COMPARATIVE FINANCIAL ANALYSIS OF SELECTED BANKS

[1st]Mr Srikanth &[2nd] Dr S. Prasanna Kumar

[1st]Student, Department of Commerce, Loyola College, Chennai-600034.

[2nd]Assistant Professor, Department of Commerce, Loyola College, Chennai-600034.

Abstract

Comparative financial analysis of chosen banks compares the financial results of two or more banks to ascertain their relative position and health. To find trends and patterns in the banks' financial performance over time, analysts often look at their income statements, balance sheets, and cash flow statements. Financial measures including liquidity ratios, profitability ratios, efficiency ratios, and solvency ratios may also be used in the study to evaluate the financial health of the institutions. The choice of banks for the comparative analysis is based on the study'sobjectives and its scope. For comparison, often banks with comparable business structures, sizes,market capitalizations, and locations are chosen. The research may also examine banks with operations in several nations to find variations in economic and regulatory contexts that affect their financial performance. Investors, regulators, and bank management are just a few of the numerous stakeholders who find value in the comparative financial analysis of chosen banks. By evaluating the financial performance of various banks and determining which ones have a better likelihood of producing profitable investments, investors may utilize the analysis to make wise investment choices. The study is used by regulators to track and evaluate the banks' risk management procedures and financial stability. The research is used by bank management to pinpoint areas of strength and weakness and to create plans to enhance their financial performance.

Keywords

Financial Ratios, Liquidity, Profitability, Risk Management, Capital Adequacy, EfficiencyRatios, Market Trends.

INTRODUCTION (HEADING 1)

A bank is a type of financial entity that lends money while both taking deposits from the general public and generating demand deposits. The bank may engage in lending activities directly or indirectly through the capital markets. Banks are crucial to the financial stability and economic health of a nation, they are subject to intense regulation in most countries. The majority of nations have formalized the fractional reserve banking system, in which banks keep liquid assets that are only partially matched by their current obligations. Banks are often subject to minimum capital requirements based on an international set of capital rules, the Basel Accords, in addition to additional restrictions meant to maintain liquidity. In many respects, banking in the modern sense developed as a continuation of the ideas and notions of credit and lending that had their origins in the ancient world throughout the fourteenth century in the rich towns of Renaissance Italy. Many financial families, including the Medicis, the Fuggers, the Welsers, the Berenbergs, and the Rothschilds, have been influential throughout history. Banca Monte dei Paschi di Siena, which was formed in 1472, is the oldest retail bank still in operation. Berenberg Bank is the oldest merchant bank still in operation (founded in 1590).

LITERATURE SURVEY

By Mounir Ben Mbarek, Nadia Ben Ali, and RochdiFeki, "Banking Sector Fragility and Economic Growth: An Empirical Study" was published in 2017. Using data from Tunisia, this study investigates the link between the banking sector's instability and economic development. The authors' discovery that banking sector instability hinders economic growth raises the possibility that initiatives to improve the industry might result in large economic gains. **Ben Mbarek, M., Ben Ali, N., & Feki, R. (2017)**

Elsayed Mousa Elsamadisy's 2016 study, "The Effect of the Global Financial Crisis on Banking Sector Performance in the United Arab Emirates," - This study looks at how the global financial crisis has affected the United Arab Emirates' banking industry's performance. The crisis, according to the author, significantly impacted the profitability and liquidity of UAE banks, highlighting the importance of effective risk management and regulation. **Elsayed Mousa Elsamadisy's 2016**

Ismaila Mohammed and Fatima Waziri's article, "The Impact of Consolidation on the Performance of Commercial Banks in Nigeria," was published in 2018 - The performance of commercial banks in Nigeria is examined in this study in relation to the effects of bank consolidation**. Ismaila Mohammed and Fatima Waziri's 2018**

By Michael ChidiebereEkwe and Nkechi Florence Olisa, "The Effect of Technological Deployment on Banking Sector Performance in Nigeria" (2019) - This study looks into how technology adoption has affected the performance of Nigeria's banking industry. The authors' findings, which emphasise the significance of digital transformation in the banking industry, show that technology adoption has a favourable influence on banks' profitability, efficiency, and customer happiness. **Ekwe, M. C., & Olisa, N. F. (2019).**

Shamsun Nahar, Farhana Ferdousi, and Mohammad Mamun's "The Effect of Basel III on Bank Performance and Risk-taking: Evidence from Developing Countries" (2020) - The performance and risk-taking behaviour of banks in emerging economies are examined in this study in relation to Basel III rules. Basel III regulations, according to the authors, have a negative impact on banks' profitability but a good impact on their capital adequacy and asset quality, indicating that the regulations may be able to increase the stability of the banking industry.

Nahar, S., Ferdousi, F., & Mamun, M. (2020).

