

A Study on Financial Statement Analysis of M/S Pudukkottai Bharathiar Grama Bank (Sponsored by Indian Bank)

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ABSTRACT

The project title is "A Study on Financial Statement Analysis of Pudukkottai Bharathiar Grama Bank (PBGB)". It is intended for the financial analysis of the bank for a period of five years from 2020 to 2025. Pudukkottai Bharathiar Grama Bank, which is an Indian Bank sponsored bank, is playing an important role in rural growth and financial inclusion in the Union Territory of Pudukkottai. The study was based on secondary data collected from the annual reports and published financial statements of the bank. Techniques such as Comparative Statement Analysis, Common-Size Statement Analysis, Trend Analysis, and Ratio Analysis were used to examine the profitability, liquidity, solvency, and general financial position of the bank. The analysis shows that PBGB has recorded consistent growth in income, deposits, and advances over the years. Profits have increased consistently, which proves that the bank has been carefully utilizing its resources. The rise in total assets, reserves, and surplus shows the healthy and stable financial position of the bank. In summary, from this research, Pudukkottai Bharathiar Grama Bank has registered steady and prudent financial growth over the study duration. The findings of this project will help the management and stakeholders to understand the financial trends of the bank and make better decisions towards future development and growth.

1. INTRODUCTION TO THE STUDY

Financial statements are important reports that help us understand how well a bank is performing. They show details about the bank's income, expenses, assets, and liabilities. By studying these statements, we can learn about the financial condition and stability of a bank. In today's competitive and regulated banking environment,

analysing these statements helps banks improve their financial decisions and performance.

The project is titled "a study on financial statement analysis of pudukkottai bharathiar grama bank." the main purpose of this study is to examine the financial performance of pudukkottai bharathiar grama bank (PBGB) over a specific period. PBGB is a regional rural bank that plays a key role in providing financial services to people in rural and

semi-urban areas of the union territory of Puducherry.

2. OBJECTIVES OF STUDY

- 1) To analyse the financial performance of Pudukkottai Bharathiar Grama Bank (PBGB) over 5 years using comparative, common-size, trend statement analysis, and ratio analysis of Pudukkottai Bharathiar Grama Bank
- 2) To examine the changes in various components of the profit and loss account and balance sheet.
- 3) To identify growth trends, financial strengths, and areas of concern based on comparative and percentage analysis.
- 4) To provide insights for better financial understanding and support the decision-making process within the bank.
- 5) To suggest proportionate relationships and possible areas of improvement.

3. REVIEW OF LITERATURE

3.1 NABARD (1986) – While working on "A Study on RRBs Viability," submitted by Agriculture Finance Corporation, they found that the viability of RRBs is based on resource mobilization, cost control, and

branch expansion. The report found operational weaknesses to be causing losses and suggested improved infrastructure and system reforms for enhanced performance.

3.2 Uosef Mosbah Ali Masoud & Devaraj Badug (2015) – In their article "Financial Statement Analysis of NABARD," the authors emphasized the use of ratio analysis to examine liquidity, solvency, and profitability. The authors concluded that financial statement analysis not only quantifies past performance but also becomes a tool for making investment decisions and managing risk in financial institutions.

3.3 Anil Kumar, Nikhil Nishant, Arun Kumar (2022) – Their research "Profitability Analysis of RRBs in India" defined RRBs as rural financing's integral institutions. Based on descriptive analysis, the authors determined that although RRBs played a crucial role in rural development, profitability was negatively impacted by high NPAs and operational inefficiencies.

3.4 Dr. A. Balagurusamy, Na. Swaminathan & M. Surendran (2024) – In "Performance Evaluation of Tamilnadu Grama Bank," authors compared balance sheets and profit & loss accounts to know strengths and weaknesses. Analysis revealed that Grama Banks are suffering from poor recovery and asset quality, but

trend analysis indicated improvement in financial position over the years.

4. RESEARCH METHODOLOGY

4.1 SCOPE OF RESEARCH - The study titled “A Study on Financial Statement Analysis of Pudukkottai Bharathiar Grama Bank (PBGB)” focuses on understanding how well the bank has performed financially over the past five years. The research aims to provide a clear picture of the bank’s financial health by examining its Profit and Loss Account and Balance Sheet using different analytical tools.

4.2 RESEARCH DESIGN - This study follows a descriptive and analytical research design. It is descriptive as it describes and summarizes the financial data of the bank.

