

## **Project Report**

# **“COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF STATE BANK OF INDIA AND BANK OF BARODA”**

Submitted to

**G.S. College of Commerce & Economics  
Nagpur**

In partial fulfillment for the award of the degree of

**Bachelor of Business Administration**

Submitted by

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Under the Guidance of

**DR. PRAGATIRICHA PANDEY**



**G.S. College Of Commerce & Economics , Nagpur  
Academic Year 2021-22**



**G.S. College Of Commerce & Economics , Nagpur**

Academic Year 2021 – 22

**CERTIFICATE**

This is to certify that “**Megha Sunil Joshi** “has submitted the project report titled “**(Comparative study of financial performance of State bank of India and Bank of Baroda)**”, towards partial fulfillment of **BACHELOR OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that she has ingeniously completed his/her project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

**Dr. Pragati Richa Pandey**  
(Project Guide)

**Dr. Afsar Shaikh**  
(Coordinator)

**Place: Nagpur**

**Date:**



**G.S. College Of Commerce & Economics, Nagpur**

Academic Year 2021 – 22

**DECLARATION**

**I here-by declare that the project with title “Comparative study of financial performance of State bank of India and Bank of Baroda” has been completed by me in partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.**

**Megha Sunil Joshi**

**Place: Nagpur**

**Date:**



## **G.S. College Of Commerce & Economics , Nagpur**

**Academic Year 2021 – 22**

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**With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to Dr. N. Y. Khandait, Principal, G.S. College of Commerce & Economics, Nagpur.**

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**Megha. Sunil. Joshi**

**Place: Nagpur**

**Date:**

**INDEX**

<b>Sr. No.</b>	<b>PARTICULARS</b>	<b>Page No.</b>
1.	<b>Introduction of Banking</b>	
2.	<b>Company Profile.</b> A) <b>STATE BANK OF INDIA</b> B) <b>BANK OF BARODA</b>	
3.	<b>Literature Review</b>	
4.	<b>Research Study</b> <ul style="list-style-type: none"><li>• <b>Problem definition</b></li><li>• <b>Objectives</b></li><li>• <b>Hypothesis</b></li><li>• <b>Scope of study</b></li></ul>	
5.	<b>Research Methodology</b>	
6.	<b>Data analysis &amp; Interpretation</b>	
7.	<b>Findings</b>	
8.	<b>Conclusion</b>	
	<b>Bibliography</b>	

# **INTRODUCTION**

## **Introduction:**

Banking is defined as the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to conduct economic activities such as making profit or simply covering operating expenses.

A bank is a financial institution which accepts deposits, pays interest on pre-defined rates, clears checks, makes loans, and often acts as an intermediary in financial transactions. It also provides other financial services to its customers.

Bank management governs various concerns associated with bank in order to maximize profits. The concerns broadly include liquidity management, asset management, liability management and capital management. We will discuss these areas in later chapters.

## **Origin of Banks**

The origin of bank or banking activities can be traced to the Roman empire during the Babylonian period. It was being practiced on a very small scale as compared to modern day banking and frame work was not systematic.

Modern banks deal with banking activities on a larger scale and abide by the rules made by the government. The government plays a crucial role with its

control over the banking system. This calls for bank management, which further ensures quality service to customers and a win-win situation between the customer, the banks and the government.

## History of Banking in India

Banking in India forms the base for the economic development of the country. Major changes in the banking system and management have been seen over the years with the advancement in technology, considering the needs of people.

The History of Banking in India dates back to before India got independence in 1947 and is a key topic in terms of questions asked in various Government exams. In this article, we shall discuss in detail the evolution of the banking sector in India.

The banking sector development can be divided into three phases:

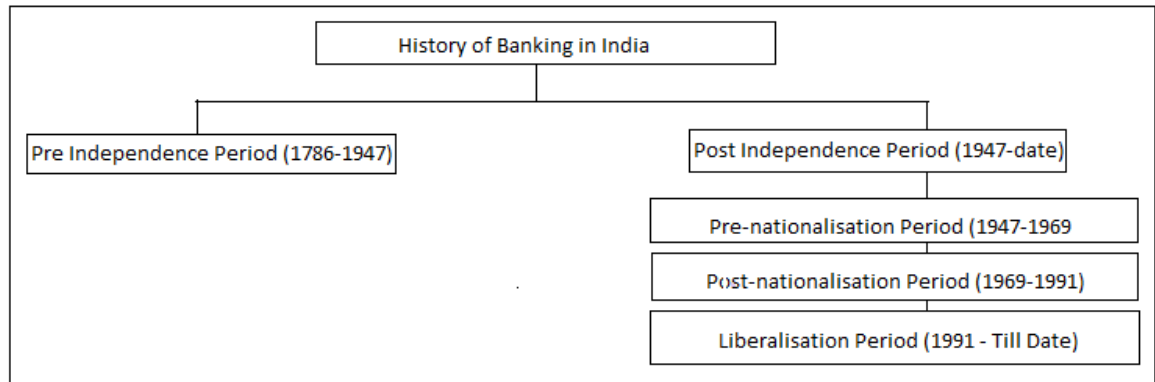
**Phase I:** The Early Phase which lasted from 1770 to 1969

**Phase II:** The Nationalization Phase which lasted from 1969 to 1991

**Phase III:** The Liberalization or the Banking Sector Reforms Phase which began in 1991 and continues to flourish till date

Given below is a pictorial representation of the evolution of the Indian banking system over the years:





Further below in this article, we shall discuss the different phases of Bank industry evolution.

### Pre-Independence Period (1786-1947)

The first bank of India was the “*Bank of Hindustan*”, established in 1770 and located in the then Indian capital, Calcutta. However, this bank failed to work and ceased operations in 1832.

The first bank of India was the “*Bank of Hindustan*”, established in 1770 and located in the then Indian capital, Calcutta. However, this bank failed to work and ceased operations in 1832.

During the Pre-Independence period over 600 banks had been registered in the country, but only a few managed to survive.

### Pre- Independence Bank in India

Bank Name	Year of Establishment
Allahabad Bank	1865
Punjab National Bank	1894

Bank of India	1906
Central Bank of India	1911
Canara Bank	1906
Bank of Baroda	1908

### Post- Independence Period (1947-1991)

At the time when India got independence, all the major banks of the country were led privately which was a cause of concern as the people belonging to rural areas were still dependent on money lenders for financial assistance.

With an aim to solve this problem, the then Government decided to nationalize the Banks. These banks were nationalized under the Banking Regulation Act, 1949. Whereas, the Reserve Bank of India was nationalized in 1949.

### Liberalisation Period (1991-Till Date)

Once the banks were established in the country, regular monitoring and regulations need to be followed to continue the profits provided by the banking sector. The last phase or the ongoing phase of the banking sector development plays a hugely significant role.

To provide stability and profitability to the Nationalized Public sector Banks, the Government decided to set up a committee under the leadership of Shri. M

Narasimha to manage the various reforms in the Indian banking industry.

## **Banking System in India**

In India the Reserve Bank is the central banking institution. The RBI regulates and operates the banking system in India. It supervises and administers exchange control and banking regulations and administers the government's monetary policy. The banking system in India works according to the guideline issued by the RBI.

India has an extensive banking network. The banking system in India has four tiers:

- Scheduled commercial bank

A scheduled bank in India refers to the bank which is listed in the second schedule of the reserve bank of India act, 1934. Scheduled bank are usually private sector banks, foreign bank and nationalized bank operating in India.

