

# FINANCIAL EFFICIENCY ANALYSIS OF INDIAN BANK WITH REFERENCE TO PONDICHERRY CITY

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## ABSTRACT

The banking sector in India has established itself as a key player in the financial landscape, demonstrating consistent promise and profitability over the past decade. The growth of the banking system, particularly public sector banks, has not only enhanced financial inclusion but also significantly contributed to the nation's economic development. This study explores the financial statements of Indian banks to identify their financial strengths and weaknesses, focusing on the analysis of balance sheets and profit and loss accounts over multiple years. The primary objectives of this research are to evaluate the short-term and long-term solvency of Indian bank, assess their profitability, and provide actionable recommendations regarding their financial positions. To achieve these objectives, the study employs various analytical tools, including ratio analysis, comparative balance sheets, and common size balance sheets. These methodologies enable a comprehensive evaluation of key financial metrics, facilitating comparisons with previous years to highlight trends and performance shifts. The findings from this analysis aim to enhance understanding of the financial efficiency and stability of Indian bank. By identifying areas for improvement, this study seeks to contribute valuable insights that can aid banking institutions in strategic decision-making and bolster their overall financial health. Ultimately, the research underscores the importance of continuous financial analysis in fostering a robust banking environment capable of supporting India's economic aspirations.

**Keywords — Financial statements, Comparative balance sheets, Trends, Performance shift, Financial stability, Public sector banks.**

## **INTRODUCTION**

often face challenges such as non-performing assets (NPAs), regulatory pressures, and the need for Financial efficiency analysis refers to a bank's ability to utilize its resources effectively to generate profit while minimizing costs. It encompasses various aspects, including asset management, cost control, and capital utilization. A thorough analysis of financial efficiency is essential for assessing the performance of banks, identifying areas for improvement, and formulating strategies for sustainable growth. In this context, this study focuses on the financial efficiency of Indian banks, with particular attention to public sector banks, which have historically played a vital role in promoting financial inclusion and serving diverse customer segments. By examining key financial metrics such as Return on Assets (ROA), Return on Equity (ROE), and cost-to-income ratios, the analysis aims to provide insights into the strengths and weaknesses of these institutions. Furthermore, this study will employ various analytical tools, including cash flow statement analysis and comparative assessments of financial statements, to evaluate trends and performance shifts over time. Understanding these dynamics is crucial not only for bank management but also for policymakers and stakeholders aiming to enhance the overall health of the banking sector. Ultimately, this research seeks to contribute to the on going discourse on financial efficiency in Indian banks, offering actionable recommendations that can enhance operational performance and support the broader economic objectives.

Public sector banks hold a predominant position, accounting for a substantial share of the banking market. Their role in promoting financial inclusion, supporting government initiatives, and serving diverse populations is critical. However, these banks digital transformation. As such, a focused analysis of their financial efficiency is essential to understand how they can navigate these challenges while continuing to serve the economy effectively. Additionally, the research will delve into the

implications of financial efficiency for strategic decision-making within banks. It will offer recommendations for improving operational practices, leveraging technology, and enhancing risk management to foster a more resilient banking environment.

## **NEED OF THE STUDY**

A comprehensive financial efficiency analysis of Indian banks is essential for several reasons. It clarifies their economic role, aids informed investor decisions, ensures regulatory compliance, and promotes financial stability and growth. By evaluating financial performance, stakeholders gain insights into operational effectiveness and risk management, crucial for economic stability and investor confidence. Understanding financial metrics also facilitates the assessment of risks and returns in banking investments. Ultimately, this analysis enhances transparency, guides strategic decision-making, and supports the long-term development.

## **SCOPE OF THE STUDY**

This study contributes to the broader discourse on the banking sector by shedding light on the financial dynamics that influence both the institution and the economy at large. By assessing the bank's financial performance in relation to industry benchmarks and regulatory standards, the report underscores the importance of maintaining robust financial practices that promote stability and growth. Ultimately, this comprehensive analysis serves as a valuable tool for stakeholders, policymakers, and researchers interested in understanding the financial landscape of Indian banking.

- a. Highlights changes in performance across different years.
- b. Assesses the Indian Bank's financial condition during the specified period.
- c. Contributes to the sustainable development of the

banking sector.

### **LIMITATIONS OF THE STUDY**

1. The bank's financial details are only collected for 5 years.
2. The information provided by the bank is limited.
3. Banks' financial performance is assessed over a given time period
4. The study is confined to a short period of 8 weeks.
5. The study relies on secondary data, making its accuracy dependent on the quality of that data.

