

A STUDY ON FINANCIAL STATEMENT ANALYSIS OF TAMILNADU INDUSTRIAL COOPERATIVE (TAICO) BANK LTD., CHENNAI

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ABSTRACT

Financial statements are formal, authentic, and prepared by commercial entities to disclose their financial data. An structured collection of facts in accordance with logical and consistent accounting methods is a financial statement. Its goal is to help the reader comprehend some of the financial characteristics of a particular corporate organisation. As with a balance sheet, it can reflect a position at a specific point in time, or an income statement might reveal a series of operations over a specific time period. The study's goal is to examine Chennai-based Tamilnadu Industrial Cooperative Bank Ltd.'s financial statements. It employs an analytical research design investigation. The most recent five years of data, from 2017 to 21, are used. These statistical tools have been used: ratio analysis, common size balance sheet, comparative balance sheet, schedule of changes in working capital. The assets utilisation ratio for the 2017–18 fiscal year was 0.09, according to the data. In the years 2021–2022, it fell to 0.07. It is implied that because the company's current assets have reduced, the bank must take action to satisfy its short-term obligations. This analysis would also assist management in developing plans and financial strategies, it is concluded. From a scholarly perspective, this research offers a fresh viewpoint when assessing the financial performances of top banks. Its findings can also be added to the existing literature and be useful to scholars in their future research.

I . INTRODUCTION

Financial Statement

Commercial firms generate formal, reliable financial statements to reveal their financial information. According to the American Institute of Certified Public Accountants, "Financial statements are prepared for the purpose of presenting periodical review or report on the progress by the management and deal with I the status of investments in the business and (ii) the results achieved during the period under review" (AICPA). An structured collection of facts in accordance with logical and reliable accounting methods is a financial statement. Its goal is to help the reader comprehend some of the financial characteristics of a particular corporate organisation. As with a balance sheet, it can reflect a position at a specific point in time, or an income statement might reveal a series of operations over a specific time period.

Thus, the term financial statement generally refers to the basic statements:

- (i) The income statement
- (ii) The balance sheet.

Financial statement analysis

The process of examining a company's financial statements in order to make decisions is known as financial statement analysis. It is used by external stakeholders to assess an organization's general

health as well as its financial performance and market value. It serves as a monitoring tool for handling finances for internal stakeholders.

To make wise business decisions, financial statement analysis examines the financial data in financial statements. Aside from other financial data, the income statement, statement of retained earnings, balance sheet, and statement of cash flows can all be examined. The information gleaned from this analysis can help internal and external stakeholders make decisions, and it can provide a business with useful information on overall performance and particular areas for improvement.

They can use the research to make decisions about their budget, where to make expense cuts, how to boost revenues, and potential prospects for future capital investments.

A corporation must recognise that the data generated must be compared to others within the industry and close competitors when taking the analysis' results into account. The business should also think about their prior performance history and how it relates to their expected future performance. Financial ratios, vertical analysis, and horizontal analysis are the three most frequently utilised analysis methods for decision-making.

Definition

The process of studying and assessing a company's financial statements, such as the balance sheet or profit and loss statement, allows for a better knowledge of the company's financial situation and more informed decision-making. Financial data is recorded in financial statements, but for the benefit of investors, shareholders, managers, and other interested parties, this data must be evaluated through financial statement analysis. Reviewing and evaluating a company's financial accounts in order to improve economic decisions is known as financial statements analysis (or financial analysis).

The income statement, balance sheets, statement of cash flows, and a statement of changes in equity are among these statements. A strategy or method for assessing an organization's risks, performance, financial healths, and future prospects is financial statement analysis.

II. RESEARCH METHODOLOGY

The research is an attempt to study a problem or a situation at any given circumstance and identify various causes or consequence of that particular problem. It tries to solve a complex and complicated problem through use of various tools and techniques.

Research Methodology is a systematic way to solve a research problem; It includes various steps that are generally adopted by a researcher in studying the problem along with the logic behind them.

The present study was conducted at Tamilnadu Industrial Cooperative Bank Ltd., Chennai. The study depends mainly on the secondary data namely the annual reports of the company. Five years annual reports had been collected from the company. Data had also been collected from text books, journals, newspapers, magazines and internet.

