

Financial Performance of select Public Sector Banks

(With Special Reference to Indian Bank and Bank of India)

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17PCO004

Under the guidance of

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Thesis submitted to

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**In Partial Fulfilment of the Requirement for the Award of the
Degree of Master of Commerce**

April 2019

CERTIFICATE

**AVINASHILINGAM INSTITUTE FOR HOME SCIENCE AND HIGHER
EDUCATION FOR WOMEN
COIMBATORE – 641043**

DEPARTMENT OF COMMERCE

Certificate

**This is to certify that the project entitled,
FINANCIAL PERFORMANCE OF SELECT PUBLIC SECTOR BANKS
(WITH SPECIAL REFERENCE TO INDIAN BANK AND BANK OF INDIA)
is a bonafide work done by**

M.KAUSHALYA

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**Submitted in partial fulfilment of the Requirement for the Award of the
Degree of Master of Commerce**

Signature of the Dean

Signature of the Head of the Department

Viva Voce Examination held on-----

Signature of the Supervisor

Signature of the External Examiner

DECLARATION

DECLARATION

I hereby declare the work entitled “**Financial performance of select Public sector Banks (with special reference to Indian Bank and bank of India)**” is submitted in partial fulfilment of the requirements for the award of the degree of Master of Commerce, under the supervision and guidance of **Dr.(Mrs).D.Geetha M.com. Dip.Edu. M.Phil., Ph.D., Professor, Head of the Department, Department of Commerce, Avinashilingam Institute for Home Science and Higher Education for Women Coimbatore– 641043.**

Place:

Date:

Signature of the Candidate

Signature of the Guide

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ABSTRACT

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In today's financial world assessment of the financial performance is crucial for taking financial decisions related to planning and control. Financial performance gains much more importance for taking financial decisions effectively. India is a fast growing economy. Economic development of a country depends on the development of the Banking system. It plays a very important role in the development of the country. The Banking sector greatly helps in the development of the Agricultural, Industrial and service sector.

Indian Bank and Bank of India are the two important public sector banks in India. The analysis of the financial performance of Public sector banks reflect the financial position of the banks. This research study focus on the financial performance of the banks by analysing the Capital adequacy, Asset quality, Management efficiency, Earning Capacity and Liquidity position of the bank using CAMEL model. For this purpose ten years data was collected from two public sector banks Indian Bank and Bank of India (2009 – 2018).CAMEL model was applied to analyse the financial performance of these banks.

The research study is aimed to analyse and compare the financial performance of Indian Bank and Bank of India. The findings of the study will help the public sector bank to improve its financial performance. The efficient financial performance of the banks will contribute significantly to the economic development of the Nations.

CONTENTS

CONTENTS

CHAPTER	CONTENTS	PAGE NO
I	INTRODUCTION	1
II	REVIEW OF LITERATURE	22
III	RESEARCH METHODOLOGY	29
IV	ANALYSIS AND INTERPRETATION	39
V	FINDINGS AND CONCLUSION	85
	BIBLIOGRAPHY	91
	ANNEXURE	

LIST OF TABLES

LIST OF TABLES

TABLE NO	LIST OF TABLES	PAGE NO
1	Capital Adequacy Ratio	40
2	Debt – Equity Ratio	42
3	Total Advances to Total Assets	44
4	Government Securities to Total Investment	46
5	Composite Capital Adequacy Ratio (CAR)	48
6	Net NPA to Total advances	50
7	Gross NPA to Net Advances	52
8	Total Investment to Total Assets	54
9	Composite Asset quality (A)	56
10	Total Advances to Total Deposits Ratio	57
11	Business per employee	59
12	Profit Per Employee	61
13	Return on Assets	63
14	Composite Management Efficiency (M)	65
15	Interest Income to Total Income	67

16	Operating Profit Ratio	69
17	Net Interest Margin to Total Assets	71
18	Composite Earnings (E)	73
19	Liquid Assets to Total Assets	74
20	Liquid Assets to Demand Deposits	76
21	Liquid Assets to Total Deposits	78
22	Approved Securities to Total Assets	80
23	Composite Liquidity (L)	82
24	Overall CAMEL ranking of Indian Bank and Bank of India.	83

LIST OF EXHIBITS

LIST OF EXHIBITS

EXHIBIT NO	LIST OF EXHIBIT	PAGE NO
1	Capital Adequacy Ratio	41
2	Debt – Equity Ratio	43
3	Total Advances to Total Assets Ratio	45
4	Government Securities to Total Investment Ratio	47
5	Net NPA to Total Advances	51
6	Gross NPA to Total Advances	53
7	Total Investment To total Assets	55
8	Total Advances to Total Deposit Ratio	58
9	Business Per Employee	60
10	Profit Per Employee	62
11	Return on Assets	64
12	Interest Income to Total Income	68
13	Operating Profit ratio	70
14	Net Interest Margin to Total Assets	72
15	Liquid Assets to Total Assets	75
16	Liquid Assets to Demand Deposit	77

CHAPTER I

17	Liquid Asset to Total Deposits	79
18	Approved securities to Total Assets	81
19	Overall CAMEL ranking of Indian Bank and Bank of India	84

INTRODUCTION

The economic development of any country depend on the existence of a well organised financial system. The responsibility of the financial system is to mobilize the savings in the form of money and monetary asset and invest them in productive venture. An efficient functioning of the financial system facilitates free flow of funds to more productive activities and promote investment. The financial system provides the intermediation between savers and investors and promote faster economic development. Indian Financial Sector consist of three main segment

- **Financial institutions** – Banks, mutual funds, insurance companies
- **Financial markets** - money market, debt market, capital market, forex market
- **Financial products** – loans, deposits, equities, bonds.

The financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64 percent of the total assets held by the financial system. Banking system is an important constituent of overall economic system. It plays a crucial role in the attainment of macro – economic objective. It act as a vehicle for socio economic transformation and also as a catalyst to economic growth. It plays an important role in mobilizing the nation’s savings and channelizing them into high investment priorities and better utilization of available resources. Hence the banking system is described as the key player in the chariot of economic progress. Banking is very important for the economic development of the country and it finances the requirement of trade, industry and agriculture. Thus the development of the country is integrally linked with the development of the banking. The banking system reflects the financial health of the country. The strength of an economy depends on the strength and efficiency of the financial system, which in turn depends on a sound and solvent banking system.

According to the section 5(b) of the Banking Regulation Act, 1949 “**Banking**” means accepting, for the purpose of lending or investment, deposit of money from the public, repayable on demand or otherwise, and withdrawal of cheque, draft order or otherwise.”

REFORMS IN BANKING SECTOR

In early 1990s the banking sector suffered from lack of competition, low capital base, low productivity and high intermediation cost. The financial sector reform in early 1990s was essentially to bring transformation in the structure, efficiency and stability of the financial markets and also for the integration of markets. The key objective of the reforms in banking sector in India is to enhance the stability and efficiency of the banks.

PRE REFORM ERA

Before the banking sector reforms Indian banking sector was plagued by the following deficiencies.

- Imposition of stringent regulation by RBI
- Low efficiency and efficiency of public sector banks.
- Mounting debt and increasing NPAs due political interference and poor monitoring.
- Poor quality of customer service.
- Inability to face competition.

It was on account of deterioration in the financial health, integrity, autonomy, flexibility and vibrancy in the financial sector the reforms became imperative. In these circumstances Narasimham committee was set up in 1991 to suggest remedial measure for strengthening the banking system encompassing banking policy, institutional structure, supervisory system, legislative and technological changes.

The RBI also implemented the guidelines on the capital measure and capital standards as given by the Committee on banking regulations and supervisory practises (Basel Committee) w.e.f April 1, 1992. These focused on credit risk to strengthen the soundness and stability of the banking system.

FIRST PHASE OF BANKING SECTOR REFORMS

NARASIMHAN COMMITTEE I (1991)

This phase included the following

- A phased reduction in SLR and CRR to 25 per cent and 10 per cent respectively.
- Deregulation of interest rate of deposits and advances of all cooperative banks and banks allowed to set their own interest rates on post – shipment export credit in rupees.
- Transparent guidelines for private sector banks. Modification of Balance sheet and Profit and loss account to disclose more information.
- Direct access to capital markets for public sector banks with profitable operations.
- Liberalized branch licensing policy where in the option of opening and closing branches other than rural branches should be left to the commercial judgement of the individual banks and more license to public sector banks.
- No further nationalization for banks and no difference in treatment between public sector bank and private sector banks.
- Setting up debt recovery tribunals to ensure quick recovery of debts.
- Prudential norms for income recognition, classification of Assets and provisioning for bad debts.
- Asset reconstruction fund (ARF) should be created to take over the bad debts of the banks on discount and leave a clean balance sheet.
- Limit of priority sector advances set up at 40 percent of the total advances.
- Capital Adequacy norms – BIS norms on Capital adequacy should be achieved and sustain the Capital Adequacy Ratio (CAR) of 8 per cent by 1998.
- Speedy computerization of the banking system

The introduction of these reforms will help to develop a market – oriented, competitive world integrated, diversified, autonomous and transparent financial system.

SECOND PHASE OF BANKING SECTOR REFORMS

NARASIMHAN COMMITTEE II (1998)

In the initial phases of reforms, the focus of reforms was on the scheduled commercial banks. After evaluation of the performance of the banking sector the Narasimham Committee gave its second report on 1998 and made further suggestions and recommendations:

- The bank should reduce the average level of net NPAs for all banks to below 5 per cent.
- An asset is classified as doubtful if it is in the substandard category for 18 months in the first instance, the period was subsequently reduced to 12 months in 2005.
- Greater attention to be paid to asset liability management to avoid mismatch.
- Banks should be encouraged to adopt statistical risk management techniques.
- Interest rates on deposits and advances of all cooperative banks to be deregulated.
- Prudential norms for income recognition, classification of assets and provisioning of bad debts for commercial banks, regional rural banks and financial institutions.
- Banks were required to make their balance sheet fully transparent and make full disclosures in keeping with International Accounts Standards Committee.
- Freedom to open, shift and swap branches as well as to open extension counters to given to banks.
- Banking ombudsman scheme was introduced in 1995 to look into and resolve customer's grievances.
- The developmental financial institutions should convert themselves to banks.

The Capital Adequacy guidelines recommended by the Basel committee II called Accord II were also adopted for implementation from March 31, 2007.

RBI REPORT ON TREND AND PROGRESS OF BANKING IN INDIA FOR THE YEAR 2017-18:

OPERATION AND PERFORMANCE OF COMMERCIAL BANKS

Indian Banking sector has been facing a large overhang of balance sheet stress. During 2017-18 the persisting deterioration in the asset quality necessitated the sharp increase

in the provisions and for the first time since 1993 – 94, banking system particularly the Public Sector Banks (PSBs) registered loses.

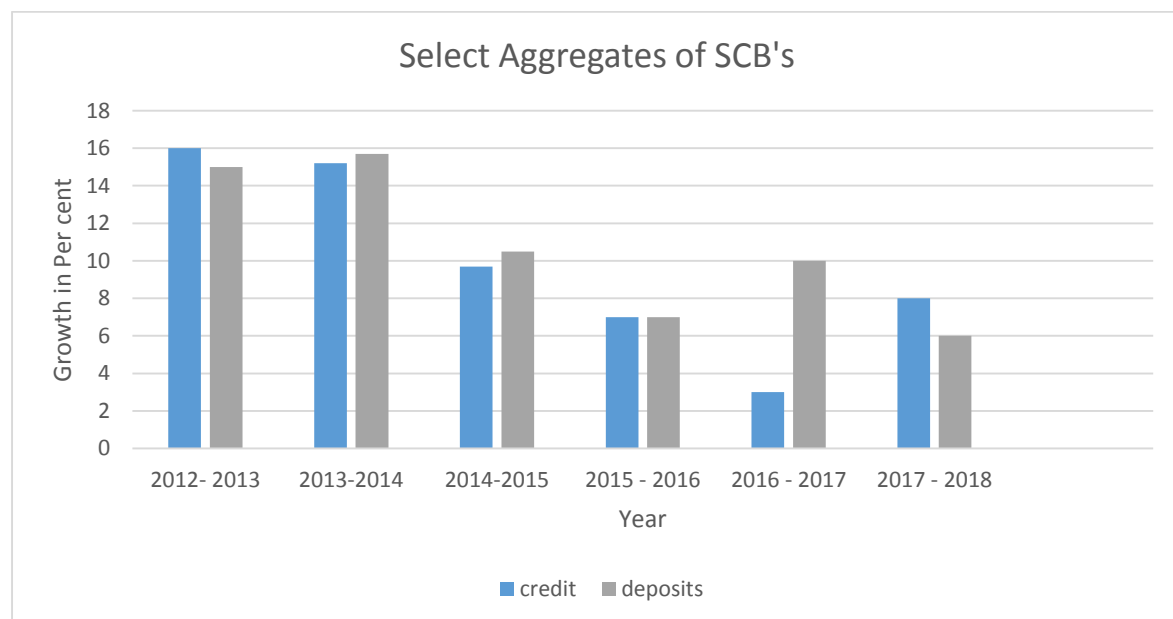
BALANCE SHEET ANALYSIS

The size of the consolidated balance sheet of Scheduled Commercial Banks in India is growing at a slow pace since 2012-2013. But during 2017-18 banks were grappled with fuller recognition of stressed assets. In this report Reserve Bank of India reports about the growth and recent trends in banking industry during the year 2017- 2018.

DEPOSITS

During 2017-18 Scheduled Commercial Banks deposit growth slacked from the high base of preceding year when it had expanded by 10.1 per cent highest in three years – after the demonetisation of Specified Bank Notes (SBN) in November 2016.

Select Aggregates of Schedule Commercial Banks



Source: RBI Report on Trend and progress of Banking Industry in India 2017 – 2018

BORROWINGS

Remonetisation resulted in a deceleration in deposits and consequently, borrowings by the banks shoot up by 31.4 per cent during 2017 – 2018 from a significant decline in 11.6 per cent in the previous year.

CREDIT

During 2017-2018 credit growth revived from anaemic conditions prevailed in the recent years. Recent data based on supervisory returns suggest that the recovery in credit growth was sustained during 2018-19.

INVESTMENTS

Investment is the second largest component in the assets side of balance sheet after loans and advances. Investments picked up because of the investment in government securities. During the year 2018 – 2019 investment slackened largely due to deceleration in investment of Public Sector Banks in SLR and other approved securities

FINANCIAL PERFORMANCE

Financial performance in a broader sense refers to a degree to which financial objectives has been accomplished and it is an important aspect of financial risk management. It is the process of measuring the results of banks policies and operations in monetary terms. It is used to measure the firms overall financial health over a given period. In the performance analysis the bank's capital adequacy, liquidity, earning capacity, management efficiency are analysed. The financial performance of the Banking industry during 2017-18 is reported by RBI as follows.

FINANCIAL PERFORMANCE OF BANKS DURING 2017-2018

Financial performance of banks during 2017 – 2018 was burdened by the worse asset quality and treasury losses and it greatly impacted the non - interest earnings.

INCOME

The interest income earned during the year 2017 – 18 remained depressed. Non depressed income was pulled down by higher provisioning requirements for market – to – market losses in Government securities portfolio due to hardening of yields on the one hand, and decline in income from off – balance sheet operations, on the other.

EXPENDITURE

On the Expenditure side interest expended by Scheduled Commercial Banks decline marginally from a year ago, due to slow down in deposit growth and decline in interest rate.

This boosted Net Interest Income and due to increase in the average assets, Net Interest Margin remain unaffected.

Growth in operating expenses remained broadly the same as in 2016 – 2017, although the wage bill decelerated on the account of rationalisation of bank branches.

TRENDS IN INCOME AND EXPENDITURE OF SCHEDULED COMMERCIAL BANKS

Amount (in Million)

Item	2016 - 2017		2017 – 2018	
	Amount	Percentage variation	Amount	Percentage variation
1. INCOME	12,053	6.2	12,176	1.0
Interest Income	10, 120	2.1	10,220	1.0
Other Income	1,933	34.2	1,956	1.2
2. Expenditure	1,1614	5.5	12,500	7.6
Interest Expended	6,692	0.5	6,535	-2.3
Operating Expenses	2,484	10.2	2,716	9.3
Wage bill	1,276	6.8	1,326	3.9
Provision and Contingency	2,438	16.4	3,249	33.3
Operating profit	2,877	18.1	2,925	1.7
Net Profit	439	28.6	-324	-
Net Interest Income (NII)	3,428	5.5	3,685	7.5
Net Interest Margin	2.5		2.5	

Source: RBI Report on Trend and progress of Banking Industry in India 2017 – 2018

PROVISIONING AND PROFITABILITY

Loan loss provisioning rose sharply in 2017 – 2018 due to elevated level of Gross NPAs and time- bound referrals of large delinquent accounts to the National Company Law Tribunal (NCLTs) under the IBC. The Provision Coverage Ratio (PCR) accordingly showed improvement across the bank groups and crossed 52 per cent for Scheduled Commercial Banks in 2018-2019. The PCRs of public sector Banks were lowest among the three groups (Scheduled Commercial Banks, Private Sector Banks and Foreign Banks).

During first half of 2018-2019 net interest income of Scheduled Commercial Banks picked up as interest income improved faster than interest expenses sizably as lending rate rose.

RETURN ON ASSETS AND RETURN ON EQUITY

The Return on Asset (ROA) and the Return on Equity (ROE) of various bank groups declined during 2017-2018. These ratios turned negative for Scheduled Commercial Banks as a whole. The Public Sector Banks Undergo significant erosion of ROE due to contraction in net profit. ROA and ROE of all Scheduled Commercial Banks remained negative during 2018-2019 as well.

SOUNDNESS INDICATOR

Soundness indicators are barometers of the financial health of the banking sector. During 2017 – 2018 and 2018- 2019 (up to September 2018), Capital adequacy remained above the regulatory requirements in spite of NPA increasing. Leverage and Liquidity coverage ratio (LCR) also witnessed improvement.

1. CAPITAL ADEQUACY

The Capital to Risk- weighted Asset Ratio (CRAR) of Scheduled Commercial Banks edged up during 2017 – 2018 with the phased implementation of Basel III. The Tier I capital of Public Sector Banks declined marginally during 2017- 2018 despite of decline in the Risk Weighted Assets (RWA) but the ratio improved in case of other bank groups.

The government has infused capital into Public Sector Banks from time to time to enable banks to meet regulatory requirements and to support credit growth. In October 2017 a recapitalization package for Public Sector Banks amounting Rs. 2.1.trillion was announced.

The government provided Rs.881 billion in 2017-2018, with Rs. 523 billion allocated to 11 Public Sector Banks which are under Prompt Corrective Action (PCA). The remaining Rs.358 billion was allocated to 9 non – PCA public sector Banks.

CAPITAL ADEQUACY OF SCHEDULED COMMERCIAL BANKS

(Amount in Billion)

PARTICULARS	PUBLIC SECTOR BANKS	
	2017	2018
1. Capital Fund	7,047	6,578
i) Tier I Capital	5,480	5,270
ii) Tier II Capital	1,567	1,308
2. Risk Weighted Assets	58,085	56,414
3. CRAR		
Tier I	12.1	11.7
Tier I	9.4	9.3
Tier II	2.7	2.3

Source: RBI Report on Trend and progress of Banking Industry in India 2017 – 2018

LEVERAGE RATIO

The Leverage ratio, defined as the ratio of tier 1 capital to total exposure (including off – balance sheet exposures), complements risk based requirements as a backstop measure. At the end of March 2018 the leverage ratio of Scheduled Commercial Bank was 6.7 per cent. This is above the pillar I prescription of 3 per cent by the Basel Committee on Banking Supervision (BCBS) with effect from January 1st 2018 and also above the 4.5 per cent monitored by Reserve Bank of India. For Public Sector Banks it is lower than private and foreign banks. During 2018-19 the leverage ratio of Public Sector Banks and Foreign Banks declined.

LIQUIDITY COVERAGE RATIO

The liquidity coverage ratio (LCR) is intended to promote short term resilience on Banks liquidity profile, i.e. they should have sufficient high liquid assets (HQLAs) to withstand a 30

days stressed funding scenario. During 2017-18 and H1 2018-19, Scheduled Commercial Banks improved their LCR position further and remained much above the Basel III requirement. Foreign Banks maintained the highest LCRs followed by Public Sector Banks and Private Sector Banks.

NON PERFORMING ASSETS (NPA)

The deterioration in asset quality of Indian Banks, especially Public Sector Banks can be traced to the credit boom of 2006 – 2011 when bank lending grew at an average rate of 20m per cent. Other factors contributed to the deterioration in the asset quality were no strict credit appraisal and post sanction monitoring standards; project delays and Cost overruns and absence of a strong bankruptcy regime until May 2016.

During 2017-2018, the GNPA ratio reached 14.6 percent for Public Sector Banks due to restructured advances slipping into NPAs and better NPA recognition. In the term of Net NPA ratio, Public Sector Banks experienced significant deterioration during 2017-2018.

During the year 2107-18, the share of doubtful assets in the total GNPA's increased sizably, driven up by Public Sector Banks. Supervisory returns suggest that on the top of the elevated level of stressed assets, fresh slippages rose during 2017-2018 in respect of Public Sector Banks as against a decline in the previous year. This is largely attributable to restructured advances slipping into NPA and a decline in standard advances.

PUBLIC SECTOR BANKS SECTOR WISE NPA

(Amount in Billion)

Year	Priority sector		Non-Priority Sector		Total NPA	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
2017	1,543	24.1	4,868	75.9	6,411	100
2018	1,875	22.2	6,580	77.8	8,455	100

Source: RBI Report on Trend and progress of Banking Industry in India 2017 – 2018

During 2017 – 2018 the Gross NPA ratio of Public Sector Banks arising from larger borrowal accounts increased to 23.1 per cent from 18.1 per cent in the previous year. The industries with high level of stress were engineering, vehicles construction and textiles. In all major industries except for petroleum and coal products, the GNPA ratio of Public Sector Bank remained higher than Private Sector Banks.

TRENDS IN NON – PERFORMING ASSETS (Amount in Billion)

ITEMS	PUBLIC SECTOR BANKS
Gross NPAs	
Opening balance for 2017 – 2018	6,192
Addition during the year 2017 – 2018	4,882
Recovery during the year 2017 – 2018	823
Closing Balance for 2017 – 2018	8, 956
Gross NPAs as per cent of Gross Advances	
2016 – 2017	11.7
2017 – 2018	14.6
Net NPAs	
Closing Balance for 2016 – 2017	3,831
Closing balance for 2017 – 2018	4,545

Source: RBI Report on Trend and progress of Banking Industry in India 2017 – 2018

RECOVERY

Recovery of stressed assets improved during 2017 – 18 through the Insolvency and Bankruptcy Code 2016 and Securitisation and Reconstruction of the Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002. Apart from vigorous efforts by Banks for speedier recovery, amending the SARFAESI Act to bring in provision of three month’s imprisonment in case of borrower does not provide asset details and for the lender to get possession of mortgaged property within 30 days, have contributed to better recovery. The recovery through Lok Adalats and Debt Recovery Tribunal (DBTs) declined.

Apart from recovery through various resolution mechanisms, banks are also cleaning up balance sheets through sale of doubtful / loss assets to Assets Reconstruction Companies (ARC) and other banks / NBFC / financial institutions by talking haircuts(a reduction in the stated value of asset). Private Sector Bank have been most aggressive on asset sale, public Sector Bank lagged in asset sales mainly owing to large haircuts and various management issues. Quarterly data suggests that during 2018-19, sale of stressed asset to ARC by both Public Sector Banks and Private Banks witnessed deceleration.

REVISED PROMPT CORRECTIVE ACTION FRAMEWORK

The Prompt Corrective Action (PCA) framework was revised by the Reserve Bank of India with effect from April 1st 2017. Under the framework, the Reserve Bank of India monitors key performance indicators of the banks as an early warning exercise PCA is initiated once the thresholds relating to capital, asset quality and profitability are breached. The objective of the PCA framework is to encourage banks to take corrective measures in a timely manner in order to restore their financial health. The frame work also provides an opportunity to the Reserve Bank to pay focussed attention on these banks by engaging with the management more closely.

