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A Study On Economic Analysis Of Public Sector Bank, Using Linear Trend Analysis".

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A. Introduction

Today strength of economy of a country depends on its financial system. It is a system complex and closely interlinked financial institutions, markets instruments and services. Among the financial institutions, banking and non-banking financial companies act as financial intermediaries, by mobilizing savings and also lending money.

A modern industrial society cannot be run by self financing of entrepreneurs. Some institutional assistance is necessary to mobilize the savings of the community and to make it available to the entrepreneurs. The people, a large majority of who save in small odd lots also want an institution which can ensure safety of their funds together with liquidity. Banks assure this with a further facility that the funds can be drawn back in case of need.

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors.

For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In facts, Indian banking system has reached even to the remote corners.

The word 'Bank' is derived from the Italian word 'Banco', which means 'bench'. In the olden days, the European bankers and moneylenders transacted their banking activity, namely changing one currency for another and money lending by displaying coins of different denominations on the benches installed at market places.

From a broader social angle, banks act as a bridge between the users of capital and those who save but cannot use funds themselves. The idle resource of the community thus activated and brought to productive use. The banking system has capacity to add to the total supply of money by means of credit creation. RBI is the central bank of the country since 1934. It regulates, controls credit, issue licenses and functions as banker of all banks and the government.

B. Statement of the Problem

Banks generally focus on the function of borrowing and lending, with an intention to generate profit in their Activities. The head office normally carries out profitability and performance appraisal of the bank, normally at the end of the year, focusing only on a few parameters. Hence, there is a problem of assessing profitability of the bank with the effective implementation of financial inclusion plan. Effective channel management is one of the key success factor for improving the profitability of the banks. The present paper aims to find out the relationship between effective channel management and its impact on profitability.

Topic selected for the study:

"A Study on Financial Management of Syndicate Bank, Shivamogga Using Linear Trend Analysis".

C.Need for the Study

A sound and an evolved banking system is a must for sustained economic development of a country. A vibrant banking system is instrumental in efficient allocation of capital, optimum use of the resources and generation of wealth thereby contributing to the overall growth of economy. The financial crises that erupted in the subprime mortgage markets in the USA in 2008 impacted the revenues and profitability of businesses worldwide. Indian public sector banks have not only been able to weather the storm of global recession but have been able to moderate its impact on the Indian economy as well. However, the effects of the economic meltdown are still being felt at the global level and the challenges to the Indian economy and the financial sector are still formidable.

An analytical study of the financial performance of public sector banks in india aims to throw light on the stability of the Indian Banking system achieved as a result of the stringent norms imposed by the central bank I.e. Reserve Bank of India. Hence an in – depth study of the nationalized bank- Syndicate bank, which took birth in the state of Karnataka, would give an insight into the same along with a glimpse of how the Indian Banking system is getting ready to face future challenges of the global economy.

D. **Objectives of the study**

1. To identify the liquidity position of banks under study.

2. To know profitability of banks under study.

3. To understand the efficiency of the banks under study.

4. To make comparison between the financial performance of banks under study.

F. Research Design

Research design is purely and simply the framework or plan of a study that guides the collection and analysis of data. This research design is to the done before conducting a study. Success of any research study lies in its Research design

There are three types of Research designs:

- Exploratory
- Descriptive
- Casual

This study is undertaken as per Descriptive research design, which is also called exploratory design. The descriptive study is typically concerned with determining frequency with something occurs.

5 Scope of the study

The study is designed to assess the financial performance of Syndicate Bank through modern tools and techniques of financial analysis. The present study is undertaken from 2016-17 to 2020-21 The study is based on the financial statements and financial data such as performance highlights of the bank.Reference period: A period of 5 financial years: 2016-17, 2017-18, 2018-19, 2019-20, 2020-21.

G. Methodology of Data Collection

- **Source of data**

  Data are facts, figures and other relevant materials, past and present serving as bases for the analysis. Inferences based on imagination or guesswork cannot provide correct answers to research requirements. The relevance, adequacy and reliability of data determine the quality of the findings of a study.

For solving any problem the primary requirements is data. Before conducting the study the sources of data are to be identified. There are two sources of data.

1. Primary data source
2. Secondary data source

1. Primary data

The primary source of data is for this study mainly comprised of the face-to-face interaction and discussion with various executive, officers and other staff members of the bank.

