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# A Study On Profitability Of Selected Public Sector Banks In India

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**Abstract:**

Bank play important role in the Economic Development of all the Nations of the World. Banking is the life blood of Modern Commerce. Financial Performance analysis of Selected Public Sector Bank (State Bank of India, Punjab National Bank, Bank of Baroda and Bank of India) during the Periods of five Financial year (2011 to 2015). State Bank of India is the largest bank in India. Punjab National Bank is second largest bank in India. Bank of Baroda is International Bank and Bank of India fast growing bank. This study based on entirely on secondary data and tools used to Ratio analysis selected public sector banks. This study found that SBI, PNB and BOB financially sound other than BOI.

**Keywords:** Profitability, Indian Public Sector Banks, Random Effect Model.

## INTRODUCTION

Banking is a single industry incorporating a dozen businesses, such as corporate banking, investment banking, small business banking, wealth management, capital markets and so on. Further one of these is retail banking, which is characterized by large numbers of customers, accounts and transactions, a variety of products and services, a high level of dependency on technology and terrific levels of cooperation between banks, retailers, businesses and consumers.

Banks have more capacity than they can use; consumers will need a bank account to receive government benefits; and banks continue consolidating into a small number of large banks. This consolidation may be a good thing, or it may be a bad thing. Certainly, smaller banks will have to develop successful strategies to compete with large banks, and such

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competition will benefit customers. One hope could be that even if we do end up with a handful of banks, they will at least compete with each other, and not enjoy comfortable, begin competition between themselves. But that might be a dream. We must have real competition.

After passing of nationalization the Indian banking system has considerably developed with a large network of branches and wide range of financial instruments. As banking industry is growing today with a rapid speed and competition it has more than 11,75,150 employee and has a 1,09,811 branches across India and 171 branches in abroad and have managed deposits of Rs. 67504.54 billion and bank credit of Rs. 52604.59 billion. The net profit of banks operating in India was Rs. 1027.51 billion against RS. 9148.60 billion turnover during 2012-13. Banking sector has a very important place in our Indian economy. The amount of the profit indicates the efficiency of the organization the larger the profit higher the growth rate. The profitability depends on the effective utilization of funds to procure maximum profit and growth.

**Concept of Growth**

Growth is the concept for banking sector to grow in a profitable manner, in assets, in number of branches and networks in number of ATMs, in capital adequacy ratio, but less in percentage of NPA. Every year targets are fixed by the banks to achieve it, various types of scheme are launched, and interest on deposits and loans are adjusted. The increase in business per employee of the bank in comparison to the previous year is evaluated. Operating profits, net profits, earning per share, dividend per share, return on capital employed, return on equity, interest coverage ratios are the other yardsticks to measure the growth of a business entity over a period of time. Growth also means to compare the net profit of current year to the previous year's profit. All of these mostly depend upon the factor which is very important in the recent scenario is the customer satisfaction and prompt services of banks. The technology factor also affects the growth very hardly. The bank which gives the prompt services to the customers they grow rapidly on every parameter of growth.

**Banking in India**

Responding to the need to meet the competitive global environment, India, in the nineties opened up its economy, largely by ending the licence raj and the permit system. As per the recommendations of the Narasimhan Committee, the Banking Sector introduced various reforms including the opening of the sector to private and the foreign

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players, deregulation of interest rates, reduction of the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR); this made the sector competitive with a scope to provide the customers a better experience (Vijay Joshi and David Little, 1998). At the same time, this exposed the Sector to risk of losses across the asset classes and geographical borders, needing close attention on the supervisory front from the monetary authorities (RBI, 2008-09).

The opening of the sector to the private players reduced government ownership of banks from58.9% in 1970 to 41.6% in 1995 (La Porta et al., 2002). The ownership in the banking sector remains predominantly in the public sector despite gradual declineintheirshare.AsonMarch31,2017,the Indian Banking System consists of 27 Public Sector Banks, 21 Private Sector Banks, 43 Foreign Banks, 56 Regional Rural Banks, 54 Scheduled Urban Co-operative Banks and 1498 Non Scheduled Urban Cooperative Banks in addition to Cooperative Credit Institutions. Public Sector Banks control more than 70 per cent of the banking business thereby leaving a comparatively smaller share for its private peers.

