

## A STUDY ON EQUITY ANALYSIS OF BANKING SECTOR

**Madhuri Saipriya<sup>1</sup>, M. Susheela<sup>2</sup>, Dr. A. Latha<sup>3</sup>**

<sup>1</sup>P.G. Scholar, <sup>2</sup>Guide, Assistant Professor, <sup>3</sup>Head of the Department

<sup>1,2,3</sup>Department : MBA (Finance)

<sup>1,2,3</sup>DRK college of engineering and technology, Hyderabad

Email :-<sup>1</sup>[saipriyamadhuri0812@gmail.com](mailto:saipriyamadhuri0812@gmail.com)

### ABSTRACT

*Stock analysis is a term that refers to the evaluation of a particular trading instrument, an investment sector or the market as a whole. Stock analysts attempt to determine the future activity of an instrument, sector or market. There are two basic types of stock analysis: fundamental analysis and technical analysis. Fundamental analysis concentrates on data from sources including financial records, economic reports, company assets and market share. Technical analysis focuses on the study of past market action to predict future price movement. Equity is the ownership interest of investors in a business firm. Investors can own equity shares in a firm in the form of common stock or preferred stock. Equity ownership in the firm means that the original business owner no longer owns 100% of the firm but shares ownership with others. On a company's balance sheet, equity is represented by the following accounts: common stock, preferred stock, paid-in capital, and retained earnings. Equity can be calculated by subtracting total liabilities from total assets.*

**Keywords: Equity Analysis, Banking Sector, Stock Analysis.**

### 1. INTRODUCTION

Equity is the ownership interest of investors in a business firm. Investors can own equity shares in a firm in the form of common stock or preferred stock. Equity ownership in the firm means that the original business owner no longer owns 100% of the firm but shares ownership with others. On a company's balance sheet, equity is represented by the following accounts: common stock, preferred stock, paid-in capital, and retained earnings. Equity can be calculated by subtracting total liabilities from total assets.

### 2. EQUITY ANALYSIS:-

Stock analysis is a term that refers to the evaluation of a particular trading instrument, an investment sector or the market as a whole. Stock analysts attempt to determine the future activity of an instrument, sector or market. There are two basic types of stock analysis: fundamental analysis and technical analysis. Fundamental analysis concentrates on data from sources including financial records, economic reports, company assets and market share. Technical analysis focuses on the study of past market action to predict future price movement.

The scopes of the project are limited to understanding the basics of fundamental analysis and technical analysis and apply it to take a decision of investing in banking sector

### **3. NEED OF THE STUDY**

- (1) The Study enables a fresh investor to understand easily the various benefits offered by the Market.
- (2) The Study provides a clear idea on growth of equities from past to the present scenario and its scope in the future.
- (3) The Study gives a brief idea on the Open- Ended Equity Growth Schemes of five major organizations.
- (4) At the end of the study, one can conclude what type of investments would be ideal with reference to the risk taking abilities of the investors and which type of investments would suit their financial needs and goals.

### **4. SCOPE OF THE STUDY**

The scope of equity analysis is combined to the toll Banking loss

- STATE BANK OF INDIA
- ICICI BANK LTD
- PUNJAB NATIONAL BANK
- CANARA BANK
- BANK OF INDIA
- BANK OF BARODA
- For the purpose of analysis the data relating from 2018 to 2021 has been considered.
- This study cover introduction to capital market and trading to serve as basic material for capital market operations.
- However basic fundamentals have been brought out which can be also helpful for the study in large scale studies.
- Analysis based on only correlation to one sector stocks to other stocks and shown impact of financial results impact only and not applied any research.
- For this study the data collected are return and risk of investing an industrial stock
- It incorporates sections on fundamental analysis in the contexts of various companies in the stock markets.

### **5. OBJECTIVES OF THE STUDY**

- To study and compare the performance of the banks in the banking sector.
- To analyze the banking sector equities.
- To study the equities of selected banks.
- To understand how the investors are responding to banking equities.
- To help the investors for choosing to make their investments in banking sector.
- To calculate the risk-return stock of banking sector.
- Comparative analysis of 6 selected banks.

### **6. RESEARCH METHODOLOGY**

The process used to collect information and data for the purpose for making business decisions. The methodology may include publication research, interviews, surveys and other research techniques, and could include present and historical information.

The methodology of study consists of

- Source of data collection
- Statistical tools and techniques

**Source of data collection:**

The data has been collected through primary and secondary sources

- **primary data** :-
- Discussion with branch manager
- Live trading in the market
- **secondary data**:-

Books related to financial management

Web sites can be used as vital information source

Statistical tool and techniques:

The collected data needed for the analysis are:

- Comparative analysis of balance sheets Financial ratio's

The data has been analysed through different graphs for the selected banks.

## **7. LIMITATIONS OF THE STUDY**

The study is based on the data is given by the investors and the employees which may not be 100% correct.

More over very few investors and agents have a detailed knowledge of the study

The study is confined to only one sector.

The project has been limited to investment analysis of banking sector only.

Duration of the project is only 45 days, so not possible to evaluate other sector performance also.

There is a time frame for every company, like not taken historical daily records into consideration.

