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A STUDY ON FINANCIAL STATEMENT ANALYSIS OF INDIAN OVERSEAS BANK

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ABSTRACT
This study aims to analyze the financial statements of Indian Overseas Bank (IOB) to evaluate its financial health, performance trends, and sustainability over a specific period. Financial Statement Analysis is a key tool for stakeholders to assess the viability and profitability of a banking institution. The analysis focuses on core financial indicators such as profitability ratios, liquidity ratios, capital adequacy, non-performing assets (NPAs), and trends in income and expenditure. Through a detailed examination of balance sheets and income statements, the study identifies areas of strength and concern within the bank's operations. The research also considers the impact of regulatory reforms, economic conditions, and internal policies on IOB's financial performance. The findings of the study are intended to support decision-making by investors, policymakers, and bank management in improving strategic planning and risk management.
KEY WORDS: *Indian Overseas Bank, Financial Statement Analysis, Profitability Ratios, Liquidity Ratios, Capital Adequacy, Non-Performing Assets (NPAs), Balance Sheet, Income Statement, Bank Performance, Financial Health, Trend Analysis, Risk Management, Financial Ratios, Banking Sector, Stakeholder Analysis.*

INTRODUCTION

The financial sector serves as the backbone of any economy, ensuring the smooth functioning of trade, industry, agriculture, and services by facilitating the flow of funds. Banks, especially public sector banks in India, play a pivotal role in this system by mobilizing savings and channeling them into productive investments. They offer a wide range of financial services such as deposit mobilization, lending, investment advisory, remittances, and foreign exchange services, thereby acting as financial intermediaries between savers and borrowers.

Among the several public sector banks in India, **Indian Overseas Bank (IOB)** stands out due to its long-standing history, wide geographic presence, and deep involvement in India's economic development. Established in 1937 by M. Ct. M. Chidambaram Chettyar, IOB has grown into a significant player in the Indian banking industry, with a strong presence in both urban and rural areas. Over the decades, it has supported sectors like agriculture, small and medium enterprises (SMEs), exports, education, and housing. IOB has been instrumental in implementing government-directed credit policies, especially financial inclusion initiatives. In the dynamic world of banking, it is crucial to evaluate the financial performance of banks regularly. Stakeholders such as investors, regulators, policymakers, and management need reliable and comprehensive information to assess a bank's financial stability, operational efficiency, and future prospects. This can only be achieved through **financial statement analysis**—a process that interprets the numerical data presented in the financial reports of an organization.

Financial statements—namely the balance sheet, profit and loss account, cash flow statement, and schedules to accounts—present a snapshot of a bank's financial position over a specific period. However, raw numbers do not convey much unless they are analyzed using proper tools and techniques. **Financial statement analysis** transforms this data into actionable insights through techniques such as **ratio analysis**, **trend analysis**, **common-size analysis**, and **comparative statements**.

LITERATURE REVIEW

Khan and Jain (2019), financial statement analysis provides a systematic approach to understanding a firm's profitability, liquidity, solvency, and efficiency. Ratio analysis, a major tool in financial statement analysis, is used to compare different financial metrics from balance sheets and income statements to assess the firm's performance.

Gupta (2020) emphasized that financial ratios serve as early indicators of corporate failure, particularly in the banking sector, where stability and profitability are critical. Trend analysis, meanwhile, identifies patterns over time and helps track changes in key financial figures such as revenue, expenses, assets, and liabilities.

Rao and Muralidharan (2021) conducted a study on Indian public sector banks and observed that profitability ratios like Net Profit Margin, Return on Assets (ROA), and Return on Equity (ROE) are crucial for evaluating performance. Their study concluded that consistent profitability and better asset utilization are the hallmark of financially sound banks.

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Sharma and Rani (2022) highlighted the relevance of liquidity ratios (Current Ratio, Quick Ratio) in ensuring the short-term solvency of banks. However, in the case of banks, specific ratios like **Cash to Deposit Ratio**, **Credit-Deposit Ratio**, and **Capital Adequacy Ratio** are considered more appropriate than general industrial ratios.

Joshi (2023) examined the trend of Non-Performing Assets (NPAs) in Indian Overseas Bank from FY 2015–2022 and found that NPAs significantly impacted the bank's profitability and capital adequacy. The study stressed the importance of trend analysis for understanding risk exposure over time.

Natarajan & Subramaniam (2018), used the CAMEL model (Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity) to analyze IOB. The model incorporates key financial ratios and provides a holistic view of a bank's health. Their study concluded that while IOB showed weaknesses in earnings and asset quality pre-2018, there was gradual recovery in the subsequent years.

