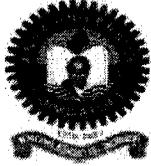


P-2760



A PERFORMANCE APPRAISAL OF GANAPATHY BRANCH OF LAKSHMI
VILAS BANK

A PROJECT REPORT
submitted by

DHIVYA.D
Reg. No. 0720400011



In partial fulfillment of the requirements
for the award of the degree

of

MASTER OF BUSINESS ADMINISTRATION

April, 2009

KCT Business School
Department of Management Studies
Kumaraguru College of Technology
(An autonomous institution affiliated to Anna University, Coimbatore)
Coimbatore-641 006

Certificate





LAKSHMI VILAS BANK

1157, Sathy Main Road, Ganapathy, Coimbatore-6.

PROJECT COMPLETION CERTIFICATE

This is to certify that Ms. **Dhivya.D**, Roll No. **07MBA11**, a student of KCT Business School, Kumaraguru College of Technology, Coimbatore had undergone a project entitled **“A PERFORMANCE APPRAISAL OF LAKSHMI VILAS BANK WITH RESPECTIVE TO GANAPATHY BRANCH”** between 27th January 2009 and 30th March 2009.

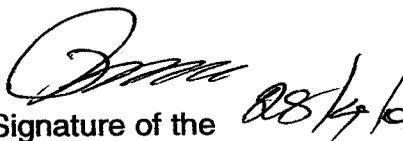
During the tenure, her performance was Good.

Organisational Guide's

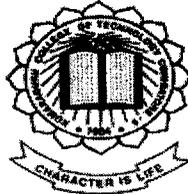
Name and Designation: Mr.S.Ramesh,

Branch Manager




Signature of the

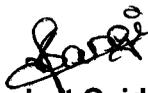
Organisational Guide



KCT BUSINESS SCHOOL
DEPARTMENT OF MANAGEMENT STUDIES
KUMARAGURU COLLEGE OF TECHNOLOGY
COIMBATORE -641006

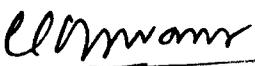
BONAFIDE CERTIFICATE

Certified that this project report titled “**A PERFORMANCE APPRAISAL OF GANAPATHY BRANCH OF LAKSHMI VILAS BANK**” is the bonafide work of **MS. DHIVYA.D (0720400011)** who carried out the research under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.


Project Guide

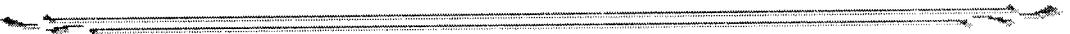

Director

Viva – Voce Examination held on 5/5/09


Internal Examiner 5.5.09


External Examiner 5/5/09

Declaration



DECLARATION

I, hereby declare that this project report entitled "**A PERFORMANCE APPRAISAL OF GANAPATHY BRANCH OF LAKSHMI VILAS BANK**", has been undertaken for academic purpose submitted to Anna University, Coimbatore in partial fulfillment of requirements for the award of the degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of **MS.SANGEETHA.S & MR.SENTHIL KUMAR.A** Lecturers, MBA Department during the academic year 2007-2009.

I, also declare hereby, that the information given in this report is correct to the best of my knowledge and belief.

Date:

Place: Coimbatore


DHIVYA.D

Acknowledgement

ACKNOWLEDGEMENT

I am indebted to the powerful **Almighty God** for all the blessings he showered on me and for being with me throughout the study.

At the Outset I am grateful to our honorable Correspondent **Mr. Balasubramanian M**, and other college trust members for allowing me to develop the project in their institution.

I extend my heartfelt thanks to our Principal **Dr. Joseph V Thanikal**, for providing the facilities to do this project.

I would like to express my sincere thanks to **Dr. S V Devanathan**, Director, Department of management studies, **Kumaraguru College of Technology**, who provided me an opportunity to do this project.,

In great honour and with indebt gratitude I think my inspiring guides **MS.SANGEETHA.S & MR.SENTHIL KUMAR.A** who has taken great interest in helping me on and often in the successful pursuit of my project. I am very much fortunate to get such a good guide, who encouraged me constantly with good counsel and helped me to complete the project successfully on time.

I express my sincere gratitude to **Mr. S.RAMESH**, Manager, **LAKSHMI VILAS BANK GANAPATHY BRANCH** for giving me the opportunity to carry out the project at his concern and for his valuable guidance all through.

I express my profound gratitude to my **Family Members & Friends** for their help and encouragement. I also take this opportunity to thank all those creative minds and helpful hearts for their assistance in making this project work.

DHIVYA.D

Contents



TABLE OF CONTENTS

CHAPTER NO	CONTENTS	PAGE NO
	Title Page	I
	Bonafide Certificate	II
	Declaration	III
	Acknowledgement	IV
	Table of contents	V
	List of tables	VI
	List of charts	VII
	Abstract	VIII
1	INTRODUCTION	
	About the study	1
	About the Industry	1
	About the Company	5
2	Main theme of the project	
	Objective of the study	17
	Scope and limitations	17
	Methodology	17
	Review of literature	18
3	ANALYSIS AND INTERPRETATION	23
4	FINDINGS,RECOMMENDATIONS AND CONCLUSIONS	46
	BIBLIOGRAPHY	

List of Tables



LIST OF TABLES

TABLE NO	TITLE	PAGE NO
1	Table showing ratio of Deposits to Total Liability	23
2	Table showing ratio of Term deposits to Total liability	24
3	Table showing ratio of Term loan to Total Advances	25
4	Table showing ratio of Interest income to Total Asset	26
5	Table showing ratio of Non Interest income to Total Asset	27
6	Table showing ratio of Operating Profit to Total Asset	28
7	Table showing Operating Profit Per Employee	29
8	Table showing ratio of Operating Profit to Total Income	30
9	Table showing ratio of Net Interest margin to Total Asset	31
10	Table showing ratio Burden to Total Asset	32
11	Table showing ratio Burden to Interest Income	33
12	Table showing Spread of Branch income earned to Interest paid	34
13	Table showing Growth of Deposits	35
14	Table showing Growth of Loans and advances	36
15	Table showing Growth of Operating profit	37
16	Trend analysis for Operating Profit	38

17	Table showing Proportion of Branch Deposit to Main Office Deposits	39
18	Table showing Proportion of Branch Liability to Main Office Liability	40
19	Table showing Proportion of Branch deposit Asset to Main Office Asset	41
20	Table showing Proportion of Branch Term loan to Main Office Term Loan	42
21	Table showing Proportion of Branch Total Advances to Main Office Total Advances	43
22	Table showing Proportion of Branch Interest Income to Main Office Interest Income	44
23	Table showing Proportion of Branch Non Interest Income to Main Office Non Interest Income	45

Abstract

ABSTRACT

Performance appraisal of the banking sector has assumed primal importance due to intense competition, greater customer demands and changing banking reforms. In this study the performance of Lakshmi Vilas Bank , Ganapathy Branch is measured based on the following factors namely interest earned, total income, total asset, total liability, deposits, loans and advances, operating profit, non performance asset and ratios were used to evaluate the same. The deposits, loans and advances, term loan, liability, assets of the branch were compared to the main offices deposits, loans and advances, term loan, liability, assets and the proportion were analyzed. To suggest suitable measures for improving the existing performance were identified. To face the competition the bank should focus on cutting cost by removing unused schemes, increase use of technology and newer range of product and services. On the whole, the study shows the bank has performed well in the year 2007 when compared to the previous year. In 2007 and 2008 the bank shows a tremendous growth in all the areas and found that banks performance is better in current years than the previous one.

