

A Study on Financial Ratio Analysis in Lakshmi Vilas Bank Trichy

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ABSTRACT - Ratio analysis is a powerful tool of financial analysis. It is used as a device to analyse and interpret the financial health of a firm. Ratio analysis is used by creditors, banks, financial institutions, investors and shareholders. Secondary data of LAKSHMI VILAS BANK KAMBARASAMPETTAI, TRICHY was taken for the purpose of analyzing the financial ratio. The financial tools for analysis were DEBT-EQUITY RATIO, PROPRIETARY RATIO, and RESERVES TO CAPITAL RATIO.

KEYWORDS: POWERFUL TOOL, FINANCIAL HEALTH, FINANCIAL INSTITUTIONS, INVESTORS, SHAREHOLDERS

I. INTRODUCTION

Ratio analysis is a theoretical technique which dates back to the origin of accounting, as a concept. Financial analysis as a scientific tool is used to carry out the calculations in the area of accounting. In order to assess the valid and surviving worth of an enterprise, financial tool comes handy, regularly. Financial analysis is an essential mechanism for a clear interpretation of financial statements.

Ratio analysis broadly explains the progression of computing, act as a dynamic tool in determination and presentation of the affiliation of related items and groups of items of the financial statements. Financial analysis is the selection, evaluation and interpretation of financial data, along with other pertinent information, to assist in investment and financial decision-making. Financial analysis may be used internally to evaluate issues such as employee performance, the efficiency of operations, and credit policies, and externally to evaluate potential investments and credit worthiness of borrowers, among other things.

INDUSTRY PROFILE

Lakshmi Vilas Bank was founded in 1926 by a group of seven progressive businessmen of Karur under the leadership of Sri V.S.N. Ramalinga Chettiar. Their objective was to cater to the financial needs of the people in and around Karur who were occupied in trading businesses, industry and agriculture.

In July 2014, LVB repositioned its Corporate Office to Chennai from Karur where the registered office is located.

II. REVIEW OF LITERATURE

Anshan Lakshmi (2003) made "A study of the financial performance with reference to steel industries kerala ltd."

This study covered from 1977-1998 to 2001-2002. The objectives of the study was to analyze and evaluate the working capital management, to analyze the liquidity position of the company, to evaluate the receivables, payables and cash management and to suggest ways and means to improve the present date of working capital.

Vishnani and Shah (2007) investigated the impact of working capital management policies on the corporate performance of the India consumer electronics industry. They noted that inventory holding period, debtors collection period and networking capital cycle and had negative relationship on the profitability of firm

Ramanchandran and Janakiraman (2009) analyzed the relationship between working capital management, efficiency and earnings before interest and tax of the paper industries in India. The study revealed that cash conversion cycle and inventory days had negative correlation with earning before interest and tax

RESEARCH DESIGN

RESEARCH

"A Research is a systematic enquiry to describe, explain, predict and control the observed phenomenon"

STATEMENT OF THE PROBLEM

- Ratio analysis is a powerful tool of financial analysis. It is used as a device to analyse and interpret the financial health of a firm. Ratio analysis is used by creditors, banks, financial institutions, investors and shareholders.
- This study computes the ratio analysis, so as to support in making financial decisions for the company and its stakeholders.

OBJECTIVE OF THE STUDY

- To analyze the Debt-equity ratio

- To analyze the Proprietary ratio
- To analyze the Reserve to capital ratio

LIMITATIONS OF THE STUDY

- Ratio analysis is based on financial statements which are themselves subject to several limitations.
- Ratios may make the comparative study complicated and misleading on account of changes in price level.

III. RESEARCH METHODOLOGY

DATA COLLECTION:

The data was collected of the LAKSHMI VILAS BANK details through the internet and the available net source.

PERIOD OF STUDY:

The study covers the period of three years from (2016 to 2018) in "LAKSHMI VILAS BANK" at trichy.

SECONDARY DATA:

Data collected from a source that has already published in any form is called as secondary data. The data were collected in the form of the net source.

IV. DATA ANALYSIS AND INTERPRETATION

4.1 DEBT-EQUITY RATIO

DEBT-EQUITY RATIO =

$$\frac{\text{TOTAL LONG TERM DEBT}}{\text{SHAREHOLDERS FUNDS}}$$

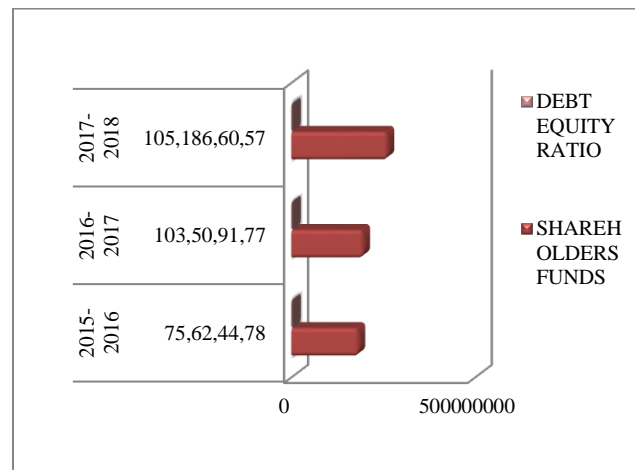
TABLE 4.1 DEBT-EQUITY RATIO

YEAR	TOTAL LONG TERM DEBT	SHARE HOLDERS FUNDS	DEBT-EQUITY RATIO
2015-2016	75,62,44,78	181601057	0.41643
2016-2017	103,50,91,77	194,35,7818	0.53257
2017-2018	105186057	260277559	0.40413

INTERPRETATION

It shows Debt-Equity Ratio during 2015-2016 ratio is 0.41643 and during 2016-2017 ratio is 0.53237 but during 2017-2018 it was decreased by 0.40413.

