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"AN IN-DEPTH STUDY ON FINANCIAL PERFORMANCE OF SELECTED PUBLIC SECTOR BANKS: AN INDIA PERSPECTIVE"

KEY WORDS: PSU Banks, Net Profitability, Growth & Development

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ABSTRACT

Banking as a major part of the financial sector, is the life blood of the economy. It plays a decisive role in accelerating the rate of economic growth. The importance of commercial banks in the process of economic development has been stressed from time to time by the economic thinkers and progressive bankers in the country. Banks are the heart of our financial structure. Banks play a positive role in the economic development of a nation as depositories of community's savings and as purveyors of credit. Indian banks have aided the economic development during the past fifty-eight years in an effective way. The banking sector has shown remarkable responsiveness to the needs of planned economy.

1. INTRODUCTION

A well planned, organized, efficient and viable banking system is a necessary concomitant for the economic development of a nation. Banking occupies a crucial place in undertaking the development effort and acts as a vehicle for socio-economic transformation. In a modern economy, income is partly spent for consumption and partly saved and much of the saving is channelized into investment via a variety of financial intermediaries. In India, the commercial banks constitute the heart of the financial structure since they have the ability to add to the money supply and thus create additional purchasing power. As an important segment of the tertiary sector of our economy, commercial banks act as the back-bone of economic growth and prosperity by playing an all-pervasive role as a catalyst of development. Hence, the PSBs had to be the prime-movers and leaders for the achievement of the socio-economic objectives of our economy. In the post-nationalization period, there has been a perceptible change in the structure, composition and direction of Public Sector Banking in India. Its progress in quantitative and qualitative terms has been phenomenal. Besides, a massive qualitative change in the operations of banking system, Public Sector Banks have been called upon to assume a great variety of new responsibilities in the area of social banking. Moreover, PSBs have made conscious efforts to become an engine of growth by undertaking a number of innovative activities.

Banking sector in India has undergone remarkable changes since the nationalization of 14 major commercial banks in 1969. The geographical and functional coverage of banks has surged at a rate that is unprecedented in the world. Similarly, services rendered by banks witnessed major changes after liberalization of the financial sector carried out from the early 1990s. In the recent years the Indian banking system has witnessed a significant transformation. Prior to the institution of financial sector reforms, Indian banks were operating in a highly regulated environment.

In view of the social responsibility placed on the banking sector, profitability was not considered as an important yardstick to judge their performance. From the time of the nationalization of 14 major commercial banks in 1969 till the early 1990s, the main thrust of banking operation was on social banking. Accordingly, the emphasis was placed on enhancing the branch network in rural and semi-urban areas. Moreover, banks had to undertake several other responsibilities, which included financing the fiscal deficit and facilitating the development of certain specific sectors as reflected in high and increasing prescription of SLR and direct lending. By and large, banking remained concentrated in the public sector and functioned in a highly regulated environment.

1.1 Profitability Ratio

Profitability ratio is an important analytical technique which is used to measure the results of banking operation or overall performance and effectiveness of the organization. Profitability analysis is indispensable for a banking organization from the view point of its survival and growth. "The growth in profits of the banks now assumes a greater significance as a measure of efficiency and credibility of the organization and retaining the confidence of customer and the investors. Profitability also assumes importance for management of capital in the banking sector and adoption of prudential norms in order to meet international standards of accounting".

2. REVIEW OF LITERATURE

Kumar & Kumar, (2016) studied and compared the output of four public sector banks from 2011 to 2015. They compared SBI to other public banks using a variety of financial ratios and came to the conclusion that SBI is superior. (Karri et al., 2015) used the CAMEL model and T-test to evaluate the financial strength of Bank of Baroda and Punjab National Bank. Based on 14 financial ratios, they discovered that Bank of Baroda outperformed Punjab National Bank on average.

Chintala & Kumar, (2016) studied public and private bank's financial performance. SBI, BoB, PNB, CBI, IDBI, HDFC, ICICI, Kotak, and IndusInd bank's total income, interest income, and service income were analyzed for the five years i.e. from 2011 to 2016. They came to the conclusion that private sector banks were the most profitable and experienced the fastest growth. Similarly, (Koley, n.d.) analyzed the financial performance of State Bank of India and HDFC Bank from 2013 to 2018. After considering annual income, net interest income, operating profit, net profit, and the CAMEL model, it was concluded that HDFC outperformed the rest. The findings were supported when the financial performance of public and private sector banks in India was compared and evaluated from 2009 to 2012.

