

## COMPARATIVE ANALYSIS OF CASH FLOW STATEMENT OF MICRO FINANCE COMPANIES

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**T. Rajasekar**

M.Com, M.B.A, M.Phil, Ph.D.  
Self Director, Thiagarajar College  
Madurai – 625009

**K. Veeralakshmi**

Part time Scholar, Madurai Kamaraj University  
Thiagarajar College, Madurai – 625009

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### **Comparative Analysis of Cash Flow Statement of Micro Finance Companies**

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### **Comparative Analysis of Cash Flow Statement of Micro Finance Companies**

**Keywords:** Micro Finance, Cash flow Statement, Eradication of Poverty, Micro Loans, Operating activities, Financing activities, Investing activities, Micro savings, Micro Insurance.

### **INTRODUCTION**

Micro Finance has been used as an effective tool to alleviate poverty and to ensure the financial sustainability of the poor people, especially the rural women. Micro Finance is provision of loan to individuals with a low income to start and or run self employment. As Micro finance serves an important

source of finance for those deprived of banking related services is regarded as an effective means to promote economic development, to people generate employment and to support micro entrepreneurs and small business people. It enable the people to raise reasonable business loan safely and consistent with ethical lending process.

## **STATEMENT OF THE PROBLEM**

Micro Finance has been playing a pivotal role in the alleviation of poverty of the poor in general and rural women in particular since 1990 by ensuring financial sustainability, through the funds raised from various agencies including United Nations Development Programme (UNDP) and United States Agency for International Development (USAID), World Bank. It is found that the micro credit programmes have proved their mettle in the upliftment to the rural poor and further they have contributed their mite for the development of the various stakeholders, particularly women. There is however a concern for financial stability of the Micro Finance Companies.

Despite support of the Central / State Governments, Commercial Banks and Financial Institutions, the financial position of some of the Micro Finance Companies is found to be unstable. Chiefly because of the financial mismanagement and the lack of managing capability of the persons at the helm of affairs. A comparative study on the cash flow statements of the selected companies will throw sufficient light on the financial stability of the companies. The result of the study will provide some input to the Micro Finance Companies for managing their cash resources efficiently and effectively.

## **REVIEW OF LITERATURE**

- Nasir (2013) examines the prevailing conditions of the Micro Finance in India in the light of its emergence and finds a widening gap in functioning of MFIs such as practices in credit delivery, lack of product diversification, consumption and individual loan demand with lack of mitigation measures, collection of savings/loans and highest interest rate etc. He concludes that despite so many lacunas in the running of MFIs in India, they play an important role in the poverty alleviation and in enhancing the living standards of the poor.
- Mohanty, Mohapatra & Khuntia (2013) focus on micro finance institutions and their role in promoting the rural poor. They observe

that the micro finance movement has almost assumed the shape of an industry, embracing thousands of NGOs/MFIs in India. During the last decade, the sector has witnessed a sharp growth with the emergence of a number of Micro Finance Institutions (MFIs) providing financial and non-financial supports to the poor in an effort to lift them out of poverty.

## **OBJECTIVES OF THE STUDY**

The primary objectives of the study are:

- To Study the origin and growth of Micro Finance.
- To analyse the comparative cash flow statement of select Micro Finance Companies.
- To offer suggestions based on the major findings of the study.

## **METHODOLOGY**

This study is based on the secondary data only. Among the Micro Finance Companies working in India, top 25 companies were shortlisted of which only five companies namely Bharat Financial Inclusion Limited, Asirvad Micro Finance Limited, S.M.I.L.E Micro Finance Limited, BSS Micro Finance PVT.Ltd, Utkarsh Micro Finance Limited were finally chosen for this study. Required data had been collected through online services and the financial statements of Micro Finance Companies concerned.

