

“Performance Appraisal of Indian Bank – An Analytical Review”

Dr. P. Subramanyam,

Associate Professor, Dept. of MBA,
Kuppam Engineering College, KUPPAM.

E-mail: subbu_phd@yahoo.com, Mobile: 7093769885,

Mrs. C. Jeevana,

Asst. Professor, Dept. of MBA,
Kuppam Engineering College, Kuppam, Mobile: 7893014148

Mr. M. Somasundaram,

Associate Professor, Dept. of MBA,
Kuppam Engineering College, KUPPAM.

Abstract

Banking system is an integral part of any economy development and this sector plays a vital role in the process of modern economic development of a country. Indian bank is one of the nationalized banks among the public sector banks, which impacts on the country's economy affect with its performance. Economists have conveyed a variety of opinions on the effectiveness of the banking systems in promoting the economic development by facilitating huge financial assistance. Indian bank was formed by Annmalai and Ramaswami Chettiar on 5th March, 1907 with the name of Indian Bank Limited, and it was commenced the banking operations from 15th August, 1907 as part of the Swadesi Movement with its head office in Parry's Building, Parry Corner, Madras, India. The Indian bank was appointed as the lead bank for nine districts in the States of Tamil Nadu, Andhra Pradesh and Kerala and the Union Territory of Pondicherry. The first Regional Rural Bank (RRB) sponsored by the Indian bank, Sri Venkateswara Grameena Bank (SVGB) now termed as Saptagiri Grameena Bank (SGB), was founded in 1981. Indbank Merchant Banking Services Ltd., was incorporated as a subsidiary of the Indian bank during the year 1989. During the study period the bank profit growth rates are increased to 24.87 per cent from 23.45 per cent in the year 2008-09 and it was continuously decreasing trend 1.23 per cent, 01.23 per cent and minus 9.43 per cent respectively from 2010-11 to 2012-13.

Key words: Indian Bank, Profitability, financial assistance, economic development etc.

Introduction

Banking system is an integral part of any economy development in the present competitive world and this sector plays a vital role in the process of modern economic development of a country. Indian bank is one of the nationalized banks among the public sector banks, which impacts on the country's economy affect with its performance. Economists have conveyed a variety of opinions on the effectiveness of the banking systems in promoting economic development by facilitating huge financial assistance. As an economic institution, the bank is probable as to be more directly and more positively connected to the performance of the economy than the non-economic institutions. Banks are considered as to be hypermarket of the world, Nerve Centre of economies for circulating finance, the measurement of its economic performance perspective. Banks are not merely dealers in money but they are in fact dealers in nations' economic development. The role of

banks in accelerating the economic development of a country like India has been increasingly recognized the following nationalization of fourteen major commercial banks in July 1969 and six more banks in April 1980. With nationalization, the concept of banking has undertaken noteworthy modifications. Banks are no longer viewed as mere lending institutions. They are to serve the society in a much bigger way with a socio-economic development oriented outlook.

Origin and Expansion of Indian Bank

Indian bank was formed by Annmalai and Ramaswami Chettiar on 5th March, 1907 with the name of Indian Bank Limited, and it was commenced the banking operations from 15th August, 1907 as a part of the Swadesi Movement, with its head office in Parry's Building, Parry Corner, Madras of Tamil Nadu, India. Indian Bank is an Indian public-sector bank, providing financial services. It has been generated employment to 22,000 people with establishing 2,100 branches and it is one of the largest public sector banks in India. It was started its own branches abroad of India, first in Colombo, Sri Lanka, Jaffna during the year 1932, the Singapore branch was opened in 1941 and it has worldwide 229 correspondent banks in 69 countries. Since 1969, the Government of India has tenure the bank, which celebrated in 2007 its centenary.