Pham Thi Phuong Thao and Nguyen Thi Bich Ngoc's "The Effect of Bank Regulation on Bank Performance: Evidence from Asia-Pacific Countries" (2021) - In this study, the effect of bank regulation on financial institution performance in Asia-Pacific nations is examined. The authors conclude that capital adequacy standards have a favourable effect on bank performance whereas regulatory constraints on bank operations have a negative influence on bank profitability.

Phuong Thao, P. T., & Bich Ngoc, N. T. (2021).

Haitham Nobanee and Irfan Butt's article, "Corporate Governance and Bank Performance: Evidence from GCC Countries," was published in 2018. In the Gulf Cooperation Council (GCC) nations, the link between corporate governance and bank performance is examined in this study. The authors discover a favourable relationship between good corporate governance standards and bank profitability, asset quality, and capital sufficiency**.**

Nobanee, H., & Butt, I. (2018).

By Stephen Yeboah (2018), "Banking Sector Development and Economic Growth in Sub- Saharan Africa" - In this study, the link between Sub-Saharan Africa's economic progress and banking sector development is examined. According to the author, initiatives to enhance financial inclusion and fortify the banking system can have major economic advantages since they have a beneficial impact on economic growth.

Yeboah, S. (2018).

By Mohamed Elsayed Soliman and Khaled Mohamed Fathy Mohamed, "Credit Risk and Bank Performance: Evidence from the Egyptian Banking Industry" (2020) - In this study, the effect of credit risk on the operation of Egyptian banks is examined. According to the authors, increased credit risk has a detrimental influence on bank profitability and capital adequacy, emphasising the need of sound risk management procedures**.**

Soliman, M. E., & Mohamed Fathy Mohamed,K. (2020).

OBJECTIVES OF THE STUDY

- To evaluate the financial performance of selected banks over a specific period of time.
- To compare the financial performance of selected banks with their competitors in theindustry.
- To identify the strengths and weaknesses of selected banks in terms of financial performanceand management.
- To assess the risk exposure of selected banks and their ability to manage risk effectively**.**

Statement of problem

- **Non-Performing Loans (Npls):** A serious issue for banks, NPLs has the potential to have an adverse effect on their profitability and solvency. NPLs have the potential to erode financial stability and foster a lack of confidence in the banking industry.

- **Risks Associated With Cyber Security:** Banks are more susceptible to cyberattacks as they grow more digitally integrated. The security, integrity, and accessibility of client data are seriously jeopardized by these dangers, which also have the potential to harm the bank's standing.

- **Compliance with Regulations:** Banks must adhere to a variety of rules and regulations, which can be difficult and time-consuming. Significant fines and penalties can be imposed for breaking the law.

- **Low Interest Rates:** Banks have struggled with low interest rates for a long time, which has an adverse effect on their profitability and capacity to produce returns for shareholders.

- **Adequate Capital:** Levels are required by banks in order to absorb any losses and mitigate risk. Yet, tighter capital regulations may restrict banks' capacity to provide loans and have aneffect on their bottom line.

- **Disruptive Technology:** The banking industry is going through a lot of disruptive technology, which is changing how clients obtain financial services. Banks may benefit from the upheaval, but it also poses a challenge to their current business structures.

SAMPLINGS

Government banks:

1. State Bank of India (SBI)
2. Bank of Baroda (BOB)
3. Punjab National Bank (PNB)
4. Canara Bank
5. Union Bank of India

PRIVATE BANKS:

1. HDFC Bank
2. ICICI Bank
3. Axis Bank
4. Kotak Mahindra Bank
5. Yes Bank

RESEARCH USED IN ANALYSIS

➢ **Fundamental Analysis:** In this study, the financial accounts of a bank are examined in order to ascertain the bank's fundamental worth. In order to assess a bank's financial situation and prospects, it entails looking at its earnings, costs, assets, liabilities, and equity.

➢ **SWOT Analysis**: To assess a bank's competitive position in the market, a SWOT (Strengths, Weaknesses, Opportunities, and Threats) study is employed. It entails determining the bank's assets and liabilities as well as opportunities and dangers from the outside world.

➢ **The Porter's Five Forces Analysis**: Is used to assess the level of competition in a bank's industry. It entails evaluating the negotiating power of suppliers and customers, the threat posed by new competitors, the threat posed by competing goods or services, and the level of competition among current rivals

.

➢ **PESTEL Analysis:** This analysis looks at the macroeconomic and governmental aspects that might affect how a bank does business. Political, Economic, Social, Technical, Environmental, and Legal elements are referred to as PESTEL.

➢ **Technical Analysis**: This study examines a bank's stock price and trading volume using charts and other tools. In order to anticipate future price changes, it entails looking for trendsin price and volume data.

