An Analytical Investigation on Financial Planning and Performance Analysis of Grama Vidiyal Micro Finance Private Limited

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Abstract

Finance is the lifeblood of every business in competitive world Grama Vidiyal continuous to play an important role in the micro finance development of country. The correlation analysis, moving average, scenario analysis, internal growth rate, external growth rate and sustainable growth rate are determined. The company's overall financial forecasting is satisfactory because the sales position is favorable to the management of Grama Vidiyal.

1.1 Introduction of Microfinance

Microfinance is usually understood to entail the provision of financial services to micro-entrepreneurs and small businesses, which lack access to banking and related services due to the high transaction costs associated with serving these client categories. The two main mechanisms for the delivery of financial services to such clients are (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group.

In some regions, for example Southern Africa, microfinance is used to describe the supply of financial services to low-income employees, which is closer to the retail finance model prevalent in mainstream banking. For some, microfinance is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers." Many of those who promote microfinance generally believe that such access will help poor people out of poverty. For others, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses.

A type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance. Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients. Although microcredit is one of the aspects of microfinance, conflation of the two terms is endemic in public discourse. Critics often attack microcredit while referring to it indiscriminately as either 'microcredit' or 'microfinance'. Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact.

Proponents often claim that microfinance lifts people out of poverty, but the evidence is mixed. What it does do, however, is to enhance financial inclusion.

1. 2 Company Profile - Grama Vidiyal Micro Finance Ltd

Microfinance, contrary to its name, is making a macro level change in the global poverty alleviation initiatives. Mr. S. Devaraj, the Chairman & Managing Director of GVMFL, after his initial exposures to Grameen Bank of Bangladesh, had adopted microfinance as a tool to fight poverty in South India. His programs of financial inclusion through Grama Vidiyal Trust had been making remarkable change in the lives of many women and their families since its inception in 1997. The decade long expedition to bring the poverty alleviation initiatives of Mr. S Devaraj under a sustainable legal format, paved way for the formation of Grama Vidiyal Microfinance Limited (GVMFL), a Non-banking Finance Company (NBFC) registered under the Company's Act, 1956. Presently, GVMFL is one of the renowned and the largest microfinance institutions across the planet in terms of its outreach and large credit portfolio. As of now, its serves one million households in 5 states of the country utilizing the dedicated services of more than 3,500 employees. Thus far, GVMFL had disbursed `18 billion ($398 million) for various income generating activities and the present loan outstanding portfolio is `6 billion ($128 million). It has in store five types of credit and credit-plus products. With the varied products, GVMFL not only aims at achieving the economic sustainability of its women members, but also facilitates holistic empowerment of women and their families in social and cultural fronts.

2. Literature Review

T. Kock and F. **Yoong**, (**2013**) this paper examined age cohort effect on financial planning preparation. A total of 670 questionnaires were distributed with a 53.6% return rate. Four hypotheses were analyzed using hierarchical and stepwise regression analysis. The results revealed that age cohort variables made significant contribution to financial planning preparation as well as personal orientation towards retirement planning, particularly the younger age cohort. Age cohorts do affect personal orientation towards retirement planning with the confidence level making a significant impact.On the other hand, no significant effect was found between age cohorts and current financial resources but older age cohorts were relatively more significant predictors.

L. Monteforte and G.Moretti, (**2013**) a mixed-frequency model for daily forecasts of euro area inflation. The model combines a monthly index of core inflation with daily data from financial markets; estimates are carried out with the MIDAS regression approach. The forecasting ability of the model in real time is compared with that of standard VARs and of daily quotes of economic derivatives on euro area inflation. They found that the inclusion of daily variables helps to reduce forecast errors with respect to models that consider only monthly variables. The mixed-frequency model also displays superior predictive performance with respect to forecasts solely based on economic derivatives.

Catherine Equey Balzli, (**2012**) The main finding concerned accountants' educational backgrounds. In the public administration that was studied, accountants tended overall to lack the specialized knowledge necessary to work with the complex tools in an Integrated Financial System. The paper also confirmed other authors' findings, that the necessary skill sets change when an Integrated Financial System is implemented. Actually, it was found that job descriptions did not change after the implementation as much as it was expected that they would.

