



A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF SELECTED PUBLIC SECTOR BANKS IN INDIA

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ABSTRACT :

Banks assume a critical job in monetary advancement of each country. A bank is financial intermediaries that accepts deposits and channel those deposits into lending activities. Banks were fundamental component of the financial system. For the study two public sector banks are selected. These selected public sector banks have performed well on the sources of growth rate and financial efficiency during the study period.



KEYWORDS : Bank, Public Sector, Financial Performance.

INTRODUCTION:

Commercial banks are the important of all economic activities. The importance of the banks is reflected in business, agriculture and industries in India. These banks are most important in terms of their strength among the financial institutions. The commercial banks are instrumental in shaping the economic destiny of a country. They are considered as the nerve system of economic and finance of a nation and the parameters of its economic prospective. As a result of globalization of financial markets, banking institutions face today a fast paced, dynamic and a competitive environment at the global scale. Inside such an aggressive domain, budgetary foundations are compelled to look at their execution in light of the fact that their survival in the dynamic financial matters of 21st century will be needy upon their gainful efficiencies. This study primarily aims to assess the financial performance of selected public sector banks.

LITERATURE REVIEW

Audit of writing has fundamental importance with research work. Because of writing survey the likelihood of reiteration of concentrate can be killed and another measurement can be chosen for the investigation. Some of the researches that have been conducted to analyse the different aspects of commercial banks in India are listed below:

Kumar and Sreeramulu (2008) in their study compared the employee's cost and productivity ratios of banks in India from 1997 to 2008, and found that the performance of modern banks (new private sector and foreign banks) has been superior that traditional banks (public and old private sector banks).

Pathak (2003) while comparing the financial performance of private sector banks since 1994-95, he explained that the private sector banks have delivered a new banking experience. Looking to the growing popularity of service provide by them, their public sector counterparts have started emulating them.

In this paper, the author made an attempt to have an insight into financial operation of these institutions. A sample of five banks has been taken for financial analysis. The working of all constituents was satisfactory but the HDFC bank emerged as a top performer among them followed closely by the ICICI Bank.

D'Souza (2002) provides an overview of performance of public sector, private sector and foreign banks during the period from 1991 to 2000. The productivity of keeping money framework was estimated as far as spread/working supports proportion and turnover/representatives proportion. In spite of the fact that the turnover/workers proportion has ascended in the general population part banks, the turnover per representative in the private and outside banks multiplied in respect to the proportion of people in general division banks amid this decade. However the investigation uncovered that the benefit of the general population area banks in the late nineties enhanced moderately to that of the private and remote banks.

OBJECTIVES

1. To study and analyse the trend (growth) of selected parameters like, deposits, advances, net profit, operating profit, total income, interest income, total expenses and total assets of selected public sector banks.
2. To make a comparative financial performance analysis on the basis of selected performance indicators of selected public sector banks.

METHODOLOGY

➤ SOURCE OF DATA:

The study will be based on secondary data and so secondary data

➤ PERIOD OF STUDY:

The research study will be covering the data of Five years of the functioning of the selected public sector banks will be taken for analyzing the data of research program. The study period is 5 years, starting from year 2012-13 to 2016-17.

➤ SAMPLING:

For the purpose of the study total 2 public sector banks are taken into consideration.

HYPOTHESIS:

1. There is no significant difference between total income of selected Public Sector Banks in India.
2. There is no significant difference between total expenditure of selected Public Sector Banks in India.
3. There is no significant difference between net profit of selected Public Sector Banks in India.

RATIO ANALYSIS

It discusses the different financial ratios and its interpretation. I also focus on Meaning of Ratios, Steps in Ratio Analysis, Importance of Ratio Analysis, Limitations of Ratios, Liquidity Ratios and Profitability Ratios related to Sales and Investment, Share Profitability Ratio related to Investment, Leverage Ratios, Turnover Ratios, Ratio Tables, Charts, Analysis and Interpretation of different ratios of selected public sector banks in India.

Table – 1.1
Total Deposits of Selected Public Sector Banks in India During the Period
from 2012-13 to 2016-17. (Rs. in Lakhs)

Name of the Banks	2012-13	2013-14	2014-15	2015-16	2016-17
BOB	47388.33	56889.43	61755.95	57403.78	60167.52
CBI	22603.80	24006.88	25557.23	26618.41	29667.11

[Source: Annual Reports of the selected Public Sector Banks]

Table 1.1 shows the total deposits of selected Public Sector Banks in India during the period from 2012-13 to 2016-17.