METHODOLOGY

This study is based on secondary data collected from the annual reports of Indian Overseas Bank, Reserve Bank of India publications, and other trusted financial sources. The main focus is on analyzing the financial performance of the bank over the last few years. Financial tools like ratio analysis, trend analysis, and comparative analysis are used to understand the bank's profitability, liquidity, and overall financial health. The data is presented in tables and charts to make it easy to understand. This method helps to clearly study how well the bank has performed during the selected time period

OBJECTIVES

- To analyze the financial health and performance of Indian Overseas Bank through Different ratios
- To evaluate the bank's profitability, liquidity, and solvency positions over a specific period.

DATA ANALYSIS AND INTERPRETATIONS

1. Current Ratio:(Standard form: 2:1)

To calculate and present the **current ratio** for Indian Bank over the years, we first need to identify the **current assets** and **current liabilities** from the balance sheet. The current ratio is calculated using the formula:

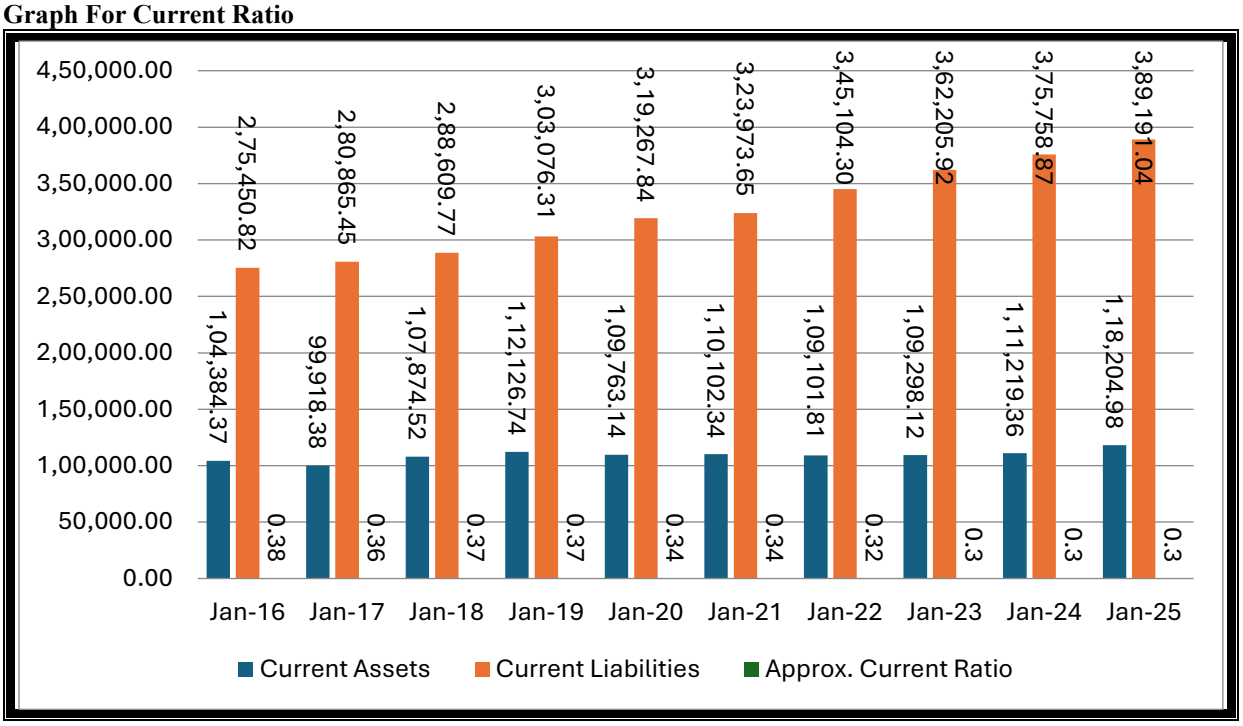
Current Ratio=Current Assets/Current Liabilities

Table for Current Ratio Calculation:

Financial Year	Current Assets	Current Liabilities	Approx. Current Ratio
Mar-25	1,18,204.98	3,89,191.04	0.3
Mar-24	1,11,219.36	3,75,758.87	0.3
Mar-23	1,09,298.12	3,62,205.92	0.3
Mar-22	1,09,101.81	3,45,104.30	0.32
Mar-21	1,10,102.34	3,23,973.65	0.34
Mar-20	1,09,763.14	3,19,267.84	0.34
Mar-19	1,12,126.74	3,03,076.31	0.37
Mar-18	1,07,874.52	2,88,609.77	0.37
Mar-17	99,918.38	2,80,865.45	0.36
Mar-16	1,04,384.37	2,75,450.82	0.38

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Graph For Current Ratio



Interpretation

From 2016 to 2025, the current ratio of Indian Overseas Bank was always below 1, which means the bank had less current assets than current liabilities. In 2016, the ratio was 0.38 and slowly decreased over the years. It was 0.36 in 2017, 0.37 in 2018 and 2019, and 0.34 in 2020 and 2021. Then it dropped to 0.32 in 2022 and became 0.30 in 2023, 2024, and 2025. This shows that the bank's short-term financial position became weaker and it may face difficulty in paying short-term bills.