A. **Beyer and** A**. Cohen**, (**2012**) the corporate information environment develops endogenously as a consequence of information asymmetries and agency problems between investors, entrepreneurs, and managers. They review current research on the three main decisions that shape the corporate information environment in capital market settings: (1) managers' voluntary disclosure decisions, (2) disclosures mandated by regulators, and (3) reporting decisions by analysts. They conclude that, in the last ten years, research has generated several useful insights. Despite this progress, we call for researchers to consider interdependencies between the various decisions that shape the corporate information environment and suggest new and interesting issues for researchers to address.

3. Research Methodology

3.1 Objectives of the study

1. To ascertain the prevailing short term and long term financial performance of the Grama Vidiyal company
2. To forecast the future with evidence on Grama Vidiyal Company.

3.2 Scope of the study

1. Allows measuring the actual financial operation of the business against the forecast financial plan and making adjustments where necessary.
2. Allows business in the right direction and take control of cash flow.
3. Provides a benchmark against which to measure future performance.
4. Identifies potential risks and cash shortfalls to keep the business out of financial trouble.
5. Provides an estimate of future cash needs and whether additional private equity or borrowing is necessary.
6. Assists to secure a bank loan or other funding. Lenders and investors require financial forecasts to show capacity to repay the loan.

3.3. Tools used for analysis

(1) Correlation analysis
(2) Moving Average
(3) Scenario Analysis
(4) Internal Growth Rate Method
(5) External Growth Rate Method
(6) Sustainable growth rate method

4. Data Analysis, Interpretation and Findings
4.1 Correlation Analysis

Hypothesis (H1): There is a significant relationship between Share holders fund and Loan fund

Share holders fund = X; Loan fund = Y

| Year	X	Y
2009	189490667	912068189
2010	477919757	2106621416
2011	719238998	5614927387
2012	899806976	1332425318

Correlation r= 0.3644151

Inferences: From the table 4.1.1 shows that the correlation between share holders fund and loan fund is 0. 3644151 are positively correlated.

4.2 Moving Average
Moving average for Disbursed loan

Year	3yearly moving average
2004	
2005	
2006	1113.3
2007	1848
2008	3161
2009	5582.6
2010	5231.6
2011	462.1
2012	3105.3
2013	4274.66
2014	5395.66
2015	6545.66
2016	7745.66
2017	8995.66

Chart 4.1 Moving average for Disbursed loan
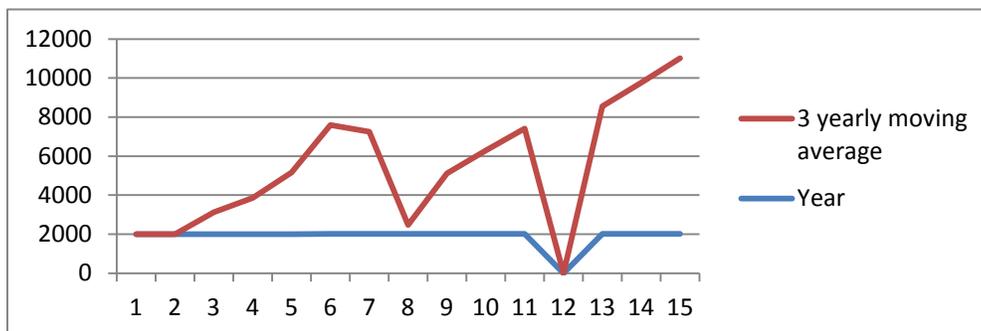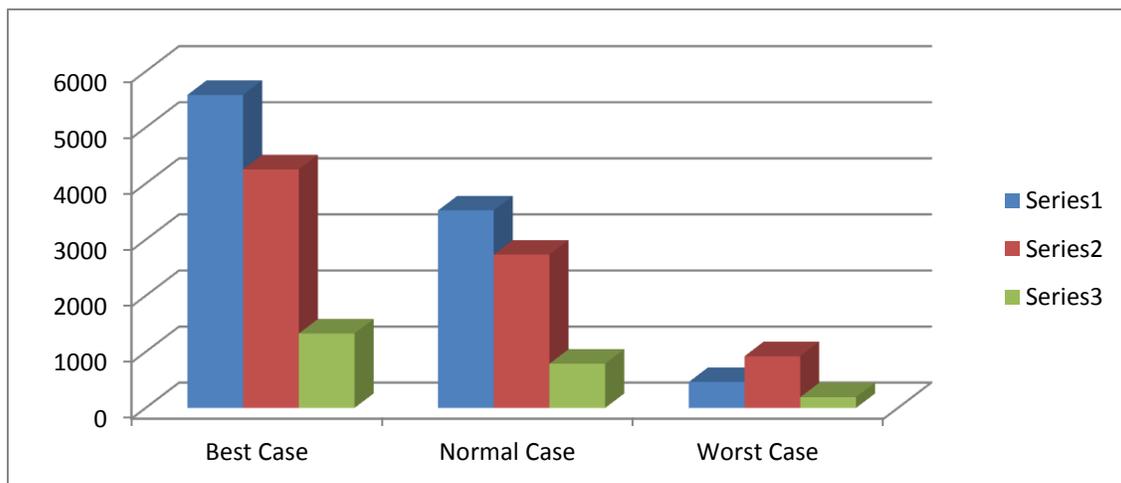
Inferences

