International Journal of Advances in Engineering and Management (IJAEM)
Volume 4, Issue 9 Sep. 2022, pp: 270-277 www.ijaem.net ISSN: 2395-5252

A Study on Comparative Financial Performance Analysis of Selected Banks

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Date of Submission: 01-09-2022 Date of Acceptance: 10-09-2022

ABSTRACT: Finance is the life blood of any organization. An investment to some avenue can be challenging if the performance of that avenue is not satisfactory. An investments prime motive is to get some returns, expecting the growth of that organisation in the future.
But with return , the investment is backed by risk as well, because of the difficulties involved in forecasting the future. Analysis of the risk and return can be done through various measures , as per the industry. Careful measurement and decisions is required for long term benefit. Certain tools used acts as a basis of comparison and provides a framework for investment decision.

KEYWORDS: Finance , performance , Analysis , investment decision.

I. INTRODUCTION

Financial Performance of the Banks are the clear indicators of Stability , Growth and Future of the Banking Industry. To analyse the Financial performance of the Banks there are various methodologies, and various survey is done by different institutes.

A bank balance sheet is a key indicator to draw conclusions regarding a bank's activity and the resources used for lending.

Liquidity, Solvency, Profitability are the major indicators of uniqueness of banking business.Banks are required to maintain the Capital buffer, with liquidity and leveraging. The risk-return trade-off is key in the banking business.

Banking Industry contributes significantly to the economy. The regulators provide various measures to monitor and control banking business in the country.

Analysis includes :

I) Economic research
II) Industry research
III) Business analysis

Objective of the study:

- To analyse the tools to measure the performance of banks.
- To perceive the industry.
- To compare and find the best Investment avenue.

<u>Key tools for analyses</u> :

Total Assets
CAR
NPA
CASA ratio
Provision coverage ratio
Net interest margin

Total Assets

Total Funds of the bank includes Capital , Reserves & Surplus , indicating the funds for investments and meeting the contingency of the bank .
The bank segregates those funds as Cash and Bank Balances with RBI, Balances with other banks Money at Call and Short Notice, Investments, Advances, Fixed Assets.

CAR

Capital Adequacy Ratios is the indication of the banks capability to withstand the future losses, and protect itself through its reserves and surplus .It protects the depositors and increase the efficiency of the financial system.
Central bank provides the minimum ratio to be maintained by its banks , currently as per RBI which is 9% for scheduled commercial banks, 12% for public-sector banks , in order to maintain liquidity and solvency of banks, Including TIER 1 [min – 6%] and TIER 2 [min – 2%]capital.

The higher the CAR, the better capitalised the bank is.

NPA

Gross and Net non-performing assets – NPA's are divided as Gross & Net NPA's. The banks have a serious threat on those Outstanding loans and Interest amount , which depletes its provisions made for NPA's and reduce the solvency rate.

Net NPA = Gross NPA– Provisions

A high PCR (Provision coverage ratio) means that most asset-quality issues have been taken care of. The NPA are classified as Sub-Standard, Doubtful , and Loss Assets. The NNPA ratio should be always minimal , other wise it's a future risk of loss to the banks.

The smaller the GNPA and NNPA number of the bank, it is safer , with more deposits in terms of savings account from customers.

CASA ratio –Current account & Savings account

A high CASA ratio is good for Banks as it is reducing the borrowing rate to investors, and lending at higher interest rates. The banks would yield a high Net Interest margin with good profitability.
A high CASA means cheaper source of funds for depositors.

CASA=Current a/c + savings a/c

Bank	**STATE BANK OF INDIA**		**BANK OF BARODA**	
Year	**2022**	**2021**	**2022**	**2021**
Amount	[Rs.Cr.]	[Rs.Cr.]	[Rs.Cr.]	[Rs.Cr.]
Equity Capital	892.46	892.46	1,035.53	1,035.53
TOTAL CAPITAL	**892.46**	**892.46**	**1,035.53**	**1,035.53**
Revaluation Reserve	23,377.87	23,577.35	0	0
Reserves & Surplus	255,817.73	229,405.38	84,874.19	76,010.19
Total Reserves & Surplus	279,195.60	252,982.73	84,874.19	76,010.19
TOTAL SHAREHOLDERS FUNDS	**280,088.06**	**253,875.19**	**85,909.72**	**77,045.72**
Deposits	4,051,534.12	3,681,277.08	1,045,938.56	966,996.93
Borrowings	426,043.38	417,297.70	103,899.29	66,847.93
Other Liabilities and Provisions	229,931.84	181,979.66	42,252.27	44,474.19
TOTAL CAPITAL AND LIABILITIES	**4,987,597.41**	**4,534,429.63**	**1,277,999.83**	**1,155,364.77**
Capital Adequacy Ratios (%)	13.85	13.74	15.84	14.99
PERFORMANCE INDICATORS				
Tier 1 (%)	11.16	11.44	13.34	12.67
Tier 2 (%)	2.69	2.3	2.5	2.32
ASSETS QUALITY				
Gross NPA	112,023.00	126,389.00	64,059.39	66,671.00
Gross NPA (%)	4	5	7	9
Net NPA	27,965.71	36,809.72	13,364.64	21,800.00
Net NPA (%)	1.02	1.5	1.72	3.09
Net NPA To Advances (%)	1	2	2	3
CONTINGENT LIABILITIES, COMMITMENTS				
Bills for Collection	77,730.12	1,706,949.91	64,741.92	65,233.83

