A Study on Financial Performance of Selected Public Sector Banks in India

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Abstract:

The aim of this study is to analyse the financial performance of public sector banks (PSBs) in India and provide insights into their overall health and efficiency. PSBs play a crucial role in the Indian economy, serving as the backbone of the country's banking system. However, in recent years, these banks have faced numerous challenges, such as rising non-performing assets (NPAs), increased competition, and changing regulatory frameworks.

This research adopts a quantitative approach, utilizing financial ratios and performance indicators to evaluate the financial performance of PSBs. A comprehensive dataset comprising financial statements, annual reports, and relevant financial data from the past decade will be collected and analysed. The study will cover key financial aspects, including profitability, liquidity, asset quality, and efficiency.

The findings of this research will contribute to a deeper understanding of the financial health of PSBs and identify areas requiring attention and improvement. By comparing the performance of different banks, the study will offer insights into the relative strengths and weaknesses of individual institutions. Additionally, the research aims to shed light on the impact of regulatory changes, government initiatives, and market conditions on the financial performance of PSBs.

1) Introduction:

The performance analysis of India's public sector banks has been the subject of numerous studies. India's public sector banks are responsible for providing credit and other financial services to a variety of economic sectors, including agriculture, industry, and services, hence their success is an important factor in the country's financial sector.

The performance of India's public sector banks from 2015 to 2019 was examined in a report done by the Reserve Bank of India (RBI) in 2020. According to the report, public sector banks' profitability increased throughout this time due to a decline in net non-performing assets (NPAs) and an increase in net interest margins. The survey also made clear that public sector banks still have issues with asset quality, capital sufficiency, and operational effectiveness.

Financial performance has been one of the main areas of focus. To assess the performance of PSBs, researchers have examined a number of financial statistics, including return on assets (ROA), return on equity (ROE), net

interest margin (NIM), and non-performing asset (NPA) ratios. According to these studies, PSBs have generally underperformed in terms of financial parameters when compared to private sector banks.

Importance of public sector banks:

Public sector banks have a significant impact on a nation's economy and play a key part in it. Here are a few main arguments supporting the significance of public sector banks:

➢ **Financial inclusion:** Promoting financial inclusion requires the support of public sector banks. They ensure that people and businesses have access to fundamental financial services like savings accounts, loans, and payment options by offering banking services to all facets of society, including rural and underdeveloped areas.

➢ **Stabilizing the economy:** Public sector banks have a substantial impact on the economy's ability to remain stable during periods of financial turbulence. They can put into action countercyclical measures, like offering liquidity and credit support during economic downturns, which aids in upholding stability and reducing excessive volatility in the financial system.

➢ **Credit Allocation:** It is the social duty of public sector banks to provide credit to underserved groups and priority industries. They are extremely important in providing loans for industries including agriculture, small and medium-sized businesses (SMEs), education, housing, and other fields that support societal advancement.

➢ **Government development programs:** Public sector banks facilitate the disbursement of funds and provide financial assistance for a variety of initiatives, including rural development, poverty alleviation, infrastructure projects, and the promotion of entrepreneurship.

➢ **Risk Mitigation:** Public sector banks help mitigate systemic risks by varying the ownership and control of financial institutions.

➢ **Support for Small Businesses:** Public sector banks are essential in providing small business and startup support, which is essential for fostering economic growth and creating jobs. They help entrepreneurs launch and grow their firms by offering them financial support, direction, and consulting services.

➢ **Financial Stability and Trust:** Because they are owned by the government, public sector banks are frequently seen as being more secure and reliable. This trust element draws deposits from people and companies, giving them a secure location to hold their money. The banking system benefits from this stability and trust, which also supports overall financial stability.

2) Review of Literature:

➢ **A.Ramachandran**; The future of urban cooperative banks is difficult because of competition from public sector banks and private sector banks, according to A. Ramachandran in their article "A study on the progress of the

scheduled urban cooperative banks in India with respect to major indicators of financial performance" published in RADIX international journal of banking, finance and accounting .Both public and private sector banks are focusing on their significant vertical and horizontal expansion initiatives.