Indian Bank implemented many deposit schemes personalized to suit the needs of its customer requirements, both personal and organizational institutions. Credit/Advances/Loan Schemes specifically premeditated for its own customers. It also offers a number of innovative services to customers, both individual peoples and organizations. In the year 1962, Indian Bank acquired the businesses of Royalaseema Bank, the Bank of Alagapuri, Salem Bank, the Mannargudi Bank and the Trichy United Bank. The Bank was nationalized in 19th July, 1969 and the bank name was changed to Indian Bank after the nationalization. The Indian bank was appointed as the lead bank for nine districts in the States of Tamil Nadu, Andhra Pradesh and Kerala and in the Union Territory of Pondicherry.

The first Regional Rural Bank (RRB) sponsored by the Indian bank, Sri Venkateswara Grameena Bank (SVGB) now termed as Saptagiri Grameena Bank (SGB), was founded in 1981. Indbank, Merchant Banking Services Ltd., was incorporated as a subsidiary of the Indian bank during the year 1989. The Bank of Thanjavur Limited (with 157 branches) was amalgamated with the Indian Bank during the year 1990. Ind Bank Housing Limited was incorporated in the year 1991 as a subsidiary of the Indian bank. Indfund Management Limited was established in 1994 to manage the operations of Indian Bank Mutual Fund. During the year 1995, the Indian bank established its own training institution of Indian Bank Management Academy for Growth & Excellence (IMAGE). Indian Bank has launched a scheme called Cash Management Services' in the year 2001 for speedy collection of outstation cheques. The Bank entered into a strategic tie-up with HDFC Standard Life Insurance Company Ltd., the first in the private sector to receive the Certificate of Registration for venture into Life Insurance business for distribution of latter's insurance products. The Bank with the Insurance Company signed a Memorandum of understanding in February, 2001. In the financial year 2002-03, Indian Bank received an award from NABARD for best performance under Self Help Group (SHG) in Tamil Nadu and Andhra Pradesh states.

The Bank implemented in two branches, the Core Banking Solution in December, 2004. The Bank signed on an agreement with Export Credit Guarantee Corporation of India in the year 2004 to distribute the latter's credit insurance packages for exporters and also it joined hands with Times of Money for remittance solution, introduced Indian Bank Swarna Abharana' a new loan product for buying gold Jewellery and made tie-up with Tamil Nadu

Newsprint and Papers Ltd (TNPL) for financing farmers taking up farm forestry project with the sponsorship of TNPL. During the year 2004-05, The Bank entered into strategic alliance with Mahindra & Mahindra Limited and TAFE Limited for pushing up tractor usage among farmers. In the year 2005, the Bank was tie up with three overseas companies for money transfer, signed the papers with the National Exchange Company of Doha, Mussandum Exchange Company of Oman and Abu Dhabi-based UAE Exchange Company. In 2006, Indian Bank sets up new branch in Mumbai and also launched the Bharat Card. On March 2007, Indian Bank launched Ind on-line Doorstep Banking to deliver Banking and Financial Services for the common man.

The Bank signed an agreement with Indian Railway Catering and Tourism Corporation Limited (IRCTC) for offering train ticket booking services through IRCTC website <http://www.irctc.co.in/>. The agreement was signed in 1st August, 2007 at New Delhi and also in December 2007, Indian Bank entered into a MOU with Indian Railways to install Automated Teller Machines (ATMs) in 51 Railway Stations across the country. Of these, 34 stations will have e-ticketing along with ATMs. Indian Bank and SME Rating Agency of India Ltd. (SMERA) formally executed an MOU in January 31st, 2008 for extending their co-operation in the arena of financing of MSME sector. Indian Bank won the Financial Express's Best Bank Award in 2008. The network of the bank comprises 100 per cent Business Computerization, 168 Centers throughout the country covered under 'Anywhere Banking', Core Banking Solution (CBS) in 1,557 branches and 66 extension counters, 618 connected ATMs in 225 cities / towns and also the 24 x 7 Services through 32,000 ATMs under shared network.

