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A study on Financial Performance of Indian Bank

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ABSTRACT

The development of banking is evolutionary in nature. There is no single answer to the question of what is banking because, a bank performs a multitude of function and services which cannot be comprehended into a single definition for a common man, a bank means a store house of money, for a businessman it is an institution of finance and for a worker it may be a depository for his savings. It may explain in brief as "banking is what a bank does". But it is no clear enough to understand the subject in full. The oxford dictionary defines a bank as "an establishment for the custody of money which it pays out on a customer's order". But this definition is also not enough, because it considers the deposit accepting and repayment function only. The meaning of the bank can be understood only by its function as a free is known by its fruits. As any other subjects, it has its own origin, growth and development.

1. INTRODUCTION

Today banks have become a part and parcel of our life. There was a time when the dwellers of city alone could enjoy their services. Now bank offer access to even a common man and their activities extend to areas hitherto untouched. Apart from their traditional business oriented function, they have now come out to fulfill national responsibilities. Banks cater to the need of agriculturists, industrialists, traders and to all the other section of the society. Thus, they accelerate the economic growth of a country and steer the wheels of the economy towards its goal of “self reliance in all field.” It naturally arouses our interest in knowing more about the ‘bank’ and the various men and activities connected with it.

Bank system occupies an important place in nation’s economy.A banking institution is responsible in a modern society it places a pivotal role in the economic development of country and forms the core of the money market in the advanced country.

The word ‘bank’ derived from the word ‘Bancs’ or ‘banquet’ that is bench .Jews, who were consider to be the early bankers ,transacted their business on benches in the market. Some people trace the origin of the word ‘bank’ from the German word ‘back’ meaning a joint stock fund. The Indian banking can be broadly categorized into nationalized private bank .It is specialized in banking in banking institution .The reserve bank of India acts a centralized body monitoring any discrepancies and short coming in the system .The 14 banks were nationalization in the year 1969.

2. OBJECTIVE OF THE STUDY

- To perception of financial performance analysis
- To examine the performance and the operational efficiency of the selected bank.
- To analysis, liquidity and solvency of the bank.
- To assess the factors influencing the financial performance of the bank.
- To understand the overall financial position of the bank.

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3. SCOPE OF FINANCIAL STATEMENT

Financial statement simply means those vital issues that must be dealt with while caring out financial statement analysis exercise financial statement analysis is a subset of the whole body of business analysis financial statements think. It goes beyond that and that is where this article fits in. This article is response to a question from one of my hub readers.

It is a study performance of Indian bank which is a nationalized sector bank in respect of its growth productivity and financial performance was analyzed. The finding may be helpful for the banks to improve theory performance in future.

BENEFITS OF FINANCIAL STATEMENT

Financial statement is written records of business finances, including balance sheets and profitless statements. They stand as one of the most essential components of business information, and as the principle methods of communicating financial information about an entity to outside parties. In a technical sense, financial statements are a summation of the financial position of an entity at a given point in time

FINANCIAL STATEMENT ANALYSIS

The purpose of financial analysis is to diagnose the information contained in the financial statement so as to judge the profitability and financial soundness of the firm. The analysis and interpretation of the financial statement is an attempted to determine the significance and meaning of the financial statement of data so that forecast may be of the future earnings, ability to pay interest and debt maturities and profitability of a sound dividend policy.

The performance evaluation helps to understand how best the organization is functioning, its liquidity position its long term solvency get its profitability generated over a period of time through the earning generated over a period of time through analysis.

The American institute of certificate public accountants states the nature of financial statements as “financial statements are prepared for the purpose of presenting periodical review on progress by the management and deal with the status of investment in the business and the result achieved during the period under review. They reflect a combination of recorded facts, accounting principles and personal judgment.

LIQUIDITY RATIO'S

The Current ratio is one of the best known measures of financial strength. Quick ratio's is sometimes called the"acid-test"ratio and is one of the best measures of liquidity.

WORKING TO FIXED ASSETS RATIO

Working to means excess of working assets. Working to fixed assets is closely related to sales. Working to fixed assets ratio indicates the number of time the working to fixed is converted into sales.

RETURN ON INVESTMENT

Return on investment is also known as ‘net profit on capital employed’. It is calculated by establishing the relationship between the total profit earned and the capital employed. It is an indicator of the earning capacity of the capital invested in the business.

