

Performance Evaluation of Public Sector Banks of India

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Abstract

The financial business in India overall is making critical commitments for the improvement of the economy and assisting with accomplishing manageable development. In India banks are perhaps the most advantageous entertainer on the planet banking industry seeing colossal seriousness, development, effectiveness, benefit and sufficiency, particularly in the ongoing years. Consequently, it is imperative to quantify adequacy across different banks in the nation and recognize the more vulnerable areas of the financial division, devise fitting methodologies and approaches to lift these segments and in the end make a domain that leads banks to be sound and results in soundness. On behalf of these the main purpose of the banking sector is to generate profit. Profitability is the primary goal of all business ventures. So these study an attempt to analyze profitability of selected public and private sector banks in India. This study used into three key factors which affect the profitability analysis of Indian banking sector using mean, standard deviation and co-efficient of variation.

Keywords: [Public Sector Banks, Operating Profit, Net Profit, Total income]

Introduction

Banks today possess a significant position and job in the general working and working of the economy of a country. Truth be told, banking arrangement of any nation is the backbone of the economy. Banks assumes a urgent job in the monetary advancement of a nation and structures the center of the currency market of the nation. The financial area performs three essential capacities in an economy; right off the bat, it deals with the installment framework, also, the preparation of reserve funds lastly, the allotment of investment funds to venture ventures with the end goal of improvement. The financial framework which comprises the center of the money related area assumes a basic job in transmitting fiscal strategy motivations to the whole monetary framework. A proficient financial framework can advance in more noteworthy measure of speculation which will additionally assist with accomplishing a quicker monetary development of the economy. The encounters overall affirm that nations with all around created markets and a productive financial framework develop at a quicker pace and are progressively reliable in their presentation.

The financial business has become a reality in the present economy, as it is seeing a development both regarding the quantity of foundations and as far as the measure of cash oversight by exercises.

Regardless of this advancement and triumphs accomplished by the financial organizations around the world, it despite everything have difficulties which will require further serious endeavors with respect to these foundations, for example, to upgrade the nature of its items and administrations, to enhance their individual exhibitions and to keep pace with the quick improvements occurring on the planet. The business banks who were ruling the business sectors have been assaulted by the globalization, rivalry and unpredictable market dynamic weights.

The section of outside banks, state plan helpful banks and multistate agreeable banks has included more weight the day today functions of these banks. Accordingly an endeavor ought to be made by the brokers to discover new techniques to improve their administrations. To comprehend the predominant exhibition the administrators and approach producers need to address a significant issues like execution estimation and productivity estimation Significance of the Study.

Review of Literature

Bikker (2010) focused on performance in a broader sense that is the contribution financial institution make to the common wealth .on behalf of consumers and businesses. This article also demonstrates that measuring the performance of banks is hard and that indicators differ strongly in quality. It investigates which methods are to be preferred and how by combining certain indicators stronger measures may

be developed. These measures are subjected to a predictive validity test. At the time of analysis 20 methods were used to measure banking competition and efficiency for the most important 46 countries.

Ayyappan and Sakthivadivel (2012) carried out analysis for the growth and trend of certain financial parameters of public and private sector banks. All the public and private sector Indian scheduled commercial banks functioning in Indian for the financial period from 2000-01 to 2009-10 that were listed in Bombay stock Exchange as per March, 2010 and had data for the entire period of study. This study covered 22 public sector banks group and 15 private sector banks group. The data for this study are collected mainly from the secondary sources. The main objective of this study is to measure the contribution of financial variable into profitability and analyse the trend and progress of selected financial variable. At the end of this study analysis that compound growth rate of private sector banks group higher as comparison with public sector banks groups. The trend analysis also showed that private sector banks are aggressive attempts to compete with public sector Banks. This study also identified that at the current rate of growth of the private sector banks can pose a challenge in market place and may even overtake the public sector banks in the fore coming years.

Nandy and Debaprosanna (2011) discussed profitability indicators of commercial banks in India. The objective of the study is to identify key factor and examine whether they have any significant influence on profitability of commercial banks in India. The study covers secondary data for a period of 3 year ranging from 2004-05 to 2006-07. For the analysis of this study have been used multiple correlation and multiple regression Technique. Their study calculate all the statistical results, with the help of SPSS package [version-16.0] have been used. From the above study and analysis .IT is clear that ;Interest expenses is the only gaol predictor for Net profit 'of all different banks groups taking together during the year 2004-05 to 2006-07 with the given data. This study may be extended to taken other important various in to consideration as used as to include other years after 1991 or to calculate the focus affecting 'Net profit' of each bank group individually over a certain period

of time.

