

## A COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF SELECTED PUBLIC SECTOR BANKS IN INDIA

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### ABSTRACT

*The banking sector is considered to be an important source of financing for most businesses. They play a very important role in the effort to attain stable prices, high level of employment and sound economic growth. Bank play important role in the Economic Development of all the Nations of the World. Banking is the life blood of Modern Commerce. The growth of such banks is not possible unless they witness some success in the context of customer satisfaction or may it be the net assets held by these banks, efficiency of their management or the networks of the public sector bank. The following paper covers the financial performance analysis of the public sector banks. 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 9 Financial year (2011 to 2019). 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.*

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**Keywords:** Public Sector Bank, Financial Ratios, Return on Assets, Return on Equity, Net Profit Margin.

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### Introduction

Banking has played a very important role in the Economic Development of all the Nations of the world. In fact, Banking is the life blood of Modern Commerce. It may truly be said that Modern Commerce is so dependent upon banking. The banking sector is considered to be an important source of financing for most businesses. They play a very important role in the effort to attain stable prices, high level of employment and sound economic growth. They make funds available to meet the needs of individuals, businesses and the government. In doing this, they facilitate the flow of goods and services and the activities of governments. The commercial Banking system provides a large portion of the medium of exchange of a given country, and is the primary instrument through which Monetary policy is conducted, through their deposit mobilization and lending operations. Commercial banks make the productive utilization of ideal funds, thus assists the society to produce wealth. Commercial Banks are the institutions specifically designed to further the capital formation process through the attraction of deposits and extension of credit.

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## **Banks Profile**

- **State Bank of India**

The roots of the State Bank of India lie in the first decade of the 19th century, when the Bank of Calcutta, later renamed the Bank of Bengal, was established on 2 June 1806. The State Bank of India (SBI) is an Indian multinational, public sector banking and financial services statutory body, Bank of Calcutta, 27 January 1921, Imperial Bank of India and 1 July 1955, State Bank of India. State Bank of India Headquarters is Mumbai, Maharashtra. State bank of India chairperson is Smt. Arundhati Bhattacharya and product is Consumer banking, corporate banking, finance and insurance, investment banking, mortgage loans, private banking, private equity, savings, securities, asset management, wealth management, credit cards. Government of India is owner and Members around 286. The State Bank of India (SBI) is an Indian multinational, public sector banking and financial services statutory body. It is a government corporation statutory body headquartered in Mumbai, Maharashtra. SBI is ranked as 236th in the Fortune Global 500 list of the world's biggest corporations of 2019.

- **Panjab National Bank**

Punjab National Bank, India's first Swadeshi Bank, Punjab National Bank (PNB) is a Banking and Financial service bank owned by Government of India. Its headquarter is in New Delhi, India. The bank was founded in 1894. As of June 2019, the bank has over 115 million customers, 7,036 branches and 8,906 ATMs. The major function of PNB is to make loans and advances out of the deposits of public. Direct loans and advances are given to all types of persons particularly to business and investors, against personal security, gold and silver and other movable and immovable assets. Punjab National Bank acquired New Bank of India in 1993. The only other nationalized bank merged with another—except for State Bank of India with its associate banks—was the merger of Bharatiya Mahila Bank with State Bank of India in 20

- **Bank of Baroda**

Bank of Baroda is an Indian multinational ,public sector banking and financial services company. It is the second largest public sector bank in India. Established in 1908 in Baroda as a private bank and following nationalization by Government Bank of India, it became a wholly-owned Government in 1969. Bank's head office is in Baroda and the corporate office is in Mumbai. Zero balance bank accounts also provide the usual facilities that come with a regular savings bank account. Banks of Baroda is a leading commercial Banks. Bank of Baroda is an Indian state-owned banking and financial services. Bank of Baroda headquartered in Vadodara (earlier known as Baroda) in Gujarat, India. Bank of Baroda 2014 data, it is ranked 801 on Forbes Global 2000 List. BOB has total assets in Excess of 3.58 trillion, a network of 5307 branches in India and abroad, and Over 8000 ATMs. BOB was founded by the Maharaja of Baroda. Maharaja Sayajirao Gayakwad on 20 July 1908 is the Princely State of Baroda, in Gujarat

- **Bank of India**

Bank of India is Commercial bank and Headquarters in Mumbai, Maharashtra, India. Founded in September 7, 1906, it has been government owned bank. Since Nationalization Was 1969. Bank of India has 4828 branches as on 31 December 2013, including 56 offices outside India, which include five subsidiaries, five representative offices and one joint venture. Bank of India is a founder member of SWIFT (society for worldwide Interbank Financial Telecommunications), which facilitates provision of cost effective final processing and communication services. Chairman of Bank of India is M O Rego (MD & CEO).

