

FUNDS FLOW STATEMENT AS A TOOL FOR FINANCIAL PLANNING: A SECTOR-BASED ANALYSIS- HERO MOTOCORP LTD

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ABSTRACT

A funds flow statement is an important financial management tool that helps organizations understand the movement of funds between two accounting periods. It highlights the sources and applications of funds and provides valuable insights into how financial resources are generated and utilized. This study examines the role of funds flow statements as an effective tool for financial planning and decision-making across different industrial sectors. The research focuses on analyzing how organizations use funds flow analysis to evaluate liquidity, manage working capital, and support long-term financial strategies.

The study adopts a sector-based analytical approach by examining financial data from selected companies across key sectors such as banking, manufacturing, and services. By analyzing changes in working capital, sources of funds, and applications of funds, the research identifies patterns in financial management practices and their impact on organizational performance. The findings reveal that funds flow statements assist managers and investors in assessing financial stability, identifying funding gaps, and planning future investments more effectively. Furthermore, the study highlights the significance of funds flow analysis in improving financial transparency and strengthening strategic financial planning. The results suggest that companies that actively use funds flow statements are better equipped to allocate resources efficiently and maintain sustainable financial growth. Overall, the research emphasizes the practical importance of funds flow statements in modern financial

management and provides insights into their application across various economic sectors.

I. INTRODUCTION

A funds flow statement is an important financial tool that explains how funds are generated and used between two balance sheet dates. It focuses on the movement of working capital and helps in identifying the sources and applications of funds. Unlike the cash flow statement, which shows only cash transactions, the funds flow statement gives a broader view of financial changes by highlighting long-term financing, investment activities, and operational efficiency. Because of this wider scope, it becomes a valuable instrument for financial planning and decision-making.

Financial planning requires clear knowledge of where funds come from and how they are utilized. A funds flow statement helps management understand whether funds are obtained from operations, external borrowings, issue of shares, or sale of assets. It also shows how these funds are applied, such as for purchasing fixed assets, repayment of loans, payment of dividends, or increasing working capital. This information supports better budgeting, capital structure decisions, and resource allocation. It also helps in identifying financial strengths, weaknesses, and future funding requirements.

A sector-based analysis of funds flow provides deeper insights because financial patterns differ across industries. For example, manufacturing sectors may require large investments in fixed assets and working capital, while service sectors may rely more on operational efficiency and fewer capital expenditures. Banking and financial

institutions show different fund movements due to regulatory requirements and lending activities. By comparing funds flow across sectors, it becomes possible to evaluate liquidity positions, investment strategies, and financing patterns more effectively.

Thus, the funds flow statement acts as a strategic tool for financial planning by revealing long-term financial trends and supporting managerial decisions. A sector-based approach enhances its usefulness by identifying industry-specific financial behaviors and helping stakeholders make informed investment, financing, and operational choices.

NEED OF THE STUDY

The need for this study arises from the growing importance of effective financial planning in a dynamic business environment. Organizations must ensure proper utilization of funds to maintain liquidity, solvency, and operational efficiency. A funds flow statement helps in understanding long-term financial movements and working capital changes, which are essential for strategic decision-making. However, many firms focus mainly on profit figures and cash flows, ignoring broader fund movements that influence financial stability. A sector-based analysis is necessary because financial structures and funding patterns differ across industries. Manufacturing, service, and financial sectors have unique capital requirements, investment patterns, and financing sources. Studying funds flow across sectors helps in identifying these differences and understanding how each sector manages its financial resources. This study is useful for managers, investors, and financial planners to evaluate fund utilization, detect financial strengths and weaknesses, and plan future funding needs. It also supports better budgeting, capital allocation, and long-term financial control. Hence, analyzing funds flow as a financial planning tool becomes essential for informed decision-making.

