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"A Study Of Financial Management System Adopted At Indoworth India Pvt. Ltd. Nagpur."

Ms. Ashwini Umesh Bhallavi, Ms. Dhanshri Madhukarrao Dodake
MBA department T.G.P.C.E.T.
MBA department T.G.P.C.E.T.

Abstract*: Modigliani & Miller (1958) show the impact of debt-equity ratio on firm value in their capital structure theory. Economist and financial researchers have spent time to develop new thoughts around this theory. Despite their effort the Modigliani & Miller (MM) model is still in vague. In this paper attempt has been made to empirically support the argument of MM. The paper tests the influence of debt-equity structure on the value of shares given different sizes, industries and growth opportunities with the companies incorporated in Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) of Bangladesh. For the robustness of the analysis samples are drawn from the four most dominant sectors of industry i.e. engineering, food & allied, fuel & power, and chemical & pharmaceutical to provide a comparative analysis. A strong positively correlated association is evident from the empirical findings when stratified by industry.*
Keywords*:Capital structure, firm value, wealth maximization, time series, leverage deci*

I. Introduction

Banks are among the most important financial institutions in the economy that accepts deposit, grants loan and offer the widest menu of services of any financial institution, and its magnitude of action is extending day by day. The performance evaluation of banks is important for all parties including depositors, investors, bank managers and regulators. The financial statements of banks are increasingly being examined by investors and the public. Today, banks are under pressure to perform to meet the objectives of their stockholders, employees, and customers. (Rose, 2003)

In a bank, financial statement represents a systematic summary of banking transaction, stating actual cash inflow, outflow and earnings. The purpose for preparing financial statement is for the periodic review of the activities of the organization and results achieved by the organization. It includes income statement and balance sheet. Income statement indicates the results of operation for a particular period and balance sheet indicate the financial position regarding assets, total payable and capital.

In order to make financial statement more meaningful, analysis of financial statement is prepared. Analysis of financial statement means a study of relationship among the various financial factors. It is a process of classifying and arranging mass data of financial statement. For obtaining a better understanding of the position of a business and its performance, classifying and arranging are needed. The objective of this process is to understand the financial position, profitability, operational efficiency and growth potential of the business. Profitability means how well a company is doing in terms of profits generated. Profit itself is the amount of money left over when all expenses are deducted from the money earned by the company. While profit is a physical thing, profitability is a more abstract idea about the financial success of the company. A product or company that is profitable is making more money than it spends. Profitability is generally the goal of a company - after all, businesses are primarily created to make money. Solvency is having sufficient assets to cover all long-term liabilities, like property bonds. In other words, a company is solvent if it has more assets than debts. It helps to judge the long term financial position of a firm. It assesses whether the company can meet its interest obligations, repay the principal on maturity accomplish long-term financial goals and growth, or whether its debts are too large to be covered by the assets held. A company that has more total assets than total debts is solvent, while a company that has more total debts than assets is insolvent - and could well be dissolved or go bankrupt. (Malczyk, 2012)The evaluation of the financial condition and performances of a company requires certain yardsticks. The yardstick frequently used is a financial ratio, or index relating two pieces of financial data to each other. Financial ratios can be derived from the balance sheet and income statement. They are categorized into five types: liquidity, profitability, solvency, coverage and market value. Each type has a special use for the analyst. A comparison of ratios of the same company over time uncovers leading clues in evaluating changes and trend in the company's financial condition and profitability. The comparison may be historical and predictive. Ratios may also be judged in comparison with those of similar companies in the same line of business. (Horne, 2008)Solvency improves when assets increase and liabilities decrease. However, a company might improve solvency by selling some assets to pay down debt. Increased owner equity improves solvency.

Solvency also improves with reinvestment of assets and capital in the business, avoidance of new debt and proper care of existing assets. A solvent company has assets that exceed its liabilities sufficiently to provide for reinvestment in the company's growth. The standard for profitability requires that income derived from the company's business activities exceeds the company's expenses. While a company can be solvent and not profitable, it cannot be profitable without solvency. Although solvency is a prerequisite for profitability, increased profitability improves solvency. Plan for improved profitability by examining income statements and developing an action plan that includes: reducing business expenses, creating a marketing plan to generate more customers and researching new markets. (Sessoms, 2013)The trend of commercial banking is changing rapidly. Competition is getting stiffer and, therefore, banks need to enhance their competitiveness and efficiency by improving performance. Normally, the financial performance of commercial banks and other financial institutions has been measured using a combination of financial ratios analysis, benchmarking, measuring performance against budget or a mix of these methodologies. (Avkiran, 1995)

Gopinathan (2009) has presented that the financial ratios analysis can spot better investment options for investors as the ratio analysis measures various aspects of the performance and analyzes fundamentals of a company or an institution. Furthermore, Ho and Zhu (2004) have reported that the evaluation of a company's performance has been focusing the operational effectiveness and efficiency, which might influence the company's survival directly.

