CHAPTER VI

FINDINGS, SUGGESTIONS AND CONCLUSION

CHAPTER VI
Findings and Suggestions

An analysis of the financial performance of KVB under study based on select financial parameters has revealed the following points.

6.1: Findings relating to Deposits of KVB

6.1.1.1: Deposits of KVB have increased from Rs.549 crore to Rs.19272 crore during 1993–2010 i.e., by 32.55 times.

6.1.1.2: During the study period the Bank has crossed three milestones in deposit mobilisation. In 1994–95 it has achieved Rs.1000 crore marks and in 2007-08, it has achieved Rs. 10,000 crore marks in deposit mobilisation. In 1992–93, it emerged as the first among Tamil Nadu based private sector banks in deposit mobilisation.

6.1.1.3: In 1995–96 the Bank witnessed a fall in its volume of deposits recording a negative growth rate of 13.64 per cent. In 1997-99, the growth rate of deposits declined from 35.98 per cent to 18.71 per cent. During 2003-05, the deposit growth rate declined from 22.54 per cent to 12.87 per cent.

6.1.1.4: The growth rate of deposits of KVB during the period of study at 32.55 times is comparatively better than that of Tamil Nadu based private sector banks at 28.45 times. The average annual growth rate of deposits of 24.34 per cent is higher that of IBI (17.70 per cent), and Tamil Nadu based private sector banks (22.36 per cent).

6.1.1.5: KVB has outperformed the TNPrSBs in terms of annual growth rates during 1996-97,2001-02, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09. KVB has outperformed the PrSBs in terms of annual growth rates during 1993–94, 1994–95, 1997–98, 2002-03, 2007-08, 2008-09 and 2009-10.

6.1.1.6: Market share of KVB in the total deposits of IBI, has increased from 0.18 per cent to 0.41 per cent during the study period. Average market share of deposits of KVB is 0.31 per cent during the study period.

6.1.1.7: Market share of KVB in the total deposits of private sector banks has declined from 3.57 per cent to 2.34 per cent during the period of study. Its average market share among the group of Private sector banks is 2.79 per cent.

6.1.1.8: Market share of KVB in the total deposits of Tamil Nadu based private sector banks, is on the increasing trend from 31.07 per cent to 38.34 per cent during the period of study.

6.1.2: Findings relating to Deposit Mix of the KVB:

6.1.2.1: Average share of term deposits of KVB during 1993–2010 is 76.83 per cent of its total deposits. During the said period its share in total deposits has increased from 69.69 per cent to 76.47 per cent. Term deposit is the major form of deposit of the Bank in all the years of the study period. Its share has exceeded 80 per cent of its total deposits in 1997–98 and 1998–99. Share of term deposits shows a continuous increase from 1993–1998 except for a marginal decline in 1994–95. However from 1998-99 onwards its share is on the declining trend (i.e., from 80.32 per cent in 1999 to 76.47 per cent in 2010), except in 2002-03, 2007-08 and 2008-09.

6.1.2.2: Average share of current deposits in the total deposits of the Bank during the period of study is 12.47 per cent. Its share has dropped substantially during 1993–2010 i.e., from 18.59 per cent to 10.64 per cent. Year wise shares are not stable.

6.1.2.3: Average share of savings deposits in the total deposits of KVB during 1993–2010 is 10.70 per cent. Among the three forms of deposits its average share is the least one. Share of savings deposits has increased from 11.72 per cent to 12.89 per cent during the period.

6.1.2.4: Share of CASA deposits of KVB has declined from 30.31 per cent to 23.53 per cent during the period of study. Its average share is 23.17 per cent, less than one third of the total deposits.

6.1.3: Findings relating to Advances:

6.1.3.1: Advances of KVB have increased from Rs. 234 crore to Rs. 13497 crore during 1993–2010 i.e., by 57.68 times.

6.1.3.2: In 1997–98, the Bank has crossed Rs.1000 crore marks in extending credit. And in the year 2008-09, it has achieved Rs. 10,000 crore marks in deployment of credit.

6.1.3.3: Year wise growth rate of advances of KVB shows a fluctuating trend. In the year 1994–95 the growth rate of advances of the Bank increased from 33.76 per cent to 107.37 per cent. From 1993 to 1995, the growth rate of advances is on the raising trend. But from 1996 to 2002, the growth has declined from 26.97 per cent to 9.14 per cent.

6.1.3.4: In 2005-08, there is a continuous growth in advances of the Bank which has increased from 14.84 per cent to 33.84 per cent. In the year 2009-10, the bank has increased its advances to 29.65 per cent from 10.49 per cent in the previous year.

6.1.3.5: Annual average growth rate of advances of KVB during the study period is 28.3 per cent, which is higher than that of industry average of 21.3 per cent.

6.1.3.6: Overall growth rate of advances of KVB during 1993–2010 at 57.68 times is comparatively lower than that of all private sector banks as a group identified at 79.53 times. KVB has outperformed its counter parts in terms of annual growth rates during 1993–94, 1994–95, 1998–99, 1999-00, 2002-03, 2007-08, 2008-09 and 2009-10.

6.1.3.7: The average annual growth rate of advances of KVB during the period of study at 57.68 times is comparatively better than that of TN based private sector banks at 32.78 times. KVB has outperformed its Tamil Nadu based counter parts in terms of annual growth rates during 1996-97,2001-02, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09.

6.1.3.8: KVB's market share of advances has increased from 0.14 per cent to 0.39 per cent during 1993–2010.Average market share of KVB is 0.35 per cent during the study period. During the period of study the Bank has increased its market share by 0.25 per cent.

6.1.3.9: Market share of KVB in the total advances of private sector banks, is on a declining trend from 2.94 per cent to 2.13 per cent during the period of study. Its average market share among the group of private sector banks is 2.76 per cent.

6.1.3.10: Market share of KVB in the total advances of TN based private sector banks, is on the increasing trend from 21.41 per cent to 37.67 per cent during the period of study.

6.1.4: Findings relating to the composition of Loans and Advances of KVB:

6.1.4.1: Average share of cash credit, overdrafts and loans repayable on demand in the total advances during the period of study is 51.28 per cent. In all the years, this segment dominates the advances portfolio of KVB except in 2001–02, 2002-03, 2003-04 and 2004-05.

6.1.4.2: Year wise share is on the fluctuating trend. Highest share of cash credit, over draft and loans repayable on demand is recorded in 1994–95 (65.89 per cent) and its lowest share is registered in 2001–02 (43.17 per cent).

6.1.4.3: Average share of term loans of KVB during 1993–2010 is 37.13 per cent in its total advances. Amount of term loans sanctioned by the KVB has increased from Rs.5664 lakh to Rs.436176 lakh during the study period. During 1993–2010 the share of term loans of the Bank has increased from 24.23 per cent to 32.32 per cent. From 1993-04, year wise shares are on the raising trend throughout the study period except in 1993– 94, 1994–95, 1997–98 and 1999–2000. However from 2004-05 onwards, year wise share of term loans is on the declining trend.

