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A study on performance of Indian bank

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Abstract---A financial institution is a business that engages in financial transactions such as investing, lending, and depositing money. Almost everyone has regular interactions with financial institutions. All must be done through financial institutions, from depositing money to taking out loans and exchanging currencies. Here's a rundown of some of the most important forms of financial institutions and their positions in financial systems. The banking system is an essential component of any economy's growth, and this sector is critical to the country's modern economic development. Indian bank is a nationalized bank among the public sector banks, and its success has an impact on the country's economy. Economists have expressed a wide range of views on the efficacy of banking systems in fostering economic development by facilitating large amounts of financial assistance. The Indian Bank, a premier bank owned by the Indian government, was established on March 5, 1907 as Indian Bank Limited and began operations on August 15, 1907. Current research papers provide opportunities to know about profitability and performance of Indian Bank from 2008-09 to 2017-2018.

Keywords---Indian Bank, banking, financial institution.

Introduction

Banks are a subset of the financial services industry. A banking system also referred as a system provided by the bank which offers cash management services for customers, reporting the transactions of their accounts and portfolios, throughout the day. The banking system in India should not only be hassle free but it should be able to meet the new challenges posed by the technology and any other external and internal factors. For the past three decades, India's banking system has several outstanding achievements to its credit. The banks are the main participants of the financial system in India. The banking sector offers

several facilities and opportunities to their customers. All the banks safeguard the money and valuable and provide loans, credit and payment services, such as checking accounts, money orders and cashier's cheque. The bank also offers investment and insurance products. As a variety of models for corporation and integration among finance industries have emerged, some of the traditional distinctions between banks, insurance companies, and securities firms have diminished. In spite of these changes, banks continue to maintain and perform their role is accepting deposits and lending funds from these deposits.

The Indian Bank, a premier bank owned by the Indian government, was established on March 5, 1907 as Indian Bank Limited and began operations on August 15, 1907 as part of the Swadeshi movement. Indian Bank offers a variety of deposit options to meet the needs of both individuals and businesses. Credit/Advance/Loan Schemes tailored to the needs of its clients.

Statement of Problem

Commercial bank performance and productivity are critical components of a country's financial system's efficiency and effectiveness. The overarching aim of India's banking sector reforms has been to boost bank performance and profitability. Prior to banking reforms, the market was regulated by public sector banks, which had a near monopoly. However, as a result of the banking reforms, a number of private and international banks are able to expand their business with more autonomy. Operational performance is a measure that can be used by the general public, as well as management, regulators, and supervisors, to determine and compare the relative efficiency of players in the banking sector. This paper used a variety of methods and analysis to solve these issues.

Objectives of the study

- To analyse the financial performance of the Indian bank
- To examine the profitability positions of the Indian bank

Need and scope of the study

The aim of financial statement analysis is to discover trends and relationships among financial statement products. Both internal management and external consumers of financial statements must assess the viability, liquidity, and solvency of the business.

Source of data

The data for this study are taken from the annual report of the commercial banks. The other particulars were obtained by collecting the data in the official websites of commercial banks. The information is based on the annual reports published by the commercial banks.

Limitations of the study

The analysis is focused on secondary data, and the drawbacks of using secondary data which have an effect on the outcomes. The secondary data on websites may differ from the original data.

Review of Literature

Alpesh Gajera (2015) observed in his research paper on the financial performance of private and public sector banks that there is a substantial gap in the financial performance of these banks and private sector banks in terms of capital adequacy relative to public sector banks.

Nutan Troke and P K Pachorkar (2012) the study related that the private sector bank the percentage of other income in the total income is higher than public sector bank. Public sector bank depends on interest income for their efficiency and performance. The operational efficiency of private sector bank is better than public sector banks. Private sector banks use their assets quality better than public sector bank.

Dr. Dhanabhakyaam & M.Kavitha (2012) in their research used some important ratio analyses the financial performance of selected public sector banks such as ratio of advances to assets, ratio of capital to deposit, ratio of capital to working fund, ratio of demand deposit to total deposit, credit deposit ratio, return on average net worth ratio, ratio of liquid assets to working fund etc.

Aspal & Malhotra 2012 The purpose of this analysis is to assess the financial performance of Indian public sector banks, outside the State Bank Community, for the period 2006-11. The study found that Baroda's bank was in the first place with an overall composite ranking average of 6.05 due to its improved liquidity and asset quality performance, closely followed by Andhra Bank with an overall composite ranking average of 6.15 due to its strength in management productivity, capital adequacy and asset quality. The study advises that the United Bank of India improve its management performance, assets and earnings consistency.

Mahanta & Kakati, 2011 The paper discusses the internal credit rating models of public sector banks and measures their effectiveness using several criteria. Both models demonstrated bad results in at least one criterion. However, the degree of vulnerability differed significantly across models. The conclusions are tentatively based on his theory that the prevalence of weakness in the present collateral calculation is a significant cause of accounts developing into bad loans.