Duringtheperiod2006–2017,depositsgrewataCAGRof12.03percentandreached1.54trillionby the end of the Financial Year 2017. As on November 9, 2016, 255.1 million accounts were opened under Pradhan Mantri Jan DhanYojana (PMJDY). Due to the progressive policies adopted bythe Government of India in the year 2017, there was a spike in the number of accounts with the banks; this also calls for a strong risk management.

According to the Reserve Bank of India (RBI), the banking sector in India is sound, adequately capitalized and well regulated with High Quality Liquidity Assets (HQ LA) and SLR investments and it is much better when compared to other economies of the world. Studies on Credit, Market and Liquidity Risk suggest that Indian Banks are generally resilient and well regulated (SS Mundra, 2015). On the other hand, the quality of assets remains a matter of concern; the Reserve Bank of India, in its financial stability report has stated that the gross NPAs may increase to 9.3 per cent by March 2017, if the macro environment turns adverse (RBI,2017).

## REVIEW OFLITERATURE

**Chaudhary K., Sharma M., (2011), "Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative study ",** in his study to compare public and private

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sector banks performance and evaluate trends in NPA Level and suggests NPA Management. Study based on secondary data and to analysis statistical tools for projection of fraud. Study periods from 2009-2010.Finding study need for improve efficient management information system in banks and proper selection of project to analyzing the financial statements.

**Guruswamy D. (2012), "Analysis of Profitability Performance of SBI and its Associates"**, its objectives find out profitability and performance of SBI and associated Bank. Research based on primary based on secondary data used statistical tools like mean, standard deviation, variance and compound annual growth rate and Anova through SPSS software. Periods 1996 to 2007. Findings associated bank earned highest profit relation to Net worth compared to SBI.

**Malviya M., (2012), "An Analysis on the Profitability, Risk and Growth Indicators of Public and Private Sector Banks''**, in his aim to study the profitability, risk and growth of public sector banks for the financial year 2010-2011. Data collected from summary of income statements and Balance Sheet of six main Banks. Technique used to ratio analysis and compare public and private sector banks profitability. Finding in research work for public sector banks higher level of profitability and private sector banks generated more revenue for each invested in assets. Public sector banks efficient finance growth strategies and private sector banks vital aspects of growth strategy.

**Gauba R., (2012), "The Indian Banking Industry: Evolution, Transformation & the Road Ahead",** His objective to study the major transformational point in banking industry and current Level of banking in India. Study based on secondary data and collected from banking reports and RBI Reports. Periods of study taken from 2009-10 to 2010-11 and tools used to study income & expenditure trends and measure performance. Overall conclusion Indian banking industry face challenge financial inclusion, management of asset quality etc.

**Mishra A.K., G.S.H., Shivi A. & Neil R.D., (2012), "Analyzing Soundness in Indian Banking: A Camel Approach,"** in his study analyses the 12 public and private sector banks performance and Camel model used in his study. Study periods taken from 2000-2011 and data collected from secondary data and analyses performance of public and private sector

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banks. Finding result his study private banks faster growing as public sector banks and better performance than the PSB.

**Objective of Study**

In this study following main objective are:-

- To examine the financial performance of the selected public sector banks (SBI, PNB, BOB and BOI)
- To study the comparative analysis of four selected public sector banks.

**Data Source**

This study is used for Secondary data to analysis and Interpretation of Selected Public Sector Bank (State Bank of India, Punjab National Bank, Bank of Baroda & Bank of India) during the five year periods (2015 to 2019). Data is collected from various *Source*s such as Financial Reports of Selected Public Sector Bank, Reserve Bank of India reports on Banks and obtaining the latest information through net Surfing.

