
A STUDY ON FINANCIAL STATEMENT ANALYSIS OF CITY UNION BANK LTD IN KUMBAKONAM

Dr. S. Sujatha

Assistant Professor, PG & Research Department of Commerce,
Idhaya College for Women,
(Affiliated to Bharathidasan University)
Kumbakonam.
E-Mail : anus00130@gmail.com

ARTICLE DETAILS

Research Paper

Keywords :

*City Union Bank, Profit
Maximization, Financial
Performance*

ABSTRACT

Banking sector is one of the fastest growing sectors and been one of the most preferred avenues of employment in India. Today's banking sector is becoming more complex. Today, banks have diversified their activities and are getting into new products and services that include opportunities in credit cards, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, custodian services, private equity, etc. Further, most of the leading Indian banks are going global, setting up offices in foreign countries, by themselves or through their subsidiaries. Performance evaluation of the banking sector is an effective measure and indicator to check the soundness of economic activities of an economy. Evaluating Indian banking sector performance is not an easy task.

Introduction

Finance may be defined as the art and science of managing money. It includes financial service and financial instruments. Finance also is referred as the provisions of money at the time when it is needed. Finance function is the procurement of funds and their effective utilization in business concern.

The concept of finance includes capital, funds money and amount. But each word is having

unique meaning. The concept of finance become an important part of the business concern. Every business activity requires finance without finance; the business would come to a halt.

Finance may be defined as the provision of adequate amount of money when it is required. As a management function, it has a wider meaning. Finance function is concerned with the procurement of funds and their effective utilization.

Objectives of the Study

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

Scope of the study:

- The project is aimed at analyzing the performance of the bank on various financial aspects.
- The project deals with the comparative and common size balance sheet to find the financial position and solvency position.

Statement of the Problem

Banking industry is the most required and important sector in a developing country like India this lead to make a study about some important aspects related to financing system of a well established bank of India, like City Union Bank Ltd. The major issues and problem of activities performed by the bank which needs to enquire in some vital aspects of the bank and some solutions to be suggested for the development of the bank.

Research methodology

Research methodology mean provides valuable guidelines to the projects systematically. In other word it indicates way to collecting analyzing and interpreting the data. In the preparation of the report and Annual Report have been collected from Kumbakonam Branch. Data collected from the annual report and audited financial statement. The secondary data derived from the magazines, websites and the Annual report of City Union Bank Ltd., at Kumbakonam.

Review of Literature

Athma Prahanta (2000) made an attempt to evaluate the performance of Public Sector Commercial banks with special emphasis on State Bank of Hyderabad. The period of the study for evaluation of

performance id from 1980 to 1993-94. Trends in deposits, various components of profits, trends, in Asset Structure of SBH are analyzed. It evaluated the level of customer satisfaction and compared the performance of SBH are analyzed. It evaluated the level of customer satisfaction and compared the performance of SBH with other PSBs, Associate Banks of SBI and SBI. Statistical techniques like ratios, percentages compound annual rate growth and averages are computed for the purpose of meaningful comparison and analysis. A comparison of SBH performance in respect of resource mobilization with other banks showed that the average growth of deposits of SBH is higher than any other bank group. Profits of SBH showed an increasing trend a more than proportionate increase in spread than in burden. Finally majority of the customers have given a very positive opinion about the various statements relating to counter service offered by SBH.

Altunbas Yener, Evans Lynne & Molyneux Philip (2001) in paper attempts to finds whether the ownership structure of banks influence their economic behavior. A variety of models are used for evaluation cost and profit efficiencies as well as the impact of technical progress for private commercial.

Common Size Statement

Common Size Statement indicates the relationship of various items with some common items. Similarly expressed as percentage of the common item. Similarly in the balance sheet the total assets and total liabilities is take as base and all other figures are expressed as percentage of this total.

Financial Size Statement is not easy to understand even through its shows absolute figures. They are even miss lending thus whole income statement and balance sheet is converted into percentage from such converted from of the statement is called common size statement, The common size income statement each time. It the debit side is converted in the percentage to total expenses and eachtime in the credit side is also expressed in term of percentage to total income.

