



## **A CORPORATE STUDY ON CASH FLOW STATEMENT OF PRIVATE AND PUBLIC SECTOR BANKS**

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### **ABSTRACT**

*This study examines the cash flow statements of private and public sector banks. Through a comparative analysis, it delves into the financial dynamics and liquidity management strategies of both sectors. By scrutinizing cash flows from operating, investing, and financing activities, the study uncovers distinctive patterns in each sector's cash flow structure. Factors influencing cash flow performance are explored, including regulatory frameworks and market conditions. The study's insights offer valuable understanding for stakeholders, highlighting key drivers of cash flow variations between private and public sector banks. Ultimately, this research sheds light on the financial resilience and adaptability of these institutions, contributing to a broader comprehension of banking sector dynamics and performance.*

**KEYWORDS:** banking products, comparative analysis, features, benefits, performance, interest rates, fees, customer service, rewards, user experience.

### **INTRODUCTION**

Banking area has a significant spot in our Indian economy. It encouraging people to save, mobilizing the savings for the investment purpose in various sectors of the economy, promote balanced regional development by providing financial infrastructure and funds for backward regions, promotes primary sector by providing agriculture loans, helps government to fulfil objectives for economic development, help the process of capital formation. Banks have principal role of converting liquid deposits into illiquid assets like loans, which makes them constitutionally weak to liquidity risk (Hantal, 2015). The liquidity management show how efficiently a bank manages its short-term requirements and invests the funds to raise the profitability of the Bank.

Besides, the illiquidity will lead to insolvency and bankruptcy therefore lack of cash or liquidity is an indicator of crises in the banking sector therefore liquidity management is an important objective of any bank (Srinivason and Britto, 2017). Management of liquidity or cash helps in analysis of financial performance.

### **REVIEW OF LITERATURE**

- **Das (2017)** 40 compared one public sector i.e., State Bank of India and one private sector bank i.e., ICICI Bank by evaluating their cash flow statement for five financial years from 2009-10 to 2013-14. According to this study, level of performance of ICICI is superior to SBI. Also, cash balance of a firm is too easily influenced by post pointing cash receipts and cash payments and as the selected two banks maintain books of Accounts under accrual basis, so cash flow analysis fails to predict the actual result of the organization.
- **Sri (2017)** 41 analyzed the cash flow statement with special reference to JET Airways. The study, it was found that the company has no effect on the foreign exchange fluctuations, cash and cash equivalents of subsidiaries under liquidations and the company use more cash and cash equivalents more than the power and fuel cost compared to workers salary.

### **STATEMENT OF THE PROBLEM**

This study evaluated public and private sector bank on basis of cash flow from operating activities, financing activities and investing activities. It is useful for stakeholders who want to invest in the banks to know about liquidity position of the bank and heavily the interest in the banks. This study also helps in analyze the trends of various activities of selected banks.



### OBJECTIVES OF THE STUDY

- To study the trends of various activities such as operating, investing and financing of selected banks.
- To analyze the variations amongst three activities i.e., operating, investing and financing of selected banks.
- To compare various activities such as operating, investing and financing of selected banks.

### METHODOLOGY OF THE STUDY

In this study, Descriptive and analytical research design have been used. For this purpose, cashflow statement of both public and private sector selected banks collected and analyzed by using comparative bar charts and various suitable statistical tools then interpretation drawn accordingly.

#### Source of data

In this study, secondary data collected. Secondary data obtained from the sources i.e., published annual reports of the various banks for the financial years- 2009-2010 to 2017- 2018, directory of Mumbai Stock Exchange, websites of selected Banks i.e., SBI, BOB, PNB, Canara bank, HDFC bank, ICICI bank, Kotak Mahindra, Axis bank, trends and progress report of RBI and IBAs' report of various banks.

#### Sampling

For the purpose of the study top five public sector banks and five private sector banks have been selected according to the market capitalization i.e., SBI, BOB, PNB, Canara Bank, HDFC Bank, ICICI Bank, Kotak Mahindra, Axis Bank.

#### Period of the study

The study conducted for a period of eight financial years i.e., from 1-4-2010 to 31-3-2018.

