SJIF Impact Factor (2025): 8.688| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 10 | Issue: 3 | March 2025 - Peer Reviewed Journal

A COMPARISON PERFORMANCE OF UNION BANK AND KOTAK MAHINDRA BANK

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Article DOI: https://doi.org/10.36713/epra20410
DOI No: 10.36713/epra20410

ABSTRACT

Purpose

The purpose of comparing Union Bank of India (UBI) and Kotak Mahindra Bank (KMB) is to assess their financial performance, service offerings, and market positioning. This comparison helps investors, customers, and analysts understand:

Profitability: Analyze key financial metrics like net profit, return on assets (ROA), and return on equity (ROE).
Growth: Monitor the deposits, loans, and total market share growth.
Efficiency: Compare operational efficiency through metrics like cost-to-income ratio and asset quality.
Customer Service & Products: Assess service offerings, adoption of technology, and satisfaction.
Risk & Stability: Analyzing

The Design/Methodology/Approach

The design/methodology/approach to compare the performance of Union Bank of India (UBI) and Kotak Mahindra Bank (KMB) involves the following steps:

Data Collection: Collect relevant financial data from annual reports, balance sheets, and other publicly available resources such as financial ratios, profit & loss statements.

Quantitative Analysis: Financial metrics used include:
Profitability ratios: Net profit margin, return on equity (ROE), return on assets (ROA).
Growth metrics: Year on year growth in deposits, loans and total assets.
Efficiency ratios: Cost-to-income ratio, asset quality (NPAs), capital adequacy ratio (CAR).
Qualitative Analysis: Evaluate non-financial aspects such as:
Customer satisfaction and service offerings.
Technological adoption and digital banking capabilities.
Market positioning and strategic initiatives.
Comparison & Interpretation: Compare the performance of the two banks by making use of the above-mentioned metrics to reach appropriate conclusions regarding their financial strength, growth, operational efficiency, and stability.

Findings

Findings from the comparative performance of Union Bank of India (UBI) and Kotak Mahindra Bank (KMB):
Profitability:
KMB is highly superior to UBI in terms of profitability measures such as ROE and ROA, as it is highly efficient in its operations and enjoys a higher margin.
UBI has lower profitability due to its size, government ownership, and legacy issues.
Growth:
KMB is growing very well in terms of deposits, loans, and market capitalization because of its focus on digital banking and customer-

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centric products.
UBI has been steadily growing but has a challenge in scaling up compared to private banks such as KMB, particularly in retail banking.
Asset Quality:
KMB maintains better asset quality with lower NPAs and reflects stronger risk management.
UBI has a higher NPAs due to its legacy of bad loans, though there has been an improvement in the recent past.
Efficiency:
KMB has a better cost-to-income ratio, which is better operational efficiency.
UBI has been working on the area of improving operational efficiency and still lags behind by comparison.
Market Positioning:
KMB enjoys an excellent market position in private banking, with an orientation towards HNIs and digital banking.
UBI being a public sector bank has greater customer outreach and market depth especially in rural areas; however, it is more or less handicapped as a competition by private players like KMB.
Kotak Mahindra Bank shows better financial performance, efficiency, and growth prospects than Union Bank of India, which has still a lot to learn on performance improvement and which remains handicapped due to the nature of being a public sector bank and its legacy.

Originality

The originality of such a comparative performance analysis lies in the unique contrast it presents between a public sector bank, Union Bank of India (UBI), and a private sector bank, Kotak Mahindra Bank (KMB), in India.

Public vs Private Sector: The study examines how government-owned and privately-owned banks vary in terms of management, growth strategies, profitability, and customer base. UBI, being state-owned, is subject to regulatory constraints, a larger customer base, and legacy issues, whereas KMB, being a private player, has more flexibility, innovation, and efficiency.

Market Position: The original aspect also comes from comparing UBI's widespread rural and semi-urban focus with KMB's emphasis on high-net-worth individuals (HNIs) and digital banking solutions.

Strategic Response: The study highlights how each bank responds to India's evolving financial landscape, where UBI is working to modernize and streamline its operations, while KMB leverages technological advancements and customer-centric products to expand its reach.

This approach points out the unique challenges and opportunities that each bank encounters in the competitive banking sector and brings new insights into the different performances and strategies of public and private institutions.

