

# A Comparative Financial Performance Analysis 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:** Public Sector Bank, Financial Ratios, Return on Assets, Return on Equity, Net profit Margin

## 1. 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. From its original narrow scope and modest purpose of taking care of other people's money and lending a part of it, banking has developed to such extent that, in countries like England, France and the U.S.A., there is hardly a Business deal in which the assistance of a Bank is sought in one form or another. (DR. P.K. Srivastava, (2013), Books "Banking theory and practice")

### 1.1 Company Profile

#### 1.1.1 State Bank of India

State Bank of India is a largest Public sector company. State bank of India industry type is banking and financial services. It was founded on 2 June 1806, 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

Million users with 450 Million Accounts (2016). State Bank of India of 2014-15, it has assets of INR 20, 48,080 crores and 16,333 branches, including 191 foreign offices spread across 36 countries, slogan is "The Banker to Every Indian". Website: [www.sbi.co.in](http://www.sbi.co.in)

#### 1.1.2 Punjab National Bank

##### 1.1.2.1 Profile

Punjab National Bank, India's first Swadeshi Bank, commenced its operations on April 12, 1895 from Lahore, with an authorized capital of Rs. 2 lakh and working capital of Rs20, 000. The farsighted visionaries and patriots like Lala Lajpat Rai, Mr. E C Jessawala, Babu Kali Prasono Roy, Lala Harkishan Lal and Sardar Dyal Singh Majithia displayed courage in giving expression to the spirit of nationalism by establishing the first bank purely managed by the Indians with Indian Capital.

(PNB websites [www.pnbindia.in](http://www.pnbindia.in))

#### 1.1.3 Bank of Baroda

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 corporate office is the Bandra Kurla complex, Mumbai. Bank of Baroda is one of the Big four Banks of India, along with ICICI Bank, State Bank of India and Punjab National Bank. 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 Gaekwad III on 20 July 1908 is the Princely State of Baroda, in Gujarat.

(BOB Websites: [www.bankofbaroda.in](http://www.bankofbaroda.in))

#### 1.1.4 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).

(BOI websites: [www.bankofindia.com](http://www.bankofindia.com))

## 2. REVIEW OF LITERATURE

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

Zafar T.S.M., Maqbool A. & Ali Nawab S.I., (2012), “A Study of Ten Indian Commercial Bank’s Financial Performance using Camels Methodology”, in his study to analysis quantitative factors involve in evaluating performance of Indian commercial banks and checks the adequacy of Camel module recommendation for improvement of the banks performance. Study was based on secondary data and collected from annual reports of banks from 2005-06 to 2009-10. Tools used to analysis Camel technique like: Capital adequacy ratio, asset quality, management efficiency etc. Analysis finding performance during year better and all the banks sensitive and responsible for customer need.

## 3. RESEARCH METHODOLOGY

### 3.1 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.

### 3.2 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 (2011 to 2015). Data is collected from various *Sources* such as Financial Reports of Selected Public Sector Bank, Reserve Bank of India reports on Banks and obtaining the latest information through net Surfing.

### 3.3 Tools to Analysis of Selected Public Sector Bank

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 (2011 to 2015). 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, Credit deposit Ratio and Net interest Margin.

### 3.4 Limitations of Study

In this study is due to constraints of time and reSources. The study suffers from certain limitations and some of these mentioned here under so that finding of the study may understood in a proper perspective.

In this Study has been following certain Limitation and Assumptions

- In this study limitations to only 5 year periods (2011 to 2015).
- The study based only secondary data from Annual reports of banks & RBI Reports and Various Websites. This data possible to shown in Reports may be window dressing and does not show the actual position of the Bank.