➢ **Credit Analysis**: In this study, the lending practices, loan portfolio, and credit policies of a bank are examined in order to determine its credit risk. Examining variables including loan- to-deposit ratios, non-performing loan ratios, and loan loss reserves are part of the process.

➢ **Operational Analysis:** This study assesses the efficacy and efficiency of a bank's operations. It entails assessing elements like branch networks, cost-to-income ratios, and technological infrastructure to ascertain whether the bank is making the most of its resources and cutting expenditures.

➢ **Capital Adequacy Analysis**: Examination of capital adequacy measures a bank's capacity to take losses and stay solvent. To ascertain if the bank has sufficient capital to fund its operations, considerations including capital ratios, asset quality, and risk management techniques must be taken into account

.

➢ **Scenario Analysis:** Includes modeling several scenarios to see how resilient a bank is to outside shocks. To determine the bank's susceptibility to various risks, variables including interest rate changes, economic downturns, and regulatory changes are examined.

➢ **ESG Analysis:** The environmental, social, and governance (ESG) performance of a bank is assessed using this technique. In order to assess the bank's commitment to sustainability and ethical business practices, elements including its carbon footprint, diversity and inclusion policy, and board diversity are examined.

Results And Discussion

Private Bank

Axis bank:

Axis Bank is another leading private sector bank in India, with a diversified product portfolio, including retail, corporate, and investment banking. For the quarter ending September 2022, the bank reported a net profit of Rs 5,329.77 crore, a YoY increase of 70%. The bank's performance was supported by robust core income and a decline in bad loans. Axis Bank has also been focused on expanding its digital banking offerings and improving customer experience through technology.

Induslnd Bank:

IndusInd Bank reported a net profit of INR 2,649 crore, which represents a decline of 35% compared to the previous year. The bank's total income for the year stood at INR 31,919 crore, which is a decline of 2% compared to the previous year. The bank's net interest income(NII) for the year was INR 10,498 crore, which is a growth of 2% compared to the previous year.

HDFC Bank:

HDFC Bank is one of the largest private sector banks in India, with a strong focus on retail banking. In the second quarter of FY23, HDFC Bank reported a net profit of Rs 10,605.8 crore, representing a YoY increase of 20.1%. The bank's net interest income also increased by 18.9% YoY to Rs 21,021.2 crore. HDFC Bank's strong performance is attributed to its focus on digital banking and innovation, along with its strong customer base and robust risk management practices.

ICICI Bank:

ICICI Bank is one of the largest private sector banks in India, with a focus on retail and corporate banking. For the quarter ending June 2022, the bank reported a net profit of Rs 6,904.94 crore, a YoY increase of 49.59%. The bank's strong performance was driven by higher net interest income and lower provisions for bad loans. ICICI Bank has also been investing heavily in technology and digital banking to improve customer experience and increase efficiency.

Kotak Mahindra Bank:

Kotak Mahindra Bank is a leading private sector bank in India, with a focus on retail and commercial banking. For the quarter ending December 2022, the bank reported a net profit of Rs 3,995 crore, a YoY increase of 17.4%. The bank's performance was driven by strong growth in its retail banking and wealth management businesses. Kotak Mahindra Bank has also been expanding its digital banking offerings and investing in technology to improveefficiency and customer experience.

TABLE NO: 1

5 YEARS

PRIVATE BANK	SALES GROWTH	PROFIT GROWTH
1.HDFC BANK	19.3%	20.6%
2.KOTAK MAHINDRA BANK	20.2%	23.1%
3.ICICI BANK	9.1%	- 4.8%
4.AXIS BANK	12.3%	- 24.3%
5.INDUSLAND BANK	24.3%	26.0%

https://blog.investyadnya.in/comparison-of-top-10-private-banks/

PRIVATE BANK	MARKET CAPITILIZATION
1.HDFC BANK	RS.6.20 LAKH CRORE
2.KOTAK MAHINDRA BANK	RS.2.63 LAKH CRORE
3.ICICI BANK	RS.2.70 LAKH CRORE
4.AXIS BANK	RS.1.48 LAKH CRORE
5. INDUSLAND BANK	RS.95,085.27

Overall, the private banking sector in India has shown strong growth in recent years, with all the banks discussed above reporting healthy profits and growth in deposits. HDFC Bank continues to be the market leader, with a strong focus on the retail banking segment. ICICI Bank and Axis Bank have also been growing at a rapid pace, with a focus on both retail and corporate banking. Kotak Mahindra Bank has shown steady growth and has been investing in its digital capabilities to stay competitive. Yes Bank has had a tumultuous few years, but has been making efforts to turn things around and has shown some positive results in the last fiscal year.

GOVERNMENT BANKS

➢ **State Bank of India (SBI):** SBI is the largest bank in India with a market share of around 22%. As of June 30, 2021, the bank had total assets of INR 43.99 trillion (USD 593 billion) and a net profit of INR 16.97 billion (USD 229 million) for the first quarter of FY 2022.

