

A Dupont Based Efficiency Comparison of State Bank of India And Bank of Baroda

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Abstract - The research is conducted with the aim to evaluate the financial efficiency of SBI and BoB by using DuPont Analysis. This method is applied to examine the major components of ROE which include: Net Profit Margin, Asset Turnover, and Equity Multiplier for the specific period. In terms of DuPont analysis, the research will allow revealing the factors responsible for profitability and efficiency of both banks. Moreover, special attention will be paid to the impact of the most important changes in the sector, such as NPA problem, banking reforms, and digitization. The research will be based on the secondary source analysis (annual reports and financial statements). The results of the research indicate significant differences in financial efficiency and profitability between two banks. SBI has certain advantages due to the scale effect, as well as in terms of utilization of assets. As for BoB, it is worth noting that it has made considerable progress in the post-merger consolidation.

1. INTRODUCTION

There have been many changes in the Indian banking industry due to increased NPAs, regulatory policies, and digitization. In such a dynamic scenario, there is an urgent need to evaluate the performance of banks. State Bank of India and Bank of Baroda are some of the most prominent public sector banks in the country. These banks will be evaluated in the study through a comparative analysis based on DuPont Analysis. DuPont Analysis is one of the tools used for assessing and comparing the operational efficiency and financial performance of companies and banks. It involves the breakdown of return on equity into Net Profit Margin, Asset Turnover, and Equity Multiplier. The analysis

provides a framework for determining the key aspects influencing the performance of any business enterprise.

2. Body of Paper

DuPont Analysis is employed in the study to assess the performance of State Bank of India and Bank of Baroda in terms of financial performance over a certain period of time. Through the dissection of ROE into Net Profit Margin, Asset Turnover, and Equity Multiplier, it is possible to gain insights into the efficiency and profitability of each bank. Secondary data will be collected from annual reports and financial statements.

According to the results, it becomes clear that the State Bank of India has greater assets and is better at utilizing them, which is explained by its extensive operation on the market. On the other hand, sometimes SBI faces issues related to poor profitability due to provisions required. In turn, Bank of Baroda shows increasing performance since its merger, resulting in improved efficiency.

In regard to Net Profit Margin, the results of the two banks differ because of the changes taking place within the economy and regulation. Concerning Asset Turnover, it is possible to conclude that State Bank of India outperforms Baroda. Finally, Equity Multiplier shows how different approaches to leveraging can influence banks' performance.



Fig -1: Figure

3. CONCLUSIONS

To summarize, the DuPont Analysis offers a robust method of comparing the financial performances of the State Bank of India and the Bank of Baroda. Based on the study, it can be noted that State Bank of India is favored by high asset management capability and market power. On the other hand, Bank of Baroda exhibits sustained profitability and efficiency. The variations between the Net Profit Margin, Asset Turnover, and Equity Multiplier indicate the different strategies adopted by the two entities. The larger asset size and financial leverage of State Bank of India result in good financial performance. Meanwhile, the growth of Bank of Baroda after merger strengthens its position.

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REFERENCES

1. In 2020, Nair examined the financial performance of nationalized banks in India through ROE decomposition analysis. According to the results, it was found that banks having high asset turnover and efficiency provide more returns to shareholders.
2. In 2020, Chatterjee studied the Indian bank performance evaluation through DuPont Analysis. It is observed from the results that DuPont model offers an advanced perspective on the profit drivers than financial ratio approach.
3. In 2021, Reddy examined the effect of financial leverage on the profitability of Indian banks using DuPont analysis. From the results, it can be noted that though financial leverage helped in improving ROE, over-reliance on financial leverage increases the financial risk.
4. In 2021, Verma & Agarwal analyzed the financial efficiency of public sector banks through ratio analysis and DuPont approach. According to the results, it was found that SBI enjoyed financial stability due to high capital adequacy and asset management efficiency.
5. In 2022, Kumar carried out the comparative analysis of Indian public sector banks through DuPont analysis. It is noted from the results that financial efficiency, including good asset management and capital structure, led to better profitability of banks like SBI and Bank of Baroda.

BIOGRAPHIES (Optional not mandatory)

I am Pratiksha Manohar Gawai studying in Zeal Institute Of Business Administration, Computer Application and Research, Pune writing this research paper on the topic “Manuscript A Dupont Based Efficiency Comparison of State Bank of India And Bank of Baroda”.