



ANALYSIS OF THE FINANCIAL STATEMENT OF TAMILNAD MERCANTILE BANK LTD

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Abstract

Now a day, banking sector plays a major part in economic development of each country. Effective functioning of banking sector is growth of world economy. The banking system of India is featured by a large network of bank branches, serving many kinds of financial services of the people. Tamilnad Mercantile Bank Ltd, Popularly known as TMB Ltd. TMB Ltd consist of 406 full fledged branches, 10 regional offices, 11 extension counters, 2 mobile banking branch, 6 central processing centres, 3 currency chests , 802 automated teller machines and also the bank have tie-ups with HDFC and IDBI separately. The present study is conducted the financial performance of TMB Ltd on the basis of analysis such as gross income, net profit, deposits, advances, foreign turnover, gross NPA and Net NPA. The study period is recent seven years that is 2007-08 to 2013-14. During the study period only the TMB Ltd has witnessed with significant growth and development, comparing with the earlier years of operations.

Key Words: Strength, Soundness, Efficiency, Excellence, Dedicated Work Force, TMB, NPA.

Introduction

The Bank has a long cherished history of more than 93 years of successful banking with strong fundamentals and a record of continuous profit making. Tamilnad Mercantile Bank Ltd (TMB), popularly known as TMB is one of the premier old private sectors scheduled commercial bank in India. TMB has topped under two parameters, namely, “Strength & Soundness” and “Efficiency”. TMB was incorporated 11th may 1921, by “Nadar Mahajana Sangam” as The Nadar Bank Ltd. TMB becomes a scheduled bank on May 11, 1935. TMB licensed under the Banking regulation act, 1949 having the registered office 57, V.E road, Tuticorin 628002. TMB is one of the strongest commercial sectors in south India. At present the TMB is having 406 branches functioning under 10 regional offices. TMB provide 802 ATM Centres to its customers. Dedicated Work Force TMB is very fortunate in having dedicated employees at all levels that have been energetic and working with untiring zeal for the good growth and prosperity of the institution for the past 93 years. The Bank has geographical presence in 12 states and 5 Union Territories.

TMB achieves the following awards

- TMB has been ranked No 1 among the cluster of 15 banks in overall performance with regard to Savings Bank Accounts in the survey conducted by Indian Banks Association during the year 2008 through an approved agency.
- Business World in its survey on INDIA’S BEST BANKS-2011 has ranked the Bank as
 - ❖ 2nd Best Bank in Small Banks Category (Out of 17 Banks)
 - ❖ 3rd Socially Responsible Bank among 57 Banks of the Country
 - ❖ 5th Fastest Growing Bank among 17 Small Sized Banks
- No. 1 Best old private sector bank awarded by Financial Express in the year 2012-13.
- Winner of Assocham social banking excellence award under the private sector banks category
- No. 2 India’s best banks 2013, among small banks for the year 2012-13 awarded by Business World
- Best banker’s awards as the best private sector bank in the field of customer orientation and human resources
- Second best bank among private sector banks 2012-13 award received from the state forum of bankers club, kerala.

Objective of the Study

- To assess the trend in Gross Income, Net Profit, Deposit, Loans , foreign turnover, Gross NPA and Net NPA.
- To study the financial performance of TMB Ltd.

Research Methodology

The study is based on secondary data that has been collected from annual reports of the respective banks websites, journals and magazines. The study covers the period of seven years i.e., from 2007 – 08 to year 2013-14. Trend analysis was applied to analyze banking financial performance. This analyze has adopted both descriptive and analytical methodologies. Financial performance analyze is done to identify the financial strengths and weakness of TMB by mainly establishing between Profit and loss account and Balance sheet.



Sample Size

This study has adopted an absolute sampling technique, by covering the specific operational results. In this study, an attempt has been made to evaluate and compare the financial performance of TMB Ltd for the last seven years.

Collection of Data

The study period is recent seven years that is 2007-08 to 2013-14. The above period of study is based on secondary data, which is collected from the annual reports and Journal of the respective bank.

Analytical Frame Work

The financial information gathered from the Tamilnad Mercantile Bank Ltd. during the observation period are simply carry out the significant trend analyze used are.