RESEARCH DESIGN

Research design is a logical and systematic planning and directing of a piece of research. It is the translation from a general scientific model into various research procedures. It is not a highly specific plan to be followed without deviation but rather a series of guide post to keep one a head in the direct direction.

DATA COLLECTION METHOD

The main sources through which data is collected are

- a) Primary data

b) Secondary data

Primary data

Data collected originally by the researcher himself for the purpose of his study are known as primary data. Primary data means data which is fresh collected data. Primary data mainly been collected through personal interviews, surveys etc.

Secondary Data

Secondary data refers to information gathered from sources already existing. Some sources of secondary data are data available from previous research, information available from any published or unpublished sources available either within or outside the organization, library records, online data, websites and the internet. The secondary data of information of this study were obtained through web sites, books, annual report, and internet

Secondary data marks the beginning of the research process. Information gathered from both internal and external sources. Secondary data is required to analyze the primary data. Secondary data gathered through journals, books and websites.

Secondary data is information that has been gathered from sources other than the researcher themselves, such as books, records, journals, dissertations, government orders, etc. The following are some benefits of secondary data:

- i) Information that has already been obtained by someone is simple to use.
- ii) It won't cost a lot of money.
- iii) Gathering secondary data doesn't take much time.
- iv) The researcher does not have to rely on anyone to provide the necessary data.
- v) A questionnaire or timetable are not required.

SAMPLING TECHNIQUE

Analytical Research Design study is used. Usually for those research studies having the computation of problems or application of formulae for computations analytical research design technique is used.

Period Of Study

The duration taken by the researcher for the data collection and analysis regarding the profitability analysis of Tamilnadu Industrial Cooperative Bank Ltd., Chennai for three months. The data used are of last five years from 2017-21.

Sample Size

The data used for last five years annual reports from 2017-21.

Sampling Unit

Sampling unit of this study is Tamilnadu Industrial Cooperative Bank Ltd., Chennai.

TOOLS USED**1. Ratio Analysis**

A ratio is the quotient of two mathematical expressions and the relationship between two or more numbers. The relationship between the two accounting figures expressed mathematically is known as a financial ratio.

- Loan To Deposit Ratio
- Cash Deposit Ratio
- Loan To Asset Ratio
- Return On Assets
- Net Interest Margin
- Return On Total Assets Ratio
- Investment Deposit Ratio
- Assets Utilization Ratio
- Return On Long Term Fund
- Trend Percentage Of Net Profit
- Current Ratio
- Trend Percentage Of Deposit

2. Common Size Balance Sheet

A balance sheet with a common size shows the absolute amount as well as the proportionate percentage of total assets, total liabilities, and equity accounts. Common-size percentages are calculated using the formula (Amount / Base Amount) multiplied by 100. Keep in mind that the base for the income statement is net sales and the base for the balance sheet is total assets.

3.3.Comparative Balance Sheet

The financial status of an organisation throughout several time periods for which comparison is made or is necessary is shown on a comparative balance sheet. To show the trend, the direction of change, analyse, and take appropriate action, the financial position is compared with two or more periods.

4. Schedule of changes in working capital

Schedule change in working capital is prepared from current assets and current liabilities to find out increasing or decreasing in working capital. Assets and liabilities are given in comparative balance sheet. This statement helps to identify the change in working capital. This change may be increase or decrease.

ILLITERATURE REVIEW

Serkan Yucel (2022) Examining the Republic of Turkey's economic growth over the previous 14 years is the goal of this study. The fundamental financial table data of the manufacturing industry companies that serve as the backbone of the Turkish economy as well as the shift in the sector's company count between 2006 and 2019 were examined for this aim. The T.C. Ministry of Industry and Technology's Entrepreneur Information System provided the data for the study. One of the techniques for analysing financial statements used to assess the data was trend analysis. Trend analysis techniques included Mann-Kendall and regression analysis. Additionally, using the Time Series Analysis technique, financial projections for the following four years were made.

Kimberly Coenders (2022) This article's goal is to analyse the short-term solvency of major wine enterprises from 2014 to 2018 in two relevant Spanish wine-producing regions and evaluate any notable temporal and regional variations. In order to avoid the frequent outlier, non-linearity, and asymmetry issues in traditional financial ratios, liquidity is analysed using standard financial indicators and compositional data. Liquidity is a direct threat to the financial health of firms. The study demonstrates that the compositional ratios are statistically more appropriate and that the turnover between operating cash inflows with respect to current investments and operating cash outflows with respect to current liabilities is a complementary indicator to traditional cash flow ratios. There are more liquid wineries in La Rioja.