#### Statistical tools

All tabulated data are analyses with the help of statistical tools for proving and disproving the hypothesis. The study used Standard Deviation (SD), Co-efficient of variation (COV) etc. for the analysis of the collected data for the selected banks.

### ANALYSIS AND INTERPRETATION

**TABLE 01**  
**Cash Flow from Operating Activities of all selected Banks**

(Rs. in Crore)

Year	SBI	BOB	PNB	CANARA	HDFC	ICICI	KOTAK MAHINDRA	AXIS
2011	34282.27	11778.8	8045.67	8527.35	-375.83	-6908.92	-1474.47	11425.07
2012	28468.58	14406.5	-811.22	-832.22	-11355.61	9683.82	-3922.92	-9826.93
2013	21661.23	22793.1	-1886.71	8542.65	-1868.78	11102.01	-1405.46	2719.04
2014	14107.42	41016.3	17729.1	9535.20	8363.60	4668.60	9001.63	16702.56
2015	27621.03	18021.0	5618.67	4547.09	-15862.27	-4824.49	5121.93	-12922.02
2016	11195.55	-9841.66	17615.3	6078.45	-3224.67	22428.47	6133.72	-15971.85
2017	11060.32	17193.8	12497.0	2316.15	23585.4	39222.81	14411.92	34192.28
2018	-85425.2	-61087.8	1011.69	-11503.83	26074.07	13303.65	-10274.92	-46693.30

### INTERPRETATION

From table 4.1.1, it is observed that SBI has the highest cash flow in 2011 and negative cash flow in 2018 which shows bank has more cash outflow in operations in 2018. In case of BOB, the highest cash flow is in 2014 and negative cash flow in 2016 and 2018 which indicates bank has more cash outflow than inflow in operations in 2016 and 2018. In case of PNB, the highest cash flow is in 2014 and negative cash flow in 2013 which indicates more cash outflow and 2014 onwards cash flow of PNB is positive and satisfactory which represent good liquidity position of PNB. In case of Canara Bank, the highest cash flow is in 2014 and lowest cash flow in 2018.

From table 4.1 it is also observed that HDFC has the highest cash flow in 2018 and negative cash flow in 2015 which indicates bank has more cash outflow in operations in 2018. In case of ICICI, the highest cash flow is in 2017 and lowest cash flow in 2009 which indicates bank has more cash outflow than inflow in operations in 2011. In case of Kotak Mahindra, the highest cash flow is in 2017 and negative cash flow in 2018 which indicates weak liquidity position. In case of Axis, the highest cash flow is also in 2017 and negative cash flow in 2018.

**TABLE 02**  
**Cash Flow from Investing Activities of all Selected Banks**

(Rs. in Crore)

Year	SBI	BOB	PNB	CANARA	HDFC	ICICI	KOTAK MAHINDRA	AXIS
2011	34282.27	11778.8	8045.67	8527.35	-375.83	-6908.92	-1474.47	11425.07
2012	28468.58	14406.5	-811.22	-832.22	-11355.61	9683.82	-3922.92	-9826.93
2013	21661.23	22793.1	-1886.71	8542.65	-1868.78	11102.01	-1405.46	2719.04
2014	14107.42	41016.3	17729.1	9535.20	8363.60	4668.60	9001.63	16702.56
2015	27621.03	18021.0	5618.67	4547.09	-15862.27	-4824.49	5121.93	-12922.02
2016	11195.55	-9841.66	17615.3	6078.45	-3224.67	22428.47	6133.72	-15971.85
2017	11060.32	17193.8	12497.0	2316.15	23585.4	39222.81	14411.92	34192.28
2018	-85425.2	-61087.8	1011.69	-11503.83	26074.07	13303.65	-10274.92	-46693.30

**INTERPRETATION**

From table 4.1.2, it is observed the SBI invest more in 2011 and 2018 and get less cash return from investing in those years but get back cash flow from investing activities more in 2011. BOB invest more in 2016, 2017 and 2018 and get less return from investment but it has highest cash flow from investment in 2014. PNB invest more in 2012 and 2013 and have highest cash flow from investment in 2014. Canara Bank invests more in 2009, 2012 and 2018 and highest cash flow from investment in 2014.

