

**A STUDY ON THE PERFORMANCE OF SYNDICATE BANK WITH SPECIAL
REFERENCE TO KEY BANK PERFORMANCE INDICATORS**

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(ii)

BONAFIDE CERTIFICATE

Certified that the Project report titled "A Study on the Performance of Syndicate Bank with special reference to key bank performance indicators" is the bonafide work of Miss.Bhavani.M who carried out the work 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.

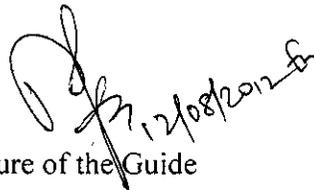


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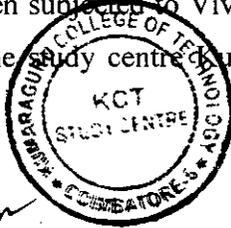
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ABSTRACT

The performance of the Syndicate bank is evaluated using various parameters, such as Capital adequacy, Return on Assets and Net NPA ratio. By analyzing the last five years data, it is found that bank has made improvements in their capital adequacy ratio in order to meet its liabilities in future. Decreasing trend in NPA is an evidence of sound asset quality as profitability is directly related with the efficiency of management. Profit per employee and such other parameters are used here to assess the quality of management and most of these parameters indicate a favourable situation. The Asset quality is concerned the bank have shown significant performance. The results reveal that the Syndicate bank has been performing well on all financial parameters taken for study.



Signature of the candidate

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BHAVANI.M

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CHAPTER 1 – INTRODUCTION

1.1 INTRODUCTION

The banking industry in India has a huge canvas of history, which covers the traditional banking practices from the time of Britishers to the reforms period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. Therefore, Banking in India has been through a long journey. Banking industry in India has also achieved a new height with the changing times. The use of technology has brought a revolution in the working style of the banks. Nevertheless, the fundamental aspects of banking i.e. trust and the confidence of the people on the institution remain the same. The majority of the banks are still successful in keeping with the confidence of the shareholders as well as other stakeholders. However, with the changing dynamics of banking business brings new kind of risk exposure.

1.2 GENERAL BANKING SCENARIO IN INDIA

The general banking scenario in India has become very dynamic now-a-days. Before preliberalization era, the picture of Indian Banking was completely different as the Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance. The Reserve Bank of India was nationalized on January 1, 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India." The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors

By the 1960s, the Indian banking industry had become an important tool to facilitate the speed of development of the Indian economy. The Government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalized banks from 20 to 19. After this, until the 1990s, the nationalized banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

In the early 1990s, the then Narasimha Rao government embarked on a policy of liberalization, licensing a small number of private banks. The next stage for the Indian banking has been set up with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions. The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%; Go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more.

1.2.1 STRUCTURE OF INDIAN BANKING INDUSTRY

Banking Industry in India functions under the sunshade of Reserve Bank of India – the regulatory, central bank. Banking Industry mainly consists of:

- Commercial Banks
- Co-operative Banks

The commercial banking structure in India consists of: Scheduled Commercial Banks and Unscheduled Bank. Scheduled commercial Banks constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (60) of the Act. Some co-operative banks are scheduled commercial banks although not all co-operative banks are. Being a part of the second schedule confers some benefits to the bank in terms of access to accommodation by RBI during the times of liquidity constraints. At the same time, however, this status also subjects the bank certain conditions and obligation towards the reserve regulations of RBI. For the purpose of assessment of performance of banks, the Reserve Bank of India categorise them as public sector banks, old private sector banks, new private sector banks and foreign banks.

1.3 MACRO AND MICRO ECONOMIC ANALYSIS

1.3.1 THE GLOBAL ECONOMIC OUTLOOK

As confidence has certainly drained away from investors, businesses and consumers in developed and rapid growth markets during 2011, growth forecasts for 2012 and 2013 were frequently revised downward. For those developed economies with unsustainable levels of public debt, particularly in Europe, the next couple of years will be especially challenging as the necessity of paying down debt further constrains growth in the short term.

Across many of the rapid growth markets, the focus of attention has switched from fighting inflation to protecting growth. Monetary policy has been relaxed, and interest rates will continue on a downward trend.

Governments and central banks are also becoming more aggressive and creative in their efforts to stimulate the economy and support banks. Beyond lowering rates, the authorities are using an expanding group of levers to move liquidity back into the economy, including the extension of the central bank's balance sheet to buy debt and the lowering of banks' reserve requirements. However, in the short term, much of this additional liquidity has ended up back on deposit with the central banks (for example, overnight deposits with the European Central Bank [ECB] increased nearly fourfold during 2011).

By the end of 2013, we will also have seen presidential/government elections in over half of the G20 economies (as well as a new Chinese president announced in March 2013), with the potential for further political and economic upheaval and politicization of banking reform, irrespective of the results.

In the developed and rapid-growth markets, the challenges and opportunities for the banks will be quite different. In the developed markets, inactivity is bad news for the banks: Even with agreement on a second bailout for Greece, uncertainty over growth and employment will persist in Europe, in the short term at least. Businesses and consumers there are likely to further reduce their current debt burden and delay nonessential investments. The US and Canadian markets have seen some increased loan activity but, in the US particularly, demand for banking products at an aggregate level will be slow to rise as customers remain wary. As demand does return in developed markets, it will tend toward simpler and cheaper products. Customers who do need to act in the short term may be higher risk categories looking to refinance or consolidate debt.

In Europe certainly, and possibly elsewhere, loan defaults may increase and banks will need to restore provisions only recently released. Low interest rates will eventually stimulate demand but continue to depress margins, as creditworthy groups in particular shop around to take advantage of the best deals.

1.3.2 INDIA'S BANKING SECTOR PERFORMANCE (2011-2012)

The banking industry in India seems to be unaffected from the global financial crises in Euro zone. India seems to be on the strong fundamental base and seems to be well insulated from the financial turbulence emerging from the western economies. The strong economic growth in the past, low defaulter ratio, absence of complex financial products, regular intervention by central bank, proactive adjustment of monetary policy and so called close banking culture has favored the banking industry in India in recent global financial turmoil.

Money Supply: The growth in money supply which was **17%** at the beginning of the financial year 2011-12 moderated during the course of the year to about **13%** by end-March 2012. The slower growth in money supply was primarily on account of tightness in primary liquidity, lower credit demand during most part of the year, slackening pace of economic activity and deceleration in inflation from December 2011.

Credit Growth: The Reserve bank of India scaled down the projection for non-food credit growth for the year 2011-12 from **18.0%** to **16.0%** in January 2012. The overall slowdown in credit growth was on account of rising interest rate environment, deteriorating asset quality of public sector banks and risk aversion of banks as corporate profitability was adversely affected in 2011-12.

