



A STUDY ON FINANCIAL PERFORMANCE OF NATIONALISED BANKS

D. Premaselvaraji* & Dr. A. L. Kamalavalli**

* Assistant Professor of Commerce, Sree Saraswathi Thyagaraja College,
Pollachi, Tamilnadu

** Associate Professor of Commerce, N.G.M College, Pollachi, Tamilnadu

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Abstract:

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. The main objective of the study is to understand the financial statements of nationalized banks and to study the financial health of the banks using ratio analysis. The conclusion is that while analyzing the financial performance of nationalized banks the performance of Indian overseas bank was better than other banks and SBI has to stabilize their financial stability.

Key Words: Financial Statement, Nationalized Bank & Performance

Introduction:

Financial Performance:

As long as accounting biases remain more or less the same over time, meaningful inferences can be drawn by examining trends in raw data and in financial Ratios. Since similar biases characterize various firms in the same industry, inter-firm comparisons are useful. Experience seems to suggest that financial analysis 'works' if one is aware of accounting biases and makes adjustments for the same. The word 'Performance is derived from the word 'parfourmen', which means 'to do', 'to carry out' or 'to render'. It refers the act of performing; execution, accomplishment, fulfillment, etc. In border sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of FrichKohlar "The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm's success, conditions, and compliance. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Objectives of the Study:

- ✓ To understand the financial statements of nationalized banks.
- ✓ To study the change in assets and liabilities of the banks.
- ✓ To study the financial health of the banks using ratio analysis.
- ✓ To offer suggestions to the company.

Need of the Study:

The business world today is marked by stiff competition and innovation. Enhancing the competitive advantage is a must to win in the market, which requires a systematic appraisal of the performance of the banks in term of parameters like return on assets, economic value added etc. Need of financial management study to diagnose the information contain in financial statement. So as to judge the profitability and financial position of the banks. Financial Analyst Analyses the financial statements with various tools of analysis before commanding upon the financial health of the banks. Essential to bring out the history significance and meaning of the financial statement.

Limitations of the Study:

- ✓ The study is only for four nationalized banks
- ✓ The period of study was limited up to 1 year.

Research Methodology:

Methodology is a systematic way to solve a research problem, it includes various steps that the generally adopted by a researcher in studying the problem along with the logic behind them. The present study

was conducted at nationalized banks, the study depends mainly on the secondary data namely the annual report of the banks. One year annual report was collected from the banks.

Research Design:

Research design stands for the frame work of research. Since the study aims to analyses the financial statements of the nationalized banks. There are three types of research designs; they are exploratory research, descriptive research and hypothesis testing research. The research design utilized in the study is descriptive research.

The following procedures have been undertaken: Based on the information and past records analysis and interpretations have been made.

Area of the Study: Finance – Financial performance analysis

Sources of Data: For the purpose of analyzing the financial performance of the banks, the study relied only on the secondary data that was available with the banks.

Secondary Data: For the purpose of study secondary data have been use of which is collected from the published financial statement viz, trading, profit and loss account and balance sheet contained in the annual report of the banks.

Tools Used for the Analysis: Ratio analysis

Analysis and Interpretation:

Current Ratio:

Particulars	SBI	Indian Bank	Canara Bank	Indian Overseas Bank
Current Assets	154581.65	9,508.39	25,251.02	8,882.31
Current Liabilities	155,235.19	5,924.97	15,055.10	5,982.64
Current Ratio	1.00	1.60	1.68	1.48

Interpretation:

The above table shows about the current ration of the banks in the last financial year. It reveals that the ratio was at 1 with SBI, 1.60 with Indian bank, 1.68 with Canara bank and 1.48 with IOB. It reveals that no bank was at prescribed ratio 1:2. It depicts that the banks have to increase their current assets to stabilize the financial position in future period of time.

Current Asset to Proprietors Fund Ratio:

Particulars	SBI	Indian Bank	Canara Bank	Indian Overseas Bank
Net Current Assets	154581.65	9,508.39	25,251.02	8,882.31
Share Holders Fund	797.35	480.29	597.29	2,454.73
Current Asset to Proprietors Fund Ratio	193.87	19.80	42.28	3.62

Interpretation:

The above table shows about the current asset to proprietors fund ratio of the banks in the last financial year. It reveals that the ratio was at 193.87 in SBI, 19.80 in Indian bank, 42.28 with Canara bank and 3.62 with IOB. When compared to all the banks taken for the study the current assets of SBI have increased a lot and it may be due to merger of state banks in the last financial year. It was very low with IOB when compared to other banks taken for the study.