6.1.4.4: Average share of Bills purchased and discounted in the total advances of the KVB during 1993–2010 is 11.59 per cent. Quantum of Bills purchased and discounted by the Bank has increased to Rs.95125 lakh from Rs. 3773 lakh during the study period. Bills purchased and discounted have the lowest share in the advances of the Bank. Its share has fallen from 16.14 per cent to 7.05 per cent during the study period.

6.1.5: Findings relating to Priority Sector Lending of the KVB:

6.1.5.1: During the period of study, the percentage of priority sector advances to total advances of the KVB has increased favorably by 3.27 per cent i.e., from 29.71 per cent to 32.98 per cent. Year wise analysis of percentage of priority sector advances to total advances is on the fluctuating trend.

6.1.5.2: During the year 1993–2010, average percentage of priority sector advances to net bank credit of KVB is 38.30 per cent. Percentage of priority sector advances to net bank credit of the Bank has increased from 33.77 per cent to 42.80 per cent during the period of study. During 1993–95, the Bank has not complied with the target of 40 per cent. For the first time its net bank credit to priority sector has exceeded 40 per cent in 1995–96. However in the subsequent year it has fallen to 39.47 per cent.

6.1.5.3: It is identified from the records of RBI that in none of the years of the study period, the Bank has achieved the norm of priority sector lending directly except in 2005-06. In most of the years of the Bank meets the obligation through subscription to the infrastructural bonds of SIDBI, NABARD for the shortfall of direct lending.

6.1.6: Findings relating to Non-Priority Sector Advances of the KVB:

6.1.6.1: During the study period, the amount of advances granted to non–priority sector has increased from Rs.16430 lakh to Rs.904664 lakh i.e., by 55.06 times. The percentage of total non–priority sector advances to total advances has decreased from 70.28 per cent to 67.02 per cent.

6.1.6.2: During the study period, the percentage of non-priority sector advances to total advances has declined from 68.49 per cent to 50.00 per cent.

6.1.6.3: Year wise percentage of other advances to total non–priority sector advances is on the mixed trend. During the study period, the percentage of other advances to total Non-Priority Sector Advances (NPSAs) in increasing trend up to 1994–95. On the other hand it is on the declining trend in the remaining period except in 1998–99, 2004-05, 2005-06, 2006-07 and 2008-09.

6.1.6.4: In the same period, its percentage of such advances to total advances is 0.48 per cent. Year wise share of advances to bank in the total advances of KVB is on the declining trend except in 1992–93, 1996–97 and 2000–01.

6.1.7: Findings relating to Composition of Advances (Security wise) of the KVB:

6.1.7.1: Average share of advances secured by tangible assets during 1993–2010 is 86.64 per cent of its total advances. This is in tune with one of the cardinal principles of lending viz., safety. During the study period its share has raised from 87.70 per cent to 90.09 per cent. Throughout the study period, its share has exceeded 80 per cent of its total advances.

6.1.7.2: Average share of advances covered by bank/government guarantee of the Bank during the period of study is 5.69 per cent of its total advances. During 1993–2010, it shares has dropped marginally from 5.66 per cent to 2.10 per cent. Year wise share of such advances is on the mixed trend. From 1992–93 to 1996–97, the share of such advances in the total advances is on the declining trend. On the other hand, from 1997-2001 its share of advances coved by bank/government guarantee to total advances is on the increasing trend.

6.1.7.3: Average share of unsecured advances of the Bank during the period of study is 7.67 per cent to its total advances. Its share has increased from 6.64 per cent in 1992–93 to 7.67 per cent in 2009–10. Year wise shares are fluctuating in nature.

6.1.8: Findings relating to Investments of KVB:

6.1.8.1: Investments of KVB have increased from Rs.179.29 crore to Rs. 6602.16 crore during 1993–2010 i.e., by 36.82 times. This growth rate is marginally better than the industry growth at 14.66 times in the corresponding period.

6.1.8.2: In 1993–94, the Bank has investments to the tune to Rs.399.40 crore recording the highest growth of 122.77 per cent.

6.1.8.3: The Bank investments declined marginally in terms of its volume as well as growth recording negative figure in 1995-96. In 1994–95, there was sudden decrease in growth rate of investments from 122.77 per cent to 7.83 per cent in previous year.

6.1.8.4: Average growth rate of investments of KVB during the period of study is 27.99 per cent, which is more than that of the industry at 14.05 per cent.

6.1.8.5: Overall growth rate of Investments of KVB during 1993–2010 at 36.82 times is comparatively lower than that of all private sector banks as a group identified at

69.72 times. KVB has outperformed its counter parts in terms of annual growth rates during 1993–94, 1998–99, 2002-03, 2006-07, 2008-09 and 2009-10 respectively.

6.1.8.6: Average market share of investments of the KVB stands at 0.27 per cent during the period of study. Year wise market share of the Bank shows a fluctuating trend. During the period of study the market share of investments of the Bank has increased marginally by 0.18 per cent (i.e., from 0.15 per cent to 0.38 per cent).

6.1.8.6: Market share of KVB in the total investments of Private sector banks has decelerated from 3.52 per cent to 1.86 per cent during the period of study. Its average market share of investments among the private sector group is 2.48 per cent. In the year 1993–94, the market share of investments of KVB recorded a highest share of 5.54 per cent.

6.1.8.7: Market share of KVB in the total investments of TN based private sector banks, is on the increasing trend from 26.40 per cent to 40.64 per cent during the period of study. Its average market share among the TN based private sector bank is 33.69 per cent. In the year 1993-94, the Bank has registered a highest growth rate of 43.56 per cent. Year wise market share of the Bank are in the mixed trend.

6.1.8.7: The KVB's performance in terms of average growth rate of investments is not very impressive as compared to the average growth rates of investments of Private sector banks which stand at 29.22 per cent.

6.1.9: Findings relating to composition of Investments of KVB:

6.1.9.1: The amount of investments in government securities has increased to Rs.568244 lakh in 2010 from Rs.14624 lakh in 1993 i.e., by 38.86 times. KVB invests most of its funds in government securities. On an average 76.06 per cent of total investments of the Bank is invested only in this segment during the period of study. Its share has exceeded 80 per cent of its total investments in the years 1992–93, 1996–97, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10.

6.1.9.2: The average share of investments of the Bank in debentures and bonds is 22.04 per cent during the period of study. They are the next major form of investments of the KVB. The reason for such investments is the regularity of returns these investments offer. During the period of study its share has increased marginally from 2.62 per cent to 3.93 per cent. Year wise share is on the mixed trend.

6.1.9.3: Average share of investments in other approved securities is 4.12 per cent during 1993–2010. Its share has declined sharply from 14.52 per cent to 0.07 per cent during the study period.

6.1.9.4: Average share of investment of the Bank in mutual funds and others is 4.02 per cent during 1993–2010. Share of investment in mutual funds and others of the Bank has raised form 0.24 per cent to 8.69 per cent.

6.1.9.5: Average share of investments in shares by KVB during the period 1993–2010 is 1.07 per cent. Its share has increased marginally from 1.05 per cent to 1.25 per cent. Year wise share is on the mixed trend.