Interest rate & NPA: Interest rate on Savings Deposits was initially raised from 3.50% to 4.0% and later it was deregulated. One of the important developments for banks during FY2011-12 was the introduction of system-driven identification of NPAs resulting in increase in banks' NPAs and consequent provisioning, which impacted the profitability significantly.

The increase in Savings Deposits rate and deregulation of Savings Deposits rate coupled with increase in Term Deposits rate by banks as a result of rise in policy rates by RBI added to the cost pressure affecting NIM. Profitability of banks was severely impacted on account of lower NIM and higher NPA provisioning. In spite of capital infusion by the Government, most of the Public Sector Banks faced challenges on capital front during FY2011-12. Although there will no impact on the Indian banking system similar to that in west but the banks in India will adopt for more of defensive approach in credit disbursal in coming period. In order to safe guard their interest; banks will follow stringent norms for credit disbursal. There will be more focus on analyzing borrower financial health rather than capability.

1.4 STATEMENT OF THE PROBLEM

This study attempts to analyze the performance of Syndicate Bank in terms of select bank performance indicators like Return on Assets, Capital Adequacy Ratio(CRAR), Net NPA ratio etc and offer suggestions for improvement.

1.5 NEED FOR STUDY

The banking sector is considered to be an important source of financing for most businesses. The common assumption, which underpins much of the financial performance research and discussion, is that increasing financial performance will lead to improved functions and activities of the organizations. The subject of financial performance and research into its measurement is well advanced within finance and management fields. Sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. It is highlighted that the position of the banks under study is sound and satisfactory so far as their capital adequacy, asset quality, Management capability and liquidity is concerned

1.7 OBJECTIVES

1.6.1 PRIMARY OBJECTIVE

To Study the performance of Syndicate Bank using key bank performance indicators like Return on Assets, Capital Adequacy Ratio(CRAR), Net NPA ratio etc.

1.6.2 SECONDARY OBJECTIVES

- To Study the other performance indicators like Capital, reserves & surplus, deposits, investments, advances, interest income, interest expended and operating expenses.
- To Study the performance using other indicators like Business per employee etc, profit per employee etc.

1.7 EXPECTED DELIVERABLES

The performance of Syndicate bank for the study period will be analyzed. The key bank performance indicators used to study the performance of bank will be studied and suggestions and recommendations are given for the improvement of business.

1.8 PROFILE OF THE BANK

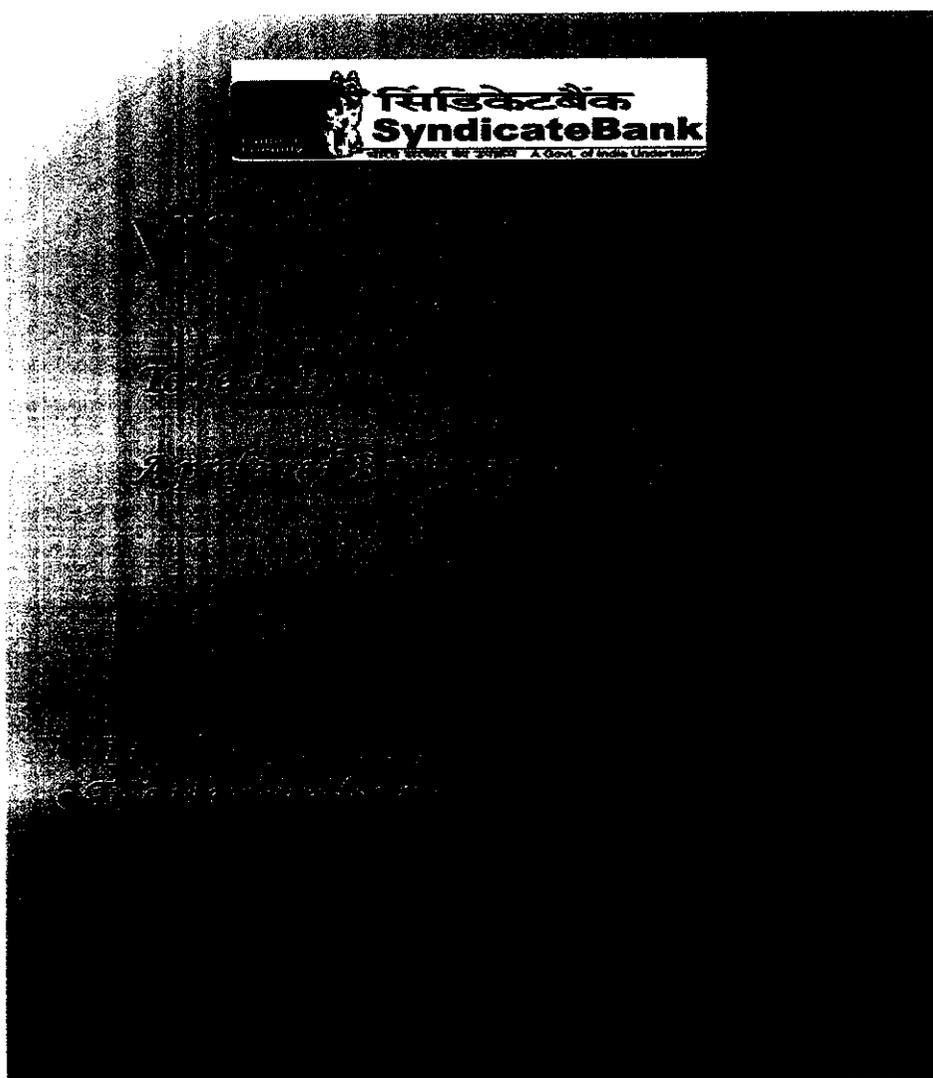
Syndicate bank was established in 1925 in Udupi, the abode of Lord Krishna in coastal Karnataka with a capital of Rs.8000/- by three visionaries - Sri Upendra Ananth Pai, a businessman, Sri Vaman Kudva, an engineer and Dr.T M A Pai, a physician - who shared a strong commitment to social welfare. Their objective was primarily to extend financial assistance to the local weavers who were crippled by a crisis in the handloom industry through mobilising small savings from the community. The bank collected as low as 2 annas daily at the doorsteps of the depositors through its Agents under its Pigmy Deposit Scheme started in 1928. This scheme is the Bank's brand equity today and the Bank collects around Rs. 2 crore per day under the scheme.

The progress of Syndicate Bank has been synonymous with the phase of progressive banking in India. Spanning over 80 years of pioneering expertise, the Bank has created for itself a solid customer base comprising customers of two or three generations. Being firmly rooted in rural India and understanding the grassroot realities, the Bank's perception had vision of future India. It has been propagating innovations in Banking and also has been receptive to new ideas, without however getting uprooted from its distinctive socio-economic and cultural ethos. Its philosophy of growth by mutual sustenance of both the Bank and the people has paid rich dividends.

The Bank has been operating as a catalyst of development across the country with particular reference to the common man at the individual level and in rural/semi urban centres at the area level.