2. Quick Ratio (Standard form: 1):

To compute and analyze the **Quick Ratio** for Indian Bank, we first need to understand the components that contribute to it. The **Quick Ratio** is a liquidity ratio that measures the ability of a company to meet its short-term obligations using its most liquid assets. The formula for the Quick Ratio is:

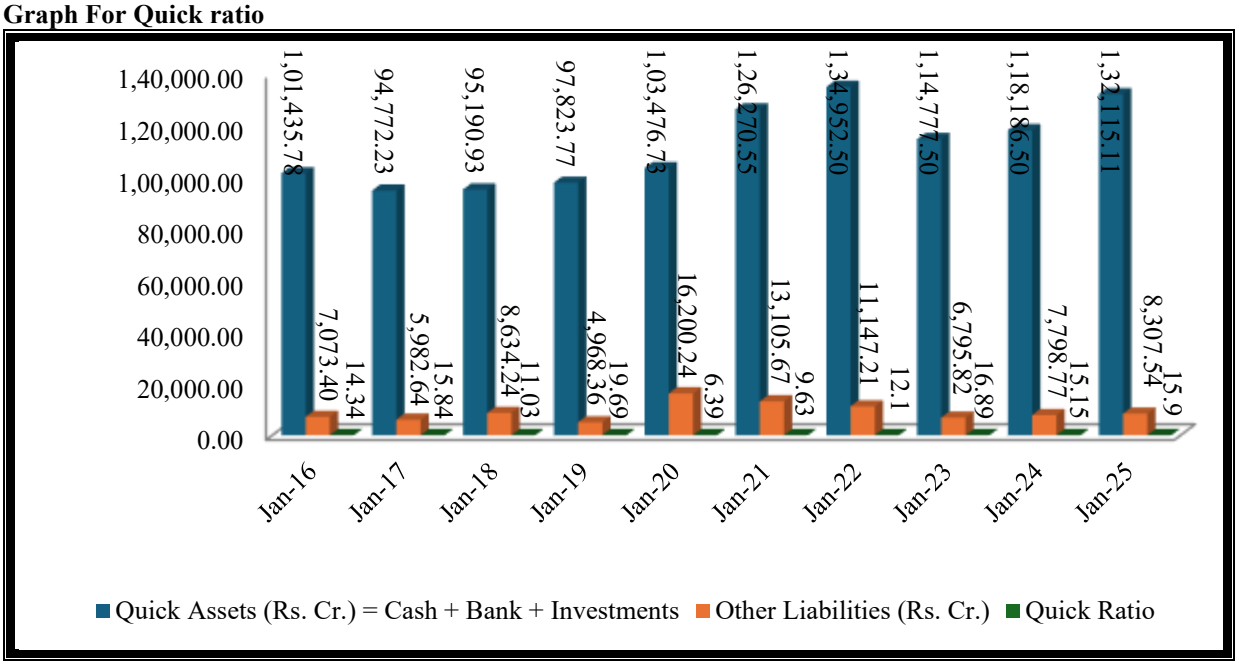
Quick Ratio=Current Liabilities/Liquid Assets

Table for Quick Ratio Calculation

Year	Quick Assets (Rs. Cr.) = Cash + Bank + Investments	Other Liabilities (Rs. Cr.)	Quick Ratio
Mar-25	1,32,115.11	8,307.54	15.9
Mar-24	1,18,186.50	7,798.77	15.15
Mar-23	1,14,777.50	6,795.82	16.89
Mar-22	1,34,952.50	11,147.21	12.1
Mar-21	1,26,270.55	13,105.67	9.63
Mar-20	1,03,476.73	16,200.24	6.39
Mar-19	97,823.77	4,968.36	19.69
Mar-18	95,190.93	8,634.24	11.03
Mar-17	94,772.23	5,982.64	15.84
Mar-16	1,01,435.78	7,073.40	14.34

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Graph For Quick ratio



Interpretation

From 2016 to 2025, the quick ratio of Indian Overseas Bank was mostly strong. In 2016, it was 14.34 and improved to 15.84 in 2017. In 2018, it dropped to 11.03 but was still good. The highest ratio was in 2019 at 19.69, showing very strong liquidity. In 2020, it fell to 6.39 and was 9.63 in 2021, showing weak liquidity during those years. After that, the ratio improved to 12.1 in 2022, 16.89 in 2023, 15.15 in 2024, and 15.9 in 2025. This shows that the bank had good short-term financial health in most years, except for 2020 and 2021.