Under the PCA framework banks eschew riskier activities and focus on conserving capital so their balance sheet becomes stronger. The framework prescribes certain mandatory and discretionary actions such as restriction on dividend pay- out, branch expansion, restriction on capital expenditure other than technology up gradation, entering new lines of business, staff expansion, reduction in concentration of exposure, reduction in high – cost deposits and improving CASA deposits.

Up to the end of September 2018, 11 Public Sector Banks have been placed under the PCA, with five Public Sector Banks in the quarter ending June 2017, another five Public Sector Banks in the quarter ending December 2017 and one Public Sector Bank in the quarter ending March 2018. Dhanlaxmi Bank is the only Private Sector Bank which remained under the old PCA framework.

PCA banks have shown improvement in the share of Current Account Savings Account (CASA) deposit with a reduction in the share of bulk deposits working towards reduction in cost of deposits. They have also increased the recoveries from NPAs by reducing the riskiness of assets and focusing on better rated assets as reflected in reduction in Risk Weighted Assets (RWAs). They have also shown lower growth in GNPA's relative to non PCA Public Sector Banks. Various restriction on PCA banks have resulted control in the growth of operating expenses. The sharper increase in the NPA ratios compared to non – PCA Public Sector Banks is also because of decline in advances by the former. As a result, profitability has taken a hit and it has reflected in negative Return on Assets (ROA).

RBI Report on Trend and Progress of Banking in India (2017 – 2018) shows the trend in deposits and credit. It Indicates the Financial Performance, Capital Adequacy and Non – Performing Assets (NPAs). It also describes the efforts taken by RBI for speedy recovery Prompt Corrective Actions (PCA) frame work etc.

INDIAN BANK



VISION

To be a competitive and strong Bank with commitment to excellence and focus on adding value to customers, shareholders and employees with adherence to best practices and core institutional values throughout the organisation

MISSION

The Bank's mission is "To be a Common Mans Bank" – to provide all financial products and services.

- **Under one roof**
- **At affordable cost**
- **In a fair and transparent manner to all our customers**

INDIAN BANK PROFILE

INDIAN BANK - A PREMIERE PUBLIC SECTOR BANK

- ✚ Indian Bank is established on 15th August 1907 as a part of the Swadeshi movement
- ✚ Indian Bank which is premier public sector Bank in India is Serving the nation with the team of over 19575 dedicated staff as on 30.6.2018
- ✚ Total Business of Indian Bank during the previous year touched Rs. 3,74,550 Crore as on 30.6.2018
- ✚ Operating Profit is Rs. 1297.56 crore for the quarter ended 30.6.2018.
- ✚ Net Profit is Rs. 209.31 crore for the quarter ended 30.6.2018
- ✚ Indian Bank is having a Core Banking Solution (CBS) in all 2819 domestic branches as on 30.6.2018

- ✚ Information System & Security processes of Indian Bank is certified with ISO27001:2013 standard and it is amongst very few Banks certified worldwide.

INTERNATIONAL BRANCHES

- Indian Bank has a Overseas branches in Singapore, Colombo including a foreign currency Banking Unit at Colombo and Jaffna
- It has a 227 Overseas Correspondent Banks in 75 countries

SUBSIDIARY COMPANIES OF INDIAN BANK

- Ind Bank Merchant Banking Services Ltd
- Ind Bank Housing Ltd

A PIONEER IN SPECIALISED BANKING

- Indian Bank has a **99** Forex Authorities branches inclusive of a Specialised Overseas Branch at Chennai and it is exclusively for handling forex transaction arising out of Export, Import, Remittances and Non Resident Indian business.
- Indian Bank has **76** special SME Branches for extending its finance function exclusively to SSI units.
- Indian Bank signed the **MoU** with National Small Industries Corporation (NSIC) to focus on MSME segment.

LEADER IN RURAL DEVELOPMENT

- Under the Financial Inclusion Plan, Indian Bank has been allotted 2975 sub service areas (SSAs) under Pradhan Mantri Jan Dhan Yojana (PMJDY). All the 2975 SSAs are provided with the banking services by the bank. Of those, 2517 SSAs are provided with banking services through Bank Mitrs (Business Correspondents) and 458 SSAs through Brick and Mortar branches.
- Indian Bank is one of the Pioneer in introducing Self Help Groups and Financial Inclusion Project in the country.
- NABARD awarded the Indian Bank on 11.7.2017 for being one among the two PSBs which has credit linked the largest number of SHGs during 36th Foundation day celebration of NABARD at New Delhi.
- Indian Bank has received a National Award for Best performance in SHG Bank linkages for the year 2017 – 18 public sector Banks (Small category) from Deendayal

Antodaya Yojana – National Rural Livelihood Mission (DAY – NRLM), Ministry of Rural Development, Government of India.

- Indian bank has received a Best Performer Award for the year 2017 – 18 for the Micro Finance activities in Kerala, Tamil Nadu and Union Territory of Puduchery from NABARD.
- Makers of Excellence Leadership Award was received by Indian Bank from PFRDA to MD &CEO for exemplary performance under APY during 2017 – 2018.
- Transformative Leader – Award was given to the Executive Director of Indian Bank from PFRDA during the National Atal Pension Yojana (APY) conference held on 13th October 2017 at New Delhi.
- Indian Bank received the NABARD Award for Financial Literacy. Under the financial Literacy Initiatives, Bank has 11 Financial Literacy Centres operating in Tamil Nadu. 1.90 lakh people benefited so far under various literacy programmes on priority sector lending, other deposit products, social security schemes and Digitalization.
- Indian Bank has Established 39 specialized exclusive Microfinance branches called “Microsate” across the country to cater the needs of urban poor through Self Help Groups SHG/JLP Joint Liability Group concepts.
- Harnessing ICT (Information and Communication Technology) was started by Indian Bank for Rural Development and Inclusive Banking.

AWARDS

- Gold Peacock National Training Award (GPNTA) for the year 2018 was received by Indian Bank.
- MSME Banking Excellence Awards – **Best MSME Bank Winner** (Emerging Category).
- **Financial Inclusive Bank** – Winner.
- **Best performing PSB** under Atal pension Yojana for the Financial Year 2017 – 2018.
- “**NPCI Payment Excellence Award 2017**” for NACH operation under mid – sized Banks category.
- “**Rajbhasha Kirti Puraskar**” for the effective implementation of Official Language (Hindi) in the Bank for the year 2017 – 2018.

INTRODUCTION OF THE LATEST TECHNOLOGY IN BANKING

- 100% Core Banking Solution (CBS) Branches.
- Automated Teller Machine (ATM) and Bunch Note Acceptors (BNAs) – 3398 as on 30.6.2018.
- 24 X 7 service through more than 2, 36,835 ATMs under shared network.
- Internet and Telebanking service to all Core Banking Solutions.
- E – Payment facility for corporate customers.
- Cash management services.
- Depository Services
- IB Credit Card Launched.
- Aadhar Enabled Payment System (AEPS) through Business Correspondents.
- Rupay Debit Card Payments enabled through Business Correspondents.
- Customised design image cards and Green pin for debit cards.
- Green pin for debit cards and Rupay platinum cards.
- Launching of new products like statement of accounts through e – mail and M-passbook facility to view the last 50 transactions.

BANK OF INDIA



Relationships beyond banking.

VISION

“ To Become the Bank of choice for Corporates, Medium Business And Upmarket Retail Customers And Developmental Banking for Small Business, Mass Market and Rural Markets”.

MISSION

To provide superior, proactive banking services to niche markets globally, while providing cost effective, responsive service to others in our role as a development bank, and in doing so, meet the requirements of our stakeholders.

PROFILE OF BANK OF INDIA

HISTORY

Bank of India was found on 7th September 1906 by a group of eminent businessmen from Mumbai. The Bank was under private ownership and control till July 1969 and it was nationalised along with 13 other banks. Bank of India is headquartered in Mumbai with the global asset of about USD22 billion.

Beginning with one office in Mumbai, with a paid up capital of Rs.50 lakh and 50 employees, the Bank has made rapid growth over the years and blossomed into a mighty institution with the strong national presence and sizable international operations. In business volume the bank occupies a premier position among the nationalised banks.

The Bank has been in the forefront of introducing various innovative services and systems. The Bank has been the first among the Nationalized Banks to establish a fully computerised branch and ATM facility at the Mahalaxmi Branch at Mumbai way back in 1989. It is also a founder member of SWIFT in India. It pioneered the introduction of the Health Code System in 1982, for evaluating / rating its credit portfolio.

The bank has 65 branches in Coimbatore Zone and all these branches were fully computerized. Of these 35 were connected to the 750 branches located in different parts of the country. The bank has started introducing Biometric Automatic Teller Machines (ATMs) and it seems to be an effective way of preventing PIN theft and it is also the channel to expand a banks reach to the rural & illiterate masses, according to Bank net India's Report on Indian ATMs.

Presently Bank has overseas presence in 22 foreign countries spread over 5 continents – with 60 offices including 5 Subsidiaries, 5 Representative Offices and 1 Joint venture at key banking and financial centres viz., Tokyo, Singapore, Hong Kong, London Paris and New York etc. and it is well- versed in international trade.

Its international footprints located in London, New York, Tokyo, Paris, Singapore and Hong Kong accounts for approximately 17.82% of Bank of India's total business. This was the first bank from India to establish a foreign Branch in 1946 in London and in 1974 at Paris in Europe

BANK OF INDIA - USA

Bank of India is a premier and one of the oldest Commercial Banks in India, with presence all over the world. Bank of India USA branches, New York Branch San Francisco Agency have been operating in the USA since 1978 and 1977 respectively. Bank of India San Francisco have a team of banking professionals who came from different parts of India. These offices are very well – versed with the intricacies of India Related Trade.

BANKING SERVICE TO NRI

Bank of India offers various type of International Banking services to Non Resident Indians they are mentioned as follows

- **F.C.R.N** (Foreign Currency Non – resident) Accounts
- Forex card
- Integrated Treasury

- **N.R.E** (Non Resident External Account)
- Star e- Remit.

ANCILLARY SERVICES

Some of the popular supplementary services offered by the banks are as follows

- Depository Services
- Gold Coin (New)
- Insurance (Domestic travel, health, education etc.)
- Mutual Fund
- Remittance
- Safe Custody
- Safe Deposit Locker
- Star Cash Management Service.

CARDS

Apart from the normal credit or debit cards, the bank offers valued visa or master cards to its worldwide customers. The name of some of the cards offered by this Indian bank are given below.

- Bank of India Master Card
- Bank of India VISA Card
- Gift Card
- Platinum Debit Card
- VISA Electron

ONLINE SERVICES

The different kinds of online services offered by the Bank Of India are as follows.

- Bill Payment
- Fund Transfer(Inter – bank)
- Internet Banking
- Mobile Banking
- Share Trading
- Tax payments

STATEMENT OF THE PROBLEM

Banking system plays a very significant role in the economy of a country. It is central to a Nation's economy and it caters to the credit needs of all sections of the society. Public sector banks are the back bone of Indian economy and also a powerful engine of economic development. Most of the people greatly depend on the public sector banks for their banking services because of its accessibility, safety etc. So the public sector banks need to concentrate on their financial performance to increase the profitability. Hence a study on the financial performance of select Banks in Public Sector was undertaken.

OBJECTIVES OF THE RESEARCH STUDY

- ❖ To study the nature and working of select Public Sector Banks in India (Indian Bank & Bank of India)
- ❖ To assess the financial performance of select Public Sector Banks in India (Indian Bank and Bank of India) (CAMEL Model).

SCOPE OF THE STUDY

The Financial performance of a Banking sector is an important aspect in the economic development of the country. The main purpose of financial analysis is to analyse the information contained in the financial statement and judge the profitability and financial soundness of the banks. The study has been undertaken mainly to highlight the financial performance of two Public Sector Banks (Indian Bank and Bank of India). Through this analysis strategies can be drawn to improve the financial performance of the Indian Bank and Bank of India.

NEED OF THE STUDY

The growth and development of the country depends on the financial performance of banking industry. The financial performance of the banks has to be assessed in order to improve its performance. Hence a research study on the financial performance of two public Sector Bank was undertaken in 2019 for the period of 10 years from 2009- 2018. In this research, analysis was carried out to find out the financial performance and financial position of Indian Bank and Bank of India.

LIMITATIONS OF THE STUDY

- The study covers for the period of 10 years only from 2009 to 2018. It does not consider the changes that have been taken place before and after the study.
- The calculations have been made on the basis of figures provided in the published financial statements. Hence the study is subject to inherent limitations of accounting practises.

CHAPTERISATION

The study is classified into five chapters as follows

CHAPTER I

This chapter discusses about introduction, company profile, Statement of the problem, objective of the study and limitations of the study.

CHAPTER II

This chapter gives the reviews of similar research studies conducted earlier.

CHAPTER III

This chapter explains the research methodology covering research design, methods of collecting data, period of study and tools used for analysis in the study.

CHAPTER IV

This chapter describes the Analysis and Interpretation.

CHAPTER V

This chapter presents the summary of findings and conclusion of the study.

CHAPTER II

REVIEW OF LITERATURE

The review of literature helps the researcher to have a first-hand knowledge about the research study done by others in the similar research study area. This will help to have comprehensive understanding of the proposed study.

Dr.Veena K.P and M.S.Pragathi (2018) conducted “A comparative Study of financial performance of Canara Bank and Union Bank of India”. The study examines the capital adequacy ratio and performance of Canara bank and Union Bank. It finds the level of Gross NPA and Net NPA of Canara Bank and Union Bank. The study is made for the period of 5 years from 2012-2013 to 2016-17. The banks performance was compared using descriptive statistical analysis such as mean, co-efficient of variation and standard deviation. It is concluded that the financial performance is good in Canara Bank compared to the Union Bank of India.

Ms. B.S. Kishori and Sija mol P.R (2018) conducted “A study on financial performance of Canara Bank”. The study was undertaken with the objective of evaluating the financial performance of Canara bank. The analysis is done for the period of 5 years from 2012-2013 to 2016-17. The banks performance was analysed using the profitability ratio, liquidity ratio, turnover ratio and trend analysis. It is concluded that the overall performance of Canara Bank is satisfied during the period of study.

Priyanka Jha (2018) conducted “An analysis of financial performance of public sector PNB and private sector ICICI Bank in India”. The present study covers the period of seven years from 2011-12 to 2017-2018. The objective of the study is to assess and compare the financial performance of PNB and ICICI Bank. The tools like ratio analysis and percentage analysis were used. The study concludes that the people prefer PNB to require loans and advances as compared to ICICI bank. However in case of debt- equity ratio and interest expended to interest earned the ICICI bank has performed better as compared to PNB bank.

Dr.Elizabeth and M. Samuel (2018) conducted “A study of Comparative performance evaluation of selected commercial Banks in India using CAMELS Approach”. The study is undertaken for the period of 5 years from 2011 to 2016. The objective of the study is to analyse the financial soundness of the selected commercial Banks in India. CAMEL model is used to analyse the financial performance of the Banks. It is concluded that the Syndicate Bank is better

in terms of asset quality, management efficiency and earning capacity. Canara bank has better liquidity.

Brahma chaudri (2018) conducted “A Comparative analysis of SBI and ICICI Bank using CAMELS Approach”. The study was conducted for the period of 5 years from 2011-12 to 2015-2016. The objective of the study is to highlight the importance of CAMEL model and also to analyse the performance of SBI and ICICI bank using CAMEL model. Capital adequacy, Asset quality, management efficiency, Earning Capacity and liquidity ratios (CAMEL) is used as a tool for evaluating the financial performance of banks. It has been concluded that ICICI bank has better performance in terms of profitability and management efficiency as compared to SBI during the period of study.

Priyanka Bothra, Aswin prohit (2018) conducted “A CAMEL model analysis of selected public and private sector banks in India”. The study covers a period of 5 years from 2012-13 to 2016-17. The statistical tools like Ratio analysis, arithmetic mean, average, rank and percentage were used. The objective of the study is to examine and analyse the financial performance of State Bank of India and ICICI Bank using Camels approach. The study concludes that ICICI need to improve its position with regard to capital adequacy and asset quality while SBI need to improve its position with regard to Management efficiency, Earning quality and Liquidity.

Cma.Dr. Jeelanbasha .V (2018) conducted “A Comparative performance analysis of selected banks using CAMEL approach”. The study examines the performance of 6 banks, both Public and Private sector banks for the period of 5 years from 2013-2017. In this study Canara Bank, Axis Bank, ICICI Bank, Bank of Baroda, UCO bank and Indian Bank were examined. The performance of the bank is analysed using CAMEL model. The objective of the study is to compare and examine their financial soundness of selected scheduled commercial banks. The study concludes that Canara bank stands best among other commercial banks during the period of study and Indian bank need to increase its earnings and maintain adequate liquidity in order to solve the short term insolvency. ICICI need to improve its quality of assets and UCO needs to overhaul its system and structure.

Manoj Narayanan K.S, Asha Thomas, Chandapillai M.Abraham (2018) conducted “A performance evaluation of public sector banks based on CAMEL methodology.” The study covers five public sector banks. The study is made for a period of 3 years from 2013-14 to 2015-16. The objective of the study is to analyse the overall performance of public sector

banks. The performance of the banks have been evaluated using CAMELS model. The study concluded that the State Bank of India is at the top position among the public sector banks and the IDBI at the least position.

Jyothi.E.Singh (2018) conducted “A analysis of performance of selected banks: CAMEL model”. The study is conducted for the period of 5 years from 2012 to 2017. The objective of the study is to analyse and examine the financial position and performance of selected public sector banks in India. The CAMEL model is used to evaluate the performance of the banks. The study concludes that there is a statistically significant difference between the CAMEL ratio of all public sector banks in India. It signifies that the overall performance of all public sector banks is different.

Swati Sharma, Ishani Chopra (2018) conducted “A Comparative study of public and private banks in India using CAMEL approach. The study is conducted for the period of 4 years from 2014-2017. The main objective of the study is to evaluate and compare the financial performance of 15 public and private sector banks. The statistical tools like t-test, ranking and Mann Whitney U test have been used in the study. The study concludes that the private sector banks perform better than public sector banks on all parameters of CAMEL model.

Kajal kiran (2018) conducted “A CAMEL model analysis of selected public and private sector banks in India”. The study covers a period of 4 years from 2013-14 to 2016-17. The objective of the study is to analyse the financial performance of selected public and private sector banks in India. The tools like ratios and averages are used in the analysis. They concluded that the ICICI bank need to improve its position regarding the capital adequacy and asset quality while SBI need to improve its position regarding management efficiency, earnings and liquidity.

Palamalai Srinivasan, John Britto (2017) conducted a “Analysis of Financial performance of selected Commercial banks in India”. The study attempts to evaluate the performance of selected Indian commercial banks for the period of 5 years from 2012-13 to 2016-17. The financial performance of these banks are analysed using the Ratios. The objective of the study is to examine the impact of liquidity, solvency, profitability, and efficiency of the selected commercial banks by employing the panel of estimation ie., Fixed effect and Random effect model. The study reveals that the financial performance of private sector bank is relatively better than the public sector banks during the period of study.

N.Kalaiarasi (2017) conducted “A comparative study on the financial performance of public sector banks with special reference to Canara Bank and Bank of Baroda.” The study is conducted for the period of 5 years from 2011-2016. In this study two public sector banks are evaluated using CAMELS approach. The objective of the study is to analyse the capital adequacy, Asset quality, and liquidity position of the selected banks. The study concludes that there is no significant difference in the return on networth ratio of these two public sector banks during the period of study.

Pooja Rani (2017) conducted “A comparative analysis of Axis Bank and ICICI Bank”. The study is conducted for the period of 5 years from 2012-2013 to 2016-2017. The objective of the study is to analyse, assess and compare the financial performance of Axis Bank and ICICI Bank. The data was analysed using various tools and techniques like ratio analysis, mean and percentage. It is concluded that Axis Bank is performing well and financially sound than ICICI Bank. In the context of deposits and expenditure ICICI bank has better managing efficiency than Axis bank.

Vijay Hemant sonaje, Dr.Shriram and S.Nerlekar (2017) conducted “A study on financial performance analysis of selected banks using CAMELS approach.” This study is conducted for a period of 5 years from 2013 to 2017. The CAMEL model is used to analyse the performance of all banks. The objective of the study is to analyse the financial soundness of eleven commercial banks in India. In this study performance of ICICI bank, Kotak Mahindra Bank, Indus India, Federal Bank, Axis Bank, HDFC, SBI, Canara Bank, Bank of Baroda, Yes Bank and Punjab National Bank were analysed. The study concludes that Kotak Bank and HDFC Bank are the top performers while the public sector giants State Bank of India and Punjab National Bank are at the bottom. It also reveals the financial position and soundness among top eleven commercial banks.

Dr. Geeta Sharma, Amandeep kaur Arora (2016) conducted “A study of performance of Indian Banks: CAMEL approach”. The study considers 15 banks for financial year 2014-2015. Eight public sector banks and seven private sector banks were chosen according to their size of the asset. Public sector banks like State Bank of India, Bank of Baroda, Punjab National Bank, Bank of India, Canara Bank, Union Bank of India, IDBI, Central Bank of India and Private Sector banks like ICICI, HDFC, Axis Bank, Yes Bank, Kotak Mahindra bank Indus India Bank and Federal Bank were analysed. CAMEL model is the tool used to evaluate the performance of the banks. The objective of the study is to examine the overall performance of

Indian banks and evaluate their ranks. The study concludes that the private sector banks are at better position and have ranked better than public sector banks. In this study top position is taken by the private sector banks.

Jagjeet kaur, Dr. Harsh Vineet (2016) conducted a “CAMEL analysis of selected public sector Banks”. The study is made for the period of 10 years from 2004-05 to 2014-2015. The objective of the study is to evaluate the financial performance of public and private sector banks in India using Camels approach. The study concluded that the Bank of Baroda and PNB are considered the most stable banks. Indian Bank, IDBI Bank, Canara bank and SBI are considered average and the Union Bank of India, Syndicate bank and Central Bank of India are considered below average.

Bhanwar singh and Pawn (2016) conducted “A comparative analysis study of Punjab National Bank and HDFC Bank”. The study is conducted for the period of 5 years from 2010-2011 to 2014-2015. The objective of the study is to compare the financial performance and soundness of the banks using ratio analysis. To check the trends in banking business and Profitability Annual Growth Rate (AGR) and Compound Annual Growth Rate (AGR) is used. It is concluded that the financial performance of HDFC Bank is better than Punjab National Bank.

Hari Krishna karri, Kishore meghani, Bharti mehani mishra (2015) attempted to “Analyse the financial position and performance of Bank of Baroda and Punjab national Bank”. The objective of the study is to analyse and compare the performance of both banks. In this study CAMEL model and t-test is used to measure the performance of banks. The study concludes that there is no significant difference between the financial performance of Bank of Baroda and Punjab National Bank.

N.Renuka (2014) conducted “An analysis of financial performance based on commercial banks in India using Camel model”. The study is conducted for the period of 14 years from 2001-2002 to 2013-2014. The main objective of the study is to compare the performance of private and public sector bank on the basis of CAMELS approach. The study concludes that they do not differ significantly in terms of capital adequacy, liquidity and asset quality. The new private sector bank have an edge over the public sector banks.

Santhosh Kumar, Dr. Ms. Rupali Sharma (2014) conducted “Performance Analysis of top Indian Banks through CAMELS approach”. The study is conducted for the period of 6 years from 2007-2012. The objective of the study is to analyse the performance and soundness of the

Indian Banking sector banks, CAMELS approach is used to analyse the various aspect of performance and soundness in the country's banking sector. The study concludes that Kotak Mahindra bank is in the top position in terms of capital adequacy followed by ICICI bank and earning quality of SBI and PNB are on the top. Based on the overall performance SBI ranked first followed by ICICI and HDFC bank.

CA.Ruchi Gupta (2014) conducted "An analysis of Indian public sector banks using CAMELS approach". The study is conducted for the period of 5 years from 2009-2013. The main objective of the study is to analyse the financial position and performance of the public sector banks in India using CAMELS model. The study concluded that there is a significant difference between the CAMEL ratios of all the public sector banks in India signifying that overall performance of public sector banks is different. The Andhra Bank stood at the top position followed by Bank of Baroda and united bank of India secured last position.