The financial forecast based on moving average method of Disbursed loan is as follows for the year 2013 financial forecast is 4274.66. It is expected to increase to Rs. 8995.66 in the 2017.

4.3 Scenario Analysis

Calculation of Scenario analysis on the basis of moving average method

Particular	Best Case	Normal Case	Worst Case
Disbursed	5582.6	3523.25	462.1
Recovered	4255	2734.23	921.66
Outstanding	1327.66	789.04	191.66

Chart 4.2 Calculation of Scenario analysis on the basis of moving average method

Inference

The Best case of Disbursed, Recovered and Outstanding loans are 5582.6, 4255 and 1327.66 The Normal Case of Disbursed, Recovered and Outstanding loans are 3523.25,2734.23 and 789.04 The Worst Case of Disbursed, Recovered and Outstanding loans are 462.1, 921.66 and 191.66
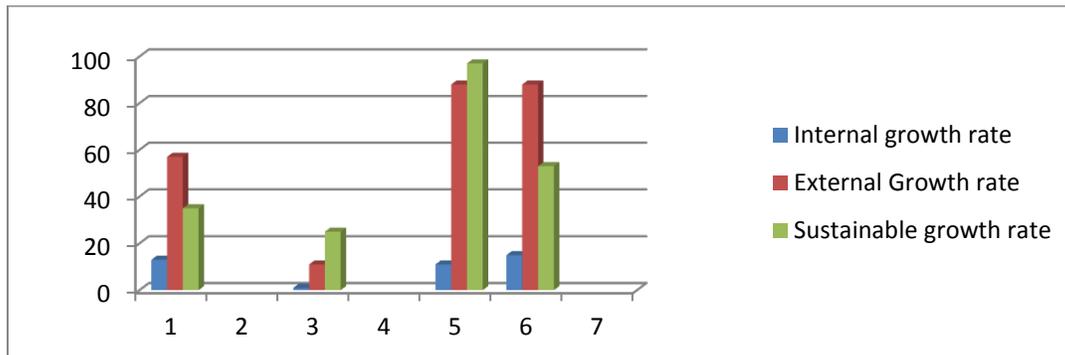
Table 4.4 Internal Growth Rate, External Growth Rate and Sustainable Growth Rate

Data for Internal, External and Sustainable Growth Rate

Year	No. of Branches	No. of. Members	Disbursed Loan
2009	91	263009	4998000000
2010	154	408685	8826000000
2011	227	849188	18710000
2012	327	1083165	42790000

Table 4.5 Comparing Internal Growth Rate, External Growth Rate and Sustainable Growth Rate

Year	Internal growth rate	External Growth rate	Sustainable growth rate
2009	13	57	35
2010	01	11	25
2011	11	88	97
2012	15	88	53

Chart 4.3 Data for Internal, External and Sustainable Growth Rate

Inferences

Table 4.4.1 gives the internal growth rate of 2009 to 12, were the internal growth rate is increasing 0.13880 to 0.15550. But external growth rate is high by comparing to the internal growth rate. So the company's internal growth rate is small. Finally the internal growth rate is suggested to increase their internal growth.

