

A STUDY ON FINANCIAL PERFORMANCE: A COMPARATIVE ANALYSIS OF BANK OF BARODA AND INDIAN BANK

R. Lakshmi Bai, Ph.D Scholar,
Department of Business Administration, Kalinga University Raipur, Chhattisgarh

Ruchika, Professor,
Department of Business Administration, Kalinga University Raipur, Chhattisgarh

ABSTRACT

It is well known that the banking sector plays an efficient and effective role in the development of country. The main purpose of this study is to determine and compare the financial performance of Bank of Baroda and Indian Bank. In general financial performance can also be called as financial appraisal. The term financial performance can be defined as the method of analysis of profitability and the financial position of the organization considered. The financial performance of any selected organization can be effectively achieved by implementing suitable analysis technique. The present study deals in the financial performance such as net profit ratio, operating profit ratio, return on capital, return on net worth, return on assets and return on equity.

Keywords: net profit ratio, operating profit ratio, return on capital, return on net worth, return on assets and return on equity.

INTRODUCTION

As discussed earlier the banking sector plays a vital role in the development of country. The main role of any bank includes money lending, accepting money investment and providing interest for it, providing safe guards such as lockers and other facilities. The Indian banking structure can be broadly classified into three main types as central bank, commercial banks and cooperative banks. The Reserve Bank of India is said to be the main authority to control the banking system of India. Especially the scheme of saving account opening helps the public in depositing their earning money and to withdraw it at their essential period. Secondly the locker facility offered by the banks helps public to safeguard their assets. In simple words the financial performance of any organization can be defined as the performance measurement to broaden their plans and goals. The sustainable banking

practice can be defined as the phase involved in the development of organization with the help of suitable techniques.

LITERATURE REVIEW

The conference study of Varde, 1988 made a clear distinction between the terms effectiveness, efficiency and productivity. He also classified the banks into four main types namely man power efficiency, operational efficiency, commercial efficiency and the ancillary business efficiency. From the review of Dorasamy, 2013 he suggested that the bank sectors has to be seen as the lending firms engaging in the development of country and social activities to uplift and serve the public. The main objective of the financial analysis is to determine the strength and weakness of financial status of the organization. The financial analysis also provides the primary foundation for financial planning, financial decision and financial making. The financial analysis can be achieved by two basic types' namely horizontal analysis and vertical analysis. Horizontal analysis is defined as the assessment and evaluation of similar financial statements of different accounting periods where as the vertical analysis can be defined as the assessment and evaluation of different financial statements of different accounting periods. The performance analysis had made between the public sector banks, private sector banks and foreign banks during the year 1994-1995, the results of performance analysis revealed that the public sector banks are working efficiently when compared with private sector banks and foreign banks (Das S.P, 1997). The study conducted by Sensaram Rudra (2006) estimated the performance effectiveness of Indian banks, the results of study revealed that the Indian bank had extended their performance during the year 1986 to 2000; the overseas bank resulted in worst performance during the same period of years. The commercial banking sectors in India was started by the employees of the East India Company at the beginning of 18th century and it is found to be in the role upto 1929-1932 (Gupta 2001 and Roy 2000). In the year 1970 the bank of Hindustan was established by M/s Alexander and co is often said to be the first joint stock bank functioned in India and it is said to be wound up in the year 1832 due to the failure of the firm. Oudh commercial bank was the first purely bank in India that was established in the year 1881, followed by the Punjab national bank in the year 1894 and the peoples bank in the year 1901. In the year 1906 the swadeshi

movement helped in the establishment of Indian banks namely bank of India, bank of Baroda and central bank of India.

PROFILE OF SELECTED BANKS

BANK OF BARODA

Bank of Baroda is an Indian nation owned bank operating under its head quarters located at Vadodara. The bank of Baroda was started with the aid Baroda maharaja, H.H.SayajiravGaekwad on 20th July 1908 with a capital of Rs.10 lakhs. After two years of establishment the bank started its first branch in Ahmadabad. Based on the annual performance on the year 2014, the bank of Baroda is ranked 801 on Forbes global 2000. The bank of Baroda is one of the second biggest banks in India subsequent to State Bank of India, Punjab national bank and ICICI bank. The bank of Baroda had opened their branches in Oman in the year 1976, in Brussels in the year 1978.

INDIAN BANK

Indian bank is an Indian nation owned bank started during the year 1907 in Chennai, India. The Indian bank also has its branches in Srilanka and Singapore. The Indian bank has approximately 20,661 employees and nearly 2594 branches. The World war II resulted the Indian bank to face monetary problems in the year 1942 and tends to close part of its branches in India.

FINANCIAL PERFORMANCE

In the present study the financial performance of bank of Baroda and Indian bank was analyzed and compared. The figure 1.1 and 1.2 shows the financial performance such as net profit ratio, operating profit ratio, return on capital, return n net worth, return on assets and return on equity of bank of Baroda and Indian bank.

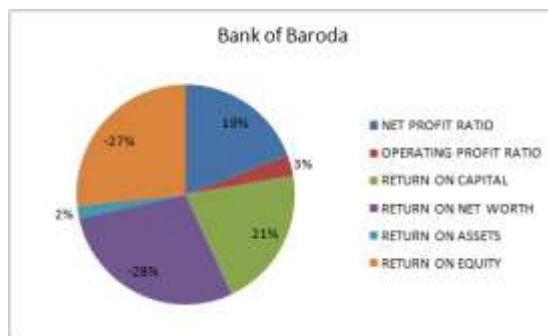


Figure 1.1 Financial performance of bank of Baroda

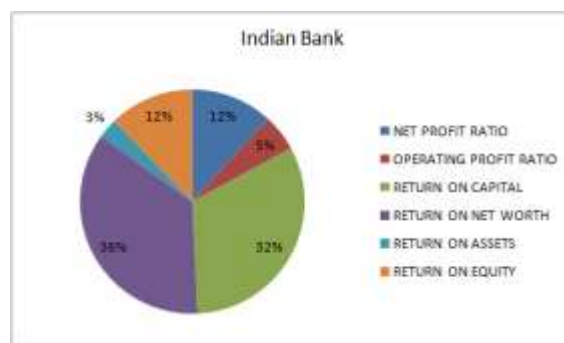


Figure 1.2 Financial performance of Indian bank

RESULT AND DISCUSSION

From the graph it is clear that net profit ratio of bank of Baroda is found high when compared with the Indian bank. The operating profit ratio of the Indian bank is relatively high when compared with the operating profit of bank of Baroda. Similarly the return on capital of Indian bank is also found high followed by the operating profit ratio when compared with the return on capital of bank of Baroda. The return on net worth, return on assets and the return on equity of Indian bank is found relatively high when compared with the return on net worth, return on assets and the return on equity of bank of Baroda.

CONCLUSION

From the results of study it is very clear that the financial performance of Indian bank is comparatively high when compared with the financial performance of bank of Baroda except in the case of net profit ratio.

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