

The Study of Financial Ratio Analysis on Pune Urban Co-operative Bank Pvt. Ltd.

Prof. (Dr.)Yogendrakumar Deokar

**(Assistant Professor. Department Of Management, Zeal College Of Engineering and
Research,Narhe, Pune.)**

And

Ms. Payal Dashrath Pawar

**(PG Student, , Zeal Institute of Management & Computer Application, Narhe,
Pune.)**

ABSTRACT:

Financial analysis is determined on a considerably on the use of ratio. Expressing their relationship in the form of ratio enlightens an examination in chief of the size of two connected items. Ratio analysis of business centers on the efforts to drive quantitative measure or a guide concerning the expected capacity of the firms to meets its future obligations or expectation. Present and past data for the purpose and whatever extrapolation appears necessary, they are made to provide an indication future performance.

INTRODUCTION:

Ratio analysis is the procedure by which the connection groups of items in the financial statement are reckoned, decided and present. Ratio analysis is a venture to attain quantities measures or model concerning the financial health and financial gain of a business firm. It can used in shift as well as concerned parties like person who own shares, or who invest creditors and the government to survey then performance of the firm. It provides valuable bank's financial view. Ratio depict the particular business is competitive advantage or disadvantage.

OBJECTIVE OF STUDY

- To know the financial statement of the bank.
- To Study the financial position of the concern through Ratio Analysis for their financial years 2014-2015 to 2018-2019.
- To compare the ratio for five financial year.
- To know the liquidity position of the Pune Urban Bank for the under consideration.

SCOPE

- With the help of ratio every company's which has a particular system if financial attributes can be recognized
- Firm's activities and policies can be evaluated which affect the profitability, liquidity and ultimately the market price of the shares which is helpful to the shareholders
- The solvency of the firm and the adequacy of the funds can be examined
- It can helpful in meeting the financial obligations as and when they become due

PROFILE OF BANK

NAME OF THE BANK: -PUNE URBAN CO-OPERATIVE BANK LTD AT MARKET YARD

Board of Director:-

Mr. Nilesh Anna Dhamdhere -	Chairman
Mr. Babasaheb Veer -	Vice Chairman
Mr. Sadhu D. Bankar -	Manager & CEO

History

Established by ShivajibhaiDhamdhere the Pune Urban Co-operative Bank Ltd was registered on 16th July 1924.The number of Shareholders has increased from 13917 to 14587. During the year 858 new members were admitted; whereas membership of 188 members was discontinued due to resignation, death etc. From total number of 14587 members on 31.03.2018; 14265 are individual and 322 are institutional members.

THEOROTICAL BACKGROUND

Financial analysis dependent on the use of ratio on a very large extent . Expressing their relationship in the form of ratio enlightens a direct examination of the magnitude of two related items. Ratio analysis of business centers on the efforts to drive quantitative measure or a guide concerning the expected capacity of the firms to meets its future obligations or expectation.

ADVANTAGES AND USES OF RATIO ANALYSIS

Judging the financial of the concern is an important technique of ratio analysis. Following are advantage derived by a firm the use of accounting ratio.

➤ It is helps in making analysis of the financial statement:

The financial position of the concern can be understood easily with the help of accounting ratios.

LIMITATIONS OF RATIO ANALYSIS

- Different terms **are given different meaning**

Elements and sub elements are not uniquely defined. One must see that the ratios have been worked out on the same basis before comparing them.

- Do not compare if different firm follow different accounting policies:

Comparison between the two firms is not feasible when two firms are following different accounting policies

- Ratio analysis gets affected if there are changes in the price level:

Comparison of figures for various years will get difficult if there are changes in price level.

Classification of Ratio

(1) Profitability Ratios:-

To earn profit is the main objective of a business concern. In general term, on the basis of profitability efficiency in business is measured. Profitability of the concern is indicated when the profit is compared to the capital employed.

(A) Gross Profit Ratio:-

(B) Net Profit Ratio:-

(2) Turnover Ratios:-

These ratios are very helpful and an important part by business point of view for finding out that how well the resources are being used at the disposal. Turnover ratio is directly proportional to the profitability ratio. Some important turnover ratios have been mentioned below :-

(A) Capital Turnover Ratio:-

(B)Fixed Assets Turnover Ratio:-

(C)Net Working Capital Turnover Ratio:-

(3)Liquidity Ratios: –

The ratio which computes the liquidity of the firm and its potential for meeting maturing short –term obligations is called as Liquidity Ratio. The potential to understand the value in money, their most liquid assets is called as liquidity. In other words it refers to its potential to pay the debts that are due in cash. For measuring the short term solvency the important ratios are as follows:-

(A)Current Ratio:-

(B)Quick Ratio or Liquid Ratio or Acid Test Ratio: –

(4)Solvency and Leverage Ratios: –

The ratio of sum of net income and depreciation to all liabilities is called as Solvency Ratio.