- Regional rural banks:

These banks are also called Garmin banks. These are India scheduled banks operating in rural areas. These banks were created to provide basic banking and financial services in rural area. However, their areas of operation include urban areas as well.

- Co-operative banks:

These banks mainly lend to small business groups and provide finance to the agriculture sector. They are located in rural, urban and semi-urban areas. These banks are aimed only at providing basic banking services.

- Payment banks and small finance banks:

These are newly modelled small finance banks conceptualized by the RBI. There are 11 payment banks and 10 small finance

banks that operate in India. These are new age banks that are aimed at strengthening the existing channel of APY distribution and provides a boost to the outreach of subscribers under APY.

### **Banks in India:**

In India the banks are being segregated in different groups. Each group has their own benefits and limitations in operating in India. Each has their own dedicated target market. Few of them only work in rural sector while others in both rural as well as urban. Many even are only catering in cities. Some are of Indian origin and some are foreign players.

All these details and many more is discussed over here. The banks and its relation with the customers, their mode of operation, the names of banks under different groups and other such useful information's are talked about.

One more section has been taken note of is the upcoming foreign banks in India. The RBI has shown certain interest to involve more of foreign banks than the existing one recently. This step has paved a way for few more foreign banks to start business in India.

## BANKING STRUCTURE IN INDIA

### SCHEDULED BANKS IN INDIA

- Scheduled Commercial Banks

Public Sector Banks	Private Sector Banks	Foreign Banks In India	Regional Rural Banks
(26)	(25)	(29)	(95)
<ul style="list-style-type: none"> <li>• Nationalized Bank</li> <li>• Other Public Sector Banks (IDBI)</li> <li>• SBI And Its Associates</li> </ul>	<ul style="list-style-type: none"> <li>• Old Private Banks</li> <li>• New Private Banks</li> </ul>		

- Scheduled Cooperative Banks

Scheduled Urban Cooperative Banks	Scheduled State Cooperative Banks
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## Public Sector Banks

Public sector banks are those banks which are owned by the Government. The Govt. runs these Banks. In India 14 banks were nationalized in 1969 & in 1980 another 6 banks were also nationalized. Therefore in 1980 the number of nationalized banks 20. At present there are total 26 Public Sector Banks in India. Of these 19 are nationalized banks, belong to SBI & associates group and 1 bank (IDBI Bank) is classified as other public sector bank. Welfare is their primary objective.

Nationalized banks	Other public sector banks	SBI & its Associates
<ul style="list-style-type: none"> <li>• Allahabad Bank</li> <li>• Andhra Bank</li> <li>• Bank Of Baroda</li> <li>• Bank Of India</li> <li>• Bank of Maharashtra</li> <li>• Canara Bank</li> <li>• Central Bank of India</li> <li>• Dena Bank</li> <li>• Indian Bank</li> <li>• Corporation Bank</li> <li>• Indian Overseas Bank</li> <li>• Oriental Bank Of Commerce</li> <li>• Punjab &amp; Sind Bank</li> </ul>	<p style="text-align: center;"><b>IDBI</b> (Industrial Development Bank of India) Ltd.</p>	<ul style="list-style-type: none"> <li>• State Bank of India</li> <li>• State Bank of Hyderabad</li> <li>• State Bank of Mysore</li> <li>• State Bank of Patiala</li> <li>• State Bank of Travancore</li> <li>• State Bank of Bikaner And Jaipur (State Bank of Saurashtra merged with SBI in the year 2008 and State Bank of Indore In 2010)</li> </ul>

<ul style="list-style-type: none"> <li>• Punjab National Bank</li> <li>• Syndicate Bank</li> <li>• UCO Bank</li> <li>• Union Bank Of India</li> <li>• United Bank Of India</li> <li>• Vijaya Bank</li> </ul>		
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### Private Sector Banks

These banks are owned and run by the private sector. Various banks in the country such as ICICI Bank, HDFC Bank etc.

An individual has control over these banks in proportion to the share of the banks held by him.

Private banking in India was practiced since the beginning of banking system in India. The first private bank in India to be set up in Private Sector Banks in India was IndusInd Bank. It is one of the fastest growing Bank Private Sector Banks in India.

IDBI ranks the tenth largest development bank in the world as Private Banks in India and has promoted world class institutions in India. The first Private Bank in India to receive an in-principal approval from the Reserve Bank of India was Housing Development Finance Corporation Limited, to set up a bank in the private sector banks in India as part of the RBI's liberalization of the Indian Banking Industry. It was incorporated in August 1994 as HDFC Bank Limited with registered office in Mumbai and commenced operations as Scheduled Commercial Bank in January 1995. ING Vysya, yet another Private

Bank of India was incorporated in the year 1930

Private sector banks have been subdivided into following 2 categories: -

<b>Old Private Sector Banks</b>	<b>New Private Sector Banks</b>
Bank of Rajasthan Ltd. Catholic Syrian Bank Ltd. City Union Bank Ltd. • Dhana Lakshmi Bank Ltd. • Federal Bank Ltd. • ING Vysya Bank Ltd. • Jammu and Kashmir Bank Ltd. • Karnataka Bank Ltd. • Karur Vysya Bank Ltd. • Lakshmi Vilas Bank Ltd. • Nainital Bank Ltd. • Ratnakar Bank Ltd. • SBI Commercial and International Bank Ltd. • South Indian Bank Ltd. • Tamil Nadu Mercantile Bank Ltd. • United Western Bank Ltd.	• Bank of Punjab Ltd. (since merged with Centurion Bank) • Centurion Bank of Punjab (since merged with HDFC Bank) • Development Credit Bank Ltd. • HDFC Bank Ltd. • ICICI Bank Ltd. • IndusInd Bank Ltd. • Kotak Mahindra Bank Ltd. • Axis Bank (earlier UTI Bank) • Yes Bank Ltd.



## **COMPANY PROFILE**

a. **STATE OF BANK INDIA**

b. **BANK OF BARODA**

## **State Bank of India**

**State Bank of India (SBI)** is an Indian multinational public sector bank and financial services statutory body headquartered in Mumbai, Maharashtra. SBI is the 43rd largest bank in the world and ranked 221st in the Fortune Global 500 list of the world's biggest corporations of 2020, being the only Indian bank on the list. It is a public sector bank and the largest bank in India with a 23% market share by assets and a 25% share of the total loan and deposits market. It is also the fifth largest employer in India with nearly 250,000 employees.

The bank descends from the Bank of Calcutta, founded in 1806 via the Imperial Bank of India, making it the oldest commercial bank in the Indian Subcontinent. The Bank of Madras merged into the other two presidency banks in British India, the Bank of Calcutta and the Bank of Bombay, to form the Imperial Bank of India, which in turn became the State Bank of India in 1955. Overall the bank has been formed from the merger and acquisition of nearly twenty banks over the course of its 200 year history. The Government of India took control of the Imperial Bank of India in 1955, with Reserve Bank of India taking a 60% stake, renaming it State Bank of India.