4.3 PERIOD OF STUDY - The duration taken for the research to data collection and analysis regarding financial statement analysis of Pudukkottai Bharathiar Grama Bank is 49 days. The data used are of last five financial years from 2020 to 2025.

4.4 METHODS OF DATA COLLECTION - The study is based on secondary data. The data was collected from: ➤ Annual reports of Pudukkottai Bharathiar Grama Bank for the years 2024–25, 2023–24, 2022–23, 2021–22, and 2020–21.

➤ Audited financial statements (Balance Sheet and Profit & Loss Account).

➤ Official website and publications of the bank.

In this project, **4 IMPORTANT TOOLS HAVE BEEN USED:**

- Comparative statement analysis
- Common-size statement analysis
- Trend analysis
- Ratio analysis

4.5 STRATEGIC TOOLS USED FOR RATIO ANALYSIS: To evaluate the bank’s profitability, liquidity, solvency & efficiency through various financial ratios. This study I used these 2 ratios.

- ❖ **PROFITABILITY RATIO**
- ❖ **LIQUIDITY RATIO**

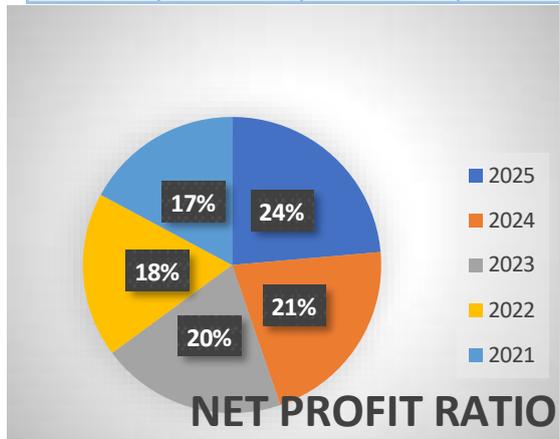
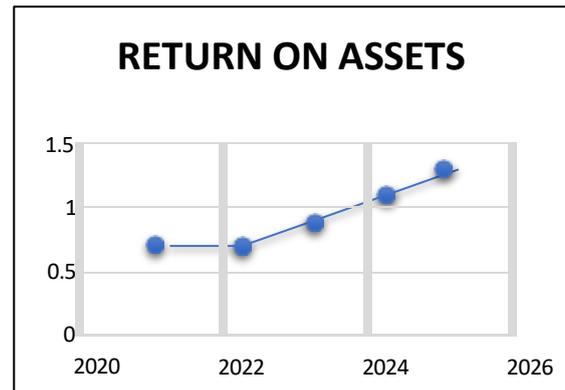
5. DATA ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

5.1 PROFITABILITY RATIOS

NET PROFIT RATIO = NET PROFIT / TOTAL INCOME * 100

YEARS	NET PROFIT	TOTAL INCOME	NET PROFIT RATIO
2021	91,103	9,28,799	9.8
2022	1,03,307	9,99,322	10.3
2023	1,43,324	12,43,711	11.5
2024	1,89,031	15,64,593	12.1
2025	2,70,043	19,93,523	13.5



- ❖ $\geq 1\%$ → Considered **good/healthy** (shows efficient use of assets).
- ❖ $0.5\% - 1\%$ → **Average/acceptable** (bank is profitable but not highly efficient).
- ❖ $< 0.5\%$ → **Weak performance** (bank is not generating enough profit from its assets).

Higher ratio = better profitability In the year 2025 show higher ratio for better profitability compared to other 4 years.

From 2021 to 2023, the return on assets averaged/Acceptable (0.5% - 1%). In 2024 and 2025, a return on assets is more than 1% is considered good usage of assets.

RETURN ON ASSETS (ROA)

RETURN ON EQUITY (ROE)

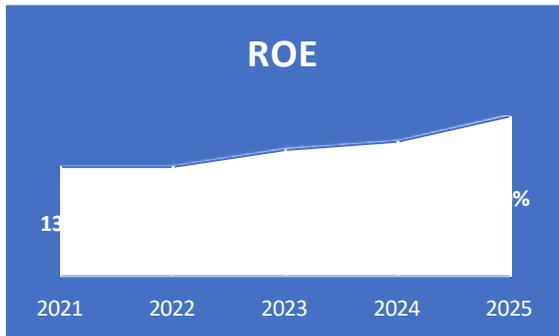
$$\text{RETURN ON ASSETS (ROA)} = \frac{\text{NET PROFIT}}{\text{TOTAL ASSETS}} * 100$$

$$\text{RETURN ON EQUITY} = \frac{\text{NET PROFIT}}{\text{SHAREHOLDER EQUITY}} * 100$$