**Tools to Analysis of Selected Public SectorBank**

In This study used to analysis The Financial Performance, Measure, compare and classify the position of Selected Public Sector Bank (State bank of India, Punjab National Bank, Bank of Baroda & Bank of India) for the period of five years (2015 to 2019). Tools used in this study various Ratio Analysis to analysis and compare the financial performance of selected Banking Industry and Mean of Ratio is also compare the trend of Banking Profitability. This study various tools are following used:

Return on Assets, Return on Equity, Earning per Share and Net Profit Margin.

**ANALYSIS**

This study deals with the empirical analysis and interpretation of the collected data. The data is collected for the four banks (State Bank of India, Punjab National Bank, Bank of Baroda and Bank of India) for the periods of five years (2015to 2019).

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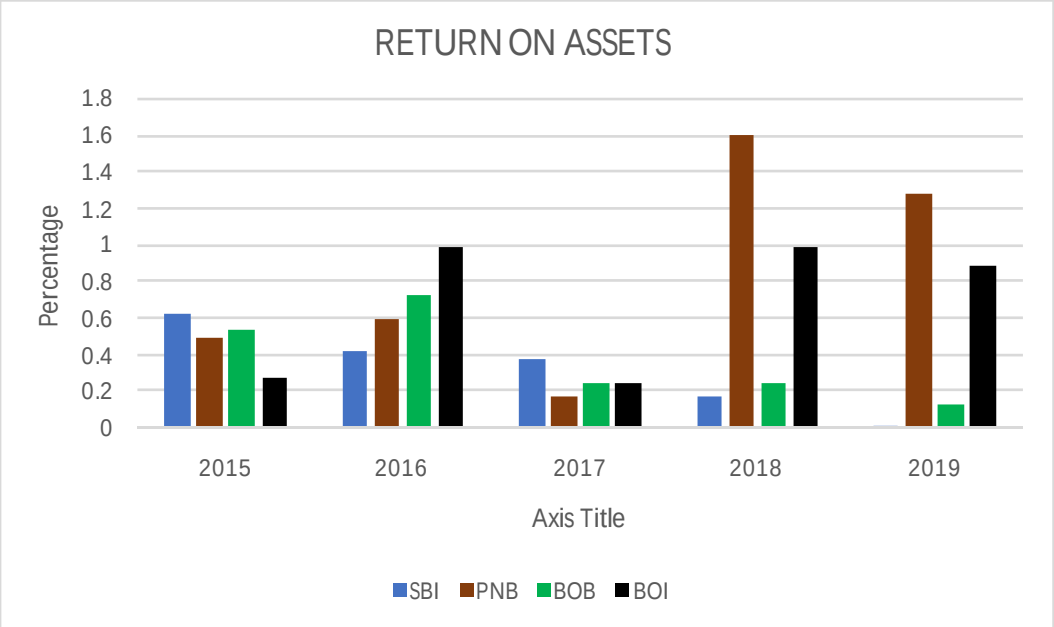
**Table 1.1**

**Return on Assets (ROA)**

| Year/ Banks | SBI | PNB | BOB | BOI |
|---|---|---|---|---|
| **2015** | **0.63** | **0.50** | **0.53** | **0.27** |
| **2016** | **0.42** | **0.59** | **0.73** | **0.99** |
| **2017** | **0.38** | **0.18** | **0.25** | **0.24** |
| **2018** | **0.18** | **1.60** | **0.25** | **0.99** |
| **2019** | **0.02** | **1.28** | **0.13** | **0.88** |
| **MEAN** | 0.326 | 0.83 | 0.378 | 0.674 |

(*Source*: SBI, PNB, BOB and BOI Annual Report)

**Chart 1.1**




The Table 1.1 & Diagram shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Return on Assets for periods of 2015 to 2019. This ratio indicates the effectivenessof using assets to generated revenues. Generally, higher this ratio is the more effective. In this


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table and graph shows that the highest ROA was in 2015 (0.63) of SBI and lowest was in 2019(0.02). The ROA was highest was in 2018 (1.60) of PNB and lowest was in 2017 (0.18). The ROA highest was in 2016 (0.73) of BOB and lowest was in 2019 (0.13). The ROA highest was in 2016 & 2018 (0.99) and lowest was in 2017 (0.24). The ROA is higher PNB (0.83) as compared to SBI (0.326), BOB (0.378), BOI (0.674) and effectiveness of using assets to generated revenues PNB is good.