Analysis based on only correlation to one sector stocks to other stocks and shown impact of financial results impact only and not applied any research.

The information which I am going to mention is completely secondary data.

## **8. REVIEW OF LITERATURE**

### **Equity Analysis on Banking Sector**

The main aim of this project is to analyze current growth trend of scripts of banking in equity market. Based on the study of Indian economy.

Research studies have proved that investments in some shares with a longer tenure of investment have yielded far superior returns than any other investment. However, this does not mean all equity investments would guarantee similar high returns. Equities are high-risk investments. One needs to study them carefully before investing.

Since 1990 till date, Indian stock market has returned about 18% to investors on an average in terms of increase in share prices or capital appreciation annually. Besides that on average stocks have paid 1.5 % dividend annually. Dividend is a percentage of the face value of a share that a company returns to its shareholders from its annual profits.

Compared to most other forms of investments, investing in equity shares offers the highest rate of return, if invested over a longer duration.

Equity is the ownership interest of investors in a business firm. Investors can own equity shares in a firm in the form of common stock or preferred stock. Equity ownership in the firm means that the original business owner no longer owns 100% of the firm but shares ownership with others. On a company's balance sheet, equity is represented by the following accounts: common stock, preferred stock, paid-in capital, and retained earnings. Equity can be calculated by subtracting total liabilities from total assets.

Stock analysis is a term that refers to the evaluation of a particular trading instrument, an investment sector or the market as a whole. Stock analysts attempt to determine the future

activity of an instrument, sector or market. There are two basic types of stock analysis: fundamental analysis and technical analysis. Fundamental analysis concentrates on data from sources including financial records, economic reports, company assets and market share. Technical analysis focuses on the study of past market action to predict future price movement

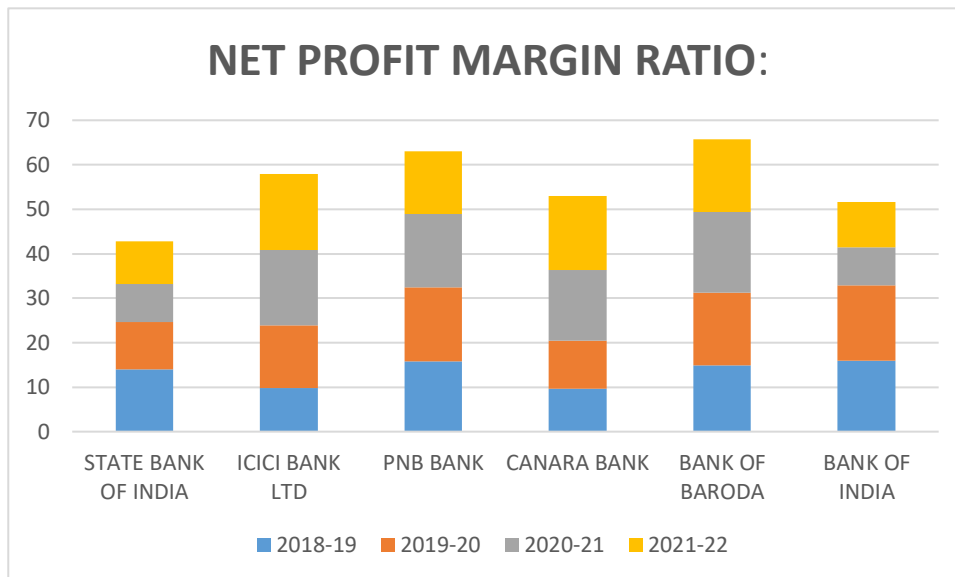
**9. DATA ANALYSIS AND INTERPRETATION**

**NET PROFIT MARGIN RATIO:**

**TABLE 1.1**

Profit margin ratio	2018-19	2019-20	2020-21	2021-22
STATE BANK OF INDIA	14.03	10.54	8.55	9.73
ICICI BANK LTD	9.74	14.18	16.91	17.16
PNB BANK	15.76	16.64	16.56	14.09
CANARA BANK	9.61	10.89	15.77	16.65
BANK OF BARODA	14.86	16.37	18.18	16.37
BANK OF INDIA	15.96	16.89	8.59	10.25

CHART 1.1 shows the net profit ratio of selected banks which are as follows:-



**INTERPRETATION:**

The net profit margin is a good way of comparing companies in the same industry, since such companies are generally subject to similar business conditions. However, the net profit margins are also a good way to compare companies in different industries in order to gauge which industries are relatively more profitable. Also called net margin. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. Profit margin. The profit margin ratio, also known as the operating performance ratio, measures the company’s ability to turn its sales into net income. To evaluate the profit margin, it must be compared to competitors and industry statistics. It is calculated by dividing net income by net sales

**STATE BANK OF INDIA:** In table 1.1 chart shows decreasing trend till 2020-21 and from 2018-19 it shows increasing trend.

**ICICI BANK:** Its shows increasing trend. In 2020-21 and 2021-22 it has slightly increase which indicate more profit margin.