The Bank is well equipped to meet the challenges of the 21st century in the areas of information technology, knowledge and competition. A comprehensive IT plan is being put in place and the skills and knowledge of the Bank's personnel are being upgraded through a variety of training programmes to promote customer delight in every sphere of its activity. The Bank has launched an ambitious technology plan called Centralised Banking Solution (CBS) whereby 500 of our strategic branches with their ATMs are being networked nationwide over a 4 year period. The Bank is pioneer among Public Sector Banks on launching CBS. Our bank has already achieved CBS implementation among all its branches. Thus, the bank is 100% CBS enabled

1.8.1 VISION AND MISSION OF THE BANK



1.8.2 BOARD OF DIRECTORS

Shri Madhukant Girdharlal Sanghvi

Mr. Madhukant Girdharlal Sanghvi has taken over charge as the Chairman & Managing Director of Syndicate Bank with effect from 1st March, 2012. Mr.Sanghvi was the Executive Director of Bank of Maharashtra prior to the present assignment.

Shri Ravi Chatterjee

Sri Ravi Chatterjee has been appointed as Executive Director of Syndicate Bank from 01.09.2010.

Shri M Anjaneya Prasad

Sri M Anjaneya Prasad has been appointed as Executive Director of Syndicate Bank from 24.08.2011

1.8.3 SYNDICATE BANK IN NEWS

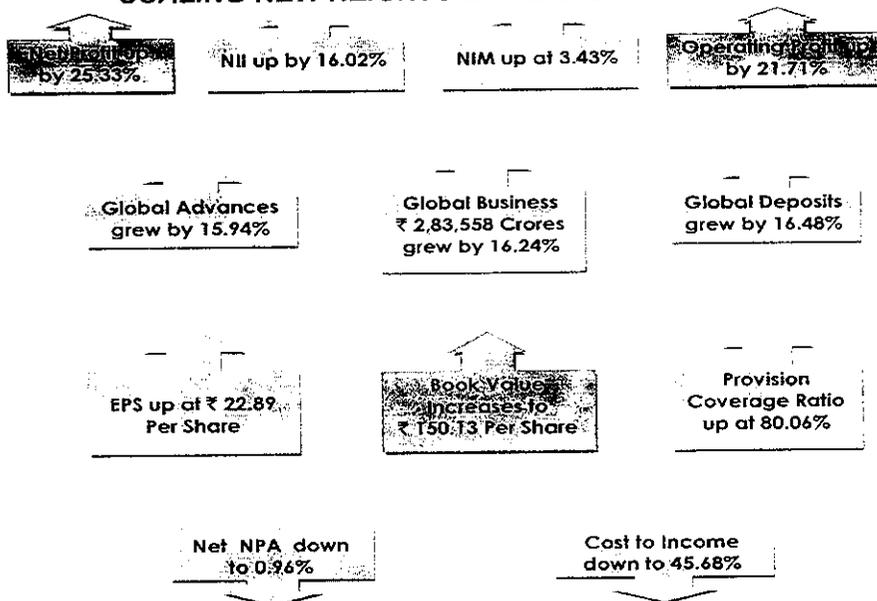


CORPORATE OFFICE: GANDHINAGAR BANGALORE

PRESS RELEASE

05-05-2012

**Syndicate Bank Announces its Audited
Financial Results for the Year 2011 - 2012**

SCALING NEW HEIGHTS OF PERFORMANCE

28 million customers • 2700+ Branches in 32 States & 2 Union Territories & 1 Overseas Branch.

1.8.4 PRODUCTS

ASBA - Earn Interest while you invest

Syndicate Bank introduced a new hassle free solution for investment in Public Issues and Rights Issue called Application Supported by Blocked Amount (Synd ASBA) as per the SEBI guidelines. Unlike the current system of applying in IPOs using cheques, where your funds are blocked unproductively as application money till the finalisation of the allotment/bid. Under ASBA your funds will continue to earn interest during the application processing period as application money remains blocked in account till allotment. Account will be debited only successful allotment. This facility is also available for rights issue and new fund offers (NFO) of mutual funds.

Deposit Products

- Savings Bank Account
- SyndSamanya Savings Bank Account
- Current Account

Special Products

- Premium Savings Account
- SyndSilver Current Account
- SyndPlatinum Current Account
- SyndFlexi Platinum Current Account
- Multi-City SB Account

Term Deposits

- Fixed Deposit
- SyndTaxShield Deposit
- Vikas Cash Certificate
- Syndicate Suvidha Deposit
- Social Security Deposit
- Senior Citizens' Security Deposit
- Recurring Deposit

Loan Products

- SyndSaral
- SyndSenior
- SyndRent
- SyndVahan
- SyndSwarna/SyndSwarnaExpress
- SyndPigmy
- SyndNivas
- SyndNivas Plus
- SyndVidya
- SyndSuperVidya (New)
- Solar Water Heating Systems
- SyndVishranti (Reverse Mortgage Loan Scheme Of Syndicate Bank)
- Synd Mortgage

SyndInstant

RTGS (Real Time Gross Settlement)

Real Time Gross Settlement (RTGS) is a technology based initiative for improvement of Payment & Settlement System linked to the funds management. RTGS is a gross settlement in which **both processing and final settlement of funds transfer instructions take place continuously i.e. in real time** and transfers are settled individually against the present clearing system. RTGS settles payments on a transaction basis instead of on net settlement basis adopted presently at clearing houses. The funds transfer through RTGS is instant, final and irrevocable

NEFT (National Electronic Funds Transfer)

National Electronic Funds Transfer is a nation wide transfer of funds from any bank branch to any other bank branch. The beneficiary gets the credit on the same day or the next day depending on the time of settlement.

SyndDemat (Depository Participant Services)

Our Bank launched SyndDemat (Depository Participant Services) w.e.f. 16.01.2008. As on date 81 branches across the country are enabled for providing DP Services.

Syndicate-e-banking

Internet Banking, which is emerging as an all-pervasive channel, is gaining acceptance amongst our clientele. The number of users has increased considerably. In addition to the basic services of account details, statement of accounts etc., the following services are provided to enhance customer service

- e-ticketing for Railway ticket reservation
- Utility Bill payment through Internet banking
- Payment of Direct & Indirect Taxes - for both individuals and Corporates

1.9 THE WAY AHEAD

During the year 2011-12, banking industry had faced various critical challenges, but through sound policies, careful planning and the confidence of staff members and patronage of our huge customer base , it has been fortunate to ride the storm and succeed in consolidating our growth in the industry.

Syndicate Bank has set target of Rs.350000 crore milestone in total business and opening of 300 branches to cross the landmark of 3000 branches during the financial year 2012-13.

The bank has initiated process to establish a separate vertical for a fee based income and also Mid corporate segment to cater their banking/credit requirements.

