

# Financial Analysis Of City Union Bank

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## ABSTRACT

The banking sector is always deemed to be one of the most vital sectors for an economy. It is the “lifeblood” of all the economic activities, in collecting deposits and providing credits to people and businesses. The main purpose of this study is to study the financial performance of CUB. This study is analytical in nature. Secondary data is collected from annual reports of CUB, journals and books. The collected data has been analyzed using common-size balance sheet and trend analysis. The study concludes that the CUB’s financial performance is strong during the study period.

**Key Words:** Deposits , Advances, Balance sheet, Analysis

## INTRODUCTION

The banking sector is an industry and a segment of the economy assigned for the holding of monetary assets for others and investing those financial assets as a leveraged way, in order to generate more wealth. Banks are considered to be the mediators between the Depositors and the Borrowers. Banks play a pivotal role in “Capital formation”, which is very much essential for the economic development of a nation. The four main functions of the banks are conserving and storing money, transferring money, lending money, and carrying out other financial services.

Financial performance of a firm may be broadly defined as a ‘subjective measure’ of how well a firm can make use of its assets from its primary mode of business and generate revenues. The term is besides used as a general measure of a firm's overall financial health over a given span of time. Financial statements comprise of income statement, balance sheet, statement of cash flows, notes to accounts and a statement of changes in equity. Financial analysis establishes a relationship between the items of the balance sheet, profit and loss account, and other financial data in ascertaining the financial strengths and weaknesses of a firm. It also refers to the study of the “trend” of financial factors in a business, which is appeared in a series of statements. Financial statement analysis covers both ‘analysis and ‘interpretation’. The purpose of financial statement analysis is to discover the information contained in the financial statements, so as to assess the profitability and financial soundness of the firm. Analysts and investors undertake financial performance analysis to match similar firms across an identical industry or to match industries or sectors in aggregate.

## OBJECTIVES OF THE STUDY

- To analyze the balance sheet items of CUB using a common size statement.
- To study and analyze the growth of deposits and advances of CUB.

## PERIOD OF STUDY

The study covers the period of five years from 2016 - 2020.

## RESEARCH METHODOLOGY

The present study is based on secondary data collected from the annual reports of CUB from the period 2015-16 to 2019-20. This study is based on analytical research. The information thus obtained will be analyzed, interpreted and tabulated and various statistical tools such as bar diagrams, graphs will be applied, so that the calculated information is in accordance with the predefined standard of accuracy.

## TOOLS USED FOR ANALYSIS

- Common-size Balance Sheet
- Deposits and Advances analysis using trend

## REVIEW OF LITERATURE

**K.V.S.GAYATHRI AND ETAL (2020)**, made a study in the topic “Financial Performance in Indian Commercial Banks” to find out the profitability performance of public sector banks in India and to analyze its growth. Secondary data has been used in this study. The profitability positions of different public sector banks are evaluated by considering net profit. The tools used for this study are mean and standard deviation. The study concludes that the average amount of net profit is higher in SBI bank and the lowest average amount of net profit is found in central bank of India and also found that the SBI is performing better than when compared to all other public sector banks in terms of profitability.

**B.SOWMIYA AND ETAL (2019)**, made a research in the topic “A Study on Financial Performance of Indian Bank and Karur Vysya Bank “.The main object of this paper was to analysis the effect of financial performance Of Indian bank and Karur vysya bank for two years namely 2016- 2017 and 2017- 2018. Ratio analysis, comparative and common size was used for the analysis. The findings will help to improve the financial health of both the banks for future development. The main objective is to understand the profile and analyze the financial performance of the Indian Bank and Karur Vysya Bank Limited. Financial analysis determines a banks health 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 and Karur Vysya bank for 2016-17 and 2017-18. It is found that Indian Bank is in better position than Karur Vyvsa bank.

## ANALYSIS AND INTERPRETATION

### a) Common-size Balance Sheet of CUB

Common size financial statements allow for easier comparisons by enabling the analyst to understand the changes that have taken place from year to year to the total of the group say assets, liabilities etc.