**PUNJAB NATIONAL BANK:** Every year it's fluctuating but only in 2019-20 it increases.

**CANARA BANK:** It shows increasing trend at increasing rate.

**BANK OF BARODA:** It has increases till 2020-21 but in 2021-22 it has decreases.

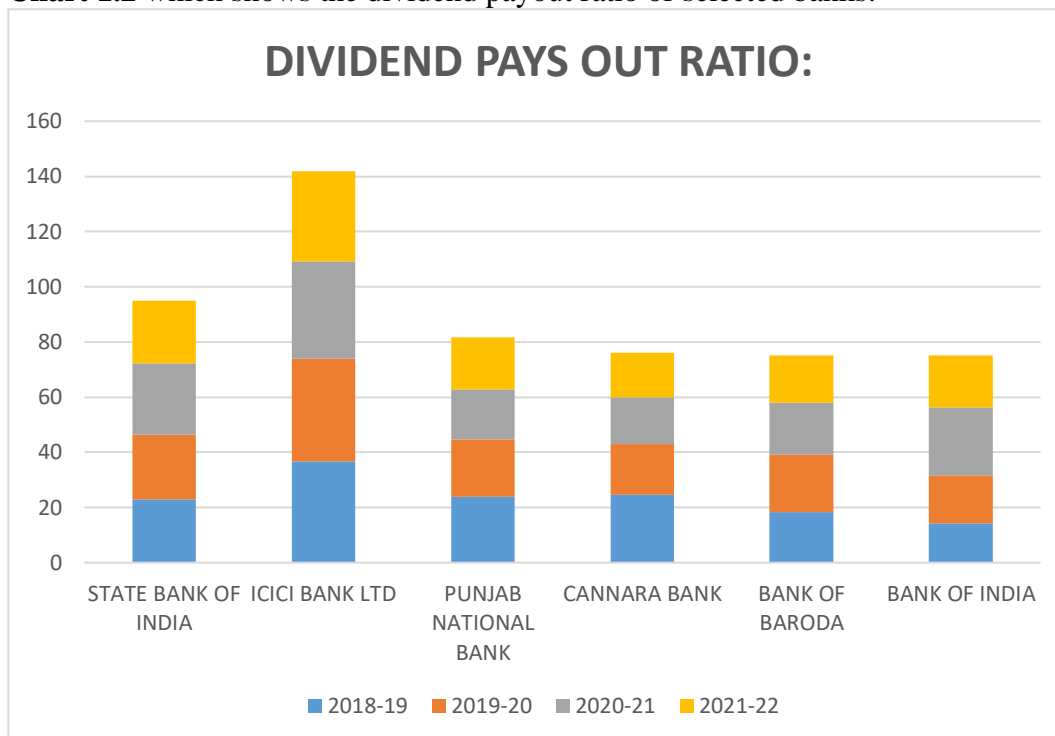
**BANK OF INDIA:** Every year it has fluctuated.

**DIVIDEND PAYS OUT RATIO:**

**TABLE 1.2:-**

DIVIDEND PAYOUT RATIO N PROFIT	2018-19	2019-20	2020-21	2021-22
STATE BANK OF INDIA	22.90	23.36	26.03	22.59
ICICI BANK LTD	36.60	37.31	35.23	32.82
PUNJAB NATIONAL BANK	23.86	20.74	18.27	18.75
CANNARA BANK	24.53	18.51	16.88	16.09
BANK OF BARODA	18.22	20.90	18.76	17.22
BANK OF INDIA	14.23	17.34	24.61	18.85

**Chart 1.2** which shows the dividend payout ratio of selected banks:-



**INTERPRETATION:**

The part of the earnings not paid to investors is left for investment to provide for future earnings growth. Investors seeking high current income and limited capital growth prefer companies with high Dividend payout ratio. However investors seeking capital growth may prefer lower payout ratio because capital gains are taxed at a lower rate. High growth firms in early life generally

have low or zero payout ratios. As they mature, they tend to return more of the earnings back to investors