Introduction



CHAPTER 1

1.1 ABOUT THE STUDY:

Performance evaluation of Lakshmi Vilas Bank has assumed primal importance due to intense competition, greater customer demands and changing banking reforms. Measuring the bank's performance help to understand their position in the banking industry, gives a wide knowledge of their competitors and also helps us to understand the factor tht affects the banking industry which directly or indirectly influences the bank's performance. It helps the investor & the general public to know the position of the bank in the market.

1.2 ABOUT THE INDUSTRY:

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors.

For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalisation of 14 major private banks of India.

Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice. Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dial a pizza. Money has become the order of the day.

The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below:

- Early phase from 1786 to 1969 of Indian Banks
- Nationalisation of Indian Banks and up to 1991 prior to Indian banking sector Reforms.
- New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991.

Phase I

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders.

In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935.

During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority.

During those days public has lesser confidence in the banks. As an aftermath deposit mobilisation was slow. Abreast of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders.

Phase II

Government took major steps in this Indian Banking Sector Reform after independence. In 1955, it nationalised Imperial Bank of India with extensive banking facilities on a large scale specially in rural and semi-urban areas. It formed State Bank of India to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country. Seven banks forming subsidiary of State Bank of India was nationalised in 1960 on 19th July, 1969, major process of nationalisation was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi. 14 major commercial banks in the country was nationalised.

Second phase of nationalisation Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership. The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949 : Enactment of Banking Regulation Act.
- 1955 : Nationalisation of State Bank of India.
- 1959 : Nationalisation of SBI subsidiaries.
- 1961 : Insurance cover extended to deposits.
- 1969 : Nationalisation of 14 major banks.
- 1971 : Creation of credit guarantee corporation.
- 1975 : Creation of regional rural banks.
- 1980 : Nationalisation of seven banks with deposits over 200 crore.

After the nationalisation of banks, the branches of the public sector bank India rose to approximately 800% in deposits and advances took a huge jump by 11,000%. Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions.

Phase III

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was set up by his name which worked for the liberalisation of banking practices.

The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money. The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian Countries suffered. This is all due to a flexible exchange rate regime, the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure

GROWTH OF BANKING INDUSTRY:

The growth in the Indian Banking Industry has been more qualitative than quantitative and it is expected to remain the same in the coming years. Based on the projections made in the "India Vision 2020" prepared by the Planning Commission and the Draft 10th Plan, the report forecasts that the pace of expansion in the balance-sheets of banks is likely to decelerate. The total asset of all scheduled commercial banks by end-March 2010 is estimated at Rs 40, 90,000 crores. That will comprise about 65 per cent of GDP at current market prices as compared to 67 per cent in 2002-03. Bank assets are expected to grow at an annual composite rate of 13.4 per cent during the rest of the decade as against the growth rate of 16.7 per cent that existed between 1994-95 and 2002-03.

The Indian Banking Industry can be categorized into non-scheduled banks and scheduled banks. Scheduled banks constitute of commercial banks and co-operative banks. There are about 67,000 branches of Scheduled banks spread across India. As far as the present scenario is concerned the Banking Industry in India is going through a transitional phase.

The **Public Sector Banks (PSBs)**, which are the base of the Banking sector in India account for more than 78 per cent of the total banking industry assets. Unfortunately they are burdened with excessive Non Performing assets (NPAs), massive manpower and lack of modern technology. On the other hand the Private Sector Banks are making tremendous progress. They are leaders in Internet banking, mobile banking, phone banking, ATMs.

In the Indian Banking Industry some of the **Private Sector Banks** operating are IDBI Bank, ING Vysa Bank, SBI Commercial and International Bank Ltd, Bank of Rajasthan

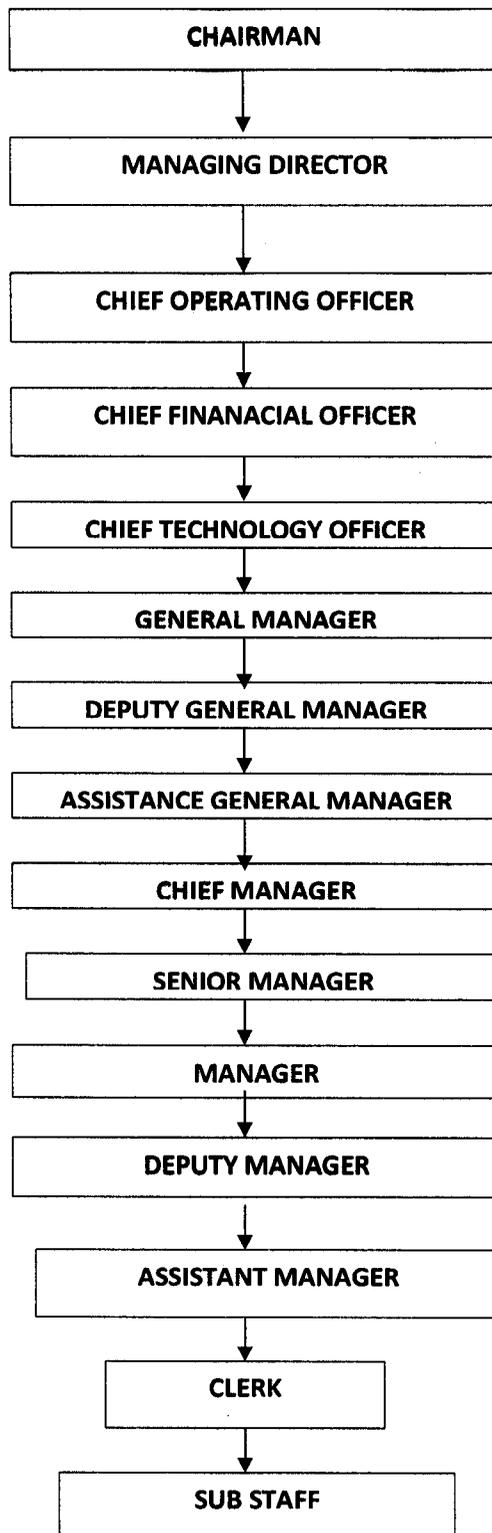
Ltd. and banks from the Public Sector include Punjab National bank, Vijaya Bank, UCO Bank, Oriental Bank, Allahabad Bank among others. ANZ Grindlays Bank, ABN-AMRO Bank, American Express Bank Ltd, Citibank are some of the foreign banks operating in the Indian Banking Industry.

1.3 ABOUT THE COMPANY:

The Lakshmi Vilas Bank Limited (LVB) was founded eight decades ago (in 1926) by seven people of Karur under the leadership of Shri V.S.N. Ramalinga Chettiar, mainly to cater to the financial needs of varied customer segments. The bank was incorporated on November 03, 1926 under the Indian Companies Act, 1913 and obtained the certificate to commence business on November 10, 1926, The Bank obtained its license from RBI in June 1958 and in August 1958 it became a Scheduled Commercial Bank.

