

## **A Study on Financial Statement Analysis of INOA Intercrop**

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### **Abstract**

Financial statement analysis plays a crucial role in evaluating the financial health and performance of an organization. This study focuses on the financial statement analysis of Inoaintercrop, aiming to assess its profitability, liquidity, solvency, and overall operational efficiency. The primary objective of the study is to interpret the financial position of the company using various accounting tools and techniques such as ratio analysis, comparative statements, and trend analysis. The research is based on secondary data collected from the company's annual reports and financial statements over a specific period. Key financial ratios, including current ratio, quick ratio, net profit ratio, return on capital employed, and debt-equity ratio, are analyzed to understand the company's financial stability and growth pattern. Comparative analysis is used to evaluate year-on-year performance, while trend analysis helps in identifying long-term financial patterns.

The findings of the study indicate that Inoaintercrop has shown moderate growth in terms of profitability and efficiency, while certain areas such as liquidity management and cost control require improvement. The study also highlights the company's ability to meet its long-term obligations, though fluctuations in short-term financial positions were observed.

In conclusion, financial statement analysis provides valuable insights for stakeholders, including investors, creditors, and management, enabling informed decision-making. The study suggests that Inoaintercrop should focus on strengthening its financial strategies to enhance stability and sustain growth in a competitive business environment.

**Key Words:** Financial Statement Analysis, Ratio Analysis, Profitability, Liquidity, Solvency.

## **1. Introduction (Concept & Importance)**

Finance is the discipline of managing financial resources effectively in an uncertain environment to maximize value. It encompasses activities such as budgeting, investing, borrowing, and forecasting across personal, corporate, and public domains. In a business context, finance plays a vital role in resource allocation, risk management, investment decision-making, and maintaining liquidity. Financial statement analysis, as a key financial tool, enables a systematic evaluation of a company's profitability, liquidity, solvency, and overall performance. By analysing financial statements, stakeholders gain meaningful insights into operational efficiency, financial stability, and future growth potential, making it essential for informed and strategic decision-making.

### **1.1 Need of the Study**

This study is necessary to assess the financial health and operational efficiency of Inoaintercrop, enabling stakeholders to make rational, data-driven decisions.

### **1.2 Influence of the Study**

Financial analysis influences strategic planning, investment decisions, and risk management by identifying financial trends, strengths, and weaknesses.

### **1.3 Statement of the Problem**

Despite growth, fluctuations in liquidity, cost control, and increased reliance on short-term financing create uncertainty regarding the company's financial stability and efficiency.

### **1.4 Theoretical Framework**

The study integrates financial management theories with analytical tools such as ratio analysis, trend analysis, comparative analysis, and common size analysis. These frameworks collectively focus on evaluating profitability, liquidity, solvency, and operational efficiency, while also addressing resource allocation and risk-return trade-offs. This combined approach provides a structured and comprehensive understanding of financial performance and organizational stability.

### **1.5 Significance of the Study**

The study enhances transparency, supports financial planning, and provides valuable insights for stakeholders to evaluate performance and future potential.

### **1.6 Objectives of the Study**

- To analyse financial ratios and assess performance
- To study growth trends and patterns

### **1.7 Hypothesis**

There is a significant relationship between financial ratios and the overall financial performance of the company.

### **1.8 Scope of the Study**

The study focuses on analyzing financial statements of Inoaintercrop over a specific period to assess profitability, liquidity, and solvency using secondary data, while excluding external factors.

## **2. REVIEW OF LITERATURE**

Financial statement analysis has been widely recognized as an essential tool for evaluating a company's financial performance, profitability, and stability. Several studies emphasize the role of financial ratios, working capital management, and capital structure in determining overall financial efficiency.

Rao (2024) identified a significant negative relationship between debt-equity ratio and profitability, highlighting that excessive reliance on debt increases interest burden and reduces returns. This finding underlines the importance of maintaining an optimal capital structure for financial stability. Similarly, Vijayakumar and Venkatachalam (2022) established a strong relationship between working capital management and profitability, concluding that efficient management of liquidity components such as receivables, inventory, and cash significantly enhances firm performance.

Chandrasekaran (2022) further emphasized that effective inventory and current asset management are key determinants of profitability, indicating that operational efficiency directly impacts financial outcomes. Supporting this, Shin and Soenen (2018) found that the length of the net operating cycle has a direct influence on profitability and risk, suggesting that shorter cash cycles improve financial performance.