In order to drive recovery process aggressively in respect of Special Monitoring Accounts(SMA) and Non- Performing Assets(NPA), through a dedicated team supplementing the efforts of branches. Bank has operationalised a focused recovery team called Stressed Tiny Assets Recovery Team (START).

Strategically, our focus continues to be on the Retail Banking viz CASA growth, lending for housing, MSME, Agriculture, fee based income, reducing NPA level and more retail credit disbursement. The bank has opted 'LEAD' as the corporate theme for financial year 2012-13 which signifies as under.

LEAD

Let CASA be our Priority

Endeavour to increase Fee Based income and profitability.

Attack and bring down NPA.

Disburse More Credit under RO/Branch powers.

CHAPTER 2 -LITERATURE REVIEW

Jacob A. Bikker¹ De Nederlandsche Bank and Utrecht University stated that Adequate performance of financial institutions is of crucial importance to their customers. Prices and quality of their products are determined by efficiency and competition. Since efficiency and competition cannot be observed directly, various indirect measures in the form of simple indicators or complex models have been devised and used both in theory and in practice. This article demonstrates that measuring the performance of banks is hard and that indicators differ strongly in quality. It investigates which methods are to be preferred and how by combining certain indicators stronger measures may be developed. These measures are subjected to a predictive validity test.

Prof. Dr. Mohi-ud-Din Sangmi² reported that Sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. In this paper, an effort has been made to evaluate the financial performance of the two major banks operating in northern India .This evaluation has been done by using CAMEL Parameters, the latest model of financial analysis. Through this model, it is highlighted that the position of the banks under study is sound and satisfactory so far as their capital adequacy, asset quality, Management capability and liquidity is concerned.

¹Jacob A. Bikker De Nederlandsche Bank and Utrecht University Measuring Performance of Banks: An Assessment Journal of Applied Business and Economics vol. 11(4) 2010 pp 141-159

²Prof. Dr. Mohi-ud-Din Sangmi Analyzing Financial Performance of Commercial Banks in India: Application of CAMEL Model Pak. J. Commer. Soc. Sci. 2010 Vol. 4 (1), PP 40-55.

Akram Alkhatib³ stated that The purpose of this study is to empirically examine the financial performance of five Palestinian commercial banks listed on Palestine securities exchange (PEX). In this paper, Financial performance has been measured by using three indicators. The study employed the correlation and multiple regression analysis of annual time series data from 2005-2010 to capture the impact of bank size, credit risk, operational efficiency and asset management on financial performance measured by the three indicators, and to create a good-fit regression model to predict the future financial performance of these banks. The study rejected the hypothesis claiming that “there exist statistically insignificant impact of bank size, credit risk, operational efficiency and asset management on financial performance of Palestinian commercial banks”

Dr. Choudhary Vikas⁴ made attempts to analyze the financial performance of public sector banks in India. For analyzing the performance Compound Annual Growth rate and Coefficient of Variation of advances, deposits, total assets, return on assets, and return on equity and spread ratio are calculated. It is concluded the CAGR of various variables have shown variations from bank to bank. State Bank of Indore has shown maximum CAGR in case of total advances, total deposits and total assets. Punjab & Sind Bank has shown least growth of deposits and advances and State Bank of India has least growth of deposits. CAGR of return on equity and return on assets was at peak of United Bank of India whereas Dena Bank, Punjab & Sind Bank and Indian Bank have shown negative trend in these ratios. Decline of NPA's ratio was highest in case of State Bank of Hyderabad and least in case of Dena Bank.

³Akram Alkhatib, Financial Performance of Palestinian Commercial Banks, International Journal of Business and Social Science Vol. 3 No. 3; February 2012, PP 175-184.

⁴Dr. Choudhary Vikas, Performance evaluation of public sector banks in India, Asia Pacific Journal of Research in Business Management Year : 2010, Volume : 1, Issue : 1 PP 1-17

Ahmed Arif Almazari⁵ attempted basically to measure the financial performance of some selected Jordanian commercial banks for the period 2005-2009. It is evaluatory in nature, drawing sources of information from secondary data. The financial performance of banks is studied on the basis of financial variables and ratios. In this paper an attempt was made to analyze the financial performance of seven selected Jordanian commercial banks using simple regression in order to estimate the impact of independent variable represented by; the bank size, asset management, and operational efficiency on dependent variable financial performance represented by; return on assets and interest income size. It was found that banks with higher total deposits, credits, assets, and shareholders' equity does not always mean that has better profitability performance. It was also found that there exists a positive correlation between financial performance and asset size, asset utilization and operational efficiency, which was also confirmed with regression analysis that financial performance is greatly influenced by these independent factors. The study also recommend measures that could be adopted by banks to ensure soundness in their operations.

Ravinder Kaur⁶ stated that 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. The State Bank of India, popularly known as SBI is one of the leading banks in India. SBI has 14 Local Head Offices and 57 Zonal Offices that are located at important cities throughout the country. It also has around 130 branches out of the country. The purpose of the study is to examine the financial performance of SBI. The data used for the study was entirely secondary in nature. The period of study taken from 2005-06 to 2009-10. The study found that the bank is financially sound.

⁵Ahmed Arif Almazari, Financial Performance Evaluation of Some Selected Jordanian Commercial Banks, International Research Journal of Finance and Economics ISSN 1450-2887 Issue 68 (2011)

⁶Ravinder Kaur, To Study the Financial Performance of bank: A case study of SBI, International Journal of Research in Finance & Marketing, Volume 2, Issue 1 (January 2012), (ISSN 2231-5985)

2.2 RESEARCH GAP

The review of literature has revealed that the research was undertaken on banking sector performances on various angles and parameters like which methods are to be preferred and how by combining certain indicators stronger measures may be developed, using CAMEL Parameters, the correlation and multiple regression analysis of annual time series data. analyzing the performance using Compound Annual Growth rate and Coefficient of Variation of advances, deposits, total assets, return on assets, and return on equity and spread ratio are calculated.

This study involves in studying the performance of Syndicate Bank with key bank performance indicators Return on Assets, capital adequacy ratio (CRAR), Net NPA ratio etc based on Reserve Bank of India (RBI) guidelines.

CHAPTER 3 - METHODOLOGY

3.1 METHODOLOGY

Research is an art of scientific investigation. In other word research is a scientific and systematic search for pertinent information on a specific topic. The logic behind taking research methodology into consideration is that one can have knowledge about the method and procedure adopted for achievement of objectives of the project. With the adoption of this others can evaluate the results also. Its main aim is to keep the researchers on the right track.

Performance evaluation is an important pre-requisite for sustained growth and development of any institution. As in the case of any institution. the evaluation of a bank's performance too has to be undertaken in relation to its goals and objectives. Though many studies have been undertaken in India for evaluating the performance of banks. No universally acceptable technique/methodology has beset single emerged with or so far. Assessment of a bank's performance has many difficulties on account of its diverse influence on its performance.

