"COMPARATIVE FINANCIAL ANALYSIS OF THREE BANKS OF INDIA"
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ABSTRACT

Financial ratios are widely used for modeling purposes both by practitioners and researchers. The firm involves many interested parties, like the owners, management, personnel, customers, suppliers, competitors, regulatory agencies, and academics, each having their views in applying financial statement analysis in their evaluations. Practitioners use financial ratios, for instance, to forecast the future success of companies, while the researchers' main interest has been to develop models exploiting this ratio.Financial statements are those statements which provide information about profitability and financial position of a business. It includes two statements, i.e., profit & loss a/c or income statement and balance sheet or position statement. The income statement presents the summary of the income earned and the expenses incurred during a financial year. Position statement presents the financial position of the business at the end of the year. The income statement presents the summary of the income earned and the expenses incurred during a financial year. Position statement presents the financial position of the business at the end of the year.This paper will help in ascertaining whether adequate profits are being earned on the capital invested in the business or not. It will also help in knowing the capacity to pay the interest and dividend. To help the management to make a comparative study of the profitability of various firms engaged in similar business.

OBJECTIVES

1. To compare the financial position with the help of balance sheet.
2. To compare the financial performance through Ratio analysis.

INRTODUCTION

After preparation of the financial statements, one may be interested in knowing the position of an enterprise from different points of view. This can be done by analyzing the financial statement with the help of different tools of analysis such as ratio analysis, funds flow analysis, cash flow

analysis, comparative statement analysis, etc. Here I have done financial analysis by ratios. In this process, a meaningful relationship is established between two or more accounting figures for comparison.

Financial ratios are widely used for modeling purposes both by practitioners and researchers. The firm involves many interested parties, like the owners, management, personnel, customers, suppliers, competitors, regulatory agencies, and academics, each having their views in applying financial statement analysis in their evaluations. Practitioners use financial ratios, for instance, to forecast the future success of companies, while the researchers' main interest has been to develop models exploiting these ratios. Many distinct areas of research involving financial ratios can be discerned. Historically one can observe several major themes in the financial analysis literature. There is overlapping in the observable themes, and they do not necessarily coincide with what theoretically might be the best founded areas.

Financial statements are those statements which provide information about profitability and financial position of a business. It includes two statements, i.e., profit & loss a/c or income statement and balance sheet or position statement.

The income statement presents the summary of the income earned and the expenses incurred during a financial year. Position statement presents the financial position of the business at the end of the year.

Before understanding the meaning of analysis of financial statements, it is necessary to understand the meaning of „analysis‟ and „financial statements‟.

Analysis means establishing a meaningful relationship between various items of the two financial statements with each other in such a way that a conclusion is drawn. By financial statements, we mean two statements- (1) profit & loss a/c (2) balance sheetThese are prepared at the end of a given period of time. They are indicators of profitability and financial soundness of the business concern.

Thus, analysis of financial statements means establishing meaningful relationship between various items of the two financial statements, i.e., income statement and position statement

Parties interested in analysis of financial statements

DATA ANALYSIS

1.**STATE BANK OF INDIA**

AS ON 31-MARCH-2012

Balancesheet - State Bank of India		in crore			
Particulars	**Mar'12**	**Mar'11**	**Mar'10**	**Mar'09**	**Mar'08**
Liabilities	**12 Months**	**12 Months**	**12 Months**	**12 Months**	**12 Months**
Share Capital	671.04	635.00	634.88	634.88	631.47
Reserves & Surplus	83,280.16	64,351.04	65,314.32	57,312.82	48,401.19
Net Worth	**83,951.21**	**64,986.04**	**65,949.20**	**57,947.70**	**49,032.66**
Secured Loans	127,005.57	119,568.96	103,011.60	53,713.68	51,727.41
Unsecured Loans	1,043,647.36	933,932.81	804,116.23	742,073.13	537,403.94
TOTAL LIABILITIES	**1,254,604.14**	**1,118,487.81**	**973,077.03**	**853,734.51**	**638,164.01**
Assets					
Gross Block	14,792.33	13,189.28	11,831.63	10,403.06	8,988.35
(-) Acc. Depreciation	9,658.46	8,757.33	7,713.90	6,828.65	5,849.13
Net Block	**5,133.87**	**4,431.96**	**4,117.72**	**3,574.41**	**3,139.22**
Capital Work in Progress.	332.68	332.23	295.18	263.44	234.26
Investments.	312,197.61	295,600.57	285,790.07	275,953.96	189,501.27
Inventories	0.00	0.00	0.00	0.00	0.00
Sundry Debtors	0.00	0.00	0.00	0.00	0.00
Cash And Bank	97,163.16	122,874.15	96,183.84	104,403.80	67,466.34
Loans And Advances	920,691.91	800,497.29	667,026.91	580,236.48	461,185.23
Total Current Assets	**1,017,855.07**	**923,371.44**	**763,210.75**	**684,640.28**	**528,651.56**
Current Liabilities	80,915.09	105,248.39	80,336.70	110,697.57	83,362.30
Provisions	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	**80,915.09**	**105,248.39**	**80,336.70**	**110,697.57**	**83,362.30**
NET CURRENT ASSETS	**936,939.98**	**818,123.05**	**682,874.05**	**573,942.70**	**445,289.26**
Misc. Expenses	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS (A+B+C+D+E)	**1,254,604.14**	**1,118,487.81**	**973,077.03**	**853,734.51**	**638,164.01**