Contingent Liabilities	2,007,083.44	1,706,949.91	399,234.43	395,655.76

Bank	HDFC		AXIS BANK		ICICI	
Year	2022	2021	2022	2021	2022	2021
Amount	[Rs.Cr.]	[Rs.Cr.]	[Rs.Cr.]	[Rs.Cr.]	[Rs.Cr.]	[Rs.Cr.]
Equity Capital	554.55	551.28	613.95	612.75	1,389.97	1,383.41
TOTAL CAPITAL	**554.55**	**551.28**	**613.95**	**612.75**	**1,389.97**	**1,383.41**
Revaluation Reserve	0	0	0	0	3,195.66	3,093.59
Reserves & Surplus	239,538.38	203,169.55	114,411.51	100,990.26	165,659.93	143,029.08
Total Reserves & Surplus	239,538.38	203,169.55	114,411.51	100,990.26	168,855.59	146,122.67
TOTAL SHAREHOLDERS FUNDS	**240,092.94**	**203,720.83**	**115,174.06**	**101,603.01**	**170,511.97**	**147,509.19**
Deposits	1,559,217.44	1,335,060.22	821,720.91	707,306.08	1,064,571.61	932,522.16
Borrowings	184,817.21	135,487.32	185,133.86	142,873.16	107,231.36	91,630.96
Other Liabilities and Provisions	84,407.46	72,602.15	53,149.28	44,336.17	68,982.79	58,770.37
TOTAL CAPITAL AND LIABILITIES	**2,068,535.05**	**1,746,870.52**	**1,175,178.11**	**996,118.42**	**1,411,297.74**	**1,230,432.68**
Capital Adequacy Ratios (%)	18.9	18.79	18.54	19.12	19.16	19.12
PERFORMANCE INDICATORS						
Tier 1 (%)	17.87	17.56	16.34	16.47	18.35	18.06
Tier 2 (%)	1.03	1.23	2.2	2.65	0.81	1.06
ASSETS QUALITY						
Gross NPA	16,140.96	15,086.00	21,822.32	25,314.84	33,294.92	40,841.42
Gross NPA (%)	1	1	3	4	4	8
Net NPA	4,407.68	4,554.82	5,512.16	6,993.52	6,931.04	9,117.66
Net NPA (%)	0.32	0.4	0.73	1.05	0.81	2.1
Net NPA To Advances (%)	0	0	1	1	1	2

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CONTINGENT LIABILITIES , COMMITMENTS						
Bills for Collection	56,968.05	44,748.14	66,947.44	50,375.27	75,150.83	54,643.42
Contingent Liabilities	1,395,442.30	971,097.60	1,292,104.57	80,303.76	3,867,675.87	2,648,640.67

- Two major Public sector banks are considered for analysis – SBI & BOB.
- Both the banks funds and liabilities have increased from past year , is a good indicator for growth.
- Both banks have improvised on CAR, but comparatively BOB has a better ratio.
- The Gross NPA (%) and Net NPA (%) is reduced for the banks from previous years, but SBI is having good profitability with a low NPA %.
- Contingent Liabilities is increased for the banks which is good up till some extent and bad if they are not able to recover.
- All the 3 Private banks funds and liabilities have increased from past year , it is a good indicator for growth of banks.
- CAR has been reduced for HDFC & AXIS BANK , and increased a little for ICICI bank , comparatively depicting a better ratio among the 3 private sector banks.
- The Gross NPA (%) and Net NPA (%) is reduced for the banks from previous years, but HDFC Bank is having good profitability with a low NPA %.
- Contingent Liabilities is increased for the banks which is good up till some extent and bad if they are not able to recover

