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A Study on The Financial Performance of The South Indian Bank

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Abstract

Every country's financial system relies on the banking sector. It has an impact on the economy of the country by providing loans, infrastructure, and investment. The banking sector is critical to any country's growth and expansion. Hence this study focuses on the performance assessment of the new-generation South Indian Bank. The financial performance analysis of South Indian Bank involves an evaluation of the Bank's financial health, profitability, and efficiency. This analysis provides valuable insights into the Bank's overall performance and ability to generate sustainable returns for its stakeholders. The Bank's financial performance is evaluated using various financial ratios and indicators, such as Credit- deposit ratio, Investment-deposit Ratio, Cash- deposit ratio, Cost- income ratio, Deposit- cost ratio, Yield on advance ratio, Yield on investments ratio, fixed assets to net-worth Ratio, and other ratios. These ratios are calculated by analyzing the Bank's income statement and balance sheet. The analysis reveals that South Indian Bank has maintained a stable financial position recently, with steady net interest income and profitability growth. The Bank's asset quality has also improved over time, with a reduction in non-performing assets and an increase in the provision coverage ratio. The financial performance analysis of South Indian Bank suggests that the Bank has a stable financial position. Still, it needs to address specific areas of concern to sustain its growth and profitability in the future.

Keywords: Financial performance analysis; Non-Performing Asset; Ratios; Private Sector Bank

Introduction

South Indian Bank is one of India's oldest private sector banks, with a rich history from 1929. Over the years, the Bank has expanded its operations and established a strong presence in South India, offering its customers a range of banking and financial services. Financial performance analysis is a critical tool for evaluating the health and performance of any bank, including South Indian Bank. This analysis uses various financial ratios and indicators to assess the Bank's profitability, liquidity, asset quality, and overall financial health. This introduction aims to provide an overview of the financial performance analysis of South Indian Bank, which involves an examination of the Bank's financial statements, including its income statement, balance sheet, and cash flow statement. The analysis reveals important insights into the Bank's financial position, including its ability to generate sustainable returns for its stakeholders, the efficiency of its operations, and its ability to manage risk. By conducting a comprehensive financial performance analysis of South Indian Bank, investors, stakeholders, and other interested parties can better understand the Bank's financial health and make informed decisions about their investment or partnership with the Bank. Indeed, one of the critical ratios analysts consider is the Return on Assets (ROA), which measures how efficiently the Bank utilizes its assets to generate profits. A high ROA indicates that the Bank effectively uses its assets to generate profits, while a low ROA suggests it is struggling to generate profits. Asset quality is also a critical aspect of the financial performance analysis of South Indian Bank. In addition to these ratios, analysts also consider the Bank's capital adequacy ratio, liquidity ratio, and other key performance indicators to assess its overall financial health and performance. Financial performance analysis is a crucial tool for evaluating the health and performance of South Indian Bank and other financial institutions.

Review of Literature

Srinivas, K., & Saroja, L. (2013) The present research paper aims to analyze and compare the Financial Performance of HDFC and ICICI Bank and offer suggestions for improving efficiency in select banks. For analysis of the comparative financial performance of the chosen banks, a world-renowned CAMELS model with a t-test is applied. CAMELS stands for Capital Adequacy, Asset Quality, Management, Earning Quality, Liquidity, and Sensitivity. The CAMELS' analysis and t-test conclude that there is no significant difference between the ICICI and HDFC Bank's financial performance. However, the ICICI bank performance is slightly less compared with HDFC.

Koley, J. (2019) The present study is made to measure the financial position, performance, and efficiency of the largest public sector bank (SBI) and private sector bank (HDFC). The study's objective is to identify the financial position and performance of the selected banks and to examine whether any significant difference exists in their performance. In the present study, 16 ratios have been measured under the CAMEL model; the average result of HDFC banks is best in 14 cases. So, it is established that the largest private sector bank, HFDC bank has better financial performance and efficiency than the most significant public sector bank SBI.