### Table No. 1

**Common Size Balance Sheet for the year 2016-17 (Rs. In Cr)**

<b>PARTICULARS</b>	<b>2015-16</b>	<b>%</b>	<b>2016-17</b>	<b>%</b>
<b>SHAREHOLDER'S FUND</b>				
Equity share capital	59.82	0.19	60.11	0.17
<b>Total Share Capital</b>	<b>59.82</b>	<b>0.19</b>	<b>60.11</b>	<b>0.17</b>
Reserves and Surplus	2992.18	9.57	3510.09	9.95
Total Reserves and Surplus	2992.18	9.57	3510.09	9.95
<b>Total Shareholder's Funds</b>	<b>3052</b>	<b>9.77</b>	<b>3570.2</b>	<b>10.1</b>
Deposits	27158.13	86.9	30115.74	85.4
Borrowings	112.55	0.36	531	1.51
Other Liabilities and Provisions	929.29	2.97	1053.84	2.99
<b>TOTAL SHAREHOLDER'S FUNDS AND LIABILITIES</b>	<b>31251.97</b>	<b>100</b>	<b>35270.78</b>	<b>100</b>
<b>ASSETS</b>				
Cash and Balances with RBI	1362.57	4.36	1484.19	4.21
Balances with Banks Money at Call and Short Notice	1237.5	3.96	1394.79	3.95
Investments	6324.45	20.2	7031.45	19.9
Advances	21056.92	67.4	23832.7	67.6
Fixed Assets	217.56	0.7	215.08	0.61
Other Assets	1052.97	3.37	1312.57	3.72
<b>TOTAL ASSETS</b>	<b>31251.97</b>	<b>100</b>	<b>35270.78</b>	<b>100</b>

Source: Annual report of CUB

**INTERPRETATION**

From the above table, it is found that the Bank's total Deposits for the year increased by Rs.2, 958 crore from Rs.27,158 Crore to Rs.30,116. **The investments increased by Rs.707 crore to Rs.7,031 as on 31<sup>st</sup> March 2017 from Rs.6,324 crore as on 31<sup>st</sup> March 2016 and out of this, the investments in Government Bonds alone amounted to Rs.6,698 crore.** The Gross Advances of the Bank increased by 2,859 crore to 24,112 crore from 21,253 crore. **During the year 2016-17, the Bank issued 28, 73,602 (Previous Year 16, 23,479) Equity shares aggregating to Rs.15.43 crore (Previous Year Rs.4.28 crore) to exercise the shares under ESOP. The Bank redeemed the entire Non Convertible debentures of Rs.10 Lakh issued under private placement.** There was a significant increase in current account deposits and savings account deposits after the announcement of demonetization of currency notes Rs.500 and Rs.1000.

**Table No. 2**

**Common Size Balance Sheet for the year 2017-18 (Rs. In Cr)**

<b>PARTICULARS</b>	<b>2016-17</b>	<b>%</b>	<b>2017-18</b>	<b>%</b>
<b>SHAREHOLDER'S FUND</b>				
Equity share capital	60.11	0.17	66.47	0.17
<b>Total Share Capital</b>	<b>60.11</b>	<b>0.17</b>	<b>66.47</b>	<b>0.17</b>
Reserves and Surplus	3510.09	9.95	4096.76	10.3
Total Reserves and Surplus	3510.09	9.95	4096.76	10.3
<b>Total Shareholder's Funds</b>	<b>3570.2</b>	<b>10.1</b>	<b>4163.23</b>	<b>10.4</b>
Deposits	30115.74	85.4	32852.62	82.3
Borrowings	531	1.51	1735.88	4.35

