

OPERATIONAL EFFICIENCY OF LVB - AN ANALYSIS

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Introduction

The evolution of the modern commercial banking industry in India can be traced to 1786 with the establishment of Bank of Bengal in Calcutta. Three presidency banks were set up in Calcutta, Bombay and Madras. In 1860, the limited liability concept was introduced in banking, resulting in the establishment of joint stock banks like Allahabad Bank Limited, Punjab National Bank Limited, Bank of Baroda Limited and Bank of India Limited. In 1921, the three presidency banks were amalgamated to form the Imperial Bank of India, which took on the role of a commercial bank, a bankers' bank and a banker to the government. The establishment of the RBI as the central bank of the country in 1935 ended the quasi-central banking role of the Imperial Bank of India. In order to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state sponsored bank taking over the Imperial Bank of India and integrating with it, the former state-owned and state-associate banks. Accordingly, the State Bank of India ("SBI") was constituted in 1955. Subsequently in 1959, the State Bank of India (Subsidiary Bank) Act was passed, enabling the SBI to take over eight former state-associate banks as its subsidiaries. In 1969, 14 private banks were nationalized followed by six private banks in 1980. Since 1991 many financial reforms have been introduced substantially transforming the banking industry in India.

The Lakshmi Vilas Bank Limited 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 the RBI in June 1958, and in August 1958 it became a scheduled commercial bank.

During 1961-65, the LVB, a private sector bank, 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 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 308 branches and eight extension counters, spread over 15 states and the union territory of Puducherry, 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 LVB has a strong and wide base in the state of Tamil Nadu, one of the progressive states in the country, with a vibrant industrial environment. The LVB has been focusing on retail

banking, corporate banking and bank assurance and high tech services.

Objectives

1. To analyse the operational efficiency of LVB in terms of deposit, advance, assets, liabilities, income and expenses.
2. To present the summary of the findings of the study and offer Suggestions

Methodology

In this paper, the researcher has made an attempt to analyse the operational efficiency of LVB. The paper begins with a brief note on the financial variables that measure operational efficiency of the bank for this purpose, the financial data for a period of 10 years from 2001-02 to 2010-11 have been considered. The statistical tools such as mean, median, standard deviation, compound growth rate and correlation analysis have been applied to interpret the results statistically.. As such, this paper is based on secondary data. The secondary data have been collected from the annual reports of LVB.

In measuring bank efficiency, this study relies on a broader concept of efficiency than that which can be measured by common ratios or other accounting based measures of efficiency. In the case of banks, rate of interest, level of deposit, liquidity position, level of advances, expenditure pattern, income patterns and the like are the determinants of the bank efficiency. One major difference between banks and other industries is the identity of unit of input and unit of output namely money. Deposit, borrowings and other liabilities are the inputs, while advances, investments and other assets are the outputs. The services rendered are also taken as output. As such, in the bank performance evaluation, the fixed assets represent input variables, while different kinds of earning assets (such as loans and investments) serve as output variables. But banks' major liabilities, i.e. deposits, are quite indisputable. In the perspective of intermediate approach, banks are regarded as financial intermediaries, which essential function aim to obtain surplus funds from savers and lend them to borrowers in need of funds. Consequently, deposits are treated as input variables. Therefore, the adoption of different identification approaches will lead to different results of bank performance assessment. For the purpose of the study, the following variables are considered as the financial variables that reflect the operational efficiency of a bank.

Operational efficiency of a bank can be measured in many ways. It can be measured in terms of deposits, advances, assets, liabilities, income and expenditure.

As pointed out earlier, the deposit of a bank consists of savings deposit, demand deposit and term deposit. Table 1 shows the deposits details of LVB.

Table 1: Details of Deposits during 2001-2011

(Rs.in Lakhs)

| S.No | Year | Demand Deposit Rs. | Savings Deposit Rs. | Term Deposit Rs. | Total Deposit Rs. |
|------|---------|--------------------|---------------------|------------------|-------------------|
| 1. | 2001-02 | 30941.23 | 31215.28 | 185535.72 | 247692.23 |
| | | (-) | (-) | (-) | (-) |
| 2. | 2002-03 | 37772.2 | 34837.57 | 204440.39 | 277050.16 |
| | | (22.08) | (11.60) | (10.19) | (11.85) |
| 3. | 2003-04 | 40999.44 | 43772.99 | 244809.48 | 329581.91 |
| | | (8.54) | (25.65) | (19.75) | (18.96) |
| 4. | 2004-05 | 42699.62 | 46855.95 | 260036.94 | 349592.51 |
| | | (4.15) | (7.04) | (6.22) | (6.07) |
| 5. | 2005-06 | 45308.44 | 54785.8 | 333543.76 | 433638 |
| | | (6.11) | (16.92) | (28.27) | (24.04) |
| 6. | 2006-07 | 50691.79 | 59965.48 | 391329.96 | 501987.23 |
| | | (11.88) | (9.45) | (17.32) | (15.76) |
| 7. | 2007-08 | 55919.44 | 65851.31 | 440078.07 | 561848.82 |
| | | (10.31) | (9.82) | (12.46) | (11.92) |
| 8. | 2008-09 | 49207.69 | 74321.58 | 612561.03 | 736090.30 |
| | | (-12.00) | (12.86) | (39.19) | (31.01) |
| 9. | 2009-10 | 62852.7 | 102503.74 | 742181.33 | 907537.77 |
| | | (27.73) | (37.92) | (21.16) | (23.89) |
| 10. | 2010-11 | 83536.85 | 126208.01 | 905206.21 | 1114951.97 |
| | | (32.91)* | (23.13)* | (21.97)* | (22.85)* |

