

A Study on Financial Performance of Indian Bank and Karur Vysya Bank

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Abstract: Banking is an industry that handles cash, credit, and other financial transactions. The main object of this paper was to analysis the effect of financial performance of INDIAN BANK and KARUR VYSYA BANK for two years namely 2016- 2017 and 2017- 2018. Ratio analysis, comparative and common size was used for the analysis. The findings will help to improve the financial health of both the banks for future development.

Keywords: Financial statement, ratio analysis

1. Introduction

Financial Statement refers to formula and original statements prepared by a business concern to disclose the information. American Institute of Certified Public Accountants (AICPA) says 'financial statement is prepared for the purpose of presenting a periodical review (or) report on the progress by the management.

A. Definition

Financial Statement are used to collect report about an organization financial result, financial condition, cash flows etc. They are useful for the following reasons:

- To determine the ability of a business to generate cash, and the source and uses of that cash.
- To determine whether a business has the capability to pay back its debts.
- To track financial results on a trend line to spot any looming profitability issues.
- To derive financial ratio from the statement that can indicate the condition of the business.
- To investigate the details of certain business transactions, as outlined in the disclosures that accompany the statements.

2. History of banks

A. Indian Bank

Indian Bank is an Indian state- owned financial services company established in 1907 and headquartered in Chennai, India. It has 20,924 employees, 2900 branches with 2861 ATMs and 1014 cash deposits machine and is one of the top performing public sector banks in India. Total business of the bank has touched 430,000 crores (us dollar 62 billion) as on 31

March 2019. Bank's Information system and security processes certified worldwide. It has overseas branches in Colombo and Singapore including foreign currency banking unit at Colombo and Jaffna. It has 227 overseas correspondent banks in 75 countries. Since 1969, the Government of India has owned the bank. As per the announcement made by the Indian Financial Minister Nirmala Sitharaman on 30 August 2019, Indian Bank will be anchor bank for Kolkata –based Allahabad bank, and this merger is expected to come on force from 1st April 2020, making it the seventh largest public sector bank in the country.

B. Karur Vysya Bank Limited

The Karur Vysya Bank Limited, popularly known as KVB was set up on 25 July 1961 by Mr. M. A. Venkatatrama Chettiar and Mr. 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 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. Realising 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 celebration on 10 September 2016 at Chennai with President of India Shri. Pranab Mukherjee as Chief Guest. It has 788 branches and network of 1803 ATM's and around 538 cash deposits machine as on 12 August 2018. KVB has recorded a total Business of 1 lakh crores with deposits of RS. 56000 crores and advances of RS. 45000 crores.

3. Nature of financial statements

The accounting records and financial statement prepared from these records are based on historical costs. The financial statement, by nature, are summaries of the items recorded in the business and these statement are prepared periodically, generally for the accounting period. According to John N. Myer, "The financial statement are composed of data which are the result of combinations of:

- Recorded facts concerning the business transactions,

- Convention adopted to facilitate the accounting techniques,
- Postulates, or assumption made to and
- Personal judgement used in the application of the convention and postulate.

4. Review of literature

Barinder Singh (2007) in his article “Financial analysis of SBI: A Study with special reference to Indian banking industry” has explained that banking is the most important part of the financial system of the economy. It plays a vital role in functioning and in overall progress and development of the economy. The present study is conducted during the period of 2003-04 to 2009-10. The objective of their paper is to analyse the financial performance of the state bank of India. For this camel Approach has been used which focuses on the parameters such as capital adequacy, Assets Quantity, Management quality ratio, Earning ratio and liquidity ratio. They have concluded that camel approach has been used and it indicates the factors that are performing very well and said that those factors should also be improved.

Dr. S. Srisha and Dr. P. Malyasri (2018) in their article titled “A Study on the financial performance of scheduled commercial bank” have set objectives to compare the financial bank –group wise. They have used secondary data. They have also used tool like ratio analysis. They have concluded that there is a need to show a better performance of public sector banks in case of NIM, return on Equity, operating profit, return of advances, Return on assets and Return on investment.

K. Pavithra, S. Kirubadevi and S. Brindha (2017) in their article titled “A Comparative Study on Financial Performance and Home Loan of SBI and HDFC” find out the performance of housing loan and financial position of selected banks namely HDFC and SBI.

Dr. Ravinder Vianyek 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.

