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# The Role of Financial Planning and Forecasting in Improving Financial Performance at Bics Global Technology, Chennai

**JB. Sathvika**

*II MBA, Department of Management Studies  
St. Xavier's Catholic College of Engineering (Autonomous)  
Chunkankadai, Kanyakumari District, Tamil Nadu, India*

**G. Jenit Hanson**

*Assistant Professor, Department of Management Studies  
St. Xavier's Catholic College of Engineering (Autonomous)  
Chunkankadai, Nagercoil, Kanyakumari, Tamil Nadu, India*

## Abstract

*This study focuses on financial planning and forecasting as important tools for improving financial performance and maintaining financial stability in an organization. It examines how effective financial planning supports resource allocation, cost control, and decision-making, while forecasting helps in predicting future financial performance and business growth. The study is based on secondary data collected from the company for a period of five years from 2021 to 2025. Various analytical tools such as ratio analysis, Pearson's correlation analysis, and forecasting techniques were used to evaluate the financial position of the company. The study found improvement in liquidity, profitability, and solvency, along with efficient utilization of resources and reduced financial risk.*

**Keywords:** Financial Forecasting, Financial Performance, Financial Planning, Financial Stability, Liquidity, Pearson's Correlation Analysis, Profitability, Ratio Analysis, Resource Utilization, Solvency.

## Introduction

The modern business environment is marked by rapid change, uncertainty, and complex market dynamics. In such conditions, an organization's sustainability depends not only on revenue generation but also on how effectively it manages and allocates its financial resources. Financial performance serves as a key indicator of organizational health, reflecting its ability to create value, manage risks, and maintain long-term stability. Financial planning acts as a strategic foundation, involving the setting of financial goals, preparation of budgets, and efficient allocation of resources. It ensures that operations are aligned with organizational objectives while maintaining cost control and financial discipline. Complementing this, financial forecasting provides a forward-looking perspective by using past data and market trends to predict future performance. It

helps organizations anticipate revenues, expenses, and cash flows, enabling proactive decision-making, better risk management, and improved preparedness for future uncertainties.

## Literature Review

Mujuni, E. et al. (2026) analyse the impact of financial planning on organizational profitability. The study highlights that structured financial planning improves resource allocation, cost control, and financial efficiency. It also emphasizes that organizations with effective planning practices achieve higher profitability and better financial performance. The authors conclude that financial planning is a key factor in achieving sustainable growth.

Saleem, M, et al (2026) explore how FinTech innovations are transforming financial planning practices by making financial services more accessible and efficient. The study highlights that digital platforms and tools simplify financial processes, improve transparency, and encourage better financial behaviour among users. It also emphasizes that technology enhances planning accuracy and decision-making capabilities. The authors conclude that FinTech plays a vital role in modern financial management by improving accessibility and supporting effective financial planning practices.

Anil, A., et al (2025) examine the growing importance of financial planning and forecasting in a technology-driven business environment. The study highlights how organizations use data-driven approaches and modern analytical tools, including artificial intelligence, to improve forecasting accuracy and efficiency. It emphasizes that integrating digital systems into financial management enhances adaptability, supports better decision-making, and improves resource utilization. The study concludes that effective planning and forecasting are essential for achieving financial stability and long-term organizational growth.

Setiawan, V., et al (2025) analyse the impact of financial literacy and strategic financial planning on the performance of MSMEs. The study highlights that improved financial knowledge enables better budgeting, resource allocation, and decision-making. It also emphasizes that organizations with strong financial planning practices achieve higher profitability and financial stability. The authors conclude that financial literacy is a key factor in enhancing financial performance and ensuring long-term business growth.

Arnold, T. et al (2024) provide an in-depth analysis of the relationship between financial statement forecasting and financing decisions, particularly in the preparation of pro forma financial statements. The study explains how “plug” or balancing figures are used to ensure that assets equal liabilities and equity. It highlights that different financing options, such as debt, equity, or fixed financing, can significantly influence forecasting outcomes, firm value, and investment decisions. The authors conclude that accurate forecasting is highly dependent on clearly defined financing strategies aligned with organizational goals like budgeting, valuation, and long-term planning.

