

A Comparative Study on Financial Analysis of State Bank of India and Central Bank of India

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Abstract: This paper has the purpose of surveying and critically analysis the effect of financial performance of respective banks are State Bank of India and Central Bank of India. We draw conclusion on the basis of financial tools like ratio analysis, common size and comparative.

Keywords: Financial statement

1. Introduction

An Introduction to Financial Statements. In the preparation of final accounts of a firm, the financial statements display the net results for the given year. ... A financial statement is a formal record of the financial activities, and position of a business, person, or other entity. Financial statement refers to formal and original statements prepared by a business concern to disclose the information AICPA (American Institute of Certified Public Accountants) says "financial statement is prepared for the purpose of presenting a periodical review (or) report on the progress by the management and deals with

- a) The status of investment in the business
- b) The results achieved during the period under review

2. Review of literature

Bodla et. al. (2006) attempted to study the "Performance of SBI and ICICI Bank through Camel Model for the Period 2004-05". They found that ICICI Bank has outperformed SBI in terms earning quality, the ratio of operating profit to average working funds, Net Profit to Average assets, and so on. The same is true regarding assets quality, earning quality, and management quality ratios. The liquidity position of both the banks is sound and does not differ significantly.

Bansal and Gupta (1985) 2 in their study entitled, "Financial Ratio Analysis and Statistics" enlightened that the coefficient of variation in the study period had a wide gap varying between 7.1 per cent and 51.3 per cent for current ratio and ratio of fixed assets to sales. The correlation of components of short term liquidity ratio generally possesses low correlation as against long term solvency ratio components but the components of both ratios independently possess quite satisfactory correlation in cotton textile industry. The profitability ratio elements in the industry also have quite high correlation in cotton industry as compared to synthetic industry.

Krishna Prasad Upadhyay (2004) used different types of financial ratios to check up the financial performance of the selected finance companies. Basically in this study he used solvency ratio, liquidity ratio, efficiency ratio, profitability ratio and valuation ratio. Different measures like return on investment, return on equity, return on assets, earning per share, dividend per share, and asset utilization ratio are used to assess the profitability of the companies. He concluded his study stating that the solvency position of both companies is not sound and credit creation capacity is good in both the companies in aggregate.

3. Objectives of the study

- To analyze the financial statement of State Bank of India.
- To study financial performance of State Bank of India using ratios, comparative balance sheet and common size statement.
- To examine the trends and growth of the State Bank of India.
- To offer suggestion based on the finding of this study.

4. Sources of data collection

The study was based on secondary data.

A. Meaning of financial statement

Financial statement is a collection of data organized according to the data taken out from the Logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. The term "Financial statement" generally refer to the two statement;

1. The financial position statement or the balance sheet
2. The income statement or the profit and loss account

B. Definition

According to Anthony, "financial statement essentially is interim reports, presented annually and reflects a division of the life of an enterprise into more or less arbitrary accounting period more frequently a year.

C. Methodology of financial statement

The common methods of financial statement analysis include ratio, comparative and common size. Historical information combined with a series of assumption and adjustment to the financial information may be used to project future performance.

D. Ratios

Financial ratios are relationships determined from a company's financial information and used for comparison purposes. Examples include such often referred to measures as return on investment (ROI), return on assets (ROA), and debt-to-equity, to name just three.

Table 1
Investment to total asset ratio

Year	State Bank of India	Central Bank of India
2017-18	30.93	31.46
2018-19	26.45	37.89

$$\text{Investment to total asset ratio} = \frac{\text{Investment}}{\text{Total asset}} \times 100$$

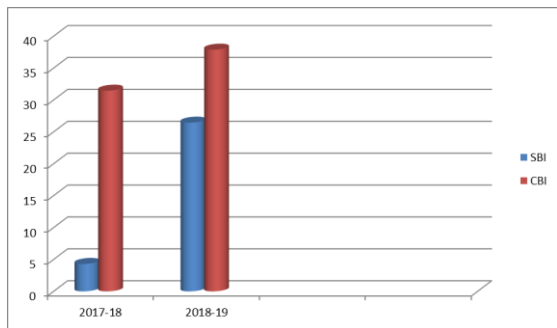


Chart 1: Investment to total asset ratio

Inference:

State bank of India show a decreasing trends in Investment to total asset ratio. But central bank of India increasing 37.89% in 2018-19.