## **Review of Literature**

**Dr. Suresh Patidar (2012)** Analysis of NPA in priority sector of lending-Comparative study of private sector and public sector bank of India. This research attempted to study customers' perception of quality of services, both transaction based and IT enabled in terms of its constituent factors in public sector, private sector and foreign banks. This step was followed to have Intra Bank comparison. The study shows that the customers of nationalized banks were not satisfied with the employee behavior and infrastructure, while respondents of private and foreign banks were not satisfied with high charges, accessibility and communication

**Gauba R., (2012)**, 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.

**Guruswamy D. (2012)**, 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

**Chaudhary K., Sharma M., (2011)** in his study to compare public and private 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

**Malviya M., (2012)**, 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.

**Sharma, R., Goswami, A., & Kumar, P. (2014)**. The authors have made an evaluation of performance of Indian privatization. Since liberalization, the banking system in India has under gone a various reform. Current new privatization has best technology, manpower and efficiency. It is managed by professionals. Due to the new era of banking system it has attracted customers and marketed the financial products

#### Objectives of Study

- 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

#### Research Methodology

For achieving the purpose of the study the following methodology has been adopted

- **Selection of sample** : Public sector bank – State bank of India, Panjab national bank, Bank of Baroda, Bank of India
- **Duration of The Study**: Financial Year – 2011 -2019 (9 year)
- **Source of Data**: The study is based on secondary data. Data of selected banks has been collected from their annual reports of Selected Public Sector Bank with the help of internet.
- **Statistical Tool Used** : Return on Assets, Return on Equity, Earning per Share, Credit deposit Ratio and Net interest Margin.

