

AN EFFECT ON FINANCIAL PERFORMANCE OF INDIAN BANK AFFECTED BY DEMONETISATION

¹Dr S. SARAVANAN, ²R.JANANI,

¹Head of the department, ²student,
Management studies, Anna university, Trichy, India
Email - rmj5397@gmail.com

Abstract: The finance is blood of business. Every one business measuring the financial position. The business financial position says that the business faced the profit or loss. The Indian bank financial position will be analysed. The Indian bank financial performance measure the using the ratio analysis. I'm analysis the profitability liquidity, leverage of analysed using ratios measure the Indian bank financial performance. The period of study 2013 to 2017 .to evaluate the financial performance for Indian bank using ratio analysis.

Key word: Indian bank, financial performance, financial position, ratio analysis.

1. INTRODUCTION:

Financial analysis is structural and logical way to present overall financial performance of the financial institution. it's also help the evaluate and decision making for the business operation. In the financial analysis process ratio analysis most demand logical structure to business related stakeholder. Under the financial ratio analysis there are few categories to identical area of financial institution. So business stakeholder try concentrate to overall business overview from profitability, liquidity, asset management and solvency ratio. The ratio only help the decision-making process. to calculate this ratio need, take quantitative data from bank trading activity.

2. STATEMENT OF THE PROBLEM:

The finance is the blood of business. Any changes in a nation its affected business and the business financial position also affected.to analysis the financial performance of Indian bank. The 2016th November demonetisation affected the nation. To analysis before and after the demonetization affected the Indian bank and measuring the financial performance. The data comparing the before and after demonetisation of financial performance. The period of study 2013-2017.

3. OBJECTIVE OF THE STUDY:

- To analysis the financial performance of Indian bank.
- To analysis the balance sheet and income statement.
- Using the ratio analysis.
- To find out the financial position of the Indian bank.

4. NEED OF THE STUDY:

- To measure the profitability and liquidity of Indian bank.
- To understand financial position of the Indian bank.
- To understand the financial soundness of the Indian bank.

5. THE VARIABLES

Profitability performance

The commonly measuring the any banking performance is profitability. Profit mean difference between revenue and cost. the profitability considered to be most difficulty attribute of the firm conceptualized and to measure (Ross, westerfield and jaffe)

Return on Asset

The return on asset show the ability of management acquire deposit at a reasonable cost and invest them profitable investment (ahmed 2009) this ratio indicates how much net income generated per total asset. The return on asset indicate the profitability of the asset of the bank.

Net profit/total asset

Cost income ratio

The other factor affecting bank's profitability its efficiency as measured by the cost to income ratio. The cost income ratio defines by operating expenses divided by operating income can be used for benchmarking by the bank when reviewing the its operational efficiency.

Total cost/ total income

Return on net worth

The return on net worth is explain efficiency of shareholder capital to generate the profit. its measure the profitability of the bank express in percentage.

Net income/shareholders' equity

Liquidity performance

Yield advance

The yield advance is financial security is the amount of cash that return to the owners of the security, in form of interest or dividend received from it. It does not include the price variation distinguishing it from total return.

Interest income / average advance

Credit deposit ratio

The credit deposit ratio the commonly used statistics for accessing the bank's liquidity by dividing the bank's total loan by its total deposits. its showing the bank lend out the deposits it has mobilised. A higher ratio indicates the more reliance of deposit for lending.

Advance/ total deposit

6. RESEARCH METHODOLOGY:

The research of the study is descriptive method. The data collection is secondary data for official website of Indian bank. The study period 2013-2017.to analysing the Indian bank financial performance used ratio analysis and regression analysis. The analysis find out the financial performance of the Indian bank.

7. METHODOLOGY:

The research paper uses a descriptive financial ratio analysis and measure the Indian bank financial performance during the study period 2013- 2017 the used Paired T-testis employed to test the hypothesis that mean two periods (2013-2015,2016-2017) and six variables as detail in select. Whether there is evidence of ratio efficiency different. We calculate difference as $\mu_1 - \mu_2$ $H_0: \mu_1 = \mu_2$ or $\mu_d = 0$.

