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## A STUDY ON KVB BANK

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### ABSTRACT

Commercial banks act as an investment intermediary linking the savers and users of capital. Capital formation is done through credit advancement and its management. Credit disbursement and credit recovery is the prominent feature of credit management. At present, slow down in economic activities due to prevailing internal and external factors has declined the transaction of commercial banks affecting in loan demand and its recovery leading to low profitability posture.

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### INTRODUCTION

A **bank** is a financial institution that accepts deposits from the public and creates a demand deposits while simultaneously making loans. Lending activities can be directly performed by the bank or indirectly through capital market.

Whereas banks play an important role in financial stability and the economy of a country, most jurisdictions exercise a high degree of regulation over banks. Most countries have institutionalized a system known as fractional-reserve banking, under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, the Basel Accords.

### STATEMENT OF PROBLEM

The financial performance of KVB Bank has been subject to scrutiny and analysis due to various internal and external factors impacting the banking industry. Challenges such as regulatory changes, economic fluctuations, and competitive pressures pose significant challenges to the bank's financial stability and growth. Therefore, it is imperative to conduct a comprehensive analysis of KVB Bank's financial performance to evaluate its strengths, weaknesses, opportunities, and threats.

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### OBJECTIVES

The study is conducted with the following objectives,

1. To evaluate KVB Bank's financial performance using key performance indicators and financial ratios.
2. To analyze the factors influencing the bank's financial performance, including macroeconomic trends, regulatory changes, and competitive dynamics.
3. To compare KVB Bank's financial performance with industry benchmarks and peer institutions.

### SCOPE

The scope of this study encompasses a comprehensive analysis of KVB Bank's financial performance over the past five years. It involves an in-depth examination of various financial indicators, including profitability, liquidity, asset quality, and capital adequacy ratios. Moreover, the study aims to identify the key factors influencing the bank's financial performance and provides strategic recommendations for enhancing its competitiveness in the dynamic banking landscape.

## REVIEW OF LITERATURE

**Gatuhu, Rosemary N(2013)** examined that there was “strong relationship between financial performance of MFIs and client appraisal, credit risk control and collection policy”. The study established that client appraisal, credit risk control and collection policy significantly influence financial performance of MFIs in Kenya. Collection policy was found to have a higher effect on financial performance and that a stringent policy is more effective in debt recovery than a lenient policy. The study recommends that MFIs should enhance their collection policy by adapting a more stringent policy to a lenient policy for effective debt recovery.

**Perinpanathan, Rajkumar and Vijeyaratnam, Hanitha, (2015)** This study analyzed “the impact of credit risk management on the financial performance of state commercial banks of Sri Lanka” and also attempted to establish if there exists any relationship between the credit risk management determinants by use of CAMEL indicators and financial performance of state commercial banks in Sri Lanka. The study also established that capital adequacy, asset quality, management efficiency and liquidity had negative relationship with financial performance (ROE) whereas earnings had a strong positive relationship with financial performance. This study concludes that CAMEL model can be used as a proxy for credit risk management.

**Sufi Faizan Ahmed Qaisar Ali Malik(2015)** The results of the analysis are showing that the credit terms and client appraisal have positive and significant impact on the loan performance, while the collection policy and credit risk control have positive but insignificant impact on loan performance. The study is helpful for the management to enhance the loan performance by focusing on the dimension of the credit risk management practices used in the study. Future aspects of the research have also been taken into account and elaborated.

### ABOUT KVB:

Commercial banking in India can boast of a history of about 200 years. Though one could trace the history of banking back to the 19th Century, the beginning of the last century saw the birth of many banks in India, set up by people with vision, commitment and national spirit.

One such Bank -**Karur Vysya Bank** is a Scheduled Commercial Bank, headquartered in Karur in Tamil Nadu, India. It was founded in 1916 by M. A. Venkatarama Chettiar and Athi Krishna Chettiar. The bank primarily operates in the treasury, corporate/wholesale banking, and retail banking segments.

### COMPANY PROFILE:



The Karur Vysya Bank (KVB) is a private-sector bank headquartered in Karur, Tamil Nadu, India. Established on July 25, 1916, by M.A. Venkatarama Chettiar and Athi Krishna Chettiar, it began as the Karur Vysya Bank Limited. Initially, the bank operated with a seed capital of just ₹1 lakh and focused primarily on trade and commerce in the region.

The bank gradually expanded its services and network, concentrating on small and medium enterprises (SMEs), agricultural banking, and retail banking. In 1964, it became a scheduled commercial bank authorized by the Reserve Bank of India (RBI), marking a significant milestone in its growth.

