

A STUDY ON ANALYSES OF THE FINANCIAL PERFORMANCE OF CITY UNION BANK

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ABSTRACT:

Financial performance plays an important role for the development of banks. It forms the basis as one of the importance for taking financial decisions effectively. In order to analyse the financial performance of banks, the accounting ratios are used. Ratio analysis is the comparison of line items in the financial statements of a business. Ratio analysis is used to evaluate a number of issues with an entity, such as its liquidity, efficiency of operations and profitability. Secondary data is used from the published annual reports of the company for time period 2015-2019. This research paper help to evaluate the financial characteristics of bank activity such as solvency and performance using ratio analysis.

KEYWORDS: Ratio analysis, Financial performance, Efficiency of operations, Profitability.

INTRODUCTION:

Bank is one of the important financial pillars of the financial sector. It plays a vital role in the functioning of an economy. It plays an important role in the mobilization of deposits and disbursement of credit to various sectors of the economy. The banking sector is the section of the economy devoted to the holding of financial assets for others, investing those financial assets as leverage to create more wealth and the regulation of those activities by government agencies. Risk management is the process of identifying, assessing and controlling threats to an organization's capital and earnings. These threats, or risks, could stem from a wide variety of sources, including financial uncertainty, legal liabilities, strategic management errors, accidents and natural disasters. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period. Analysts and investors use financial performance to compare similar firms across the same industry or to compare industries or sectors in aggregate.

LITERATURE REVIEW

Dangwal and Kapoor (2010) also undertook the study on financial performance of nationalized banks in India and assessed the growth index value of various parameters through overall profitability indices. They found that out of 19 banks, four banks had excellent performance, five banks had good performance and six banks had poor performance. Thus the performance of nationalized banks differ widely

Dr.Dhanabhakya&M.kavitha (2012) in their research used some important ratio to analyses the financial performance of selected public sector banks such as ratio of advances to assets, ratio of capital to deposit, ratio of capital to working fund, ratio of demand deposit to total deposit, credit deposit ratio, return on average net worth ratio, ratio of liquid assets to working fund etc. The ratio of advances to assets shows an increasing trend for most of the public sector bank. It shows aggressiveness of bank in lending which ultimately result in high profitability. The ratio of capital to deposit also indicates an increasing trend in the capital of banks. This ratio enables the bank to meet the contingencies of repayment of deposit. The ratio of capital to deposit in decline. The ratio capitals to working fund also indicate that the overall efficiency of the selected public sector banks are good. On the other hand the ratios of demand depart to total deposit is declining. This indicates better liquidity position of bank. The credit deposit ratio of most of the bank show an increasing trend. It shows that the profitability of the banks in government. The return on average net worth also shown an increasing trend.

Jha DK and D S Sarangi (2011) The financial performance of seven public sector and private sector banks during the period 2009-10. They used three sets of ratio, operating performance ratio, financial ratio and Efficiency ratio. The study revealed that Axis bank was on the top of these banks followed by ICICI, BOT, PNB, SBI, IDBI and HDFC.

Ramchandanazhagasahi and SandanvnGejalakshmi (2012) In their study found the impact of assets management operational efficiency and bank size on the financial performance of the public sector and private sector bank. The research revealed that bank with higher total capital deposits and total assets do not always mean that they have better financial performance. The overall banking sector is strongly influenced by assets utilization, Operational efficiency and interest income.

OBJECTIVE OF THE STUDY

The objective of the study to know the financial performance of City Union Bank for the past 5 years by using ratio analysis.

RESEARCH METHODOLOGY

The secondary data was collected from the annual reports of the bank, website and various statements prepared by the bank ie., Balance sheet and profit and loss account of the bank.

ADVANTAGES ON FINANCIAL PERFORMANCE

- A standardized method of comparison
- Planning and performance
- Stock valuation for strength and weakness
- Industry analysis and benchmarks

Tools for data analysis:

Ratio analysis to analyse the liquidity ratio, profitability ratio and solvency ratio.