### **OBJECTIVES OF THE STUDY**

- a) Analyze financial statements, including profit and loss accounts, balance sheets, and asset/liability types.
- b) Evaluating the financial strength, stability, and profitability of Indian banks. .
- c) Evaluate the Indian bank's cash inflow and outflow.

### **REVIEW OF LITERATURE**

S. Manicka Vasuki (2022) examined “Bank of Baroda's financial performance”. She sought to assess the Bank of Baroda's financial performance and make constructive recommendations to improve it. Her analysis relied on secondary data gathered from the Bank of Baroda's website, the Reserve Bank of India, and other relevant sources throughout a five-year period, from 2017 - 18 to 2021 - 22. She determined that the bank's financial health can be improved by improving the margin of net profit, profits per shares, return on assets, and interest income.

Mishra et al. (2021) investigated “the monetary health of SBI”. The analysis discovered that SBI has a higher ROA and ROE than other banks in India. The survey also discovered that SBI had a higher NIM and lower NPA than other banks.

Nandhini Thakur (2020) "The study focuses on HDFC Bank's financial statements

from 2013 to 2018. This study employed ratio analysis, as well as cash along with fund flow analyses. The goal is to measure the efficiency of various bank properties. Researchers discovered that the bank's financial performance was strong and recommended that more housing loans be provided to help Indian citizens flourish.

Bangaru Pushpalatha (2020) examined the financial statements of SBI. The study's aims are to assess SBI's asset and liability portfolios. The analysis found that SBI has better management and financial efficiency. It is also reported that customers turn to SBI for advance lending plans.

Shabbir et al. (2018) conducted a study on the impact of corporate governance on the financial performance of banks in India, including SBI. The study found that good corporate governance practices had a positive impact on the financial performance of banks, including SBI.

Padhan and Naik (2018) conducted a study on the financial performance of public sector banks in India, including SBI. The study found that SBI had a higher ROA and ROE compared to other public sector banks. The study also found that SBI had a higher NIM and lower NPA compared to other public sector banks.

Alpesh Gajera (2015) observed in his research paper on the financial performance of private and public sector banks that there is a substantial gap in the financial performance of these banks and private sector banks in terms of capital adequacy relative to public sector banks.

Nutan Troke and P K Pachorkar (2012) the study related that the private sector bank the percentage of other income in the total income is higher than public sector bank. Publicsector

bank depends on intent income for their efficiency and performance. The optional efficiency of private sector banks is better than public sector banks. Private sector banks use their assets quality better than public sector banks.

Mahanta & Kakati, 2011 The paper discusses the internal credit rating models of public sector banks and measures their effectiveness using several criteria. Both models demonstrated bad results in at least one criterion. However, the degree of vulnerability differed significantly across models. The conclusions are tentatively based on his theory that the prevalence of weakness in the present collateral calculation is a significant cause of accounts developing into bad loans.

### **RESEARCH METHODOLOGY**

Research Methodology is the organized strategy that is taken when investigating financial issues, analysing data, and drawing conclusions is referred to as research technique. It comprises the strategies and procedures used to investigate financial issues and evaluate or test financial theories. This analysis is quantitative in nature, which means it focuses on INDIAN Bank's financial statements over the last five years from 2018-2023. This analysis is based on primary and secondary data sourced from the bank's website and annual reports.

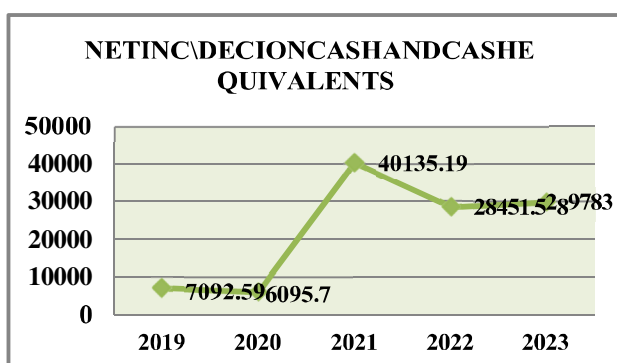
### **ANALYSIS AND INTERPRETATION**

#### **Cash flow statement:**

A cash flow statement is a financial statement that summarizes all cash inflows from a company's ongoing activities and external investment sources. It also includes all cash outflows used to fund corporate activities and investments over a certain time period. It includes cash made by the business through operations, investment, and financing the sum of which is called “net cash flow.”

