETATION:**

The above table and the graph show the decreasing and increasing trend in current liabilities of the company from the year 2017 to 2019. The increase in current liabilities leads to decrease in stocks, debtors, prepaid expenses and increase in creditors and outstanding expenses of the company. This increase in current liability will affect the growth of the company.

### **CONCLUSION:**

In the study on fiscal appraisal of SMSO nidhi permanent limited, it was clear that the company's financial performance was really good and satisfactory. The company has stable growth and it shows a greater efficacy in all the areas it works. Various tools are used in analysing the performance of the company like ratio analysis, trend analysis and comparative analysis.



The trend analysis of the company shows that the company's financial status was showing increasing trend in its all aspects. This was a very good sign of growth.

The comparative analysis of both balance sheet and income statement of the company shows that the company has more assets than its liabilities and it is showing increasing trend in its profit margin.

Therefore, the overall financial performance of the company is very good and satisfactory.

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