From table 4.1.2, it is also observed that HDFC Bank invests more in 2011, 2012 and 2013 but get highest return more than investment in 2018. ICICI Bank invests more but get less return in 2011 and 2015 but get highest cash flow from investing activities in 2018. Kotak Mahindra Bank invests more in 2009, 2011, 2012, 2013 and 2018 and have highest cash flow from investing activities in 2017. Axis Bank invests more in 2012, 2015, 2016 and 2018 but have highest cash flow from investing activities in 2017.

**TABLE 03**  
**Cash Flow from Financing Activities of all selected Banks**

(Rs. in Crore)

Year	SBI	BOB	PNB	CANARA	HDFC	ICICI	KOTAK MAHINDRA	AXIS
2011	2057.11	3177.96	-744.36	2600.78	1227.99	3105.97	1724.19	8769.69
2012	2147.66	165.35	633.84	-1554.93	3286.19	3829.95	4928.44	7272.37
2013	-3259.72	-790.27	873.11	-1744.57	9065.84	2989.72	3938.23	14774.60
2014	3811.17	5151.34	988.35	1079.44	5562.98	6838.37	-6161.84	5490.15
2015	-2289.12	-6.44	5954.72	140.19	14543.44	15005.67	-726.93	28846
2016	4505.88	-615.73	856.29	2331.36	6588.57	-585.07	-1463.91	18671.58
2017	-1780.27	-198.26	738.69	124.11	-11567.63	-30378.79	256.52	-4628.87
2018	4290.92	4078.65	7406.67	2864.86	48411.43	34118.30	9837.22	50400.78

**INTERPRETATION**

Table 4.1.3 demonstrates the cash flow from financing activities of selected public and private sector banks. It is observed the SBI acquire more finance in 2011 but cash flow from financing activities in 2011, 2013, 2015 and 2017 are negative which indicates they create more reserve funds in those years. BOB acquire more finance in 2014 but create more reserves in 2013, 2015 and 2016. In case of IDBI more reserve funds are created in 2011, 2012 and 2015 but acquire more finance in 2016.



**TABLE 04**  
**Variations of Cash Flow from Operating Activities of all Selected Banks**

(Rs. in Crore)

Year	SBI	BOB	PNB	CANARA	HDFC	ICICI	KOTAK MAHINDRA	AXIS
2011	34282.27	11778.8	8045.67	8527.35	-375.83	-6908.92	-1474.47	11425.07
2012	28468.58	14406.5	-811.22	-832.22	-11355.61	9683.82	-3922.92	-9826.93
2013	21661.23	22793.1	-1886.71	8542.65	-1868.78	11102.01	-1405.46	2719.04
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2016	11195.55	-9841.66	17615.3	6078.45	-3224.67	22428.47	6133.72	-15971.85
2017	11060.32	17193.8	12497.0	2316.15	23585.4	39222.81	14411.92	34192.28
2018	-85425.2	-61087.8	1011.69	-11503.83	26074.07	13303.65	-10274.92	-46693.30
<b>S.D</b>	41307.54	31547.67	18647.37	10310.23	15762.05	25383.68	55130.78	22077.31
<b>Rank</b>	<b>7</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>8</b>	<b>4</b>
<b>COV</b>	455.70	473.27	292.45	333.68	477.77	332.435	300.71	-2254.02
<b>Rank</b>	<b>6</b>	<b>7</b>	<b>2</b>	<b>5</b>	<b>8</b>	<b>4</b>	<b>3</b>	<b>1</b>

**Comparison of average of standard deviation and coefficient of variance of cash flow from operating activities of selected public and private sector banks**

Public Sector banks	S.D	COV	Private Sector banks	S.D	COV
<b>SBI</b>	41307.54	455.70	<b>HDFC</b>	15762.05	477.77
<b>BOB</b>	31547.67	473.27	<b>ICICI</b>	25383.68	332.435
<b>CANARA</b>	10310.23	333.68	<b>KOTAK</b>	55130.78	300.71
<b>PNB</b>	18647.37	292.45	<b>AXIS</b>	22077.31	-2254.02
<b>AVERAGE</b>	21589.06	371.306	<b>AVERAGE</b>	25516.41	-327.429

**INTERPRETATION**

From the table 4.2.1, it is observed that the standard deviation of Canara is lower than all other selected public and private sector banks in operating activities. It means that cash flow from operations of Canara is more stable. It indicates the strong solvency position of Canara.

