



FUND FLOW STATEMENTS AS CORPORATE FINANCE TOOL AT KOTAK SECURITIES

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ABSTRACT: A Fund Flow Statement is a crucial instrument in corporate finance that analyzes variations in assets and liabilities between two time periods to evaluate a company's financial condition. It illustrates the origins and endpoints of the funds. It assists management in assessing the business's performance, optimizing resource allocation, and forecasting the stability of the company's finances over time by offering a comprehensive overview of financial transactions encompassing both cash and non-cash elements. It is a strategic planning instrument that assists individuals in making informed decisions, tracking expenditure, and offering investors greater insights into a company's financial well-being beyond the income statement and balance sheet. It facilitates effective management of corporate finance and provides a comprehensive overview of a company's financial condition.

Index Terms: Fund Flow Statement, Sources and Uses of Funds, Working Capital Changes, Financial Analysis, Corporate Finance, Resource Allocation,

1. INTRODUCTION

The funds flow statement is a crucial financial document that assists firms in tracking and analyzing monetary movement over a certain time frame. It assists companies in making prudent financial decisions by illustrating the origin and application of funds.

Fund flow refers to the capital that enters and departs particular financial assets over designated time intervals. It is often assessed monthly or quarterly.

Fund flow represents the transfer of capital rather than the performance of an individual asset. Fund flow monitors the capital inflows associated with share purchases and the outflows resulting from share sales inside mutual funds. It does not reflect a fund's performance.

A net inflow transpires when the monetary influx into a mutual fund surpasses the

outflow. Managers possess increased capital for investment during a net influx. This theoretically incentivizes investors to acquire stocks, bonds, and other financial assets. A net outflow signifies that a greater amount of money was withdrawn from the mutual fund than was contributed.

Prospective investors may gain significant insights into a company's financial management capabilities via fund flow analysis. Investors will thereafter assess the company's creditworthiness and the safety of investing in it. The organization's management benefits from fund flow reports, as they facilitate improved decision-making, leading to more effective resource utilization and increased profitability.



2. LITERATURE SURVEY

Kustinah, S. (2020): This study examines how funding and cash flow statements affect bank valuation. The study analyzes secondary balance sheet and income statement data quantitatively and associatively. Research shows that good funding and cash flow reporting boosts company value. The study emphasizes full financial disclosures for investor confidence and company valuation. Financial operations research shows bank health. Investment and growth require accurate and complete bank financial reporting. Financial management in banking is improved by this study. The study's methodology and findings inform company valuation and financial analysis.

Ben-Rephael, A. (2021): Article discusses mutual fund flows, credit, and business cycles. HY-NEIO, its new indicator, predicts economic activity using high-yield bond fund portfolios. Analysis suggests high-yield bond investor demand may indicate credit and business cycle shifts. Mutual fund flows, especially into high-yield bonds, may predict recessions and reflect investor emotion. The study shows how mutual fund movements explain economic trends. It also discusses how these findings affect politicians and investors. The study expands economic and mutual fund forecasting research. The study explains credit and business cycles through investor behavior.

Aini, A. N. (2022): The cash flow statement of Kopinian Café is examined in this case study to assess its financial health. Operating, investing, and financing cash flows are examined. Company financial management is summarized. Results show Kopinian Café has a liquid and efficient cash flow. The study found

cash flow analysis essential to understanding a company's finances and making smart business decisions. The study found that SMEs need cash flow statements for financial and strategic planning. The study illustrates financial analysis with a problem. The case study method explains company finances. This study improves SME financial analysis.

Spiropoulos, H. (2023): This study examines cash flow sensitivity, stock liquidity, and cash valuation. More liquid stocks reduce cash flow issues for businesses. The study finds knowledge asymmetry, risk, and corporate governance affect this relationship. Conclusion: Equity liquidity impacts cash value. The report says liquid asset-rich firms manage cash flows better. Shows how important business liquidity is. This study advances financial constraints and cash holdings research. It suggests cash management improvements for businesses.

