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## The Performance of ‘Corporation Bank’ - A Fiscal Study

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### **Abstract:**

*In Past, Present and in future also the analysis of financial structure of a business entity only shows the indication of its performance. It only helps to bridge the insiders and outsiders of the business entity. It only tracks the corridor of the business which it is crossing to glorious world of success. It a tool which measures the governance of business, its credibility, procedural worth and its risk class in the prevailing market. This is the study which tells about the performance of one of the familiar scheduled commercial bank in India namely ‘Corporation Bank’. The analysis of different ratios tells the things just around the corners of the concerned bank. Current ratio indicated the banks solidarity in short term solvency and the profitability shows the fluctuations for recent past.*

**Key Words:** Financial study; performance analysis; bank efficiency of bank; Corporation Bank.

### **1. Introduction**

Finance is the livelihood of an enterprise in the business world. It is a French word used by the English scholars with the sense ‘management of money’. It is defined as a rider of money, when it’s required. Business finance is a term that includes a broad series of orders and actions spinning about the management of cash and other short term assets. The source of planning, analysis and inference of finance is known as financial information. It is needed to analyze, evaluate, compare and interpretative about the profitability of the bank business. It is also required at the time of taking decisions on investment, funding and other activities as a banker.

### **2. Statement of Problem**

In the current study, financial analysis of the corporation bank was taken as a problem of study. It was done through the analysis of its published financial statements, to measure the financial soundness of it in respect of short run and long run. The liquidity and solvency conditions are also taken as a problem of the study.

### **3. Need of The Study:**

A good banking system is the spinal guard of the economy like India. Hence, study of the financial soundness of the banks and banking system is inevitable one. In this scenario, study on the financial performance of corporation bank has undertaken. This study is working around the operational efficiency of the corporation bank. The study covers the period of 2009–2014 for the widespread purpose of the study. The published financial statements are used for the study. It gives the clear-cut idea about the bank’s performance to the interested parties in this regard like share holders, customers, investors and general public.

### **4. Review of Literature**

To familiarize in the area of study/problem is a pre-requisite for the research work. Hence, review of the literature which was carried out by the eminent scholars in the past is taken for the referential purpose.

Dr. Gajendran (2014) concluded that good banking system is the central nervous system of an economy and without the operational efficiency of the banks; it is not possible for steady and concrete growth in the economy.

Shaveta Chahal and S.S.Chahal (2014) found that aggregate NPA (Non performing Assets) are in increasing trend and recovery of

the same was in opposite direction due to inefficiency and lack of supervision in co-operative banks in Haryana state.

Dr Tanmaya Kumar Pradhan (2012), in his work on NPA found that allocations of credit by the Indian banks are turn into the style of 'Loan Mela' (festival for loans); relaxed assessments on loan proposals were the reasons for poor repayments. The poor reimbursement of credits leads to the increased NPA in Indian banking sector.

Dr. K. Rajireddy and R. Kiran Kumar (2011) concluded that Indian public sector banks have to progress their business per employee and yield per employee to endure the contention from foreign and private banks.

### 5. Objectives of the Study

The following are all the objectives of the study: familiarize in the area of study/problem is a pre-requisite for the research work. (1) To know the profile and products/services offered by the Corporation bank. (2) To know the Strength and weakness of Corporation bank's financial status (3) To predict the prospect earnings to be earn by the bank.

### 6. Research Methodology

The data required for the study is primarily secondary in nature and are collected from the published financial statements of Corporation bank. RBI bulletin, various articles, journals, reports related to Indian banking sector also used for data collection as a source of data. Online sources also used for data collection of the study. After the collection of requisite data, ratio analysis and trend analysis are applied to find the things to be found and predict the prospect earnings of nearing future.

### 7. Tools Applied in the Study

For the analysis of a business enterprise's financial position, there are many management accounting tools are there. Here, to know the financial strength of corporation bank, ratio analysis used and trend analysis used to predict the prospect earnings of the bank.

### 8. Limitations of the Study

Every work in research has its own limitation in general. Here, the following are the limitations of the study: (1) The study is restricted to the period of five financial years (2) The data used in this study is purely based on the published annual reports of the Corporation bank.