The empirical results of the researches Alam, Raza and Akram(2011) explained that a company, which has better efficiency does not mean that always it will show the better effectiveness. The evaluation of a firm's performance usually employs description about the firm's financial performance in the financial ratio method, because it provides a simple comparison with previous periods and helps to improve its performance of management.

Nepalese commercial banks need to maintain at least 6% Tier-1 capital and 10% total capital (Tier 1 and Tier 2), that is, core capital and supplementary capital respectively. These minimum capital adequacy requirements are based on the risk-weighted exposures of the banks. NRB uses return on total assets as an indicator of profitability of a commercial bank. In addition, it uses the absolute measures such as interest income, net interest income, non-interest income, net non-interest income, non-operating income, net non-operating income and net profit, to evaluate the profitability of a commercial bank (NRB, 2010).

MEANING OF BANK

The banking industry that we have today is the outcome of a series of stepwise development that have occurred in the process of its evolution. The banking sector went through the process of evolution due to the unceasing demand for the improvements in service delivery and the increasing need and expectations of customers as well the political reforms that have taken place over the decades.

The early bankers are the Lombard who were originally from the plains of Lombardy of Northern Italy. They introduced banking practice in England. These Lombard were eventually bankrupted because they lent money to kings who did not repay them.

After the Lombard, the goldsmiths practiced banking as a sideline to their normal activities in the bullion and jewelers fields. The early goldsmiths used to have large vaults, which were soundly built and heavily guarded. The person who deposited his surplus funds with the goldsmith became a 'depositor' and naturally paid for the privilege of having his money defended this way. These payments were called 'Bank Charge'. The depositors who needed funds to pay wages or debts, could call at the bank and collect such sums as required.

The very first banks were probably the religious temples of the ancient world where gold was stored. Their owners justly felt that temples were the safest places to store their gold as they were constantly attended, well built and were sacred, thus dissuading the would-be thieves. There are existing records of loans from the 18th century BC in Babylon that were made by temple priests to merchants. Ancient Greece holds further evidence of banking. Greek temples as well as private and civic entities conducted financial transactions such as loans, deposits, currency exchange, and validation of coinage. Interestingly, there is evidence too of credit, whereby in return for a payment from a client, a money lender in one Greek port would write a credit note for the client who could "cash" the note in another city, saving the client the danger of carrying coinage with him on his journey.

Ancient Rome perfected the administrative aspect of banking and saw greater regulation of financial institution and financial practices. Charging interest on loans and paying interest on deposits became more highly developed and competitive. The bank of Venice, established in 1157A.D is supposed to be the ancient bank. Originally, it was not a bank in real sense being simply an office for the transfer of the public debt. Subsequently, Bank of Barcelona (1401) and Bank of Geneva (1407) were established. The 'Bank of England', first English Bank, was established in 1694 A.D. The ancestors of modern day banks have been attributed to the merchants, the goldsmiths and the moneylenders.

DEVELOPMENT OF BANKING INDUSTRY IN NEPAL

The history of banking in Nepal may be described as a component of gradual and ordinary evolution in the financial and economic sphere in the Nepalese life. Even now the financial system is still in the evolutionary phase. The establishment of "Kausi Toshi Khana" as a banking agency during the time of King Prithvi Narayan Shah and "Tejarath Adda" can be regarded as the initial steps in the direction of start of banking development in Nepal. In the context of Nepal, the development of banks can be summarized in three phases.

Phase I:

The establishment of 'Tejrath Adda' during the Tenure of Prime Minister Ranoddip Singh in 1933 B.S. (1876A.D) was the first step towards the institutional development of banking in Nepal. It was fully subscribed by the government in Kathmandu. Tejrath provided credit loans to the general public at 5% interest rate on securities i.e. gold, silver and other ornaments. Its objective was to provide credit or loans to the general public but it failed to accept deposits from them.

