



A Study on Financial statement analysis of Karur Vysys Bank

Mrs. Akshaya Sudarshana R^a, Divya Bharathi L^{b}*

^aAssistant Professor , Sri Krishna Adithya College Of Arts and Science,Coimbatore -641042

^bStudent , Sri Krishna Adithya College of Arts and Science -641042

ABSTRACT

Abstract – Financial statement analysis (or financial analysis) is the process of reviewing and analysing a company's financial statements to make better economic decisions to earn income in future. The objective is to study and analyse 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 interest income to total assets, ratio of operating expenses and net profit margin were decreased. The Financial Performance of KarurVysya bank Ltd from 2017-2018 to 2021-2022 is satisfactory.

Keywords: Financial statement analysis, KVB bank

1. Introduction of the study

The Banking sector is the lifeline of any modern economy. It is one of the important financial pillars of the financial sector, which plays a vital role in the functioning of an economy. It is very important for economic development of a country that is financing requirements of trade, agriculture and industry are met with higher degree of commitment and responsibility. Thus, the development of a country is integrally linked with the development of a banking. In a modern economy, banks are to be considered not as dealers in money but as the leaders of development. They play an important role in the mobilization of deposits and disbursement of credit to various sectors of the economy. The banking system reflects the economic health of the country. The strength of an economy depends on the strength and efficiency of the financial system, which in turn depends on a sound and solvent banking system ensures that the bank is capable of meeting the obligation to the depositors.

Banking is defined as the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out

this money in order to conduct economic activities such as making profit or simply covering operation expenses. Banks are a very important part of the economy because they provide vital services for both consumer and businesses. As financial services providers, they give you a safe place to store your cash.

Through variety of account types such as checking and savings account and Certificates of Deposit (CDs), you can conduct routine banking transactions like deposits, withdrawals, check writing and bill payment. You can also save your money and earn interest on investment. The money stored in most bank accounts is federally insured by the Federal Deposit Insurance Corporation (FDIC), up to a limit of \$2,50,000 for individual deposit and \$5,00,000 for jointly held deposits. Banks also provide credit opportunities for people and corporations.

The bank lends the money you deposit at the bank-short term cash – to others for long-term debt such as car loans, credit cards, mortgages, and

other debt vehicles. This process helps create liquidity in the market- which creates money and keeps the supply going .

Banks as institutions which channel people's savings into productive loans investments. Thus, banking mainly refers to deposits and loans.

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broader definition of banking is any financial institution that receives, collects, transfers, pays, exchanges, lends, invests, or safeguards money for its customers. Investment banks, financial companies, and money lenders are just some of the institutions that have engaged in banking.

DEFINITION OF BANKING:

- P A Samuelson defined, "Bank provides service to its clients and in turn receives perquisites in different forms"
- W Hock defined, "Bank is such an institution which creates money by money only".

2. Statement of the problem

Banking is a vast subject many economic researchers have studying and focusing their attention on various spheres of banking. The studies available on the performance of commercial banks are minimum in number. There are, still many unexplored areas that are needed to be explored. In their context "Financial performance of KarurVysya Bank" is selected for the present study. This study is meant to assess the performance of commercial banks with special reference to KarurVysya Bank in terms of branch expansion, deposit mobilization, credit expansion and priority sector advance and also in the light of objectives of nationalization.

3. Objectives of the study

- The main aim of the study is to evaluate the financial performance of KarurVysya Bank.
- To know the overall profitability of KarurVysya Bank.
- To study the trends in Current assets and liabilities.
- To Study the growth aspects of KarurVysya Bank.

4. Scope of the study

The present study refers to the financial performance of the KarurVysya Bank. It is designed to analyze the financial performance of the KarurVysya Bank. The study is based on the annual reports of the Company for the period of 5years. This study will throw light on different aspects where the KarurVysya Bank stand out and how the banks will provide an opportunity in corresponding its activities to achieve the best performance.

