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A Study on Financial Performance of Selected Public Sector Banks

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ABSTRACT

Public sector banks are those in which the government holds more than 50% of the total stock. The government formulates all the financial guidelines for public sector banks. The public sector banks operate under the government to inspire trust in the depositors that their money is safe. The aim of the study is to find out the financial performance of selected Public Sector Banks using ratio analysis. Tools used for the study Mean, F-test or ANOVA (Analysis of Variances). Conclusion of the study Public sector banks want to increase the management capability to increase the profits,ROE, EPS, ROI and to increase the efficiency of banks.

INTRODUCTION

Public Sector Banks are financial institutions that are owned and operated by the government. These banks play a significant role in the economy by providing banking services to individuals, businesses, and government entities. Public sector banks are responsible for mobilizing savings, facilitating credit, promoting financial inclusion, and supporting economic development. The study is based on secondary data that has been collected from annual reports of the respective banks. The study covers the period of 5 years i.e. from year 2018-19 to year 2022-23.

OBJECTIVES OF THE STUDY

1.To find out the financial performance of selected Public Sector Banks using ratio analysis.

SCOPE OF THE STUDY

The study conducted based on the selected Public Sector Banks for the period of four years from 2018-19 to 2022-23.

SAMPLE OF THE STUDY

The present study conducted on selected 5 public sector banks (State Bank of India , Bank of Baroda , Indian Overseas Bank , Indian Bank , Canara Bank) only

DATA COLLECTION

The study is based on secondary data that has been collected from annual reports of the respective banks. The study covers the period of 5 years i.e. from year 2018-19 to year 2022-23.

TOOL OF ANALYSIS

Mean, F-test or ANOVA (Analysis of Variances)

REVIEW OF LITERATURE

Alpa Joshi (2013) did the study on , "A Study on Profitability Analysis of Selected PublicSector Banks" Mostly every firm is most concerned with its profitability. One of the most commonly used tools of financial ratio analysis is profitability ratios which are used to determine the company's bottom line and its return to its investors.

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Profitability measures are significant to company promoters and owners similarly. If a small business has outside investors who have put their own money into the company, the promoters certainly have to show profitability to those investors.

Loriya Chirag ,Thakarshibhai (2014) ,” A Study of Profitability Analysis of Selected Public Sector and Private Sector Banks of India”. The banking sector performs three primary functions in an economy: the operation of the payment system, the mobilization of savings and the allocation of savings to investment projects. By allocating capital to the highest value use while limiting the risks and costs involved, the banking sector can positively influence the overall economy. 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.

N Sathiya and S Sangeetha (2021) conducted a study on, “Financial Performance of Selected Public and Private Sector Banks in India”. The main objective of this paper is to evaluate the financial performance of selected public and private sector banks in India. The present study is used secondary data for period of five years from 2014- 15 to 2018-19. To compare the financial performance by using selected parameters namely return on asset, total income, net profit, net interest income and operating profit. The study found that total income, net interest income and operating profit of selected public sector banks are performing better than private sector banks. On the other hand, net profit and return on assets of private sector bank is higher than public sector banks. There is no significant difference between the net profits of selected public sector and private sector banks.

Vanitha S & Dr. Raghavendra (2022) conducted a study on, “Profitability Analysis of Public Sector Banks in India”. The present study has examined the financial performance in the public sector banks which has a significant result in terms of Net Profit Margin, Return on Net Worth, Operating Expense / Total Income and Capital Adequacy Ratios Bank of India performed better. Central Bank of India functioned well in getting significant long term returns and all selected sample banks shown negative outcome in the relation of Net Profit / Total Funds.

DATA ANALYSIS AND INTERPRETATION

NET PROFIT RATIO

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Mean	Max	Min
State Bank of India	0.35	5.63	7.69	11.49	15.12	8.056	15.12	0.35
Bank of Baroda	0.87	0.71	1.17	10.4	15.74	5.778	15.74	0.71
Indian Overseas Bank	-21.2	-48.99	4.9	10.21	10.81	-8.854	10.81	-48.99
Indian Bank	1.67	3.51	7.68	10.15	11.75	6.952	11.75	1.67
Canara Bank	0.74	-4.56	3.69	8.18	12.56	4.122	12.56	-4.56

Hypothesis

Source	DF	Sum of Square	Mean Square	F Statistic	P-value
between groups	4	952.2637	238.0659	1.4563	0.2526
within groups	20	3269.5029	163.4751		
Total	24	4221.7666	175.9069		

H0= There is no significant difference between Net Profit Ratio in selected banks under the study.

H1: There is significant difference between Net Profit Ratio in selected banks under the study.

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The Calculated Value of 'F' is less than the table value. The Null Hypothesis is accepted and alternative Hypothesis is rejected.

OPERATING PROFIT MARGIN (%)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Mean	Max	Min
State Bank of India	-14.14	-11.94	-8.7	-3.22	4.1	-6.78	4.1	-14.14
Bank of Baroda	-11.77	-12.85	-16.36	-6.02	4.55	-8.49	4.55	-16.36
Indian Overseas Bank	-45.05	-68.29	-27.86	-19.08	-10.36	-34.128	-10.36	-68.29
Indian Bank	-8.13	-11.95	-7.86	-7.64	-4.14	-7.944	-4.14	-11.95
Canara Bank	-13.3	-20.53	-18.38	-15.58	-9.66	-15.49	-9.66	-20.53

Hypothesis

Source	DF	Sum of Square	Mean Square	F Statistic	P-value
between groups	4	1388.3924	347.0981	1.762	0.1762
within groups	20	3939.7447	196.9872		
Total	24	5328.1371	222.0057		

H0= There is no significant difference between Operating Profit Margin in selected banks under the study.

