

A STUDY ON COMMON SIZE AND COMPARITIVE STATEMENT AT KOTAK MAHINDRA -A DETAILED REVIEW

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ABSTRACT:

RBI is the Head to regulate banking sectors in India. Kotak Mahindra Bank are the two major players in private sector banks in India. Due to the pandemic situation banking sectors faced a big challenge. The study was used to analyze the financial wealth and performance of Kotak Mahindra Bank and to compare the past and future performance. Ratio analysis for Comparative Balance Sheet Analysis and Common size balance sheet Analysis are used to interpret the financial statement of the bank. The study concludes that the overall performance of Kotak Mahindra bank was satisfactory. A common Size Statement is one of the tools used in connection with the analysis and interpretation of financial statements. This statement indicates the relationship of various with some common items (expressed as a percentage of the common items) .

Comparative balance sheet analysis is the study of the trend of the same items Group of items and computed items in two or more balance sheets of the same business enterprise on different dates. The change in periodic balance sheet items reflects the conduct of a business. The changes can be observed by the comparison of the balance sheet at the beginning and the end of the period.

Two columns of the comparative balance sheet are for the data of the original balance sheet. the third column is used to show an increase in figures, and a fourth column may be added for giving percentages of increase or decrease.

Key words: RBI, ratios, banking

1.1 INTRODUCTION

COMPARATIVE FINANCIAL STATEMENTS

When financial statement figures for two or more years are placed side-side to facilitate comparison, these are called 'comparative Financial Statements. Such statements not only show the absolute figures of various years but also provide for columns to indicate to increase or decrease in these figures from one year to another. In addition, these statements may also show the change from one year to another in percentage form. Such cooperative statements are of great value in forming an opinion regarding the progress of the enterprise.

When performing a ratio analysis of financial statements, it is often helpful to adjust the figures to common-size numbers. To do this, change each line item on a statement to a percentage of the total. For example, on a balance sheet, each figure is shown as a percentage of total assets, and on an income statement, each item is expressed as a percentage of sales.

This technique is quite useful when you are comparing your business to other businesses or averages from an entire industry because differences in size are neutralized by reducing all figures to common-size ratios. Industry statistics are frequently published in common-size form.

When comparing your company with industry figures, make sure that the financial data for each company reflect comparable price levels, and that it was developed using comparable accounting methods, classification procedures, and valuation bases.

Such comparisons should be limited to companies engaged in similar business activities. When the financial policies of the two companies differ, these differences should be recognized in the evaluation of comparative reports. For example, one company leases its properties while the other purchases such items; one company finances its operations using long-term borrowing while the other relies primarily on funds supplied by stockholders and by earnings. Financial statements for two companies under these circumstances are not wholly comparable.

REVIEW OF LITERATURE

E. Gordon and K. Natrajan (2014): The economic development of any country depends on the existence of a well-organized financial system. It includes financial markets and financial institutions which support the system. The financial system provides the intermediation between

savings and investment and promotes faster economic development.

Garimachoudhary(2014): use the network of banks, the productivity of banks, capital adequacy ratio, and growth of banks as an indicator of measuring banks' performance. The

study related that private sector banks have expanded faster than public sector banks. The capital adequacy of new private sector banks is above RBI minimum requirements. However, the assets base of public sector banks raises faster than private sector banks.

Renu Bagoria (2014): The main objective of this paper is to make a comparative study between private sector banks and public sector banks and the adoption of various services provided by these banks. The different services provided by these banks are M-Banking, Net banking, ATM, etc. One of the services provided by the bank i.e. Mobile banking helps us to conduct numerous financial transactions through a mobile phone or personal digital assistant (PDA). Data analysis had been made in private sector banks like ICICI Bank, IndusInd Bank, HDFC Bank, Axis Bank, and public sector banks like SBI Bank, SBBJ, IDBI, and OBC Bank. These banks also provide Mobile Banking services. The overall study showed that the transaction of Mobile banking through public sector banks is higher than in the private sector.

Neetu Sharma, dr. Richa Chaudhary, dr. harsh purohit (2014): Banking institution tries to spread Green environment product by way of Finance to those Industries which make "Green products" Eg: Automobile Industry give more importance to battery bikes or solar cars etc. Green banking is an umbrella that makes bank sustainable in Economic, environment & Social dimensions. Green banking is making technological improvements in the banking sector. It is a smart way of thinking with a vision of future sustainability. Green banking is still a major issue & can take important for the development of our country India. The environmentally friendly activities such as using energy-efficient alliances, and implementing green data centers help in improving their operational efficiency as well as cost saving factor in the long run.

Ms. Gupta Shikha (2014): Concluded that it focused on operational control, profitability, and solvency, etc. It aimed to analyze and compare the financial performance of ICICI banks and offer suggestions for improvement of efficiency in the bank.

Gaur Arti&Arora Nancy (2014): Concluded their studies about the causes and consequences of the various component of the financial statement about the profitability of the bank. We analyzed the financial stability and overall performance of SBI and studied its profitability of SBI.

V.Naseer Abdul (2014): Studied that – Study compares the financial performance and employee efficiency of Indian banks during 2007-2013. Both the financial performance and employee efficiency of foreign banks working in India are better than domestic banks and private sector banks' performance is better than the public sector

banks. It is noted that the public sector bank performance is more stable when compared to the private sector banks.

