

## A STUDY ON FINANCIAL PLANNING AND FORECASTING WITH SPECIAL REFERENCE TO IDFC BANK

**Ms. Gangam Swetha<sup>1</sup>, Ghanathe Ramesh<sup>2</sup>**

<sup>1</sup>Student of MBA (22881E0021), Department of Management studies. Vardhaman College of Engineering, Shamshabad, Hyderabad, Telangana, India.

<sup>2</sup>Assistant Professor, Department of Management studies, Vardhaman College of Engineering, Shamshabad, Hyderabad, Telangana, India.

DOI: <https://www.doi.org/10.58257/IJPREMS32471>

### ABSTRACT

This study delves into the critical areas of financial planning and forecasting, with a special emphasis on IDFC Bank. Financial planning is an essential component of any financial institution's success, and this study tries to look into the precise techniques and methodologies used by IDFC Bank in managing its financial resources.

The study begins with a detailed examination of the theoretical foundations of financial planning and forecasting, emphasizing their importance in today's banking scene. It then narrows its focus to the unique characteristics and issues faced by IDFC Bank, providing insights into the bank's operational environment.

A comprehensive examination of IDFC Bank's financial planning methods is done, including an examination of the tools, models, and techniques used to estimate future financial trends. The purpose of this inquiry is to identify the critical aspects that contribute to the bank's performance in navigating the dynamic and complex financial markets.

**Keywords:** Financial Planning, Forecasting, IDFC Bank, Strategic Management, Risk Management.

### 1. INTRODUCTION

Financial planning and forecasting are critical components of every financial institution's success, guiding strategic decision-making and assuring long-term viability. This research focuses on the complexities of financial planning and forecasting, with a particular emphasis on IDFC Bank. As a key player in the banking sector, IDFC Bank provides as a case study for delving into the approaches, problems, and best practices related with financial planning in the dynamic and ever-changing financial landscape. Financial planning is a complete process that includes assessing an organization's existing financial situation, establishing goals and objectives, and developing strategies to attain those goals. Forecasting, on the other hand, is analyzing past data and trends in order to create educated forecasts about future financial consequences. These processes, when combined, enable financial institutions to navigate uncertainties, mitigate risks, and capitalize on opportunities in a more competitive market. Because of its complexity and vulnerability to economic swings, the banking industry necessitates rigorous financial planning and forecasting methods. This study's subject is IDFC Bank, which is noted for its creative approach and commitment to financial inclusion. This project intends to derive significant insights from IDFC Bank's financial planning methods and forecasting procedures, which may then be applied more broadly to improve financial decision-making across the banking industry.

### 2. REVIEW OF LITERATURE

- ❖ **Vesna Grozdanovska (2017):** - The planning, arranging, directing, and control of financial activities are the main points of emphasis. In order to ensure effective financial and investment policies, adequate funds, a reasonable balance between outflow and inflow of funds, and the preparation of growth and expansion programs for long-term company survival, financial planning is highlighted as a crucial process involving the framing of objectives, policies, procedures, programs, and budgets.
- ❖ **Cornel Lazăr, Jean Andrei (2006) :** -The budget is emphasized in the abstract as a powerful instrument for macroeconomic forecasting that helps to balance political interests with the nation's financial resources. It emphasizes the budget's crucial significance as an economic tool and the value of expert teams—who are usually not affiliated with public authorities—in carrying out the economic forecasting required for the creation of a cogent budget on an annual and multiyear basis.
- ❖ **Ugwu Felix Ikechukwu (2021):** The goal of the study was to address the difficulties in forecasting and planning in South East Nigeria. Senior and junior staff participated in the study, which used a survey design with a sample size of 100 people out of a population of 1520. With a high reliability score of 0.99, the study validated the research instrument using the Pearson product moment correlation coefficient. The results showed a strong association between organizational profits and planning/forecasting practices, suggesting that these techniques are important in Nigerian commercial organizations.

- ❖ **R. Bhuvaneswari (2013):** The abstract places a strong emphasis on how important financial management is for handling both the short- and long-term financial environment of a company. It emphasizes the value of working capital and the need to estimate the cash, stock, and liquid assets required for daily operations, especially in the contemporary industrial environment.
- ❖ **Mark Edward Pickering (2019):** The shift from yearly budgets to rolling forecasts—which are updated regularly and synchronized with operational and sales plans—is the main topic of discussion. The interpretation highlights the topic of yearly budget constraints, provides information about rolling forecast and lean planning procedures, and describes the difficulties of doing away with annual budgets. However, the abstract does not specifically include information about the research methodology, conclusions, or findings.

### 3. OBJECTIVES OF THE STUDY

- ❖ To understand the bank's liquidity position
- ❖ To investigate several aspects of the bank's assets and liabilities
- ❖ To identify changes in working capital components

### HYPOTHESIS OF THE STUDY

**H<sub>0</sub>**- There is no significant relationship between the bank's liquidity position and its overall financial stability.