6.1.10: Findings relating to composition of Borrowings of KVB:

6.1.10.1: The total borrowings of the KVB have increased from Rs. 2797 lakh to Rs.47588 lakh i.e., by (17.01 times) during the period of study.

6.1.10.2: Total amount borrowed from the RBI in 2010 is zero as against Rs.823 lakh in 1993. On an average, the share of borrowing from the RBI in the total borrowings of the KVB is 30.36 per cent. Year wise share of such borrowings has dropped significantly by 6.58 per cent (22.84 per cent from 29.42 per cent).

6.1.10.3: The average share of borrowings from other bank / inter bank borrowings in the total borrowings of the Bank is 14.78 per cent. Year wise share of such borrowings in the total borrowings of the Bank has decreased significantly from 7.15 per cent to 0.01 per cent during the period of study.

6.1.10.4: The average share of funds borrowed from other institutions and agencies of the Bank is 52.62 per cent in the total borrowings which is the highest among all sources. This is the most popular form of borrowings in all the years except in 1994–95, 1995–96, 1996–97, 2000–01, 2003-04, 2005-06, 2006-07 and 2007-08.

6.1.10.5: The average share of such borrowing in the total is 16.94 per cent. Year wise share of borrowings from outside India in the total borrowings of the Bank is on the zig zag trend.

6.1.11: Findings relating to Total Income of KVB:

6.1.11.1: Total income of KVB has increased from Rs.200492 lakh to Rs.7331 lakh during 1993–2010 i.e., by 27.35 times.

6.1.11.2: Year wise growth rate of total income of KVB shows a fluctuating trend during the period of study. The annual growth rate of income of the Bank has declined to 17.16 per cent from 25.29 per cent. The total income of the Bank has recorded an average growth rate of 22.39 per cent. In the year 1994–95, the growth rate of income is the highest at 71.44 per cent.

6.1.11.3: During 1995–96, the growth rate of income of the Bank declined drastically to 32.90 per cent from 71.42 per cent in the previous year.

6.1.11.4: In 2009-10, the Bank's growth rate declined to 17.16 per cent, due to Rs.1823 lakh decrease in non-interest income of the Bank.

6.1.12: Findings relating to composition of Total Income of KVB:

6.1.12.1: Amount of interest income of KVB has increased from Rs.6453 lakh to Rs.175794 lakh during 1993–2010 i.e., by 27.24 times. Average share of interest income of KVB is 85.39 per cent in its total income during the period of study.

6.1.12.2: During the study period, its share has dropped marginally from 88.02 per cent to 87.68 per cent. The share of interest income in the total income is the highest share is recorded in the year 2000–01 at 89.54 per cent.

6.1.12.3: The share of non–interest income of KVB has increased just by 0.34 per cent (12.32 per cent from 11.98 per cent) to its total income during 1993-2010.

6.1.13: Findings relating to composition of Interest Income of KVB:

6.1.13.1: The average contribution of interest on advances & discount on bills towards total interest income of the KVB is 62.81 per cent during the period of study. Share of interest on advances and discount on bills in the total interest income of the Bank has significantly increased from 54.12 per cent to 76.12 per cent during the study period. Year–wise share of such income segment is on the mixed trend.

6.1.13.2: Average share of income on investment of the Bank is 32.12 per cent in the total interest income.

6.1.13.3: The average contribution of interest on balances with RBI and other banks balances towards total interest income of the KVB is 4.79 per cent. Year wise share of such income in the total interest income is on the fluctuating trend. Share of such income of the bank has declined substantially from 13.08 per cent to 0.31 per cent in the total interest income.

6.1.13.4: The average contribution of other income to the total interest income of the Bank is 0.28 per cent during 1993–2010. Year wise share is on the fluctuating trend. This share has increased from 0.39 per cent to 1.03 per cent during the period of study.

6.1.14: Findings relating to composition of Non-Interest Income of KVB:

6.1.14.1: The average share of profit on sale of investments and profit on revaluation of investment in the total non–interest income is 16.78 per cent.

6.1.14.2: The average contribution of miscellaneous income of the KVB is 12.66 per cent in the total non–interest income.

6.1.14.3: Profit on exchange transaction of the KVB has an average share of 9.03 per cent in the total non–interest income.

6.1.14.4: The average share of profit on sale of land, building and other assets is only 0.05 per cent. Year wise share of such income of the Bank has increased marginally from 0.11 per cent to 0.18 per cent during the study period.

6.1.14.5: In 1993, KVB has incurred a loss on sale of investments of Rs. 186 lakh. But it has ended up with profit on sale of investments to the tune of Rs. 5636 lakh in 2009-10. The average share of profit on sale of investments and profit on revaluation of investment in the total non–interest income is 16.78 per cent.

6.1.15: Findings relating to Total Expenditure of the KVB:

6.1.15.1: Total Expenditure of the KVB has increased from Rs.6819 lakh to Rs.166889 lakh during 1993–2010 recording an overall increase by (24.47 times).

6.1.15.2: Average annual growth of expenditure of KVB is 21.58 per cent during the study period.

6.1.15.3: Year wise growth of total expenditure of the Bank is on the fluctuating trend. During the period of study, the growth rate of expenditure of the Bank has declined substantially by 5.15 per cent (13.11 per cent from 18.26 per cent).

6.1.15.4: In 2000–01, there is a fall in total expenditure of the Bank. It has declined to 9.47 per cent from 18.57 per cent in the previous year. The Bank has witnessed a decline in the growth of interest expenditure at 8.81 per cent from 13.30 per cent in the previous year.

6.1.15.5: During the next five years of the study period i.e., from 2004-05 to 2008-09, the Bank's growth rates of expenditure has recorded an increasing trend (i.e., from 6.73 per cent to 36.49 per cent) except in the year 2005-06.

6.1.15.6: In the year 2009-10, the expenditure of the Bank has declined to 13.11 per cent from 36.49 per cent in the previous year 2008-09.

6.1.16: Findings relating to composition of Total Expenditure of the KVB:

6.1.16.1: The average share of interest expended towards total expenditure of the Bank is 65.84 per cent during 1993–2010. Year wise share of such expenditure in the total expenditure is on the fluctuating trend. The share of such expenditure of the Bank has increased from 59.28 per cent to 66.40 per cent during 1993-2002.

6.1.16.2: Year wise share of operating expenses in the total expenditure of the Bank is on the fluctuating trend. Its share has declined from 28.10 per cent in 1992–93 to 20.89 per cent in 2009–10.

6.1.16.3: The average share of provisions and contingencies in the total expenditure of the Bank is 10.66 per cent. Year wise share of such expenses in the total expenditure of the Bank is on the fluctuating trend. Its share has increased from 6.49 per cent to 7.62 per cent during the period of study.

6.1.17: Findings relating to Total Interest Expenditure of the KVB:

6.1.17.1: The share of such expenses in the total interest expenditure of the Bank has increased to 98.61 per cent as against 90.61 per cent during 1993–2010.

6.1.17.2: The share of interest expended on borrowings from RBI and inter–bank funds in the total interest expenditure of the Bank has declined from 4.15 per cent to 0.68 per cent during the period of study.