Profitability and analysis of profitability is most important to the banks than the any other business concerns. The developmental nature of the bank operations is bounded to the poor profits. Profit of any institution constitutes as an index of its performance efficiency, hence, banking business cannot be profit consideration. Profits are necessary for the long term survival and growth of any institutions. But, the public sector banks are not run with the objectives of earning more profits and they are functioning for fulfillment of the social objectives laid down by the authorities.

REVIEW OF LITERATURE

Review of literature has vital relevance with any research work due to literature review the possibility of repetition of study can be eliminated and another dimension can be selected for the study. The literature review helps researcher to remove limitations of existing work or may assist to extend prevailing study.

Several research have been conducted to analyse the different aspects of performance of commercial banks in India and abroad. But there are very few research and literature available on the subject related to financial reforms and its impact on Indian banks. The available literature and research are divided into four major parts according to the area of research i.e literature related to:

- Review of Literature related to Performance Appraisal of Banks

REVIEW RELATED TO DEVELOPMENT & PERFORMANCE MEASURES

Prashanta Athma (2000), in his Ph D research submitted at Osmania University Hyderabad, "Performance of Public Sector Banks – A Case Study of State Bank of Hyderabad, made an attempt to evaluate the performance of Public Sector Commercial Banks with special

emphasis on State Bank of Hyderabad. The period of the study for evaluation of performance is from 1980 to 1993-94, a little more than a decade. In this study, Athma outlined the Growth and Progress of Commercial Banking in India and analyzed the trends in deposits, various components of profits of SBH, examined the trends in Asset structure, evaluated the level of customer satisfaction and compared the performance of SBH with other PSBs, Associate Banks of SBI and SBI. Statistical techniques like Ratios, Percentages, Compound Annual rate of growth and averages are computed for the purpose of meaningful comparison and analysis. The major findings of this study are that since nationalization, the progress of banking in India has been very impressive. All three types of Deposits have continuously grown during the study period, though the rate of growth was highest in fixed deposits. A comparison of SBH performance in respect of resource mobilization with other banks showed that the average growth of deposits of SBH is higher than any other bank group. Profits of SBH showed an increasing trend indicating a more than proportionate increase in spread than in burden. Finally, majority of the customers have given a very positive opinion about the various statements relating to counter service offered by SBH.

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

Kusum W. Ketkar examined the efficiency and productivity growth in the Indian Banking Sector from 1990 to 1995 using the Data Envelopment Analysis methodology. Due to data availability problems at the individual bank level, the study includes only 39 banks. Several conclusions stand out. First, for the sample, the overall technical inefficiency is about 31 per cent and has remained stable over the examined period. Second, foreign banks showed the highest level of efficiency. Third, between 1990 and 1995, state and private banks experienced a reduction in pure technical efficiency, while for the nationalized and the foreign banks, it remained the same. Further, the size has found to be positively related to pure technical efficiency, and to the number of branches negatively. Fifth, fewer branches and metropolitan location of foreign banks, perhaps partially explains their efficiency over domestic banks. This paper finally concludes that Indian domestic banks need to greatly improve their efficiency through introduction of computer technology, improved management skills and through consolidation and merger of banks.

Ramachandra Reddy focused their attention on the seriousness of NPAs in public sector banks. They argued that with the introduction of international norms of Income Recognition, Asset Classification and Provisioning in the banking Sector, managing NP As has emerged as one of the major challenges facing the Public Sector Banks. They felt that total elimination of NPAs is not possible in the banking business owing to externalities but their incidence can be minimized. To reduce the seriousness of the problem, they suggest that the banks should adopt proper policy for appraisal, supervision and follow-up of advances; special recovery cells may be set-up at regional/ zonal levels; Recovery Officers should be appointed at making necessary provisions and contingencies). Seven banks were operating in 'B' category (those banks, which after operating profits have not sufficient funds to provide for the provisions, thereby incurring net losses. And the remaining was placed in the 'e' category (those banks, which were unable to earn significant income to enjoy sufficient operating profits). Apart from studying the profitability of above-mentioned groups of banks, capital adequacy position and other balance sheet trends were also discussed. Moreover, same

short-term and long-term strategies for enhancing the profitability level were suggested.