## **IMPORTANCE OF CASH FLOW ANALYSIS OF MICRO FINANCE COMPANIES**

Cash flow statement evaluates a business worth in the cash statement, which shows the flow of cash-in and cash-out of the business account. Actual deposits and payment activity of account payable, payroll, revenue recorded here. A business that runs low on cash but has adequate income and assets to fund operation may have an account receivable problem or may need to refinance debts. While, a company statement that shows too much of cash may indicate that the business is not putting enough resources back into its operations.

### OPERATING ACTIVITIES

It represents the cash flow from short term operating and primary activities of a business that is its current assets and current liabilities. This section evaluates net income and loses of a business. By assessing sales and business expenditure, all income from non – cash items is adjusted to incorporate inflows of cash transactions determine a net amount.

### INVESTING ACTIVITIES

It refers to cash flow from the purchase and sale of goods. This section reports inflows from purchase and sale of long term business investment such as property, assets, equipment, and securities. Increase

in investment indicates a cash outflow and decrease in investment signals a cash inflow.

### FINANCING ACTIVITIES

It represents the cash flow generated or spent on raising share capital and debt together with the payment of interest and dividends. It also accounts for all money that is related to financing the business. A loan raised by a client for example, from the organization, will be considered as a cash inflow and loan repayment will be considered as a cash out flow both of which will be recorded in this part of the cash flow statement making cash flow projections and computing cash flow statement.

**Table 1 Cash Flow from Operating Activities before Tax (CFOA) (Refers in lakhs)**

| Year | Name of the Micro Finance Company |               |         |               |       |               |       |               |         |               |
|------|-----------------------------------|---------------|---------|---------------|-------|---------------|-------|---------------|---------|---------------|
|      | BHFIL                             |               | AMFL    |               | SMILE |               | BSS   |               | Utkarsh |               |
|      | CFOA                              | Index of CFOA | CFOA    | Index of CFOA | CFOA  | Index of CFOA | CFO   | Index of CFOA | CFOA    | Index of CFOA |
| 2016 | 39,389                            | 100           | 3,627   | 100           | 402   | 100           | 2,124 | 100           | 6,111   | 100           |
| 2017 | 19,284                            | 49            | 5,231   | 144           | 1,408 | 350           | 2,845 | 134           | 5,290   | 87            |
| 2018 | 45,478                            | 115           | (4,993) | 138           | 2,453 | 610           | 3,272 | 154           | (9,130) | 149           |

**Source:** www.bfil.co.in, www.asirvadmicrofinance.co.in, www.smileltd.in ,  
www.bssmfi.com, www.Utkarshmfi.com

(Note: BHFIL – Bharat Financial Inclusion Limited, AMFL – Asirvad Micro Finance Limited, SMILE Micro Finance Limited, BSS – Micro Finance Pvt.Ltd, Utkarsh Micro Finance Limited)

Table 1 reveals that the Cash Flow From Operating Activities Before Tax (CFOA) of select Micro Finance Companies (MFC) from 2016 to 2018. The CFOA of BSS and SMILE have maintained an upward trend during the period of study. Where as the CFOA of SMILE has grown at a higher pace than

that of the BSS. The CFOA of AMFL, Utkarsh and BHFIL have recorded a fluctuating trend during the same period. Thus, the CFOA of SMILE is found better than the other companies. It is thus inferred that the SMILE is efficient as effective in prompt recovery of loans and advances as exercises a good control over their labour cost.

**Table 2 Operating Profit Before Working Capital Changes. (OPWC) (Refers in lakhs)**

| Year | Name of the Micro Finance Company |               |         |               |       |               |       |               |         |               |
|------|-----------------------------------|---------------|---------|---------------|-------|---------------|-------|---------------|---------|---------------|
|      | BHFIL                             |               | AMFL    |               | SMILE |               | BSS   |               | Utkarsh |               |
|      | OPWC                              | Index of OPWC | OPWC    | Index of OPWC | OPWC  | Index of OPWC | OPWC  | Index of OPWC | OPWC    | Index of OPWC |
| 2016 | 46,320                            | 100           | (3,711) | 100           | 246   | 100           | 2,583 | 100           | 7,369   | 100           |
| 2017 | 59,754                            | 129           | 8534    | 230           | 4,007 | 1,628         | 3,519 | 136           | 10,549  | 143           |
| 2018 | 77,717                            | 168           | 8,476   | 228           | 6,639 | 2,697         | 4,853 | 188           | 9,518   | 129           |