6.1.17.3: The average share of other expenses in the total expenditure of the Bank is 2.50 per cent. Year wise share is on the mixed trend. During 1993–2010, share of such expenses has declined substantially from 7.31 per cent to 0.71 per cent to the total interest expenditure.

6.1.18: Findings relating to Operating Expenditure of the KVB:

6.1.18.1: Total amount of operating expenditure of the Bank during 1993–2010 has increased from Rs.1916 lakh to Rs.34865 lakh registering an overall increase by (18.20 times).

6.1.18.2: The average share of payment to and provisions for employees in the total operating expenses of the Bank is 50.29 per cent.

6.1.18.3: The average share of rent, taxes and lighting in the total operating expenditure of the Bank is 7.31 per cent. Year wise share of such expenditure in the total operating expenditure of the Bank has increased to 8.41 per cent from 4.54 per cent during the period of study.

6.1.18.4: On an average, share of printing and stationery of the Bank is 1.49 per cent in the total operating expenditure. Year wise share of such expenses in the total operating expenditure of the Bank is on the declining trend throughout the period of study except in 1994–95, 2003-04 and 2006-07.

6.1.18.5: On an average share of advertisement and publicity of the Bank is 3.52 per cent. Year wise share of such expenses of the Bank in the total expenditure has increased by 1.08 per cent (i.e. from 2.77 per cent to 3.85 per cent) during the study period.

6.1.18.6: The amount spent towards depreciation on Bank property of the KVB has increased by Rs.2199 lakh during the study period recording an overall increase by 35.36 times. Its average share is 10.07 per cent

6.1.18.7: On an average share of director's fees, allowances and expenses of the Bank is 0.22 per cent. Year wise share of such expenses in the total expenditure of the Bank has increased to 0.13 per cent as against 0.1 per cent during the period of study.

6.1.18.8: Average share of auditor's fees and expenses in the total operating expenditure of the Bank constitute 0.21 per cent during the study period. Year wise share of such expenses of the Bank has increased from 0.16 per cent in 1992–93 to 0.22 per cent in 2009–10.

6.1.18.9: The average share of law charges in the total operating expenditure of the Bank is 0.45 per cent. During 1993–2010, year wise share of such expenses in the total operating expenditure of the Bank increased by 0.06 per cent.

6.1.18.10: The average share of such expenses (i.e. postage, telegram & telephone) in the total expenditure of the Bank is 4.25 per cent. Year wise share of such expenses (i.e. postage, telegram & telephone) in the total operating expenditure of the Bank has dropped substantially from 6.16 per cent to 3.79 per cent.

6.1.18.11: The average share of repairs and maintenance expenses of the KVB is 2.05 per cent in the total operating expenditure. Year wise share of such expenditure of the Bank has declined by 4.18 per cent (1.98 per cent from 6.16 per cent) during 1993–2010.

6.1.18.12: The amount of insurance expenses of the Bank has increased to Rs.1596 lakh from Rs.58 lakh, registering an overall increase by 27.52 times. The average share is 4.58 per cent.

6.1.18.13: The average share of other expenses includes bad debts written off in the total operating expenditure is 16.35 per cent. Year–wise share of such expenditure of the Bank has increased from 5.89 per cent to 22.40 per cent to its total expenditure. This is mainly due to increase in the amount written–off as bad debts.

6.1.19: Findings relating to Profitability of the KVB:

6.1.19.1: Net profit of KVB has increased from Rs. 5 crore to Rs. 336 crore during 1993–2010 i.e., by 65.63 times.

6.1.19.2: In all the years the amount of profit is on the increasing trend except in 1998-99 and 2004-05. In the year 2001–02, the Bank has crossed Rs.100 crore mark in net profit. During 1993–2010, the Bank emerged as the first among the Tamil Nadu based private sector Banks in terms of profit in all the years except 1992–93 and 1994–95.

6.1.19.3: During 2009-10, an increase in growth rate of profit is noticed. In this year, the Bank has crossed Rs. 300 crore mark of net profit. Its growth rate has increased to 42.48 per cent from 13.21 per cent in 2008–09.

6.1.19.4: Overall growth rate of profit of KVB during 1993–2010 at 1441.34 per cent is comparatively lower than that of all private sector banks as a group identified at 2012.35 per cent. KVB has outperformed its counterparts in terms of annual growth rates in all the years except 1992–93 and 1994–95.

6.1.19.5: The Overall growth rate of deposits of KVB during the period of study at 6463.09 per cent (65.63 times) is comparatively better than that of Tamil Nadu based private sector banks at 4047.06 per cent (41.47 times).

6.1.19.6: The average growth rate of net profit is 33.39 per cent which is higher than that of Tamil Nadu based private sector banks (128.63 per cent), but lags behind Private sector banks (42.82 per cent) and Indian Banking Industry (39.28 per cent).

6.1.19.7: Average market share of KVB in the total profit of the Indian banking industry is 0.84 per cent during the period of study. Year wise market share is on the mixed trend. During the period of study its market share has increased by 0.47 per cent.

6.1.19.8: Market share of KVB in the total net profit of Private sector banks has declined by 5.83 during the study period. Year wise share is on the fluctuating trend. The average market share of KVB among PrSBs is 5.45 per cent.

6.1.19.9: Market share of KVB in the total net profit of Tamil Nadu based private sector banks, is on the increasing trend from 30.18 per cent to 47.66 per cent during the period of study. Its average market share among the Tamil Nadu based private sector bank is 42.32 per cent.

6.1.20: Findings relating to Net worth of KVB:

6.1.20.1: Net worth of KVB has increased significantly from Rs.2113 lakh to Rs.161998 lakh during 1993–2010. The Bank's net worth has grown by 76.67 times.

6.1.20.2: The amount of capital of the Bank has increased from Rs.200 lakh in 1992-93 to Rs.5444 lakh in 2009-10 registering an overall increase by 27.22 times.

6.1.20.3: The overall growth rate of reserves and surplus of the KVB is 8083.69 per cent (81.83 times) during the period of study. The reserves and surplus of the Bank has recorded an average share of 95.90 per cent. On an average the Bank has transferred 34.15 percentage of its profits to reserves.

6.1.21: Findings relating to Dividend of the KVB:

6.1.21.1: During the period of study, the amount of dividend declared by the Bank increased from Rs. 52.50 lakh to Rs. 419.99 lakh, at an average amount of Rs. 282.83 lakh. The Bank exhibited an increasing trend throughout the period.

6.1.21.2: Year wise rate of dividend as a percentage of profit has increased significantly to 19.44 per cent as against 6.24 per cent during 1993–2010.

6.1.21.3: Average rate of dividend as percentage of face value of the shares is 74.17 per cent. Year wise rate is on the increasing trend. Year wise rate has increased from 25 per cent to 120 per cent.

6.1.22: Findings relating to Branches of the KVB:

6.1.22.1: During the period 1993–2010, the number of branches of KVB has increased to 335 from 159, the increase in number being 176. On an average the Bank has added 10 branches per year during the period of study. The growth rate of branches of the KVB during 1993–2010 is 110.69 (2.11 times) per cent as against 53.55 (1.54 times) per cent growth rate of branches of the industry as a whole.