Ana Simpson (2022) The income statement, balance sheet, and statement of cash flows are the three main sections of the financial statements. These statements are intended to be read collectively in order to provide a thorough view of a company's financial situation and performance. There is a case can be made for each financial statement being the most significant, but the answer ultimately comes down to the user's requirements. The income statement, which shows a company's potential to make a profit, is likely to be the most crucial financial statement for the majority of users. Additionally, the data on the income statement is largely expressed in current dollars, indicating a respectable level of accuracy.

Saoud J. Mashkour Alamry (2020) Financial analysts, who use the financial statements, are informed of the preparation of financial statements and reports from the output of the accounting function. When the accountant's position is terminated, the financial analyst's role is to perform a significant financial function of the entity's functions that are related to the accounting function and not distinct from it. The role of a financial analyst is based on the analysis of financial statements, which is one of the key tools used by the various parties connected to the entity, such as management, employees, investors, shareholders, lenders, customers, the government, and the general public, in making financial and economic decisions.

A number of fundamental and practical subjects that the learner can understand are covered in the study of the financial statements. The theoretical underpinnings of financial analysis, the study of financial statements, the statement of funds flows, the cash flow statement, financial analysis utilising financial ratios, and the forecasting of financial failures of businesses and banks are the most notable of these issues.

Valášková et al. (2020) Employing the Trend Analysis technique, researchers examined the Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of companies in the Visegrad Group Countries (Slovakia, Czech Republic, Poland, and Hungary) from 2010 to 2018. The Jarque-Bera test, the Shapiro-Wilk test, the Anderson-Darling test, the Lilliefors test, and the Box-Pierce test were all employed in this investigation. Durana and Bacik (2020) sought to identify shifts in managers' tendencies with regard to managing earnings. They studied enterprises in the Visegrad Group nations during a nine-year period, from 2010 to 2018, using Sen's trend technique, Mann-Kendall test, and non-parametric time series trend modelling. Earnings before interest, tax, depreciation, and amortisation, or EBITDA, of businesses were looked at in this study by Valášková et al. (2020).

Daga (2020) in The goal of the thesis, "Analysis of Financial Statements of Aluminium Business in India," was to examine the challenging financial circumstances through which the Indian aluminium industry had to navigate from 2015 to 2020. He attempted to investigate the financial statements of Indian aluminium companies, a field of study that had hitherto received little attention. The study offers helpful solutions to the main issues connected to several industry-related divisions. Financial analysis approaches such as ratios, common-size statements, and trends had been used. The analysis showed that India's aluminium industry faced numerous financial issues and offered suggestions for how to fix them.

Ganeshan P.A(2019) who attempted to investigate M/S Sakthi Finance Ltd. Coimbatore's financial performance with the goal of analysing Sakthi Finance Ltd.'s liquidity, profitability, and solvency position as well as the trend in capital employed and the source and use of funds to estimate future projections of income, expenditure, current assets, and current liabilities, among other things. came to the judgement that Sakthi Finance Ltd. was a financially sound business that had made significant success raising money at allowable costs and investing in lucrative ventures. The impact of the debt-to-equity ratio indicates the contribution of outside capital to the business.

Mr. A.D Deva (2019) who had made an attempt to study the financial performance of Ashok Leyland Finance Ltd, with the objective of finding the profitability position and financial status of the company over a period of 3 years from 1986 to 1989. Came out with the conclusion that the liquidity position was not satisfactory and the proprietary ratio showed that the creditors are in dangerous situation. There has been steady increase in the earning per share thus the assets and liabilities of the concern where more or less stable

Vasanthamani (2019) who had made an attempt to study the financial performance of Lakshmi Machine Workers Ltd, by using the all the financial analysis tools found that gross profit and net profit for the period between 1982 - 1992 were increasing considerably. Financial analysis involves analyzing the data contained in financial statements in order to provide valuable information for management decisions. In this way, financial analysis is only one part of the overall function of finance, but a very important one. "The mathematical tools produce data, not explanations; information, not interpretation; measurement, not meaning," according to James E. Kristy and Susan Z. Diamond in their book Finance without Fear.