3.Cash Ratio(Standard form: 0.5:1):

The **Cash Ratio** is a liquidity metric used to measure a company's ability to cover its short-term liabilities using only its most liquid assets, which include cash and balances with central banks. The formula for the **Cash Ratio** is:

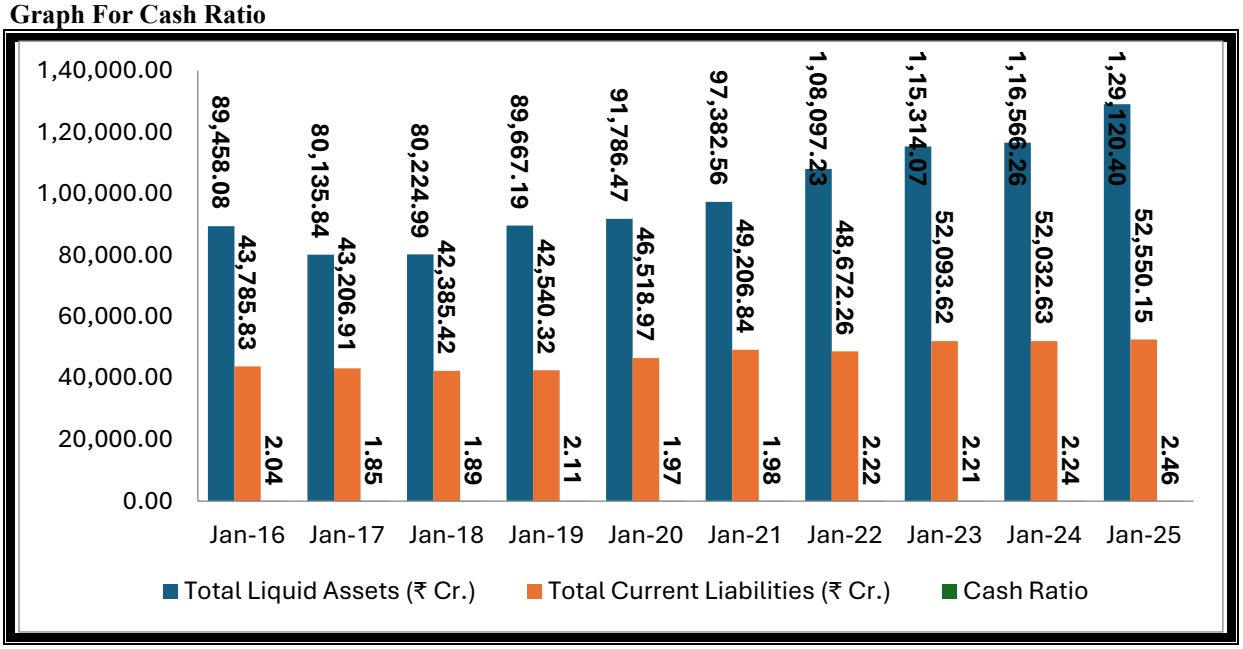
Cash Ratio= Total Equity Assets/Total Current Liabilities

Table For Cash Ratio Calculation

Year	Total Liquid Assets (₹ Cr.)	Total Current Liabilities (₹ Cr.)	Cash Ratio
Mar-25	1,29,120.40	52,550.15	2.46
Mar-24	1,16,566.26	52,032.63	2.24
Mar-23	1,15,314.07	52,093.62	2.21
Mar-22	1,08,097.23	48,672.26	2.22
Mar-21	97,382.56	49,206.84	1.98
Mar-20	91,786.47	46,518.97	1.97
Mar-19	89,667.19	42,540.32	2.11
Mar-18	80,224.99	42,385.42	1.89
Mar-17	80,135.84	43,206.91	1.85
Mar-16	89,458.08	43,785.83	2.04

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Graph For Cash Ratio



Interpretation:

From 2016 to 2025, the cash ratio of Indian Overseas Bank was always above 1, which means the bank had enough liquid assets to pay its short-term liabilities. In 2016, the ratio was 2.04 and slightly decreased to 1.85 in 2017 and 1.89 in 2018. It improved to 2.11 in 2019 but dropped to 1.97 in 2020 and 1.98 in 2021. From 2022 onwards, the ratio started increasing again to 2.22 in 2022, 2.21 in 2023, 2.24 in 2024, and 2.46 in 2025. This shows that the bank had good liquidity in all the years and could easily meet its short-term obligations.