Findings

The major findings of the analysis on financial forecasting in Gram Vidiyal are:

Findings for Correlation

The correlation between share holders fund and loan fund is 0. 3644151 Which is positively correlated.

- ➢ The correlation between the differed tax liability and provision for tax is 0.311674 which is positively correlated.
- ➢ The correlation between the Income and expenditure is 0. 99753973 which is positively correlated.
- ➢ The correlation between Current asset and current liability is -0.0125251 which is negatively correlated

> The correlation between fixed asset and net current asset is 0. 24109719 which is positively correlated
> The correlation between Gross block and net block is 0.83132322 which it is positively correlated.

Findings for Moving Average

Disbursed Loan

> The financial forecast based on moving average method of Disbursed loan is as follows for the year 2013 financial forecast is 4274.66.
> It is expected to increase to is 8995.66 in the year 2017

Recovered Loan:

> The financial forecast based on moving average method of Recovered loan is as follows for the year 2013 financial forecast is 3754.66.
> It is expected to increase to is 8475.66 in the year 2017

Outstanding Loan:

> The financial forecast based on moving average method of outstanding loan is as follows for the year 2013 financial forecast is 886.66.
> It is expected to increase to is 5236.66 in the year 2017

Findings for Scenario Analysis

The assumptions of moving average shows that the calculation of

> The Best case of Disbursed, Recovered and Outstanding loans are 5582.6, 4255 and 1327.66
> The Normal Case of Disbursed, Recovered and Outstanding loans are 3523.25,2734.23 and 789.04
> The Worst Case of Disbursed, Recovered and Outstanding loans are 462.1, 921.66 and 191.66
> If the company increases their sales by 20%, the disbursed loan amounts to 6699.12, recovered to 5106 and Outstanding to 1593.192 crores.
> If the company increases their sales by 40%, the disbursed amounts to 7815.64, recovered to 5957 and Outstanding to 1858.724 crores.
> If the company increases their sales by 60% the disbursed amounts to 8932.16 Recovered to 6808 and Outstanding to 2124.256 crores.

Increase and decrease of 10%, 20% of Normal and Worst Case

➢ The forecasting assumptions of 20% increase and decrease,10% increase and decrease in normal and worst case

➢ This analysis to find, if the company makes to increase their sales in 10% and 20% to increase in normal and worst case. It gives the expected return and which is not gives the expected return

➢ Compare to external Growth rate is higher than internal Growth Rate. It shows the company's borrowings are higher than Retained Earnings and Equity.

➢ The External Growth Rate is higher in the year 2011-12 and lowers in the year 2008. Internal Growth Rate is higher in the year of 2011-12 and lower in the year of 2009.

➢ The Sustainable Growth Rate shows the relationship between Return on Equity and Retention Ratio were higher 2011 and lower in the year of 2010.

Findings for Internal Growth Rate, External Growth Rate and Sustainability Analysis

➢ The internal growth rate of 2009 to 12, were the internal growth rate is increasing 0.13880 to 0.15550. But external growth rate is high by comparing to the internal growth rate. So the company's internal growth rate is small. Finally the internal growth rate is suggest to increase their internal growth

➢ Finally the company to develop their internal growth rate. It is the best way.

5. Suggestions and Conclusion
5.1 Suggestions

The company requires the proper financial planning to develop their long-term internal financial position. Company major source of finance is External it is not advisable for the company to maintain the same. The company can maintain the sales based on scenario analysis. Company to reduce their external growth rate and to develop their internal growth rate.

5.2 Conclusion

Finance is the lifeblood of every business in competitive world Grama Vidiyal continuous to play an important role in the micro finance development of country. The correlation analysis, moving average, scenario analysis, internal growth rate, external growth rate and sustainable growth rate are determined. The company's overall financial forecasting is satisfactory because the sales position is favorable to the management of Grama Vidiyal.

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