2. Secondary data

The Head Office by way of recorded facts and information annual reports and manual prepares the secondary source of data. The profit and loss accounts and balance sheet have provided secondary information for comparison of the branches.

H. Sampling Plan

Since the data are not collected through the survey but only through the discussion with the managers and employees of the bank, no sampling plan is made. The data are collected from the organization is purely related to finance and therefore no fieldwork has been undertaken.

LITERATURE REVIEW:

Various studies have been conducted and numerous suggestions were sought to bring effectiveness in the working and operations of financial Institutions. Narasimham Committee (1991) emphasized on capital adequacy and liquidity, Padamanabhan Committee (1995) suggested CAMEL, rating (in the form of ratios) to evaluate financial and operational efficiency, Tarapore Committee (1997) talked about Non-performing assets and asset quality, Kannan Committee (1998 and revised in 2011) recommended credit delivery system and credit guarantee and Verma Committee (1999) recommended seven parameters (ratios) to judge financial performance.

Several other committees have been constituted by the Reserve Bank of India reforms in the banking sector by emphasizing the improvement in the financial health of the banks. Experts suggested various tools and techniques for effective analysis and interpretation of the financial and operational aspects of the financial institutions specifically banks. These focus on the analysis of financial viability and credit worthiness of money lending institutions with a view to predict corporate failures and incipient incidence of bankruptcy among these institutions.

Studies on Performance of Banks in India and Global financial crises:

1. **Eichengreen, Barry and Gupta, Poonam (December 2012), "The Global Financial Crisis and Indian Banks: Survival of the Fittest?" ,** state that the Indian banking system was initially thought to be insulated from the global financial crisis owing to heavy public ownership and conservative management. However, some banks experienced a deposit flight, as depositors reallocated their money toward government-owned banks, specifically towards the State Bank of India, the largest public bank.

   It was concluded that the effects on the efficiency of financial system were mot positive, as other banks were forced to hold more capital and maintain more liquidity to reassure depositors. Deposit growth during the crisis years was slower for banks with more provisioning (i.e. poorer asset quality). Private Banks experienced slower deposit growth-for ICICI, deposit dropped by a tenth between June and December 2008. The perception that public-sector banks enjoy an implicit guarantee of its liabilities and explicit

guarantee by injection of funds is a moral hazard that limits the incentive to enhance efficiency and may encourage excessive risk taking.

The credit growth of the SBI was not unusually large during the crisis and it experienced slower deposit growth after2010. Public banks thus experienced slower credit growth, lower returns, deteriorated asset quality and higher provisioning after the crisis. Hence there is no sign of superior stability or returns for public sector banks in the recovery period following the crisis.

2. **Subbarao, Duvvuri (June 2013), "The Global Financial Crisis and the Indian Financial Sector What Have We Learnt and How Have We Responded?"** (Address by the Governor, Reserve Bank of India at the 7th International Banking &Finance Conference 2013) opines that in a rapidly globalizing world, national and international financial stability are interlinked. The most significant and broad based reforms at the global level has been the Basel III package for banking regulation which is an attempt to reform the capital, leverage and liquidity regulations for banks. The capital requirements have been tightened by more than doubling the minimum common equity requirement and imposing a capital conservation buffer of 2.5per cent of risk weighted assets (RWA).

The Reserve Bank of India has imposed minimum requirements for common Equity, Tier I capital and Total Capital as 1% higher than the stipulated Basel III international norms suggesting that the additional capital requirements would be Rs. 5 trillion for the Indian banks.

3. **Khan, Nafees A. and Fozia (February 2013), "Growth and Development in Indian Banking Sector":** The Indian banking sector comprises of 28 public sector banks with majority of government ownership, 23 private banks and 27 foreign banks. After 1990, the public sector banks were allowed to procure financial resources from the stock market up to 49% of their paid-up capital. During 2010-2011, the scheduled commercial banks registered a growth of 5.5% in branch expansion whereas the state-owned banks registered an increase of 5.4%. during the same period, the public sector banks, registered a growth of 18.4% for deposits, 22.3% for advances, 19% for bank assets, which implied that they were attempting to mitigate the effects of the financial crisis in the post recessionary period. Today, technological innovation in banking has not only enabled a

broader reach for consumer banking and financial services, but also enhanced its capacity for continued and inclusive growth.