Veni (2004) highlighted that the rating agencies give prominence to Capital Adequacy Ratios of banks while rating the banks certificate of deposits, fixed deposits and bonds. They normally adopt CAMEL Model for rating banks. Thus, Capital Adequate is considered as the key element of bank rating. Satish et al. (2005) concluded that the Indian banking system looks sound and Information Technology will help the banking system grow in strength while going into future. Bodla and Verma (2006), in their paper, made an attempt to examine and compare the performance of two largest banks of India - SBI, a public sector bank; and ICICI a private sector bank - through CAMEL Model.

Objectives of the Study

The objectives of the study are as follows:

1. To understand the various theoretical aspects relating to the measurement of financial soundness through liquidity ratio of Public sector banks.
2. To analyses the financial soundness of Public sector banks in India.

Database

This study is based on secondary data that has been collected from annual reports of the respective banks. The source of secondary data are published documents of Reserve Bank of India (RBI) and Indian Banking Association (IBA) such as Reports on Trends and Progress of Banking in India, Report on Currency and Finance, Statistical Abstracts Relating to Banks in India, Performance Highlights published by IBA, Annual reports of various Public Sector Banks etc. Various Journals, bulletins, periodicals and newspaper devoted to the subject of banking in India has also been referred to. The study covers the period of 10 years i.e. from year 2008-09 to year 2017-18.

For analysis of the data, two important statistical tool viz. as averages, percentages and ratio analysis etc.

Results & Discussions

To analysis the financial performance of the public sector banks by using ratio analysis of liquidity ratios. The Selected banks were listed as follows:

Table 1: Liquidity Ratios

Current Asset as a Percentage of Current Liabilities (Percent)

Year/Bank	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Mean	SD	CV
Allahabad Bank	32.18	34.74	37.25	45.65	48.04	38.24	33.07	40.54	39.42	40.59	38.97	5.11	13.10
Andhra bank	33.75	36.87	40.62	35.93	48.41	45.46	37.48	39.12	12.25	45.84	37.57	10.10	26.88
Bank of Baroda	12.75	28.93	34.31	36.34	66.75	68.27	1.39	1.30	1.37	1.33	25.27	26.32	104.13
Bank of India	47.57	43.42	24.50	37.30	37.80	30.40	38.89	40.46	41.73	59.89	40.20	9.50	23.65
Bank of Maharashtra	28.39	32.60	28.80	28.80	33.84	34.61	29.36	38.74	31.71	43.52	33.04	4.93	14.91
Bhartiya Mahila Bank	NA	NA	NA	NA	NA	8.60	9.41	7.30	7.01	merged with sbi	8.08	1.12	13.92
Canara Bank	15.41	15.22	10.51	10.48	35.71	33.54	31.31	35.65	36.61	32.52	25.70	11.23	43.72
Central Bank	3.07	3.82	4.03	7.90	10.16	8.68	6.40	4.10	6.30	8.20	6.27	2.43	38.84
Corporation Bank	14.11	26.59	38.47	32.62	38.13	39.21	38.49	41.96	28.15	36.26	33.40	8.40	25.16
Dena Bank	14.81	27.08	53.87	45.79	24.69	47.61	40.25	47.42	60.76	55.83	41.81	14.99	35.86
IDBI Bank	26.74	28.13	36.40	37.96	11.08	33.75	31.57	29.19	21.96	18.18	27.50	8.40	30.55
Indian Bank	23.08	25.06	27.63	28.14	26.15	28.89	30.15	34.33	34.65	38.29	29.64	4.78	16.12
Indian Overseas Bank	46.20	41.05	42.11	45.14	56.04	57.52	48.29	37.08	39.34	26.37	43.91	9.10	20.72
Oriental Bank of commerce	21.68	25.11	28.29	34.82	45.14	38.92	35.29	40.91	46.77	48.69	36.56	9.28	25.38
PNB	26.24	27.97	31.69	31.82	22.16	34.32	141.78	39.56	44.06	33.65	43.33	35.16	81.15
Punjab and Sind Bank	21.83	46.34	30.97	32.80	28.99	37.31	38.47	38.25	45.38	49.23	36.96	8.56	23.15
Syndicate Bank	17.63	32.33	35.24	36.42	32.72	38.11	34.85	39.10	42.38	47.04	35.58	7.74	21.74
UCO bank	20.11	317.09	30.42	35.12	31.91	30.35	26.63	28.55	27.28	28.41	57.59	91.26	158.48
Union Bank	17.63	32.33	35.24	36.42	32.72	29.45	37.66	47.48	32.98	46.91	34.88	8.53	24.46
United bank of India	15.16	18.64	31.53	41.51	25.90	31.53	26.86	31.89	34.62	38.70	29.63	8.25	27.84
Viajy Bank	29.95	24.13	41.42	45.63	53.47	54.98	47.97	67.31	54.56	66.46	48.59	14.05	28.91
SBI	8.33	12.62	11.16	15.78	15.87	16.21	14.06	13.19	11.21	11.51	12.99	2.54	19.57
State Bank of Bikaner and Jaipur	16.20	16.00	18.77	18.34	25.51	18.01	22.26	22.88	21.30	NA	19.92	3.24	16.27
State Bank of Hyderabad	1.08	1.14	1.47	1.56	1.77	1.63	1.84	2.03	2.45	NA	1.66	0.43	25.68
State Bank of Indore	2.08	1.77	NA	NA	NA	NA	NA	NA	NA	NA	1.93	0.22	11.39
State Bank of Mysore	1.61	2.00	2.36	3.26	4.56	4.87	5.23	5.13	5.78	NA	3.87	1.57	40.71
SBP	1.49	1.37	1.58	1.78	1.96	2.14	2.56	2.78	3.15	NA	2.09	0.62	29.66
SBS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
state Bank of Travancore	0.97	1.68	2.15	2.78	2.90	3.14	3.56	3.78	3.89	NA	2.76	0.99	35.91