During 1961-65 LVB took over nine Banks and raised its branch network considerably. To meet the emerging challenges in the competitive business world, the bank started expanding its boundaries beyond Tamil Nadu from 1974 by opening branches in the neighboring states of Andhra Pradesh, Karnataka, Kerala, Maharashtra, Madhya Pradesh, Gujarat, West Bengal, Uttar Pradesh, Delhi and Pondicherry. Mechanization was introduced in the Head office of the Bank as early as 1977. At present, with a network of 246 branches, 5 satellite branches and 5 extension counters, spread over 14 states and the union territory of Pondicherry, the Bank's focus is on customer delight, by maintaining high standards of customer service and amidst all these new challenges, the bank is progressing admirably. The Bank's business crossed Rs. 9,477 Crores as on March 31, 2008. The Bank earned a Net profit of Rs. 25.27 Crores. The Net owned Funds of the Bank reaches Rs. 417.68 Crores. With a fairly good quality of loan assets the Net NPA of the bank was pegged at 1.55 % as on March 31, 2008 down from 4.98% as on March 31, 2005. .

1.3.1 ORGANIZATIONAL STRUCTURE



1.3.2 PRODUCT PROFILE:

DEPOSITS:

Savings Bank:

LVB Savings Bank is intended to promote the healthy habit of saving and for the steady growth of one's money in the bank. LVB recognizes that Savings Bank customers are the pulse of all banking activity and that a satisfied customer at the SB counter is the best advertisement to the bank. Savings Bank is the landing ground for all deposits and its customers are the opinion leaders. Hence LVB attaches a lot of importance to the efficient functioning of the savings department.

Lakshmi Savings Gold:

Lakshmi Savings Gold account offers special privileges to our customers who maintain an Average Monthly Minimum Balance of Rs. 10,000 and above.

Lakshmi Savings Star Gold:

Lakshmi Savings Gold account offers special privileges to our customers who maintain an Average Monthly Minimum Balance of Rs. 20,000 and above.

Lakshmi Current Diamond:

Lakshmi Current Diamond account offers special privileges to our customers who maintain an Average Monthly Minimum Balance of Rs. 5 Lacs and above

Lakshmi Current Diamond Plus:

Lakshmi Current Diamond account offers special privileges to our customers who maintain an Average Monthly Minimum Balance of Rs. 10 Lacs and above

Fixed Deposits:

Suitable for planned expenditure or savings

Dhanachakra Deposit:

Automatic compounding of accrued interest which yields higher returns, making your investments grow faster. Ideal for planning your financial commitments for the future- Children's higher education/ Son's / Daughter's marriage/ Celebration of festivals etc.

Recurring Deposits:

"Save in dribbles - receive a lump sum." Suitable for Tax planning, Annual payment commitments like Insurance premium, long-term requirements like purchase of consumer articles/ durables, house construction, children's education etc.

Lakshmi Tax Saver Deposit:

It is not only the best way to save taxes but also the only way to get highest rates on deposits (9.00%) (senior citizen 9.50%p.a). Minimum Deposit Amount is Rs.100 /- and maximum Amount is Rs.1,00,000/-.Tax benefit available up to a maximum limit of Rs.1,00,000/- under Sec 80 C.Tax benefit available up to a maximum limit of Rs.1,00,000/- under Sec 80 C.

LOANS:

Lakshmi Business Credit:

This is a convenient loan scheme designed for the trading community for quick and hassle free loans to meet their financial needs. Lakshmi Business Credit can be availed by all kinds of traders such as Department stores, Wholesalers, Retailers, Distributors, Jewelers and Grocery Merchants etc.

Lakshmi Home Loan:

Individuals and HUFs (operating through Kartas) with sufficient income and who can produce satisfactory proof of such income by way of salary certificates, Income Tax certificates etc.can avail loans under the scheme.

Initial Public Offer (IPO):

For subscribing to the initial public offering of the companies.

Lakshmi Rental Loan:

Borrowers may utilize the loan facility to meet their personal expenditure requirements for investments or for general corporate purposes.

Lakshmi Personal Vehicle Loan:

For purchase of new/used car/van/jeep and new two-wheelers. An annual income of Rs. 1.20 Lacs for purchase of car/van/jeep .A minimum net monthly income of Rs. 5000/- for purchase of two-wheelers.

Lakshmi Easy Loan:

To meet personal and domestic expenses, make fresh investments including tax-planning investments, pay income tax, invest in business, etc. For both Demand Loans & Secured Overdraft (SOD): 20% of the accrued values of the NSCs, KVPs pledged or surrender values of the LIC policy.

Lakshmi Property Power Loan:

It is a simplified mortgage loan product available to individuals and business entities, for personal expenditure and / or investments. Business entities may avail the facility for working capital purposes or for Investment in fixed assets.

Lakshmi Gold Power:

The product is available as Overdraft against pledge of gold jewels. Based on the advance value per gram of gold as fixed by the Bank from time to time in respect of jewel advances and due appraisal by the Bank appraiser.

Lakshmi Composite Business Credit:

Individuals, Business entities, Commission Agents, Contractors, Professionals etc. who are in the business/profession for at least one year, may avail the facility for working

capital purposes or for investment in fixed assets. Mortgage of property acceptable to the Bank with value not less than 150% of the loan amount. In the case of finance for stocks, furniture, machinery etc., hypothecation of stocks/assets purchased out of the facility may be required

Vidhya Lakshmi Loan

To meet expenses connected with the pursuit of higher secondary education, specific courses of study at recognized institutions, including professional/job-oriented courses, which offer reasonable opportunity for employment.

ONLINE SERVICES:

National Electronic Fund Transfer (NEFT):

Lakshmi Vilas Bank is proud to offer the National Electronic Fund Transfer system (NEFT) facility. NEFT enables an efficient, secure, economical and reliable system of transfer of funds between accounts of customers of different Banks.

Features and Benefits

- Electronic payment system in which payment instructions between banks are processed and settled on deferred net settlement (DNS) basis at fixed times during the day.
- There is no minimum or maximum stipulated transaction value for using this facility.
- NEFT facility is available in all the branches of our Bank.
Funds transferred under NEFT will be credited to the beneficiary's account on the same day or next day.
- Inward remittance is free.
- No courier/postal charges payable by customers.
- Secured Transfer of funds across the Banks.

Real Time Gross Settlement System (RTGS)

Lakshmi Vilas Bank is proud to offer Real Time Gross Settlement System (RTGS) facility, which enables an efficient, secure, economical and reliable system of transfer of funds between accounts of customers of different Banks.

Features and Benefits:

- An electronic payment system in which payment instructions between banks are processed and settled individually and continuously, on a real time basis, throughout the day.
- Available for transaction value of Rs.1.00 Lakh and above.
- LVB Customers can get new banking services based on reliable high value funds transfer system.
- No courier/postal charges payable by customers.
- Secured Transfer of funds across the Banks.
- Funds transferred under RTGS will be credited to the beneficiary's account within 2 hours.
- RTGS facility is available in all the branches of our Bank.



Internet Banking:

Operated by their retail or corporate services. Our bank has launched Internet Banking at Chennai, on August 09, 2008. This is yet another milestone activity of the bank, after achieving the status of 100% Core Banking System. This is a cost effective delivery channel to all customers of the bank. The facility can be availed by any individual customer of the bank, having an operative account with our branches. (An Individual who is a customer can operate the account individually)

The customers who are willing to avail LVBiNet facility can approach any branch of LVB to get the IB facility application form or directly download the application form from our website www.lvbank.com which is readily available.

