A STUDY ON FUNDAMENTAL ANALYSIS OF BANKING SECTOR (WITH SPECIAL REFERENCE TO PUBLIC SECTOR BANKS)

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ABSTRACT

The study consist of fundamental analysis so it focuses on the overall state of the economy, and considers factors including interest rates, production, earnings, employment, GDP, housing, manufacturing and management. When analyzing a stock, futures contract, or currency using fundamental analysis there are two basic approaches one can use: bottom up analysis and top down analysis. So the researcher gives the problem as A study on fundamental analysis of banking sector with special reference to public sector banks. The main objective is to study the fundamental analysis of three banks which Punjab National Bank (PNB), Bank of Baroda (BOB) and State Bank of India (SBI). To evaluates the price to earnings, price to growth, and dividend ratios, and finally the comparative study between the selected public banks. The researcher used the secondary data from the annual report of selected banks. The data are analyzed and its findings, suggestions and it also concluded that all the three banks which is Punjab National Bank (PNB), Bank of Baroda (BOB) and State Bank of India (SBI) are financial sound and good in their performance.

Key words: Fundamental Analysis, Public, Banking Sector.

http://www.iaeme.com/ijm/index.asp

INTRODUCTION

According to the Reserve Bank of India (RBI), the banking sector in India is sound, adequately capitalized and well-regulated. Indian financial and economic conditions are much better than in many other countries of the world. Credit, market and liquidity risk studies show that Indian banks are generally resilient and have withstood the global downturn well. With a sense of optimism slowly creeping in, the banking industry expects that 2015 will bring better growth prospects. This optimism stems from factors such as the Government working hard to revitalize the industrial growth in the country and the RBI initiating a number of measures that would go a long way in helping the banks to restructure. The recent announcements of RBI, it is felt, are a clear pointer to the future of the restructured domestic banking industry.
Banking in India in the modern sense originated in the last decades of the 18th century. Among the first banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829-32; and the General Bank of India, established 1786 but failed in 1791.

The largest bank, and the oldest still in existence, is the State Bank of India. It originated as the Bank of Calcutta in June 1806. In 1809, it was renamed as the Bank of Bengal. This was one of the three banks funded by a presidency government, the other two were the Bank of Bombay and the Bank of Madras. The three banks were merged in 1921 to form the Imperial Bank of India, which upon India's independence, became the State Bank of India in 1955. For many years the presidency banks had acted as quasi-central banks, as did their successors, until the Reserve Bank of India was established in 1935, under the Reserve Bank of India Act, 1934.

In 1960, the State Banks of India was given control of eight state-associated banks under the State Bank of India (Subsidiary Banks) Act, 1959. These are now called its associate banks. In 1969 the Indian government nationalized 14 major private banks. In 1980, 6 more private banks were nationalized. These nationalized banks are the majority of lenders in the Indian economy. They dominate the banking sector because of their large size and widespread networks.

The Indian banking sector is broadly classified into scheduled banks and non-scheduled banks. The scheduled banks are those which are included under the 2nd Schedule of the Reserve Bank of India Act, 1934. The scheduled banks are further classified into: nationalized banks; State Bank of India and its associates; Regional Rural Banks (RRBs); foreign banks; and other Indian private sector banks. The term commercial banks refer to both scheduled and non-scheduled commercial banks which are regulated under the Banking Regulation Act, 1949.

Generally banking in India was fairly mature in terms of supply, product range and reach-even though reach in rural India and to the poor still remains a challenge. The government has developed initiatives to address this through the State Bank of India expanding its branch network and through the National Bank for Agriculture and Rural Development with things like microfinance.

MARKET SIZE
The Indian banking sector is fragmented, with 46 commercial banks jostling for business with dozens of foreign banks as well as rural and co-operative lenders. State banks control 80 percent of the market, leaving relatively small shares for private rivals. At the end of February, 13.7 crore accounts had been opened under Pradhanmantri Jan Dhan Yojna (PMJDY) and 12.2 crore RuPay debit cards were issued. These new accounts have mobilized deposits of Rs 12,694 crore (US$ 2.01 billion). Standard & Poor’s estimates that credit growth in India’s banking sector would improve to 12-13 per cent in FY16 from less than 10% in the second half of CY14.

GOVERNMENT INITIATIVES
There have been a lot of developments in the Indian banking sector.

- The Government has announced a capital infusion of Rs 6,990 crore (US$ 1.1 billion) in nine state run banks, including State Bank of India (SBI) and Punjab National Bank (PNB), but based on new efficiency parameters such as return on assets and return on equity. In a statement, the finance ministry said, “This year, the Government of India has adopted new criteria in which the banks which are more efficient would only be rewarded with extra capital for their equity so that they can further strengthen their position.”