Source: Annual Reports of Lakshmi Vilas Bank

* Figures in parentheses show percentage increase/decrease from the previous

From Table 1, it is found that the LVB has mobilized more than 20% demand deposit amount than the previous year in two years such as 2002-2003 (22.08%) and 2009-2010 (27.73%) respectively and more than 30% in 2010-2011 (32.91%). The highest amount (Rs.83,536.85 lakhs) of demand deposit has been mobilized in 2010-2011. In 2008-2009, there is a negative growth in the demand deposit than the previous year (-12%).

As regards the savings deposit, LVB has mobilized more than 20% savings deposits amount than the previous year in two years such as 2003-2004 (25.65%) and 2010-2011 (23.123%) respectively and more than 30% in 2009-2010 (37.92%).

With regard to term deposit, LVB has mobilized more than 20% term deposit amount than the previous year in three years 2005-2006 (28.27%), 2010-2011 (21.97) and 2009-2010 (21.16%) respectively and more than 30% in 2008-2009 (39.19%).

Considering the total deposit, LVB has mobilized more than 20% total deposit amount than the previous year in three years 2005-2006 (24.04%), 2009-10 (23.89%) and 2010-2011 (22.85%) respectively and more than 30% in 2008-2009 (31.01%). The deposit mobilization efficiency of LVB shows an increasing trend.

The sum, mean, median, minimum, maximum, standard deviation and compound growth rate of these deposits are presented in Table 2.

Table 2: Descriptive Statistics about Deposits

(Rs.in Lakhs)

| S.No | Measure | Demand Deposit Rs. | Savings Deposit Rs. | Term Deposit Rs. | Total Deposit Rs. |
|------|-----------|--------------------|---------------------|------------------|-------------------|
| 1. | Sum | 499929.40 | 640317.71 | 4319723.00 | 5459970.00 |
| 2. | Mean | 49992.94 | 64031.77 | 431972.30 | 545997.10 |
| 3. | Median | 47258.07 | 57375.64 | 362436.90 | 467812.60 |
| 4. | Maximum | 83536.85 | 126208.0 | 905206.20 | 1114952.00 |
| 5. | Minimum | 30941.23 | 31215.28 | 185535.70 | 247692.20 |
| 6. | Std. Dev. | 14888.96 | 30169.60 | 245241.70 | 289078.60 |
| 7. | CGR* | 9.08 | 15.58 | 19.66 | 18.09 |

Source: Annual Reports of Lakshmi Vilas Bank

*Compound Growth Rate

It is clear from Table 2 that the average amount of demand deposit of the bank amounts to Rs. 49992.94 lakhs, while the maximum amount of demand deposit is Rs. 83536.85 with a standard deviation of 14888.96. The compound growth rate is arrived at 9.08.

In the case of savings deposit, the average amount of deposit of the bank amounts to Rs.64031.77 lakhs, while the maximum amount of savings deposit is Rs.126208.00 with a standard deviation of 30169.60. The compound growth rate is arrived at 15.58.

In the case of term deposit, the average amount of deposit of the bank amounts to Rs.545997.10 lakhs, while the maximum amount of term deposit is Rs.905206.20 with a standard deviation of 245241.70. The compound growth rate is arrived at 19.66.

In its totality approach, the average amount of deposit of the bank amounts to Rs.545997.10 lakhs, while the maximum amount of deposit is Rs.1114952.00 with a standard deviation of 289078.60. The compound growth rate is arrived at 18.09.

It is inferred that the deposit grows at the rate of 18.09. Among the different types of deposits, term deposit is prominent with the growth rate of 19.66, which is above the average growth rate of 18.09. As regards, the demand deposit, it has recorded a lowest growth rate of 9.08. The bank should therefore concentrate on demand deposit for the growth of business in general.

Analysis of Financial Variable - Advances

Table 3 shows the details of advances made by the bank during 2001-2011.