2. ICICI
AS ON 31-MARCH-2012

Balancesheet - ICICI Bank Ltd.			In Crore's		
Particulars	**Mar'12**	**Mar'11**	**Mar'10**	**Mar'09**	**Mar'08**
Liabilities	**12 Months**	**12 Months**	**12 Months**	**12 Months**	**12 Months**
Share Capital	1,155.15	1,152.11	1,114.89	1,463.29	1,462.68
Reserves & Surplus	59,250.09	53,938.82	50,503.48	48,419.73	45,357.53
Net Worth	**60,405.24**	**55,090.94**	**51,618.37**	**49,883.02**	**46,820.21**
Secured Loans	140,164.91	109,554.28	94,263.57	67,323.69	65,648.43
Unsecured Loans	255,499.96	225,602.11	202,016.60	218,347.82	244,431.05
TOTAL LIABILITIES	**456,070.11**	**390,247.32**	**347,898.53**	**335,554.53**	**356,899.69**
Assets					
Gross Block	9,424.39	9,107.47	7,114.12	7,443.71	7,036.00
(-) Acc. Depreciation	4,809.70	4,363.21	3,901.43	3,642.09	2,927.11
Net Block	**4,614.69**	**4,744.26**	**3,212.69**	**3,801.62**	**4,108.90**
Capital Work in Progress.	0.00	0.00	0.00	0.00	0.00
Investments.	159,560.04	134,685.96	120,892.80	103,058.31	111,454.34
Inventories	0.00	0.00	0.00	0.00	0.00
Sundry Debtors	0.00	0.00	0.00	0.00	0.00
Cash And Bank	36,229.31	34,090.08	38,873.69	29,966.56	38,041.13
Loans And Advances	273,243.05	232,713.37	200,420.53	242,474.47	246,190.71
Total Current Assets	**309,472.36**	**266,803.45**	**239,294.22**	**272,441.03**	**284,231.84**
Current Liabilities	13,974.99	12,691.89	12,563.22	40,934.58	40,067.37
Provisions	3,601.99	3,294.46	2,937.96	2,811.85	2,828.02
Total Current Liabilities	**17,576.98**	**15,986.35**	**15,501.18**	**43,746.43**	**42,895.38**
NET CURRENT ASSETS	**291,895.38**	**250,817.10**	**223,793.04**	**228,694.60**	**241,336.45**
Misc. Expenses	0.00	0.00	0.00	0.00	0.00