- The Union cabinet has approved the establishment of the US$ 100 billion New Development Bank (NDB) envisaged by the five-member BRICS group as well as the BRICS “contingent reserve arrangement” (CRA).

- The RBI has decided to allow nominated banks to import gold, including coins, on a consignment basis, extending its clarification issued in November 2014, which had eased certain categories of gold imports.

- To help Micro Small and Medium Enterprises (MSME), RBI has permitted setting up of an exchange-based trading platform to facilitate financing of bills raised by such small entities to corporate and other buyers, including government departments and PSUs.
Indian banking sector to be third largest by 2025

Riding on the back of an economic boom, the India banking industry is slated to become the third-largest in the world by 2025, after China and the US, a report released by Boston Consulting Group, Federation of Indian Chambers of Commerce and Industry and Indian Banks’ Association (IBA) has said. The Indian banking industry is currently the fourteenth-largest in the world.

Banks investing aggressively in alternate channels such as mobile banking, online banking and ATMs, will emerge winners in the retail banking segment in medium-term, the report said.

Going forward, banks will have to strive for excellence on five indicators — branch sales and service, new channels, lean operations, organization design and bad debt management, the report titled Being Five Star in Productivity — Roadmap for Excellence in Indian Banking has said.

“The global banking crisis in the recent past has highlighted the perils of irresponsible banking and through this theme of productivity excellence we wanted to focus on the tremendous scope for Indian banks to improve their productivity and consequently, their profitability,” said MD Mallya, deputy chairman of IBA and chairman and managing director, Bank of Baroda.

“New channels will not only enhance the productivity but can be a source of new customer acquisition,” said Saurabh Tripathi, partner and director, BCG.

There is scope for improving productivity in the Indian banking sector. On an average, Indian banks deploy around 20% of its staff in back–office processing (it can be as high as 40% for some banks) against a global best of 10%, said the report.

Adoption of banking technology

The IT revolution has had a great impact on the Indian banking system. The use of computers has led to the introduction of online banking in India. The use of computers in the banking sector in India has increased many folds after the economic liberalization of 1991 as the country's banking sector has been exposed to the world's market. Indian banks were finding it difficult to compete with the international banks in terms of customer service, without the use of information technology.

The RBI set up a number of committees to define and co-ordinate banking technology. These have included:

- In 1984 was formed the Committee on Mechanization in the Banking Industry (1984) whose chairman was Dr. C Rangarajan, Deputy Governor, Reserve Bank of India. The major recommendations of this committee were introducing MICR technology in all the banks in the metropolises in India. This provided for the use of standardized cheque forms and encoders.
- In 1988, the RBI set up the Committee on Computerization in Banks (1988) headed by Dr. C Rangarajan. It emphasized that settlement operation must be computerized in the clearing houses of RBI in Bhubaneshwar, Guwahati, Jaipur, Patna and Thiruvananthapuram. It further stated that there should be National Clearing of inter-city cheques at Kolkata, Mumbai, Delhi, Chennai and MICR should be made operational. It also focused on computerization of branches and increasing connectivity among branches through computers. It also suggested modalities for implementing on-line banking. The committee submitted its reports in 1989 and computerization began from 1993 with the settlement between IBA and bank employees’ associations.
- In 1994, the Committee on Technology Issues relating to Payment systems, Cheque Clearing and Securities Settlement in the Banking Industry (1994) was set up under Chairman W S Saraf. It emphasized Electronic Funds Transfer (EFT) system, with the BANKNET communications network as its carrier. It also said that MICR clearing should be set up in all branches of all those banks with more than 100 branches.

Automated teller machine growth

The total number of automated teller machines (ATMs) installed in India by various banks as of end June 2012 was 99,218. The new private sector banks in India have the most ATMs, followed by off-
site ATMs belonging to SBI and its subsidiaries and then by nationalized banks and foreign banks, while on-site is highest for the nationalized banks of India.

**CHEQUE TRUNCATION INITIATIVE**

In 2008 the Reserve Bank of India introduced a system to allow cheque truncation in India, the cheque truncation system as it was known was first rolled out in the National Capital Region and then rolled out nationally.

**EXPANSION OF BANKING INFRASTRUCTURE**

Physical as well as virtual expansion of banking through mobile banking, internet banking, tele banking, bio-metric and mobile ATMs is taking place since last decade and has gained momentum in last few years.

**BANK PROFILE**

**PUNJAB NATIONAL BANK**

Punjab National Bank is an Indian financial services company based in New Delhi, Delhi, India. Founded in 1894, the bank has over 6,300 branches and over 7,900 ATMs across 764 cities. It serves over 80 million customers. Punjab National Bank is one of the *Big Four banks* of India, along with State Bank of India, ICICI Bank and Bank of Baroda. It is the third largest bank in India in terms of asset size (billion by the end of FY 2012-13). The bank has been ranked 248th biggest bank in the world by the *Bankers' Almanac*.

