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Financial Planning and Analysis in the Fashion and Retail Sector: AStudy Focused on Bengaluru

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Abstract - *This study explores financial planning and analysis within the fashion and retail sector, with a specific focus on Bengaluru. As the fashion and retail industries experience rapid growth and evolving market dynamics, effective financial management becomes crucial for sustaining competitive advantage and operational efficiency. This research examines financial strategies, budgeting practices, and performance metrics used by companies in Bengaluru's fashion and retail sector. By analyzing financial data, market trends, and industry benchmarks, the study aims to provide insights into best practices and challenges faced by businesses. The findings will offer valuable recommendations for enhancing financial planning and analysis, helping fashion and retail enterprises in Bengaluru navigate the complexities of the market and achieve sustainable growth.*

***Key Words*:** Financial Planning, Retail Sector, Market Trends

1. INTRODUCTION

The term "fashion" broadly encompasses any popular style of speaking, acting, dressing, or performing at a given time or place. The phrases "current fashion" or "style" often imply an individual style favored by affluent people.

1.1 Fashion Industry in India

At the start of the century, the end of all the hype led to a more practical and pragmatic environment, offering a more grounded perspective on the fashion industry. The Indian fashion scene during the 1950s, 1960s, and 1970s was far from dull. It was exciting, stylish, and quite elegant. The country, however, lacked notable designers, celebrities, models, or fashion design labels. The value of a garment was determined by its design and materials, not by its maker. It was considered stylish and fashionable to approach an unknown tailor who could create a garment for a few rupees, delivering the perfect fit, finish, and style. The affluent woman who wore it took pride in finding a good deal and in branding the finished item with her own initials.

In the 1960s, tight kurtas, churidars, and high hairstyles were popular among women. The era saw a burst of creativity in the arts, music, and films, driven by the removal of restrictions and the use of new materials like plastic film and coated polyester fabric. The 1970s marked the export of traditional materials and the influence of the disco era and synthetics on fashion. The 1980s introduced "Ravissant," the first clothes store in Mumbai, and witnessed a shift towards masculine shapes and shoulder pads in salwar kameez. High-priced designer boutiques proliferated, popularizing sophisticated fashion among Indians.

The 1990s saw a return to ethnic wear, driven by economic challenges and fierce competition, leading to a declinein high fashion prices and fashion shows. However, the fashion industry did not lose its charm. By the early 21st century, fashion gained momentum again with new designers, models, and innovative designs, revitalizing the Indian fashion scene.

1.2 Retail Industry in India

Up until the 1990s, strict laws and regulations led to a monopolistic production environment, causing a 30% loss in infrastructure and logistics. From 1991 to 2010, consumers gained access to a broader range of high-quality and convenient products. In 1997, a cash-and-carry model was introduced to wholesale, followed by automatic permissions in 2006. Although Indian legislation permits foreign direct investment (FDI) in cold chain operations, no investments have been made in this area due to restrictions on multi-brand operations. The presence of middlemen constrained the retail sector's growth until 2010, when convenience stores and supermarkets constituted only 4% ofthe sector.

Before 2011, the federal government allowed only 51% FDI in single-brand retail and prohibited FDI in multi-brand retail. However, facing opposition criticism, the central government chose not to reform the retail sector by permitting multi-brand retail. In 2012, the government approved 100% FDI in single-brand retail, and IKEA opened 25 new stores in June of the same year. A few months later, the central government legalized multi-brand retail, subject to state approval, which was positively received by economists. Subsequently, 51% FDI in multi-brand retail was permitted. According to a 2024 report by A.T. Kearney, organized retail now holds a 31% market share in India, with home goods experiencing significant growth.

1.3 Current Trends

Fashion executives are bracing for challenges as the global economic slowdown threatens to reverse the industry's swift post-pandemic recovery. According to McKinsey's latest fashion report, 84% of industry leaders expect market conditions to worsen or remain stagnant in 2024. For enterprise brands that serve customers across multiple channels, responding to market changes promptly can be difficult. Nevertheless, as recent turbulence has demonstrated, those who seize the right opportunities and anticipate future fashion trends can succeed even in tough times.