8. REASERCH QUESTIOS:

- Is there any significant difference between 2013 -2015 and 2016-2017 return on asset ant financial performance?
- Is there any significant different between 2013-2015and 202016-2017cost of income and financial performance?
- Is there any significant different between 2013-2015 and 2016-2017 return on net worth and financial performance?
- Is there any significance different between 2013-2015 and 2016-2017 net loan to total asset and financial performance?
- Is there any significant different between 2013- 2015 and 2016-2017 credit deposit and financial performance?
- Is there any significant different between 2013 -2015 and 2016-2017 current ratio and financial performance?

9. HYPOTHESIS:

- H01. There is no significant different between 2013-2015 and 2016-2017 return on asset and financial performance.
- H02. There is no significant different between 2013-2015 and 2016 -2017 and 2016-2017 cost income and financial performance
- H03. There is no significant different between 2013-2015 and 2016-2017 net worth and financial performance.
- H04. There is no significant different between 2013-2015 and 2016-2017 net loan to total asset and financial performance
- H05. There is no significant different between 2013-2015 and 20016-2017 credit deposit and financial performance.
- H06. There is no significant different between 2013-2015 and 2016-2017 current ratio and financial performance.

10. DATA ANALYSIS AND DISCUSSION:

PROBITABILITY RATIO

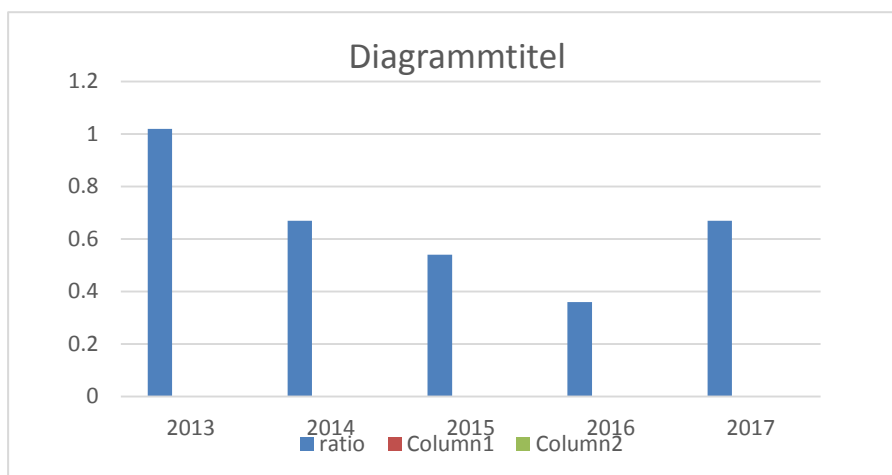
Return on asset

Net profit/ total asset

YEAR	2013	2014	2015	2016	2017
RATIO	1.02	0.67	0.54	0.36	0.67

Below table here some descriptive statistical measurement generated from above the table.