TOTAL ASSETS (A+B+C+D+E)	**456,070.11**	**390,247.32**	**347,898.53**	**335,554.53**	**356,899.69**

3. PUNJAB NATIONAL BANK
AS ON 31-MARCH-2012

Balancesheet - Punjab National Bank			In Crore		
Particulars	**Mar'12**	**Mar'11**	**Mar'10**	**Mar'09**	**Mar'08**
Liabilities	**12 Months**	**12 Months**	**12 Months**	**12 Months**	**12 Months**
Share Capital	339.18	316.81	315.30	315.30	315.30
Reserves & Surplus	26,028.37	19,720.99	15,915.63	12,824.59	10,467.35
Net Worth	**27,817.07**	**21,508.56**	**17,722.92**	**14,653.63**	**12,318.35**
Secured Loans	37,264.27	31,589.69	19,262.37	4,374.36	5,446.56
Unsecured Loans	379,588.48	312,898.73	249,329.80	209,760.50	166,457.23
TOTAL LIABILITIES	**444,669.82**	**365,996.97**	**286,315.09**	**228,788.49**	**184,222.13**
Assets					
Gross Block	5,265.08	4,981.60	4,215.21	3,930.36	3,699.64
(-) Acc. Depreciation	2,096.22	1,876.01	1,701.74	1,533.25	1,384.12
Net Block	**1,719.34**	**1,634.84**	**1,021.48**	**883.37**	**779.83**
Capital Work in Progress.	0.00	0.00	0.00	0.00	0.00
Investments.	122,629.47	95,162.35	77,724.47	63,385.18	53,991.70
Inventories	0.00	0.00	0.00	0.00	0.00
Sundry Debtors	0.00	0.00	0.00	0.00	0.00
Cash And Bank	28,828.03	29,691.21	23,473.56	21,413.14	18,830.72
Loans And Advances	303,567.64	250,366.08	192,921.28	159,723.19	123,882.41
Total Current Assets	**332,395.67**	**280,057.30**	**216,394.84**	**181,136.33**	**142,713.13**
Current Liabilities	13,524.18	12,328.27	10,317.69	18,130.13	14,798.23
Provisions	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	**13,524.18**	**12,328.27**	**10,317.69**	**18,130.13**	**14,798.23**
NET CURRENT ASSETS	**318,871.49**	**267,729.03**	**206,077.15**	**163,006.20**	**127,914.91**

Misc. Expenses	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS (A+B+C+D+E)	**444,669.82**	**365,996.97**	**286,315.09**	**228,788.49**	**184,222.1**

RATIO ANALYSIS

OPERTATING MARGIN RATIO AT 31-MARCH 2012

Sr.No.	Name of Bank	Percentage
1	SBI	22.69 %
2	ICICI	14.45 %
3	PNB	21.47 %
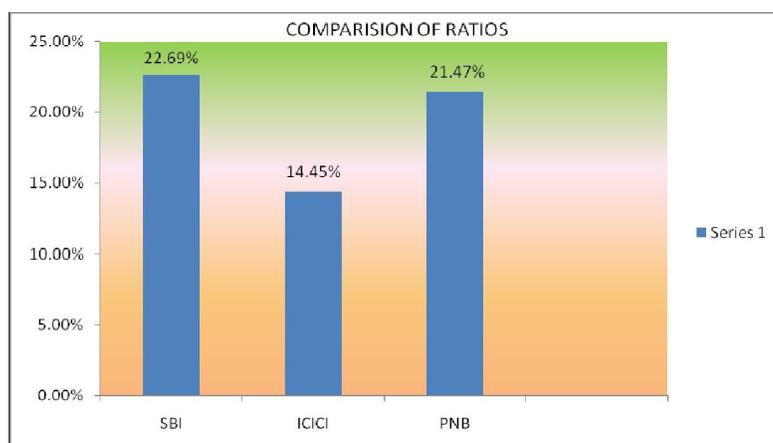
INTERPRETATION

It shows that operating efficiency of SBI is better than PNB and ICICI. While   operating efficiency of ICICI is lower than PNB and SBI. So rank of operating efficiency of banks can be given as SBI, PNB and ICICI.

GROSS PROFIT MARGIN

GROSS PROFIT MARGIN RATIO AT 31-MARCH 2012

Sr.No.	Name of Bank	Percentage

1	SBI	21.49 %
2	ICICI	12.99 %
3	PNB	20.67%
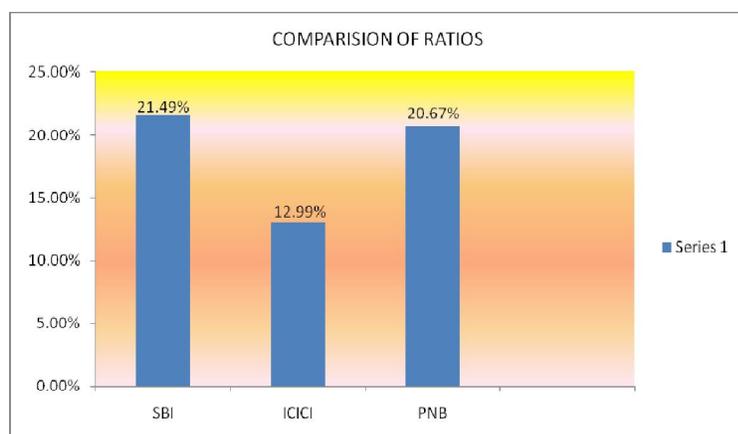
□ **INTERPRETATION**

This ratio shows financial position of company. Here, financial position of SBI is better than PNB and ICICI. So SBI is at first rank by its financial position than PNB and ICICI