In this analysis common size statement of study unit during study periods are prepared and given in following pages to interpret result there of year wise commonsize balance sheet study unit are given in the following table.

COMPARATIVE BALANCE SHEET AS ON 31ST MARCH 2020-2021				
Particular	2020	2021	Increase Or Decrease	
			Amount	%
ASSETS:				

Cash & Balance with RBI	104,01,132	1,23,35,069	19,33,937	15.68
Balance with Banks & Money at call & Short Notice	1,13,95,028	1,30,32,640	16,37,612	12.57
Investments	5,95,35,574	6,36,52,666	41,17,092	6.47
Advance	16,09,68,372	17,96,55,004	1,86,86,632	10.40
Fixed Assets	18,29,516	21,04,140	2,74,624	13.05
Other Assets	58,08,635	79,31,750	21,23,115	26.77
Total	24,99,38,257	27,87,11,269	2,87,73,012	10.32
CAPITAL & LIABILITIES:				
Share Capital	5,42,740	5,96,568	53,828	9.02
Reserve & Surplus	1,97,06,581	2,63,58,654	66,52,073	25.24
Deposits	22,01,68,916	24,07,49,556	205,80,640	8.55
Borrowings	30,49,839	16,88,164	(13,61,675)	(80.66)
Other Liabilities & Provisions	64,70,181	93,18,327	28,48,146	30.56
Total	24,99,38,257	27,87,11,269	287,73,012	10.32

Interpretation

The above table describes the comparative Balance Sheet of 2020 – 2021. It details the asset and liabilities of Two years. The total asset of the company also increased by nearly 10.32 % during the study period. Long term liabilities also increased over 25.24% it is observed from the above analysis that the share holders funds increased. It reveals the assets and liabilities which move towards increasing trend during the study period 2020 – 2021.

COMPARATIVE BALANCE SHEET AS ON 31ST MARCH 2021-2022			
Particular	2021	2022	Increase Or Decrease

			Amount	%
ASSETS:				
Cash & Balance with RBI	1,23,35,069	1,36,25,681	12,90,612	9.47
Balance with Banks & Money at call & Short Notice	1,30,32,640	1,23,75,029	-6,57,611	-5.31
Investments	5,87,06,743	6,32,44,514	45,37,771	7.17
Advance	17,96,55,004	21,05,69,162	3,09,14,158	14.68
Fixed Assets	21,04,140	21,75,560	71,420	3.28
Other Assets	128,77,673	1,05,29,667	-23,48,006	(22.30)
Total	27,87,11,269	31,25,19,613	3,38,08,344	10.82
CAPITAL & LIABILITIES:				
Share Capital	5,96,568	5,98,191	1,623	0.27
Reserve & Surplus	2,63,58,654	2,99,21,766	35,63,112	11.91
Deposits	24,07,49,556	27,15,81,313	3,08,31,757	11.35
Borrowings	16,88,164	11,25,457	-5,62,707	-50.00
Other Liabilities & Provisions	93,18,327	92,92,886	-25.441	-0.27
Total	27,87,11,269	31,25,19,613	3,38,08,344	10.82

Interpretation:

The above table describes the comparative Balance Sheet of 2021 – 2022. It details the asset and liabilities of Two years. The total asset of the company also increased by nearly 10.82 % during the study period. Long term liabilities also increased over 11.32% it is observed from the above analysis that the shareholders funds increased. It reveals the assets and liabilities which move towards increasing trend during the study period 2021 – 2022.

COMPARATIVE BALANCE SHEET AS ON 31ST MARCH 2022 - 2023				
Particular	2022	2023	Increase Or Decrease	
			Amount	%
ASSETS:				
Cash & Balance with RBI	1,41,25,681	1,48,41,852	7,16,171	2.06
Balance with Banks & Money at call & Short Notice	12,375,029	1,39,47,899	15,72,870	4.54
Investments	6,82,64,514	7,03,14,504	20,49,990	5.91
Advance	21,05,69,162	23,83,26,994	2,77,57,832	80.06
Fixed Assets	21,75,560	21,50,800	(24,760)	(0.07)
Other Assets	1,05,29,667	1,31,25,711	25,96,044	7.58
Total	31,80,39,613	35,27,07,760	3,46,68,147	100.08
CAPITAL & LIABILITIES:				
Share Capital	5,98,191	6,01,065	(2,874)	(8.39)
Reserve & Surplus	2,99,21,766	3,51,00,910	(51,79,144)	(14.93)
Deposits	27,15,81,313	30,11,57,384	(2,95,76,071)	(85.31)
Borrowings	66,45,457	53,09,973	13,35,484	3.85
Other Liabilities & Provisions	92,92,886	1,05,38,428	(10,45,542)	(3.59)
Total	31,80,39,613	35,27,07,760	3,46,68,147	100.08