	ROA2013-2015	ROA2016-2017
Mean	0.7533	0.5155
S.D	0.3551	0.2575
MAX	1.02	
MIN	0.36	



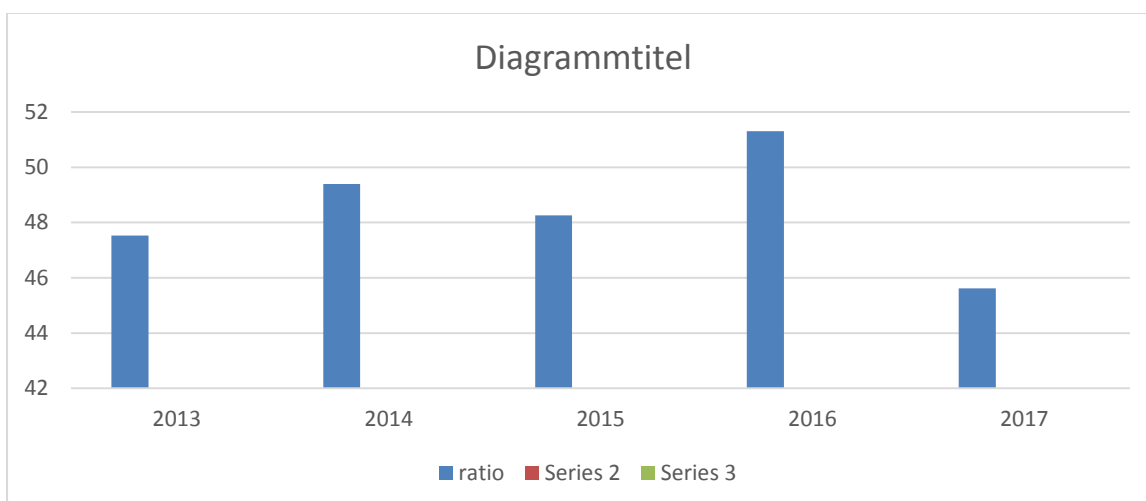
The return on asset calculated by net profit divided total asset. The study period analysing return on asset face the growth. The ratio experienced 0.67 in 2017. Which were 0.36 in 2016. The highest ratio for 1.02 in 2013. It can be concluding the Indian bank faced the growth of profitability.

COST INCOME RATIO

YEAR	2013	2014	2015	2016	2017
RATIO	47.53	49.40	48..24	51.31	45.62

Some statistical measurement about the table

	2013-2015	2016-2017
Mean	48.4650	48.4650
S.D	1.7988	4.8115
MAX	51.31	
MIN	45.52	



The cost of income ratio calculated by total cost divided total income. The ratio stood at 45.62 in 2017. The highest ratio for 51.31 in 2016. It can conclude the Indian bank get some profit. But lower growth.

RETURN ON NETWORTH

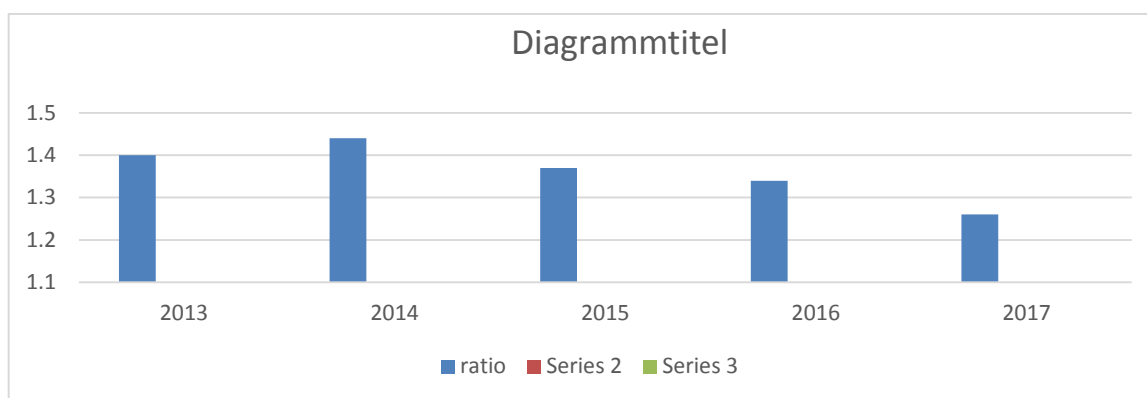
Net profit/net worth

YEAR	2013	2014	2015	2016	2017
RATIO	1.40	1.44	1.37	1.34	1.26

Some statistical measurement above the table

	2013-2015	2016-2017
Mean	1.4033	1.3000
S.D	0.6615	0.6500
MAX	1.44	
MIN	1.26	

The return on net worth calculated by net profit divided net worth. The ratio stood demonetisation period 1.34 in 2016. The Indian bank have earned some profit. The bank maintains some profitability. The ratio experience highest 1.44 in 2014. the Indian bank mutually get some profit.