3.2 TYPE OF PROJECT

Study on the performance of Syndicate bank with special reference to key bank performance indicators is a analytical project to study the financial performance of Syndicate bank over a period of five financial years through the data collected from published sources.

3.3 PERIOD OF STUDY : **Five Financial years 2007-08 to 2011-12**

3.4 DATA COLLECTION

Secondary data via balance sheets with schedule were collected for the period of 2007-08 to 2011-12(5 years) They were collected from RBI Statistical department Publication, Banks Annual Reports and Indian Banks Association.

3.5 TOOLS FOR ANALYSIS

1. Ratio Analysis
2. Percentage analysis

Capital Adequacy Ratio

A bank's capital ratio is the ratio of qualifying capital to risk adjusted (or weighted) assets. The RBI has set the minimum capital adequacy ratio at 9% for all banks. A ratio below the minimum indicates that the bank is not adequately capitalized to expand its operations. The ratio ensures that the bank do not expand their business without having adequate capital.

It must be noted that it would be difficult for an investor to calculate this ratio as banks do not disclose the details required for calculating the denominator (risk weighted average) of this ratio in detail. As such, banks provide their CAR from time to time.

$$\text{CRAR} = \frac{\text{Total Capital}}{\text{Risk Weighted Assets}} \times 100$$

Return on Assets

Returns on asset (ROA) ratio is the net income (profits) generated by the bank on its total assets (including fixed assets). The higher the proportion of average earnings assets, the better would be the resulting returns on total assets.

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100$$

Non-performing asset ratio

The net NPA to loans (advances) ratio is used as a measure of the overall quality of the bank's loan book. An NPA are those assets for which interest is overdue for more than 90 days (or 3 months). Net NPAs are calculated by reducing cumulative balance of provisions outstanding at a period end from gross NPAs. Higher ratio reflects rising bad quality of loans. The NPA ratio is one of the most important ratios in the banking sector. It helps identify the quality of assets that a bank possesses.

Net NPA = Gross NPA – (Balance in Interest Suspense account + DICGC/ECGC claims received and held pending adjustment + Part payment received and kept in suspense account + Total provisions held)

3.6 LIMITATION OF THE STUDY:

Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned here under so that the findings of the study may be understood in a proper perspective. The limitations of the study are:

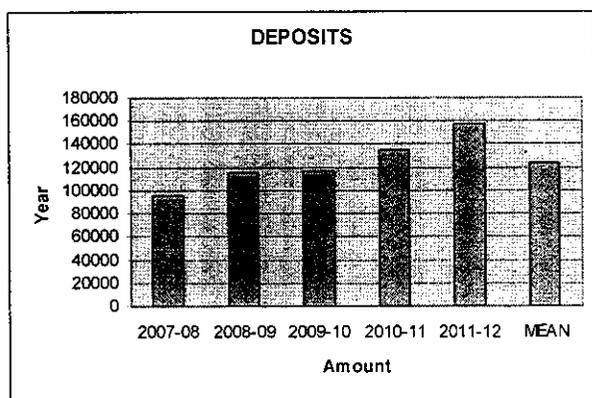
- The study is based on the secondary data and the limitation of using secondary data may affect the results.
- The secondary data was taken from the annual reports of the Syndicate Bank. It may be possible that the data shown in the annual reports may be window dressed which does not show the actual position of the bank.

CHAPTER 4 - DATA ANALYSIS AND INTERPRETATION

Table 4.1 Deposits

| Amount in Rs. crore | | |
|---------------------|---------|--------|
| S.NO | YEAR | AMOUNT |
| 1 | 2007-08 | 95171 |
| 2 | 2008-09 | 115885 |
| 3 | 2009-10 | 117026 |
| 4 | 2010-11 | 135596 |
| 5 | 2011-12 | 157941 |
| | MEAN | 124324 |
| | CAGR | 10.66% |

Chart 4.1 Deposits



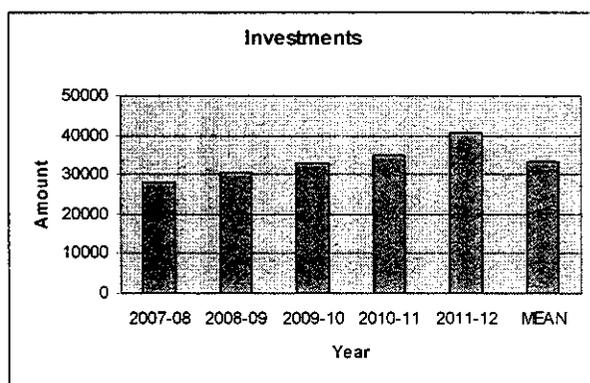
Interpretation

Global deposits increased from Rs.95,171 crore as on 31st March 2007 to Rs.1,15,885 crore in 2008 and it showed continuous growth in deposits from the year 2007-08 to 2011-12 and had a deposit amount of Rs.1,57,941 crore in the year 2011-12. The mean value for the deposits for the five financial years from 2007 to 2012 is Rs.1,24,324 crores. The deposits showed 10.66% of compound annual growth rate (CAGR) for the period from 2007 to 2012.

Table 4.2 Investments

| Amount in Rs. crore | | |
|---------------------|---------|--------|
| S.NO | YEAR | AMOUNT |
| 1 | 2007-08 | 28076 |
| 2 | 2008-09 | 30537 |
| 3 | 2009-10 | 33011 |
| 4 | 2010-11 | 35068 |
| 5 | 2011-12 | 40815 |
| | MEAN | 33501 |
| | CAGR | 7.77% |

Chart 4. 2 Investments



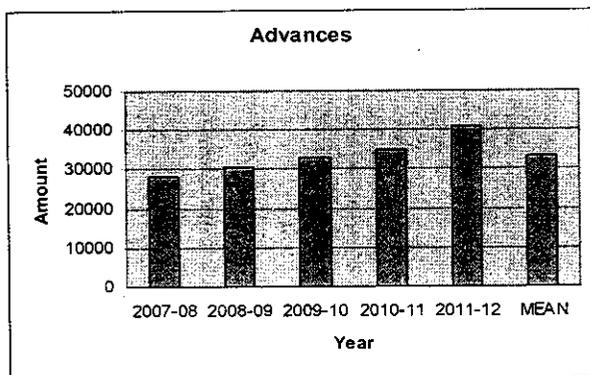
Interpretation

The investment made in the year 2007-08 was Rs.28,076 crores, In the year 2008-09 it was slightly increased to an amount of Rs.30,537 crores, it gradually increased its investment year after year from 2007-08 to 2011-12 and it has invested an amount of Rs.40,815 crores. The mean value for the investment made from year 2008-09 to the year 2011-12 is Rs.33,501 crores. It showed an compound annual growth rate of 7.77% from the year 2008-09 to 2011 to 2012