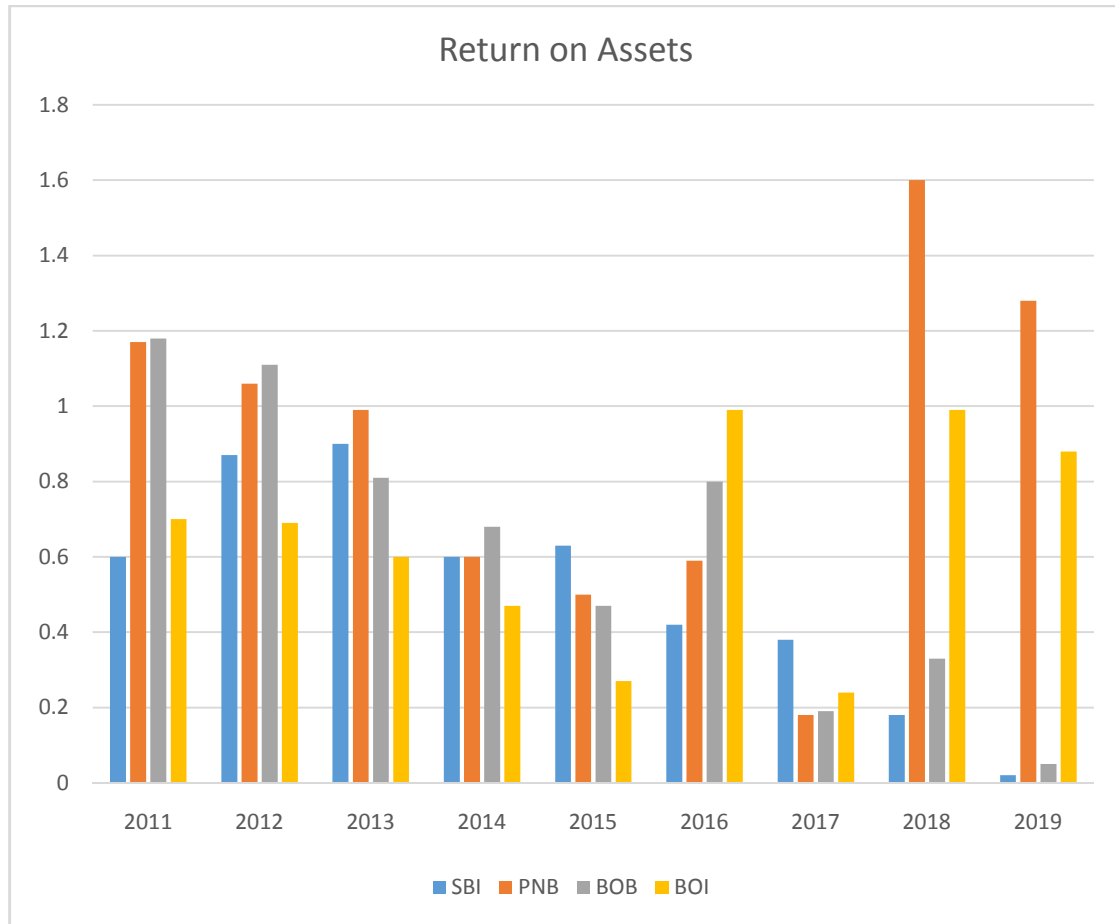
#### Analysis & Interpretation

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 (2011 to 2019).

#### Comparative Analysis of Selected Public Sector Banks

##### Return on Assets (ROA)

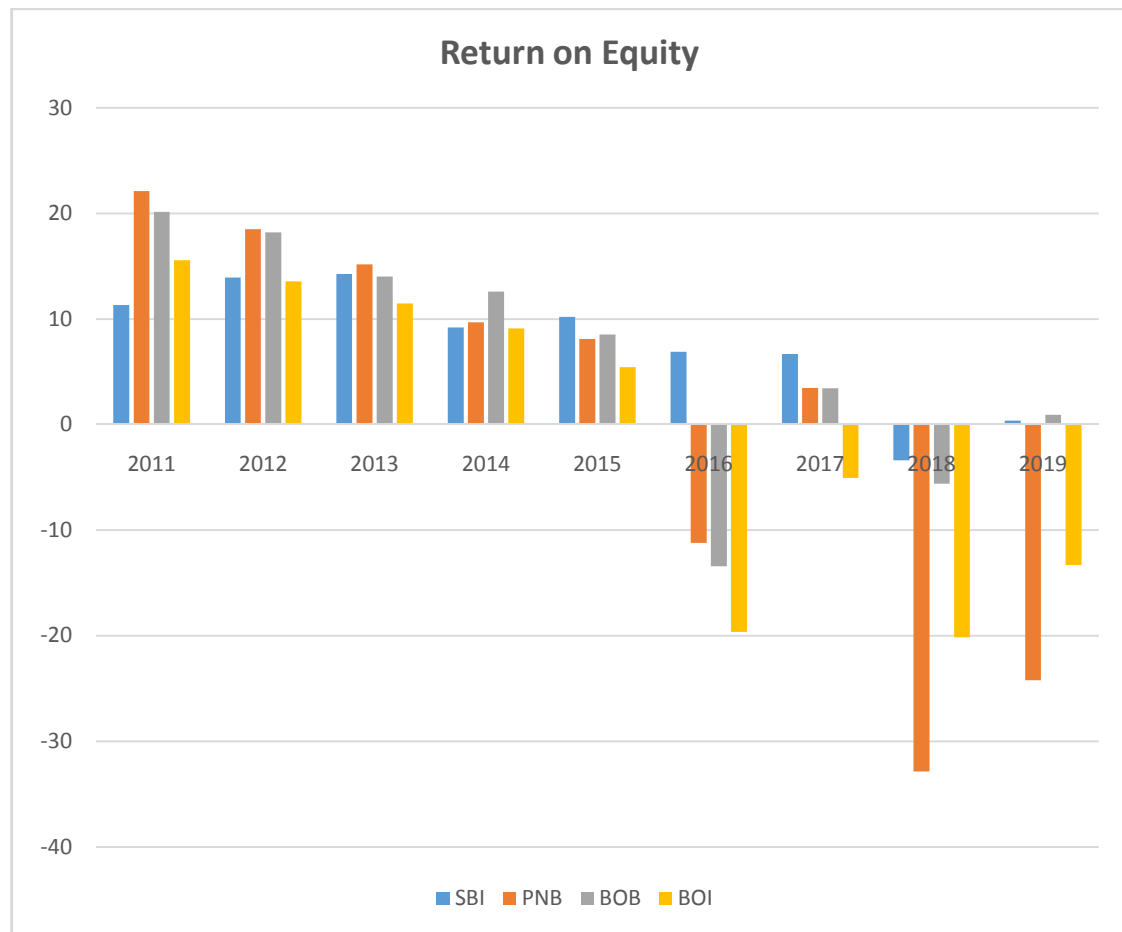
| Year/ Banks | SBI         | PNB         | BOB         | BOI          |
|-------------|-------------|-------------|-------------|--------------|
| 2011        | 0.60        | 1.17        | 1.18        | 0.70         |
| 2012        | 0.87        | 1.06        | 1.11        | 0.69         |
| 2013        | 0.90        | 0.99        | 0.81        | 0.60         |
| 2014        | 0.60        | 0.60        | 0.68        | 0.47         |
| 2015        | 0.63        | 0.50        | 0.47        | 0.27         |
| 2016        | 0.42        | -0.59       | -0.80       | -0.99        |
| 2017        | 0.38        | 0.18        | 0.19        | -0.24        |
| 2018        | -0.18       | -1.60       | -0.33       | -0.99        |
| 2019        | 0.02        | -1.28       | 0.05        | -0.88        |
| <b>MEAN</b> | <b>0.47</b> | <b>0.11</b> | <b>0.37</b> | <b>-0.04</b> |