**STATE BANK OF INDIA:** There is a slightly increase in year 2021-22 and decrease in 2021-22

**ICICI BANK LTD:** There is a decrease from year 2019-20 to 2021-22

**PUNJAB NATIONAL BANK:** There is decreasing trend in the following year

**CANARA BANK:** There is decreasing trend at faster rate

**BANK OF BARODA:** There is decrease in the year from 2019-17

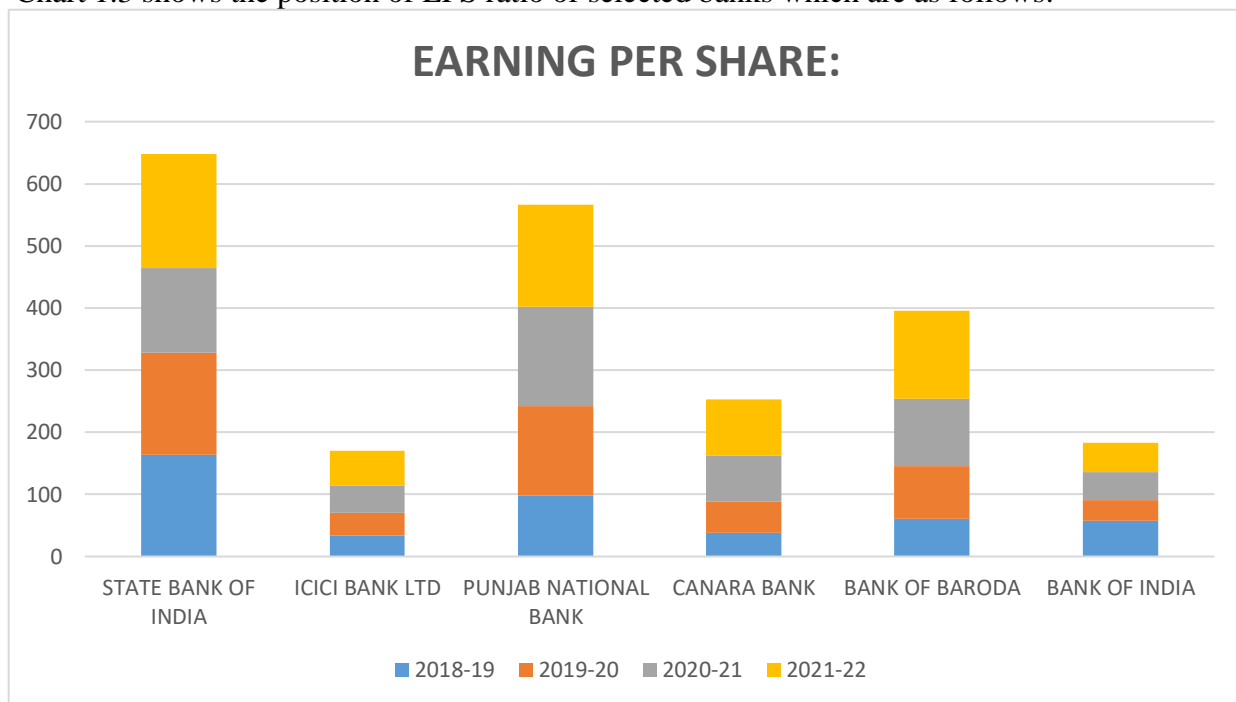
**BANK OF INDIA:** There is increasing trend before the year 2021-22 but decrease in year 2021-22

**EARNING PER SHARE:**

TABLE 1.3 Shows the profitability ratios EPS

Earnings per share	2018-19	2019-20	2020-21	2021-22
STATE BANK OF INDIA	163.67	164.37	136.07	184.16
ICICI BANK LTD	33.76	36.10	44.73	56.09
PUNJAB NATIONAL BANK	98.03	143.86	159.94	164
CANARA BANK	38.18	50.55	73.69	90.88
BANK OF BARODA	61.16	83.96	108.33	141.79
BANK OF INDIA	57.26	33.16	45.54	46.66

Chart 1.3 shows the position of EPS ratio of selected banks which are as follows:



**INTERPRETATION:-**

The portion of a company’s profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company’s profitability. Earnings per share is generally considered to be the single most important variable in determining a share’s price. It is also a major component used to calculate the price-to-earnings valuation ratio

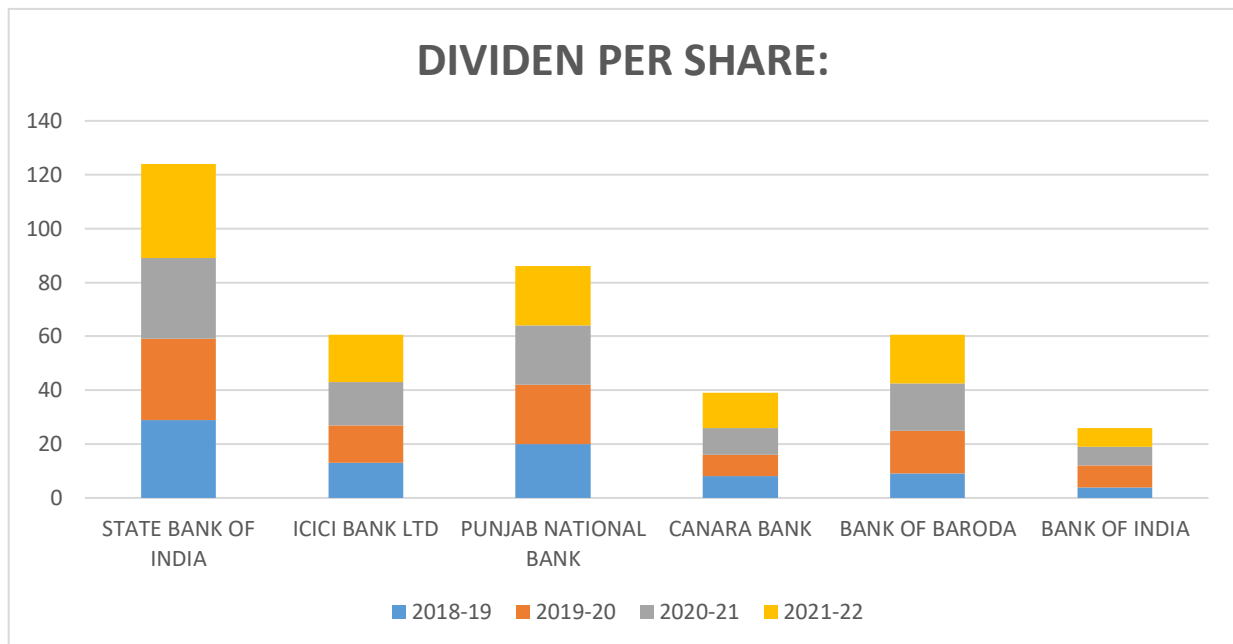
This chart shows that all selected banks are increasing. STATE BANK OF INDIA reduced 164 in year 2019-20 to 136 in yr 2020-21 then again by 58 in year 2021-22. ICICI BANK, PUNJAB NATIONAL BANK, CANARA BANK, BANK OF BARODA Shows increasing trend but again bank of India reduced in year 2019-20 then again increase gradually from year 2020-21.

