INTERNATIONAL JOURNAL OF ENGINEERING MANAGEMENT AND SOCIAL SCIENCES (IJEMSS)

e-ISSN : 3139-065X

www.ijemss.com

editor@ijemss.com

Vol. 01, Issue 2, June2026, pp :321-330

A STUDY ON FINANCIAL PERFORMANCE BY USING RATIO ANALYSIS WITH SPECIAL REFERENCE TO ING VYSYA BANK

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ABSTRACT

This study analyzes the financial performance of ING Vysya Bank using ratio analysis as a tool for evaluating profitability, liquidity, solvency, and operational efficiency. The study is based on secondary data collected from the bank's annual reports over the selected period. Various financial ratios were analyzed to assess the bank's financial position and performance trends. The findings indicate that the bank maintained a satisfactory financial position, and ratio analysis proved to be an effective tool for evaluating its overall financial health and performance.

Key Words: Financial Performance, Ratio Analysis, Liquidity Ratios, Profitability Ratios, Solvency Ratios, Efficiency Ratios, ING Vysya Bank, Financial Statements, Banking Sector.

INTRODUCTION

Financial performance analysis is an important tool used to evaluate the financial position, profitability, liquidity, and efficiency of an organization. Ratio analysis helps in understanding the strengths and weaknesses of a company by analyzing its financial statements. This study focuses on the financial performance of ING Vysya Bank using various financial ratios to assess its operational and financial efficiency. The analysis provides valuable insights into the bank's overall financial health and helps in understanding its growth and stability during the study period.

OBJECTIVES OF THE STUDY

1. To study and analyze the financial performance of the ING VYSYA BANK LTD.
2. To analyze the profitability and solvency position of the bank.
3. To study the working capital management of the bank.
4. To access the factors influenc in the financial performance of the organization.
5. To study financial strengths and weaknesses of the firm.
6. To find out the performance of the study through ratio analysis.
7. To understand the overall financial position of the bank.

SCOPE OF THE STUDY

The study provides a clear understanding of the financial status of ING Vysya Bank during the selected period. It highlights the bank's financial structure and position by comparing its performance across different years. Through the analysis of financial statements and ratio analysis, the study helps in evaluating the bank's growth, stability, and operational efficiency. It also examines the financial background of the organization and the effective utilization of income generated through its business activities. Thus, the study offers valuable insights into the overall financial performance of the bank.

NEED FOR THE STUDY

1. To understand the meaning, significance and limitation of financial statement analysis.
2. To calculate liquidity, solvency, profitability and activity ratios of the organization.
3. To make a comparative study and give solutions for the organisational improvement.

LIMITATIONS

1. The financial details of the bank are collected for 4 years only.
2. ING Vysya Bank is a multinational company cannot be studied in a month so time is considered as main constrain.

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3. The information given from the bank was limited.
4. Time is 6 weeks, so much of economic fluctuations are not seen.
5. In this study, only selected ratios are used.
6. Since the study relates only to the financial performance of ING VYSYA BANK, the findings and suggestions cannot be generalised.

REVIEW OF LITERATURE

This part provides a review of some notable, theoretical and empirical research works done by various institutions and authors in evaluating the financial performance.

Mr. K. Veerakumar in his study on " An evaluation of the Performance of the Ramanathapuram District Central Co-operative Bank Limited" mainly concluded that for improving the Performance of the Bank , its reserves and capital should be strengthened.

Miss. H. Rehana Praveen in her study on " Performance Evaluation of Ponnambalam Finance , Coimbatore" mainly suggested that for improving the performance of the Finance the firm must recovered all its bad debts within time.

Miss. P. Uchimahali in her study on " Performance Analysis of Lakshmi Engineering Works , Kovilpatti " analyzed and suggested that the company must take efforts to reduce the stock level and utilize investments in fixed and current assets to strengthen the position of the company.

RESEARCH METHODOLOGY

Methodology is usually a guideline system for solving a problem, with specific components such as phases, tasks, methods, techniques and tools. It can be defined also as follows

1. "The analysis of the principles of methods rules and postulates employed by a discipline."
2. "The systematic study of methods that are, can be, or have been applied within a discipline";
3. "The study or description of methods"

A methodology can be considered to include multiple methods, each as applied to various facets of the whole scope of the methodology. The research can be divided between two parts; they are qualitative research and quantitative research

SOURCES OF DATA COLLECTION

Primary data

Data that has been collected from first-hand-experience is known as primary data. Primary data has not been published yet and is more reliable, authentic and objective. Primary data has not been changed or altered by human beings, therefore its validity is greater than secondary data.