PNB has a banking subsidiary in the UK (PNB International Bank, with seven branches in the UK), as well as branches in Hong Kong, Kowloon, Dubai and Kabul. It has representative offices in Almaty (Kazakhstan), Dubai, Shanghai (China), Oslo (Norway) and Sydney (Australia). In Bhutan it owns 51% of Druk PNB Bank, which has five branches. PNB owns 20% of Everest Bank, which has 50 branches in Nepal. Lastly, PNB owns 84% of JSC (SB) PNB Bank in Kazakhstan, which has four branches. PNB has the distinction of being the first Indian bank to have been started solely with Indian capital that has survived to the present. (The first entirely Indian bank, Oudh Commercial Bank, was established in 1881 in Faizabad, but failed in 1958.) PNB has had the privilege of maintaining accounts of national leaders such as Mahatma Gandhi, Jawahar Lal Nehru, Lal Bahadur Shastri, Indira Gandhi, as well as the account of the famous Jalianwala Bagh Committee.

**BANK OF BARODA**

Bank of Baroda is an Indian state-owned banking and financial services company headquartered in Vadodara (earlier known as Baroda) in Gujarat, India. It is the second-largest bank in India, after State Bank of India, and offers a range of banking products and financial services to corporate and retail customers through its branches and through its specialized subsidiaries and affiliates. In addition to its headquarters in its home state of Gujarat, it has a corporate headquarters in the Bandra Kurla Complex in Mumbai.

Based on 2014 data, it is ranked 801 on Forbes Global 2000 list. Bank of Baroda has total assets in excess of 3.58 trillion, a network of 5307 branches in India and abroad, and over 8000 ATMs.

The bank was founded by the Maratha, Maharaja of Baroda, H. H. Sir Sayajirao Gaekwad III on 20 July 1908 in the Princely State of Baroda, in Gujarat. The bank, along with 13 other major

Dr. M. Parveen and Ms. S. Sameera, “Problems and Challenges On Indian Banking Sector In Pre and Post Globalisation Period” - (ICAM 2016)
commercial banks of India, was nationalized on 19 July 1969, by the Government of India and has been designated as a profit-making public sector undertaking (PSU).

INTERNATIONAL PRESENCE

In its international expansion, the Bank of Baroda followed the Indian diaspora, especially that of Gujaratis. The Bank has 104 branches/offices in 24 countries including 61 branches/offices of the bank, 38 branches of its 8 subsidiaries and 1 representative office in Thailand. The Bank of Baroda has a joint venture in Zambia with 16 branches. Among the Bank of Baroda’s overseas branches are ones in the world’s major financial centres (e.g., New York, London, Dubai, Hong Kong, Brussels and Singapore), as well as a number in other countries. The bank is engaged in retail banking via the branches of subsidiaries in Botswana, Guyana, Kenya, Tanzania, and Uganda. The bank plans has recently upgraded its representative office in Australia to a branch and set up a joint venture commercial bank in Malaysia. It has a large presence in Mauritius with about nine branches spread out in the country.

The Bank of Baroda has received permission or in-principle approval from host country regulators to open new offices in Trinidad and Tobago and Ghana, where it seeks to establish joint ventures or subsidiaries. The bank has received Reserve Bank of India approval to open offices in the Maldives, and New Zealand. It is seeking approval for operations in Bahrain, South Africa, Kuwait, Mozambique, and Qatar, and is establishing offices in Canada, New Zealand, Sri Lanka, Bahrain, Saudi Arabia, and Russia. It also has plans to extend its existing operations in the United Kingdom, the United Arab Emirates, and Botswana. The tagline of Bank of Baroda is "India's International Bank".

AFFILIATES

India’s First Life Insurance Company is a joint venture between Bank of Baroda (44%) and fellow Indian state-owned bank Andhra Bank (30%), and UK’s financial and investment company Legal & General (26%). It was incorporated in November, 2009 and has its headquarters in Mumbai. The company started strongly, achieving a turnover in excess of 2 billion in its first four and half months.

STATE BANK OF INDIA

State Bank of India is an Indian multinational, Public Sector banking and financial services company. It is a government with its headquarters in Mumbai, Maharashtra and also its corporate office in Mumbai, Maharashtra. As of December 2013, it had assets of US$388 billion and 17,000 branches, including 190 foreign offices, making it the largest banking and financial services company in India by assets. State Bank of India is one of the Big Four banks of India, along with Bank of Baroda, Punjab National Bank and ICICI Bank.

The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding, in 1806, of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras merged into the other two "presidency banks" in British India. Bank of Calcutta and Bank of Bombay, to form the Imperial Bank of India, which in turn became the State Bank of India. Government of India owned the Imperial Bank of India in 1955, with Reserve (India's Central Bank) taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India. State Bank of India is a regional banking behemoth and has 20% market share in deposits and loans among Indian commercial banks.