Industry executives view sustainability (16%), agility (13%), and brand differentiation (12%)—reflecting the desires and values of younger consumers—as the biggest opportunities for fashion in 2024.

1.4 Overview of the Indian Economy By Fashion Retail Industry

India achieved record-breaking textiles and apparel exports in the financial year 2021-22, reaching USD 44.4 billion. Ready-made garment exports were USD 16 billion, holding a 36% share and showing a growth of 31% and 3% during 2021-22. Man-made textiles saw a 51% growth in the same period. The GDP growth for FY2022 was 8.7%. Globally, the textile and apparel trade has grown at a CAGR of 4% since 2005, reaching USD 839 billion in 2019, and is projected to reach USD 1 trillion by 2025, growing at a CAGR of 3%. Apparel leads the trade with a 58% share, followed by fabrics at 19%.

In 2024, the five stages of the fashion cycle—introduction, rise to fame, popularity peak, decline, and rejection—are still commonly represented as a bell-shaped curve, depicting the adoption of particular fashion trends.

2. SWOT ANALYSIS

The purpose of a SWOT analysis is to provide a comprehensive framework for evaluating an organization's strategic position by identifying its internal strengths and weaknesses, as well as its external opportunities and threats. The SWOT analysis for the Fashion and Retail company was carried out highlighting every aspect of the company and helping to enhance strategic plans, support decision making process, identify competitive advantage, optimize resource allocation, facilitate risk management and promote organisational growth.

2.1 STRENGTH:

- A variety of goods can be purchased less than one roof.
- Provides a fun family shopping experience Easy to reach of middle class
- Provides convenience in shopping

2.2 WEAKNESS:

- When compared to internationally recognized brands, global penetration is modest.
- Because sub brands are similar, consumers may not be aware of the differences between each brand's product offerings.

2.3 OPPORTUNITIES:

- Recent changes in consumer preferences
- A new format and consumption area
- Rapid industrial growth and rising consumer expenditure
- The acceptance of international fashion trends on a worldwide scale

2.4 THREATS:

- Globalization of competitors
- Government regulations unkempt retail establishments Department of Management Studies, ACU-BGSIT.
- Fashion evolving every day is a major threat.

3. LITERATURE REVIEW

1. Teresa C –(2020) This study offered a framework for modelling important financial planning issues based on multi-stage optimisation under uncertainty. It also looked at financial planning and firms' financial capacity using a stochastic programming approach and discovered a strong relationship between market uncertainty, financial planning, and production planning.
2. David Lee – (2019) The quantitative links connecting activities, indicators, and their future effects on a firm's financial performance were extended further by financial planning models. Global optimisation model's dynamically balanced approach might provide hints for issues with long-term financial planning.
3. NurulShifa–(2020) Financial planning and Analysis for those working in the retail and fashion industries has grown to be a significant source of concern, especially in light of the recent economic and social unrest brought on by the COVID- 19 epidemic. This study has developed in lockstep with the country's economic success. In addition, it has developedinto a significant academic issue because to the large range of factors that might affect an organization's financial planning. The purpose of this study is to look at the factors affecting working people's financial planning throughoutthe epidemic.
4. G Surender–(2017) This study conducted a study Using ratio analysis, it was discovered that a financial analysis's focus was on the financial performance. The study illustrates the importance of using different measures of performance since this affects; the magnitude and significant of results. In the financial planning of financial performance support is necessary to sustain company.
5. Kaviraj K –(2019) Particularly in the previous 20 years, the fashion garment sector has seen substantial change. In order to maintain a lucrative position in the increasingly competitive market, merchants must now prioritize low cost, flexibility in design, quality, and speed to market in theirfinancial planning and analysis. This is due to the changing dynamics of the fashion business. The literature on changes in the fashion garment industry since the 1990s is reviewed in this article, with a focus on the emergence of the term throwaway or fast fashion.
6. Lucia Ray –(2019) The study investigated how financial planning and their statements—which are created in accordance with intended depreciation and stock valuation strategies defined by the management—are used tocompute ratios. A ratio cannot provide a complete and accuratesince it is only a straightforward comparison of a numerator and a

denominator. The results are influenced by the promoters, who may also stop them from disclosing other variables that affect a company's performance.