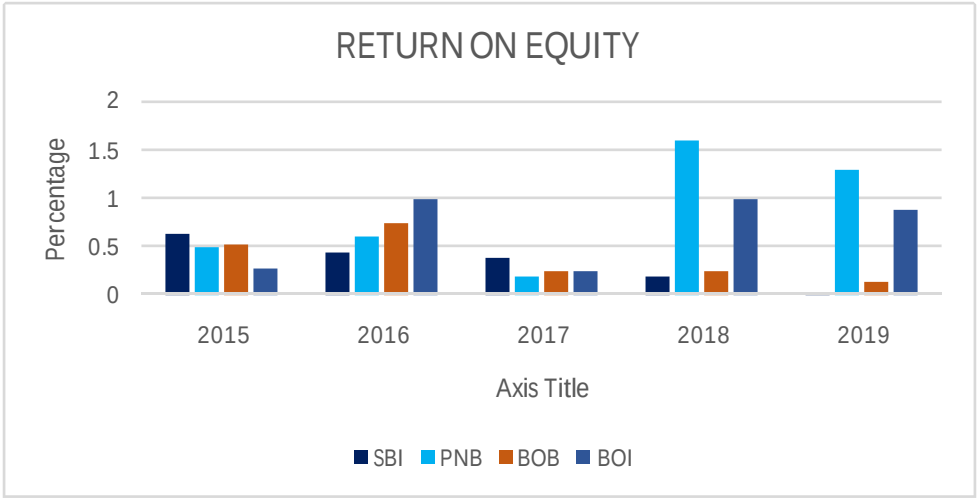
**Table 1.2**

**Return on Equity (ROE)**

| Year/ Banks | SBI | PNB | BOB | BOI |
|---|---|---|---|---|
| **2015** | **10.20** | **8.12** | **9.30** | **5.43** |
| **2016** | **6.89** | **11.20** | **11.92** | **19.63** |
| **2017** | **6.69** | **3.47** | **4.21** | **5.06** |
| **2018** | **3.37** | **32.85** | **4.05** | **20.15** |
| **2019** | **0.39** | **24.20** | **2.20** | **13.30** |
| **MEAN** | 5.508 | 15.968 | 6.336 | 12.714 |

(*Source*: SBI, PNB, BOB and BOI Annual Report)

**Chart 1.2**



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The Table 1.2 & Diagram shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Return on Equity for the periods of 2015 to 2019. It is indicated how much an equity shareholders' investment actually earning. In this Table and graph shows that the highest ROE was in 2015 (10.20) of SBI and lowest was in 2019 (0.39). The ROE was highest was in 2018 (32.85) of PNB and lowest was in 2017 (3.47). The ROE highest was in 2016 (11.92) of BOB and lowest was in 2019 (2.20). The ROE highest was in 2018 (20.15) of BOI and lowest was in 2017 (5.06). The ROE is higher PNB (15.968) as compared to SBI (5.508), BOB (6.336), BOI (12.714) and PNB investment earning is better.