Sai, V. R. N., & Sultan, D. S. T. (2013) The current paper evaluates the performance of the selected two banks based on the financial ratios from the perspective of pre and post-merger. To analyze the impact of the merger paired t-test was applied to the various financial ratios for before and after merger data. Based on the analysis of HDFC bank data, it can be concluded that Net profit margin, operating profit margin, Return on capital employed, Return on equity, and DebtEquity ratio there is no significant difference in these ratios before and after the merger. But the critical difference concerning Gross profit margin.

Bag, S., & Omrane, A. (2022) Driven by the need for some rigorous and robust empirical evidence, the current study aims at testing the statistical relationship between CSR and corporate financial performance (CFP) of the top 100 companies listed by the National Stock Exchange (NSE) of India. After collecting the financial data necessary from the respective annual reports of these companies, a factor analysis and a multivariate regression analysis were carried out. They revealed conclusive findings regarding the CSR-CFP relationship. Indeed, even if CSR activities significantly impact financial performance, there is a moderate positive association between the concerned variables in that context. Based on the results attained, it would be recommended that Indian corporate firms secure better financial performance by committing themselves to CSR activities.

Methodology

The study is purely based on secondary data. The study uses South Indian Bank's financial data for the five years from 31st March 2017 to 31st March 2021. The researchers have collected the last five years' Balance Sheet and P&L account from the Bank's annual report. The researchers have adopted ratio analysis to analyze the profitability and efficiency of the South Indian Bank.

Objective of the Study

- To study the profitability position of South Indian Bank.
- To study the solvency position of South Indian Bank.
- To analyze the growth of deposits and advances of the South Indian Bank from 2016-17 to 2020-21.

- To study the deposit mix of South Indian Bank.

Data Analysis

Trend In Deposit		
Year	***Deposits (Rs in CR)***	***% Change (the base Year 2016-17)***
2016-17	66,117.49	100
2017-18	72,029.59	108.9418095
2018-19	80,420.12	121.632143
2019-20	83,033.89	125.5853633
2020-21	82,710.55	125.0963247

Table 6.1: Showing Trend in Deposit.

Interpretation

The above table shows that the deposits have increased over the years, except for a slight dip in 2020-21. The percentage change column shows the percentage increase or decrease in deposits compared to the base year 2016-17.

In 2017-18, deposits increased by 8.94%. In 2018-19, deposits increased by 21.63%. In 2019-20, deposits increased further by 25.59%, a significant increase. In 2020-21, deposits decreased slightly by 0.50% less than the previous year but still higher than the base year.

Trend In Advances		
Year	***Advances (Rs. in crores)***	***% Change (the base Year 2016-17)***
2016-17	46,389.47	100
2017-18	54,562.89	117.6191278
2018-19	62,693.74	135.1464891
2019-20	64,439.47	138.9096922
2020-21	58,056.48	125.1501257

Table 6.2: Showing Trends in Advances.

Interpretation

The above table data shows that the advances have been increasing over the years, except for a slight dip in 2020-21. The percentage change column shows the percentage increase or decreases in passages compared to the base year 2016-17.

In 2017-18, advances increased by 17.62%. In 2018-19, advances increased further by 35.15%. In 2019-20, advances increased further by 38.91%. In 2020-21, advances decreased slightly by 12.85% compared to the previous year, but it’s still higher than the base year.

Trend In Interest in Advances		
Year	***Interest on advances (Rs. in crores)***	***Trend percentage of interest on advances (the base Year 2016-17)***
2016-17	4,447.42	100
2017-18	4769.18	107.2347563
2018-19	5,396.44	121.3386638
2019-20	6,159.17	138.4886069
2020-21	5,767.63	129.684851

Table 6.3: Showing a Trend in Interest in Advances.

Interpretation

The above table data shows that the interest in advances has increased over the years. The trend percentage column shows the percentage increase or decrease in interest on advances compared to the base year 2016-17.

In 2017-18, interest on advances increased by 7.23%. In 2018-19, interest on advances increased further by 21.34%. In 2019-20, interest on advances increased further by 38.49%. In 2020-21, interest on advances decreased slightly by 4.61% compared to the previous year, but it's still higher than the base year.

