

Financial Performance of Bank of Baroda and Bank of India

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Abstract: Financial performance is a subjective measure of how well a firm can use assets firm its primary mode of business and generate revenues. The term is also used as a generated measure of firm's overall financial health over a given period. The objective of study is to make a comparative analysis of Bank of Baroda and Bank of India using ratio comparative and common size balance sheet.

Keywords: Financial performance analysis

1. Introduction

Financial performance analysis is the process of identifying the financial strength of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short term and long term forecasting and growth can be identified with the help of financial performance analysis. The meaning of 'analysis' is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance.

2. History of Banks

Bank of Baroda is an Indian state owned International banking and financial services company headquartered in Vadodara (earlier known as Baroda) in Gujarat, India, next to state bank of India. Its headquarters is in Vadodara, it has a corporate office in the Mumbai. The bank along with 13 other major commercial banks of India was nationalised on 19 July 1969 by the government of India and has been designated as a profit making public sector Undertaking (PSU). Bank of Baroda is one of India's leading commercial banks for more than a hundred years. It has significant international presence with a network of 74 offices in 25 countries including 48 branches of the Bank, 23 branches of its 7 Subsidiaries and 3 Representative Offices in Malaysia, Thailand & Australia. The Bank has also one Joint Venture in Zambia with 11 branches. The Bank has presence in world's major financial centers in New York, London, Brussels, Dubai, Singapore and Hong Kong.

Bank of India has several firsts to its credit. The Bank has

been the first among the nationalized banks to establish a fully computerized branch and ATM facility at the Mahalaxmi Branch at Mumbai way back in 1989. It pioneered the introduction of the Health Code System in 1982, for evaluating/rating its credit portfolio. Bank of India was the first Indian Bank to open a branch outside the country, at London, in 1946, and also the first to open a branch in Europe, Paris in 1974. The Bank has sizable presence abroad, with a network of 23 branches (including three representative offices) at key banking and financial centers viz. London, New York, Paris, Tokyo, Hong-Kong, and Singapore.

3. Review of Literature

D. Premaselvaraji and Dr. A. L. Kamalavalli (2017) in their article titled "A Study on financial performance of nationalized banks" studied the performance in a general term, applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. The objective was to understand the financial statements of nationalized banks and to study the financial health of the banks using ratio analysis. It is used to measure firms' across the same industry. They have concluded that while analyzing the financial performance of nationalized banks the performance of Indian overseas Bank was better than other banks and SBI has to stabilize their financial stability.

Parmod Kumar & Harish Chander (2018) in their article titled "A Comparative Analysis of financial performance of public and private sector banks in India" has made a comparative analysis of financial performance of public and private sector banks during the period 2005-17 with the help of ratio analysis and ANOVA. The study shows that private sector banks are performing better than their public counterparts in terms of operating profit to total assets, profit per employee, return on advances ratio and return on assets. Public sector banks are performing better than their private sector counterparts in terms of return on investment ratio. HDFC bank is earning the highest return on equity and the variations in its earning are also at the lowest level. They have concluded that the difference between the ratios of various banks was statistically significant in all cases of return on equity where it was statistically insignificant.

4. Statement of the Problem

Finance is one of the most important aspects of business management and includes analysis related to the use and acquisition of funds for the enterprise. Finance is always of great importance is it in a business or in one's everyday life. As it is important to manage risks in business it is equally important to manage risks in life as well. It is essential to ensure a secure future for both individual and an organization. That is why an attempt has been to find the financial performance of Bank of Baroda and Bank of India.

5. Objective of the study

- To analyze the liquidity position of Bank of Baroda and Bank of India.
- To make a comparative analysis of Bank of Baroda and Bank of India for the two year 2017-18 and 2018-2019.

6. Research Methodology

The process used to collect information and data for the purpose of making business decisions.

A. Data Collection

Secondary Data is used for the study. Two public sector banks Bank of Baroda and Bank of India have been selected for this study. Secondary data were collected from banks, journals, annual reports and website of the banks. The study covers a period of 2years from 2017-18 and 2018-2019.

B. Limitations for the study

Due to cost and time constraints the study is confined to financial performance of the two banks only for a period of 2 years.

7. Data Analysis

Ratio analysis was applied to analyze and compare the financial performance of banks. The following ratios have been used in this study to compare the performance of banks.

- Current ratio
- Cash position ratio
- Debt equity ratio

Current ratio:

Current ratio = current asset/current liabilities

Table 1

Year	Bank of Baroda	Bank of India
2017-18	1.37	2.81
2018-19	1.40	2.38

Interpretation:

The above table shows that Bank of Barodas current ratio is 1.37% in 2017-18 and 1.40% in 2018-19. Likewise, it is 2.81% in 2017-18 and 2.38% in 2018-19 for Bank of India.