Shrivastava & Purang, 2011 Analysis of the gap between public and private sector banks in the understanding of the consistency of the performance evaluation framework and the satisfaction of performance assessment. The interpretation of the consistency of the performance evaluation method has been examined by nine factors. The research used an independent t-test and qualitative analysis to study the mean variations between the two banks. Results showed that employees of private sector banks saw greater fairness and

satisfaction with their performance management framework relative to employees of public sector banks.

Dangawal and Kapoor 2010 performed a financial performance analysis of nationalised banks in India and measured the growth index value of different parameters using overall profitability indexes. They found that out of 19 banks, four had outstanding performance, five had decent performance, and six had bad performance. As a result, the success of nationalised banks varies greatly.

Analysis and Interpretation

Table 1
Analysis of Income of Indian Bank

(Rs. In crore)

Year	Interest Earned	Other Income	Total Income	% of Difference		
				In Interest earned	in Other Income	in Total Income
2008-09	6,830	1,035	7,866	-	-	-
2009-10	7,714	1,316	9,031	13	27	14.81
2010-11	9,361	1,181	10,543	21	-10	16.74
2011-12	12,228	1,247	13,475	31	6	27.81
2012-13	13,893	1,294	15,187	14	4	12.71
2013-14	15,249	1,371	16,621	10	6	9.44
2014-15	15,853	1,363	17,216	4	-1	3.58
2015-16	16,244	1,781	18,025	2	31	10.51
2016-17	16,040	2,211	18,251	-1	24	-4.07
2017-18	17,113	2,406	19,519	7	9	6.95
Total	130,525	15,205	145,734			
Mean	23,732	2,765	26,497			
S.D	3807.76	458.84	4144.71			

Source: Annual Report of Indian Bank 2008-2009 to 2017-18

The table no.1 shows that income of Indian bank. Income of Bank is broadly classified into two categories i.e., interest earned and other income. The total income of the Indian bank was showed increasing trend and registered Rs.19,519 crore. The other income of the Indian bank have resulting as increased from 7,866 crore in 2008-09 to Rs.2,406 crore in 2017-18. The interest earned of the bank was shows increasing trend from 2008-2009 to 2017-18. The percentage of growth rate of total income shows highest of 27.81 percent in the year 2011-12.

Table 2
Analysis of Expenditure of Indian Bank

(Rs. In crore)

Year	Interest Expenditure	Operating Expenses	Total Expenditure
2008-09	4,222	1,415	6,620
2009-10	4,553	1,730	7,476
2010-11	5,325	1,926	8,289
2011-12	7,806	2,195	11,728
2012-13	9,368	2,758	13,605

2013-14	10,889	2,831	13,720
2014-15	11,391	2,811	14,202
2015-16	11,798	3,195	14,993
2016-17	10,894	3,356	14,250
2017-18	10,850	3,668	14,518
Total	87,096	25885	119401
Mean	8,710	2588.5	11940.1
S.D	2999.11	742.90	3231.18

Source: Annual Report of Indian Bank 2008-2009 to 2017-18

The above table indicates that expenditure of Indian bank. The total expenditure of Indian bank was shows increasing throughout the study period. Interest expenditure was reaches highest trend in the year 2015-16 i.e. 11,798 crores. Interest expenditure shows decreasing trend from the year of 2015-16 to 2017-18. Operating expenses have resulting as increased from 1,415 crores in 2008-09 to 3,668 crores in 2017-18. In the study period the expenditure of Indian bank has increasing every year.

Table 3
Profitability analysis

Year	Total Income	Total Expenditure	Profit
2008-09	7,866	6,620	1246
2009-10	9,031	7,476	1555
2010-11	10,543	8,289	1714
2011-12	13,475	11,728	1747
2012-13	15,187	13,605	1582
2013-14	16,621	13,720	2,901
2014-15	17,216	14,202	3,014
2015-16	18,025	14,993	3,032
2016-17	18,251	14,250	4,001
2017-18	19,519	14,518	5,001
Total	145,734	119401	25793
Mean	26,497	11940.1	2579.3
S.D	4144.71	3231.18	1231.36

Source: Annual Report of Indian Bank 2008-2009 to 2017-18

Table 3 demonstrate the details of total profitability analysis of the Indian bank during the study period. It shows the total interest earned by the bank was Rs.1,45,734 crore with an average of Rs.26,497 crore. The total expenditure of the bank registered as increased from Rs.6,620 crore in 2008-09 to 14,518 in 2017-18. The net profit of the Indian bank indicates that increasing trend except in the year 2012-13, the net profit of the bank were slightly declined to Rs.1582 crore from Rs.1747 crore.

Conclusion

The present study was concluded as the Indian bank profitable performance was increasing during the study period form Rs.1246 crore to Rs.5001 crore. But the

amount of operating expenses increasing year by year from Rs.6,620 crore to Rs.14,518 crore. So, the bank needs to take a step to remove operating expenditure. However, the bank needs to improve the percentage of growth in profitability for rendering financial service to public and play a crucial role in developing Indian Economy.

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