Trend In Interest on Deposits		
Year	***Interest on deposits (Rs. in crores)***	***Trend percentage of interest on deposits (the base Year 2012-13)***
2016-17	4171.65	100
2017-18	4227.29	101.3337648
2018-19	4856.82	116.4244364
2019-20	5446.3	130.5550562
2020-21	4898.54	117.4245203

Table 6.4: Showing Trend in Interest on Deposit.

Interpretation

From the above table data provided, we can observe the trend in interest on deposits from 2016-17 to 2020-21.

In 2016-17, the interest on deposits was Rs. 4,171.65 crores, which serves as the base year for comparison. In the following year, 2017-18, the interest on deposits increased to Rs. 4,227.29 crores, representing a 1.33% increase compared to the base year. The trend continued upwards, with interest on deposits rising to Rs. 4,856.82 crores in 2018-19, representing a 16.42% increase compared to the base year. In 2019-20, interest on deposits increased to Rs. 5,446.3 crores, representing a 30.56% increase compared to the base year. However, in 2020-21, the trend reversed, with interest on deposits decreasing to Rs. 4,898.54 crores, representing a 17.42% decrease compared to the base year. Overall, we can observe an increasing trend in interest on deposits from 2016-17 to 2019-20, followed by a decrease in 2020-21.

Deposit Mix							
Year	***Demand Deposits (Rs. in crores)***	***Savings Deposits (Rs. in crores)***	***Term Deposits (Rs. in crores)***	***Total Deposits (Rs.in crores)***	***% of demand deposit to total deposits***	***% of savings deposit to total deposit***	***% of term deposit to total deposits***
2016-17	2752.57	12993.77	50371.15	66117.49	4.16315	19.65255	76.1843
2017-18	3057.63	14084.11	54887.85	72029.59	4.244964	19.55323	76.20181
2018-19	3331.87	16135.28	60952.97	80420.12	4.14308	20.06374	75.79318
2019-20	3207.93	17551.68	62274.28	83033.89	3.863398	21.13797	74.99863
2020-21	4321.09	20268.71	58120.75	82710.55	5.224352	24.50559	70.27006

Table 6.5: Showing Deposit Mix.

Interpretation

The table above shows a financial institution's deposit mix over five years.

Demand Deposits: The proportion of demand deposits to total deposits has increased over the years. In 2016-17, demand deposits accounted for 4.16% of total deposits, while in 2020-21, they accounted for 5.22%.

Savings Deposits: The proportion of savings deposits to total deposits has also increased. In 2016-17, savings accounted for 19.65% of total deposits, while in 2020-21, they accounted for 24.51%.

Term Deposits: The proportion of term deposits to total deposits has decreased over the years. In 2016-17, term deposits accounted for 76.18% of total deposits, while in 2020-21, they accounted for 70.27%.

Overall, the trend analysis suggests that the institution has attracted more demand and savings deposits over time, which are generally low-cost deposits. It has helped reduce the institution's cost of funds and increase its profitability. The decrease in the proportion of term deposits suggests that the institution may have adjusted its deposit pricing strategy to reduce its reliance on high-cost deposits.

Credit Deposit Ratio			
Year	***Advances (Rs. in crores)***	***Deposits (Rs. in crores)***	***Ratio***
2016-17	46,389.47	66,117.49	70.16218
2017-18	54,562.89	72,029.59	75.75066
2018-19	62,693.74	80,420.12	77.95778
2019-20	64,439.47	82,710.55	77.90961
2020-21	58,056.48	83,033.89	69.91902

Table 6.6: Showing Credit Deposit Mix.

Interpretation

From the above table of credit deposit mix of 2016-17: 70.16%, 2017-18: 75.75%, 2018-19: 77.96%, 2019-20: 77.91%, 2020-21: 69.92%. These ratios indicate that the Bank's lending activities have varied over the years. The Ratio was highest in 2020-21, meaning that a lower proportion of deposits were used for lending compared to previous years. It may be due to various reasons, such as a decrease in loan demand, tighter lending standards, or a shift towards other investment avenues.

