



A STUDY ON THE RATIO ANALYSIS OF CITY UNION AT KUMBakonam

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Introduction

Financial Management is a mainly concerned with corporate financial management finance or business finance. The process of financial management involves procuring and use of the funds by a business from with appropriate planning and effective controlling of the form financial resource. In other words, financial management is nothing but managerial decision-making on acquiring of adequate financial capital mix and profitable allocation within a firm.

Financial Management primarily concerns with the management of financial aspect of an enterprise. It deals with procurement of funds and their effective utilization in the business enterprise. Financial Management involves the application of general management principal to financial operation. Thus, the financial operation is concerned with management.

Definition

According to Arches and Antra, "Financial Management is the Application of the planning and control function to the financial function."

Importance Financial Management

- It helps of a business to organize its finance and acquire to necessary capital.
- It is crucial for efficient and effective use of borrowed money.
- Business needs financial management make financial decision.
- It ensures that the company legal requirement on financial aspects.
- To scope of financial management has become relatively more analytical and quantitative.
- To scope of financial management has broad end. The primary concern of financial management is considered to be rational matching of fund to their uses in the light of appropriate criteria.

Ratio analysis

It is very difficult to make enlightened decision based on the usual annual financial Statement of an organization for evaluating the financial position and performance of an organization, the financial analyst needs some yardstick tools to make basis for his opinion.

Types of analysis

The process of analysis may be taken the various types and normally it is classified into different categories on the basis of information used and on the basis of modus operandi of analysis. The classification is as under.

- I. On the basis of information used
 - ◆ External analysis
 - ◆ Internal analysis
- II. On the basis of operand used
 - ◆ Horizontal analysis
 - ◆ Vertical analysis

External analysis

This is an analysis based on information easily available to outsider for the business. Outsider include credit supplier government agencies etc. these parties do not have access to the internal record of the concern and generally obtain data for analysis from the published financial statement. Thus, an analysis done by outsiders is known as external analysis. Such as analysis serves a very limited purpose.

Internal analysis

This is an analysis, based on information obtained from the internal and unpublished record and books. Naturally, it is being conducted by internal analysis such as executives, employees, government officials etc. such an analysis is useful for internal government and employees.

Horizontal analysis

Trend analysis or dynamic analysis which is made by analysing the financial statement over a period of years. It indicates the trend of such variables as sales cost of production profits assets and liabilities. For this purpose, comparative financial statements are prepared horizontally.

Vertical analysis

It is called structural analysis because it shows the relationship between different accounting variables. For this purpose, comparative financial statements are prepared vertically.

Statement of the Problem

In a fast-changing banking environment of today the very survival of a banking organization depends on level of the income generated through optimum use of assets after paying the cost of funds for acquiring them and other administration costs involved therein. Finance is the scarcest resources in India and hence it needs to be utilized and managed optimally. The sound performance of a bank depends on the well-planning of capital structure, investment, asset and liability management. Any bank that fail to apply the sound principles of capital structure, like cost, control and the firm that fails to adopt scientific tool of investment and distribution in managing fund will not survive in the long run. Further the bank should apply the wealth maximization as criteria in tacking finance decision like financing, investment and distribution. As a Private Sector Bank, City Union Bank has to face competition and challenges from other Private Sector Banks, Public Sector Banks and Foreign Banks. City Union Bank has to manage the funds efficiently to increase profitability and productivity as well as to win confidence of public. So, the researcher made an attempt to study the financial management of City Union Bank.

Scope of the Study

For the purpose of the researcher has selected the City Union Bank on the whole. The concepts of financial management were considered for the purpose of study various ratios have been used to analyse the data.

Objectives of the Study

- To study comparative and common size income statement analysis in the study unit. out the financial position and profitability of the study
- To find unit by using ratio analysis techniques.
- To study the various facilities provided by City Union Bank.
- To analysis and interpret various ratio City Union Bank Ltd., by analysing the profitability solvency and liquidity position of the company.
- To make suggestion and recommendations to improve the finical position of the study unit.