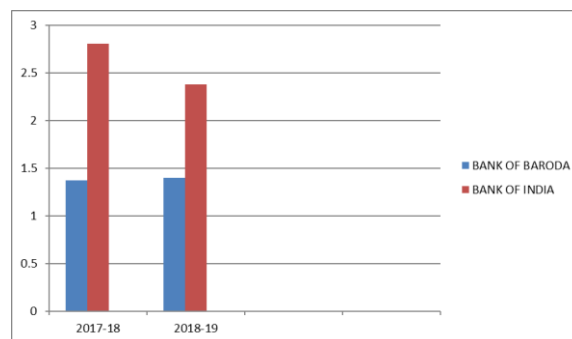
Inference:

Bank of India is in a better position in case of current ratio since the current ratio is 2:1.

Chart 1

Current Ratio

Current ratio = current asset/current liabilities



Debt equity ratio

Debt equity ratio = Total debt / shareholders fund

Table 2

Year	Bank of Baroda	Bank of India
2017-18	15.07	18.82
2018-19	15.37	13.56

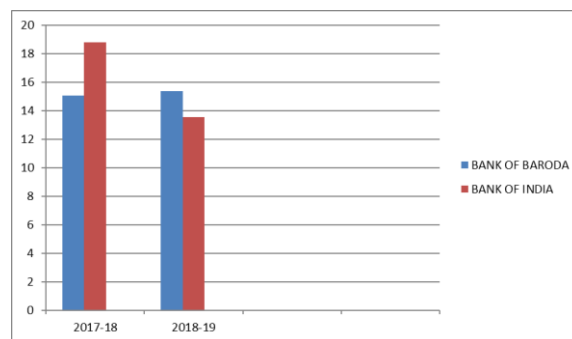
Interpretation:

The above table shows that Bank of Barodas debt equity ratio is 15.07% 2017-18 and 15.37% in 2018-19. Likewise, is 18.82% in 2017-18 and 13.56% in 2018-19 for Bank of India.

Inference:

Bank of India is in a better position in case of debt equity ratio.

Chart 2: Cash Position Ratio



A. Comparative Balance Sheet

A comparative balance sheet presents side-by-side information about entity's assets, liabilities, and shareholders' equity as of multiple points in time. For example, a comparative balance sheet could present the balance sheet as of the end of each year for the past three years.

B. Common Size

A comparative balance sheet presents side by side information about an entity's assets, liabilities, and

shareholders' equity as of multiple points in time. For example, a comparative balance sheet could present the balance sheet as of the end of each year for the past three years.

Table 3
 Comparative balance sheet of Bank of Baroda for the year 2017-18

PARTICULARS	2017	2018	Increase(+) or decrease(-)	PERCENTAGE
			AMOUNT	
ASSETS				
Cash and balance with RBI	22780.21	22699.64	(-)80.57	(-)0.35
Balance with banks, money at call	127689.70	70197.74	57491.96	45.02
Advances	383259.22	427431.83	44172.61	11.52
Investments	129630.54	163184.53	(-)33553.99	(-)20.56
Other assets	25757.37	31118.64	5361.27	20.81
Total assets	694875.41	719999.77	25124.36	3.61
LIABILITIES				
Equity share capital	462.09	530.36	68.27	14.77
Reserves	39841.16	42864.41	3023.25	7.58
Deposits	601675.17	591314.82	(-)10360.35	(-)1.72
Borrowings	30611.44	62571.97	31960.53	104.40
Other liabilities and provision	22285.56	22718.21	432.65	1.94
Total liabilities	694875.41	719999.77	25124.36	3.61

Table 4
 Comparative balance sheet of Bank of Baroda for the year 2018-19

PARTICULARS	2018	2019	Increase(+) or decrease(-)	PERCENTAGE
			AMOUNT	
ASSETS				
Cash and balance with RBI	22699.64	26661.73	3962.09	17.45
Balance with banks, money at call	70197.74	62567.89	(-)7629.85	(-)10.86
Advances	427431.83	468818.74	41386.91	9.68
Investments	163184.53	18298.08	19113.55	11.71
Other assets	31118.64	33650.68	2532.04	8.13
Total assets	719999.77	780987.42	60987.65	8.47
LIABILITIES				
Equity share capital	530.36	530.36	0	0
Reserves	42864.41	45410.73	2546.32	5.94
Deposits	591314.82	638689.72	47374.9	8.01
Borrowings	62571.97	67201.30	4629.33	7.39
Other liabilities and provision	22718.21	24113.29	1395.08	6.14
Total liabilities	719999.77	780987.42	60987.65	8.47