This table and chart shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Return on Assets for periods of 2011 to 2019. This ratio indicates the effectiveness of using assets to generated revenues. Generally, higher this ratio is the more effective. In this table shows that the highest ROA was in 2013 (0.90) of SBI and lowest was in 2018 (-0.18). The ROA was highest was in 2011 (1.17) of PNB and lowest was in 2018 (-1.60). The ROA highest was in 2011 (1.18) of BOB and lowest was in 2016 (-0.80). The ROA highest was in 2011 (0.70) and lowest was in 2015, 2018 (-0.99)BOI. The ROA is higher SBI (0.47) as compared to PNB (0.11), BOB (0.37), BOI (-0.04) and effectiveness of using assets to generated revenues SBI is good.

**Return on Equity (ROE)**

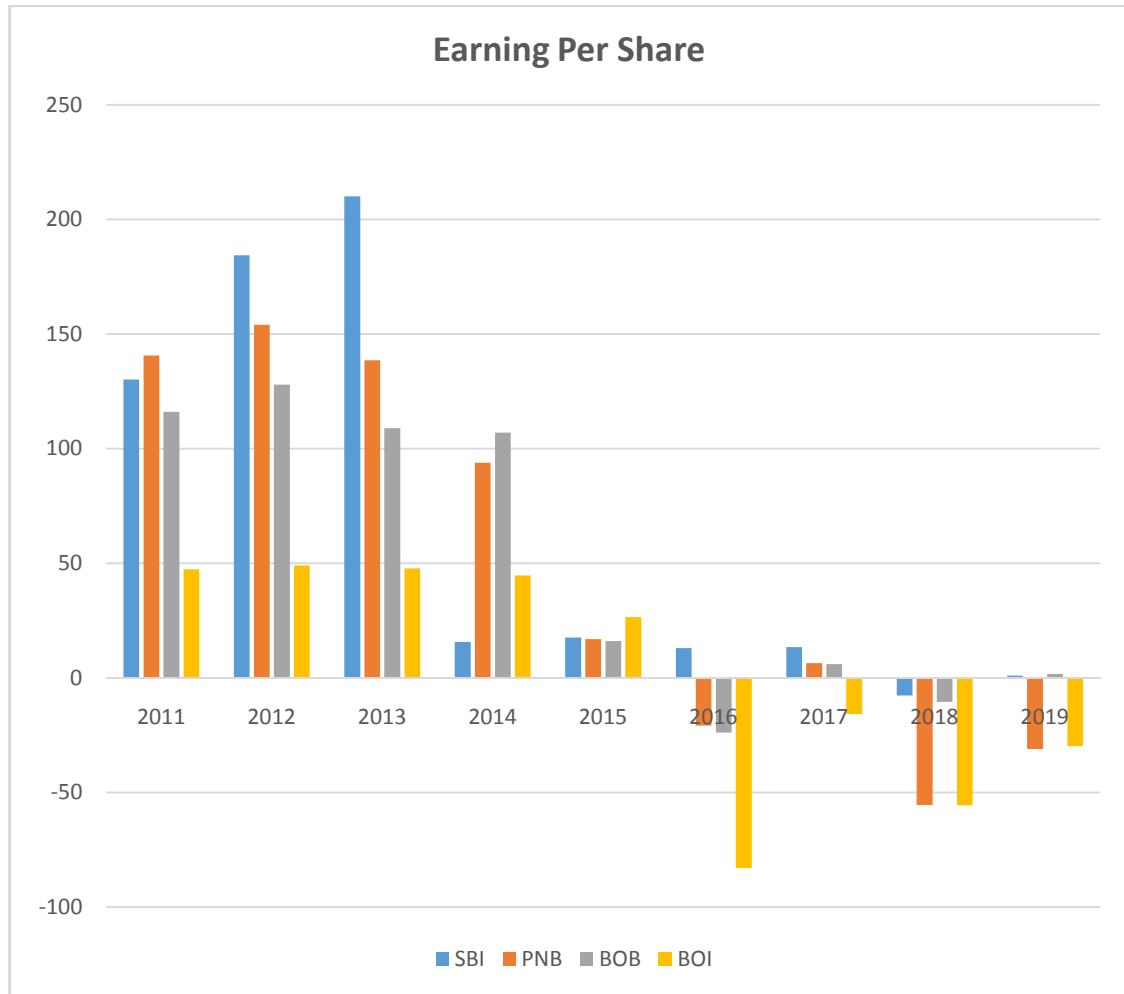
| Year/ Banks | SBI         | PNB         | BOB         | BOI          |
|-------------|-------------|-------------|-------------|--------------|
| 2011        | 11.34       | 22.12       | 20.15       | 15.58        |
| 2012        | 13.94       | 18.52       | 18.22       | 13.57        |
| 2013        | 14.26       | 15.19       | 14.01       | 11.49        |
| 2014        | 9.20        | 9.69        | 12.61       | 9.12         |
| 2015        | 10.20       | 8.12        | 8.53        | 5.43         |
| 2016        | 6.89        | -11.20      | -13.42      | -19.63       |
| 2017        | 6.69        | 3.47        | 3.43        | -5.06        |
| 2018        | -3.37       | -32.85      | -5.60       | -20.15       |
| 2019        | 0.39        | -24.20      | 0.94        | -13.30       |
| <b>MEAN</b> | <b>7.73</b> | <b>0.98</b> | <b>6.54</b> | <b>-0.33</b> |



This Table and chart shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Return on Equity for the periods of 2011 to 2019. It is indicated how much an equity shareholders' investment actually earning. In this Table shows that the highest ROE was in 2013 (14.26) of SBI and lowest was in 2018 (-3.37). The ROE was highest was in 2011 (22.12) of PNB and lowest was in 2018 (-32.85). The ROE highest was in 2011 (20.15) of BOB and lowest was in 2016 (-13.42). The ROE highest was in 2011 (15.58) of BOI and lowest was in 2018 (-20.15). The ROE is higher SBI (7.73) as compared to PNB (0.98), BOB (6.54), BOI (-0.33) and SBI and BOB both investment earning is better