## 4. ANALYSIS & INTERPRETATION

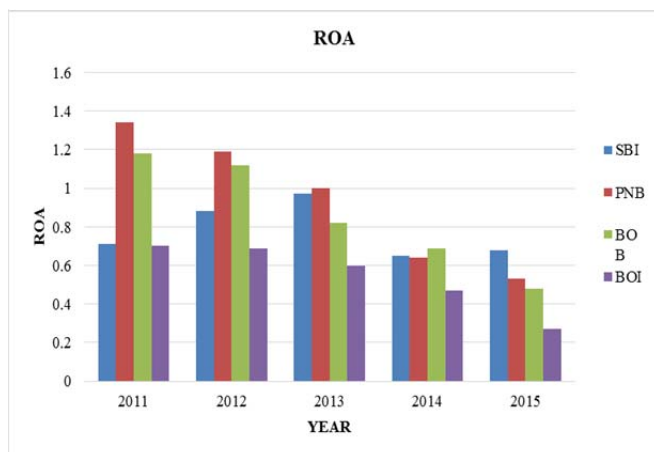
This study deals with the empirical analysis and interpretation of the collected data. The data is collected for the four banks (State Bank of India, Punjab National Bank, Bank of Baroda and Bank of India) for the periods of five years (2011 to 2015).

### 4.1 Comparative Analysis of Selected Public Sector Banks

**Table 4.1.1: Return on Assets (ROA)**

Year/ Banks	SBI	PNB	BOB	BOI
2011	0.71	1.34	1.18	0.7
2012	0.88	1.19	1.12	0.69
2013	0.97	1	0.82	0.60
2014	0.65	0.64	0.69	0.47
2015	0.68	0.53	0.48	0.27
MEAN	0.778	0.94	0.858	0.546

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



**Fig. 4.1.1: ROA**

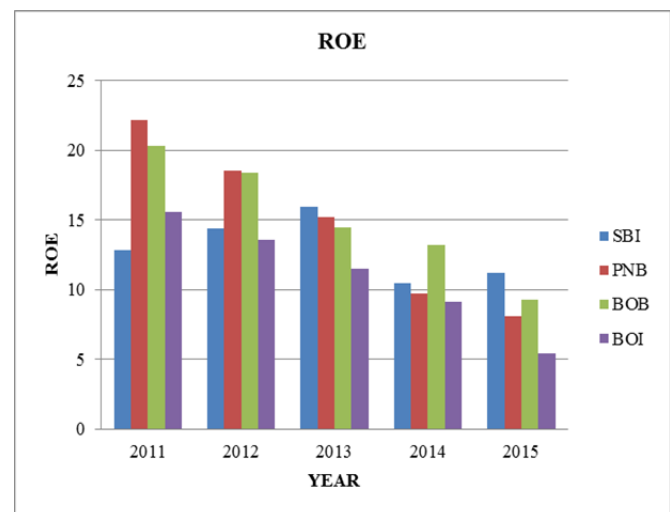
The Table 4.1.1 & Diagram shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Return on Assets for periods of 2011 to 2015. This ratio indicates the effectiveness

of using assets to generated revenues. Generally, higher this ratio is the more effective. In this table and graph shows that the highest ROA was in 2013 (0.97) of SBI and lowest was in 2014 (0.65). The ROA was highest was in 2011 (1.34) of PNB and lowest was in 2015 (0.53). The ROA highest was in 2011 (1.18) of BOB and lowest was in 2015 (0.48). The ROA highest was in 2011 (0.70) and lowest was in 2015 (0.27). The ROA is higher PNB (0.94) as compared to SBI (0.78), BOB (0.86), BOI (0.58) and effectiveness of using assets to generated revenues PNB is good.

**Table 4.1.2: Return on Equity (ROE)**

Year/ Banks	SBI	PNB	BOB	BOI
2011	12.84	22.13	20.31	15.58
2012	14.36	18.52	18.4	13.57
2013	15.94	15.19	14.43	11.49
2014	10.49	9.69	13.21	9.12
2015	11.17	8.12	9.3	5.43
MEAN	12.96	14.73	15.13	11.038