S.K. Khatik Amit K.R Nag (2013) conducted a "Analysis of soundness of Nationalized bank: CAMEL approach". The study is made for the period of 6 years from 2007-2013. The objective of the study is to examine the Capital adequacy, asset quality, Management efficiency, earning capacity and liquidity of the nationalized banks and also to study the overall performance and soundness of the with the help of CAMELS approach. The statistical techniques like percentages, averages, co-efficient of variations, one way anova has been applied. The study concludes that the Bank of Baroda has been ranked in the top position, Union Bank of India and Dena Bank secured the 2nd position. SBI ranked the next position and the bank in the last position is UCO bank during the period of study.

K.V.N Prasad, G. Ravinder (2012) conducted "A CAMEL model analysis of Nationalized Banks in India. The study has been made for the period of 5 years from 2006 – 2010. Twenty public sector banks were choosen for this study. The CAMEL model is used for evaluating the performance of the banks. The objective of the study is to examine the economic stability of nationalized banks in India. They concluded that Andhra Bank is at the top position followed by Bank of Baroda, Punjab National Bank, Indian Bank and Corporation Bank. In the bottom line Central Bank of India was on the last position followed by Bank of Maharashtra, UCO Bank Vijaya Bank and United Bank of India.

Anurang B. Singh and Mrs. Priyanka Tandon (2012) conducted “A comparative analysis of SBI and ICICI Bank”. The study is undertaken for the period of 5 years from 2007-2008 to 2011-2012. The objective of this study is to analyse and compare the financial performance of SBI and ICICI Bank, public sector and private sector respectively. In this study financial performance of SBI and ICICI was compared on the basis of ratios such as credit deposit, net profit margin etc. The study finds that SBI is performing well and financially sound than ICICI Bank. In the context of deposits and expenditure ICICI bank has better managing efficiency than SBI.

CHAPTER - III

RESEARCH METHODOLOGY

INTRODUCTION

This chapter explains the methodology adopted in the study. It includes research design, period of study, method used for collecting data and tools for analysis etc.

RESEARCH DESIGN

The research design adopted on the study is analytical research. This section is helpful to know the methodology adopted to achieve the objective of the analysis and it provides the details of the collection of data and data analysis procedures. The balance sheet having historical data has to be analysed and conclusions are derived from it.

PERIOD OF STUDY

The study is conducted for the period of 10 years from 2009 to 2018.

SOURCE OF THE STUDY

The study was based on secondary data. The data were collected from the Annual Reports of Indian Bank and Bank of India for the period of 10 years from 2008-2009 to 2017-2018. In addition to the records of the bank, data was also collected from websites and various journals.

RATIONALE OF THE STUDY

The banking system is the back bone of the Indian economic development. The public sector banks significantly contribute more to the economic development of the country. The main reason for conducting the study is to know the financial performance of the two public sector banks (Indian Bank and Bank of India) so that strategies can be formulated to improve the performance of these Public Sector banks.

RESEARCH GAP

After scrutinizing thoroughly the various review of literature on financial performance analysis of banks in banking sector in different periods, it is found that there were only very few researches on comparison of financial performance of Public Sector Banks. After finding this research gap, a research study was planned. A research study to analyse and compare the financial performance of two public sector banks Indian Bank and Bank of India was carried out during 2019.

RESEARCH STUDY AREA

The study is conducted with the data at National level to know the financial performance of Indian Bank and bank of India.

METHOD OF SAMPLING AND SAMPLE SIZE:

Banking industry is one of the important industry in Indian economic development. Due to the passage of time there has been a constant changes in the performance of banks, which lead to change in the ranking and position of the banks every year. Hence a research study on 2 public sector banks namely Indian Bank and Bank of India was undertaken.

TOOLS USED FOR DATA ANALYSIS

- Camel model
- Average
- Rank
- Percentage

CAMEL MODEL

CAMEL model of rating was first developed in 1970 by the three federal banking supervisors of the U.S (the Federal Reserve, the FDIC and the OCC) as part of the regulators “Uniform Financial Institutions Rating System”, to provide a convenient summary of banks condition at the time of its on-site examination. The banks were judged on five different components under the acronym **C-A-M-E-L**:

C – Capital Adequacy

A – Asset quality

M – Management soundness

E – Earning capacity

L – Liquidity

The system of CAMEL was revised in 1996, when agencies added an additional parameter ‘S’ for assessing the “Sensitivity to market risk”, thus making it in vogue today. Based on the recommendations of the Padmanabhan Committee, the commercial banks incorporated in India are presently rated on the ‘CAMELS’ model (Capital adequacy, Asset quality, Management, Earnings, Liquidity system and Control), while foreign banks branches operating in India are rated under the ‘CALCS’ model (Capital Adequacy, Asset quality Liquidity, Compliance and System & Control).

CAMEL is basically a ratio base model for evaluating the performance of banks. Various ratios forming this model are explained below.

CAPITAL ADEQUACY – C

Capital base of financial institutions facilitates depositors in forming their risk perception about the institution. It is the key parameter for the financial managers to maintain adequate level of capitalization. The most widely used indicator of capital adequacy is Capital to Risk Weighted Assets ratio (CRWA). According to Bank supervision regulation Committee of banks for International settlements a minimum 9 percent CRWA is required.

Capital Adequacy ultimately determines how well financial institutions can cope with shocks to their balance sheets. This is useful to track Capital adequacy ratio that take into account the most important financial risk – foreign exchange, credit and interest rate risk by assessing risk weights to institution assets.

A sound capital base strengthens confidence of depositors. This ratio is used to protect the depositors and promote the stability and efficiency of financial systems around the world.

The following ratios measures the capital adequacy.

CAPITAL ADEQUACY RATIO

CRAR is a ratio of Capital fund to Risk weighted Assets. Reserve Bank of India prescribes banks to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% with regard to credit risk, market risk and operational risk on an ongoing basis as against 8% prescribed in Basel document.

Total capital includes Tier I capital and Tier II capital. Tier I capital includes paid up equity capital, free reserves, intangible assets etc. Tier II capital includes long term unsecured loans, loss reserves, hybrid debt capital instrument etc. Higher the CRAR, the stronger is considered the bank and it ensures high safety against bankruptcy.

Tier 1 capital + Tier II capital

$$\text{CRAR} = \frac{\text{-----}}{\text{Risk weighted Assets}}$$

DEBT EQUITY RATIO

This ratio indicates the degree of leverage of a bank. It indicates how much of the bank business is financed through debt and how much through equity. This is calculated as the proportion of total outside liability to net worth. ‘Outside liability’ includes total borrowing,

deposits and other liabilities. 'Net worth' includes equity capital and reserves and surplus. Higher the ratio indicates less protection for the creditors and depositors in the banking system.

$$\text{Debt equity ratio} = \frac{\text{Borrowings}}{\text{(Share capital + reserves)}}$$

TOTAL ADVANCES TO TOTAL ASSET RATIO

This is the ratio of the total advances to total asset. This ratio indicates banks aggressiveness in lending which ultimately results in better profitability. Higher ratio of Advances to Total Assets is preferred to a lower one. Total advances also includes receivables. The value of total asset is excluding the revaluation of all the assets.

$$\text{Total Advances to Total Assets} = \frac{\text{Total Advances}}{\text{Total Assets}}$$

GOVERNMENT SECURITIES TO TOTAL INVESTMENTS

The percentage of investment in government securities to total investment is a very important indicator. It indicates a bank's strategy as being high profit high risk or low profit low risk. It also provides the view as to alternative investment opportunities. Government securities are generally considered as the most safe debt instrument, which as a result, carries the lowest return. Since the government securities are risk free, higher the government securities to investment ratio lower the risk involved in a bank's investment.

$$\text{Government Securities to Total Investment} = \frac{\text{Government Securities}}{\text{Total investment}}$$

ASSET QUALITY – A

Asset quality reflects the magnitude of credit risk prevailing in the bank due to its composition and quality of loans, advances, investments and off- balance sheet activities. The financial soundness of a bank is determined with the quality of assets that the bank possess. Asset quality defines the financial health of bank against loss of value in the assets. The declining value in the bank's asset has a rippling effect, as losses are ultimately written off against capital and it affects the earning capacity of the bank. This clearly indicates the quality

of advances that the bank has granted to generate interest income. Thus assets quality clearly specifies the type of debtors that banks have in their balance sheet. The following ratios measure Asset quality:

NET NPA TO NET ADVANCES

Net Non- performing Assets to Net Advances ratio is a measure of the overall quality of banks advances. It shows the actual financial burden on the bank. NPA are those assets for which interest is overdue for more than three months or ninety days. Higher the ratio reflects rising bad quality of loans.

Net NPA

Net NPA to Net Advances = -----

Net Advances

TOTAL INVESTMENTS TO TOTAL ASSETS RATIO

This ratio measures the proportion of total assets of the bank that are locked up in the investments which does not form a part of the core income of the bank, as against providing advances to the customers. An aggressive bank would have low investment to asset ratio as the high ratio signifies that the bank has very conveniently kept the high cover of investment against the risk of Non-Performing Assets. This adversely affect the profitability of the banks since the interest income generated through investment is much less than interest income earned through granting advances.

Total investment

Total Investment to Total Assets = -----

Total Assets

GROSS NPA TO NET ADVANCES RATIO

Gross Non- Performing Assets (GNPA) to Net Advances ratio is a measure of the quality of assets in a situation where the management has not provided for loss on NPA. It reflects the quality of assets made by the bank. Gross NPAs are the sum of all loan assets that are classified as NPA as per RBI guidelines as on Balance Sheet date. A lower ratio signifies that the bank has granted sound loans and proves good quality of advances. Lower the ratio better is the quality of assets.

Gross Non- Performing Assets

Gross NPA to Net Advances Ratio = -----

Net advances

MANAGEMENT EFFICIENCY – M

The management efficiency parameter signals the ability of the board of directors and senior managers to identify, measure, monitor and control risks associated with the bank. Management efficiency is the important element of the CAMEL model. The management of the bank takes crucial decisions depending on its risk perception. This parameter is used to evaluate the better management quality and discount poorly managed ones. It also helps in achieving the sustainable growth. The ratios that are used to evaluate the management efficiency are:

- **Total Advances to Total Deposit ratio**
- **Business per employee**
- **Profit per employee**
- **Return on Assets**

TOTAL ADVANCES TO TOTAL DEPOSIT RATIO

This ratio gives the first indication of the health of a bank as the ratio measure the extent to which a bank's core funds are being used for lending which is its main banking activity. Advances are necessary to earn profit and service the interest being paid to the deposits.

This ratio measure the efficiency and ability of the banks management in converting the deposits available with the bank into high earning advances. A high ratio indicates more reliance on deposits for lending while the low ratio signifies less reliance on deposits.

Total deposits includes demand deposits, savings deposits, time deposits and deposits with the other banks. Total advances includes the receivables.

$$\frac{\text{Total Advances}}{\text{Total Deposits}} = \frac{\text{Total Advances to Total Assets}}{\text{Total Deposits}}$$

BUSINESS PER EMPLOYEE

Business per employee ratio shows the productivity of employees of the bank and is used as a tool to measure the efficiency of all the employees of a bank in generating business for the bank. It indicates how much business each employee is producing for the bank. A high business per employee ratio means that employees are generating adequate sales or revenue for the bank which is a clear indicator of efficient and sound management of the bank,

while a low ratio is often a sign of low productivity. A high ratio is good for the bank as it automatically signifies efficient bank management.

$$\text{Business per employee} = \frac{\text{Total income}}{\text{Number of Employees}}$$

PROFIT PER EMPLOYEE

This is an important parameter to measure the efficiency of the banks management because it measures the company's profit in relation to number of employees. It signifies the average profit generated per person employed. A high ratio clearly signifies the efficient management.

$$\text{Profit per employee} = \frac{\text{Total Income}}{\text{Number of employees}}$$

RETURN ON ASSETS

Return on assets is the ratio of Net profit to Total assets of a business during the financial year. This ratio indicates the efficiency of the banks in utilizing their assets in generating profits. A higher ratio indicates the better income generating capacity of the assets and the efficiency of the management.

$$\text{Return on Assets} = \frac{\text{Net profit}}{\text{Total Assets}}$$

EARNING CAPACITY – E

INTEREST INCOME TO TOTAL INCOME:

Interest income is a basic source of revenue for banks. The interest income to total income indicates the ability of the bank in generating income from its lending. This ratio measures the income from lending operations as a percentage of the total income generated by the banks in a year. Interest income includes income on advances, interest on deposits with RBI and dividend income.

$$\text{Interest Income to Total Income} = \frac{\text{Interest income}}{\text{Total income}}$$

NET INTEREST MARGIN TO TOTAL ASSETS.

Net interest margin is an important parameter of performance of the banks. It is the difference between the interest income and the interest expended to the total assets. Net Interest Margin shows the ability of the bank to keep the interest on deposits low and interest on advances high. Higher the ratio indicates better earnings as against total assets.

$$\text{Net Interest Income to total Income} = \frac{\text{Interest income} - \text{Interest expenses}}{\text{Total assets}}$$

OPERATING PROFIT TO TOTAL ASSETS

This ratio states how much a bank can earn profit from its operation for every rupee invested in its total assets.

$$\text{Operating Profit to total assets} = \frac{\text{Operating profit}}{\text{Total assets}}$$

LIQUIDITY – L

Liquidity management in banks has assured key prominence due to competitive force of peer banks and the smooth flow of foreign capital in the domestic markets. Every bank should ensure that it is able to maintain adequate level of liquidity to meet its financial commitments in a timely manner. In order to fulfil the demands of the customers, the creditors and the depositor's banks must maintain liquidity in their assets. The liquidity crisis in banks can adversely impact their financial performance.

Liquidity is an important aspect for any organization dealing in money. Banks rank ahead in the list of institutions that deal with money and they have to maintain a apt balance between profitability and liquidity. Liquidity in bank is managed by an effective mechanism called the Asset and Liability Management. It reduces the maturity mismatches between assets and liquidity to optimize the returns. The following ratios measure the liquidity

LIQUID ASSETS TO TOTAL ASSETS

Liquidity for a bank means the ability to meet its financial obligations as they come due. The main challenges to a bank is ensuring its own liquidity under all reasonable conditions. Liquid assets includes cash in hand, balance with RBI, balance with other banks (both in India and abroad) and money at call and short notice. Total assets includes the revaluation of all the

assets. The proportion of liquid assets to total assets indicates the overall liquidity position of the bank.

Liquid assets

$$\text{Liquid Assets to Total assets} = \frac{\text{Liquid assets}}{\text{Total assets}}$$

Total assets

LIQUID ASSETS TO DEMAND DEPOSITS

This ratio measures the ability of the bank to meet the demand from depositors in a particular year. Demand deposits offer high liquidity to a depositor and hence banks have to invest these deposit amount in a highly liquid assets.

Liquid assets

$$\text{Liquid Assets to Demand Deposits} = \frac{\text{Liquid assets}}{\text{Demand deposits}}$$

Demand deposits.

LIQUID ASSETS TO TOTAL DEPOSITS

This ratio measures the liquidity available to the deposits of a bank. Total deposits includes demand deposits, savings deposits, term deposits and deposits with other financial institutions. Liquid assets includes cash in hand, balance with RBI, and balance with other banks (both in India and abroad), and money at call and short notice.

Liquid assets

$$\text{Liquid Assets to Total deposit} = \frac{\text{Liquid assets}}{\text{Total deposits}}$$

Total deposits

APPROVED SECURITIES TO TOTAL ASSETS

Approved securities include securities other than government securities. This ratio measures the approved securities as a proportion of total assets. Banks invest in approved securities primarily after meeting their SLR requirements. This ratio measures the risk involved in the assets held by the banks.

Approved securities

$$\text{Approved Securities to Total Assets} = \frac{\text{Approved securities}}{\text{Total assets}}$$

Total assets

ARITHMETIC MEAN

Arithmetic mean is also called as average. It gives the single value to describe the whole data. It simply involves taking the sum a group of numbers then dividing that sum by the count of numbers used in the series.

$$\bar{X} = \frac{\sum X}{N}$$

PERCENTAGE ANALYSIS

The percentage analysis was mainly used by the researcher to analyse and interpret the data. Percentage refers to a special kind of ratios and it is used in making comparison between a series of data. The formula to calculate percentage

$$\text{Percentage} = \frac{\text{Number of respondents}}{\text{Total number of respondents}} * 100$$

CHAPTER IV

ANALYSIS AND INTERPRETATION

Analysis is an Examination of data and relevant facts to uncover and understand the Cause – effect relationship, thus providing the basis for problem solving and decision making.

Interpretation is the act of explaining, reframing or otherwise showing researcher's own understanding of the subject matter.

The Financial data collected from Indian Bank and Bank of India is analysed by applying relevant tools.

The results of the analysed data were presented in following manner

- Analysis Capital Adequacy, Asset quality, Management efficiency, Earning Capacity and Liquidity of selected Public Sector Banks (Indian Bank & Bank of India) – CAMEL.
- Overall CAMEL ranking of Indian Bank & Bank of India.

ANALYSIS AND INTERPRETATION

CAPITAL ADEQUACY RATIO

CRAR is a ratio of Capital fund to Risk weighted Assets. Reserve Bank of India prescribes banks to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% with regard to credit risk, market risk and operational risk on an ongoing basis as against 8% prescribed in Basel document. Higher the CRAR, the stronger is considered the bank and it ensures high safety against bankruptcy.

$$\text{CRAR} = \frac{\text{Tier 1 capital} + \text{Tier II capital}}{\text{Risk weighted Assets}}$$

Table 1: Capital Adequacy Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	12.55	12.94
2017	13.64	12.14
2016	13.2	12.01
2015	12.86	10.73
2014	12.64	9.97
2013	13.08	11.02
2012	13.47	11.95
2011	13.56	12.17
2010	12.71	12.94
2009	13.98	13.01
AVERAGE	13.169	11.888
RANK	1	2

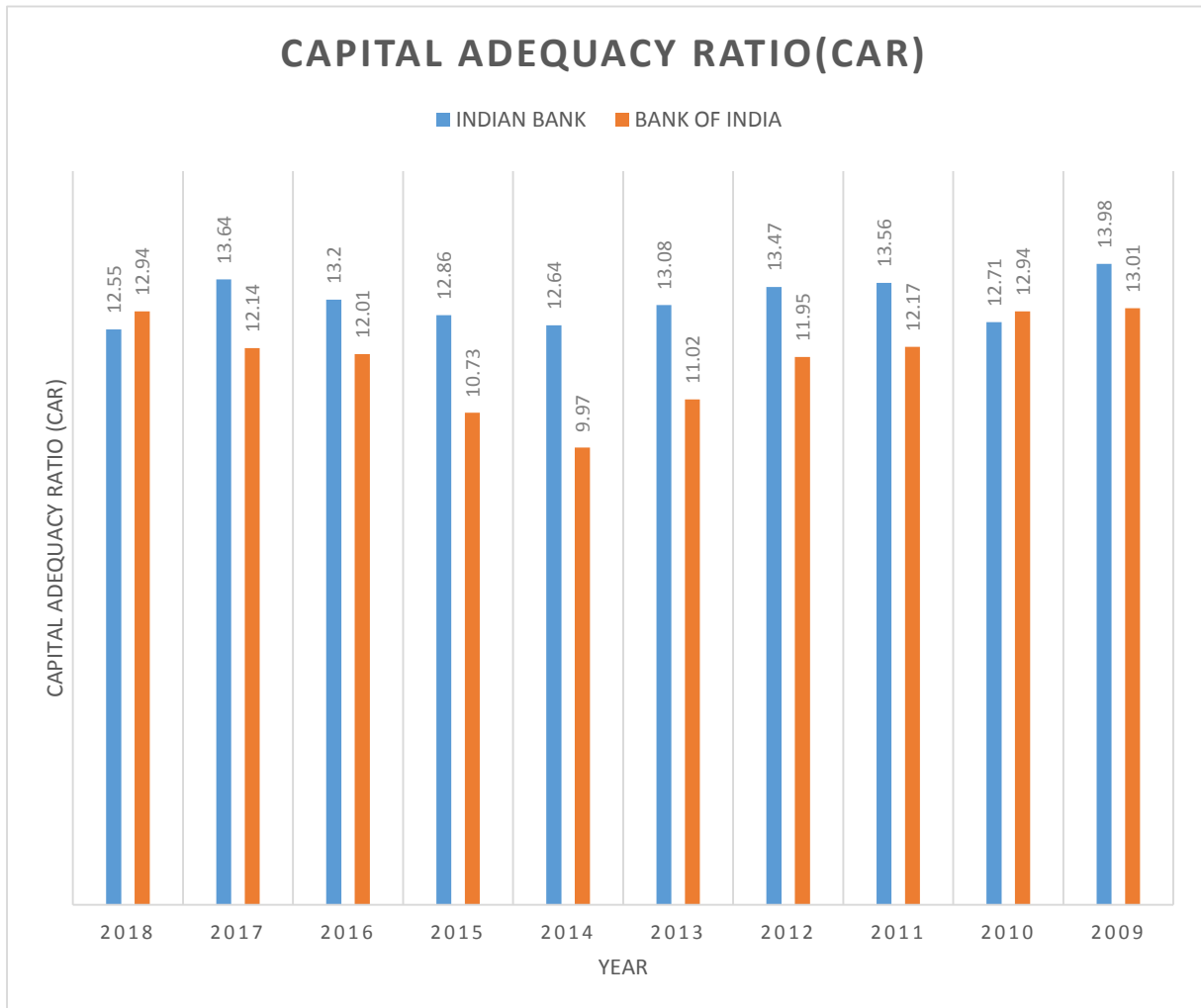
Source: Banks Annual Reports

INTERPRETATION:

Indian Bank and Bank of India have higher CAR (Capital Adequacy Ratio) than the benchmark level fixed by RBI. From the above table it is found that Indian Bank ranked on the top position with the highest average CAR of 13.16 which is more than that of Bank of India. Bank of India has a lowest CAR of 11.88. Adequate capital is required to run the banking business and also to meet the shortcoming of funds for operation but the high level CAR may affect the investment capacity of the Bank

EXHIBIT - 1

Capital Adequacy Ratio



DEBT – EQUITY RATIO

This ratio indicates the degree of leverage of a bank. It indicates the extent of the bank business finance through debt and through equity. This is calculated as the proportion of total liability to net worth. ‘Outside liability’ includes total borrowing, deposits and other liabilities. ‘Net worth’ includes equity capital and reserves and surplus. Higher the ratio indicates less protection for the creditors and depositors in the banking system.