Interpretation:

The above table describes the comparative Balance Sheet of 2022 – 2023. It details the asset and liabilities of Two years. The total asset of the company also increased by nearly 100.08 % during the study period. Long term liabilities also increased over 85.31% it is observed from the above analysis that

the shareholders funds increased. It reveals the assets and liabilities which move towards increasing trend during the study period 2022 – 2023.

Findings:

From the following analysis of the study, the following findings are made by the researcher.

- ✓ The Comparative Balance Sheet shows the total assets, long term liabilities & share holders funds increased respectively as 20%, 20.9%, and 19.6% in 2020 – 2021.
- ✓ The total asset increased as 28.83% especially fixed assets as 30.82%.
- ✓ The long term liabilities & surplus also increased respectively as 19.52% in 2021 – 2022.
- ✓ The fixed asset increased with 22.77%. But the cash & bank balance is decreased as 2.28% simultaneously the reserve and surplus and the in order total liabilities also increased 19.15%, 14.23% in 2022 – 2023.
- ✓ The order asset and cash & bank balance is increased 26.76%, 12.56%. The reserve & surplus and other liabilities and provisions also increased 25.23%, 30.56%. And the borrowings is decreased - 80.66% during the study period 2017 – 2018.

Suggestions:

- ✓ City Union Bank tried to improve current ratio by decreasing the current liability, but it should increase the current asset by concentrating on cash & bank balance.
- ✓ Quick ratio has attained only 1.13 as maximum in 2018-19, it is the satisfactory position.
- ✓ The debt-equity ratio has been decreased by City Union Bank and it was only 8.04 in 2018-19 but City Union Bank can lower the ratio the further more by reducing the outsiders' fund.
- ✓ City Union Bank may take appropriate measures to increase shareholders funds to achieve a good enough proprietary ratio. It was only 8.04 in 2018-19 but City Union Bank can lower the ratio the further more by reducing the outsiders' fund.
- ✓ City Union Bank may take appropriate measures to increase shareholders funds to achieve a good enough proprietary ratio.

Conclusion

City Union Bank is the most trusted and most preferred bank by public. And it is one of the leading banks in India with largest customer service network and numerous branches throughout the country. The City Union Bank takes valuable steps to provide better service to its customer and to survive in the

competitive banking industry. Hence it poses a definite position in the banking sector. The study concludes the financial performance of City Union Bank is satisfactory. And it is effectively utilizing its funds and assets to maximize its profits. City Union Bank can also strengthen their balance sheet by taking soundful efforts properly to ensure positive position. City Union Bank will cross; a historic milestone by attaining the peak of its performance through its well built financial resources and well planned utilization of such resource in the upcoming years.

References:

1. C.R. Kothari - Research Methodology, Wishwa Prakasan publishers, New Delhi, 2010.
2. S.P. Gupta, statistical methods, Sultan chand & sons, New Delhi.
3. Khan & Jain "Financial Management", Tata Mc Graw Hill Publishing Company Ltd., New Delhi, 1995.
4. Maheswari S.N "Principles of Management Accounting", Sultan Chandra and Sons Publication, New Delhi, 2000.
5. Pandey I.M "Financial Management", Vikas Publishing House Pvt., Ltd., New Delhi, 1999.
6. R.S.N.Pillai & Bagavathy "Statistical Theory and Practice", Sultan Chand & Company Ltd., New Delhi, 1995.
7. Prasanna Chandra "Financial Management Theory and Practice", Tata MC. Graw Hill Publishing Company Ltd., New Delhi, 1999.
8. Journals & Magazines.

Articles:

Annual report of City Union Bank, Kumbakonam