Financial Analysis of "Corporation Bank" with Special Reference to Trichy, Tamilnadu

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Abstract

Financial analysis of an organization provides the clear view of its performance parameters, present as well as past performance. This analysis is important for the management and also for outsiders dealing with organization as this shows the way of functioning and the direction in which an organization is moving. It is helpful in assessing the corporate excellence, judging the credit worthiness, processing bond rating and assessing market risk. The main study is to find out the financial performance of the bank. The ratio analysis and interpretation can provide valuable insights into a bank's performance.

Keywords:
Capital Funds. - Viability-Stability - Profitability – Pattern- Trend.

1. INTRODUCTION

Finance is regarded as the lifeblood of a business enterprise. In general, finance may be defined as a provision of money at the time it is wanted. "Business finance can broadly be defined as the activity concerned with planning, raising, controlling and administering of the funds used in the business". The basis of financial planning, analysis and decision-making is the financial information. Financial information is needed to predict, compare and evaluate the banks earning ability. It is also required to aid in economic decision making, investment and finding decision-making.

2. STATEMENT OF PROBLEM:

The accounting system helps to accumulate, measure and communicates financial information to various users for making economic decision. The users of financial information comprise owner, creditors, manager, employees, customer, suppliers, government and society are very much interested to know earning ability, liquidity and solvency position of the bank. Financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet and profit and loss account. In the present study is to measure the financial soundness and liquidity and solvency position of the bank through financial statement of the bank.

3. NEED OF THE STUDY

The study is based on the accounting information of the CORPORATION BANK, Trichy. The study covers the period of 2009 -2013 for analyzing the financial statement such as income statements and balance sheet. The scope of the study involves the various factors that affect the financial efficiency of the company. This study finds out the Operational efficiency of the organization and allocation of resources to Improve the efficiency of the organization. The data of the past five years are taken into account for the study. The performance is compared within those periods. It can improve to increase the efficiency of its assets and funds employed.

4. REVIEW OF LITERATURE

It is necessary since it familiarizes the researches with concepts and conclusions already evolved by earlier analysts. It also enables the present researcher to find out the scope for further study and to frame appropriate objectives for the proposed evaluation. Since the proposal of the study is to measure the Study On Financial Performance Analysis At Corporation Bank. The previous studies in this area of researches are briefly reviewed. It also includes the opinions expressed by various authors in leading articles, journals, books etc. carried out various studies on financial analysis such as profitability, liquidity and capital structure for various sectors in india. attempted an empirical study on financial performance of Indian Banking Sector in post reforms era. For the purpose of analysis banks have been categorized into private, foreign sector banks, nationalized and State Bank of India and its associated. A comparatives analysis has been undertaken of the basis of seven key indicators namely return on assets, capital asset risk weathered ratio, non-performing assets to net advances, business per employee, net profitability ratio, non-performing assets level and off-balance sheet operations of scheduled commercial banks form the time period of 1994 to 2005. They conclude that although the performance of public sector banks have improved considerably when compared with other sectors they are lagging in thrust areas viz, business per employee, profitability and asset quality.

Rekha Pai,Annapoorani and Vijayalakshmi pai (2006)2 attempted to develop a predictive model based on principal component analysis and multiple Discriminate analysis. The data consisted of 21 financial ratios of 34 sick units and 38 non-sick units during the year 2000-01 were taken. The predictive accuracy rate was about 86 percent, 82 percent and 69 percent. They concluded that a highest degree of predictive power was observed regarding to predict the chances of survival or falling in the trap of sickness of industrial units.

It may prove to be an effective tool in improving the financial management of corporate sector, which in turn will accelerate the growth of Indian economy. An efficient financial management is of crucial importance in the development of all economies, especially, developing economies like India, which generally face the problem of an inefficient utilization of resources available to them and also the scarcity of finance, which is the productive resource.

Dr. K. Srinvas(2010) in their paper “Pre and Post Merger financial performance of merged Banks in India”- A selected study is conducted and analysis the financial performance of Bank of Baroda, Punjab National Bank, Oriental Bank of Commerce, HDFC Bank, ICICI Bank and Centurions Bank of Punjab. Then found that the private sector merged banks performed well as compared to the public sector merged banks.