LIQUITY RATIOS

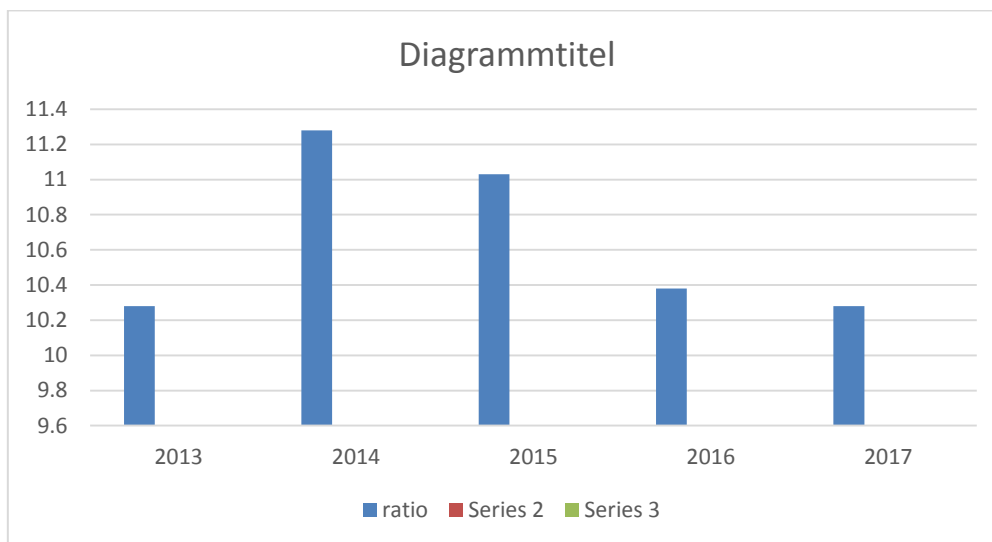
YIELD ADVANCE

Net loan /total asset

YEAR	2013	2014	2015	2016	2017
RATIO	10.28	11.28	11.03	10.38	10.19

Some statistical measurement used above the table

	2013-2015	2015-2017
Mean	10.8633	10.2850
S.D	4.9219	5.1425
MAX	11.28	
MIN	10.19	



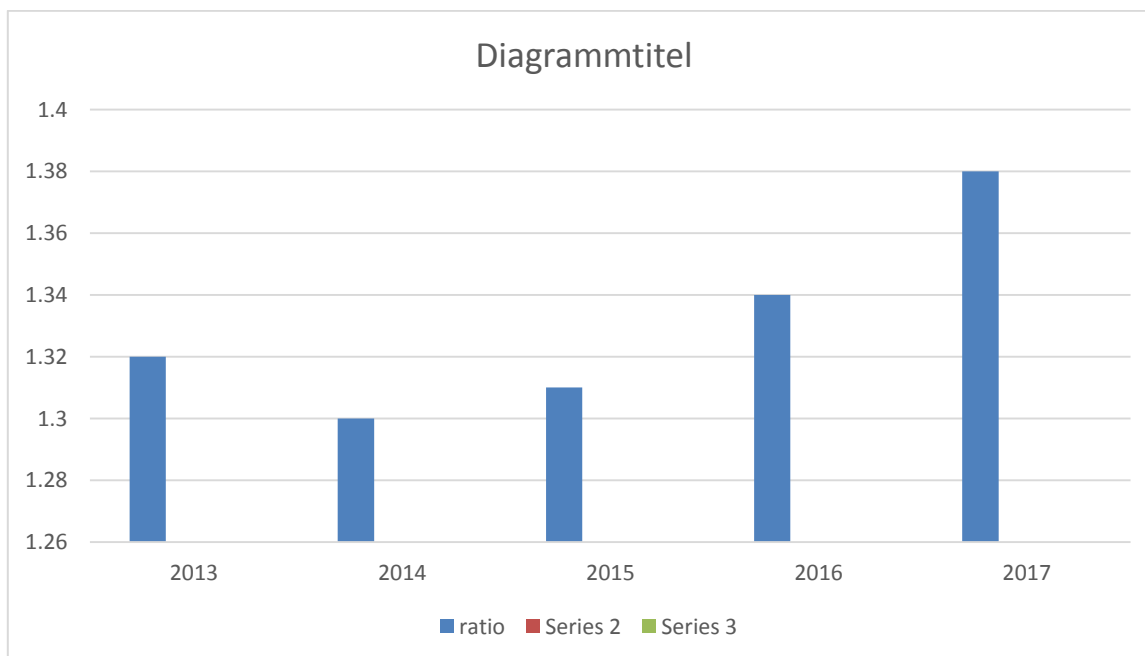
The yield advance calculated the net loan related total asset are fluctuating over the study period. the ratio stood a 10.19 in 2017. The ratio experienced highest incline 11.03 in 2014. It can be concluding lower sufficient liquidity in the Indian bank.

