

# A study on analyses of financial performance of city union bank

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## 1.ABSTRACT

The paper's main goal is to use ratio analysis to examine the bank's overall financial situation. It demonstrates if the company is getting better or worse over time. The last five years worth of yearly reports from cub serve as the study's primary source of secondary data. Ratio analysis offers a foundation for both intra and inter firm comparisons. For great ease of understanding ,visual representations are employed. For a variety of stakeholders, including management, financiers, stakeholders, and creditors among other tools are helpful tools. In this study several ratio types are examined. This report provides information on the firm financial status as well as identifies issues and makes recommendations for how to fix them.

Keywords: profitability, ratio analysis

## 2. INTRODUCTION

City Union Bank Limited is an Indian private sector bank headquartered in Kumbakonam, Tamil Nadu. This is one of the most preferred regional banks in the Thanjavur district of Tamil Nadu. In the financial year 2021 – 2022, the bank increased its operating branches to 725. The growth of the bank was huge over the period of years from its starting position. The Researcher tries to identify the financial status of the bank in its current position and recommends changes that the bank should adapt to grow further.

## 3.REVIEW OF LITERATURE

K.V.S.GAYATHRI AND ETAL (2020) conducted research on the topic "Financial Performance in Indian Commercial Banks" in order to determine the profitability performance and growth of public sector banks in India. In this study, secondary data was used. Net profit is used to evaluate the profitability positions of various public sector banks. Mean and standard deviation are the tools used in this study. The study concludes that the average amount of net profit is higher in the SBI bank and the lowest average amount of net profit is found in the Central Bank of India, and that the SBI performs better in terms of profitability than all other public sector banks.

B.SOWMIYA AND ETAL (2019) conducted research on "A Study on Financial Performance of Indian Banks and Karur Vysya Banks." The primary goal of this paper was to examine the financial performance of Indian Bank and Karur Vysya Bank over two years, 2016-2017 and 2017-2018. The analysis employed ratio analysis, comparative, and common size. The findings will help to improve the financial health of both banks in the future. The primary goal is to understand the profile and financial performance of Indian Bank and Karur Vysya Bank Limited. A bank's health and stability are determined by financial analysis. Knowing and understanding how the company conducts its business is critical.

**Dr.Dhanabhakym&M.kavitha (2012)** in their research used some important ratio to analyses the financial performance of selected public sector banks such as ratio of advances to assets, ratio of capital to deposit, ratio of capital to working fund, ratio of demand deposit to total deposit, credit deposit ratio, return on average net worth ratio, ratio of liquid assets to working fund etc. The ratio of advances to assets shows an increasing trend for most of the public sector banks. It shows aggressiveness of banks in lending which ultimately result in high profitability. The ratio of capital to deposit also indicates an increasing trend in the capital of banks. This ratio enables the bank to meet the contingencies of repayment of deposit. The ratio of capital to deposit is declining. The ratio of capital to working fund also indicates that the overall efficiency of the selected public sector banks are good. On the other hand the ratio of demand to total deposit is declining. This indicates a better liquidity position of the bank. The credit deposit ratio of most of the banks shows an increasing trend. It shows the profitability of the banks in government. The return on average net worth also showed an increasing trend.

**Ramchandanazhagasahi and SandanvnGejalakshmi (2012)** In their study found the impact of asset management, operational efficiency and bank size on the financial performance of the public sector and private sector banks. The research revealed that banks with higher total capital deposits and total assets do not always mean that they have better financial performance. The overall banking sector is strongly influenced by assets utilization, Operational efficiency, and interest income.

**Jha DK and D S Sarangi (2011)** The financial performance of seven public sector and private sector banks during the period 2009-10. They used three sets of ratio, operating performance ratio, financial ratio and Efficiency ratio. The study revealed that Axis bank was on the top of these banks followed by ICICI, BOT, PNB, SBI, IDBI and HDFC.

