Poonam Shodh Rachna (ISSN 2456-5563)
(A multidisciplinary, peer reviewed and refereed Research Journal)
Vol. 2, Issue.3, March 2023, http://dx.doi.org/56642/psr.v.02i03.004

"A Study Of Financial Ratios Of Selective Bank Stocks"

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ABSTRACT

Financial statement analysis prioritizes companies in competitive sectors or with wide economic implications. The study evaluates the company's strategic efforts to boost profits. This research examines commercial banking performance from April 2011 to March 2014. Yahoo Finance, CMIE, Prowess, and Money Control provided the banks' financial data. We calculated four-year financial ratios using these summaries. We examined four prominent Indian commercial banks' profitability, liquidity, and solvency. Financial statement liquidity, activity, leverage, profitability, and market value ratios are compared. Liquidity was measured using current ratio, quick ratio, and acid test ratio. Productivity was calculated by multiplying working capital, debtor, and stock turnovers. Debt-to-equity and interest coverage ratios computed leverage. Earnings per share, gross profit margin, net profit margin, return on assets, and return on equity assessed profitability. Earnings-per-share multiples and price-earnings ratios determined the company's market cap. Stock price growth, asset and equity returns, and the current ratio indicate financial soundness (EPS).

INTRODUCTION

Financial ratios are often utilized by professionals and academics alike. Financial statement analysis is used by many different parties to evaluate a business, including owners, managers, workers, customers, suppliers, rivals, regulators, and academics. For instance, a lot of effort has been put into creating models that take use of financial ratios, which are often utilized by professionals to foretell a company's future performance. The analysis of financial measures has a considerable lot of nuance. There are a few consistent threads running through the annals of financial analysis. The motifs that may be seen are interconnected, and they do not necessarily align with the areas that seem to have the greatest theoretical backing.

The discipline known as "Financial Management" focuses on helping businesses make wise financial decisions. Long-term and immediate considerations might be used to categorize the field. They are comparable in that both seek to increase a company's worth by improving their profitability and lowering their financing expenses.

You can't make heads or tails of the phrase "analysis of financial statements" unless you know what the individual words mean. It is required to make links between the different parts of two financial accounts before any conclusions can be drawn. Data like this is compiled at regular intervals. They show how successful and financially stable a firm is.That's why it's important to connect the dots when analyzing financial statements.

When the financial statements have been generated, it is usual practice to compare the firm to industry benchmarks. Ratio analysis, cash flow analysis, comparative statement analysis, and other methods of analyzing financial statements may help with this. This is an example of a ratio analysis in finance. There exists a correlation between two or more accounting figures that may be used for analysis.

Financial Statement Analysis

The importance of analyzing financial statements has been recently reinforced by the growing concern for profits among shareholders.

FUNDING IN INDIA

The Indian economy can never flourish until the country's financial system is improved. India's financial system has to be adaptable to the many changes that will occur as a consequence of technology progress and other external and internal causes, in addition to being user-friendly. The banking industry has come a long way in the last 30 years. The sheer size of it is the first thing you notice. It's no longer exclusive to a select few in India's metropolises. Rural communities in India are now able to use the country's widespread banking infrastructure. The growth of India's economy may largely be attributed to this.

HISTORY

In 1786, India's first bank opened, and despite its traditional approach, it was a huge success. There have been three major eras in India's banking history, spanning from 1786 to the current day.

Second Stage: Indian Bank Nationalization (1990–1991). The First Era, From 1786 to 1969, When Indian Banks First Began.

Business Description

When India allowed commercial banks, Axis Bank India established in 1994. The Specified Undertaking Administrator, Unit Trust of India (UTI-I), LIC, and GICL founded Axis Bank (GIC). Oriental Insurance Group, National Insurance Company, Ltd., and New India Assurance Company are consortium members.

57.05 percent of Axis Bank's capitalisation is owned by shareholders other than the bank's proprietors, making it an Indian financial institution worth Rs. 282.65 Crores. Axis Bank's national network of 574 branches and Extension Counters is home to over 2,428 ATMs. It promises to follow industry standards as they are generally understood. It is very competent in corporate and personal banking services.More than 60 million debit cards have been issued by Axis Bank in India by the end of June 2007. This is the first bank in India (at least among its Savings Bank clients) to provide the AT PAR Cheque service at no additional charge.Customers may transfer money to anybody in the globe using the AT PAR cheque function. There is a cap of Rs. 50,000/- per instrument.The bank now provides worldwide Travel Currency Cards in Australian and Canadian dollars in addition to the previously available US Dollar, Euro, and Pound Sterling varieties. With the swipe of a signature, cardholders may access their money in the destination country's currency using the Travel Currency Card. The bank has also created silver and gold credit cards, both of which may be used in any of the 60 cities where the bank is present. The current number of branches the bank provides services for is 341. With over 65 million customers, the bank has deposits of more than Rs. 61,000 crores.

