GRAND ACADEMIC PORTAL
RESEARCH JOURNALS
GAP iNTERDISCIPLINARITIES
A Global Journal of Interdisciplinary Studies
(ISSN – 2581-5628)
Impact Factor: SJIF - 5.047, IIFS - 4.875
Globally peer-reviewed and open access journal.

A STUDY OF FINANCIAL PERFORMANCE OF PUBLIC SECTOR BANKS OF INDIA

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Abstract

The Reserve Bank of India and the Ministry of Finance regulate and govern India's vast and varied financial institutions, which include both public and private banks. Since competition is fierce and customers are more demanding, the Indian banking sector's efficiency and profitability have taken centre stage. Financial performance of the main public sector banks in India is the primary focus of this study. From 2015-16 to 2019-20, these banks' financial performance was evaluated. FRA (Financial Ratio Analysis) is a tool used to evaluate public sector banks' financial performance by looking at their ratios. Banks can benefit from the study's conclusions.

Keywords: *Public Sector Banks, Financial Performance, Efficiency, Profitability*

INTRODUCTION

According to the book on economics and commerce, a bank is defined in a variety of ways by various authors. According to their functions, banks can be described in a variety of ways; so it is quite difficult to define one as such. Banks have evolved into a wide variety of various forms, each specialising in a specific area of banking. For the sake of science and probability, a universal definition of banking institutions would be an impossibility. Each sort of bank should have a definition that explains the specific functions it performs for its customers. As a result, the Bill of Exchange Act of 1882 (England) defines the term "bill of exchange."

46 commercial banks in India compete for customers with dozens of international banks, as well as rural and cooperative lenders, in a highly fragmented banking market. Eighty percent of the market is dominated by state-owned banks, with only a minor portion controlled by private competitors.

A total of 13.7 million Pradhanmantri Jan Dhan Yojna (PMJDY) accounts and 12.2 million RuPay debit cards had been opened by the end of February. Since their opening, these new accounts have received deposits totaling Rs 12,694 crore ($ 2.01 billion).

Credit growth in India's banking industry is expected to rise from less than 10% in the second half of CY14 to 12-13% in FY16, according to Standard & Poor's.

LITERATURE REVIEW

Farmer (2009) research, the financial performance of 27 nationalised banks in India from 1989 to 1998 was mostly dependent on secondary data. It has been sought to discover the quantifiable variables and determine how much each of these variables influences profitability. Selected extremely profitable and highly loss-making banks were used in a detailed analysis in order to uncover the characteristics determining their profitability. Break-Even Analysis has been put to use in an attempt to distinguish between banks that make a profit and those that lose money, as well as to make ideas for ways to increase the safety margin.

Gulati & Kumar (2009) made an attempt to study Indian domestic banks in an effort to examine the link between efficiency and profitability. The Indian domestic banking industry's efficient frontier is dominated by de novo private sector banks, according to empirical evidence. 22 banks in the "Question Mark" and "Sleeper" quadrants of the efficient-profitability matrix have resource utilisation processes that do not work efficiently and waste inputs in large amounts. The inefficient and unprofitable banks can use Tamil Nadu Mercantile Bank and Yes Bank as a benchmark for how well they should be performing.

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Tripathi and Japee (2020) analyzed the performance of mutual funds in India and try to identify whether the mutual funds can give reward to changeability and unpredictability with the help of statistical tools like standard deviations, beta, Sharpe ratio and Jenson's alpha. This study concluded that from selected 15 schemes all the funds have performed well in the high volatile market movement expect SBI Blue-chip Fund, Nippon India Large cap Fund, Nippon India Growth Fund, Nippon India Small cap Fund and DSP Small cap Fund.

Mitra & Shankar (2008) found that to raise a country's economic standing, it is necessary to have a strong and well-functioning banking system. It is the goal of this paper to model and analyse the efficiency of 50 Indian banks. It is possible to assess and quantify the inefficiency of each analysed unit. Ultimately, the goal of this article is to assess and compare Indian banking efficiency. If the banking industry is able to compete with global players because of its role as an intermediary, then this study should prove or disprove that premise. For the financial policy maker, the data are instructive since they point out areas where different institutions should focus on improving performance. The Indian banking industry's performance is examined in this research.

Kumar (2008) found that private sector banks have a vital part in the development of the Indian economy, in his work on an examination of the financial performance of Indian private sector banks. The banking industry saw significant transformations following financial deregulation. Economic reforms have had a profound impact on the banking industry. Following the Narashiman committee's suggestion, the RBI allowed new private sector banks to be established. Public sector banks dominated the Indian banking industry. In the past, the banking industry was dominated by old-school institutions that relied on outdated technology and lacked proper management.

Varadi et al. (2006) analyzed bank performance is increasingly essential in the modern world, according to their study. It is necessary to look at key metrics such as profitability, productivity, assets, quality, and financial management for both public and private Indian banks over the years 2000 and 1999 to 2002-2003 in order to assess the efficiency of the financial system in India. With the help of development envelopment analysis, we were able to determine which banks in India were more efficient: public sector banks.

Tripathi & Chaubey (2020) observed the intensity of fall during the two time periods over a six-month time span. The result showed that there was a sharp yet decent fall in the pandemic phase though the overall decline during the former period was higher than the pandemic period. They used One-way Anova to compare the performance of the stock indices of different countries and graphs and correlations to make a comparative analysis between the two incidents.