Secondary data

Data collected from a source that has already been published in any form is called as secondary data. The review of literature in any research is based on secondary data. Mostly from books, journals and periodicals.

PURPOSE

The main purpose of this study is to study the financial performance of **ING VYSYA BANK LTD.**

TOOLS USED IN ANALYSIS

Ratio analysis

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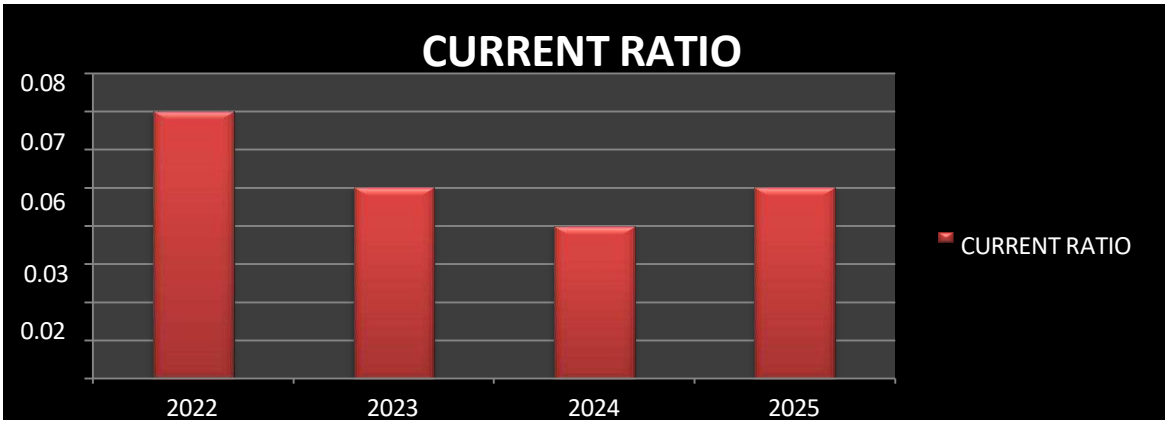
RATIO ANALYSIS OF ING VYSYA BANK

CURRENT RATIO

Current ratio is an indicator of firm‟s commitment to meet its short term liabilities. Current ratio is an index of the concern‟s financial stability since it shows the extent of the working capital which is the assets exceeds the current liabilities. As stated earlier a higher current ratio would indicate inadequate employment of funds while a poor current ratio is a danger signal the management. It shows the business is trading beyond its sources. The idea ratio is 2:

Current ratio = Current Assets / Current Liabilities

Particulars	2022	2023	2024	2025
Share capital	30	5	8	6
Reserves &surplus	10	5	8	2
Bills payable	10	10	15	20
Sundary creditors	15	20	10	10
Outstanding Liabilites	10	10	20	12



INTERPRETATION

The ideal current ratio is 2:1 From the above calculation it is inferred that current assets for meeting current liabilities are more during the year 2022 and later start decreasing during the year 2023 and 2024. But, later it starts increasing during the year 2025 which shows that current assets are more than current liabilities.

liQUID RATIO OR CASH POSITION RATIO

Liquid Ratio is also known as Acid test ratio. This is the ratio of liquid assets and liquid liabilities. The liquid assets are the assets that are converted into cash and include cash balances, bills receivables, Debtors and short term investments. Inventory and prepaid expenses are not including in liquid ratio. Liquid liability includes all liability except bank over draft the ideal ratio is 0.5:1.