Over the years, KVB steadily grew its customer base and widened its geographic presence, establishing branches in various parts of the country. It also introduced modern banking technologies and services to enhance customer convenience and experience.

KVB has consistently aimed to cater to the banking needs of various sectors, including agriculture, industry, trade, and retail. It provides a range of financial products and services, such as savings and current accounts, loans, insurance, wealth management, and online banking facilities.

The bank has also witnessed changes in leadership and management strategies, adapting to market dynamics and regulatory requirements. It has focused on maintaining a robust financial position, adhering to ethical banking practices, and fostering customer relationships.

### Highlights:

Key highlights and aspects of KVB include:

**Legacy foundation:** Founded by M.A. Venkatarama Chettiar and Athi Krishna Chettiar, KVB started with a modest capital of ₹1 lakh. Over time, it has grown into a well-established financial institution with a strong foundation based on ethical principles and customer-centric values.

**Range of Services:** KVB offers a comprehensive range of banking and financial products and services. These include savings and current accounts, various types of loans (personal, home, business, etc.), wealth management, insurance products, and digital banking solutions.

**Focus on consumer satisfaction:** With a strong commitment to customer satisfaction, KVB has consistently aimed at providing convenient and efficient banking experiences. It has integrated modern banking technologies to enhance customer services, ensuring a seamless banking experience for its clients.

**Geographic Presence:** While rooted in Karur, KVB has expanded its network significantly. It operates through a wide network of branches and ATMs across various states in India, catering to diverse customer segments, including individuals, SMEs, corporates, and agricultural sectors.

**Technological Innovation:** KVB has embraced technological advancements in the banking sector. It has invested in digital banking solutions, offering online banking, mobile banking apps, and other tech-driven services to provide customers with easy access to their accounts and transactions.

**Corporate Social Responsibility:** Beyond banking, KVB is actively involved in CSR initiatives. It contributes to social causes, focusing on education, healthcare, environmental sustainability, and community development.

**Financial Stability and Governance:** The bank has maintained a strong financial position and robust governance practices. It adheres to regulatory norms and prudential guidelines set by the Reserve Bank of India (RBI) and other governing bodies.

Overall, KVB stands as a stalwart in the Indian banking sector, blending a rich heritage with a forward-looking approach. Its commitment to excellence, customer satisfaction, technological innovation, and social responsibility continues to drive its growth and relevance in the ever-evolving financial landscape.

#### **RATIO ANALYSIS:**

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis. It compares line-item data from a company's financial statements to reveal insights regarding profitability, liquidity, operational efficiency, and solvency.

#### **RETURN ON INVESTMENT (ROI):**

S.NO	YEAR	RETURN ON INVESTMENT
1	2019	2.52%
2	2020	2.63%
3	2021	1.96%
4	2022	2.10%
5	2023	2.85%

#### **INTERPRETATION:**

The Return On Investment of KVB Bank has been increased from 2.52% in 2019 to 2.85% in 2023.

#### **Net Profit Ratio:**

S.NO	YEAR	NET PROFIT RATIO
1	2019	3.62
2	2020	3.92
3	2021	6.56
4	2022	12.04
5	2023	16.97

#### **INTERPRETATION:**

The Net Profit Ratio of KVB Bank has been Increased from 3.62 in 2019 to 16.97 in 2023.

#### **Gross Profit Ratio:**

S.NO	YEAR	GROSS PROFIT ATIO
1	2019	(6.95)%
2	2020	(11.01)%
3	2021	(14.73)%
4	2022	(9.54)%
5	2023	2.89%

**INTERPRETATION:**

The Gross Profit Ratio of KVB Bank has been Increased from (6.95)% in 2019 to 2.89% in 2023.

**Operating Profit Ratio:**

S.NO	YEAR	OPERATING PROFIT RATIO
1	2019	(12.92)%
2	2020	(15.35)%
3	2021	(12.74)%
4	2022	(1.71)%
5	2023	(0.81)%

**INTERPRETATION:**

The Operating Profit Ratio of KVB Bank has been Increased from (12.92)% in 2019 to (0.81)% in 2023.

**Current Ratio:**

S.NO	YEAR	CURRENT RATIO
1	2019	1.08
2	2020	1.08
3	2021	1.01
4	2022	0.74
5	2023	0.85

**INTERPRETATION:**

The Current Ratio of KVB Bank has been decreased from 1.08 in 2019 to 0.85 in 2023

**Credit Deposit Ratio:**

S.NO	YEAR	CREDIT DEPOSIT RATIO
1	2019	77.50
2	2020	79.98
3	2021	79.60
4	2022	78.84
5	2023	80.10

**INTERPRETATION:**

The Credit Deposit Ratio of KVB Bank has been increased from 77.50% in 2019 to 80.10% in 2023.