NET PROFIT MARGIN RATIO AT 31-MARCH 2012

Sr.No.	Name of Bank	Percentage

1	SBI	11.67 %
2	ICICI	10.51 %
3	PNB	12.68 %

COMPARISION OF RATIOS
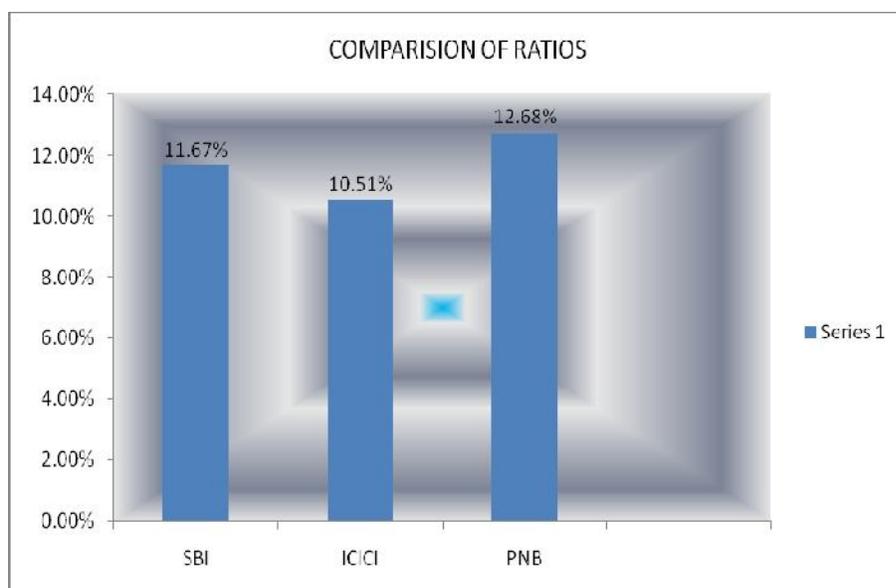
INTERPRETATION

This ratio is key performance indicators for business. Key performance means the profit level of company; from above graph we can say that performance of PNB is better than SBI and ICICI. So profit level of PNB is at first rank than comes SBI and ICICI.

RETURN ON NETWORTH

RATIO AT 31-MARCH 2012

Sr.No.	Name of Bank	Percentage
1	SBI	13.72 %
2	ICICI	8.94 %
3	PNB	19.00 %
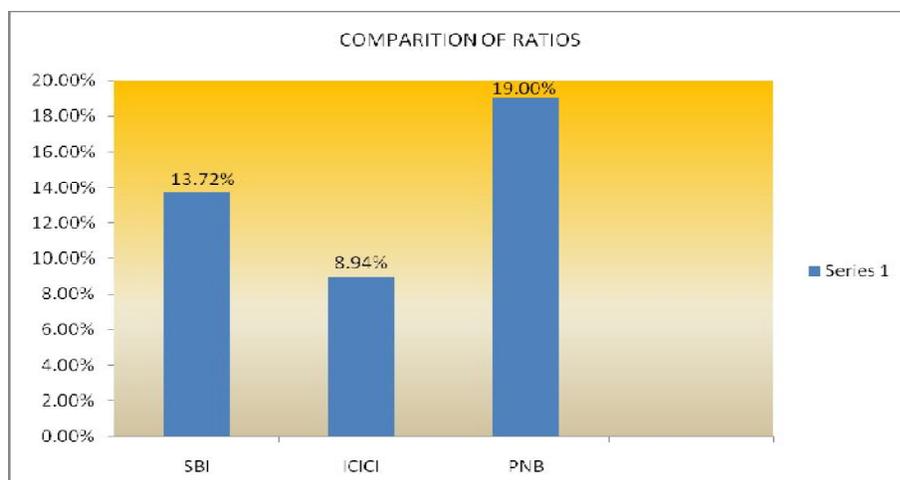
INTERPRETATION

This ratio is useful for comparing the profitability of a company to that of other firms in the same industry. Here, profitability of PNB is more than SBI and PNB. So we can say that PNB is at first rank by its profitability than comes SBI and ICICI.