Shilpa M. Trivedi.(2010)4 studied in his thesis the financial performance of public transport corporation of Gujarat State Road Transport corporation. He observed that there was an Poor Performance in Scarcity of resources, Unequal competition, Uneconomic fare structure, Uneconomic routes, Concessions in fare, High tax burden, High bus staff ratio, Huge debt & interest burden, Operational inefficiency. He also suggest that Full reimbursement of concessions, Route rationalization,Rationalize manpower, Revised price fixation, Customer orientation, Control on cost of operation, Better maintenance practice, Revised tax rates. Finally he concluded that Gujarat State Transport corporation was Financially Viable and Operationally Sustainable Organization.

Dr. Hamandou Boubacar (2011)5 in their paper "The financial performance of foreign Bank subsidiaries" discuss about the relationship between the performance of bank foreign subsidiaries and the degree of the implication of the present banks in the organization and the management of their activities abroad. The results were found that ownership means share of the capital held by the parent bank.

5. OBJECTIVES OF THE STUDY

1. To know the profile and product and service offered by the Corporation bank.
2. To identify financial strength and weakness of corporation bank.
3. To estimate the future earnings of the bank based on trend percentage method.

6 RESEARCH METHODOLOGIES

The information which is needed for the study was collected through secondary data sources from the bank and the tools like ratio analysis and trend analysis are used to analyze the information. Each and every tool is analyzed and interpreted in a perfect way as per my knowledge. The study employs secondary data that are mainly available in published annual reports of Corporation banks, RBI bulletin, various reports on Indian banks, publications of Indian Bank Association, Indian Institute of Bankers, National Institute of Bank Management, various journals on related fields, etc. With the improvement of information technology, it was to collect required data through the online. Also there is a number of web sites were referred into for the study.

7. **TOOLS USED FOR ANALYSIS**

There are various methods used in analyzing financial statement such as comparative statement, schedule of changes in working capital, common size percentage, fund flow analysis, trend analysis and ratio analysis. In this study ratio analysis and Trend analysis has been used to analyses the liquidity and profitability of Corporation Bank in Trichy.

8. LIMITATION OF THE STUDY:

1. The study is limited to a period of 5 years only.
2. The study covers only one bank (i.e.) Corporation Bank.
3. Data of this study has been taken from published annual reports only.

9. ANALYSIS AND INTERPRETATION:

Company Profile and Product and Services offered by Corporation Bank:

9.1. COMPANY PROFILE

Corporation Bank (Corp. Bank) was incorporated in the year 1906 at Udipi. The Bank transacts banking business of every description. The undertaking of the Corporation Bank Ltd., was taken over by Government by an Ordinance promulgated on 15th April, 1980 viz., Banking Companies (Acquisition and Transfer of Undertakings) Ordinary, 1980 and vested in a new bank under the name Corporation Bank. Total Branch Automation package was launched in 46 branches during the year 1996. The Bank established one Institute during the year 1997 under the name of Corporation Bank Self Employment Training (COBSET) at Chikmagalur in coordination with Government of Karnataka. It conducted Radio & TV repairs; motor rewinding screens printing, mushroom cultivation etc. The first specialized collection and payment services branch was set up in Bangalore during the period of 1997.

Table: 01 PRODUCT AND SERVICES OFFERED BY CORPORATION BANK

1. Anywhere banking	24. Corp vehicle
2. Corp Convenience International Debit Card	25. Corp Vidya
3. Corp International Credit Card	26. Corp site loan
4. ASBA facility for IPO	27. Corp Personal loan
5. Inter Bank Payment Service	28. Corp Consumer loan
6. Corp Money Purse VISA Gift card	29. Corp Mortgage- Funds against commercial property
7. Campus cash card	30. Corp Vyapar- Short term loan for traders
8. Corp Travel card	31. Corp Rental- Finance against future rental receivable
9. Funds Transfer using ATMs	32. Corp Shelter- Reverse mortgage loan for senior citizens
10. Online funds transfer using internet	33. Corp Mitra- Personal loans to employees of other companies holding salary accounts with
11. SMS Banking	corporation bank.
12. Mobile Banking	34. Corp Investor Shoppe-Health check up of financial portfolio
13. Internet Banking	35. NRI Services
14. M-commerce	36. Cash Management Services for corporate
15. Multi city cheques	37. Fast Collection Services and Corp New Gen SB Account
16. Online Tax Payment	
17. Payment of income tax through corporation bank ATMs	
18. Pay Roll Account	
19. Millionaire RD account	
20. Corp Recur	
21. Three-in-one account	
22. Gold coins	
23. Corp home –housing loan	