**DIVIDEN PER SHARE:**

. TABLE 1.4 SHOWS PROFITABILITY RATIOS OF SECLECTED

Dividend per share	2018-19	2019-20	2020-21	2021-22
STATE BANK OF INDIA	29	30	30	35
ICICI BANK LTD	13	14	16	17.50
PUNJAB NATIONAL BANK	20	22	22	22
CANARA BANK	8	8	10	13
BANK OF BARODA	9	16	17.50	18
BANK OF INDIA	4	8	7	7

Chart 1.4 shows from the following:-



**INTERPRETATION:**

The sum of declared dividends for every ordinary share issued. Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued

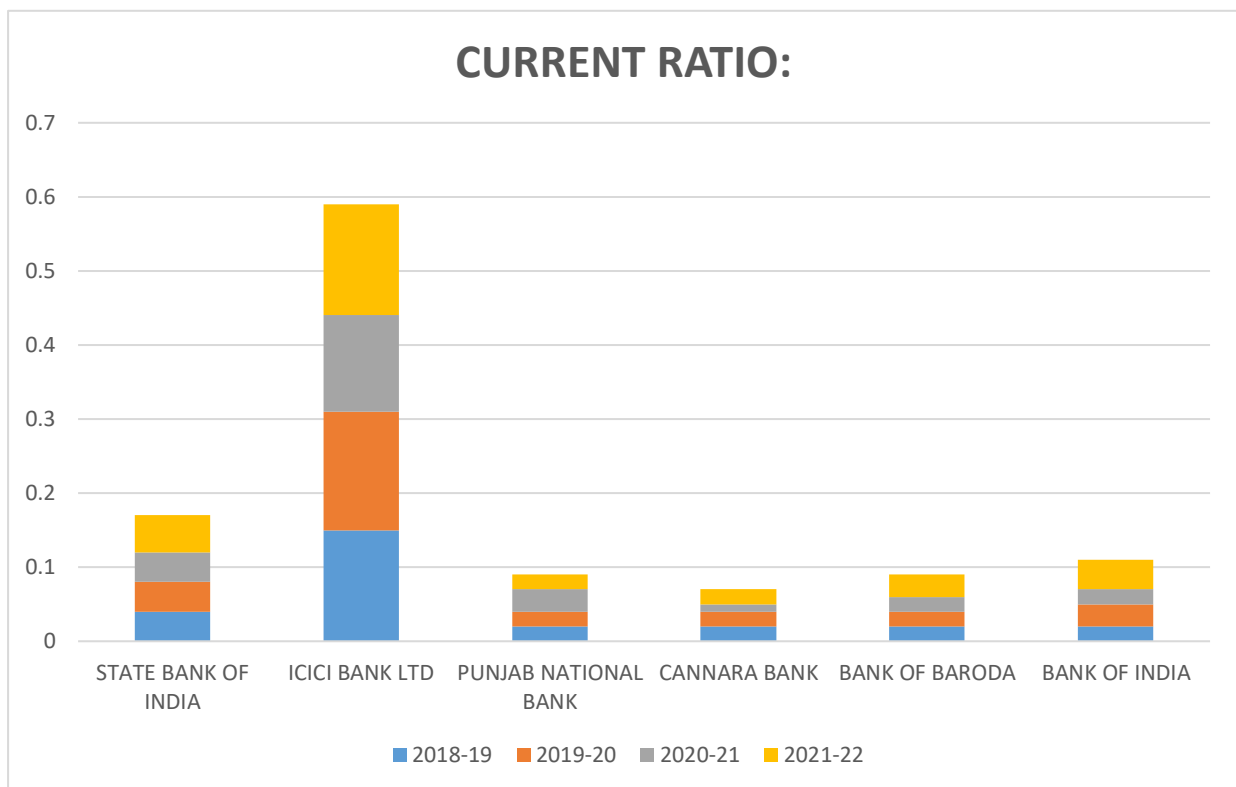
This chart1.4 indicates a positive trend as all are increasing except BANK OF INDIA.