Objectives of the study

The main aim of the present research study is to;

1. Review the literature on Indian bank, and
2. Analyze the profitability performance of Indian bank

Data base

The present study is purely depends upon the secondary data, which is collected from the reputed national and international journals, books, publications, official website of IB etc.

Period of study

The present study paper concerned only six years for detailed analysis from the financial year 2005-06 to 2013-14.

Tools of analysis

In order to grasping the meaningful interpretations, the data was analyzed with the help of averages, growth rates and standard deviation.

Revenue analysis of Indian bank

The table no.1 reveals that the income analysis of Indian bank in aggregately increased during the period of 2005 - 06 to 2013 - 14. The total income of the IB in form of interest earned

Was showed an increasing trend and registered Rs. 78,137.60 crore, the total other income Rs. 9,649.15 crore and the net income of the bank is registered Rs. 87,786.75 crore respectively. The interest earned was increased from Rs. 3,364.52 crore in 2005-06 and reached to Rs. 15,249.20 crore in 2013-14. The bank's other income was raised from Rs. 733.21 crore in 2005-06 to Rs. 1,371.68 crore in 2013-14. The net income of the Indian bank have resulting as increased from Rs. 4,097.73 crore in 2005-06 to Rs. 16,620.88 crore in the end of the year. The percentage of change of growth rate was registered as highest of 31.03 per cent in interest earned in 2008-09 and the least of 9.76 per cent in 2013-14, in other income of the bank's, the highest growth was registered (117.11 per cent) in 2007-08, the least of minus 36.82 per cent in 2005-06 was exhibited in column 5 and 6 in table 1. Hence, the net income of the bank was registered as highest growth of 30.98 per cent in 2017-08 and the least growth was (9.44 per cent) registered in 2013-14 which is shown in column 7 of the table. The average of interest earned, other income and net income of the Indian bank has been registered Rs. 8,681.96 crore, Rs. 1,072.13 crore and Rs. 9,754.08 crore respectively during the study period.

Table no. 1
Analysis of Income of Indian Bank (Rs. in crore)

Year (1)	Interest Earned (2)	Other Income (3)	Total Income (4)	% of change		
				Col.2 (5)	Col.3 (6)	Col.4 (7)
2005-06	3,364.52 (4.31)	733.21 (7.60)	4,097.73 (4.67)	--	--	--
2006-07	4,284.65 (5.48)	463.22 (4.80)	4,747.87 (5.41)	27.35	-36.82	15.87
2007-08	5,212.98 (6.67)	1,005.68 (10.42)	6,218.67 (7.08)	21.67	117.11	30.98
2008-09	6,830.33 (8.74)	1,035.45 (10.73)	7,865.77 (8.96)	31.03	2.96	26.49
2009-10	7,714.37 (9.87)	1,316.41 (13.64)	9,030.78 (10.29)	12.94	27.13	14.81
2010-11	9,361.03 (11.98)	1,181.89 (12.25)	10,542.92 (12.01)	21.35	-10.22	16.74
2011-12	12,227.72 (15.65)	1,247.04 (12.92)	13,474.76 (15.35)	30.62	5.51	27.81
2012-13	13,892.80 (17.78)	1,294.57 (13.42)	15,187.37 (17.30)	13.62	3.81	12.71
2013-14	15,249.20 (19.52)	1,371.68 (14.22)	16,620.88 (18.93)	9.76	5.96	9.44
Total	78,137.60 (100)	9,649.15 (100)	87,786.75 (100)			
Mean	8,681.96	1,072.13	9,754.08			
S.D	4,291.34	302.68	4,538.50			

