



CASH FLOW STATEMENT OF BANK OF BARODA AND SYNDICATE BANK: A COMPARATIVE ANALYSIS OF OPERATING, INVESTING AND FINANCING ACTIVITIES

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Abstract

The statement of cash flows reports the sources and uses of cash by operating activities, investing activities, financing activities. It shows movement of cash between two balance sheet dates and also discloses the reasons for differences among net income, cash receipts and cash payments. From the financial year 2004-05, it has become obligatory for all the Indian companies to present Cash Flow Statement in their Annual Reports. Institute of Chartered Accounts of India (ICAI) has issued Accounting Standard-3 (AS-3) for the cash flow statement. In this paper, a comparative study has been undertaken between two banks: Bank of Baroda and Syndicate Bank.

Keywords: Cash, Operating Activities, Investing Activities, Financing Activities.

Success of every business depends on its cash management. The supply of cash is frequently a limitation on the successful execution of many policies and programs. So it is necessary to study the composition of cash of an organization to know the impact of its cash flow decision on its liquidity, profitability and solvency.

The official name for the cash flow statement is the statement of cash flows. A cash flow statement is a financial report that describes the sources of an organization's cash and how that cash was spent over a specified time period. It does not include non-cash items such as depreciation. This makes it useful for determining the short-term viability of an organization, particularly its ability to pay bills.

Cash flow statements are provided with the other financial statements in the annual reports of the companies.

“The Statement of Cash Flows is a financial statement that provides an overview of the cash inflows and outflows of the business during a certain period of time.”

The information provided in these statements helps the users: To find out the changes in net assets of an organization; To find out the changes in the financial structure of an organization; To find out the liquidity and solvency position of an organization; To know about the ability of an organization to make changes in time if the circumstances and opportunities are changing.

Objectives

There are three important activities which are the significant parts of Cash Flow Statements. The analysis of all these activities is undertaken with the following objectives: (1) To undertake comparative study on Operating, investing and financing activities for the period of study of selected banks. (2) To analyze the variation amongst three activities i.e. Operating, Investing and Financing of the selected banks. (3) To provide suggestions for improvement in Cash Management

Literature Review

As per the topic of the research “Cash flow statement of Bank of Baroda and Syndicate Bank: A Comparative analysis of operating, investing and financing activities” an attempt

has been made to study the different studies in this field to assess the performance of banks in India:

Singh Ram Pratap & Chatterjee Biswajit (2009-10) seeks to compare the performance of 40 Indian commercial banks regarding deposit mobilization in the reform period. The paper made use of a non-parametric approach that is Data Envelopment Analysis (DEA). It uses the Window Analysis developed by Klopp. Time span used for the present study is five years that is 2001-02 to 2005-06. One important objective of the study has been to see whether bank ownership mattered in respect of deposit mobilization. The result suggests that the public sector banks have fallen behind the in-sample private sector commercial banks in terms of deposit mobilization.

Sen Mitali (2010) in her empirical work makes an exploratory attempt to study the liability structure of Indian Commercial Banks. The sample of 82 Indian Commercial Banks is drawn for which consistent data is available over the period 1995-96 to 2003-04. The major findings of the study are that set of six critical factors that is profitability, size, liquidity, risk and asset quality, fee based earnings and efficiency influence the liability structure of commercial banks. From empirical analysis it can be inferred that banks should concentrate more on fee based activities.

Bogumi³a Brycz and Marek Pauka (2012) in their research makes an attempt to study the importance of cash flow analysis as an integral part of financial analysis, however the traditional cash flow analysis is limited to the vertical analysis of net cash flow from three levels of activities and, more rarely, to ratio analysis based on these three net cash flows. The purpose of the article is to evaluate the usefulness of such an analysis in the assessment of a company's financial position with the aim of improving it. Therefore, based on the literature review on the cash flow analysis, the authors highlight the usefulness of the decomposition analysis of the cash flow statement and propose a procedure for conducting such an analysis, in particular they propose making an in-depth analysis of the cash flow from operations consisting of several stages.



Kamaraj.K. and Dr. A.Somu (2013) investigates that Indian Overseas Bank is one of the oldest nationalized commercial banks in India. It has done many yeomen services to millions of people in the nation in the form of priority sector lending and agricultural loans. Generally, the banking industry is an indicator for many developmental activities in the nation. The industry is more accountable to public and computations of made on the basis of business per employee or profit per employee. Interest rates are highly fluctuating and growth parameters are staggering. Under these circumstances, the banks have to play a cautious role in accepting deposits and in lending operations. The scope for banking industry is very bright and the banks can succeed only if they perform well in this competitive environment. To conclude, the present study bank, i.e., Indian Overseas Bank has higher potential to provide better and quality services to the billions of people in India.