Research Limitations and Implications

Data Availability: Financial data related to public sector banks like Union Bank of India (UBI) might not be available or difficult to procure in real time compared with a private bank like Kotak Mahindra Bank (KMB).
Comparative Metrics: Public and private sector banks are different and operate under different regulatory and institutional frameworks, making a comparison on certain metrics for instance, the influence that government has on UBI operations very difficult.
External Factors: The analysis might not consider all the external factors, such as governmental policy changes, economic condition changes, or unforeseen global events, which are known to have a bearing on the performance of a bank.

Implications:
Investment Decisions: The conclusion drawn can help investors understand various risk-reward profiles associated with public sector and private sector banks, thereby determining investment strategies.
Strategic Insights: It helps the bank managers and the policymakers identify the improvement areas, including operational efficiency, digital adoption, and asset management, especially in case of UBI.
Customer Preferences: Customers would be benefited due to differences in services, digital capabilities, and customer experience between two banks that may help them in informed choices regarding banking.
This study identifies the opportunities and challenges facing UBI and KMB, but the conclusion drawn from this study is

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to be taken with caution because of the above-mentioned limitations.

KEY WORDS
Segment: Public Sector Bank (PSB)
Market: Mass banking, government services, rural areas
Profitability: Low profitability and high NPAs
Digitalization: Lagging in digital service
Capital Adequacy: Struggles after mergers
Focus: Government schemes, financial inclusion
Risk Management: Higher cost of provisioning

INTRODUCTION

The Indian banking sector is diverse, with a mix of public and private sector banks that cater to a wide range of customers and services. Among the prominent players are Union Bank of India (UBI) and Kotak Mahindra Bank (KMB), which represent two different segments of the banking industry—public and private sector banks, respectively. Union Bank, founded in 1919, is one of India's oldest public sector banks and has a broad customer base, particularly in rural and semi-urban regions. It has played a significant role in financial inclusion, offering banking services to underserved segments of society.

On the other hand, Kotak Mahindra Bank, established in 2003, is a leading private sector bank known for its rapid growth, focus on technology, and premium banking services. It has carved out a strong presence in urban markets and is recognized for its innovative digital banking solutions, catering to affluent and tech-savvy customers.

This study aims to compare and contrast the operations, market strategies, customer services, financial performance, and technological advancements of Union Bank of India and Kotak Mahindra Bank. By examining their strengths and weaknesses, this research provides insights into how these two banks, despite serving different segments of the population, have adapted to the evolving landscape of the Indian banking sector. The comparative analysis will highlight their respective contributions to the economy, their approaches to customer satisfaction, and the challenges they face in an increasingly digitalized financial world.

REVIEW OF LITERATURE

Titto Varghese, Alfia Thaha, 16 June 2022: *The present paper is an attempt to investigate the effect of a merger in the performance of Kotak Mahindra Bank. It has been found that merger has a significant importance in the performance of an organisation. For this paper,*

we study the pre- and post-merger performance of Kotak Mahindra Bank with ING Vyasa with effect from April 1, 2015.
Sindhu N. R. and H.R. Uma, 2024: In today's business environment, the significance of Corporate Social Responsibility and ethical considerations is increasingly pronounced. This paper aims to measure and evaluate the Corporate Social Performance of banks over the past five years, utilizing their CSR expenditure as a benchmark for comparison.

Apoorva Trivedi, Dr. Anis ur Rehman, Yasir Arafat Elahi, *April – June' 2015:* This paper examines the comparative performance of leading public and private sector banks, i.e. Axis Bank and Kotak Mahindra Bank from Private Sector and Bank of Baroda and State Bank of India from the public sector. Data have been collected though annual reports of the consecutive five years i.e. 2008-09 to 2012-13 of all the banks. Then calculated ratios for all the banks and interpreted them. After that weightage was assigned to each parameter of the CAMELS Model.

According to their importance and understandings the weightage were allocated to each ratios of the each parameter. From the weighted results of each ratio, The marks have allocated on the bases of the performance of the bank. In addition, after addition of all the marks, the rank to the banks was given.