Formerly	Imperial Bank of India
Type	Public Sector Undertaking
Industry	Banking, financial services
Predecessor	Imperial Bank of India (1921 – 1955) Bank of Calcutta (1806 – 1921) Bank of Bombay (1840 – 1921) Bank of Madras (1843 – 1921)
Founded	1 July 1955; 66 years ago State Bank of India
	27 January 1921 Imperial Bank of India 2 June 1806 Bank of Calcutta 15 April 1840 Bank of Bombay 1 July 1843 Bank of Madras
Headquarters	State Bank Bhawan, M.C. Road, Nariman Point, Mumbai, Maharashtra, India
Number of locations	22,219 Branches, 62,617 ATMs in India, International: 229 Branches in 31 countries
Area served	Worldwide

Key people	Dinesh Kumar Khara (Chairman)
Products	<ul style="list-style-type: none"> <li>• Retail banking</li> <li>• Corporate banking</li> <li>• Investment banking</li> <li>• Mortgage loans</li> <li>• Private banking</li> <li>• Wealth management</li> <li>• Credit cards</li> <li>• Finance and Insurance</li> </ul>
Revenue	▲ ₹385,338 crore (US\$51 billion) (2021)
Operating income	▲ ₹78,898 crore (US\$10 billion) (2021)
Net income	▲ ₹22,405 crore (US\$3.0 billion) (2021)
Total assets	▲ ₹4,845,619 crore (US\$640 billion) (2021)
Total equity	▲ ₹274,669 crore (US\$36 billion) (2021)
Number of employees	245,642 (March 2021)
Parent	Government of India
Subsidiaries	<ul style="list-style-type: none"> <li>• SBI Life Insurance Ltd</li> <li>• SBI Cards and Payment Services Ltd</li> <li>• SBI General Insurance (70%)</li> <li>• Jio Payments Bank (30%)</li> <li>• Yes Bank (30%)</li> <li>• Andhra Pradesh Grameen Vikas Bank (35%)</li> <li>• Kaveri Grameen Bank (35%)</li> </ul>
Website	<a href="http://www.bank.sbi">www.bank.sbi</a>

## History

The roots of State Bank of India lie in the first decade of the 19th century when the Bank of Calcutta later renamed the Bank of Bengal, was established on 2 June 1806. The Bank of Bengal was one of three Presidency bank, the other two being the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies and were the result of royal charters. These three banks received the exclusive right to issue paper currency till 1861 when, with the Paper Currency Act, the right was taken over by the Government of India. The Presidency banks amalgamated on 27 January 1921, and the re-organized banking entity took as its name Imperial Bank of India. The Imperial Bank of India remained a joint-stock company but without Government participation.

Pursuant to the provisions of the State Bank of India Act of 1955, the Reserve Bank of India, which is India's central bank, acquired a controlling interest in the Imperial Bank of India. On 1 July 1955, the Imperial Bank of India became the State Bank of India. In 2008, the Government of India acquired the Reserve Bank of India's stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority.

In 1959, the government passed the State Bank of India (Subsidiary Banks) Act. This made eight banks that had belonged to princely states into subsidiaries of SBI. This was at the time of the First Five Year Plan, which prioritized the development of rural India. The government integrated these banks into the State Bank of India system to expand its rural outreach. In 1963 SBI merged State Bank of Jaipur (est. 1943) and State Bank of Bikaner

(est.1944).

SBI has acquired local banks in rescues. The first was the Bank of Bihar, which SBI acquired in 1969, together with its 28 branches. The next year SBI acquired National Bank of Lahore (est. 1942), which had 24 branches. Five years later, in 1975, SBI acquired Krishna ram Baldeo Bank, which had been established in 1916 in Gwalior State, under the patronage of Maharaja Madho Rao Scindia. The bank had been the Dukan Pichadi, a small moneylender, owned by the Maharaja. The new bank's first manager was Jall N. Broacha, a Parsi. In 1985, SBI acquired the Bank of Cochin in Kerala, which had 120 branches. SBI was the acquirer as its affiliate, the State Bank of Travancore, already had an extensive network in Kerala.

The first step towards unification occurred on 13 August 2008 when State Bank of Saurashtra merged with SBI, reducing the number of associate state banks from seven to six. On 19 June 2009 There was, even before it actually happened, a proposal to merge all the associate banks into SBI to create a single very large bank and streamline operations., the SBI board approved the absorption of State Bank of Indore, in which SBI held 98.3%.

The acquisition of State Bank of Indore added 470 branches to SBI's existing network of branches. Also, following the acquisition, SBI's total assets approached ₹10 trillion. The total assets of SBI and the State Bank of Indore were ₹9,981,190 million as of March 2009. The process of merging of State Bank of Indore was completed by April 2010, and the Indore branches started functioning as SBI branches on 26 August 2010.

On 7 October 2013, Arundhati Bhattacharya became the first woman to be appointed Chairperson of the bank. Mrs. Bhattacharya received an extension

of two years of service to merge into SBI the five remaining associate banks.

## **Subsidiaries**

SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). SBI has 16 regional hubs and 57 zonal offices that are located at important cities throughout India.

- Domestic

SBI has over 24000 branches in India. In the financial year 2012–13, its revenue was ₹2.005 trillion (US\$27 billion), out of which domestic operations contributed to 95.35% of revenue. Similarly, domestic operations contributed to 88.37% of total profits for the same financial year.

Under the Pradhan Mantri Jan Dhan Yojana of financial inclusion launched by Government in August 2014, SBI held 11,300 camps and opened over 3 million accounts by September, which included 2.1 million accounts in rural areas and 1.57 million accounts in urban areas.

- International

As of 2014–15, the bank had 191 overseas offices spread over 36 countries having the largest presence in foreign markets among Indian banks.

- SBI Australia

- SBI Bangladesh

- SBI Bahrain

- SBI Botswana

### **Former Associate Banks**

SBI acquired the control of seven banks in 1960. They were the seven regional banks of former Indian princely states. They were renamed, prefixing them with 'State Bank of'. These seven banks were State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Indore (SBN), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Saurashtra (SBS) and State Bank of Travancore (SBT). All these banks were given the same logo as the parent bank, SBI. State Bank of India and all its associate banks used the same blue Keyhole logo said to have been inspired by Ahmedabad's Kankaria Lake. The State Bank of India wordmark usually had one standard typeface, but also utilized other typefaces. The wordmark now has the keyhole logo followed by "SBI".

The plans for making SBI a single very large bank by merging the associate banks started in 2008, and in September the same year, SBS merged with SBI. The very next year, State Bank of Indore (SBN) also merged.

On 15 February 2017, the Union Cabinet approved the merger of five associate banks with SBI. An analyst foresaw an initial negative impact as a result of different pension liability provisions and accounting policies for bad loans. The merger went into effect from 1 April 2017.

### **Non-banking subsidiaries**

Apart from five of its associate banks (merged with SBI since 1 April 2017), SBI's non-banking subsidiaries include:



- SBI Capital Markets Ltd
- SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)
- SBI Life Insurance Company Limited
- SBI Mutual Fund

In March 2001, SBI (with 74% of the total capital), joined with BNP Paribas (with 26% of the remaining capital), to form a joint venture life insurance company named SBI Life Insurance company Ltd.

### **Other SBI service points**

As of 31 March 2017, the SBI group had 59,291 ATMs. Since November 2017, SBI also offers an integrated digital banking platform named YONO.

### **Yes Bank Investment**

State Bank of India acquired 48.2% of the shares of Yes Bank as part of RBI directed rescue deal in March 2020.

### **Listings and shareholding**

As on 31 March 2017, Government of India held around 61.23% equity shares in SBI. The Life Insurance Corporation of India, itself state-owned, is the largest non-promoter shareholder in the company with 8.82% shareholding.

