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A STUDY ON FINANCIAL PERFORMANCE OF INDIAN BANK LTD

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ABSTRACT

This study examines the financial performance of Indian Bank, one of the leading public sector banks in India. Using financial statements for the period from 2017 to 2022, key financial ratios such as profitability, solvency and asset quality are analyzed to assess the bank's financial health. This study finds that Indian Bank's profitability has improved over the period, driven by a higher net interest margin and lower operating expenses. However, solvency ratios have declined, indicating potential areas for improvement. The study provides insights for investors, regulators, and policymakers on the financial health of Indian Bank and highlights areas that require attention for sustainable growth.

INTRODUCTION

Financial statement analysis is the process of analysing a bank's financial statements for decision-making purposes. The financial statements of a company are valuable to both external stakeholders and internal constituents for different reasons. External stakeholders rely on them to assess the overall health of an organization and determine its financial performance and business value. Meanwhile, internal constituents use these statements as a monitoring tool for managing finances. These statements contain significant financial data covering all aspects of a business's activities, allowing them to be evaluated based on past, present, and future performance. This analysis helps to determine the creditworthiness of the bank.

STATEMENT OF THE PROBLEM

Banking facilities are growing day by day and many private sector banks were introduced. So, the research conducted on these private banks are increasing. Though there are many research conducted on public sectors like SBI, they don't concentrate on other public sector banks. Proper maintenance of financial statements is crucial for ensuring the stability of a bank's financial performance. By conducting ratio analysis, the financial data can be summarized, and qualitative assessments can be made about the Indian bank's financial position and performance.

OBJECTIVES OF THE STUDY

- To identify the profitability position of the Indian Bank.
- To analyse the solvency position of the Indian Bank.
- To analyse the asset quality of Indian Bank.

RESEARCH METHODOLOGY

Nature of Data	Secondary data
Source of Data	Financial Statement
Period of Study	2017-18 to 2021-22
Tools	Ratio Analysis

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REVIEW OF LITERATURE

- **S. Manicka Vasuki (2022)**, analysed the financial performance of Bank of Baroda. She aimed to examine the financial performance of Bank of Baroda and provide useful recommendations to optimize its financial performance. Her study used secondary data collected from Bank of Baroda's website, Reserve Bank of India and other related sources for the period of 5 years from 2017 – 18 to 2021 – 22. She concluded that the bank's financial performance can be maximized by increasing the Net profit margin, Earnings per share, Return on Asset employed and Interest income.

- **Shikhil Munjal and Dr. Krishna Lal Grover (2022)**, analysed the financial performance of ICICI. The main objective was to find out the efficiency of ICICI bank through CAMEL Analysis. The researchers used 5 years (2015 - 2016 to 2020 - 2021) of ICICI bank's secondary data. The researchers found that the productivity of bank is in downward trend. The capital adequacy ratio parameter was average, asset quality parameter was moderate, management efficiency parameter was in increasing tread, earning quality parameter was in growing trend and liquidity parameter was on the top position.

ANALYSIS AND INTERPRETATION

Year	Net Profit Ratio	Return On Net Worth Ratio	Proprietary Ratio	Debt to Equity Ratio	Loans to Assets Ratio	Non Performing Assets Ratio
2017-18	5.14	6.43	6.26	14.80	7.82	7.37
2018-19	1.09	1.42	5.80	15.99	4.32	7.11
2019-20	2.84	3.70	6.16	15.04	3.34	6.87
2020-21	6.39	8.89	5.23	17.91	3.96	9.85
2022-22	6.79	8.48	5.57	16.75	2.55	8.47

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

1. The net profit ratio of the company increased from 5.14 in financial year 2017-18 to 6.79 in financial year 2021-22, indicating an improvement in the company's profitability.
2. The return on net worth ratio of the company increased from 6.43 in financial year 2017-18 to 8.48 in financial year 2021-22, indicating an improvement in the company's ability to generate profits from its shareholders' investment.
3. The proprietary ratio of the company decreased from 6.26 in financial year 2017-18 to 5.57 in financial year 2021-22, indicating a decrease in the company's reliance on shareholder funds to finance its operations.
4. The loan to assets ratio of the company decreased from 7.82 in financial year 2017-18 to 2.55 in financial year 2021-22, indicating a decrease in the company's reliance on borrowing to finance its assets.
5. The loan to assets ratio of the company decreased from 7.82 in financial year 2017-18 to 2.55 in financial year 2021-22, indicating a decrease in the company's reliance on borrowing to finance its assets.
6. The non-performing assets ratio of the company decreased from 7.37 in financial year 2017-18 to 8.47 in financial year 2021-22, indicating an improvement in the company's ability to recover its loans.

SUGGESTIONS

1. Address the increase in debt to equity ratio: The increase in this ratio indicates that the bank is relying more on debt financing than equity financing. While debt financing can be beneficial in the short-term, it can also increase financial risk in the long-term. The bank could explore options to raise equity capital, such as through public offerings or strategic partnerships, to reduce its reliance on debt. Additionally, the bank could focus on improving its profitability to generate more internal capital to support its growth.
2. Manage the loan to assets ratio carefully: While the decrease in this ratio indicates a decrease in reliance on borrowing, the bank should still be cautious about its lending practices to avoid increasing its credit risk. The bank could focus on diversifying its lending portfolio and increasing its fee-based income to reduce its reliance on interest income.
3. Continue to reduce Non Performing Assets (NPAs): The decrease in NPAs is a positive sign for the bank. However, the bank could further improve its asset quality by continuing to focus on recovery of bad loans and strengthening its credit appraisal and risk management processes.

CONCLUSION

In conclusion, Indian Bank has demonstrated an improvement in its financial performance over the years, as evidenced by the positive trend in its liquidity, profitability, and asset quality ratios. Therefore, Indian Bank appears to be on a positive trajectory,

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and it should continue to focus on managing its debt levels while improving its asset quality to maintain its growth and profitability in the long run.

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