Borrowing

Debt equity ratio = -----

(Share capital + reserves)

Table 2: Debt Equity Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	12.69	15.9
2017	11.71	19.3
2016	11.34	18.62
2015	11.77	18.67
2014	12.49	18.15
2013	12.59	17.92
2012	12.09	17.34
2011	11.78	19.31
2010	13.21	18.32
2009	10.78	15.71
AVERAGE	12.045	17.924
RANK	1	2

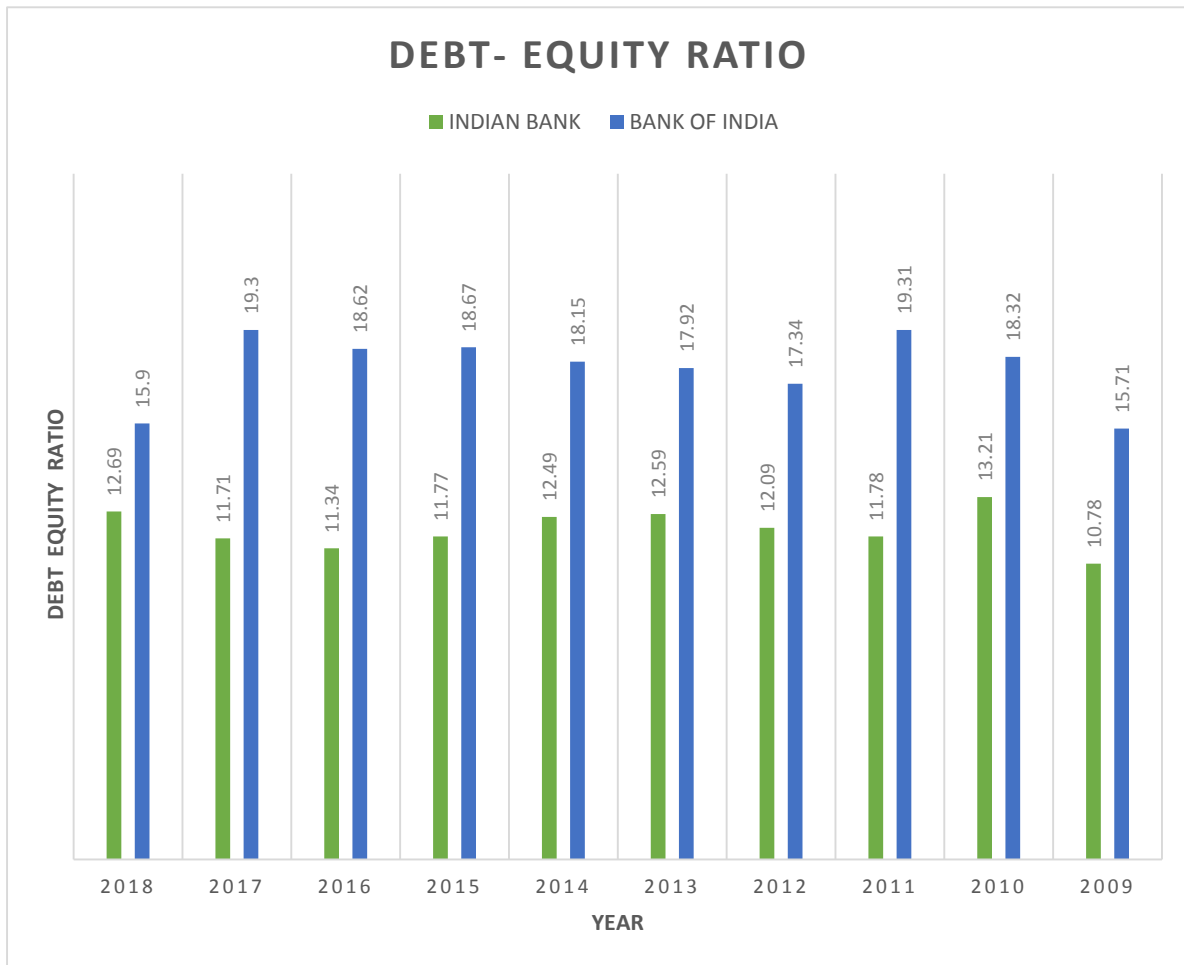
Source: Banks Annual Reports

INTERPRETATION:

The Debt – Equity ratio is a leverage ratio that shows how much finance comes from debt or equity. It is considered as a key financial metric because it indicates the potential financial risk. From the above table it is found that Indian Bank is in the top position with the highest average of 12.04 than Bank of India average of 17.92. Average debt equity ratio of Bank of India is higher than Indian Bank and it indicates less protection to the creditors and depositors in the banking system.

EXHIBIT - 2

Debt Equity Ratio



TOTAL ADVANCES TO TOTAL ASSETS

This is the ratio of the total advances to total asset. This ratio indicates banks aggressiveness in lending which ultimately results in better profitability. Higher ratio of advances is preferred to a lower one. Total advances also includes receivables. The value of total asset is excluding the revaluation of all the assets.

Total advances

Total Advances to Total Assets = -----

Total assets

TABLE 3: Total Advances to Total Assets Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	61.95	56
2017	58.51	58.51
2016	68.35	58.89
2015	65.27	64.98
2014	65.21	64.68
2013	64.88	69.93
2012	63.87	64.71
2011	61.82	60.68
2010	61.29	61.28
2009	61.17	63.37
AVERAGE	63.232	62.303
RANK	1	2

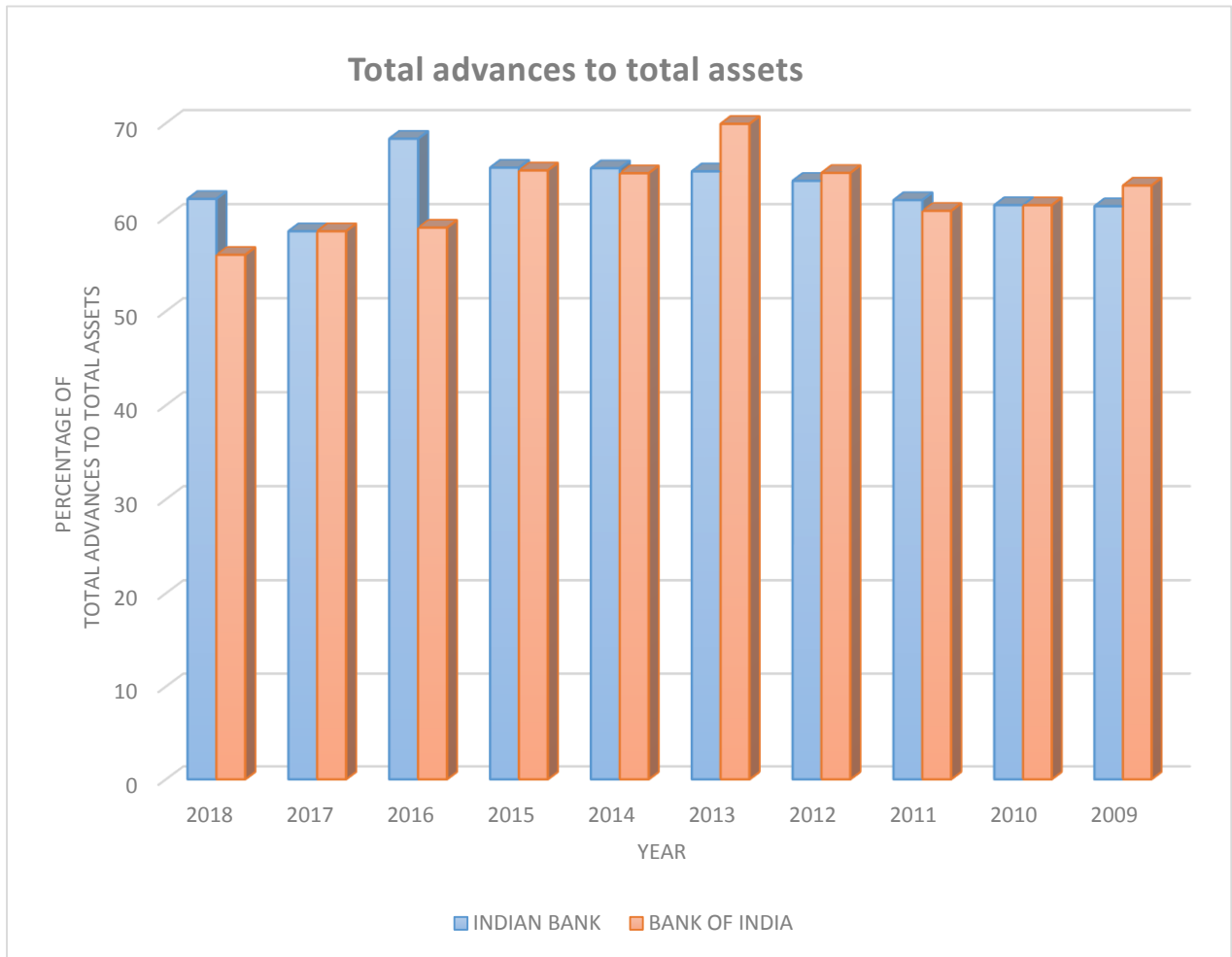
Source: Banks Annual Reports

INTERPRETATION

. From the above table it is found that Indian Bank has the highest average of 63.23 and it is more aggressive in lending compared to Bank of India with the average of 62.03. Higher ratio of advances to assets is preferred because higher lending result in higher profitability to the bank.

EXHIBIT - 3

Total Advances to Total Assets Ratio



GOVERNMENT SECURITIES TO TOTAL INVESTMENT

The percentage of investment in government securities to total investment is a very important indicator. It indicates a bank's strategy as being high profit high risk or low profit low risk. It also provides the view as to alternative investment opportunities. Government securities are generally considered as the most safe debt instrument, which as a result, carries the lowest return. Since the government securities are risk free, higher the government securities to investment ratio lower the risk involved in a bank's investment.

Government securities

Government Securities to Total Assets = $\frac{\text{Government securities}}{\text{Total investment}}$

Table 4: Government Securities to Total Assets Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	87.67	88.12
2017	86.62	88.72
2016	79.27	90.43
2015	89.26	87.72
2014	81.29	87.85
2013	78.18	86.53
2012	81.78	84.99
2011	77.95	80.71
2010	82.85	88.63
2009	23.13	83.83
AVERAGE	76.8	86.753
RANK	2	1

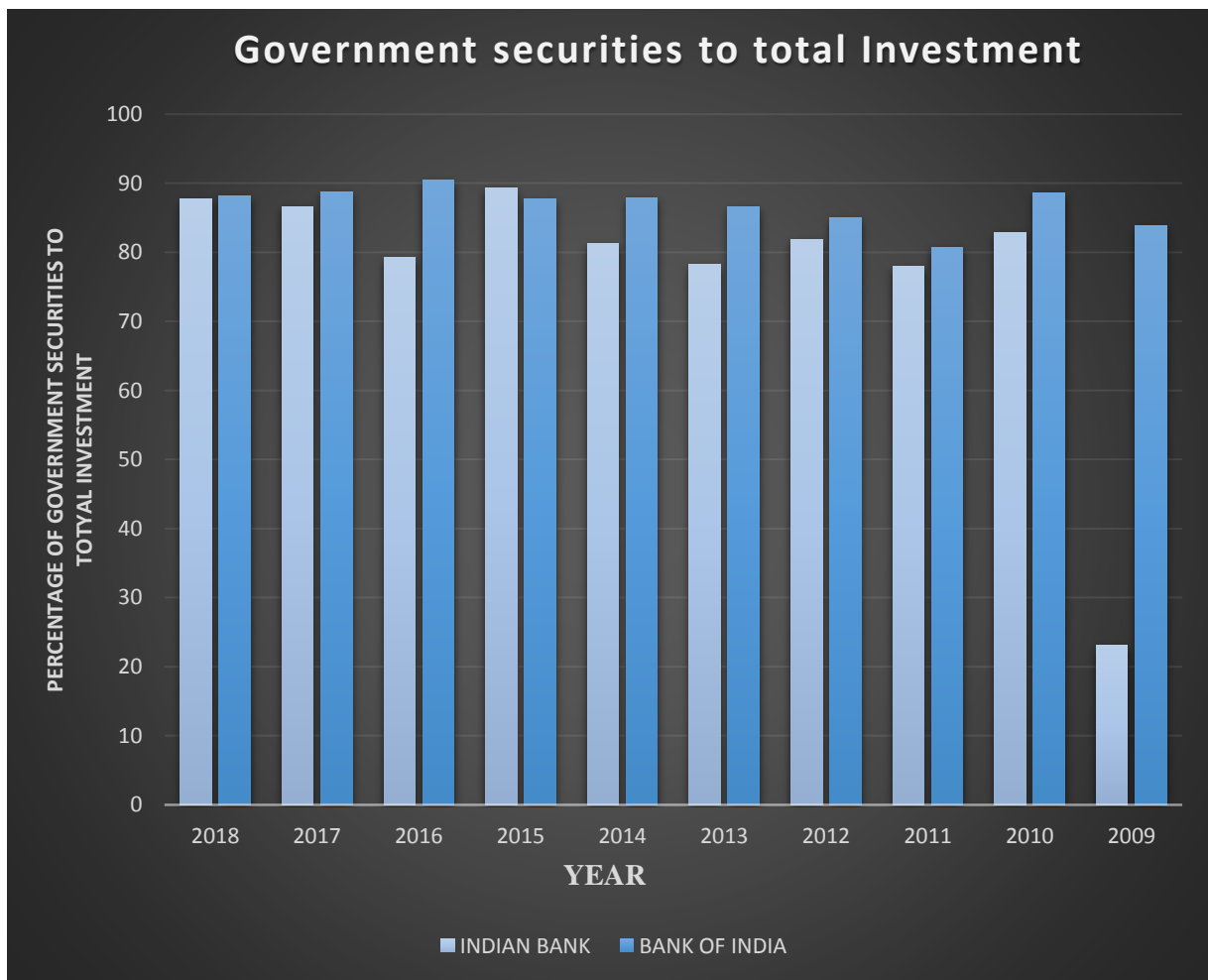
Source: Banks Annual Reports

INTERPRETATION:

Government securities to total investment measures the proportion of risk – free liquid assets invested in government securities as a percentage of the assets held by the bank. From the above table it is found that Bank of India is ahead with the highest average of 86.75 than Indian Bank average of 76.8. Higher the government securities to investment ratio indicates the lower the risk involved in bank's investment.

EXHIBIT - 4

Government securities to Total Investment Ratio



COMPOSITE CAPITAL ADEQUACY

Table 5: Composite Capital Adequacy (C)

Bank	Capital Adequacy Ratio		Debt Equity Ratio		Total advances to total assets		Government securities to total investment		Group Ranking	
	%	Rank	Times	Rank	%	Rank	%	Rank	Average	Rank
Indian Bank	13.16	1	12.04	1	63.23	1	76.80	2	1.25	1
Bank of India	11.88	2	17.92	2	62.30	2	86.75	1	1.75	2

Source: Computed data

INTERPRETATION:

Indian Bank and Bank of India have higher CAR (Capital Adequacy Ratio) than the benchmark level fixed by RBI. From the above table it is found that Indian Bank ranked on the top position with the highest CAR of 13.16 which is more than that of Bank of India. Bank of India has a lowest CAR of 11.88. Adequate capital is required to run the banking business and also to meet the shortcoming of funds for operation. But the high level CAR may affect the investment capacity of the Bank.

The Debt – Equity ratio is a leverage ratio that shows how much finance comes from debt or equity. It is considered as a key financial metric because it indicates the potential financial risk. From the above table it is found that Indian Bank is in the top position with the highest average of 12.04 than Bank of India average of 17.92. Average debt equity ratio of Bank of India is higher than Indian Bank and it indicates less protection to the creditors and depositors in the banking system.

Total advances to total assets ratio indicates the aggressiveness in lending which ultimately results in higher profitability. From the above table it is found that Indian Bank has the highest average of 63.23 and it is more aggressive in lending compared to Bank of India with the average of 62.03. Higher ratio of advances to assets is preferred because higher lending result in higher profitability to the bank.

Government securities to total investment measures the proportion of risk – free liquid assets invested in government securities as a percentage of the assets held by the bank. From the above table it is found that Bank of India is ahead with the highest average of 86.75 than Indian Bank average of 76.8. Higher the government securities to investment ratio indicates the lower the risk involved in bank's investment.

On the basis of group average of four ratios of capital adequacy as shown in the table Indian Bank is ahead with the group average of 1.25 than Bank of India average of 1.75 due to better performance in Debt-equity ratio and total advances to total asset ratios.

ASSET QUALITY- A

NET NPA TO TOTAL ADVANCES

Net Non- performing Assets to Net Advances ratio is a measure of the overall quality of banks advances. It shows the actual financial burden on the bank. NPA are those assets for which interest is overdue for more than three months or Ninety days. Higher the ratio reflects rising bad quality of loans.

$$\text{Net NPA to Total Advances} = \frac{\text{Net NPA}}{\text{Net Advances}}$$

Table 6: Net NPA to Total Advances

YEAR	INDIAN BANK	BANK OF INDIA
2018	3.81	8.28
2017	4.39	6.9
2016	4.2	7.79
2015	2.5	3.36
2014	2.26	2
2013	2.26	2.06
2012	1.33	1.47
2011	0.53	0.91
2010	0.23	1.31
2009	0.18	0.44
AVERAGE	2.169	3.452
RANK	1	2

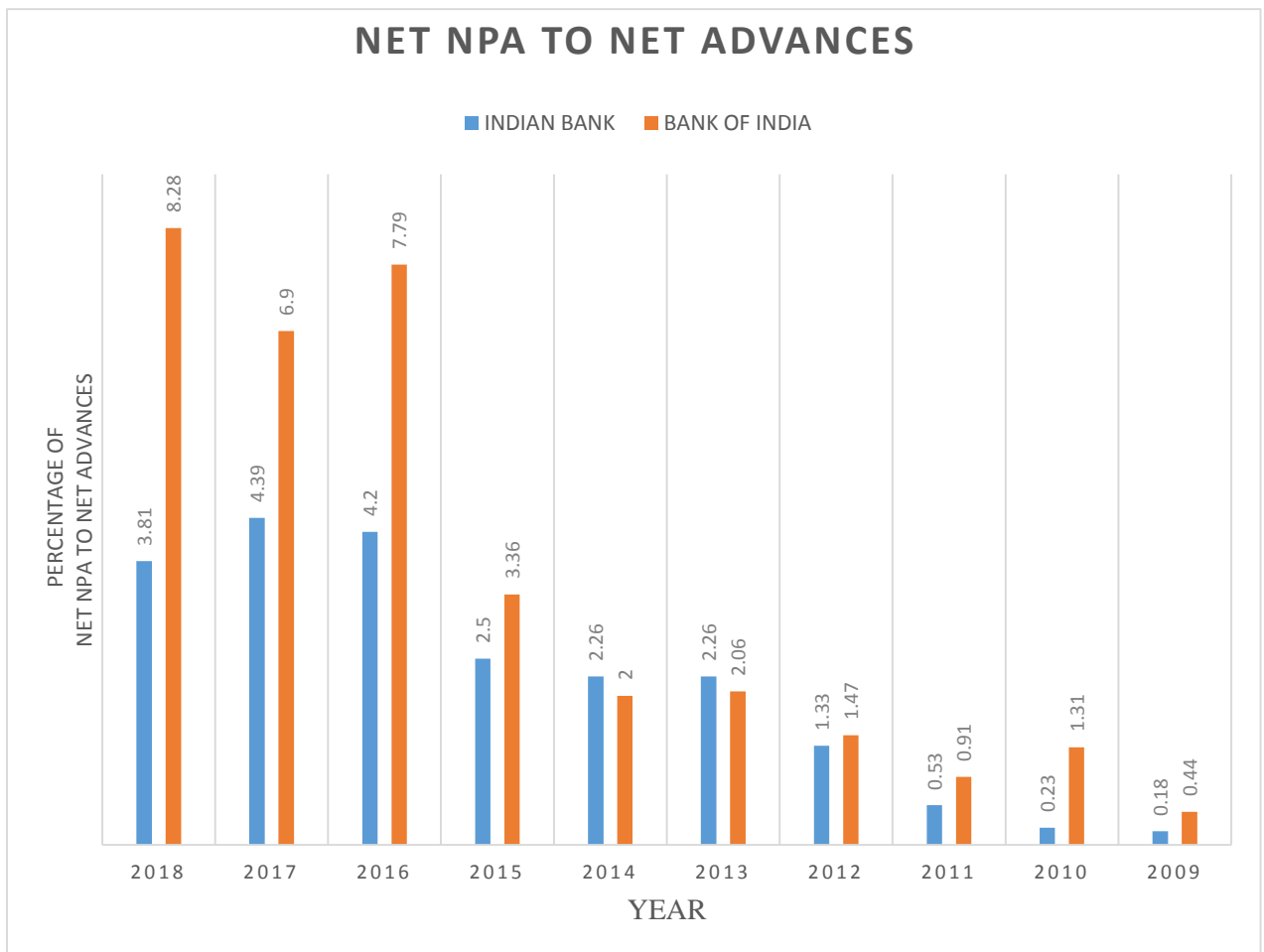
Source: Banks Annual Reports

INTERPRETATION

Net Non- Performing Assets (NPA) is the term used by the credit institutions to refer to the sum of the non- performing loans less provision for bad and doubtful debts. From the above table it is found that Indian Bank (2.16) is having the lowest Non – Performing Assets against total advances and Bank of India (3.45) is having the highest Non - Performing Assets against total advances. It clearly shows that quality of Bank of India advances is not good. If there is more NPA banks profit will be under pressure in future.

EXHIBIT - 5

NET NPA TO NET ADVANCES RATIO



GROSS NPA TO TOTAL ADVANCES

Gross Non- Performing Assets (GNPA) to Net Advances ratio is a measure of the quality of assets in a situation where the management has not provided for loss on NPA. It reflects the quality of assets made by the bank. Gross NPAs are the sum of all loan assets that are classified as NPA as per RBI guidelines as on Balance Sheet date. A lower ratio signifies that the bank has granted sound loans and proves good quality of advances.

Gross Non- Performing Assets

$$\text{Gross NPA to Total Advances} = \frac{\text{Gross Non- Performing Assets}}{\text{Net advances}}$$

Table 7

Gross NPA to Total Advances Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	7.37	16.6
2017	7.47	13.2
2016	6.66	13.1
2015	4.4	5.52
2014	3.67	3.15
2013	3.33	2.99
2012	2.03	2.34
2011	0.98	2.23
2010	0.81	2.85
2009	0.89	1.71
AVERAGE	3.761	6.369
RANK	1	2

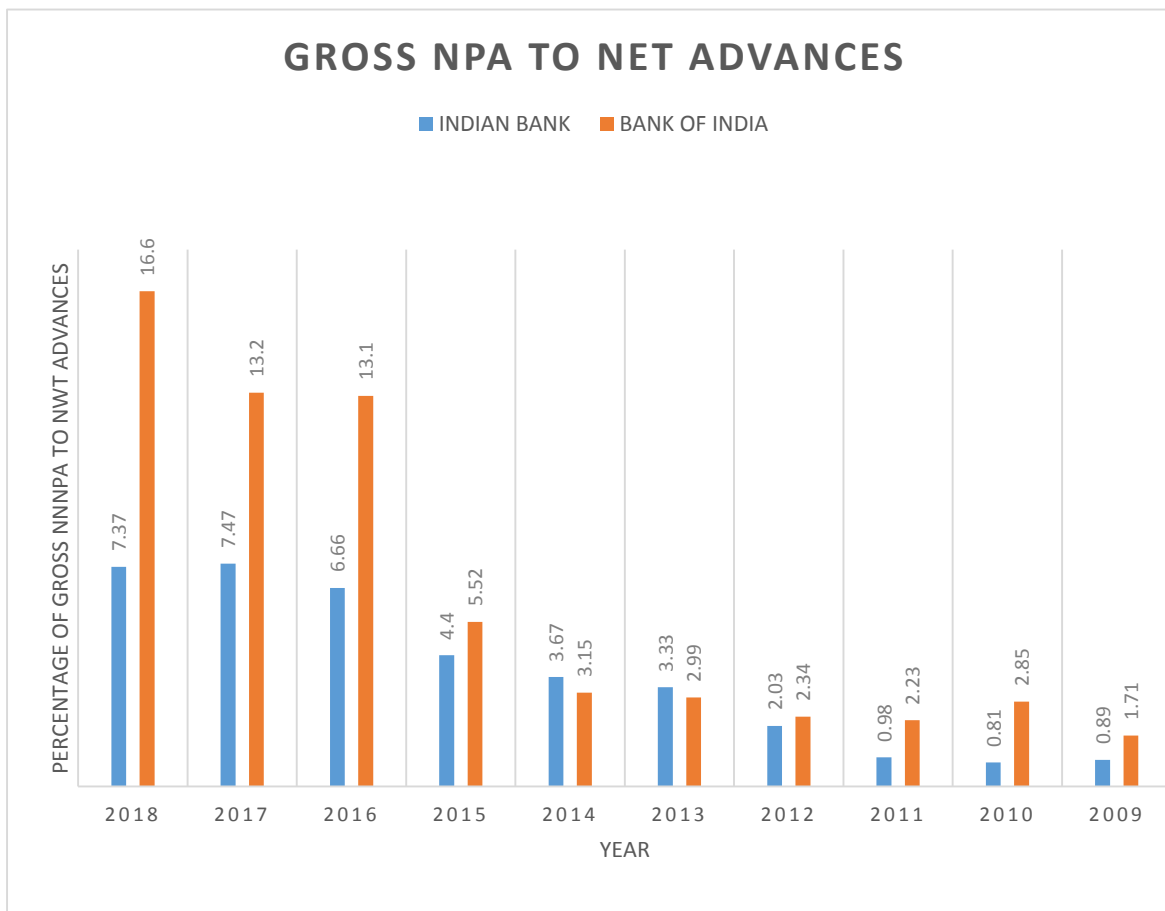
Source: Banks Annual reports

INTERPRETATION

Gross Non Performing Assets refers to the total amount of debts that an organisation has failed to collect or the people owing the organisation has failed to honour their contractual obligation of paying both the principal and interest amount. From the above table it is found that Indian Bank (3.67) has less average Gross NPA when compared to Bank of India (6.36). With regards to Gross NPA to total advances ratio Indian Bank is at the better position. Gross NPA to total advances were fluctuating over the period of study.