6.1.22.2: Year wise growth rate of branches of KVB has increased from 5.66 per cent to 7.37 per cent during the period of study. Its growth rate is on the mixed trend.

6.1.22.3: Overall growth rate of number of branches during the period of study at 110.69 per cent is comparatively higher than that of Tamil Nadu based Private Sector Banks identified at 95.16 (1.95 times) per cent. Annual average growth of number of branches of KVB during the study period is 4.53 per cent which is higher than that of Tamil Nadu based private sector banks average at 4.04 per cent.

6.1.22.4: Performance of KVB in terms of branch expansion is better than that of the Tamil Nadu private banks as a whole.

6.1.23: Findings relating to composition of Branches of the KVB:

6.1.34.1: Year wise share of branches in semi urban centers of KVB has declined to 29.85 per cent in 2009–10 from 31.45 per cent in 1992–93. During 1993–96, its share is on the increasing trend (i.e., from 31.01 per cent to 39.23 per cent).

6.1.23.2: Year wise share of urban branches in the total number of branches of KVB has increased favorably by 11.62 per cent (35.52 per cent in 2009–10 from 23.90 per cent in 1992–93). During 1993–96, its share is on the declining trend except in 1994–95. However in 1997–2010, its percentage has increased significantly (i.e., from 26.42 per cent to 35.52 per cent) except in 1997–98, 1999-2000, 2003-04, 2008-09 and 2009-10.

6.1.23.3: There has been a significant decline in the number of rural branches (i.e., from 49 in 1992–93 to 45 in 2009–10), the decrease in number being 5. No new branches were opened by the Bank in rural centers throughout the study period. In the years 1993–95, its number remains at 49.

6.1.23.4: On an average the Bank has added 2.72 branches per year in the urban centers during 1993–2010. Year wise share of branches in metropolitan centers of KVB has increased to 21.19 per cent from 13.83 per cent during the period of study.

6.1.23.5: In the years 1993–97 the share of metropolitan branches in total branches is on the declining trend (i.e., from 13.83 per cent to 11.92 per cent) except in 1995–96. On the other hand from 1997 to 2010, is on the increasing trend (i.e., it has increased to 21.19 per cent from 13.13 per cent) except in the years 2004-05, 2008-09 and 2009-10.

6.1.24: Findings relating to Computerized Branches of the KVB

6.1.24.1: On an average the Bank has added 17.61 computerized branches every year (i.e., from 1993–94 to 2009–10). Year wise percentage of computerized branches of KVB to total branches has increased from 10.71 per cent to 100 per cent.

6.1.24.2: Overall average of percentage of computerized branches is 66.04 per cent

6.1.25: Findings relating to ATMs of the KVB

6.1.25.1: The number of Automated Teller Machines (ATMs) of KVB has increased from 11 to 376 machines during the period of study. On an average the Bank has added 42 computerized branches every year during the period of study.

6.1.25.2: Year wise growth rate ATMs of KVB has declined from 363.64 per cent to 16.05 per cent registering an overall increase of 34.18 times.

6.1.26: Co-efficient of Variation of various parameters

6.1.26.1: The measure of relative variation reveals the fact that KVB's performance is not stable in case of major financial parameters such as deposits, advances, investments, profitability and branch network vis-à-vis the T. So it has to ensure more consistency in its operations.

Following are the major highlights of the performance of the Bank on the basis of CRAMEL ratios.

6.2.1: Findings relating to Capital adequacy of the KVB:

6.2.1.1: The average CAR of the KVB is 13.85 per cent as against 13.94 per cent for Tamil Nadu based private sector banks, 13.07 per cent for Private sector banks and 12.22 per cent for Indian banking industry. The year-wise capital to risk weighted assets ratio of the Bank is on the mixed trend. From 1993-2004, the growth rate of KVB's capital adequacy ratio is on the increasing trend (i.e., from 10.92 per cent to 17.11 per cent) except 1994-95.

6.2.1.2: The average debt equity ratio of the Bank was 14.05 per cent as against 14.33 per cent for Tamil Nadu based private sector banks, 15.11 per cent for private sector banks and 14.79 per cent for Indian banking industry. KVB is better than that of Tamil Nadu private sector banks, private sector banks and IBI industry as a whole in terms of debt equity ratio i.e., it is low geared vis-à-vis its counterparts.

6.2.1.3: The average ratio of advances to total assets of the KVB is at 49.26 per cent as against 51.12 per cent for Tamil Nadu private sector banks, 46.84 per cent for Private sector banks and 46.11 per cent for Indian banking industry.

6.2.1.4: The average ratio of G-secs to total investments of the KVB was 76.01 per cent as against 71.93 per cent for Tamil Nadu based private sector banks, 68.05 per cent for private sector banks and 72.80 per cent for Indian banking industry.

6.2.1.5: The average ratio of G-secs to total assets of the Bank was 22.31 per cent as against 21.84 per cent for Tamil Nadu based private sector banks, 21.87 per cent for private sector banks and 24.77 per cent for Indian banking industry. KVB was better than that of Tamil Nadu private sector banks and private sector banks, but the Bank lags behind the Indian banking industry in terms of G-Secs to total assets.

6.2.2: Findings relating to Resources Deployment ratio of the KVB

6.2.2.1: The average ratio of liquid assets to total assets of KVB is 14.00 per cent as against 13.54 per cent for Tamil Nadu based private sector banks, 13.75 per cent for private sector banks and 13.07 per cent for Indian banking industry as a whole.

6.2.2.2: The average ratio of KVB was 29.48 per cent as against 30.70 per cent for Tamil Nadu based private sector banks, 32.21 per cent for private sector banks and 33.75 for Indian banking industry.

6.2.2.3: The average ratio of fixed assets to total assets of the Bank is of 1.33 per cent is almost same for Tamil Nadu based banks, whereas it is 1.99 per cent for Private sector banks and 1.22 per cent for Indian banking industry. Year-wise ratio of the Bank is on the mixed trend.

6.2.2.4: The average ratio of other assets to total assets of KVB was 3.00 per cent as against 3.46 per cent for Tamil Nadu based private sector banks, 4.74 per cent for Private sector banks and 6.25 per cent of Indian banking industry.

6.2.3: Findings relating to Asset quality of the KVB

6.2.3.1: The average ratio of net NPA to net advances of the KVB during 1992-2010 is 2.20 per cent as against 3.85 for Tamil Nadu private sector banks, 3.07 per cent for private sector banks and 4.20 per cent for Indian banking industry.

6.2.3.2: The study found out that the total advances to total assets ratio of the Bank have increased from 37.56 per cent to 61.37 per cent during the period of study.

6.2.3.3: The average growth rate of advances of the Bank was 28.3 per cent as against 23.33 per cent for Tamil Nadu based private sector banks, 46.84 per cent for Private sector banks and 21.0 per cent for Indian banking industry.