7. Adelberto–(2019) Retail industry in India was investigated has been assessed using cost functions and the Cobb-Douglas production function. The oligopolistic behavioral tendency of the fertilizers business is further shown by the analysis of shifting cost functions, which show that firms in this industry develop capabilities even before fully exploiting current capacity. The findings revealed that the industry was subject to the cost-increasing law. They used this to obtain additional support for a production function analysis that showed that labor's average efficiency is higher than its marginal productivity.

8. NiranjanTripathy–(2019) Financial planning, including those focused on the firm, is shown to utilise a variety of financial risk metrics for their studies in the financialanalysis of financial risk. According to this study, company representation in financial risk analysis is better served by strategy and performance of stocks risk factors than by firm performance and bankruptcy risk components.

9. Dang and Nguyen–(2020) The majority of the global economy is governed by the retail sector. Since liberalization, India's retail sector has expanded to play a significant role in the GDP of the nation. The study found that while there is a significant difference in how both organizations use their resources and are able to satisfy their long-term responsibilities, there is no statistically significant difference in the average score of a number of financial criteria for retail.

10. Sathishkumar L Varma–(2021) According to a study, the retail sector in India is flourishing at the moment and is becoming a centre for exports as a result of privatization and globalisation. The production, sales, and exports of India's retail business are reviewed in this article by category. Industry growth may be compared between pre- and post-liberalization periods. As the, customs duties on imported goods will be increased by 15% to support local manufacturers and will be reduced for some retail imports.

11. Nadia SweetmanMclens–(2020) The Commonwealth Corporations Act of 2001's licencing system for Indian Financial planning services Licensee-Authorized Representatives is examined in this book. The book fills a need in academic attention to this subject by developing a new conceptualised framework for the financial planning discipline. Before integrating this framework with financial planning theory, it incorporates theories in agency, legislation, legitimacy, and independent individualregulatory regimes in other professions to look into the legitimacy— or lack thereof— of licencing advisers via multiple third-party conflicted commercially oriented licensees.

12. Ram kumar Mishra–**(2022)** The comparative financial performance of Indian retail is the study's main area of interest, and the financial facts and data needed for the research were gleaned from numerous annual reports of companies. Both companies' liquidityandleverageare looked at. Four ratios are taken into account when analyzing the leverage position: capital gearing, debt-equity, totaldebt, and proprietary ratio. The outcome indicates that Tata Motors Ltd. must enhance the proprietor fund percentageinvestedin the company in order to improve the long-term solvency condition

3. PROBLEM STATEMENT & METHODOLOGY

This work is focused on researching "Financial Planning and Analysis" within the retail and fashion industry. Financial planning involves setting guidelines for an organization's purchasing, investment, and management of funds. It encompasses the process of creating a strategic plan for the firm's future. The goal of the study is to evaluate and understand the significance of financial planning andanalysis in the success and stability of a business.

3.1 Need for the study

- Determine the current and future capital needs of Fashion and Retail Ltd.
- Implement effective cash flow management strategies.
- Oversee the internal flow of funds efficiently.
- Enhance the measurement and management of the balance between the organization's liquidity and profitability.

3.2 Objectives

- Analyze financial planning within the retail and fashion sector.
- Assess the current financial status of retail and fashion businesses.
- Examine the effects of financial planning and management approaches on the company's profit and loss.
- Provide a current analysis of financial planning through processes, operations, and various elements.

3.3 Research Methodology

Research Design: This study adopts a mixed-method approach, combining quantitative analysis and qualitative exploration to comprehensively understand Fashion and Retail business.

This study employs both types of data collection:

1. **Primary Data Collection:** Primary data collection involves gathering new, original data directly. This was achieved through:
    - Conversations with employees.
    - Consulting with external advisors relatedto the project.
    - Direct interactions with staff to understand the financial situation of the business.