Source: Annual Reports of Indian Bank from 2005-06 to 2013-14

Note: Figures in Parenthesis are Indicate Percentages to Total

Analysis of Indian Bank Expenditure

A perusal of Table no. 2 exposes the details of Indian bank interest expenditure, operating expenses, provisions for contingencies and the total expenditure incurred in the study period. The total of interest expenditure was registered Rs. 49,598.47 crore, operating expenses was shown Rs. 16,583.71 crore, provisions for contingencies was registered Rs. 10,159.98 crore and the total expenditure was registered Rs. 76,341.13 crore with an average of Rs. 8,482.35 crore. The expenditure of income of the IB was recorded in the study period as Rs. 1,854.34 crore (3.74 per cent) in the year 2005-06 and reached to Rs. 10,888.78 crore (21.95 per cent) in 2013-14, the operating expenditure was increased from Rs. 1,079.76 crore (6.51 per cent) in 2005-06 to Rs. 2,831.50 crore (17.07 per cent) in 2013-14, provision for contingencies were raised from Rs. 332.95 crore (4.28 per cent) to Rs. 1,742.44 crore (17.07 per cent) over the study period.

The percentage of change in growth rate of interest expenditure was registered a highest of 46.60 per cent in 2011-12, the lowest of 7.85 in 2009-10; operating expenditure recorded a high growth rate of 25.63 per cent in 2012-13; provision for contingent expenses highly recorded as 51.18 per cent in 2008-09, the least growth rate was registered (minus 14.27 per cent) in the year 2012-13 which shows the column 6, 7 and 8 of table 2 frequently.

Table no. 2
Expenditure of Indian Bank (Rs. in crore)

Year (1)	Interest Expenditure (2)	Operating Expenses (3)	Provisions for Contingencies (4)	Total Expenditure (5)	% of change			
					Col.2 (6)	Col.3 (7)	Col.4 (8)	Col.5 (9)
2005-06	1,854.34 (3.74)	1,079.76 (6.51)	332.95 (3.28)	3,267.05 (4.28)	--	--	--	--
2006-07	2,421.62 (4.88)	1,246.65 (7.52)	474.38 (4.67)	4,142.65 (5.43)	30.59	15.46	42.48	26.80
2007-08	3,159.08 (6.37)	1,400.29 (8.44)	650.56 (6.40)	5,209.93 (6.82)	30.45	12.32	37.14	25.76
2008-09	4,221.82 (8.51)	1,415.13 (8.53)	983.51 (9.68)	6,620.45 (8.67)	33.64	1.06	51.18	27.07
2009-10	4,553.18 (9.18)	1,730.25 (10.43)	1,192.36 (11.74)	7,475.79 (9.79)	7.85	22.27	21.24	12.92
2010-11	5,324.92 (10.74)	1,926.32 (11.62)	1,577.61 (15.53)	8,828.85 (11.56)	16.95	11.33	32.31	18.10
2011-12	7,806.36 (15.74)	2,195.59 (13.24)	1,726.22 (16.99)	11,728.17 (15.36)	46.60	13.98	9.42	32.84
2012-13	9,368.37 (18.89)	2,758.22 (16.63)	1,479.95 (14.57)	13,605.52 (17.82)	20.01	25.63	-14.27	16.01
2013-14	10,888.78 (21.95)	2,831.50 (17.07)	1,742.44 (17.15)	15,462.72 (20.25)	16.23	2.66	17.74	13.65
Total	49,598.47 (100)	16,583.71 (100)	10,159.98 (100)	76,341.13 (100)				
Mean	5,510.94	1,842.63	1,128.89	8,482.35				
S.D	3,164.84	639.92	544.71	4,284.40				

Source: Annual Reports of Indian Bank from 2005-06 to 2013-14

Note: Figures in Parenthesis are Indicate Percentages to Total

The interest expenditure of Indian bank was aggressively increased from Rs. 1,854.34 crore in 2005-06 to Rs. 10,888.78 crore with an average of Rs. 5,510.94 crore, the operating expenses of the bank were increased from Rs. 1,079.76 crore to Rs. 2,831.50 crore with an average of Rs. 1,842.63 crore, the provisions for contingencies also increased from Rs. 332.95 crore to Rs. 1,742.44 crore with an average of Rs.1,128.89 crore during the study period.