DEBT-EQUITY RATIO

RATIO AT 31-MARCH 2012

Sr.No.	Name of Bank	Percentage

1	SBI	10.96 %
2	ICICI	5.27 %
3	PNB	15.44 %

COMPARISION OF RATIOS
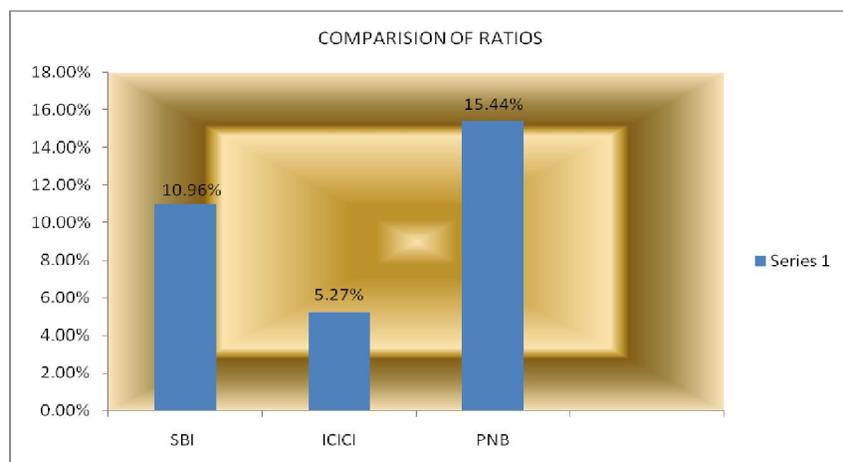
INTERPRETATION

This ratio indicates what proportion of equity and debt the company is using to finance its assets. From above diagram we can say that PNB has a high debt-equity ratio means it is aggressive in financing its growth with debt. Than after SBI has a low debt-equity ratio as comparison with PNB and ICICI comes at third rank in debt-equity ratio

FIXED ASSETS TURNOVER RATIO AT 31-MARCH 2012

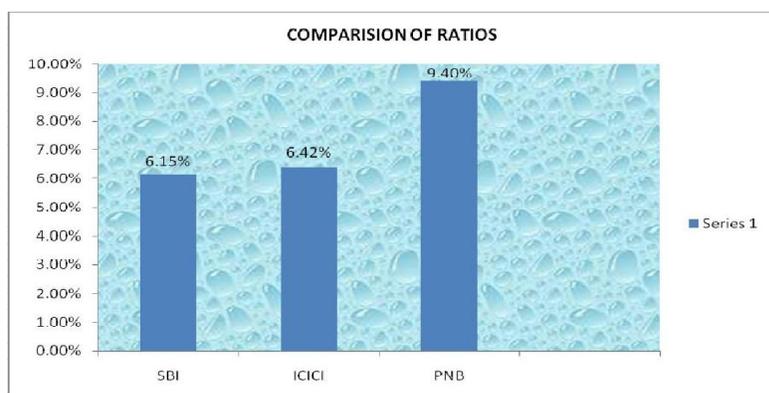| Sr.No.	Name of Bank	Percentage
1	SBI	6.31 %
2	ICICI	5.61 %
3	PNB	4.35 %
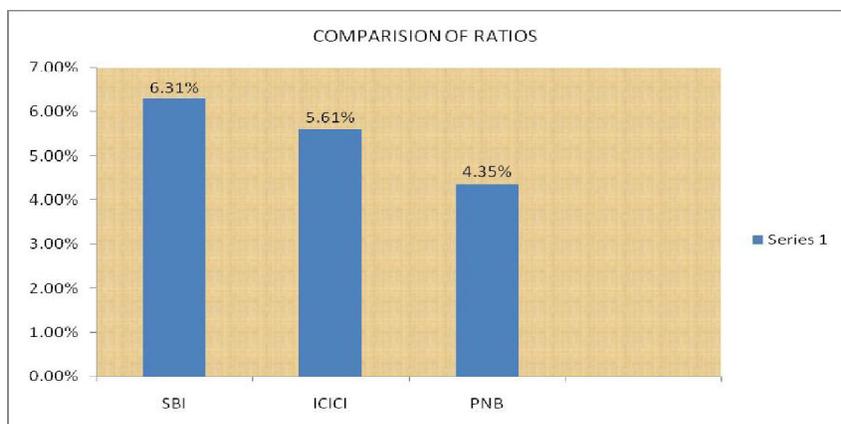
INTERPRETATION

This ratio shows specific level of revenue by the amount of fixed assets. SBI has a high level of revenue in comparison with ICICI and PNB. After SBI, ICICI has a high level of revenue and then comes PNB at last.