ANALYSIS OF THE RESULTS:

FINANCIAL PERFORMANCE

CURRENT RATIO

Current ratio	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Current asset	793.18	1,052.97	1,312.57	1,345.78	1,660.03
Current liabilities	931.83	929.29	1,053.84	1,185.51	1,489.27
Current ratio	0.85	1.13	1.25	1.14	1.11

Interpretation

The above table shows about the current ratio of the bank for the past five years were the ratio was low at 0.85 in the year 2015 and was high in the year 2017 at 1.25. But the ratio got declined in the last two years to 1.11. It reveals that the current ratio of the bank is not as per the norms (2:1) in the last five years. For this, the bank has to increase the current asset and has to decrease the floating liabilities to stabilize the liquidity of the bank.

ABSOLUTE LIQUIDITY RATIO

Absolute liquidity ratio	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Cash and marketable securities	1,233.51	1,362.57	1,484.19	1,861.80	1,993.12
Current liabilities	931.83	929.29	1,053.84	1,185.51	1,489.27
Absolute liquidity ratio	1.32	1.47	1.41	1.57	1.34

Interpretation

The above table shows about the absolute liquidity ratio of the bank for the past five years were the ratio was low at 1.32 in the year 2015 and was high in the year 2018 at 1.57. It reveals that the bank is trying to stabilize the liquidity in the last four years and as a result a positive impact is there towards the liquidity of the bank.

PROFITABILITY RATIO**RATIO OF ROI**

ROI	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Net profit	401.89	451.65	510.22	624.68	720.33
Investment	6,365.27	6,324.45	7,031.45	7,879.11	7,712.20
Ratio of ROI	0.06	0.07	0.07	0.08	0.09

Interpretation

The above table shows about the rate of interest ratio of the bank for the past five years were the ratio was low at 0.06 in the year 2015 and was high in the last financial year at 0.09. It reveals that the profitability of the bank is increasing as per the investment made by them.

RATIO OF PROFIT TO TOTAL DEPOSITS

Profit to total deposits	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Net profit	401.89	451.65	510.22	624.68	720.33
Deposits	24,074.96	27,158.13	30,115.74	32,852.62	38,447.95
Ratio of profit to total deposits	0.02	0.02	0.02	0.02	0.02

Interpretation

The above table shows about the profit to total deposits ratio of the bank for the past five years were the ratio was the same in the last five years which shows that the profitability of the bank is as per the deposits of the bank which is a good sign for the bank.

NET PROFIT RATIO

NP ratio	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Net profit	401.89	451.65	510.22	624.68	720.33
Total income	3,113.85	3,354.19	3,657.74	3,934.52	4,281.56
Net profit ratio	0.13	0.13	0.14	0.16	0.17

Interpretation

The above table shows about the net profit ratio of the bank for the past five years were the ratio was low at 0.13 in the year 2015 and was high at 0.17 in the last financial year which shows that the profitability of the bank has increased gradually in the last five years based on the income of the bank.

RATIO OF PROFIT ON SPREAD

Ratio of profit on spread	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Net profit	401.89	451.65	510.22	624.68	720.33
Interest earned	2,698.86	2,944.21	3,173.79	3,402.42	3,767.17
Interest paid	1,891.49	1,963.17	1,975.02	1,972.12	2,155.68
Spread	807.37	981.04	1,198.77	1,430.30	1,611.49
Ratio of profit on spread	0.50	0.46	0.43	0.44	0.45

Interpretation

The above table shows about the ratio of profit on spread of the bank for the past five years were the ratio was low at 0.43 in the year 2017 and was high at 0.50 in the last financial year which shows that the profitability of the bank has decreased when compared to 2015 and as a result the bank has to look after the lending rate and barrowing rate to stabilize the profitability and the bank may look after the operating cost to increase the profit as per the spread.