**Dangwal and kapoor (2010)** also undertook the study on financial performance of nationalized banks in India and assessed the growth index value of various parameters through overall profitability indices. They found that out of 19 banks, four banks had excellent performance, five banks had good performance and six banks had poor performance. Thus the performance of nationalized banks differ widely

"The Influence of People: The Service Marketing Benefits of Training," Emma Spetz and Laurence Butler, 2008. - This study created a model that demonstrates the impact and benefits of training in the selected banks. It demonstrates that training is not the only way to market through people, but it does play an important role.

"Managing Customer Services Using GIS in Banks: A Case in the Chinese Competitive Environment," Yung Fu, March 2007. - According to the study, GIS can help banks improve customer service management. Data

collection, data analysis, and data display are the general processes. Under the pressure of commercial competition, developing a GIS support system based on "customer focus" in a bank is a good choice.

"The impact of the Internet on service quality in the banking sector," Chun Wang and Zheng Wang, April 2006 - the study's findings show that the internet is a useful tool. Customers can get it whenever and wherever they need it. It has been concluded that the internet has a significant and positive impact on customer perceptions of banking services, and that service quality has improved since the internet's use in the banking sector.

Hoda Talebi (2006), "Competitive Trends in Service Marketing." - Today, services marketing is undergoing a revolution as social media has become more powerful than ever, providing customers with a stronger voice than they have ever had. Bloggers are the new social media influencers. The media has a global voice and has already demonstrated how powerful their voices can be in a variety of industries.

#### 4. RESEARCH METHODOLOGY

##### 4.1 OBJECTIVES OF THE STUDY

- To research CUB financial performance and ratio analysis .
- To determine the company's profitability and liquidity condition
- Banks' financial strengths and weaknesses should be examined.

##### 4.2 METHOD OF DATA COLLECTION

Secondary data is the information that someone else has gathered. Besides the user, the data is already accessible and has been studied by the other person. Publications such as books ,periodicals, newspapers, and journals are common sources of secondary data. In research we employed secondary data acquisition.

##### 4.3 NATURE OF DATA

The knowledge that is currently accessible for this study has been gathered from secondary sources. Annual reports from banks, websites and journals are among the sources.

##### 4.4 LIMITATIONS OF STUDY

- The banks abide by the guidelines set out by the Indian central bank.
- This research is limited to a single bank.
- The analysis was limited to only five years of financial data.(2018-2022)
- Only secondary data were used to conduct the study.
- Primary data from a people perspective was not taken into consideration.
- Many ratio analysis tools were not taken into consideration.

## 5. DATA ANALYSIS AND INTERPRETATION

Particulars	2021-22	2020-21	Growth%
Share capital	74	74	-
Reserves and surplus	6521	5,769	13%
Deposits	47,690	44,537	7%
Advances(Gross)	41,156	37,021	11%
Investments(gross)	12,294	9,523	29%
Total Assets/Liabilities	61,531	53,312	15%
Total income	4,864	4823	1%
Total expenses	3,269	3,356	-
Net interest income	1,916	1,830	5%
Operating Profit	1595	1468	9%
Provisions & Contingencies	835	815	-
Net profit(A)	760	593	28%

The deposits and advances for the current year stood at ₹47,690 cores and ₹41,156 cores respectively. The total business stood at ₹88,846 cores as compared to ₹ 81,558 cores for previous year registering a growth of 9%.

The size of the balance sheet as on 31st march,2022 is ₹61,531 cores compared to ₹53,312 cores last year recording an increase of 15%.

### ● Gross Profit

FY 2018	FY 2019	FY 2020	FY2021	FY2022
1112	1217	1373	1468	1595

### ● Net profit

FY 2018	FY 2019	FY 2020	FY2021	FY2022
592	683	476	593	760

The bank achieved a gross profit of ₹1,595 cores this year, up from 1,468 cores the previous year, representing 9% gain. The bank's net profit for the current fiscal year was ₹760 cores up from ₹593 cores previous year.