Goel and Rekhi (2013). The ratio analysis and correlation coefficient matrix showed that HDFC bank performed well when compared to SBI, BOB, PNB, ICICI, and Axis bank. (Nathwani 2011) examined into the financial performance of all commercial banks of India over a five-year period, from 1997-1998 to 2001-2002. The ANOVA table was applied to Interest Income to Average Working Funds Ratio, Non-Interest Income to Average Working Funds Ratio, and Capital Adequacy Ratio. He discovered that banks that adapt to change, evolve, and adopt new technology to meet the needs of their customers are more likely to succeed. Banks that have introduced new and creative business models will be well positioned to face the demands and perform successfully in

the marketplace. These are the banks that will hit greater heights of success in the future.

3. RESEARCH METHODOLOGY

This research is descriptive and quantitative in nature as it is studying the current financial status of the selected banks. The yearly financial data of SBI, BOB, PNB, Allahabad Bank, Andhra bank, Bank of Maharashtra, Central bank of India and Union Bank of India, Canara Bank, and bank of India from 2010-11 to 2019-2020 were collected from the financial websites. For the data analysis purpose, the net profitability ratio has been calculated and compare their financial performance

3.1 RESEARCH OBJECTIVE

The financial reports of public banks during the pandemic

Table 4.1 The Net profitability ratios of selected banks (%) from 2010-11 to 2019-20

Year	SBI	ALLAHABAD	BOB	BOI	BANK OF MHN	PNB	CANARA	ANDHRA	CBI	UBI
2010-11	9.83	12.81	19.62	11.38	5.94	16.38	16.85	15.06	7.29	12.56
2011-12	10.75	11.88	17.1	9.34	5.97	13.26	10.53	11.7	2.85	8.3
2012-13	10.9	6.81	13.03	8.54	7.9	11.43	8.66	9.84	4.7	8.46
2013-13	7.66	6.28	12.18	7.16	3.22	7.86	6.54	2.97	-5.11	5.68
2014-15	8.42	3.19	8.53	4.00	3.56	6.85	6.52	3.88	2.33	5.46
2015-16	5.77	-3.82	-11.03	-15.05	0.77	-7.21	-6.06	3.04	-5.41	4.15
2016-17	-0.16	-1.63	3.99	-4.02	-11.24	1.87	2.97	1.03	-9.85	1.72
2017-18	-1.82	-27.97	-4.15	-15.85	-10.02	-25.82	-9.88	-18.64	-21.08	-15.84
2018-19	1.21	-49.03	2.05	-13.4	-43.9	-19.22	1.14	-14.4	-24.73	-8.54
2019-20	6.73	0.00	1.19	-6.87	3.38	0.66	-4.06	0.00	-4.76	-8.11
Average	5.93	-4.15	6.25	-1.48	-3.44	0.61	3.32	1.45	-5.38	1.38

(Source: moneycontrol.com)



Figure 4.1 Net Profit Ratio of selected public sector banks from 2010-11 to 2019-20

Table 4.1 shows the year- wise profitability ratios of selected public sector banks from financial year 2010-11 to financial year 2019-20. It was observed that all profitability ratios of SBI and BOB are higher compare to other public sector banks in India.

Hypothesis Testing

H0: There is no significance difference among various selected public sector banks in India.

H1: There is significance difference among various selected public sector banks in India.

The ANOVA test of there is no statistically significant difference in profitability ratios of the select public sector banks the p-value (0.34047) is higher than the significance value (0.05). So, the H0 is Accepted. The net profitability among all public sector banks is not significant.

CONCLUSION

Thus, it has been clearly observed that in the post reform period the focus of banking changed towards increasing the productivity, profitability, improving operational efficiency in the banking sector. The profit planning has become a complex phenomenon under competitive and deregulated environment. In the present scenario, there has been an increased focus on profitability, although other social objectives continue to be important. Moreover, the setting up

were analyzed to shed light on the banks' current financial condition. As a result, the study's primary goal is to look at India's banking sector's financial success over the last ten years, from 2010-11 to 2019-20. The study also aims to identify the key factors that affect bank performance, as well as to identify the best banks based on their financial results over a fixed period of time.

3.2 Statistical Tools:

In this study statistical tools like arithmetic mean have been used to calculate the average of profitability ratios. Also, Analysis of variance test has been used to compare the profitability of selected public sector banks in India.

4. DATA ANALYSIS AND INTERPRETATION

a new competitive environment has resulted in new challenges for the public sector banks to retain their position.

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