

An Evaluation of the Performance of Corporation Bank for the Time Frame 2004-05 to 2013-14

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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 is 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.

KEYWORDS: Financial study, Performance analysis, Bank efficiency, Corporation Bank.

1. INTRODUCTION

A Bank is a Financial Institution that provides banking and other financial services to their customers. A Bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. The Banks are the main participants of the financial system in India. The Banking sector offers several facilities and opportunities to their customers.

Corporation Bank being one of the important commercial banks of the country plays a very important role in promoting saving habits among people, mobilizing resources in the economy and offering financial services to all sectors of the society. Given its importance in national as well as international arena, a study on the Bank's performance seems imperative. This study will evaluate the Bank's performance through select criteria to highlight its importance in the Banking sector.

2. OBJECTIVE OF THE STUDY

(1) To examine the growth parameters of Corporation Bank for the period 2004-05 to 2013-14, with respect to:

- (a) Extent of Branch Expansion
- (b) Magnitude of Total Deposits
- (c) Associating Branch Expansion and Total Deposits of Corporation Bank.

(2) To determine for the period of 2004-05 to 2013-14:

- (a) Trend in profits of Corporation Bank.

(3) To determine for the period of 2004-05 to 2013-14:

- (a) Impact of Investments on Profits of Corporation Bank.

- (b) Impact of Advances on Profits of Corporation Bank.
- (4) To examine the efficiency of the Bank through select financial ratios for the period 2004-05 to 2013-14.
 - (a) Current Ratio
 - (b) NPA Ratio
 - (c) Profitability Ratio: ROAA

3. DATA AND METHODOLOGY

The current study is based on secondary data which is collected from published and the unpublished sources. The main sources of data for the study are Corporation Bank annual reports, RBI Bulletin. The objectives have been analyzed with the help of appropriate statistical tools like:

- Trend analysis
- Correlation
- Simple Linear Regression.
- Financial Ratios

4. ANALYSIS AND INTERPRETATION OF DATA

This deals with the analysis and interpretation of data pertaining to Corporation Bank from 2004-05 to 2013-14. Appropriate statistical tools have been used to analyze the data in order to assess the performance of the bank in terms of Total Deposits, Financial Ratios, Advances, etc. The secondary data has been collected from the official Annual Financial Reports and Balance Sheets of Corporation Bank for the period 2004-05 to 2013-14.

OBJECTIVES OF THE STUDY

OBJECTIVE 4.1: To examine the growth parameters of Corporation Bank for the period 2004-05 TO 2013-14.

4.1 (a): Extent of Branch Expansion

TABLE 4.1 (a): Total Number of Branches of Corporation Bank during the period 2004-05 to 2013-14.

YEARS	NUMBER OF BRANCHES (In No's)
2004-05	750
2005-06	835
2006-07	901
2007-08	981
2008-09	1054
2009-10	1155
2010-11	1361
2011-12	1500
2012-13	1707
2013-14	2021

Source: Annual Report of Corporation Bank (Various Issues)

The above table depicts the number of branches of Corporation Bank. The figure shows a steady increase in the number of branches of the bank over the study period. Prior to 2008, the number of branches was less than 1000, but since there has been a phenomenal increase. The number of branches stood at 2021 in 2013-14. This can be attributed to intense focus approach on branch expansion by the Government in recent times. Greater penetration and extension of banking facilities being the prime focus, there has been an increase in the number of branches over the years.

4.1 (b): Magnitude of Total Deposits

Table 4.1(b): Magnitude of Total deposits of Corporation Bank for the period 2004-05 to 2013-14.