<b>Shareholders</b>	<b>Shareholding</b>
Promoters: Government of India	56.92%

FII's/GDRs/OCBs/NRIs	10.94%
Banks & Insurance Companies	10.63%
Mutual Funds & UTI	13.72%
Others	07.79%
Total	100.0%


The equity shares of SBI are listed on the Bombay Stock Exchange, where it is a constituent of the BSE SENSEX index, and the National Stock Exchange of India, where it is a constituent of the CNX Nifty. Its Global Depository Receipts (GDRs) are listed on the London Stock Exchange.

### **Employees**

SBI is one of the largest employers in the world with 245,652 employees as on 31 March 2021. Out of the total workforce, the representation of women employees is nearly 26%. The percentage of Officers, Associates and Subordinate staffs was 44.28%, 41.03% and 14.69% respectively on the same date. Each employee contributed a net profit of ₹828,350 (US\$11,000) during FY 2020–21.

## Bank Of Baroda

Bank of Baroda (BOB or BoB) is an Indian nationalized banking and financial services company headquartered in the city of Vadodara, India. It is the fourth largest nationalized bank in India, with 132 million customers, a total business of US\$218 billion, and a global presence of 100 overseas offices. Based on 2019 data, it is ranked 1145 on Forbes Global 2000 list. The Maharaja of Baroda, Sayajirao Gaekwad III, founded the bank on 20 July 1908 in the Princely State of Baroda, in Gujarat. The government of India nationalized the bank, along with 13 other major commercial banks of India on 19 July 1969 and designated as a profit-making public sector undertaking (PSU).

	
Type	Public
Traded as	<ul style="list-style-type: none"> <li>• BSE: 532134</li> <li>• NSE: BANKBARODA</li> </ul>
ISIN	INE028A01039
Industry	Banking Financial services
Predecessor	<ul style="list-style-type: none"> <li>• Vijaya Bank</li> <li>• Dena Bank</li> </ul>
Founded	20 July 1908; 113 years ago
Founder	Sayajirao Gaekwad III
Headquarters	Vadodara, Gujarat , India
Number of locations	8,214 Branches 10,033 ATMs (2020)
Area served	India & worldwide
Key people	<ul style="list-style-type: none"> <li>• Hasmukh Adhia (Chairman)</li> <li>• Sanjiv Chadha (MD &amp; CEO)</li> </ul>

Services	<ul style="list-style-type: none"> <li>• Asset management</li> <li>• Commercial banking</li> <li>• Financial services</li> <li>• Investment banking</li> <li>• Mortgage loans</li> <li>• Private banking</li> <li>• Private equity</li> <li>• Retail banking</li> <li>• Savings</li> <li>• Securities</li> <li>• Wealth management</li> </ul>
Revenue	<ul style="list-style-type: none"> <li>• ▼ ₹82,859.5 crore (US\$11 billion) (2021)</li> <li>• ₹86,300.98 crore (US\$11 billion) (2020)</li> </ul>
Operating income	<ul style="list-style-type: none"> <li>• ▲ ₹41,173.5 crore (US\$5.5 billion) (2021)</li> <li>• ₹37,768.6 crore (US\$5.0 billion) (2020)</li> </ul>
Net income	<ul style="list-style-type: none"> <li>• ▲ ₹829 crore (US\$110 million) (2021)</li> <li>• ₹546.2 crore (US\$73 million) (2020)</li> </ul>
Total assets	<ul style="list-style-type: none"> <li>• ▼ ₹1,155,364.8 crore (US\$150 billion) (2021)</li> <li>• ₹1,157,915.5 crore (US\$150 billion) (2020)</li> </ul>
Number of employees	82,000+ (2021)
Parent	Government of India
Subsidiaries	<ul style="list-style-type: none"> <li>• Bank of Baroda Uganda Limited</li> <li>• Bank of Baroda Tanzania Limited</li> <li>• Nainital Bank</li> </ul>
Capital ratio	14.99%
Website	<a href="http://www.bankofbaroda.in">www.bankofbaroda.in</a>

## **History**

In 1908, Sayajirao Gaekwad III, set up the Bank of Baroda (BoB), with other stalwarts of industry such as Sampatrao Gaekwad, Ralph Whitenack, Vithaldas Thakersey, Tulsidas Kilachand and NM Chokshi. Two years later, BoB established its first branch in Ahmedabad. The bank grew domestically until after World War II. Then in 1953 it crossed the Indian Ocean to serve the communities of Indians in Kenya and Indians in Uganda by establishing a branch each in Mombasa and Kampala. The next year it opened a second branch in Kenya, in Nairobi, and in 1956 it opened a branch in Tanzania at Dar-es-Salaam. Then in 1957, BoB took a big step abroad by establishing a branch in London. London was the center of the British Commonwealth and the most important international banking center. In 1958 BoB acquired Hind Bank, which became BoB's first domestic acquisition.

- **1960s**

In 1961, BoB acquired New Citizen Bank of India. This merger helped it increase its branch network in Maharashtra. BoB also opened a branch in Fiji. The next year it opened a branch in Mauritius. In 1963, BoB acquired Surat Banking Corporation in Surat, Gujarat. The next year BoB acquired two banks: Umbergaon People's Bank in southern Gujarat and Tamil Nadu Central Bank in Tamil Nadu state. In 1965, BoB opened a branch in Guyana. That same year BoB lost its branch in Narayanganj (East Pakistan) due to the Indo-Pakistani War of 1965. It is unclear when BoB had opened the branch. In 1967 it suffered a second loss of branches when the Tanzanian government nationalized BoB's

three branches there at (Dar es Salaam, Mwanza, and Moshi), and transferred their operations to the Tanzanian government-owned National Banking Corporation. In 1969, the Indian government nationalized 14 top banks including BoB. BoB incorporated its operations in Uganda as a 51% subsidiary, with the government owning the rest.

- **1970s**

In 1972, BoB acquired Bank of India's operations in Uganda. Two years later, BoB opened a branch each in Dubai and Abu Dhabi. Back in India, in 1975, BoB acquired the majority shareholding and management control of Bareilly Corporation Bank (est. 1954) and Nainital Bank (est. in 1922), both in Uttar Pradesh and Uttarakhand respectively. Since then, Nainital Bank has expanded to Uttarakhand, Uttar Pradesh, Haryana, Rajasthan and Delhi state. Right now, BoB have 99% shareholding in Nainital Bank. International expansion continued in 1976 with the opening of a branch in Oman and another in Brussels. The Brussels branch was aimed at Indian firms from Mumbai (Bombay) engaged in diamond cutting and jewellery having business in Antwerp, a major center for diamond cutting. Two years later, BoB opened a branch in New York and another in the Seychelles. Then in 1979, BoB opened a branch in Nassau, the Bahamas.

- **1980s**

In 1980, BoB opened a branch in Bahrain and a representative office in Sydney, Australia. BoB, Union Bank of India and Indian Bank established IUB International Finance, a licensed deposit taker, in Hong Kong. Each of the three banks took an equal share. Eventually (in 1999), BoB would buy out its partners. A second consortium or joint-venture bank followed in 1985. BoB

acquired Traders Bank, which had a network of 34 branches in Delhi.