Investment Deposit Ratio			
Year	***Investment (Rs. in crores)***	***Deposits (Rs. in crores)***	***Ratio***
2016-17	19429.67	66,117.49	29.38658
2017-18	18363.08	72,029.59	25.4938
2018-19	19081.38	80,420.12	23.72712
2019-20	20625.27	82,710.55	24.93669
2020-21	20321.08	83,033.89	24.47324

Table 6.7: Showing Investment Deposit Mix.

Interpretation

The above table shows that the investment deposit ratio has fluctuated slightly over the years but has remained relatively stable. The Ratio for the years 2016-17 to 2020-21.

2016-17: 29.3%, 2017-18: 25.4%, 2018-19: 23.7%, 2019-20: 24.9%, 2020-21: 24.4%. We can see that the investment deposit ratio was the highest in 2016-17 at 29.38% and decreased to 23.73% in 2018-19 before increasing again to 24.94% in 2019-20. In the most recent year, 2020-21, the Ratio was 24.47%. Overall, the trend of the investment deposit ratio seems to be relatively stable over the given period.

Cash Deposit Ratio			
Year	***Cash & balances with RBI (Rs. in crores)***	***Total Deposits (Rs. in crores)***	***Cash Deposit Ratio***
2016-17	3077.98	66,117.49	4.655319
2017-18	3258.24	72,029.59	4.523474
2018-19	3661.82	80,420.12	4.553363
2019-20	2805.98	82,710.55	3.39253
2020-21	3304.71	83,033.89	3.979953

Table 6.8: Showing Cash Deposit Mix.

Interpretation

The above table shows that the CDR has been declining over the years, indicating that banks have been holding less cash and balances with RBI in proportion to their total deposits. This trend may be due to various factors, such as the increasing adoption of digital payment systems, the reduction in cash transactions, and the implementation of the Basel III framework that requires banks to maintain higher liquidity.

Cost Income Ratio			
Year	***Interest Expended (Rs. in crores)***	***Interest Income (Rs. in crores)***	***Cost Income Ratio***
2016-17	4171.65	5847.08	71.34587
2017-18	4227.29	6192.81	68.26126
2018-19	4856.82	6876.52	70.62904
2019-20	5446.3	7763.8	70.14993
2020-21	4898.54	7305.44	67.05332

Table 6.9: Showing Cost-Income Ratio.

Interpretation

The above table shows that the CIR has fluctuated over the years, but it has generally remained within the 67% to 71% range. The CIR indicates the percentage of a bank's revenue spent on operating expenses, such as interest expended, salaries, and rent. A lower CIR indicates better cost management and higher profitability. Therefore, the trend in the CIR suggests that the banks have been able to maintain their cost management relatively stable over the five years.

Yield On Advance Ratio			
Year	***Interest on Advances (Rs. in crores)***	***Advances (Rs. in crores)***	***Yield on Advance Ratio***
2016-17	4,447.42	46,389.47	9.59
2017-18	4769.18	54,562.89	8.74
2018-19	5,396.44	62,693.74	8.61
2019-20	6,159.17	64,439.47	9.56
2020-21	5,767.63	58,056.48	9.93

Table 6.10: Showing Yield on Advance Ratio.

Interpretation

The above table shows that the YAR has fluctuated over the years, but generally in the 8% to 10% range. This Ratio reflects the interest earned by the Bank on its advance portfolio relative to the total advances outstanding. A higher YAR indicates that the Bank is gaining more interest on its loan book, which is a positive indicator of profitability. However, a high YAR may also suggest that the Bank is charging high-interest rates on its loans, which could lead to credit quality concerns if borrowers struggle to repay their loans.

