A Study on Financial Performance Analysis of Bank of Baroda

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Abstract: **Banks are just one part of the world of financial institution, standing alongside investment banks, insurance companies, finance companies, investments managers and other companies that profit from the creation and flow of money. The banking sector is one of the most Instrument of the national development, occupies a unique place nations system. Bank of Baroda (BOB) is the second largest and one of the leading profit-making Public Sector Banks in India. This study looks at the financial soundness of BOB under Ration Analysis. The financial analysis finds the fundamental soundness of BOB with some minor flaws in certain areas. This research ultimately rates the performance of BOB with second grade.**

Keywords: **Financial Risk, Ratio Analysis, Market Sensitivity, Capital Adequacy.**

I. Introduction

The banking sector has shown a remarkable responsiveness to the needs of the planned economy Indian banking is the lifeline of the nation and its people. Banking has helped in developing the vital sector of the economy and usher in a new down of progress on the Indian horizon. In the globalized economy, there is an exemplary change in our country all over and it also had affected the Indian banking sector. Bank of Baroda (BOB) is an Indian Nationalized banking and financial services company. It is under the ownership of Ministry of Finance, Government of India. It is the fourth largest Nationalised bank in India, with 132 million customers.

The study is an attempt to analyse the performance of Bank of Baroda for the last five years (2016-2021). Ratio analysis technique so as to give significant insights about the financial competence of Banks in terms of Asset Quality, Management Efficiency and Earning Ratio. The Ratio are determined from the critical examination of Balance sheet and Profit and Loss Account of Bank. Ratio Analysis is one of the methods of financial investigation where ratio are accustomed to assessing the financial condition and execution of a Bank. From the analysis it could be suggested that the bank has to take right measures to increase the income in order to achieve high profit.

II. Review of Literature:

The measurement of the performance of banks has been the prime focus of banking research for the last decades. Many studies have already come out to determine the performances of banks on standalone base using relative measurement of performance. Financial ratios are much effective to diagnose the financial health of a bank.

Saji Thazhungal Govindan Nair(2021) Among many techniques available today for evaluating thefinancial performance of banks, compared to traditional tools, the CAMELS rating model of financial analysisis considered more efficient in laying down clear risk assessment systems, developing and monitoring quality performance, identification of problems, and the correction of deficiencies.

Chaudhry & Singh (2012) taking asset quality as the base, investigate the impact of the financial reforms of 1991 on the increase insoundness of Indian Banking. The research identified riskmanagement, NPA levels, effective cost management andfinancial inclusion as the key players that ensure the banksoundness in India.

Reddy & Prasad (2011) and Chowdhury(2011) assessed the financial soundness of banking sectorusing the CAMEL model. Their studies suggest that the Indian Banking is sound on overall basis. Capital adequacyanalysis mainly stems out of Basel II accord in India.

Ghosh (2010) examines the interaction between credit growth, bank soundness, and financial fragility in Indian banks. The study found that high growth in the private sector credit augments bank soundness in India.

(Das et al., 2010) the financialstate of a bank, Capital Adequacy Ratio (CAR) analysis seems to be more important. An increase in CAR leadsto higher productive efficiency, which stems out of high profitability of banks and thus better soundness

III. Statement of the Problem:

Banking sector plays a vital role in the economic growth of India. It helps the economy a lot to survive or immunevarious national or global economic crises. When the global recession had affected the banking system across the world, India's financial system could sustain well. Even during the crisis times, the Indian banking sector showed progress in competitiveness, growth, efficiency, Despite ongoing global economicchallenges, the bank's international operations continuedto be stable and ensured the "trust and confidence" of its stakeholders. Thus, this paper aims to assess the performanceof Bank of Baroda as the proxy for judging the financial health of Indian banking system using Ratio Analysis.

IV. Objectives of the Study:

The following are the objectives of the study:

- To Study the Financial Performance of Bank of Baroda
- To Study the various Financial Ratios
- To offer Valuable suggestions to Maximise the Financial Performance of the Bank

V. Methodology:

The Study uses Bank of Baroda financial data of five year period from FY ending on 31st March 2016 to the FY ending on 31st March 2021. Bank annual Report constitute the primary data source for financial information additional information on the ratios were calculated based on the publicly available information published at the Bank of Baroda website, Reserve Bank of India and otherrelated sources. Further details of our empirical methodology are detailed below:

Financial Ratios:

a. Capital Adequacy

Capital adequacy conditions of BOB is judged on the basis of balance sheet measures like Capital Adequacy Ratios Advances to Asset ratio, Advances to deposit ratios, Government security tototal investments, and Debt/Equity ratio.

b. Assets Quality

Again, we compute position statement based measures - Net NPAs to Total Assets, Net NPAs to Net Advances, TotalInvestments to Total Assets, Slippage ratio, Gross NPAs to Advances, Provisions & Contingencies to Advances, and Provision Cover to Gross NPA for assessing the assetquality of the bank.

c. Management Efficiency

Total Advances to Total Deposits, Return on Net Worth, Net Profit per Employee (Rs. in lakhs), Average Business Per Employee (Rs. in crore), Cost to Income ratio, Operating Expenses to Average Asset, Business Per Branch (Rs. in crore), Gross Profit Per Branch (Rs.in crore), Net Profit per branch (Rs. in crore), Return on Equity, Overall CASA ratio and Domestic CASA ratio measure the managerial efficiency of the bank.

d. Earnings (Profitability)

Net operating profit/Average assets, Gross (Operating) Profit / Average assets, Return on Assets, Dividend Payout Ratio, Noninterest income/ average assets, Returnon Average Assets, Yield on Advances, Cost of Deposits ,Credit - Deposit Ratio and Net Interest Income / Average Interest Earning Assets assess earning conditions of the bank.

e. Liquidity: Financial Ratios

Liquid Assets to Total Deposits, Liquid Assets to Total Assets, G-Sec to Total Assets, Approved Securities to Total Assets, Customer deposits to total assets, and Totalloan to customer deposits- evaluate the Liquidity or assetliability management (ALM) position of the bank.