- **1990s**

In 1992, BoB opened an OBU in Mauritius, but closed its representative office in Sydney. The next year BoB took over the London branches of Union Bank of India and Punjab & Sind Bank (P&S). P&S's branch had been established before 1970 and Union Bank's after 1980. The Reserve Bank of India ordered the takeover of the two following the banks' involvement in the Sethia fraud in 1987 and subsequent losses. Then in 1992 BoB incorporated its operations in Kenya into a local subsidiary. The next year, BoB closed its OBU in Bahrain. In 1996, BoB Bank entered the capital market in December with an initial public offering (IPO). The government of India is still the largest shareholder, owning 66% of the bank's equity. In 1997, BoB opened a branch in Durban. The next year BoB bought out its partners in IUB International Finance in Hong Kong. Apparently, this was a response to regulatory changes following Hong Kong's reversion to the People's Republic of China. The now wholly owned subsidiary became Bank of Baroda (Hong Kong), a restricted license bank. BoB also acquired Punjab Cooperative Bank in a rescue. BoB incorporate a wholly-owned subsidiary, BOB Capital Markets, for broking business.

In 1999, BoB merged in Bareilly Corporation Bank in another rescue. At the time, Bareilly had 64 branches, including four in Delhi. In Guyana, BoB incorporated its branch as a subsidiary, Bank of Baroda Guyana. BoB added a branch in Mauritius and closed its Harrow Branch in London.

- **2000s**

In 2000 BoB established Bank of Baroda (Botswana). The bank has three banking offices, two in Gaborone and one in Francistown. In 2002, BoB converted its subsidiary in Hong Kong from deposit taking company to a Restricted License Bank. In 2002 BoB acquired Benares State Bank (BSB) at the Reserve Bank of India's request. BSB had been established in 1946 but traced its origins back to 1871 and its function as the treasury office of the Benares state. In 1964 BSB had acquired Bareilly Bank (est. 1934), with seven branches in western districts of Uttar Pradesh; BSB also had taken over Lucknow Bank in 1968. The acquisition of BSB brought BoB 105 new branches. Lucknow Bank, a unit bank with its only office in Amirabad, had been established in 1913. Also in 2002, BoB listed Bank of Baroda (Uganda) on the Uganda Securities Exchange (USE). The next year BoB opened an OBU in Mumbai.

In 2004 BoB acquired the failed south Gujarat Local Area Bank. BoB also returned to Tanzania by establishing a subsidiary in Dar-es-Salaam. BoB also opened a representative office each in Kuala Lumpur, Malaysia, and Guangdong, China. In 2005 BoB built a Global Data Centre (DC) in Mumbai for running its centralized banking solution (CBS) and other applications in more than 1,900 branches across India and 20 other countries where the bank operates. BoB also opened a representative office in Thailand. In 2006 BoB established an Offshore Banking Unit (OBU) in Singapore. In 2007, its centenary year, BoB's total business crossed 2.09 trillion, its branches crossed 2000, and its global customer base 29 million people. In Hong Kong, Bank got Full Fledged Banking license and business of its Restricted License Banking subsidiary was taken over Bank of Baroda branch in Hong Kong. In 2008 BoB



opened a branch in Guangzhou, China (02/08/2008) and in Kenton, Harrow United Kingdom. BoB opened a joint venture life insurance company with Andhra Bank and Legal & General (UK) called India First Life Insurance Company. In 2009 Bank of Baroda (New Zealand) was registered.

- **2010s**

In 2010 Malaysia awarded a commercial banking license to a locally incorporated bank to be jointly owned by Bank of Baroda, Indian Overseas Bank and Andhra Bank. In 2011 BoB opened an Electronic Banking Service Unit (EBSU) at Hamriya Free Zone, Sharjah (UAE). It also opened four new branches in existing operations in Uganda, Kenya, and Guyana. BoB closed its representative office in Malaysia in anticipation of the opening of its consortium bank there. BoB received 'In Principle' approval for the upgrading of its representative office in Australia to a branch. BoB also acquired Mumbai-based Memon Cooperative Bank, which had 225 employees and 15 branches in Maharashtra and three in Gujarat. It had to suspend operations in May 2009 due to its precarious financial condition. The Malaysian consortium bank, India International Bank Malaysia (IIBM), finally opened in Kuala Lumpur, which has a large population of Indians. BOB owns 40%, Andhra Bank owns 25%, and IOB the remaining 35% of the share capital. IIBM seeks to open five branches within its first year of operations in Malaysia, and intends to grow to 15 branches within the next three years. On 17 September 2018, the government of India proposed the merger of Dena Bank and Vijaya Bank with the Bank of Baroda, pending approval from the boards of the three banks, effectively creating the third largest lender in the country. The merger was approved by the Union Cabinet and the boards of the banks on 2 January 2019.

Under the terms of the merger, Dena Bank and Vijaya Bank shareholders received 110 and 402 equity shares of the Bank of Baroda, respectively, of face value ₹2 for every 1,000 shares they held. The merger came into effect on 1 April 2019. Post-merger, the Bank of Baroda is the third largest bank in India, after State Bank of India and HDFC Bank. The consolidated entity has over 9,500 branches, 13,400 ATMs, 85,000 employees and serves 120 million customers. The amalgamation is the first-ever three-way consolidation of banks in the country, with a combined business of Rs14.82 trillion (short scale), making it the third largest bank after State Bank of India (SBI) and ICICI Bank. Post-merger effective 1 April 2019, the bank has become the India's third largest lender behind SBI and ICICI Bank. Bank of Baroda announced in May 2019 that it would either close or rationalize 800–900 branches to increase operational efficiency and reduce duplication post-merger. The regional and zonal offices of the merged companies would also be closed. PTI quoted an unnamed senior bank official as stating that Bank of Baroda would look to expand in eastern India as it already had a strong presence in the other regions.

### **Subsidiaries**

BOB Capital Markets (BOBCAPS) is a SEBI-registered investment banking company based in Mumbai, Maharashtra. It is a wholly owned subsidiary of Bank of Baroda. Its financial services portfolio includes initial public offerings, private placement of debts, corporate restructuring, business valuation, mergers and acquisition, project appraisal, loan syndication institutional equity research, and brokerage.

## Shareholding

The shareholding structure of the bank as of 30 September 2021 is as follows:

Shareholders	Shareholding %
Government of India	63.97%
Mutual Funds	8.75%
Insurance Companies	5.75%
Foreign Holding	7.82%
Indian Public	13.24%
Bodies Corporates	1.01%
Others	1.30%

## International presence

The bank has 107 branches/offices in 24 countries (excluding India) including 61 branches/offices of the bank, 38 branches of its 8 subsidiaries and 1 representative office in Thailand. The Bank of Baroda has a joint venture in Zambia with 16 branches.

Among the Bank of Baroda's overseas branches are ones in the world's major financial centres (e.g., New York, London, Dubai, Hong Kong, Brussels and Singapore), as well as a number in other countries. The bank is engaged in retail banking via the branches of subsidiaries in Botswana, Guyana, Kenya, Tanzania, and Uganda. The bank plans has recently upgraded its representative office in Australia to a branch and set up a joint venture commercial bank in Malaysia. It has a large presence in Mauritius with about nine branches spread out in the country.

The Bank of Baroda has received permission or in-principle approval from host country regulators to open new offices in Trinidad and Tobago and Ghana, where it seeks to establish joint ventures or subsidiaries. The bank has received Reserve Bank of India approval to open offices in the Maldives, and New Zealand. It is seeking approval for operations in Bahrain, South Africa, Kuwait, Mozambique, and Qatar, and is establishing offices in Canada, New Zealand, Sri Lanka, Bahrain, Saudi Arabia, and Russia. It also has plans to extend its existing operations in the United Kingdom, the United Arab Emirates, and Botswana.

The tagline of Bank of Baroda is "India's International Bank".