Chen, L. (2024): Between 2006 and 2022, American energy stock mutual funds and ETFs addressed climate change. Climate change concerns have shifted brown to green energy investment. Climate news drove green fund investments, peaking in 2020, the report found. Brown funds received less money. Green investments may deter brown investments and mitigate climate news' effects on industry and stocks. The study shows how climate change awareness affects investment trends. These findings concern net-zero economy transition. Article discusses climate finance and sustainable investing. It shows how economic flows help the environment.

Seretidou, D. (2025): Cash flow-based ratios and conventional financial metrics are compared for predictive power in this



systematic study. The report notes that cash flow ratios show dynamic liquidity and financial health, unlike debt-to-equity and return on assets. The paper uses PRISMA 2020 to meticulously review previous studies to prove these financial measurements work. The findings show that cash flow ratios and traditional metrics improve financial assessments. The study says cash flow analysis is becoming more important in financial decision-making. A complete financial assessment should include conventional and cash flow metrics, according to the study. Financial analysis technique improvement discussions benefit from this work. The review helps professionals and researchers measure financial performance.

3. FUNDS FLOW STATEMENTS IN FINANCIAL PLANNING

Purpose of Funds Flow Statement

The funds flow statement shows organizations' funding sources and expenditures. Noting cash and non-cash asset changes helps. Executives can evaluate financial flexibility and liquidity. Statement-filled balance sheet numbers. Strategic financial planning and decision-making require it.

Identifying Sources of Funds

Financial sources include debt, equity, and internal revenue. Knowing their funding source helps businesses plan capital needs. These are needed for business, investment, and growth. Funds flow statements show short- and long-term funding. Long-term planning requires this data.

Uses of Funds

Funding for operations, capital expenditures, and investments is shown. It

shows equity, liability, and asset changes. Management can assess resource efficiency by examining usage. Typical uses include working capital and long-term asset purchases. The data estimates future costs.

Assessing Financial Health

Well-structured funds flow statements show a company's finances. It shows company financial responsibility. Poor capital or liquidity management reduces fund flow. Positive cash flow indicates financial management and growth. The study aids strategic funding and investment.

Cash Flow Management

Cash and non-cash activities are in funds flow statements. Short-term financial planning and operational stability require cash flow knowledge. It guarantees the company's debt-paying cash. Cash flow management aids budgeting, planning, and risk. Management of cash flow helps achieve long-term financial goals.

Linking with Profitability and Growth

Profits influence the allocation of funds for expansion in a statement of funds flow. It is feasible to pinpoint areas for enhancement when profit margins are contrasted with cash flow. Growth is achieved by organizations that are prudent in their expenditures. indicates whether the company is obligated to secure funding from external sources or whether profits are being reinvested. An understanding of this is essential for long-term development.

Planning for Debt Management

The funds flow statement may disclose the organization's debt management. Just enough to satisfy the expenses. Strategic financial planning enables the management of both short-term and long-term debt



obligations. This will determine the duration of the financial system's existence. Opportunities exist for refinancing existing loans and reducing interest rates.

Supporting Strategic Decisions

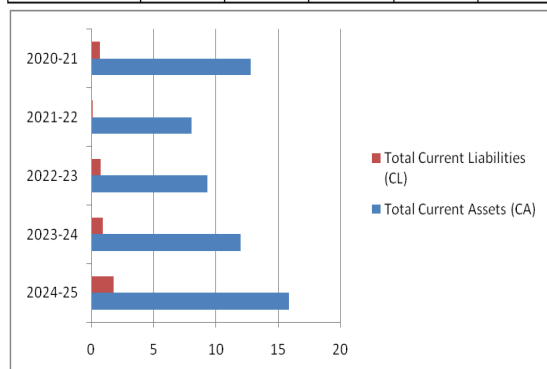
These statements of fund flow are beneficial during the acquisition and disposition of businesses. A valuable instrument for assessing the financial feasibility of strategic objectives is the compilation of an inventory of income and expenditures. Knowledge of capital raising, alliance formation, and investing is advantageous. A well-crafted funds flow analysis enables the organization to strategize and endure.