Table 3: Details of Advances during 2001-2011

(Rs. in Lakhs)

| S.No | Year | Bills Purchased and Discounted Rs. | Cash Credit, Over Draft and Loans Rs. | Term Loans Rs. | Total Advances Rs. |
|------|---------|------------------------------------|---------------------------------------|----------------|--------------------|
| 1. | 2001-02 | 20769.23 | 81255.9 | 54500.06 | 156525.19 |
| | | (-) | (-) | (-) | (-) |
| 2. | 2002-03 | 17478.35 | 92705.95 | 66185.52 | 176369.82 |
| | | (-15.84) | (14.09) | (21.44) | (12.68) |
| 3. | 2003-04 | 20669.53 | 99367.25 | 83833.62 | 203870.4 |
| | | (18.26) | (7.19) | (26.66) | (15.59) |
| 4. | 2004-05 | 20959.30 | 122036.87 | 88774.97 | 231771.14 |
| | | (1.40) | (22.81) | (5.89) | (13.69) |
| 5. | 2005-06 | 19416.15 | 136324.47 | 139541.35 | 295281.97 |
| | | (-7.36) | (11.71) | (57.19) | (27.40) |
| 6. | 2006-07 | 18189.66 | 200908.08 | 142172.56 | 361270.3 |
| | | (-6.32) | (47.37) | (1.89) | (22.35) |
| 7. | 2007-08 | 30798.78 | 224299.3 | 130780.67 | 385878.75 |
| | | (69.32) | (11.64) | (-8.01) | (6.81) |
| 8. | 2008-09 | 42502.91 | 277693.66 | 204386.32 | 524582.89 |
| | | (38.00) | (23.80) | (56.28) | (35.95) |
| 9. | 2009-10 | 40760.29 | 319769.65 | 267219.58 | 627749.52 |
| | | (-4.10) | (15.15) | (30.74) | (19.67) |
| 10. | 2010-11 | 40444.62 | 448953.1 | 320044.56 | 809442.28 |
| | | (-0.77)* | (40.40)* | (19.77)* | (28.94)* |

Source: Annual Reports of Lakshmi Vilas Bank

* Figures in parentheses show percentage increase/decrease from the previous year amount

From Table 3, it is found that LVB has created advances more than 20% in bills purchased and discounted than the previous year in the year 2003-2004 (18.26%) and more than 30% in 2007-2008 (69.32%) and 2008-2009 (38.00%). The highest amount (Rs.30798.78 lakhs) of bills purchased and discounted has been created in the year 2007-2008 than the previous year and the highest amount Rs.42502.91 lakhs of bills purchased and discounted has been made in 2008-2009. In the year 2002-2003, the highest negative growth in the bills purchased and discounted has been noticed with -15.84. The negative trend is found in the years 2005-2006 (-7.36), 2006 -2007 (-6.32), 2009-2010 (-4.10) and in the year 2010-2011 (-0.77).

As regards cash credit, over draft and loans, LVB has made more than 20% than the previous year in two years such as 2008-2009 (23.80%) and 2004-2005 (22.81%) respectively and more than 30% in two years 2006-2007 (47.37%) and 2010-2011(40.40%). The growth rate is positive in all years.

Considering the term loans, LVB has made more than 20% than the previous year in two years 2003-2004 (26.66%) and 2002-2003 (21.44%) respectively and more than 30 % in the three years 2005-2006 (57.19%), 2008-2009 (56.28%) and 2009-2010 (30.74%) respectively. In 2007-2008, the negative growth rate is found with -8.01.

Regarding total advances, LVB has made more than 20% than the previous year in three years, 2010-2011 (28.94%), 2005-2006 (27.40%) and 2006-2007 (22.35%) respectively and more than 30% in 2008-2009 (35.95%). The lending efficiency of LVB shows a fluctuating trend. There is no negative growth rate in total advances.

The sum, mean, median, minimum, maximum, standard deviation and compound growth rate of these components of advances are presented in Table 4

Table 4: Descriptive Statistics About Advances

(Rs.in Lakhs)

| S.No | Year | Bills Purchased and Discounted Rs. | Cash Credit, Over Draft and Loans Rs. | Term Loans Rs. | Total Advances Rs. |
|------|-----------|------------------------------------|---------------------------------------|----------------|--------------------|
| 1. | Sum | 271988.80 | 2003314.00 | 1497439.00 | 3772742.00 |
| 2. | Mean | 27198.88 | 200331.40 | 149743.90 | 377274.20 |
| 3. | Median | 20864.27 | 168616.30 | 135161.00 | 328276.10 |
| 4. | Maximum | 42502.91 | 448953.10 | 320044.60 | 809442.30 |
| 5. | Minimum | 17478.35 | 81255.90 | 54500.06 | 156525.20 |
| 6. | Std. Dev. | 10358.38 | 119638.70 | 88458.67 | 215662.40 |
| 7. | CGR* | 10.60 | 20.96 | 20.92 | 20.04 |

Source: Annual Reports of Lakshmi Vilas Bank

*Compound Growth Rate

It is clear from Table 4 that the average amount of bills purchased and discounted of the bank amounts to Rs. 27198.88 lakhs, while the maximum amount of bills purchased and discounted is Rs. 42502.91 with a standard deviation of 10358.38. The compound growth rate is arrived at 10.60.

In the case of cash credit, over draft and loans, the average amount accounts for Rs. 200331.40 lakhs, while the maximum amount of cash credit, over draft and loans is Rs. 448953.10 with a standard deviation of 119638.70. The compound growth rate is arrived at 20.96.

In the case of term loans, the average amount of advances of the bank amounts to Rs. 149743.90 lakhs, while the maximum amount of term loans is Rs.320044.60 with a standard deviation of 88458.67. The compound growth rate is arrived at 20.92.