Source: Data Compelled by the researcher

Interpretation

Above table depicts the Liquidity as a Percentage of current ratio value expressed in terms of percentage. Current asset is the own fund of the bank that is utilized to operate the banking transactions. Current funds are those funds where the bank is borrowing the money from other financial institution or from central bank in certain interest rate and then bank use the same for operation purpose. This value indicated the self sustainability of the bank. Ideally higher the owned fund used by the bank is better the bank as for borrowed fund bank need to pay the interest.

From the above table it can be concluded that On an average Only UCO bank , Allahabad bank has maintained a significance level of Current Asset as a Percentage of Current Liabilities with the value 57.85% and 43.63% respectively in the study period. Apart from these two banks Allahabad Bank, Bank of Baroda, Bank of Maharashtra and Dena Bank has maintained acceptable value which is above 1.0%.

Out of sample framework Corporation Bank and Andra bank highly depend the business based on borrowed fund with lowest Owned Fund as a Percentage of Borrowed Fund value

Findings of the study

- Allahabad Bank has consistently stood better from its counter parties in terms of interest earned as a percentage of working fund as co-efficient variation out of 100, with 13.10 %
- Canara bank , Central bank has maintained a significance level of Owned Fund as a Percentage of Borrowed Fund with the value 48.85% and 37.63% respectively in the study period
- On an average in the study period Only Andhra bank and Bank of Baroda has maintained acceptable Liquid Asset as a Percentage of Total Deposits with the value of 0.71 and 0.61 respectively
- Dena bank has maintained highest Liquid Asset as a Percentage of Current Liabilities as compared to all the other banks for the study period with Liquid Asset as a Percentage of Current Liabilities of 17.67%.
- Dena Bank has maintained higher average Current Asset as a Percentage of Current Liabilities compared to all the other selected banks with 41.81%

Conclusion

Current study on financial performance evaluation of selected public sector banks in India uncovers the performance of selected banks for a period of 120 months. In order to evaluate the performance of the selected funds, different ratios were used. Finding of the study section gives an overview on the results from different ratios. The study suggests that the banks should ideally create a friendly and customer centric environment to satisfy the need of the customer in

banking sector. By doing this the customer retention rate increases enormously by year to year which will yield a good profitability to the bank in long term. The study can be concluded that the current study may help in making decision to evaluate the Indian banking public sector banks in particular.

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