### 9. Profile of Corporation Bank

In the year of 1906, a bank was originated from Udipi in Karnataka State, which was founded by Shri Haji Abdullah Haji Bahadur Saheb Bahadur. It was taken over by the Union government of India in the April 1980, by passed Banking Companies (Acquisition and Transfer of undertakings) an ordinance in the parliament. After the taken over by the government, its new name was declared as 'Corporation bank'. Total Automation package was introduced in the year of 1996, with 46 branches. In 1997, a specialized collection and payment branch was launched in Bangalore by the bank. In 1998 may, it was promoted a subsidiary in the name of Corp Bank Homes Ltd for the promotion of housing finance in the society. In the same year itself, it entered into an alliance with Stock Holding Corporation of India Ltd (SHCIL) for bullion scheme for gold exporters. In 2000, Corp Bank Securities a subsidiary was promoted to deal with government securities. In the same year, it started its mutual fund in collaboration with DSP Merrill Lynch Mutual Fund. From 2001 march onwards, they introduced DEMAT services to its customers and public. It also providing Tele-banking and mobile banking for its customers on demand. The RBI sponsored IDRBT (Institute for Development and Research in Banking Technology) declared the Corporation Bank as a best bank for its 'delivery channels'. Kisan card was also provided by the bank to farmers from the year 2005. The Corp Bank Homes Ltd merged with the bank in 2006 as one of the core division of the bank, to speed up the housing loan activities. In the year of 2011, UTV declared the financial leadership award to the corporation bank. In the same year it was declared as Best nationalized bank of the year by Financial Express. There are 2,138 branches (up to 30th October 2014) are providing the banking services to the country covering wide spread geographical area. The Corporation Bank also provided necessary secondary, agency and modern services like DEMAT, Tele-banking, Net-Banking and Mobile banking services along with its primary functions of lending money and accepting deposits.

### 10. Analysis and Interpretation of Ratios

Ratio is a relationship existed between two variables of financial statements, which are expressed in terms of numerical values. It indicates the performance of the business enterprises in 360 degree angle. Here, analysis and interpretation of Ratios are done through the application of Current ratio, Debt-Equity ratio and Proprietary ratios.

#### 10.1. Current Ratio

It's a ratio which indicates the short-term solvency or liquidity position of the business. Working capital ratio is another name of this ratio. It shows the relationship between Current Assets and Current Liabilities of the business enterprises. The calculated value of one indicates the maintenance of short term solvency for the short period and two indicates the ideal position prevailing in the short term solvency of business. Hence, it's applied here. The results are as follows:

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Financial year	Current Assets (in Crores/Rs.)	Current Liabilities (in Crores/Rs.)	Current ratio (in times)
2009 - 10	1,08,517.10	9,077.53	11.90
2010 – 11	1,40,695.65	15,965.38	8.81
2011 – 12	1,59,641.65	14,248.09	11.20
2012 – 13	1,89,564.46	12,898.85	14.69
2013 – 14	2,17,516.53	13,021.45	16.70

Table 1: Table showing the Current ratios of past four years  
Source: The published financial statements of Corporation Bank

The above table indicates that the current ratio for the whole study period is above the ideal value. It shows that the short term solvency sound in Corporation bank for the entire period. The current ratio for the year 2010–11 was 8.81 which was the least of the above. But, that too shows the four folded value of the ideal value 2. It shows that the Corporation Bank's investments are mostly short term in nature. Except 2010–11, both the current assets and liabilities were increased gradually. At this point, Corporation bank is very much strong in short term solvency.

### 10.2. Debt–Equity Ratio

This ratio is otherwise called in the name of 'Outsider-Insider ratio' or 'External-Internal equity'. It is used to found the solvency position of the business in long run. It's the scale to measure the financial policies of the business enterprises. It exposes the relationship between Debt (External Fund) and Equity (Internal Fund) of the business. The application of the same shows the following results:

$$\text{Debt – Equity Ratio} = \text{Debt} / \text{Equity}$$

Financial year	External Funds (in Crores/Rs.)	Internal Funds (in Crores/Rs.)	Debt - Equity ratio (in times)
2009 - 10	9,077.52	7,065.80	1.28
2010 – 11	15,965.38	7,137.80	2.24
2011 – 12	14,248.09	8,275.92	1.72
2012 – 13	12,898.84	9,565.69	1.35
2013 – 14	13,021.45	10,085.10	1.29

Table 2: Table showing the Debt – Equity ratios of past four years  
Source: The published financial statements of Corporation Bank

The above table exposed that the debt/equity ratio is always in a fluctuating condition. Both the internal and external (borrowings) showed the gradual increases year by year. But, it is in an accepted level only. Corporation bank is being a banking company its business is mostly depends upon the deposits accepted from customers and advances received from government and RBI. Corporation bank is owned by the government, hence its solvency position in long run is sound enough only.