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DEBT EQUITY RATIO

This ratio so also called 'external-internal equity ratio'. It is mainly calculated to assess the soundness of long term financial policies and to determine the relative stakes of outsider and owners (share holder). It determines the relationship between debt equity (share holder funds).

FIXED ASSETS RATIO

This ratio so also called ratio of capital or long term fund to fixed assets. It established the relationship between the fixed assets and long term fund. The main purpose of calculating this ratio is to find out the proportion of long-term fund invested in fixed assets.

COMMON SIZE STATEMENT

The values on the common size statement are expressed as percentage of a statement component such as revenue statement which compares the financial data for the different period of time. The comparative statement lines up a section of income statement, balance sheet or cash flow statement with its corresponding section from a previous period. It can also be used to compare financial data from different companies over time, thus revealing the trend in the financials.

TREND ANALYSIS

The term 'trend' refers to any general tendency analysis of these general tendencies is called "trend analysis". Like comparative financial statement trend analysis is also a horizontal type of analysis of financial statement. Under the technique the profit and loss account and balance sheet of an accounting year are taken as the base. The base year may be the earliest year or any intervening year. Normally the earliest year is reckoned as the base year. Every item in the base year financial statement is taken as equivalent to 100.

4. LIMITATION OF STUDY

The limitation of the study is those characteristics of design or methodology that impacted or influenced the interpretation of the findings from the research. They are the constraints on generalizability, applications to practice and / or utility of findings that are the result of the ways in which you initially chose to design the study and/or the method used to establish internal and external validity.

The study covers growth of deposits, profitability and special scheme of the bank. All other aspects are excluded.

The study is confined to a period of five year changes prior and after this period is not considered.

The ratios are calculated by the means of historical information. The availability of the information and data are limited by time factors.

5. REVIEW OF LITERATURE

In this paper, the scholar analyzed and compared the performance of Indian bank on profitability angle. It was found that all the banks have been registered both high profits and high rate of growth. Better customer service, technology innovative products, good marketing strategies, proper monitoring of advances regional orientation are some of factors responsible for the success of public sector banks in India.

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Hashish A K(2012), study commercial banking in the globalize environment published in political Economy Journal of India, has presented the recent global developments, which has transformed the environment in which commercial banks operate. Globalization has expanded interdependence and interaction of countries greatly. Under the regime of globalize environment, the financial performance of the commercial bank has changed and the commercial bank will face new challenge and also new opportunities in the coming years.

Sing R (2011), in his paper profitability management in banks under deregulate environment, IBA bulletin, No 25 has analyzed profitability management of banks under the deregulated environment with some financial parameters of the major four banks, new private sector banks and foreign banks, and profitability has declined in the deregulated environment. They should prefer noninterest incomes sources Almelo and Chidambaram emphasized the profitability aspect tin commercial banks.

Vashisht A K (2010), study commercial banking in the globalize environment, published in political economy journal of India, has presented the recent global developments, which has transformed the environment in which commercial bank operate. Globalization has expanded interdependence and interaction of countries greatly. Under the regime of globalize environment, the financial performance of the commercial bank has changed and the commercial bank will face new challenge and also new opportunities in the coming years.

Single HK 2008, in his paper, 'financial performance of bank in India, 'in ICFAI journal of bank management No 7, has examined that management plays a crucial role in the growth of banking. It is concerned with examining the profitability position of the selected sixteen banks of banker index for a period of six year (2001-06). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Strong capital position and balance sheet place, banks in better position to deal with and absorb the economic constant over a period of time.

6. METHODOLOGY

The methodology followed to achieve the above objectives of the study. The present study is based on secondary data will the help of annul audited reports.

TOOLS USED

Ratios are relationship is expressed in mathematical terms between figures which are connected with each in same manner. Financial ratios indicated about financial position of the bank.

DATA ANALYSIS AND INTERPERTION
WORKING CAPITAL TO FIXED ASSETS RATIO

YEAR	NET WORKING CAPITAL	FIXED ASSETS	RATIO
2010-11	10867.77	1548.09	7.02
2011-12	11552.3	2711.83	4.26
2012-13	12355.3	4070.81	3.04
2013-14	12522.99	4808.28	2.60
2014-15	8860.22	5049.43	1.75

Data Source: Annul Report

TABLE No 1

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INTERPERTION

Working capital to fixed assets ratio the study period of 2011-12 the ratio is very low working capital position is good and it is in fluctuation period.