Source: www.bfil.co.in, www.asirvadmicrofinance.co.in, www.smileltd.in,

www.bssmfi.com, www.Utkarshmfi.com

(Note: BHFIL – Bharat Financial Inclusion Limited, AMFL – Asirvad Micro Finance Limited, SMILE Micro Finance Limited, BSS – Micro Finance Pvt.Ltd, Utkarsh Micro Finance Limited)

From Table 2 which exhibits the Operating Profit Before Working Capital Changes (OPWC) of the select Micro Finance Companies (MFC) from 2016 to 2018. It is observed that the OPWC of BHFIL, SMILE and BSS has maintained an upward trend during the period of study. The SMILE has

recorded a higher growth rate in operating profit than the other two companies. While the OPWC of AMFL and Utkarsh shows a fluctuating trend during the same period. It is thus inferred that OPWC of SMILE is better than all other companies under the study.

**Table 3 Net Cash Flow/(used in) Operating Activities (NCFOA) (Refers in lakhs)**

| Year | Name of the Micro Finance Company |                |          |                 |          |                |         |                |          |                |
|------|-----------------------------------|----------------|----------|-----------------|----------|----------------|---------|----------------|----------|----------------|
|      | BHFIL                             |                | AMFL     |                 | SMILE    |                | BSS     |                | Utkarsh  |                |
|      | NCFOA                             | Index of NCFOA | NCFOA    | Index of NCF OA | NCFOA    | Index of NCFOA | NCFOA   | Index of NCFOA | NCFOA    | Index of NCFOA |
| 2016 | (1,63,478)                        | 100            | (56,431) | 100             | 482      | 100            | (9,070) | 100            | (37,309) | 100            |
| 2017 | (18,87,10)                        | (115)          | (82,508) | (146)           | (16,042) | (3,328)        | (9,040) | (99)           | (41,041) | 110            |
| 2018 | (1,16,178)                        | (71)           | (43,585) | (77)            | (15,247) | (3,163)        | 56,052  | 618            | 59,558   | 160            |

Source: www.bfil.co.in, www.asirvadmicrofinance.co.in, www.smileltd.in ,

www.bssmfi.com, www.Utkarshmfi.com

(Note: BHFIL – Bharat Financial Inclusion Limited, AMFL – Asirvad Micro Finance Limited, SMILE Micro Finance Limited, BSS – Micro Finance Pvt.Ltd,Utkarsh Micro Finance Limited)

Table 3 reveals the Net Cash Flow from Operating Activities (NCOA) of selected Micro Finance Companies from 2016 to 2018. Which makes in near that the NCFOA of Utkarsh has maintained an upward trend during the period of study. While

the NCFOA of the BSS has recorded a fluctuating trend, that of the other three companies BHFIL, AMFL and SMILE has witnessed a downward trend during the study period. Hence it is concluded that NCFOA of Utkarsh is better than other four companies.