INTEREST EARNED RATIO

Interest earned ratio	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Interest earned	2,698.86	2,944.21	3,173.79	3,402.42	3,767.17
Total income	3,113.85	3,354.19	3,657.74	3,934.52	4,281.56
Interest earned ratio	0.87	0.88	0.87	0.86	0.88

Interpretation

The above table shows about the interest earned ratio of the bank for the past five years were the ratio was low at 0.86 in the year 2018 and was high at 0.88 in the last financial year and the same ratio was in the year 2016 which shows that the income of the bank was increasing as per the interest rate which is a good sign for the bank.

INTEREST PAID RATIO

Interest paid ratio	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Interest paid	1,891.49	1,963.17	1,975.02	1,972.12	2,155.68
Total income	3,113.85	3,354.19	3,657.74	3,934.52	4,281.56
Interest paid ratio	0.61	0.59	0.54	0.50	0.50

Interpretation

The above table shows about the interest paid ratio of the bank for the past five years were the ratio was low at 0.50 in the last financial year 2019 and was high at 0.61 in the year 2015. It shows that the interest paid towards the total income was getting reduced in the last five years which is a good sign towards the bank.

RATIO OF RETURN ON EQUITY

Ratio of return on equity	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Net profit	401.89	451.65	510.22	624.68	720.33
Net worth	2,695.53	3,052.00	3,570.20	4,163.23	4,840.76
Ratio of return on equity	0.15	0.15	0.14	0.15	0.15

Interpretation

The above table shows about the ratio of return on equity for the past five years were the ratio was the same at 0.15 in the last five years. It shows that the return on equity was stable in the last five years which is a good sign for the bank.

RATIO OF CASH TO DEPOSITS

Ratio of cash to deposits	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Cash	1,233.51	1,362.57	1,484.19	1,861.80	1,993.12
Deposits	24,074.96	27,158.13	30,115.74	32,852.62	38,447.95
Ratio of cash to deposits	0.05	0.05	0.05	0.06	0.05

Interpretation

The above table shows about the ratio of cash to deposits for the past five years were the ratio was the same at 0.05 in the last five years. It shows that the cash with the bank and RBI and the deposits ratio was stable which is a good sign for the bank .

SOLVENCY RATIO**RATIO OF NET WORTH TO FIXED ASSETS**

Ratio of net worth to fixed assets	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Networth	2,695.53	3,052.00	3,570.20	4,163.23	4,840.76
Fixed asset	210.41	217.56	215.08	223.13	250.03
Ratio of net worth to fixed assets	12.81	14.03	16.60	18.66	19.36

Interpretation

The above table shows about the ratio of net worth to fixed assets for the past five years were the ratio was low at 12.81 in the year 2015 and was high in the year 2019 at 19.36. It reveals that the net worth towards fixed asset got increasing gradually in the last five years.

RATIO OF INVESTMENT TO DEPOSITS

	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Ratio of investment to deposits					
Investment	6,365.27	6,324.45	7,031.45	7,879.11	7,712.20
Deposits	24,074.96	27,158.13	30,115.74	32,852.62	38,447.95
Ratio of investment to deposits	0.26	0.23	0.23	0.24	0.20

Interpretation

The above table shows about the ratio of investment to deposits for the past five years were the ratio was low at 0.20 in the year 2019 and was high in the year 2015 at 0.26. It reveals that the investment made by the bank towards deposits got decreased in the last five years.

RATIO OF INVESTMENT TO TOTAL ASSET

Ratio of investment to total asset	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Interest earned	2,698.86	2,944.21	3,173.79	3,402.42	3,767.17
Interest paid	1,891.49	1,963.17	1,975.02	1,972.12	2,155.68
Spread	807.37	981.04	1,198.77	1,430.30	1,611.49
Total asset	27,871.13	31,251.97	35,270.78	39,937.26	45,258.88
Ratio of investment to total asset	0.10	0.09	0.09	0.09	0.08

Interpretation

The above table shows about the ratio of investment to total asset for the past five years were the ratio was low at 0.08 in the year 2019 and was high in the year 2015 at 0.10. It reveals that the investment made by the bank towards total assets got decreased in the last five years.