In its totality approach, the average amount of advances of the bank amounts to Rs. 377274.20 lakhs, while the maximum amount of advances is Rs.809442.30 with a standard deviation of 215662.40. The compound growth rate is arrived at 20.04.

It is inferred that the total advances grow at the rate of 20.04. Among the different types of advances, cash credit, over draft and loans is prominent with the growth rate of

20.96, which is above the average growth rate of 20.04. As regards, the bills purchased and discounted, it has recorded a lowest growth rate of 10.60. The bank should therefore concentrate on bills purchased and discounted advances for the growth of business in general. The growth rate for term loans is 20.92, which is more than the growth rate of total advances.

Analysis of Financial Variable- Assets

The total assets of the bank covers cash balances with RBI, balances with banks and money at call at short notice, investments, fixed assets and other assets. These components are analysed individually and their details are presented in the Table 5.

Table 5: Details of Components of Assets during 2001-2011

(Rs. in Lakhs)

| S.No | Year | Cash Balances with RBI Rs. | Balances with Banks and Money at Call and Short Notice Rs. | Investments Rs. | Assets Rs. |
|------|---------|----------------------------|--|-----------------|------------|
| 1. | 2001-02 | 15895.92 | 8652.02 | 90420.57 | 156525.19 |
| | | (-) | (-) | (-) | (-) |
| 2. | 2002-03 | 16605.58 | 6691.93 | 103657.52 | 176369.82 |
| | | (4.46) | (-22.65) | (14.64) | (12.68) |
| 3. | 2003-04 | 23039.4 | 4973.13 | 133816.81 | 203870.4 |
| | | (38.74) | (-25.68) | (29.10) | (15.59) |
| 4. | 2004-05 | 25877.8 | 9545.97 | 118086.14 | 231771.14 |
| | | (12.32) | (91.95) | (-11.76) | (13.69) |
| 5. | 2005-06 | 20011.03 | 26328.97 | 127986.68 | 295281.97 |
| | | (-22.67) | (175.81) | (8.38) | (27.40) |
| 6. | 2006-07 | 28630.47 | 35515.58 | 130930.24 | 361270.3 |
| | | (43.07) | (34.89) | (2.30) | (22.35) |
| 7. | 2007-08 | 38534.58 | 22955.71 | 169367.77 | 385878.75 |
| | | (34.59) | (-35.36) | (29.36) | (6.81) |
| 8. | 2008-09 | 59196.52 | 28944.79 | 186305.62 | 524583 |
| | | (53.62) | (26.09) | (10.00) | (35.95) |
| 9. | 2009-10 | 75082.7 | 8296.39 | 298322.23 | 627749.52 |
| | | (26.84) | (-71.34) | (60.13) | (19.67) |
| 10. | 2010-11 | 94360.53 | 8295.54 | 351885.03 | 809442.28 |
| | | (25.68)* | (-0.01)* | (17.95)* | (28.94)* |

Source: Annual Reports of Lakshmi Vilas Bank

* Figures in parentheses show percentage increase/decrease from the previous year amount

From Table 5, it is found that LVB has got more than 20% cash balances with RBI than the previous year in two years, 2009-2010 (26.84%) and 2010-2011 (25.68%)

respectively and more than 30% in four years 2008-2009 (53.62%), 2006-2007 (43.07%), 2003-2004 (38.74%) and 2007-2008 (34.59%). The highest amount of Rs.94360.53 lakhs of cash balances with RBI is found in 2010-2011.

As regards the Balances with bank and money at call and short notice, it is found that more than 100% amount than the previous year in the year 2005-2006 (175.81%) is found and more than 50% are found in three years 2004-2005 (91.95%), 2006-2007 (34.89%) and 2008-2009 (26.09%) respectively.

With regard to investment, LVB has invested more than 50% amount than the previous year in the year 2009-2010 (60.13%) and more than 20% in two years 2007-2008 (29.36%) and 2003-2004 (29.10%).

Regarding the total advances, LVB has made more than 20% total assets amount than the previous year in the year 2005-2006 (27.40%), 2006-2007 (22.35%) and 2010-2011 (28.94%) and more than 30% in the year 2008-2009 (35.95%). The trend shows a fluctuating trend.

The sum, mean, median, minimum, maximum, standard deviation and compound growth rate of these components of assets are presented in Table 6.