CHART 4.1 DEBT EQUITY RATIO



4.2 PROPRIETARY RATIO

PROPRIETARY RATIO =

$$\frac{\text{SHAREHOLDER FUNDS}}{\text{TOTAL TANGIBLE ASSETS}}$$

TOTAL TANGIBLE ASSETS

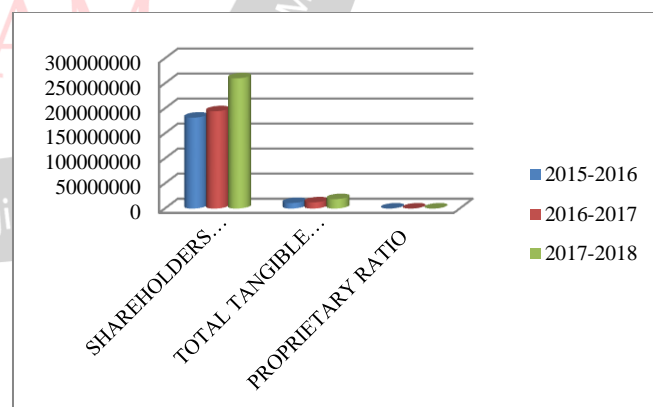
TABLE 4.2 PROPRIETARY RATIO

YEAR	SHARE HOLDER FUNDS	TOTAL TANGIBLE ASSETS	PROPRIETARY RATIO
2015-2016	181601057	11127252	16.32038
2016-2017	194357818	12402023	15.67146
2017-2018	260277559	18783124	13.85698

INTERPRETATION

It shows Proprietary Ratio during 2015-2016 ratio is 16.32 and during 2016-2017 ratio is 15.67 but during 2017-2018 it was decreased by 13.85.

CHART 4.2



PROPRIETARY RATIO

4.3 RESERVES TO CAPITAL RATIO

RESERVES TO CAPITAL RATIO =

$$\frac{\text{RESERVES}}{\text{CAPITAL}}$$

4.3 RESERVES TO CAPITAL RATIO

RESERVES TO CAPITAL RATIO =

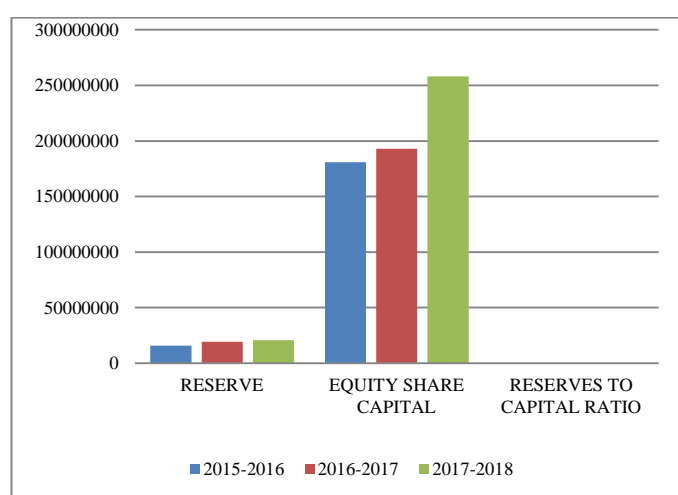
RESERVES

EQUITY SHARE CAPITAL

Table 4.3- Reserves to Capital ratios

YEARS	RESERVES	EQUITY SHARE CAPITAL	RESERVES TO CAPITAL RATIO
2015-2016	1584,13,25	18,09,69,986	8.75%
2016-17	1944,89,50	19,29,55,124	10.08%
2017-18	2071,67,45	25,80,12,279	8.03%

CHART 4.3 RESERVES TO CAPITAL RATIO



INTERPRETATION

It shows Reserves to Capital Ratio during 2015-2016 ratio is 8.75% and during 2016-2017 ratio is 10.08% but during 2017-2018 it was decreased by 8.03%.

IV. SUGGESTION

In order to increase the profitability of the companies, it is suggested to control the cost of goods sold and operating expenses.

The management should try to adopt cost reduction techniques in their companies.

The burden of interest has produced a deteriorating effect and reduced the percentage of net profit. It is suggested that the companies should try to reduce the interest burden gradually by increasing the owner's fund.

V. CONCLUSION

Ratio analysis is the basic tool of financial analysis and financial analysis itself is an important part of any commercial scheduling process as ratios. Being basic tool of the strategic analysis plays a energetic role in a business planning and analysis would be complete without an analysis of associate of financial position.

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