Research Methodology

Case study method has been adopted for the study. Case study is a researcher method involving an up-close, in dept and detailed examination of a subject of study, as well as its related contextual condition. The financial management of City Union Bank has been analyzed in this study.

Limitations of the study

- ✓ The study analysis the City Union Bank as a whole, it does not analysis the financial management of individual branches.
- ✓ The study is limited only to only five years from 2017-2018 to 2021-2022.
- ✓ The data of this study has been collected from published annual reports of City Union Bank and internet.
- ✓ The study considers only financial management of City Union Bank and does not include qualitative factors.

Review of the Literature

Abdul Naser V (2014)The Research paper describes about the relationship between employee efficiency and performance of the working of banks. The time period covered is 2007 to 2013. It is all about all public and private sector banks working in India.The study also considered foreign sector banks. The drastic change in the performance can be seen before reforms and after reforms. Because of latest technology, increased competition the new banks adopted this in their day-to-day working because of which there is an improvement in the performance of thebanks.

Sodhi and Waraich (2016)This study made a fundamental analysis with the help of key financial ratios to identify the value of stocks of the selected banks and their investment opportunities. They found that private and foreign banks are trying to improve their performance due to increasing completion in the banking sector.

Balaji and Kumar (2016)This study examined and compared the overall financial performance of selected public and private sector banks in India during the period 2011-2012 to 2015-2016 with help of mean and t-test. They concluded that public sector banks redefine their strategies by considering their strategies, weakness and operating market.

Palamalai Srinivasan, John Britto (2017)The study comprises 16 commercial banks, 11 representing public sector and 5 from private sector, and the financial performance of these banks are analyzed using the financial ratios. The study shows that the financial performance or private sector banks are relatively better than public sector banks throughout the study period. Besides, the study examines the impact of liquidity, solvency and efficiency on the profitability of the selected Indian commercial banks by employing the panel data estimations, viz. The Fixed Effect and Random Effect models. The empirical results from the panel date estimations revealed that the liquidity ratio and solvency ratio, and the turnover ratio and solvency ratio are found to have positive and significant impact on the profitability of selected publicsector and private sector banks, respectively, bearing testimony to the fact that profitability is a function of those ratios.

Taqi and Mustafa (2018) This study analyzed the growth and performance of Punjab National Bank and HDFC Bank for the period of 2006-2007 to 2015-2016. They made quantitative analysis and found that PNB is more financially sound than HDFC but in context of deposits and expenditure HDFC has better managing efficiency.

Profile of City Union Bank

City Union Bank Limited (CUB) is an Indian Bank headquartered in Kumbakonam, Tamil Nadu. The bank was initially named Kumbakonam Bank Limited and was incorporated on 31 October 1904. The bank preferred the role of a regional banking the Thanjavur district of Tamil Nadu. CUB provides a gamut of technological services such as net banking, mobile banking, self-service kiosks, bulk note acceptors and point of sales. To cater to the needs of customers coming from many different walks of life, the bank also has a wide offering of savings and deposit products. It also offers many loan products to service the financial needs of small individual customers as well as large industries. In FY2016 the bank had a market capitalization of Rs.12,529.92 crores (US\$1.7 billion) and operated 700 branches, and 1762 ATMs.

Ratio analysis

Ratio Analysis is a powerful tool of financial analysis. It is used as a device to analyse and interpret the Financial Health of a Firm. Analysis of financial statement with the Aid of ratios help the management in decision making and control.

True use of ratio analysis is not confined to financial managers only. Different parties are interested in knowing the financial position of a firm for different purposes. Ratio analysis is used by creditors, banks, financial institutions, investors, and shareholders. It helps them in making decisions regarding the gathering of credit and making investments in the firm. This ratio analysis is of immense use and has wide application.