G Monica Jadav, Prof. D. Sreeramulu, September 2023: Performance appraisal (PA) with the swift expansion in the number of branches and the new functions assigned to them, banks are beginning to feel a new pressure on their organizational abilities. In the organisational planning to fulfil their new role, this concerns the process of training, development and performance appraisal. One of the underlying purposes of performance appraisal schemes is to elicit corporate compliance. To find which strategic factors influence

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on appraisal system in banking industry, data has been collected with help of structured questionnaire from 100 employees each from the private sector banks. A banking sector which aspires to grow must be in the tune with the changing needs of the environment

Mahesh M. Kadam and Deepak Sapkal, Jan 2019: *This paper examines the comparative performance of leading public and private sector banks, i.e. Axis Bank andKotak Mahindra Bank from Private Sector and Bank of Baroda and State Bank of India from the public sector. Data have been collected though annual reports of the consecutive five years i.e. 2013-14 to 2017-18 of all the banks. The calculated ratios for all the banks interpreted by CAMEL Model parameters. The study concluded that Government and Private Banks are doing well in maintaining the Capital adequacy, but Government Banks are facing major problems in Asset management due to more Non Performing Assets. The Profit and earning motives are higher in Private Banks than Public sector Banks. The Liquidity parameters are more the less same in Public and Private Banks.*

Gurpreet Singh Arora, Ankit Jain, 2021-2022 : In terms of nominal GDP, India is now the world's sixth-largest economy, and third-largest in terms of purchasing power parity. According to several predictions, India's growth rate will settle at 8% in the coming decades, making it the world's fastest-growing economy. The financial sector is extremely important for economic growth.

Shikha Agarwal, Sushil Kumar, June 2019
Secondly on the basis of trends, proportionate share of different components of assets in total assets of the selected banks has been analyzed, Thirdly trends in composition of assets of private sector banks and Public Sector Banks has been separately examined and it covers a comparative analysis of the trend in composition of assets of public sector and private sector banks.

M. Geeta , C.N. Sivanand, 2023: The banking sector plays a pivotal role in the economic development of India. After economic reforms, this has led a severe competition among the commercial banks in India, which resulted in mergers of banks. Sound financial health of the bank, boost confidence in stake holders as a whole.

Syed Raziuddin Ahmad & Muhammad Nauman Khan, December 9, 2020: The following study is conducted to measure and compare the performance of 32 Indian banks, 21 public banks, and 11 private banks, at two tiers during the period of 2008–2018. Industrial analysis of both the public and private banking sectors is conducted in the first tier, followed by an individual bank-level analysis at the second tier. Data analysis consists of deposits, assets, and equity as inputs to measure the outputs practicing data envelopment analysis techniques. The empirical results portray a mixed trend in various elements of efficiency. They reveal that with the common pledge to expand market share and performance, public and private banks have been improving and covering the highest efficiency level.

Mr. Jay A. Sathavara , Sejalben R. Christian: Healthy economy is depend upon financial service sector of a nation. Sheduled commercial banks occupy an important place in this sector by lending funds and creating saving habits of people. The aim of this study to evaluate financial performance of selected private sector banks of india by using EAGLE model. Private sector banks such as Axis Bank, HDFC Bank, ICICI Bank, Indusind Bank and Kotak Mahindra Bank was selected on the basis of market capitalisation. To achive this objective financial data of selected sample was retrived from bank's annual reports for the period from 2009-10 to 2018-19. Ranking the banks with the help of EAGLE model and ANOVA test was used to measure variance amongs the financial variables of a banks. The finding of this study shows that HDFC bank secured first rank in terms of earning, assets, liquidy and equity parameters where as kotak mahindra bank also secured first rank in terms of earning, growth and equity. Indusind bank also secured first rank in term of growth.

Rishi Vaidya 2, August 2018: Reserve Bank of India plays a major role in guiding and directing banks to establish and maintain a risk management system of international standards. Banks in India have well designed systems and procedures to handle credit risk, market risk and operational risk system.The present study was conducted to find the impact of Basel II Accord on the stability of Indian public and private banks. The sample size included 26 public sector banks and 20 private sector banks. The study finds that most of the banks follow the standardised approach as per the guidelines of the Reserve Bank of India to cover the operational risk, credit risk and market risk.