Table 2
Borrowing to deposit ratio

Year	State bank of India	Central bank of India
2017-18	13.38	1.94
2018-19	13.84	1.75

$$\text{Borrowing to deposit ratio} = \frac{\text{Borrowing}}{\text{Deposit}} \times 100$$

Interpretation

The above table shows state bank of India in borrowing to deposit ratio are 13.38% in 2017-18 and 13.84% in 2018-19. Likewise, 1.94% in 2017-18 and 1.75% in 2018-19 in central bank of India.

Inference:

The state bank of India increasing trends in borrowing to deposit ratio. But decreasing 1.75% in 2018-19 of central bank of India.

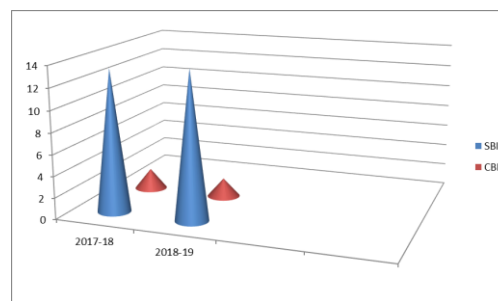


Chart 2: Borrowing to deposit ratio

Interpretation:

The above table shows that cash position ratio of state bank of India is 30.93% in 2017-18 and 26.45% in 2018-19. Likewise, it is 31.46% in 2017-18 and 37.89% in 2018-19 of central bank of India.

5. Comparative balance sheet

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 1
Comparative balance sheet of State Bank of India for the year 2017-18

PARTICULARS	2017	2018	AMOUNT INCREASE /DECREASE	PERCENTAGE INCREASE/DECREASE
ASSET				
Cash and balance with RBI	127997.62	150397.18	22399.53	17.50
Balance with banks and money at call	43974.03	41501.46	-2472.57	-5.62
Advance	765989.63	1060986.72	294991.09	38.51
Investment	1571078.38	1934880.19	363801.81	23.16
Fixed asset	10759.34	14352.72	3593.38	33.40
Other asset	154007.72	2269904.20	72986.48	47.39
Total asset	2674380.65	3429904.01	755523.36	28.25
LIABILITIES				
Share capital	797.35	892.46	95.11	11.93
Reserve	155903.06	193388.12	37485.06	24.04
Deposits	2044751.39	2706343.29	661591.9	32.36
Borrowing	317693.66	362142.07	44448.41	13.99
Other liabilities	155235.19	167138.08	11902.89	7.67
Total liabilities	2674380.65	3429904.02	755523.37	28.25

6. Common size

A common size income statement is an income statement in which each line item is expressed as a percentage of the value of revenue or sales. It is used for vertical analysis, in which each line item in a financial statement is represented as a percentage of a base figure within the statement.

Table 2
 Comparative balance sheet of State bank of India for the year 2018-19

PARTICULARS	2018	2019	INCREASE(+) OR DECREASE(-)	
			AMOUNT	PERCENTAGE%
ASSET				
Cash and balance with RBI	150397.18	176932.42	26535.27	17.64
Balance with banks and money at call	41501.46	45557.69	4056.23	9.77
Advance	1060986.72	967021.95	-93965.07	-8.86
Investment	1934880.19	2185876.72	250996.07	12.97
Fixed asset	14352.72	13855.00	-497.72	-3.47
Other asset	2269904.20	266327.70	39333.5	17.33
Total asset	3429904.01	3656260.31	226356.3	6.60
LIABILITIES				
Share capital	892.46	892.46	NIL	NIL
Reserve	193388.12	195367.42	1979.3	1.02
Deposits	2706343.29	2911386.01	205042.72	7.58
Borrowing	362142.07	403017.12	40875.05	11.29
Other liabilities	167138.08	145597.30	-21540.78	-12.89
Total liabilities	3429904.02	3656260.31	226356.29	6.60

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

PARTICULARS	2017	2018	INCREASE(+) OR DECREASE(-)	
			AMOUNT	PERCENTAGE%
ASSETS				
Cash and balance with RBI	75086.76	35999.91	-39086.85	-52.06
Balance with banks money at call	3679.76	3228.53	-451.25	-12.26
Investment	92094.88	102631.61	10536.73	11.44
Advance	139398.77	156542.18	17143.41	12.30
Fixed assets	4290.37	4343.38	53.01	1.24
Other assets	18851.39	23479.67	4628.28	24.55
TOTAL ASSETS	333401.95	326225.28	-7176.67	-2.15
LIABILITIES				
Capital	1902.17	2168.16	715.99	37.64
Reserve & surplus	15365.91	15367.38	1.47	9.57
Deposits	296671.19	294838.86	-1832.33	-0.62
Borrowings	9282.12	5706.12	-3576.33	-38.53
Other liabilities and provision	9497.17	7694.77	-1802.4	-18.97
TOTAL LIABILITIES	333401.95	326225.29	-7176.66	-2.15