Interpretation of Ratios

Advances to Deposits

The advances to deposits ratio measures loans (advances) as a percentage of deposits. A ratio of 100% or less shows that the bank is funding all its loans from deposits rather than relying on wholesale funding (funding from the capital markets or other banks).

$$\text{Advances to Deposits} = (\text{Advances/Deposits}) \times 100$$

Advances to Investment

Normally, bank has two main channels for deployment of resources viz., Loans and investments. While loans are expected to provide higher returns compared to Investment more over suffer from higher credit risk are more liquid than investment.

$$\text{Advances to Investment} = (\text{Advance/Investment}) \times 100$$

Advances to Total Assets

The loan and advances being the liquid assets for a bank, this ratio indicated the percentage of liquid assets to the assets. Other thing being equal a rise in this ratio would indicate lower liquidity and need to evaluate other liquidity ratios. The low ratio indicates the high liquidity of the bank.

$$\text{Advances to Total Assets} = (\text{Advances/Total Assets}) \times 100$$

Current Assets to Fixed Assets

This ratio has been computed by dividing the amount of total current assets by the fixed assets in the bank.

$$\text{Current Assets to Fixed Assets} = (\text{Current Assets/Fixed Assets}) \times 100$$

Interest Earned to Working Funds

Interest incomes is the main margin for the bank to carry out it's business efficiently higher the interest income denotes higher will be the efficiency in utilizing/deploying the funds. Ratio of interest earned to working funds is calculated by using the following formula:

$$\text{Interest Earned to Working Funds} = (\text{Interest Earned/Working Funds}) \times 100$$

Table No. 1

Advances to Deposits

S.No.	Year	Advances	Deposits	Ratio
1.	2017-2018	27852.79	32852.62	84.77
2.	2018-2019	32673.34	38447.95	84.98
3.	2019-2020	33927.45	40832.49	83.09
4.	2020-2021	36157.83	44537.36	81.19
5.	2021-2022	36157.83	47689.66	84.63

Interpretation

The ratio of advances to deposits was analyzed in the above table. The amount of total advances has increased continually throughout the study period. It increased from Rs.27852.79 crores in 2017-18 to Rs.40358.48 crores in 2021-22. The total deposits have increased gradually from

Rs.32852.62 in 2017-18 to Rs.47689.66 crores in 2021-22. The ratio has fluctuated and varied between 81.19% and 84.98%.

Table No. 2
Advances to Investments

S.No.	Year	Advances	Investment	Ratio
1.	2017-2018	27852.79	78791.06	0.35
2.	2018-2019	32673.34	77122.00	0.42
3.	2019-2020	33927.45	91167.86	0.37
4.	2020-2021	36157.83	94359.44	0.38
5.	2021-2022	40358.48	122112.21	0.33

Interpretation

The above table registered the ratio of advances to investment. The advances has increased from Rs.27852.79 crores in 2017-18 to Rs.40,358.48 crores in 2021-22. The investment increased from Rs.78791.06 crores 2017-18 to Rs.12221.21 crores in 2021-22. It decreased to Rs.77122.00 crores in 2018-19 and increased to Rs.12,2112.21 crores in 2021-22. The ratio of advances to investment has varied between 0.33 and 0.42 during the study period.

Table No. 3
Advances to Total Assets

S.No.	Year	Advances	Total Assets	Ratio
1.	2017-2018	27852.79	39937.24	0.69
2.	2018-2019	32673.34	45258.88	0.72
3.	2019-2020	33927.45	49733.53	0.68
4.	2020-2021	36157.83	53311.68	0.67
5.	2021-2022	40358.48	61530.91	0.65

Interpretation

The above table analysis the relationship between advances and total assets of City Union Bank, the advances of City Union Bank has increased throughout the study period. The total assets were also increased throughout the study period. In 2017-18 the total assets was Rs.39937.24 crores in 2017-18. It increased by Rs.21593.67 crores and reached to Rs.61530.91 crores in 2021-22. The trend of advances and total assets reflected in the ratio and varied between 0.65% and 0.69%