It is also observed that the coefficient of variance of Axis Bank is lower than all other selected private and public sector banks in operating activities. It means that Axis Bank has more consistency in operating activities than all other banks.

It indicates the sound liquidity position in operations of bank. From table 4.2.2, it is also observed that the Average of standard deviation of selected public banks is lower than private banks in operating activities. It means that cash flow from operations of public sector bank is more stable than private sector banks. It indicates the strong solvency position of public sector banks. Table 4.6 also observed that the average of coefficient of variance of selected private sector banks is lower than public sector banks in operating activities. It means that private sector banks have more consistency in operating activities than public sector banks. It indicates the sound liquidity position in operations of private sector banks.

**TABLE 05**  
**Cash Flow from Financing Activities of all Selected Banks**

(Rs. in Crore)

Year	SBI	BOB	PNB	CANARA	HDFC	ICICI	KOTAK MAHINDRA	AXIS
2011	2057.11	3177.96	-744.36	2600.78	1227.99	3105.97	1724.19	8769.69
2012	2147.66	165.35	633.84	-1554.93	3286.19	3829.95	4928.44	7272.37
2013	-3259.72	-790.27	873.11	-1744.57	9065.84	2989.72	3938.23	14774.60
2014	3811.17	5151.34	988.35	1079.44	5562.98	6838.37	-6161.84	5490.15
2015	-2289.12	-6.44	5954.72	140.19	14543.44	15005.67	-726.93	28846
2016	4505.88	-615.73	856.29	2331.36	6588.57	-585.07	-1463.91	18671.58
2017	-1780.27	-198.26	738.69	124.11	-11567.63	-30378.79	256.52	-4628.87
2018	4290.92	4078.65	7406.67	2864.86	48411.43	34118.30	9837.22	50400.78
S.D	3428.607	2112.757	2642.09	1748.142	15561.02	15822.38	4520.098	15936.86
Rank	4	2	3	1	6	7	5	8
COV	305.5435	171.401	146.843	404.8152	185.9534	417.1238	367.603	116.6743
Rank	5	3	2	7	4	8	6	1

**Comparison of average of standard deviation and coefficient of variance of financing activities of selected public and private sector banks**

Public Sector banks	S.D	COV	Private Sector banks	S.D	COV
SBI	3428.607	305.5435	HDFC	15561.02	185.9534
BOB	2112.757	171.401	ICICI	15822.38	417.1238
CANARA	1748.142	404.8152	KOTAK	4520.098	367.603
PNB	2642.09	146.843	AXIS	15936.86	116.6743
AVERAGE	2771.231	241.138	AVERAGE	11388.33	249.9782

**INTERPRETATION**

From table 4.2.5, it is observed that standard deviation of Canara bank is lower than all other public and private sector banks in financing activities. It means that cash flow from financing activities of Canara bank is more stable. It indicates the strong solvency position of Canara bank. It is also observed that the coefficient of variance of Axis Bank is lower than all other selected private and public sector banks in financing activities. It means that Axis Bank has more consistency in financing activities than all other banks. It indicates the sound liquidity position in financing activities of bank.

From table 4.2.6, it is observed that the Average of standard deviation of selected public banks is lower than private banks in financing activities. It means that cash flow from financing activities of public sector bank is more stable than private sector banks. It indicates the strong solvency position of public sector banks. From the table 4.12 it is also observed that the average of coefficient of variance of selected public sector banks is lower than private sector banks in financing activities. It means that public sector banks have more consistency in financing activities than private sector banks.