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

PARTICULARS	2018	2019	INCREASE(+) OR DECREASE(-)	
			AMOUNT	PERCENTAGE%
ASSETS				
Cash and balance with RBI	35999.91	20779.09	-15220.82	-42.28
Balance with banks money at call	3228.53	10420.85	7192.32	222.77
Investment	102631.61	125298.07	22666.46	22.09
Advance	156542.18	146525.36	-10016.82	-6.40
Fixed assets	4343.38	4310.24	-33.14	-0.76
Other assets	23479.67	23384.06	-95.61	-0.41
TOTAL ASSETS	326225.28	330717.67	4492.39	1.38
LIABILITIES				
Capital	2168.16	4047.20	1456.04	55.61
Reserve & surplus	15367.38	14887.66	-479.72	-3.12
Deposits	294838.86	299855.44	5016.52	1.70
Borrowings	5706.12	5239.66	467.06	-8.19
Other liabilities and provision	7694.77	6475.77	-1219	-15.84
TOTAL LIABILITIES	326225.29	330717.67	4492.38	1.38

Table 5

Common size balance sheet of State Bank of India for the year 2018

PARTICULAR	2018	PERCENTAGE
ASSET		
Cash and balance with RBI	150397.18	4.38
Balance with banks and money at call	41501.46	1.23
Advance	1060986.72	30.93
Investment	1934880.19	56.42
Fixed asset	14352.72	0.42
Other asset	2269904.20	6.62
Total asset	3429904.01	100
LIABILITIES		
Share capital	892.46	0.03
Reserve	193388.12	5.64
Deposits	2706343.29	78.90
Borrowing	362142.07	10.56
Other liabilities	167138.08	4.87
Total liabilities	3429904.02	100

Table 6

Common size balance sheet of State Bank of India for the year 2019

PARTICULARS	2019	PERCENTAGE
ASSET		
Cash and balance with RBI	176932.42	4.85
Balance with banks and money at call	45557.69	1.26
Advance	967021.95	26.45
Investment	2185876.72	59.78
Fixed asset	13855.00	0.38
Other asset	266327.70	7.28
Total asset	3656260.31	100
LIABILITIES		
Share capital	892.46	0.02
Reserve	195367.42	5.34
Deposits	2911386.01	79.63
Borrowing	403017.12	11.03
Other liabilities	145597.30	3.98
Total liabilities	3656260.31	100

Table 7

Common size balance sheet of Central Bank of India for the year 2018

PARTICULAR	2018	PERCENTAGE
ASSET		
Cash and balance with RBI	35999.91	11.04
Balance with banks and money at call	3228.53	0.99
Investment	102631.61	31.46
Advance	156542.18	47.99
Fixed asset	4343.38	1.33
Other asset	23479.67	7.19
Total asset	326225.28	100
LIABILITIES		
Share capital	2168.16	0.80
Reserve	15367.38	4.71
Deposits	294838.86	90.38
Borrowing	5706.12	1.75
Other liabilities	7694.77	2.36
Total liabilities	326225.29	100

Table 8

Common size balance sheet of Central Bank of India for the year 2019

PARTICULARS	2019	PERCENTAGE
ASSET		
Cash and balance with RBI	20779.09	6.28
Balance with banks and money at call	10420.85	3.15
Investment	125298.07	37.89
Advance	146525.36	44.31
Fixed asset	4310.24	1.30
Other asset	23384.06	7.07
Total asset	330717.67	100
LIABILITIES		
Share capital	4047.20	1.22
Reserve	14887.66	4.50
Deposits	299855.44	90.67
Borrowing	5239.66	1.58
Other liabilities	6475.77	1.96
Total liabilities	330717.67	100

7. Conclusion

Financial analysis determines a banks health and stability, providing and understanding of how the company conducts its business. But it is important to know that financial statement analysis has its limitations as well. The financial analysis is done using the like comparative balance sheet, common size balance sheet and ratio analysis of state bank on India and central bank of India.

References

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