



A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF KARUR VYSYA BANK

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ABSTRACT

Financial statement analysis (or financial analysis) is the process of reviewing and analyzing a company's financial statements to make better economic decisions to earn income in future. The objective is to study and analyze 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 Karur Vysya 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 Karur Vysya Bank Ltd. from 2015-16 to 2019-20 is satisfactory.

KEYWORDS: Performance ratios, Growth aspects, Income efficiency.

1. INTRODUCTION

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of various financial tools in financial performance analysis. Bank plays a crucial role in the development of Indian economy. A sound and an efficient banking system in developing countries provide the necessary financial inputs to the economy. It also measures organizations whole financial health over a particular period of time. Financial performance of the organization deals with the financial strength and weaknesses of bank accurately establishing a relationship between the balance sheet and income statement.

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 Karur Vysya Bank" is selected for the present study. This study is meant to assess the performance of commercial banks with special reference to Karur Vysya Bank in terms of branch expansion, deposit mobilization, credit expansion and priority sector advance and also in the light of objectives of nationalization.

3. OBJECTIVE OF THE STUDY

- To measure Karur Vysya Bank financial results.
- To analyse the financial & Performance analysis of the bank by using different ratios.
- To study and analyse the financial performance of Karur Vysya Bank Ltd for the period of five years, so to say, 2015-2016 to 2019-2020.
- To study the growth aspects of Karur Vysya Bank.
- To offer suggestions that are based on study findings.

4. RESEARCH METHODOLOGY

Source of Data	Secondary data
Period of Study	2015-2016 to 2019 – 2020
Framework of analysis	Financial Statements
Tools and Techniques	Ratio analysis



5. STATISTICAL TOOLS

The following statistical tools were applied to analyze the statistical data collected for calculation of financial performance analysis:

- Return on Assets Ratio (%)
- Interest Coverage Ratio (%)
- Ratio of Interest Income to Total Assets (%)
- Ratio of Non-Interest Income to Total Assets (%)
- Ratio of Operating expenses to Total assets (%)
- CASA Ratio (%)
- Net Interest Margin (%)
- Net Profit Margin (%)
- Cost-to-Income Ratio (%)

6. REVIEW OF LITERATURE

Bangaru Pushpalatha (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 7 years 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.’

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.’

Rajendran P (2019), ‘analysed 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.’

7. TABLE

Year	Return on Assets Ratio (%)	Interest Coverage Ratio (%)	CASA Ratio (%)	Net Interest Ratio (%)	Net Profit Ratio (%)	Cost-to-Income Ratio (%)
2015-16	0.98	6.35	23.31	3.09	10.43	50.35
2016-17	0.98	5.74	27.73	3.36	10.78	44.99
2017-18	0.52	5.08	29.14	3.43	6.06	44.42
2018-19	0.30	4.98	29.92	3.41	3.63	48.56
2019-20	0.34	5.33	31.33	3.44	3.92	49.73

- The Return on Assets Ratio (%) was higher during 2015-16 with the ratio of .98 and it is lower with the ratio of 0.30 during 2018-19. The Ratios have decreased in these years and it shows that the efficiency of the Bank is poor when comparing to previous years.
- The Interest Coverage Ratio (%) was higher during 2015-16 with the ratio of 6.35 and it is lower with the ratio of 4.98 during 2018-19. The ratio shows that the expenses are comparatively low every year when it is comparing to assets of the Bank.
- The CASA Ratio (%) was lower during 2015-16 with the ratio of 23.31 and it is higher with the ratio of 31.33 during 2019-20. The ratios are becoming high in the previous years. This depicts that the current and savings deposits are becoming high and the term deposits are becoming low which implies that the bank gets money at lower cost.

- The Net Interest Margin (%) was lower during 2015-16 with the ratio of 3.09 and it is higher with the ratio of 3.44 during 2019-20. The borrowings of the bank are increased and the deposits are decreased.
- The Net Profit Margin (%) was higher during 2016-17 with the ratio of 10.78 and it is lower with the ratio of 3.63 during 2018-19. The Net Profit was decreasing every year. The bank has to focus on improving its profit by reducing its expenses.
- The Cost-to-Income Ratio (%) was higher during 2015-16 with the ratio of 50.35 and it is of 49.73 during 2019-20. As the ratios are increasing in the recent years, it depicts profitability of the bank is low.

8. SUGGESTIONS

- The Return on Assets Ratio is becoming lower every year. So, I suggest the bank to focus on the Income of the Bank.



- The Ratio of Interest Income to Total Assets was lower in the past years. It shows that Interest Income on loans are reduced when it is compared to the assets of the bank. I suggest the bank to focus more on lending loans.
- The Net Profit Margin Ratio decreases every year. I would suggest the bank to focus on improving its profit by reducing its expenses.
- The Cost-to-Income Ratio is increasing in the recent years, it depicts that the cost is higher than its income which reduces the profitability of the bank. Thus, I would recommend the bank to control its cost to increase its profitability.

9. CONCLUSION

The Financial position of the concern can be analyzed with the help of the ratios. The study used various key performance banking ratios. The study has been made on various aspects of the bank like interest, loans, assets, expenses, deposits, etc. The Findings of the study reveals that the bank has some minority issues in managing the deposits and all other aspects are going well. The suggestions relating to solving the minority issues is also given in this study. Finally, The Financial Performance of Karur Vysya Bank from 2015-16 to 2019-20 is satisfactory. This study will be helpful for the researchers to analyze the financial performance of Karur Vysya Bank in the future.

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