## CONTENTS

<table>
<thead>
<tr>
<th>Acknowledgement</th>
<th>i</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>iii</td>
</tr>
<tr>
<td>Preface</td>
<td>v</td>
</tr>
<tr>
<td>Contents</td>
<td>vii</td>
</tr>
<tr>
<td>List of Tables</td>
<td>xiv</td>
</tr>
<tr>
<td>List of Figures</td>
<td>xviii</td>
</tr>
</tbody>
</table>

### CHAPTER 1

**INTRODUCTION**

1.1 Statement of the Problem  
1.2 Objectives of the Study  
1.3 Research Methodology  
1.4 Necessity and Relevance of the study  
1.5 Review of Literature  
1.6 Operative Definitions  
1.7 Limitations of the Study  
1.8 Presentation of Chapters

### CHAPTER 2

**FINANCIAL MANAGEMENT AND BANKING – AN OVERVIEW**

2.1 Importance of Finance in Banks  
2.2 Meaning of Bank Finance  
2.3 Meaning of Financial Management in Banks  
2.4 Scope of Financial Management in Banks
2.5 Objectives of Financial Management 40
2.6 Risk and Return 43
2.7 Risk Management of Banks 44
2.8 Basel I and Risk Management 46
2.9 Basel II and Risk Management 47
2.10 Return Assessment of Banks 49
2.11 Risk-Return Trade Off 50
2.12 Cost of Capital 51
2.13 Determining the Cost of each Capital Component 51
2.14 Capital Structure 53
2.15 Working Capital Management 55
2.16 Need for Working Capital 55
2.17 Adequacy of Working Capital 56
2.18 Determinants of Working Capital 57
2.19 Management of Cash 60
2.20 Problems of Cash management 60
2.21 Motives for Holding Cash 63
2.22 Management of Accounts Receivable 65
2.23 Capital Budgeting 66
2.24 Techniques of Capital Budgeting 66
2.25 Leverage 69
2.26 Financial Statement Analysis 70
2.27 Ratio Analysis 71
2.28 Classification of Ratios 71
2.29 Financial Management and Banks 83
2.30 Bank 85
2.31 History of World Banking 86
2.32 History of Banking in India 92
2.33 Scheduled Banks Registered in the State of Kerala 98

CHAPTER 3

RISK-RETURN MANAGEMENT IN BANKS 113-123

3.1 Risk Statement 114
3.2 Uncertainty Statement 115
3.3 Types of Risks in the day-to-day Financial Management Activities 116
3.4 Methods of Risk Management 117
3.5 Techniques employed in the Methods of Risk Management 118
3.6 Criteria for Evaluating Proposals to Minimize Risk 119
3.7 Return Statement 120
3.8 Approach Adopted for the Measurement of Return 121
3.9 Components in the Rate of Return 122
3.10 Major Risks Return Decision Areas 122
CHAPTER 4

FINANCIAL PLANNING AND ANALYSIS IN BANKS  127-258

4.1 Financial Plan  128
4.2 Contents of a Financial Plan  129
4.3 Principles of Designing a Financial Plan  130
4.4 Financial planning  131
4.5 Ingredients of Financial Planning  131
4.6 Steps for Financial Planning  133
4.7 Pattern of Finance  134
4.8 Sources of Financing  135
4.9 Assessment of the Fixed Capital Requirements  136
4.10 Factors Considered for Determining Fixed Capital  137
4.11 Principles Observed for an Efficient Management of Fixed Capital  138
4.12 Distinction between Capital and Capitalisation  139
4.13 Causes of Over Capitalization  139
4.14 Under Capitalization  140
4.15 Existence of Under Capitalisation  141
4.16 Causes of Under Capitalization  142
4.17 Effects of Under Capitalization  143
4.18 Rectification of Under Capitalization  144
4.19 Techniques of Financial Analysis  145
4.20 Comparative Financial statement 146
4.21 Common-Size Financial statements 169
4.22 Trend Percentage 193
4.23 Cash Flow Analysis 216
4.24 CVP Analysis 235
4.25 Ratio Analysis 239

CHAPTER 5

COST OF CAPITAL AND CAPITAL STRUCTURE IN BANKS 261-269
5.1 Pattern of Capital Structure of four banks 261
5.2 Optimum Capital Structure 262
5.3 Achieving the Optimum Capital Structure 263
5.4 Features of an Appropriate Capital Structure 263
5.5 Factors determining the Capital Structure 264
5.6 Cost of Capital 266
5.7 Importance of Cost of Capital 266
5.8 Classifications for Cost of Capital 267
5.9 Problems faced on Computation of Cost of Capital 268

CHAPTER 6

MANAGEMENT OF FUNDS IN BANKS 273-302
6.1 Concept of Working Capital 273
6.2 Operating Cycle 275
6.3 Current assets 275
6.4 Current liabilities 276
6.5 Types of Working Capital 278
6.6 Adequate Working Capital 279
6.7 Estimate Working Capital Requirements 280
6.8 Techniques for the Assessment of Working Capital Requirements 281
6.9 Sources of the Working Capital 283
6.10 Approaches for Determining the Working Capital Financing Mix 283
6.11 Motives for Holding Cash 284
6.12 Objectives of Cash Management 285
6.13 Basic problems of Cash Management 286
6.14 Over Trading 287
6.15 Causes of Over Trading 288
6.16 Consequences of Over Trading 289
6.17 Remedial Measures of Over Trading 290
6.18 Control Working Capital 291
6.19 Types of Investment Decisions 292
6.20 Rationale of Investment Decisions 293
6.21 Factors Taken into Account while taking a Capital Investment Decision 294
6.22 Investment Appraisal Methods 295
6.23 Capital Rationing 296
6.24 Capital Investment Budget 297
6.25 Economic Analysis for the Financial Viability of Investment 298
6.26 Financial Leverage 299
6.27 Operating Leverage 300

CHAPTER 7

FINDINGS, RECOMMENDATIONS AND CONCLUSION 305-343

7.1 Findings of the Study 305
7.2 Suggestions and Recommendations 334
7.3 Conclusion 342

SELECTED BIBLIOGRAPHY 344-363

Books 344
Journals 355
Others 361
Web Sites 363

APPENDIX 364-383

Questionnaire 365