LIQUID LIABILITES

Liquid Ratio = Liquid Assets / Liquid Liabilities

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Particulars	2022	2023	2024	2025
Accounts Payable	60	65	70	75
Bills Payable	40	45	50	55
Outstanding Expenses	25	30	35	40
Short term Provisions	25	30	35	40
Total Liquid Liabilites	150	170	190	210

Particulars	2022	2023	2024	2025
Cash in Hand	75	125	150	175
Cash at Bank	182	315	390	460
Shorterm Investments	150	260	315	365
Marketable Securities	100	180	220	260
Accouts Receivable	150	224	250	268
Total Liquid Assets	**657**	**1104**	**1325**	**1528**

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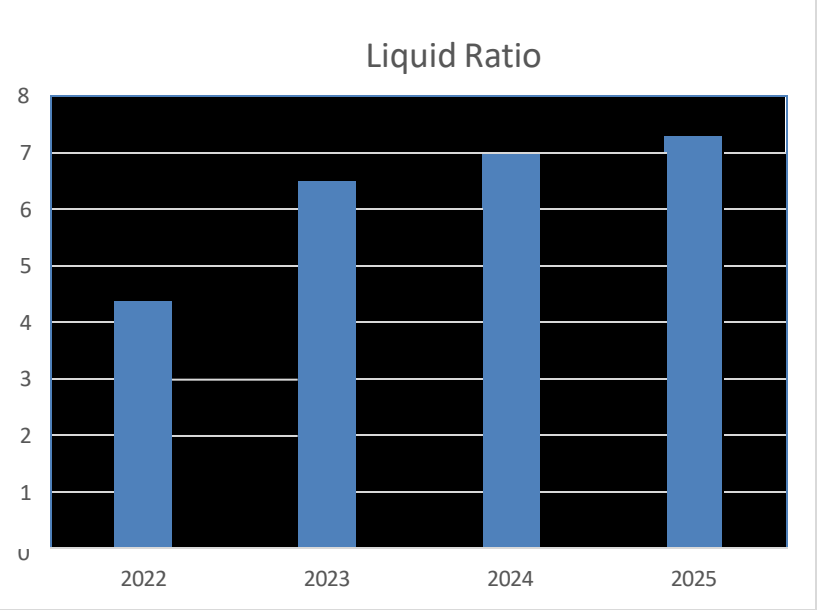
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Vol. 01, Issue 2, June2026, pp :321-330

e-ISSN : 3139-065X

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Particulars	2022	2023	2024	2025
Term loan from Bank	780	720	750	650
Debentures	520	480	500	420
Longterm borrowings	266	198	249	110
Total Longterm debts	**1566**	**1398**	**1499**	**1180**



INTERPRETATION

The ideal liquid ratio is 1:1

The above table shows that the liquid ratio increased steadily from **4.38:1 in 2022** to **7.28:1 in 2025**. This indicates an improvement in the company's liquidity position and its ability to meet short-term liabilities. Hence, the liquidity position of the company is considered satisfactory during the study period

DEBT-EQUITY RATIO

This ratio is ascertained to determine long- term solvency position of a company. Debt equity ratio is also called "external internal equity ratio" . The ratio is calculated to measure the relative portion of outsider‟s funds and shareholders‟ funds invested in the company. The best equity ratio shows the long- term financial position of an organization. A lower debt equity ratio implies that a company as a better capacity to meet in commitments

Debt Equity Ratio = Long – Term Debts / Shareholders Funds

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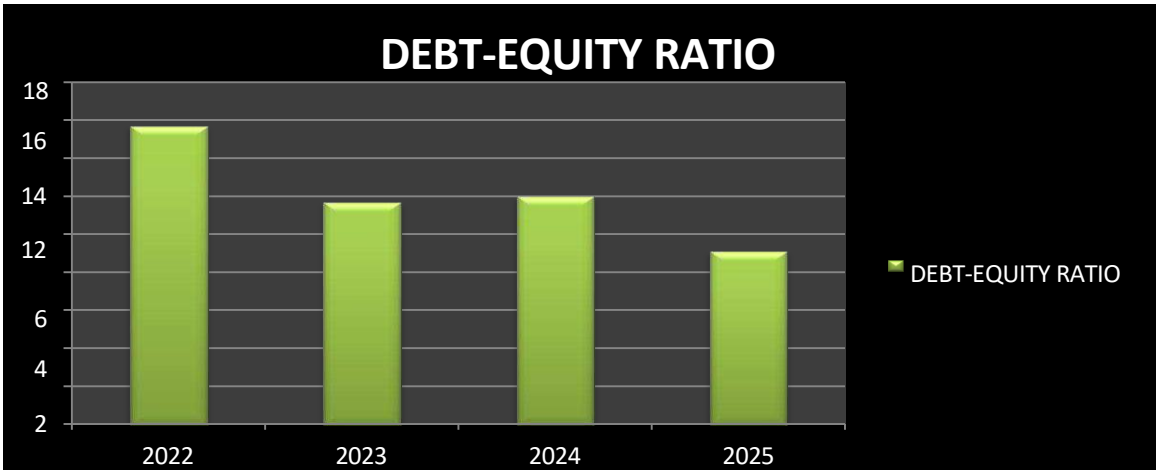
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LONG TERM DEBTS