Features

- Funds Transfer between Accounts in LVB.
- One view for all the accounts of a customer.
- Account Summary and Account details.
- View, Print and Download Statement of Accounts

SMS Banking

Lakshmi Vilas Bank brings banking to mobile phone. Use the mobile phone to inquire your latest account balance, know the status of cheque book request, etc. via SMS .Any customer holding a Savings or Current account with us is eligible.

Salient Features of SMS Banking

- Daily balance alerts.
- Alert on any debit transactions of Rs.5,000/- and above.
- Alert on any credit transactions of RS.5,000/- and Above.
- Over line / Temporary Overdraft Alerts.
- Registration for Mobile Banking
- Facility to change the Default account.
- Account Balance Details(account attached to the respective CIF ID)
- Account Activity(Last 5 Transactions)
- Cheque status enquiry
- Fixed Deposit Details
- Change Default account
- De-registration

Open Account Online:

Enables to open an account without travelling to our Branch. Track the status of your request. Personal contact with the officer/Representative at your convenience.

Electronic Clearing Service

It allows fund transfer electronically between accounts held at different banks, facilitated through a clearing house. This facility is generally used for bulk credit and debit transactions like distribution of dividends, interests, salary pension, payment of utility bills like telephone, insurance, taxes etc based on the mandates obtained from the beneficiary/payee. The facility is offered by Reserve Bank of India and can be availed at selected locations.

Type of ECS Transactions:

- a) **ECS Credit:** Used to credit the account of a beneficiary customer.
- b) **ECS Debit:** Which facilitates payment of bills, taxes etc by debiting the amount from the account of a customer. ECS credit/debit facility can be availed at all available locations.

ANCILLARY SERVICES:

Mutual Funds

They are acting as distributors for the following Asset Management Companies

- Franklin Templeton Asset Management (India) P Ltd
- Reliance Mutual Fund
- Kotak Mutual Fund
- UTI Mutual Fund
- Prudential ICICI Mutual fund
- Tata Mutual Fund
- Sundaram BNP Paribas Mutual Fund
- SBI Mutual Fund
- HDFC Mutual Fund
- DBS Cholamandalam Mutual Fund

Aviva Life Insurance

They offer a customers a full range of transparent, flexible and value for money products that include whole life (LifeLong, Aviva LifeLine), endowment (LifeSaver, SaveGuard, EasyLife Plus, LifeSaver Plus, LifeSaver Super and traditional endowment – Dhan Vriddhi, Aviva Moneyback), child plan (Aviva Little Master) single premium (LifeBond Plus), pension (PensionPlus), term (LifeShield), fixed term protection cum savings plan (Freedom LifePlan), health plan (Aviva Health Plus) and a short-pay recurring premium investment cum protection plan (LifeBond5). Aviva products are modern and contemporary unitized products that offer unique customer benefits like flexibility to choose cover levels, indexation, partial withdrawals and unique investment options like a Systematic Transfer Plan to get the benefit of systematic investments and an Automatic Asset Allocation Plan which changes the risk structure on your investments as your age increases. They also have 3 rural plans which are a low cost term plan – Amar Suraksha and 2 endowments – Anmol Suraksha and Jana Suraksha

Bajaj Allianz General Insurance

Bajaj Allianz General Insurance ,one of the country's leading private insurance company is a joint venture between Bajaj Auto Ltd; India's largest 2 &3 wheeler giant company and Allianz SE, the world's largest Insurance company with 700 subsidiaries across 70 countries.

Bajaj Allianz offer a comprehensive range of Insurance Plans to suit your needs be it Individual or Corporate. Plans to suit your health, travel, vehicle and also your dream home. In addition to this we have plans to protect you against your profession. We offer you an extensive range of flexible products that cover every need and give you complete peace of mind round the clock, round the year.

1.3.3 POSITION OF BANKS

Based on the article in Business Today (February 24 , 2008) the banks were grouped based on their balance sheet size and number of branches in order to create a comparable pool. There are four set of classification

	Balance Sheet Size	No. of branches
Set A	>24,000 crores	>20
Set B	<= 24000 crores	>10
Set C1	>=3000 crores	<=10
Set C2	<3000 crores	<=10

According to this article it helps the customer to know where the Lakshmi Vilas Bank Ganapathy Branch lies in the matrix

Balance Sheet Size	Set A	Set B	Set C1	Set C2
2004				Lakshmi Vilas Bank
2005				Lakshmi Vilas Bank
2006				Lakshmi Vilas Bank
2007				Lakshmi Vilas Bank
2008				Lakshmi Vilas Bank

	Set A	Set B	Set C1	Set C2
No. of branches	Lakshmi Vilas Bank			

From the above matrix it shows that Lakshmi Vilas Bank lies in Set C2 category were the total value of Balance Sheet lies below 3000 crore. In case of Number of Branches it occupies Set A category were it has more than 20 branch.

Theme of the Project



CHAPTER 2

2.1 OBJECTIVES OF THE STUDY:

Primary Objective

To analyze the performance of the Lakshmi Vilas Bank with respect to Ganapathy Branch

Secondary Objective

To analyze the

- Operating Efficiency
- Growth of the Organization

2.2 SCOPE OF STUDY

The study aims to help the public to rate the bank based on the performance. It also help the investor to select the bank which meets their criteria.

LIMITATIONS OF THE STUDY:

- ◆ The analysis is mainly through ratio analysis. Since there is no standard norms for all ratios, there are certain assumption modes.
- ◆ As the study is mainly based on the secondary data, the limitation of the secondary data have an impact on the study result.

2.3 RESEARCH METHODOLOGY

2.3.1 TYPE OF STUDY

In Descriptive study, the researcher has to use facts or information already available, and analyze these to make a critical evaluation of the material. This is an Descriptive study.

2.3.2 METHOD OF DATA COLLECTION

The data used for the study is secondary data it is collected through print media, annual report and bank website.

2.3.3 TIME PERIOD COVERED

5 years covering 2004 to 2008

2.3.4 TOOLS FOR ANALYSIS:

Ratio analysis

2.3.5 REVIEW OF LITERATURE:

¹The article focuses on the variables that can be used for evaluating bank performance. Due to nonrecurring events, disparities in measuring risk and management's ability to disguise fundamental earnings problems, other measures beyond net income can assist in predicting future firm earnings, the authors say. The U.S. Financial Accounting Standard Board (FASB) issued a statement on the role of earnings in financial reporting.

² The article presents an analysis on the business status and performances among banks, insurance companies and mortgages in the U.S. Insurers that own banks are dabbling in reverse mortgages and some evidences suggest that reverse mortgages maybe more attractive to consumers to generate retirement income. About two out of three households own homes and that reverse mortgages provide a way in using home equity to create income in a month.

³ The article reports on the slight negative growth being experienced by commercial and savings banks in their municipal bond portfolios in the U.S. during the first half of 2008. Data from Sheshunoff Information Services Inc. revealed that the holdings declined by 1.0 percent to \$142.7 billion on a cost basis and by 2.7 percent to \$141. Analysts assert that factors such as ongoing credit crisis and overall poor financial performance of banks have contributed to the crisis.