Table 6: Descriptive Statistics about Assets

(Rs.in Lakhs)

| S.No | Year | Cash Balances with RBI Rs. | Balances with Banks and Money at Call and Short Notice Rs. | Investments Rs. | Assets Rs. |
|------|------------------|----------------------------|--|-----------------|--------------|
| 1. | Sum | 397234.5 | 160200.00 | 1710779.00 | 3772742.00 |
| 2. | Mean | 39723.45 | 16020.00 | 171077.90 | 377274.20 |
| 3. | Median | 27254.14 | 9099.00 | 132373.50 | 328276.10 |
| 4. | Maximum | 94360.53 | 35515.58 | 351885.00 | 809442.30 |
| 5. | Minimum | 15895.92 | 4973.13 | 90420.57 | 156525.20 |
| 6. | Std. Dev. | 27284.47 | 11185.68 | 86816.20 | 215662.4 |
| 7. | CGR* | 22.03 | 8.11 | 14.53 | 20.03 |

Source: Annual Reports of Lakshmi Vilas Bank

*Compound Growth Rate

It is clear from Table 6, that the average amount of cash balances with RBI of the bank amounts to Rs. 39723.45 lakhs, while the maximum amount of cash balances with RBI is Rs. 94360.53 with a standard deviation of 27284.47. The compound growth rate is arrived at 22.03.

In the case of balances with banks and money at call and short notice, the average amount of assets of the bank amounts to Rs. 16020.00 lakhs, while the maximum amount of balances with banks and money at call and short notice is Rs. 35515.58 with a standard deviation of 11185.68. The compound growth rate is arrived at 8.11.

In the case of investments, the average amount of assets of the bank amounts to

Rs. 171077.90 lakhs, while the maximum amount of investments is Rs. 351885.00 with a standard deviation of 86816.20. The compound growth rate is arrived at 14.53.

In its totality approach, the average amount of assets of the bank amounts to Rs. 377274.20 lakhs, while the maximum amount of assets is Rs. 809442.30 with a standard deviation of 215662.4. The compound growth rate is arrived at 20.03.

It is inferred that the assets grows at the rate of 20.03. Among the different types of deposits, cash balances with RBI are prominent with the growth rate of 22.03, which is above the average growth rate of 20.03. As regards, the balances with banks and money at call and short notice, it has recorded a lowest growth rate of 8.11. The bank should therefore concentrate on balances with banks and money at call and short notice for the growth of business in general.

Analysis of Financial Variable - Liabilities

The liabilities of the bank cover the capital, reserves and surplus, deposits, borrowing, other liabilities and provisions. Data regarding these variables are collected from the annual reports of the LVB and analysis details are presented in the following Table 7.

Table 7: Details of Components of Liabilities during 2001-2011

(Rs. in Lakhs)

| S.No | Year | Capital Rs. | Reserves and Surplus Rs. | Deposits Rs. |
|------|---------|-------------|--------------------------|--------------|
| 1. | 2001-02 | 1150.88 | 15290.57 | 247692.23 |
| | | (-) | (-) | (-) |
| 2. | 2002-03 | 1150.89 | 18057.72 | 277050.16 |
| | | (0.00) | (18.10) | (11.85) |
| 3. | 2003-04 | 1150.89 | 21513.39 | 329581.91 |
| | | (0.00) | (19.14) | (18.96) |
| 4. | 2004-05 | 1150.89 | 21847.83 | 349592.51 |
| | | (0.00) | (1.55) | (6.07) |
| 5. | 2005-06 | 1953.46 | 27150.9 | 433638 |
| | | (69.73) | (24.27) | (24.04) |
| 6. | 2006-07 | 4780.51 | 34828.36 | 501987.23 |
| | | (144.72) | (28.28) | (15.76) |
| 7. | 2007-08 | 4877.62 | 36890.54 | 561848.82 |
| | | (2.03) | (5.92) | (11.92) |
| 8. | 2008-09 | 4877.62 | 40493.97 | 736090.30 |
| | | (0.00) | (9.77) | (31.01) |
| 9. | 2009-10 | 9750.87 | 64148.86 | 907537.77 |
| | | (99.91) | (58.42) | (23.89) |
| 10. | 2010-11 | 9752.58 | 79490.91 | 1114951.97 |
| | | (0.02)* | (23.92)* | (22.85)* |

Source: Annual Reports of Lakshmi Vilas Bank

* Figures in parentheses show percentage increase/decrease from the previous year amount

From Table 7, it is found that LVB has generated more than 100% capital amount than the previous year in two years 2006-2007 (144.72%) and 2009-2010 (99.91%) and more than 50% in the year 2005-2006 (69.73%). The highest amount of Rs.9752.58 lakhs of capital has been mobilized in 2010-2011.

Regarding the reserve and surplus, the LVB has made than 50% than the previous year in the year 2009-2010 (58.42%) and more than 20% in three years 2006-2007 (28.28%), 2005-2006 (24.27%) and 2010-2011 (23.92%).

The sum, mean, median, minimum, maximum, standard deviation and compound growth rate of these components of liabilities are presented in Table 8.

Table 8: Descriptive Statistics about Liabilities

(Rs.in Lakhs)

| S.No | Year | Capital Rs. | Reserves and Surplus Rs. | Deposits Rs. |
|------|-----------|-------------|--------------------------|--------------|
| 1. | Sum | 40595.82 | 359713.10 | 5459971.00 |
| 2. | Mean | 4059.58 | 35971.31 | 545997.10 |
| 3. | Median | 3366.99 | 30989.63 | 467812.60 |
| 4. | Maximum | 9752.58 | 79490.91 | 1114952.00 |
| 5. | Minimum | 1150.88 | 15290.57 | 247692.20 |
| 6. | Std. Dev. | 3414.61 | 20937.55 | 289078.60 |
| 7. | CGR* | 32.66 | 18.99 | 18.09 |

Source: Annual Reports of Lakshmi Vilas Bank

*Compound Growth Rate

It is clear from Table 8 that the average amount of capital of the bank amounts to Rs. 4059.58 lakhs, while the maximum amount of capital is Rs. 9752.58 lakhs with a standard deviation of 3414.61. The compound growth rate is arrived at 32.66.