Table 4. 3 Advances

| Amount in Rs. crore | | |
|---------------------|---------|--------|
| S.NO | YEAR | AMOUNT |
| 1 | 2007-08 | 64051 |
| 2 | 2008-09 | 81532 |
| 3 | 2009-10 | 90406 |
| 4 | 2010-11 | 106782 |
| 5 | 2011-12 | 123620 |
| | MEAN | 93278 |
| | CAGR | 14.05% |

Chart 4. 3 Advances



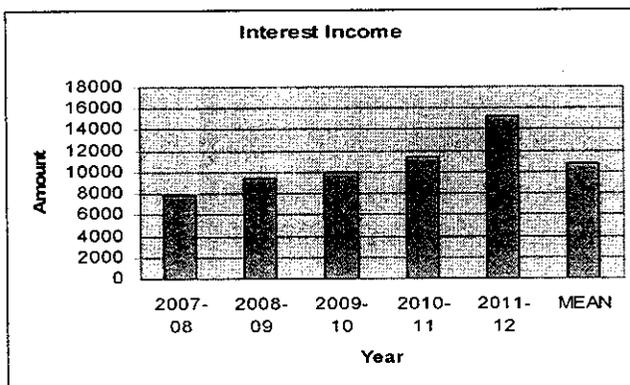
Interpretation

Global Advances increased from Rs.64,051 crore as on 31st March 2007 to Rs.81,532 crore in 2008 and it showed continuous growth in advances from the year 2007-08 to 2011-12 and had an amount of Rs.1,23,620 crore in the year 2011-12. The mean value for the advances for the five financial years from 2007 to 2012 is Rs.93,278 crores. The advances showed 14.05% of compound annual growth rate (CAGR) for the period from 2007 to 2012.

Table 4. 4 Interest income

| Amount in Rs. crore | | |
|---------------------|---------|--------|
| S.NO | YEAR | AMOUNT |
| 1 | 2007-08 | 7906 |
| 2 | 2008-09 | 9525 |
| 3 | 2009-10 | 10047 |
| 4 | 2010-11 | 11451 |
| 5 | 2011-12 | 15268 |
| | MEAN | 10839 |
| | CAGR | 14.07% |

Chart 4. 4 Interest income



Interpretation

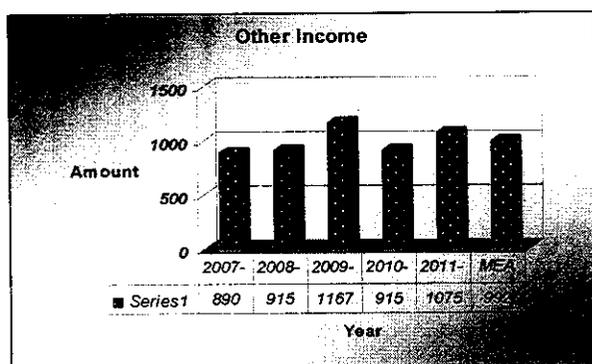
Interest income gradually increased from the year 2007-08 from Rs.7,906 to Rs.9,525 in the year 2008-09. It had an amount of Rs.15,268 in the year 2011-12 more than that of the previous year. The mean of the interest income for the five years is Rs.10,839. It showed a compound annual growth rate of 14.07% for the study period.

Table 4.5 Other income

Amount in Rs. crore

| S.NO | YEAR | AMOUNT |
|------|---------|--------|
| 1 | 2007-08 | 890 |
| 2 | 2008-09 | 915 |
| 3 | 2009-10 | 1167 |
| 4 | 2010-11 | 915 |
| 5 | 2011-12 | 1075 |
| | MEAN | 992 |
| | CAGR | 3.85% |

Chart 4.5 Other income



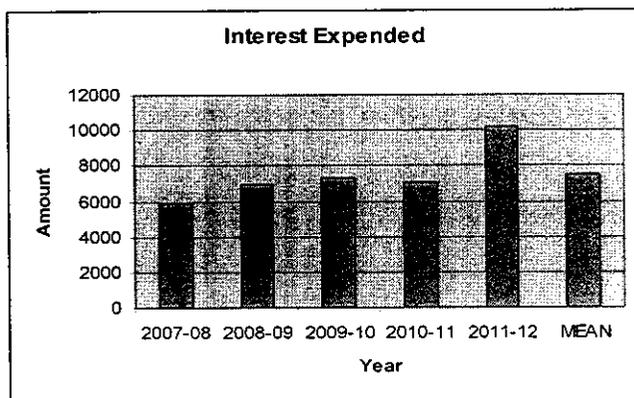
Interpretation

The other income increased from the year 2007-08 to 2009-10 from Rs. 890 to Rs.1,167. In the year 2009-10 it showed slight decrease to Rs.915 and then increased in the year 2011-12 to Rs.1075. The mean value was around Rs.992 for the study period

Table 4.6 Interest expended

| Amount in Rs. crore | | |
|---------------------|---------|--------|
| S.NO | YEAR | AMOUNT |
| 1 | 2007-08 | 5834 |
| 2 | 2008-09 | 6978 |
| 3 | 2009-10 | 7307 |
| 4 | 2010-11 | 7068 |
| 5 | 2011-12 | 10183 |
| | MEAN | 7474 |
| | CAGR | 11.78% |

Chart 4. 6 Interest expended



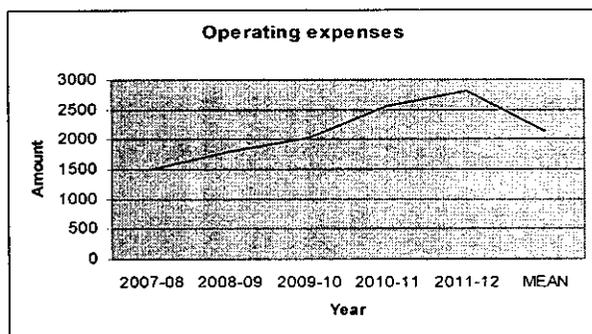
Interpretation

Interest expended had increased from the year 2007-08 to 2009-10 with the amount of Rs.5,834 crores, Rs.6,978 crores and Rs.7,307 crores for the respective years. It has decreased in the year 2010-11 with Rs.7,068 crores. In the year 2011-12 it has increased to higher amount of Rs.10,183 crores. The mean value for the five years was Rs.7,474 crores. The compound annual growth rate observed is 11.78%.

