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Financial Performance of Nationalised Banks in India

A Case Study of Bank of Baroda

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Abstract:

Performance in the banking system can be defined as the measurable level of bank financial stability, characterized by low levels of risk, of any kind, and a normal increasing trend of profit from one period to another. The main goal of a commercial bank is profitability or profit maximization in order to minimize risk exposure. Financial indicators are statistics extensively used to monitor the stability, strength, and performance of various sectors of the economy. In Year 2019 Bank of Baroda, Vijaya Bank & Dena Bank amalgamation happened. In Year 2022 Bank of Baroda is the winner of " The Best Technology Bank" award for winner 2nd time in a row. In this paper, we analyzed the key financial indicators of the Bank of Baroda from the year 2013-14 to 2022-23. In this paper, we analyzed the key financial indicators of the Bank of Baroda from the year 2013-14 to 2022-23.

Keywords: NPA, Capital Adequacy Ratio (CAR), Net Profit, Return on Assets.

1. Introduction:-

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall

financial health over a given period. Analysts and investors use financial performance to compare similar firms across the same industry or to compare industries or sectors in aggregate.

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REVIEW OF LITERATURE

Review of literature is an essential part of all studies. It means the study of relevant topics in the related field of research or reviewing related research studies and findings such that all past studies, their conclusion, and deficiencies may be known and further research able to be done. It helps to check the chance of duplication of study in the present and thus the gap between the previous research and current research can be filled. Scientific research must be based on past knowledge. The previous studies cannot be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with past research studies. The chapter is categorized under three main heading. Conceptual framework is concern with fundamental of supportive text that will ensure the interpretation whether it is under the principles and related theory to the topic. Review of related studies is about the studies of previous thesis, related books, and previous research in similar topics. The last is the research gap, which will describe the difference between the previous.

Meaning of Financial Analysis Financial Analysis is an evaluation of both a firm's past financial performance and its prospectus for the future. Financial statement analysis involves the calculation of various ratios. In mathematics, a ratio is a relationship between two quantitative figures. The ratio analysis is the financial tool by which the financial strength and weaknesses are measured by relating two accounting data. Financial statement analysis is helpful to the decision maker for finding out favorable or unfavorable situations of a business concern.

Therefore, financial analysis reflects the financial position of a firm, which is the process of determine the operational and financial characteristics of a 17 firm. Different types of financial statement analysis can be used on the basis of our objectives. According to J.N. Myer, financial statement analysis is largely a study of the relationship among the various financial factors in a business as disclosed by the single set of statements and a study of the trend of these factors as shown in a series of statements (Myer 1961, P.4). It is the process of determining the significant operating and financial statements. The goal of such analysis is to determine the efficiency and performance of the firm's mgmt, as reflected in the financial records and reports (Hampton 1998, P.98). The main function of financial analysis is the pinpointing of the strengths and weaknesses of a business undertaking by regrouping and analysis of figures contained in financial statements, by making a comparison of various components and by examining their content. This can be used by financial managers as the basis to plan future financial requirements by means of forecasting and budgeting procedures (Goyal & Mona Mohan 1997, P.356). Financial analysis is process of identifying the financial strength & weakness of the firm by properly establishing relationship between the items of the B/S, which represents analysis snapshot of the firm's financial position analysis at analysis moment in time and next income statement, that depots analysis summary of the firm's profitability overtime.(Vanhorn & Watchowtch, 1997, P.120). Weston, Besley & Brigham have stated that financial statement analysis involves a comparison of a firm's performance with that of other firms in the same line of business, which often is identified by the firm's industry classification generally

speaking, the analysis is used to determine the firm's financial position in order to identify its current strengths & weaknesses and to suggest actions that might enable the firm to take advantage of the strengths and correct its weaknesses. (Weaston & Brigham, 1996,P.193). Thus, financial analysis stands for the process of determining and presenting the relationship of items and groups of items in the financial statement it is a way by which financial stability & health of a concern can be judged.