V.Sarangarajan Mr.S.Karthik,S.A.Lourthuraj,.R.Ramesh: The research design is based on the descriptive design technique. In this research paper the authors make use of quartile.Deviation technique and seven ratios which are Net Profit Ratio, Return on Total Assets, Return on Shareholders fund, Return on Capital Employed, Asset Turnover Ratio, Current Ratio, and Operating Expenses Ratio. Based on these seven ratios and quartile Deviation technique the authors suggested that the investors make use of their investments in Karur Vysya Bank Ltd and City union Bank because the performance of Karur Vysya Bank Ltd and City Union Bank Ltd are better than other select private banking companies in this study

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OBJECTIVES

- Aims to provide banking access to underserved and rural areas
- Focus on improving customer experience through innovation and tailored products.
- Strong focus on adopting digital technologies and enhancing online services.

HYPOTHESIS

1. **H0**: There is no significant difference in financial performance (profitability and NPAs) between Union Bank and Kotak Mahindra Bank.
2. **H1**: Kotak Mahindra Bank has better financial performance due to its private sector efficiency.
3. **H01**: The digital banking services are similar for both Union Bank and Kotak Mahindra Bank.
4. **H11**: Kotak Mahindra Bank offers superior digital banking services and customer experience.
5. **H02**: Union Bank and Kotak Mahindra Bank are equally successful in financial inclusion.
6. **H12**: Union Bank is more successful in financial inclusion due to its public sector focus.
7. **H03**: Both banks have the same approach to sustainability.
8. **H13**: Kotak Mahindra Bank has a stronger focus on sustainability and ethical banking.

ANALYSIS

EQUITY SHARE DATA					
		UNION BANK Mar-24	**KOTAK MAHINDRA BANK Mar-24**	**UNION BANK/ KOTAK MAHINDRA BANK**	**5-Yr Chart Click to enlarge**
High	Rs	162	2,063	7.8%	
Low	Rs	66	1,667	4.0%	
Income per share (Unadj.)	Rs	131.5	282.9	46.5%	
Earnings per share (Unadj.)	Rs	18.1	91.6	19.7%	
Cash flow per share (Unadj.)	Rs	43.9	312.4	14.0%	
Dividends per share (Unadj.)	Rs	3.60	2.00	180.0%	
Avg Dividend yield	%	3.2	0.1	2,942.6%	
Book value per share (Unadj.)	Rs	127.9	653.4	19.6%	
Shares outstanding (eoy)	m	7,633.61	1,987.92	384.0%	
Bonus / Rights / Conversions		0	0	-	
Avg Price / Income ratio	x	0.9	6.6	13.2%	
Avg P/E ratio	x	6.3	20.4	31.0%	
Avg P/CF ratio	x	3.1	14.2	21.6%	
Avg Price/Bookvalue ratio	x	0.9	2.9	31.3%	
Dividend payout	%	19.9	2.2	912.4%	
Avg Mkt Cap	Rs m	870,804	3,707,274	23.5%	
No. of employees	`000	NA	NA	-	
Total wages & salary	Rs m	145,932	103,473	141.0%	
Avg. income/employee	Rs Th	0	0	-	
Avg. wages/employee	Rs Th	0	0	-	
Avg. net profit/employee	Rs Th	0	0	-	

INCOME DATA					
Interest income	Rs m	1,003,756	562,366	178.5%	
Other income	Rs m	178,128	380,373	46.8%	
Interest expense	Rs m	633,637	225,672	280.8%	
Net interest income	Rs m	370,119	336,694	109.9%	
Operating expense	Rs m	265,058	458,708	57.8%	

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Gross profit	Rs m	105,060	-122,014	-86.1%	
Gross profit margin	%	10.5	-21.7	-48.2%	
Provisions/contingencies	Rs m	146,099	78,590	185.9%	
Profit before tax	Rs m	215,082	238,634	90.1%	
Extraordinary Inc (Exp)	Rs m	0	0	-	
Minority Interest	Rs m	0	0	-	
Prior Period Items	Rs m	882	2,364	37.3%	
Tax	Rs m	77,993	58,866	132.5%	
Profit after tax	Rs m	137,971	182,132	75.8%	
Net profit margin	%	13.7	32.4	42.4%	