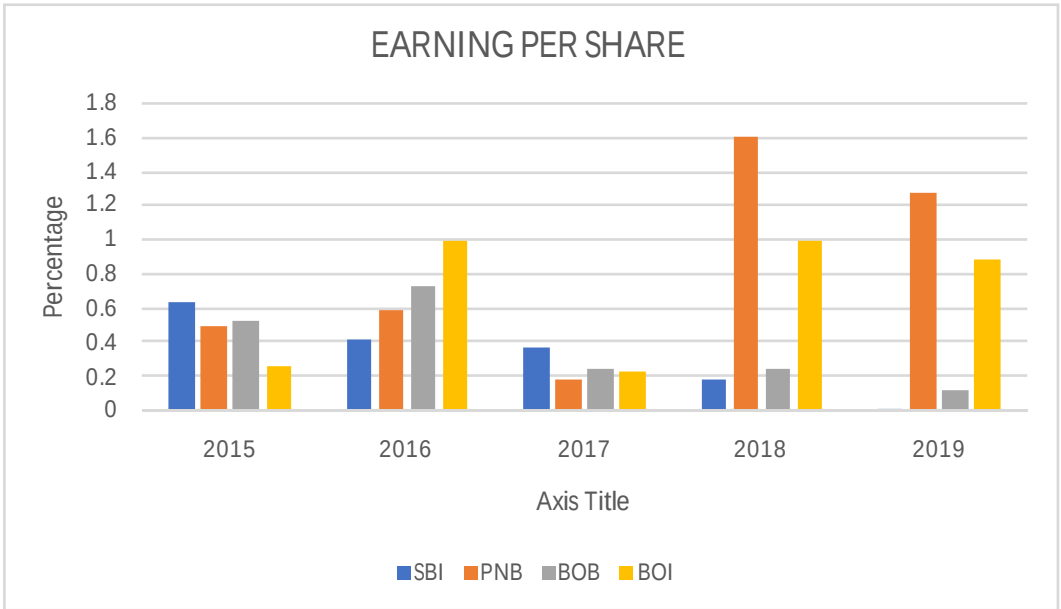
**Table 1.3**

**Earning Per Share (EPS)**

| Year/ Banks | SBI | PNB | BOB | BOI |
|---|---|---|---|---|
| **2015** | **17.55** | **16.91** | **18.22** | **26.57** |
| **2016** | **12.98** | **20.82** | **21.93** | **83.01** |
| **2017** | **13.43** | **6.45** | **7.88** | **15.72** |
| **2018** | **7.67** | **55.39** | **8.17** | **52.55** |
| **2019** | **0.97** | **30.94** | **4.16** | **29.79** |
| **MEAN** | 10.52 | 26.102 | 12.072 | 41.528 |

(*Source*: SBI, PNB, BOB and BOI Annual Report)

**Chart 1.3**



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The Table 1.3 & Diagram shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Return on Equity for the periods of 2015 to 2019. It is indicating the profit available to the equity shareholders on a per share basis. In this Table and graph shows that the EPS highest was in 2015 (17.55) of SBI and lowest was in 2019 (0.97). The EPS highest was in 2018 (55.39) of PNB and lowest was in 2017 (6.45). The EPS highest was in 2016 (21.93) of BOB and lowest was in 2019 (4.16). The EPS highest was in 2016 (83.01) of BOI and lowest was in 2017 (15.72). The mean higher of BOI (41.528) as compared to SBI (10.52), PNB (26.102) and BOB (12.072) and BOI is profitable to the equity shareholders on a per share basis.