YEARS	TOTAL DEPOSITS (In Rs. Crore)
2004-05	27233.16
2005-06	32876.53
2006-07	42356.89
2007-08	55424.42
2008-09	73983.91
2009-10	92733.67
2010-11	116747.50
2011-12	136142.20
2012-13	166005.45
2013-14	193393.01

Source: Annual Reports of Corporation Bank (Various Issues)

The above table shows that the total deposits of Corporation Bank has increased continuously throughout the study period i.e. from 2004-05 to 2013-14. The total deposits of Corporation Bank has been increasing rapidly from 2004-05 to 2013-14. This increase in the total deposits may be due:

- Branch expansion, not only in India but also on the international front, has led to a greater deposit mobilization for the Bank.
- Increase in total deposits may also be attributed to schemes of the Bank with respect to its products and services.

4.1(c): Associating Branch Expansion and Total Deposits of Corporation Bank for the period 2004-05 to 2013-14.

Table 4.1(c): Number of Branches and Total Deposits of Corporation Bank from 2004 to 2014.

YEARS	No. of Branches (In No's)	Total Deposits (In Rs. Crore)
2004-05	750	27233.16
2005-06	835	32876.53
2006-07	901	42356.89
2007-08	981	55424.42
2008-09	1054	73983.91
2009-10	1155	92733.67
2010-11	1361	116747.50
2011-12	1500	136142.20
2012-13	1707	166005.45
2013-14	2021	193393.01

Source: Annual Reports of Corporation Bank (Various Issues)

The co-efficient of correlation(r) is calculated by using the following formula:

$$r = \frac{\sum XY - \frac{(\sum X)(\sum Y)}{n}}{\sqrt{(\sum X^2 - \frac{(\sum X)^2}{n})(\sum Y^2 - \frac{(\sum Y)^2}{n})}}$$

Where,

X: No of Branches and

Y: Total Deposit.

The value of r, thus calculated is **0.993694**. The correlation between number of Branches and Deposits is extremely high and positive. The variables have a close and direct relationship. This implies that as the number of Branches increase, total deposits also increase.

OBJECTIVE 4.2: To determine for the period of 2004-05 to 2013-14.

4.2(a): To Examine the Trend in Profits of Corporation Bank (2004-05 to 2013-14).

Table 4.2(a): The Actual and Trend Value of Profits of Corporation Bank.

YEARS	Total Profit (In Rs Crore) (Y)	X	X ²	XY	Trend Values
2004-05	1056.98	-4.5	20.25	-4756.41	798.29
2005-06	953.62	-3.5	12.25	-3337.67	1062.89

2006-07	1140.04	-2.5	6.25	-2850.1	1327.49
2007-08	1251.14	-1.5	2.25	-1876.71	1592.09
2008-09	1796.61	-0.5	0.25	-898.305	1856.69
2009-10	2136.73	0.5	0.25	1068.36	2121.29
2010-11	2622.40	1.5	2.25	3033.6	2385.89
2011-12	2855.97	2.5	6.25	7139.92	2650.49
2012-13	3037.01	3.5	12.25	10629.53	2915.09
2013-14	3039.40	4.5	20.25	13677.3	3179.69
2014-15		5.5	30.25	0	3444.29
2015-16		6.5	42.25	0	3708.89
2016-17		7.5	56.25	0	3973.49
2017-18		8.5	72.25	0	4238.09
2018-19		9.5	90.25	0	4502.69
2019-20		10.5	110.25	0	4767.29
TOTAL	19889.9		82.5	21829.515	

Source: Annual Report of Corporation Bank (various issues).

The above table shows increasing trend in the Total Profits of Corporation Bank over the last ten years. It was Rs.1056.98 crore in the year 2004-05, which increased to Rs.3039.40 crore in the year 2013-14.

The trend values are calculated using the Least Square method:

$$Y = a + bX$$

$$a = \frac{\sum Y}{N} = 1988.99$$

$$b = \frac{\sum XY}{\sum X^2} = 264.60$$

Where a is the intercept, b is the slope, X is independent variable and Y is the dependent variable.

$$Y = 1988.99 + 264.60X$$

The forecasted trend values for the next six years are as follows:

2014-2015	3444.29
2015-2016	3708.89
2016-2017	3973.49
2017-2018	4238.09
2018-2019	4502.69
2019-2020	4767.29

As indicated by the trend values, future projections suggest an increase in the profit levels, a year to year increase by Rs.264.6 crores.