⁴ The article presents a forecast regarding the performance of bank stocks in the U.S., as of November 2008. One reason to be optimistic about bank stocks is the slowdown in the decline of home prices. As a group, the money-center banks offer the biggest opportunities. The investment opportunities offered by investment banks, money-center

¹ Christian, Cal, Moffitt, Jacquelyn Sue, Suberly, Lynn A" Fundamental Analysis for Evaluating Bank Performance" Bank Accounting & Finance (08943958); Oct/Nov2008, Vol. 21 Issue 6, p17-24, 8p, 5 charts

²Panko, Ron" Back-Up Plan." Best's Review; Dec2008, Vol. 109 Issue 8, p42-47, 5p

³ Albano, Christine" Commercial, Savings Banks See Negative Growth in Portfolios."

⁴ Ody, Elizabeth" BEAT THE RUSH TO THE BANKS." Kiplinger's Personal Finance; Nov2008, Vol. 62 Issue 11, p48-50, 3p, 1 color

banks and small and regional banks are discussed. INSET: Four Picks for a Packaged Approach.

⁵ The article presents the views of Kevin Murphy, Minnesota Deputy Commissioner of Commerce expressed at the seminar hosted by the accounting firm Eide Bailly LLP in Mankato, Minnesota. Murphy showing concerns on the deteriorating performance of banks said that the list of state chartered banks having CAMELS rating of 3,4 or 5, have moved from 26 in 2007 to 38 in 2008. Citing loans totaling 75 percent of assets, and 94 percent of deposits he said State chartered banks are loaned to the hilt.

⁶ This article contributes to the banking efficiency literature by measuring technical efficiency of banks in four different ownership groups in India during the reform period, 1992-1999. It employs the stochastic frontier function methodology for panel data. The results indicate that the efficiency of raising interest margin is time invariant while the efficiencies of raising other outputs-non-interest income, investments and credits are time varying. The state bank group and foreign banks are more efficient than their counterparts. The reform period witnessed a relatively high efficiency for augmenting investments, which is consistent with economic growth objective of the reform measures. However, there are still larger gaps between the actual and potential performances of banks.

⁷ The paper compares the efficiency of the European banking systems in view of the constitution of the European Monetary Union. Since competition among banks will increase, it is important to identify the most efficient banking system able to play a role in that market. A parametric approach is adopted, based on the estimation of a stochastic cost frontier. This methodology enables one to measure X-inefficiency and to model it as a function of environmental variables which may influence firms' efficiency. By means of this analysis it is possible to identify the most efficient banking systems and to focus on the determinants of deviations from cost minimizing. The analysis highlights significant efficiency gaps among the performances of banks in different countries and of different institutional types. In particular, it is found that the Mittel-European model is the one that operates closest to the efficient frontier. This may indicate that, compared with separated banks, the universal banking system allows for production plans which come closer to the optimal frontier. The analysis suggests that, at the beginning of European Monetary

⁵ Bengtson, Tom" Conditions tougher, although most Minnesota banks highly rated" North Western Financial Review; 11/15/2008, Vol. 193 Issue 22, p19-20, 2p

⁶ Shanmugam, K. R, Das, A" Efficiency of Indian commercial banks during the reform period" Applied Financial Economics; Jun2004, Vol. 14 Issue 9, p681-686, 6p, 5 charts

⁷ Cavallo, Laura,Rossi, Stefania P.S" Do environmental variables affect the performance and technical efficiency of the European banking systems? A parametric analysis using the stochastic frontier approach." European Journal of Finance; Mar2002, Vol. 8 Issue 1, p123-146, 24p, 9 charts

Union, national barriers and regulatory frameworks are still responsible for deviation from the efficient frontiers.

⁸ The authors study the impact of restrictions on commercial banks' engagement in securities, insurance, and real estate, as well as a mix of banking and commerce. The model specifies the impact as a function of government governance (the rule of law), which allows the authors to investigate two conflicting hypothesis, i.e., the restriction-enhancing hypothesis and facility-supporting hypothesis. The former effect suggests that good governance enhances the hypothesized adverse effect of restrictions, and the latter suggests that good governance mitigates this adverse effect. The study clearly demonstrates that restrictions on commercial banks' right to engage in securities and insurance, along with restrictions on the mixing of banking and commerce, reduce bank profits. However, good governance mitigates such an adverse impact, i.e., the facility-supporting hypothesis is supported. Restrictions on real estate, on the other hand, seem to have positive effects on bank profits. The results are robust to different specifications.

⁹ This paper studies the cost efficiency of bank in a partial universal banking system (PUBS), Taiwan. Instead of assuming one common technology in the bank cost function, two technologies are assumed to be imbedded in the cost function. Fee revenues are used as threshold to divide the banks into two technologies. A bank whose fee revenues exceeding the threshold is designated as universal bank technology while falling below the threshold is designated as traditional deposit-loan technology. The panel smooth transition model is adopted, which allows banks to smoothly adjust between the two technologies. Two criteria are suggested, overbanking and the trend-toward-fee revenues, to assess the new model's performances. With respect to scale economies, the results do find a panel smooth transition model yield more reasonable results than the conventional OLS and random effect of panel data approach. Based on the panel smooth transition model, the optimal fixed asset size is around ten billion New Taiwan dollars.

¹⁰ This paper investigates whether technical inefficiency in production in the Japanese banking industry exhibits regional disparities by using the stochastic frontier model and data from the fiscal year 1999. First, we find evidence of regional disparities in technical

⁸ Chung-Hua Shen, Yuen-Hsiang Chang" DO REGULATIONS AFFECT BANKING PERFORMANCE? GOVERNMENT GOVERNANCE MAY MATTER" Contemporary Economic Policy; Jan2006, Vol. 24 Issue 1, p92-105, 14p, 9 charts

⁹ Chung-Hua Shen" Cost efficiency and banking performances in a partial universal banking system: application of the panel smooth threshold model." Applied Economics; 5/20/2005, Vol. 37 Issue 9, p993-1009, 17p, 10 charts, 3 graphs

¹⁰ Miyakoshi, Tatsuyoshi, Tsukuda, Yoshihiko" Regional Disparities in Japanese Banking Performance." Review of Urban & Regional Development Studies; Mar2004, Vol. 16 Issue 1, p74-89, 16p

inefficiency. Second, we find that regional disparities in technical inefficiency explain some of the disparities in regional income growth. Recent collapse of the regional banking systems in Japan was responsible for regional economic slumps. Third, we find that strong competition among banks and educational improvement by banks lead to improvements in banking performance. Finally, we find that the Merger Promotion Act currently in operation in Japan undermines recovery policies for regional banking.

¹¹ Two central questions about the structure of bank supervision are whether central banks should supervise banks and whether to have multiple supervisors. We use data for 70 countries across developed, emerging and transition economies to estimate statistical connections between banking performance, the structure of bank supervision, permissible banking activities, legal environments, banking market structure and macroeconomic conditions. We find that where central banks supervise banks, banks tend to have more non-performing loans. Countries with multiple supervisors have lower capital ratios and higher liquidity risk. We also find that conclusions from non-transition economies may not necessarily apply to transition economies.