➢ **According to B. Muniraja Sekhar and B. Sudhir**, who wrote "Core Banking Solutions in Urban Cooperative Banks - Issues and Challenges" in the International Journal of Scientific & Engineering Research, the economic class and age composition of cooperative banks' customers is already unfavorable. If laggard cooperative banks do not raise their IT investments in the proper direction with caution, it will be difficult for them to draw in new youthful clients.

➢ **K.V.S. N Jawahar Babu** concluded that urban co-operative banking is a crucial sector in the Indian banking scene, which has experienced a lot of turmoil in recent years, in their article "Performance evaluation of urban Co-operative banks in India" published in IOSR Journal of Business and Management (IOSRJBM).Even though some UCBs have performed credibly in recent years, many banks have clearly displayed signs of weakness.

➢ **Said and Saucier (2003)** used the CAMEL rating methodology to examine the liquidity, solvency, and efficiency of Japanese banks for the years 1993 to 1999. They assessed the banks' capital sufficiency, asset and management quality, earning capacity, and liquidity position.

➢ **Using the CAMEL Model, Prasuna (2003)** examined the performance of Indian banks. For the years 2003 to 2004, the performance of 65 banks was examined. The author came to the conclusion that there was fierce rivalry and that consumers benefited from greater service quality, cutting-edge items, and better deals.

3) Objectives of the study:

- The main objective of this study is to analyze the financial performance of selected public sector banks in India.
- To determine the difficulties of public sector banks in India, confront and to recommend solutions to enhance performance.
- To investigate the effects of outside variables on the financial performance of India's public sector banks, such as macroeconomic conditions and international financial markets.
- To assess the performance of several public sector banks in India and determine the variables that affect how well they function.
- To make a proper suggestion to the investors for their better investment choice.

4) Scope of the study:

An investigation of the financial performance and operational effectiveness of these banks would normally be included in the scope of a research on the performance analysis of public sector banks in India.

The research could specifically focus on the following topics:

- Financial performance: This entails examining the profitability, liquidity, solvency, and asset quality of India's public sector banks' financial statements.

- Operational efficiency: This entails evaluating how well public sector banks operate in terms of their cost structure, productivity, and level of clientele service.

- Comparison with private sector banks: In this case, the performance of India's public sector banks would be compared to that of the country's private sector banks.

5) Data collection and sample size:

The annual reports of public sector banks in India must be made public and include comprehensive financial and operational data, such as balance sheets, profit and loss statements, and other key performance indicators. The RBI releases a number of reports that offer useful information on the performance of India's public sector banks. These studies include the Banking Statistics Report, the Financial Stability Report, and the Report on Trend and Progress of Banking in India.

Secondary data

The study only used secondary data from the moneycontrol.com website for the public sector banks such as State Bank of India, Punjab National Bank, Union Bank of India, Canara Bank, and Bank of Baroda, Indian bank, central bank, Indian overseas bank, IDBI , Bank of Maharashtra collected for the financial years in order to analyze the performance of the public sector banks.

6) Limitations of the study:

- Limited time duration for the study
- The study is confined to only selected public sector banks in India.
- Data which is taken for the study is secondary.
- 10 Banks are selected to evaluate the performance.

7) Tools for Analysis:

In the course of analysis in the present study RATIONS will be used as tools at the light of requirements of analysis and Arithmetic mean. In this study the ratios will be used such as:

Arithmetic mean:

The mean is one of the most useful and widely used methods to find out the average in statistics. It is calculated by adding up all the number and dividing that sum by the total numbers.

$$\textbf{Mean} = \frac{\sum \textbf{x}}{\textbf{N}}$$

Were,

X= Represents scores

N= Represents number of scores

- RETURN ON ASSET (ROA)

- RETURN ON EQUITY (ROE)

- EQUITY PER SHARE (EPS)