Other Liabilities and Provisions	1053.84	2.99	1185.51	2.97
<b>TOTAL SHAREHOLDER'S FUNDS AND LIABILITIES</b>	<b>35270.78</b>	<b>100</b>	<b>39937.24</b>	<b>100</b>
<b>ASSETS</b>				
Cash and Balances with RBI	1484.19	4.21	1861.8	4.66
Balances with Banks Money at Call and Short Notice	1394.79	3.95	774.65	1.94
Investments	7031.45	19.9	7879.11	19.7
Advances	23832.7	67.6	27852.79	69.7
Fixed Assets	215.08	0.61	223.13	0.56
Other Assets	1312.57	3.72	1345.78	3.37
<b>TOTAL ASSETS</b>	<b>35270.78</b>	<b>100</b>	<b>39937.25</b>	<b>100</b>

Source:  
Annual  
report of  
CUB

#### INTERPRETATION

From the above, it is found that **during the year 2017-18, the Bank issued 35, 57,840 Equity shares amounted to Rs,24,56 crore to exercise the shares under ESOP. The bank has also issued 6,01,06,488 Bonus shares of Rs.1 each in the ratio of 1:10.** The paid up share capital of the Bank increased from 60 crore as on 31st March, 2017 to 66 crore as on 31st March, 2018. The Bank's total deposits for the year 2017-18 increased by 2,737 crore from 30,116 crore to 32,853 crore. The Bank improved its gross advances to Rs.28,239 crore as on 31<sup>st</sup> March 2018 of which Rs.6,799 crore were directed to major industries and Rs.21,440 crore to other sectors. The total investments shows a significant increase to Rs.7,879 crore primarily due to increase in investments in Government securities. The performance of the Bank remained healthy with continues increase in deposits and cash and balances with RBI during the financial year 2017-18.

**Table No. 3**

#### **Common Size Balance Sheet for the year 2018-19 (Rs. In Cr)**

<b>PARTICULARS</b>	<b>2017-18</b>	<b>%</b>	<b>2018-19</b>	<b>%</b>
<b>SHAREHOLDER'S FUND</b>				
Equity share capital	66.47	0.17	73.45	0.16
<b>Total Share Capital</b>	<b>66.47</b>	<b>0.17</b>	<b>73.45</b>	<b>0.16</b>
Reserves and Surplus	4096.76	10.3	4767.31	10.5
Total Reserves and Surplus	4096.76	10.3	4767.31	10.5
<b>Total Shareholder's Funds</b>	<b>4163.23</b>	<b>10.4</b>	<b>4840.76</b>	<b>10.7</b>
Deposits	32852.62	82.3	38447.95	85
Borrowings	1735.88	4.35	480.91	1.06
Other Liabilities and Provisions	1185.51	2.97	1489.27	3.29
<b>TOTAL SHAREHOLDER'S FUNDS AND LIABILITIES</b>	<b>39937.24</b>	<b>100</b>	<b>45258.88</b>	<b>100</b>
<b>ASSETS</b>				
Cash and Balances with RBI	1861.8	4.66	1993.12	4.4
Balances with Banks Money at Call and Short Notice	774.65	1.94	970.16	2.14
Investments	7879.11	19.7	7712.2	17
Advances	27852.79	69.7	32673.34	72.2
Fixed Assets	223.13	0.56	250.03	0.55
Other Assets	1345.78	3.37	1660.03	3.67
<b>TOTAL ASSETS</b>	<b>39937.25</b>	<b>100</b>	<b>45258.88</b>	<b>100</b>

Source: Annual report of CUB

#### INTERPRETATION

From the above, it is found that **the Paid up share capital of the Bank increased from Rs.66 crore as on 31<sup>st</sup> March 2018 to Rs.73 crore as on 31<sup>st</sup> March 2019 by allotting 6,65,35,268 Bonus Equity shares and 32,36,341 Equity shares to employees under CUB ESOS scheme.** The increase in the fixed assets of the Bank (includes Premises, Furniture and fixtures) is more in the year 2019 as compared to 2018. **This indicates that Premises for the Bank has been purchased by the way establishing 50 additional Branches.** The Deposits of the Bank increased to Rs.38,448 crore as on 31<sup>st</sup> March 2019 compared to Rs.32,853 as on 31<sup>st</sup> March 2018. This implies that the Bank continued to grow during the year 2018-19. The Gross Advances of the Bank increased by 4,826 crore to 33,065 crore from 28,239 crore .Hence, the Bank maintained its overall healthy growth rate with both deposits and advances in the financial year 2018-19.