Table 1.1 Master data showing the Financial Indicators (Rs. in '000')

YEAR	Gross Income	Net Profit	Deposits	Loans	Foreign turnover	Gross NPA	Net NPA
2007-08	8917000	1267000	76703000	53313000	402700	12218	2015
2008-09	11129895	1502061	95660430	65716854	578138	12040	2208
2009-10	12912022	1845295	116393013	82876072	759138	11500	1998
2010-11	15593844	2509000	108714100	107586524	1042354	14113	2931
2011-12	21140000	3134600	138970000	138970000	1208800	17748	6260
2012-13	27190860	4402829	250582400	162559900	1592700	21445	10708
2013-14	29227892	3007669	259581700	171438500	1892600	42802	20975
Total	126111513	17668454	1043904643	782460850	7476430	131866	47095

Source: Annual reports of TMB

The above Table 1.1 presents the details of various financial indicators for the entire study period. This includes Gross Income, Net Profit, Loans, Deposits, Foreign turnover, Gross NPA and Net NPA. This master table helps in drawing sub analytical tables for each of the individual indicators for further in-depth analysis. The following tables are the results of such analysis.

Table 1.1(a) Showing Trend Analysis for Gross Income [Rs. in '000']

YEAR	Gross Income	X = deviation from m.yr	X ²	XY	Trend Value YC	Trend Fluctuation Y - YC
2007-08	8917000	-3	9	-26751000	7164225	1752775
2008-09	11129895	-2	4	-22259790	10781460	348435
2009-10	12912022	-1	1	-12912022	14398695	-1486673
2010-11	15593844	0	0	0	18015930	-2422086
2011-12	21140000	1	1	21140000	21633166	-493166
2012-13	27190860	2	4	54381720	25250401	1940459
2013-14	29227892	3	9	87683676	28867636	360256
Y = 126111513			$\sum X^2 = 28$	$\sum XY = 101282584$		

Source: Annual reports of TMB

Trend value $YC = a + bx$

$$a = \frac{\sum Y}{N}, \quad = \frac{126111513}{7 \text{ years}} = 18015930 \quad b = \frac{\sum XY}{\sum X^2}, \quad b = \frac{101282584}{28} = 3617235$$



Trend projection for the year 2014-15

$$YC = a + bx, \quad = 18015930 + (3617235 \times 4), \quad = 18015930 + 14468941,$$

$$YC = 32484871$$

The above table 1.1 (a) represents the details of trend analysis carried out on Gross Income earned by the TMB during the study period. The average gross income earned by the TMB Ltd., is 1802 Crores (app). On seeing the Overall Trend in Profit, it shows the mixed trend. The TMB Ltd., is found to be once in every two years. The TMB Ltd., has witnessed with all time high in profit during 2013-14 (2923 Crores). If the past trend continues this bank would earn the Gross income of 3248 Crores, which is 11.12% more than the gross income earned during the current year. The Figure 1.1(a) showing the overall trend in gross income reveals the hopeful performance of the bank.

Table 1.1 (b) Showing Trend Analysis for Net Profit (Rs. in '000')

YEAR	Net Profit	X = deviation from m.yr	X ²	XY	Trend Value YC	Trend Fluctuation Y - YC
2007-08	1267000	-3	9	-3801000	1204831	62168.86
2008-09	1502061	-2	4	-3004122	1644576	-142515
2009-10	1845295	-1	1	-1845295	2084320	-239025
2010-11	2509000	0	0	0	2524065	-15064.9
2011-12	3134600	1	1	3134600	2963809	170790.6
2012-13	4402829	2	4	8805658	3403554	999275
2013-14	3007669	3	9	9023007	3843299	-835630
Y = 17668454			X ²⁼²⁸	XY=12312848		
				48		

Source: Annual reports of TMB

Trend value $YC = a + bx$ $a = \frac{\sum Y}{N}, = \frac{17668454}{7 \text{ years}} = 2524065$

$$b = \frac{\sum XY}{\sum X^2}, \quad b = \frac{12312848}{28} = 439745$$

Trend projection for the year 2014-15

$$YC = a + bx, = 2524065 + (439745 \times 4), = 2524065 + 1758978, YC = 42830453$$

The above Table 1. 1 (b) details the result of trend analysis relating to net profit earned by the TMB Ltd., during the observation period. The Net profit also show increase in every year upto 2012-13, in the year 2013-14, the TMB Ltd., Net profit will decrease 0.32% compare than the previous year. The Overall results show the accepted in net profit, which is a good trend, because all the year TMB Ltd., earn Profit only. The Projected Net Profit for the financial year 2014-15 is around Rs. 4283 crores.