5. Review of Literature

- **Bhattacharyya & Pal (2013)** Estimated technical efficiency of Indian commercial banks for ten years. They have used generalized stochastic production frontier to study effect of financial reforms and technical efficiency. Result of the study revealed that public commercial banks are more efficient in comparison of private and foreign bank. As well ratio of effectiveness in public bank is around 64%.
- **Choudhri (2014)** studied impact of word of mouth in retail banking industry. Main objective the study is to find relationship between service quality and their dimension level. For conducting this research SERVQUAL model was used to judge customers perception of service quality. Result of the study reveals that attitude is the most important factor in word of mouth.
- **Paul & Mitra (2015)** Have done technical analysis to identify and forecast price fluctuation in share market. Four major banks of India used as sample and these banks represents around 80% shares in bank nifty. For concluding study moving average and other technical tools were applied.
- **Muhammad Saifuddin Khan, et al (2016)** in his research paper examines the relationship between funding liquidity and bank risk taking in the U.S. bank holding companies from 1986 to 2014, results showed that bank size and capital buffers usually limit banks from taking more risk when they have lower funding liquidity risk. Malcom and found that effects on capital structure are very persistent. Results suggest that capital structure is the cumulative outcome of past attempts to time the equity market. Zeitun investigated the effect which capital structure has had on corporate performance using a panel data sample representing of 167 Jordanian companies during 1989-2003. Results showed that a firm's capital structure had a significantly negative impact on the firm's performance measures, in both the accounting and market's measures.
- **Dr. Ravinder Viyanek and Pooja Gulati Nee Rahan (2016)** in their article titled "Management of NPAs: An Empirical comparative study of public sector banks" has set objectives to study and analysis the comparative efficiency of different public sector banks regarding NPA management. They have used various statistical tools for their analysis. They have concluded in their research study that different public sector banks different in their efficiency in NPA management.
- **Al-Kaseasbah (2018)** compared SBI and ICICI bank's financial results between 2012 and 2016. Financial ratio analyses and hypothesis testing were conducted, and it was concluded that the SBI registered a fluctuating trend while the ICICI bank struggled to handle an increasing trend.
- **Rajendran P (2019)** 'analyzed the performance of HDFC Bank. Researcher explained about HDFC Bank's history. Current ratio, cash position ratio, Debt equity ratio and proprietary ratio was good. The study finds that part of working capital of the bank was financed by long term funds. Researcher concluded with result as HDFC Bank was the largest private sector bank in India and its financial performance was strong during the period of study.
- **Nandhini Thakur (2020)** 'The study is conducted on financial statement analysis of HDFC Bank with the time period of 2013-14 to 2017-18. Tools used in this study was ratio analysis, cash and fund flow analysis trend analysis. The objective is to measure the efficiency of various properties of bank. Researchers find that bank's financial performance was strong and suggested to providing more housing loans to the development of the citizen of India'

- **BangaruPushpalatha (2020)** 'analysed the financial statements of State Bank of India. The objectives are examining the portfolio of assets and liabilities in SBI. Researcher limited the study to 7years starting from 2011 to 2017. Researcher 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 prefer SBI for advance loan schemes.'

5.1 Research Gap

Financial statement analysis is a crucial process for evaluating the financial health and performance of banks. Numerous studies have been conducted on the financial statement analysis of KarurVysya Bank, but there are still some research gaps that need to be addressed. While there are existing studies on the financial performance of Indian banks, there is limited research on KarurVysya Bank compares to other banks in terms of financial ratios, profitability, liquidity, and other key financial indicators. Additionally, the existing studies have mainly focused on the theoretical analysis, but there are limited studies on predicting future trends and developments for this particular bank. While financial statement analysis techniques such as ratio analysis and trend analysis are useful, they are often retrospective in nature that has been concluded in the study. In the current study analysis is fully based on the Financial statement Analysis, its impact on profitability and financial performance of KarurVysya Bank. Financial statement analysis is a crucial process for evaluating the financial health and performance of banks. Numerous studies have been conducted on the financial statement analysis of KarurVysya Bank, but there are still some research gaps that need to be addressed. While there are existing studies on the financial performance of Indian banks, there is limited research on KarurVysya Bank compares to other banks in terms of financial ratios, profitability, liquidity, and other key financial indicators. Additionally, the existing studies have mainly focused on the theoretical analysis, but there are limited studies on predicting future trends and developments for this particular bank. While financial statement analysis techniques such as ratio analysis and trend analysis are useful, they are often retrospective in nature that has been concluded in the study. In the current study analysis is fully based on the Financial statement Analysis, its impact on profitability and financial performance of KarurVysya Bank.