✓ Shareholder's equity = capital + Reserver & surplus

YEARS	NET PROFIT	TOTAL ASSETS	ROA
2021	91,103	1,16,57,423	0.7
2022	1,03,307	1,36,22,161	0.7
2023	1,43,324	1,51,52,360	0.9
2024	1,89,031	1,76,22,628	1.1
2025	2,70,043	2,11,27,224	1.3

YEARS	NET PROFIT	SHAREHOLDERS EQUITY	ROE
2021	91,103	7,10,837	13%
2022	1,03,307	8,14,146	13%
2023	1,43,324	9,57,470	15%
2024	1,89,031	11,46,501	16%
2025	2,70,043	14,16,544	19%



- ROE 10-15% = Good performance
- ROE < 10% = Needs improvement
- ROE > 15% = Check for risk or leverage

Over the years, the bank has steadily increased its return on equity, starting from a stable 13% in 2021-2022 to an impressive 19% in 2025. This growth demonstrates the bank's ability to generate profits efficiently from shareholders' capital. Such consistent improvement reflects healthy financial management and growing shareholder value.

5.2 LIQUIDITY

RATIOS CURRENT

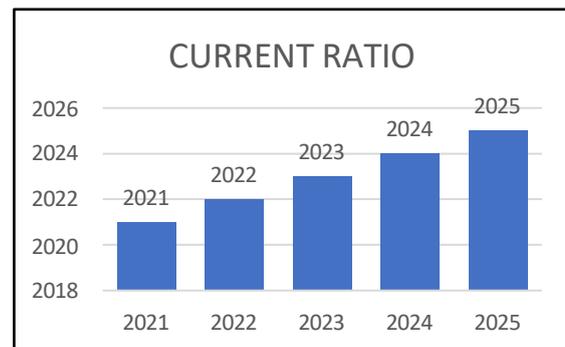
RATIO

CURRENT RATIO = CURRENT ASSETS / CURRENT LIABILITIES

- ✓ Current Assets = Cash & Balances with RBI + Balances with Banks & Money at Call + Investments (short-term) + Advances + Other Assets

- ✓ Current Liabilities = Deposits + Borrowings + Other Liabilities & Provisions

YEARS	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2021	1,16,35,093	1,09,46,586	1.06
2022	1,35,99,400	1,28,08,015	1.06
2023	1,51,23,159	1,41,94,890	1.07
2024	1,75,79,705	1,64,76,127	1.07
2025	2,10,31,236	1,97,10,680	1.07



A current ratio above 1 generally indicates a company's ability to meet short-term obligations. In this case, the company's current ratio has remained relatively stable over the years, ranging from 1.06 to 1.07

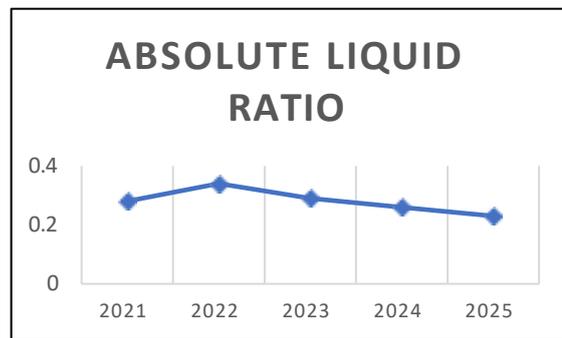
CASH TO DEPOSIT RATIO

CASH TO DEPOSIT RATIO = CASH & BANK BALANCES / TOTAL DEPOSITS

- Cash & Bank Balances = Cash & Balances with RBI + Balance with bank and call money

YEARS	CASH & BANK BALANCES	TOTAL DEPOSITS	CASH TO DEPOSIT RATIO
2021	14,87,020	89,52,796	0.17
2022	26,34,776	1,02,36,023	0.26
2023	22,84,365	1,13,83,241	0.2
2024	20,85,932	1,31,87,433	0.16
2025	22,21,586	1,51,77,389	0.15

YEARS	ABSOLUTE LIQUID ASSETS	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO
2021	31,11,260	1,09,46,586	0.28
2022	43,78,496	1,28,08,015	0.34
2023	41,39,322	1,41,94,890	0.29
2024	42,58,577	1,64,76,127	0.26
2025	45,86,507	1,97,10,680	0.23



The bank is safe in terms of liquidity but needs to optimize its cash-to-deposit ratio closer to the benchmark range for better efficiency.