V. Srikanth (2014) investigates the financial performance of an investment company in INDIA for a three-year period from 2010 to 2013, which is assessed using cash flow statement. The findings pointed out that overall company performance reduced remarkably in the last year of the analysis. This study principally emphasizes on how accounting information aids budgetary decision-makers to evaluate the company financial performance, determine its future obligations, and make better investment decisions.

Chitraben R. Sheth (2015) states in his paper, “A Comparative Study on Cash Flow Statements of Welspun India Ltd. and Ghcl Ltd.” As a US\$3 billion company, Welspun group is one of the India’s fastest growing conglomerates, while as a global company, GHCL, India is customer-focused committed to high quality delivery. When the management is interested to know the movement of cash and the availability of cash, the cash flow analysis provides this information. Welspun Company is found to be better but if we see statistical analysis, GHCL Company is better as it is steadily moving while Welspun Company fluctuates more. Whereas in investing activities, GHCL Company is better and statistical analysis also reveals the same i.e. the steady nature of GHCL Company. The overall scenario says that GHCL Company is growing steadily while Welspun Company is fluctuating more. Thus if Welspun Company improves the rate of consistency in all three cash flow activities, it would become stronger than GHCL Company.

Research Methodology

Sample Selection: For the purpose of the study two (2) banks Bank of Baroda and Syndicate bank have been selected.

Period of Study: The study is conducted for a period of five (5) financial years i.e. from 2011–12 to 2015–16.

Data collection: In this study, mainly secondary data is collected. Secondary data has been obtained from the following sources: Published Annual Reports of the banks for the financial years 2011-12 to 2015-16; Directory of Mumbai Stock Exchange; Websites of the selected banks; Other related websites.

Hypotheses Formulation: Considering the objectives of the study the following hypothesis were formed under investigation:

Hypothesis 1: H0: There is no significant difference between the trends of operating activities of the selected banks. H1: There is significant difference between the trends of operating activities of the selected banks.

Hypothesis 2: H0: There is no significant difference between the trends of investing activities of the selected banks. H1: There is significant difference between the trends of investing activities of the selected banks.

Hypothesis 3: H0: There is no significant difference between the trends of financing activities of the selected banks. H1: There is significant difference between the trends of financing activities of the selected banks.

Statistical tools and Techniques: The statistical analysis technique is selected to analyze the Cash Flow Statements of the banks understudy. For this, following techniques are being used: Mean; Standard Deviation; Co – efficient of Variation

Statistical Analysis

Table 1 - Mean, Standard Deviation and Co-Variance

Year	Operating Activities		Investing Activities		Financing Activities	
	BOB	Synd. Bank	BOB	Synd. Bank	BOB	Synd. Bank
2011-12	14406.50	2247.86	-337.38	-113.39	165.35	-215.86
2012-13	22793.08	2497.18	-772.45	212.69	-790.27	415.48
2013-14	41016.38	-429.50	-688.70	-182.20	5151.34	-965.43
2014-15	18021.05	8475.91	-539.37	-354.29	-6.44	702.60
2015-16	-9841.66	3937.95	-3995.41	-304.78	-615.73	1750.87
Total	86395.35	16729.40	-6333.31	-741.97	3904.25	1687.66
Average	17279.07	3345.88	-1266.66	-148.39	780.85	337.53
Rank	1	2	2	1	1	2
S.D.	18290.71	3272.89	1534.35	223.38	2475.82	1017.45
Rank	1	2	1	2	1	2
COV	105.85	97.82	-121.13	-150.53	317.07	301.44
Rank	1	2	1	2	1	2