Objectives of the study

To study the financial performance of the Bank of Baroda

To study the profitability of the Bank of Baroda

Data Analysis

Table – 1

Operating profit & Net profit

| Year | Operating profit | Net profit |
|---------|------------------|-------------|
| 2013-14 | 6065.87 | 45410830 |
| 2014-15 | 6062.27 | 33984353 |
| 2015-16 | -6247.27 | -53955373 |
| 2016-17 | 3061.91 | 13831360 |
| 2017-18 | 12,005.60 | -24318122 |
| 2018-19 | 13,486.80 | 4335225 |
| 2019-20 | 18,896.20 | 5461875 |
| 2020-21 | 20,629.80 | 8289582 |
| 2021-22 | 22388.85 | 72722816 |
| 2022-23 | 26863.54 | 141096167 |
| Sum | 123213.57 | 246858713 |
| Average | 12321.357 | 24685871.3 |
| STDEV | 10194.68708 | 53883719.35 |
| CAGR | 0.18 | 0.13 |

(2013-2014 to 2022-2023)
(Rs. in Crores)

Source: Compiled from the annual reports of Bank of Baroda.

The table 1 presents the Operating profit and Net profit of the Bank. The Operating profit of the bank in 2013-2014 was Rs. 6065.87 Crores and at the end of the study period 2022-2023 it is 26863.54 crores. The average operating profit during the study period is Rs. 12321.357, with a standard deviation of Rs. 53883719.35 crores and CAGR is 0.18 per cent.

The Net profit of the bank in 2013-2014 was Rs. 45410830 crores and the Net Profit in 2022-2023 is highest Rs. 141096167 crores. There was Net loss in 2015-16 Rs.53955373 and 2017-18 net loss Rs. 24318122. The average Net profit during the study period is Rs. 24685871.3 crores, with a standard deviation of Rs. 53883719.35 crores and CAGR is 0.13 per cent.

It can be concluded that the CAGR of operating profit during the study period is 0.18 per cent. The CAGR of Net profit during the study period is 0.13 per cent. It means operating profit and net profit are increasing both are increasing but the CAGR of net profit is in a decreasing. Bank has to take measures to improve its net profit by taking steps by improving operational performance.

Table – 2

Earning per share (EPS) & Book value per share (BVPS) (2013-2014 to 2022-2023)

| Year | Earning per share (EPS) | Book value per share (BVPS) |
|---------|-------------------------|-----------------------------|
| 2013-14 | 107.38 | 162.7 |
| 2014-15 | 15.83 | 166.83 |
| 2015-16 | -ve | 132.74 |
| 2016-17 | 6 | 132.46 |
| 2017-18 | -ve | 120.28 |
| 2018-19 | 3.58 | 138.42 |
| 2019-20 | 2.32 | 96.22 |
| 2020-21 | 3.32 | 106.72 |
| 2021-22 | 15.18 | 118.97 |

| | | |
|---------|-------|--------|
| 2022-23 | 28.82 | 148.8 |
| Sum | 182 | 1324 |
| Average | 23 | 132 |
| STDEV | 35 | 23 |
| CAGR | -0.14 | -0.009 |

Source: Compiled from the annual reports of Bank of Baroda.

The table 2 presents the Earning per share (EPS) and Book value per share (BVPS) of the Bank. The EPS of the bank in 2013-2014 was Rs. 107.38, later in 2022-2023 was Rs. 28.82. The EPS of the bank is lowest in 2016-17 Rs.6 but in 2015-16 and 2017-18 it was negative. The average earning per share during the study period is Rs. 23. Book value per share in 2013-2014 was Rs.162.7, it was 2022-2023 as Rs 148.8, at the end of the study period 2019-2020 it is reported lowest Rs 96.22. The average Book value per share during the study period is Rs. 132.

The Earning per share (EPS) & Book value per share (BVPS) are fluctuating during the study period but the average EPS, BVPS are good. But the bank try to reduce the fluctuations by improve its performance.

Table – 3
Spread or Net Interest Income
(2013-2014 to 2022-2023)
(Rs. in crores)

| Year | Interest Earned | Interest Expended | Spread |
|---------|-----------------|-------------------|-------------|
| 2014 | 389397095 | 269743632 | 119653463 |
| 2015 | 429635570 | 297763241 | 131872329 |
| 2016 | 440612774 | 313214257 | 127398517 |
| 2017 | 421999298 | 286865191 | 135134107 |
| 2018 | 436485418 | 281267669 | 155217749 |
| 2019 | 499741093 | 312903004 | 186838089 |
| 2020 | 759836550 | 485323695 | 274512855 |
| 2021 | 704950621 | 416860359 | 288090262 |
| 2022 | 698807803 | 372594421 | 326213382 |
| 2023 | 895885407 | 482325323 | 413560084 |
| Sum | 5677351629 | 3518860792 | 2158490837 |
| Average | 567735162.9 | 351886079.2 | 215849083.7 |
| STDEV | 179727677.3 | 82581283.25 | 102789992.7 |
| CAGR | 0.09 | 0.067 | 0.15 |