(A)Debt Equity Ratio: –

(B)Interest Coverage Ratio:-

RESEARCH METHODOLOGY

Methodology of Research concern itself with obtaining information through Empirical. Observation that can be used systematic develop logically related proposition so as to. Attempt to establish causal relationship among variable. The research methodology adopted was based primary data via is most resent of first-hand information that could be collected for all possible sources. Secondary data are used to support primary data whenever needed.

Use of Research Type:-

- 1. Analytical Research:** - It means analysis of past data observing that data and doing research.
- 2. Fundamental Research:** - Analyzing stock values is a method of Fundamental Research. Underlying business is the main focus of the Fundamental analysis. Revenues, earnings, assets, debts, management teams, etc.all the mentioned are included in Fundamental Research. Technical analysis is an analysis which only concentrates at the price can be substituted by the Fundamental analysis.

Data Collection :

Primary Data

The data which happens to be original in character and is collected for the first time is called as Primary data.. For this project only primary data is collected.

Secondary Data

The data which is previously collected by someone else and which is earlier passed through statistical process is called Secondary Data.

Collection of secondary data:-

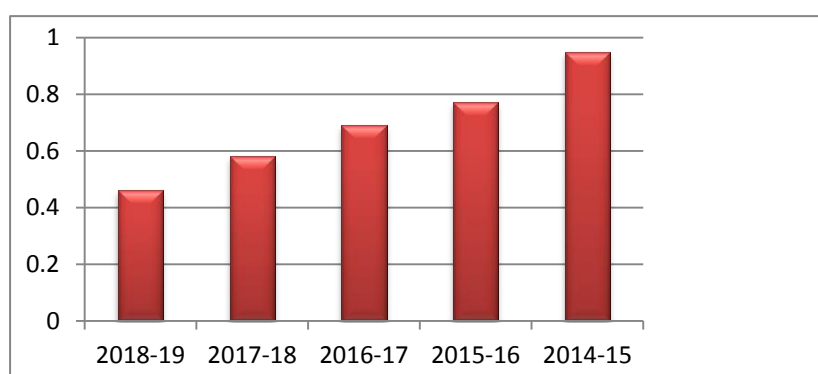
- 1.Internal source- a) Annual report of Pune Urban Co-op Bank
b) website-www.puneurbanbank.com

c) office files

DATA ANALYSIS

Net NPA Ratio :

Particulars	2018-19	2017-18	2016-17	2015-16	2014-15
Ratio of Net NPA	0.46%	0.58%	0.69%	0.77%	0.95%
Net NPA	397.74	360.20	330.15	300.10	280.30
Net Advances	(86850.40-661.37)	(63202.56-621.23)	(48512.16-733.85)	(39185.57-393.15)	(29949.65-491.67)

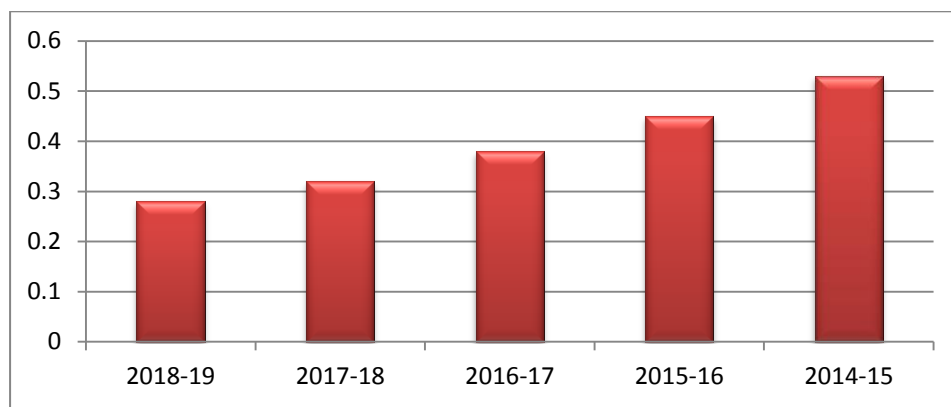


Interpretation:

- The net non-performing assets to loans (advances) ratio are used as a measure of the overall quality of the bank's loan book. By decreasing cumulative balance of provisions outstanding at a period end from gross NPAs, the Net NPA's are calculated. Rising bad quality of loans is reflected by the Higher ratio.
- Net NPA ratio of last 5 years is 0.46%,0.58%,0.69%,0.77% &0.95%