Table 5
 Comparative balance sheet of Bank of India for the year 2017-18

PARTICULARS	2017	2018	Increase(+) or decrease(-)	PERCENTAGE
			AMOUNT	
ASSETS				
Cash and balance with RBI	27544.44	31575.19	4030.75	14.63
Balance with banks, money at call	68920.27	64449.04	(-)4471.23	(-)6.48
Advances	368328.76	343288.92	(-)25039.84	(-)6.79
Investments	130751.26	140321.07	9569.81	7.31
Capital work in progress	196.66	158.21	(-)38.45	(-)19.55
Other assets	27935.44	27200.26	(-)735.18	(-)2.63
Total assets	632025.95	615184.34	(-)16841.61	(-)2.66
LIABILITIES				
Equity share capital	1055.43	1743.72	688.29	65.21
Share application money	1721.92	0.00	(-)1721.92	(-)100
Reserves	30851.91	35012.76	4160.85	13.48
Deposits	542352.11	522996.90	(-)19355.21	(-)3.56
Total liabilities	632025.95	615184.34	(-)16841.61	(-)2.66

Table 6
 Comparative balance sheet of Bank of India for the year 2018-19

PARTICULARS	2018	2019	Increase(+)or decrease(-)	PERCENTAGE
			AMOUNT	
ASSETS				
Cash and balance with RBI	31575.19	29322.09	(-)2253.10	(-)7.13
Balance with banks, money at call	64449.04	65537.90	1088.86	1.68
Advances	343288.92	342966.34	(-)322.56	(-)0.54
Investments	140321.07	150905.02	10583.95	7.54
Capital work in progress	158.21	200.00	41.79	26.41
Other assets	27200.26	33153.48	5953.22	21.88
Total assets	615184.34	630883.91	15699.57	2.55
LIABILITIES				
Equity share capital	1743.72	2760.03	1467.69	84.17
Share application money	0	4638.00	4638.00	100
Reserves	35012.76	40253.92	5241.16	14.96
Deposits	522996.90	522554.96	(-)441.94	(-)0.08
Total liabilities	615184.34	630883.91	15699.57	2.55

Table 7
 Common size balance sheet of Bank of India for the year 2019

PARTICULAR	2019	PERCENTAGE
ASSETS		
Cash and balance with RBI	29236.56	4.7
Balance with banks, money at call	65574.92	11
Advances	341005.94	55
Investments	147639.04	24
Other assets	32846.34	5
Total assets	616302.8	100
LIABILITIES		
Equity share capital	2760.03	0.44
Reserves	38921.13	6.27
Deposits	520862.35	84
Borrowings	44241.17	7
Other liabilities and provision	13800.17	2
Total liabilities	620584.85	100

Table 9
 Common size balance sheet of Bank of Baroda for the year 2019

PARTICULAR	2019	PERCENTAGE
ASSETS		
Cash and balance with RBI	29322	5
Balance with banks, money at call	65538	11
Advances	342966	55
Investments	150905	24
Capital work in progress	200	0.032
Other assets	33153	5
Total assets	622084	100
LIABILITIES		
Equity share capital	2760	0.48
Share application money	4638	0.809
Reserves	40254	7
Deposits	522555	91
TOTAL LIABILITIES	572967	100

Table 8
 Common size balance sheet of Bank of India for the year 2018

PARTICULAR	2018	PERCENTAGE
ASSETS		
Cash and balance with RBI	31347.84	5.2
Balance with banks, money at call	64534.66	10.73
Advances	3413850.19	56.77
Investments	137111.11	22.80
Other assets	26935.73	4.47
Total assets	601309.53	100
LIABILITIES		
Equity share capital	1743.72	0.28
Reserves	28247.76	5
Deposits	520854.38	86
Borrowings	43588.78	7
Other liabilities and provision	9591.03	2
Total liabilities	604025.67	100

Table 10
 Common size balance sheet of Bank of Baroda for the year 2018

PARTICULAR	2018	PERCENTAGE
ASSETS		
Cash and balance with RBI	31576	5
Balance with banks, money at call	64449	11
Advances	343289	57
Investments	140321	23
Capital work in progress	158	0.25
Other assets	27200	5
Total assets	606993	100
LIABILITIES		
Equity share capital	1744	0.31
Share application money	0.00	0
Reserves	35013	6
Deposits	522997	93
TOTAL LIABILITIES	561498	100

8. Conclusion

The financial performance analysis and interpretation of the financial statements ratios is a process of evaluating the relationship to obtain a better understanding of the firms' position and performance. It is concluded that the financial

performance of both banks (Bank of Baroda and Bank of India) is satisfactory during the study period.

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