



Peer Reviewed Refereed and
UGC Listed Journal
(Journal No. 40776)

ISSN 2277-5730

AN INTERNATIONAL MULTIDISCIPLINARY
QUARTERLY RESEARCH JOURNAL



AJANTA



Volume-X, Issue-IV
October - December - 2021
English Part - VII

IMPACT FACTOR / INDEXING
2019 - 6.399
www.sjifactor.com

Ajanta Prakashan

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ज्ञान-विज्ञान विमुक्तये

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Ajanta Prakashan

Aurangabad. (M.S.)

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22. A Study of Financial Statement Analysis of Maharashtra Gramin Bank

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Abstract

Understanding the financial positions of any business entity is an important activity for a person who is the user of that financial statement such as Government, shareholder or stakeholder etc. It becomes necessary when the financial position of the bank is analyzed the analysis of financial statement of any commercial bank let the interested parties to understand the current situation of the bank whether the bank has proper fund or liquidity to perform its work smoothly or having excess Debtors. So that the future of the bank can be estimated.

In this study the financial statements of Maharashtra Gramin Bank have studied. In the modern days dynamic banking regulations and the digitization of banks at all level has been emerged, in such competitive situation the MGB remain one of the best subsidiary bank of the state of Maharashtra. Present study is depending upon the Financial statements of 2012-13 to 2016-17 five years before the pandemic.

Key Words - Financial statement Analysis, MGB, Financial Position.

Introduction

The term 'Financial Statements' as used in modern business refers to two statements which the accountant prepares at the end of a period of time. They are balance sheet and Income statement. There are some other statements which are not only important but are essential for the business enterprise to draw useful conclusions regarding the financial position of the concern. Financial statements are prepared primarily for decision making. They play a dominant role in setting the framework of managerial decisions. But the information provided in the financial statements is not an end in itself as no meaningful conclusions can be drawn from these statements alone. However, the information provided in the financial statements is the immense use in making decisions through analysis and interpretation of financial statements. Financial analysis is "the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss

account.” There are various methods or techniques used in analyzing financial statements such as comparative statements, schedule of changes in working capital, common-size percentages, funds analysis, trend analysis and ratio analysis. The ratio analysis is the most powerful tool of financial analysis.

Financial Analysis

Financial analysis is the process of identifying the financial strengths and weakness of the firm by property establishing relationships between the item of the balance sheet and the profit and loss account. Financial analysis can be undertaken by management of the firm, or by parts outside the firm.

Definition of the Financial Statement Analysis; According to Myres “Financial statement analysis is largely being a study of the Relationship among the various financial factors in a business as disclose by a single set of statement and a study of the trend of these factors as show in a series of statements.”

Significance of the Study

- Every Bank must consider their liquidity position, profitability and solvency position and also the main attention should be on smooth working capital position.
- For this analysis the ratios, working capital requirements for the next five years’ period to enables meaningful planning for the future.

Researcher worked and applied various tables in relevant ratio from the data collection in **Marharashtra Gramin Bank** Researcher giving more suitable idea to the management and developed the Bank in various way. Researcher analysis some table in statistical approaches of trend line.

Objectives of the Study

1. To study the growth profile of the bank during the study period
2. To study the financial position of the Maharashtra Gramin Bank.

Hypothesis of the Study

1. The growth of Maharashtra Gramin Bank is remarkable in the study period.
2. Maharashtra Gramin Bank has a strong financial position in the study period.

Scope of the Study

The study mainly attempts to analyze the financial performance of the bank selected for the study. The financial authorities can use this for evaluation their performance in future, which

will help to analyze financial statements and help to apply the resources of the bank properly for the development of the bank and employees to bring overall growth. The present study attempt to develop a trend analysis model for sales and Working Capital and Profit and Loss Accounts. There can be forecasting to evaluate the overall performance of the Maharashtra Gramin Bank for the period of 5 years.

Data Analysis and Interpretation

1. Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table No 4.1 current ratio showing table

Sr No.	Financial Year	Current Assets (Rs. 000)	Current Liabilities (Rs. 000)	Ratio
1	2012-13	47174619	45788291	1.030
2	2013-14	51481698	49987819	1.029
3	2014-15	61720087	60122434	1.026
4	2015-16	72349169	70608497	1.024
5	2016-17	85155817	84071567	1.012

(Source: financial statement published by Maharashtra Gramin Bank)

Interpretation

The above table shows the current assets and current liabilities of the bank for five financial years the ratio analysis finds 1.030, 1.029, 1.026, 1.024 and 1.012 respectively for the financial years 2012-13, 13-14, 14-15, 15-16 and 2016-17 this shows that the liabilities of the bank are increasing year by year as current ratio is decreasing.

