Financial Analysis of NABARD

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Abstract: Financial statements are official records of the financial actions of a company, firm or other unit over a period of time which provide a general idea of a company or person’s financial situation in mutually short and long term. They give a precise representation of a company’s condition and working results in a reduced form. Financial statements are used for supervision tool mainly by company executives and investor’s in assess the overall situation and working results of the company. Analysis of financial statements helps in formative the liquidity situation, long term solvency, financial feasibility and prosperity of a firm. Financial ratio analysis show whether the firm is performing well or not in past years. Furthermore, comparison of unlike aspect of the entire firms can be done efficiently with this. It helps the traders to make a decision in which firm the threat is less or maximum benefit can be earned. NABARD is capital demanding.

1. Introduction

Financial statements are prepared primarily for decision making. They play a dominant role in setting the framework of managerial decisions. But the information provided in the financial statements is not an end in itself as no meaningful conclusions can be drawn from these statements alone.

The term ‘Financial Statements’ as used in modern business refers to two statements which the accountant prepares at the end of a period of time. They are balance sheet and Income statement.

Financial analysis is “the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account.”

2. Objectives of the Study

[1] To study the financial statements of different years.

3. Concepts of Financial Statements

One of the most important functions of the accounting process is to accumulate and report historical accounting information. These financial statements are the end result of the process of financial accounting in the words of Hampton, “A financial statement is an organized collection of data organized according to logical and consistent accounting procedures.”

The statements and accounting reports which the accountants prepare at the end of a period for a business enterprise may be taken as financial statements. But the principal financial statements are the ‘Balance sheet’ and the ‘Profit and Loss account’. The
accounting figures which are collected, tabulated and summarized by accounting methods are presented in financial statements.

The financial statements may be of various types, but according to Miller all the financial statements may be broadly classified in the following manner:

[1] The interim statement  
[2] The audited statement  
[3] The unaudited year-end statement  

There are three basic financial statements:

[1] Balance sheet  
[2] Income statement  
[3] Cash Flow statement

**Balance sheet**

The balance sheet is a summary of the assets, liabilities, and equity of a business at a particular point in time—usually the end of the firm’s fiscal year. The balance sheet is also known as the statement of financial condition or the statement of financial position.

**Income Statement**

The income statement, usually designated as profit and loss account for the relevant financial year, shows the net profit or net loss resulting from the operations of business during a special field period of time. The items appearing in it are in the nature of ‘revenue.’

**Cash flow statement**

A Cash flow statement is statement which portrays the changes in the cash position between two accounting periods. The detailed analysis provided in such a statement provides a clear insight to the management about the different sources of cash inflows and the different uses or applications for which cash is needed.

### 4. Methods of financial statement analysis

**Comparative statement Analysis:** Comparative financial analysis refers comparison of financial statements pertaining to two different periods by putting them side by side and finding out. The change in absolute and relation change.

**Common Size Statements:** In order to avoid the limitations of Comparative Statement, this type of analysis is designed. Under this method, financial statements are analysed to measure the relationship of various figures with some common base. In order to prepare the Common Size Balance Sheet, the total assets or total liabilities are taken as common base and all other items are expressed as a percentage of total assets and liabilities.

**Trend Analysis:** Trend Analysis is one of the important technique which is used for analysis and interpretations of financial statements. While applying this method, it is necessary to select a period for a number of years in order to ascertain the percentage relationship of various items in the financial statements comparing with the items in base year. When a trend is to be determined by applying this method, earliest year or first year is taken as the base year. This analysis is useful in framing suitable policies and forecasting in future also.
Fund Flow Analysis: Fund Flow Analysis is one of the important methods for analysis and interpretations of financial statements. This is the statement which acts as a supplementary statement to the profit and loss account and balance sheet. Fund Flow Analysis helps to determine the changes in financial position on working capital basis and on cash basis. It also reveals the information about the sources of funds and has been utilized or employed during particular period.

Ratio Analysis: Ratio Analysis is one of the importance techniques which is used to measure the establishment of relationship between the two interrelated accounting figures in financial statements. This analysis helps to Management for decision making. Ratio Analysis is an effective tool which is used to ascertain the liquidity and operational efficiency of the concern.

5. Analysis & Interpretation

In this study I will do analysis in the statement of National Bank for Agriculture and Rural Development (NABARD). Balance sheet as on year 2017 and 2018, Profit and loss account for same year I use the comparative statement analysis one of the methods of financial analysis.