IV. DATA ANALYSIS AND INTERPRETATION

LOAN TO DEPOSIT RATIO

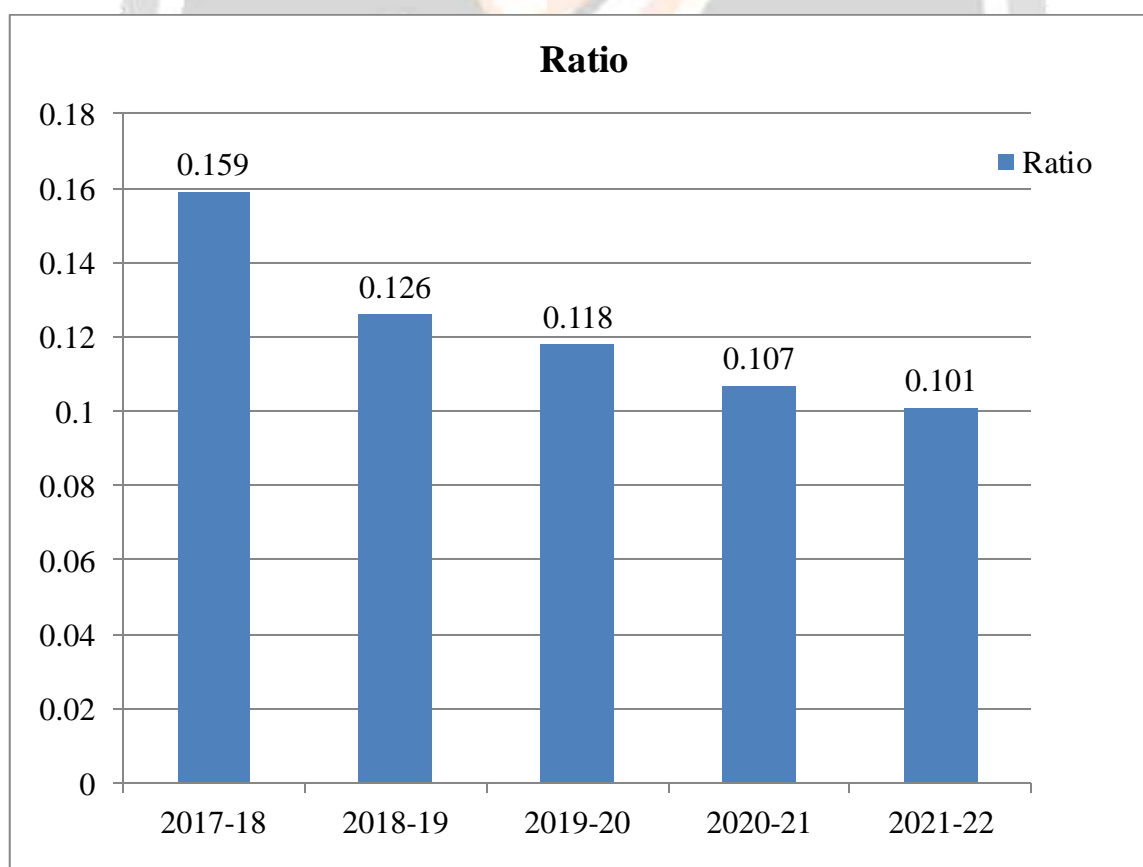
Year	Bank total loans	Total deposit	Ratio
2017-18	153.24	96164.64	0.159
2018-19	147.96	116796.12	0.126
2019-20	142.66	120198.32	0.118
2020-21	138.20	128290.89	0.107
2021-22	136.05	133650.20	0.101

(Source: Secondary Data)

Interpretation:

The above table shows that the loan to deposit ratio has decreased from 0.159 to 0.126 in the year of 2017-18 to 2018-19. It has decreased further to 0.118 in the year of 2019-20. It has further again decreased to 0.107 and 0.101 in the year of 2020-21 and 2021-22 respectively due to bank loan has reduced every year.

LOAN TO DEPOSIT RATIO



V. CONCLUSION

The present study is on financial statement analysis through the comparative analysis, common size analysis and trend percentage analysis of The Tamilnadu Industrial Co-Operative Bank Ltd., Chennai for the period of five years (2017-2018 to 2021-2022). 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 concludes 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 indicates 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.

VI. REFERENCES

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