4. **Sinha, Anand (February 2012), "Changing contours of Global Crisis- Impact on Indian Economy"**(Address by Deputy Governor, Reserve Bank of India at the Finance Summit) states that the Indian banking sector withstood thespillover effects of the global financial crisis as was evident in the robust CRAR (13.58%) and tier 1 CRAR (Capital to Risk Weighted Assets Ratio) which remained far above the stipulated regulatory minimum of 9%. However the effects of the crisis were visible in the credit growth of banking sector as the Y-o-Y growth in advances fell from 28.5% in March 2007 to 12.3% by Sept 2009 while the figures for assets were 22.9% and 15.1% during the same period.

   The Reserve Bank of India and the Government undertook a number of measures to minimize the impact of the crisis on the country, ensuring that the liquidity stress did not trigger solvency issues. The cash reserve ratio was reduced from 9.0% in September **2008** to 5% in January 2009 with a view to inject liquidity into the banking system. Government securities were purchased under open market operations, refinances facilities for export credit was enhanced, norms for external commercial borrowing (ECB) were relaxed and liquidity support was provided to non-banking financial companies. The measures thus undertaken, during September 2008-July 2009 resulted in augmentation of actual/potential liquidity of Rs. 5, 61,700crore.

5. **Kaur, Avneet (November 2012), "An Empirical study on the performance evaluation of public sector banks in India"** states that the ability to make a positive contribution in igniting the process of growth depends on the effectiveness of the banking system. Indian banking system underwent significant changes with the nationalization of 14 major banks in 1969 and of another 6 banks in 1980.

   Baking in the India is highly fragmented with 30 banking units contributing to almost 50% of deposits and 60% of advances. The public sector commercial banks (PSCBs) in India continue to be major lenders in the economy due to their sheer size and penetrative networks which assure them of high deposit mobilization and control of 80% of banking

business in India. During 2001-10, with increased depositor's confidence in the public sector banks, the compound growth rate of total income of 10.94%. The credit deposit ratio ranged from 48.10% to 75.6%. it was concluded that the contribution of public or commercial banks to the profitability of the scheduled commercial banks (SCBs) in India is more.

6. **Batra, Srinivasan and Maheshwari (June 2011), ICRA Research "Indian Banking Sector: Challenges unlikely to detail the progress made"** put forward that the Indian banks, the dominant financial intermediaries in India, have made good progress over a 5 year period spanning from 2006-2011, as is evident from several parameters including annual credit growth, profitability and trend in gross non-performing assets. Good internal capital generation, reasonably active capital markets and governmental support ensured good capitalization for most banks during the period, with overall capital adequacy touching 14% as on March 31, 2011. Internal Improvements such as up gradation of technology infrastructure, tightening of the appraisal and monitoring processes and strengthening of the risk management platform have also contributed to the improvement.

   Public sector banks were observed to have 65% of share in the total credit portfolio during the aforesaid period. Indian banks continue to enjoy a comfortable capitalization as compared with RBI norms with their Tier I capital close to 9%. Thus, apart from SBI, none of the PSBs any need significant Tier I capital in the short term. However, some of the fast-growing small private sector banks may need Tier I capital over short to medium term.

DATA ANALYSIS AND INTERPRETATION

DATA ANALYSIS AND INTERPRITATION

Table 4.1

Table showing Actual, Trend and Percentage of Actual to Trend value of Growth in total Branches

1. TOTAL BRANCHES

Bank	**ACTUAL**	**TREND**	**ACTUAL TO TREND**
2016-17	**22**	-21	-105
2017-18	**23**	1	2300
2018-19	23	23	100
2019-20	23	45	51
2020-21	23	67	34
SLOPE	0.2		
INTERCEPT	22.8		

TABLE 4.2

Table showing the summery of Descriptive statistics of growth in Branches

TOTAL BRANCH	
Mean	45569.4
Standard Error	771.3594
Median	44860
Mode	44860
Standard Deviation	1724.812

Sample Variance	2974977
Kurtosis	0.928882
Skewness	0.999387
Range	4517

Table 4.2

Table showing Actual, Trend and Percentage of Actual to Trend value of Growth in Deposits