Source: Annual report of corporation bank 20012-13

Corporation Bank had launched Any Branch Banking' product covering the 12 computerised branches in the city and also launched Corp Access - the bank's any branch-banking product at Chennai. Corporation Bank had introduced demat services on its own to its customers in March of the year 2001. The Bank had obtained the right to host ATMs at 14 stations of the Western Railway during the year 2003. The Bank had signed a Memorandum of Understanding (MoU) with National Bank in the year 2003 for Agriculture and Rural Development (NABARD) for the co-financing of hi-tech agricultural, agro-processing and export-oriented projects. The Bank had inaugurated its wholly owned subsidiary under the name of CorpBank Homes Ltd for housing finance in 22nd May of the year 1998 at Mangalore. During the same year 1998, the bank had entered into a strategic alliance with the Stock Holding Corporation of India Ltd (SHCIL) and also launched the bullion scheme for jewellery exporters. To provide Internet banking facilities to its customers, the Bank had entered into a Strategic Business Alliance with Netsavvy Solutions Pvt Ltd, a Chennai-based company and in the same year the bank had launched its tele-banking facilities called Corp Dial' at its home city-Mangalore and Udipi in Karnataka. The Bank made a contract with Info systems Ltd to bring about total branch automation through a unique concept called cluster banking'. The Bank had entered a three-way tie-up to foray into the life insurance sector and had created a separate division within the bank to speed up the entry procedure. During the fiscal year 2000, the bank had set up another wholly owned subsidiary Corporation Bank Securities to function as a primary dealer in Government Securities. The Bank had signed an agreement with DSP Merrill Lynch Mutual Fund. Also in the same year, Corporation Bank inked pact with Toyota Motors and signed one MoU with Honda Siel Power Products Ltd to provide easy loans for purchasing Honda power generators. Made tie up with Tractors and Farm Equipment Ltd for financing tractors to farmers. The Bank along with Tanishq had entered into a tie-up with World Gold Council (WGC) to offer finance scheme to their customers for the purchase of gold jewellery. Corporation Bank won the prestigious 'Best Bank Award for Delivery Channels' during the year 2004 from the Institute for Development and Research in Banking Technology (IDRBT), sponsored by RBI. The Bank had released Kisan Card for farmers in the year 2005, during the same year 2005, Corporation Bank made an agreement with IL&FS Invest smart for offering capital market services to the bank's customers. The Bank had unveiled 3 schemes for Small & Medium Enterprises (SMEs) in the year 2006. Corp Bank Homes Ltd, the wholly owned subsidiary of the bank has merged with the bank effective from 4th October of the year 2006. During the year 2006-07, the bank had opened 66 new branches.

9.2. RATIO ANALYSIS:

DEBT –EQUITY RATIO:

This ratio also called as ‘External –Internal Equity ratio’. It mainly calculated to assess the soundness of long term financial policies and to determine the stakes of outsiders and owners. It determines the relationship between debt and equity. It computed by following formula
Debt-Equity ratio = Internal fund / External fund

TABLE - 02
DEBT-EQUITY RATIO
(Rs. in crores)

Year	Internal fund	External fund	Ratio (in times)
2008-09	4896,51,00	2072,39,64	2.36
2009-10	7065,80,69	9077,52,56	0.77
2010-11	7137,80,88	15965,38,15	0.44
2011-12	8275,92,56	14248,09,66	0.58
2012-13	9565,69,72	12898,84,63	0.74

Source: Annual report of corporation bank from the year 2008-09 to 2012-13

The above table shows that Debt- Equity ratio has gradually decreased in all years than the first year 2.36. But in preceding years it was decreased, so it leads to improvement of functions at the period of 2012-2013.

CURRENT RATIO:

Current ratio may be defined as the relationship between current assets and current liabilities. This ration also known as **working capital ratio**. It is measure of general liquidity of a firm. It is calculated by dividing the total of current assets by total of the current liabilities. Current assets include inventories, cash and bank balances, loans and advances, etc., Current liabilities include sundry creditors, and advances received provisions and other liabilities.

Current ratio = Current assets /Current liability

TABLE 03

CURRENT RATIO

(Rs. in crores)

Year	Current Asset	Current Liability	Ratio (in times)
2008-09	3989,62,63	20723,9,64	40.5
2009-10	1085,17,10,	76 9077,52,56	11.9
2010-11	1406,95,65,	37 15965,38,15	8.81
2011-12	1596,41,65,	41 14248,09,66	11.20
2012-13	1895,64,46,	20 12898,84,63	14.69

Source: Annual report of Corporation bank from the year 2008-09 to 2012-13.