**Table No. 4**

**Common Size Balance Sheet for the year 2019-20 (Rs. In Cr)**

<b>PARTICULARS</b>	<b>2018-19</b>	<b>%</b>	<b>2019-20</b>	<b>%</b>
<b>SHAREHOLDER'S FUND</b>				
Equity share capital	73.45	0.16	73.73	0.15
<b>Total Share Capital</b>	<b>73.45</b>	<b>0.16</b>	<b>73.73</b>	<b>0.15</b>
Reserves and Surplus	4767.31	10.5	5222.34	10.5
Total Reserves and Surplus	4767.31	10.5	5222.34	10.5
<b>Total Shareholder's Funds</b>	<b>4840.76</b>	<b>10.7</b>	<b>5296.07</b>	<b>10.6</b>
Deposits	38447.95	85	40832.49	82.1
Borrowings	480.91	1.06	2032.4	4.09
Other Liabilities and Provisions	1489.27	3.29	1572.57	3.16
<b>TOTAL SHAREHOLDER'S FUNDS AND LIABILITIES</b>	<b>45258.88</b>	<b>100</b>	<b>49733.53</b>	<b>100</b>
<b>ASSETS</b>				
Cash and Balances with RBI	1993.12	4.4	2030.37	4.08
Balances with Banks Money at Call and Short Notice	970.16	2.14	2691.28	5.41
Investments	7712.2	17	9116.79	18.3
Advances	32673.34	72.2	33927.45	68.2
Fixed Assets	250.03	0.55	245.16	0.49
Other Assets	1660.03	3.67	1722.49	3.46
<b>TOTAL ASSETS</b>	<b>45258.88</b>	<b>100</b>	<b>49733.53</b>	<b>100</b>

Source: Annual report of CUB

**INTERPRETATION**

From the above, it is found that Bank recorded a moderate growth rate in both advances and deposits due to corona virus outbreak. The Deposits of the Bank increased to Rs.40, 832 crore as compared to Rs.38, 448 crore as on 31<sup>st</sup> March 2019. The total advances rose to Rs.33, 927 crore in the year 2019-20. Cash and Balances with RBI indicate the ordinary performance of the Bank since the cash reserve ratio was reduced to ensure sufficient liquidity in the system under the pandemic situation. **The Paid up capital is Rs.73,73,19,221 for the year 2019-2020 indicating that the Bank has allotted 28,18,403 Equity shares to employees under ESOP.** The investment of the Bank increases to Rs.9,117 crore as the credit growth was slightly slow. Hence, the overall performance of the bank remained stable in the year 2019-20

**b) Trend analysis of CUB**

Trend analysis is a useful technique to an analyst to predict future trend based on observed trend data. The primary components of the Bank i.e. Deposits and Advances are analyzed using trend.

**Formula for calculating Trend**

To calculate Trend Percentage:

$$\text{Trend percentage} = \frac{\text{Current year's figure}}{\text{Base year figure}} \times 100$$

**Procedure for calculating Trend**

- One year is taken as a Base year. Generally, the first or the last year is assumed as a Base year.
- The Figures of the base year are taken as '100'.
- Trend Percentage is calculated in relation to the base year. Each year's figure is divided by the base year's figure. If a figure in the other year is less than the figure in the base year, then the trend percentage will be less than 100. Whereas, it will be more than 100 if the figure is more than the base year.

In this analysis, the Bass year is assumed as '2016'.