In this method use formal to calculating the change between the information which given in the statement ( balance sheet , profit and loss account ) Comparative analysis = current year – base year figure/base year *100

Profit & Loss Account for The Year 2017-18

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>SCHEDULE NO</th>
<th>YEAR ENDING ON 31-3-2017</th>
<th>YEAR ENDING ON 31-3-2018</th>
<th>ABSOLUTE CHANGES</th>
<th>PERCENTAGE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Received on Loans and Advances</td>
<td>19153,74,6</td>
<td>21354,70,2</td>
<td>22,00,95,56</td>
<td>11.4909</td>
<td></td>
</tr>
<tr>
<td>Income from Investment operations/ Deposits</td>
<td>3021,23,72</td>
<td>2982,85,21</td>
<td>383,851</td>
<td>1.2705</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>259,13,51</td>
<td>258,74,88</td>
<td>3,863</td>
<td>0.1490</td>
<td></td>
</tr>
<tr>
<td>TOTAL (A)</td>
<td>22434,11,8</td>
<td>24596,30,2</td>
<td>21,621,842</td>
<td>9.6379</td>
<td></td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Financial Charges</td>
<td>16</td>
<td>17848,55,9</td>
<td>162,216,910</td>
<td>99.7112</td>
<td></td>
</tr>
<tr>
<td>Establishment and other expenses</td>
<td>15 A</td>
<td>2026,96,80</td>
<td>1,397</td>
<td>0.00689</td>
<td></td>
</tr>
<tr>
<td>Expenditure on Promotional Activities</td>
<td>43,66,09</td>
<td>52,53,81</td>
<td>88,772</td>
<td>20.3321</td>
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<tr>
<td>Provisions</td>
<td>16</td>
<td>211,18,35</td>
<td>3,18,309</td>
<td>17.7476</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>28,61,99</td>
<td>18,36,84</td>
<td>1,02,515</td>
<td>35.81948</td>
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<tr>
<td>TOTAL (B)</td>
<td>18547,40,9</td>
<td>20157,61,7</td>
<td>1,65,316,48</td>
<td>89.1318</td>
<td></td>
</tr>
<tr>
<td>Profit before Income Tax (A–B)</td>
<td>3886,70,94</td>
<td>4438,68,57</td>
<td>5,519,763</td>
<td>194.2016</td>
<td></td>
</tr>
<tr>
<td>Prior period items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Provision for Income Tax</td>
<td>1215,95,60</td>
<td>1432,07,94</td>
<td>2,161,134</td>
<td>17.7731</td>
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<tr>
<td>Deferred Tax Asset Adjustment</td>
<td>(18,83,07)</td>
<td>(11,90,72)</td>
<td>69,235</td>
<td>36.7671</td>
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<tr>
<td>Profit after Tax</td>
<td>2689,58,41</td>
<td>3018,51,35</td>
<td>3,289,294</td>
<td>12.22975</td>
<td></td>
</tr>
<tr>
<td>Provision for Dividend and DDT of Subsidiaries</td>
<td>3781</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>2689,20,60</td>
<td>3018,51,35</td>
<td>3,293,075</td>
<td>12.2455</td>
<td></td>
</tr>
</tbody>
</table>
## Comparative financial statement for NABARD financial services limited balance sheet for the year 2017-18.

1. The reserves and other reserves increase in the 2018 more than 2017 represent 10.73% thereby difference amount 299,52,896 Grant from NABARD.
2. There is increase from borrowing the bank take more borrowing than 2017 that emphasises there are more activities than shows in 21.49%
3. Gross block in the bank not more than two year 2018 and 2017 so that show of 1.67482% so that the not block shows of represent that 1.4346%
4. Current liabilities of the bank has increased of 1,40,44,584 this represent of 11.3462% incensement. Main aspect of the Interpretation shown that the position of bank is not bad but the bank must pay affliction on profit after tax and control on expenses. The assets and liabilities of the bank a good position. The bank incurred so laugh interest and other charge this want extra attention.

### 6. Conclusion

1. The current financial position of the bank is strong because the current assets has excess on current liabilities. Financial Statement Analysis of National Bank for Agriculture and Rural Development.
The long term financial position of concern is excellent because the bank has increased his fixed assets and share capital.
The bank has increased as activities so there is enough income to incurred the expenses. Bank has collected amassable income.
The revenue expenditure has increased more so this make extra burden on income and this has created a negative on profit.