

A Comparative Study on Financial Performance of United Bank of India and Lakshmi Vilas Bank

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Abstract: This paper has the purpose of surveying and critically analyzing the effect of are United Bank of India and City Union Bank draw conclusion on the basis of financial tools like Ratio Analysis, Common Size and Comparative.

Keywords: Financial performance.

1. Introduction

Banking sector is a backbone of economy in the country. The finance collected from the sector works in economy as blood works in the body. The banking sector is characterized by various services such as account facility, ATM facility, Loan facility, mutual Fund facility and many other financial services. This Service Help a citizen to facilitate his / her work life and private life in many ways. In India the banking sector is witnessed various changes after liberalization and Globalization. These changes would change the structure of the banking system.

Though the "Own country bank" factors has played important role in the sustainment of these domestic banks because customers can easily rely on these banks and doubly want to transact and make relations with domestic banks. Due to this reason, presently as well many foreign banks has stepped into our country but still not well established. The new generation is open minded in terms of new changes and want to avail new facilities offered by foreign banks therefore preferring the foreign banks over domestic banks and now gradually the way of foreign banks is becoming easier in India.

For this purpose one private bank i.e., Lakshmi Vilas Bank and two public sector bank United Bank of India has been taken to study the financial performance of the basis of ratio analysis.

2. Review of literature

1. Source Technologies, (2004) in this paper entitled as, "Teller Assisted Self Services: The New Face of Retail Banking" emphasize the concept called Teller Assisted self-services (TASS), which is the amalgamation of self-services and human services. How this service had integrated multiple data sources and CRM information is also dealt with.
2. Robert Johnston (1997) in his study entitled as, "Identifying the critical determinants of service quality in retail banking: importance and effects", focused on the categories of the quality factors in terms of their relative importance and their effect on satisfaction and dissatisfaction. The study is based on an analysis of over 200 customers in the UK banking industry and 100 interviewers. The study suggests that increasing the speed of processing information, delighting customers, such as improving the reliability of equipment, will lessen dissatisfaction rather than delight customer.
3. Frances X. Frei (1999) in the article entitled as, "Process variants as a Determinant of Bank Performance: Evidence from the retail banking study" explains the relation between retail banks branch-based processes and financial performance. There are 11 processes included in this study which represent the bulk of activities performed in a typical retail branch (eg opening checking accounts). The findings of this study are that the financial performances of banks that perform better across these processes tend to be better than that of other banks.
4. Applied Communicating Inc (ACI) (2003) in the study entitled as, "Retail Banks Require Enhanced Systems as the Industry Changes" explores the challenges that retail banks must overcome with innovative IT systems. In today's fast paced technological age, consumer and corporate customers Chapter -2: Review of Literature & Research Design 19 | Page expect faster execution of transaction. The challenge for the bank IT groups is to ensure how their system can cope with the voluminous transaction without increase in per-transaction processing cost. The article discussed managing electronic funds, prepaid card e-money, remittance market and how banking services through internet have been replaced by mobile banking technologies & ATM.
5. Bhayani, S.J. (2003) in his study entitled as, "Empirical Study on Retail Banking Awareness" has focused on the Retail Banking Awareness by conducting a survey on 200 customers having their current accounts with private banks, nationalized and cooperative banks in Rajkot city of Gujarat. The main objectives of his study was to compare

the services provided by different private sector banks in the Rajkot City and also to know the customers awareness about the services provided and how often they utilized these services. The study concludes that in India, due to various factors like illiteracy etc., the IT awareness of the customers was still very low. That’s why the banks needed to put major efforts towards educating the customers for building up an IT savvy customer base”.

3. Objectives of the study

- To analyze the liquidity position of selected banks.
- To know the solvency position of the pre-selected banks.
- To analyze the profit earning capacity of the selected banks.
- To evaluate the overall financial performance.
- To offer findings and conclusions on the basis of analysis of financial statement.

Sources of data collection:

The study was based on secondary data.

Meaning of financial statement:

Financial statement analysis is the process of analyzing a company’s for financial statement decision-making purposes. External stakeholders use it to understand the overall health of

Comparative Balance Sheet:

an organization as well as to evaluate financial performance and business value. Internal constituents use it as a monitoring tool for managing the finances.

As mentioned, there are three main financial statements that every company creates and monitors: the balance sheet, income statement, and cash flow statement. Companies use these financial statements to manage the operations of their business and also to provide reporting transparency to their stakeholders. All three statements are interconnected and create different views of a company’s activities and performance.

4. Methodology of financial statement

The common method of financial analysis includes Ratio, Comparative and Common size. Historical information combined with a series of assumption and adjustment to the financial information may be used to project future performance.