EXHIBIT -6

Gross NPA to Net Advances Ratio



TOTAL INVESTMENT TO TOTAL ASSETS

This ratio measures the proportion of total assets of the bank that are locked up in the investments which does not form a part of the core income of the bank, as against providing advances to the customers. An aggressive bank would have low investments in asset as the high ratio signifies that the bank has very conveniently kept the high cover of investment against the risk of Non-Performing Assets.

Total investment

Total Investment to Total Asset = -----

Total Assets

Table 8: Total Investment to Total Assets

YEAR	INDIAN BANK	BANK OF INDIA
2018	28.25	22.49
2017	30.95	20.41
2016	26.06	19.49
2015	23.71	19.36
2014	25	19.91
2013	25.67	20.9
2012	26.85	22.56
2011	28.57	24.45
2010	27.88	24.39
2009	70.4	23.33
AVERAGE	31.334	21.729
RANK	2	1

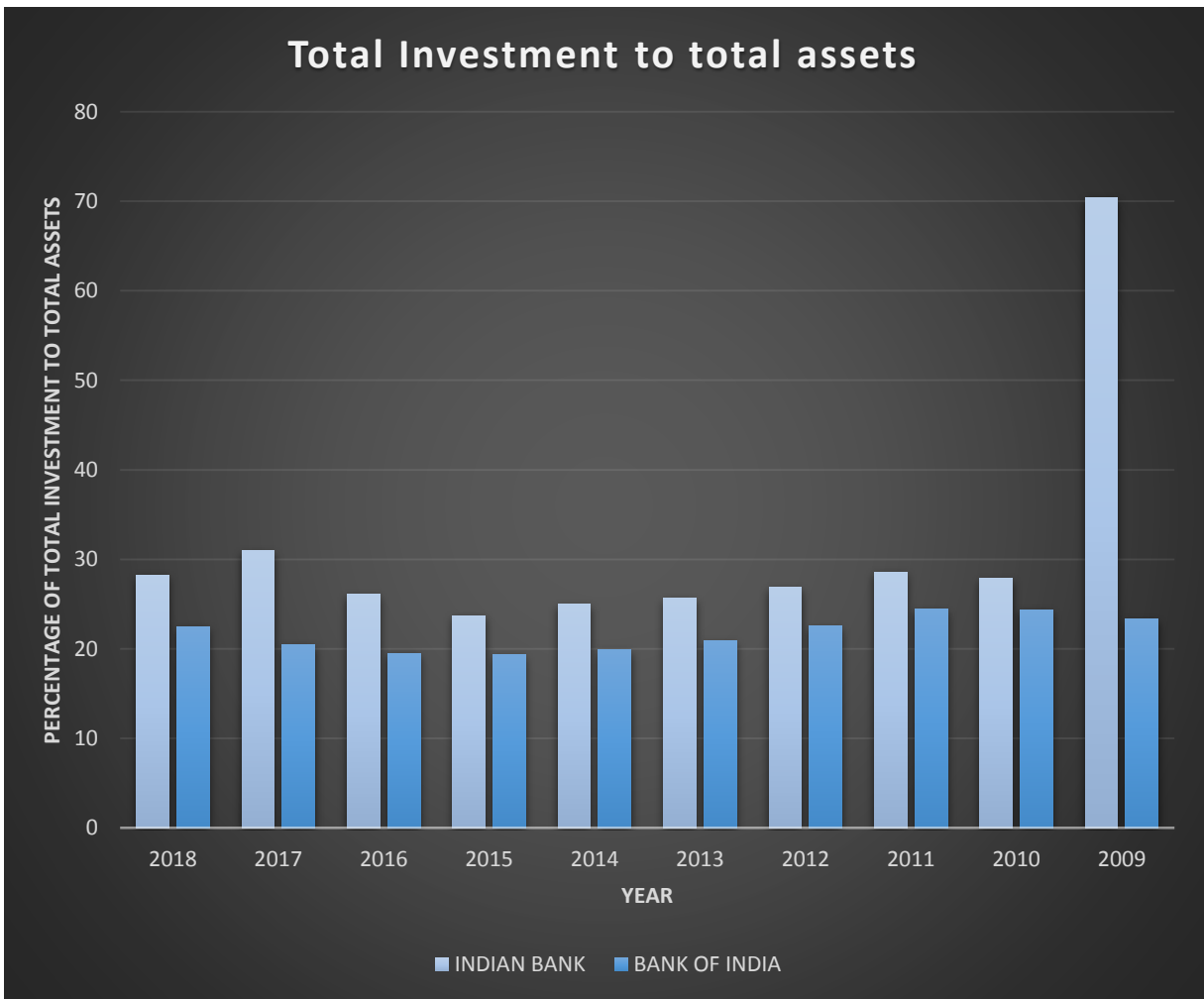
Source: Banks Annual Reports

INTERPRETATION:

Total advances to total assets is one of the key ratios of Asset quality of the banking industry. From the above table it is found that Bank of India has a lower average of 21.72 than the Indian Bank average of 31.33. The total asset utilization for the investment is higher in Indian Bank. The high ratio signifies that the bank has very conveniently kept the high cover of investment against the risk of Non-Performing Assets.

EXHIBIT – 7

Total Investment to Total Assets Ratio



COMPOSITE ASSET QUALITY

Table 9: Composite Asset quality (A)

Bank	Net NPA Ratio		Gross NPA Ratio		Total investment to total assets		Group Ranking	
	%	Rank	%	Rank	%	Rank	%	Rank
Indian Bank	2.17	1	3.76	1	31.33	2	1.33	1
Bank of India	3.45	2	6.36	2	21.72	1	1.67	2

Source: Computed data

INTERPRETATION

Net Non- Performing Assets (NPA) is the term used by the credit institutions to refer to the sum of the non- performing loans and less provision for bad and doubtful debts. From the above table it is found that Indian Bank (2.16) is having the lowest ratio Non – Performing Assets against total advances and Bank of India (3.45) is having the highest ratio Non - Performing Assets against total advances. It clearly shows that quality of Bank of India advances is not good. If there is more NPA banks profit will be under pressure in future

Gross Non Performing Assets refers to the total amount of debts that an organisation has failed to collect or the people owing the organisation has failed to honour their contractual obligation of paying both the principal and interest amount. From the above table it is found that Indian Bank (3.67) has less average Gross NPA when compared to Bank of India (6.36). In Gross NPA to total advances ratio Indian Bank is at the better position. Gross NPA to total advances were fluctuating over the period of study.

Total advances to total assets is one of the key ratios of Asset quality of the banking industry. From the above table, it is found that Bank of India has a lower average of 21.72 than the Indian Bank average of 31.33. The total asset utilization for the investment is higher in Indian Bank. The high ratio signifies that the bank has very conveniently kept the high cover of investment against the risk of Non-Performing Assets.

On the basis of group average of three ratios of asset quality as expressed in the table Indian Bank is at the top position with the group average of 1.33 then of Bank of India average of 1.67. Bank of India has ranked second because of the poor performance in Net NPA and Gross NPA ratios

TOTAL ADVANCES TO TOTAL DEPOSIT RATIO

This ratio gives the first indication of the health of a bank as the ratio measure the extent to which a bank's core funds are being used for lending as its is main banking activity. Advances are necessary to earn profit and service the interest being paid to the deposits. This ratio measure the efficiency and ability of the banks management in converting the deposits available with the bank into high earning advances.

Total advances

Total Advances to Total Deposits = -----

Total deposits

Table 10: Total Advances to Total Deposit Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	75.16	65.54
2017	69.96	67.86
2016	72.38	70.02
2015	74.38	75.58
2014	75.3	77.73
2013	74.4	75.78
2012	74.77	78.19
2011	71.12	71.29
2010	70.44	73.33
2009	70.9	75.33
AVERAGE	72.881	73.065
RANK	2	1

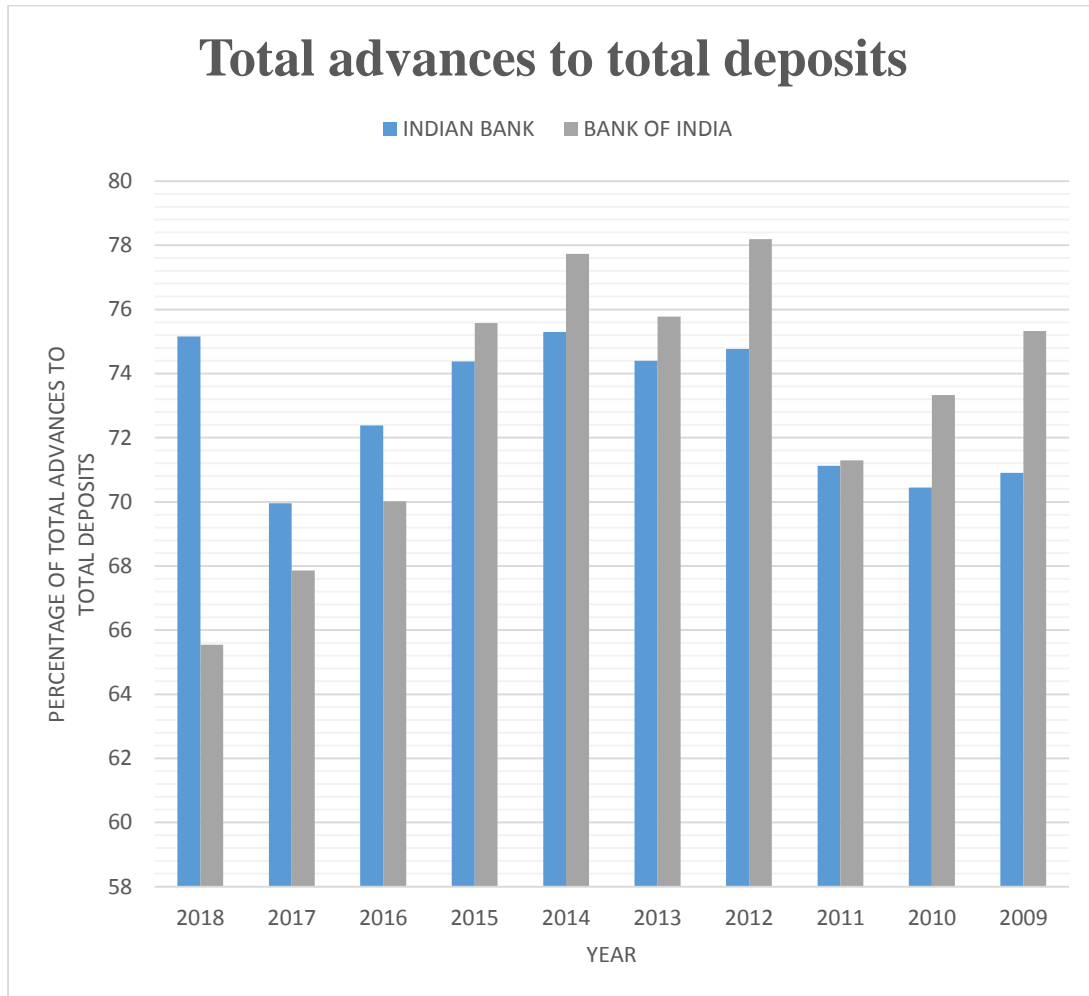
Source: Banks Annual Reports

INTERPRETATION

This ratio measure the efficiency and ability of the banks management in converting the deposits available with the bank into high earning advances. From the above table it is found that Bank of India has a highest average 73.06 than the Indian Bank average of 72.88. A high ratio indicates more reliance on deposits for lending while the low ratio signifies less reliance on deposits. It clearly shows that the Bank of India depend more on deposits for lending than the Indian bank.

EXHIBIT - 8

Total Advances to Total Deposits Ratio



BUSINESS PER EMPLOYEE

Business per employee ratio shows the productivity of employees of the bank and is used as a tool to measure the efficiency of all the employees of a bank in generating business for the bank. It indicates how much business each employee is producing for the bank. A low ratio is often a sign of low productivity.

$$\text{Business per Employee} = \frac{\text{Total income}}{\text{Number of Employees}}$$

Table 11: Business Per Employee Ratio

YEAR	INDIAN BANK RS (in lakhs)	BANK OF INDIA RS (in lakhs)
2018	1856	1829
2017	1488	1940
2016	1531	1796
2015	1443	2069
2014	1453	1963
2013	1301	1582
2012	1114	1360
2011	930	1284
2010	761	1011
2009	617	833
AVERAGE	1249.4	1566.7
RANK	2	1

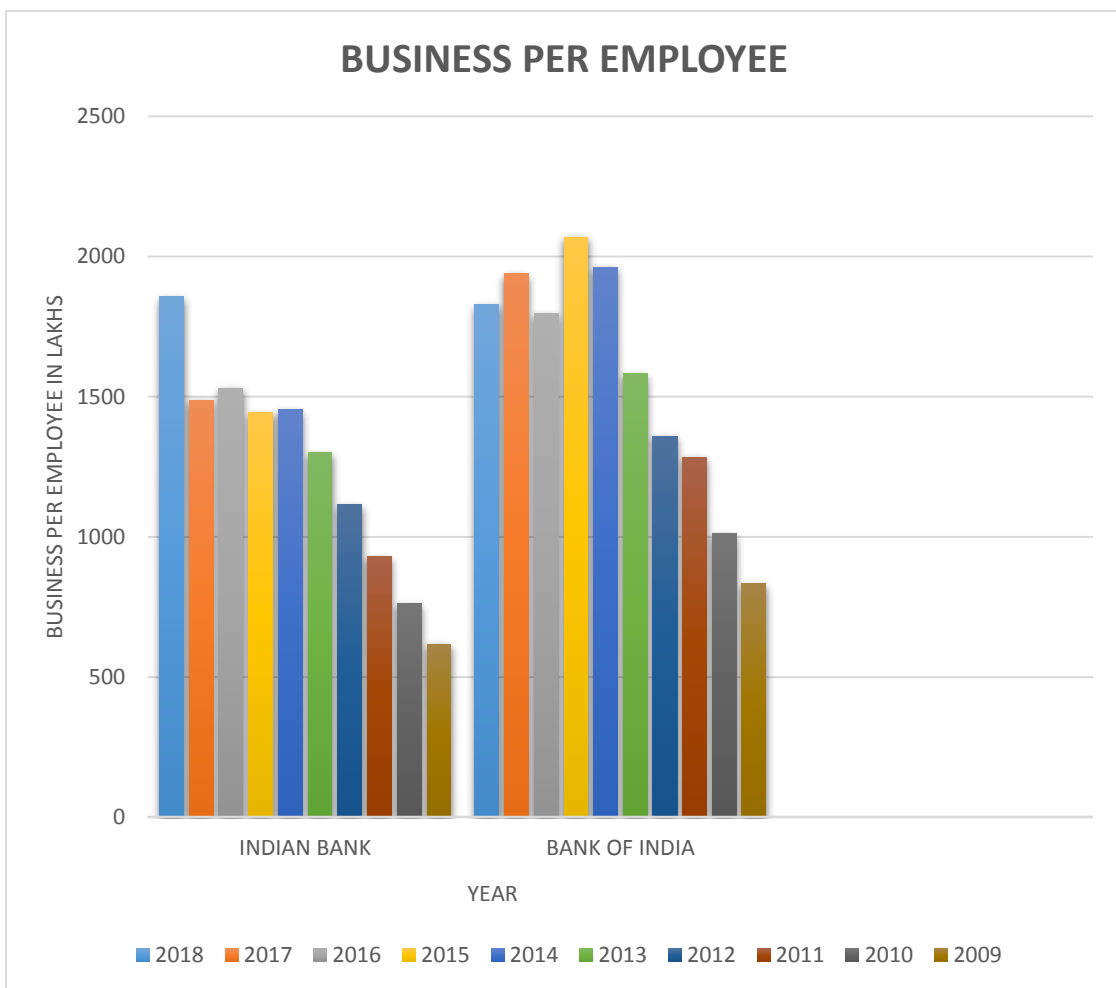
Source: Banks Annual Reports

INTERPRETATION

Business per employee ratio shows the productivity of employees of the bank and is used as a tool to measure the efficiency of all the employees of a bank in generating business for the bank. From the above table it shows that Bank of India has a average of 1566.7 than Indian Bank average of 1249.4. This ratio indicates how much business each employee is producing for the bank. The highest average indicates that employees are generating adequate sales or revenue for the bank which is a clear indicator of efficient and sound management of the bank. A low ratio is often a sign of low productivity. A high ratio is good for the bank as it automatically signifies efficient bank management

EXHIBIT – 9

Business Per Employee



PROFIT PER EMPLOYEE

This is an important parameter to measure the efficiency of the banks management because it measures the company's profile in relation to number of employees. It signifies the average profit generated per person employed. A high ratio clearly signifies the efficient management.

$$\text{Profit per Employee} = \frac{\text{Profit after tax}}{\text{Number of Employees}}$$

Table 12: Profit Per Employee

YEAR	INDIAN BANK	BANK OF INDIA
2018	0.06	0.12
2017	0.07	0.03
2016	3.53	0.12
2015	4.95	0.03
2014	5.97	0.063
2013	8.38	0.064
2012	9.3	0.064
2011	8.88	0.062
2010	7.92	4.39
2009	6.23	7.49
AVERAGE	5.529	1.2433
RANK	1	2

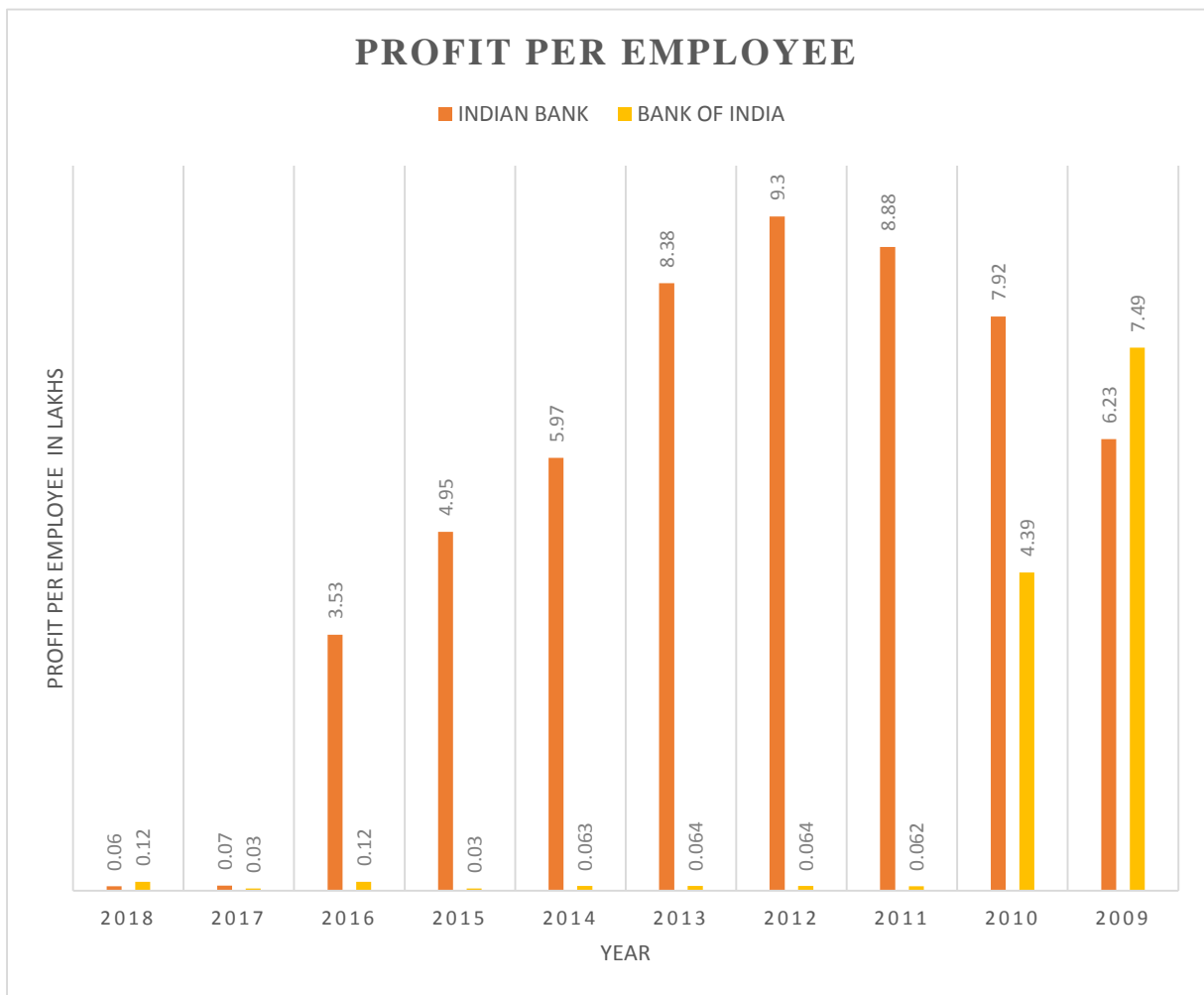
Source: Banks Annual Reports

INTERPRETATION:

Profit per employee measures the efficiency of all employees in a bank in generating profit for the banks. From the above table it is found that Indian Bank is having the highest average of 5.52 then of Bank of India average of 1.24 and it indicates that Indian Bank employees are more efficient. Higher ratio the shows higher efficiency of employees

EXHIBIT - 10

Profit Per Employee



RETURN ON ASSETS RATIO

Return on assets is the ratio of net profit to total assets of a business during the financial year. This ratio indicates the efficiency of the banks in utilizing their assets in generating profits. A higher ratio indicates the better income generating capacity of the assets and the efficiency of the management.

$$\text{Return on Assets} = \frac{\text{Net profit}}{\text{Total Assets}}$$

Table 13: Return on Assets

YEAR	INDIAN BANK	BANK OF INDIA
2018	0.5	-0.9
2017	0.6	-0.2
2016	0.3	-0.9
2015	0.5	0.3
2014	0.6	0.5
2013	1	0.6
2012	1.2	0.7
2011	1.4	0.7
2010	1.5	0.6
2009	1.5	1.3
AVERAGE	0.91	0.27
RANK	1	2

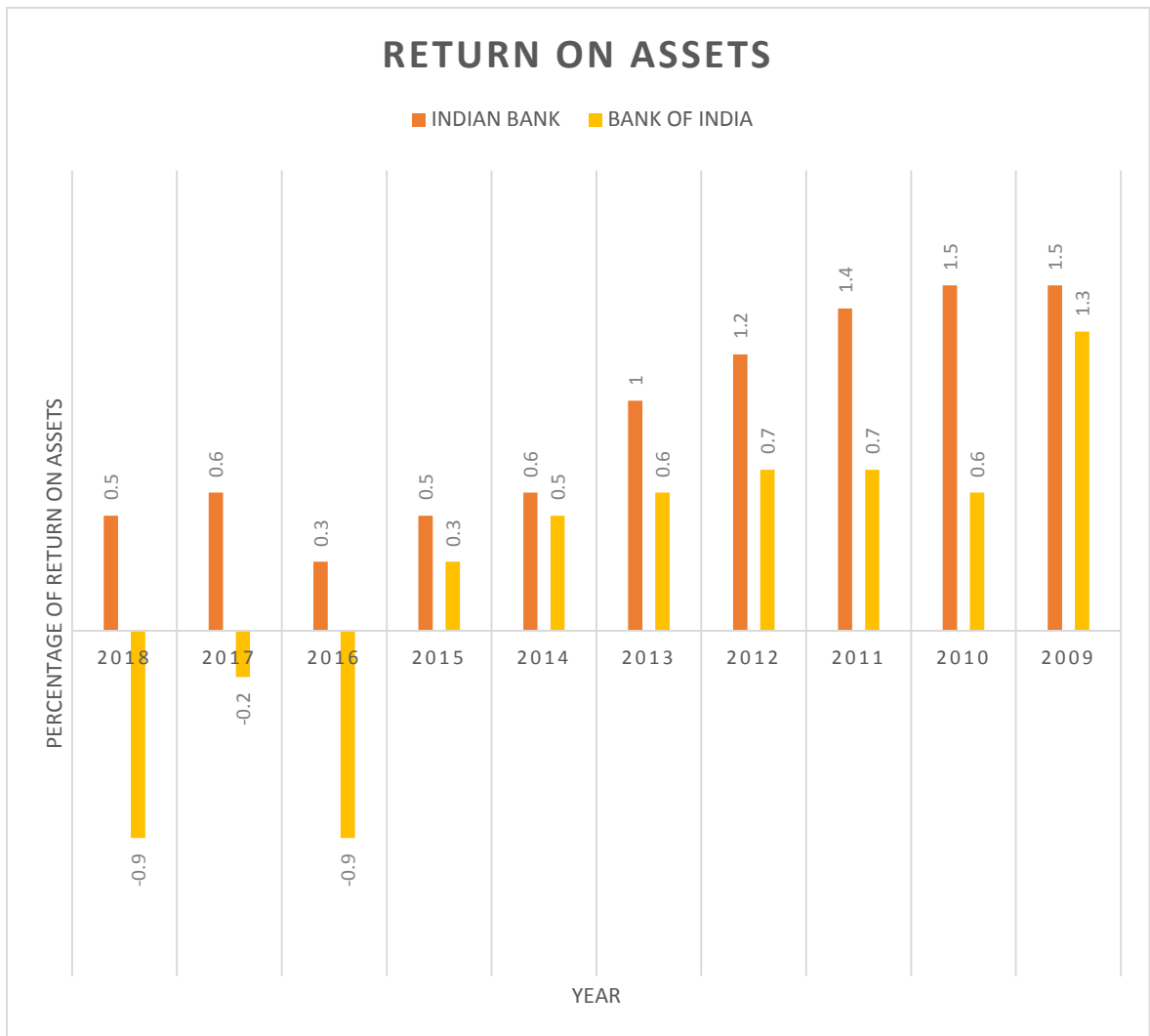
Source: Banks Annual Reports

Interpretation:

This ratio indicates the efficiency of the banks in utilizing their assets in generating profits. From the above table it is found that Indian Bank has the highest average of (0.91) than the Bank of India Average (0.27). The return on asset of Bank of India is negative during the years 2016-2018. A Lower ratio indicates very poor management efficiency of the bank in generating income. A higher ratio indicates the better income generating capacity of the assets and good management efficiency.

