# AN APPRAISAL OF FINANCIAL PERFORMANCE OF EXPORT-IMPORT BANK OF INDIA

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**ABSTRACT:**
　　　Financial performance measures the results of a firm's policies and operation in monetary terms. It is a subjective measure of how well an organisation can use assets for its primary mode of business and generate revenue. Sound financial health/position of a bank and financial Institutions is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. The basic and most crucial form of analysis the financial statement of any concern is concluded from the Income statement and position statement through different financial ratios such as profitability, solvency, activity and liquidity ratio. In this paper the financial efficacy of Exim Bank of India has been evaluated by using certain specific ratios which usually used in banking and financial institutions. From the study of ten year (2008-09 to 2017-18) it is deduced from the analysis that the capital adequacy, asset quality and earning efficiency of the bank is comparatively poor performing in the recent past as far as liquidity position of the bank is favourable among whole period of the study.

**KEYWORDS:** Financial Performance, Capital Adequacy, Asset Quality, Earning capacity, liquidity Position

## INTRODUCTION
　　　Banking and financial institutions are mainly focused and concerned with different financing and refinancing activities. The financial statement such as Income Statement and Position statement of any concern shows the financial health of the organisation which can be used as a decision making tools for external as well as internal stakeholders attached to that organisation. However the financial statement dose not discloses all relevant facts and figure and hence is not adequately helpful until and unless an effective analysis and interpretation of the same has been examined. Thus to draw a meaningful conclusion the financial statement must be properly analysis and interpret to establish a meaningful relationship between various items presented in the financial statement.

## EXIM BANK OF INDIA
　　　Export and Import Bank of India set up in 1982 by an act of parliament and is fully owned by Government of India. The Bank mission is to facilitate globalization of Indian business, with its global foot print. It plays a vital role as a catalyst to boost India's global and cross border trade and help Indian companies at all stages of their Export business cycle. The Export-Import Bank of India is a principal financial institution and official export credit agency (ECA) of the India which offers loans, loan guarantees and gamut of value added services for export capability and enhancing the export opportunities for Indian business and exporters. The wide range of product and services starting from

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import of technology and export product development to export production helps Indian companies in their globalisation effort.

## OBJECTIVE OF THE STUDY
1. To Analyse the overall financial Performance of the Exim Bank of India
2. To Examine the Capital Adequacy of the Bank
3. To Evaluate the Asset Quality and Earning Efficiency of the Bank
4. To assess the liquidity position of the Bank

## SCOPE OF THE STUDY
The study focuses on the overall financial efficacy of the Export-Import Bank of India which has been evaluated and observed with the help of different financial models and Ratio Analysis. In this regard the author made an attempt to examine the deep insight of the Balance Sheet for ten financial years from 2008-09 to 2017-18.

## Sources of Data
The present study focuses on the financial performance of the Bank for which the data has been collected from the financial statement of the concern Bank available in its annual report, so, we can say that the study is purely based on secondary data sources.

## Limitation of the study
As the study is purely based on the secondary data, the reliability of the result will be based on the accuracy of the secondary data available in the public domain. Further the study is conducted for a particular period from 2008-09 to 2018-19. Apart from these the study is restricted to only analysing the financial efficacy of the Exim bank.

## RESULTS AND DISCUSSION:
We have examined and analyse the financial statements and overall growth performance of the Exim bank of India with the help of different financial ratios which specifically used as a model to judge the efficacy of financial and banking institutions. The Following ratios are used to judge the different financial aspects of the Bank:
1. To judge the capital adequacy and solvency position Capital to Risk weighted Asset Ratio (CRAR) and Debt- Equity Ratio (DER) respectively has been used.
2. To know the Asset Quality of the bank we have analysed proportion of net NPAs in total advances as well in total assets of the bank.
3. To analyse the earning efficiency of the bank we have used Operating profit to average working fund ratio (OPAWFR) and interest income to total income ratio of the bank.
4. To measure the liquidity position of the bank we have used current ratio and liquid ratio.
The value of all the ratios used in the study has been presented in Table 1 for the period 2008-09 to 2017-18.