Figure 1

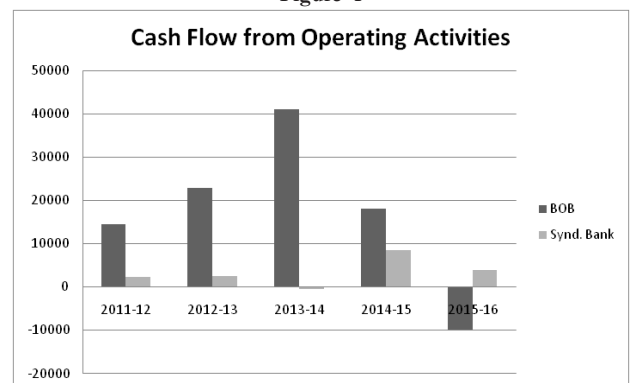


Figure 2

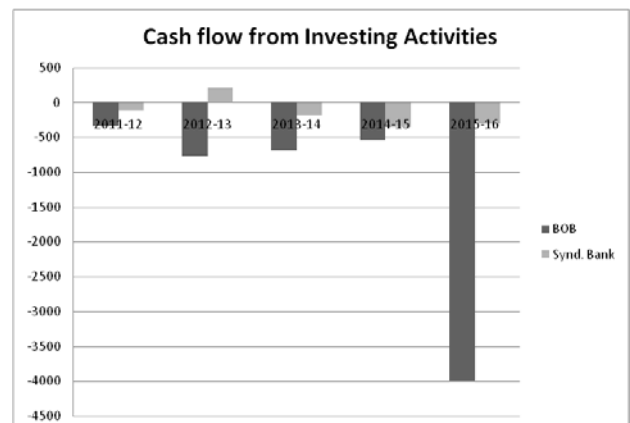




Figure 3

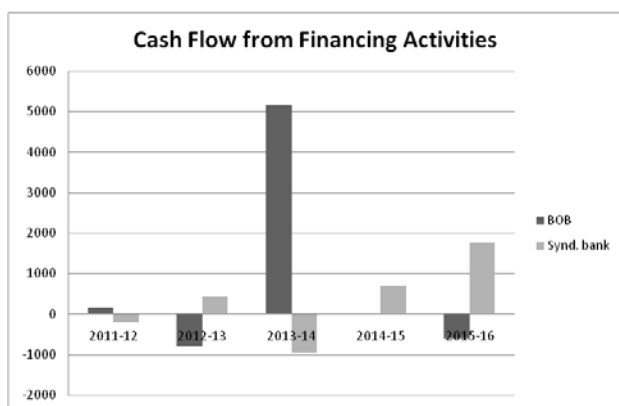
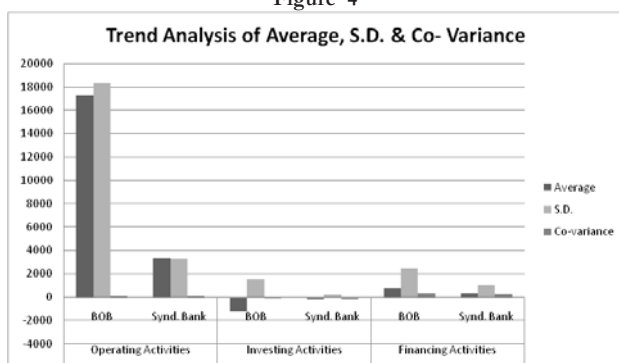


Figure 4



Findings: (1) From the table no. 1, it can be seen that the average of cash flow from operating activities of Bank of Baroda is higher than that of Syndicate Bank. Theoretically, higher the average, higher will be the rank and vice versa. So, BOB is given 1st rank and Syndicate Bank is given 2nd rank. But, the situation is totally different in investing activities. Accordingly, Syndicate Bank is given 1st rank and Bank of Baroda is given 2nd rank. (2) In case of Standard Deviation, lower the value, higher will be the rank and vice versa. Considering this aspect, it is observed that the S.D. for all the three activities of Syndicate Bank is lower than the Bank of Baroda. So, for the three activities, Bank of Baroda obtained 1st rank and Syndicate Bank obtained 2nd rank. (3) In case of Co-variance also, lower the value, higher will be the rank and vice versa. Situation remains same in Co-variance also. Co-variance for all the three activities of Syndicate bank is lower than the Bank of Baroda. So, for all the three activities, Bank of Baroda obtained 1st rank and Syndicate Bank obtained 2nd rank.

Hypothesis Testing: (1) In case of operating activities, the trend for average, standard deviation and co-variance is equal for both the banks. So, it can be said that the hypothesis is accepted. (2) But, for investing activities, the trend for average, standard deviation and co-variance is different for both the banks. So, it can be said that the hypothesis is rejected. (3) For financing activities also, the trend for average, standard deviation and co-variance is equal for both the banks. So, it can be said that the hypothesis is accepted.

Conclusion

Globalization has given way to many foreign banks to set up their business unit in a developing country like India. Cash flow analysis is important to identify weaknesses in business operation that can lead the organization towards liquidity crunch. Through cash flow analysis, an organization can identify the unproductive use of fund as well as to ascertain and plan future cash flow. With the help of this study, it has been found that Bank of Baroda is performing well as compared to Syndicate Bank.

Table 2

Level of Performance	Operating Activities	Investing Activities	Financing Activities
Best	Bank of Baroda	Bank of Baroda	Bank of Baroda
Poor	Syndicate Bank	Syndicate Bank	Syndicate Bank

Limitations of the study

This study is entirely based on the published financial statements of the banks and other information received from the banks officials. So, all analysis is based on this secondary data. So it can be reliable to that extent. (1) As the information is collected from limited sources, it is not possible to use different tools and techniques of statistical analysis. (2) The study is based on secondary data; the secondary data has its own limitation. (3) The entire study is limited to two banks only. It can be carried out by including Industry.

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