EXHIBIT - 11

Return on Assets Ratio



COMPOSITE MANAGEMENT EFFICIENCY

Table 14: Composite Management efficiency (M)

Banks	Total advances To total deposit		Business per employee		Profit per employee		Return on Assets		Group Raking	
	%	Rank	%	Rank	%	Rank	%	Rank	AVR	Rank
Indian Bank	72.88	2	1249	2	5.52	1	0.91	1	1.5	1
Bank of India	73.06	1	1566	1	1.24	2	0.27	2	1.5	1

Source: Computed data

INTERPRETATION:

This ratio measure the efficiency and ability of the banks management in converting the deposits available with the bank into high earning advances. From the above table it is found that Bank of India has a highest average 73.06 than the Indian Bank average of 72.88. A high ratio indicates more reliance on deposits for lending while the low ratio signifies less reliance on deposits. It clearly shows that the Bank of India depend more on deposits for lending than the Indian bank.

Business per employee ratio shows the productivity of employees of the bank and issued as a tool to measure the efficiency of all the employees of a bank in generating business for the bank. From the above table it shows that Bank of India has a average of Rs.1566.7 than Indian Bank average of Rs.1249.4. This ratio indicates how much business each employee is producing for the bank. The highest average indicates that employees are generating adequate sales or revenue for the bank which is a clear indicator of efficient and sound management of the bank. A low ratio is often a sign of low productivity. A high ratio is good for the bank as it automatically signifies efficient bank management

Profit per employee measures the efficiency of all employees in a bank in generating profit for the banks. From the above table it is found that Indian Bank is having the highest average of 5.52 then of Bank of India average of 1.24 and it indicates that Indian Bank employees is more efficient. Higher ratio shows the higher efficiency of employees.

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On the basis of group average of this parameter Management of Indian Bank has average 1.5 and Bank of India average 1.5 are equal. Both the bank has same management efficiency during the period of study.

EARNINGS - E

INTEREST INCOME TO TOTAL INCOME

Interest income is a basic source of revenue for banks. The interest income to total income indicates the ability of the bank in generating income from its lending. This ratio measures the income from lending operations as a percentage of the total income generated by the banks in a year. Interest income includes income on advances, interest on deposits with RBI and dividend income.

Interest income

Interest Income to Total Income = -----

Total income

Table: 15 Interest Income to Total Income Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	87.68	86.91
2017	87.88	85.29
2016	90.12	91.96
2015	92.08	91.19
2014	91.74	89.83
2013	91.52	89.44
2012	90.84	89.56
2011	88.78	89.17
2010	87	87.23
2009	81.11	84.27
AVERAGE	88.875	88.485
RANK	1	2

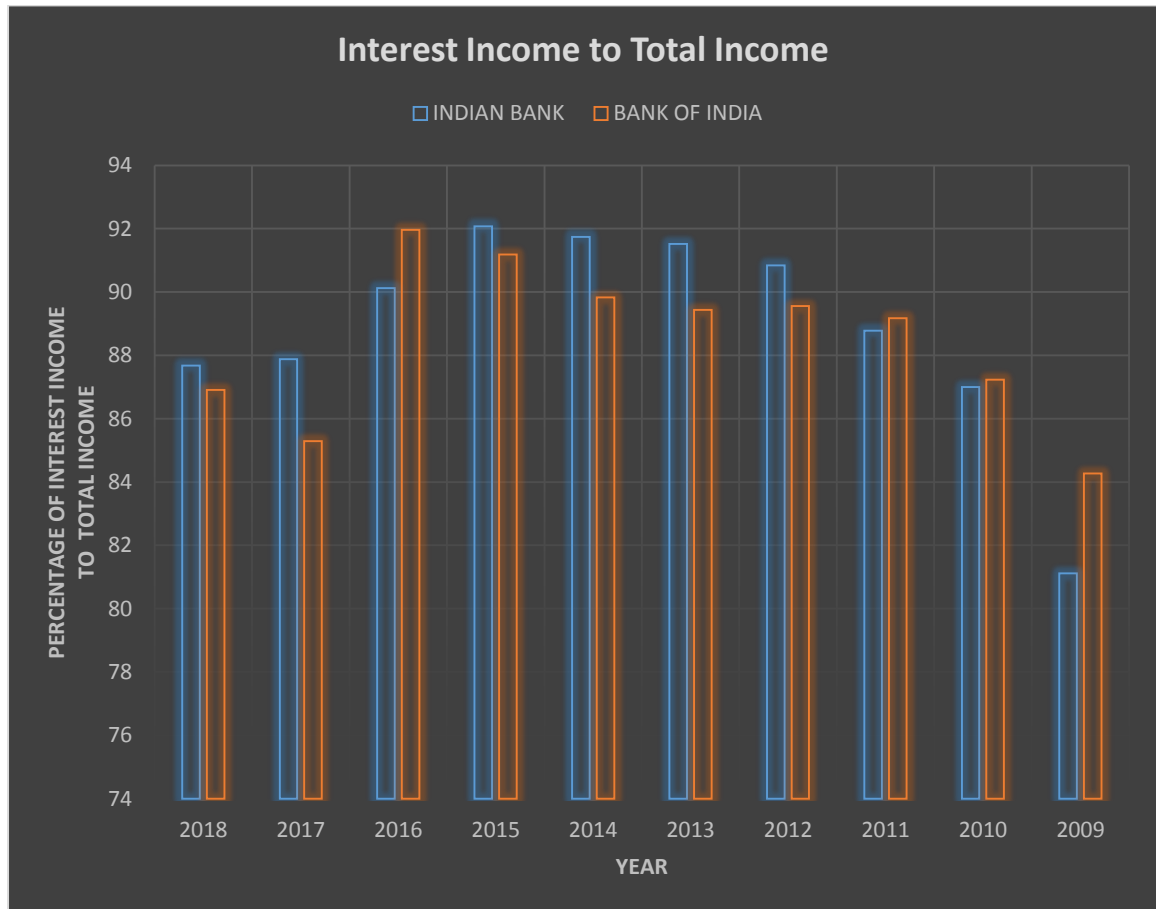
Source: Banks Annual Reports

INTERPRETATION

Interest income is a basic source of revenue for banks. From the above table it is found that the Indian Bank has a highest average of 88.87 than the Bank of India average of 88.47 during the period of study. But both the banks have more or less same interest income .The interest income to total income indicates the ability of the bank in generating income from its lending.

EXHIBIT – 12

Interest Income to Total Income



OPERATING PROFIT RATIO

This ratio states how much a bank can earn profit from its operation for every rupee invested in its total assets.

Operating profit

$$\text{Operating Profit Ratio} = \frac{\text{Operating profit}}{\text{Total assets}}$$

Table: 16 Operating Profit ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	2.09	1.17
2017	1.93	1.55
2016	1.48	0.98
2015	1.56	1.21
2014	1.55	1.47
2013	1.88	1.65
2012	2.45	1.74
2011	2.7	1.53
2010	2.71	1.71
2009	2.44	2.42
AVERAGE	2.079	1.543
RANK	1	2

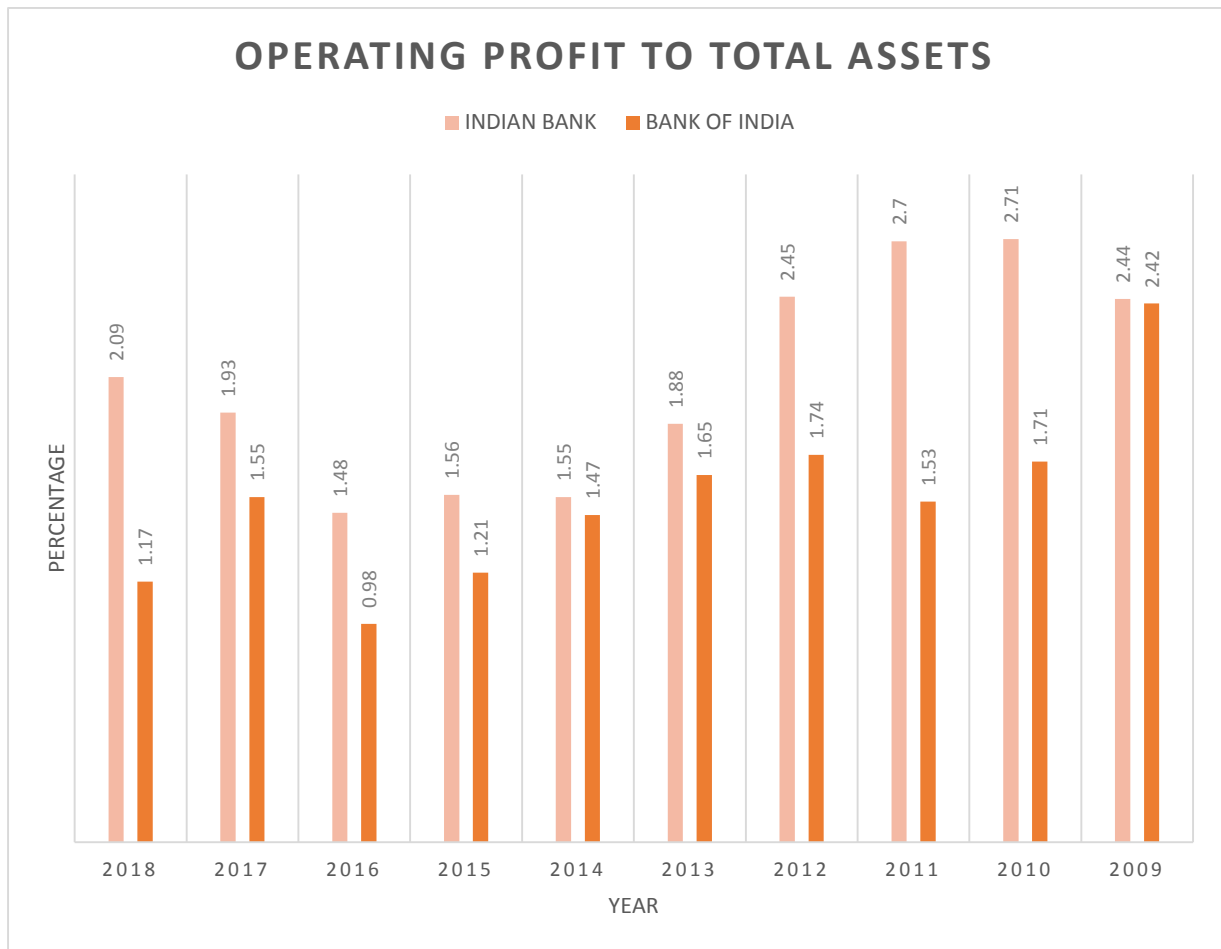
Source: Banks Annual Reports

INTERPRETATION:

This ratio states how much a bank can earn profit from its operation for every rupee invested in its total assets. From the above table it is found that the Indian Bank has the highest average of (2.07) than the Bank of India average of (1.57). Indian Bank earn more operating profit from its activities than Bank of India. If the average operating profit is low it indicates that profitability of the bank is not satisfactory.

EXHIBIT – 13

Operating Profit Ratio



NET INTEREST MARGIN TO TOTAL ASSETS

Net interest margin is an important parameter of performance of the banks. It is the difference between the interest income and the interest expended to the total assets

Interest income – Interest expenses

Net Interest Margin to Total Assets = -----
Total assets

Table17: Net Interest Margin to Total Assets Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	2.48	1.72
2017	2.36	1.88
2016	7.09	0.98
2015	2.31	1.84
2014	2.33	1.89
2013	2.78	1.99
2012	3.19	2.16
2011	3.31	2.22
2010	3.25	1.99
2009	3.1	5.89
AVERAGE	3.22	2.256
RANK	1	2

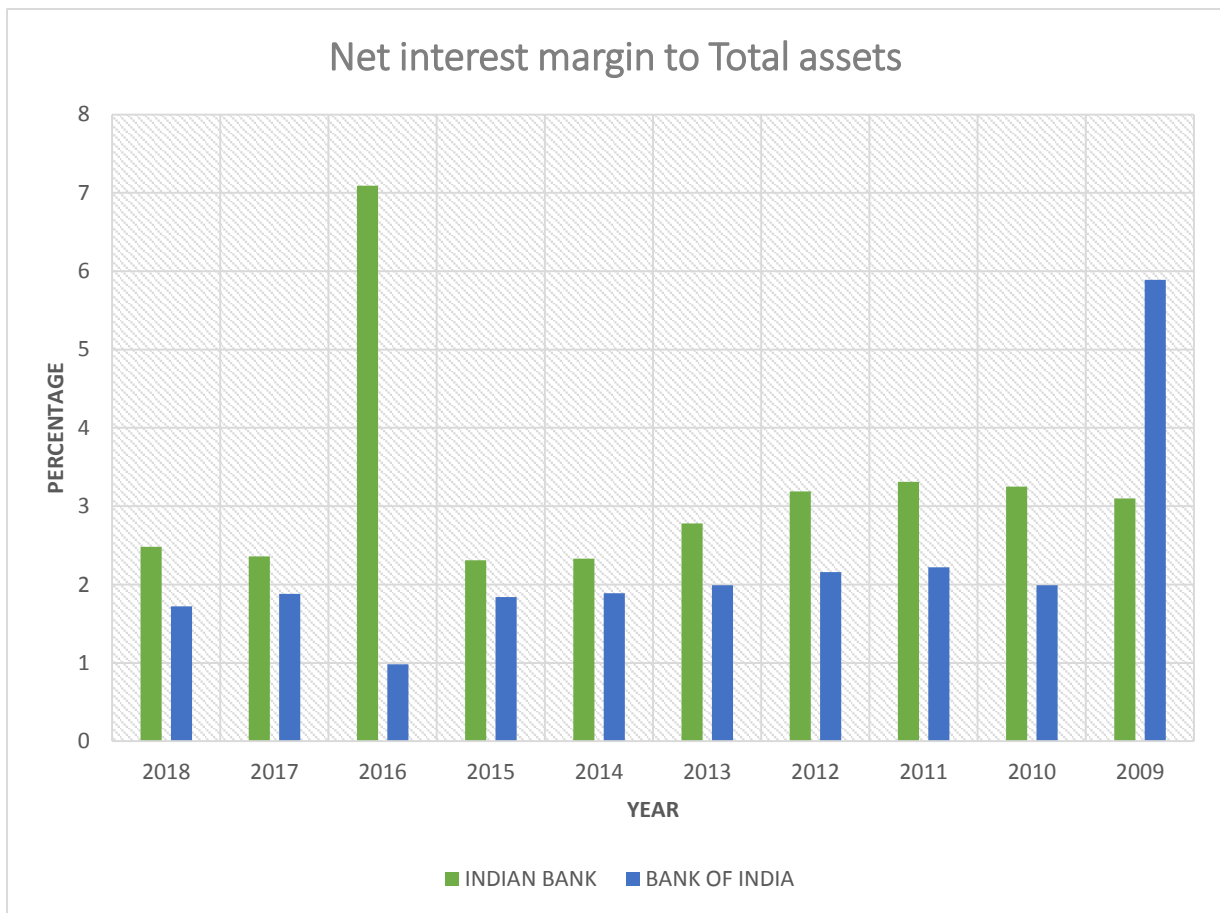
Source: Banks Annual Reports

INTERPERTATION

Net interest margin is an important parameter for performance of the banks. From the above table it is found that the Indian Bank has the highest average of 3.52 then the Bank of India average of 2.25. Indian Bank has the highest earnings against total assets. Net Interest Margin shows the ability of the bank to keep the interest on deposits low and interest on advances high. Higher the ratio indicates better earnings as against total assets.

EXHIBIT - 14

Net Interest Margin to Total Assets



COMPOSITE EARNINGS:

Table 18: Composite Earnings (E)

Bank	Interest income to total income		Operating profit ratio		Net interest margin to total assets		Group ranking	
	%	Rank	%	Rank	%	Rank	%	Rank
Indian bank	88.87	1	2.07	1	3.22	1	1	1
Bank of India	88.48	2	1.54	2	2.25	2	2	2

Source: Computed data

INTERPRETATION:

Interest income is a basic source of revenue for banks. From the above table it is found that the Indian Bank has a highest average of 88.87 than the Bank of India average of 88.47 during the period of study. But both the banks have more or less same interest income. The interest income to total income indicates the ability of the bank in generating income from its lending.

This ratio states how much a bank can earn profit from its operation for every rupee invested in its total assets. From the above table it is found that the Indian Bank has the highest average of (2.07) than the Bank of India average of (1.57). Indian Bank earn more operating profit from its activities than Bank of India. If the average operating profit is low it indicates that profitability of the bank is not satisfactory

Net interest margin is an important parameter of performance of the banks. From the above table it is found that the Indian Bank has the highest average of 3.52 then the Bank of India average of 2.25. Indian Bank has the highest earnings against total assets. Net Interest Margin shows the ability of the bank to keep the interest on deposits low and interest on advances high. Higher the ratio indicates better earnings as against total assets.

On the basis of group average of three ratios Indian Bank is at the top position with the group average of 1 than the Bank of India group average of 2. It is due to poor performance in Interest Income to Total Income, operating profit to Total assets and Net Interest margin to total Assets ratios.

LIQUIDITY – L

LIQUID ASSETS TO TOTAL ASSETS

Liquidity for a bank means the ability to meet its financial obligations as they come due. The main challenges to a bank is ensuring its own liquidity under all reasonable conditions. Liquid assets includes cash in hand, balance with RBI, balance with other banks (both in India and abroad) and money at call and short notice.

Liquid assets

Liquid Assets to Total Assets = -----

Total assets

Table19: Liquid Assets to Total Assets

YEAR	INDIAN BANK	BANK OF INDIA
2018	5.12	15.73
2017	4.6	15.31
2016	5.89	16.25
2015	6.78	11.75
2014	5.6	10.71
2013	5.92	12.11
2012	6.23	9.03
2011	7.03	10.62
2010	8	11.36
2009	7.94	9.65
AVERAGE	6.311	12.252
RANK	2	1

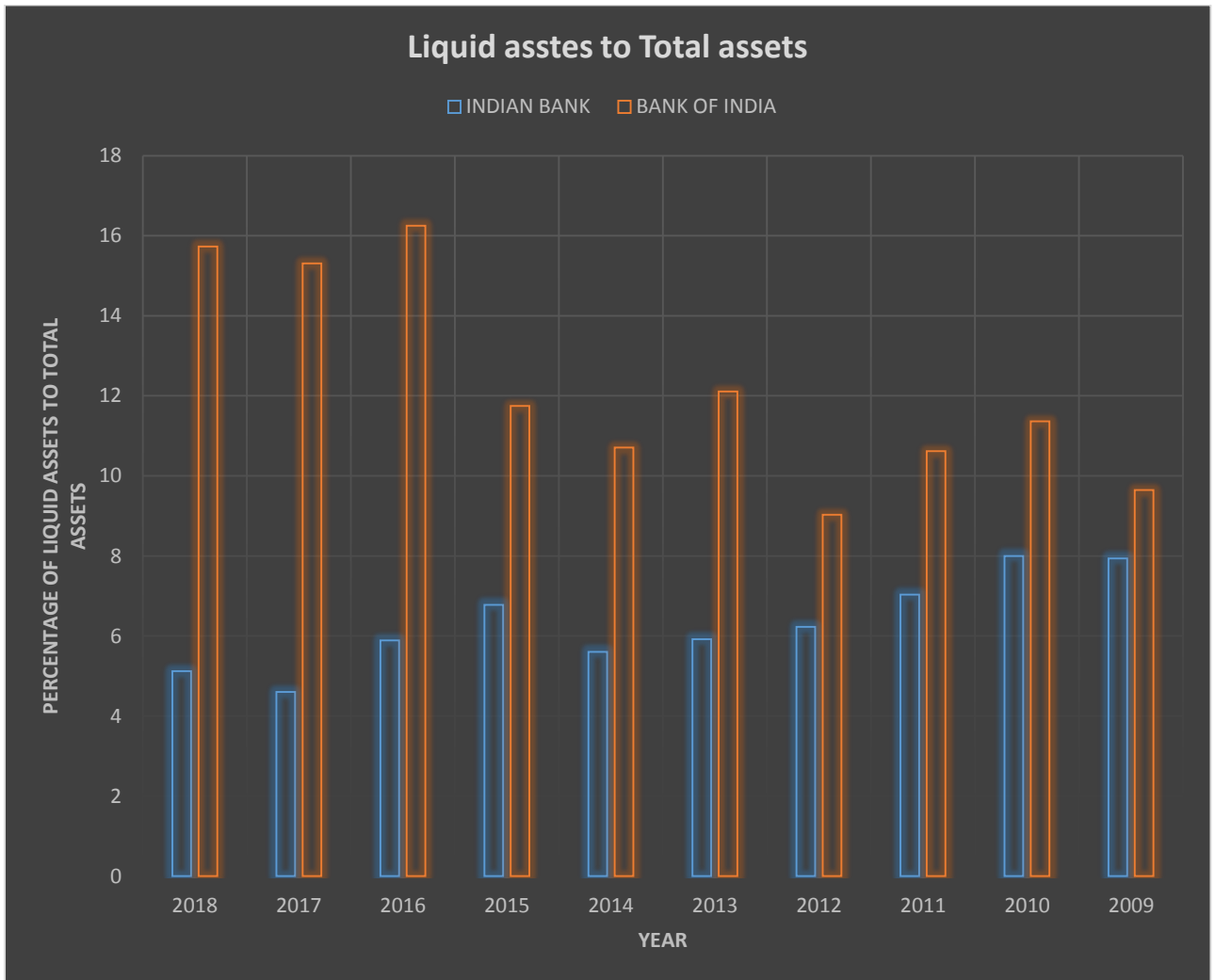
Source: Banks Annual Reports

INTERPRETATION:

Liquidity means ability of the bank to pay its short- term liabilities. Liquidity is an important aspect for the organization dealing with money. From the above table it is clear that the Bank of India has the highest average of (12.52) than the Indian Banks average of (6.31). The proportion of liquid assets to total assets indicates the overall liquidity position of the bank.