Data Analysis:

Table 1: Net Profit Margin (Values in %)

Year	Ratio	Increase/ Decrease
2017-18	3.27	-
2018-19	-5.57	-2.3
2019-20	0.87	4.7
2020-21	0.71	-0.16
2021-22	1.17	0.46

Source: Annual Report of BoB

Table 1 shows the Net Profit Margin of BoB, it is observed that there is a decline in 2018 and ratio is fluctuating in the study period, but in 2021 the ratio increased by 0.46. Therefore the Bank has to take correct measure to increase the net profit as it indicates the company’s financial soundness.

Table 2: Earnings per share (Values in %)

Year	Ratio	Increase/ Decrease
2017-18	6.00	-
2018-19	-10.53	-4.53
2019-20	1.64	8.89
2020-21	1.36	-0.28
2021-22	1.78	0.42

Source: Annual Report of BoB

Table 2 indicates the Earnings per share of BoB, it is found that there is a decline in 2018 and 2020, ratio increased in 2019 and 2021. Therefore the Bank has to increase the Earnings per share as high EPS indicates higher return to shareholders which in turn reflects in the wealth of the bank.

Table 3: Return on Assets (Values in %)

Year	Ratio	Increase/ Decrease
2017-18	0.19	-
2018-19	-0.33	-0.13
2019-20	0.05	0.28
2020-21	0.04	-0.01
2021-22	0.07	0.03

Source: Annual Report of BoB

Table 3 analyses the Return on asset (ROA) of BoB, it is observed that there is no constant growth in the ratio. As Return on Asset measures the efficiency of a company's management in generating profit from their total asset. Lower ROA indicates usually have more assets involved in generating their profits.

Table 4: Net Interest Margin (Values in %)

Year	Ratio	Increase/ Decrease
2017-18	1.94	-
2018-19	2.15	0.21
2019-20	2.36	0.21
2020-21	2.37	0.01
2021-22	2.49	0.12

Source: Annual Report of BoB

Table 4 shows the Net Interest Margin (NIM) of BoB. It could be concluded that constant growth is seen in Net Interest Margin.NIM is a profitability indicator that approximates the likelihood of the bank. Therefore the Bank will have higher interest income from its credit products.

Table 5: Return on Capital Employed(Values in %)

Year	Ratio	Increase/ Decrease
2017-18	1.63	-
2018-19	1.72	0.09
2019-20	1.78	0.06
2020-21	1.77	0.01
2021-22	1.85	0.08

Source: Annual Report of BoB

Table 5 shows the Return on Capital Employed (ROCE) of BoB, it is explored that steady growth is seen in ratio. ROCE is that measures a company's profitability in terms of all of its capital. It indicates the company's profitability and capital efficiency. Thus the Bank has higher profitability.

Table 6: Total Deposit (CASA) (Values in %)

Year	Ratio	Increase/ Decrease
2017-18	32.15	-
2018-19	35.81	3.66
2019-20	35.03	-0.78
2020-21	35.28	0.25
2021-22	40.15	4.87

Source: Annual Report of BoB

Table 6 analyses the Total Deposit (CASA) of BoB, it is found that there is a decline in 2019 and ratio shows constant growth. CASA of the bank indicates how much total deposits are both in current and savings account. Therefore increase in the CASA indicates the raise in the funds which reflects in the bank's profitability.

Table 7: Interest Income/Total Assets (Values in %)

Year	Ratio	Increase/ Decrease
2017-18	6.07	-
2018-19	6.06	-0.01
2019-20	6.37	0.31
2020-21	6.56	0.19
2021-22	6.10	-0.46

Source: Annual Report of BoB

Table 7 shows the Interest Income/Total Assets of BoB, from the analysis it is evident that the ratio is fluctuating in the study period, in 2021 the ratio decreased by 0.46. Therefore the Bank has to take appropriate measure to increase the interest income as it is the difference between the interest bearing asset and interest bearing liabilities.

VI. Findings and Suggestions of the Study:

From the above analysis it is found that the Bank needs to take proper measure to maximise the Net Profit Margin, Earnings Per Share, Return on Asset, Total Deposit and Interest income which indicates the Asset Quality, Management Quality, Earning Capability of the Bank is Moderate and Net Interest Margin and Return on Capital Employed is equally good.

VII. Conclusion:

From the above discussion it is concluded that the bank's financial performance can be maximised by increasing the Net profit margin, Earnings per share, Return on Asset employed and Interest income. The Indian Banking Industry is the fastest growing Industry and to survive in the cut throat competition the BoB needs to financially sound.

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