Directorate Board

The Bank's Board consists of 9 individuals. Dr. P. J. Nayak serves as the bank's Chairman and Managing Director.
The members of the Board are:

Dr. P. J. Nayak	Chairman & Managing Director
ShriSurendra Singh	Director
Shri N.C. Singhal	Director
Shri A.T. PannirSelvam	Director
Shri J.R. Varma	Director
Dr R. H. Patil	Director
Smt. Rama Bijapurkar	Director
Shri R B L Vaish	Director
Shri S. Chatterjee	Executive Director

SUMMARY OF REFERENCES

Experts and academics often consult financial ratios, therefore it's helpful to review their theoretical and practical foundations. Financial statement analysis is used by many different parties to evaluate a business, including owners, managers, workers, customers, suppliers, rivals, regulators, and academics. For instance, a lot of effort has been put into creating models that take use of financial ratios, which are often utilized by professionals to foretell a company's future performance. The analysis of financial measures has a considerable lot of nuance. There are a few consistent threads running through the annals of financial analysis. There is a lot of overlap between the themes that may be seen and the ones that seem to have the greatest theoretical justification after the fact.

Dr. M. Ravichandran suggests utilizing financial instruments like profitability ratios, solvency ratios, comparative statements, etc. to evaluate financial performance [CITATION DrM16 l 1033]. The income statement indicates that the firm has sufficient finances to pay its obligations and responsibilities since sales and profits have risen annually at a healthy pace.

Financial performance may be evaluated with the use of profitability ratios, solvency ratios, comparative statements, etc., as stated by Dr. M. Ravichandran [CITATION DrM16 l 1033]. The research demonstrates its income statement documents consecutive years of solid sales growth that have resulted in an ever-increasing surplus.

According to Dr. M. Ravichandran [CITATION DrM16 l 1033], As the income statement shows that sales have climbed yearly at a decent pace and profits have increased annually as well, the firm has adequate finances to meet its obligations and liabilities.

Profitability ratios, solvency ratios, comparative statements, etc. are only some of the financial instruments that may be used to evaluate a company's financial performance, as stated by Dr. M. Ravichandran [CITATION DrM16 l 1033]. As the income statement shows that sales have climbed yearly at a decent pace and profits have increased annually as well, the firm has adequate finances to meet its obligations and liabilities.

Financial performance may be evaluated using tools like profitability ratios, solvency ratios, comparative statements, etc., as stated by Dr. M. Ravichandran [CITATION DrM16 l 1033]. The research demonstrates its income statement documents consecutive years of solid sales growth that have resulted in an ever-increasing surplus.

Profitability ratios, solvency ratios, comparative statements, etc. are only few of the financial instruments that Dr. M. Ravichandran [CITATION DrM16 l 1033] recommends utilizing to evaluate a company's financial health. The corporation has the resources to cover its debts and obligations, since the income statement shows that revenue has climbed steadily over the years, as has net income.

Profitability ratios, solvency ratios, comparative statements, etc. are all useful financial measures that may be used to evaluate effectiveness, as stated by Dr. Ravichandran (2016). The income statement demonstrates that the firm has enough money to cover its bills and obligations. Sales have climbed each year at a healthy clip, as have profits.

Ms. M. Ganga conducts a financial study of Equitas Micro Finance Private Ltd, a private lender situated in Chennai (2015). They argue that firms would be unable to make informed decisions about resource allocation without financial analysis. To assess the company's financial health, they used a number of different statistical methods. It was decided that management should pay special attention to ambiguous situations that may eventually benefit the company.

According to Rachchh Minaxi (2011), analyzing financial accounts involves searching for information that may be used to make decisions. Analyzing the financial accounts is essential for making sense of the interconnected financial numbers that make up the overall picture.

According to Rachchh Minaxi's ([CITATION Rac11 l 1033]) Introduction to Management Accounting, the purpose of analyzing financial statements is to glean actionable insights. The purpose of financial statement analysis is to establish causal relationships between the many indicators of a company's well-being and performance.