### Table 1: Ratios related to financial performance of the Exim Bank

| Parameter | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---|---|---|---|---|---|---|---|---|---|---|
| Capital to Risk Asset Ratio (%) | 16.80 | 18.99 | 17.04 | 16.44 | 15.28 | 14.32 | 15.34 | 14.55 | 15.81 | 10.35 |
| Debt-Equity Ratio (times) | 9.34 | 8.65 | 8.71 | 8.81 | 8.60 | 8.27 | 7.62 | 8.10 | 7.99 | 10.85 |
| Net NPAs to Total Advance | 0.23 | 0.20 | 0.20 | 0.29 | 0.47 | 0.42 | 0.59 | 0.83 | 4.68 | 3.75 |

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| Ratio (%) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Net NPAs to Total Assets Ratio (%) | 0.18 | 0.16 | 0.17 | 0.25 | 0.40 | 0.37 | 0.52 | 0.74 | 4.10 | 3.26 |
| OPAWFR (%) | 2.36 | 1.75 | 2.21 | 2.51 | 2.41 | 2.93 | 2.33 | 2.48 | 2.24 | 1.70 |
| Interest Income to total Income (%) | 90.64 | 95.58 | 93.47 | 92.32 | 93.77 | 94.09 | 93.80 | 94.45 | 91.40 | 93.85 |
| Current Ratio (times) | 3.02 | 2.77 | 3.82 | 2.99 | 2.56 | 1.42 | 1.24 | 1.29 | 1.25 | 1.38 |
| Liquidity Ratio (times) | 1.98 | 1.56 | 2.52 | 2.10 | 2.08 | 1.02 | 0.91 | 0.93 | 0.84 | 0.97 |

**Source:** compiled and computed from annual report of Exim Bank of India (various issues)

## Capital Adequacy and Debt Equity

Capital base of banking and financial institutions provides information to depositors in forming their risk perception regarding the financial institutions. Also, it is the essential parameter for financial managers to maintain appropriate levels of capitalization. This ratio is mainly used to protect depositors as well as promoting the stability and efficiency of financial systems around the world. In this way, Capital adequacy ultimately determines how well financial institutions can cope with shocks with respect to their balance sheets. Although various indicators are used to determine Capital Adequacy, the commonly used indicator is Capital to Risk Assets ratio and Debt Equity Ratio.

**Chart-1:Trends of Capital Adequacy Performance of Exim Bank**
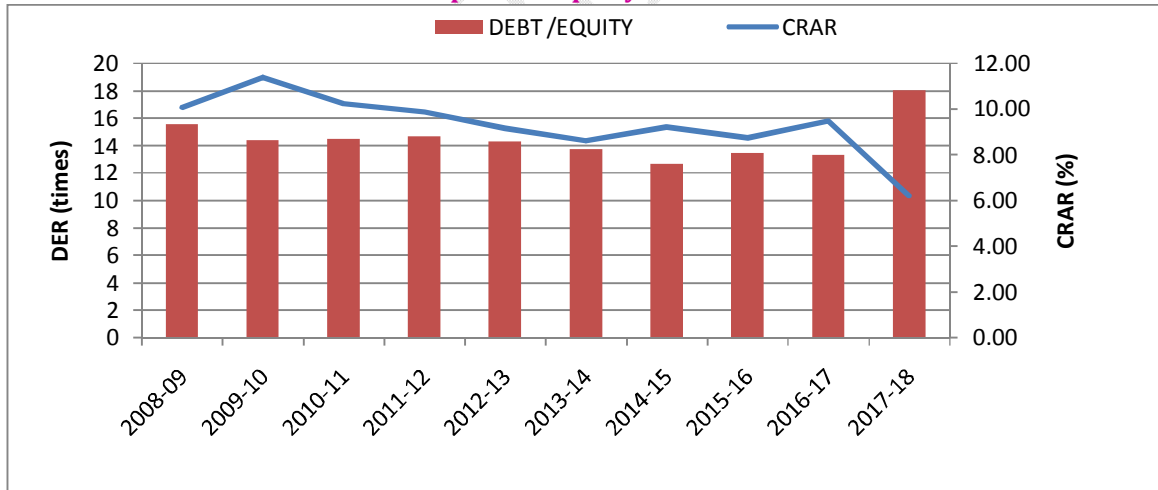


The above Chart 1 shows the Capital to Risk Asset Ratio and Debt Equity Ratio of the Export-Import Bank of India for the study period undertaken from 2008-09 to 2017-18. The study revealed that the CRAR ratio of the bank was declining year by year as depicted in the table 1 above and the debt equity ratio shown an increasing trend which giving an outright that bank is being dependent on the outside or borrowed fund more as compared to Equity fund.

## Asset Quality

The quality of assets is an important parameter to gauge the strength of the bank. Assets quality indicates the type of the debtors the bank is having. Net NPA to Total Advances ratio and Net NPAs to

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Total Assets ratio have been examined during the study period. Net NPAs are gross NPAs net of provision on NPAs and interest in suspense account. The Net NPAs to Total Advance Ratio is the most standard measure of assets quality. In this ratio, Net NPAs are measured as a percentage of Net Advances. Net NPAs to Total Asset ratio indicates the efficiency of the bank in assessing credit risk and, to an extent, recovering the debts. The ratio is arrived by dividing the Net NPAs by Total Assets. Total assets considered are net of revolution reserves. Lower the ratio better is the performance of the Bank.