Sharma Pooja&Hemlata (2014): Concluded that - Banking mirrors the larger economy its linkages to all sectors make it a proxy for what is happening in the economy as a whole. Banking plays a silent yet crucial role in our day-to-day economy. The data is taken from financial reports of both the banks for the last five years ranging from

2008-09 to 2013-13. The results depict that ICICI Bank is performing better than SBI Bank as it can generate more loans from its deposits to the customers.

Dr. RaoMadhusudhana K. (2014): Concluded that – concerning the banking activities the performance of HDFC is better than the SBI and for the investor who is intended for long-term investment & risk takers HDFC is better but concerning the growth in the market for the company price SBI is better. SBI shares value market more than HDFC.

ThakarshibhaiChiragLoryia (2014): Concluded that its attempts to analyze the profitability of selected public and private sector banks in India. This study looks into three key factors which affect the profitability analysis of the Indian banking sector using the mean, standard deviation, and ANOVA model.

Movalia P. Nilesh&et.al (2014): Concluded that public sector banks are quite good compared to private sector banks in the area of profitability debt equity, earning per share found that price earnings ratio of private sector banks is high compared to public sector banks.

AlpeshGajera (2015) in his research article on financial performance evaluation of private and public sector banks found that there is a significance difference in the financial performance of these banks and private sector banks performed better than public sector banks in respect of capital adequacy ratio and financial performance,

Dr. Richa Jain, Prof. Mitali Amit Shelankar & Prof Bharti Sumit Mirchandani, (2015)Tools / Techniques of financial statement analysis:- The various tools and techniques of financial statement analysis are: Trend Percentage Analysis: It is also known as Intra firm comparison in which the financial statements of the same company for few years are compared for some important series of information.Comparative Statement: These are the statement of financial positions at different periods. The financial position is shown in a comparative form over two periods of time. Common Size Statements: The common size statements, balance sheets, and income statements are shown in terms of percentages. The data are shown as a percentage of total assets, liabilities, and sales. Ratio Analysis: It is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various financial ratios for help in taking decisions. Funds Flow Statements: It is a statement f studying the changes in the financial position of a business enterprise between the beginning and the end it is a statement indicating rises of funds for some time. Cash Flow Statements: It shows the changes in cash flow between two periods.

Comparative balance sheet for the year 2019-2020 and 2020-2021

Particulars	2020	2021	Increase or Decrease (amt)	Increase or Decrease (%)
LIABILITIES				
Source of fund				
Equity Share capital	724.76	724.78	0.02	0.002759534
Reserves	6075.13	6719.52	644.39	10.61
Revaluation Reserve	2022.07	1979.56	-42.51	-2.10
Net Worth	8821.96	9423.86	601.9	6.82
Deposits	72997.98	112401.01	39403.03	53.98
Borrowings	38612.55	44417.04	5804.49	15.03
Total Debts	111610.53	156818.05	45207.52	40.50
Other liabilities	10261.89	6160.41	-4101.48	-39.97
Total Liabilities	130694.38	172402.32	41707.94	31.91
ASSETS				
Application of funds				
Cash & bank balance with RBI	6694.83	8590.82	1895.99	28.32
Cash balance with other banks	2063.94	2628.5	564.56	27.35
Advances	82212.69	103428.34	21215.65	25.81
Investment	32802.93	50047.6	17244.67	52.57
Gross Block	3894.76	3873.95	-20.81	-0.53
(less) accumulated Depreciation	1173.59	1127.4	-46.19	-3.94

Net Block	2721.17	2746.55	25.38	0.93
Capital Work in progress	44.8	77.56	32.76	73.13
Fixed asset and other assets	4154.02	4882.96	728.94	17.55
total Assets	130694.38	172402.32	41707.94	31.91

Table 5.1 source: Field survey

Table 5.2: Common size statement for the year 2019-2020 and 2020-2021

Particulars	2020	%	2021	%
LIABILITIES				
Source of fund				
Equity Share capital	724.76	0.42	724.78	0.42
Reserves	6075.13	3.90	6719.52	3.90
Revaluation Reserve	2022.07	1.15	1979.56	1.15
Net Worth	8821.96	5.47	9423.86	5.47
Deposits	72997.98	65.20	112401.01	65.20
Borrowings	38612.55	25.76	44417.04	25.76
Total Debts	111610.53	90.96	156818.05	90.96
Other liabilities	10261.89	3.57	6160.41	3.57
Total Liabilities	130694.38	100	172402.32	100

Interpretation:

- The comparative balance sheet of the company reveals that during 2020 there has been an increase in final assets and liabilities of Rs. 41707.94 crores i.e., 31.91 %
- The investment of the bank has been increased by 17244.67 crores that is about 52.57% bank deposits has been increased to 39403.03 crores... which is about 53.98%.

CONCLUSION:

By studying the comparative, common size, and trend statements we conclude that the overall bank performance is good for the last 3 financial years. The bank's net profit also increased gradually from year to year. It will be helpful for the future growth and expansion of the bank. Both in terms of services and profit.

In the present scenario, Kotak Mahindra Bank is the largest advanced product issuer in India. Within a very short period, the achievement made by Kotak Mahindra Bank is excellent, what a normal bank cannot expect, but it is being done by Kotak Mahindra bank. It happens due to employees and the customers. Apart from all the above, Kotak Mahindra Bank believes in providing good customer services to their customers which is a key factor for success in the future.

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