The ratios are based on financial statements generated using management's recommended policies for depreciation and stock valuation, as referenced by Zafar S.M.Tariq& Khalid S.M.Tariq. (2012). As ratios simply compare the numerator and denominator, they don't provide a whole picture of an organization's performance. Promoter bias and other variables that may impact business performance have been masked via the manipulation of the data.

The Dharmendra S. (2012) presented the findings of a research that analyzed the impact of numerous variables on the profit margins of the selected enterprises. Debt-equity, inventory-to-total-assets, and total-assets ratios were all shown to have a positive or negative effect on profitability. The firm should reduce the fixed financial load on its earnings in order to boost its solvency and deliver the advantages of trading on equity to its shareholders.

Agarwal and Niche (2015) compare and contrast Maruti Suzuki and Tata Motors Ltd.'s financial performance. The research relies entirely on the publicly available annual reports of the firms under investigation. We evaluate the two companies by contrasting their liquidity and leverage. There are four ratios used in the calculation of leverage. These ratios include capital gearing, debt-equity, total debt, and proprietary. According to the findings, in order to ensure the continued viability of Tata Motors Ltd., an increase in the proportion of owner funds to total company funding is required.

Anu B. (2015) investigated the link between the debt-equity ratio and stock prices on the assumption that the ratio was connected to capital structure variables. All three firms in the research showed a positive correlation between the debt-equity ratio and MPS.

Vasu Kumar Mohan, a medical doctor, led the research. T. V. Narayanan and I. (2016), who looked at the mean, the standard deviation, and Altman's Z score among other metrics to determine the firm's financial health. The findings reveal that a company's financial health may be gauged by looking for characteristics like a high Z score and a good connection between liquidity and profitability measures (with the exception of return on total assets).

THE STUDY'S AIMS

• Understand the significance of the interconnectedness of retailers' locations and services.

• Contemplate the potential benefits of pivot banking.

• To acquire the knowledge and discipline necessary to manage one's finances well.

• Learn about Axis Bank's history and present activities in the realm of finance.

• To provide feedback that will enhance the quality of the company's offerings.

Calculating profits and cash flow is the goal of this approach.

Why this research is crucial

In the banking industry, monetary metrics take center stage when evaluating success. This is so because the financial health of the bank will be reflected in its expenses, efficiency, operations, and solvency. Some of the study's stated aims are as follows.

- Analysis of Axis Bank's Operations and Financial Performance.
- You need to be aware of the bank's liquidity and earnings trends.
- To get insight into the factors that contribute to different monetary results.

The study aims to stun the financial institution into action, so that it may improve its practices in light of the report's findings.

Aims and Scope

• The study has significant implications for the bank's indirect and direct clients.

• It is helpful for bank management to get a complete view of vital indicators including liquidity, leverage, activity, and profitability.

• Employees will benefit from the research because they will be inspired to see how their individual contributions add up to the bank's overall performance.

Shares of the bank have attracted the attention of investors.

RESEARCH METHODOLGY

Problem Statement

It might be difficult to acquire a comprehensive picture of financial performance without doing a thorough analysis of the balance sheet and income statement. Modern management accounting techniques are essential for gaining insight into an organization's genuine financial health and performance.

In accounting, ratios are employed to represent quantitative relationships between quantities. All business, no matter how large or little, relies on its continuing financial stability to thrive. The bank is in solid financial form, as shown by the study's financial statements. Ratio analysis in Axis bank is one kind of study that may help shed light on the bank's financial standing.

Thus, "A Study of Financial Ratios in Selective Bank Stocks" was commissioned.

Techniques of Study

The term "research methodology" is used to describe the means through which a subject is methodically examined. One interpretation is that it is a study of scientific methodology. As a result, the research methodology takes into account both the methodologies used and the rationale for using them within the scope of the study.

Methodology

This study used descriptive research techniques because they provide the least amount of bias and the highest quality data. Financial statements from former years were a primary source of data for this study, thus the researchers had to rigorously assess the information they found. The study does this by combining analytical and descriptive methods.