- Total income

FY 2018	FY 2019	FY 2020	FY2021	FY2022
3839	4259	48811	4823	4864

The total income earned climbs somewhat in FY 2022 to ₹4,864 crores up from ₹4,823 crore in FY 2021. The bank's interest revenue increased from ₹ 689 crores to ₹759 crores, representing a 10% rise due to NPA recoveries. Due to drop in deposits costs, the banks overall expenditure reduced by 3% to ₹3,269 crores in comparison to ₹3,356 crores the previous year.

- Net interest income

FY 2018	FY 2019	FY 2020	FY2021	FY2022
1430	1611	1675	1830	1916

Net interest income FY 2022 was ₹1916 crores, up 5 % from ₹1,830 crores the previous year. In the year 2018 it is ₹1430 and then there was a gradual decrease for about ₹181 and then an increase for about ₹64 in the year 2020 a steady increase for about ₹155 in 2021 and then lastly in the year 2022 there is a small increase for about ₹86 .

- Deposits

FY 2018	FY 2019	FY 2020	FY2021	FY2022
32853	38448	40832	44537	47690

The Bank's total Deposits for the year under review increased by ₹3,153 crores to record ₹47,690 crores from ₹44,537 crores registering a growth of 7% over previous year. During the current year CASA increased by ₹2,548 crores to record ₹15,529 crores from ₹12,981 crores depicting a growth of 20%. The cost of deposit of the Bank decreased to 4.68% from 5.36% in the previous year.

- Advances

FY 2018	FY 2019	FY 2020	FY2021	FY2022
28239	33065	34576	37021	41156

Gross Advances of the Bank increased by ₹4,135 crores to ₹41,156 crores from ₹37,021 crores, posting a growth of 11%. The yield on advances declined to 9.36% from 9.91% during the reporting year. The decline in yield is due to reduction in rate of interest given to many borrowers on account of stiff competition and increase in Jewel loan & ECLGS portfolio which comprises lower ROI. For FY 2022, the Bank achieved the

target / sub targets prescribed by the RBI for the Priority sector, Agriculture, Micro Enterprises, Small / Marginal farmers, and weaker sections.

- Net Worth

Net Worth The paid-up Share Capital of the Bank increased to ₹73.96 crores as on 31 March 2022 from ₹73.88 crores as on 31 March 2021. During the reporting period the Bank has allotted ₹7,62,802 equity Shares to employees under Employee Stock Options pursuant to CUB ESOS Scheme 2008 & CUB ESOS Scheme 2017. The Net worth of the Bank stands improved to 6,549.75 crores as on 31 March, 2022 from ₹ 5,798.85 crores as on 31 March, 2021.

- Cash Flow analysis

	2021-22	2020-21
Cash flow from operating Activities		
Net profit as per P and L account	7601651	5928228
Adjustment for:		
Depreciation	850211	874736
Provisions & contingencies - tax	2250000	1000000
Provisions & contingencies- Others	6101459	7910178
Profit on sales of Investments	-620995	-2334071

Profit on sales Assets	-1416	-2486
Foreign exchange Fluctuations	-1947423	-919082
Operating Profit before working capital changes Adjustments for:	14,233,487	12,457,503
Funds advanced to customers	-47648894	-28868828
Others Operating Assets	-40668	1242996
Deposits from Customers	31523061	37048701
Others Operating Liabilities	39661279	-6867074
Purchase and sale Investments(Net)	1333311	-4745473
Cash Generated from Operations	-27197111	-375745
Taxation -income tax	11,864,465	9,892,080
Net Cash flow from operating Activities-A	-209451	-674084
Cash flow from investing Activities	11,655,041	9,217,996
Purchase of fixed Assets	-771012	-761777

Sale of fixed Assets	142611	382215
Net Cash used in investing Activities-B	-628401	-379,562
Cash flow from financing activities		
Proceeds from issue of share capital	763	1503
Proceeds from share premium	67090	110996
Dividend Paid	-375771	-16806
Tax on distributed profits	-	-
Net Cash flow from Financing Activities-C	-307,918	95,693
Net increase in Cash and Cash equivalents(A+B+C)	10,718,695	8,934,127
Cash and cash equivalent 31 <sup>st</sup> March 2021	56,150,604	47,216,477
Cash and Cash equivalent as of 31 <sup>st</sup> March 2022	66,869,299	56,150,604