**CURRENT RATIO:**

TABLE 1.5 OF 6 SECLECTED BANKS ACCORDING TO INCOMEWISE ARE AS FOLLOWS

CURRENT RATIO	2018-19	2019-20	2020-21	2021-22
STATE BANK OF INDIA	0.04	0.04	0.04	0.05
ICICI BANK LTD	0.15	0.16	0.13	0.15
PUNJAB NATIONAL BANK	0.02	0.02	0.03	0.02
CANNARA BANK	0.02	0.02	0.01	0.02
BANK OF BARODA	0.02	0.02	0.02	0.03
BANK OF INDIA	0.02	0.03	0.02	0.04

CHART 1.5 SHOWS THE POSITION OF SECLECTED BANKS AS FOLLOWS:-



**INTERPRETATION:**

A liquidity ratio measures a company’s ability to pay short-term obligations.

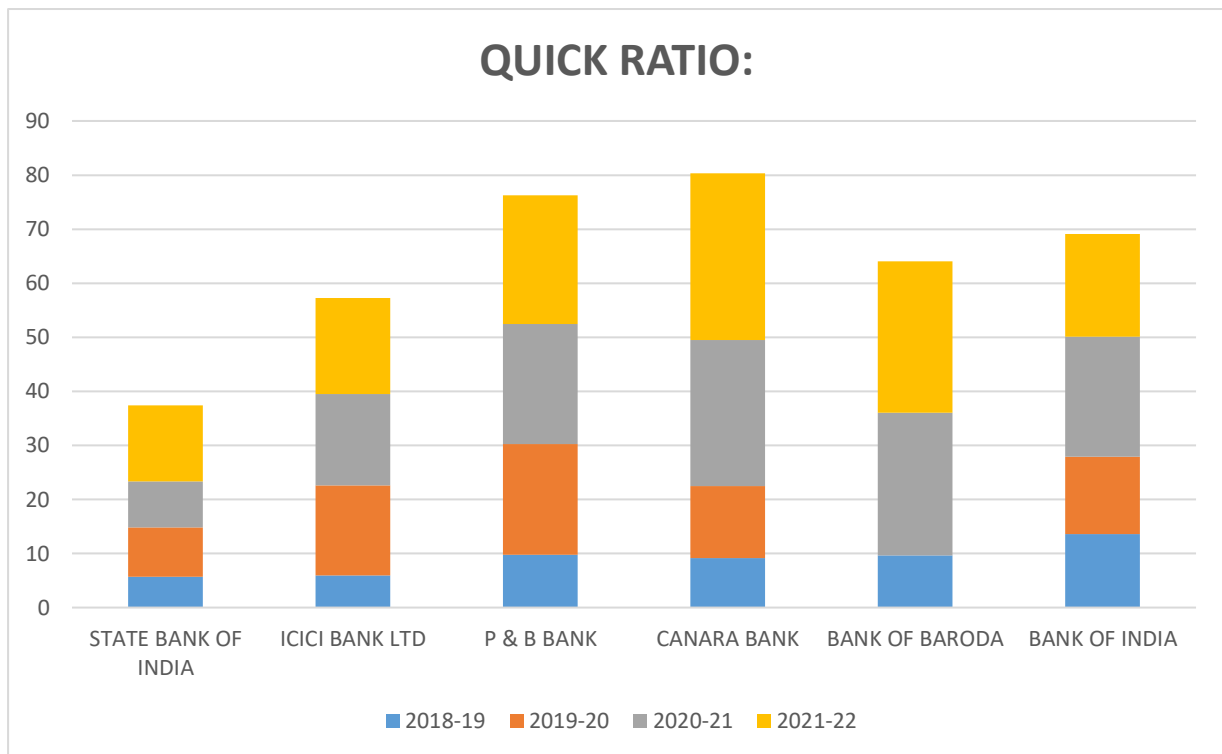
This chart 1.5 indicates that there is a frequent fluctuation except State Bank Of India and Bank Of Baroda which has gradually increase in year 2021-22.

**QUICK RATIO:**

TABLE 1.6 shows the Quick Ratio of selected banks which are as follows:-

QUICK RATIO	2018-19	2019-20	2020-21	2021-22
STATE BANK OF INDIA	5.74	9.07	8.50	14.05
ICICI BANK LTD	5.94	16.70	16.86	17.71
P & B BANK	9.75	20.47	22.24	23.81
CANARA BANK	9.18	13.29	26.98	30.86
BANK OF BARODA	9.62	21.88	26.38	28.00
BANK OF INDIA	13.63	14.30	22.16	19.06