6. COMPANY PROFILE



KarurVysya Bank is a Scheduled Commercial Bank in India. It has completed 100 years of operation and is one of the leading banks in India,

headquartered in Karur in Tamil Nadu. It was set up in 1916 by M. A. VenkataramaChettiar and Athi Krishna Chettiar. The bank primarily operates in treasury, corporate/wholesale banking and retail banking segments. KVB provides services such as personal, corporate, agricultural banking and services to NRIs and MSME. Under personal banking, the bank provides housing loan, personal loan; insurance; and fixed deposits among others. Under corporate banking, KVB provides services like corporate loans; demat account, multicity current account and general insurance among others. Schemes provided by KVB under agricultural banking include Green Harvester, Green Trac and KVB Happy Kisan among others. Under MSME, the bank provides products such as KVB MSME Cash, KVB MSME Term Loan, KVB MSME Vendor Bill Discounting and KVB MSME Standby Term Loan among others. The bank had added more branches and 10 ATMs during the year thus bringing the total to 798 branches and 1,780+ ATMs as on 1 July 2018. It introduced a number of initiatives in FY16 like reloadable cards, kisan credit cards, automatic passbook kiosk, e-book, etc. The latest being introduction of fast tag and UPI based payment system. Total business volume is 1,00,000+ crore as of December 2017.

KarurVysya Bank was started in the year 1916 in Karur, then a small textile town with a vast agricultural background, by two illustrious sons of the soil – Sri M.A. VenkataramaChettiar and Sri AthiKrishn O a Chettiar. What started as a venture with a seed capital of Rs. 1.20 lakh has grown into a leading financial institution that offers a gamut of financial services, under one roof, to millions of its customers.

The KarurVysya Bank Limited, popularly known as KVB was set up on 25 July 1916 by M. A. VenkataramaChettiar and Athi Krishna Chettiar, to capitalize on the previously unexploited market of traders and agriculturists in and around Karur, a town in Tamil Nadu. Though the bank started with a seed capital of ₹ 1 lakh, as with most banks, the seed capital has grown, as have the services sold. The bank is managed and guided by the Board of Directors drawn from different fields. Realizing that there is more money elsewhere, the bank expanded out of Karur and established approximately 668 branches in other States and Union Territories in order to gain a pan-India presence. Shri K.K. Balu was appointed as an Additional Director of the Bank on 27 January 2012 The Bank has celebrated its Centenary celebrations on 10 September 2016 at Chennai with President of India Shri. Pranab Mukherjee as Chief guest.

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FINANCIAL LANDMARKS OF THE BANK AS ON 31.03.2022

- Total business of the bank was at Rs. 126226 cr. with total deposits at Rs. 68676 cr and total advances at Rs. 57550 cr.
- The Net Profit for FY21-22 was Rs. 673 cr.
- The net owned funds of the bank are Rs. 7596 cr. The Basel III CRAR was at 19.46% with CET1 of 17.49% The Net NPA was at 2.28%
- The bank has been earning profits since inception and has been declaring dividend uninterruptedly
- The bank has declared 100% or more dividends since 2003-04. Between 2007-08 and 2010-11, the dividend was 120%. While for 2011-12, 2012-13 and 2015-16, dividend.
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7. Analysis and Interpretation :

NET PROFITABILITY RATIO :

The net profitability ratio, also referred to as the net profit margin, is a way to measure a business' financial performance or profitability with expenses, including interests and taxes. You can use the net profitability ratio to determine the financial value of a company, as it outlines the relationship between the net profit after taxes and net sales in a business. It helps businesses determine whether their current business practices are generating revenue. This financial metric helps investors decide whether they should invest in a company.