## Research Gap

Despite the growing importance of financial planning and forecasting, several gaps still exist in existing studies. Most previous research focuses on AI, FinTech, predictive analytics, and ESG practices in financial management. Limited attention is given to analysing actual financial performance using practical financial tools. Many studies discuss forecasting techniques theoretically, while fewer studies examine liquidity, profitability, solvency, and business growth together using real company data. In addition, limited research has been conducted on the relationship between revenue and net profit through correlation analysis. Therefore, the present study analyses the company’s financial performance from 2021 to 2025 using Ratio Analysis and Pearson’s Correlation Coefficient.

The study aims to understand the role of financial planning and forecasting in achieving financial stability and sustainable growth.

## Research Methodology

Research methodology refers to the systematic and theoretical approach used to conduct a study in an organized and scientific manner. It involves the procedures for designing the research, collecting relevant data, and analysing it to address research problems effectively. This approach combines various research methods with underlying logic to ensure the validity, reliability, and accuracy of the findings. It also includes the selection of data sources, sampling techniques, and analytical tools, which together contribute to meaningful interpretation and the creation of new knowledge.

## Objectives of the Study

- To analyse the financial position of the company using financial data to assess its performance and stability.
- To examine the relationship between financial planning and financial performance using Karl Pearson’s correlation analysis.

## Data Analysis and Interpretation

### Ratio Analysis

Ratio analysis is a financial tool used to evaluate a company’s performance by analysing financial statements. It helps assess liquidity, profitability, and efficiency, providing a clear view of financial health for better decision-making, planning, and forecasting.

### Current Ratio

**Table 1 Current ratio**

Year	Ratio
2021	3.40
2022	3.85
2023	4.13
2024	4.32
2025	4.45

Source Annual Reports

The current ratio increased steadily from 3.40 in 2021 to 4.45 in 2025, showing continuous improvement in the company’s liquidity position. The ratio rose to 3.85 in 2022, 4.13 in 2023, and 4.32 in 2024, indicating that current assets increased consistently over the years. This reflects strong working capital management and the company’s ability to meet short-term obligations efficiently.

### Quick Ratio

**Table 2 Quick ratio**

Year	Ratio
2021	3.00
2022	3.46
2023	3.75
2024	3.95
2025	4.09

Source Annual Reports

The quick ratio increased steadily from 3.00 in 2021 to 4.09 in 2025, showing continuous improvement in the company's liquidity position. The ratio rose to 3.46 in 2022, 3.75 in 2023, and 3.95 in 2024, indicating stronger liquid asset management over the years. This reflects the company's ability to meet short-term liabilities efficiently even without depending on inventory.

**Operating Margin (Ebitda Margin)**

**Table 3 EBITDA margin**

Year	Margin Ratio
2021	27.35
2022	44.46
2023	28.22
2024	44.82
2025	47.95

Source Annual Reports

The EBITDA margin showed fluctuating but overall improving performance during 2021 to 2025. It stood at 27.35% in 2021 and increased to 44.46% in 2022, reflecting better operating efficiency. In 2023, the margin declined, but it recovered strongly in the following years and reached the highest level of 47.95% in 2025. This trend indicates that the company improved its cost management and profitability over the study period.

**Return On Equity (ROE)**

**Table 4 Return on equity (ROE)**

Year	ROE Ratio
2021	41.18
2022	64.90
2023	40.44
2024	89.17
2025	100.49

Source Annual Reports

The Return on Equity (ROE) of the company showed fluctuating but strong performance during 2021 to 2025. It was 41.18% in 2021 and increased to 64.90% in 2022, indicating better returns to shareholders. In 2023, it declined to 40.44%, but improved significantly in 2024 to 89.17% and reached the highest level of 100.49% in 2025. This trend shows that the company efficiently utilized shareholders' equity and generated higher profits over the study period.