2. **Secondary Data Collection:** Secondary data collection involves gathering information that has already been compiled and used for other purposes. This includes:
    - Financial statements
    - Textbooks
    - Websites
    - Annual reports

4. DATA ANALYSIS AND INTREPRETATION

4.1. Horizontal Analysis Formula:

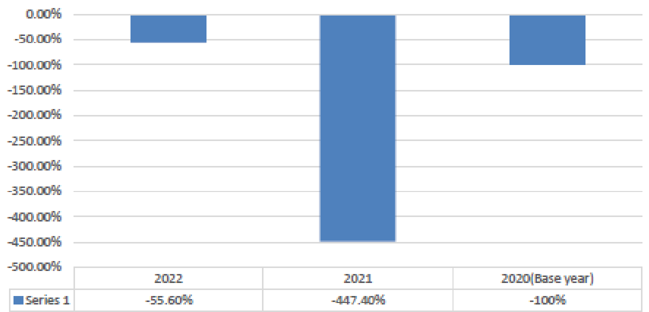
$$\text{Horizontal analysis} = \frac{\text{Amount in comparison year}}{\text{Amount in base year}} * 100$$

4.1.1. Horizontal analysis of the Income Statement:

Using the specified formula for calculation, 2020 is set as the base year, with 2021 and 2022 representing the values for the horizontal analysis of the income statement. In this horizontal analysis:

- The percentage change for 2022 is -55.6%
- The percentage change for 2021 is -447.4%
- The percentage change for 2020 is -100%, as it is the base year.

4.1. This graph representing Horizontal Analysis on Income statement



Interpretation:

In this analysis, changes in the presentation of financial statements over time may havecausedrevenues and costs to shift between accounts. A negative value in the horizontal analysis of the income statement indicates thatthe company’s net income has decreased over time. This decline could result from reduced revenues, increased costs, or both. Negative figures in the income statement can influence management decisions by highlighting areas requiring attention and suggesting possible actions such as cost reductions, operational improvements, or adjustments to pricing or product lines to reverse the downward trend.

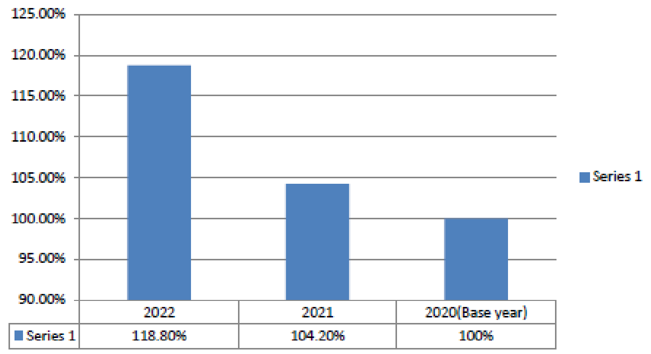
4.1.2. Horizontal analysis of Balance Sheet:

Using the horizontal analysis formula, 2020 is used as the base year, with 2021 and 2022 representing thevalues for the horizontal analysis.

Interpretation:

The balance sheet analysis of a company reveals how proportions shift from year to year. This research involves comparing data from financial statements across different reporting periods. A horizontal analysis of the balance sheet shows that the company's total assets have increased over time, suggesting an improvement in the company’s financial position in that area. In the company's horizontal analysis, changes in interest rates or overall market conditions can impact the valuation of assets and liabilities.

4.1.1. This graph representing Horizontal Analysis on balance sheet



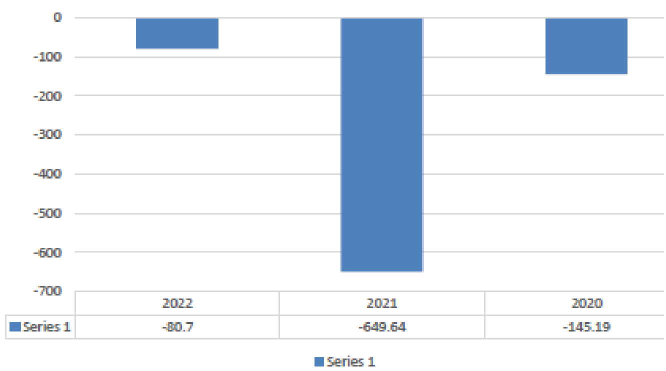
4.2. Vertical Analysis Formula:

Vertical analysis = Income statement item / Total sales * 100

4.2.1. Vertical analysis of the Income Statement:

Using the horizontal analysis formula, the vertical analysis of the income statement is calculated as follows: For 2022, the value is -80.7; for 2021, it is -649.64; and for 2020, it is - 145.19, based on the income statement and total sales.