¹² In this paper we seek to evaluate the performance of the banking sector post deregulation and to consider how well it accords with economic theory and predictions at the time of deregulation. We highlight some surprises and apparent contradictions and attempt to reconcile them. The paper is organised as follows. Section II of the paper discusses financial deregulation in Australia. In Section III we discuss bank activities and divide contributions to profit into their various components. We also discuss expectations regarding the effects of deregulation and show that the behaviour of average interest margins post-deregulation corresponds almost exactly to the standard performance indicator found in industrial organisation theory. One of the difficulties of studies of Australian banks is the sparseness of, and difficulty of, obtaining data because unlike the United States, Australian banks are not required to give detailed accounts of their activities. Nevertheless, we are able to collect enough data from different sources to discuss both cost efficiencies and margins. In Section IV we show that following deregulation, operating costs have fallen, and we attempt to disentangle this cost reduction into its various components.

¹¹ Barth, James R., Dopico, Luis G, Nolle, Daniel E, Wilcox, James A " Bank Safety and Soundness and the Structure of Bank Supervision: A Cross-Country Analysis" International Review of Finance; Sep-Dec2002, Vol. 3 Issue 3/4, p163-188, 26p

¹² Milbourne, Ross, Cumberworth, Matthew" AUSTRALIAN BANKING PERFORMANCE IN AN ERA OF DEREGULATION." Australian Economic Papers; Dec91, Vol. 30 Issue 57, p171, 21p

¹³ Examines the performance of private banks in Pakistan for 1997. Earnings per share; Shareholders equity; Deposits of commercial banks; Net worth; Paid-up capital; Free reserves and surplus.

¹⁴ The article reports on the slight negative growth being experienced by commercial and savings banks in their municipal bond portfolios in the U.S. during the first half of 2008. Data from Sheshunoff Information Services Inc. revealed that the holdings declined by 1.0 percent to \$142.7 billion on a cost basis and by 2.7 percent to \$141. Analysts assert that factors such as ongoing credit crisis and overall poor financial performance of banks have contributed to the crisis.

¹⁵ The article explains the four types of employees. It notes that when dealing with a coaster-type employee, a manager should think through what the person is doing right as well as he wants to see improved. On the other hand, the B+ student-type employee is a good performer who nevertheless needs to be better in specific areas.

¹³ "Performance of private banks." Economic Review (05318955); Apr98, Vol. 29 Issue 4, p31, 3p, 4 charts

¹⁴ Albano, Christine" Commercial, Savings Banks See Negative Growth in Portfolios" Bond Buyer; 10/8/2008, Vol. 366 Issue 32978, p15-22, 8p

¹⁵ Lindenberger, Judith" FOUR PERFORMANCE APPRAISAL PROBLEMS" Associations Now; Mar2007, Vol. 3 Issue 3, p36-37, 2p

Analysis and Interpretation



CHAPTER III

DATA ANALYSIS AND INTERPRETATION

3.1 OPERATING EFFICIENCY

3.1.1 TABLE SHOWING RATIO OF DEPOSITS TO TOTAL LIABILITY

Year	Deposit	Total liability	Ratio
2004	150131134.5	157406214.83	0.953781492
2005	153347667	167088154.48	0.917765041
2006	153350269.5	162389357.95	0.94433694
2007	221261275.3	302575199.56	0.731260446
2008	287251770.3	219448597.3	1.308970637

Source: Secondary data

INTERPRETATION:

From the above table 3.1.1 it interprets that ratio of deposits to total liability is high in 2008 with the value of 1.308970637 and the least in the year 2007 with the value of 0.731260446 when compared to other years.

3.1.2 TABLE SHOWING RATIO OF TERM DEPOSITS TO TOTAL LIABILITY

Year	Term Deposit	Total Liability	Ratio
2004	90443816.08	157406214.83	0.574588597
2005	1055785932.44	167088154.48	6.318735973
2006	2111571864.88	162389357.95	13.0031419
2007	4223143729.76	302575199.56	13.95733601
2008	194134323.6	219448597.3	0.884645999

Source: Secondary data

INTERPRETATION:

From the above table 3.1.2 it interprets that in the year 2007 the ratio of term deposits to total liability is the highest with the value of 13.95733601 and 2006 occupies the next position with 13.0031419. Remaining years the ratio is very low because the total liability is more than the term deposits

3. 1.3 TABLE SHOWING RATIO OF TERM LOAN TO TOTAL ADVANCES

Year	Term Loan	Total Advances	Ratio
2004	3368909.60	33018013.79	0.102032473
2005	8178393.36	55276234.9	0.147954964
2006	13619863.00	69690174.1	0.195434481
2007	141371507.00	211667909.2	0.667892963
2008	150685371.4	226152576	0.666299602

Source: Secondary data

INTERPRETATION:

From the above table 3.1.3 it shows that the year 2007 having a highest ratio of 0.66789963 and next with the ratio of 0.666299602 for the year 2008. The year 2006 holds third position with the value of 0.195434481.

3.1.4 TABLE SHOWING RATIO OF INTEREST INCOME TO TOTAL ASSET

Year	Interest Income	Total Asset	Ratio
2004	1694455.56	157406214.83	0.010764858
2005	1649272.47	167088154.48	0.009870673
2006	3013683.29	162389357.95	0.018558379
2007	22588994.28	302575199.56	0.074655802
2008	17435876.23	229617295.3	0.075934507

Source: Secondary data

INTERPRETATION:

From the above table 3.1.4 it interprets that ratio of interest income to total asset is high in the year 2008 with the value of 0.075934507. The year 2007 has the value of 0.074655802 which occupy the next position and 2005 has value of 0.009870673 with least ratio.

3.1.5 TABLE SHOWING RATIO OF NON INTEREST INCOME TO TOTAL ASSET

Year	Non Interest Income	Total Asset	Ratio
2004	535927.01	157406214.83	0.003404739
2005	710811.33	167088154.48	0.00425411
2006	808654.73	162389357.95	0.004979727
2007	2490573.02	302575199.56	0.008231253
2008	11660574.93	229617295.34	0.050782651

Source: Secondary data

INTERPRETATION:

From the above table 3.1.5 it interprets that 0.050782651 hold the first position when compared to other years. The least ratio value is 0.003404739 of the year 2004 because of less contribution of non interest income.

3.1.6 TABLE SHOWING RATIO OF OPERATING PROFIT TO TOTAL ASSET

Year	Operating Profit	Total Asset	Ratio
2004	-75.83	15.74	-4.817471793
2005	-44.61	16.71	-2.669848149
2006	-16.47	16.24	-1.014229024
2007	180.58	30.26	5.968103145
2008	101.68	22.96	4.428237858

Source: Secondary data

INTERPRETATION:

From the above table 3.1.6 it interprets that ratio of operating profit to total asset shows negative for consecutive 3years. In the year 2005 the ratio hold positive value of 5.968103145 which hold the highest position when compared to other years and next position occupy with the value of 4.428237858.

3.1.7 TABLE SHOWING OPERATING PROFIT PER EMPLOYEE

Year	Operating Profit	No. Employee	Ratio
2004	-75.83	10	-7.583
2005	-44.61	10	-4.461
2006	-16.47	10	-1.647
2007	180.58	10	18.058
2008	101.68	10	10.168

Source: Secondary data

INTERPRETATION:

From the above table 3.1.7 it interprets that operating profit per employee is negative for 2004, 2005, 2006 because of negative trend in operating profit. Only in 2007 it turns to be positive with the value of 18.058 and in 2008 with the value of 10.168 hold next position.