Net NPA to Total Assets:

Particulars	2018-19	2017-18	2016-17	2015-16	2014-15
Ratio of Net NPA	0.28%	0.32%	0.38%	0.45%	0.53%
Net NPA	397.74	360.20	330.15	300.10	280.30
Total Assets	143508.59	111667.30	86905.80	66597.67	52720.65

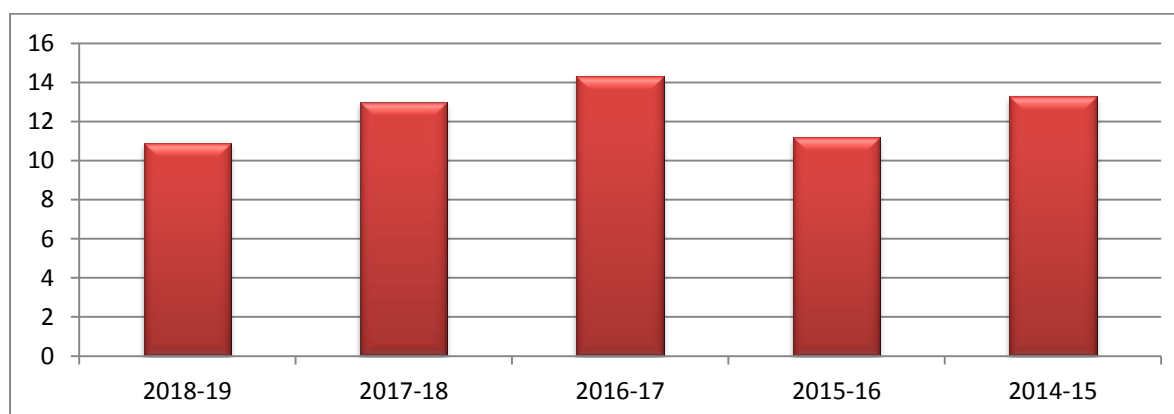


Interpretation:

- The efficiency of bank is disclosed by this ratio in determining the credit risk and, to a limit, recovering the money which is due. When the net non-performing assets is divided by total assets the ratio is derived.
- Net NPA ratio of last 5 years is 0.28%, 0.32%, 0.38%, 0.45% & 0.53% respectively.

Other Income/ Total Income:

Particular	2018-19	2017-18	2016-17	2015-16	2014-15
Other income to total income	10.90%	13.00%	14.34%	11.20%	13.27%
Other Income	1117.42	1088.85	1015.81	569.7	524.67
Total Income	10252.67	8383.45	7083.16	5086.25	3954.83

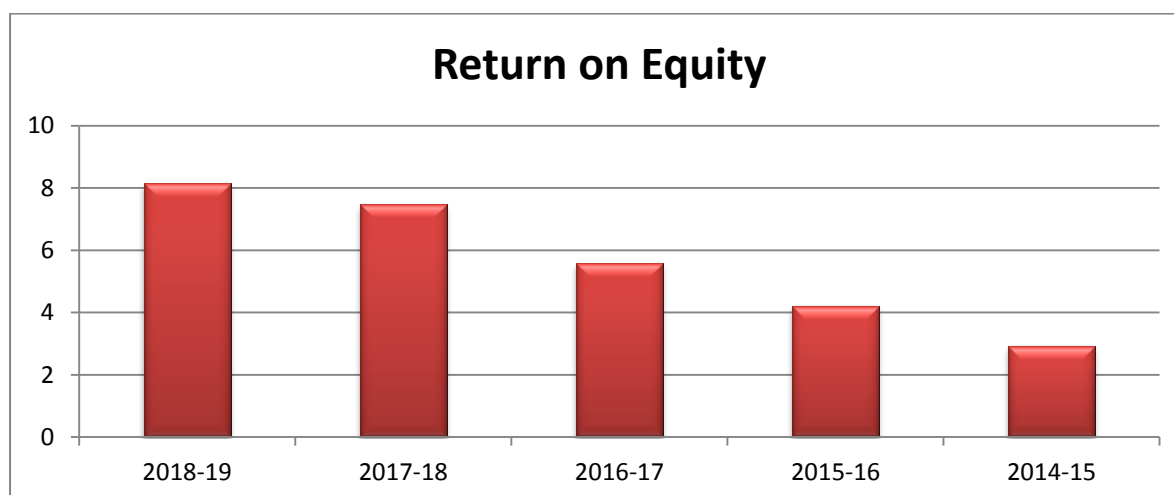


Interpretation:

- From the above ratio it can be seen that the other income of the bank i.e. income from fees & charges levied by bank constitutes 10.90% of the total income.