A. Statement of problem

The importance of business finance lies in the capacity to keep a business operating smoothly without running out of cash while also securing funds for longer-term investments. Financial planning is the task of determining how a business will afford to achieve its strategic goals, and objectives. That is why an attempt has been made to find the financial performance of the Indian Bank and Karur Vysya Bank Limited.

5. Objective of the study

- To understand the profile of the Indian Bank and Karur

Vysya Bank Limited.

- To analyse the financial performance of the Indian Bank and Karur Vysya Bank Limited.
- To compare the financial performance of the Indian Bank and Karur Vysya Bank Limited.

6. Research methodology

A. Data Collection

Indian Bank and Karur Vysya Bank Limited has been selected for this study. Secondary data were collected from books, journals, annual reports and website of the banks. The study covers a period of two years 2016-2017 and 2017 -2018.

B. Limitation of the study

Due to cost and time constrains, the study is confined to financial statement of the two banks only for a period of two years.

7. Data analysis

A. Ratios

Financial ratios are relationships determined from a company’s financial information and used for comparison purposes. Examples include such often referred to measure as return on investment (ROI), return on assets(ROA), and debt-to – equity, to name just three.

Table 1

Advance to total assets

Years	Indian Bank	Karur Vysya bank
2016-2017	0.62	0.66
2017-2018	0.65	0.67

Advance to Total Assets=Advance/ Total Assets

Interpretation:

The above table shows the advance to total assets ratio of Indian bank and Karur Vyysa bank. It is 0.62% in 2016-17 and 0.65% in 2017-18 for Indian bank. Likewise, it is 0.65% in 2016-17 and 0.67% in 2017-18 for Karur Vysya bank.

Inference:

Indian bank shows a decreasing trend for advance to total assets ratio. But for Karur Vysya bank it is increasing to 0.67% in 2017-18.

Table 2

Borrowing to deposits ratio

Years	Indian bank	Karur Vysya bank
2016-2017	9.49	3.16
2017-2018	0.88	4.19

Borrowings to Deposits ratio= Borrowings ÷ Deposits × 100

Interpretation

The above table shows Indian Banks Borrowings to Deposits ratio was 9.49% in 2016-17 and 0.88 % in 2017-18. Likewise, it is 3.16% in 2016-17 and 4.19% in 2017-18 for Karur Vysya bank.

Inference:

Indian Banks borrowing to deposits ratio has decreased and it has increased from 3.16% in 2016-17 to 4.19% for Karur Vysya Bank in 2017-18.

B. Comparative balance sheet

A Comparative balance sheet present side –by- side information about entity’s assets, liabilities, and shareholder equality as of multiple points in time. For Example, a comparative balance sheet could present the balance sheet as of end each year for the past three years.

Table 3
Comparative balance sheet of Indian bank for year 2016-17

Particular	2016	2017	Amount	%
Assets				
Cash and balance with RBI	5588.70	10501.60	4912.9	87.91
Bank money at call	4453.02	2426.19	-2026.83	-45.52
Investment	67551.79	71397.77	3845.98	5.69
Advance	127699.28	156568.93	28869.65	22.65
Fixed assets	3442.60	3418.35	-24.25	-0.70
Other assets	9497.75	8402.99	-1094.76	-11.53
Total assets	218233.15	252715.82	34482.67	15.80
Liabilities				
Capital	480.29	480.29	0.00	0.00
Reserve and surplus	16681.72	17968.13	1286.41	7.71
Deposits	182509.28	208294.22	25784.94	14.13
Borrowing	12636.89	19760.17	7123.28	56.37
Other liabilities and provision	5924.97	6213.01	288.04	4.86
Total liabilities	218233.15	252715.82	34482.67	15.80

Table 4
Comparative balance sheet of Indian bank for the year 2017-18

Particular	2017	2018	Amount	%
Cash	10501.60	11701.86	1200.26	11.43
Balance	2426.19	8318.52	5712.33	235.44
Investment	71397.77	64992.1	6405.6	-8.97
Advance	156568.93	181261.91	2469298	15.77
Fixed assets	3418.35	3961.40	54305	15.89
Other assets	8402.99	98.29.40	142641	16.98
Total assets	252715.82	9829.40	27349.45	10.82
Liabilities				
Capital	480.29	480.29	0.00	0.00
Reserve and surplus	17968.13	18908.40	940.27	5.23
Deposits	208294.22	242075.95	33781.73	16.22
Borrowing	19760.17	12137.54	-762263	-38.58
Other liabilities	6213.01	6463.09	250.08	3.87
Total liabilities	252715.82	280065.27	27349.45	10.82

C. Common size

Another important financial statement analyzing techniques is common size analysis is one in which figures reported are converted into percentage. In balance sheet the total assets figure are assumed to be 100 and all figure are expressed as a percentage of this total. It is one of the simplest method of financial statement analysis which reflects the relationship of each and every items with the base value 100.