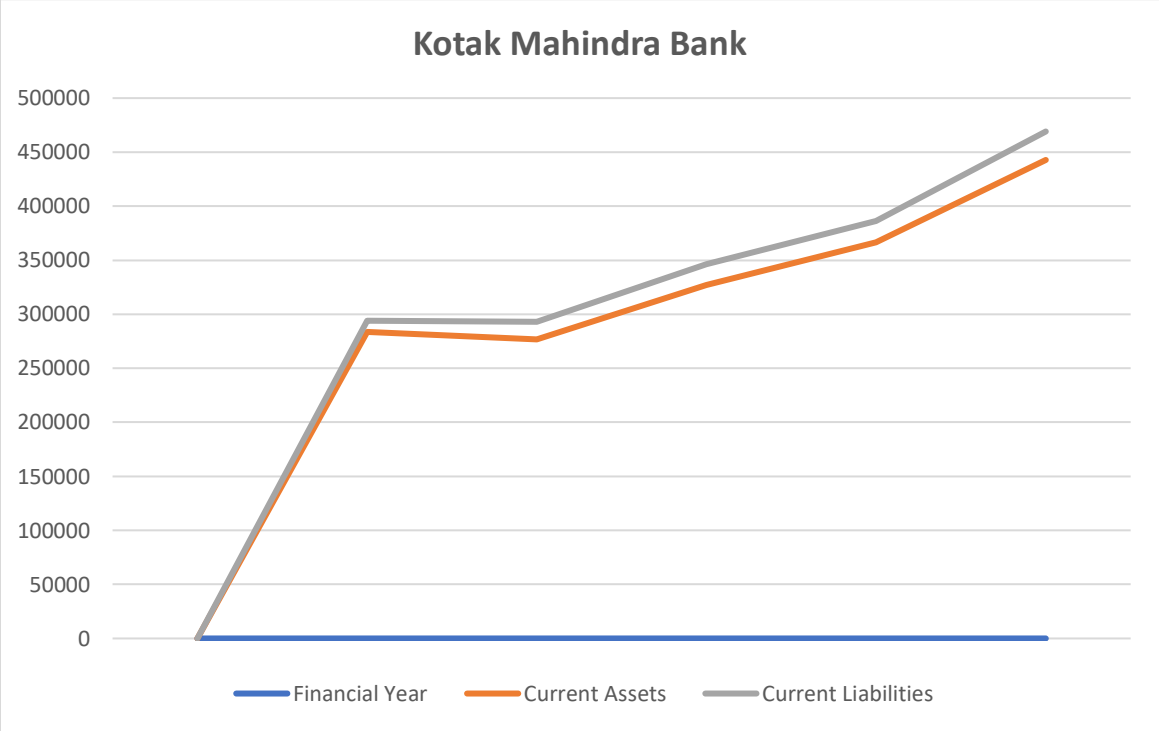
BALANCE SHEET DATA					
Advances	Rs m	8,740,797	4,303,516	203.1%	
Deposits	Rs m	12,245,934	4,452,688	275.0%	
Credit/Deposit ratio	x	71.4	96.6	73.9%	
Yield on advances	%	8.3	9.5	86.9%	
Cost of deposits	%	4.8	4.1	116.9%	
Net Interest Margin	%	3.0	5.0	61.1%	
Net fixed assets	Rs m	92,239	25,625	360.0%	
Share capital	Rs m	77,376	9,940	778.5%	
Free reserves	Rs m	898,600	1,288,984	69.7%	
Net worth	Rs m	975,977	1,298,924	75.1%	
Borrowings	Rs m	269,743	751,056	35.9%	
Investments	Rs m	3,439,529	2,464,457	139.6%	
Total assets	Rs m	14,019,959	7,676,670	182.6%	
Debt/equity ratio	x	12.8	4.0	320.1%	
Return on assets	%	1.0	2.4	41.5%	
Return on equity	%	14.1	14.0	100.8%	
Capital adequacy ratio	%	17.0	20.6	82.6%	
Net NPAs	%	1.0	0.3	302.9%	