## **LITERATURE REVIEW**

## Literature Review

The review of literature guides the researches for getting better understanding of mythology used, limitation of various available estimations procedures and data base and lucid interpretation and reconciliation of the conflicting results. Besides this, the review of empirical studies explores the avenues for future and present researches can take the subject matter. In case of conflicting and unexpected results, the researcher can take the advantages of knowledge of other researchers simply through the medium of their published works. A large number of research studies have been carried out on different aspects of the working of public and private sector by the researchers.

Kumar & Kumar, 2019 studied and compared the output of four public sector banks from 2018 to 2020. They compared SBI to other public banks using a variety of financial ratios and came to the conclusion that SBI is superior. (Karri et al., 2019) used the CAMEL model and T-test to evaluate the financial strength of Bank of Baroda and Punjab National Bank. Based on 14 financial ratios, they discovered that Bank of Baroda outperformed Punjab National Bank on average.

Chintala & Kumar, 2020 studied public and private bank's financial

performance. SBI, BoB, PNB, CBI, IDBI, HDFC, ICICI, Kotak, and IndusInd bank's total income, interest income, and service income were analyzed for the five years i.e., from 2016 to 2020. They came to the conclusion that private sector banks were the most profitable and experienced the fastest growth. Similarly, (Koley, n.d.) analyzed the financial performance of State Bank of India and HDFC Bank from 2016 to 2020. After considering annual income, net interest income, operating profit, net profit, and the CAMEL model, it was concluded that HDFC outperformed the rest. The findings were supported when the financial performance of public and private sector banks in India was compared and evaluated from 2019 to 2020 (Goel and Rekhi 2019).

## **RESEARCH STUDY**



**Problem definition:**

The goal of the project “**Comparative study of financial performance of State bank of India and Bank of Baroda**” is to know the strength, weakness and evaluate the performance of the companies.

**Objective of the study:**

- To know the strength and weakness of State bank of India and Bank of Baroda through Ratio analysis.
- To evaluate the performance of the companies.
- To understand the liquidity, profitability and efficiency positions of the companies.
- To make comparison between the during different periods.

**Hypothesis:**

H0: - There is a significant difference between in the performance of State bank of India and Bank of Baroda.

H1:- There is no significant difference between in the performance of State bank of India and Bank of Baroda.

**Scope of the study:**

- This study compares the financial performance of two banks.
- It also compares the key ratio of the banks.
- It compares the financial statements of the banks.

## **RESEARCH METHODOLOGY**

### **Research Methodology:**

Research means “To know about new things”. Sometimes, it may refer to scientific research pertinent information on specific topic. It is systematic effort to gain knowledge.

The Methodology may include publications research and other research techniques.

**Data collection:** The data is classified into two types they are as follows.

- Primary Data
- Secondary Data

#### **Primary Data Collection**

The information collected directly without any reference is Primary Data. In this study it is mainly through conversation with concerned officers and staff numbers individually.

#### **Secondary Data Collection**

The secondary data are collected from information which is used by others. It is not direct information. The information is already collected and analyzed by other and that information is used by others. The secondary data are collected

from following ways.

- Company's website
- Wikipedia

## **DATA ANALYSIS & INTERPRETATION**

- **RATIO ANALYSIS**

## **Ratio analysis**

An analysis of financial statements with the help of 'accounting ratio' is termed as Ratio Analysis. Ratio Analysis is a process of determining and interpreting relationships between the items of financial statements. Its purpose is to provide a meaningful understanding of the performance and financial position of an enterprise. Thus, it is a technique for analysing the financial statements by computing ratios.

- **Current ratio**

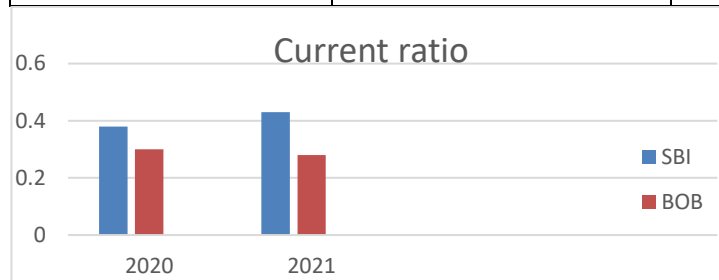
An indication of a company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the company is. Current ratio is equal to current assets divided by current liabilities. If the current assets of a company are more than twice the current liabilities, then that company is generally considered to have good short-term financial strength. If current liabilities



exceed current assets, then the company may have problems meeting its short-term obligations.

**CURRENT RATIO = CURRENT ASSETS / CURRENT LIABILITY**

Year	SBI	BOB
2020	0.38	0.30
2021	0.43	0.28



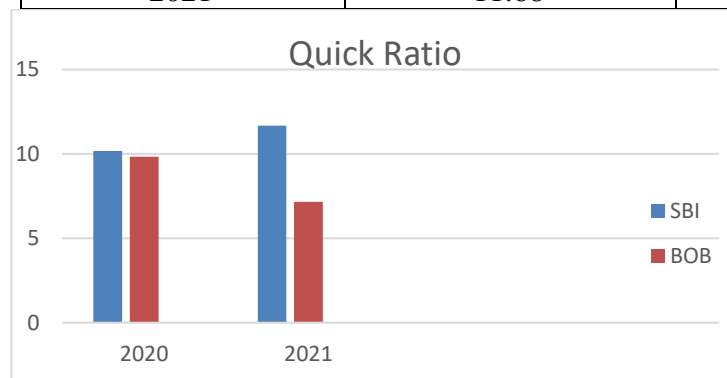
- **Liquid Ratio**

Liquid ratio is also known as quick or acid test ratio. Liquid assets refer to assets which are quickly convertible into cash. Current assets other stock and prepaid expenses are considered as quick assets.

Quick Ratio = Total Quick Assets/Total current liabilities

Quick Assets = Total current Assets – Inventory

Year	SBI	BOB
2020	10.17	9.84
2021	11.68	7.16



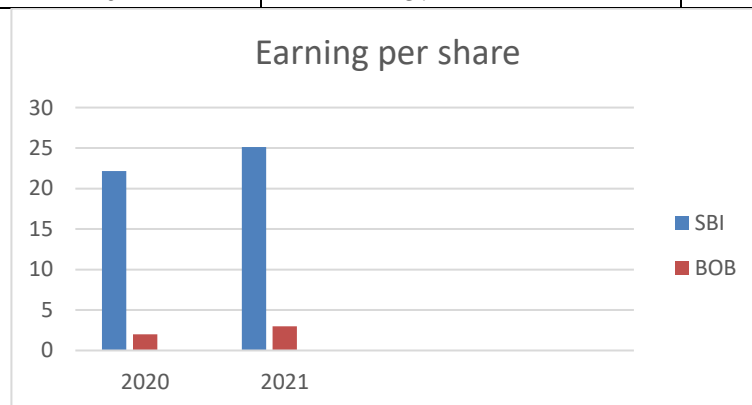
- **Earnings per share**

In order to avoid confusion on account of the varied meanings of the term capital employed, the overall profitability can also be judged by calculating earnings per share with the help of the following formula:

Earning Per Equity Share =  $\frac{\text{Net Profit after Tax} - \text{Preference Dividend}}{\text{No. of Equity shares}}$

The earning per share of the company helps in determining the market price of the equity shares of the company. A comparison of earning per share of the company with another will also help in deciding whether the equity share capital is being effectively used or not. It also helps in estimating the company's capacity to pay dividend to its equity shareholders.