The 10 Year average of the Banks are represented in the below chart:

Banks	**GNPA %**	**NNPA %**	**CASA %**	**NIM %**	**PCR %**
SBI	2.23	5.59	39.92	2.59	40
BOB	3.13	2.72	29.76	2.12	44
HDFC	0.4	0.31	44.89	3.79	140
ICICI	1.25	2.3	46.25	2.79	48
AXIS	1.12	1.73	45.97	2.91	110

Interpretations:

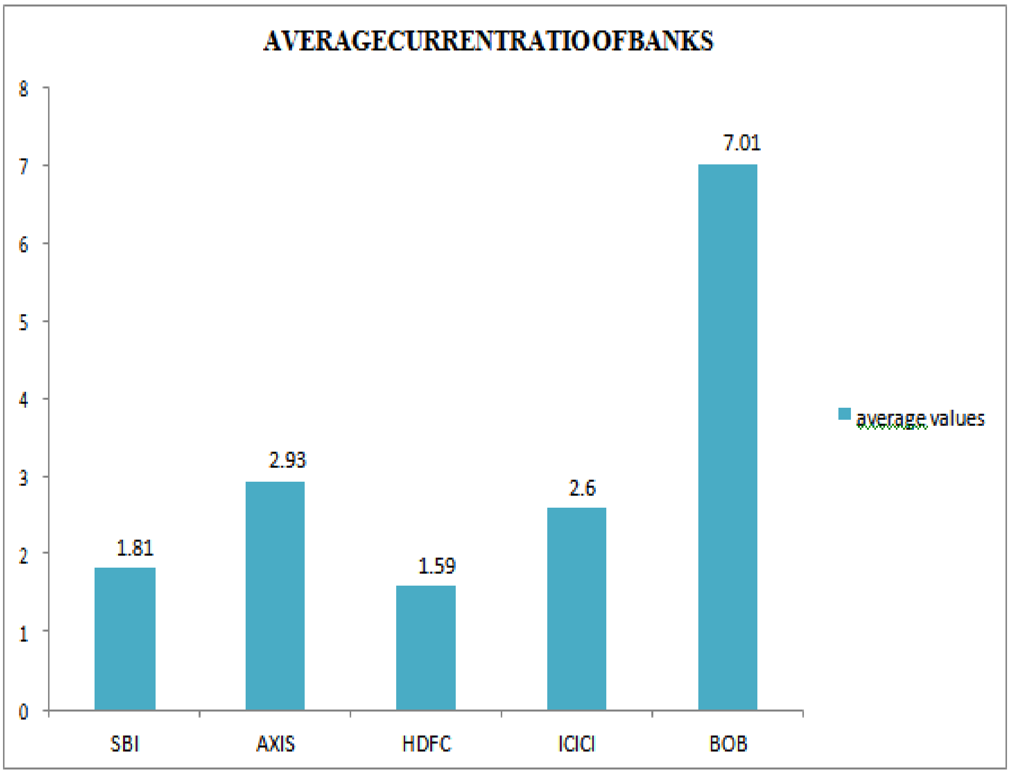
- The smaller the GNPA and NNPA number of the bank, it is safer , with more deposits in terms of savings account from customers, as per the chart the big private bank HDFC has very low percentage and reflects good source of investment.
- A high CASA means a good profitability, amongst the Banks highest is ICICI.
- The higher is the NIM, more efficient is the bank so HDFC is rated high among the banks.
- A high PCR reflects better provision for the contingencies, HDFC marks the most of it.
- Overall Private Giant Bank HDFC makes it a Good Avenue for Investment opportunity among the selected banks.

Magnitude Relation Current Ratios

A liquidity magnitude relation that gauges a company's capacity to settle its current liabilities and assets is the present magnitude relation, also known as the assets magnitude relation. Because it illustrates the liquidity, the current size relation is essential to the creditors.

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

CURRENT RATIO OF BANKS FOR PAST FIVEY EARS					
YEARS	SBI	AXIS	HDFC	ICICI	BOB
2016	1.85	2.36	1.13	3.17	6.50
2017	1.70	2.52	1.32	2.19	6.47
2018	1.83	2.69	1.49	2.14	8.07
2019	1.76	3.06	1.70	2.12	7.24
2020	1.92	4.05	2.35	3.38	6.79
AVERAGE	1.81	2.93	1.59	2.60	7.01



Interpretation:

On a mean bases BOB has the very best current quantitative relation as seven.01%, followed by AXIS bank at a pair of.93%, ICICI bank a pair of.60%, SBI at 1.81% and by HDFC atone.59%. This chart shows that BOB has additional ability of liquidity as compared to alternative banks, once BOB the opposite banks square measure followed as AXIS bank, ICICI bank, SBI bank and HDFC bank.