Table 4 Cash Flow From Investing Activities (CFIA)(Refers in lakhs)

| Years | Name of the Micro Finance Company |               |         |               |       |               |       |               |         |               |
|-------|-----------------------------------|---------------|---------|---------------|-------|---------------|-------|---------------|---------|---------------|
|       | BHFIL                             |               | AMFL    |               | SMILE |               | BSS   |               | Utkarsh |               |
|       | CFIA                              | Index of CFIA | CFIA    | Index of CFIA | CFIA  | Index of CFIA | CFIA  | Index of CFIA | CFIA    | Index of CFIA |
| 2016  | (1,473)                           | 100           | (2,882) | 100           | 24    | 100           | 117   | 100           | 1,072   | 100           |
| 2017  | (1,877)                           | (127)         | (1,969) | 68            | 737   | 3070          | 344   | 294           | 6,999   | 652           |
| 2018  | (1,295)                           | (88)          | (563)   | 20            | 5     | 20            | 5,512 | 4,403         | 371     | 35            |

Source: www.bfil.co.in, www.asirvadmicrofinance.co.in, www.smileltd.in ,  
www.bssmf.com, www.Utkarshmfi.com

(Note: BHFIL – Bharat Financial Inclusion Limited, AMFL – Asirvad Micro Finance Limited, SMILE Micro Finance Limited,BSS – Micro Finance Pvt.Ltd,Utkarsh Micro Finance Limited)

It is inferred from Table 4 which depicts the Cash Flow From Investing Activities (CFIA) of the selected Micro Finance Companies from 2016 to 2018 that the CFIA of BSS shows an upward trend . While the CFIA of the SMILE and Utkarsh have recorded a fluctuating trend, the CFIA of the other two companies BHFIL and AMFL has witnessed a downward trend during the same period . Which clearly indicates that CFIA of BSS is better than the other four companies.

Table 5 Net Cash Flow From Financing Activities (NCFFA) (Refers in lakhs)

| Year | Name of the Micro Finance Company |                |        |                |        |                |          |                |          |                |
|------|-----------------------------------|----------------|--------|----------------|--------|----------------|----------|----------------|----------|----------------|
|      | BHFIL                             |                | AMFL   |                | SMILE  |                | BSS      |                | Utkarsh  |                |
|      | NCFFA                             | Index of NCFFA | NCFFA  | Index of NCFFA | NCFFA  | Index of NCFFA | NCFFA    | Index of NCFFA | NCFFA    | Index of NCFFA |
| 2016 | 1,87,238                          | 100            | 62,265 | 100            | 6,342  | 100            | 8,317    | 100            | 38,440   | 100            |
| 2017 | 2,75,014                          | 147            | 82,527 | 132            | 15,062 | 237            | 7,945    | 95             | 1,07,228 | 279            |
| 2018 | 52,823                            | 28             | 53,082 | 85             | 14,455 | 228            | (52,008) | (625)          | (22,998) | (60)           |

Source: www.bfil.co.in, www.asirvadmicrofinance.co.in, www.smileltd.in ,  
www.bssmf.com, www.Utkarshmfi.com

(Note: BHFIL – Bharat Financial Inclusion Limited, AMFL – Asirvad Micro Finance Limited, SMILE Micro Finance Limited,BSS – Micro Finance Pvt.Ltd,Utkarsh Micro Finance Limited)

Table 5 shows the Net Cash Flow From Financing Activities (NCFFA) of select Micro Finance Companies from 2016 to 2018. Whereas the NCFFA of BHFIL,AMFL,SMILE, and Utkarsh have recorded a fluctuating trend. The NCFFA of BSS has shows a downward trend during the study period. It is thus crystal clear that shows SMILE is better NCFFA than all other companies studied, in this regard

**Table 6 Net Increase/decrease In Cash and Cash Equivalents (NIDCCE) (Refers in lakhs)**

| Yrs  | Name of the Micro Finance Company |                 |         |                 |         |                 |         |                 |         |                 |
|------|-----------------------------------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|---------|-----------------|
|      | BHFIL                             |                 | AMFL    |                 | SMILE   |                 | BSS     |                 | Utkarsh |                 |
|      | NIDCCE`                           | Index of NIDCCE | NIDCCE` | Index of NIDCCE | NIDCCE` | Index of NIDCCE | NIDCCE  | Index of NIDCCE | NIDCCE` | Index of NIDCCE |
| 2016 | 22286                             | 100             | 8,102   | 100             | 6,046   | 100             | (1,130) | 100             | 58      | 100             |
| 2017 | 84426                             | 379             | 10,092  | 124             | (242)   | (4)             | (1,439) | 127             | (3,808) | (6,565)         |
| 2018 | (64,649)                          | (290)           | 19026   | 235             | (797)   | (13)            | (1,108) | 98              | 36,182  | 62,382          |