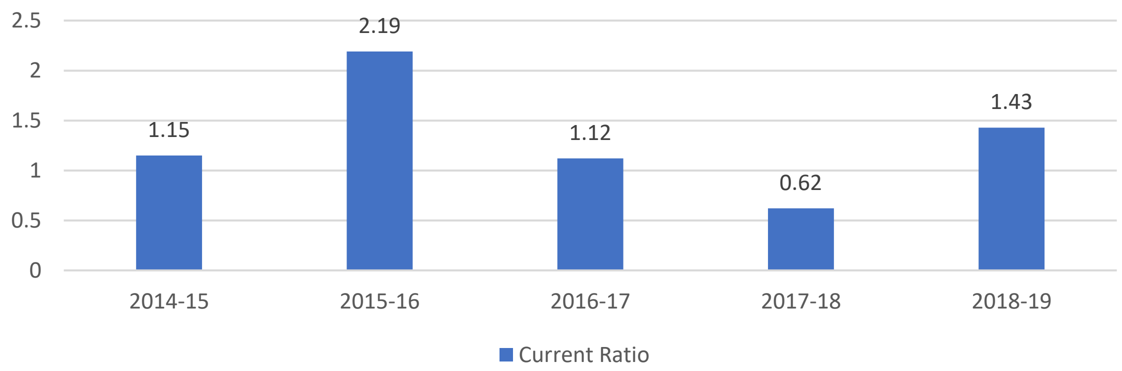
DATA ANALYSIS

1. Current Ratio

Particulars	2014-15 (Rs in Lakhs)	2015-16 (Rs in Lakhs)	2016-17 (Rs in Lakhs)	2017-18 (Rs in Lakhs)	2018-19 (Rs in Lakhs)
CA&Loans and advances	5699.28	9587.39	8711.54	7604.87	8138.7
CL& provisions	4973.51	4370.12	7811.18	12255.16	5674.04
Current Ratio	1.15	2.19	1.12	0.62	1.43

Interpretation

By convention, a current ratio of 2:1 (or greater) implies a very solvent position of company, and the preceding table shows that this is the case only in 2016 and 2017.

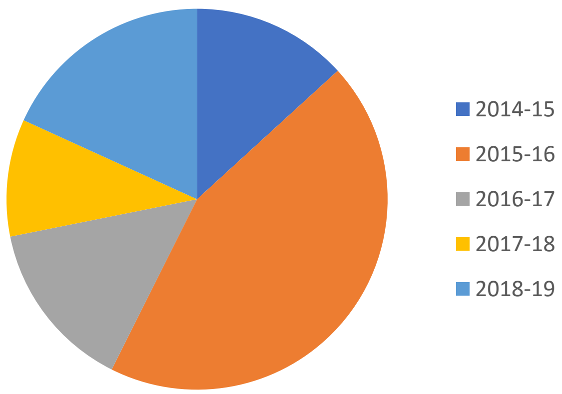


2. Quick Liquid/Acid Test Ratio

Particulars	2014-15 (Rs in Lakhs)	2015-16 (Rs in Lakhs)	2016-17 (Rs in Lakhs)	2017-18 (Rs in Lakhs)	2018-19 (Rs in Lakhs)
CA & loans and advances minus inventories	3727.56	7757.65	7100.4	5925.21	6618.12
CL & Provisions minus Bank OD	4382.64	2735.56	7640.17	9214.9	5674.04
QL/ Acid Test Ratio	0.85	2.84	0.93	0.64	1.17

Interpretation

Based on the data shown above, the bank has a healthy liquidity ratio of 1.17 during 2018–2019. When a company's quick ratio



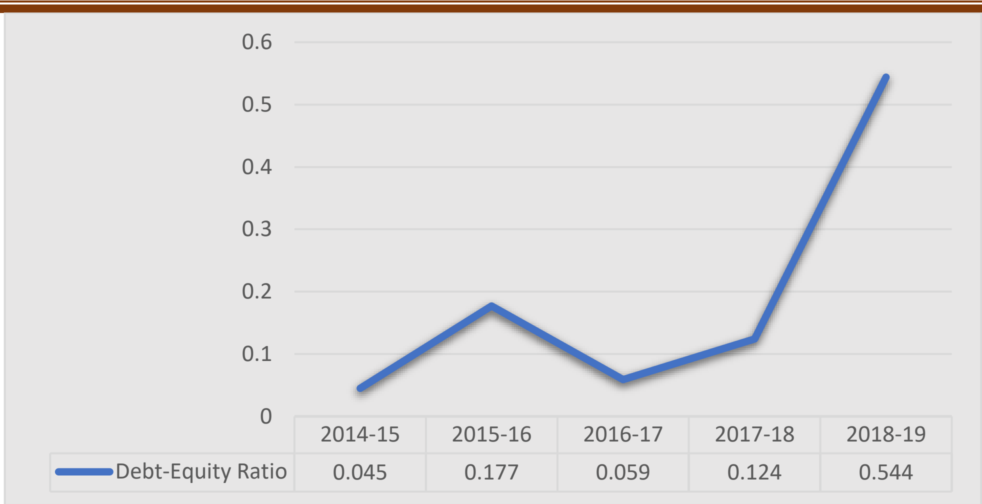
is 1:1, it's in a healthy situation.