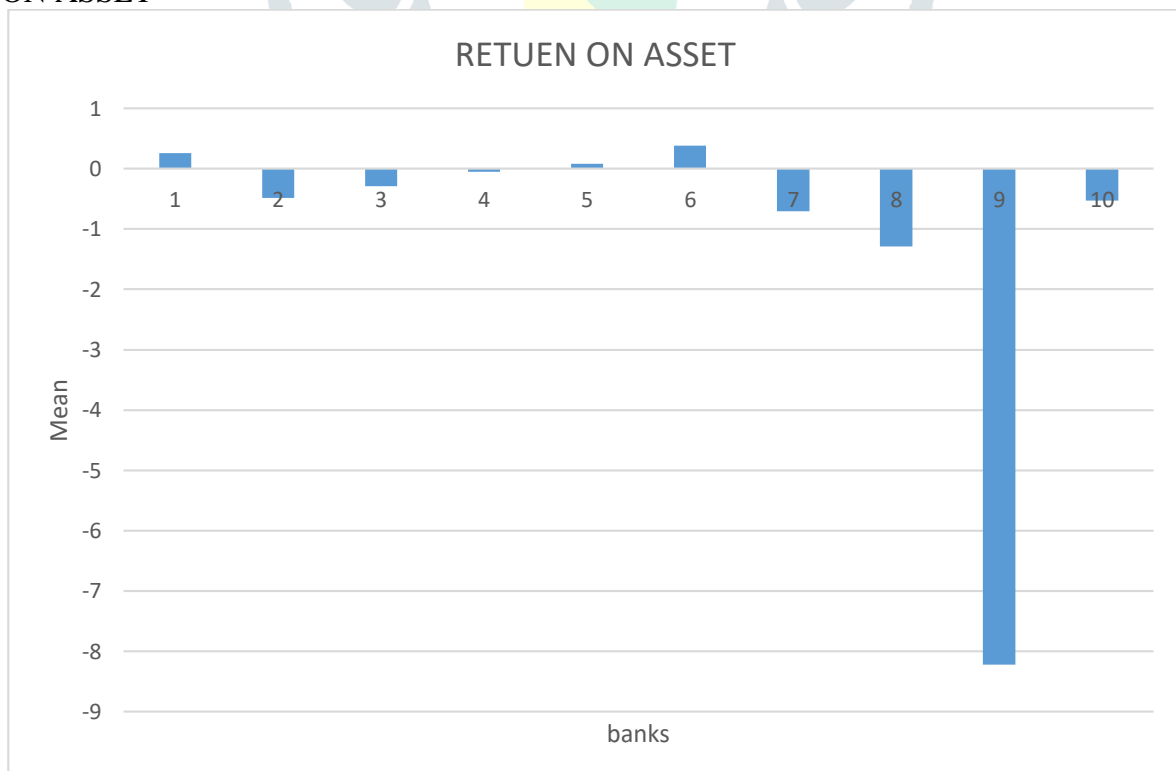- OPERATING EXPENSES

8) Data Analysis and Interpretation:

CALCULATION OF RETURN ON ASSETS FROM 2018-2022

(Values in percentage %)

RETURN ON ASSET

Bank name	2022	2021	2020	2019	2018	MEAN
SBI	0.6	0.45	0.36	0.02	-0.18	0.256
PNB	0.26	0.16	0.04	-1.28	-1.60	-0.484
UBI	0.44	0.27	-0.52	-0.59	-1.07	-0.294
CB	0.46	0.22	-0.30	0.04	-0.68	-0.052
BOB	0.56	0.07	0.04	0.05	-0.33	0.078
IB	0.58	0.47	0.24	0.11	0.49	0.378
Central bank	0.27	-0.24	-0.31	-1.70	-1.56	-0.708
IOB	0.57	0.30	-3.27	-1.49	-2.54	-1.286
IDBI	-2.35	-4.71	-4.29	0.45	0.80	-8.22
BOM	0.49	0.27	0.23	-2.90	-0.73	-0.528