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



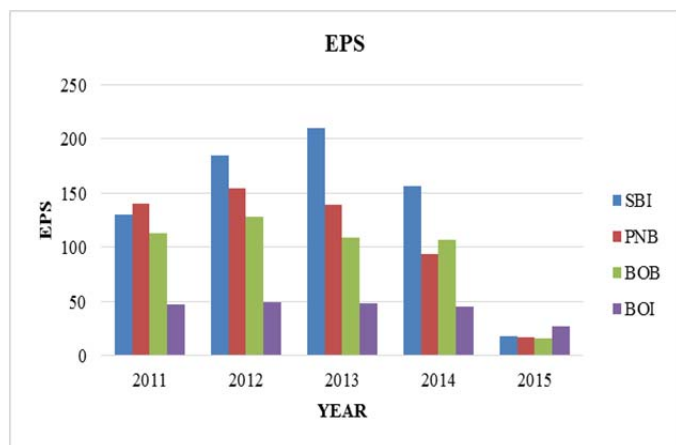
**Fig. 4.1.2: ROE**

The Table 4.1.2 & Diagram shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Return on Equity for the periods of 2011 to 2015. It is indicated how much an equity shareholders' investment actually earning. In this Table 4.1.2 and graph shows that the highest ROE was in 2013 (15.94) of SBI and lowest was in 2014 (10.49). The ROE was highest was in 2011 (22.13) of PNB and lowest was in 2015 (8.12). The ROE highest was in 2011 (20.31) of BOB and lowest was in 2015 (9.30). The ROE highest was in 2011 (15.58) of BOI and lowest was in 2015 (5.43). The ROE is higher BOB (15.13) as compared to SBI (12.96), PNB (14.73), BOI (11.038) and BOB and PNB both investment earning is better

**Table 4.1.3: Earning Per Share (EPS)**

Year/ Banks	SBI	PNB	BOB	BOI
2011	130.16	140.6	113.37	47.35
2012	184.31	154.2	127.84	48.98
2013	210.06	139.52	108.84	47.79
2014	156.76	93.91	107.38	44.74
2015	17.55	16.91	15.83	26.57
MEAN	138.768	109.028	94.652	43.086

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

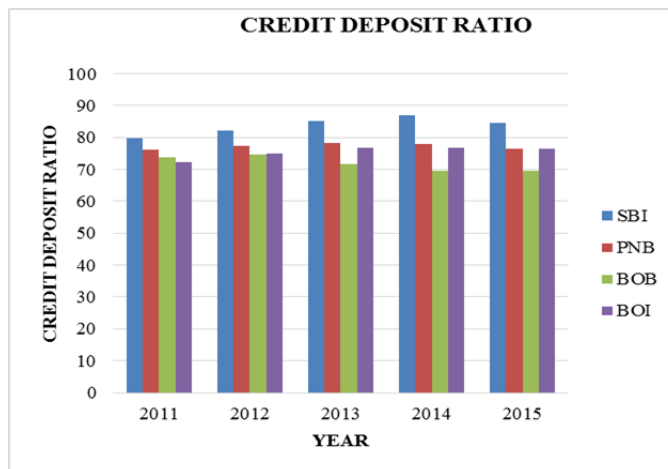
**Fig. 4.1.3: EPS**

The Table 4.1.3 & Diagram shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Return on Equity for the periods of 2011 to 2015. It is indicating the profit available to the equity shareholders on a per share basis. In this Table 4.1.3 and graph shows that the EPS highest was in 2013 (210.06) of SBI and lowest was in 2015 (17.55). The EPS highest was in 2012 (154.2) of PNB and lowest was in 2015 (16.91). The EPS highest was in 2012 (127.84) of BOB and lowest was in 2015 (15.83). The EPS highest was in 2012 (48.98) of BOI and lowest was in 2015 (26.57). The mean higher of SBI (138.768) as compared to PNB (109.028), BOB (94.652), BOI (43.086) and SBI is profitable to the equity shareholders on a per share basis.