In the case of reserve and surplus, the average amount of liabilities of the bank amounts to Rs. 35971.31 lakhs, while the maximum amount of reserve and surplus is Rs. 79490.91 lakhs with a standard deviation of 20937.55. The compound growth rate is arrived at 18.99.

In the case of deposit, the average amount of deposit of the bank amounts to Rs. 545997.10 lakhs, while the maximum amount of deposit is Rs. 1114952.00 lakhs with a standard deviation of 289078.60. The compound growth rate is arrived at 18.09.

It is inferred that the reserve and surplus grows at the rate of 18.99. Among the different types of liabilities, capital is prominent with the growth rate of 32.66, which is above the average growth rate of 18.09. As regards, the deposit, it has recorded a lowest growth rate of 18.09. The bank should therefore concentrate on deposit for the growth of business in general.

The sum, mean, median, minimum, maximum, standard deviation and compound growth rate of these components of liabilities are presented in Table 9.

Table 9: Descriptive Statistics about Liabilities

(Rs.in Lakhs)

| S.No | Measure | Borrowings Rs. | Other Liabilities and Provisions Rs. | Total Liabilities Rs. |
|------|-----------|----------------|--------------------------------------|-----------------------|
| 1. | Sum | 142612.10 | 326271.9 | 6329164.00 |
| 2. | Mean | 14261.21 | 32627.19 | 632916.40 |
| 3. | Median | 5845.14 | 30885.90 | 537308.10 |
| 4. | Maximum | 72510.70 | 53413.04 | 1330118.00 |
| 5. | Minimum | 529.98 | 17003.76 | 284869.20 |
| 6. | Std. Dev. | 22485.51 | 12120.19 | 342399.50 |
| 7. | CGR* | 28.63 | 12.46 | 18.25 |

Source: Annual Reports of Lakshmi Vilas Bank

*Compound Growth Rate

It is clear from Table 9, that the average amount of borrowings of the bank amounts to Rs.14261.21 lakhs, while the maximum amount of borrowings is Rs.72510.70 lakhs with a standard deviation of 22485.51. The compound growth rate is arrived at 28.63.

In the case of other liabilities and provisions, the average amount is Rs.32627.19 lakhs, while the maximum amount of other liabilities and provisions is Rs.53413.04 lakhs with a standard deviation of 12120.19. The compound growth rate is arrived at 12.46

In its totality approach, the average amount of liabilities of the bank amounts to Rs.632916.40 lakhs, while the maximum amount of liabilities is Rs.1330118.00 with a standard deviation of 342399.50. The compound growth rate is arrived at 18.25.

It is inferred that the liabilities grows at the rate of 18.25. Among the different types of liabilities, borrowings is prominent with the growth rate of 28.63, which is above the average growth rate of 18.25. As regards, the other liabilities and provisions, it has recorded a lowest growth rate of 12.46.

Analysis of Financial Variable - Income

The income component of the bank is divided into interest income and other income. The details are presented Table 10.

Table 10: Details of Income Components during 2001-2011

(Rs. in Lakhs)

| S.No | Year | Interest Earned Rs. | Other Income Rs. | Total Income Rs. |
|------|---------|---------------------|------------------|------------------|
| 1. | 2001-02 | 27150.16 | 8597.44 | 35747.6 |
| | | (-) | (-) | (-) |
| 2. | 2002-03 | 27098.4 | 8422.99 | 35521.39 |
| | | (-0.19) | (-2.03) | (-0.63) |
| 3. | 2003-04 | 28595.44 | 8686.24 | 37281.68 |
| | | (5.52) | (3.13) | (4.96) |
| 4. | 2004-05 | 29820.42 | 3832 | 33652.42 |
| | | (4.28) | (-55.88) | (-9.73) |

| | | | | |
|-----|---------|-----------|----------|-----------|
| 5. | 2005-06 | 32205.64 | 4607.08 | 36812.72 |
| | | (8.00) | (20.23) | (9.39) |
| 6. | 2006-07 | 41826.14 | 5672.44 | 47498.58 |
| | | (29.87) | (23.12) | (29.03) |
| 7. | 2007-08 | 50605.76 | 8247.75 | 58853.51 |
| | | (20.99) | (45.40) | (23.91) |
| 8. | 2008-09 | 65761.11 | 10698.93 | 76460.04 |
| | | (29.95) | (29.72) | (29.92) |
| 9. | 2009-10 | 90932.4 | 10355.7 | 101288.1 |
| | | (38.28) | (-3.21) | (32.47) |
| 10. | 2010-11 | 106483.55 | 13701.59 | 120185.14 |
| | | (17.10)* | (32.31)* | (18.66)* |

Source: Annual Reports of Lakshmi Vilas Bank

* Figures in parentheses show percentage increase/decrease from the previous year amount

From Table 10, it is found that the LVB has earned more than 20% interest income than the previous year in three years, 2008-2009 (29.25%), 2006-2007 (29.87%) and 2007 - 2008 (20.99%). The highest amount of Rs. 10,64,83.55 lakhs of interest income earned is in the year 2010-2011. Except in the year 2002-2003 the interest income trend is on increase and it shows the income earning capacity of LVB, which is appreciating one.