RETURN ON ASSET

INTERPRETATION

In the above table represents the financial performance of selected public sector banks, analysing the Return on Asset for the financial year from 2018 to 2022. The Indian bank has highest return on asset of **0.378**. And Indian overseas bank has average return on asset of **-1.286.** The lowest return on asset showing the Industrial development bank of India with the value of **-8.22.** Other banks performance is fluctuating every year.
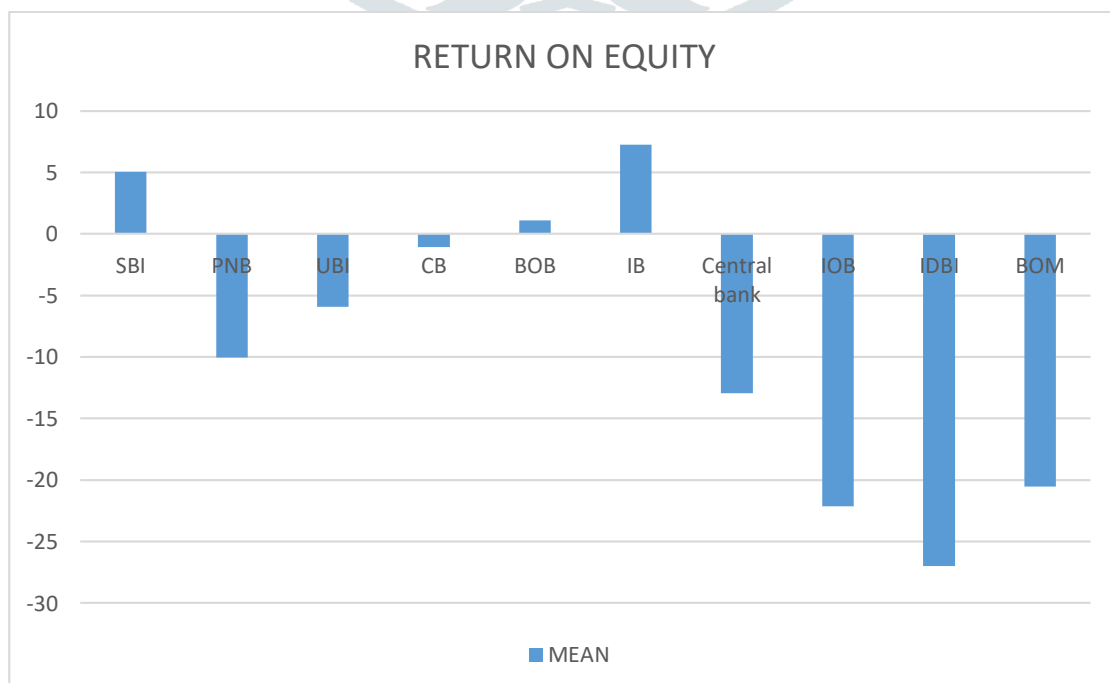
CALUCULATION OF RETURN ON EQUITY FROM 2018-2022

(Values in percentage %)

RETURN ON EQITY

Name of the bank	2022	2021	2020	2019	2018	Mean
SBI	12.33	8.86	6.95	0.39	-3.37	5.032
PNB	3.90	2.41	0.58	-24.2	-32.85	-10.032
UBI	7.94	4.87	-9.46	-12.15	-20.9	-5.94
CB	9.85	5.05	-6.78	1.16	-14.51	-1.046
BOB	8.46	1.07	0.76	0.94	-5.6	1.126
IB	10.52	11.88	3.94	1.97	7.95	7.252
Central bank	4.38	-4.95	-6.07	-29.79	-28.38	-12.962
IOB	7.43	4.9	-52.78	-22.84	-47.45	-22.148
IDBI	-50.99	-48.94	-46.82	4.45	7.34	-26.99
BOM	9.35	5.02	4.09	-109.56	-11.52	-20.524