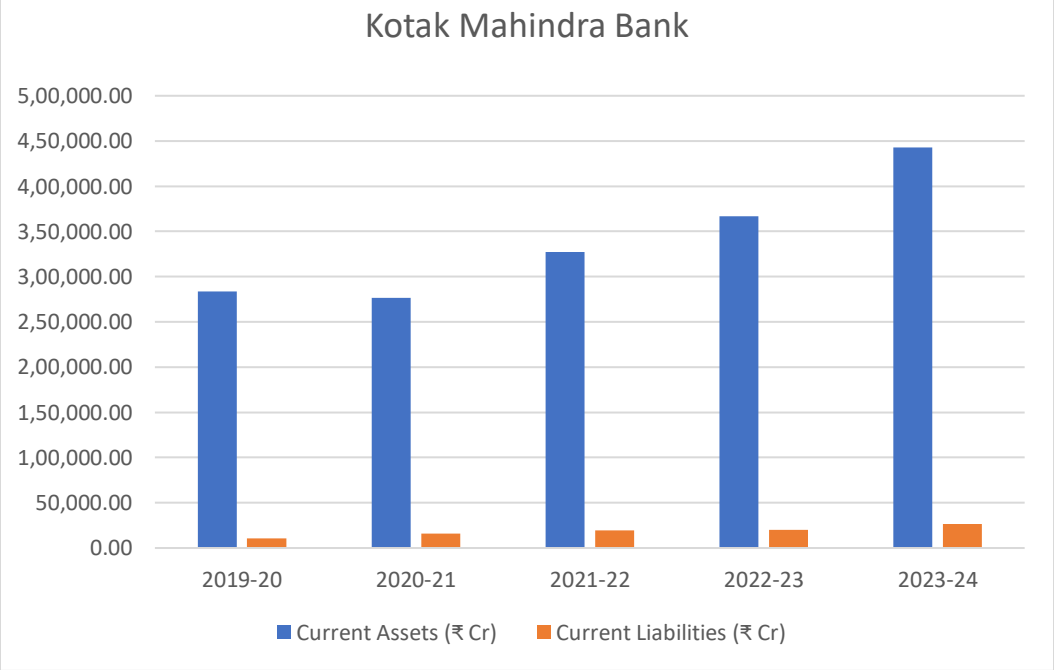
Financial Year	Current Assets (₹ Cr)	Current Liabilities (₹ Cr)	Current ratio
2019-20	2,83,577.01	10,419.68	27.2
2020-21	2,76,854.17	15,990.34	17.3
2021-22	3,27,204.46	19,289.39	17.0
2022-23	3,66,538.43	19,829.91	18.5
2023-24	4,42,797.99	26,316.45	16.8

CASH FLOW					
From Operations	Rs m	199,297	156,850	127.1%	
From Investments	Rs m	-13,938	-90,969	15.3%	
From Financial Activity	Rs m	-114,889	155,151	-74.1%	
Net Cashflow	Rs m	70,470	222,810	31.6%	

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Kotak Mahindra Bank Current Ratios





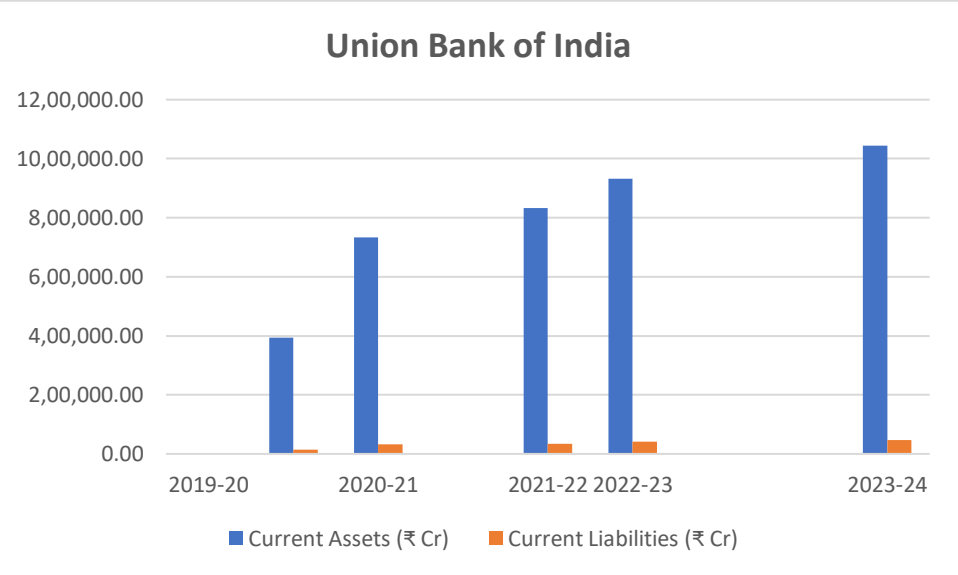
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Interpretation