Year	SBI	BOB
2020	22.15	2.01
2021	25.11	2.99



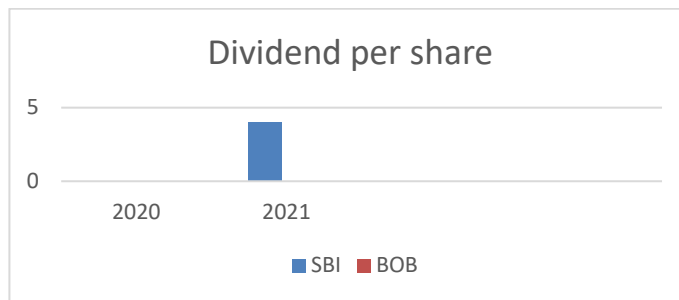
- **Dividend per share**

It is expressed by dividing dividend paid to equity shareholders by no. of equity shares. this shows the per share dividend given to equity shareholders.

It is very helpful for potential investors to know the dividend paying capacity of the company. It affects the market value of the company.

Dividend Per share = Dividend paid to equity shareholders / No. of Equity shares

Year	SBI	BOB
2020	0.00	0.00
2021	4.00	0.00

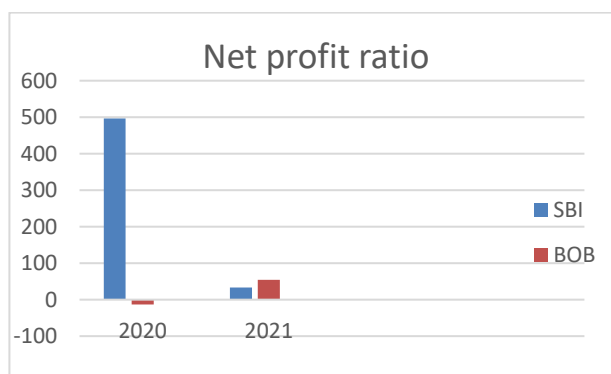


- **Net Profit Ratio**

This ratio indicates the Net margin on a sale of Rs 100. It is calculated as follow:

Net Profit ratio = Net profit / Net sale \* 100

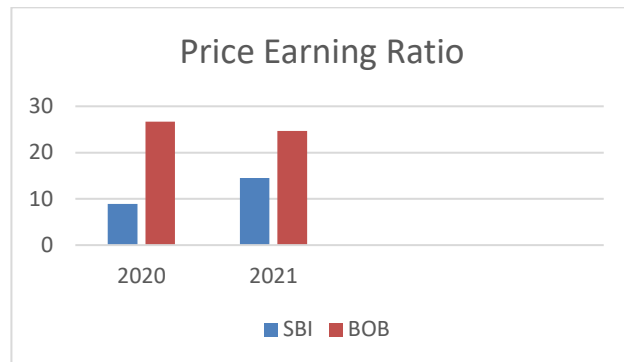
Year	SBI	BOB
2020	496.26	-
2021	33.58	54.31



- **Price earnings Ratio**

Price earnings ratio = market price per share/ earning per share

Year	SBI	BOB
2020	8.89	26.67
2021	14.51	24.78



- **Beta:**

The beta ( $\beta$ ) of an investment security (i.e., a stock) is a measurement of its volatility of returns relative to the entire market. It is used as a measure of risk and is an integral part of the Capital Asset Pricing Model (CAPM). A company with a higher beta has greater risk and also greater expected returns.

The beta coefficient can be interpreted as follows:

$\beta = 1$  exactly as volatile as the market

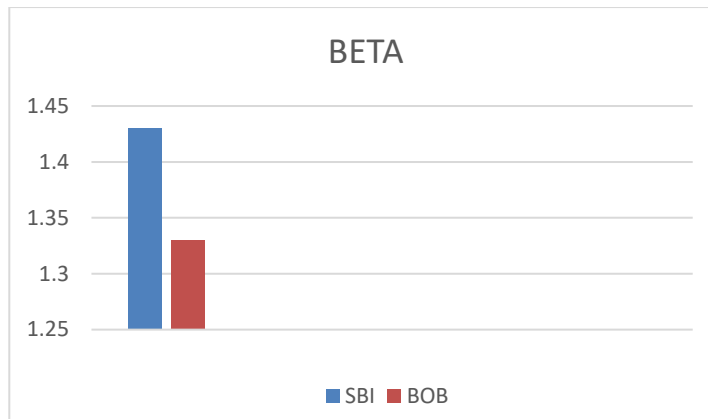
$\beta > 1$  more volatile than the market

$\beta < 1 > 0$  less volatile than the market

$\beta = 0$  uncorrelated to the market

$\beta < 0$  negatively correlated to the market

State bank of India	Bank of Baroda
1.43	1.33



- **CRAR% ANALYSIS:**

Capital Adequacy Ratio (CAR) is the ratio of a bank's capital in relation to its risk weighted assets and current liabilities. It is decided by central banks and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process. It is measured as

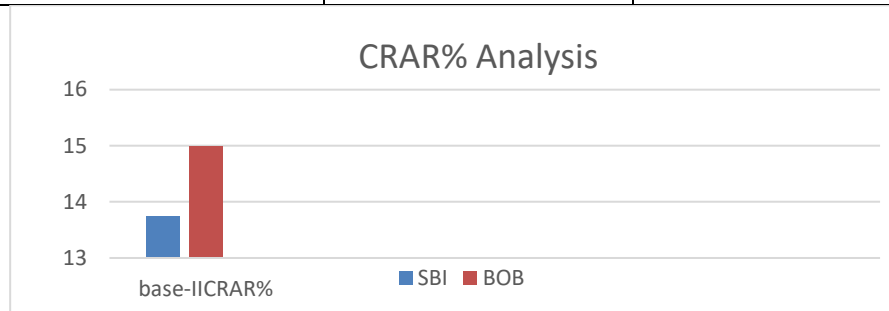
Capital Adequacy Ratio = (Tier I + Tier II + Tier III (Capital funds)) / Risk weighted assets

The risk weighted assets take into account credit risk, market risk and operational risk.

The Basel III norms stipulated a capital to risk weighted assets of 8%. However, as per RBI norms, Indian scheduled commercial banks are required to maintain a CAR of 9% while Indian public sector banks are emphasized to maintain a CAR of 12%.

	State bank	Bank of
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	of India	Baroda
BASE-IICRAR%	13.74	14.99



- **Sustainable Growth Rate**

The sustainable growth rate is calculated by multiplying the company's earnings retention rate by its return on equity. The formula to calculate the sustainable growth rate is:

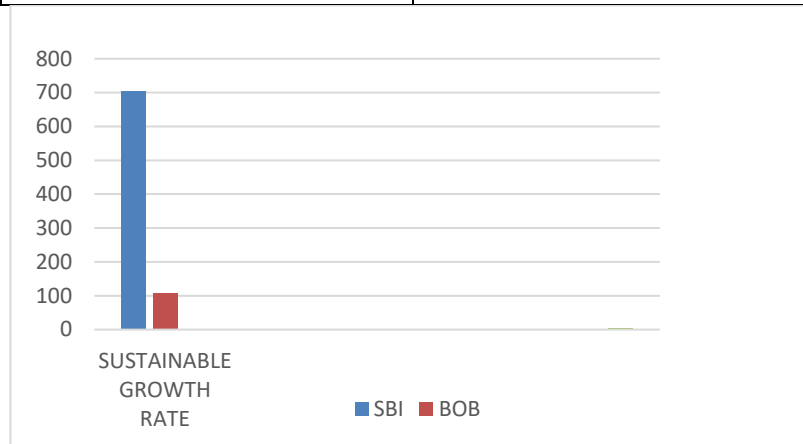
$$\text{Sustainable Growth Rate} = \text{Retention rate} * \text{Return on equity}$$

Where:

Retention Rate –  $[(\text{Net Income} - \text{Dividends}) / \text{Net Income}]$ . This represents the percentage of earnings that the company has not paid out in dividends. In other words, how much profit the company retains, where  $\text{Net Income} - \text{Dividends}$  is equal to Retained Earnings.