In addition to internal factors, structural aspects also play a role. Studies by Feeny and Rogers (1999) and Purohit (2018) revealed that firm-specific characteristics such as size, growth, and diversification can influence profitability, though the relationship may vary across industries. Glancey (2020) highlighted that while younger firms exhibit higher growth potential, they also face greater financial uncertainty.

Furthermore, McDonald (2021) observed that profitability trends often follow cyclical patterns influenced by past performance and industry dynamics, reinforcing the importance of trend analysis in financial evaluation.

Overall, the literature indicates that financial statement analysis, supported by ratio, trend, and comparative techniques, is crucial for assessing profitability, liquidity, and solvency, thereby forming a strong foundation for evaluating the financial performance of Inoaintercrop.

### **3. Research Methodology**

#### **3.1 Introduction**

This study adopts a structured approach to evaluate the financial performance of Inoaintercrop using financial ratios. It focuses on assessing profitability, liquidity, solvency, efficiency, and valuation over a five-year period (2021–2025). The methodology enables a clear understanding of the company's financial health, operational efficiency, and market position, supporting informed decision-making.

#### **3.2 Research Design**

The study follows a quantitative and descriptive research design. It utilizes numerical data from financial statements to identify trends, patterns, and relationships. This design ensures objective measurement of financial performance and facilitates comparison across time periods.

#### **3.3 Sources of Data**

The research is based on secondary data collected from the company's annual reports and audited financial statements, including balance sheets, income statements, and cash flow statements.

### 3.4 Sampling Technique and Sample Size

The study uses purposive sampling, focusing specifically on Inoaintercrop. The sample consists of five years of financial data (2021–2025), enabling effective trend and comparative analysis.

### 3.5 Data Analysis Techniques

The study employs multiple financial analysis tools:

- Trend Analysis to identify long-term patterns and growth behaviour
- Comparative Analysis to evaluate year-on-year performance changes
- Common Size Analysis to express financial items as percentages for structural comparison
- Financial Ratio Analysis to assess liquidity, profitability, and solvency

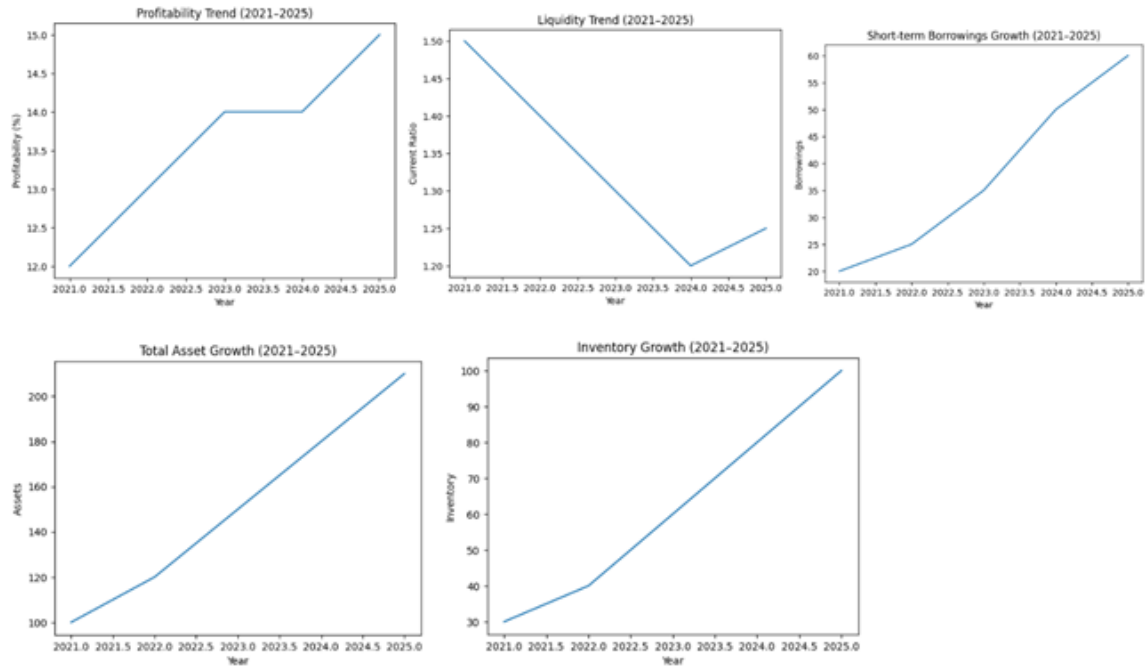
These techniques collectively provide both absolute and relative insights into financial performance.