CREDIT DEPOSIT RATIO

YEAR	2013	2014	2015	2016	2017
RATIO	1.32	1.30	1.31	1.34	1.38

Some statistical measurement used above the table

	2013-2015	2016-2017
Mean	1.3100	1.3600
S.D	0.6175	0.6800
MAX	1.38	
MIN	1.30	



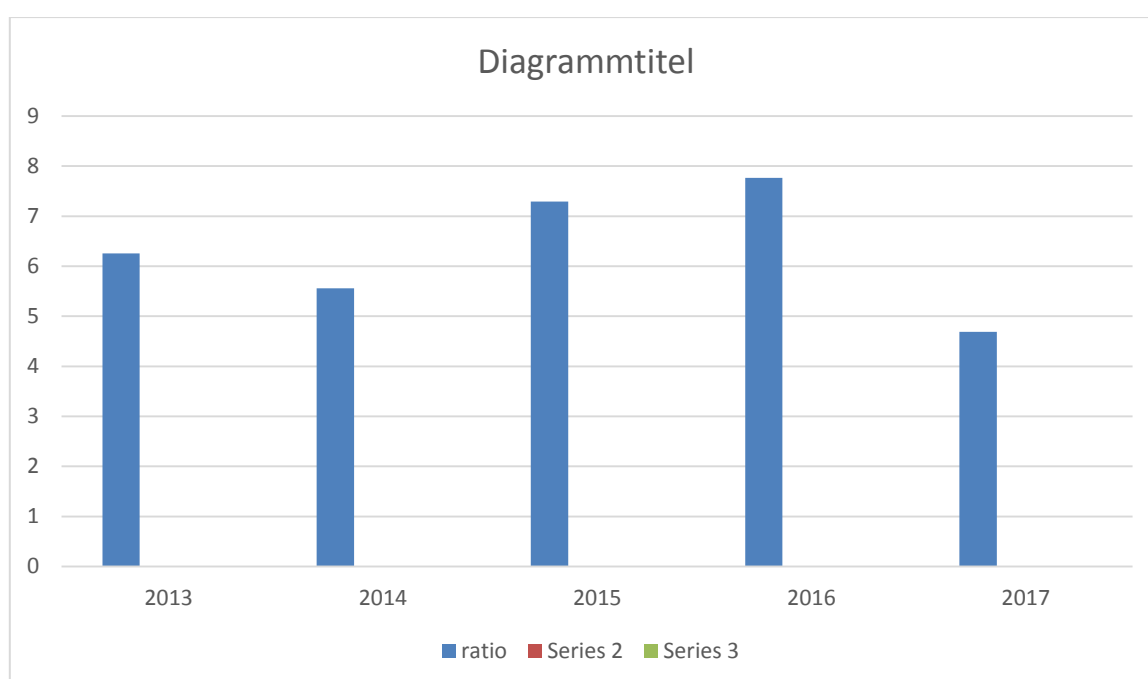
The credit deposit ratio calculated in advance related total deposit fluctuating over the study period. The ratio stood a 1.38 in 2017, which were 1.30 is 2014. The ratio experienced highest 1.38 in 2017.it can be concluded that the concern enjoy the sufficient liquidity of the bank.