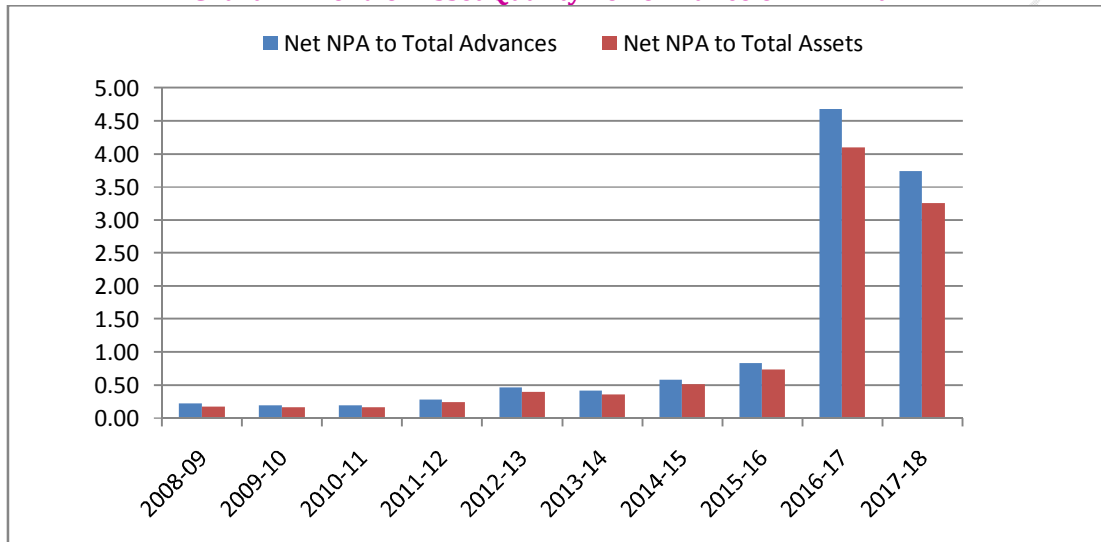**Chart-2: Trend of Asset Quality Performance of Exim Bank**



Chart 2 clearly depicting the deterioration in asset quality of the Bank during study period. The Net NPAs of the bank shows a significant increase in last two year of the study this shows the poor management of the aggregate loan assets. The ratio of doubtful and bad asset (loan) is increased eventually the bank needs to re-examine the lending process must build certain provision to tackle with the increasing NPAs.

**Earning Quality**

It basically determines the profitability of the bank. It also explains the sustainability and growth in earnings in the future. The quality of earning is an important criterion for determining the ability of the bank to earn consistently, going into future. The operating profit to average working fund ratio and interest income to total income ratio has been calculated to judge the earning efficiency of the bank.

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**Chart-3 : Trend of Earning Efficiency performance of Exim Bank**
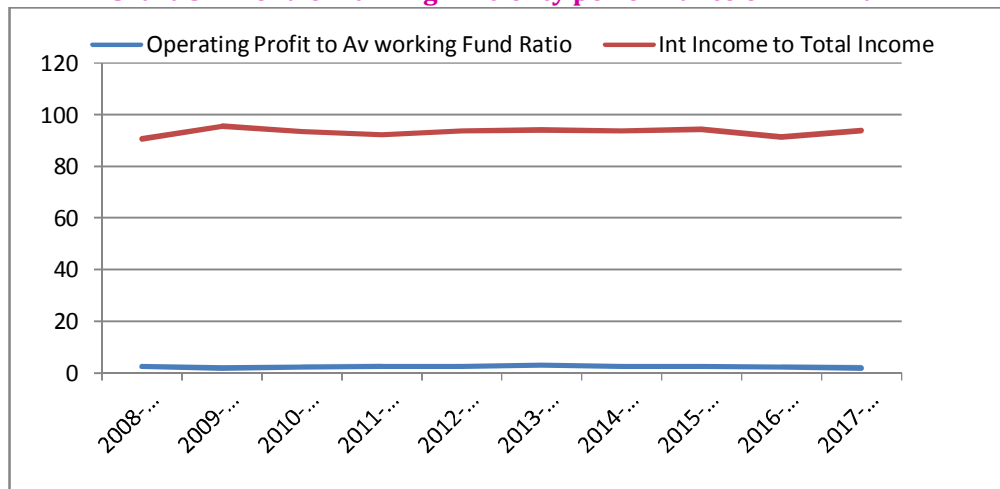


From the analysis of the ratios related to earning quality presented in table and above chart, it has been noticed that the earning quality of the Exim bank remained almost stable during the period under study. It is also noticeable that interest income constituted almost more than 90 percent of the total income of the bank. When we noticed the ratio of operating profit to average working fund, it is found that it was more than 2 percent in eight out of ten years. Only in the year 2008-09 and 2017-18 the ratio was below two percent. The highest OPAWFR has been noticed 2.93 percent. The bank should focus to improve its operating profit margin as its highest revenue is from its operating activities.

