



FINANCIAL ANALYSIS THROUGH THE COMPARATIVE ANALYSIS, COMMON SIZE ANALYSIS AND TREND ANALYSIS

Dixit C Bhakta

B.V.Patel Institute of Management, UTU

Mr. Vivek Ayre*

Assistant Professor at B.V.Patel Institute of Management, UTU *Corresponding Author

ABSTRACT

The Indian banking sector plays an important role in the economic development of the country and is the most dominant segment of the financial sector. The Surat district cooperative bank has been committed for overall upliftments of the society. The main focus of the bank is to provide loans to farmers at low rate. Secondary Data has been used in this study where, the data are gathering from Surat district cooperative bank dated from 1st April 2016 to 31st March 2018. The objective behind this study is to analyse the financial statement of bank. The Following study consists of Comparative Financial Statements, Common size Financial Statements and Trend Percentage Analysis method. From evaluating, it is concluded that financial position of the bank i.e. profitability, solvency and liquidity position was so impressively growing. Its financial position was also good. Thus the overall performance of the bank was remarkably good which indicate a future growth of financial position as well as its profitability.

KEYWORDS : Profitability, Trend Percentage Analysis, Comparative Financial Statements, Common size Financial Statements, Surat District Cooperative Bank.

INTRODUCTION

An efficient banking system is recognized as basic requirement for the economic development of any economy. Banks mobilize the savings of community into productive channels. The banking system of India is featured by a large network of bank branches, serving many kinds of financial needs of the people.

AFS refers to the process of critical examination of the financial information contained in the financial statement in order to understand and make decision regarding the operation of the bank. The AFS is basically a study of the relationship among various financial facts and figures as given in a set of financial statements .The basic financial statements i.e. The BS and IS. It is very important to analyse the financial statement to know the different factors in order to see behind the change in the figures of financial statement. Analysis of financial statement contains comparison between different figures of different periods, comparison.

Comparative analysis is to measure the financial relationships between variables over two or more reporting periods.

A common size income statement is an income statement in which each account is expressed as a percentage of the value of sales. It is used for vertical analysis, in which each line item in a financial statement is listed as a percentage of a base figure within the statement, to make comparisons easier.

Trend analysis refers to the study of movement of figures over a period. The trend may be regular or irregular. If it is regular it may show an increasing tendency or decreasing tendency. For financial statement analysis, trend percentages can be calculated when data relating to several years are to be analysed. Generally the earliest year is taken as the base year.

REVIEW OF LITERATURE

Dr. Anurag. B. Singh and Ms. Priyanka tandon (2012) from there research they found that mean of Credit Deposit Ratio in ICICI was higher (89.302 %) than in SBI (76.184%). This shows that ICICI Bank has created more loan assets from its deposits as compared to SBI and also found people prefer ICICI to invest their savings and SBI to take loans & advances.

Mr. Rajendra Sharma, Ms. Nupur Nigam and Dr. Deepti Maheshwari (2017) conducted a study on Financial Analysis of Allahabad Bank and found that The bank earned interest 5.18% more than the previous year which illustrates that the operational activity is on pleasant track and An increase in operating expense ratio shows the unfavourable condition for the bank and also depicts that there is a decrease in efficiency.

Cheenu goel and chitwanbhutani rekhi (2012) from there study they found that the foregoing analysis for SBI has revealed that the overall profitability is not that high because they there NIM is less and need to gear up the NIM the deposits are being utilised in good manner as they are giving credit on it and there CDR and profitability is well associated.

Dr. Mohd taqi and Maj. S.M. Mustafa (2018) from there analysis, it can be concluded that the PNB has performed well as compare to HDFC Bank on the sources of growth rate and financial efficiency. PNB plays a vital role in marketing of new type of deposits and advances schemes as compare to the HDFC bank.

RESEARCH METHODOLOGY

Research Design used in this study was Descriptive design, secondary data was used for the study, three years from 1st April 2016 to 31st March 2018 financial statement from surat district cooperative bank were taken. Three types of data analysis method was used:

1. Comparative Financial Statements
2. Common size Financial Statements
3. Trend Percentage Analysis

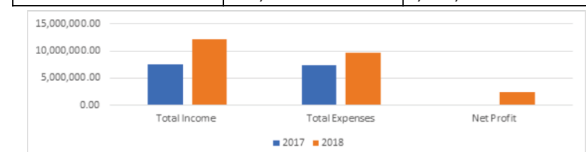
OBJECTIVE OF THE STUDY

1. To analyse the financial statement of bank.
2. To find out the financial stability and soundness of the bank.

DATA ANALYSIS

Table 1: The table shows Comparative Financial Statement of profit and loss account

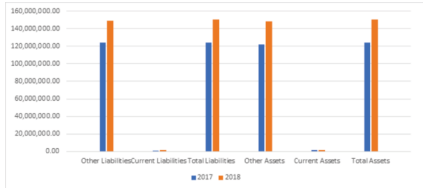
	2017	2018
Total Income	7,479,412.18	12,110,748.02
Total Expenses	7,292,717.52	9,686,312.28
Net Profit	186,694.66	2,424,435.74



Total income was increase by 61.92% in the year 2018 then a year 2017 which is excellent for the bank as income increase by large amount & Total expenditure was increase by 32.82% in the year 2018 then a year 2017 which is bad for the bank. In profit & loss account, expenses like interest on fixed deposit increases by 49.87% in the year 2018 from the year 2017 & depreciation too increases by 9.76% as machines depreciation cost increases year after year.

Table 2: The table shows comparative financial statement through balance sheet.

