
A STUDY ON FINANCIAL STATEMENT ANALYSIS OF KARUR VYSYA BANK LTD IN KUMBakonAM

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ABSTRACT

Financial statement analysis is the process of reviewing and analysis company's financial statements to make better economic decisions to earn income in future. The objectives are to study and analysis the financial performance of KVB ltd. Using different ratios and to offer suggestions. The complete study is used with the secondary data from the annual reports of KarurVysya bank's official website. The return on assets ratio, ratio of internet income to total assets, ratio of operating expenses and net profit margin were decreased. The financial performance of KarurVysya bank ltd from 2019 to 2020, 2020 to 2021 and 2021 to 2022 is satisfactory.

INTRODUCTION

Banking is the business activity of accepting and safeguarding money owned by other individuals and entitles and then leading out this money in order to earn a profit. The financial system deals with money, market, capital market, foreign exchange market and the various sources for raising funds. It also includes financial instruments. With the changing world trade, there has been a tremendous change, both in the banking and financial system. Added to this, the technological changes with the advent of computers have also brought in enormous changes in the functioning of banking and financial systems. New sources of credit have also emerged such as credit card which even people in the rural areas can avail themselves of.

FINANCIAL STATEMENT

Financial statement is an organized collection of data according to logical and consistent accounting procedure. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of balance sheet, or may reveal activities over a given period, as in the case of an income statement.

FINANCIAL STATEMENT ANALYSIS

“Financial statement analysis is largely a study of the relationship among the various financial factors of business as disclosed by a single set of statements and a study of the trend of these factors shown in a series of statements”.

TOOLS OR TECHNIQUES OF FINANCIAL STATEMENT ANALYSIS

Financial statements are profit and loss account and balance sheet and the figures within these statements can be re-arranged and presented in such forms which make the complex data more intelligible and thereby facilitate analysis and interpretation. Analysis is done by adopting different tools or techniques which are listed as under.

- Comparative financial statements.
- Common-size financial statements.
- Trend analysis.
- Ratio analysis.
- Funds flow statements.
- Cash flow statements.

REVIEW OF LITERTURE

Bangaru Pushpalata (2020),analyzed the financial statements of sate bank of India. The objectives are examining the portfolio of assets and liabilities in SBI. Researchers limited the study to 7 years starting from 2011 to 2017. Researchers used ‘T’ test to determine the relative importance of each variable. The study reported SBI have healthier managing and financial efficiency. It also reported people prefers SBI for advance loan schemes”.

Nandhinithakur (2020), the study is conducted on financial statement analysis of HDFC bank with time of 2013-2014 to 2017-2018. The objective is to measure the efficiency of various properties of bank. Research find that bank’s financial performance was strong and suggested to providing more housing loans to the development pf the citizen of India.

Rajendran p (2019), analyze the performance of HDFC bank. Researchers explained about HDFC bank’s history, current ratio, position ratio, debt equity ratio and proprietary ratio was good. The

study finds that the part of working capital of the bank was financial by long term funds. Researchers conclude with result as HDFC bank was the largest private sector bank in India and its financial performance was strong during the period of study”.

STATEMENT OF THE PROBLEM

Banking industry is the most required and important sector in a developing country like India. This leads to make a study about some important sector and important aspects related to financing systems of a well-established country like India, like KARUR VYSYA BANK LTD., the study covers. The major issues and problems of activities performed by the bank need to be enquired about some vital aspects of banks and some solutions to be suggested for the development of the bank.

OBJECTIVES OF THE STUDY

- ❖ To study comparative and common size income statement analysis of the study unit.
- ❖ To study the various facilities provided by KARUR VYSYA BANK.
- ❖ To make suggestions and recommendations to improve the financial position of the study unit.

RESEARCH METHODOLOGY

- ❖ Research methodology means providing valuable guidelines to do the projects systematically. In other words, it indicates ways to collect, analyze and interpret the data. Data collected from the annual reports and audited financial statements of KURUR VYSYA BANK LTD.

SCOPE OF THE STUDY

- ❖ The research paper is aimed at analyzing the performance of the bank on various financial aspects. and also, this study deals with the comparative and common size balance sheet the financial position and position.