**H<sub>1</sub>**- The bank's liquidity position is positively correlated with its overall financial stability.

**H<sub>0</sub>**- There are no significant changes in the working capital components of the bank over the specified period.

**H<sub>1</sub>**- There are significant changes in the working capital components of the bank, impacting its financial health.

### CURRENT RATIO

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

The current ratio is a liquidity ratio that assesses a company's ability to satisfy its short-term obligations. It compares a company's current assets and current liabilities.

TABLE:1 Comparision Of Current Assets And Current Liabilities

| Year      | Current asset Rs. | Current liabilities Rs. | Current ratio |
|-----------|-------------------|-------------------------|---------------|
| 2018-2019 | 1,07,759.28       | 8,563.20                | 12.58         |
| 2019-2020 | 1,02,758.09       | 11,352.64               | 9.05          |
| 2020-2021 | 1,17,212.96       | 10,861.48               | 10.79         |
| 2021-2022 | 1,42,675.55       | 10,581.16               | 13.48         |
| 2022-2023 | 1,76,727.98       | 12,371.10               | 14.29         |

TABLE:2 IDFC Bank Ltd -Scheduling Of Change In Working Capital During The Year 2021-2022

| Particulars                         | 2021               | 2022               | Increasing       | Decreasing       |
|-------------------------------------|--------------------|--------------------|------------------|------------------|
| <b>Current assets</b>               |                    |                    |                  |                  |
| Cash                                | 4,745.93           | 5,772.92           | 1,026.99         | -                |
| Bank                                | 1,081.93           | 9,984.99           | 8,903.06         | -                |
| Advances                            | 1,00,550.13        | 1,17,857.80        | 17,307.67        | -                |
| Other Assets                        | 10,087.74          | 9,059.84           | -                | -1,027.90        |
| <b>Total current assets(A)</b>      | <b>1,16,465.73</b> | <b>1,42,675.55</b> |                  |                  |
| <b>Current Liabilities</b>          |                    |                    |                  |                  |
| Other Liabilities and Provisions    | 10,861.48          | 10,581.16          | -                | -280.32          |
| <b>Total current liabilities(B)</b> | <b>10,861.48</b>   | <b>10,581.16</b>   |                  |                  |
| Net working capital [A-B]           | 1,05,604.25        | 1,32,094.39        |                  | -1,308.22        |
| <b>Increase in working capital</b>  | <b>25,182.27</b>   | -                  | -                | <b>25,929.50</b> |
| <b>Total</b>                        | <b>1,32,094.39</b> | <b>1,32,094.39</b> | <b>27,237.72</b> | <b>27,237.72</b> |

TABLE -3 IDFC Bank Ltd – Scheduling Of Change In Working Capital During The Year 2022-2023

| Particulars                         | 2022               | 2023               | Increasing      | Decreasing       |
|-------------------------------------|--------------------|--------------------|-----------------|------------------|
| <b>Current assets</b>               |                    |                    |                 |                  |
| Cash                                | 5,772.92           | 10,739.74          | 4,966.82        | -                |
| Bank                                | 9,984.99           | 3,158.22           | -               | 6826.77          |
| Advances                            | 1,17,857.80        | 1,51,794.53        | 33,936.73       | -                |
| Other Assets                        | 9,059.84           | 11,035.49          | 1,975.65        | -                |
| <b>Total current assets(A)</b>      | <b>1,42,675.55</b> | <b>1,76,727.98</b> |                 |                  |
| <b>Current Liabilities</b>          |                    |                    |                 |                  |
| Other Liabilities and Provisions    | 10,581.16          | 12,371.10          | 1,789.94        | -                |
| <b>Total current liabilities(B)</b> | <b>10,581.16</b>   | <b>12,371.10</b>   |                 |                  |
| Net working capital [A-B]           | 1,32,094.39        | 1,64,356.88        |                 |                  |
| <b>Increase in working capital</b>  | <b>35,842.37</b>   | -                  | -               | <b>35,842.37</b> |
| <b>Total</b>                        | <b>1,64,356.88</b> | <b>1,64,356.88</b> | <b>42669.14</b> | <b>42669.14</b>  |