Yield On Investments Ratio			
Year	***Income from Investment (Rs. in crores)***	***Investment (Rs. in crores)***	***The Yield on Investment Ratio***
2016-17	1233.48	19429.67	6.348435
2017-18	1269.5	18363.08	6.913328
2018-19	1286.14	19081.38	6.740288
2019-20	1391.06	20625.27	6.744445
2020-21	1309	20321.08	6.441587

Table 6.11: Showing Yield on investment ratio.

Interpretation

The above table shows that the YIR has been relatively stable over the years, fluctuating from 6% to 7%. This Ratio reflects the income the Bank earns from its investment portfolio relative to the total investments held. A higher YIR indicates that the Bank is making more revenue from its assets, a positive indicator of profitability. However, a high YIR may also suggest that the Bank is taking on more risk in its investment portfolio, which could lead to potential losses if market conditions change.

Fixed Asset to Net Worth Ratio			
Year	***Fixed Assets (Rs. in crores)***	***Shareholders Fund (Rs. in crores)***	***Fixed Asset to Net-worth Ratio***
2016-17	656.1	4848.19	0.135329
2017-18	680.78	5243.17	0.129841
2018-19	708.66	5337.07	0.132781
2019-20	800.04	5477.35	0.146063
2020-21	795.17	5809.24	0.13688

Table 6.12: Showing Fixed Asset to Net Worth Ratio.

Interpretation

The above table shows that the FANR has varied over the years, ranging from 0.1298 to 0.1461. The FANR indicates the proportion of fixed assets financed by shareholders' funds, with a higher ratio indicating a greater reliance on equity financing for fixed assets. A lower FANR may suggest that the Bank relies more on debt financing to fund its fixed assets. It is important to note that the optimal FANR may vary depending on the industry and the Bank's specific circumstances.

Earnings Per Share			
Year	***Net profit after tax and preference dividend (Rs. in crores)***	***No. of Equity shares***	***EPS***
2016-17	392.5	18.028	21.77169
2017-18	334.89	18.088	18.51448
2018-19	247.53	18.097	13.67796
2019-20	104.59	18.097	5.779411
2020-21	61.91	20.927	2.958379

Table 6.13: Showing Earnings Per Share.

Interpretation

The table above shows that the EPS has decreased, ranging from 21.7717 to 2.9584. it indicates that the Bank's profitability has dropped over time. A decreasing EPS could cause concern for investors, suggesting that the Bank is not generating as much profit per share as it did in previous years. It is important to note that EPS should be analyzed with other financial ratios and metrics to understand a bank's financial performance better.

Return On Investment			
Year	***Net profit after tax and interest (Rs. in crores)***	***Shareholder's fund (Rs. in crores)***	***ROI***
2016-17	392.5	4848.19	8.095805
2017-18	334.89	5243.17	6.387167
2018-19	247.53	5337.07	4.637938
2019-20	104.59	5477.35	1.9095
2020-21	61.91	5809.24	1.065716

Table 6.14: Showing Return on Investment.

Interpretation

Looking at the above table, the ROI for the Bank has been declining over the years, starting at 8.1% in 2016-17 and dropping to 1.1% in 2020-21. it suggests that the Bank's profitability has decreased about the amount of capital invested. It could be due to various reasons, such as increasing expenses, lower revenue growth, or poor investment decisions. The Bank needs to identify the reasons for the declining ROI and take necessary actions to improve the profitability of its investments.

Solvency Ratio			
Year	***Total Assets (Rs. in crores)***	***Total Outside Liabilities (Rs. in crores)***	***Solvency Ratio***
2016-17	74312.15	69463.66	1.069799
2017-18	82685.87	77442.7	1.067704
2018-19	92279.22	86942.15	1.061386
2019-20	97032.9	91555.55	1.059825
2020-21	94149.17	88339.93	1.06576

Table 6.15: Showing Solvency Ratio.

Interpretation

The above table shows the solvency ratio for 2016-17 to 2020-21. 2016-17: 1.069799, 2017-18: 1.067704, 2018-19: 1.061386, 2019-20: 1.059825, 2020-21: 1. 06576. All the solvency ratios are more significant than 1, meaning the company has sufficient assets to cover its outside liabilities. However, it should be noted that the solvency ratio decreased from 2016-17 to 2019-20, then increased slightly in 2020-21. This trend could indicate that the company's ability to meet its long-term obligations has weakened somewhat in recent years, but it remains intense overall.