LIMITATIONS OF STUDY

- ❖ This project is confined to the secondary data of the annual report of the bank.
- ❖ Due to the time constraint, the study is constraint to a period of these five years only.
- ❖ The study does not cover other areas of financial management like capital budgeting, find flow statement, working capital management.
- ❖ The study is limited to the important fields of activities of the bank.

COMPARATIVE BALANCE SHEET

A comparative balance sheet presents side information about an entity's assets, liabilities, and shareholder's equity as of multiple points in time. For example, a comparative balance sheet could present the balance sheet as of the end of each year for the past three years.

COMMON SIZE BALANCE SHEET

A common size balance sheet is a balance sheet that displays both the numeric value and relative percentage for total assets, total liabilities and equity accounts. Common size balance sheet is used by internal and external analysis and are not a reporting requirement of generally accepted accounting.

ADVANTAGES OF COMPARATIVE BALANCE SHEET

- Shows financial trends – A comparative balance sheet can reveal if a company's financial health is improving or declining over time, like tracking the progress of savings in a bank account.
- Highlights growth patterns – It can spotlight whether a business is expanding, like observing a plant's growth by measuring its height at different times.
- Easier performance comparison – This tool simplifies contrasting a company's financial performance across different periods, similar to comparing two report cards to see academic improvements.
- Helps in decision-making – It aids managers and investors in making informed choices, much like a traveller uses a map to decide which path to take.
- Indicates financial stability – It signals the firm's ongoing ability to meet its financial commitments, akin to a steady heartbeat indicating good physical health.

DISADVANTAGES OF COMPARATIVE BALANCE SHEET

- Lacks detailed transaction analysis – A comparative balance sheet doesn't break down individual transactions, making it tough to pinpoint specific changes or anomalies in financials.
- Historical data, not current trends – It uses past financial data, which may not reflect the company's present financial health or ongoing activities.
- Ignores inflation effects – This financial statement doesn't account for changes in the purchasing power of money, which can distort true financial performance over time.
- No qualitative information – It focuses on financial figures and lacks narrative on non-financial factors that could impact the company's value, like management quality or market position.
- Doesn't show causation – While it shows financial changes over time, it doesn't explain why these changes occurred, leaving out the underlying causes of financial movement

TABLE NO. 1

COMPARATIVE BALANCE SHEET AS ON 01.04.2020 – 31.03.2021

PARTICULARS	2020	2021	INCREASE OR DECREASE	%
ASSETS				
Cash and balance with RBI	2,934.68	2,732.67	202.01	6.88%
Balance with banks and money at call and short notice	762.36	1,659.88	+897.52	117.73%
Investment	14,881.59	15,762.45	+880.86	5.01%
Advances	48,580.81	46,098.11	-2482.70	5.11%
Fixed assets	582.99	586.64	+36.5	0.63%
Other assets	1,597.68	1,438.43	159.25	9.96%
TOTAL (A)	69,370.11	68,278.17	1,061.94	1.53%
CAPITAL AND LIABILITIES				
Capital	159.86	159.86	NIL	100%
Reserves and surplus	6,262.94	6440.41	+177.47	2.83%
Deposits	59,867.95	59,075.08	792.87	1.32%
Borrowing	1,565.34	1,184.18	381.16	24.35%
Other liabilities and provision	1,487.02	1,418.64	65.38	4.40%
TOTAL (B)	69,370.11	68,278.17	1,061.94	1.53%

The above table describes the comparative balance sheet of 2019-2020. It details the assets and liabilities of 2 years. The investments increased with 5% and the other assets increased with 9% in the study period during 2019-2020.

The total long-term liabilities also increased with 5% and reserves and surplus with 25. It shows the shareholder capital and assets faces decreasing trend during the study period.