6.2.3.4: Average yield on advances of the Bank was 11.31 per cent as against 12.20 per cent for Tamil Nadu based private sector banks, 13.07 per cent for Private sector banks and 10.31 per cent for Indian banking industry as a whole.

6.2.3.5: The average ratio of investments to total assets of the Bank was 29.48 per cent as against 30.70 per cent for Tamil Nadu based private sector banks, 68.05 for Private sector banks and 33.37 per cent for Indian banking industry.

6.2.3.6: The average yield on investments of the Bank is 10.17 per cent as against 10.05 per cent for Tamil Nadu based private sector banks, 21.87 per cent for Private sector banks and 9.33 per cent for Indian banking industry.

6.2.4: Findings relating to Management ratios of the KVB

6.2.4.1: Credit expressed as percentage of deposits of the Bank has increased from 40.55 per cent to 70.04 per cent during the period of study. The average credit deposit ratio of the KVB is 59.15 per cent as against 59.61 per cent for Tamil Nadu based private sector banks, 62.29 per cent for private sector banks and 58.41 per cent for Indian banking industry.

6.2.4.2: The average ratio of profit per employee of the KVB is Rs.3.33 lakh during the study period as against Rs.2.59 for Tamil Nadu based private sector banks, Rs. 15.52 lakh for Private sector banks and Rs.5.88 lakh for Indian banking industry.

6.2.4.3: The study found out that the average ratio of business per employee of the Bank was Rs.295.46 lakh as against Rs.277.47 lakh for Tamil Nadu based private sector banks, Rs.355.82 lakh for private sector banks and Rs.371.26 lakh for Indian banking industry.

6.2.4.4: The study found out that the Return on average net worth (ROANW) of the Bank or net profit to average net worth of the Bank has declined from 18.87 per cent to 15.56 per cent. The average ratio of return on average net worth of the Bank is 19.33 per cent as against 23.62 per cent for Tamil Nadu based private sector banks, 16.29 per cent for private sector banks and 7.99 per cent for Indian banking industry.

6.2.5: Findings relating to Earnings ratios of the KVB

6.2.5.1: The average net profit of the Bank is Rs.106 crore as against Rs.237.44 crore for TN based private sector banks, Rs. 3467.89 crore for Private sector banks and Rs.16963 crore for Indian banking industry.

6.2.5.2: The study found out that the average growth rate of EPS of the Bank is 1.92 per cent. Year-wise growth rate of EPS of the Bank is on a mixed trend. In the 1993-94, EPS growth declined drastically to negative trend to 119.14 per cent from 36.37 per cent in the year 1992-93.

6.2.5.3: The study found out that the spread of the KVB has declined from 3.21 per cent to 2.57 per cent during 1993-2010. The average ratio of KVB is 3.17 per cent as against 3.01 for Tamil Nadu based private sector banks, 2.73 per cent for Private sector banks and 3.01 per cent for Indian banking industry.

6.2.5.4: During 1993-2010, growth rate of non-interest income of the KVB has declined from 51.48 per cent to a negative growth of 6.87 per. The average ratio of other income to net interest income of KVB is 50.73 per cent as against the figure Tamil Nadu base private sector banks (54.13 per cent), the private sector banks (68.10 per cent) and Indian banking industry (19.63 per cent).

6.2.5.5: The study found out that the ratio of net profit to total average assets of the Bank has been increased from 0.80 per cent to 1.53 per cent during the period of study. The average ratio of net profit to total average assets of the KVB is 1.61 per cent as against 1.31 per cent for Tamil Nadu based private sector banks, 0.88 per cent for Private sector banks and 0.87 per cent for Indian banking industry. In terms of profit to total average assets, KVB is better than that of the Indian banking industry counter parts.

6.2.6: Findings relating to Liquidity ratios of the KVB

6.2.6.1: The study found out that the ratio of liquid asset to total assets of the Bank has declined from 30.34 per cent to 5.62 per cent during the period of study. The average ratio of liquid assets to total assets of the KVB is14.00 per cent as against 13.54 per cent for Tamil Nadu based private sector banks, 13.75 per cent for Private sector banks and 13.07 per cent for Indian banking industry.

6.2.6.2: The average ratio of KVB is 22.31 per cent as against 21.84 per cent for Tamil Nadu based private sector banks, 21.87 per cent for Private sector banks and 24.77 per cent per cent for Indian banking industry.

6.2.6.3: Average ratio of approved securities of the KVB is 1.26 per cent as against 1.79 per cent for Tamil Nadu based private sector banks, 1.36 per cent for Private sector banks and 2.71 per cent for Indian banking industry.

Financial Performance Parameters of KVB – A Summary

In a nutshell, the overall performance of the Bank in terms of various parameters such as deposits, advances, investments, profitability and branch expansion is better than that of the industry as given in Table 6.1.

Table 6.1

Financial Performance Parameters of KVB – A Summary

Parameter	KVB	IBI
Deposits (Average G.R in %)	**24.34**	17.70
Advances (Average G.R in %)	**28.30**	21.30
Investments (Average G.R in %)	**27.99**	17.51
Net Profit (Average G.R in %)	33.39	**39.28**
Branch expansion (Average G.R in %)	**4.53**	2.24
Capital Adequacy ratio (Average in %)	**14.78**	12.22
Debt Equity ratio (Average in %)	**14.05**	14.58
Spread to Total Assets (Average in %)	**3.17**	3.01
Other Income to Net Interest Income (Average in %)	**50.73**	19.63
Net NPA to Net Advances (Average in %)	**2.20**	4.20
Yield on Investments (Average in %)	**10.17**	9.33*
Yield on Advances (Average in %)	**11.31**	10.31*
Credit Deposit Ratio (Average in %)	**59.15**	58.41
Return on Average Net Worth (Average in %)	**19.33**	7.99*
Net Profit to Total Average Assets (Average in %)	**1.61**	0.89
Liquid Assets to Total Assets (Average in %)	**14.00**	13.07
Approved Securities to Total Assets (Average in %)	1.26	**2.71***
G-Secs to Total Investments (Average in %)	**76.01**	72.80*
G-Secs to Total Assets (Average in %)	22.31	**24.77***
Net Profit to Employee (Average in %)	3.33	**5.88**
Business per Employee (Average in %)	295.46	**371.26**

Source: Compiled from various tables

* The average is taken for the period 1993-2009

Out of 21 important parameters, KVB has outperformed the industry in 16 parameters. Only in case of remaining 5 parameters, such as, net profit, approved securities to total assets, G-secs to total assets, net profit per employee and business per employee, the performance of the Bank is not as good as the industry.

Suggestions

In the background of the above findings the researcher places the following suggestions which may help the Bank for its betterment.