SHARE HOLDER FUNDS

Particulars	**2022**	**2023**	**2024**	**2025**
Equity share capital	60	70	80	90
Preference share capital	20	20	20	20
Reserves & surplus	20	30	25	20
Total share holders fund	**100**	**120**	**125**	**130**



INTERPRETATION

An ideal debt equity ratio is "1" From the above calculation it is observed that debt equity ratio is declined during the year 2023 and later it starts increasing during the year 2024 and atlast it decreased in the year 2025. This reveals that the debt is less when compared the owners fund in the year 2025.

NET PROFIT MAGIN RATIO

Net profit margin (or profit margin, net margin, return on revenue) is a ratio of profitability calculated as after-tax net income (net profits) divided by sales (revenue). Net profit margin is displayed as a percentage. Net profit margin is a key ratio of profitability. It is very useful when comparing companies in similar industries. A higher net profit margin means that a company is more efficient at converting sales into actual profit.

Net Profit Margin Ratio = Profit (After Tax) / Revenue

Particulars	**2022**	**2023**	**2024**	**2025**
Revenue from operations	10,000	12,500	15000	18000
Other income	200	250	300	350
Total revenue	**10,200**	**13000**	**15300**	**18350**
Operating Expenses	8,500	10200	11950	14000
Interest & finance cost	300	320	340	360
Tax expenses	723	1170	1576	2176

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Profit after tax (PAT)	**677**	**1060**	**1434**	**1814**
Net profit margin ratio (%)	**6.77**	**8.48**	**9.56**	**10.08**



INTERPRETATION: From the above said table it is revealed that during the year 2022 there is a low net profit ratio and there is a upward trend in the net profit ratio which shows the ING VYSYA BANK is earning more profits in the years 2024 and 2025 when compared to the previous years.

EARNING RETENTION RATIO

Earning Retention Ratio is also called as Plowback Ratio. As per definition, Earning Retention Ratio or Plowback Ratio is the ratio that measures the amount of earnings retained after dividends have been paid out to the shareholders. The prime idea behind earnings retention ratio is that the more the company retains the faster it has chances of growing as a business.

Earnings Retention Ratio = Retained Earnings / Net Profit After tax and Preference Dividend * 100

Particulars	2022	2023	2024	2025
Net profit after tax	11500	13500	16200	18500
Retained earnings	10,001.55	11,543.85	13,950.00	15267.05
Dividend paid	1,498.45	1,956.15	2,250.00	3,232.95
Earning retention ratio	86.97	85.51	86.11	82.53

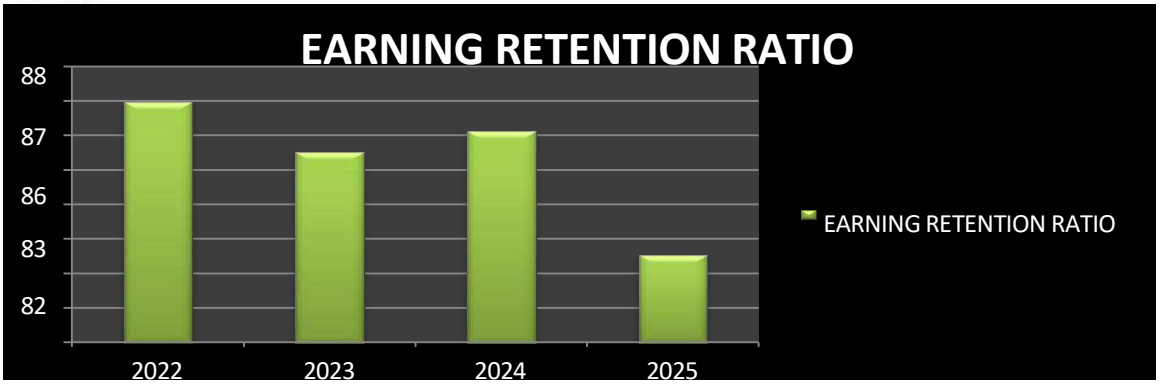
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INTERPRETATION

From the above calculation it is analyzed that during the year 2022, earning retention ratio is increased to 86.97 and in 2023 it is declined to 85.51 and in the year 2024 it is increased to 86.11 and in the year 2025 it is decreased to 82.53. it indicates that the bank is not following uniform policy in retaining the funds.