Table 1.1(d) Showing Trend Analysis for Deposits [Rs. in '000']

YEAR	Loans	X = deviation from Mid.yr	X ²	XY	Trend Value YC	TrendFluctuation Y - YC
2007-08	76703000	-3	9	-230109000	55115981.8	22262018
2008-09	95660430	-2	4	-191320860	86582304.2	9656697
2009-10	116393013	-1	1	-116393013	118048627	-3873471
2010-11	108714100	0	0	0	149514949	-40415135
2011-12	138970000	1	1	138970000	180981271	-41721986
2012-13	250582400	2	4	501164800	212447594	38327663
2013-14	259581700	3	9	778745100	243913916	15764212
Y =1046604643			$\sum X^2 =28$	$\sum XY=881057027$		

Source: Annual reports of TMB



Trend value $YC = a + bx$ $a = \frac{\sum Y}{N} = \frac{1046604643}{7 \text{ years}}, a = 149514949,$

$b = \frac{\sum XY}{\sum X^2}, b = \frac{881057027}{28}, b = 31466322$

Trend projection for the year 2014-15

$YC = a + bx, = 149514949 + (31466322 \times 4), = 149514949 + 125865290,$

$YC = 275380239$

Deposits are the major source of funds for the banks. The enormity of deposits replicates the amount of profit that a bank can make. The trend in deposits held by the TMB Ltd., is exposed in table 1.1 (c). The deposits also show details the positive response, which is good sign of development. The overall trend in deposits held by the TMB Ltd., Through there was declining trend in 2010-11, which is got recovered after the 2010-11. However the actual deposits held by the TMB Ltd., was found to be increase in every year except 2010-11. The average investment held by the TMB Ltd., is found to be more than Rs. 14951 crores. If the past trend repeats, the future Deposit held by the TMB Ltd., is found to be Rs. 27538 Crores in the year 2014-15.

Table 1.1 (d) Showing Trend Analysis for Loans [Rs. in '000']

YEAR	Loans	X = deviation from Mid.yr	X ²	XY	Trend Value YC	Trend Fluctuation Y - YC
2007-08	53313000	-3	9	-159939000	47049066	6263934
2008-09	65716854	-2	4	-131433708	68626084	-2909230
2009-10	82876072	-1	1	-82876072	90203103	-7327031
2010-11	107586524	0	0	0	111780121	-4193597
2011-12	138970000	1	1	138970000	133357140	5612860
2012-13	162559900	2	4	325119800	154934159	7625741
2013-14	171438500	3	9	514315500	176511177	-5072677
	$\sum Y=782460850$		$\sum X^2 =28$	$\sum XY=604156520$		

Source: Annual reports of TMB

Trend value $YC = a + bx$

$a = \frac{\sum Y}{N}, = \frac{782460850}{7 \text{ years}} = 111780121, b = \frac{\sum XY}{\sum X^2}, b = \frac{604156520}{28} = 21577019$

Trend projection for the year 2014-15

$YC = a + bx, = 111780121 + (21577018 \times 4), = 111780121 + 86308074, YC = 198088196$

Lending of money as loans is one of the most important way in which the bank earns its profit. It is a service given by bank in which it lends money to the customer and gets it back at some later stage with interest as a profit. The trend in Loans held by the TMB Ltd., is exposed in Table 1.1 (d). The Loans also shows a good response is found to be positive in every year. The TMB Ltd., should have less borrowed fund than the equity funds. Since the debt is always cheaper than equity. The average Loans held by the bank is found around Rs.11178 Crores. If the past trend continuous, the growth in Loans shall be maintained in tact at least up to the year 2014-15, the above analysis finally concludes.

Table 1.1(e) Showing Trend Analysis for Foreign Turnover [Rs. in Lakhs]

YEAR	Foreign turnover	X = deviation from m.yr	X ²	XY	Trend Value YC	Trend Fluctuation Y - YC
2007-08	402700	-3	9	-1208100	323581	79119
2008-09	578138	-2	4	-1156276	571741	6397
2009-10	759138	-1	1	-759138	819901	-60763
2010-11	1042354	0	0	0	1068061	-25707
2011-12	1208800	1	1	1208800	1316222	-107422



2012-13	1592700	2	4	3185400	1564382	28318
2013-14	1892600	3	9	5677800	1812542	80058
$\Sigma Y=7476430$			$\Sigma X^2=28$	$\Sigma XY=6948486$		

Source: Annual reports of TMB

Trend value $YC = a + bx$

$$a = \frac{\Sigma Y}{N}, \quad = \frac{7476430}{7 \text{ years}} = 1068061, \quad b = \frac{\Sigma XY}{\Sigma X^2}, \quad b = \frac{6948486}{28} = 248160$$

Trend projection for the year 2014-15

$$YC = a + bx, = 1068061 + (248160 \times 4), \quad = 1068061 + 992641, \quad YC = 2060702$$

Table 1.1(e) shows the trend in foreign turnover held by the TMB Ltd during the last seven years. The foreign turnover is found to be on consistent increase for the last seven years. The average foreign turnover held by the TMB Ltd to be more than Rs.10680 crores. If the past trends persist, the future foreign turnover requirements for the TMB Ltd would be more than Rs.20607 Crores.