1. CASA Deposits

The CASA deposits, otherwise called as Low Cost Deposits, represent the cheapest mode of raising money, which have a significant impact on the profitability of a bank. In the context of impending revival of economic growth, with commensurate increase in the credit needs of the economy, KVB has to take initiatives to attract more CASA deposits. During the study period, the share of CASA deposits of the Bank has declined from 30.5 per cent to 23.53 per cent; this in turn reflects its inability to market low cost deposits. It is well known fact that rural centers are fertile with low cost funds. They have to be tapped by the Bank through a personalized approach. Self Help Group concept is to be given more attention for tapping small savings. Thus, the Bank has to take the following steps to increase its CASA deposits and to increase spread;

- opening new branches in rural areas
- introducing innovative, flexible and attractive savings schemes
- relaxation in the minimum balance requirements and providing concessions
- Technology up-gradation,
- provision of better service quality, inculcating customer driven work culture,
- mental revolution among the staff members,

Thus, these steps are needed to attract deposits at lower interest rates which is the need of the hour for maximizing profitability.

2. Priority Sector Lending

Priority Sector Lending is one of the social obligations of banks in India. Priority sector lending is no longer a concessional credit, with banks given freedom to determine the rate of interest not exceeding the PLR (Base rate). But the Bank is not able to attain priority sector lending norms directly. As such by improving the quantum of these advances, the Bank can improve its yield on advances. Exposure of the Bank to priority sector can be increased by increasing the level of awareness of the rural clientele. With the emerging popularity of the concept of financial inclusion, banks are expected to lend more to the priority sectors. The Bank has to create a sound Self Help Group (SHG) structure by studying the existing successful models of Self Help Groups (SHGs). By increasing the number of housing and educational loans, the Bank in priority sector lending can try to attain the stipulated target of 40 per cent. There is a tremendous scope for the Bank in priority sector lending by providing direct finance to corporate sector for agriculture and allied activities (up to Rs.1 crore can be classified as priority sector advances). Provision of timely credit, simplification of procedures and formalities, proper rapport with government departments and effective pre-sanction appraisal and follow-up of advances are some other measures to be taken by the Bank.

3. Retail Banking

In India, it is the household sector which generates the largest savings. A significant proportion of household financial savings is routed through the banking system. The vast business potentials of banks can be ascertained from the potential of two segments of retail loan namely, housing and education loan, which have low penetration in India.

KVB has to enlarge its retail banking portfolio, first in urban and later in rural areas, both in liability products (savings, term deposits) and asset products (housing, vehicle, personal loans), besides ancillary services such as credit / debit cards, delivery channels (ATM, phone banking, internet, mobile), insurance and investment products, demat and trading accounts. It has to understand the changing needs of customers, their aspirations and expectations to create value. Further transparency in pricing and terms of offer, offering technologically superior products and a strong distribution channel, will enable the bank to tap this segment more effectively. It has to manage costs, credit risks and asset liability mismatches (in case of housing loans) and should be able to cross sell effectively, so as to improve NIMs and fee incomes.

4. Micro, Small and Medium Enterprises

The advances growth of KVB is on the declining trend i.e., from 33.76 per cent to 29.65 per cent. In order to increase the growth rate of advances the Bank has to concentrate on emerging segments of the economy such as Medium and Small Micro Enterprises. In Tamil Nadu, there are about six lakh registered micro and small scale units providing employment to about 40 lakh persons. The share of this sector in the state's industrial activity is said to be substantial, comprising 95 per cent of all industrial units in the state and contributing up to 40 per cent of the manufactured products. The sector's share in exports is 35 per cent. To achieve the best results, KVB have to play an important role in providing credit support to the needy entrepreneurs to establish their building, plant and machinery and working capital support wherever needed. The Bank has to identify the gap in the credit needs of medium and small micro enterprises, that must be fulfilled by providing adequate working capital assistance and help each and every unit by consulting technology, training the manpower to upgrade their skills and marketing their products.

5. Infrastructure lending

Infrastructure development is a vital pre-condition for fast and inclusive growth. There is a convergence views at all levels that development of state-of-the art infrastructure is key to sustain India's growth momentum. Today, infrastructure is being viewed as the next evolutionary step in economic development. But there are teething problems that have crept in, in the wake of economic downturn. The high interest rates, lack of adequate infrastructure financing and unwillingness on the part of private players to invest in big projects have all multiplied the problem.

As per the Planning Commission Report, 2008, over the 11^{th} Plan period, the resources required for infrastructure building is Rs. 20,11,521 crore. This creates an opportunity for KVB for infrastructure financing (project lending) as well as securitisation, syndication, off balance sheet exposures and advisory services. Financing infrastructure however has its own challenges and risks. The long gestation period leads to asset liability mismatches, credit risk, interest rate risk and market risk. It also calls for huge capital besides personnel with specialized skills in project financing and advisory services.

In order to help banks lend more for infrastructure, India infrastructure finance company Ltd. (IIFCL) will be extending refinance to the extent of 60 per cent of loans for PPP (public private participation) projects in critical sectors. This has to be exploited by the KVB to the optimum extent.

6. Export Credit

India has labour intensive export sectors such as textiles or handicrafts; the new trade policy has given special importance to these segments. But the main problem remains much deep rooted. These sectors employ home based labour and a major part of them are women. They bear the first burnt whenever any adverse situation arises. This leads to marginalisation of an already marginalised society, and makes the income distribution path more skewed. These sectors deserve special attention and the Bank can increase its exposure to export credit by lending to such sections of the society.

7. Commission Exchange Brokerage (CEB) income

CEB income of KVB has declined sharply from 96.13 per cent to 63.49 per cent. This needs to be increased by enlarging its cross selling activities.

It needs to forge more alliances with companies that provide retail financial services over the next few years. It is widely expected that banks in future will sell jewellery, holiday packages, movie and concert tickets, apart from cars and houses. As the global banks are set to play a larger presence in India post-2009, the Bank needs to keep innovating.

To expand their business with consequential increase in profitability, there is a need for KVB to intensify their role in the provision to para banking facilities.

8. Cost Reduction

One of the crucial factors in influencing profitability of banks is, its ability to control cost of operations. So KVB has to keep its costs at minimum possible levels, reducing overheads on an on-going basis but without adversely affecting the quality of services. A cautious approach to the branch expansion policy, reducing staff costs through adaptation of technology and improving their productivity etc., will go a long way in cutting overheads in this inflationary environment. Optimum use of modern telecommunication networks like society for world-wide inter-bank financial telecommunication, e-mail, video conferencing centralized bulk purchase of stationery etc., can also help in the cost cutting efforts of banks. Setting up of specialised branches for sector specific lending can be another pay off strategy.

9. Risk Management

The profitability of a bank in the new millennium largely depends on its ability to efficiently manage the various risks, to which they are exposed in the changed scenario. The credit risk, liquidity risk, capital risk the various risks faced by the banks. The management of these risks in gardening the level of profitability is utmost important. When spreads are becoming thinner and thinner, the Bank should resort to treasury operations to supplement for the future viability of any bank. Profits must come from increased volume of business through better service. Innovative product development and proper marketing of the products help in generating more profits, driven by the growth in volume of business. KVB should develop core competencies in niche markets, introduce innovative products and adopt product-branding techniques to augment their business along with income.