TABLE -4 IDFC Bank Ltd – Comparative Balance Sheet During The Year 2022-2023

| Particulars                         | 2022               | 2023               | Increase or Decrease (RS) | % Increase or decrease |
|-------------------------------------|--------------------|--------------------|---------------------------|------------------------|
| <b>Current assets</b>               |                    |                    |                           |                        |
| Cash                                | 5,772.92           | 10,739.74          | 4,966.82                  | 86.04                  |
| Bank                                | 9,984.99           | 3,158.22           | -6,826.77                 | -68.37                 |
| Advances                            | 1,17,857.80        | 1,51,794.53        | 33,936.73                 | 28.79                  |
| Other Assets                        | 9,059.84           | 11,035.49          | 1,975.65                  | 21.81                  |
| <b>Total current assets(A)</b>      | <b>1,42,675.55</b> | <b>1,76,727.98</b> | <b>34,052.43</b>          | <b>23.87</b>           |
| <b>Fixed assets</b>                 |                    |                    |                           |                        |
| Investments                         | 46,144.84          | 61,123.55          | 14,978.71                 | 32.46                  |
| Fixed assets                        | 1,361.22           | 2,090.13           | 728.91                    | 53.55                  |
| <b>Total fixed assets(B)</b>        | <b>47,506.06</b>   | <b>63,213.68</b>   | <b>15,707.62</b>          | <b>33.06</b>           |
| <b>Total assets(A+B)</b>            | <b>1,90,181.61</b> | <b>2,39,941.66</b> | <b>49,760.05</b>          | <b>26.16</b>           |
| <b>Current liability</b>            |                    |                    |                           |                        |
| Other Liabilities and Provisions    | 10,581.16          | 12,371.10          | 1,789.94                  | 16.92                  |
| <b>Total current liability(c)</b>   | <b>10,581.16</b>   | <b>12,371.10</b>   | <b>1,789.94</b>           | <b>16.92</b>           |
| <b>Long term liability</b>          |                    |                    |                           |                        |
| Equity share capital                | 6217.71            | 6618.12            | 400.41                    | 6.44                   |
| Reserves and surplus                | 14769.65           | 19065.93           | 4296.28                   | 29.09                  |
| Deposits                            | 105634.36          | 144637.31          | 39002.95                  | 36.92                  |
| Borrowings                          | 52962.6            | 57212.09           | 4249.49                   | 8.02                   |
| <b>Total long-term liability(D)</b> | <b>1,79,584.32</b> | <b>2,27,533.45</b> | <b>47949.13</b>           | <b>26.70</b>           |
| <b>Total liability(C+D)</b>         | <b>1,90,165.48</b> | <b>2,39,904.55</b> | <b>49739.07</b>           | <b>26.16</b>           |

#### 4. CONCLUSION

The review of IDFC Bank Ltd.'s financial data from 2018-2019 to 2022-2023 demonstrates considerable changes in current assets, current liabilities, and operating capital. The current ratio swings throughout time, with a significant increase from 2018-2019 to 2022-2023, suggesting better liquidity. The working capital change schedule shows a

significant rise in net working capital from 2021-2022 to 2022-2023, which is driven by increases in cash, bank balances, and advances. The comparative balance statement for 2022-2023 indicates a large growth in total assets, particularly investments and fixed assets. Long-term obligations see an increase in equity share capital, reserves, and deposits.

To summarize, IDFC Bank shows good trends in liquidity, working capital, and total assets. The rise in investments and fixed assets indicates purposeful financial decisions that contribute to overall growth. The growth in long-term liabilities is consistent with the expansion plan, indicating greater equity and deposits. However, keeping track of fluctuating cash and bank balances is critical for ensuring stability. Overall, the facts point to solid financial management, with an emphasis on asset strengthening and a balanced obligation structure to ensure long-term growth.

## **5. SCOPE FOR FURTHER RESEARCH**

Further investigation into the particular variables causing growth or declines in current assets and liabilities, as shown in Tables 2 and 3, might provide more insight into the bank's financial dynamics. Analyzing the impact of these adjustments on important financial ratios and performance indicators, such as liquidity and return on assets, would help to provide a more complete picture of the bank's financial health. Furthermore, looking into the relationship between changes in working capital and overall financial performance might reveal useful trends and influence future financial management plans for banks.

## **6. REFERENCES**

- [1] Vesna Grozdanovska, Katerina Bojkovska, Nikolche Jankulovski, (2017), Financial Management And Financial Planning In The Organizations, European Journal Of Business And Management, Issn 2222-190, Vol.9, No.2, 2017
- [2] R. Buvaneswari, Dr. Prakash Babu, M. Kavitha, (2013), A Study On Financial Planning And Forecasting With Special Reference To Hdfc Bank At Thanjavur, International Journal Of Management And Social Sciences Research (Ijmssr) Issn: 2319-4421 Volume 2, No. 7, July 2013, Pp:29-33
- [3] Cornel Lazăr, Jean Andrei; The Budget – An Instrument For Forecasting, Vol. Lviii No. 3/2006.
- [4] Mark Edward Pickering(2019); Killing The Annual Budget Cycle: Dynamic Planning And Rolling Forecasts In Lean Enterprises, Journal Of Cost Management 2019.
- [5] Ugwu Felix Ikechukwu (June 2011); Effect Of Planning And Forecasting In Business Organization: An Empirical Assessment Of Shoprite Polo Park Enugu South East Nigeria, Vol,3, Issue:6; June -2021, Issn (5345\_3327); P\_Issn (9313\_4225).