Table 1.1(f) Showing Trend Analysis for Gross Non Performing Assets [Rs. in Lakhs]

YEAR	Gross NPA	X = deviation from m.yr	X^2	XY	Trend Value YC	Trend Fluctuation $Y - YC$
2007-08	12218	-3	9	-36654	6322.6	5895
2008-09	12040	-2	4	-24080	10494	1546
2009-10	11500	-1	1	-11500	14666	-3166
2010-11	14113	0	0	0	18838	-4725
2011-12	17748	1	1	17748	23010	-5262
2012-13	21445	2	4	42890	27182	-5737
2013-14	42802	3	9	128406	31353	11449
$\Sigma Y=131866$			$\Sigma X^2=28$	$\Sigma XY=116810$		

Source: Annual reports of TMB

Trend value $YC = a + bx$

$$a = \frac{\Sigma Y}{N}, \quad = \frac{131866}{7 \text{ years}} = 18838, \quad b = \frac{\Sigma XY}{\Sigma X^2}, \quad b = \frac{116810}{28} = 4172$$

Trend projection for the year 2014-15

$$YC = a + bx, = 18838 + (4172 \times 4), = 18838 + 16687, \quad YC = 35525$$

The above table 1.1 (f) elucidates the gross NPA of TMB Ltd during the study period. The gross NPA of TMB is found to be on consistent increase except for the year 2010-11. The average Gross NPA held by TMB is found to be more than Rs. 188 crores in average. If the past trend persists, the future Gross NPA requirements for the TMB would be more than Rs. Rs. 355 crores.

Table 1.1(g) Showing Trend Analysis for Net Non Performing Assets [Rs. in Lakhs]

YEAR	Net NPA	X = deviation from m.yr	X^2	XY	Trend Value YC	Trend Fluctuation $Y - YC$
2007-08	2015	-3	9	-6045	-1645	3660
2008-09	2208	-2	4	-4416	1146	1062
2009-10	1998	-1	1	-1998	3937	-1939
2010-11	2931	0	0	0	6728	-3797
2011-12	6260	1	1	6260	9519	-3259
2012-13	10708	2	4	21416	12309	-1601
2013-14	20975	3	9	62925	15100	5875
$\Sigma Y=47095$			$\Sigma X^2=28$	$\Sigma XY=78142$		

Source: Annual reports of TMB



Trend value $YC = a + bx$

$$a = \frac{\sum Y}{N}, \quad = \frac{47095}{7 \text{ years}} = 6728, \quad b = \frac{\sum XY}{\sum X^2}, \quad b = \frac{78142}{28} = 2791$$

Trend projection for the year 2014-15

$$YC = a + bx, = 6728 + (2791 \times 4), = 6728 + 13954, YC = 2068$$

The above table 1.1 (g) elucidates the Net NPA of TMB Ltd during the study period. The Net NPA of TMB is found to be on consistent increase except for the year 2009-10. The average Net NPA held by TMB is found to be more than Rs. 67 crores in average. If the past trend persists, the future Net NPA requirements for the TMB Ltd., would be more than Rs. 206 crores.

Limitation of the Study

- The present study is Tamilnad Mercantile Bank Ltd, Tuticorin only.
- The study period is restricted to last 7 years only i.e., from 2007-08 to 2013-14.
- The finding of the study is restricted to the availability of facts and figures relating to the operations from its audit report during the study period
- The observing data is based on secondary data and the limitation of using secondary data may affect the results.
- Since the researcher, is hailed from tamilnadu, the study area of TMB is located at tamilnadu, can be reasonably justified.

Finding and Conclusions

- This analysis clearly indicates during the study period [7 years] from the selective analysis is found that the trend in vital parameters revealed the good response.
- The growth rate of net profit is found to be on positive side on seeing the overall trend in net profit.
- The overall trend in gross income reveals the pleasant performance of the bank. The overall profitability related to the Net profit is found to be very good.
- The Foreign turnover position of the TMB shows the cheerful performance of the bank.
- On seeing the overall trend in loans, this bank is found to have gain to have more borrowed funds and take the advantages.
- TMB should not deduct any additional charges without informing its customers'. The overall TMB performance is found to be development of its growth.

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