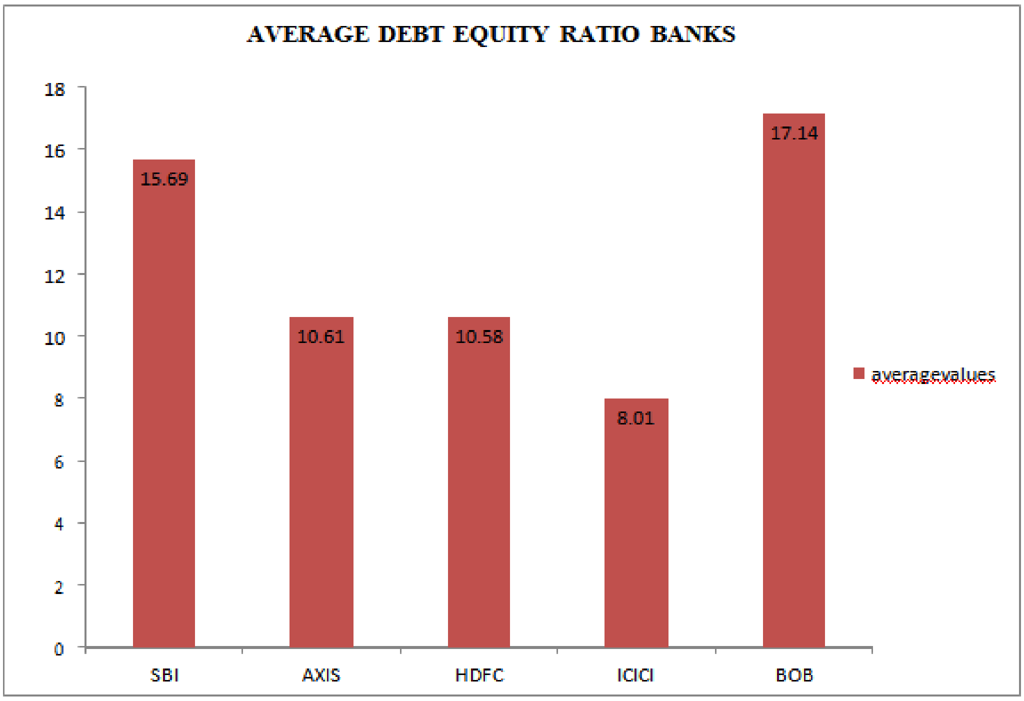
DEBTTOEQUITYRATIO:

A debt equity quantitative relationship, which is determined by dividing a company's total liabilities by the equity held by its stockholders, is used to measure the financial leverage of a business.

The debt equity quantitative relationship shows how much debt a company uses in relation to the amount of value represented in shareholders' equity to fund its assets.

$$\text{DEBT EQUITY RATIO} = \frac{\text{TOTAL LIABILITIES}}{\text{TOTAL EQUITY}}$$

DEBTE QUITY RATIO OF BANKS FOR THE PAST FIVE YEARS					
YEARS	**SBI**	**AXIS**	**HDFC**	**ICICI**	**BOB**
2016	**15.90**	**12.52**	**11.29**	**7.84**	**16.27**
2017	**15.83**	**10.29**	**11.05**	**8.04**	**17.11**
2018	**15.15**	**10.03**	**11.30**	**8.12**	**18.32**
2019	**15.94**	**10.34**	**9.52**	**8.03**	**17.94**
2020	**15.65**	**9.88**	**9.75**	**8.03**	**16.07**
AVERAGE	**15.69**	**10.61**	**10.58**	**8.01**	**17.14**



Interpretation:

We can observe the banks' debt to equity ratio over the last five years from the table and chart above. The BOB has the best debt to equity ratio, ahead of SBI, AXIS, HDFC, and ICICI banks, and behind only the BOB. In comparison to the other banks, ICICI has the lowest percentage of borrowed funds in its overall capital, making it the most productive institution. The capital structure's self-owned funds are best represented by ICICI , followed by HDFC, AXIS, SBI, and BOB.

RETURN ON EQUITY RATIO (ROE)

The amount of profit as a percentage of shareholders' equity is known as return on equity(ROE). Return on equity calculates a company's profit by showing how much money it makes using the money shareholders have invested.