Table 5
Comparative balance sheet of Karur Vysya bank for 2016-17

Particular	2016	2017	Amount	%
Assets				
Cash and balance with RBI	2529.06	2790.47	261.41	10.33
Balance with bank money at the call short notice	262.54	1554.62	1292.08	492.1
Advances	39084.38	40907.72	1823.34	4.665
Investment	13221.67	14357.48	1635.81	12.37
Other assets	2145.95	1278.71	-867.24	-40.41
Fixed assets	416.54	410.94	-5.6	-1.344
Total assets	57663.72	61807.61	4143.89	7.186
Liabilities				
Capital and liability	121.86	121.86	0	0
Reserve and surplus	4451.09	4913.83	462.74	10.39
Deposit	50078.9	53699.81	3620.91	7.2304
Borrowing	1573.24	1695.65	122.41	7.78
Other liabilities and provision	1438.63	1376.46	-61.84	-4.298
Total capital and liabilities	57663.72	61807.61	4143.89	7.186

Table 6
Comparative balance sheet of Karur Vysya Bank for 2017-18

Particular	2017	2018	Amount	%
Cash and balance with RBI	2790.47	2960.07	2680.6	96.06
Balance with bank money at the call short notice	1554.62	1336.83	155325.17	-9991
Advances	40907.72	44800.15	3892.43	9.515
Investment	14857.48	15803.21	945.73	6.365
Other assets	1278.71	1500.67	221.96	17.35
Fixed assets	410.94	474.7	63.76	15.51
Total assets	61807.61	66929.12	5121.51	8.286
Liabilities				
Capital and liability	121.86	145.33	23.47	19.25
Reserve and surplus	4913.83	6118.86	1205.03	24.52
Deposits	53699.81	56890.09	3190.28	5.94095
Borrowing	1695.65	2381.67	686.02	40.45
Other liabilities and provision	1376.46	1393.17	16.71	1.213
Total capital and liability	61807.61	66929.12	5121.51	8.286

Table 7
Common size balance sheet of Indian bank for the year 2017-18

Particular	2017	%	2018	%
Assets				
Cash and balance	10501.60	4.16	11701.86	4.18
Bank money at call	2426.19	0.16	8318.52	2.97
Investment	71397.77	28.25	64992.17	23.21
Advance	15668.93	61.95	181261.91	23.21
Fixed assets	3418.35	1.85	3961.40	1.41
Other assets	8402.99	3.33	9829.40	3.51
Total assets	252715.82	100	28065.27	100
Liabilities				
Capital	480.29	0.19	480.29	0.19
Reserve	17968.13	7.11	18908.40	6.75
Deposits	208294.22	82.42	242075.95	4.33
Borrowing	19760.17	7.82	12636.89	21.3
Other liabilities	6213.01	2.46	6463.09	2.31
Total liabilities	252715.82	100	28065.27	100

Table 8

Common Size Balance Sheet of Karur Vysya Bank for the Year 2017-18

Particular	2017	%	2018	%
Assets				
Cash and bank with RBI	127997.62	4.8	150397.18	4.4
Balance with bank money at call	43974.03	1.6	41501.46	1.2
Advances	1571078.38	58.7	1934880.19	56
Other assets provision	154007.72	5.8	226994.20	6.6
Fixed assets	10759.34	0.4	14352.72	0.4
Total assets	2674380.65	100	3429904.02	100
Liabilities				
Capital and liabilities	797.35	0.0	892.46	0.0
Reserve and surplus	155903.06	5.8	193388.12	5.6
Deposit	2044751.39	76.5	2706343.29	78.9
Borrowing	317693.66	11.9	362142.07	10.6
Other liabilities and provision	155235.19	5.8	167138.08	4.9
Total liabilities	2674380.65	100	3429904.02	100

Conclusion

Financial analysis determines a banks health and stability.

Providing and understanding of how the company conducts its business plays an important role to know the financial statement analysis. The financial analysis is done using ratios, comparative balance sheet, and common size balance sheet analysis for Indian bank and Karur Vysya bank for 2016-17 and 2017-18. It is found that Indian Bank is in better position than Karur Vysya bank.

References

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