### 10.3 Proprietary ratio

It is a ratio showed the proportion of shareholders fund or equity or net worth in total tangible assets of the business enterprises. Equity ratio and net worth ratios are the other name of the proprietary ratio. It shows the owners/investors/shareholders stake in the business enterprises at appoint, normally in the end of the financial year. The result of the application of equity ratios for the study period shows the results as below:

$$\text{Proprietary ratio} = \text{Share holders fund} / \text{Total tangible assets}$$

Financial year	Shareholders' Funds (in Crores/Rs.)	Tangible Assets (in Crores/Rs.)	Proprietary ratio (in times)
2009 - 10	5,774.86	1,11,667.29	0.052
2010 - 11	7,137.80	1,43,508.59	0.049
2011 - 12	8,275.92	1,63,560.42	0.051
2012 - 13	9,565.69	1,93,442.33	0.049
2013 - 14	10,085.10	2,22,048.47	0.045

Table 3: Table showing the proprietary ratios of past four years  
Source: The published financial statements of Corporation Bank

The proprietary ratio showed the proportion of shareholders fund in total tangible assets. Higher proprietary ratio indicates the higher safety or lesser risk to the investments of share holders. In the above case of corporation bank, it has to travel more for the safe zone. The ratios showed that shareholders fund proportion is lesser than or equivalent to 5% of tangible assets of the bank.

#### 10.4 Trend percentage

The technique which evaluate the data over an decided period of time by selecting a baseline period (usually first year) and stating the data related with successive periods a percentage of that base year values. This method of evaluation is known as trend percentages. Here the trend percentage is applied on total assets and net profits for the study period. The results are given below:

Financial year	Total Assets (in Crores/Rs.)	Trend Percentage (in %)
2009 - 10	1,11,667.29	100.00
2010 - 11	1,43,508.59	128.51
2011 - 12	1,63,560.42	146.47
2012 - 13	1,93,442.33	173.23
2013 - 14	2,22,048.47	198.85

Table 4: Table showing the trend percentage of Assets for the past four years  
Source: The published financial statements of Corporation Bank

The above table showed that the trend percentage of the corporation bank is increasing gradually for the entire study period. Hence, it's showed the growth of the bank's business. It's a good sign on the Corporation bank's part.

Financial year	Net Profits (in Lakhs/Rs.)	Trend Percentage (in %)
2009 - 10	1,17,025.12	100.00
2010 - 11	1,41,326.79	120.77
2011 - 12	1,50,604.25	128.69
2012 - 13	1,43,467.47	122.59
2013 - 14	56,171.86	47.99

Table 5: Table showing the trend percentage of Net profits for the past four years  
Source: The published financial statements of Corporation Bank

The above table showed that the net profit of the Corporation bank is in a positive trend except the last year of the study period. Hence, the profitability of the bank was fluctuating in nature and the bank must take the necessary steps to improve the trend in the positive way.

**11. Findings**

The findings of the study are stated as follows: (1) The current ratio indicated the strong position of the Corporation bank in its short term solvency position (2) The debt-Equity ratio was fluctuated in nature. It indicated the high application of external sources for the business (3) Proprietary ratio indicated the low proportion of shareholders fund on total tangible assets (4) It is found that banks assets growth in gradual and steady in nature (5) It was found that trend of net profits fluctuating in highly negative in the last year. Increase and decrease is common in the profit trend. But, it is too negative in comparison.

**12. Suggestions**

Based on the work carried out already and the things found in the study, the following suggestions are suggested for the efficient and effective performance of Corporation Bank in future: (1) The usage of outsiders fund may be reduced for the better Debt-Equity combination (2) Excess holding of current assets may be reduced to increase the profitability of the business and also the bank can invest in long term assets to some extent in long run point of view (3) The present working capital position may be reduced, due to the availability of tenfold excessive working capital in average. (4) Debt-equity ratio may be maintained with the current level in future also.

**13. Conclusion**

The show lead by Corporation Bank in banking business is at satisfactory level only. Excessive working capital maintenance, moderate Debt-Equity proportion, low proportion of the shareholders fund in total assets, increase in total assets gradually with fluctuating net profits concluded the performance of the corporation bank is at satisfactory level only. It should evaluate the alternative plans to increase its performance in the bank business market.

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