TABLE NO. 2
COMPARATIVE BALANCE SHEET AS ON 01.04.2021 – 31.03.2022

PARTICULARS	2021	2022	INCREASE OR DECREASE	%
ASSETS				
Cash and balance with RBI	2,732.67	3,124.50	391.38	14.32%
Balance with banks and money at call and short notice	1,659.88	3,196.28	1,536.40	92.56%
Investment	15,762.45	16,018.93	256.48	1.63%
Advances	46,098.11	50,363.51	4265.40	9.25%
Fixed assets	586.64	539.60	47.58	8.11%
Other assets	1,438.43	1,381.36	57.07	3.97%
TOTAL(A)	68,278.17	74,623.19	6,345.02	9.29%
CAPITAL AND LIBILITIES				
Capital	159.86	159.86	NIL	100%
Reserves and surplus	6440.41	6,799.88	+359.47	5.58%
Deposits	59,075.08	63,278.43	+4,203.35	7.11%
Borrowings	1,184.18	2,528.29	+1,344.11	113.50%
Other liabilities and provisions	1,418.64	1,856.73	+438.09	30.88%
TOTAL (B)	68,278.17	74,623.19	6,345.02	9.29%

The above table describes the comparative balance sheet of 2020-2021. It details the assets and liabilities of 2 years. The cash and bank balance increased up-to Rs.391.38 with the percentage of 28.59%, but the advance increased with 9.25%. The other liabilities also increased with 30.88% and increased reserves and surplus with 5.58%. It shows the share capital and assets faces increasing trend during the study period.

TABLE NO. 3

COMPARATIVE BALANCE SHEET AS ON 01.04.2022 - 31.03.2023

PARTICULARS	2022	2023	INCREASE OR DECREASE	%
ASSETS				
Cash and balance with RIB	3,124.05	3,594.26	+80.20	2.28%
Balance with banks and money at call and short notice	3,196.28	1,331.91	1,474.37	52.54%
Investment	16,018.93	17,216.06	1,197.13	7.47%
Advances	50,363.51	55,334.62	4,971.11	9.87%
Fixed assets	539.60	478.49	60.57	11.24%
Other assets	1,381.36	2,088.38	702.02	51.18%
TOTAL (A)	74,623.19	80,043.72	5420.53	7.26%
CAPITAL AND LIABILITIES				
Capital	159.86	160.00	+14	0.08%
Reserves and surplus	6,799.88	7,436.20	+636.62	9.36%
Deposits	63,278.43	68,676.16	5,387.73	8.53%
Borrowings	2,528.29	1,339.09	1,189.20	47.03%
Other liabilities and provisions	1,856.73	2,432.26	575.53	31.00%
TOTAL (B)	74,623.19	80,043.72	5420.53	7.26%

The above table describes the comparative balance sheet of 2021-2022. It details the assets and liabilities of 2 years. The cash and the banks balance increased with 2.28% and investment increased with 7.47%. The deposits increased only up-to Rs. 5397.73 with 8.53% but the reserves and surplus also increased and the borrowings are decreased with 9.26% and 47.03% respectively. It also observed that assets & liabilities are balances with 7.26% during the study.

TABLE NO. 4

COMMON SIZE SHEET AS ON 01.04.2020 – 31.04.2021

PARTICULAR	2020	2020	2021	2021
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
ASSETS				
Cash and balance with RBI	2,934.68	4.23%	2,732.67	4.00%
Balance with banks and money at call and short notice	762.36	1.09%	1,659.88	2.43%
Investment	14,881.59	21.46%	15,762.45	23.05%
Advances	48,580.81	70.06%	46,098.11	67.42%
Fixed assets	582.99	0/84%	586.64	0.86%
Other assets	1,597/68	2.30%	1,438/43	2.11%
TOTAL (A)	69,340.11	100	68,278.17	100
CAPITAL AND LIABILITIES				
Capital	159.86	0.23%	159.86	0.23%
Reserves and surplus	6,262.94	9.03%	6,440.41	9.42%
Deposits	59,867.95	86.33%	59,075.08	86.4%
Borrowings	1,565.34	2.26%	1,184.18	1.73%
Other liabilities and provisions	1,484.02	2.14%	1,418.64	2/08%
TOTAL (B)	69,340.11	100	68,276.17	100

The above analysis of common size balance sheet as on 31st march indicates the relationship between the current assets' current liabilities of 2019-2020. It has been taken 100% as total for the 2 years and each liability are show as percentage of the balance sheet total of that year.

It reveals the current assets and current liabilities are stepping towards the growth in percentage from 2019-2020 during the period.