**Cash Flow Statement**

PARTICULARS	(Rs. In Crores)				
	2019	2020	2021	2022	2023
Net Profit/Loss Before Extraordinary Items and Tax	321.95	753.36	3,004.68	3944.82	5282.00
Net Cash flow from Operating Activities	14,963.61	-8734.62	17,062.41	28,732.11	-27,943.00
Net Cash Used in Investing Activities	-248.39	-247.24	-543.15	-298.97	-297.00
Net Cash Used from Financing Activities	-7,622.63	2829.49	1,865.55	18.44	-1343.00
Foreign Exchange Gains / Losses	0.00	56.67	21,750.38	-	-
<b>Net Inc/Dec in Cash and Cash Equivalents</b>	<b>7,092.59</b>	<b>-6095.70</b>	<b>40,135.19</b>	<b>28,451.58</b>	<b>-29,783.00</b>
Cash And Cash Equivalents Begin of Year	12,927.79	20,020.38	13,924.68	51,464.47	79,916.00
Cash And Cash Equivalents End of Year	20,020.38	13,924.68	54,059.88	79,916.65	50,133.00



#### **INTERPRETATION:**

From 2019 to 2023, net profit before extraordinary items grew significantly from 321.95 crores to 5282.00 crores, while net cash flow from operational activities showed volatility, peaking at 28372.11 crores in 2022 before dropping to - 27943.00 crores in 2023. Net cash used in investing operations steadily decreased each year, with a slight peak in 2021 at -543.15 crores, and net cash used from financing activities shifted from -7622.63 crores in 2019 to a positive 2829.49 crores in 2020. Foreign exchange gains surged to 21750.38 crores in 2021 but were absent in the following two years. The net increase in cash and cash equivalents fluctuated, reaching a high of 40135.19 crores in 2021 before declining in 2023, while cash and cash equivalents at the beginning of the year rose significantly from 12927.79 to 79916.00 crores over the period, reflecting overall improved liquidity.

#### **FINDINGS**

- [1] Net profit before extraordinary items increased dramatically from 321.95 crores in 2019 to 5282.00 crores in 2023.
- [2] Net cash flow from operational activities exhibited significant volatility, reaching a high of 28372.11 crores in 2022, then plunging to -27943.00 crores in 2023.
- [3] Net cash used in investing operations steadily decreased each year, with a slight peak at -543.15 crores in 2021.
- [4] Net cash used from financing activities transitioned from -7622.63 crores in 2019 to a positive 2829.49 crores in 2020
- [5] Foreign exchange gains surged to 21750.38 crores in 2021 but were completely absent in 2022 and 2023.
- [6] The net increase in cash and cash equivalents peaked at 40135.19 crores in 2021, followed by a decline in 2023
- [7] Cash and cash equivalents at the beginning of the year rise substantially from 12927.79 crores in 2019 to 79916.00 crores in 2023, indicating enhanced liquidity.

#### **SUGGESTIONS**

- [1] To mitigate the volatility in operational cash flow, implement stronger cash management practices and forecasting techniques to better predict cash needs and operational expenditures.
- [2] Given the consistent decrease in cash used for

investing operations, consider reallocating resources toward strategic investments that align with long-term growth objectives while ensuring adequate cash reserves.

- [3] Continue to leverage the positive shift in financing activities by exploring opportunities for raising capital through equity or debt to support growth initiatives while managing the cost of capital effectively.
- [4] With significant foreign exchange gains in 2021, develop a robust risk management strategy to hedge against currency fluctuations, especially if international operations or
- [5] With substantial increases in cash and cash equivalents, consider using these reserves to fund strategic initiatives, such as acquisitions or research and development, rather than keeping excess cash uninvested.
- [6] Establish a routine financial review process to monitor cash flow trends, investment performance, and profitability metrics to ensure timely adjustments to strategies and operations.
- [7] Explore opportunities for diversifying revenue sources to create more stability in cash flow and reduce reliance on any single operational area, thereby enhancing overall financial resilience.

#### **CONCLUSION**

The financial analysis of Indian Bank Limited, based on balance sheets from 2019 to 2023, indicates a generally sound financial condition, particularly in terms of liquidity. However, it is crucial for the bank to exercise caution when utilizing short-term capital to mitigate potential risks. To enhance their operational turnover, ongoing efforts to strengthen their financial position are essential. Employing comprehensive financial analysis techniques, such as trend percentage analysis, cash flow statements and comparative balance sheets, will further aid in assessing and improving the bank's

financial health. Overall, a proactive approach will help Indian Bank navigate challenges and capitalize on growth opportunities.

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