OBJECTIVES OF THE STUDY

- To analyze the concept and structure of Funds Flow Statement and understand its role in tracking sources and applications of funds across accounting periods.
- To evaluate the importance of Funds Flow Statement as a financial planning and decision-making tool in different industrial sectors.
- To compare sector-wise variations in fund utilization patterns and assess their impact on liquidity, working capital, and long-term financial stability.

SCOPE OF THE STUDY

The scope of the study is to examine the role of the funds flow statement as an effective tool for financial planning across different sectors. It focuses on analyzing the sources and applications of funds and their impact on working capital management, investment decisions, and long-term financial stability. The study covers selected sectors such as manufacturing, service, and financial institutions to identify variations in fund movement and financing patterns. It includes the evaluation of how funds are generated from operations, external financing, and asset sales, and how they are utilized for capital expenditure, debt repayment, and business expansion. The study also aims to assess the usefulness of funds flow analysis in budgeting, capital structure planning, and resource allocation. The analysis is based on financial statements of selected companies for a specific period, which helps in comparing sector-wise financial behavior. The findings are intended to support managers, investors, and policymakers in making better financial planning and strategic decisions.

II. RESEARCH METHODOLOGY **SECONDARY DATA**

The secondary data was collected from already published sources such as annual reports, returns and internal records.

THE DATA COLLECTION INCLUDES

- Data collected from annual reports of BAJAJ ALLIANCELIFE INSURANCE.
- Reference form JOURNAL AND PERIODICAL relating to financial management.

RESEARCH TOOLS

Funds Flow Statement

Tools of Analysis

Various statistical tools such as percentages averages were used to process the date, of effectiveness of funds flow in organization & management in Bajaj Alliancelife insurance

Research Design: Analytical Study

Data Sources : Secondary Data

LIMITATIONS OF THE STUDY

- The study is based on secondary data collected from financial statements, which may contain limitations due to accounting policies and reporting differences.
- The analysis covers only selected sectors and companies, so findings cannot be generalized to all industries or the entire economy.
- Funds flow statement does not consider price level changes, which may affect the real value of funds over the study period.
- The study focuses on a limited time period, restricting the ability to analyze long-term financial trends and structural changes.
- Interpretation of funds flow data involves assumptions, which may lead to subjective conclusions and affect the accuracy of financial planning decisions.

III. LITERATURE SURVEY

P. Vyshnavi (2025) A funds flow statement is a financial tool that helps to analyze and understand the movements of funds flow in the organization. It gives a clear view on funds which means how the funds are generated and

utilized in the organization over specific period of time. The funds flow analysis helps in decision making and financial planning, this analysis help to know the trends in financing activities such as issue of debt or investing activities. The study states that how the working capital are managing and ensuring the company's flexibility and long term sustainability.

M. Vijaya Lakshmi (2024) A fund flow refers to the inflow and outflow of funds or assets for a company and is often measured on a monthly or quarterly basis. A fund flow statement reveals the reasons for these changes or anomalies in the financial position of a company between two balance sheets. These statements portray the flow of funds - or the sources and applications of funds over a particular period.

Lakshmi Raja (2024) This study is important for understanding the management of working capital it gives information on the basis of analysis about percentage of investment in each current asset cause for changes in working capital from different sources amount of working capital required. The firm's trade creditors are interest in the firm ability to meet their claim over a short period of time. So they required the evaluation of the firm's liquidity position. The suppliers of the long-term debt on the other hand of concerned with the long-term resolutions and survival. They analyses the firm profitability over time. The present study is intended cover a period of 5 years from 2016-2017 to 20202021 for examining the cash management receivable management manages the short-term investment and also investor's management for the purpose of working capital management in Steril-gene pvt ltd Working capital management policies have a great effect on firm's profitability, liquidity and its structural health. A financial manager therefore chalks out appropriate working capital, so as to ensure higher profitability proper liquidity and sound structural health of the organization. In order to achieve this

objective, the financial manager as to perform basically following two functions. Estimating the amount of working capital. Source from which these funds have to arise.