LIQUIDITY RATIO

QUICK RATIO

Quick Ratio at 31st march 2012

Sr.No.	Name of Bank	Percentage
1	SBI	6.15 %
2	ICICI	6.42 %
3	PNB	9.40 %

PNB has a high quick ratio means it has enough current assets to cover its current liabilities, while SBI and ICICI have a low quick ratio in comparison with PNB

DIVIDEND PAYOUT RATIO AT 31-MARCH 2012

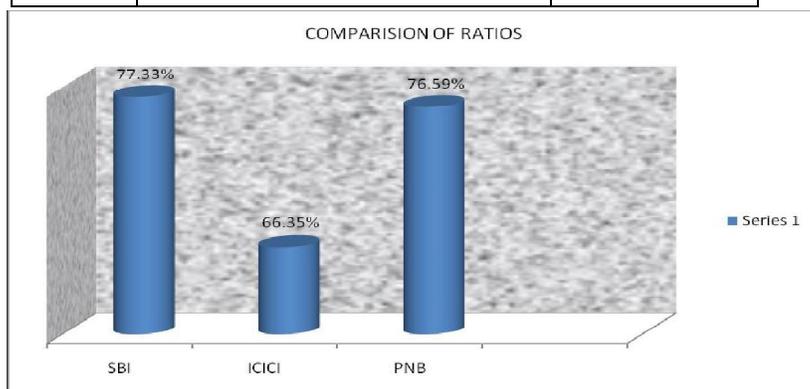| Sl.no.	Name of Bank	Percentage
1	SBI	22.64 %
2		33.12 %
3	PNB	23.40 %
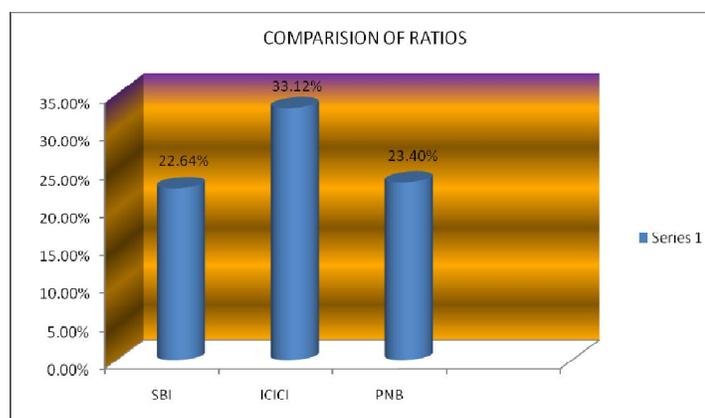
INTERPRETATION

ICICI has a high dividend payout ratio, so the Investors who are seeking high current income and limited capital growth should be invest in ICICI bank. PNB and SBI have a low dividend payout ratio, so investors who are seeking capital growth should be invest in PNB and SBI because capital gains are taxed at a lower rate.

EARNING RETENTION RATIO

EARNING RETENTION RATIO AT 31-MARCH 2012

Sr.No.	Name of Bank	Percentage

1	SBI	77.33 %
2	ICICI	66.35 %
3	PNB	76.59 %

COMPARISION OF RATIOS

INTERPRETATION

Earning retention ratio is the opposite of the dividend payout ratio. SBI and PNB have a high earning retention ratio, so the Investors who are seeking high current income and limited capital growth should be invest in SBI and PNB. ICICI has a low earning retention ratio, so the investors who are seeking capital growth should be invest in ICICI BANK

CONCLUSION

Ratios make the related information comparable. A single figure by itself has no meaning, but when expressed in terms of a related figure, it yields significant interferences. Thus, ratios are relative figures reflecting the relationship between related variables. Their use as tools of financial analysis involves their comparison as single ratios, like absolute figures, are not of much use.

Ratio analysis has a major significance in analysing the financial performance of a company over a period of time. Decisions affecting product prices, per unit costs, volume or efficiency have an impact on the profit margin or turnover ratios of a company.

Financial ratios are essentially concerned with the identification of significant accounting data relationships, which give the decision-maker insights into the financial performance of a company.

The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm"s position and performance.

The first task of financial analyst is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second step is to arrange the information in a way to highlight significant relationships. The final step is interpretation and drawing of inferences and conclusions. In brief, financial analysis is the process of selection, relation and evaluation. Ratio analysis in view of its several limitations should be considered only as a tool for analysis rather than as an end in itself. The reliability and significance attached to ratios will largely hinge upon the quality of data on which they are based. They are as good or as bad as the data itself. Nevertheless, they are an important tool of financial analysis

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