A Comparison of Financial Performance in the Banking Sector: Some Evidence from Indian Public Sector Banks

[1]Dr. V. R. Nedunchezhian and [2]Ms. K. Premalatha,
[1]Professor, [2]Research Scholar,
[1]KCT Business School, Kumaraguru College of Technology, Coimbatore, India, [2]Anna university, Chennai, India

Abstract: The banking sector is considered to be an important source of financing for most businesses. The common assumption, which underpins much of the financial performance research and discussion, is that increasing financial performance will lead to improved functions and activities of the organizations (**Medhat Tarawneh 2006**). The main aim of the paper is to know about the financial performance of the Indian public sector banks. Five Indian public sector banks have been choose for the study in the random manner. The financially stabilized manner some of the variables has been selected for the study to analyze the financial performance like Deposits, Loans, Assets, Equity shareholder capital, Return on Equity, Return on Assets and Net profit margin.

Keywords: *Indian Banks, Financial performance, Variables, Ratios.*

I. INTRODUCTION

Banking Sector plays an important role in economic development of a country. The banking system of India is featured by a large network of bank branches, serving many kinds of financial services of the people (Anurag 2012). The efficient banking system reveals the economic development of the country the Indian banking system proofs many of time a very good example is the subprime crisis period. While every country has gone bankrupt even though the Indian banking also undergone many difficulties but due to the strong and efficient financial strength it makes the financial system to maintain the financial strangeness.

At present the Indian banking Industry has public sector, old private sector, new private sector and foreign banks operating side-by-side and giving cut-throat competition to each other. Apparently, these different types of banks differ significantly from each other in terms of financial performance including operational efficiency, profitability, productivity and credit efficiency.

II. LITERATURE REVIEW

Nathwani, Nirmal (2004) This study emphases on the financial performance of all the commercial banks of the country for the period of five years from the year 1997-1998 to 2001-2002. The aim of this study is to understand and to find out different types of efficiency level of all the commercial banks in India. The operational efficiency reveals the performance of banks regarding operational aspects. The profitability tells about banks financial strength with the same and other banking groups in the industry. The productivity parameter indicates the labour productivity of the employees of a bank. The credit efficiency parameter shows how the given credits are efficient and what will be the effect on solvency of the bank. All these parameters have been taken with different ratios for the period of five years.

Siva Reddy Kalluru (2009), examines the ownership structure, Risk and performance of the Indian commercial banks analyzed by using t-test, fixed effects and random effects models, it tries to examine whether there exists any significant difference in the performance and risk among State-Owned Banks (SOBs), Domestic Private Banks (DPBs) and Foreign banks (FBs), controlling other factors. The results show significant differences in the performance and risk, and FBs seem to be more profitable and more risk-taking compare to both DPBs and SOBs. Bank capital and demand deposits are positively associated and loans are negatively associated with bank profitability, whereas the size of banks and growth rate of the economy is negatively associated with the bank risk.

Anurag (2012), The purpose of the study is to examine the financial performance of SBI and ICICI Bank, public sector and private sector respectively. The data used for the study was entirely secondary in nature. The present study is conducted to compare the financial performance of SBI and ICICI Bank on the basis of ratios such as credit deposit, net profit margin etc. The period of study taken is from the year 2007-08 to 2011-12. The study found that SBI is performing well and financially sound than ICICI Bank but in context of deposits and expenditure ICICI bank has better managing efficiency than SBI.

M. Kavitha (2012), The major objective of the study is to analyze the financial performance of the selected public sector banks. Financial performance of the selected public sector banks were analyzed for the period of ten years with the help of the following tools and techniques, Ratio Analysis, Correlation, Regression. The result reveals that public sector banks have performed well on the sources of growth rate and financial efficiency during the study period. The old private sector banks and new private sector banks play a vital role in marketing of new type of deposits and advances schemes.

Sanjeev Kumar Srivastaw (2013), to analyze the selected foreign and new private sector banks operating in India by using financial ratios. The Performance has been compared by dividing the total study period into two parts viz. Supra and Umbra periods. They analyzed the asset qualities has an improvised strategy for both the foreign and New private sector banks operating in India. It has also been found that both Foreign Banks and New Private Sector Banks improved the quantum of priority sector lending in the Supra period by taking advantages of the existing provisions.

III. RESEARCH METHODOLOGY

The main of the study is to compare the Financial Performance of the Indian Public Banking Sector. For the analysis secondary data has been choose to know financial performance of banks. The financially stabilized manner some of the variables has been selected for the study to analyze the financial performance like Deposits, Loans, Assets, Equity shareholder capital, Return on Equity, Return on Assets and Net profit margin. Five Indian banks has choose in the random way like Canara bank, Indian bank, Oriental bank of commerce, Union bank of India.

IV. ANALYSIS AND INTERPRETATION

A. Total Deposits

Bank/Year	2015	2014	2013	2012	2011
Canara bank	473,840.10	420,722.82	355,855.99	327,053.73	293,436.64
Indian Bank	169,225.27	162,274.82	141,980.16	120,803.80	105,804.18
Oriental Bank of Commerce	204,009.70	193,488.96	175,897.52	155,964.92	139,054.26
Union Bank of India	316,869.92	297,675.64	263,761.57	222,868.95	202,461.29

The above table refers the Deposits rate of the selected banks for the five year of time period. In Bank the deposits represents the liabilities to the bank. All the selected banks are improved all the selected year. Comparing with the four banks Canara banks performed better to compare with other banks. The selected year from starting Canara banks performs well, it shows that the it has good reputation among the selected years.