The net profitability ratio may not be reliable in showing cash flows, as it includes many expenses, such as noncash expenses, depreciation and accrued expenses. You can use it with other margins and ratios to determine a company's overall efficiency and report it as a percentage. You may also understand more about the company's value when you compare your net profitability ratio with results of similar companies, the industry average or the company's historical performance.

$$\text{Net profitability ratio} = \text{Net profit/Net sales} * 100$$

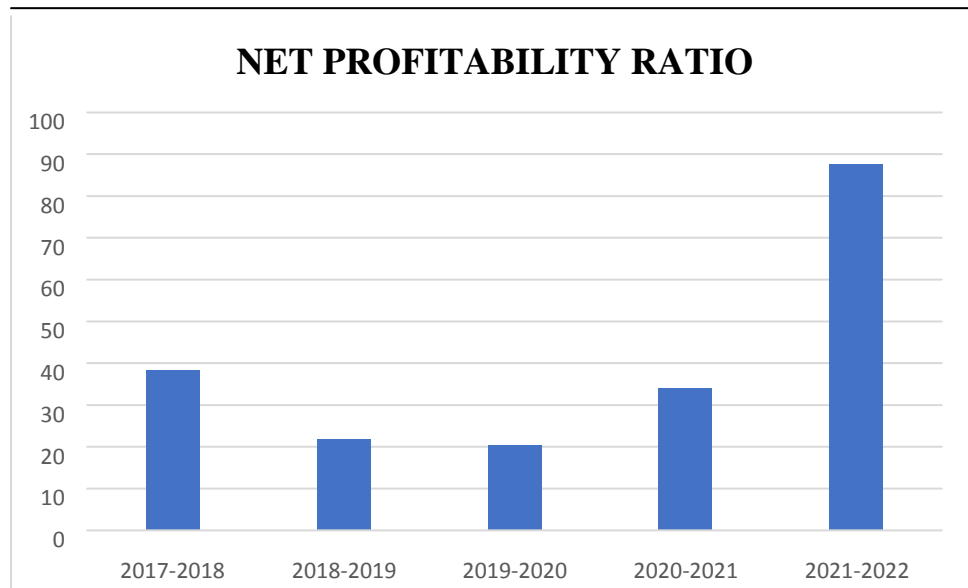
TABLE SHOWING NET PROFITABILITY RATIO

YEAR	NET PROFIT	NET SALES	NET PROFITABILITY RATIO
2017-2018	345.67	899.93	38.41
2018-2019	210.87	962.77	21.90
2019-2020	235.02	1154.62	20.35
2020-2021	359.39	1056.65	34.01
2021-2022	673.27	769.05	87.54

Source: Secondary Data

INTERPRETATION:

The Net profitability ratio of KarurVysya Bank is 38.41 in 2018, and it get decreased to 16.51 in 2019 and it further decreased to 1.55 in 2020, and it get increased to 13.66 in 2021 and it again increased to 53.53 in the year 2022. The highest Net Profitability ratio was in 2022(87.54).

CHART SHOWING NET PROFITABILITY RATIO**8. Findings**

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9. Suggestion

- The bank has to improve its performance towards making higher profits year by year. The bank has to identify the various financial sources to develop their financial position.
- The bank has to decrease its liabilities and increase its assets to maintain a good financial position
- The Bank has to concentrate to Increase Cash and Cash equivalent.
- The bank has to reduce non-performing assets in order to strengthen its financial position
- It is advisable that the company has to earn more profits by efficient use of capital employed

10. Conclusion

The Study was conducted to analyse the Financial statement analysis of KARUR VYSYA BANK, the financial statement analysis of KarurVysya Bank reveals that the bank has maintained a steady financial performance over the years. The bank has shown consistent growth in its net interest income, operating profits, and net profits. The bank's asset quality has also remained stable, with a low level of non-performing assets. However, the bank's capital adequacy ratio is slightly lower than the regulatory requirement, which could impact its ability to expand its operations in the future. Overall, the bank has demonstrated its ability to effectively manage risks and maintain its financial stability.

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