RETURN ON EQUITY

INTERPRETATION

In the above table represents the financial performance of selected public sector banks, analysing the Return on Equity for the financial year from 2018 to 2022. The Indian bank has highest return on equity of **7.252**. And Punjab national bank has average return on equity of **-10.032.** The lowest return on equity showing the Indian overseas bank with the value of **-22.148.** Other banks performance is fluctuating every year.
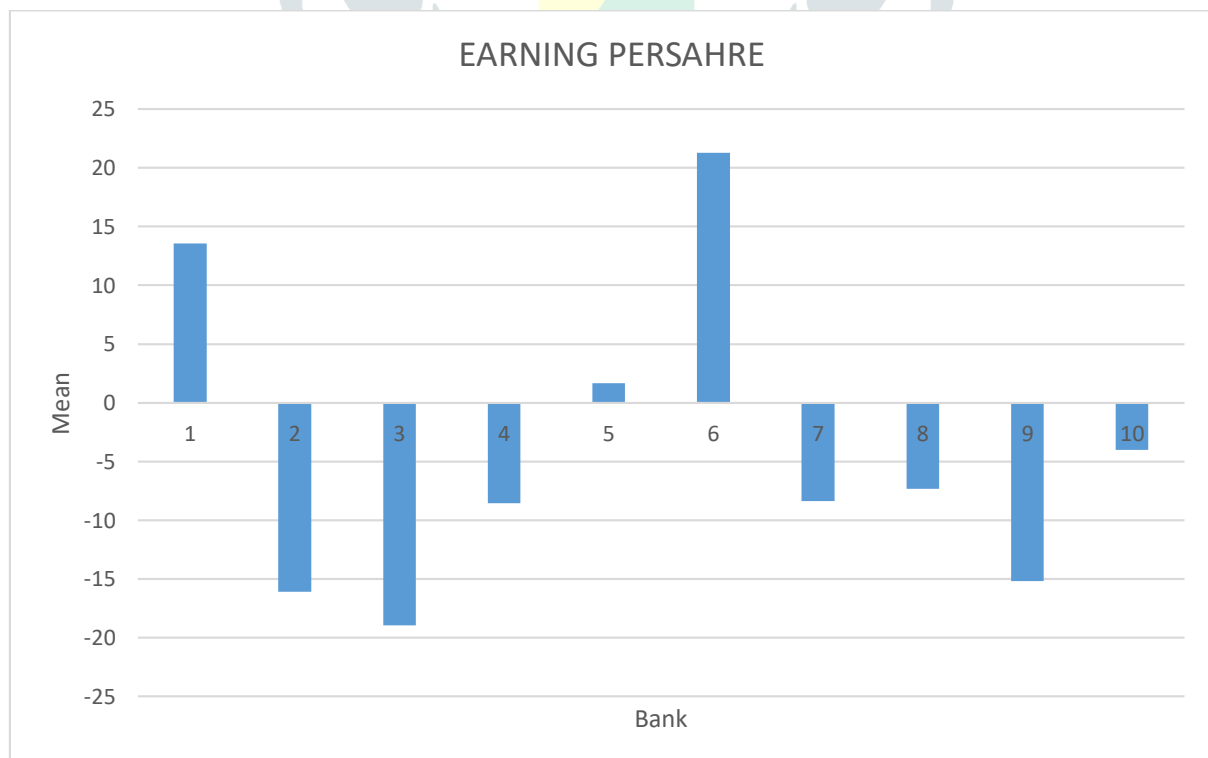
CALCULATION OF EARNING PER SAHRE FROM2018-2022

(Values in percentage %)

EARNING PER SHARE

Name of the bank	2022	2021	2020	2019	2018	Mean
SBI	35.49	22.87	16.23	0.97	-7.67	13.58
PNB	3.16	2.08	0.62	-30.94	-55.39	-16.09
UBI	7.73	4.54	-12.49	-25.08	-69.45	-18.95
CB	32.49	16.91	-26.50	4.71	-70.47	-8.57
BOB	14.06	1.78	1.36	1.64	-10.53	1.67
IB	32.38	26.61	14.33	6.70	26.21	21.26
Central bank	1.27	-1.53	-1.81	-20.19	-19.50	-8.35
IOB	0.92	0.51	-1.99	-6.89	-23.25	-7.33
IDBI	-34.45	-30.48	-14.48	1.30	2.27	-15.16
BOM	1.72	0.88	0.67	14.26	-8.95	-3.99

EARNING PER SHARE

INTERPRETATION

In the above table represents the financial performance of selected public sector banks, analysing the Earning per share for the financial year from 2018 to 2022. The Indian bank has highest Earning per share of **21.26**. And Indian overseas bank has average Earning per share of **-7.33.** The lowest earning per share showing the Union bank of India with the value of **-18.95.** Other banks performance is fluctuating every year.

CALCULATION OF OPERATING EXPENSES FROM 2018-2022

(Values in percentage %)

OPERATING EXPENSES

Name of the bank	2022	2021	2020	2019	2018	Mean
SBI	1.87	1.82	1.90	1.89	1.73	1.84
PNB	1.54	1.61	1.44	1.48	1.76	1.57
UBI	1.55	1.56	1.36	1.45	1.35	1.46
CB	1.61	1.67	1.59	1.50	1.54	1.58
BOB	1.69	1.77	1.56	1.44	1.41	1.57
IB	1.62	1.65	1.42	1.43	1.45	1.51
Central bank	1.87	1.83	1.94	1.83	1.96	1.89
IOB	1.82	2.02	1.96	1.78	2.25	1.97
IDBI	1.35	1.60	2.11	2.03	2.10	1.83
BOM	1.66	1.81	1.82	1.87	1.72	1.78