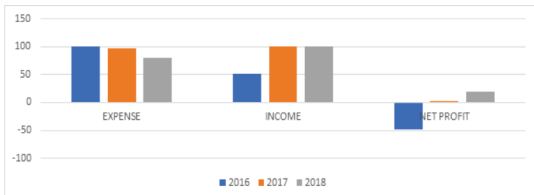
	2017	2018
Other Liabilities	123,978,127.20	148,998,801.00
Current Liabilities	129,074.00	1,487,837.00
Total Liabilities	124,107,201.20	150,486,638.00
Other Assets	122,283,120.20	148,590,858.00
Current Assets	1,824,081.00	1,895,780.00
Total Assets	124,107,201.20	150,486,638.00



The comparative balance sheet reveals that surat dist. bank has increased the size of its current assets over the year by 3.93% which is good for the bank. Loan & advances of bank also increase by 33.76% within one year which means bank is going to earn more profit through interest on loan compare to last year.

Table 3: The table shows Common Size Financial Statement through profit and loss account

	2016	2017	2018
EXPENSE	100.00	97.50	79.98
INCOME	51.65	100.00	100.00
NET PROFIT	48.35	2.50	20.02



The Total Income constantly increases from the year 2016 to 2018 & that is good for bank as their income is continuously increasing year by year. The Total Expenditure also increases constantly from the year 2016 to 2018 which is not good for bank but compare to expenditure income increase in large amount so that is good sign for the bank.

Table 4: The table shows common size statement through balance sheet.

	2016	2017	2018
Other Liabilities	98.65	98.96	99.01
Current Liabilities	1.35	1.04	0.99
Total Liabilities	100.00	100.00	100.00
Other Assets	96.29	98.53	98.74
Current Assets	3.71	1.47	1.26
Total Assets	100.00	100.00	100.00

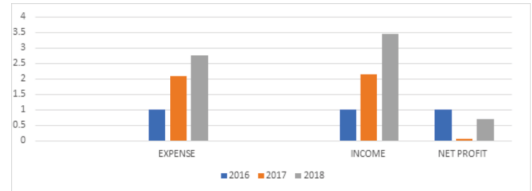


In common size, balance sheet, loan & advances represents around 70-85% of bank assets whereas cash represents around 2-3% of bank assets & Total deposits represents around 98% of bank liabilities whereas other liabilities combine represent just 2% of total liabilities.

Table 5: The table shows trend financial statement through profit and loss account.

	2016	2017	2018
EXPENSE	1.00	2.08	2.76

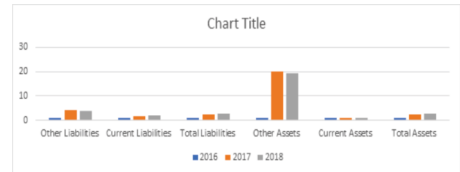
	2016	2017	2018
INCOME	1.00	2.13	3.45
NET PROFIT	1.00	0.05	0.69



The Total Income was 2.13% in the year 2017 & increase to 3.45% in the year 2018 then a year 2016 which is good for the bank. Expenditure was 2.08% in the year 2017 & increase to 2.76% in the year 2018 then a year 2016 which is not good for the bank as their expense increase but it increases at lower rate compare to income which increases at higher rate so that is good for bank. Net profit was 0.05% in the year 2017 & 0.69% in the year 2018 which shows that bank is doing good year by year as in year 2016 bank was having net loss.

Table 6: The table shows trend financial statement through balance sheet.

	2016	2017	2018
Other Liabilities	1.00	4.19	3.93
Current Liabilities	1.00	1.76	2.03
Total Liabilities	1.00	2.28	2.77
Other Assets	1.00	20.07	19.23
Current Assets	1.00	0.90	0.94
Total Assets	1.00	2.28	2.77



Total Assets & Liabilities both were constantly increase in year 2017 & 2018 respectively then a base year 2016 but assets increases in more amount compare to liabilities so that is good for the bank. In trend balance sheet, current assets & other assets both decline compare to their base year 2016 by small margin that is not a good sign for the bank.

FINDINGS

- The comparative balance sheet shows that the current assets and current liabilities have increase in the current year & bank liquid assets also increase so liquidity position of the bank is growing.
- Common size statement shows bank current assets is more than the current liability which is good for the bank. But the more investment in current assets is not good for the bank as it increases the cost of the fund.
- In the year 2016 bank faces net loss because expense was more than income. Than in the year 2017 bank generate net profit and again in the year 2018 bank generate net profit which was more compare to year 2017. It indicate that bank performance increase year by year.
- Both Assets & Liabilities of bank are increasing year by year but assets are increasing at higher rate compare to liabilities so that indicates that bank is more capable of repaying their debts
- Loan & advances of bank is increasing continuously so, bank is going to earn more and more profit through interest on loan.

CONCLUSION

The present study on financial analysis through the comparative analysis, common size analysis and trend analysis in surat district cooperative bank for the period of three year (2016 to 2018). The bank has performed well on the sources of growth rate and financial efficiency during the study period. Results showed that the profitability of the bank was strongly and negatively influenced by the deposits and advances. It conclude that the financial position of

the bank i.e. profitability, solvency and liquidity position was so impressively growing. Its financial position was also good. Thus the overall performance of the bank was remarkably good which indicate a future growth of financial position as well as its profitability.

The financial information of this study will also help the management in setting up plans and financial strategies. From an academic point of view, this research provides a new perspective in evaluating the financial performance of leading banks as well as the finding of this study can be added to the present literature and it can help researchers in their future studies

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