**Table 4.1.4: Credit Deposit Ratio**

Year/ Banks	SBI	PNB	BOB	BOI
2011	79.9	76.25	73.87	72.18
2012	82.14	77.39	74.76	74.85
2013	85.17	78.13	71.68	76.88
2014	86.84	78.06	69.54	76.86
2015	84.47	76.6	69.54	76.6
MEAN	83.704	77.286	71.875	75.474

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

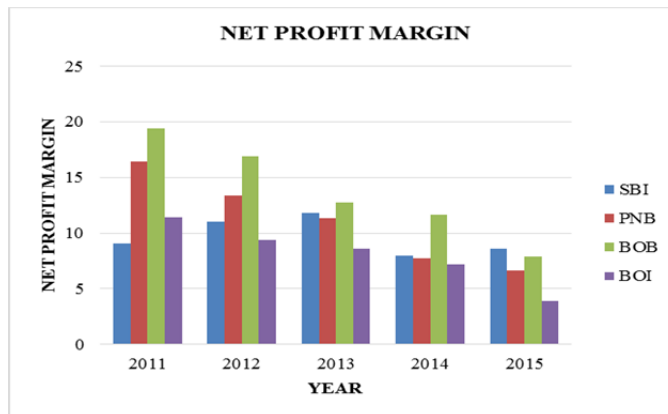
**Fig. 4.1.4: Credit Deposit Ratio**

The Table 4.1.4 & Diagram shows the Four Selected Public Sector bank (SBI, PNB, BOB and BOI) Credit Deposit Ratio for the periods of 2011 to 2015. 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 4.1.4 and graph shows that the Credit Deposit ratio highest was in 2014 (86.84) of SBI, 2013 (78.13) of PNB, 2012 (74.76) of BOB, 2013 (76.88) of BOI. The Credit Deposit ratio lowest was in 2011 (79.9) of SBI, 2011 (76.25) of PNB, 2014 to 2015 (69.54) of BOB, 2011 (72.18) of BOI. The Credit Deposit ratio mean higher of SBI (83.704) as compared to PNB (77.286), BOB (71.878), BOI (75.474) and SBI is good created loan and advances.

**TableE-4.1.5: Net Profit Margin**

Year/ Banks	SBI	PNB	BOB	BOI
2011	9.05	16.42	19.38	11.44
2012	10.99	13.4	16.87	9.4
2013	11.78	11.33	12.73	8.61
2014	7.98	7.73	11.66	7.19
2015	8.59	6.61	7.91	3.93
MEAN	9.678	11.098	13.71	8.114

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

**Fig. 4.1.5: Net Profit margin**

The Table 4.1.5 & 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 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 2014 (7.98) of SBI, 2015 (6.61) of PNB, 2015 (7.91) of BOB and 2015 (3.93) of BOI. The Net Profit Margin Mean is higher of BOB (13.71) as compared to SBI (9.678), PNB (11.098), BOI (8.114) and BOB is good business activity and efficiency operations by management.

## 5. FINDINGS

### 5.1 Comparative Analysis of Selected Public Sector Bank

- In this Return on Assets finding mean value of PNB (0.94) is higher than other Public sector bank SBI (0.778), BOB (0.858) and BOI (0.546). This ratio shows that PNB satisfactory performance for generated revenues other than Public Sector bank.
- In this Ratio Return on Equity Mean Value of BOB (15.13) is good other than Public Sector Bank SBI (12.96), PNB (14.73) and BOI (11.038). It is shows that BOB 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 (139.768) is higher than other Banks PNB (109.028), BOB (94.652) and BOI (43.068). 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 (83.704) is higher than PNB (77.286), BOB (71.878) and BOI (75.474). 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 BOB (13.71) is higher than SBI (9.678), PNB (11.098) and BOI (8.114). It is shows that BOB is good financial position and better efficiency by management.

## 5.2 Conclusion

In this study Selected Public Sector Bank (SBI, PNB, BOB and BOI) for the period of (2011 to 2015) 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 perfuming Bank in Respect of Return on Assets is good earned on Investment. BOB is better performance in respect of Net Profit Margin it means BOB business activity and efficiency operations by management. BOI need to improve management efficiency and control operations in the organization.

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