Total Deposits of BOB were Rs. 47388.33 lakhs in the year 2012-13 which increased to Rs. 60167.52 lakhs in the year 2016-17. The overall observation of total deposits shows upward trend.

CBI's total deposits were Rs. 22603.80 lakhs in the year 2012-13 and it was increased to Rs. 29667.11 lakhs in the year 2016-17. The overall observation of total deposit shows upward trend.

It was observed that the total deposits shows increasing trend during the study period.

Table – 1.2

**Total Investments of Selected Public Sector Banks in India
During the Period from 2012-13 to 2016-17 (Rs. in Lakhs)**

Name of the Banks	2012-13	2013-14	2014-15	2015-16	2016-17
BOB	12139.37	11611.26	12231.97	12045.05	12963.05
CBI	7266.20	8813.51	8973.99	8886.75	9309.48

[Source: Annual Reports of the selected Public Sector Banks]

Table 1.2 shows the total investments of selected Public Sector Banks in India during the period from 2012-13 to 2016-17.

Total investments of BOB were Rs. 12139.37 lakhs in the year 2012-13 which increased to Rs. 12963.05 lakhs in the year 2016-17. The overall observation of total investments shows upward trend.

CBI's total investments were Rs. 7266.20 lakhs in the year 2012-13 and it was increased to Rs. 9209.48 lakhs in the year 2016-17. The overall observation of total investments shows increasing trend.

Comparatively, the total investments shows increasing trend during the study period.

Table – 1.3

**Working Capital of Selected Public Sector Banks in India
During the Period from 2012-13 to 2016-17 (Rs. in Lakhs)**

Name of the Banks	2012-13	2013-14	2014-15	2015-16	2016-17
BOB	67933.36	59633.27	67210.65	123232.63	140162.64
CBI	73100.34	73871.48	82524.42	97235.10	95538.67

[Source: Annual Reports of the selected Public Sector Banks]

Table 1.3 shows the working capital of selected Public Sector Banks in India during the period from 2012-13 to 2016-17.

Working capital of BOB was Rs. 67933.36 lakhs in the year 2012-13 which increased to Rs. 140162.64 lakhs in the year 2016-17. The overall observation of working capital shows upward trend.

CBI's working capital was Rs. 73100.34 lakhs in the year 2012-13 and it was increased to Rs. 95538.67 lakhs in the year 2016-17. The overall observation of working capital shows increasing trend.

It was observed that the working capital shows increasing trend during the study period.

Table – 1.4

**Net Profit / Loss of Selected Public Sector Banks in India During the Period from 2012-13 to 2016-17
(Rs. in Lakhs)**

Name of the Banks	2012-13	2013-14	2014-15	2015-16	2016-17
BOB	448.07	454.10	339.84	-539.55	138.31
CBI	317.30	29.35	60.73	-111.77	-243.91

[Source: Annual Reports of the selected Public Sector Banks]

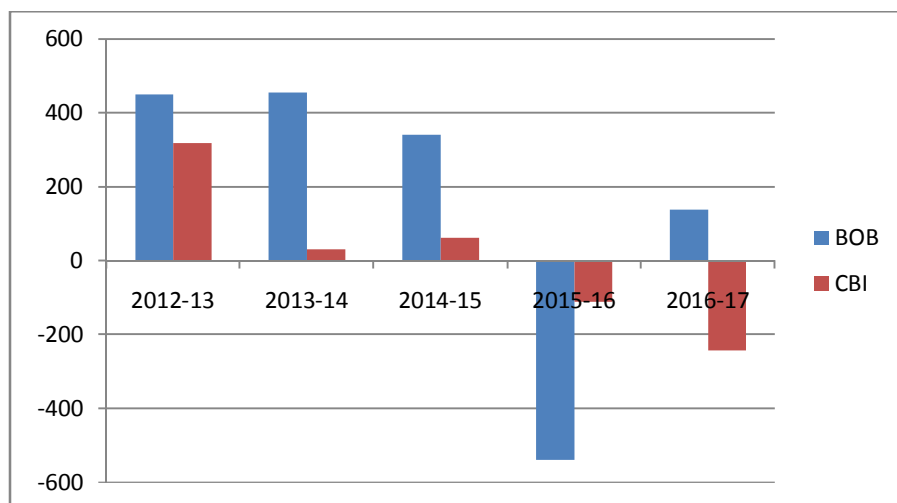
Net Profit of Selected Public Sector Banks in India during the period from 2012-13 to 2016-17.