4. ANALYTICAL FRAMEWORK

PREPARING FUNDFLOW ANALYSIS

Step 1: Identify Current Assets (CA) and Current Liabilities (CL)

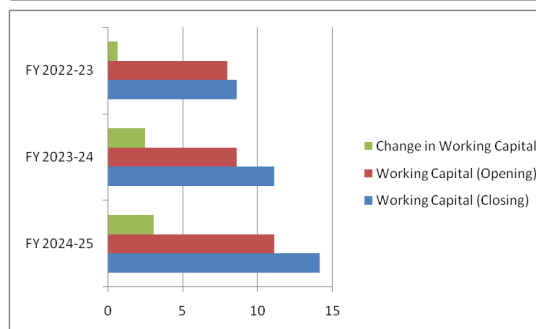
Particulars	2024-25	2023-24	2022-23	2021-22	2020-21
Total Current Assets (CA)	15.89	12	9.35	8.08	12.81
Total Current Liabilities (CL)	1.78	0.93	0.75	0.1	0.72
Working Capital (CA - CL)	14.11	11.07	8.6	7.98	12.09



INTERPRETATION: The operating capital of Kotak Securities experienced a significant increase, rising from ₹7.98 crore in 2021-2022 to ₹14.11 crore in 2024-2025. There is a significant gap between the company's current assets and current liabilities, which indicates that the company has the ability to grow while still meeting its obligations.

Step 2: Calculate the Change in Working Capital

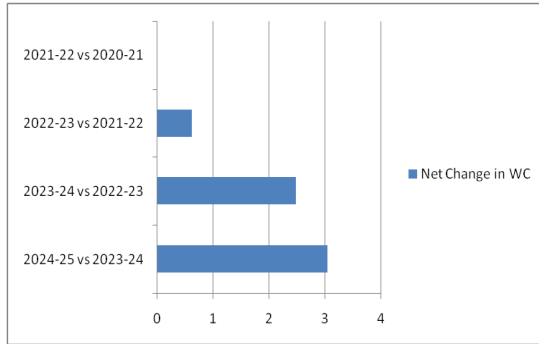
Particulars	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21
Working Capital (Closing)	14.11	11.07	8.6	7.98	12.09
Working Capital (Opening)	11.07	8.6	7.98	12.09	0
Change in Working Capital	3.04	2.47	0.62	-4.11	0
Effect on Fund Flow	Use of Funds	Use of Funds	Use of Funds	Source of Funds	0



INTERPRETATION: Kotak Securities' working capital rose from ₹7.98 crore in 2021-2022 to ₹14.11 crore in 2024-2025, indicating significant short-term cash reserves. Current assets and liabilities are far apart, indicating the company can grow and meet obligations.

Step 3: Fund Flow Statement)

Year	Increase in CA	Increase in CL	Net Change in WC	Nature of Change	Fund Flow Effect
2024-25 vs 2023-24	3.89	0.85	3.04	WC ↑	Use of Funds
2023-24 vs 2022-23	2.65	0.18	2.47	WC ↑	Use of Funds
2022-23 vs 2021-22	1.27	0.65	0.62	WC ↑	Use of Funds
2021-22 vs 2020-21	-4.73	-0.62	-4.11	WC ↓	Source of Funds



INTERPRETATION: In FY 2021–2022, Kotak Securities increased inventory and current assets to boost working capital. The highest expenditure was in 2024–2025, indicating short-term asset accumulation. Fund disbursement in FY 2021–2022 should increase short-term liquidity.

5. CONCLUSION

A company's fund flow statements show its corporate finance funding sources and uses over time. They help management plan investments, monitor liquidity, assess operational efficiency, and identify finance needs and funding gaps.

Organizations assess risk management, dividend policies, strategic planning, and budgeting by tracking working capital and fund movements. Publishing these statements increases transparency, stakeholder trust, and long-term financial growth. Fund flow analysis helps companies stay stable, maximize resources, and profit by showing past financial performance.

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