Current ratio
 Current asset/current liability

YEAR	2013	2014	2015	2016	2017
RATIO	6.2559	5.5616	7.2978	7.7635	4.6919

Some statistical measurement used above the table

	RATIO 2013-2015	RATIO 2016-2017
Mean	6.37	6.23
S.D	3.00	3.11
MAX	7.76	
MIN	4.69	



The current asset calculated to current asset related current liabilities are fluctuating over the study period. the ratio stood a 4.6919 in 2017. the ratio experienced highest incline 7.7635 in 2016.

	Ratio	μ_1 mean 2013-15	μ_2 mean 2016-17	$\mu_1 - \mu_2$	T-Test	p-value	Decision
Profitability	ROA	0.75	0.52	0.23			
	CVI	48.40	48.47	-0.07	1.203	0.435955	Accept
	RON	1.40	1.30	0.10			
Liquidity	Yield advance	10.86	10.86	0.58			
	C/D	1.31	1.36	-0.05	1.011	0.496344	Accept
	C/A	6.36	6.28	0.08			

In the table, all the ratios mean different are positive except cost income ratio. But we are testing these hypothesis by using student's T= Test statistic which associated with critical value to determine p- value. if p-value $\leq \alpha(\alpha=0.05)$, do not reject the null hypothesis.

Indian bank profitability ratio in RIO the calculated T-statistic is given by 1.203 which has p-value 0.435955 one tailed at $\alpha=0.05$ level which is higher we do not reject null (HO) hypothesis. ROE p value 0.435955 one tailed at $\alpha=0.05$ level which is higher, we do not reject hypothesis. CI P value 0.496355 one tailed at $\alpha=0.05$ level is higher we do not reject null hypothesis. The entire profitability ratio does not reject null hypothesis. That means there is no statistical significant difference between 2013-2015 and 2015-16 profitability ratio.

Now Indian bank liquidity ratio, credit deposit ratio computer given T-statistic is -0.05 and p value 0.496344 one tailed at $\alpha=0.05$ level is higher we do not reject null hypothesis. As follows net loan to total asset p value 0.496344 one tailed at $\alpha=0.05$ is higher we do not reject null hypothesis. For loan to deposit ratio p value 0.496344 one tailed $\alpha=0.05$ level higher we do not reject null hypothesis. Indian bank liquidity ratio hypothesis proves that there are no statistical significant difference between two period ratios.

11. FINDINGS:

To analysis financial performance of the Indian bank compare with 2013-15 and 2016-17.

- Profit rate is low in recent years. so to somebody it is unattractive.
- Profitability performance of Indian bank not satisfactory level because of last 2 years' lower growth.
- Liquidity quit good compare to others but they have chance to improve more.
- Overall financial performance effective if we compare to others bank because of last few years' unstable environment in our country.

12. CONCLUSION:

Despite of serve unfavourable economic conditions of last few years, Indian bank achieved a worthy performance in all core areas of banking operation. Main goal of this paper to analyse the research questions and tested hypothesis by descriptive study. so I try to solve the differences between financial performance of Indian bank over the financial 2013-2017. The results indicate that the overall bank performance in terms of profitability (ROA, ROE, C/I) liquidity and credit performance has been improving since 2013 up to 2015 and declining at 2016 and 2017.

REFERENCES:

1. M.Y khan, P.K Jain,(2010): financial management,5th Ed.McGraw Hill Inc, how do calculate the ratio analysis,6.1-6.72(p).
2. Chabi Gupta, (2016): payment banks and demonetisation, international journal of research and science. ISSN:2454-2024(Online) .
3. Mr.Brijesh sigh and Dr.N. Babitha thimmaiah,(January 2017) : Demonetization – Won or Lost. Acme Intellects International Journal of Research in Management, Social Sciences & Technology, ISSN 2320 – 2939 (Print) 2320-2793 (Online) Available at - <https://www.acmeintellects.org/images/AIJRMSST/Jan2017/1-1-17.pdf>
4. Mohen Raj.B, Arul Stephen.S (Jjune-2016): Commercial bank leading performance in priority sector development in Tirunelveli, 2393-3629(p).
5. Geeta Rani ,(November 2016): effect of demonetisation on retail outlets. International journal of applied research, 2(12) 400-401(p).