A STUDY ON FINANCIAL PERFORMANCE WITH RESPECT TO LOANS AND ADVANCES

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Abstract

Loans and Advance is the survival unit of the bank because until and unless the success of this department is attained, the survival is a question to every bank. If this section does not properly work the bank itself may become bankrupt. This is important because, this is the earning unit of the bank. Banks are accepting deposits from their depositors in condition of providing interest to them as well as safe keeping their interest. Now the question may gradually arise how the bank will provide interest to the clients and the simple answer is – Loans & Advance.

Credit is continuous process. Recovery of one credit gives rise to another credit. In this process of revolving of funds, bank earns income in the form of interest. A bank can invest its fund in many ways. Bank makes loans and advances to traders, businessmen, and industrialists. Moreover nature of credit may differ in terms of security requirement, disbursement provision, terms and conditions etc. The bankers have to keep in mind that lending is for the best interest of the community and lending should be directed to productive sectors only.

The paper is on the“A Study on Financial Performance with respect to Loans and Advances” study is made in SREE CHARAN SOUHARBHA CO-OPTATIVE BANK LTD.

The research is made by using the secondary data which was provided by the bank. It is the comparison of 3 years financial performance of the bank from 2012-2014. 2012 is taken as the base year to compare 2013, 2014.
INTRODUCTION

A research design is the "blue print" of the study. The design of a study defines the study type (descriptive, correlation, semi-experimental, experimental, review, meta-analytic) and sub-type (e.g., descriptive-longitudinal case study), research question, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. Research design is the framework that has been created to seek answers to research questions.

TITLE OF THE STUDY

“A STUDY ON FINANCIAL PERFORMANCE OF THE BANK WITH RESPECT TO LOANS AND ADVANCES”

STATEMENT OF THE PROBLEM

Loans and advance are integral part of the bank because they give them their income.

The study helps to understand various categories of loans and advance available in the bank. The study also helps in analyzing the rate of interest charged by the bank, Risk associated and capacity to lend.

OBJECTIVE OF THE STUDY

- To study whether lending scheme have reached the real needy people.
- To know how the credit applicants are evaluated before granting credit facility.
- To access the level of consumer satisfaction towards the services provided by the bank.

SCOPE OF THE STUDY

- The study was conducted in the SREE CHARAN SOUHARBHA CO-OPERATIVE BANK LTD
- The study was made to ascertain the customer response in the SREE CHARAN SOUHARBHA CO-OPERATIVE BANK LTD
- The study shows the evaluation and expectation of the bank.

RESEARCH METHODOLOGY

This refers to the method of data description. Description research includes surveys and fact findings enquire of different kinds. The major purpose of descriptive research is description of the state of the state of affairs as it exist at present. In business we quite often use the term export facto research for descriptive research studies.

The main characteristics of this method are that the research has no control over the variable he can only report what has happened or what is happening. The method of research utilize in descriptive research is survey methods.
PLAN OF ANALYSIS

The data which has been collected from various sources, has been analyzed with the help of tables, charts, graph and the like. This analyzed information is interpreted to draw inferences and give suggestions to the bank.

LIMITATIONS OF THE STUDY

- The study is limited to the data made available by the bank.
- Lack of time.
- Lack of primary data.
- The report is focused on particular sector.
- The study is limited to particular branch.
- Sample size is restricted to 50 customers only.
- The result may vary if the number of respondent increases.
- Find of study depends on the accuracy of data provided by respondents.
- The study is also depend on the accuracy of the information by the bank officials.

DATA ANALYSIS AND INTERPRETATION

TABLE 1: Showing the Total Loans and Advances

<table>
<thead>
<tr>
<th>Year</th>
<th>Total loans and advances (crores)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>160.69</td>
<td>27.59%</td>
</tr>
<tr>
<td>2013</td>
<td>184.39</td>
<td>14.75%</td>
</tr>
<tr>
<td>2014</td>
<td>193.12</td>
<td>5.11%</td>
</tr>
</tbody>
</table>

INTERPRETATION

The above table shows the increase in loans from 2012-2014 in the year 2012 the total loan amount was 160.69 crores, in 2014 it was 193.12.

GRAPH 1: Showing the total loans and advances

INFERANCE

The above analysis shows the increase in loans and advances comparing the 3 years from 2012-2014 there is a increase. In the year 2013 it has increased by 14.75% compared to 2012. In 2014 it has increased by 5.11%. There is increase in amount but increase is percentage is not observed this shows bank provides loans to quality borrowers.

TABLE 2: Showing the total loans on deposits

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans on deposits</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>32345662</td>
<td>25.07%</td>
</tr>
<tr>
<td>2013</td>
<td>40486326</td>
<td>44.33%</td>
</tr>
<tr>
<td>2014</td>
<td>119395726.43</td>
<td>194.90%</td>
</tr>
</tbody>
</table>
INTERPRETATION

The above table shows that there is an increase in loans on deposits from 2012-2014. In the year 2012 it is 3.23 crores. In the year it is 4.04 crores. In the year it is 2014 it is 11.93 crores.