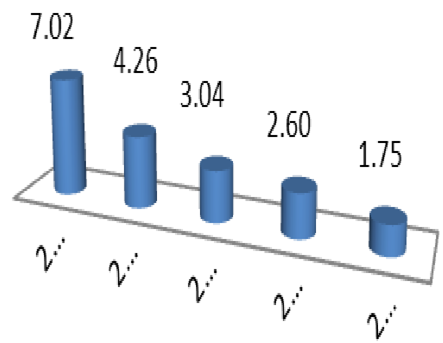

FIG 1

GROSS PROFITS TO NET INCOME RATIO

YEAR	GROSS PROFIT	NET INCOME	RATIO
2010-11	1612.47	9686.3	16.65
2011-12	1636.92	10910.34	15.00
2012-13	1697.02	12092.82	14.03
2013-14	2935.09	11688.18	25.11
2014-15	2968.56	12753.44	23.28

Data Source: Annul Report

TABLE No 2

INTERPERTION

The gross profit ratio of the Indian bank is in increasing trend. During the year of 2010-11 the ratio attains 16.64 times as high when compared to remaining four year.

FIG 1

7. FINDINGS

- Operating ratio of Indian bank shows the study period of 2010-11 the ratio is 23.3 times. The normal operating ratio is 1:1 and it is lesser than the normal period.
- The assets turnover ratio to sales ratio .in the ratio is high in 2013-14 i.e., 3.93 times the ratio is fluctuation for the last five year of the study period. In the year 2010-2011 ratio is

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17.22 times which. In the year 2013-14 the ratio is 3.93 times. In 2011-12 the ratio is 13.38 times.

- The current ratio of Indian bank the current ratio of the Indian banks is in decreasing trend with slight change .during the year of 2010-11 the ratio attains 110.07 times. In the year of 2011-12 the ratio attains 109.19 times. In the 2014-15the ratio is 105.15 times.
- The reserve to capital ratio of Indian bank. The ratio in high during the year 2014-15 is 2555.36 times. The ratio was minimumin 2010-11 i.e., 2060.76 times. The ratio was in increasing trend due to increase in reserve to capital ratio. This shows that there is better utilization of reserve to for equity share capital ratio.
- The gross profit ratio of the Indian bank is in increasing trend. During the year of 2010-11 the ratio attains 16.64 times as high when compared to remaining four year.
- The net profit ratio is in decreasing trend. The ratio goes down during the year 2011-12 the ratio is in 15.00 times and record high for period.
- current assets to total assets ratio the year 2012-13,2013-14,2014-15in the year ratio is as 96.46,97.07 and94.73.there was in fluctuation in the last five year study.
- The return on total assets ratio is in fluctuation for the last five years with minimum charges.

8. SUGGESTIONS

- The order to increase the income of the bank further, more loans should be sanctioned.
- The ratio of interest for loans can be reduced which will attract more number of customers and sanction of loans will be abundant.
- Demanding too many and unnecessary document for loans should be avoided which leads to delay in sanction of loans and also reduce the processing fees.
- Postage for staff's personal use should be avoided .expanses on bad debts can be removed by sanctioning of loans for secured loans.
- The Indian bank has to take care of their liquidity.
- The existing service should be improved and new services and schemes should be introduced which will be attract more number of customers.
- The bank should maintain 20% of the net profit as statutory reserves.
- Any other type reserves should also the maintained out of the profit every year. This reserve can be used to pay dividend when there is any loss in future.
- The lending operating like loans and advances may increase the priority sector with medium and long term operations. It is easy to attract the number of more respond.

9. CONCLUTION

The Indian bank its position in the financial records are capable for providing a very good services to public in the term of accepting deposits and also lending loans. It is making a huge investment in expanding its services in the remote areas which will benefit even and educational students the poor of the country. Moreover the sanction of the loans for employment opportunities will help to the decrease of unemployment of our country.

The various schemes of loans are also beneficial or the public in availing the proper assistance from the right time. The Indian bank financial position is position is very sound; it is highlighted in the form of ratio analysis, trend analysis and standard deviation so, the bank may accept the deposits with higher rate of interest and also offer social type of deposits.

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