EARNINGS PER SHARE

EPS measures the profit available to the equity shareholders on a per share basis, that is, the amount that they can get on every share held. It is calculated by dividing the profits available to the equity shareholders are represented by net profits after taxes and preference dividend. Thus,

EPS is a widely used ratio. Yet, EPS as a measure of profitability of a firm form the owner‟ s point of view should be cautiously as it does not recognize the effect of increase in equity capital as a result of retention of earnings.

EPS = Net Profit available to equity-holders / Number of Ordinary Shares outstanding

Particulars	**2022**	**2023**	**2024**	**2025**
Profit after tax	1150	1350	1620	2000
Less: preference dividend	230	239.55	39.60	24.0
Net profit available to equity share holders	920.00	1110.45	1580.40	1976.00
Number of equity shares outstanding (lakhs)	50	55	60	65
Earning per share	18.40	20.19	26.34	30.40

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INTERPRETATION

From the above said table it is observed that during the year 2022, the earnings per share is decreasing and later it starts increasing. In other words, the EPS has increased over the years. It shows that the firms profitability has improved.

ASSETS TURNOVER RATIO

Asset turnover (total asset turnover) is a financial ratio that measures the efficiency of a company's use of its assets to product sales. It is a measure of how efficiently management is using the assets at its disposal to promote sales. The ratio helps to measure the productivity of a company's assets.

Assets Turnover = Revenue / Average Total Assets **OR**

In Days = 365 / Assets Turnover

Particulars	**2022**	**2023**	**2024**	**2025**
Revenue from operations	100000	112500	130000	154000
Fixed assets	55000	68000	70000	74000
Current assets	45000	57000	60000	66000
Average total assets	**100000**	**125000**	**130000**	**140000**
Average turnover ratio	**0.10**	**0.09**	**0.10**	**0.11**

INTERPRETATION: From the above calculation it is obtained that the ratio during the year 2022, it iincreased and later it starts diminishing during the year 2023 and the next year 2024 and 2025 it begins increasing which indicates that there is an efficient utilization of assets of a business concern.

FINDINGS

The important findings recorded in this research report are consolidated as follows:

1. On comparative study of current ratio and liquid ratio it is observed that there is an adequate current assets and liquid assets to meet the current obligations, and it is revealed that the firm is in a good liquidity position.
2. The debt equity ratio is declining from the year 2022 to 2025 where it is indicating the bank

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has lowered the investments in Long-Term Debt.

3. From the study, it is noted that there is a tremendous increase in the net profit margin ratio which shows that the bank is earning more profits.

4. From the analysis of assets turnover ratio it is observed that the bank has effective utilization of assets in the years 2024 and 2025 when compared to the previous years.

5. The bank has effectively increased earnings per share over the years, which indicates that bank profitability is very good and it is a positive indicator for the equity shareholders and they will get more earnings per share.

6. The bank has negative effect on the earning retention ratio and capital adequacy ratio which was fluctuating. The bank can have a uniform retention policy of the profits.

SUGGESTIONS

1. The bank‟s current and liquid asset is sufficient to meet the current liabilities of the bank which shows the sound liquid position. This has to be maintained for the following years.

2. The bank should make efforts to increase the earning retention ratio for its further business growth and development.

3. The bank has to take necessary steps to improve the capital adequacy ratio.

4. The debt capital is not utilized effectively and efficiently. So the bank can extend its debt capital in the years to come.

5. The bank earnings per share is tremendously increased and it is advised that it should be continued for the following years.

CONCLUSION

1) Indian Banking sector contributes 8.6% for the Indian economy in 2023
2) The phenomenal growth of the banking industry is the positive sign for the growth and development of the country as the more number of investors are interested to operate the banks.
3) In this current economic scenario ING Vysya bank is performing outstanding manner its consistent profit from the last 4 years and it is performing well in the sector

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