From table the current ratio was found to be higher than standard norm throughout the study period except in the year 2008-2009, to 2012-2013. 40.5:1 is considered as standard ratio. The ratio was lower in the year 2009-2010 i.e., 11.9:1, due to high investment in current assets and low amount of current liabilities was found. From the same table it was observed in 2010-11, the ratio was below the standard norm i.e. 8.81:1 due to a sudden increase in current liabilities compared with the previous year. Current assets shown a fluctuating trend and current liabilities have an increased in other preceding year.

PROPRIETARY RATIO:

This ratio point's outs relationship between the shareholders funds and total tangible assts. Also its called as 'EQUITY RATIO' or' NET WORTH RATIO'

Proprietary ratio = Shareholders fund / total tangible assets

TABLE 04

PROPRIETARY RATIO

(Rs. in crores)

Year	Shareholders fund	Total Tangible assets	Ratio (in times)
2008-09	4896,51,00	86905,81,02	0.05
2009-10	5774,86,60	1116,67,29,86	0.05
2010-11	7137,80,88	1435,08,59,31	0.04
2011-12	8275,92,56	1635,60,42,09	0.05
2012-13	9565,69,72	1934,42,33,35	0.04

Source: Annual report of corporation bank 2008-09 to 2012-13.

The above table indicates that the proprietary ratio has the proportion of shareholders funds in the total tangible assets. A high proprietary ratio indicates less danger risk to investors in the event of insolvency. But the study also showing improvement needs of the bank.

9.3. TREND PERCENTAGE

Method of analyzing information obtain over an extended period by choosing a base line period (usually the earliest year) and starting the data associated with subsequent periods as a percentage of that period.

TREND PERCENTAGE OF ASSETS:

The following table explains the trend percentage analysis of assets for the period of 2008-2009 to 2012-2013. In this, the year 2008-2009 considered as base year.

TABLE 05
TREND PERCENTAGE OF TOTAL ASSETS
(Rs.in crores)

Year	Total assets	Trend
2008-09	86905,81,02	100.0
2009-10	1116,67,29,86	128.49
2010-11	1435,08,59,31	128.51
2011-12	1635,60,42,09	113.97
2012-13	1934,42,33,35	118.26

Source: Annual report of Corporation bank from the year 2008-09 to 2012-13

The above table reveals the trend in Total Assets. For analyzing the trend, 2008-2009 is taken as the base year. During the study period, trend percentage shows the highest in 2010-2011 as 251.51% and lowest in 2011-2012 as 113.97%. It indicates the asset fluctuation of the bank.

TREND PERCENTAGE OF NET PROFIT

The following table explains the trend percentage analysis of Net Profit for the period of 2008-2009 to 2012-2013.In this, the year 2008-2009 considered as base year.

TABLE 06
TREND PERCENTAGE OF NET PROFIT
(Rs.in cores)

Year	Net Profit	Trend
2008-09	892,76,98	100.0
2009-10	1170,25,12	131.08
2010-11	1413,26,79	120.76

2011-12	1506,04,25	106.56
2012-13	1434,67,47	95.26

Source: Annual report of Corporation bank from the year 2008-09 to 2012-13

The above table shows the trend in net profit. For analyzing the trend, 2008-2009 is taken as the base year. All the year the net profit shows a positive trend percentage value. During the study period, trend percentage shows the highest in 2009-2010 as 131.08 % and lowest in 2012-2013 as 95.26 %. In terms of difference it shows highest and only one positive difference in up to 2012-2013 as 95.26.It indicates the high fluctuation of the bank.

9.4. FINDINGS

1. It was found from the ratio analysis Debt-Equity ratio fluctuated more. It shows high percentage of employed equity.
2. Current liability position decreased in study period.
3. It was found that assets of the bank have increased in all the years.
4. Trend Percentage of total assets shows positive trend with low fluctuation.
5. Trend percentage of Net Profit is decreased in the year 2012-2013.

9.5. SUGGESTIONS

1. Bank should minimize the external fund of the bank.
2. Bank can invest in other functions due to low position of current liability.
3. If the concern maintains enough cash and bank balances proportionate to current liability, it can easily meet the working capital requirements.
4. It is suggested that the bank should maintain present position of the current ratio.
5. Debt-equity ratio is in the satisfactory level, so the bank should maintain the same level in future too.

10. CONCLUSION

The performance of Corporation Bank has been evaluated by using Ratio analysis, and Trend Percentage and Comparative Balance Sheet. Growth indicates that performance of Corporation Bank is in the satisfactory level. The profitability ratio is not revealing that t o increase its performance Corporation Bank increases its share capital and reduce their external fund utility.

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