Debt-Equity Ratio:

Particulars	SBI	Indian Bank	Canara Bank	Indian Overseas Bank
Outsiders Fund	2,044,751.39	195,146.17	495,275.24	211,342.63
Share Holders Fund	797.35	480.29	597.29	2,454.73
Debt-Equity Ratio	2564.43	406.31	829.20	86.10

Interpretation:

The above table shows about the Debt equity ratio of the banks in the last financial year. It reveals that the ratio was higher as the debt was higher than the equity for all the banks. The debt of SBI was higher than other banks at 2564.33 and the debt equity ratio was lower with IOB at 86.10. It shows that SBI has to increase their equity to maintain a stabilized financial position.

Fixed Asset Ratio:

Particulars	SBI	Indian Bank	Canara Bank	Indian Overseas Bank
Fixed Assets	2,674,380.65	137,197.03	492,274.65	212,007.81
Total Long Term Funds	2,044,751.39	182,509.28	495,275.24	211,342.63
Fixed Asset Ratio	1.31	0.75	0.99	1.00

Interpretation:

The above table shows about the fixed asset ratio of the banks in the last financial year. It reveals that the ratio was higher with State bank and was lower with Indian bank at 0.75. It depicts that when compared to fixed assets the long term funds were lower with Indian bank, Canara and Indian overseas bank. These banks have to increase their fixed asset to maintain a financial stability.

Proprietary Ratio:

Particulars	SBI	Indian Bank	Canara Bank	Indian Overseas Bank
Share Holders Fund	797.35	480.29	597.29	2,454.73
Total Assets	2,674,380.65	215,532.73	578,146.30	245,002.05
Proprietary Ratio	0.00	0.00	0.00	0.01

Interpretation:

The above table shows about the proprietary ratio of the banks in the last financial year. It reveals that the ratio was the same with all the banks as there is huge difference between the share holders fund and total assets of the bank the ratio was very low. It shows that the banks have earned a lot to their assets after the investment towards their operations of the bank.

Working Capital Ratio:

Particulars	SBI	Indian Bank	Canara Bank	Indian Overseas Bank
Total Income Earned	210,979.17	18,251.12	48,942.04	23,091.24
Working Capital	573.93	10.64	7,168.32	52.79
Working Capital Ratio	367.60	1715.33	6.83	437.42

Interpretation:

The above table shows about working capital ratio of the banks in the last financial year. It reveals that the ratio was the high with Indian bank at 1715.33 and it was low with Canara bank at 6.83. It shows that Indian bank has to invest a lot in to their working capital so that more profit can be earned in future period of time.

Gross Profit Ratio:

Particulars	2011-12	Indian Bank	Canara Bank	Indian Overseas Bank
Gross Profit	10,979.17	18,251.12	48,942.04	19,718.60
Net Sales	9,660.29	16,039.75	41,387.64	23,091.24
Gross Profit Ratio	113.65	113.79	118.25	85.39

Interpretation:

The above table shows about gross profit ratio of the banks in the last financial year. It reveals that the ratio was the high with Indian bank at 113.79 and it was low with IOB at 85.39. It shows that gross profit was low with IOB when compared to other banks.

Findings:

- ✓ When analyzing the current ratio of the banks no bank was at prescribed ratio 1:2.
- ✓ When compared to all the banks taken for the study the current assets of SBI have increased a lot and it may be due to merger of state banks in the last financial year.
- ✓ The debt of SBI was higher than other banks at 2564.33 and the debt equity ratio was lower with IOB at 86.10.
- ✓ It depicts that when compared to fixed assets the long term funds were lower with Indian bank, Canara and Indian overseas bank.
- ✓ The banks have earned a lot to their assets after the investment towards their operations of the bank.
- ✓ The working capital ratio was the high with Indian bank at 1715.33 and it was low with Canara bank at 6.83.
- ✓ The gross profit ratio was the high with Indian bank at 113.79 and it was low with IOB at 85.39.

Suggestions:

- ✓ The banks have to increase their current assets to stabilize the financial position in future period of time.
- ✓ SBI has to increase their equity to maintain a stabilized financial position.
- ✓ Indian bank, Canara and Indian overseas bank have to increase their fixed asset to maintain a financial stability.
- ✓ The banks have earned a lot to their assets after the investment towards their operations of the bank.
- ✓ Indian bank has to invest a lot in to their working capital so that more profit can be earned in future period of time.

Conclusion:

Analysis and interpretation of financial statements with the help of 'ratios' is termed as 'ratio analysis' ratio analysis involves the process of computing, determining and presenting the relationship of items or group of items of financial statements. The conclusion is that while analyzing the financial performance of nationalized banks the performance of Indian overseas bank was better than other banks and SBI has to stabilize their financial stability.

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