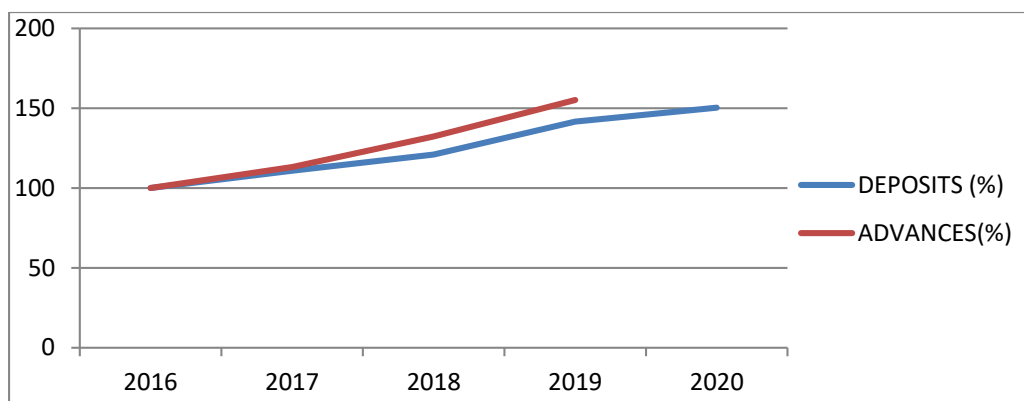
**Table No.5**

**Deposits and Advances Analysis**

<b>Trend Percentage</b> (Base year 2016 = 100%)				
<b>Year</b>	<b>DEPOSITS</b>		<b>ADVANCES</b>	
	<b>Amount (In Cr)</b>	<b>Trend Percentage (In %)</b>	<b>Amount (In Cr)</b>	<b>Trend Percentage (In %)</b>
2016	27158.13	100	21056.92	100
2017	30115.74	110.89	23832.7	113.18
2018	32852.62	120.97	27852.79	132.27
2019	38447.95	141.57	32673.34	155.17
2020	40832.49	150.35	33927.45	161.12

Source: Annual report of CUB

**Chart No.1**



**Deposits and Advances Analysis**

## INTERPRETATION

The above represents the Deposits and Advances analysis using trend. The deposits have continuously increased in all the years' upto 2020. The percentage in 2020 is 150.35 as compared to 100 during the base year 2016. **The increase in deposits is quite satisfactory.** The figures of advances have also increased in all the years, i.e., from 2016 to 2020. The increase in advances is more in the year 2018 and 2019 as compared to the earlier years. The trends of both the deposits and advances show that, both have been more in all the years since 2016. **Both the deposits and the advances have shown an 'upward trend' in all the years.**

## FINDINGS

- The Paid up Share capital of CUB shows an increasing trend as it is increased to Rs. 73.73 crore in the year 2020 from Rs. 59.82 crore in the year 2016.
- The Cash and Balances with RBI also increases in a moderate growth rate from Rs. 1,362.57 crore to Rs. 2,030.37 crore and as a result a positive impact is there towards the liquidity of CUB.
- There is a rapid increase in the advances for the past 5 years which indicates that the CUB is lending more loans to various sectors in the economy.
- The investments of CUB indicate an upward trend from Rs.6,324.45 crore to Rs. 7,712.2 crore. It reveals that the investment made by the bank towards total assets got increased in the last 5 years.
- The deposit of CUB is considered good for all the 5 years as there was a continuous increase to Rs. 40,832.49 in the year 2020.
- From the deposits and advances analysis, it was found that there was an increasing trend from 2016-2020. Thus, we can expect that there will be an increase in both deposits and advances in the year 2021 also.

## SUGGESTIONS

- CUB should concentrate on the risk management while increasing their business.
- Improve client services to contribute profitability goals of CUB.

## CONCLUSION

Bank is one of the important financial pillars in the development of Indian economy. It plays an important role in the mobilization of deposits and lending Loans to various sectors in the economy. So, the purpose of the study is to concentrate on the

**“FINANCIAL PERFORMANCE OF CUB”**. This study uses Common-size Balance sheet and Trend analysis as a technique to analyze the overall performance and profitability of CUB for the five years from 2016 to 2020. It is found that the growth rate of both deposits and advances of CUB are in an upward trend. Despite price drops due to COVID-19 pandemic in 2020, the bank has been able to record a moderate growth rate in its total business. The data was analyzed and finally concluded that the CUB’s financial performance is strong during the study period.

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