Barot & Japee (2021) concluded that financial possibility of the RRBs (Regional Rural Banks) has, however, been a matter of concern since the 1980s, just five years after their existence. A number of committees have gone into the issue of their financial possibility and feasible restructuring. India's economy is primarily rural in nature. Over the past few years rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living.

Parmar & Japee (2021) tried to study aimed at identifying the major factors that affects the perception of employee towards innovative banking practices carrying out in cooperative banks in Gujarat and also compares those factors with cities, age groups and education of the employees. The study employed exploratory factor analysis and found that there is major six factors like fast and secured internet banking, Advanced ATM and Mobile Banking, Availability of ECS, Customer Convenience, RTGS and NEFT Facilities, Effective Customer Care Services.

Patel & Japee (2021) their study is aimed at examining India's banking industry for the corporate social responsibility (CSR) activities being carried out by the major players and conducting impact analysis of such activities in terms of image building and performance improvement of such players.

Koeva (2003) made an attempt to study on Indian Bank Performance. New empirical information on the influence of financial liberalisation on the performance of Indian commercial banks was presented during Financial Liberalization. During the period of liberalisation, the study examines the costs and profits of bank intermediation. A rise in competitiveness and lower intermediation costs and profitability have been observed as a result of financial deregulation.

RESEARCH OBJECTIVE

To examine the financial performance of selected India's public banks.

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RESEARCH METHODOLOGY

SOURCES OF DATA
For this planned research project, secondary data sources were used.
Secondary data was gathered from annual reports of companies.

SAMPLE SIZE
Three public banks were chosen for the investigation.

PERIOD OF DATA COVERAGE
For the public banks under investigation, five years of financial statements were examined.

DATA ANALYSIS

INTEREST EXPENDED / TOTAL FUNDS			
YEAR	STATE BANK OF INDIA	BANK OF INDIA	BANK OF BARODA
2015-16	4.40	4.46	4.11
2016-17	5.15	5.48	4.79
2017-18	5.40	5.46	4.82
2018-19	5.38	5.26	4.47
2019-20	5.24	5.36	4.33
INTEREST INCOME / TOTAL FUNDS			
YEAR	STATE BANK OF INDIA	BANK OF INDIA	BANK OF BARODA
2015-16	7.35	6.98	6.92
2016-17	8.48	7.75	7.41
2017-18	8.49	7.63	7.17
2018-19	8.37	7.38	6.55
2019-20	8.18	7.26	6.37
LOANS TURNOVER			
YEAR	STATE BANK OF INDIA	BANK OF INDIA	BANK OF BARODA
2015-16	0.12	0.11	0.11
2016-17	0.14	0.12	0.12
2017-18	0.13	0.12	0.12
2018-19	0.13	0.12	0.11
2019-20	0.13	0.11	0.11
NET PROFIT MARGIN			
YEAR	STATE BANK OF INDIA	BANK OF INDIA	BANK OF BARODA
2015-16	9.40	11.63	19.69
2016-17	10.42	9.52	17.21
2017-18	10.66	8.78	13.18
2018-19	7.49	7.83	12.35
2019-20	8.17	4.60	8.70
OPERATING EXPENSE / TOTAL FUNDS			
YEAR	STATE BANK OF INDIA	BANK OF INDIA	BANK OF BARODA
2015-16	2.92	1.59	1.41
2016-17	2.62	1.31	1.25
2017-18	2.59	1.25	1.18
2018-19	2.72	1.28	1.17
2019-20	2.84	1.31	1.17

As can be seen from the table above, all banking businesses have a ratio of 4 to 7. For all three banks, there has been no notable change in either a positive or negative manner during the course of the five years of investigation. The top performing bank is Bank of Baroda, which is followed by State Bank of India and finally Bank of Baroda.

The accompanying interest revenue / total funds ratio data shows that there has been no substantial increase or decrease in ratio value for the three banks over the last five years. The greatest average ratio value belongs to State Bank of India, followed by Bank of India and Bank of Baroda.

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The State Bank of India has the biggest amount of ratio value, followed by Bank of Baroda, and then Bank of India, as shown in the above LOANS TURNOVER ratio table. As a result, State Bank of India has the greatest sales and must repay its loans.

According to the following Net Profit Margin ratio table, Bank of Baroda keeps the majority of its revenue as net profit, followed by Bank of India and State Bank of India.

The State Bank of India has the highest operating expense / total funds average ratio value for the last five years of the study period, as shown in the table above. It reveals that the State Bank of India has the greatest ability to increase its mainstream of operating expenses by leveraging its average total resources. Bank of Baroda has the lowest potential to increase its mainstream of operating expenses by leveraging its average total resources.

CONCLUSION

Using ratio analysis of public sector banks, it can be inferred that larger net profit margin ratio can be seen in earlier years, which means that banks were maintaining a higher percentage of their revenue as net income in those earlier years. " In comparison to their revenue, public sector banks have a lower loan turnover ratio and a higher outstanding loan balance. Using its average total resources, the State Bank of India has the best ability to increase its mainstream of operating expenses. The average total resources of public banks can be used to increase their primary source of operating interest income.

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