Table No. 4
Current Assets to Fixed Assets

S.No.	Year	Current assets	Fixed Assets	Ratio
1.	2017-2018	11861.32	22312.66	0.53
2.	2018-2019	12335.50	25003.31	0.49
3.	2019-2020	15560.90	25003.31	0.63
4.	2020-2021	16921.16	23269.01	0.72
5.	2021-2022	21557.79	21465.46	1.00

Interpretation

The above table analyzed the ratio of current assets to fixed assets. The amount of current assets was recorded as Rs.11861.32 crores in 2017-18 and increased to Rs.21557.79 crores in the year 2021-22. The amount of fixed asset has decreased in last three years of study period. The variable proportion of current assets and fixed assets reflected in the ratio and recorded a decrease only in the year 2018-19.

Table No. 5
Interest Earned To Working Funds

S.No.	Year	Interest Earned	Working Funds	Ratio
1.	2017-2018	3402.42	39937.25	0.09
2.	2018-2019	3767.17	45258.89	0.08
3.	2019-2020	4168.60	49733.53	0.08
4.	2020-2021	4134.68	53311.68	0.08
5.	2021-2022	4104.77	61530.91	0.06

Interpretation

The above table describes the contribution of interest earned to working funds. Interest has increased from Rs.3402.42 crores in 2017-18 to Rs.4107.77crores in 2021-22. The amount of working fund has gradually increased throughout the study period from Rs.39937.25 crores to Rs.61530.91 crores. The ratio of interest earned to working funds has recorded as 0.09 crores in 2017-18 to 2020-21 the ratio decreased to 0.06 crores.

Findings, Suggestions and Conclusion

Findings



- The ratio of advances to deposits has fluctuated and varied between 81.19% and 84.98%
- The ratio of advances to investment has varied between 0.33 and 0.42 during the study period.
- The trend of advances and total assets reflected in the ratio and varied between 0.65 and 0.69.
- The variable proportion of current assets and fixed assets reflected in the ratio and recorded a decrease only in the year 2018-19.
- The ratio of interest earned to working funds has recorded as 0.09 crores in 2017-18.2018-19 to 2020-21. In 2021-22 the ratio decreased to 0.06.

Suggestion

- The following are the suggestions offered by the researcher through the study
- The borrowings of City Union Bank has fluctuated more when compared to all sources and deployment of funds. The bank should adopt a fair strategy in the policy of borrowings.
- The bank can concentrate in mobilizing more deposits.
- The deposit amount may be channelized in to advances and investment. Out of that, the importance should be given to advances than investment because bank may have a good margin of interest income received from advances.
- The City Union Bank should give important to current assets to satisfy the requirements and norms from RBI regarding reserves.

Conclusion

Modern banking operations touch almost every sphere of economic activity. They have far reaching consequences on economic development of a country. The banks, the collection savings, lending or investing money and by generating money play a vital part in the country's economy. A part from serving as repository of savings, a banking institution performs a useful allocative service to the community by fuelling funds into relatively more efficient channels. To perform better, the bank has to manage its funds efficiently. The study of funds management of City Union Bank reveals that the banks have been mobilizing of sources in effective manner and the fund have been deployed in such a manner which yield more profit to the banks. The bank has been concentrating to increase its progress gradually, at the same time, it should win the confidence of public by having more liquidity. The bank has to maintain the stability in earning and progress in future. The initiative take by the bank to serve the various segments of the society is very helpful in developing a better business environment for the country.

Reference Books:



- Profitability analysis of Commercial Bank- Aruna Kumar Panda P. Shymala
- Profitability Analysis: An exploratory study-Nazit Ahmad Gilkar.

Website : www.wikipedia.com