- Return on assets:

CAGR 3YRS	CAGR 5YRS	Mar 2022	Mar-2021	Mar 2020	Mar 2019	Mar 2018
-6.4%	-2.8%	1.23%	1.11%	0.95%	1.50%	8.21%

In the year of 2022 it is 1.23% it has decreased for about 0.12% and then again it has decreased a little more than the first year that is nearly for about 0.26% in the year of 2021. March 2019 it has started from 1.50 % and a very unforeseen spike has been seen in the year 2018 for about 6.71%.

- Return on equity:

CAGR 3YRS	CAGR 5YRS	Mar 2022	Mar-2021	Mar 2020	Mar 2019	Mar 2018
-6.5%	-3.9%	11.54%	10.14%	8.99%	14.10%	8.21%

In the year of 2022 it is 11.54% it has decreased for about 1.4 % and then again it has decreased a little more than the first year that is nearly for about 1.15% in the year of 2021. March 2019 it has started from 14.10 % and a very unexpected decrease has been seen in the year 2018 for about 5.99%.

- Return on capital employed:

CAGR 3YRS	CAGR 5YRS	Mar 2022	Mar-2021	Mar 2020	Mar 2019	Mar 2018
-6.5%	-6.1%	6.35%	7.32%	7.96%	7.76%	8.21%

In the year of 2022 it is 6.35% .It has slowly increased for about 0.97% in 2021 and then again it has increased a little more that is nearly for about 0.64% in the year of 2020. March 2019 it has started from 7.76 % and a very unexpected increase has been seen in the year 2018 for about 0.45%.

- Interest earned ratio:

Interest earned ratio	Mar 15	Mar 16	Mar 17	Mar 18	Mar 19
Interest earned	2,698	2,944.21	3,173.79	3,402.42	3,767.17
Total income	3113.85	3,354,19	3,657,74	3,934.52	4281.56
Interest earned ratio	0.87	0.88	0.87	0.86	0.88

Above table shows about the interest earned ratio of the bank for the past five years were the ratio was low at 0.86 in the year 2018 and was high at 0.88 in the last financial year and the same ratio was in the year 2016

which shows that the income of the bank was increasing as per the interest rate which is a good sign for the bank.

## 6. FINDINGS

- 1) The balance sheet as of March 31, 2022, is 61,531 crores, up from 53,312 crores the previous year, representing a 15% growth.
- 2) In return of assets: March 2019 it has started from 1.50 % and a very unforeseen spike has been seen in the year 2018 for about 6.71%.
- 3) Gross profit: The bank had a gross profit of 1,595 crores this year, up from 1,468 crores the previous year, reflecting a 9% increase.
- 4) Total Income: Because of the reduction in deposit costs, the banks' total expenditure fell by 3% to 3,269 crores, down from 3,356 crores the year before.
- 5) Net interest income: during FY 2022 was 1916 crores, an improvement of five percent over the previous year's estimate of 1,830 crores.
- 6) The interest paid towards the total income was getting reduced in the last five years which is a good sign towards the bank.

## 7. RECOMMENDATIONS(SUGGESTIONS)

The company put forth certain points that company should focus more on:

- The bank should try its level best to increase its profitability position because ROCE and ROA ratios are not good.
- The bank must take appropriate actions to enhance its cash position because the cash ratio is poor, and it fluctuates.

## 8. CONCLUSION

The research was undertaken at City union bank Ltd to determine the bank's financial performance using ratio analysis. After reviewing the bank's five-year financial records, it is deemed that the bank's overall financial performance is satisfactory. Based on the data, it is obvious that the bank's investment in government securities is increasing, and the bank is obligated to take the required steps to enhance its cash position and profitability. However, the bank is properly utilizing and managing its funds. This study was quite helpful in analyzing the bank's financial performance using its financial statements. The statistics show that the bank's financial performance has been improving year after year, but it still has to work more.

## 9. REFERENCES

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