10. **Information Technology (IT)**

Information technology has emerged as a strategic tool for profit generation and increasing operational efficiency in banks. A cost-effective introduction of technology in KVB especially at the branch level can pave the way for a higher profitability through cost reduction, better utility of manpower, streamlined branch functioning, increased productivity and achieving economies of scale. The Bank making use of modern technology will pass on the benefit of lower cost to the customers, thereby, enhancing customer satisfaction also. The higher customer satisfaction will attract new customers to the Bank hold leading to higher volumes of business, which in turn, would further increase bank's profits and business. Deriving a competitive advantage through the most modern delivery channels and the resultant increase in business, customer satisfaction and efficient marketing of products can further strengthen the bottom line of banks.

Information technology can lead to improved mass information services, better corporate planning, and better-informed credit decision-making. The entire business of banking is becoming synonymous with information technology. With slow progress made in establishing automatic teller machines and adopting other electronic innovations, the KVB is already way behind their competitors i.e., the domestic private sector banks. The KVB should develop new skills in foreign currency, loans, exchange risk management through use of derivative instruments like currency futures, options, swaps etc. to compete effectively with the domestic private sector.

11. **Competitive Strategies**

Competition is always a one-upmanship game. In a competitive situation the survival of the firm largely depends on how far its management is both forward looking and innovative. KVB will, therefore, have to assess its strengths and weaknesses and draw up plans for market segmentation and product differentiation. The Bank should draw up a strategic plan based on futuristic vision for the purpose of (i) business diversification, (ii) product differentiation, (iii) market segmentation and (iv) technological up-gradation. There is a need for a reorientation of the KVB's business policies. It has to tap the business of MNCs, big corporate giants and other profitable avenues like foreign trade etc. to remain commercially viable.

12. Financial Inclusion

The banking system has grown considerably but even today the challenge is to reach unbanked areas, particularly in rural areas. There are 65,000 villages in India, out of these 35,000 which are yet to be provided with banking facilities. Hence, financial inclusion has emerged a key challenge for the banking sector. Financial inclusion is not just a public good; it is also a merit good. Financial inclusion could help banks not only fulfil the requirements of the under-banked population, but also provide them access to a new customer segment and access to low-cost resources.

The Bank has to take several measures in the coming years to further financial inclusion;

(i) Encouraging 'no frills' accounts (zero or low minimum balances and minimum charges) to allow access to basic financial services, and all printed bank material has to be made available in regional languages.

(ii) Initiating and then expanding the business correspondent (BC) model and the use of mobile phones for extending banking outreach.

(iii) Scaling up IT initiatives for further deepening the financial inclusion process

13. Basel Panel Norms

The KVB should also focus attention on adoption of global standards such as International Financial Reporting Standards (IFRS) and advanced approaches of Basel-II norms.

The Basel Committee on Banking Supervision (BCBS) on December 17, 2009 came out with a consultative document 'Strengthening the resilience of the banking sector', which proposes significant reforms to the regulatory framework governing banks. The document focuses on the following:

- Strengthening the global capital framework by raising the quality, consistency and transparency of the capital base.
- Enhancing risk coverage of the capital framework.
- Supplementing the risk-based capital requirement with a leverage ratio.
- Reducing pro-cyclicality and promoting countercyclical buffers.
- Introducing a global liquidity standard.

The new BCBS consultative paper is clearly designed to strengthen the banking sector and try and avoid future crises. These reforms may best be termed as path to Basel-III. Hence, KVB has to fine-tune its risk management mechanisms in the face of changing market conditions.

14. Customer Relationship Management

With a plethora of products in the financial super market, product knowledge as well as the skill sets to use technology-based products need to be improved amongst the employees as well as customers. Therefore KVB should also have a strong customer relationship management system that would indicate the worth of the customer and be able to understand his needs while interacting with him, so as to cross sell their products.

This will call for freeing branch outlets from routine transaction processing so that they can focus on customer retention and acquisition by generating fresh leads and converting them to sales. The pain points should also be addressed effectively as they hurt the relationship. For this to happen, the morale of front office staff should be high and they should have a sense of belonging to the institution which can be helped by a transparent human resource policy.

15. Rural Banking

As per the Bank Profile of RBI, 2009-10, out of the total branches of KVB (335) only 13.43 per cent i.e., (45) branches are located in rural areas. As all these banks are aggressively chasing retail growth with 300 million strong middle class as its target customer base, they have to move away from the big cities into smaller towns and villages as a low-cost franchises model (as against putting up higher cost branches). Rural expansion is also facilitated by acquiring existing banks with strong regional presence and a reasonable size of business. Hence KVB is advised to open more of their branches in rural, semi-urban and urban centres to provide funds for all productive endeavours irrespective of size and social status of the borrowers.

Scope for further Research

A study on the financial performance of KVB has enabled the researcher to identify the following related areas for further researcher by the future generation researchers;

1. SWOT of KVB
2. A comparative study on deposit mix of KVB and OPSBs.
3. Customer service in KVB.
4. Impact of technology on the profitability of KVB.
5. Profitability of KVB
6. Retail credit: Role of OPSBs.

Conclusion

Summing up, as the economy picks up and the competition intensifies, there will be pressures on bank’s Net Interest Margins. The need for capital will also increase to sustain the growth momentum. The challenge will be to cut costs, create additional sources of fee based earnings by cross selling, and remain profitable.

Extensive use of IT with robust security system will improve efficiency and cut costs. Skill sets of employees need up gradation so as to make them more comfortable with the latest technology that will increase their comfort level while educating customers to use the same in their day to day dealings.

In a nutshell KVB is expected to strategically focus on managing the diversification of its portfolio to hedge its risks, while continuously optimising its capital deployment to ensure the right balance between risk, return, opportunities and obligation to society. The present focus of KVB is on developing a highly productive and efficient workforce. Supported by best-in-class technology is also expected to differentiate these from the rest. Further, to ensure that all its stake holders benefit from this value creation, it has to continue their efforts towards improving transparency and accuracy in reporting and compliance and operational diligence in their operations, as foundations of good corporate governance.

As a result, KVB will be seen not only as a strong financial pillar of the country, but also as a strong and sound Bank with deep intrinsic value, which would ultimately be reflected in the global recognition of their market valuation.

Outlook of KVB

The Bank has projected an optimistic outlook in future as given in its Annual Report 2009-10. The Bank has set an ambitious target of Rs. 42,052 crore business for the current fiscal 2010-11 with the target for deposits and advances fixed at Rs. 24,500 crore and Rs. 17,552 crore respectively.

The Bank has plans for special drive to be held in all its branches for mobilizing savings and current accounts in the current fiscal. The Bank also has plans to open 50 more branches all over the country in the current fiscal. It has plans to aggressively market technology products.

Considering the business potential in SMEs financing the Bank has set up a Commercial Banking Business Cell at the Central Office for strengthening its presence in the sector. This cell would be catering to the SME customers with a wide range of banking services viz: working capital, term finance, trade services, foreign exchange and e-banking requirements.

Its strategy for the coming years emphasizes the following:

(i) To leverage the technology platform and open scalable systems to deliver products to cater the needs of different customer segments, bring in more customers into its fold while controlling costs of operation.

(ii) To continue to maintain high asset quality through disciplined credit risk management.

(iii) To increase market share in the country's expanding banking industry through branch net work and quality customer service focusing on healthy earnings.