Source: Compiled from the annual reports of Bank of Baroda

This table 3 shows the Spread or Net Interest Income of the bank. The Interest income in 2013-2014 was Rs. 389397095 crores, end of the study period 2022-2023 is Rs.895885407 crores and the average interest income is Rs. 567735162.9 crores. Standard deviation is Rs. 179727677.3 and CAGR is 0.09 per cent. The Interest Expenditure in 2013-2014 was Rs. 269743632 crores, end of the study period 2022-2023 is Rs. 482325323 crores and the average Interest Expenditure is Rs. 351886079.2 crores. Standard deviation is Rs. 82581283.25 and CAGR is 0.067 per cent. The Spread in 2013-2014 was Rs. 119653463 crores, end of the study period 2022-2023 is Rs. 413560084 crores and the average spread is Rs. 215849083.7 crores.

The CAGR of interest earned and interest expended are 0.15 per cent means both are moving in the same direction. But the bank has to increase its other income in addition to the interest earned in order to improve its ability.

Table – 4
Burden

(2013-2014 to 2022-2023)
(Rs. in crores)

| Year | Operating Expenses | Other Income | Burden |
|----------------|---------------------------|---------------------|---------------|
| 2014 | 71370656 | 44627441 | 26743215 |
| 2015 | 76741273 | 44019950 | 32721323 |
| 2016 | 89231371 | 49988616 | 39242755 |
| 2017 | 92964023 | 67580609 | 25383414 |
| 2018 | 101733696 | 66571527 | 35162169 |
| 2019 | 112879781 | 60909915 | 51969866 |
| 2020 | 180771909 | 103173238 | 77598671 |
| 2021 | 205436560 | 123644372 | 81792188 |
| 2022 | 217164388 | 114839503 | 102324885 |
| 2023 | 245183124 | 100258359 | 144924765 |
| Sum | 1393476781 | 775613530 | 617863251 |
| Average | 139347678.1 | 77561353 | 61786325.1 |
| STDEV | 65539789.09 | 30096167.82 | |
| CAGR | 0.146970692 | 0.094101524 | |

Source: Compiled from the annual reports of Bank of Baroda.

This table 4 shows the Operating Expenses, Other Income and Burden of the bank. The Operating expenses in 2013-2014 was Rs. 71370656 crores. At the end of the study period 2022-2023 it is Rs. 245183124 crores and the average Operating expenses during the study period is Rs. 139347678.1 crores. Standard deviation is Rs. 65539789.09 and CAGR is 0.146970692 per cent. The Other income in 2013-2014 was Rs. 44627441 crores, end of the study period 2022-2023 is Rs. 100258359 crores and the average other income is Rs. 77561353 crores. Standard deviation is Rs. 30096167.82 and CAGR is 0.094101524 per cent.

The Burden in 2013-2014 was Rs. 26743215 crores, at end of the study period 2022-2023 is Rs. 144924765 crores and the average spread is Rs. 61786325.1 crores.

To assess performance of banking system is a difficult task due to the complexity of this assessment process. The analysis of the performance of banking system is useful to different users such as: shareholders, creditors, customers and managers. In these context in order to improve bank performance is useful to consider and measure the more significant indicators which can be considered key performance measures. The indicators discussed in the paper indicate that the overall performance of the Bank of Baroda from Year 2019 to Year 2023. The average Net profit during the study period is Rs. 24685871.3 crores, with a standard deviation of Rs. 53883719.35 crores and CAGR is 0.13 per cent.

Conclusion

The CAGR of interest earned and interest expended are 0.15 per cent means both are moving in the same direction. But the bank has to increase its other income in addition to the interest earned in order to improve its ability.

It can be concluded that the CAGR of operating profit during the study period is 0.18 per cent. The CAGR of Net profit during the study period is 0.13 per cent. It means operating profit and net profit are increasing both are increasing but the CAGR of net profit is in a decreasing. Bank has to take measures to improve its net profit by taking steps by improving operational performance.

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