B. Deepika (2024) A project report focused on analyzing the funds flow statement. Analyzing the financial performance of the company is the main objective. It involves evaluating the firm financial strength and weakness by accurately determining the relation between balance sheet items and profit and loss statements. The information about the company gathered by secondary source provided by the company officials and it is based on the annual reports. Calculation of this project is the sources and application of funds, along with changes in working capital and funds from operations in the Zuari Cements Ltd. The present study is analytical in research.

Radhika Sharma (2022) The main objectives of working capital management include maintaining the working capital operating cycle and ensuring its ordered operation, minimizing the cost of capital spent on the working capital, and maximizing the return on current asset investments. Working capital is a prevalent metric for the efficiency, liquidity and overall health of a company. It is a reflection of the results of various company activities, including revenue collection, debt management, inventory management and payments to suppliers. This is because it includes inventory, accounts payable and receivable, cash, portions of debt due within the period of a year and other short-term accounts.

Dr. P. Basaiah (2022) Fund flow analysis can reveal the strength and weakness in utilization of available fund for business purpose. Fund flow statement is one of the valuable tools of management to evaluate the uses of funds by the organization. Funds flow statement is a statement which discloses the analytical information about the different sources of a fund and the application of the same in an accounting cycle. This study is based on

secondary data for 5 years viz., 2016-2017, 2017-2018, 2018-2019, 2019-2020, 2020-2021 annual reports and website. This study will provide to know various inflows and outflows of funds.

Dr. K. Haritha (2022) Finance is the lifeblood of every business activity without which the wheels of modern business organization system cannot be greased. Finance management is managerial activity, which is concerned with planning and controlling of the firm's financial Resources. Finance is a scarce resource and it has to be managed efficiently for the successful functioning of any company. Several companies have come to grief mainly because of inefficient management of finance, in spite of other favourable conditions. This study explains the funds flow statement analysis.

IV. FINDINGS, SUGGESTION AND CONCLUSION

FINDINGS

- The analysis shows that the **primary source of funds is funds from operations**, indicating the company generates internal cash through business activities.
- **Increase in long-term liabilities** (such as loans or borrowings) indicates the company has raised additional funds for expansion or operational needs.
- **Issue of share capital** contributes to additional inflow of funds, strengthening the company's capital structure.
- **Sale of fixed assets or investments** also acts as a source of funds during the period.
- **Purchase of fixed assets** represents a major application of funds, showing the company is investing in long-term assets.

- **Repayment of long-term liabilities** indicates the company is reducing its financial obligations.
- **Payment of dividends** is another application of funds, reflecting distribution of profits to shareholders.
- **Increase in working capital** indicates that the company has used funds to support day-to-day operations.
- **Decrease in working capital** indicates that funds have been generated from current assets and liabilities.
- Overall, the funds flow statement reveals the **movement of funds between two accounting periods and shows how effectively the company manages its financial resources.**

SUGGESTIONS

1. The company should improve operational efficiency to generate more funds from operations.
2. Management should control unnecessary expenditure to maintain better fund utilization.
3. The company should maintain an optimum level of working capital to ensure smooth business operations.
4. It is advisable to reduce excessive dependence on long-term borrowings to avoid higher interest burden.
5. The firm should invest funds in productive assets that generate higher returns.
6. Proper planning and budgeting of funds should be implemented to avoid fund shortages.
7. The company should strengthen cash management practices for better liquidity control.
8. Management should review the funds flow statement periodically to make effective financial decisions.

9. The company should balance between internal and external sources of funds for financial stability.
10. Future investments should be planned carefully to ensure efficient utilization of available funds.

CONCLUSION

The funds flow statement analysis shows the movement of funds between two accounting periods and helps in understanding the sources and applications of funds in the organization. It indicates how effectively the company has utilized its financial resources for business operations, investments, and repayment of liabilities. The analysis also highlights the changes in working capital and the overall financial management of the company. Overall, the funds flow statement helps management in making better financial decisions and maintaining financial stability for future growth.

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