Tools used for analysis are:

- Comparative Balance Sheet
- Common Size Statement
- Ratios

Table 1
Comparative Balance Sheet of United Bank of India 2018-2019 & 2017-2018

Particulars	Year 2017-2018	Year 2018-2019	Amount Increase /Decrease	Percentage % Increase/Decrease
Assets:				
Cash & balance with RBI	6212.14	6168.88	-43.26	-0.70
Balance with Banks , money at call	14022.18	3494.61	-10527.57	-7508
Advance	62490.20	66955.10	44649	71.44
Investment	50401.80	60976.03	10574.23	20.98
Fixed assets	339.66	310.29	-52.43	-15.44
Other assets	10329.24	12695.25	2366.01	22.91
Total assets	143801.81	150606.15	-995263.45	-7408.81
Liabilities:				
Share capital	3000.00	7427.92	4427.92	147.60
Reserves	4714.75	3147.18	-1567.57	-33.25
Deposits	129326.38	134983.32	5656.94	4.37
Borrowings	3306.06	2203.72	-1102.34	-33.34
Other Liabilities & provisions	3440.98	2844.02	9254.27	268.94
Total Liabilities	143801.81	150606.16	16669.22	354.32

Table 2
Comparative Balance Sheet of Lakshmi Vilas Bank 2018-2019 & 2017-2018

Particulars	Year 2017-2018	Year 2018-2019	Amount Increase /Decrease	Percentage % Increase/Decrease
Assets:				
Cash & balance with RBI	1698.17	1654.07	-44.1	-2.60
Balance with Banks , money at call	316.79	515.04	198.25	62.58
Advance	25768.20	20103.26	-5664.94	-21.98
Investment	10767.75	8430.17	-2337.58	-21.71
Fixed assets	235.20	288.34	67.5	28.70
Other assets	1475.86	1873.67	397.81	26.95
Total assets	40261.97	32864.55	-7383.06	71.94
Liabilities:				
Share capital	255.99	319.90	63.91	24.97
Reserves	1904.42	1391.07	-513.35	-26.96
Deposits	33309.48	29279.44	-4030.4	0.67
Borrowings	4012.78	921.26	-3091.52	-77.04
Other Liabilities & provisions	779.29	952.89	1094.38	140.43
Total Liabilities	40261.96	32864.56	-6476.98	62.07

Common Size Statement:

Table 3
Lakshmi Vilas Bank

Particulars	Year 2018-2019	Percentage %	Year 2017-2018	Percentage %
Assets:				
Cash & balance with RBI	1654.07	5.03	1698.17	4.22
Balance with Banks , money at call	515.04	1.57	316.79	0.79
Advance	20103.26	61.17	25768.20	64
Investment	8430.17	25.65	10767.75	26.74
Fixed assets	288.34	0.88	235.20	0.58
Other assets	1873.67	5.70	1475.86	3.67
Total assets	32864.55	100	40261.97	100
Liabilities:				
Share capital	319.90	0.97	255.99	0.64
Reserves	1391.07	4.23	1904.42	4.73
Deposits	29279.44	89	33309.48	82.73
Borrowings	921.26	2.80	4012.78	9.97
Other Liabilities & provisions	952.89	3	779.29	1.93
Total Liabilities	32864.56	100	40261.96	100

Table 4
United Bank of India

Particulars	Year 2018-2019	Percentage %	Year 2017-2018	Percentage %
Assets:				
Cash & balance with RBI	6168.88	4.10	6212.14	4.32
Balance with Banks , money at call	3494.61	2.32	14022.18	9.75
Advance	66955.10	44.45	62490.20	43.46
Investment	60976.03	40.49	50401.80	35.05
Fixed assets	310.29	0.21	339.66	0.24
Other assets	12695.25	8.43	10329.24	7.18
Total assets	150606.15	100	143801.81	100
Liabilities:				
Share capital	7427.92	4.93	3000.00	2
Reserves	3147.18	2.09	4714.75	3.3
Deposits	134983.32	89.63	129326.38	90
Borrowings	2203.72	1.46	3306.06	2.30
Other Liabilities & provisions	2844.02	1.89	3440.98	2.4
Total Liabilities	150606.16	100	143801.81	100

Ratios:

Deposits to Total Assets:

$$= \text{Deposits} / \text{Total Assets}$$

Year	United Bank of India	Lakshmi vilas Bank
2018-2019	0.89	0.89
2017-2018	0.89	0.82

Return on total assets ratio:

$$= \text{Net Profit} / \text{Total Assets} * 100$$

Year	United Bank of India	Lakshmi vilas Bank
2018-2019	-1.54	-2.72
2017-2018	-1.01	-1.45

Advance to Total Assets:

$$= \text{Advance} / \text{Total assets}$$

Year	United Bank of India	Lakshmi Vilas Bank
2018-2019	0.44	0.61
2017-2018	0.43	0.64

Cash position Ratio:

$$= \text{Cash in bank balance with RBI} / \text{Other Liabilities}$$

Year	United Bank of India	Lakshmi Vilas Bank
2018-2019	2.17	1.74
2017-2018	1.81	2.18

5. Conclusion

Banking sector in Indian has given a positive and encouraging responses to the financial sector reforms. Entry of new private banks and shaken up Public sector banks to competition. The financial sector reforms have brought India financial system closer to global standards. With the India increasingly getting integrated with the global financial world, the Indian banking sector has a still long way to go to catch up with their counter parts.

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