Table 4. 7 Operating expenses

| Amount in Rs. crore | | |
|---------------------|---------|--------|
| S.NO | YEAR | AMOUNT |
| 1 | 2007-08 | 1495 |
| 2 | 2008-09 | 1791 |
| 3 | 2009-10 | 2034 |
| 4 | 2010-11 | 2548 |
| 5 | 2011-12 | 2813 |
| | MEAN | 2136 |
| | CAGR | 13.48% |

Chart 4. 7 Operating expenses



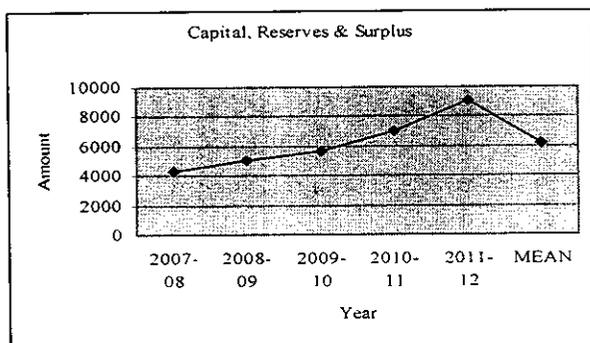
Interpretation

The operating expenses have been gradually increasing from the year 2007-08 with Rs. 1,495 crores to Rs.2,813 crores in the year 2011-12. Every constant year had increased operating expenses than previous year. The compound annual growth rate was 13.48%. The mean value for the specified period was Rs.2,136crores.

Table 4. 8 Capital, Reserves & surplus

| Amount in Rs. crore | | |
|---------------------|---------|--------|
| S.NO | YEAR | AMOUNT |
| 1 | 2007-08 | 4291 |
| 2 | 2008-09 | 5010 |
| 3 | 2009-10 | 5627 |
| 4 | 2010-11 | 7051 |
| 5 | 2011-12 | 9041 |
| | MEAN | 6204 |
| | CAGR | 16.07% |

Chart 4. 8 Capital, Reserves & surplus



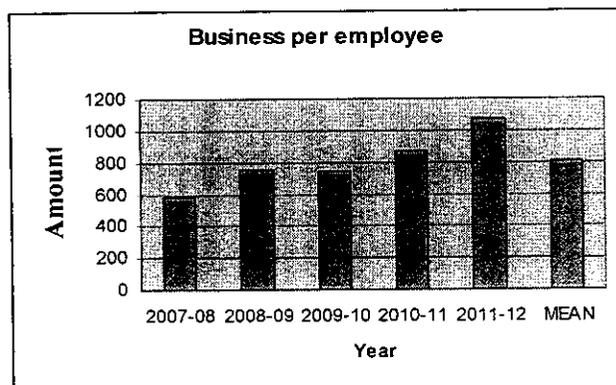
Interpretation

The Capital, Reserves and Surplus was Rs.4,291 crores in the year 2007-08 and was Rs. 5,010 crores in the year 2008-09. It was Rs.5,627 crores in the year 2009-10 and Rs.7,051crores in the year 2010-11. It was highest in the year 2011-12 with Rs.9,041crores. The mean value for the specified period was Rs.6,204 crores. The compound annual growth rate is 16.07%.

Table 4. 9 Business per employee (in Rs.lakh)

| S.NO | YEAR | AMOUNT |
|------|---------|--------|
| 1 | 2007-08 | 586 |
| 2 | 2008-09 | 751 |
| 3 | 2009-10 | 747 |
| 4 | 2010-11 | 875 |
| 5 | 2011-12 | 1074 |
| | MEAN | 807 |

Chart 4. 9 Business per employee (in Rs.lakh)



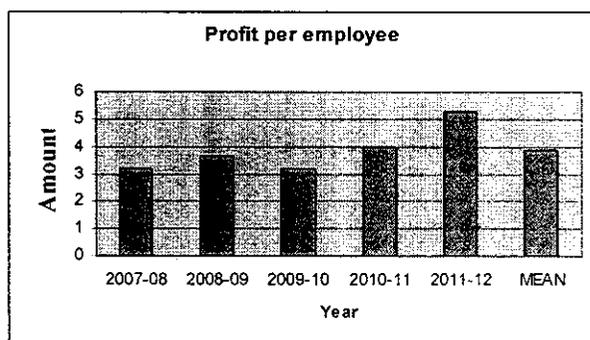
Interpretation

Business per employee has steadily increased from the year 2007-08 to 2011-12. The highest value was observed in the year 2011-12 with Rs.1074 and the next highest value was in the year 2010-11 with Rs.875. The mean value for the five financial years was Rs.807.

Table 4. 10 Profit per employee (in Rs.lakh)

| S.NO | YEAR | AMOUNT |
|------|---------|--------|
| 1 | 2007-08 | 3.18 |
| 2 | 2008-09 | 3.64 |
| 3 | 2009-10 | 3.18 |
| 4 | 2010-11 | 3.99 |
| 5 | 2011-12 | 5.29 |
| | MEAN | 3.86 |
| | CAGR | 10.71% |

Chart 4. 10 Profit per employee (in Rs.lakh)



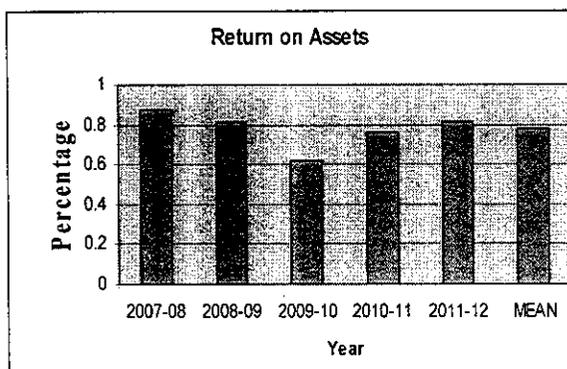
Interpretation

The profit per employee has gradually increased from the year 2007 to 2012 ie from Rs.3.18lakhs to Rs.5.29 lakhs, except in the year 2009-10. In the year 2011-12 it has increased to higher amount of Rs.5.29 lakhs. The mean for the given period of study is Rs.3.86 lakhs and the profit per employee increased with a annual growth rate of 10.71%.

Table 4.11 Return on Assets

| S.NO | YEAR | PERCENTAGE |
|------|---------|------------|
| 1 | 2007-08 | 0.88 |
| 2 | 2008-09 | 0.81 |
| 3 | 2009-10 | 0.62 |
| 4 | 2010-11 | 0.76 |
| 5 | 2011-12 | 0.81 |
| | MEAN | 0.78 |

CHART 4. 11 Return on Assets



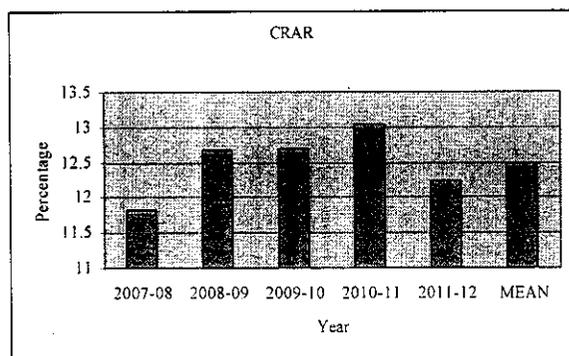
Interpretation

The return on assets was at 0.88% in the year 2007-08 and decreased to 0.81% in the year 2008-09 and further decreased in the year 2009-10 and showed increase in the years 2010-11 and 2011-12 as 0.76% and 0.81%. The average for the five years is 0.78%. Higher percentage of Return on Assets shows better performance observed in the year 2007-08 with 0.88% followed by the year 2011-12 with 0.81% compared to rest of the years.