**Return on Capital Employed (ROCE)**

**Table 5 Return on Capital Employed**

Year	ROCE
2021	63.32
2022	86.30
2023	53.58
2024	107.33
2025	118.18

Source Annual Reports

The Return on Capital Employed (ROCE) of the company showed fluctuating but strong performance during 2021 to 2025. It was 63.32% in 2021 and increased to 86.30% in 2022, indicating efficient use of capital. In 2023, it declined to 53.58%, but improved sharply in 2024 to 107.33% and reached the highest level of 118.18% in 2025. This trend shows that the company effectively utilized its capital employed to generate higher operating profits over the study period.

### Debt Equity Ratio

**Table 6 Debt equity ratio**

Year	Ratio
2021	0.56
2022	0.49
2023	0.46
2024	0.44
2025	0.42

Source: Annual Reports

The debt–equity ratio shows a continuous decline from 0.56 in 2021 to 0.42 in 2025, indicating a steady reduction in financial risk. This trend suggests that the company is relying less on debt and more on equity financing over the years. The increase in shareholder’s equity compared to liabilities reflects stronger financial stability and improved solvency position. Overall, the company shows a healthy capital structure with lower dependence on external borrowing.

### Pearson’s Correlation Coefficient

It is a fundamental statistical measure used across numerous disciplines to evaluate the connection between two continuous variables. This metric quantifies both the intensity and the direction of a linear association on a scale from -1 to +1.

**Table 7 Pearson’s correlation coefficient**

r	Result
0.969	High positive correlation

Source Annual Reports

The Karl Pearson’s correlation coefficient value is 0.969, indicating a very strong positive relationship between revenue and net profit. This shows that as revenue increases, net profit also increases significantly. The result reflects efficient operations, good cost control, and effective conversion into profit. Overall, revenue growth has a strong positive impact on the company’s profitability and financial performance.

### Findings of the Study

- The current ratio increased from 3.40 to 4.45, showing strong liquidity and indicating that the company has more than sufficient current assets to meet its short-term obligations efficiently.
- The quick ratio rose from 3.00 to 4.09, indicating a healthy liquid asset position and the company’s ability to pay off liabilities even without relying on inventory.
- EBITDA margin improved overall and reached 47.95% in 2025, reflecting better operating efficiency, effective cost control, and improved profitability from core operations.
- ROE increased to 100.49% in 2025, showing efficient utilization of shareholders’ funds and the company’s ability to generate higher returns for investors.

- ROCE reached 118.18% in 2025, indicating effective use of total capital employed and strong operational performance in generating profits.
- The debt–equity ratio declined from 0.56 to 0.42, showing reduced dependence on external borrowing and an improvement in the company’s solvency position.
- Pearson’s correlation coefficient ( $r = 0.969$ ) shows a very strong positive relationship between revenue and net profit, indicating efficient conversion of sales into earnings.

### Suggestions of the Study

- Excess liquid funds can be utilized effectively through investment in business expansion and productive opportunities.
- Efficient cash flow management and faster receivables collection can strengthen short-term financial stability.
- Continuous cost control and operational efficiency can help maintain strong profitability and business performance.
- Reinvestment of profits into innovation, technology, and growth activities can improve long-term shareholder value.
- Proper utilization of capital in high-return projects can support sustainable growth and operational efficiency.

### Conclusion

The study highlights the important role of financial planning and forecasting in improving the company’s financial performance and stability from 2021 to 2025. The analysis using Ratio Analysis and Pearson’s Correlation Coefficient shows improvement in liquidity, profitability, and solvency through increasing current ratio, quick ratio, EBITDA margin, ROE, and ROCE. The declining debt–equity ratio reflects reduced financial risk and improved financial stability. Pearson’s correlation analysis indicates a strong positive relationship between revenue and net profit, showing efficient financial management. Overall, effective financial planning and forecasting support better decision-making, operational efficiency, and long-term business growth.

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