Return On Equity:

Particular	2018-19	2017-18	2016-17	2015-16	2014-15
Return on Equity	8.14	7.48	5.57	4.22	2.93
Net Profit	1206.32	1072.68	801.37	604.91	420.94
Equity Capital	148.13	143.44	143.44	143.44	143.44

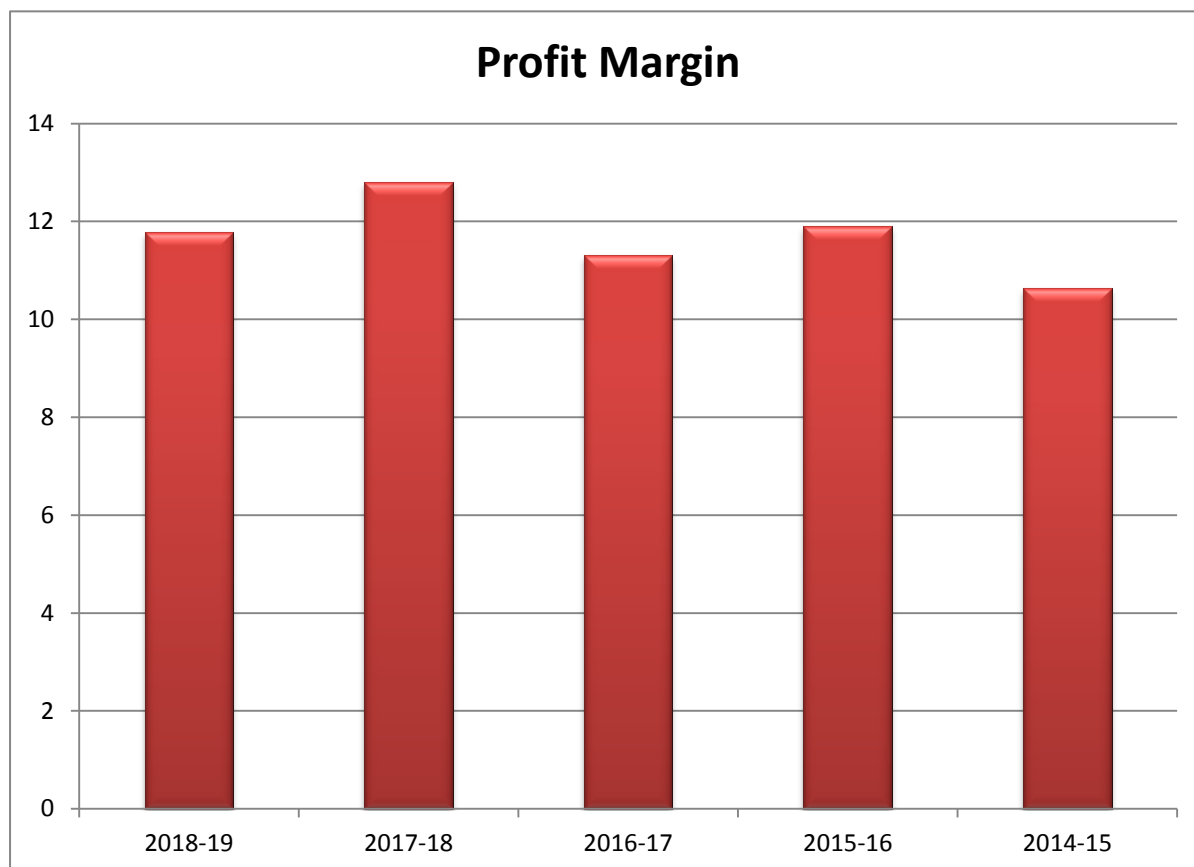


Interpretation:

- As compared to year 2015-2014, the Return on Equity is increased in the year 2019 -2018.
- In year 2019-18 Return on Equity Ratio is highly increased because of high equity capital and again decrease in 2015-14 because of decreasing net profit.