4.2. This graph representing Vertical Analysis on Income statement



Interpretation:

The vertical analysis of an income statement is a method of financial analysis where each line item is expressed as a percentage of a specific figure within the statement. This approach highlights the relative sizes of various accounts. It suggests that a company's net income could decline due to decreased sales or increased expenses. However, when comparing negative percentages over time in a vertical analysis, the direction of changes in line items might not be clearly indicated.

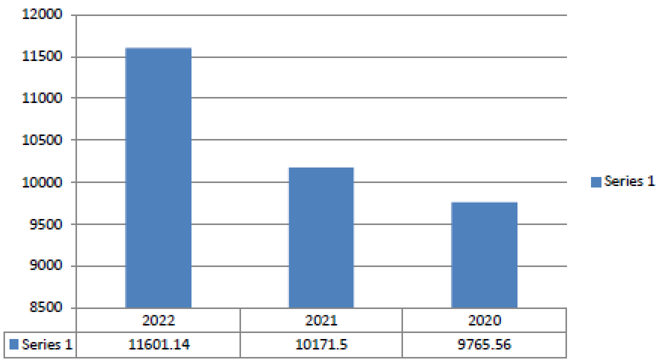
4.2.2. Vertical analysis of Balance Sheet:

Using the vertical analysis formula, the balance sheet valuesare as follows: 11,601.40 for 2022, 10,171.50 for 2021, and 9,765.56 for 2020.

Interpretation:

The vertical analysis of the balance sheet, as depicted in the graph above, reflects the economic and financialactivities conducted within the company to meet its objectives, which inherently lead to changes in assets. It indicates that raising capital typically results in an increase in owner's equity. If the value of all assets rises while a specific asset remains unchanged, the effects observed during the vertical analysis may vary based on the specific conditions and structure of the balance sheet.

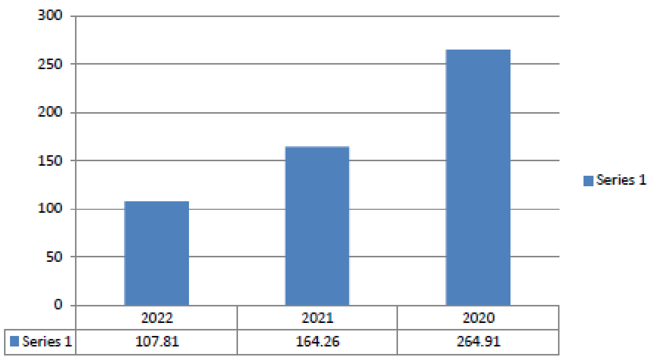
4.2.1. This graph represnting Vertical Analysis on Balance sheet



4.3. Cash Flow Statement:

The cash flow statement value of cash flow is 107.81 in 2022, 164.26 in 2021 and 264.91 in 2020 in the statement.

4.3. This graph representing Cash Flow Statement



Interpretation:

The cash flow statement reveals that these factors are crucial for assessing a company's strength, profitability, and long-term prospects. A decline in sales or revenue is likely to negatively impact cash flow, leading to a decrease in the cash flow statement. Additionally, changes in working capital—encompassing inventories, accounts receivable, andaccounts payable—can also affect cash flow.

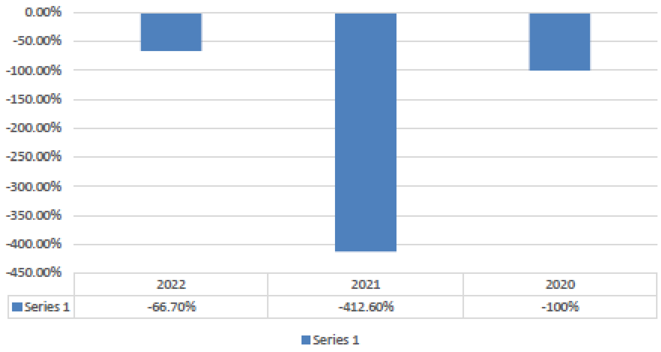
4.4. Trend Analysis:

Trend analysis uses 2020 as the base year, with 2021 and 2022 values compared to it. The trend analysis values are -66.7% for 2022, -412.6% for 2021, and -100% for the base year.