2. DEPOSITS

BANK	**DEPOSITS**	TREND	ACTUAL TO TREND
2016-17	**71748**	-73215	-98
2017-18	**70281**	-1467	-4791
2018-19	70281	70281	100
2019-20	60581	142029	43
2020-21	60635	213777	28
SLOPE	-3192.6		
INTERCEPT	66705.2		

Table showing the summary of descriptive statistics of growth in Deposits

deposits	
Mean	65444.5
Standard Error	2792.376333
Median	65458
Mode	70281
Standard Deviation	5584.752665
Sample Variance	31189462.33
Kurtosis	-5.99953254
Skewness	-8.09668E-05
Range	9700

Table 4.3

Table showing Actual, Trend and Percentage of Actual to Trend value of Growth in Advances

3. ADVANCES

BANK	**ADVANCES**	TREND	ACTUAL TO TREND
2016-17	**43725**	43502.6	100.5112
2017-18	**44860**	44536	100.7275
2018-19	44860	45569.4	98.44325
2019-20	46160	46602.8	99.04984
2020-21	48242	47636.2	101.2717
SLOPE	1033.4		
INTERCEPT	45569.4		

ADVANCES	
Mean	45569.4
Standard Error	771.3594234
Median	44860
Mode	44860
Standard Deviation	1724.812106
Sample Variance	2974976.8
Kurtosis	0.928882352

Skewness	0.999387479
Range	4517

Table 4.4

Table showing Actual, Trend and Percentage of Actual to Trend value of Growth in total business

4. TOTAL BUSINESS

BANK	**Total Business**	TREND	ACTUAL TO TREND
2016-17	**42716**	43859.6	97.39259
2017-18	**42443**	63521.6	66.81664
2018-19	115141	83183.6	138.4179
2019-20	106741	102845.6	103.7876
2020-21	108877	122507.6	88.87367
SLOPE	19662		
INTERCEPT	83183.6		

Table showing the summary of Descriptive statistics of growth in total business

Total Business	
Mean	83183.6
Standard Error	16634.002
Median	106741

Standard Deviation	37194.759
Sample Variance	138345011
Kurtosis	-3.282283
Skewness	-0.5766931
Range	72698

Table 4.5

Table showing Actual, Trend and Percentage of Actual to Trend value of Growth in agricultural advances

5. AGRICULTURE ADVANCES

BANK	**Agr.Adv**	TREND	ACTUAL TO TREND
2016-17	**15608**	15456.8	100.9782
2017-18	**15189**	15356.6	98.90861
2018-19	15189	15256.4	99.55822
2019-20	15189	15156.2	100.2164
2020-21	15107	15056	100.3387
SLOPE	-100.2		
INTERCEPT	15256.4		

Agr.Adv	
Mean	15256.4

Standard Error	89.32279
Median	15189
Mode	15189
Standard Deviation	199.7318
Sample Variance	39892.8
Kurtosis	4.443676
Skewness	2.050555
Range	501

Table 4.6

Table showing Actual, Trend and Percentage of Actual to Trend value of Growth in agricultural advance per branch

6. AGRICULTURAL ADVANCES PER BRANCH

BANK	**per br.**	TREND	ACTUAL TO TREND
2016-17	**709**	690.113	102.7368
2017-18	**660**	679.7174	97.09918
2018-19	660.3913043	669.3217	98.66575
2019-20	660.3913043	658.9261	100.2224
2020-21	656.826087	648.5304	101.2791
SLOPE	-10.39565217		
INTERCEPT	669.3217391		

Table showing the summary of Descriptive statistics of growth in Agricultural Advances per Branch

per br.	
Mean	669.3217391
Standard Error	9.942097012
Median	660.3913043
Mode	660.3913043
Standard Deviation	22.23120476
Sample Variance	494.226465
Kurtosis	4.912864856
Skewness	2.210232
Range	52.17391304

Table 4.7

Table showing Actual, Trend and Percentage of Actual to Trend value of Growth in SSI

7. SSI

BANK	**SSI**	TREND	ACTUAL TO TREND
2016-17	**7181**	7462.4	96.2291
2017-18	**8406**	7961.9	105.5778
2018-19	8406	8461.4	99.34526
2019-20	8865	8960.9	98.92979
2020-21	9449	9460.4	99.8795
SLOPE	499.5		
INTERCEPT	8461.4		

Table 4.8

Table showing Actual, Trend and Percentage of Actual to Trend value of Growth in SSI per branch