CHART 1.6 SHOWS the position of selected banks:-



**INTERPRETATION:**

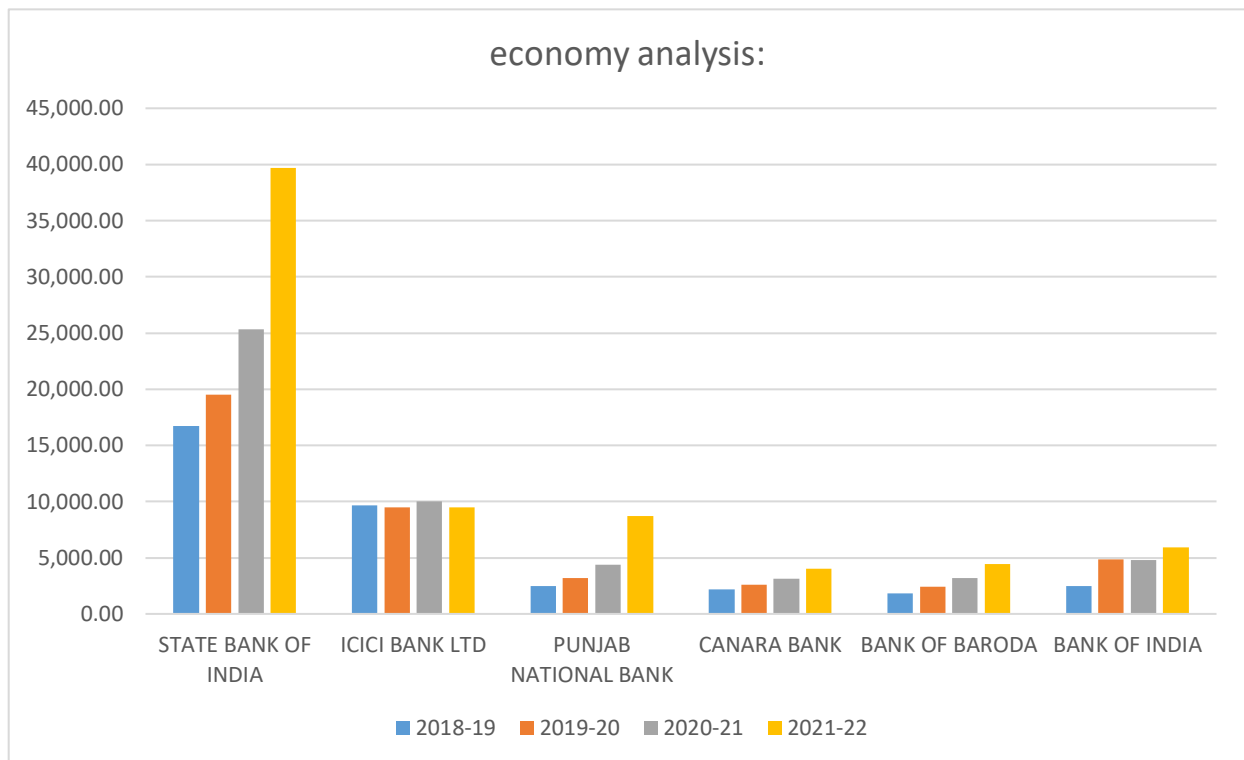
An indicator of a company’s short-term liquidity. The quick ratio measures a company’s ability to meet its short-term obligations with its most liquid assets. The higher the quick ratio, the better the position of the company.

This chart 1.6 indicates increasing or positive trend except BANK OF INDIA which shows the downfall in year 2021-22.

TABLE 1.7 shows the economy analysis: -

ECONOMY ANALYSIS(in cr)	2018-19	2019-20	2020-21	2021-22
STATE BANK OF INDIA	16,716.00	19,534.89	25,326.29	39,676.46
ICICI BANK LTD	9,649.31	9,480.65	10,034.26	9,475.33
PUNJAB NATIONAL BANK	2,506.90	3,216.41	4,379.39	8,719.62
CANARA BANK	2,177.97	2,590.31	3,157.36	4,031.75
BANK OF BARODA	1,842.92	2,400.69	3,162.50	4,464.75
BANK OF INDIA	2,470.88	4,882.65	4,813.55	5,893.97

CHART 1.7 shows the movements of bank economy positions below: -



**DATA INTERPRETATION:-**

A debt obligation where the borrower has not paid any previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The nonperforming asset is therefore not yielding any income to the lender in the form of principal and interest payments. Chart 1.7 shows a positive trend for every selected bank except ICICI BANK LTD which shows fluctuations in every year.

**10. FINDINGS**

From the data analysis and interpretations of the ratios of six selected banks the following findings have been given:

**1. State bank of India:** - In net profit margin ratio 2021-22 it has decrease in year 2021-22 from 10.54 to 8.55 i.e 1.99 times and again it has increased in 2021-22 1.18 times. In dividend payout

ratio it has gradually increase in year 2019-20 by 0.46 times, in tear 2021-22 by 2.67 times which has reduced again in year 2021-22 by 3.47 times. Earnings per share have increase in year 2021-22 by 58.08 times which has decrease in year 2021-22by 28.30 times. Dividend per share and Non-performing assets has also increase in every year. Current ratio has increase from 0.1 times in year 2021-22 and quick ratio has also frequently increases.

**2. ICICI BANK LTD:** -net profit margin, it has gradually increases in every year. In 2019-20 dividend payout ratio increases by 1 times but again it slowly it starts decreasing. Earnings per share, dividend per share & quick ratio increases frequently in every year. Current ratio there is frequent fluctuations. Non-performing assets fluctuates in every year.

**3. PUNJAB NATIONAL BANK:** - From year 2018--19 net profit margin has gradually increase but in year 2021-22 it has reduced to 2.47 times. Dividend payout ratio has decreased in every year frequently but Earning per share, Dividend per share, Quick ratio& Non-performing assets has increase frequently in every year. Current ratio has increase in year 2021-22 by 0.01 times and remains same in every 3 years.