Table 1.4 shows the net profit of selected Public Sector Banks in India during the period from 2012-13 to 2016-17.

Net Profit of BOB was Rs. 448.07 lakhs in the year 2012-13 which increased to Rs. 339.84 lakhs in the year 2014-15 and then it was decreased to Rs. -539.55 lakhs in the year 2015-16 and it was increased to Rs. 138.31 in 2016-17. The overall observation of net profit shows mix trend.

CBI's net profit was Rs. 317.30 lakhs in the year 2012-13 and it was decreased up to Rs. -243.91 lakhs in the year 2016-17. It shows decreasing trend during the period from 2012-13 to 2016-17. The overall observation of net profit shows decreasing trend.

It was observed that the net profit shows decreasing trend during the study period.

T-TEST: SINGLEFACTOR

H1: There is no significant difference between Profit/Loss of selected Public Sector banks India during the period from 2012-13 to 2016-17.

TABLE 1.4 Group Statistics

BANK	N	MEAN	T-VALUE	P-VALUE
BOB	5	98.175	0.506727347	0.253363674
CBI	5	-66.4		

The Table 1.4 shows the mean and P-value of net profit. At 5% significance level, P-value is 0.00 < 0.05. Therefore, null hypothesis is rejected. It can be said that there is a significant difference between the net profit of selected Public Sector Banks in India during the period from 2012-13 to 2016-17.

SUMMARY OF FINDINGS, SUGGESTON AND CONCLUSIONS:**FINDINGS:**

1. It seen that the total deposits shows increasing trend during the study period. The highest fold growth of total deposits were 3.95 in BOB whereas lowest CBI during the period from 2012-13 to 2016-17.
2. In both banks the total investments shows increasing trend during the study period.
3. It seen that the working capital shows increasing trend during the study period. The highest fold growth of working capital was 6.36 in BOB whereas lowest 2.31 in CBI during the period from 2012-13 to 2016-17.

4. Comparative study clearly shows that total deposits, advances, total income, net profit, performance of selected public sector banks are better during the study period. It was also observed that CBI is poor.
5. It was observed that the net profit shows decreasing trend during the study period.

SUGGESTION:

1. It has found that the total deposits show lowest fold growth in CBI. The researcher recommends that this bank should opening a large number of branches and increasing the number of deposits account.
2. During the research study, it came to know that total investment show lowest fold growth in CBI. Therefore, the researcher recommends that the bank must invest in good and profitable schemes.
3. It was observed that interest expenses to total income ratio of CBI were too high. The researcher strongly suggests that these banks should try to control its expenses to increase its profit margin.
4. The study can be conducted regarding problems and future trends of various public sector banks in India.
5. The comparison between profitability, liquidity and productivity of unit banks can be conducted.

CONCLUSION:

The Researcher has compared two selected public sector banks in terms of financial performance. A comparative picture shows Bank of Baroda have registered tremendous financial performance in relation to other selected public sector banks during the period from 2012-13 to 2016-17. And Central Bank of India has shown low performance during the study period because of reserve funds, interest income, total income and net profit were low. So these banks must improve its funds, deposits and income and reduce their expenses for better performance. Management strategy and policy of the banks take major role in enhancement of financial performance.

LIMITATION OF THE STUDY

The study is based on the secondary data and the limitation of using secondary data may affect the results.

1. The secondary data are taken from the annual reports. It may be possible that the data shown in the annual reports may be window dressed which does not show the actual position of the banks.
2. Geographical scope of the study is limited to 2 public sector banks only.
3. The analytical study is restricted to a period of 5 years from 2012-13 to 2016-17.
4. Tools and techniques for data analysis have its own limitations which ultimately affect the study.

SCOPE OF FURTHER RESEARCH

The scope of this research study is as under.

Functional Scope:

Functional scope of this study is to compare and analyse financial performance of selected public sector banks operating in India.

Geographical Scope:

In the study researcher will select 2 public sector banks, which are providing services in India. So, whole India is geographical criteria for this research study.

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