4. Working capital turnover Ratio (Standard form: 1.5:2):

The **working capital ratio**, also known as the **current ratio**, is a financial metric used to assess a company's liquidity and ability to meet its short-term obligations. It is calculated as:

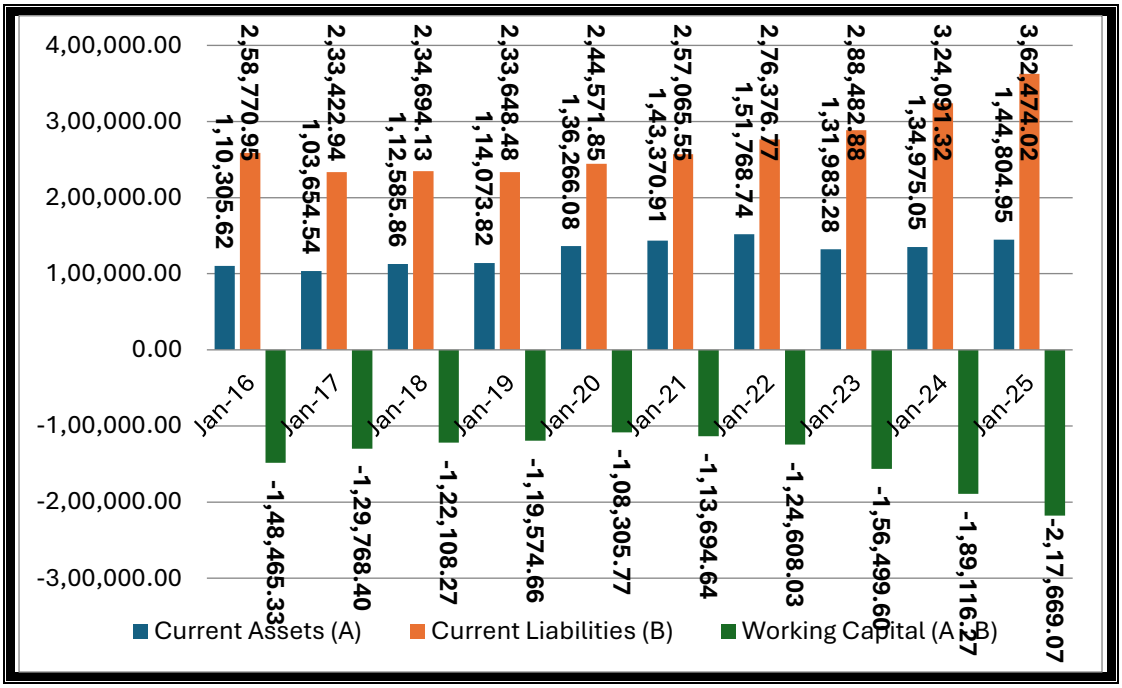
Working Capital Ratio=Current Assets/Current Liabilities

4. Table For Working capital turnover Ratio Calculation

Year	Current Assets (A)	Current Liabilities (B)	Working Capital (A - B)
Mar-25	1,44,804.95	3,62,474.02	-2,17,669.07
Mar-24	1,34,975.05	3,24,091.32	-1,89,116.27
Mar-23	1,31,983.28	2,88,482.88	-1,56,499.60
Mar-22	1,51,768.74	2,76,376.77	-1,24,608.03
Mar-21	1,43,370.91	2,57,065.55	-1,13,694.64
Mar-20	1,36,266.08	2,44,571.85	-1,08,305.77
Mar-19	1,14,073.82	2,33,648.48	-1,19,574.66
Mar-18	1,12,585.86	2,34,694.13	-1,22,108.27
Mar-17	1,03,654.54	2,33,422.94	-1,29,768.40
Mar-16	1,10,305.62	2,58,770.95	-1,48,465.33

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Graph For Working Capital Turnover Ratio



Interpretation

From 2016 to 2025, Indian Overseas Bank always had negative working capital. This means the bank had more current liabilities than current assets in all these years. In 2016, the working capital was –₹1,48,465.33 crore and it kept increasing negatively every year. By 2025, it reached –₹2,17,669.07 crore. This shows the bank may face problems in meeting its short-term needs and should improve its financial position.

Solvency Ratios

5. Debt to Equity Ratio(Standard form: 1:1.5):

The **Debt-Equity Ratio** is a key financial metric used to assess a company's financial leverage and its ability to meet its long-term obligations. It compares the total debt of the company to its equity. The formula for the **Debt-Equity Ratio** is:

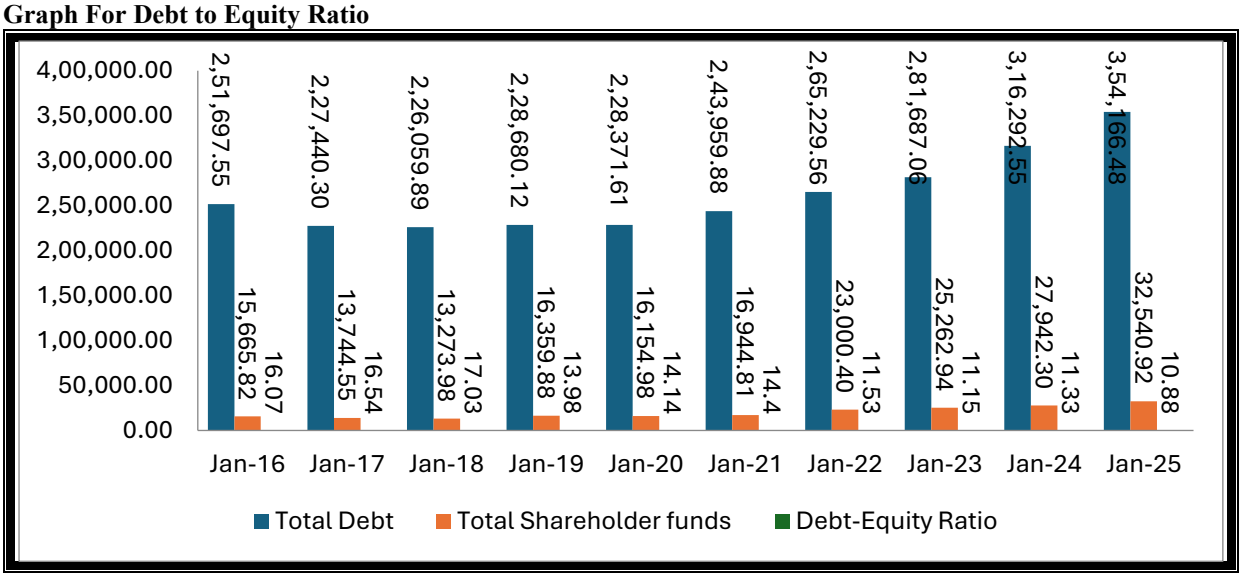
Debt Equity Ratio= Total Debt/Total Shareholders' Equity

Table For Debt to Equity Ratio calculation

Year	Total Debt	Total Shareholder funds	Debt-Equity Ratio
Mar-25	3,54,166.48	32,540.92	10.88
Mar-24	3,16,292.55	27,942.30	11.33
Mar-23	2,81,687.06	25,262.94	11.15
Mar-22	2,65,229.56	23,000.40	11.53
Mar-21	2,43,959.88	16,944.81	14.4
Mar-20	2,28,371.61	16,154.98	14.14
Mar-19	2,28,680.12	16,359.88	13.98
Mar-18	2,26,059.89	13,273.98	17.03
Mar-17	2,27,440.30	13,744.55	16.54
Mar-16	2,51,697.55	15,665.82	16.07

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Graph For Debt to Equity Ratio



Interpretation

The debt-equity ratio shows how much the bank is using borrowed money compared to its own money. From 2015-16 to 2017-18, the ratio was very high, which means the bank was depending more on debt. The highest ratio was in 2017-18 at 17.03. After that, the ratio started to come down slowly. By 2024-25, the ratio reduced to 10.88. This shows the bank is now using less debt and trying to improve its financial position. Overall, the situation is getting better over time.

6. Debt to Asset Ratio (Standard form: 0.4:0.6):

The **Debt to Asset Ratio** is a financial metric used to assess the proportion of a company's assets that are financed by debt. It shows the financial leverage of a company and helps in understanding its ability to meet its long-term obligations. The formula for the

Debt to Asset Ratio is:

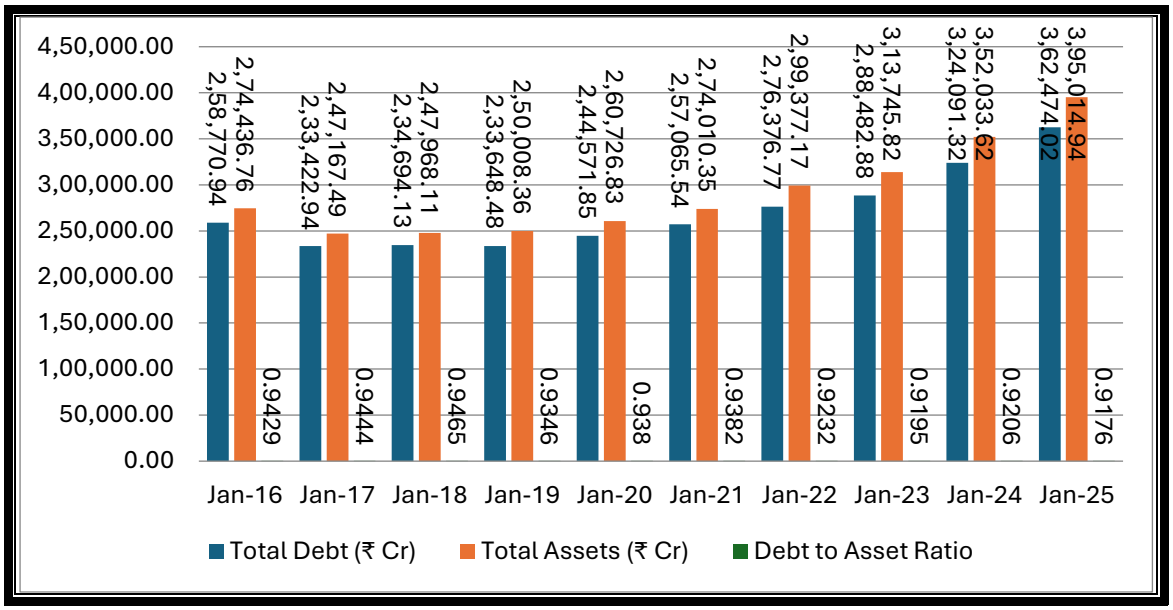
Debt to Asset Ratio=Total Debt/Total Assets