OBJECTIVE 4.3: To determine for the period 2004-05 to 2013-14.

4.3 (a): Impact of Investments on Profits of Corporation Bank.

Table 4.3 (a): Profits and Investments of Corporation Bank.

YEARS	PROFITS (In Rs. Crore)	INVESTMENTS (In Rs. Crore)
2004-05	1056.98	10261.11
2005-06	953.62	10651.99

2006-07	1140.04	14417.49
2007-08	1251.14	16512.38
2008-09	1796.61	24937.77
2009-10	2136.73	34522.63
2010-11	2622.40	43452.74
2011-12	2855.97	47474.63
2012-13	3037.01	58164.49
2013-14	3039.40	66191.21

Source: Corporation Bank Annual Reports (Various Issues)

A simple linear regression Model has been used to determine the relationship between Profits and Investments.

Regression function

Profits = f (Investments)

Where,

Profits: Dependent Variable

Investments: Independent Variable

For the explanation of the above relationship between profits and investments the following hypothesis is formulated:

Null Hypothesis: There is no significant impact of independent variable on the dependent variable.

Alternative Hypothesis: There is significant impact of independent variable on the dependent variable.

On running the regression with the help of SPSS, the following output is generated:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.980 ^a	.960	.955	181.42694

a. Predictors: (Constant), investment

The above table states that the model explains 96% (R Square) of the variations in the dependent factor (Profits) and the remaining 4% of the variation is due to other factors.

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6355853.338	1	6355853.338	193.095	.000 ^b
	Residual	263325.873	8	32915.734		

Total	6619179.211	9			
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From the above table it can be inferred that the null hypothesis will be rejected and the alternative hypothesis will be accepted as the p value is less than the level of significance: $0.00 < 0.05$. Therefore, the Alternative Hypothesis is accepted which states the independent variable (Investment) does significantly influence the dependent variable (Profits).

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	645.086	112.450		5.737	.000
	VAR0000	.041	.003	.980	13.896	.000
	2					

From the values in the table, the regression model can be written as:

$$P = 645.086 + .041 I$$

The model explains the extent of variability in the dependent variable with one unit variability in the independent variables. Two main inferences can be made from the above model.

- There is a positive relationship between profits and investments.
- With one unit increase in the independent variable (Investments) there is .041 units of increase in the dependent variable (Profits).

The above output summary suggests that Investments do impact profits. This is due to the fact that Corporation Bank, with changing times, has diversified its operations and has been an active investor.

4.3 (b): The Impact of Advances on Profits of Corporation Bank.

Table 4.3(b): Profits and Advances of Corporation Bank.

YEARS	PROFITS (In Rs. Crore)	ADVANCES (In Rs. Crore)
2004-05	1056.98	18546.38
2005-06	953.62	23962.43
2006-07	1140.04	29949.65
2007-08	1251.14	39185.57
2008-09	1796.61	48512.16
2009-10	2136.73	63202.56
2010-11	2622.40	86850.40
2011-12	2855.97	106469.02
2012-13	3037.01	118716.651
2013-14	3039.40	137086.30

Source: Annual Report of Corporation Bank (Various Issues)

A simple linear regression Model has been used to determine the relationship between Profits and Advances.

Regression function

Profits = f (Advances)

Where,

Profits: Dependent Variable

Advances: Independent Variable

For the explanation of the above relationship between profits and advances the following hypothesis is formulated:

Null Hypothesis: There is no significant impact of independent variable on the dependent variable.

Alternative Hypothesis: There is significant impact of independent variable on the dependent variable.