**4.4.7. Debt Equity Ratio:**

S.NO	YEAR	DEBT EQUITY RATIO
1	2019	9.46
2	2020	9.56
3	2021	9.13
4	2022	9.46
5	2023	9.22

**INTERPRETATION:**

The Debt Equity Ratio of KVB Bank has been decreased from 9.46 in 2019 to 9.22 in 2023.

**TABLE SHOWING CASH FLOW STATEMENT OF KVB BANK (Rs. In Cr)**

PARTICULARS	2019	2020	2021	2022	2023
Net Profit/Loss Before Extraordinary Items And Tax	210.87	235.02	359.39	673.27	1106.09
Net Cash from Operating Activities	(429.99)	2,503.82	3,365.53	295.49	1217.21
Net Cash (used in)/from Investing Activities	(109.32)	(1,534.61)	(1,378.85)	(1,593.76)	(1270.21)
Net Cash (used in)/from Financing Activities	(72.87)	(273.70)	(58.89)	(95.90)	(178.05)
Net (decrease)/Increase in Cash and Cash Equivalents	(612.17)	695.51	1,927.79	(1,394.17)	(231.04)
Opening Cash & Cash Equivalents	4,309.22	3,697.05	4,392.55	6,320.34	4926.17
Closing Cash & Cash Equivalents	4309.22	3,697.05	6,320.34	4,926.17	4695.13

**FINDINGS:****RATIO ANALYSIS:**

- Return On Investment (ROI):
  - KVB Bank: The Return On Investment of KVB Bank has been increased from 2.52% in 2019 to 2.85% in 2023.
- Net Profit Ratio:
  - KVB Bank: The Net Profit Ratio of KVB Bank has been Increased from 3.62 in 2019 to 16.97 in 2023.
- Gross Profit Ratio:
  - KVB Bank: The Gross Profit Ratio of KVB Bank has been Increased from (6.95)% in 2019 to 2.89% in 2023.
- Operating Profit Ratio:
  - KVB Bank: The Operating Profit Ratio of KVB Bank has been Increased from (12.92)% in 2019 to (0.81)% in 2023.
- Current Ratio:
  - KVB Bank: The Current Ratio of KVB Bank has been decreased from 1.08 in 2019 to 0.85 in 2023.

- Credit Deposit Ratio:
  - KVB Bank: The Credit Deposit Ratio of KVB Bank has been increased from 77.50% in 2019 to 80.10% in 2023.
- Debt Equity Ratio:
  - KVB Bank: The Debt Equity Ratio of KVB Bank has been decreased from 9.46 in 2019 to 9.22 in 2023.

#### **CASH FLOW STATEMENT ANALYSIS:**

The Net Profit was gradually increased from 2019 to 2023. The net cash and cash equivalents in 2019 shows a balance of Rs.(612.17)Cr and then it gradually increased to Rs.(231.04)Cr in 2023. The net cash operating activities increased from Rs. (429.99)Cr to Rs. 1217.21 Cr in 2023.

#### **SUGGESTIONS:**

##### **KVB BANK:**

1. Increase Current Ratio : Since the current ratio has decreased from 2019 to 2023, KVB Bank should focus on improving its liquidity position. This could involve reducing short-term debt or increasing current assets.
2. Optimize Operating Efficiency : While the operating profit ratio has improved over the years, it's still negative. KVB Bank should streamline its operations, control costs, and enhance operational efficiency to achieve positive operating profits.
3. Manage Debt Levels : Although the debt-equity ratio has decreased, it's still relatively high. KVB Bank should continue efforts to reduce debt levels further to improve financial stability and reduce interest expenses.
4. Enhance Profitability : Despite improvements in profit ratios, there is room for further enhancement. KVB Bank could explore avenues to increase revenues, reduce expenses, and optimize its profit margins.
5. Maintain Credit Quality : With an increasing credit-deposit ratio, KVB Bank should ensure prudent lending practices to maintain the quality of its loan portfolio and manage credit risk effectively.

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#### **CONCLUSION:**

In conclusion, KVB Bank have shown positive trends in various financial metrics, there are areas that require attention and improvement. By implementing effective strategies and maintaining a proactive approach to financial management, it can continue to strengthen their positions in the banking sector and achieve sustainable growth in the long term.

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