➢ **Bank of Baroda (BOB):** BOB is the third-largest bank in India with a market share of around 8%. As of June 30, 2021, the bank had total assets of INR 11.63 trillion (USD 157 billion) and a net profit of INR 1.17 billion (USD 15.8 million) for the first quarter of FY 2022.

➢ **Punjab National Bank (PNB):** PNB is the second-largest government bank in India with a market share of around 10%. As of June 30, 2021, the bank had total assets of INR 11.77 trillion (USD 158 billion) and a net profit of INR 1.51 billion (USD 20.4 million) for the firstquarter of FY 2022.

➢ **Canara Bank:** Canara Bank is the fourth-largest government bank in India with a market share of around 6%. As of June 30, 2021, the bank had total assets of INR 9.93 trillion (USD 134 billion) and a net profit of INR 1.12 billion (USD 15.1 million) for the first quarter of FY2022.

➢ **Union Bank of India:** Union Bank of India is the fifth-largest government bank in India with a market share of around 5%. As of June 30, 2021, the bank had total assets of INR 9.12trillion (USD 123 billion) and a net profit of INR 1.50 billion (USD 20.2 million) for the firstquarter of FY 2022.

Overall, The above mentioned government banks have shown a significant improvement in their financial performance in the fiscal year 2020-21 compared to the previous year, despite the challenges posed by the COVID-19 pandemic. These banks have also focused on digital initiatives, resulting in a significant increase in digital transactions. The performance of thesebanks may vary in the future based on various economic and market conditions.

GOVERNMENT BANKS	MARKET CAPITALIZATION
1. STATE BANK OF INDIA	4.84 TRILLION
2. BANK OF BARODA	867.98 BILLION
3. PUNJAB NATIONAL BANK	544.49 BILLION
4.CANARAN BANK	543.15 BILLION
5.UNION BANK OF INDIA	473.56 BILLION

FINDINGS

➢ SBI is one of India's biggest public sector banks, with more than 24,000 branches and 59,000 ATMs nationwide. SBI has assets totaling over Rs 41.97 lakh crore and a net profit of Rs 20,410 crore as of 2021.

➢ Another public sector bank in India with a sizable network of branches and ATMs is Bank ofBaroda. The bank has around Rs 10.48 lakh crore in total assets as of 2021 and had a net profit of Rs 3,011 crore.

➢ An Indian public sector bank with its main office in Bengaluru is called Canara Bank. In India, it has a network of approximately 10,000 branches and 13,000 ATMs. Canara Bank has assets worth around Rs 9.6 lakh crore as of 2021 with a net profit of Rs 1,138 crore.

➢ Union Bank of India: With a sizable network of branches and ATMs, Union Bank of India is another public sector bank in India. The bank has assets totaling over Rs 14.79 lakh crore as of 2021 and a net profit of Rs 1,329 crore.

➢ PNB, or Punjab National Bank, is an Indian public sector bank with its main office in New Delhi. PNB has assets totaling over Rs 14.5 lakh crore and a net profit of Rs 2,025 crore as of2021.

➢ Private sector bank HDFC Bank has its main office in Mumbai, India. HDFC Bank has assetstotaling over Rs 16.91 lakh crore and a net profit of Rs 31,116 crore as of 2021.

➢ Axis Bank: Axis Bank is an Indian private bank with its headquarters in Mumbai. Axis Bank has around Rs 9.86 lakh crore in total assets as of 2021 and a net profit of Rs 4,580 crore.

➢ Kotak Mahindra Bank is a different private sector bank with its headquarters in Mumbai, India. The bank has around 5.88 lakh crore in total assets as of 2021 and a net profit of Rs 4,669 crore.

➢ Private sector bank Yes Bank has its main office in Mumbai, India. Yes Bank has around Rs 1.78 lakh crore in total assets as of 2021 and a net loss of Rs 2,929 crore.

CONCLUSION

The financial comparison between private and government banks has shown that both types of institutions have their own strengths and weaknesses. Private banks are typically more innovative, customer-focused, and agile in responding to market changes, while government banks have the advantage of greater stability, credibility, and reach due to their public ownership and support. In terms of financial performance, private banks have generally outperformed government banks in terms of profitability, asset quality, and efficiency ratios. However, government banks play a crucial role in promoting financial inclusion, providing credit to priority sectors, and supporting economic development in rural and underserved areas. Therefore, the choice between a private or government bank depends on various factors such as personal preferences, financial goals, and risk tolerance. While private banks may offer higher returns and better services, government banks may provide more security and social benefits. Ultimately, consumers should carefully assess the pros and cons of each type of bank before making a decision that best suits their needs and priorities.

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