#### Earning Per Share (EPS)

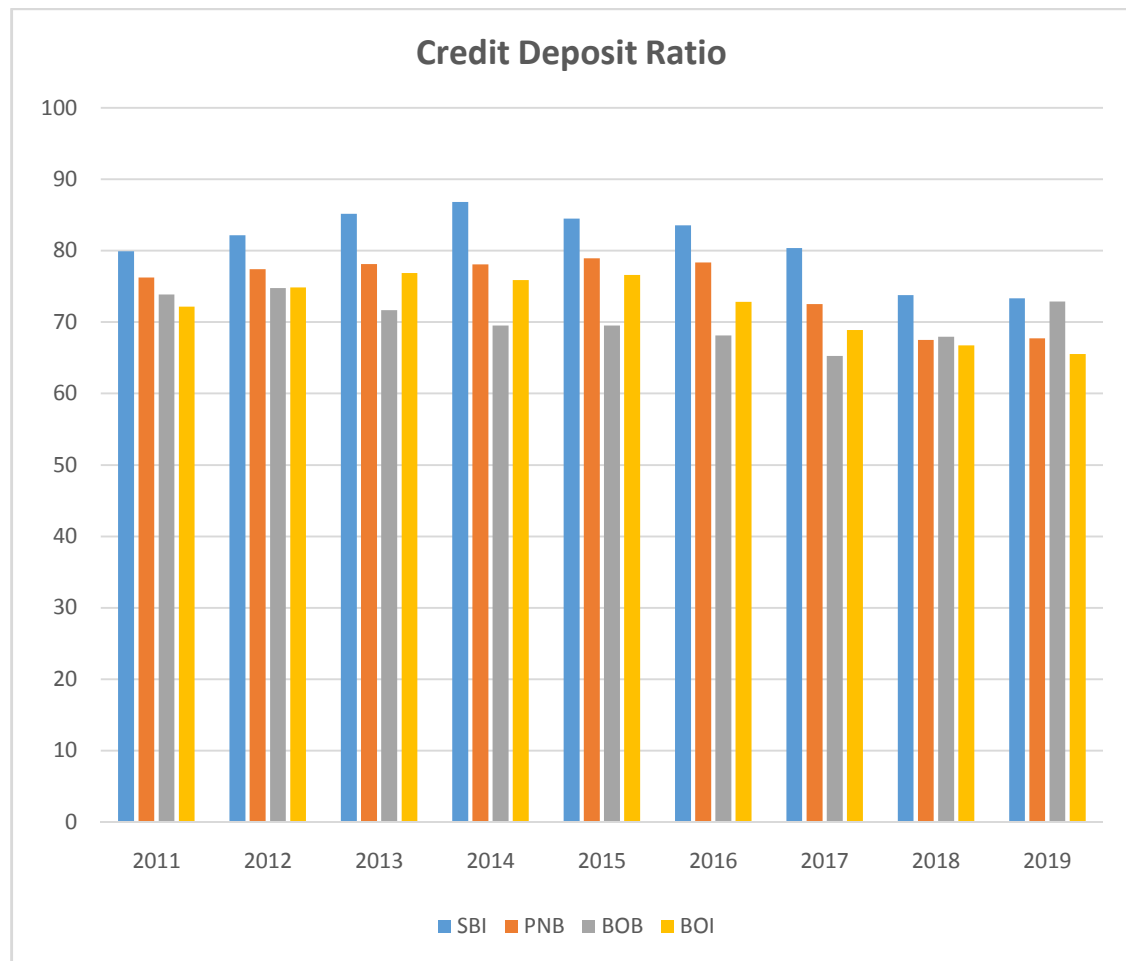
| Year/ Banks | SBI          | PNB          | BOB          | BOI         |
|-------------|--------------|--------------|--------------|-------------|
| 2011        | 130.16       | 140.60       | 116.00       | 47.35       |
| 2012        | 184.31       | 154.02       | 128.00       | 48.98       |
| 2013        | 210.06       | 138.52       | 109.00       | 47.79       |
| 2014        | 15.68        | 93.91        | 107.00       | 44.74       |
| 2015        | 17.55        | 16.91        | 16.00        | 26.57       |
| 2016        | 12.98        | -20.82       | -23.89       | -83.01      |
| 2017        | 13.43        | 6.45         | 6.00         | -15.72      |
| 2018        | -7.67        | -55.39       | -10.53       | -55.55      |
| 2019        | 0.97         | -30.94       | 1.64         | -29.79      |
| <b>MEAN</b> | <b>64.16</b> | <b>49.25</b> | <b>49.91</b> | <b>3.48</b> |



This Table and chart shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Return on Equity for the periods of 2011 to 2019. It is indicating the profit available to the equity shareholders on a per share basis. In this Table shows that the EPS highest was in 2013 (210.06) of SBI and lowest was in 2018 (-7.67). The EPS highest was in 2012 (154.2) of PNB and lowest was in 2018 (-55.39). The EPS highest was in 2012 (128.00) of BOB and lowest was in 2016 (-23.89). The EPS highest was in 2012 (48.98) of BOI and lowest was in 2016 (-83.01). The mean higher of SBI (64.16) as compared to PNB (49.25), BOB (49.91), BOI (3.48) and SBI is profitable to the equity shareholders on a per share basis.