Interpretation:

In the trend analysis of a declining company, negative changes in key parameters being monitored over time are evident. This may include revenue, profit margins, customer acquisition, or other crucial indicators. The apparel industry, for example, was notably affected by COVID-19, leading to sharp declines in revenues. Companies in this sector might experience significant negative trends in revenue growth or even declines in revenue compared to previous periods.

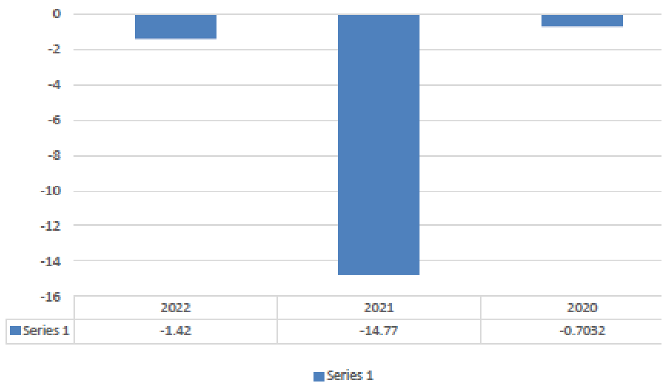
4.4. This graph representing Trend Analysis



4.5. Net Profit Margin ratio:

The net profit margin ratio values are -1.42% for 2022, -14.77% for 2021, and -0.70% for 2020, as shown in the statement.

4.5. This graph representing Net Profit Margin Ratio



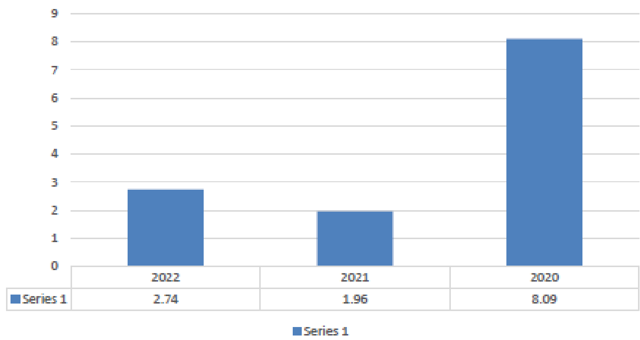
Interpretation:

The negative net profit margin shown in the figure indicates that the company's overall revenue is inadequate to cover all expenses, including taxes, interest costs, operational expenses, and the cost of goods sold. A company with a negative net profit margin may be experiencing losses if its sales fall short of expectations, its expenses exceed its income, and it struggles to meet its financial obligations. In the highly competitive retail sector, the company might have to lower prices to remain viable.

4.6. Return on Equity:

The return on equity values is 2.74 in 2022, 1.96 in 2021 and 8.09 in 2020 in the statement.

4.6. This graph representing Return on Equity



Interpretation:

When a company's return on equity declines, it means that its net income is yielding a lower return relative to the shareholders' equity invested. This decrease in profitability, which can result from falling sales or rising expenses, impacts the return on equity. Possible causes include increased competition and changes in the market environment. Additionally, fluctuations in return on equity can occur when a company repurchases its shares or issues new ones.

5. CONCLUSION

A study on financial planning and analysis provides insight into evaluating a company's performance by examining financial statements with various data analysis tools. Effective financial planning is essential for every organization to manage its day-to-day operations. In cases where a company's financial planning conditions are poor, it may struggle with profitability and liquidity. Such companies often face fluctuations in their financial position and current assets from year to year.

The overall conclusion is that the company’s operations and financial performance are underperforming. The organization fails to maintain a sufficient financial position, which has been further exacerbated by challenges suchas the COVID-19 pandemic. Proper financial planning and analysis are crucial to balancing profitability and liquidity. The observed decline in profit year after year indicates significant financial planning issues, particularly due to the impact of the pandemic.

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