8. SSI PER BRANCH

BANK	**per branch**	TREND	ACTUAL TO TREND
2016-17	**326**	332.5304	98.03614
2017-18	**365**	351.5391	103.8291
2018-19	365.4782609	370.5478	98.63187
2019-20	385.4347826	389.5565	98.94194
2020-21	410.826087	408.5652	100.5534
SLOPE	19.00869565		
INTERCEPT	370.5478261		

Table 4.10

Table showing Actual, Trend and Percentage of Actual to Trend value of Growth in OPS Per branch

BANK	**per br**	TREND	ACTUAL TO TREND
2016-17	**468**	444.2261	105.3518
2017-18	**411**	434.1783	94.66158
2018-19	410.8695652	424.1304	96.8734
2019-20	415.0434783	414.0826	100.232
2020-21	415.7391304	404.0348	102.8969
SLOPE	-10.04782609		
INTERCEPT	424.1304348		

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

- The number of branches is grown during study period.
- The deposits are loss during the study period the advances are grown during the study Period the total businesses are grown during the study period.
- The agricultural advances are grown during study period.
- There is growth in agricultural advances per branch during study period.
- There is growth in Small Scale Industry during the study period.
- That there is growth in Small Scale Industry per Branch during the study period.
- There is operating policies growth during the study period.
- That there is increased performance in operating policies during its study period.
- That there is growth in total priority during the study period there is growth in total priority per branch during the study period.
- The growth of cash deposit ratio during study period.
- There is growth in ATM during the study period.
- There is growth in ATM per branch department during the study period
- There is a growth in ATM per branch advances during study period it is
- There is a growth in ATM per branch business during the study period.
- The descriptive statistics table reveals the data that the mean value for total branches during the study period was 45569.4 with a standard deviation of 1724.812 percent.
- The descriptive statistics tables reveal the data that the mean value of Deposits during the study period was 65444.50 with standard deviation 5584.75.
- The descriptive statistics table reveals the data that the mean value of Advances during the study period was 45569.40 with standard deviation 1724.81.
- The descriptive statistics table reveals the data that the mean value of 83183.60 with standard deviation 37194.75.
- The descriptive statistics table reveals the data the mean value of Agricultural Advances during the study period was 15256.40 with a standard deviation of 199.7318
- The descriptive statistics table reveals the data that the mean value of Agricultural Advances per Branch during the study period was 669.3217 with a standard deviation of 22.2312.

- The descriptive statistics table reveals the data that the mean value of SSI advances during the study period was 8461.40 with a standard deviation of 834.2376.
- The descriptive statistics table reveals the data that the mean value of SSI per Branch during the study period was 370.5478 with a standard deviation of 31.1646.
- The descriptive statistics table reveals the data that the mean value of OPS advances during the study period was 9659.40 with a standard deviation of 355.8227.
- The descriptive statistics table reveals the data that the mean value of OPS per Branch during the study period was 424.1304 with a standard deviation of 24.6261.
- The descriptive statistics table reveals the data that the mean value of total priority advances during the study period was 33377.20 with a standard deviation of 476.618.
- The descriptive statistics table reveals the data that the mean value of Total priority per branch during the study period was 1464.40 with a standard deviation of 29.3988.
- The descriptive statistics table reveals the data that the mean value CD Ratio during the study period was 68.9172 with a standard deviation of 8.3518.
- The descriptive statistics reveals the data that the mean value of ATMs advances during the study period was 22 with a standard deviation of 2.8284.
- The descriptive statistics table reveals the data that the mean value of 2928.585 with a standard deviation of 280.7264.
- The descriptive statistics table reveals the data that the mean value of ATMs per Branch advances during the study period was1998.56 with a standard deviation of 60.4353.
- The descriptive statistics table reveals the data that the mean value of ATMs per Branch business advances during the study period was 497.165 with a standard deviation of 242.5722.

Conclusion

As per the RBI Report on Trend and progress of Banking in India 2016-17, in the case of SCBs, the consolidated balance sheet registered lower growth during 2017-18 compared with the previous year. On the liability side, the lower growth in deposits as well as barrowings. On the assets side, the deceleration in the balance sheet was attributable to reduction in balances with the Reserve bank as well as deceleration in investments. It is noteworthy that, the share of CASA deposits in total deposits was higher .