**Credit Deposit Ratio**

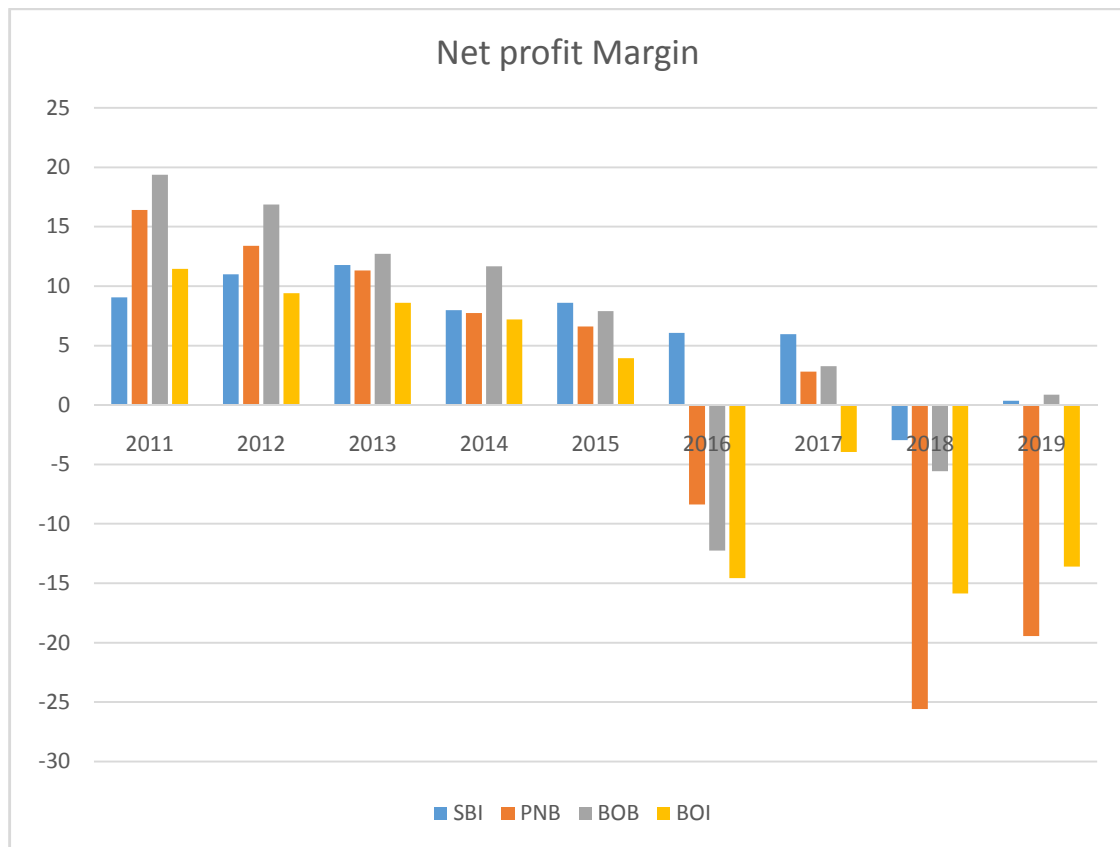
| Year/ Banks | SBI          | PNB          | BOB          | BOI          |
|-------------|--------------|--------------|--------------|--------------|
| 2011        | 79.90        | 76.26        | 73.87        | 72.18        |
| 2012        | 82.14        | 77.42        | 74.78        | 74.86        |
| 2013        | 85.17        | 78.13        | 71.67        | 76.87        |
| 2014        | 86.84        | 78.06        | 69.54        | 75.88        |
| 2015        | 84.47        | 78.93        | 69.54        | 76.60        |
| 2016        | 83.56        | 78.36        | 68.13        | 72.85        |
| 2017        | 80.38        | 72.52        | 65.24        | 68.91        |
| 2018        | 73.79        | 67.52        | 67.95        | 66.72        |
| 2019        | 73.35        | 67.74        | 72.87        | 65.51        |
| <b>MEAN</b> | <b>81.07</b> | <b>74.99</b> | <b>70.40</b> | <b>72.26</b> |