**Source:** www.bfil.co.in, www.asirvadmicrofinance.co.in, www.smileltd.in ,  
www.bssmf.com, www.Utkarshmf.com

(Note: BHFIL – Bharat Financial Inclusion Limited, AMFL – Asirvad Micro Finance Limited, SMILE Micro Finance Limited,BSS – Micro Finance Pvt.Ltd,Utkarsh Micro Finance Limited)

Table 6 presents the Net Increase/Decrease in Cash and Cash Equivalents(NIDCCE) of select Micro Finance Companies from 2016 to 2018. Which AMFL has maintained an upward trend during the period of study. The NIDCCE of BHFIL, BSS and Utkarsh

is found to be fluctuating. While these of the SMILE has witnessed a downward trend during the study period. Which naturally leads to the conclusion that the NIDCCE of AMFL has maintained a better position than other companies under study.

**Table 7 Level of Cash and Cash Equivalents (LCCE) of Micro Finance Company at End of the Year (Refers in lakhs)**

| Year | Name of the Micro Finance Company |               |        |               |        |               |       |               |         |               |
|------|-----------------------------------|---------------|--------|---------------|--------|---------------|-------|---------------|---------|---------------|
|      | BHFIL                             |               | AMFL   |               | SMILE  |               | BSS   |               | Utkarsh |               |
|      | LCCE`                             | Index Of LCCE | LCCE`  | Index of LCCE | LCCE`  | Index of LCCE | LCCE  | Index of LCCE | LCCE    | Index of LCCE |
| 2016 | 1,66,032                          | 100           | 8,102  | 100           | 10,084 | 100           | 3,963 | 100           | 18,754  | 100           |
| 2017 | 2,50,459                          | 151           | 10,092 | 125           | 5,925  | 59            | 2,523 | 64            | 13,951  | 74            |
| 2018 | 1,85,809                          | 112           | 19,026 | 235           | 5,128  | 51            | 1,416 | 36            | 50,162  | 267           |

**Source:** www.bfil.co.in, www.asirvadmicrofinance.co.in, www.smileltd.in ,  
www.bssmf.com, www.Utkarshmf.com

(Note: BHFIL – Bharat Financial Inclusion Limited, AMFL – Asirvad Micro Finance Limited, SMILE Micro Finance Limited,BSS – Micro Finance Pvt.Ltd,Utkarsh Micr Finance Limited)

Table 7 depicts the Level of Cash and Cash Equivalents (LCCE) of select Micro Finance Companies from 2016 to 2018. Where it is found that the LCCE of AMFL has maintained an increasing trend during the period of study. While, the LCCE of the

BHFIL and Utkarsh has recorded a fluctuating trend, these of the other two companies namely SMILE and BSS has witnessed a downward trend during the same period. That means that the LCCE of AMFL has recorded a better cash position than other companies.



**Table 8 Comparative Performance of the Micro Finance Companies Studied.**

| <b>Parameter</b>                                                       | <b>Best Company</b>            |
|------------------------------------------------------------------------|--------------------------------|
| Cash Flow From Operating Activities Before Tax                         | SMILE Micro Finance Limited.   |
| Operating Profit Before Working Capital Changes                        | SMILE Micro Finance Limited.   |
| Net Cash Flow From Operating Activities.                               | Utkarsh Micro Finance Limited. |
| Net Cash Flow From Investing Activities.                               | BSS Micro Finance PVT.Ltd.     |
| Net Cash Flow From Financing Activities.                               | SMILE Micro Finance Limited.   |
| Net Increase / Decrease In Cash and Cash Equivalents                   | Asirvad Micro Finance Limited. |
| Level of Cash and Cash Equivalents of Micro Company at End of the Year | Asirvad Micro Finance Limited. |