**FINDINGS, SUGGESTIONS. CONCLUSIONS****FINDINGS**

- SBI give more loans than its deposits in 2018 which can be seen by negative balance in cash flow from operating activities in 2018.
- BOB have more cash outflows in operations than its inflows in 2016 and 2018.
- Kotak Mahindra, Axis Bank and all has more cash outflows in operation than its inflows in 2018.
- SBI and BOB invest more in 2018.
- Kotak Mahindra and Axis has more cash outflows in investment activities in 2018.
- Axis Bank has more consistency in operating activities than all other banks. It indicates the sound liquidity position in operations of bank.
- Cash flow from operations of public sector bank is more stable than private sector banks. It indicates the strong solvency position of public sector banks.
- Public sector banks have more consistency in operating activities than private sector banks. It indicates the sound liquidity position in operations of public sector banks.
- ICICI Bank has more consistency in investing activities than all other banks.



- Cash flow from investing activities of public sector bank is more stable than private sector banks.
- Public sector banks have more consistency in investing activities than private sector banks.
- Cash flow from financing activities of Canara bank is more stable. It indicates the strong solvency position of Canara bank.
- Axis Bank has more consistency in cash flow from financing activities than all other banks.
- Cash flow from financing activities of public sector bank is more stable than private sector banks. It indicates the strong solvency position of public sector banks.
- Public sector banks have more consistency in financing activities than private sector banks.
- Cash flow from operating activities of Kotak Mahindra Bank is better than all other selected banks. It indicates the level of cash flow from operations of Kotak Mahindrabank is higher than all other Banks.
- Cash flow from operating activities of public sector banks is better than private sector banks. It indicates the level of cash flow from operations of public sector banks is higher than selected private sector Banks.
- Cash flow from investing activities of public sector banks is better than private sector banks. It indicates the level of cash flow from investments of public sector banks is higher than selected private sector Banks.
- Cash flow from financing activities of Axis Bank is better than all other selected banks.

It indicates the level of cash flow from financing activities of Axis bank is higher than all other Banks.

- Cash flow from financing activities of private sector banks is better than public sector banks. It indicates the level of cash flow from financing activities of private sector banks is higher than selected public sector Banks.

## SUGGESTIONS

Based on the findings of the study here are some possible suggestions:

- For banks with negative cash flow from operating activities, such as SBI, the bank may need to re-evaluate its lending policies and loan portfolio to ensure that it can generate sufficient cash inflows from its operations.
- Banks that have more cash outflows than inflows in operations, such as BOB, may need to improve their operational efficiency to reduce costs and increase revenues.
- Private sector banks, such as Kotak Mahindra and Axis, may need to focus on improving their cash flow from operations and investing activities to ensure their long-term solvency position and financial stability.
- Public sector banks, such as SBI and Canara Bank, can leverage their consistent flow from operations and financing activities to support their lending activities and strengthen their liquidity position.
- Banks that have better consistency in their cash flows, such as Axis Bank, and ICICI Bank, can use their strong financial position to pursue growth opportunities and expand their market share.
- Banks that have higher levels of cash flow from operations and investing activities, such as Kotak Mahindra Bank and public sector banks, may be better positioned to weather economic downturns and market volatility.

Overall, banks should carefully analyze their cash flow statements and identify areas for improvement in their lending, operational efficiency, and investment strategies to maintain their financial stability and long-term viability.

## CONCLUSION

The findings of this study provide valuable insights into the financial performance of selected banks in terms of their cash flow activities. The negative balance in cash flow from operating activities for SBI indicates a potential issue with their lending policies and loan portfolio. Similarly, BOB needs to improve its operational efficiency to reduce costs and increase revenues. Private sector banks, such as Kotak Mahindra and Axis, should focus on improving their cash flow from operations and investing activities, while public sector banks, such as SBI and Canara Bank, can leverage their consistent flow from operations and financing activities to support their lending activities.

The study also highlights the importance of strong financial position and consistency in cash flows. Banks such as Axis Bank and ICICI Bank have shown consistency in their cash flows and can use their financial position to pursue growth opportunities and expand their market share. Banks with higher levels of cash flow from operations and investing activities, such as Kotak Mahindra Bank and public sector banks, may be better positioned to weather economic downturns and market volatility.

In conclusion, banks need to carefully analyze their cash flow statements and identify areas for improvement in their lending, operational efficiency, and investment strategies to maintain their financial stability and long-term viability. The suggestions provided based on the study findings can serve as a starting point for banks to improve their financial performance and position themselves for future success.



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