Table 4. 12 CRAR

| S.NO | YEAR | PERCENTAGE |
|------|---------|------------|
| 1 | 2007-08 | 11.82 |
| 2 | 2008-09 | 12.68 |
| 3 | 2009-10 | 12.70 |
| 4 | 2010-11 | 13.04 |
| 5 | 2011-12 | 12.24 |
| | MEAN | 12.50 |

Chart 4.12 CRAR



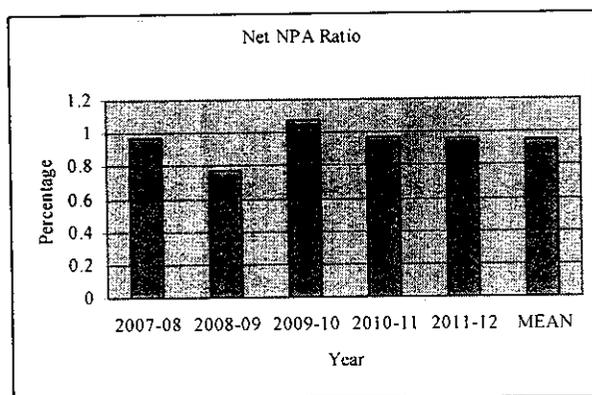
Interpretation

The CRAR ratio in the year 2007-08 was 11.82% and it increased to 12.68% in the year 2008-09 and 12.70% in the year 2009-10. In year 2010-11 it had highest CRAR ratio with 13.04%. and decreased to 12.24% in the year 2011-12. The mean was 12.50% for the five years of the study period. From the table it is inferred that the CRAR ratio was highest in the year 2010-11 to 13.04% showing good performance in the year .it was lowest in the year 2007-08 as 11.82% and showed lower performance when compared to rest of the years.

Table 4.13 Net NPA Ratio

| S.NO | YEAR | PERCENTAGE |
|------|---------|------------|
| 1 | 2007-08 | 0.97 |
| 2 | 2008-09 | 0.77 |
| 3 | 2009-10 | 1.07 |
| 4 | 2010-11 | 0.97 |
| 5 | 2011-12 | 0.96 |
| | MEAN | 0.95 |

Chart 4. 13 Net NPA Ratio



Interpretation

The NPA ratio was 0.97% in the year 2007-08. It decreased to 0.77% in the year 2008-09. In the year 2008-09 it showed an increase to 1.07%. Then it decreased in the year 2010-2011 to 0.97% and 0.96% in the year 2011-12. The mean value for the five years was 0.95%. It is inferred that the decrease in Net NPA Ratio will lead to positive performance of the bank which was observed in the year 2008-09. The Net NPA Ratio was very high in the year 2009-10 showing negative impact on the performance.

CHAPTER 5

FINDINGS AND SUGGESTIONS

5.1 SUMMARY OF FINDINGS

The progress of Syndicate Bank has been synonymous with the phase of progressive banking in India. Spanning over 80 years of pioneering expertise, the Bank has created for itself a solid customer base comprising customers of two or three generations. However, the bank has to focus its attention in some areas of operation to improve its performance.

The following are the findings out of the study:

- Capital adequacy reflects the overall financial condition of the bank and also the ability of the management to meet the needs for additional capital. As per the prudential norms, all Indian schedule commercial banks are required to have 9 percent of capital adequacy ratio. Syndicate bank has been able to maintain this ratio above the benchmark of 9% for all the five years of the study period. Thus it shows that the bank has got good financial strength.
- Return on Assets is an indicator of how profitable a bank is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Return on assets was the highest in the year 2007-08 with 0.88% showing better performance than rest of the years of the study period and lowest in the year 2009-10 with 0.62%.

- Non-performing asset ratio: The Net NPA to loans (advances) ratio is used as a measure of the overall quality of the bank's loan book. Higher ratio reflects rising bad quality of loans. Net NPA Ratio of the bank had only very mild changes from 2010-11 to 2011-12. But shown good improvement from the year 2009-10 to 2010-11 from 1.07% to 0.97%. Thus it shows that the NPA ratio was much conservative for the bank.
- Interest income of Syndicate bank has shown a steady growth from Rs.7906 crores in 2007-08 to Rs.15268 crores in 2011-12. This shows that the bank was profitable over the period.
- Deposits, investments, Advances, Capital Reserves have showed steady and constant growth from the year 2007- 08 to 2011-12. The Deposits and Advances have registered a compound annual growth rate of 10.66% & 14.05% . Thus it says that the bank had shown good performance over the period of study.
- The Deposits and Advances have registered a compound annual growth rate of 10.66% & 14.05% respectively which is a good sign of development for the period.
- Employee productivity is an indicator of long term variability of banks. It is measured in terms of Business per Employee and Profit per Employee. In Syndicate bank, Profit per Employee is slightly decreased to Rs .0.46 lakh in 2009-10 due to lower net profit. Thereafter it is increased to Rs 5.29 lakh in 2011-12. Business per Employee has also showed increased growth from the year 2007-08 to 2011-12.

5.2 SUGGESTIONS

In order to improve the functions of the bank, the following suggestions are made on the basis of the findings of the study. NPA adversely affects the asset quality of the bank the low level of Net Profit is due to provisioning made for NPAs. The bank has to take recovery steps to reduce NPAs to minimum level for maintaining better asset quality of the bank. As like Deposits, Advances showing good growth rate, Operating expenses have also increased over the period. Hence bank can concentrate on reducing operating expenses and improve employee productivity.

5.3 CONCLUSION

The analysis and the discussion in the proceeding pages reveals that bank is financially viable as it has adopted prudent policies of financial management. The performance of the Syndicate bank is evaluated using various parameters, such as Capital adequacy, Return on Assets and Net NPA ratio. By analyzing the last five years data, it is found that bank has made improvements in their capital adequacy ratio in order to meet its liabilities in future. Decreasing trend in NPA is an evidence of sound asset quality as profitability is directly related with the efficiency of management. Profit per employee and such other parameters are used here to assess the quality of management and most of these parameters indicate a favourable situation. The Asset quality is concerned the bank have shown significant performance.

5.4 DIRECTIONS FOR FUTURE RESEARCH

Attempts have been made to make the study more intensive, but due to time constraints, there exists certain gaps in the present study. More refinements can be introduced by adding qualitative information such as customer service, employees' satisfaction, and morale of the employees and so on. Hence, future work may be undertaken to bridge the gap so as to enhance the scope of the study. It is hoped that the analysis presented in this study will act as a base for further extension of this important investigation.

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