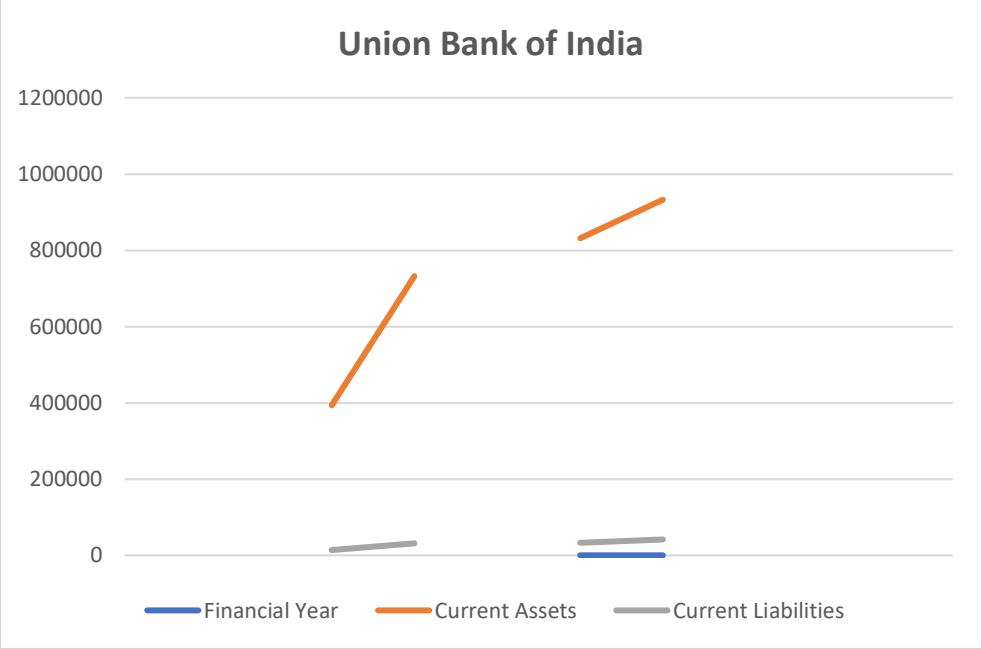
- **2019-20:** 27.2 -Very high, indicating excellent liquidity, meaning the bank had far more current assets than liabilities.
- **2020-21:** 17.3 -Still strong liquidity, though lower than 2019-20, suggesting slight increases in liabilities or a reduction in assets.
- **2021-22:** 17.0 -Stable liquidity, showing that the bank was managing assets and liabilities effectively.
- **2022-23:** 18.5 -Improved liquidity, indicating that the bank increased its short-term assets or better managed its liabilities.
- **2023-24:** 16.8 - Slight decline from previous years, but still very strong, meaning the bank remains in a solid position to cover short-term obligations.

Union Bank of India Current Ratios

Financial Year	Current Assets (₹ Cr)	Current Liabilities (₹ Cr)	Current ratio
2019-20	393,506.85	13,742.92	28.63
2020-21	732,850.18	31,586.66	23.2
2021-22	831,892.37	33,443.19	24.9
2022-23	932,627.80	41,564.45	22.4
2023-24	1,044,831.31	46,511.91	22.5



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Interpretation for Union Bank of India

- **2019-20:** 28.63 -Very high, indicating excellent liquidity, meaning the bank had much more current assets than liabilities, able to cover short-term obligations easily.
- **2020-21:** 23.2 -Still strong liquidity, though lower than 2019-20, suggesting an increase in liabilities or a reduction in current assets.
- **2021-22:** 24.9 Stable liquidity, showing the bank could still comfortably meet its short-term obligations.
- **2022-23:** 22.4 - Slight decrease in liquidity, but still strong, indicating effective management of short-term liabilities.
- **2023-24:** 22.5 -Stable, with a small increase, indicating consistent ability to cover short-term debts.

CONCLUSON

- Union Bank of India maintains higher liquidity with a more stable current ratio, ensuring strong short-term financial stability.
- Kotak Mahindra Bank has a declining ratio, indicating efficient asset utilization and a growth-oriented strategy but with a reduced liquidity margin.
- Union Bank is safer for liquidity, while Kotak focuses on asset optimization and expansion.