EXHIBIT -15

Liquid Assets to Total Assets



LIQUID ASSETS TO DEMAND DEPOSIT

This ratio measures the ability of the bank to meet the demand from depositors in a particular year. Demand deposits offer high liquidity to a depositor and hence banks have to invest these assets in a highly liquid form.

$$\text{Liquid Assets to Total Assets} = \frac{\text{Liquid assets}}{\text{Demand deposits.}}$$

Table 20: Liquid Assets to Total Assets Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	100.23	324.56
2017	97.08	338.55
2016	129.34	421.57
2015	154.49	338.42
2014	146.52	284.31
2013	140.78	270.31
2012	126.5	193.26
2011	132.97	221.14
2010	138.9	196.57
2009	126.28	172.97
AVERAGE	129.309	276.166
RANK	2	1

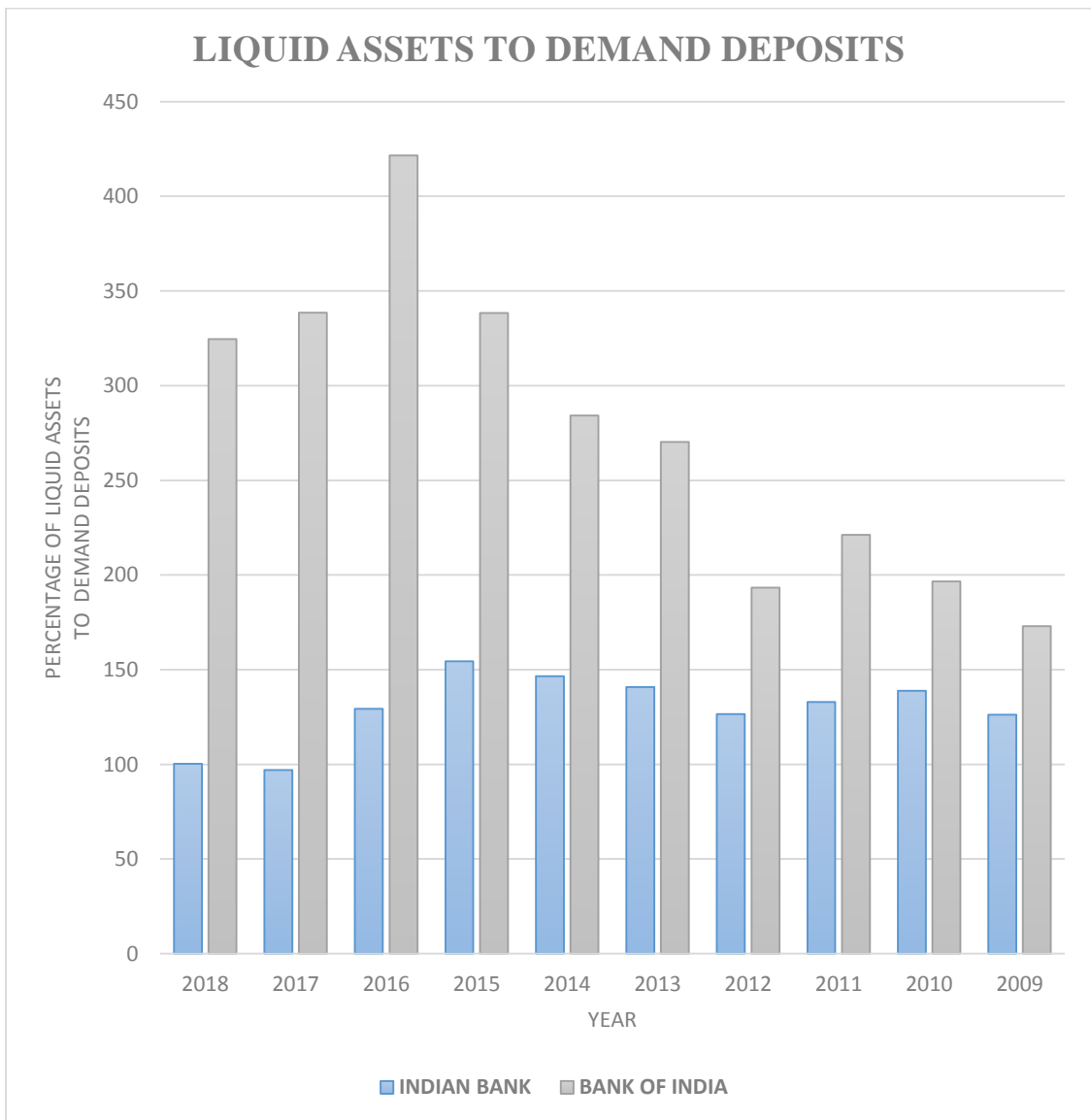
Source: Banks Annual Reports

INTERPRETATION

Liquidity for a bank means the ability to meet its financial obligations as they come due. From the above table it is found that the Bank of India has the highest average of (276.16) than the Indian Bank average of (129.30). This ratio measures the ability of the bank to meet the demand from deposits in a particular year.

EXHIBIT -16

Liquid Assets to Demand Deposits Ratios



LIQUID ASSETS TO TOTAL DEPOSITS

This ratio measures the liquidity available to the deposits of a bank. Total deposits includes demand deposits, savings deposits, term deposits and deposits with other financial institutions. Liquid assets includes cash in hand, balance with RBI, and balance with other banks (both in India and abroad), and money at call and short notice.

Liquid assets

Liquid Assets to Total Deposits = -----

Total deposits

Table 21: Liquid Assets to Total Deposits Ratio

YEAR	INDIAN BANK	BANK OF INDIA
2018	6.21	18.41
2017	5.5	17.75
2016	6.73	19.32
2015	7.73	13.66
2014	6.46	12.87
2013	6.79	14.36
2012	7.29	10.91
2011	8.09	12.48
2010	9.19	13.59
2009	9.21	11.47
AVERAGE	7.32	14.482
RANK	2	1

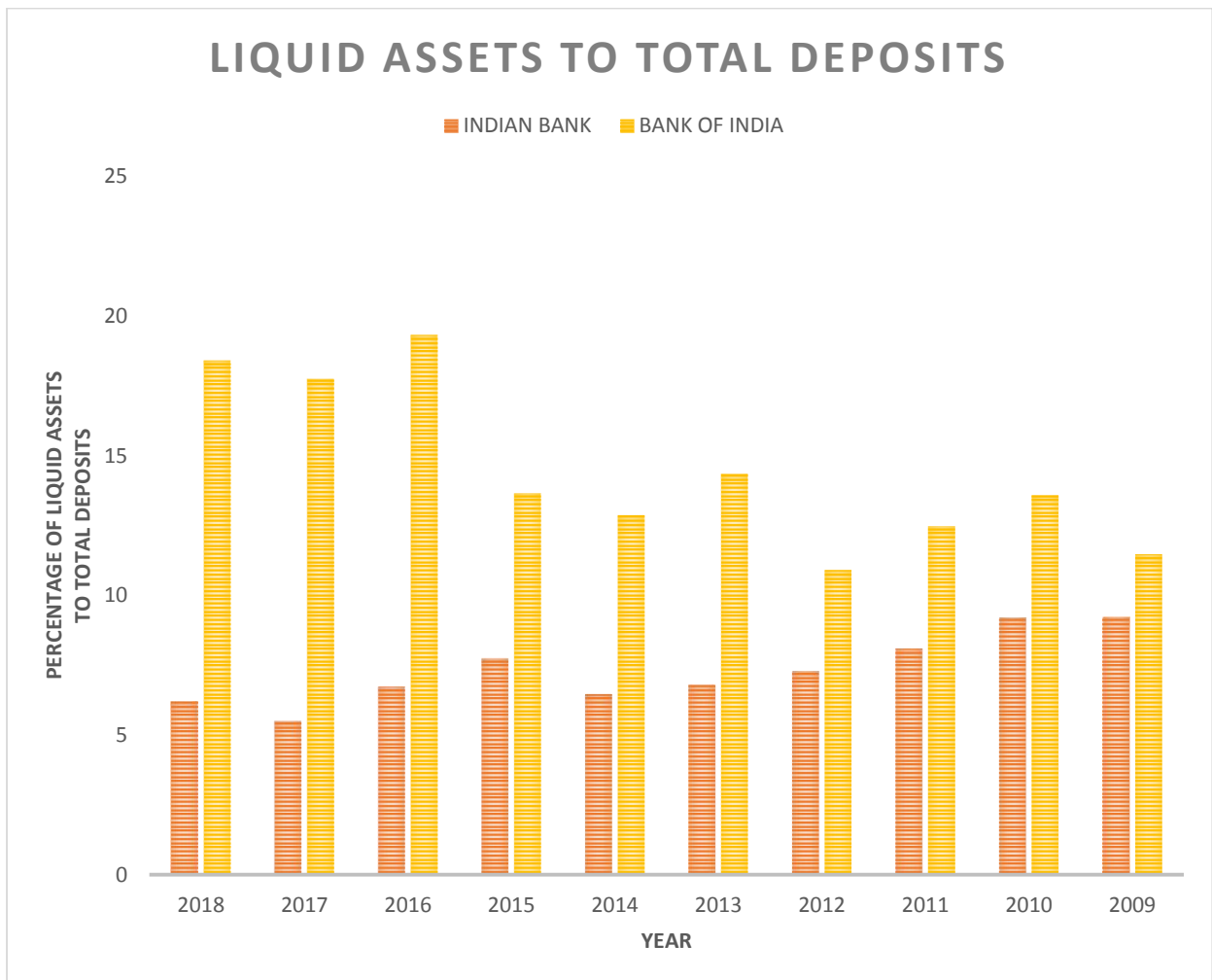
Source: Banks Annual Reports

INTERPRETATION:

From the above table it is found that Bank of India has the highest average of (14.48) than the Indian Bank average (7.32). Bank of India maintains a good liquidity level than India Bank to meet the demand of the customers. This ratio shows the liquid assets available to the depositors of the bank

EXHIBIT – 17

Liquid Assets to Total Deposits Ratio



APPROVED SECURITIES TO TOTAL ASSETS

Approved securities include securities other than government securities. This ratio measures the approved securities as a proportion of total assets. Banks invest in approved securities primarily after meeting their SLR requirements. This ratio measures the risk involved in the assets held by a bank.

Approved securities

Approved Securities to Total Assets = -----

Total assets

Table 22: Approved Securities to Total Assets Ratios

YEAR	INDIAN BANK	BANK OF INDIA
2018	23.92	19.42
2017	25.95	17.79
2016	19.41	16.98
2015	20.04	16.48
2014	20.34	16.87
2013	19.12	17.56
2012	21.03	18.63
2011	21.71	19.24
2010	23.1	2.85
2009	22.79	19.15
AVERAGE	21.741	16.497
RANK	1	2

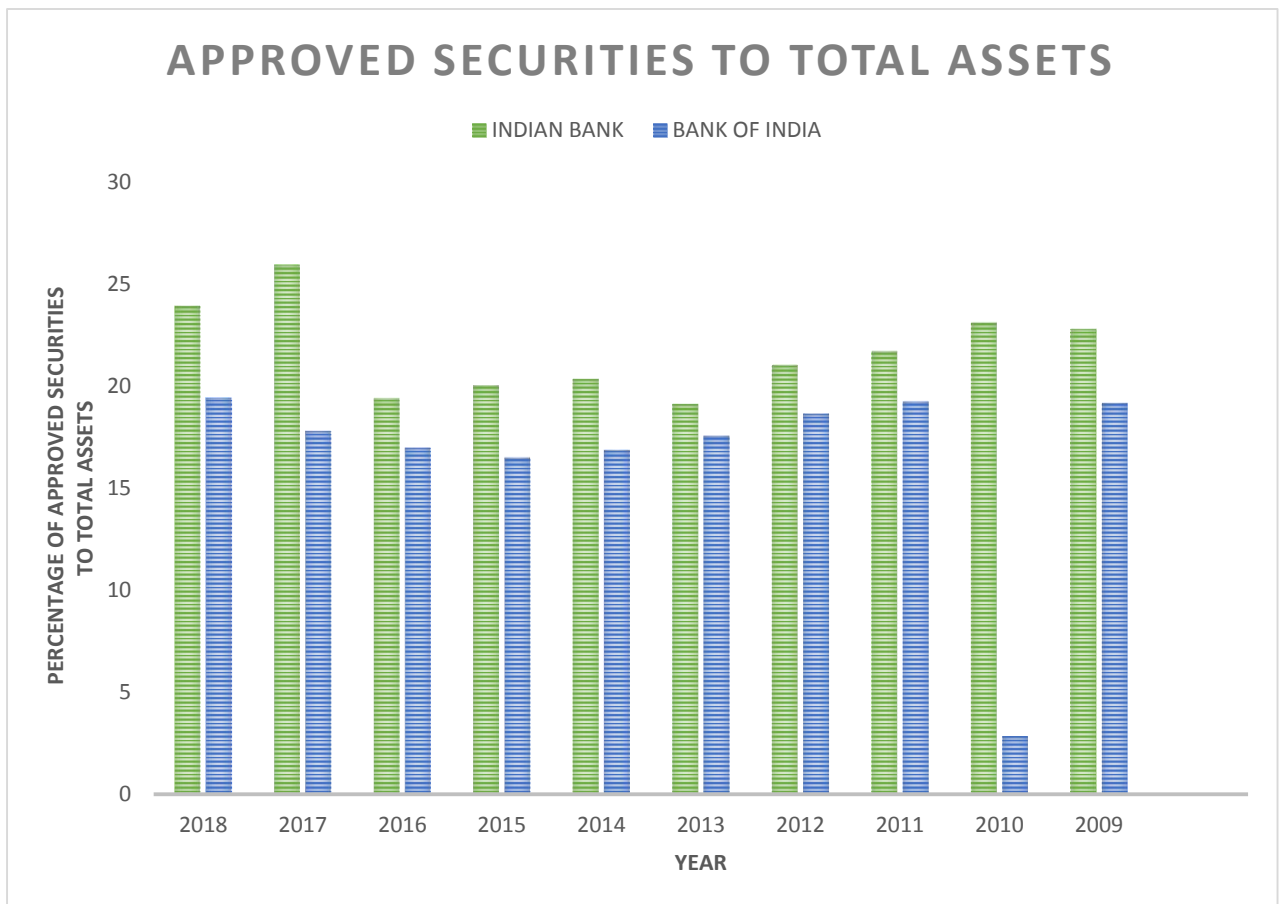
Source: Banks Annual Reports

INTERPRETATION:

From the above table it is found that Indian Bank has the highest average of (21.74) than the Bank of India average (16.49). Indian Bank maintains a good liquidity level than Bank of India to meet the demand of the customers. This ratio shows the liquid assets available to the depositors of the bank.

EXHIBIT – 18

Approved Securities to Total Assets Ratio



COMPOSITE LIQUIDITY

Table 23: Composite Liquidity (L)

Banks	Liquid Assets to total assets		Liquid assets to Demand deposit		Liquid assets to total deposits		Approved securities to total assets		Group Ranking	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Indian Bank	6.31	2	129.30	2	7.32	2	21.74	1	1.75	2
Bank of India	12.25	1	276.16	1	14.48	1	16.49	2	1.25	1

Source: Computed data

INTERPRETATION

Liquidity means ability of the bank to pay its short- term liabilities. Liquidity is an important aspect for the organization dealing with money. From the above table it is clear that the Bank of India has the highest average of (12.52) than the Indian Banks average of (6.31). The proportion of liquid assets to total assets indicates the overall liquidity position of the bank.

Liquidity for a bank means the ability to meet its financial obligations as they come due. From the above table it is found that the Bank of India has the highest average of (276.16) than the Indian Bank average of (129.30). This ratio measures the ability of the bank to meet the demand from deposits in a particular year.

From the above table it is found that in liquid assets to total deposits ratio Bank of India has the highest average of (14.48) than the Indian Bank average (7.32). Bank of India maintains a good liquidity level than India Bank to meet the demand of the customers. This ratio shows liquidity available to the deposits of the bank.

From the above table it is found that in approved securities to total assets ratio Indian Bank has the highest average of (21.74) than the Bank of India average (16.49). Indian Bank maintains a good liquidity level than Bank of India to meet the demand of the customers. This ratio shows the liquid assets available to the depositors of the bank.

Group averages of four ratios of liquidity are expressed in the table Bank of India stood on the top position with the group average of 1.25 than the Indian Bank group of average 1.75. It is due to poor performance in Liquid asset to Total assets, Liquid assets to Demand deposits and Liquid assets to Total Deposits ratio.

COMPOSITE OVERALL CAMEL RANKING OF 2 BANKS

Table 24: Composite overall ranking of Indian Bank and Bank of India.

BANKS	C	A	M	E	L	AVERAGE	RANK
INDIAN BANK	1.25	1.33	1.5	1	1.75	1.36	1
BANK OF INDIA	1.75	1.67	1.5	2	1.25	1.63	2

Source: Computed data

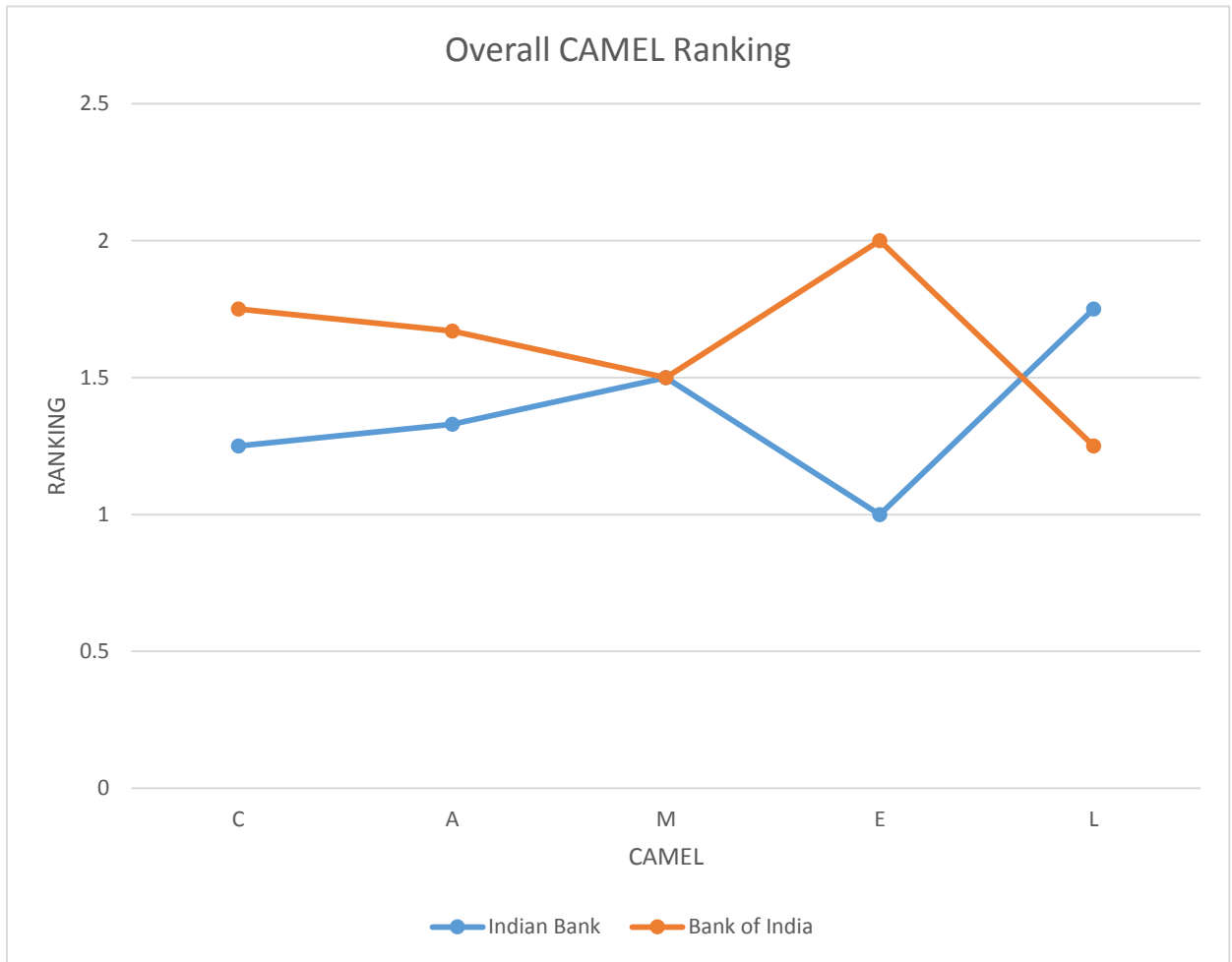
INTERPRETATION:

The Above table depict the group ranking of Indian Bank and Bank of India for the period of 10 years from 2009 to 2019. The results showed that **the Indian Bank is at the top position with the overall average of 1.36 than the Bank of India overall average of 1.63.**

It is found that under the Capital Adequacy ratio parameter Indian Bank is at the top position, then Bank of India Bank. Under the Asset quality parameter Indian Bank is at the top position, then Bank of India Bank. Under the Management efficiency parameter both the banks have the same management efficiency during the period of study. Under the Earnings capacity parameter Indian Bank is at the top position, then Bank of India Bank. Under the Liquidity parameter Bank of India is at the top position, then the Indian Bank.

EXHIBIT – 19

OVERALL CAMEL RANKING



CHAPTER V

FINDINGS AND CONCLUSION

Findings refers to the principal outcome of the research project. This usually refers to the totality of the outcomes rather than the conclusion or recommendations drawn from them. This chapter provides the summary of findings based on the analysis of the data collected. **“FINANCIAL PERFORMANCE OF SELECT PUBLIC SECTOR BANKS (WITH REFERENCE TO INDIAN BANK AND BANK OF INDIA)”** research study was carried out using the secondary collected.

The findings of the analysis are presented in the following headings:

- ❖ **C- Capital Adequacy Ratio**
- ❖ **A -Asset quality**
- ❖ **M –Management efficiency**
- ❖ **E- Earning capacity**
- ❖ **L- Liquidity**
- ❖ **Overall performance of India bank and Bank of India**

Capital Adequacy Ratio – C

Indian Bank and Bank of India have higher CAR Capital Adequacy Ratio than the benchmark level fixed by the RBI. In the analysis it is found that Indian Bank ranked on the Top position with the highest CAR of 13.16 which is more than that of Bank of India CAR 11.8. This shows that Indian Bank maintains proper CAR.

The Debt Equity ratio is a leverage ratio and it shows how much finance comes from debt or equity. In the analysis it is found that the Indian Bank is at the top position with an average of 12.04 lesser than Bank of India average of 17.92. Average Debt equity ratio of Bank of India is higher than India Bank and it indicated the poor protection to the creditors in the banking system.

Total Advances to Total assets indicates the aggressiveness in lending which ultimately result in higher profitability. In the analysis it is found Indian Bank has the higher average of 62.23 and it is more aggressive in lending compared to Bank of India with an average of 62.03.

Government Securities are risk free liquid assets invested in government securities as a percentage of the assets held by the bank. From the analysis it is found that Bank of India is ahead with the higher average of 86.75 than Indian Bank average of 76.8. High investment in government securities indicates low risk involved in bank investment.

The group average of four ratios of Capital adequacy showed that Indian Bank is ahead with the group average of 1.25 than Bank of India average of 1.75 due to better performance in Debt equity ratio and total advances to total assets ratio.

All these indicates the better position of Indian Bank in Capital Adequacy Ratio (CAR).

ASSET QUALITY – A

From the analysis it is found that Indian Bank (2.16) is having the lower ratio of Non-Performing assets against the total advances and Bank of India (3.45) is having the higher ratio of Non-Performing assets against the total advances. It clearly shows quality of Bank of India advances is not good.

Gross Non Performing Assets refers to the total amount of debts that an organisation has failed to collect or the people owing the organisation has failed to honour their contractual obligation of paying both the principal and interest amount. From the above table it is found that Indian Bank (3.67) has less average Gross NPA when compared to that of Bank of India (6.36). In Gross NPA to total advances ratio Indian Bank is at the better position. Gross NPA to total advances were fluctuating over the period of study.

Total advances to total assets is one of the key ratios of Asset quality of the banking industry. From the analysis it is found that Bank of India has a lower average of 21.72 than the Indian Bank average of 31.33. The total asset utilization for the investment is higher in Indian Bank.

