

PROFITABILITY ANALYSIS (A COMPARATIVE STUDY OF BANK OF BARODA AND IDBI)

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Abstract

Public sector banks are dominant player which have important role in growth of Indian economy. The Present research paper aimed to examine and compare the financial performance of bank of Baroda and IDBI during 2011-12 to 2015-16. Data of bank of Baroda and IDBI for 5 years, has been collected from their official sites and annual reports. This study is primarily based on secondary data and financial ratios are used. Some selected variables like Assets, Net profit, Interest expand, interest income, deposits are taken to known the financial positions of selected banks. The study found that overall performances of bank of Baroda and IDBI are better than private sector banks.

Keywords: Return On Assets, Profitability, Public Sector and Private Sector Banks, Growth of Indian Economy.

Introduction

Profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities.

Like all businesses, banks profit by earning more money than what they pay in expenses. The major portion of a bank's profit comes from the fees that it charges for its services and the interest that it earns on its assets. Its major expense is the interest paid on its liabilities.

The major assets of a bank are its loans and advances to individuals, businesses, and other organizations and the securities that it holds, while its major liabilities are its deposits and the money that it borrows, either from other banks or by selling commercial paper in the money market.

Objectives

The present study has been carried out with the following objectives:

- To analyze the Interest income earnings of the Banks under study.
- To analyze the interest expense of the Banks under study.
- To analyze the profitability of Banks under study.
- To analyze ratio of interest expense to interest income of Banks under study.
- To analyze total income earning position of Banks under study.

Hypothesis

The research study may not be treated as complete and meaningful unless hypothesis is taken and approved or disapproved objectively by applying statistical tests .The following hypothesis has been framed and tested:

H₀ : The Present study is based on the null hypothesis according to which it has been hypothesized that there is no significant difference in the Profitability of the Banks under the study.

Research Methodology

The financial data of both the banks have been obtained from the Annual Reports and Accounts from the period 2011-12 to 2015-16 and for some other information the web sites such moneycontrol.com have also been used. The collected data have been recast in the form of balance sheet and income statement for the purpose of computing various ratios. The relevant ratios relating to profit have been

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