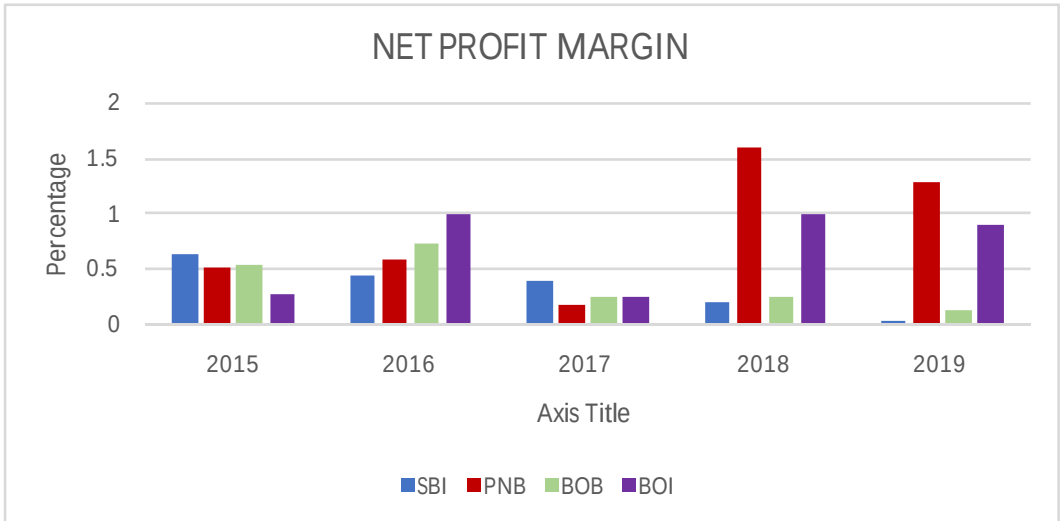
**Table1.4**

**Net Profit Margin**

| Year/ Banks | SBI | PNB | BOB | BOI |
|---|---|---|---|---|
| **2015** | **8.59** | **6.61** | **8.53** | **3.93** |
| **2016** | **6.06** | **8.38** | **11.03** | **14.56** |
| **2017** | **5.97** | **2.80** | **3.99** | **3.96** |
| **2018** | **2.96** | **25.59** | **4.15** | **15.87** |
| **2019** | **0.35** | **19.44** | **2.05** | **13.60** |
| **MEAN** | 4.786 | 12.564 | 5.95 | 10.384 |

(*Source*: SBI, PNB, BOB and BOI Annual Report)

**Chart 1.4**



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The Table 1.4& Diagram shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Net Profit Margin for the periods of 2011 to 2015. It is indicated Net Profit Margin reveals the financials results of the business activity and efficiency operations by management. Table 4.1.5 and graph shows that the Net Profit Margin highest was in 2015 (8.59) of SBI, 2018 (25.59) of PNB,2016(11.03) of BOB and2018(15.87) of BOI. The Net Profit Margin lowest was in 2019 (0.35) of SBI, 2017(2.80) of PNB,2019(2.05) of BOB and2 015(3.93)of BOI. The Net Profit Margin Mean is higher of PNB (12.564) as compared to SBI (4.786), BOB (5.95), BOI (10.384)and PNB is good business activity and efficiency operations by management.

**FINDINGS**

- In this Return on Assets finding mean value of PNB (0.83) is higher than other Public sector bank SBI (0.326), BOB (0.378) and BOI (0.674). This ratio shows that PNB satisfactory performance for generated revenues other than Public Sector bank.
- In this Ratio Return on Equity Mean Value of PNB (15.968) is good other than SBI (5.508), BOB (6.336), BOI (12.714)Public Sector Bank. It is shows that PNB is satisfactory position to provide return on Equity other than public sector bank attract to investor to investment in this bank.
- In this Ratio Earning Per share (EPS) Mean Value of BOI (41.528) is higher than other Banks SBI (10.52), PNB (26.102) and BOB (12.072). It is shows that BOI is good profit available to the Equity shareholders on per share Basic other banks.
- The Net Profit Margin finding Mean Value of PNB (12.564) is higher than SBI (4.786), BOB (5.95) and BOI (10.384). It is shows that PNB is good financial position and better efficiency by management.

**CONCLUSION**

In this study Selected Public Sector Bank (SBI, PNB, BOB and BOI) for the period of (2015 to 2019) overall conclude that SBI, PNB and BOB good performance of mobilize saving into productive channel. PNB is the largest public sector Bank. BOB is second largest Bank and SBI is third largest bank and International bank. PNB is good perform in respect of Earning Per Share provide better earning per share basis, PNB is good perfuming Bank in Respect of Return on Assets is good earned on Investment. PNB is better performance in respect of Net Profit Margin it means BOB business activity and efficiency operations by

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management. BOI need to improve management efficiency and control operations in the organization.

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