On the basis of group average of three ratios of asset quality it is found that Indian Bank is at the top position with the group average of 1.33 then of Bank of India average of 1.67. Bank of India has ranked second because of the poor performance in Net NPA and Gross NPA ratios.

All these indicates that Indian Bank is in a better position as far as Asset Quality is concerned.

MANAGEMENT EFFICIENCY – M

Total advances to total deposits ratio measure the efficiency and ability of the banks management in converting the deposits available with the bank into high earning advances. From the analysis it is found that Bank of India has a higher average 73.06 than the Indian Bank average of 72.88. It clearly shows that the Bank of India depend more on deposits for lending than the Indian bank.

Business per employee ratio shows the productivity of employees of the bank and is used as a tool to measure the efficiency of all the employees of a bank in generating business for the bank. From the analysis it shows that Bank of India has a highest average of Rs.1566.7 than Indian Bank average of Rs.1249.4. This ratio indicates how much business each employee is producing for the bank.

Profit per employee measures the efficiency of all employees in a bank in generating profit for the banks. From the analysis it is found that Indian Bank is having the higher average of 5.52 then of Bank of India average of 1.24 It indicates that Indian Bank employees are more efficient.

This ratio indicates the efficiency of the banks in utilizing their assets in generating profits. From the analysis it is found that Indian Bank has the higher average of (0.91) than the Bank of India Average (0.27). The return on assets of Bank of India is negative during the years 2016-2018

On the basis of group averages of this parameters Management of Indian Bank has average 1.5 and Bank of India average 1.5 are equal. Both the bank has same management efficiency during the period of study.

The result indicate that group average ratios show both the banks are efficiently managed. Profit per employee and profit generated by assets is higher in Indian Bank.

EARNING CAPACITY – E

Interest income is a basic source of revenue for banks. From the analysis it is found that the Indian Bank has a higher average of 88.87 than the Bank of India average of 88.47 during the period of study. But both the banks have more or less same interest income.

This ratio states how much a bank can earn profit from its operation for every rupee invested in its total assets. From the analysis it is found that the Indian Bank has the higher

average of (2.07) than the Bank of India average of (1.57). Indian Bank earn more operating profit from its activities than Bank of India.

Net interest margin is an important parameter of performance of the banks. From the analysis it is found that the Indian Bank has the higher average of 3.52 then the Bank of India average of 2.25. Indian Bank has the higher earnings against total assets.

On the basis of group average of three ratios it is found that Indian Bank is at the top position with the group average of 1 than the Bank of India group average of 2. It is due to its better performance in Interest Income to Total Income, operating profit to Total assets and Net Interest margin to total Assets ratios.

LIQUIDITY – L

Liquidity means ability of the bank to pay its short- term liabilities. Liquidity is an important aspect for the organization dealing with money. From the analysis it is found that the Bank of India has the higher average of (12.52) than the Indian Banks average of (6.31). The proportion of liquid assets to total assets indicates the overall liquidity position of the bank.

Liquidity for a bank means the ability to meet its financial obligations as they come due. From the analysis it is found that the Bank of India has the higher average of (276.16) than the Indian Bank average of (129.30). This ratio measures the ability of the bank to meet the demand from deposits in a particular year.

From the analysis it is found that Bank of India has the higher average of (14.48) than the Indian Bank average (7.32). Bank of India maintains a good liquidity level than India Bank to meet the demand of the customers.

From the analysis it is found that Indian Bank has the higher average of (21.74) than the Bank of India average (16.49). Indian Bank maintains a good liquidity level than Bank of India to meet the demand of the customers.

On the basis of Group averages of four ratios of liquidity it is found that Bank of India stood on the top position with the group average of 1.25 than the Indian Bank group of average 1.75. It is due to its better performance in Liquid asset to total assets, Liquid assets to Demand deposits and Liquid assets to Total Deposits ratios. But Indian Bank maintains a reasonable level of liquidity to manage the funds efficiently.

OVERALL PERFORMANCE OF INDIAN BANK AND BANK OF INDIA

The group ranking of Indian Bank and Bank of India for the period of 10 years from 2009 to 2018 indicates that that **the Indian Bank is at the top position with the overall average of 1.36 than the Bank of India overall average of 1.63.**

It is found that under the Capital Adequacy ratio parameter Indian Bank is at the top position, than Bank of India Bank. Under the Asset quality parameter Indian Bank is in a better position, than Bank of India Bank. Under the Management efficiency parameter both the banks are managed efficiency during the period of study. Under the Earnings capacity parameter Indian Bank is at the top position, than Bank of India Bank. Under the Liquidity parameter Bank of India is at the top position, than the Indian Bank. But in the composite overall CAMEL Ranking Indian Bank is better.

CONCLUSION

CAMEL model is an important parameter to measure the financial performance of Banks in India. While analysing the financial performance of Indian Bank and Bank of India it is found that in terms of Capital Adequacy ratio Indian Bank is ahead of Bank of India. The reason for this was poor performance of Bank of India in debt equity ratio and total advances to total assets ratio. In terms of Asset quality parameter Indian Bank is ahead than Bank of India. The reason for this is the high Gross NPA and Net NPA in Bank of India. Under the Management efficiency parameter both Indian Bank and Bank of India has similar rank. In terms of Earning Capacity parameter Indian Bank is ahead than Bank of India. The reason is poor performance of Bank of India in Interest Income to Total Income, operating profit ratio and Net Interest Margin to total assets ratio. Under the liquidity parameter Bank of India is at the top position, than the Indian Bank. This is because of the better performance of Bank of India in Liquid Assets to Total Assets, Liquid Assets to Demand Deposits and Liquid Assets to Total Deposits ratios.

The banking system plays an significant role in the economic development of the nation. The banking sector performance is perceived as the replica of economic activities of the economy. The development of the banking industry is a good reflection of the development of the economy. Evaluation of financial performance of the banking sector is an effective measure and indicator of the soundness of economic activities of a nation.

The study aims to examine the financial performance of Public Sector Banks with the CAMEL ratings for the period of 10 years from 2009 – 2018. To conduct the study Secondary data particularly audited financial statements of Indian Bank and Bank of India were collected. The banks should have a good financial performance because growth of all sectors in the economy directly depend on the growth of the banking system. It is concluded that financial performance of Indian Bank is at the top position than the Bank of India. It is suggested that the Bank of India needs to improve its position with regards to Capital adequacy, Asset quality and Earning Capacity. This Research study on the financial performance (CAMEL) of select Public Sector Banks helps them to formulate strategies to improve their financial performance. Banks with efficient financial performance contributes significantly to the economic development of the Nation.

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ANNEXURE

Consolidated Profit & Loss account of Bank Of India

----- in Rs. Cr. -----

	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Income					
Interest Earned	38,312.80	39,585.23	42,092.84	43,684.87	38,125.19
Other Income	5,845.89	6,819.45	3,671.62	4,278.08	4,319.00
Total Income	44,158.69	46,404.68	45,764.46	47,962.95	42,444.19
Expenditure					
Interest expended	27,678.83	27,605.75	30,245.31	32,220.05	27,169.77
Employee Cost	4,963.17	5,449.06	5,403.59	5,031.30	4,036.59
Selling, Admin & Misc Expenses	17,067.88	14,950.86	16,160.58	8,672.20	8,271.28
Depreciation	521.68	-7.23	289.96	291.08	233.90
Operating Expenses	9,265.18	8,974.96	9,425.03	8,193.42	6,824.58
Provisions & Contingencies	13,287.55	11,417.73	12,429.10	5,801.16	5,717.19
Total Expenses	50,231.56	47,998.44	52,099.44	46,214.63	39,711.54
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Net Profit for the Year	-6,072.88	-1,593.74	-6,334.98	1,748.32	2,732.65
Minority Interest	-20.40	-21.42	-71.66	1.89	1.35
Share Of P/L Of Associates	-91.16	-102.23	-59.06	-266.47	-255.48
Net P/L After Minority Interest & Share Of Associates	-5,961.31	-1,470.09	-6,204.26	2,012.90	2,986.78
Profit brought forward	-8,585.29	-6,365.35	0.00	0.00	0.00
Total	14,658.17	-7,959.09	-6,334.98	1,748.32	2,732.65
Equity Dividend	0.00	0.00	0.00	332.10	321.50
Corporate Dividend Tax	0.00	0.00	0.00	67.62	54.03
Per share data (annualised)					
Earning Per Share (Rs)	-34.84	-15.11	-77.51	26.26	42.50
Book Value (Rs)	210.88	302.53	392.05	488.59	478.60
Appropriations					
Transfer to Statutory Reserves	367.85	749.85	161.09	1,613.18	2,611.25
Transfer to Other Reserves	0.00	0.00	-6,365.35	0.00	0.00
Proposed Dividend/Transfer to Govt	0.00	0.00	0.00	399.72	375.53
Balance c/f to Balance Sheet	14,914.45	-8,585.29	-6,365.35	0.00	0.00
Total	14,546.60	-7,835.44	-12,569.61	2,012.90	2,986.78

	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Income					
Interest Earned	32,095.83	28,610.95	21,858.43	17,996.25	16,416.51
Other Income	3,784.60	3,319.24	2,641.83	2,600.66	3,076.54
Total Income	35,880.43	31,930.19	24,500.26	20,596.91	19,493.05
Expenditure					
Interest expended	22,960.41	20,216.30	13,980.93	12,163.27	10,880.09
Employee Cost	3,179.17	3,089.51	3,492.01	2,308.75	1,953.75
Selling, Admin & Misc Expenses	6,810.59	5,774.71	4,393.75	4,276.38	3,577.98
Depreciation	189.07	175.05	144.86	109.96	71.82
Operating Expenses	5,455.88	5,010.36	5,121.36	5,474.03	3,767.54
Provisions & Contingencies	4,722.95	4,028.91	2,909.26	1,221.06	1,836.01
Total Expenses	33,139.24	29,255.57	22,011.55	18,858.36	16,483.64
	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Net Profit for the Year	2,741.19	2,674.62	2,488.71	1,738.56	3,009.41
Minority Interest	-1.79	8.03	5.54	-2.77	-3.68
Share Of P/L Of Associates	-76.92	-58.27	-59.25	-45.83	-74.46
Net P/L After Minority Interest & Share Of Associates	2,819.90	2,724.86	2,542.42	1,787.16	3,087.54
Total	2,741.19	2,674.62	2,488.71	1,738.56	3,009.41
Equity Dividend	697.09	465.98	444.30	428.65	491.54
Corporate Dividend Tax	0.17	0.17	0.17	0.17	0.21
Per share data (annualised)					
Earning Per Share (Rs)	46.00	46.61	45.54	33.10	57.30
Book Value (Rs)	390.82	351.67	298.58	247.85	227.47
Appropriations					
Transfer to Statutory Reserves	2,122.64	2,258.71	2,097.95	686.86	1,518.33
Transfer to Other Reserves	0.00	0.00	0.00	671.48	1,077.46
Proposed Dividend/Transfer to Govt	697.26	466.15	444.47	428.82	491.75
Total	2,819.90	2,724.86	2,542.42	1,787.16	3,087.54

Consolidated Balance Sheet of Bank Of India

----- in Rs. Cr. -----

	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Capital and Liabilities:					
Total Share Capital	1,743.72	1,055.43	817.29	665.65	643.00
Equity Share Capital	1,743.72	1,055.43	817.29	665.65	643.00
Share Application Money	0.00	1,721.92	1,303.65	0.00	0.00
Reserves	35,012.76	30,851.91	31,224.72	31,857.19	30,130.72
Net Worth	36,756.48	33,629.26	33,345.66	32,522.84	30,773.72
Deposits	522,996.90	542,352.11	515,722.47	534,482.30	478,695.08
Borrowings	43,598.26	39,491.42	51,103.28	40,098.68	48,427.51
Total Debt	566,595.16	581,843.53	566,825.75	574,580.98	527,122.59
Minority Interest	159.15	80.98	98.00	167.93	84.00
Other Liabilities & Provisions	11,673.55	16,472.18	16,359.82	18,012.99	20,174.29
Total Liabilities	615,184.34	632,025.95	616,629.23	625,284.74	578,154.60
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Assets					
Cash & Balances with RBI	31,575.19	27,544.44	34,213.72	27,498.38	19,287.86
Balance with Banks, Money at Call	64,449.04	68,920.27	65,291.00	49,440.54	42,472.45
Advances	343,288.92	368,328.76	361,301.89	404,389.35	372,671.46
Investments	140,321.07	130,751.26	122,620.91	123,195.52	116,489.74
Gross Block	8,191.65	8,349.12	8,572.85	5,914.49	5,820.19
Net Block	8,191.65	8,349.12	8,572.85	5,914.49	5,820.19
Capital Work In Progress	158.21	196.66	0.00	0.00	0.00
Other Assets	27,200.26	27,935.44	24,628.86	14,846.46	21,412.90
Total Assets	615,184.34	632,025.95	616,629.23	625,284.74	578,154.60
Contingent Liabilities	374,868.83	391,572.64	380,965.47	201,312.16	274,689.16
Book Value (Rs)	210.88	302.53	392.05	488.59	478.60

Consolidated Balance Sheet of Bank Of India

----- in Rs. Cr. -----

	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Capital and Liabilities:					
Total Share Capital	596.64	574.52	547.22	525.91	525.91
Equity Share Capital	596.64	574.52	547.22	525.91	525.91
Reserves	22,692.24	19,603.59	15,769.39	12,490.50	11,420.34
Net Worth	23,288.88	20,178.11	16,316.61	13,016.41	11,946.25
Deposits	383,130.99	319,412.53	299,559.40	230,408.21	190,176.67
Borrowings	35,369.40	32,118.95	22,021.38	22,399.90	9,492.58
Total Debt	418,500.39	351,531.48	321,580.78	252,808.11	199,669.25
Minority Interest	73.43	62.90	51.24	319.23	102.57
Other Liabilities & Provisions	13,361.96	14,580.87	13,763.76	8,687.20	12,619.30
Total Liabilities	455,224.66	386,353.36	351,712.39	274,830.95	224,337.37
	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Assets					
Cash & Balances with RBI	22,125.12	15,139.67	21,860.07	15,657.96	8,975.09
Balance with Banks, Money at Call	33,252.00	20,324.66	15,836.29	15,791.11	12,914.89
Advances	290,654.62	249,733.44	213,708.36	169,031.01	143,322.61
Investments	96,387.76	88,056.87	86,676.59	68,112.69	52,871.81
Gross Block	2,806.98	2,739.71	2,383.75	3,843.01	3,621.02
Revaluation Reserves	1,182.13	1,235.89	1,319.47	1,428.62	1,710.29
Accumulated Depreciation	0.00	0.00	0.00	1,529.18	1,170.13
Net Block	1,624.85	1,503.82	1,064.28	885.21	740.60
Capital Work In Progress	93.66	60.32	115.68	65.08	110.45
Other Assets	11,086.66	11,534.57	12,451.11	5,845.39	5,709.68
Total Assets	455,224.67	386,353.35	351,712.38	275,388.45	224,645.13
Contingent Liabilities	246,042.24	210,559.15	176,274.30	118,582.71	107,192.27
Bills for collection	0.00	0.00	0.00	28,384.72	41,631.60
Book Value (Rs)	390.82	351.67	298.58	247.85	227.47

Consolidated Profit & Loss account of Indian Bank	----- in Rs. Cr. -----				
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Income					
Interest Earned	17,115.32	16,039.22	16,244.26	15,853.35	15,249.43
Other Income	2,416.59	2,222.40	1,788.94	1,372.21	1,378.03
Total Income	19,531.91	18,261.62	18,033.20	17,225.56	16,627.46
Expenditure					
Interest expended	10,851.28	10,891.46	11,795.38	11,389.77	10,887.47
Employee Cost	2,104.64	1,995.36	2,010.26	1,746.25	1,930.31
Selling, Admin & Misc Expenses	5,076.23	3,795.65	3,361.73	2,937.11	2,544.63
Depreciation	236.84	166.24	151.31	138.98	105.44
Operating Expenses	3,673.32	3,363.46	3,202.12	2,825.39	2,837.94
Provisions & Contingencies	3,744.39	2,593.79	2,321.18	1,996.95	1,742.44
Total Expenses	18,268.99	16,848.71	17,318.68	16,212.11	15,467.85
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Net Profit for the Year	1,262.92	1,412.91	714.52	1,013.45	1,159.61
Minority Interest	0.75	1.87	0.97	1.75	0.10
Share Of P/L Of Associates	-48.37	-42.02	-37.73	-37.06	-29.74
Net P/L After Minority Interest & Share Of Associates	1,310.54	1,453.06	751.28	1,048.76	1,189.25
Profit brought forward	336.96	288.83	247.61	201.86	168.92
Total	1,599.88	1,701.74	962.13	1,215.31	1,328.53
Preference Dividend	0.00	0.00	0.00	0.00	26.20
Equity Dividend	0.00	288.17	72.04	201.72	207.95
Corporate Dividend Tax	0.00	58.67	14.67	41.29	39.80
Per share data (annualised)					
Earning Per Share (Rs)	26.29	29.42	14.88	21.10	24.38
Book Value (Rs)	335.09	306.76	285.42	265.54	251.44
Appropriations					
Transfer to Statutory Reserves	1,257.95	1,058.09	623.35	760.00	882.36
Proposed Dividend/Transfer to Govt	0.00	346.84	86.71	243.01	273.95
Balance c/f to Balance Sheet	389.55	336.96	288.83	247.61	201.86
Total	1,647.50	1,741.89	998.89	1,250.62	1,358.1

Consolidated Profit & Loss account of Indian Bank

----- in Rs. Cr. -----

	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Income					
Interest Earned	13,892.80	12,227.72	9,362.76	7,847.18	6,833.16
Other Income	1,294.57	1,247.04	1,188.06	1,190.13	1,046.03
Total Income	15,187.37	13,474.76	10,550.82	9,037.31	7,879.19
Expenditure					
Interest expended	9,367.35	7,806.36	5,320.03	4,547.89	4,216.04
Employee Cost	1,977.50	1,488.66	1,337.92	1,216.35	982.54
Selling, Admin & Misc Expenses	2,168.80	2,343.15	2,092.15	1,625.93	1,348.87
Depreciation	91.87	90.00	72.57	89.02	85.86
Operating Expenses	2,758.22	2,195.59	1,935.79	1,741.66	1,422.50
Provisions & Contingencies	1,479.95	1,726.22	1,566.85	1,189.64	994.77
Total Expenses	13,605.52	11,728.17	8,822.67	7,479.19	6,633.31
	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Net Profit for the Year	1,581.85	1,746.59	1,728.15	1,558.12	1,245.88
Minority Interest	0.26	0.04	-3.49	-1.97	-2.54
Share Of P/L Of Associates	-27.78	-19.28	-13.77	-9.72	-6.73
Net P/L After Minority Interest & Share Of Associates	1,609.37	1,765.83	1,745.41	1,569.81	1,255.15
Profit brought forward	139.60	125.75	99.25	82.61	81.57
Total	1,721.45	1,872.34	1,827.40	1,640.73	1,327.45
Preference Dividend	36.50	40.00	40.00	40.00	37.50
Equity Dividend	283.65	322.33	322.33	279.35	218.21
Corporate Dividend Tax	54.41	58.78	57.23	53.91	43.45
Per share data (annualised)					
Earning Per Share (Rs)	35.96	39.71	39.28	35.32	28.12
Book Value (Rs)	272.07	244.56	216.08	157.94	130.50
Appropriations					
Transfer to Statutory Reserves	1,205.49	1,327.22	1,299.35	529.91	417.22
Transfer to Other Reserves	0.00	0.00	0.00	650.00	537.73
Proposed Dividend/Transfer to Govt	374.56	421.11	419.56	373.26	299.16
Balance c/f to Balance Sheet	168.92	143.25	125.75	99.25	82.61
Total	1,748.97	1,891.58	1,844.66	1,652.42	1,336.72

Consolidated Balance Sheet of Indian Bank	----- in Rs. Cr. -----				
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Capital and Liabilities:					
Total Share Capital	480.29	480.29	480.29	480.29	464.85
Equity Share Capital	480.29	480.29	480.29	480.29	464.85
Reserves	15,613.71	14,253.13	13,228.11	12,273.15	11,223.33
Net Worth	16,094.00	14,733.42	13,708.40	12,753.44	11,688.18
Deposits	208,261.81	182,480.04	178,258.92	169,204.18	162,255.18
Borrowings	19,760.17	12,636.89	3,509.32	2,646.09	4,963.87
Total Debt	228,021.98	195,116.93	181,768.24	171,850.27	167,219.05
Minority Interest	19.87	19.12	17.25	16.27	14.66
Other Liabilities & Provisions	6,224.12	5,937.55	5,665.77	6,140.22	6,230.84
Total Liabilities	250,359.97	215,807.02	201,159.66	190,760.20	185,152.73
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Assets					
Cash & Balances with RBI	10,501.60	5,588.70	9,174.46	8,301.13	7,757.68
Balance with Banks, Money at Call	2,431.90	4,458.54	2,825.16	4,780.71	2,736.59
Advances	156,568.93	127,707.71	129,055.44	125,870.20	122,212.49
Investments	71,619.14	67,781.19	53,282.93	46,060.45	47,035.28
Gross Block	3,422.08	3,436.04	3,507.70	2,968.56	2,935.09
Revaluation Reserves	2,621.44	2,700.42	2,781.43	2,275.52	2,335.46
Net Block	800.64	735.62	726.27	693.04	599.63
Capital Work In Progress	0.00	10.64	7.90	5.24	2.78
Other Assets	8,437.76	9,524.62	6,087.50	5,049.43	4,808.28
Total Assets	250,359.97	215,807.02	201,159.66	190,760.20	185,152.73
Contingent Liabilities	38,336.30	32,616.12	32,926.39	41,051.47	46,737.58
Book Value (Rs)	335.09	306.76	285.42	265.54	251.44

Consolidated Balance Sheet of Indian Bank	----- in Rs. Cr. -----				
	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Capital and Liabilities:					
Total Share Capital	829.77	829.77	829.77	829.77	829.77
Equity Share Capital	429.77	429.77	429.77	429.77	429.77
Preference Share Capital	400.00	400.00	400.00	400.00	400.00
Reserves	11,263.05	10,080.57	8,856.53	6,357.88	5,178.77
Net Worth	12,092.82	10,910.34	9,686.30	7,187.65	6,008.54
Deposits	141,967.73	120,715.71	105,718.46	88,155.61	72,512.49
Borrowings	2,862.56	4,872.86	2,100.37	957.36	530.78
Total Debt	144,830.29	125,588.57	107,818.83	89,112.97	73,043.27
Minority Interest	14.56	14.30	14.26	17.74	19.71
Other Liabilities & Provisions	6,015.75	4,976.41	4,327.77	3,980.40	3,914.85
Total Liabilities	162,953.42	141,489.62	121,847.16	100,298.76	82,986.37
	Mar '13	Mar '12	Mar '11	Mar '10	Mar '09
	12 mths	12 mths	12 mths	12 mths	12 mths
Assets					
Cash & Balances with RBI	7,064.24	6,318.88	6,877.96	7,060.74	6,211.59
Balance with Banks, Money at Call	2,575.09	2,495.81	1,685.33	1,056.35	474.73
Advances	105,647.07	90,330.39	75,262.19	62,164.70	51,479.05
Investments	41,899.19	37,995.79	34,861.12	28,339.19	22,861.32
Gross Block	1,697.02	1,636.92	1,612.47	2,292.71	2,221.60
Revaluation Reserves	0.00	0.00	0.00	1,225.09	1,255.61
Accumulated Depreciation	0.00	0.00	0.00	728.25	624.77
Net Block	1,697.02	1,636.92	1,612.47	339.37	341.22
Capital Work In Progress	0.00	0.00	0.00	22.01	4.57
Other Assets	4,070.81	2,711.83	1,548.09	1,316.40	1,613.89
Total Assets	162,953.42	141,489.62	121,847.16	100,298.76	82,986.37
Contingent Liabilities	39,317.47	50,442.02	35,863.05	16,234.23	14,187.59
Bills for collection	0.00	0.00	0.00	5,382.92	4,882.79
Book Value (Rs)	272.07	244.56	216.08	157.94	130.50