On running the regression with the help of SPSS, the following output is generated:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.974 ^a	.948	.942	206.57476

A .Predictors: (Constant), advances

The above table states that the model explains 94.8 percent (R square) of the variation in the dependent factor (Profits) and the remaining 5.2 percent of the variation is due to other factors.

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6277794.152	1	6277794.152	147.114	.000 ^b
	Residual	341385.059	8	42673.132		
	Total	6619179.211	9			

a. Dependent Variable: profits

b. Predictors: (Constant), advances

From the above table it can be inferred that the null hypothesis will be rejected and the alternative hypothesis will be accepted as the p value is less than the level of significance $0.00 < 0.05$. Therefore the alternative hypothesis is accepted which states that the independent variable (Advances) does significantly influence the dependent variable (Profits).

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	666.830	127.083		5.247	.001
	Advances	.020	.002	.974	12.129	.000

From the values in the table, the regression model can be written as:

$$P = 666.830 + .020A$$

The model explains the extent of variability of the dependent variable with one unit variability in the independent variable. Two main inference can be made from the above model.

- There is a positive relationship between Profits and Advances.
- With one unit increase in the independent variable (Advances), there is 0.020 units of increase in the dependent variable (Profits).

From the results of the individual regression analysis, that is, $P = 645.086 + .041 I$ and $P = 666.830 + .020A$, it can be inferred that Investments have a greater impact on Profits as compared to Advances.

OBJECTIVE 4.4: To Examine the efficiency of the Corporation Bank through the select financial ratios during the period 2004-05 to 2013-14.

4.4 (a): To Compute the Current ratio

Table 4.4(a): Total Current Assets, Total Current Liabilities and its resulting Current Ratio of Corporation Bank.

YEARS	Total Current Assets (In Rs. Crore)	Total Current Liabilities (In Rs. Crore)	Current Ratio
2004-05	15584.09	24125.06	0.64
2005-06	20467.27	28531.05	0.71
2006-07	25602.22	34536.61	0.74
2007-08	32933.32	45377.90	0.72
2008-09	46289.1	57562.02	0.80
2009-10	54102.76	76056.31	0.71
2010-11	72037.59	101811.20	0.70
2011-12	94992.72	132712.88	0.71
2012-13	109757.25	150390.30	0.72
2013-14	127564.5	178904.30	0.71

Source: Annual Report of Corporation Bank (Various Issues)

The above table reveals Total Current Assets and Total Current Liabilities of Corporation Bank during the period 2004-05 to 2013-14. Financial ratio has been explained in terms of Current Ratio.

The Current Ratio gauges on how capable a Bank is in meeting its current liabilities by using its current assets. Current Ratio is also called Working Capital Ratio. The general rule of thumb for the current ratio is 2:1.

The Current Ratio is calculated by the following formula:

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

One can see that the Current Assets are less than the Current Liabilities during the study period. Though the Current Assets have been increasing year-on-year, yet the increase in the current liabilities is more than the increase in Current Assets which is indicated by the declining Current Ratio, which has always been less than 1.

4.4 (b): To Compute the Net NPA ratio

Table 4.4(b): To Examine Net Advances and Net NPA for the period 2004-05 to 2013-14.

YEARS	NET ADVANCES (In Rs. Crore)	NET NPA (In Rs. Crore)	NPA Ratio
2006-07	29949.65	153.79	0.51
2007-08	39185.57	141.93	0.36
2008-09	48512.16	126.93	0.26
2009-10	63202.56	138.30	0.21
2010-11	86850.40	197.25	0.22
2011-12	100469.02	397.74	0.39
2012-13	118716.65	1410.88	1.18
2013-14	137086.30	3180.56	2.32

Source: Annual Report of Corporation Bank (Various Issues)

The above table shows the Net Advances, Net NPA and Net NPA ratio of Corporation Bank. The NPA ratio reflects an overall effective control of NPA during the period 2006-07 to 2009-10, thus reflecting a positive improvement in the efficiency of the Bank. However, NPA Ratio has been on an increase since then and has increased to 2.32 percent in 2013-14.