H1: There is significant difference between Operating Profit Margin in selected banks under the study.
The Calculated Value of 'F' is less than the table value. The Null Hypothesis is accepted and alternative Hypothesis is rejected.

RETURN ON EQUITY / NET WORTH RATIO

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Mean	Max	Min
State Bank of India	0.39	6.95	8.86	12.33	16.75	9.056	16.75	0.39
Bank of Baroda	0.94	0.76	1.07	8.46	14.36	5.118	14.36	0.76
Indian Overseas Bank	-22.84	-52.78	4.9	7.43	8.3	-10.998	8.3	-52.78
Indian Bank	1.97	3.94	11.88	10.52	12.61	8.184	12.61	1.97
Canara Bank	0.04	-0.3	0.22	0.46	0.78	0.24	0.78	-0.3

Hypothesis

Source	DF	Sum of Square	Mean Square	F Statistic	P-value
between groups	4	1294.72	323.68	1.9633	0.1392
within groups	20	3297.3333	164.8667		
Total	24	4592.0533	191.3356		

H0= There is no significant difference between Return on Equity Ratio in selected banks under the study.
H1: There is significant difference between Return on Equity Ratio in selected banks under the study.

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The Calculated Value of 'F' is less than the table value. The Null Hypothesis is accepted and alternative Hypothesis is rejected.

OPERATING PROFIT RATIO

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Mean	Max	Min
State Bank of India	-0.93	-0.77	-0.5	-0.17	0.24	-0.426	0.24	-0.93
Bank of Baroda	-0.75	-0.84	-0.99	-0.32	0.27	-0.526	0.27	-0.99
Indian Overseas Bank	-3.17	-4.55	-1.72	-1.06	-0.64	-2.228	-0.64	-4.55
Indian Bank	-0.55	-0.82	-0.49	-0.44	-0.26	-0.512	-0.26	-0.82
Canara Bank	-0.89	-1.38	-1.1	-0.88	-0.6	-0.97	-0.6	-1.38

Hypothesis

Source	DF	Sum of Square	Mean Square	F Statistic	P-value
between groups	4	6.6079	1.652	1.8734	0.1546
within groups	20	17.6358	0.8818		
Total	24	24.2437	1.0102		

H0= There is no significant difference between Operating Profit Ratio in selected banks under the study.

H1: There is significant difference between Operating Profit Ratio in selected banks under the study.

The Calculated Value of 'F' is less than the table value. The Null Hypothesis is accepted and alternative Hypothesis is rejected.

OPERATING EXPENSES/TOTAL ASSETS (%)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Mean	Max	Min
State Bank of India	1.89	1.9	1.82	1.87	1.77	1.85	1.9	1.77
Bank of Baroda	1.44	1.56	1.77	1.69	1.68	1.628	1.77	1.44
Indian Overseas Bank	1.78	1.96	2.02	1.82	2.04	1.924	2.04	1.78
Indian Bank	1.43	1.42	1.65	1.62	1.7	1.564	1.7	1.42
Canara Bank	1.5	1.59	1.67	1.61	1.67	1.608	1.67	1.5

Hypothesis

Source	DF	Sum of Square	Mean Square	F Statistic	P-value
Groups (between groups)	4	0.1031	0.02579	0.8098	0.5336
Error (within groups)	20	0.6369	0.03184		
Total	24	0.74	0.03083		

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H0= There is no significant difference between Operating Expenses Ratio in selected banks Under the study.

H1: There is a significant difference between Operating Expenses Ratio in selected banks under the study.

The Calculated Value of 'F' is less than the table value. The Null Hypothesis is accepted

and alternative Hypothesis is rejected.

INTEREST EXPENSES/TOTAL ASSETS (%)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Mean	Max	Min
State Bank of India	4.19	4.02	3.4	3.1	3.39	3.62	4.19	3.1
Bank of Baroda	4	4.19	3.6	2.91	3.3	3.6	4.19	2.91
Indian Overseas Bank	4.94	4.64	4.03	3.48	3.55	4.128	4.94	3.48
Indian Bank	4.34	4.45	3.74	3.29	3.47	3.858	4.45	3.29
Canara Bank	4.65	4.94	3.91	3.5	3.93	4.186	4.94	3.5

Hyposis

Source	DF	Sum of Square	Mean Square	F Statistic	P-value
Between groups	4	5.7628	1.4407	15.7702	0.000005616
within groups	20	1.8271	0.09136		
Total	24	7.5899	0.3162		

H0= There is no significant difference between Interest Expenses Ratio in selected banks under the study.

H1: There is a significant difference between Interest Expenses Ratio in selected banks under the study.

The Calculated Value of 'F' is less than the table value. The Null Hypothesis is accepted and alternative Hypothesis is rejected.

CONCLUSIONS:

Finance is the life blood of every bank and businesses. Without effective financial management a bank cannot survive in this competitive banking world. Public sector bank want increase the efficiency and capability of the bank Operations, Because most of common people trust the Public banks. As a view point of investor, Many of Depositors preferring the Public bank, But most of investors are not preferring the Public bank because inefficient

use of Shareholders funds and resources. And they are providing low return on equity, Earning per share when compare to Private banks. Public sector banks want to increase the management capability to increase the profits,ROE, EPS, ROI and to increase the efficiency of banks. Both Private and Public Sector bank Employees want to work effectively for their bank to improve their bank positions.

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