Table For Debt to Asset Ratio Calculation

Year	Total Debt (₹ Cr)	Total Assets (₹ Cr)	Debt to Asset Ratio
Mar-25	3,62,474.02	3,95,014.94	0.9176
Mar-24	3,24,091.32	3,52,033.62	0.9206
Mar-23	2,88,482.88	3,13,745.82	0.9195
Mar-22	2,76,376.77	2,99,377.17	0.9232
Mar-21	2,57,065.54	2,74,010.35	0.9382
Mar-20	2,44,571.85	2,60,726.83	0.938
Mar-19	2,33,648.48	2,50,008.36	0.9346
Mar-18	2,34,694.13	2,47,968.11	0.9465
Mar-17	2,33,422.94	2,47,167.49	0.9444
Mar-16	2,58,770.94	2,74,436.76	0.9429

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Graph for Debt to Asset Ratio



Interpretation

The debt to asset ratio of Indian Overseas Bank from 2016 to 2025 shows that the bank used a large portion of debt to fund its assets. In 2016, the ratio was 0.9429, meaning 94.29% of the bank's assets were from debt. The ratio was highest in 2018 at 0.9465. After that, the ratio slowly started to decrease. This means the bank was using less debt and improving its financial position. By 2025, the ratio had dropped to 0.9176, the lowest in ten years. This shows the bank is managing its money better and reducing its dependence on debt.

7.Solvency Ratio Standard form: 20%:25%):

The **solvency ratio** is a key financial metric used to assess a company's ability to meet its long-term debt obligations. It is calculated as the ratio of total **shareholders' equity** to total **assets**. This ratio gives an indication of the proportion of a company's assets financed by its own equity, rather than through debt.

The formula for the **solvency ratio** is:

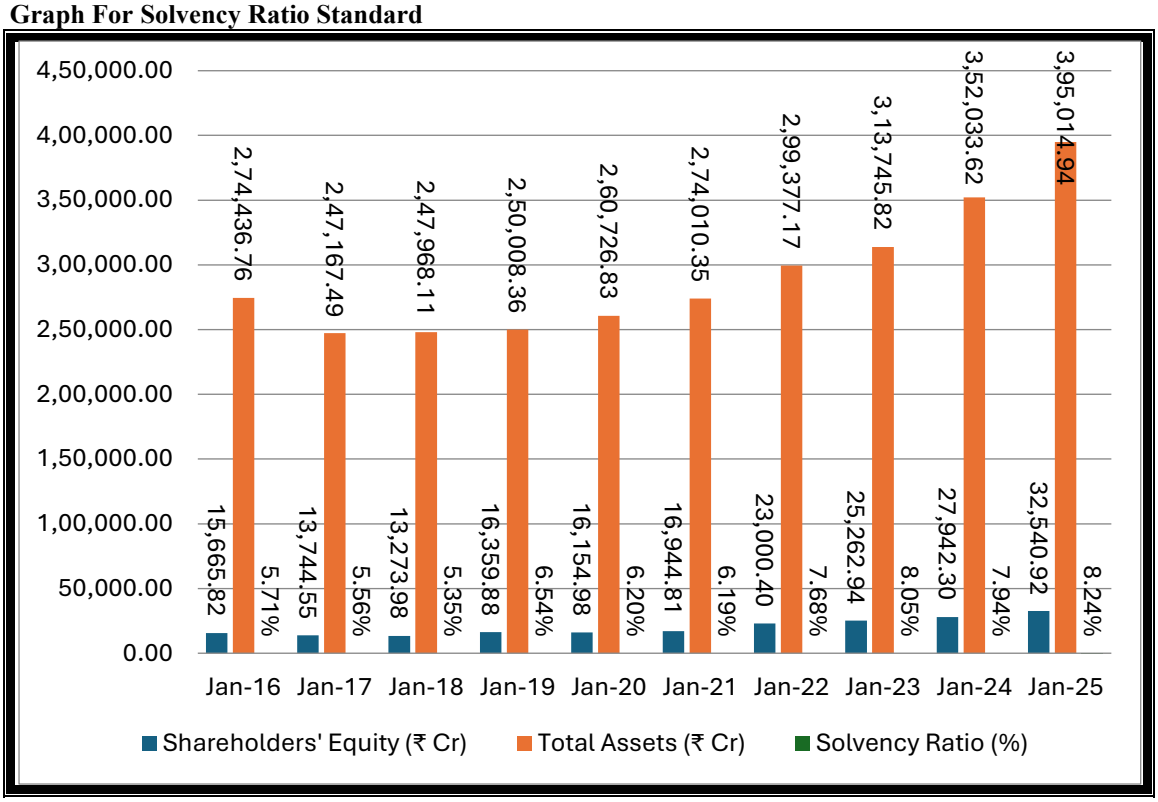
Solvency Ratio=Total Shareholders' Equity/Total Assets