Profitability Performance of Indian Bank

A look at the Table no. 3 reveals that the details of total income earned, total expenditure incurred, net profit and growth rate of the Indian bank profit during study period. It describes the total interest earned by the bank was registered of Rs. 87,786.75 crore with an average of Rs.9,754.08 crore, total expenditure incurred of the bank was Rs. 76,341.12 crore with an average of Rs. 8,482.35 crore and the total net profit of Rs. 11,445.63 crore with an average of Rs. 1,271.74 crore and registered fluctuations with regard to earn profits in Indian bank over the study period. was increase year by year Rs. 1,008.74 crore in 2007-08, Rs. 1,245.32 crore in 2008-09, Rs. 1,554.99 crore in 2009-10, Rs. 1,714.08 crore in 2010-11 and Rs. 1,746.59 crore in 2011-12 respectively. In the year 2012-13, the net profit of the bank were slightly declined to Rs. 1,581.85 crore from Rs. 1,746.59 crore.

Table no.3
Profitability performance (Rs. in crore)

Year (1)	Total Income (2)	Total Expenditure (3)	Profit (4)	Growth Rate (%)		
				Col. 2 (5)	Col. 3 (6)	Col. 4 (7)
2005-06	4,097.73 (4.67)	3,267.05 (4.28)	830.681 (7.26)	--	--	--
2006-07	4,747.87 (5.41)	4,142.65 (5.43)	605.22 (5.29)	15.87	26.80	-27.14
2007-08	6,218.67 (7.08)	5,209.93 (6.82)	1,008.74 (8.81)	30.98	25.76	66.67
2008-09	7,865.77 (8.96)	6,620.45 (8.67)	1,245.32 (10.88)	26.49	27.07	23.45
2009-10	9,030.78 (10.29)	7,475.79 (9.79)	1,554.99 (13.59)	14.81	12.92	24.87
2010-11	10,542.92 (12.01)	8,828.84 (11.56)	1,714.08 (14.98)	16.74	18.10	10.23
2011-12	13,474.76 (15.35)	11,728.17 (15.36)	1,746.59 (15.26)	27.81	32.84	1.90
2012-13	15,187.37 (17.30)	13,605.52 (17.82)	1,581.85 (13.82)	12.71	16.01	-9.43
2013-14	16,620.88 (18.93)	15,462.72 (20.25)	1,158.16 (10.12)	9.44	13.65	-26.78
Total	87,786.75 (100)	76,341.12 (100)	11,445.6 3 (100)			
Mean	9,754.08	8,482.35	1,271.74			
S.D	4,538.50	4,284.40	406.06			

Source: Annual Reports of Indian Bank from 2005-06 to 2013-14

Note: Figures in Parenthesis are Indicate Percentages to Total

During the study period the bank profit growth rate was recorded a less percentage i.e., minus 27.14 per cent in 2005-06, minus 26.78 per cent in 2013-14 and minus 9.43 per cent in 2012-13. It was recorded a highest percentage of growth rate 66.67 per cent in 2007-08 followed by 23.45 per cent, 24.87 per cent, 10.23 per cent and 1.90 per cent during 2007-08 to 2011-12 indicating decreasing trend.

Conclusion

The present study was concluded as the Indian bank profitable performance was declined during the study period from 66.67 per cent to minus 26.78 per cent due to increase the rate of operating expenses than the rate of increase of earnings. But the amount of earned net profit was aggressively increased year by year from Rs. 605.22 crore to Rs. 1,746.59 crore during 2006-07 to 2012-13 and it was decreased to Rs. 1,581.85 crore in 2013-14. However, the bank needs to improve the percentage of growth in profitability for rendering financial services to public and play a crucial role in developing Indian economy.

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