### THE FINDINGS OF STUDY

A microscopic analysis comparing the cash flow statement of five prominent Micro Finance Companies, namely Bharat Financial Inclusion Limited (BHFIL), Asirvad Micro Finance Limited (AMFL), SMILE Micro Finance Limited, BSS Micro Finance Private Limited and Utkarsh Micro Finance Limited taking into account that seven parameters viz., Cash Flow From Operating Activities Before Tax, Operating Profit Before Working Capital Changes, Net Cash Flow From Operating Activities, Net Cash flow Investing Activities, Net Cash Flow From Financing Activities, Net Increase/Decrease in Cash and Cash Equivalents, Level of Cash and Cash Equivalents at End of the Year are as follows:

- In the Cash Flow From Operating Activities Before Tax of SMILE Micro Finance Limited is better than all other four Micro Finance Companies studied during the study period.
- In the Operating Profit Before Working Capital of SMILE Micro Finance Limited is better than all other four Micro Finance Companies studied during period of the study.
- Utkarsh Micro Finance Limited tops the list of Micro Finance Companies chosen for the study in the maintenance of Net Cash Flow From Operating Activities.

- In the case of the Cash Flow From Investing Activities of BSS Micro Finance Pvt.Ltd is found to have outperformed other four Micro Finance Companies studied during the period of study.
- SMILE Micro Finance Limited easily sidelinen the other four Micro Finance Companies studied during the period of study, in the case of Net Cash Flow From Financing Activities.
- The performance of Utkarsh Micro Finance Limited is found to be more efficient and effective other four Micro Finance Companies studied during the period of study in the matter of Net Increase / Decrease in Cash and Cash Equivalents.
- In maintaing the Level of Cash and Cash Equivalents at the End of the Year Asirvad Micro Finance Limited emerges as the best of the five Micro Finance Companies studied during the period of study.
- The SMILE Micro Finance Limited has outperformed the other four companies in respect of the Parameters of Cash Flow From Operating Activities Before Tax, Operating Profit Before Working Capital Changes and Net Cash Flow From Financing Activities.
- The Utkarsh Micro Finance Limited occupies the top position in respect of the factors of Net Cash Flow From Operating Activities and Net Increase / Decrease In Cash and Cash Equivalents.
- While BSS has recorded better Performance in respect of the Parameter of Cash Flow From Investing Activities, Asirvad Micro Finance Limited has outperformed the other companies under study in respect of the factors of Level of Cash and Cash Equivalents of Micro Finance Company at End of the Year.
- To Post in a nutshell, while SMILE Micro Finance Company top the list of 5 Micro Finance Companies chosen for the study in three of the seven parameters, Asirvad Micro Finance Limited Performance is found at its best in two and Utkarsh Micro Finance Companies

and BSS Micro Finance Companies are found to be effective and efficient in only one parameter each.

### **CONCLUSION**

While most of the Micro Finance Companies record a steady as well as speedy growth, (negligibly) few of them face a continuous threat of financial instability chiefly because of inefficiency of the personnel in the loan who, instead of promoting the concept of Micro Finance Company, convert Micro Finance Company into a user's concern. They are either totally ignorant of a purposefully forget the basic fact that the inevitable and ultimate eventuality of excessive lending of Micro Finance Company in partial or total loss of control in clients credit worthiness unless and until the top management takes a serious view of the situation and initiate

immediate necessary steps in the right direction. The threat of collapse of the Micro Finance Company would not cease. On the contrary a timely action in the proper path work naturally unlock the portals of survival as success of the Micro Finance Company which work continues to serve its purpose as reach new height proving the adage 'sky is the limit'.

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