Debt Equity Ratio			
Year	***Outsiders fund (Rs. in crores)***	***Shareholder's fund (Rs. in crores)***	***Debt-Equity Ratio***
2016-17	69463.66	4848.19	14.32775
2017-18	77442.7	5243.17	14.77021
2018-19	86942.15	5337.07	16.29024
2019-20	91555.55	5477.35	16.7153
2020-21	88339.93	5809.24	15.2068

Table 6.16: Showing Debt-Equity Ratio.

Interpretation

In the above table given data, the debt-equity Ratio for the given years shows that the Bank has been relying more on debt financing, as the Ratio is consistently above 1. A high debt-equity ratio can indicate that the Bank is taking on more financial risk and may have to pay higher interest expenses on its debt, which can affect its profitability and cash flow.

Proprietary Ratio			
Year	***Shareholder's fund (Rs. in crores)***	***Total Assets (Rs. in crores)***	***Proprietary Ratio***
2016-17	4848.19	74312.15	6.524088
2017-18	5243.17	82685.87	6.341071
2018-19	5337.07	92279.22	5.78361
2019-20	5477.35	97032.9	5.644838
2020-21	5809.24	94149.17	6.170251

Table 6.17: Showing Proprietary Ratio.

Interpretation

The above-given data shows that the Bank's proprietary Ratio has generally decreased from 2016-17 to 2019-20, indicating that the Bank is becoming more reliant on debt financing. However, in 2020-21, the Ratio has increased slightly, indicating that the Bank has become less reliant on debt financing and has a stronger financial position.

Liquid Assets to Demand Deposits			
Year	***Liquid Assets (Rs. in crores)***	***Demand Deposits (Rs. in crores)***	***LA to Demand Deposit Ratio***
2016-17	3887.72	2752.57	141.2396
2017-18	4221.05	3057.63	138.0497
2018-19	4822.76	3331.87	144.7463
2019-20	4189.76	3207.93	130.6063
2020-21	8767.88	4321.09	202.909

Table 6.18: Showing Liquid Assets to Demand Deposits.

Interpretation

The above table shows that the liquid asset-to-demand deposit ratio has generally increased over the years, indicating an improvement in the Bank's ability to meet its short-term obligations. In 2016-17, the Ratio was 141.24, which increased to 202.91 in 2020-21. it indicates that the Bank has been able to increase its liquid assets relative to its demand deposits over the years, which is a positive sign.

Interpretation

The above table shows the current Ratio for 2016-17 to 2020-21.2016-17. All the current ratios are more significant than 1, which indicates that the company has sufficient existing assets to cover its current liabilities. Moreover, the current Ratio has generally increased over the years, with a notable spike in 2020-21. The company's high current Ratio in 2020-21 may be due to the significant increase in existing assets, and it could be a positive sign for the company's liquidity position. Still, it's important to note that a very high current ratio could indicate that the company is not effectively using its existing assets.

Current Ratio			
Year	***Current Asset***	***Current Liability***	***Current Ratio***
2016-17	3887.72	1388.42	2.800104
2017-18	4221.05	1369.73	3.081666
2018-19	4822.76	1618.82	2.979182
2019-20	4189.76	1628.43	2.572883
2020-21	8767.88	1521.11	5.764133

Table 6.19: Showing current Ratio.

Finding and Recommendations

Findings

- The South Indian Bank's steady increase in deposits is generally good for the Bank over the past five years, from Rs. 66,117.49 crores in 2016-17 to Rs. 82,710.55 crores in 2020-21, representing a growth of 25% over the period.
- The South Indian Bank has been a steady increase in advances. It means that Bank has been attracting more customers who are creditworthy and able to pay loans over the past five years, representing a growth of 25% over the period. Except for a dip in 2020-21.

