



FINANCIAL PERFORMANCE OF CITY UNION BANK

¹Dr. M. Kalimuthu, ²D. Sathishkumar

¹Associate Professor, Department of Commerce with Professional Accounting,
Dr. N.G.P. Arts and Science College (Autonomous), Coimbatore

²181PA144, Department of Commerce with professional Accounting,
Dr. N.G.P. Arts and Science College, Coimbatore

ABSTRACT

The term 'Analysis of financial performance' also known as 'analysis of preparation of financial statements' refers to the process of determining financial strength and weakness of the firm by establishing relationship between the item of the balance sheets and the profit and loss account. The study used 5 years of City union bank secondary data and main objective is to find out the financial performance of the bank that can be helpful in finding the growth aspects. The various tools like current ratio, liquid ratio, absolute liquid ratio and other performance ratio were used for the study. The suggestions reveal the bank should take necessary steps to earn regular income and thus maintain profitability performance. Finally, the study reveals there was gradual rise and fall in the growth of the bank during the study period it is satisfactory.

KEYWORDS: liquidity performance, rise and fall. Growth aspects.

INTRODUCTION

Finance is regard as the life blood of a business enterprise. This is caused in the modern money oriented enterprise finance is the basic foundation of all kinds of economic activities. The term finance mainly involves rising of funds and their effectively utilization of keeping in view the overall objective of the firm. Financial statement analysis is a process which examines past and current financial data for the purpose of evaluating performance and estimating future risks and potential.

Management of Working capital in terms of liquidity and profitability management essential for sound financial recital as it direct impact on profitability of the bank. The part in managing working capital is required maintaining its liquidity in day-to-day operation to ensure its smooth running and meets its obligation. Ultimate goal of profitability can be achieved by efficient use of resources.

The analyst attempts to measure the firm liquidity, profitability, and other indicators that the business is conducted in a rational and normal way ensuring enough returns to the shareholders to maintain at last its market value. The financial reporting has the following major objectives financial reporting should

provide information that is useful to present potential investors and creditors and other user in making rational investment credit and similar decision.

Ratios are generally not significant of themselves but assume significance of themselves but assume significance when they are compared with previous ratios of the same firm some ratio of enterprises in the same bank or ratio of the bank or ratios of the industry within which the company operates. When used in manner ratios serve "benchmarks" against which the bank can evaluate itself. Ratios are not ends in themselves but helps provide answer to questions concerning specific issues into the operations of a business enterprise. Benchmarking is comparing one bank financial results with result other bank or with an bank average. Many sites offer benchmark ratios when using ratios analysts must understand the factors which enter into the structure of the ratio and the way changes in such factors influence the ratio.

REVIEW OF LITERATURE

Anshuja Tiwari Rakhi Tiwari (2019)

It is concluded that banking environment is changing drastically in India. It has given raised to increased



competition among public and private sector banks. Financial performance can help the bank to survive in this cut throat competition. Fast consolidation in banking sector has presented vast changes in functioning of the banks. Thus both banks the public and private sector bank are not antagonist but are supplement to each other for the Nations overall development.

B.Sowmiya, T.R. Anandhi (2019) Financial analysis determines a banks 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. It is found that Indian bank is better position than city union bank.

D. Premaselvaraji Dr. A. L. Kamalavalli (2017) Analysis and interpretation of financial statements with the help of 'ratios' is termed as 'ratio analysis' ratio analysis involves the process of computing, determining and presenting the relationship of items or group of items of financial statement. The conclusion is that while analyzing the financial performance of nationalized banks the performance of Indian overseas bank was better than other banks and SBI has to stabilize their financial stability.

STATEMENT OF THE PROBLEM

Liquidity is the ability of an organization to meet its financial obligation during the short-term and to maintain long-term debt- paying ability. The long-term survival depends on satisfactory income earned by it. A sound liquidity leads to better profitability, and it turn reduces the probability of default risk in future. Therefore a study of liquidity, profitability, leverage, turnover, market based and their association with risk, assessing the financial position very much necessary to evaluate the financial strength of the bank.

OBJECTIVE OF THE STUDY

- To analyst the profitability, liquidity, and solvency position of city union bank.
- To evaluate financial status, growth and operation performance of city union bank.
- To know the development and efficiency growth of city union bank.
- To identify the financial strength and weakness of city union bank.

RESEARCH METHODOLOGY

Period of the study

The present study covers over of 5 years from 2016-2017 to 2019-2020.

Sources of Data

The research methodology used in this study both analytical and descriptive in nature. The study is primarily based on the secondary data collected from the Annual Report for the period of 2016-2020. The study includes techniques of financial statement analysis like ratio analysis only.

Tools and Techniques

Under this study only Ratio analysis is used to analyzing the financial performance on city union bank.

LIMITATION OF THE STUDY

- The study is limited to a period of 5 years only.
- The study covers only one bank (i.e.) City Union Bank Coimbatore.
- Data of this study has been taken from published annual reports only.

FINDINGS

- The current ratio was low at 1.13 in the year 2016 and was high in the year 2017 at 1.24. But the ratio got declined in the last year 1.11. it reveals that the current ratio of the bank is mot as per the norms in the last five years.
- The absolute liquidity ratio the bank trying to stabilize the liquidity in the last four years and as result a positive impact is there towards the liquidity of the bank.
- The return on investment ratio was low at 0.07 in the year 2016 and was high in the year 2019 finical year at 0.09. It reveals that the profitability of the bank is increasing as per the investment made by them.
- The ratio of profit to total deposits the ratio was the same in the last five year which shows that the profitability of the bank is per the deposits of the bank which is good for the bank.
- The net profit ratio was low at 0.13 in the year 2016 and high at 0.16 in the financial year which shows that the profitability of the bank has increased gradually in the five year based on income of the bank.
- The ratio of profit on spread the ratio was low at 0.43 in the year 2017 and high at 0.45 in the



financial year which shows that the profitability of the bank has decreased.

- The interest earned ratio was low at 0.43 in the year 2018 and high at 0.88 in the year and the same ratio was in the year 2016 shows which that the income of the bank was increasing as per interest rate.
- The interest paid ratio interest paid towards the total income was getting reduced in the last five years which is a good sign towards the bank.
- The return on equity was stable in the year which is good for the bank.
- The cash with the bank and RBI and the deposits ratio was stable which is a good for the bank.
- The ratio of net worth to fixed assets ratio was low 14.02 in the year 2016 and was high in the year 2019 at 19.36 it reveals that the net worth towards fixed assets got increasing.
- The ratio investment to deposits ratio was low at 0.22 in the year 2020 and was high in the year 2018 at 0.24. it reveals that the investment made by the bank towards deposits got decreased .
- The ratio of investment to total asset ratio was low at 0.08 in the year 2019 and was high in the year 2016 at 0.09. It reveals that the investment made by the bank towards total assets got decreased.
- The ratio of credit deposit ratio was low at 1.18 in the year 2018 and was 2019 was high in the year 2016 at 1.28. It reveals that the advances of the bank was increasing towards deposits.

SUGGESTION

- Current ratio of the bank is being lower than standard level hence bank should take step to properly utilize the current assets.
- The liquidity position of the bank quite satisfactory and this must be improved further for utilization of the liquid assets.
- The profit of the bank needs to raised through increasing productivity and decreasing expenses.
- The cash ratio position of the bank is very high for the last five years.

CONCLUSION

A financial analyst can adopt the following tools for the 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 of financial performance of city union bank. This study attempted to find out whether CUB 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. 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 bank are satisfactory.

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