B. Total Advances

Bank/Year	2015	2014	2013	2012	2011
Canara bank	330,035.51	301,067.48	242,176.62	232,489.82	211,268.29
Indian Bank	125,863.55	122,208.99	105,642.55	90,323.60	75,249.91
Oriental Bank of Commerce	145,261.30	139,079.84	128,955.06	111,977.69	95,908.22
Union Bank of India	255,654.57	229,104.43	208,102.19	177,882.08	150,986.08

The above table refers the Advances rate of the selected banks for the five year of time period. In Bank the Advances represents the assets to the bank because the customers used to pay interest to the bank so it represents the income to banks. All the selected banks are improved all the selected yeae. Comparing with the four banks Canara banks performed better to compare with other banks. The selected year from starting Canara banks performs well, it shows that the it has good reputation among the selected years like from 211,268.29 to 330,035.51.

C. Total Assets

Bank/Year	2015	2014	2013	2012	2011
Canara bank	548,000.56	491,921.85	412,342.61	374,160.19	335,944.86
Indian Bank	192,835.97	187,326.70	162,822.60	141,419.20	121,718.31
Oriental Bank of Commerce	230,513.58	220,302.50	200,697.20	177,534.58	161,343.37
Union Bank of India	381,615.93	353,780.90	311,860.81	262,211.44	235,984.45

The above table refers the Total Assets rate of the selected banks for the five year of time period. Here also the Canara bank was in first so it represents the good opinion among the other selected banks. Assets represent the total reserves of the banks. So here the reserves means that all banks have improved in reserves too.

D. Equity Shareholders capital

Bank/Year	2015	2014	2013	2012	2011
Canara bank	475.2	461.26	443	443	443
Indian Bank	480.29	464.85	429.77	429.77	429.77
Oriental Bank of Commerce	299.85	299.85	291.76	291.76	291.76
Union Bank of India	635.78	630.31	596.79	550.55	524.33

Equity share capital represents issuing the shares to the public or third person to improve the cash for the company or banks for that banks will pay the dividend to the share holders. The amount of share capital changes time to time to improvise the share capital. Here the above table represents the performance of equity share capital for the selected banks for the selected period of time here also the share capital also increased over the period of time. Union bank of India has the more equity share capital compare to other bank from 524.33 to 635.78 during 2011 to 2015.

E. Return on Equity

Bank/Year	2015	2014	2013	2012	2011
Canara bank	10.21	10.1	12.57	15.91	22.43

Indian Bank	8	10.04	15.14	18.91	21.62
Oriental Bank of Commerce	3.77	8.91	10.97	10.29	14.71
Union Bank of India	9.71	10.03	13.75	13.75	18.79

The above table represents the return on equity of the banks all the selected banks has the gradual fluctuation among the selected years. At the end of 2015 it provides as the ROE has been deceased to 10.04 to 8 Indian bank, 8.91 to 3.77 OBC and the UBI is 10.03 to 9.71.

F. Return on Assets

Bank/Year	**2015**	**2014**	**2013**	**2012**	**2011**
Canara bank	0.49	0.49	0.69	0.87	1.19
Indian Bank	0.52	0.61	0.97	1.23	1.4
Oriental Bank of Commerce	0.21	0.51	0.66	0.64	0.93
Union Bank of India	0.46	0.47	0.69	0.68	0.88

Return on assets indicates that the profitable factors of the banks/company which related to total assets. The higher the return, the more efficient management is in utilizing its asset base. The ROA ratio is calculated by comparing net income to average total assets, and is expressed as a percentage. Here the profitable factors are lesser profitable while compare to 2011 of the selected banks. Indian bank shows better compare to other banks it has 0.52.

G. Net profit Margin

Bank/Year	**2015**	**2014**	**2013**	**2012**	**2011**
Canara bank	6.17	6.16	8.42	10.64	17.54
Indian Bank	6.34	7.6	11.38	14.28	18.31
Oriental Bank of Commerce	2.49	5.99	7.5	7.21	12.43
Union Bank of India	5.55	5.77	8.58	8.49	12.65

Net profit margin represents the converting the revenue into net profits. Here the Net profit margin has been declined compared with other years.

V. RESULTS AND CONCLUSION

The main of the paper is to study is to compare the Financial Performance of the selected Indian Public Banking Sector. For the analysis the some variables has been choose for the study like Deposits, Loans, Assets, Equity shareholder capital, Return on Equity, Return on Assets and Net profit margin. The selected variables provide different meaning like assets and liabilities of the banks. The results proof that in the are of deposits, loans and assets the canara bank performs well during the selected period of time. Both deposits and loans are in the better way compare to other banks. The return on equity share holders capital shows that Union bank of India has the more compare to other bank from 524.33 to 635.78 during 2011 to 2015. ROA Indian bank shows better compare to other banks it has 0.52. NPM has been reduced for all the banks. To conclude the study some factors in total they have good volume of exposure but the ratios are coming down so the banks should concentrate in every possible move.

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