Profit Margin:

Particular	2018-19	2017-18	2016-17	2015-16	2014-15
Profit Margin	11.77%	12.80%	11.31%	11.90%	10.64%
Net Profit	1206.32	1072.68	801.37	604.91	420.94
Total Income	10252.67	8383.45	7083.16	5086.25	3954.83

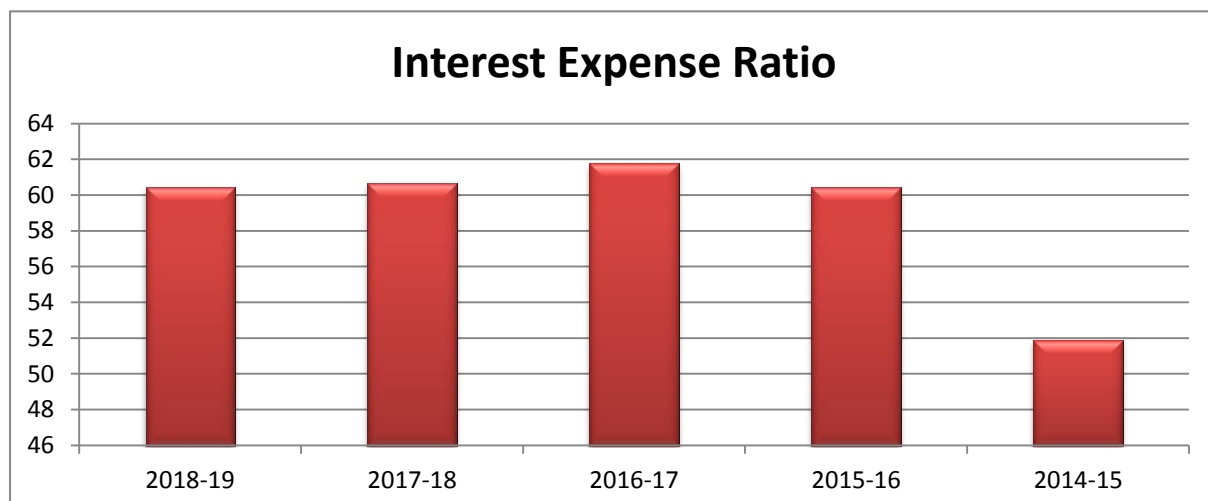


Interpretation:

- ❖ With total sales achieved how much net income a bank makes is indicated by net profit margin which is also called as net margin.
- ❖ Profit Margin of last 5 years are 11.77%, 12.80%, 11.31%,11.90%, and 10.64% respectively.

Interest Expense Ratio:

Particular	2018-19	2017-18	2016-17	2015-16	2014-15
Interest Expense Ratio	60.43%	60.64%	61.79%	60.42%	51.90%
Interest Expended	6195.51	5084.35	4376.37	3073.24	2052.37
Total Income	10252.67	8383.45	7083.16	5086.25	3954.83



Interpretation:

- This ratio represents the expenses over total funds.
- The ratio represents that 60.43% of the total income of the bank is used to pay interest to the depositors.

FINDINGS

- 2019-2018 is shows increased highly debt equity because of high debt.
- Interest expended to interest earned ratio represents the interest expenses over interest earnings. From the ratio we see that interest expended is 0.6 times interest earned. Hence it can be inferred that the bank has more liability in terms of interest paid to its depositors. In year 2016-2017 is highly increased and again slightly decreasing in 2015-2016.
- Other income to total income ratio, it can be seen that the other income of the bank i.e. income from fees & charges levied by bank constitutes 10.90% of the total income. In the year 2014-2015 is 13.27%.In the year 2015-2016 is .11.20% and In the year 2016-2017 is 14.34%
- Operating expense ratio represents the operating cost over total income. The ratio represents that 21.36% of the total income of the bank is used to pay operating expenses. Operating expense ratio of last 5 years are 21.36%, 19.15%, 16.54%, 20.00%, and 25.03% respectively.

SUGGESTIONS

- The bank should try to maintain a steady or standard current ratio by controlling the current liabilities.

- Try to increase number of shares.
- When Interest expended is divided by the interest earned, the ratio represents the interest expenses over interest earnings. From the ratio we see that interest expended is 0.6 times interest earned. Hence it can be inferred that the bank has more liability in terms of interest paid to its depositors.

LIMITATIONS

- The project work conducted was only based on financial data available.
- Bank cannot publish their overall financial data.They maintain secrecy regarding the data.
- To avoid portraying the current position of the organization, the ratios are computed on the references of the past financial statements.
- The entire project is based on secondary data which is provided by the bank because primary data is not sufficiently available.

CONCLUSION

- The bank's liability is continuously increasing and therefore its capital has been locked up in its liability.
- The bank may find it difficult to pay higher wages and remuneration & incentives to its employees due to lower profits.
- The bank's performance goes down because of current liabilities increases.
- The bank has overcapitalized i.e. bank is not using its capital productively & efficiently.
- All the ratios are helpful to the management as well as the bankers and finance institutions to take necessary decision for raising or lending funds for the future project to be carried out.

REFERENCES:

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