TABLE NO. 5

COMMON SIZE SHEET AS ON 01.03.2021 - 2022

PERCENTAGE	2021 AMOUNT	2021 PERCENTAGE	2022 AMOUNT	2022 PERCENTAGE
ASSETS				
Cash and balance with RBI	2,732.67	4.00%	3,124.05	4.70%
Balance with banks and money at call and short notice	1,659.88	2.43%	3,196.28	3.76%
Investment	15,762.45	23.05%	16,018.93	21.44%
Advances	46,098.11	67.42%	50,363.51	67.40%
Fixed assets	586.64	0.86%	539.06	0.72%
Other assets	1,438/43	2.11%	1,381.36	1.85%
TOTAL (A)	68,278.17	100	74,623.19	100
CAPITAL AND LIABILITIES				
Capital	159.86	0.23%	159.86	0.21%
Reserves and surplus	6,440.41	9.42%	6,799.88	9.10%
Deposits	59,075.08	86.4%	63,278.43	84.68%
Borrowings	1,184.18	1.73%	2,528.29	3.38%
Other liabilities and provisions	1,418.64	2/08%	1,856.73	2.49%
TOTAL (A)	68,276.17	100	74,623.19	100

The above analysis of common size balance sheet as on 31st march indicates the relationship between the current assets and current liabilities of 2020-2021. It has been taken 100% as total for the 2 years and each asset and each asset and liabilities are show as percentage of the balance sheet total of that year. It reveals the current assets and current liabilities are stepping towards the growth in percentage from 2020-2021 during the period.

TABLE NO. 6

COMMON SIZE SHEET AS ON 01.04.2022 - 31.03.2023

PARTICULAR	2022 AMOUNT	2022 PERCENTAGE	2023 AMOUNT	2023 PERCENTAGE
ASSETS				
Cash and balance with RBI	3,124.05	4.70%	3,594.26	4.48%
Balance with banks and money at call and short notice	3,196.28	3.76%	1,331.91	1.66%
Investment	16,018.93	21.44%	17,216.60	21.48%
Advances	50,363.51	67.40%	55,334.62	69.04%
Fixed assets	539.06	0.72%	478.49	0.60%
Other assets	1,381.36	1.85%	2,088.38	2.61%
TOTAL (A)	74,623.19	100	80,043.72	100
CAPITAL AND LIABILITIES				
Capital	159.86	0.21%	160.00	0.20%
Reserves and surplus	6,799.88	9.10%	7,436.20	9.28%
Deposits	63,278.43	84.68%	68,676.16	85.68%
Borrowings	2,528.29	3.38%	1,339.09	1.67%
Other liabilities and provisions	1,856.73	2.49%	2,432.26	3.04%
TOTAL (B)	74,623.19	100	66,929.12	100

The above analysis of common size balance sheet as on 31st march indicates the relationship between the current assets and current liabilities of 2021-2022. It has been taken 100% as total for the 2 years and each asset and liabilities are shown as percentage of the balance sheet total of that year. It reveals the

current assets and current liabilities are stepping towards the growth in percentage from 2021-2022 during the period.

FINDINGS

- The investment increased with 5% and the other assets with 9% simultaneously, the total long-term liabilities also increased with 5% and reserves & surplus also increased with 2% in 2020 to 2021.
- The cash at bank balance increased to 28.59%, but the advanced increase with 9,25% the other liabilities also increased with 30.88% and increased reserves & surplus with 5.58% during study period 2021 to 2022.
- The cash and bank balance increased with 2.28% and investment increased with 7.47% the deposits reserves & surplus also increased and the borrowing are decreased with 8.53%, 9.36% and 47.03% during 2022 to 2023.
- The common size balance sheet reveals the current assets and current liabilities are stepping towards the growth in percentage from 2020-2021 to 2022-2023.

SUGGESTION

Karur Vysya bank may decrease in liquid assets, but it should increase the other liabilities and try to improve the cash and bank balance.

CONCLUSION

The study concludes the financial performance of KVB bank is satisfactory and it is effectively utilizing its funds and assets to maximise its profits. KVB bank can also strengthen their balance sheet by taking strong effort properly properly to ensure positive position. KVB bank will cross, a historical milestone by attaining the peak of its performance through its well-built financial resources and planned utilization of such resources in the upcoming years.

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