- The South Indian Bank's trend in interest on advances can be beneficial for Bank because it provides banks income and profitability and has grown steadily over the past five years, from Rs. 4,447.42 crores in 2016-17 to Rs. 5,767.63 crores in 2020-21, representing a growth of 30% over the period.
- The South Indian bank mix of demand deposits, savings deposits, and term pledges can help diversify a bank's funding sources and reduce reliance on any residue that has been changing over the years. It has remained relatively consistent over the past five years.
- The South Indian bank credit-deposit Ratio indicates that the Bank is effectively managing its loan portfolio and maintaining a stable deposit base. It has remained relatively consistent over the past five years, ranging from around 70-78%, with the Ratio falling to 69.9% in 2020-21.
- The South Indian bank investment-deposit Ratio can be positive for a bank and has remained relatively consistent over the past five years, ranging from around 70-78%, with the Ratio falling to 69.9% in 2020-21.
- The South Indian Bank's decreasing cash deposit ratio may indicate that the Bank is effectively utilizing its deposit base in profitable opportunities has fluctuated over the past five years, ranging from around 3-5%, with the Ratio falling to 4% in 2020-21.
- The South Indian Bank's cost-income Ratio has been decreasing over the year, indicating that the Bank is becoming more efficient at managing its operating expenses and generating income. This result in higher profitability for Bank.
- The South Indian bank solvency Ratio of the Bank is similar in all five years; it is 1.06, which is satisfactory.
- The South Indian Bank's debt-equity is increased and decreased, and it has risen by 1% in the last year, indicating a higher proportion of debt content in the capital structure.
- The current Ratio of South Indian Bank substantially improves its ability to meet short-term obligations.
- The South Indian bank's proprietary Ratio was high in 2016-17, but they maintained the exact Ratio last year but decreased in 2018-20. They are preserving their working capital.

Recommendations

- Over the years, the Bank has witnessed a consistent increase in its deposit and advances. While the deposit growth rate has been constant, the growth rate of advances has fluctuated a bit. The growth rate of advances in 2020-21 is negative, which indicates that the Bank should focus on increasing its lending.
- The trend percentage of interest on advances has increased consistently, indicating that the Bank is earning more interest. However, the trend percentage of interest on advances decreased in 2020-21. The Bank should focus on increasing its advances to earn more interest.
- The Bank's deposit mix shows that term deposits have consistently been the largest share of total deposits, followed by savings and demand deposits. However, the proportion of term deposits decreased in 2020-21, and the Ratio of savings deposits increased. The Bank should focus on improving its term deposits, a stable funding source.
- The investment-deposit Ratio has consistently been low, indicating that the Bank is not investing a significant portion of its deposits. The Bank should focus on supporting its promises to earn more income.
- The trend in advances shows a decline in 2020-21, possibly due to non-performing assets (NPAs). The Bank should improve its asset quality by reducing its NPA ratio.
- The Bank should focus on increasing its customer outreach efforts to attract customers and increase its market share. It could include targeted marketing campaigns and offering more personalized products and services.

Conclusion

The research is based on the financial statements of South Indian Bank for the fiscal year 2021, and it can be concluded that the Bank's performance was affected by the COVID-19 pandemic, as it faced challenges such as lower loan growth and higher provisioning requirements.

However, the Bank has taken steps to mitigate these challenges and improve its performance. It has focused on digitalization and improving its asset quality by reducing its exposure to stressed sectors. The Bank has also improved its net interest margin and capital adequacy ratio.

The South Indian Bank has also contributed to the country's financial inclusion initiatives by offering banking services to unbanked and underserved areas through its extensive branch network and digital channels. It has helped to promote financial literacy, increase access to credit, and enhance the overall economic well-being of people.

Overall, South Indian Bank, like other banks in India, has played a crucial role in promoting economic growth, supporting businesses, and improving people's living standards by providing them with essential financial services. While the Bank faced challenges, it has taken steps towards improvement and has shown resilience in the face of the pandemic.

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