

A Comparative Study of Growth Analysis of Bank of Baroda and HDFC Bank

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Abstract

The banking industry performs three primary function of an economy, the operation of the payment system, the mobilization of savings and the allocation of saving to investment projects. By allocating capital to the highest value use while limiting the risk and cost involved, the banking sector can positively influence the overall economy. On the behalf of these the main purpose of the banking sector is to generate revenue. Profit is the main reason for the continued existence of every commercial organization and profitability depicts the relationship of the absolute amount of profit with various other factors. in any case compare to other business concerns, banks in general have to pay much more attention for banking profitability and liquidity. Liquidity is required to meet out the prompt demands of customer and profitability is required to meet out the expenses of banks. Hence the research paper is an efforts to study the growth rate in Bank of Baroda and HDFC Bank as both the banks are Giant banks in public and private sector, so a study of Growth analysis of both the banks for a period of 5years, i.e. from 2015 to 2019 is made. The main parameters of growth in banks are Net profit growth, net assets growth, Earning Per Share growth and Reserve and Surplus growth and the results reveal that in terms of the parameters defined HDFC Bank has performed much better than Bank of Baroda.

Keywords: Net Assets, Fixed Asset, Reserves & Surplus, Growth, Profitability, Liquidity.

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I. Introduction

The Banking industry occupies a unique place in economy. A well developed banking system is a necessary precondition for economic development in a modern economy. Higher the profit, greater the efficient organization. That is why profitability is considered, to a large extent, one of the main criteria to adjudge the extent to which the management has been successful in the effective utilization of the funds available with the enterprise. As regards Bank of Baroda, it was established in 1908 and it holds the distinction of being the first Gujarat bank to have been stated. Bank has a strong capital base with capital adequacy ration of 13.17% . The bank has over 60 mn customers through 5481 officer including 421 extension counters. It is the second largest bank in India. As regards HDFC Bank, The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, . HDFC Bank is headquartered in Mumbai. the Bank's distribution network was at 5,130 branches across 2,764 cities. The Bank also has a network of 13,395 ATMs across India. HDFC Bank's mission is to be a World Class Indian Bank. The objective is to build sound customer franchises across distinct businesses so as to be the preferred provider of banking services for target retail and wholesale customer segments, and to achieve healthy growth in profitability, consistent with the bank's risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance.

Objectives of the Study

- To examination the growth rate of both the banks under study.
- To compare the growth of the banks in public and private sector

Hypothesis

- The Growth rate of net profits of both the banks under study is same.
- The Growth rate of net assets of both the banks under study in same.

Review of Literature

- Chindamabram R.M. and Alamilu (1994), the study "Profitability in Banks, a matter of survival revealed that the profitabilityof public sector banks is low as compare to private sector banks.

- Nag and Das (2002) studied the impact of imposition of capital requirement norms on flow of credit to the business sector by public sector banks of India and the result showed that in the post reform period, public sector bank did shift their portfolio in a way that reduced their capital requirement
- Dr. Sanjay Bhayani (2006) in the study “ performance of the new Indian private banks, A comparative study”. The study covered 4 leading private sector banks, ICICI, HDFC, UTI and IDBI bank. The result showed that the aggregate performance of IDBI banks is the best among all the banks.

Concept of Growth

Growth in relation to a banking sector relates to increase in the business over a period of time, year to year growth is calculated and targets are fixed to evaluate the performance and standing of the bank with reference to operating profit net profit earning per share dividend per share. In relating to industry, in relation to branch growth means the increase in advance and deposits of a bank in current year as compare to previous year. It also means increase in the revenue profits and earning per share, dividend per share in comparison to previous year. As regards growth it can be studied from various angles like in terms of sales, net profit, reserve and surplus.

Net Asset Growth

Net asset is the sum total of asset side of the balance sheet excluding any provision for depreciation fund or the assets shown at the book value less depreciation charges or if the market value of the asset is to be disposed off less any expected loss or provision against that asset. This total of the asset side exclude the fictitious assets if there is any shown in the asset side of the balance sheet like preliminary expenses, discount on issue of shares or debentures, interest paid out of capital etc. Net asset includes both types of assets i.e fixed asset as well as the current asset possessed by the business entity owned by the concerned. As regards net asset of Bank of Baroda and HDFC Bank, it has been computed by deducting all liabilities from total asset as shown in table 1 as under:

Table 1

Year	Bank of Baroda			HDFC Bank		
	Total Asset	Net Asset	% of Net Assets to Total Asset	Total Asset	Net Asset	% of Net Assets to Total Asset
2019	780987.40	45941.09	5.88	1244540.69	149206.32	11.99
2018	719999.77	43394.77	6.03	1063934.32	106295.03	9.99
2017	694875.42	40303.25	5.8	863840.19	89462.38	10.36
2016	671376.48	40198.99	5.99	740796.07	72677.77	9.81
2015	714988.55	39835.35	5.57	590503.07	62009.42	10.5

Table 1 reveals that Net asset of bank of baroda increased from 39835.35 crore in 2015 to 45941.09 crore in 2019 indicating an increase of 15%, whereas that of HDFC bank increased from 62009.42 crore in 2015 to 149206.32 crore in 2019 indicating 140 % increased over the corresponding period as indicated that net assets of HDFC increased as compare to Bank of Baroda.

Growth Rate of Fixed Assets

Any business entity needs for its smooth functioning two types of assets i.e. fixed assets as well as current assets. Fixed assets are those which are purchased once for the business and remains with it for a long time to come. They are also known as dead investment as once the money invested in these assets cannot be used for any other purpose very easily. As for example land, building, plant and machinery, patents, trade mark, furniture, vehicle etc. the building once constructed for the business cannot be constructed or carried to any other place. Such assets help the organization to carry on its production related operations. These are generally shown in the assets side to the balance sheet as follows:

Gross Block-----
 Less Depreciation-----
 Net Block-----

Gross Block refers to the total cost of acquisition of all the, fixed assets. Out of this actual acquisition cost, accumulated depreciation up to date is deducted. The resultant net block indicated the net fixed assets. Intangible assets of the organization are also of permanent nature. Growth Rate of Net Block can be worked out by dividing the net block asset of the current year by the net fixed assets of the base year as shown below:

$$\text{Growth Index of Net Fixed Assets} = \frac{\text{Net Fixed assets at the end of current year}}{\text{Net Fixed Assets at the end of Base year}}$$

As regards Net Block of Bank of Baroda & HDFC Bank limited, it has been worked out as shown in Table 2:

Year	Bank of Baroda			HDFC Bank		
	Total Asset	Fixed Asset	% of Fixed Asset to Total Asset	Total Asset	Fixed Asset	% of Fixed Asset to Total Asset
2019	780987.40	6990.29	0.9	1244540.69	4030.00	0.32
2018	719999.77	5367.39	0.75	1063934.32	3607.20	0.33
2017	694875.42	5758.37	0.83	863840.19	3626.73	0.42
2016	671376.48	6253.78	0.93	740796.07	3343.15	0.45
2015	714988.55	2874.85	0.4	590503.07	3391.31	0.57

Table 2 reveals that fixed assets of bank of baroda increased from 2874.85 crore in 2015 to 6990.29 crore in 2019 indicating an increase of 143% whereas that of HDFC bank increased from 3391.31 crore in 2015 to 4030 crore in 2019 certifying an increase of 18 % over the corresponding period as indicated that fixed assets of bank of baroda increased more as compared to that of HDFC Bank.

As regards Reserves and Surplus growth of bank of baroda and Hdfe bank , it has been calculated and shown in Table 3:

Year	Bank of Baroda			HDFC Bank		
	Shareholders funds	Reserve and surplus	% of Reserve and Surplus to shareholders funds	Shareholders funds	Reserve and surplus	% of Reserve and Surplus to shareholders funds
2019	53036.44	45410.73	85.62	54466.13	148661.69	272.94
2018	53036.44	42864.40	80.82	51901.81	105775.97	203.80
2017	40303.25	39841.16	98.85	51250.91	88949.84	173.56
2016	40198.99	39736.89	98.85	50563.73	72172.12	142.73
2015	39835.35	39391.79	98.89	50129.91	61508.11	122.69

Table 3 reveals that the reserve and surplus of Bank of Baroda increased from 39391.79 crore in 2015 to 45410.73 crore in 2019 indicating an increase of 15% whereas that of HDFC increased from 61508.11 crore in 2015 to 148661.69 in 2019 indicating a increased of 141% over the corresponding period.

II. Analysis and findings

Net asset of bank of Baroda indicated an annual compound growth of 15 percent whereas that of HDFC bank indicating an increased of 140 percent. As regards fixed assets there is an increase of 143 percent in case of Bank of Baroda whereas that of HDFC bank there is an increase of 18 percent. Reserve and surplus growth rate of Bank of Baroda is 15 percent and there is an increased of 141 percent in the growth rate of HDFC Bank. With this analysis, it is concluded that HDFC performed well as compare to Bank of Baroda in case of growth of net asset and reserve and surplus in the year 2015 to 2019 while in the growth of fixed asset performance of bank of baroda is better than HDFC Bank.

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