**4. CANARA BANK:** -net profit margin ratio, Earnings per share has frequently increased in every year but dividend payout ratio has decreased gradually in every year. Dividend per share increases by 1 times in year 2021-22. In 2021-22 current ratio has decrease by 0.01 times and remains same in all the 3 years. Quick ratio has increases slowly in every year.

**5. BANK OF BARODA:** -net profit margin ratio has slowly increases in year 2018-19 but in 2021-22 it has decreases by 2 times in year 2021-22.dividend payout ratio has frequent fluctuates in every year. Earnings per share Quick ratio, dividend per share& Non-performing assets has increases slowly in every year. Current ratio increases in year 2021-22 by 0.01 times.

**6. BANK OF INDIA:** - Net profit margin ratio has gradually increased but in year 2021-22 it has reduced to 7 times and again it has increase. Dividend payout ratio has slowly increased but in 2021-22 it decreases by 7 times. Earnings per share have decrease in year 2019-20 by 24 times and again started increasing. Dividend per share has increased by 4 times in year 2019-20 and form year 2021-22 it started decreasing. Current ratio has frequent fluctuations by 0.01 times and quick ratio has increases every year slowly. Non – performing assets has increases in every year.

## 11. SUGGESTIONS

- **High growth of Indian Economy:**

The growth of the banking industry is closely linked with the growth of the overall economy. India is one of the fastest growing economies in the world and is set to remain on that path for many years to come. This will be backed by the stellar growth in infrastructure, industry, services and agriculture. This is expected to boost the corporate credit growth in the economy and provide opportunities to banks to lend to fulfill these requirements in the future.

- **Rising per capita income:**

The rising per capita income will drive the growth of retail credit. Indians have a conservative outlook towards credit except for housing and other necessities. However, with an increase in disposable income and increased exposure to a range of products, consumers have shown a higher willingness to take credit, particularly, young customers. A study of the customer profiles of different types of banks reveals that foreign and private banks share of younger customers is over 60% whereas public banks have only 32% customers under the age of 40. Private Banks also have a much higher share of the more profitable mass affluent segment.

- **New channel – Mobile banking is expected to become the second largest channel for banking after ATMs:**

New channels used to offer banking services will drive the growth of banking industry exponentially in the future by increasing productivity and acquiring new customers. During the last decade, banking through ATMs and internet has shown a tremendous growth, which is still in the growth phase.

- **Financial Inclusion Program:**

Currently, in India, 41% of the adult population doesn't have bank accounts, which indicates a large untapped market for banking players. Under the Financial Inclusion Program, RBI is trying to tap this untapped market and the growth potential in rural markets by volume growth for banks. Financial inclusion is the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups.

## 12. CONCLUSION

- The economic growth of the country is an apt indicator for the growth of the banking sector. The Indian economy is projected to grow at a rate of 5-6 percent<sup>34</sup> and the country's banking industry is expected to reflect this growth.
- The onus for this lies in the capabilities of the Reserve Bank of India as an able central regulatory authority, whose policies have shielded Indian banks from excessive leveraging and making high risk investments.
- During 2021-22, majority of public sector banks failed to meet the priority sector target. Though at an aggregate level, foreign banks' performance was better as compared to domestic banks; bank-wise data revealed that some foreign banks also failed to meet the priority sector lending target.
- Performance of banks during 2021-22 was conditioned by slowdown in the domestic economy coupled with higher interest rate environment.
- There are emerging challenges, which appear in the forms of consolidation; recapitalization, prudential regulation weak banks, and non-performing assets, legal framework etc. needs urgent attention. The paper concludes that, from a regulatory perspective, the recent developments in the financial sector have led to an appreciation of the limitations of the present segmental approach to financial regulation and favors adopting a consolidated supervisory approach to financial regulation and supervision, irrespective of its structural design.
- The Indian banking sector has been relatively well shielded by the central bank and has managed to sail through most of the crisis. But, currently in light of slowing domestic GDP growth, persistent inflation, asset quality concerns and elevated interest rates, the investment cycle has been wavering in the country.

## BIBLIOGRAPHY

### BOOKS

1. OPTIONS, FUTURES AND OTHER DERIVATIVE SECURITIES -HULL JOHN C.
2. MODERN PORTFOLIO THEORY AND INVESTMENT ANALYSIS EITON EDWIN.J. AND GRUBER MARTIN J.
3. FINANCIAL MANAGEMENT"----- V K BHALLA
4. SECURITY ANALYSIS A -----DONALD E. FISHER &
5. PORTFOLIO MANAGEMENT -----RONALD J. JORDAN
6. FINANCIAL SERVICES-----M.Y.KHAN
7. ESSENTIALS OF INVESTMENT & TAX PLANNING---ICFAI
8. PERSONAL FINANCE-----ASHU DATT

**WEBSITES**

- (a) [www.nseindia.com](http://www.nseindia.com)
- (b) [www.bseindia.com](http://www.bseindia.com)
- (c) [www.sharegyan.com](http://www.sharegyan.com)
- (d) [www.moneycontrol.com](http://www.moneycontrol.com)
- (e) [www.](http://www.)