Phase II:

The modern banking in Nepal was started with the establishment of Nepal Bank Ltd. In 1994 B.S., having felt the need of development of banking sector and to help the government formulate monetary policies, Nepal Rastra Bank was set up in 2013 B. S. as the central bank of Nepal. In B.S. 2022, Government set up Rastriya Banijya Bank as a fully government owned commercial bank. The Agricultural Development Bank was established B.S. 2024. This bank was established with the objective of increasing the life standard of the people who are involved in agriculture.

Phase III:

To operate all commercial banks uniformly under single act, "Commercial Bank Act 2031" was enacted. In 2041 B.S, Nepal Government established five rural development banks under the control and supervision of Nepal Rastra Bank. These banks include:

- Eastern Rural Development Bank
- Central Rural Development Bank
- Western Rural Development Bank
- Mid-western Rural Development Bank
- Far-western Rural Development Bank

COMMERCIAL BANKS IN NEPAL

A commercial bank is a type of financial intermediaries and a type of bank. Commercial banking is also known as Business Banking. It is a bank that provides checking accounts, savings accounts, and money market accounts and that accepts time deposits. Commercial bank is the term used for a normal bank to distinguish it from an investment bank or retail bank. It raises funds by collecting deposits from businesses and consumers via checkable deposits, saving deposits, and term deposits. It makes loans to businesses and consumers. It also buys corporate bonds and government bonds. Its primary liabilities are deposits and primary assets are loans and bonds. Commercial bank is the oldest bank in the banking history of the world. In Nepal too, commercial bank in current year presents a new picture- a picture of wider horizons and of new enterprise.

According to the American institute of Banking defines, "Banks as commercial bank is a corporation which accepts demand deposit subject to check and makes short term loans to business enterprise regarding of the scope of its other service".

In Nepalese context, Nepal Commercial Bank Act 2031 (1974), section 2(a) defines "A commercial bank is one which exchange money, deposit money, accepts deposit, grants loans and performs commercial banking functions".

The commercial bank are those banks which perform all kinds of banking functions as accepting deposit, advancing loans, credit creation, and agency functions. They supply the financial needs of modern business by various means. They accept deposits from public on the condition that they are repayable on demand or on short notice. All the banks established under Commercial Bank Act 2031, Company Act 2053 and Central Bank 2058 are termed as Commercial Banks.The primary objectives of commercial bank is to maximize their profit .Besides ,it also focus on accelerating common peoples economic welfare and facility, make loan available to agricultures, industry and commerce and provides banking service to the public and state

CENTURY COMMERCIAL BANK

We Century Commercial Bank Limited (CCBL), established under Company Laws of Nepal, is a national level commercial bank having its head office at Putalisadak, Kathmandu, Nepal. It has obtained license from Nepal Rastra bank, the Central Bank of Nepal, on 23rd January 2011 to conduct business as a national level commercial bank as per Bank & Financial Institution Act, 2063. It has a several branches all over Nepal.

MISSION AND VALUES

CCBL's mission statement is "saral banking sabaiko lagi" (easy banking ... for all). We are committed to simplify banking services taking advantage of innovations in information and communication technology and to extend our reach to the unbanked population of the country.

In order to move towards the realization of our Vision, which enlightens us on 'Who we want to be', we have articulated a statement of Mission to clearly state 'Where we want to be'. Our Century Mission is to consistently deliver 'Service Excellence to Create Mutually Beneficial Relationships' with all our stakeholders.

OBJECTIVES

The principal objectives of Century Bank Ltd. are as follows:

1. To promote national economy, society and individuals.
2. To enhance market share.
3. To provide international quality banking services to its customers.
4. To introduce modern banking technology to facilitate transactions in convenient way.
5. To mobilize capital in important areas.
6. To identify business prospect.

Innovating technology to enhance and facilitate transactions along with convenience and customer satisfaction.

II. Conclusion

Today, it is the banking industry which is balancing the economy of Nepal. Bank is a financial intermediary whose primary function is to transfer the monetary resources from savers to the users. The main function of bank is accepting deposits and advancing loans. The basic services of bank are providing checking accounts, which can be used.

Lastly, I want to conclude that Century Commercial Bank Ltd is indeed an innovative banking institution. Its service quality is good and it has been able to maintain good relationship with both the customer and its stakeholders. I found staff of Century Commercial Bank Ltd. is friendly, cooperative. And it was great experience to work with such a good institution and people. I hope it will continue to serve its valuable customer with more innovative services and products.