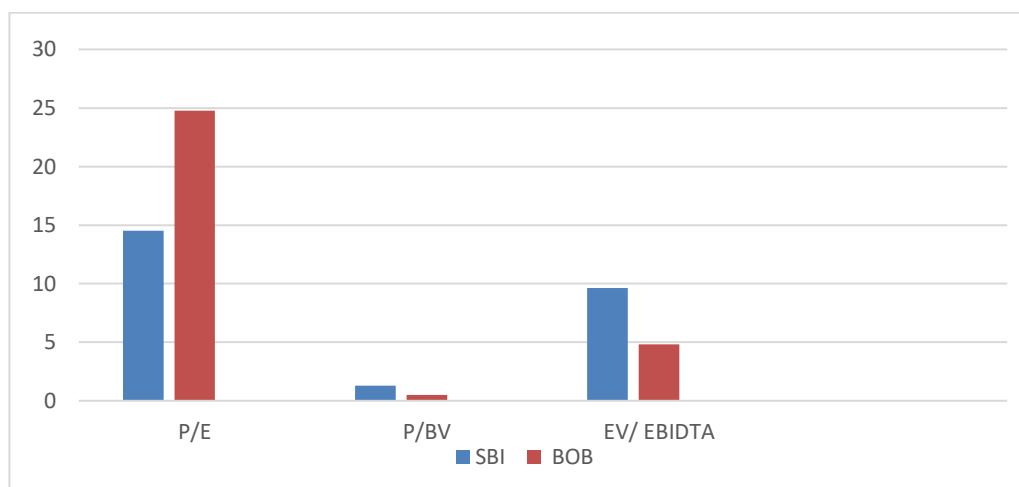
Return on Equity –  $(\text{Net Income} / \text{Total Shareholder's Equity})$ . This represents how much return investors have realized relative to the profit the company has generated.

State bank of India	Bank of Baroda
730.95	107



### Year 2021

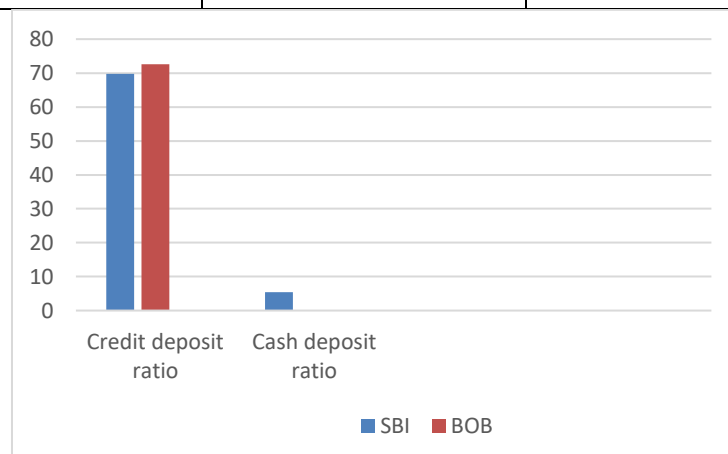
	SBI	BOB
P/E	14.51	24.78
P/BV	1.29	0.50
EV/EBIDTA	9.62	4.83



**INTERPRETATION:**

- P/E Ratio of SBI is 14.51 which is less than the P/E ratio of its peer set BOB 24.78 which means that it is overvalued and strongly sound in nature.
- P/BV: The ratio of SBI is 1.29 and that of its peer set is 0.50 which means the bank is highly overvalued in nature.
- EV/EBIDTA: The ratio of SBI is 9.62 and that of its peer set is 4.83 which means that the bank is closely related to its peer set.
- Both are fundamentally sound in nature

	SBI	BOB
Credit deposit ratio	69.75	72.62
Cash deposit ratio	5.44	0.04

**INTERPRETATION:**

- Credit deposit ratio

This ratio assesses the credit performance of the bank. The graph shows that State



bank of India and Bank of Baroda both are performing well as both banks has overall good efficiency in nature.

SBI - 69.75

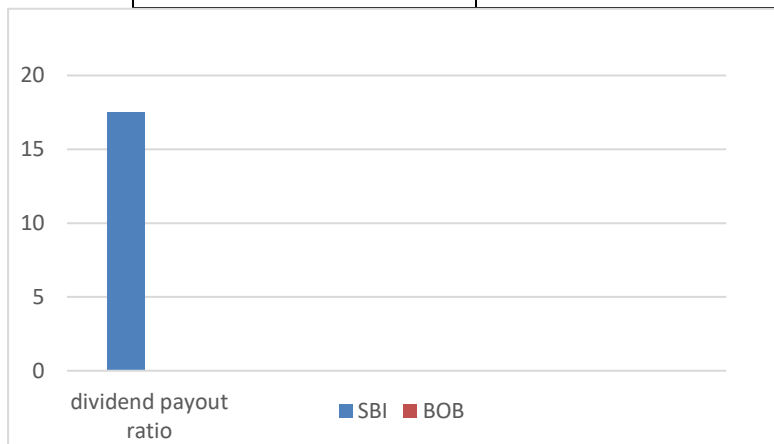
BOB – 72.62

Bank of Baroda has overall good efficiency and performance of banking institution.

- Cash deposit ratio

This ratio asses the cash performance of the banks. The graph shows that State bank of India and Bank of Baroda is performing well as in nature.

	SBI	BOB
Dividend Payout ratio	17.49	0.00



#### INTERPRETATION:

SBI – 17.49

BOB – 0.00

The dividend payout ratio is decreasing in the year 2021 in both banks

## **FINDINGS**

- Through P/E Ratio, P/BV and EV/EBIDTA found that both banks are fundamentally sound in nature.
- Both the bank has an above average performance as shown by Credit deposit ratio and Cash deposit ratio, But BOB has overall better performance as compared to other banking institution.
- The dividend payout ratio of both banks is decreasing.
- The EPS and DPS of State bank of India is increasing as compare to Bank of Baroda.
- The Beta of SBI is more than that of BOB as SBI takes more risk in expectation of high return.

## **CONCLUSIONS**

- Bank of Baroda has overall better efficiency and has performed better in the banking institution as compared to State Bank of India.
- EPS And DPS Of State Bank of India is increasing due to increase in the use of debt rather than the use of improved operations.
- The P/E Ratio Of State Bank Of India is low as compared to Bank Of Baroda which means that BOB is using its funds in a better manner and it is fundamentally sound in nature.
- Beta Of State Bank Of India is high as compared to Bank Of Baroda is more than the market beta which means that the stock of both banks have more volatile.
- The Sustainable growth rate of State Bank Of India is high so the bank has its earnings is sustain and more robust in nature as compared to Bank of Baroda.
- The Credit Deposit Of Bank of Baroda And State bank of India is close but the ratio is high which means that BOB has overall good efficiency and better performance, i.e., the bank has high credit deposit ratio.

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