CREDIT TO DEPOSIT RATIO

Credit to deposit ratio	Mar '15	Mar '16	Mar '17	Mar '18	Mar '19
Deposits	24,074.96	27,158.13	30,115.74	32,852.62	38,447.95
Advances	17,965.50	21,056.92	23,832.70	27,852.79	32,673.34
Credit to deposit ratio	1.34	1.29	1.26	1.18	1.18

Interpretation

The above table shows about credit to deposit ratio for the past five years were the ratio was low at 1.18 in the year 2018 and 2019 and was high in the year 2015 at 1.34. It reveals that the advances of the bank was increasing towards deposits which is not a good sign for the bank.

FINDINGS**CURRENT RATIO**

The ratio was low at 0.85 in the year 2015 and was high in the year 2017 at 1.25. But the ratio got declined in the last two years to 1.11. It reveals that the current ratio of the bank is not as per the norms (2:1) in the last five years.

ABSOLUTE LIQUIDITY RATIO

The bank is trying to stabilize the liquidity in the last four years and as a result a positive impact is there towards the liquidity of the bank.

RATIO OF ROI

The ratio was low at 0.06 in the year 2015 and was high in the last financial year at 0.09. It reveals that the profitability of the bank is increasing as per the investment made by them.

RATIO OF PROFIT TO TOTAL DEPOSITS

The ratio was the same in the last five years which shows that the profitability of the bank is as per the deposits of the bank which is a good sign for the bank.

NET PROFIT RATIO

The ratio was low at 0.13 in the year 2015 and was high at 0.17 in the last financial year which shows that the profitability of the bank has increased gradually in the last five years based on the income of the bank.

RATIO OF PROFIT ON SPREAD

The ratio was low at 0.43 in the year 2017 and was high at 0.50 in the last financial year which shows that the profitability of the bank has decreased when compared to 2015

INTEREST EARNED RATIO

The ratio was low at 0.86 in the year 2018 and was high at 0.88 in the last financial year and the same ratio was in the year 2016 which shows that the income of the bank was increasing as per the interest rate which is a good sign for the bank.

INTEREST PAID RATIO

The interest paid towards the total income was getting reduced in the last five years which is a good sign towards the bank.

RATIO OF RETURN ON EQUITY

The return on equity was stable in the last five years which is a good sign for the bank.

RATIO OF CASH TO DEPOSITS

The cash with the bank and RBI and the deposits ratio was stable which is a good sign for the bank .

RATIO OF NET WORTH TO FIXED ASSETS

The ratio was low at 12.81 in the year 2015 and was high in the year 2019 at 19.36. It reveals that the net worth towards fixed asset got increasing gradually in the last five years.

RATIO OF INVESTMENT TO DEPOSITS

The ratio was low at 0.20 in the year 2019 and was high in the year 2015 at 0.26. It reveals that the investment made by the bank towards deposits got decreased in the last five years.

RATIO OF INVESTMENT TO TOTAL ASSET

The ratio was low at 0.08 in the year 2019 and was high in the year 2015 at 0.10. It reveals that the investment made by the bank towards total assets got decreased in the last five years.

CREDIT TO DEPOSIT RATIO

The ratio was low at 1.18 in the year 2018 and 2019 and was high in the year 2015 at 1.34. It reveals that the advances of the bank was increasing towards deposits which is not a good sign for the bank

CONCLUSION

A financial analyst can adopt the following tools for analysis of the financial statement. These are also termed as methods of financial analysis. The banking sector is one of the core sectors in the economic development of India. So the purpose of the study is to concentrate on financial performance of City union bank. This study attempted to find out whether CUB have performed well or not. The main objective of the study is to evaluate the risk exposure of the bank in the last five years and to predict the future performance of the bank. For this purpose a balance sheet of five years was analysed using ratio analysis and trend analysis. The conclusion is that the risk towards deposits of the bank is much higher when compared to the advances and as a whole the performance and profitability of the banks are satisfactory.

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