- **Profitability Trend** → Shows stable and moderate growth
- **Liquidity Trend** → Highlights fluctuation and slight decline
- **Short-term Borrowings** → Clearly increasing (risk indicator)
- **Total Asset Growth** → Strong expansion trend
- **Inventory Growth** → Rising sharply (working capital issue)

### 3.6 Statistical Techniques

The study uses descriptive statistical methods, including percentage analysis and ratio calculations derived from financial statements. These techniques help interpret financial data, evaluate performance indicators, and enable meaningful comparison over time.

#### 4. Analysis



Objective	Analysis Focus	Key Results	Supporting Evidence	Detailed Interpretation
Objective 1	Financial Ratio Analysis (Liquidity, Profitability, Solvency)	Profitability shows moderate improvement; liquidity fluctuates; solvency improves due to reduced long-term debt but increased short-term borrowings	Growth in reserves & surplus; decline in long-term borrowings; significant increase in short-term borrowings (especially post-2023)	The financial ratios indicate that <b>Inoaintercrop maintains stable profitability</b> , reflecting efficient operations. However, the <b>declining liquidity position</b> due to rising short-term

				<p>liabilities suggests pressure in meeting immediate obligations. While solvency improves structurally, the shift toward short-term financing increases financial risk, indicating an imbalance in capital structure.</p>
Objective 2	Trend Analysis (Growth & Pattern Study)	Continuous increase in total assets (~28–30% growth); significant rise in inventory and current assets; fluctuations in equity	Asset growth from 2021–2025; inventory showing highest contribution; equity decline during 2023–2024 followed by recovery	<p>Trend analysis reveals that the company is in a <b>strong expansion phase</b>, with asset growth driven primarily by inventory and operational scaling. However, excessive inventory accumulation may lead to</p>

				inefficiencies and working capital blockage. Fluctuations in equity indicate unstable internal financing, highlighting dependence on external funds for growth.
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The combined analysis shows that Inoa intercrop demonstrates consistent growth and stable profitability, but faces liquidity challenges and structural financial risks due to increased dependence on short-term financing and inventory accumulation. Thus, the study confirms that financial statement analysis is essential in evaluating both performance and risk, helping identify the balance between growth, profitability, and financial stability.

## 5. Conclusion

The present study on *Financial Statement Analysis of Inoaintercrop (2021–2025)* provides a comprehensive evaluation of the company’s financial performance, focusing on profitability, liquidity, solvency, and structural stability. The major findings reveal that the company has achieved consistent growth in total assets and maintains moderate profitability, supported by an increase in reserves and operational efficiency. However, the analysis also highlights fluctuating liquidity and increasing dependence on short-term borrowings, which raises concerns regarding short-term financial stability. The shift from long-term debt to short-term financing has improved solvency in structure but has simultaneously increased liquidity risk.

These findings are consistent with earlier studies such as Rao (2024), which identified a negative relationship between leverage and profitability, and Vijayakumar and Venkatachalam (2022), who emphasized the importance of efficient working capital management in enhancing firm performance. Furthermore, the results align with Shin and

Soenen (2018), who concluded that inefficient cash cycle and inventory management can adversely affect profitability and risk. Thus, the study reinforces that capital structure decisions and working capital efficiency are critical determinants of financial performance.

### 5.1. Suggestions

- **For the Company (Inoaintercrop):** Improve liquidity management by reducing dependence on short-term borrowings, optimize inventory levels, and strengthen internal financing to ensure long-term financial stability.
- **For Government/Regulators:** Encourage financial transparency, promote better corporate governance practices, and support policies that enhance access to balanced financing options for firms.
- **For Investors and Readers:** Focus on analyzing both profitability and liquidity indicators before making investment decisions, as growth alone may not reflect financial stability.

### 5.2. Limitations of the Study

The study is based solely on secondary data from financial statements, which may limit accuracy and depth. It does not consider external factors such as market conditions, industry trends, or government policies. Additionally, the analysis is restricted to a five-year period (2021–2025), limiting the scope for long-term generalization.

### 5.3. Overall Conclusion

In conclusion, the study highlights that while Inoaintercrop demonstrates strong growth and stable profitability, it faces underlying challenges related to liquidity and capital structure. Financial statement analysis proves to be an effective tool in identifying both strengths and weaknesses, emphasizing the need for balanced financial management to achieve sustainable growth and long-term stability.

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