As regards other income, the LVB has earned more than 20% than the previous year in three years 2008-2009 (29.72%), 2006-2007 (23.12%) and 2005-2006 (20.23%) and more than 30% in the year 2007-2008 (45.40%).

LVB earned more than 20% total income than the previous year in three years 2008-2009 (29.92%), 2006-2007 (29.03%) and 2007-2008 (23.91%) and more than 30% in the year 2009-2010 (32.47%). The income earning efficiency of LVB shows an increasing trend.

The sum, mean, median, minimum, maximum, standard deviation and compound growth rate of this income are presented in Table 11.

Table 11: Descriptive Statistics about Income

(Rs. in Lakhs)

| S.No | Year | Interest Earned Rs. | Other Income Rs. | Total Income Rs. |
|------|-----------|------------------------|---------------------|---------------------|
| 1. | Sum | 500479.0 | 82822.16 | 583301.2 |
| 2. | Mean | 50047.90 | 8282.216 | 58330.12 |
| 3. | Median | 37015.89 | 8510.22 | 42390.13 |
| 4. | Maximum | 106483.6 | 13701.59 | 120185.1 |
| 5. | Minimum | 27098.40 | 3832.00 | 33652.42 |
| 6. | Std. Dev. | 28693.84 | 2979.84 | 31025.00 |
| 7. | CGR* | 17.62 | 5.73 | 15.49 |

Source: Annual Reports of Lakshmi Vilas Bank

*Compound Growth Rate

It is clear from Table 11 that the average amount of interest income of the bank amounts to Rs.50047.90 lakhs, while the maximum amount of interest income is Rs.106483.6 with a standard deviation of 28693.84. The compound growth rate is arrived at

17.62.

In the case of other income, the average amount of other income amounts to Rs.64031.77 lakhs, while the maximum amount of other income is Rs.13701.59 with a standard deviation of 2979.84. The compound growth rate is arrived at 5.73.

In its totality approach, the average amount of total income of the bank amounts to Rs.58330.12 lakhs, while the maximum amount of total income is Rs.120185.1 with a standard deviation of 31025.00. The compound growth rate is arrived at 15.49.

It is inferred that the income grows at the rate of 15.49. Among the different types of income, interest earned is prominent with the growth rate of 17.62, which is above the average growth rate of 15.49. As regards, the other income, it has recorded a lowest growth rate of 5.73. The bank should therefore concentrate on other income for the growth of business in general.

Analysis of Financial Variable - Expenses

The expenses component of the bank is divided into three namely, interest expenses, operating expenses and provisions and contingencies. The details of these components are presented in the following Table 12.

Table 12: Details of Expenses during 2001-2011

(Rs. in Lakhs)

| S.No | Year | Interest Expended Rs. | Operating Expenses Rs. | Provisions and Contingencies Rs. | Total Expenses Rs. |
|------|---------|-----------------------|------------------------|----------------------------------|--------------------|
| 1. | 2001-02 | 20973.13 | 7038.05 | 4714.31 | 32725.49 |
| | | (-) | (-) | (-) | (-) |
| 2. | 2002-03 | 20276.32 | 7239.57 | 4589.17 | 32105.06 |
| | | (-3.32) | (2.86) | (-2.65) | (-1.90) |
| 3. | 2003-04 | 20251.39 | 8354.97 | 4570.47 | 33176.83 |
| | | (-0.12) | (15.41) | (-0.41) | (3.34) |
| 4. | 2004-05 | 19153.57 | 9027.88 | 5136.53 | 33317.98 |
| | | (-5.42) | (8.05) | (12.39) | (0.43) |
| 5. | 2005-06 | 21656.4 | 11164.63 | 1744.67 | 34565.7 |
| | | (13.07) | (23.67) | (-66.03) | (3.74) |
| 6. | 2006-07 | 29917.98 | 10222.29 | 5599.88 | 45740.15 |
| | | (38.15) | (-8.44) | (220.97) | (32.33) |
| 7. | 2007-08 | 38192.5 | 11644.27 | 6489.83 | 56326.6 |
| | | (27.66) | (13.91) | (15.89) | (23.14) |
| 8. | 2008-09 | 50407.18 | 15168.69 | 5854.64 | 71430.51 |
| | | (31.98) | (30.27) | (-9.79) | (26.81) |
| 9. | 2009-10 | 66019.38 | 18647.79 | 13554.13 | 98221.3 |
| | | (30.97) | (22.94) | (131.51) | (37.51) |
| 10. | 2010-11 | 69984.44 | 22814.82 | 17272.2 | 110071.46 |
| | | (6.01)* | (22.35)* | (27.43)* | (12.06)* |

Source: Annual Reports of Lakshmi Vilas Bank

* Figures in parentheses show percentage increase/decrease from the previous year amount

From Table 12, it is found that the interest expense of LVB is more than 20% than the previous year in the year 2007-2008 (27.66%) and more than 30% in the year 2006-2007 (38.15%), 2008 -2009 (31.98%) and 2009-2010 (30.97%). The highest amount of Rs.69984.44 lakhs of interest expended is noticed in the year 2010-2011. In the year 2003-2004, there is a negative trend in the interest expended than the previous year i.e., (-0.12).