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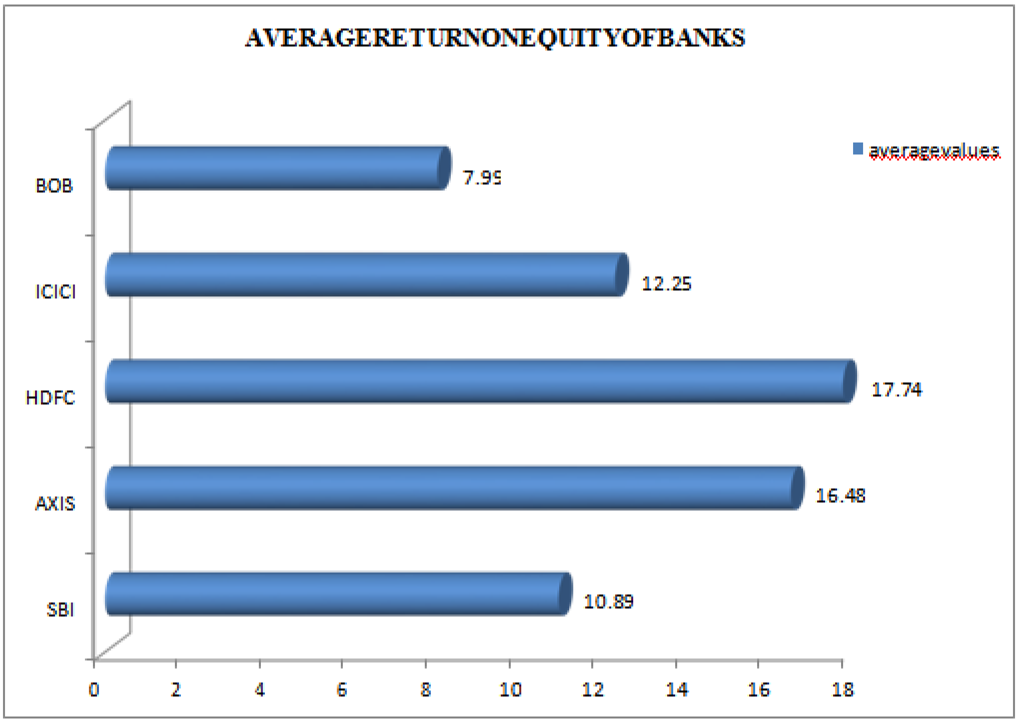
$$RETURN ON\ EQUITY RATIO = \frac{NETINCOME}{SHAREHOLDERSEQUITY}$$

RETURN ON EQUITY RATIO OF BANKS FOR PAST FIVE YEARS					
YEARS	**SBI**	**AXIS**	**HDFC**	**ICICI**	**BOB**
2016	**13.94**	**18.59**	**17.26**	**10.70**	**18.22**
2017	**14.26**	**15.64**	**18.57**	**12.48**	**14.01**
2018	**9.20**	**16.26**	**19.50**	**13.39**	**12.61**
2019	**10.20**	**16.46**	**16.47**	**13.89**	**8.53**
2020	**6.89**	**15.46**	**16.91**	**10.83**	**-13.42**
AVERAGE	**10.89**	**16.48**	**17.74**	**12.25**	**7.99**



Interpretation:
From the above table and chart we see the return on equity of banks for 2016. The highest return on equity is by AXIS bank with 18.59, followed by BOB with 18.22, HDFCbankby17.26,then it is followed by SBI bank with 13.94 and at last it is ICICI bank with 10.70

II. CONCLUSION

- The total financial gain, expenditure and total liabilities and assets of the banking sector has raised within the past 5 years.
- Financial sector reforms results increase in savings, credit, investment, interest, financial gain and capitalization of the industry.
- BOB bank has the best current magnitude relation, ICICI bank has the best debt equity magnitude relation, and HDFC bank has the best come back on equity and Indira us similarly as earning per share and value earnings magnitude relation for the past 5 years.
- ICICI bank has is highest in dividend per share and net income compared to different banks.
- The banking sector in Republic of India has competent a varied introduce the event of

history. there& #39;s an incredible growth within the industry in Republic of India as compared to the last 5 years. the main contribution for the expansion of the industry or sector is because of the govt.

- The banking sector has full-grown within the share market. they need been performing well and have raised in gain, potency in its performance.
- Elementary analysis helps in analysing the businesses actual position, so the investors should analysis the corporate before finance in it. Long terms investments are a lot of profitable than short term investment.

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