3.1.8 TABLE SHOWING RATIO OF OPERATING PROFIT TO TOTAL INCOME

Year	Operating Profit	Total Income	Ratio
2004	-75.83	22.30	-3.399865163
2005	-44.61	23.60	-1.89018712
2006	-16.47	38.22	-0.430888109
2007	180.58	250.80	0.720028371
2008	101.68	290.96	0.349458425

Source: Secondary data

INTERPRETATION:

From the above table 3.1.8 it interprets that operating profit has increased from negative to positive and similarly total income has increased from double digit to triple digit.

3.1.9 TABLE SHOWING RATIO OF NET INTEREST MARGIN TO TOTAL ASSET

Year	Net Interest Margin	Total Asset	Ratio
2004	-3281554.28	157406214.83	-0.020847679
2005	-2899082.29	167088154.48	-0.017350615
2006	-1344489.53	162389357.95	-0.008279419
2007	15567223.05	302575199.56	0.051449104
2008	-1491876.89	229617295.34	-0.006497232

Source: Secondary data

INTERPRETATION:

The above table 3.9 portrays the net interest margin to total asset ratio. For years 2004, 2005, 2006, 2008 the net interest margin has been negative and whereas the total assets has been positive, and hence the ratios are negative like -0.02 for 2004, -0.01 for 2005, -0.008 for 2006 and -0.006 fro 2008, but for the year 2007 the ratio is positive at 0.05.

3.1.10 TABLE SHOWING RATIO OF BURDEN TO TOTAL ASSET

Year	Burden	Total Asset	Ratio
2004	4976009.84	157406214.83	0.031612537
2005	4548354.76	167088154.48	0.027221288
2006	4358172.82	162389357.95	0.026837798
2007	7021771.23	302575199.56	0.023206698
2008	18927753.12	229617295.34	0.08243174

Source: Secondary data

INTERPRETATION

From the above table 3.1.10, it can be inferred that the ratio of burden to total assets has increased from 2004 to 2008. The increase in burden was substantially helped on by a relative increase in total assets amount. Therefore the ratio has increased from 0.03 in 2004 to 0.08 in 2008. It had a dip in the year 2005, but increased from then.

3.1.11 TABLE SHOWING RATIO OF BURDEN TO INTEREST INCOME

Year	Burden	Interest Income	Ratio
2004	4976009.84	1694455.56	2.936642281
2005	4548354.76	1649272.47	2.757794629
2006	4358172.82	3013683.29	1.446128342
2007	7021771.23	22588994.28	0.310849219
2008	18927753.12	17435876.23	1.085563632

Source: Secondary data

INTERPRETATION

The above table 3.1.11 displays the data about the burden amount and Interest Income amount for the years 2004-2008. As can be seen the ratio between burden and interest income has decreased from 2004 to 2007 i.e. from 2.93 to 0.31. For the year 2008 there was an uptrend from 0.31 to 1.08.

3.1.12 TABLE SHOWING SPREAD OF BRANCH INCOME EAREND AND INCOME PAID

Year	Interest Income	INTEREST PAID	SPREAD
2004	1694455.56	4976009.84	-3281554.28
2005	1649272.47	4548354.76	-2899082.29
2006	3013683.29	4358172.82	-1344489.53
2007	22588994.28	7021771.23	15567223.05
2008	17435876.23	18927753.12	-1491876.89

Source: Secondary data

INTERPRETATION

Table 3.1.12 interprets that spread between income earned and income paid for 2004 to 2008. the spread was negative from 2004 to 2006 and bound up to positive value of 15567223.05 in 2007.

3.2 GROWTH

3.2.1 TABLE SHOWING GROWTH OF DEPOSITS

Year	% Growth of Branch Deposits	% Growth of Main Office Deposits
2004	2.87%	4.76%
2005	2.09%	5.72%
2006	0.0016%	19.38%
2007	30.69%	13.61%
2008	5.44%	10.65%

Source: Secondary data

INTERPRETATION

The above table 3.2.1 shows Growth of Deposits for years 2004 to 2008. It is evident from the table that the growth has been good. It had reached break-even point and made profit during the year 2007. The contribution of growth of deposits towards main office is 5.44% out of 10.65% in the year 2008.

3.2.2 TABLE SHOWING GROWTH OF LOAN & ADVANCES

Year	Branch Growth of Loan & Advances	Main Office Growth of Loan & Advances
2004	38.9%	13.56%
2005	40.27%	12.03%
2006	20.68%	21.50%
2007	67.08%	18.26%
2008	6.40%	6.37%

Source: Secondary data

INTERPRETATION

The above table 3.2.2 portrays the growth of loans and advances. In the year 2005 the growth has been 40.27%, but decreased to 20.68%, but it again rebounded to a high of 67.08% and also continuing the growth without dip in growth percentage.

3.2.3 TABLE SHOWING GROWTH IN OPERATING PROFIT

Year	Growth
2004	24.5
2005	31.22
2006	28.14
2007	197.05
2008	-78.90

Source: Secondary data

INTERPRETATION

Table 3.2.3 above portrays the growth in operating profit for years 2004 to 2008. The operating profit has been 31 lakhs for year 2005, and dipped to 28 crores during 2006, but shot up to a high of 197 crores in the year 2007. The year 2008 witnessed an operating loss of 78 crores.

3.2.4 TREND ANALYSIS FOR OPERATING PROFIT

YEAR	TREND
2009	194.426
2010	249.538
2011	304.65

Source: Secondary data

INTERPRETATION

Table 3.2.4 shows the trend analysis for operating profit for 2010, 2011. The operating profit has shown a increase trend from 194.426 to 304.65. This may lead to change in the following years due to market changes

3.3 COMPARABLE ANALYSIS

3.3.1 TABLE SHOWING THE PROPORTION OF BRANCH DEPOSIT TO MAIN OFFICE DEPOSITS

YEAR	BRANCH DEPOSITS	MAIN OFFICE DEPOSITS	PROPORTION
2004	150131134.5	32958191000	0.004555199
2005	153347667	34959251000	0.004386469
2006	153350269.5	43363800000	0.003536366
2007	221261275.3	50198723000	0.004407707
2008	287251770.3	56184882000	0.005112617

Source: Secondary data

INTERPRETATION

The next table 3.3.1 above tabulates it interprets that the proportion of branch deposits to main office is high during 2008 when compared to previous years proportion. From 2004 to 2006 the proportion has decreased due to decrease trend in branch deposits.

3.3.2 TABLE SHOWING THE PROPORTION OF LIABILITY TO MAIN OFFICE LIABILITY

YEAR	BRANCH LIABILITY	MAIN OFFICE LIABILITY	PROPORTION
2004	157406214.83	38213506000	0.004119125
2005	167088154.48	40533818000	0.004122191
2006	162389357.95	49193808000	0.003301012
2007	302575199.56	58267814000	0.005192836
2008	219448597.3	65206041000	0.003365464

Source: Secondary data

INTERPRETATION:

Table 3.3.2 above describes the details relating to the liability of a particular brand and the main office. The proportion is calculated for the years. The proportion has been 0.004 for 2004 and dipped to 0.003 for 2006 and rose to 0.005 during 2007, but dipped to 0.003 for 2008.