The operating expenses of LVB are more than 20% than the previous year in three years i.e., 2005-2006 (23.67%), 2009-2010 (22.94%) and 2010-2011(22.35%). More than 30% than the previous year is found in the year 2008 - 2009 (30.27%). The operating expenses have decreased in the year from Rs.11164.63 lakhs in 2005-2006 to Rs.10222.29 lakhs in 2006-2007 (8.44%)

As regards provisions and contingencies, more than 100% than the previous year is found in two years 2006-2007 (220.97%) and 2009-2010 (131.51%) respectively and more than 20% in the year 2010-2011 (27.43%).

The total expenses of LVB are more than 20% than the previous year in two years 2007-2008 (23.14%) and in the year 2008-2009 (26.81%) and more than 30% in the year 2009-2010 (37.51%) and 2006-2007 (32.33%). The total expenses of LVB show an increasing trend.

The sum, mean, median, minimum, maximum, standard deviation and compound growth rate of these expenses are presented Table 13.

Table 13: Descriptive Statistics about Expenses

(Rs. in Lakhs)

| S.No | Year | Interest Expended Rs. | Operating Expenses Rs. | Provisions and Contingencies Rs. | Total Expenses Rs. |
|------|-----------|-----------------------|------------------------|----------------------------------|--------------------|
| 1. | Sum | 356832.30 | 121323.00 | 69525.83 | 547681.10 |
| 2. | Mean | 35683.23 | 12132.30 | 6952.58 | 54768.11 |
| 3. | Median | 25787.19 | 10693.46 | 5368.21 | 40152.93 |
| 4. | Maximum | 69984.44 | 22814.82 | 17272.20 | 110071.50 |
| 5. | Minimum | 19153.57 | 7038.05 | 1744.67 | 32105.06 |
| 6. | Std. Dev. | 19762.67 | 5211.16 | 4714.22 | 29139.76 |
| 7. | CGR* | 17.11 | 13.48 | 14.52 | 15.96 |

Source: Annual Reports of Lakshmi Vilas Bank

*Compound Growth Rate

It is clear from Table 13 that the average amount of interest expended of the bank amounts to Rs. 35683.23 lakhs, while the maximum amount of interest expended is Rs. 69984.44 lakhs with a standard deviation of 19762.67. The compound growth rate is arrived at 17.11.

In the case of operating expenses, the average amount of operating expenses of the bank amounts to Rs. 12132.30 lakhs, while the maximum amount of operating expenses is Rs. 22814.82 lakhs with a standard deviation of 5211.16. Amount of provisions and contingencies is Rs. 17272.20 with a standard deviation of 4714.22. The compound growth rate is arrived at 14.52.

In total, the average amount of expenses of the bank amounts to Rs.54768.11 lakhs, while the maximum amount of expenses is Rs. 110071.50 lakhs with a standard deviation of 29139.76. The compound growth rate is arrived at 15.96.

It is inferred that the expenses grows at the rate of 15.96. Among the different types of expenses, interest expended is prominent with the growth rate of 17.11, which is above the average growth rate of 15.96. As regards, the operating expenses, it has recorded a lowest growth rate of 13.48.

Summary

This chapter analyses the operational efficiency of LVB Ltd. For this purpose the important financial components like Deposits, Advances, Assets, liabilities, Income and Expenses items are considered. It is interesting to note that out of three deposits namely Demand Deposits, Savings Deposits and Term Deposits, Term deposits' composition is highest to the total deposits than the other deposits. It is inferred that out of three components of advances cash credit, over draft and loans are contributing more to total advances than the other items. The highest correlation is found between advances and total assets. It is found that capital, reserves and surplus, deposits, borrowings, other liabilities and provisions are positively correlated with total liabilities. The highest correlation is found between deposits and total liabilities. It is found that interest income is increasing than total income. The increasing trend of total advances is the reason for the increasing rate of interest income. It is found that interest expended occupies more in total expenses than other expenses. From the above major findings it is concluded that the operational efficiency of LVB is satisfactory.

Conclusion

The operational efficiency of the LVB has been analysed and found that the financial position is good. Further, the bank should maintain the increasing trend of market value of equity to increase its financial solvency position. Regarding the employees' productivity, the LVB Ltd has achieved a good position during the period under study. Growth rate of deposit mobilization and advances shows that the LVB is functioning effectively.