ABSOLUTE LIQUID RATIO

$$\text{ABSOLUTE LIQUID RATIO} = \frac{\text{ABSOLUTE LIQUID ASSETS}}{\text{CURRENT LIABILITIES}}$$

- Absolute Liquid Ratio = Cash & Balances with RBI + Balance with bank and money + at call & short notice investment
- Current Liabilities = Deposits + Borrowings + Other Liabilities & Provisions

For banks, the general benchmark or standard norm for the Absolute Liquid Ratio is also 0.5:1. This means banks are expected to maintain liquid assets equivalent to at least 50% of their current liabilities to ensure sound immediate liquidity.

6. FINDINGS OF THE STUDY

- Income during the period under study has shown uptrend growth which implies healthy growth in revenue sources. Interest earned and other income have a positive trend displaying enhanced operational performance.

- Interest and other expenditures have been increasing at a moderate rate fast, but at a slower pace than income. This denotes efficient cost control and operational efficiency.
- Net Profit is increasing implying projects would be giving good returns from its operations. Better profit margins indicate that resources are being utilized in a better way.
- Cash and balances are maintained at an adequate level thereby permitting the bank to meet its short-term obligations. A stable liquidity position demonstrates sound financial planning.
- The project has a strong financial image with income on the increase, expenses controlled, and net profit being positive. A healthy capital structure, with fairly good reserves, gives the project that freedom to invest for future growth. Strong financial strength guarantees sustainability and resilience against economic fluctuations.

7. SUGGESTIONS

- ❖ **Diversification of Revenue Sources:** Target further channels of income generation including investment products, service fees, and innovations as possible

consideration to further developing sources of revenues in banks.

- ❖ **Cost Reduction:** Regularly examining operational and administrative expenditure lines to determine where it is possible to reduce input without affecting the quality of services.
- ❖ **Improve Liquidity Management:** Save a good amount of reserves as well as short term investments, thereby ensuring smooth business operations and meeting unpredicted requirements.
- ❖ **Asset Utilization Improvement:** Maximize productivity through the use of income-creating assets and minimize the use of idle assets.
- ❖ **Retaining Financial Base:** Retention of earnings as sufficient reserves to enhance growth through the cushion created against risk and to strengthen capital structure.
- ❖ **Risk Management:** Implement measures to control exposure to bad debts, fluctuations in interest rates, and operational risks to maintain the stability of the organization.

- ❖ Periodic Financial Monitoring: Periodic financial analysing is financial analysis that creates trends identification correction. It also ensures continual improvement.

8. CONCLUSION

The financial appraisal of Pudukkottai Bharathiar Grama Bank during the period 2020-2025 definitely shows the growth and financial stability of the institution. It is through the application of different analytical techniques like comparative statements, common-size analysis, trend analysis, and ratio analysis that the bank lies in a position of resource efficiency management and at the same time has kept a good equilibrium amidst income, expense, and profit.

Pudukkottai Bharathiar Grama Bank has been the one paying always when it comes to financial performance, with the one's main reason being that of the bank's ability to generate more and more through interest and other operational activities. The rising income together with the prudently managed expenses indicates that the bank is both efficient and effective in its operations. The net profit has always been on an uptrend, showing that the bank's investments and activities have been profitable, leading to the generation of more and better returns.

From the bank's balance sheet, it can be gathered that its financial base is very strong, with enough liquidity to sufficiently meet its short-term liabilities. Continuing growth in reserves and surplus is building up the capital base. Again, the small percentage of NPAs indicates that the bank has set and is following some subtle credit policies along with effective risk management.

The continuous increase in deposits reflects the ever-increasing trust and confidence of customers in the operations of the bank. Investments in digitalization and the integration of modern technologies in banking have paid off not only in better service delivery but also in facilitating more access to customers.

The slow and steady growth of deposits, advances, and reserves continuously maintains customer confidence in the operational and financial health of these institutions. Additionally, the bank's presence in rural and agricultural areas contributed positively to the economy as a whole. Its support for small businesspeople, farmers, and self-help groups is in accord with the bank's vision as a rural bank that is committed to social and development goals

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