2. Debt-Equity Ratio

$$\text{Debt-Equity Ratio} = \frac{\text{Long - term Debts}}{\text{Shareholders' Funds}}$$

Table No: 4.3 Banks Long Term Debts and Shareholders Fund Showing Table

Sr No.	Financial Year	Long term Debts (Rs. 000)	Shareholders fund (Rs. 000)	Ratio
1	2012-13	7712320	2692214	2.86
2	2013-14	8989079	2691986	3.33
3	2014-15	11479668	3075923	3.73

4	2015-16	11029935	3735526	2.95
5	2016-17	12535578	4191553	2.99

(Source: financial statement published by Maharashtra Gramin Bank)

Interpretation

From the above table this is found that the MGB has a good in the investment where as the ration of dept equity terms normally to be 2:1 but here it shows 2.86, 3.33, 3.73, 2.95 and 2.99 respectively to the financial years 2012-13, 13-14, 14-15, 15-16 and 16-17 which shows that the bank is having proper ratio with its Debts and Shareholders fund. Its shows an opportunities for investors and interested parties to invest in the bank.

3. Return on Shareholders' Fund Ratio

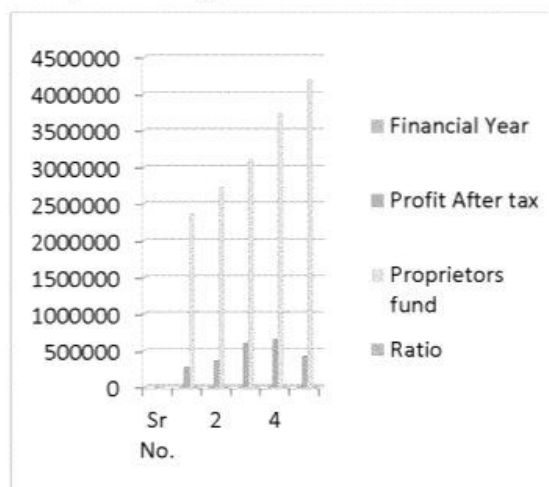
$$\text{Return on Shareholders' Fund} = \frac{\text{Profit after Tax}}{\text{Shareholders' Funds}} \times 100$$

Table No 4.6 Return on Shareholders' Fund Ratio Showing Table

Sr No.	Financial Year	Profit After tax (Rs. 000)	Proprietors fund (Rs. 000)	Ratio
1	2012-13	269702	2362214	11.41
2	2013-14	355173	2721986	13.04
3	2014-15	600073	3105923	19.32
4	2015-16	653424	3735526	17.49
5	2016-17	421949	4191553	10.06

(Source: financial statement published by Maharashtra Gramin Bank)

Graph 4.6 Graph Showing Return on Shareholders' Fund Ratio



(Source: financial statement published by Maharashtra Gramin Bank)

Interpretation

The table shows that the profit ratio in comparison with the proprietary funds is greater that shows the long term stability in the banking. Some times the ratio related to the profitability may not specify exactly the profitability in the long run, like in the above table financial year 2014-15 has a greater profitability than next years. This is 19.32% where as in the financial year 2016-17 it reduced to 10.06.

Findings

1. The area occupied for the service is very small which leads more limitations on the bank. Area of six regions cant let the bank grow faster as the other state and nationalized banks.
2. Current ratio of the bank results 1.030, 1.029, 1.026, 1.024 and 1.012 respectively for the financial years 2012-13,13-14,14-15,15-16 and 2016-17 this shows that the liabilities of the bank are increasing year by year as current ratio is decreasing.
3. Proprietary fund is increasing but the percentage change in other liabilities except proprietary fund they are less so Bank has to control their borrowing to ensure the strong financial position.
4. Shareholders of the bank if any will get an increasing amount of refund. As the ratio shows the growth in the study period.
5. The bank is growing fastly in the comparison of other RRB's in Maharashtra.

Suggestions

1. The Maharashtra Gramin Bank has to increase their number of branches and working regions in Maharashtra as well as outside Maharashtra.
2. Bank managemnt has to concentrate on increasing market share.
3. Long term liabilities may not free the hands of bank so the possible initiatives must be taken to reduce the long term liabilities and increase the shareholders fund.
4. The bank has to initiate mobile ATM machine as they provides ATM services to the customer.

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