This Table and Charts shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Credit Deposit Ratio for the periods of 2011 to 2019. It is the proportion of Loan & Assets created by banks from a deposit received. Credits are the loans and banks granted by the advances. In this Table shows that the Credit Deposit ratio highest was in 2014 (86.84) of SBI, 2015 (78.93) of PNB, 2012 (74.78) of BOB, 2013 (76.87) of BOI. The Credit Deposit ratio lowest was in 2019 (73.35) of SBI, 2018 (67.52) of PNB, 2017 (65.24) of BOB, 2019 (65.51) of BOI. The Credit Deposit ratio mean higher of SBI (81.07) as compared to PNB (74.99), BOB (70.40), BOI (72.26) and SBI is good created loan and advances

#### Net Profit Margin

| Year/ Banks | SBI         | PNB         | BOB         | BOI          |
|-------------|-------------|-------------|-------------|--------------|
| 2011        | 9.05        | 16.42       | 19.38       | 11.44        |
| 2012        | 10.99       | 13.40       | 16.87       | 9.40         |
| 2013        | 11.78       | 11.33       | 12.73       | 8.61         |
| 2014        | 7.98        | 7.73        | 11.68       | 7.19         |
| 2015        | 8.59        | 6.61        | 7.91        | 3.93         |
| 2016        | 6.06        | -8.38       | -12.24      | -14.56       |
| 2017        | 5.97        | 2.80        | 3.27        | -3.96        |
| 2018        | -2.96       | -25.59      | -5.57       | -15.87       |
| 2019        | 0.35        | -19.44      | 0.86        | -13.60       |
| <b>MEAN</b> | <b>6.42</b> | <b>0.54</b> | <b>6.09</b> | <b>-0.82</b> |



This Table and chart shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Net Profit Margin for the periods of 2011 to 2019. It is indicated Net Profit Margin reveals the financials results of the business activity and efficiency operations by management. This Table shows that the Net Profit Margin highest was in 2013 (11.78) of SBI, 2011 (16.42) of PNB, 2011 (19.38) of BOB and 2011 (11.44) of BOI. The Net Profit Margin lowest was in 2018 (-2.96) of SBI, 2018 (-25.59) of PNB, 2016(-12.24) of BOB and 2015 (3.93) of BOI. The Net Profit Margin Mean is higher of SBI (6.42) as compared to PNB (0.54), BOB (6.09) , BOI (-0.82). SBI And BOB is good business activity and efficiency operations by management.

### Findings

- In this Return on Assets finding mean value of SBI (0.47) is higher than other Public sector bank PNB (0.11), BOB (0.37) and BOI (-0.04). This ratio shows that SBI satisfactory performance for generated revenues other than Public Sector bank
- In this Ratio Return on Equity Mean Value of SBI (7.73) is good other than Public Sector Bank PNB (0.98), BOB (6.54) and BOI (-0.33). It is shows that SBI 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 SBI (64.16) is higher than other Banks PNB (49.25), BOB (49.91) and BOI (3.48). It is shows that SBI is good profit available to the Equity shareholders on per share Basic other banks.
- In this Credit Deposit Ratio finding Mean value of SBI (81.07) is higher than PNB (74.99), BOB (70.40) and BOI (72.26). it is shows that SBI is good for creating loan and advance and customer prefer SBI loan and advance other than selected Public sector bank
- The Net Profit Margin finding Mean Value of SBI (6.42) is higher than PNB (0.54), BOB (6.09) and BOI (-0.82). It is shows that SBI 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 (2011 to 2019) overall conclude that SBI, PNB and BOB good performance of mobilize saving into productive channel. SBI is the largest public sector Bank. PNB is second largest Bank and BOB is third largest bank and International bank. SBI is good perform in respect of Earning Per Share provide better earning per share basis, Credit Deposit Ratio is providing maximum deposit. PNB is good performing Bank in Respect of Return on Assets is good earned on Investment. But SBI is better performance in respect of Net Profit Margin it means business activity and efficiency operations by management. SBI is good financial position and better efficiency by management.

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