**Liquidity Position**

Liquidity is an important aspect for any organization dealing in money. Banks and Financial Institutions have to take proper care in hedging liquidity risk while at the same time ensuring that a good percentage of funds are invested in higher return generating investment, so that banks can generate profit while at the same time provide liquidity to the depositors. Among a bank's assets, cash investments are the most liquid.

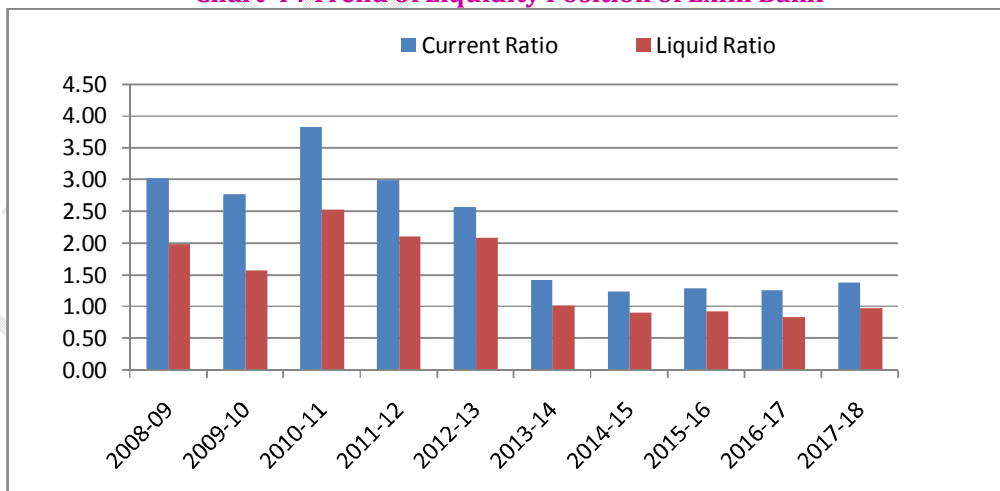**Chart-4 : Trend of Liquidity Position of Exim Bank**



Chart 4 depicts the current and liquidity ratio of the Export-Import Bank of India. The current ratio is the test of ability of the bank to meet its short term obligations and commitment well in time. The significance of calculating current ratio is that it is not only a measure of solvency but also it is an index of the working capital available in the enterprises. A good current ratio means a good umbrella

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for creditors against the rainy day, but for management, it reflects bad financial planning or presence of ideal assets or over capitalization. On the other side the liquidity refers to the maintenance of cash, bank balance, and those assets which are easily convertible into cash in order to meet the liabilities as and when arising. The liquidity ratio studies the firm's short term solvency and its ability to pay off the liabilities. The study clearly depicting a fluctuating trend of current ratio and liquid ratio and in almost whole study the amount of current assets and liquid assets has been found much more than the standard rule of thumb of 2:1 and 1:1 for current ratio and liquid ratio respectively. It shows that more ideal fund in the overall current assets of the bank however the liquidity position of the bank is stable.

## FINDINGS AND CONCLUSION OF THE STUDY

From the study it has been found that the CRAR of the bank is more than the minimum level prescribed but the a declining trend of CRAR from 16.80% in 2008-09 to 10.35% in 2017-18 indicates a poor performance of the bank in respect of capital adequacy during the study period. Besides this the debt equity ratio of the bank is also increased significantly in the last year of the study period is a signal of poor performance of the bank in capital adequacy and long term solvency performance.

The deterioration in asset quality of the Bank has been revealed during the study period taken under study the Net NPAs of the Bank has been increased significantly in the last two year i.e 2016-17 and 2017-18. The NPAs to Total Advance ratio has been increased from 0.23% in financial year 2008-09 to 4.68 and 3.75 % in financial year 2016-17 and 2017-18 respectively. It denotes that the bank is not focusing on the quality of advances rather it focusing on the quantity of the advances.

The earning quality of the Exim Bank during the span of 10 years is found almost stable. The liquidity position of the bank is also found good during the study period.

The overall financial performance of the bank is found satisfactory except the asset quality of the bank during the recent years. The bank should focus more on the quality aspects of the advances to improve its asset quality.

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