OPERATING EXPENSES

OPERATING EXPENSES
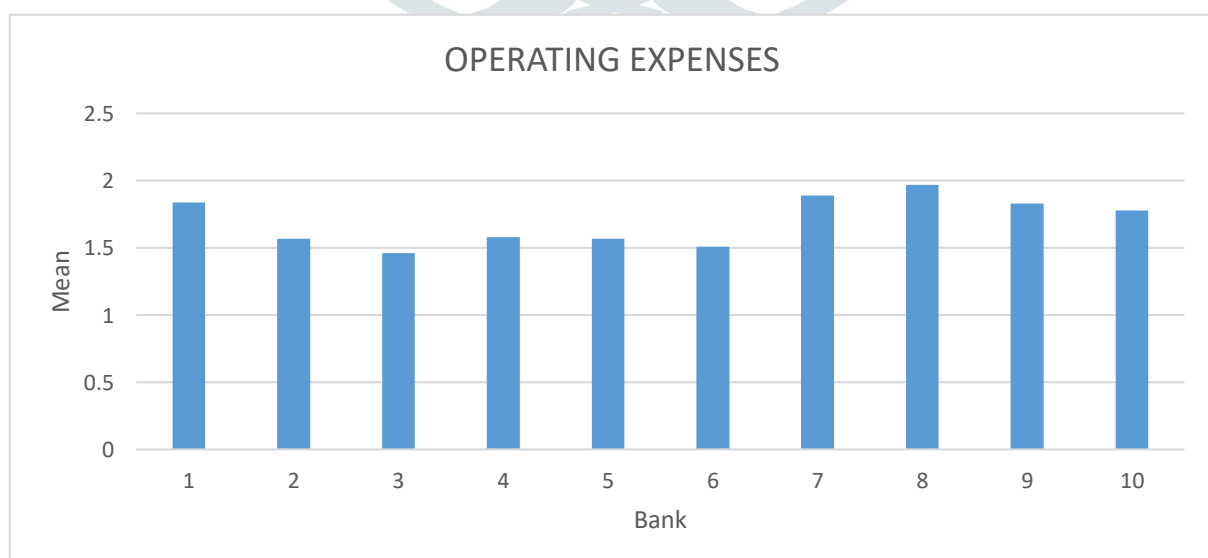
INTERPRETATION

The above table represents the operating expenses of selected public sector banks in India from the financial year 2018-2022. By analyzing the operating expenses it shows all the banks performing positively, increasing their performance. From the table Indian overseas bank is having the highest value of **1.97.** And Bank of Maharashtra has an average performance of **1.73**. Union bank of India has lowest performance of **1.46**.

Findings

1. The Indian bank has highest return on asset of 0.378. And Indian overseas bank has average return on asset of -1.286. The lowest return on asset showing the Industrial development bank of India with the value of -8.22.

2. The Indian bank has highest return on equity of 7.252. And Punjab national bank has average return on equity of -10.032. The lowest return on equity showing the Indian overseas bank with the value of -22.148.

3. The Indian bank has highest Earning per share of 21.26. And Indian overseas bank has average Earning per share of -7.33. The lowest earning per share showing the Union bank of India with the value of -18.95.

4. The Indian overseas bank is having the highest value of 1.97. And Bank of Maharashtra has the average performance of 1.73. Union bank of India has lowest performance of 1.46.

Suggestions

- Public sector banks must utilize assets efficiently. Unused assets must be considered for diversification purposes and new income-generating investment schemes must be initiated.

- Public sector banks must redefine their strengths and weakness and the type of market they are operating.

- To increase their performance by high yielding advances should be promptly marketed to improve earnings and wasteful expenditure should be cut down.

Conclusion

The research is focused on financial performance of Indian public sector banks over the last five years from 2018-2022. The study also aimed at identifying the bank's success and performance as well as the best banks based on their financial results over a set period of time. The return on assets, return on equity, earnings per share, operating expenses, net profit, total income, total assets and liabilities and CASA ratio were used to analyze the data. Based on the data analysis it is possible to conclude that public sector banks are performing well. From that data SBI was observed to be very stable.

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