Table For Solvency Ratio Standard Calculation

Year	Shareholders' Equity (₹ Cr)	Total Assets (₹ Cr)	Solvency Ratio (%)
Mar-25	32,540.92	3,95,014.94	8.24%
Mar-24	27,942.30	3,52,033.62	7.94%
Mar-23	25,262.94	3,13,745.82	8.05%
Mar-22	23,000.40	2,99,377.17	7.68%
Mar-21	16,944.81	2,74,010.35	6.19%
Mar-20	16,154.98	2,60,726.83	6.20%
Mar-19	16,359.88	2,50,008.36	6.54%
Mar-18	13,273.98	2,47,968.11	5.35%
Mar-17	13,744.55	2,47,167.49	5.56%
Mar-16	15,665.82	2,74,436.76	5.71%

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Graph For Solvency Ratio Standard



Interpretation

he solvency ratio of Indian Overseas Bank from 2016 to 2025 shows how much of the bank's total assets are funded by its own money. In 2016, the ratio was 5.71%, which means the bank had less of its own money and more borrowed money. The ratio became lowest in 2018 at 5.35%, showing weak financial strength. From 2019 onwards, the ratio started to improve slowly. By 2025, it increased to 8.24%, the highest in ten years. This shows that the bank is becoming stronger and is now in a better position to pay its long-term loans.

FINDINGS

- The current ratio of Indian Overseas Bank remained consistently low throughout the 10-year period, ranging from 0.30 to 0.38, indicating a continuous short-term liquidity issue and the bank's limited ability to meet its short-term liabilities with available current assets.
- The quick ratio of the bank was consistently high, maintaining levels above 12 in all years, which shows that despite weak current ratios, the bank always had sufficient liquid assets to cover immediate liabilities comfortably.
- The cash ratio was also consistently strong, staying above 1.8 in all years, suggesting that the bank had a safe cash buffer and could easily meet its immediate short-term obligations without financial stress.
- The bank's working capital remained negative during the entire study period, meaning that its current liabilities consistently exceeded its current assets. This reflects continued short-term financial pressure and a potential risk in liquidity management.
- The debt-equity ratio of the bank was very high, ranging between 10.88 and 17.03, indicating a heavy dependence on debt financing and relatively low reliance on shareholder equity, which increases the bank's financial risk.
- The debt-to-asset ratio remained above 90% throughout the period, showing that the majority of the bank's assets were financed by borrowed funds, reflecting a highly leveraged capital structure and low equity contribution.
- The solvency ratio stayed low over the years but gradually improved, reaching 8.24% by FY 2024-25, indicating that the bank's ability to meet long-term obligations has strengthened but still remains below ideal financial standards.
- The capital adequacy ratio (CAR) improved significantly from 9.66% in FY 2015-16 to 19.74% in FY 2024-25, showing that the bank has considerably strengthened its capital base and improved its capacity to absorb financial risks.
- The gross NPA ratio reduced sharply from 25% to 2.14%, reflecting the bank's major improvement in asset quality and successful implementation of NPA reduction strategies.
- The net NPA ratio also showed significant improvement, decreasing from over 15% to less than 1%, indicating better loan recovery, improved credit monitoring, and reduced bad loans.

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LIMITATIONS

- The study relies solely on secondary data, which may suffer from reporting inaccuracies, inconsistencies, and data quality issues.
- Financial data used in the analysis may have a time lag, causing it to not fully reflect the most recent developments or changes in the bank's operations.
- Qualitative aspects such as managerial efficiency, corporate governance, and customer satisfaction are not incorporated, potentially omitting critical contextual factors.
- Only basic quantitative tools (ratio analysis and trend analysis) are employed, which may not capture the full spectrum of financial dynamics.
- Advanced analytical methods (e.g., multivariate regression, forecasting models, benchmarking) are not utilized, limiting the depth of insights.
- The effects of broader macroeconomic variables—such as inflation, GDP growth, and changing interest rates—are not deeply integrated into the analysis.
- Variations and changes in regulatory frameworks, accounting policies, and reporting standards over the study period may affect the comparability of the financial data.

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