GRAPH 2: Showing the total loans on deposits

INFERANCE

The interpretation is that there is an increase in loans on deposits. In the year 2013 it has increased by 44.33% when compared to 2012. In the year 2014 it has further increased to 194.90% when compared to 2013.

TABLE 3: SHOWING TOTAL ADVANCES BY BILL DISCOUNTING

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans and advances by bill discounting</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2600000</td>
<td>-</td>
</tr>
<tr>
<td>2013</td>
<td>2600000</td>
<td>-</td>
</tr>
<tr>
<td>2014</td>
<td>2600000</td>
<td>-</td>
</tr>
</tbody>
</table>
2. The impact of loans on deposits is positive. It is increasing year on year. This is due to trust of bank on their customers. By simple analysis it is seen there is regular increase under loans on deposits each year from 2012 to 2014.

3. The advance on bills discounting compared with base year 2012 it is constant. In 2014 also it remains the same it has neither increased nor decreased for the years 2012, 2013, 2014. The exposure under bill discounting advance is very limited, it is observed

CONCLUSION

From the analysis we can conclude that the performance of the bank over the years is good even with high competitive environment and certain limitations at a few areas of the bank. Concentrating on the three main categories short term medium term, long term loan, the bank was able to pool up different categories of customers over years and increase its loans and advance, some of sub categories of loans are fluctuating. The percentage of lending has gradually increased with growth of bank.

RECOMMENDATIONS AND SUGGESTIONS

Although the bank is functioning well it is expected the quality of work should exceed customer expectation, it should also improve its functioning style to improve the customer needs. Below are some suggestions;

- It can be suggested that bank can provide additional services to existing customers other than normal banking operations.
- The bank also starts up loan scheme for physically challenged with low interest rate for the purpose of setting up of small shops and other business small units.
- The bank concentrates on introduction of E- banking for the customers.
- Proper credit management of loans and advance prevents the fresh addition of NPA’S. The first step to prevent this is to enquire the history of customers in CIBIL.
- The bank is suggested to assets the three main aspects repayment capacity, securities, and surety before sanctioning of loans
- Timely visit from the field staff and making personal contact with the borrowers can help the bank strengthen its recovery position of loans.
- Setting up of new branches in high potential areas can up lift business growth rate.
- Measure should be taken to reduce unnecessary expenses.
- Develop new technique to improve existing position
- The profit can be improved by reducing the interest rate on loans
### APPENDICES AND ANNEXURE

**BALANCE SHEET AS ON 31ST MARCH 2012, 2013, AND 2014.**

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>As on 31/3/2012</th>
<th>As on 31/3/2013</th>
<th>As on 31/3/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. CAPITAL &amp; LIABILITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Capital</td>
<td>10,60,48,400</td>
<td>11,11,06,600</td>
<td>12,15,74,700</td>
</tr>
<tr>
<td>2. Reserves &amp; Surplus</td>
<td>11,53,96,515</td>
<td>12,24,11,438</td>
<td>13,10,43,053.50</td>
</tr>
<tr>
<td>3. Deposits</td>
<td>229,43,66187</td>
<td>279,36,52,434</td>
<td>311,87,72,127.69</td>
</tr>
<tr>
<td>4. Borrowings</td>
<td>-nil-</td>
<td>-nil-</td>
<td>-nil-</td>
</tr>
<tr>
<td>5. Other Liabilities &amp; Provision</td>
<td>9,94,47,837</td>
<td>11,37,56,551</td>
<td>93,973,402.94</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>261,52,58,939</strong></td>
<td><strong>314,09,57,023</strong></td>
<td><strong>346,53,63,284.13</strong></td>
</tr>
<tr>
<td><strong>B. ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Cash &amp; Balance with RBI</td>
<td>8,30,10,160</td>
<td>14,04,86,903</td>
<td>147,421,085</td>
</tr>
<tr>
<td>2. Balance with Bank &amp; money at Call &amp; Short Notice</td>
<td>21,55,41,830</td>
<td>24,41,85,854</td>
<td></td>
</tr>
<tr>
<td>3. Investment</td>
<td>60,37,88,502</td>
<td>79,22,83,641.97</td>
<td>89,22,07,381</td>
</tr>
<tr>
<td>4. Loans &amp; Advance</td>
<td>160,69,09,932</td>
<td>184,39,49,998</td>
<td>193,82,00,818.12</td>
</tr>
<tr>
<td>5. Fixed Assets</td>
<td>2,62,35,554</td>
<td>2,33,97,369</td>
<td>2,85,68,619.20</td>
</tr>
<tr>
<td>6. Other Assets</td>
<td>7,97,72,972</td>
<td>9,66,53,268</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>261,52,58,940</strong></td>
<td><strong>314,09,57,023</strong></td>
<td><strong>346,53,63,284.13</strong></td>
</tr>
</tbody>
</table>
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