4.4 (c): To Compute the Profitability Ratio

Table 4.4(c): To Examine Return on Average Assets for the period 2004-05 to 2013-14.

YEARS	OPERATING PROFIT (In Rs. Crore)	TOTAL ASSETS (In Rs. Crore)	AVERAGE TOTAL ASSETS (In Rs. Crore)	RETURN ON AVERAGE ASSETS(%)
2004-05	1056.98	29153.70	-	-
2005-06	953.62	33923.86	31538.78	3.02

2006-07	1140.04	40506.63	37215.24	3.06
2007-08	1251.14	52720.65	46613.64	2.68
2008-09	1796.61	66597.67	59659.16	3.01
2009-10	2136.73	86905.80	76751.73	2.78
2010-11	2622.40	111667.30	99286.55	2.64
2011-12	2855.97	143508.59	127587.94	2.23
2012-13	3037.01	163560.42	153534.50	1.97
2013-14	3039.40	193442.34	178501.38	1.70

Source: Annual Report of Corporation Bank (Various Issues)

Return on Average Assets (ROAA) can be defined as an indicator used to evaluate the profitability of the assets related to any enterprise. This ratio shows the tax earnings of assets and the profitability of a business entity.

It is most often used by banks and other financial institutions as an appraisal to determine their performance. As Return on Average Assets (ROAA) is calculated at period ends, it does not reflect all of the highs or lows but is merely an average of the period.

Formula for calculating ROAA

The general formula used for computation of ROAA is:

$$\text{ROAA} = (\text{Net Income} / \text{Total Average Assets}) * 100$$

According to the table, the Bank has experienced a continual profit during the period 2004-05 to 2013-14 from Rs.1056.98 crore to Rs.3039.40 crore respectively. ROAA has been positive throughout the study period.

5. RECENT INITIATIVES

- E-stamping facility: Extension of E-stamping facility to the states of Uttar Pradesh and Rajasthan Online Pension Scheme: Commencement of online payment of pension to telecom pensioners, through the Centralized Pension Processing Cell set up at Corporate Office.
- Information Technology Initiatives: The Bank has been lining up various IT initiatives which are focused not only at customer friendly delivery channels providing value added services but also to enhance the internal efficiency and improving the decision making processes by bringing in an effective Management Information System adhering to the regulatory norms.
- CSR Activities through “CorpKiran”: The Bank has formed Women Welfare Associations under the name “CorpKiran” to extend the CSR activities through Circle Officers and Zonal Office levels, in addition to Head Office. The activities included providing of food, clothing, books, etc., to poor school children and inmates of orphanages, old age homes, destitute homes, etc.

- Promotional Campaigns/ Events: Special promotional campaigns/events have been launched to market products and attract new clients
- e- Mandate Service: Corporation Bank has launched the ‘e – Mandate’ (digital mandate) service to provide robust platform for large volume of repetitive payments.

6.CONCLUSION

The Road Ahead

The current business environment is highly dynamic and changes are occurring at a rapid pace. Regulatory pressures are increasing and credit offtake continuous to be challenging. Amidst this environment, Corporation Bank’s role in financial and economic development is ever changing to meet the growing demand and needs of the environment. For Corporation Bank, improving asset quality, especially at a time when public sector banks have seen sharp deterioration in asset quality, is important. Another focus area for the bank would be quality credit growth, with a focus on agriculture, retail, small and medium enterprises. The bank would also focus on distribution channels.

At present major part of the market lies with the public sector banks but the Government is geared up to open the sector to more foreign players, to bring more people under the banking network. With several business houses including Aditya Birla Group, the Tata’s and Reliance evincing an interest to enter the Indian Banking space, public sector banks like Corporation Bank have to step up their efforts to meet the challenges of the global market.

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