3.3.3 TABLE SHOWING THE PROPORTION OF ASSET TO MAIN OFFICE ASSET

YEAR	BRANCH ASSET	MAIN OFFICE ASSET	PROPORTION
2004	157406214.83	38213506000	0.004119125
2005	167088154.48	40533818000	0.004122191
2006	162389357.95	49193808000	0.003301012
2007	302575199.56	58267814000	0.005192836
2008	229617295.3	65206041000	0.003521411

Source: Secondary data

INTERPRETATION:

Table 3.3.3 above describes the details relating to the asset of a particular brand and the main office. The proportion is calculated for the years. The proportion has been 0.004 for 2004 and dipped to 0.003 for 2006 and rose to 0.005 during 2007, but dipped to 0.003 for 2008.

3.3.4 TABLE SHOWING THE PROPORTION OF TERM LOAN TO MAIN OFFICE TERM LOAN

YEAR	BRANCH TERM LOAN	MAIN OFFICE TERM LOAN	PROPORTION
2004	7584635850.68	8383362000	0.904724841
2005	14113485768.91	8877497000	1.589804623
2006	26115399672.94	13954135000	1.871516914
2007	48007655616.12	14217256000	3.376717393
2008	150685371.4	13078067000	0.011521991

Source: Secondary data

INTERPRETATION:

Table 3.3.4 above describes the details relating to the term loan of a particular brand and the main office. The proportion is calculated for the years. The proportion has been 0.9 for 2004 and rose to 3.3 for 2007 and dipped to 0.01 during 2008.

3.3.5 SHOWING THE PROPORTION OF TOTAL ADVANCES TO MAIN OFFICE TOTAL ADVANCES

YEAR	BRANCH TOTAL ADVANCES	MAIN OFFICE TOTAL ADVANCES	PROPORTION
2004	32077956.79	20387040000	0.001573448
2005	52518595.9	23177114000	0.002265968
2006	67383138.6	29528197000	0.002281993
2007	211389298.7	36127030000	0.005851278
2008	226152576	38587875000	0.005860716

Source: Secondary data

INTERPRETATION:

Table 3.3.5 above describes the proportion of total advances of branch office to main office . The proportion is calculated for the years. The proportion has been 0.0015 for 2004 and rose to 0.005 till 2008.

3.3.6 TABLE SHOWING THE PROPORTION OF INTEREST INCOME TO MAIN OFFICE INTEREST INCOME

YEAR	BRANCH INTERST INCOME	MAIN OFFICE INTEREST INCOME	PROPORTION
2004	1694455.56	2859544000	0.000592561
2005	1649272.47	2982042000	0.000553068
2006	3013683.29	3220564000	0.000935763
2007	22588994.28	4291789000	0.005263305
2008	17435876.23	5060576000	0.003445433

Source: Secondary data

INTERPRETATION:

Table 3.3.6 above describes the proportion of interest income to main office interest income. The proportion has increased from 0.000592561 to 0.005263305 and it dipped to 0.003445433 in 2008

**3.3.7 TABLE SHOWING THE PROPORTION OF NON INTEREST INCOME TO
MAIN OFFICE NON INTEREST INCOME**

YEAR	BRANCH NON INTEREST INCOME	MAIN OFFICE NON INTEREST INCOME	PROPORTION
2004	535927.01	868624000	0.000616984
2005	710811.33	383200000	0.001854936
2006	808654.73	460708000	0.001755244
2007	2490573.02	458069000	0.005437113
2008	11660574.93	824775000	0.014137886

Source: Secondary data

INTERPRETATION:

Table 3.3.7 above describes the details relating to the non interest income of a particular brand and the main office. The proportion is calculated for the years. The proportion has been 0.000616984 for 2004 and rose to 0.014137886 for 2008.

Findings, Suggestions and Conclusion

CHAPTER IV

FINDINGS AND SUGGESTION

FINDINGS

- The ratio of deposits to total liability has increased in the year 2005 to 1.30 when compared to other years which means the bank has sufficient deposits to meet out his liability.
- The ratio of term deposits to total liability is 13.95 in the year 2007 which is highest ratio when compared to other years. So the contribution of term deposits is quite high to the total deposits.
- The ratio of term loan to total advance has increased from 0.10 to 0.66 till 2008. Term loan contribution to total advance has increased in recent years.
- The ratio of interest income to total asset is 0.075 in the year 2008. Interest income also increased from past years.
- The ratio of non interest income to total asset has increased to 0.50 in the year 2008. Both non interest income and total asset has shown an increasing trend over the years.
- Operating profit has shown a negative trend for 3 consecutive years as the expenditure is more than their income. In the year 2007 and 2008 it shows a positive trend with increase in asset so the ratio is also in higher value when compared to others.
- The ratio of net interest margin to total asset has been negative thought the asset value have been in increase trend. The expenditure has been more for all the years than the income part.
- The ratio of burden to total asset was substantially helped on by relative increase in total asset .

- The ratio of burden to interest income dipped to 0.31 has the burden to the branch has been reduced in the years has interest income have been increased.
- The bank has shown a huge ~~growth~~ grown in 2007 with 30.69% and it dipped in the year 2008 with 5.4%. As the over all growth of the banking industry in deposits in 15.8% whereas branch growth is double the overall growth.
- Growth in advances has been increased to 21crore in 2008 which increased the major asset in branch in the year 2008.As the over all growth in advances of banking industry is advances 23.8%so the branch has good scope to improve its performance.
- In compared with the branch with main office the deposit proportion is less than 1% in 2008. So there is a scope for branch to perform well in the market .
- The proportion of branch liability to main office liability has been 0.0033 in the year 2008 which is less when compared to previous year. The branch liabilities have been decreased in 2008 when compared to previous year.
- The proportion of asset holding of the branch to the main office has increased from 0.004 to 0.005 and again dipped in the year 2008 to 0.003.
- As the spread was negative for 3 consecutive years its gained a positive result only in 2007.

SUGGESTIONS

- Over all growth of deposits of the branch is satisfactory but the proportion of branch deposit to main office deposit is less than 1%. So the branch has to concentrate towards the growth of deposits.
- As the advances and loans are the main source of asset to the branch it should concentrate more towards in growth of advances to meet up its liabilities.
- The awareness about the bank has to create among the customers to increase the business.
- New schemes have to be introduced according to the requirement of the customers needs.
- The schemes which are minimum utilized by the customer can be removed like No frill account concentrate more in introducing current account schemes, overdraft schemes etc..
- ATM facilities have to be increased so that it helps the customers to withdraw the cash at anytime.
- Banks has come out with new schemes in savings and current account but it has to utilize proper channel to create awareness among the people like media, newspaper etc...
- Though the deposits of the bank has been increasing year by year , the growth rate is unstable. They should take measures to promote their products like Dhanachakra- deposits, recurring deposits, saving deposits.

CONCLUSION

Performance appraisal of the banking sector has assumed primal importance due to intense competition, greater customer demand and changing banking reforms. On the whole the study shows that Lakshmi Vilas Bank performs well in the year 2007 and 2008 when compared to the other years. Thereby to improve the performance the researcher suggests that the bank should implement good strategies as it is extremely important from the point of view of the management. The bank should involve more intensive use of technological development not to contain cost but also to enable wider geographical access. To face the competition the bank should focus on cutting cost by removing unused schemes, increase use of technology and newer range of product and services. The bank should concentrate more on awareness programs like media, published sources, print media, etc... so that customer will be aware of banks existence in the market and their performance.

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