3. Debt-Equity Ratio

Particulars	2014-15 (Rs in Lakhs)	2015-16 (Rs in Lakhs)	2016-17 (Rs in Lakhs)	2017-18 (Rs in Lakhs)	2018-19 (Rs in Lakhs)
Long- time debt	166.9	500	166.9	289.83	1733.74
Shareholder's fund	3707.84	2832.68	2849.88	2338.69	3184.15
Debt-Equity Ratio	0.045	0.177	0.059	0.124	0.544

Interpretation

Bank assets are funded via debt if the debt-equity ratio is more than 1, and through equity if it is less than 1.
From 2015 all the way through 2019, the following table shows that the bank ratio is less than 1. So, the equity is used to fund the bank's assets.



4. Fixed Asset to Long- Term Funds Ratio

Particulars	2014-15 (Rs in Lakhs)	2015-16 (Rs in Lakhs)	2016-17 (Rs in Lakhs)	2017-18 (Rs in Lakhs)	2018-19 (Rs in Lakhs)
Fixed asset	5546.86	7999.88	4705.11	4652.63	3577.92
Long-term funds	166.9	500	166.9	289.83	1733.74
FA to LT funds ratio	33.23	16.00	28.19	16.05	2.06

Interpretation

High ratios of fixed assets to long term funds, as compared to the industry average, may indicate that the bank is experiencing liquidity issues. Based on the data shown above, the bank should have enough of funds available to

FINIDNGS

1. The current ratio has been on the rise over the last five years as both current assets and current liabilities have increased (i.e., 1.15, 2.19, 1.12, 0.62, and 1.43).
2. In 2014, the quick ratio is between 0.85 and 2.84, in 2015, between 0.93 and 0.64, and in both 2016 and 2019, between 1.17 and 1.17. The bank has sufficient liquid assets to meet all existing obligations.
3. This ratio was at 24.52 in 2014-2015, but has since decreased to the higher level of 17.83 in 2018-2019. Nevertheless, it falls to 7.31% in 2014-2015 and 6.60% in 2015-2016. Yet this is so prevalent that it's hardly noteworthy. This ratio is used to evaluate a company's working capital management.
4. As compared to their expected useful life, fixed assets are being replaced at a pace that is much too high (7.45). So, the business must either reduce its activities or raise its plant, property, and equipment investments to keep up with the rising demand.
5. There is a broad range in the proportion of net profit to total costs. With comparison to last year's value of 0.68, this year's value of 6.79 is an increase.
6. More than in prior years, yearly asset turnover was 2.85% in 2014-2015. The bank's asset efficiency used to be exceptional, but today it's just mediocre.
7. Return on investment has improved and may have improved more in 2018-2019. Hence, it benefits shareholders when a financial institution has a high return on capital employed (ROCE), since it may reinvest more of its earnings in its core business.
8. During the last three fiscal years, the bank has given out more in interest than it has earned: 2014–015, 2016–17, and 2018–19. The bank's interest payments, however, are covered by its profits.
9. The bank has had negative cash flow for debt servicing every year since 2007-08.

CONCLUSION

Revenue is the lifeblood of every business. No bank can survive in today's highly competitive market without meticulous financial management. The bank's approach to working capital will be assessed by an ethical financial manager.In other words, the bank is in good shape. Profits are up significantly from last year, making 2017 a very good year. The organization's approach of investing across sectors is functioning effectively in the present market.As the benefits of port investments and port expansion become more apparent over the next decade, the demand for seating solutions is expected to rise. Foreign companies are expected to find fruitful ground in India because to the worldwide reach of seat laws and India's ambitions to compete with more established shipbuilding countries.

There is room for growth in other disciplines as well. Considering the variety of options and the researcher's capacity to make the most of them, the latter would be more appealing to the researcher. The study's overall conclusion that banking with this institution is a safe bet was bolstered by this discovery.

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