DOMESTIC PRESENCE
SBI has nearly 16000 branches in India presently, of which 9,851 (66%) were in Rural and Semi-urban areas. In the financial year 2012-13, its revenue was INR 200,560 Crores (US$36.9 billion), out of which domestic operations contributed to 95.35% of revenue. Similarly, domestic operations contributed to 88.37% of total profits for the same financial year.

Under the Pradhan Mantri Jan Dhan Yojana of financial inclusion launched by Government in August 2014, SBI held 11,300 camps and opened over 30 lakhs accounts by September, which included 21.16 lakh accounts in rural areas and 8.8 lakh accounts in urban areas.

INTERNATIONAL PRESENCE
As of 28 June 2013, the bank had 190 overseas offices spread over 36 countries. It has branches in Moscow, Colombo, Dhaka, Frankfurt, HongKong, Tehran, Johannesburg, London, Los Angeles, Male in the Maldives, Muscat, Dubai, New York, Osaka, Sydney, and Tokyo. It has offshore banking units in the Bahamas, Bahrain, and Singapore, and representative offices in Bhutan and Cape.

The Canadian subsidiary, State Bank of India (Canada) also dates to 1982. It has seven branches, four in the Toronto area and three in the Vancouver area.

SBI operates several foreign subsidiaries or affiliates. In 1990, it established an offshore bank: State Bank of India (Mauritius). SBI (Mauritius) has 15 branches in major cities/towns of the country including Rodrigues.

SBI Sri Lanka now has three branches located in Colombo, Kandy and Jaffna. The Jaffna branch was opened on 9 September 2013. SBI Sri Lanka, the oldest bank in Sri Lanka, celebrated its 150th year in Sri Lanka on 1 July 2014.

MAJOR COMPETITORS
The major competitors for SBI in the banking sector are Axis Bank, ICICI Bank, HDFC Bank, Punjab National Bank, Bank of Baroda, IndusInd Bank, Canara Bank, Bank of India and Union Bank of India. However, in terms of average market share, SBI is by far the largest player in the market.

ASSOCIATE BANKS
SBI now has five associate banks, down from the eight that it originally acquired in 1959. All use the State Bank of India logo, which is a blue circle, and all use the "State Bank of" name, followed by the regional headquarters' name:

- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Travancore

The State Bank of India and all its associate banks are identified by the same blue keyhole logo. The State Bank of India word mark usually has one standard typeface, but also utilizes other typefaces.

STATEMENT OF THE PROBLEM
The fundamental analysis is used to found price to earnings, price to growth and stock valuation of the various sector. The researcher found that it can be applied in the public banking sector. Thus the research problem is identified as “A STUDY ON FUNDAMENTAL ANALYSIS OF BANKING SECTOR WITH SPECIAL REFERENCE TO PUBLIC SECTOR BANKS”.

This fundamental analysis is mainly used to get deep insight into the financial performance of the Public Sector Banks. The researcher underwent the study for the period of 2011 to 2015. Finally this study is to compare the listed public sector banks for the year (2014-2015) i.e for the final year, the researcher identify the performance of the public banks through fundamental analysis.

OBJECTIVES OF THE STUDY
- The main and primary objective is to study the fundamental analysis of Public sector banks.
To evaluate the price to earnings, price to growth and dividend ratios.
To assess the liquidity, return on equity, borrowing, and non performing assets of the selected banks.
To find the stock valuation and its position.
Finally comparative study between the selected public banks.

SCOPE OF THE STUDY
- To assess the performance of selected banking companies listed in NSE and BSE.
- To evaluate the financial strength of the selected banking companies listed in BSE and NSE.
- To evaluate intrinsic value of share and compare it with present market price to decide whether a share is overvalued or undervalued.
- To evaluate managements efficiency and internal decisions taken by them to run the business.
- To calculate credit risk.

RESEARCH METHODOLOGY
Research methodology is a way to systematically solve the research problem. The research methodology using for find out the solution of the research problem is analytical research methodology and some extent descriptive research methodology.

RESEARCH DESIGN
The descriptive form of research design is for the study. The major purpose of descriptive research is description of state of affairs of the institution as it’s exists at present. The nature and characteristics of the fundamental analysis of Public sector banks are described in this study.

SAMPLE UNIT
- Punjab National Bank
- Bank of Baroda
- State Bank of India

DATA PROCESSING
Secondary data has been collected from various sources to analyze the fundamentals. Following are the sources:
- RBI policies
- Annual reports
- NSE
- Money control
- Other websites

TOOLS FOR ANALYSIS
Bank accounts are presented in a different manner (as per banking regulations). The following are the most popular tools for the fundamental analysis of bank or to evaluate performance of banks:
- Earnings per share, Price to earnings, Price to growth ratio, Price to sales ratio, Price to book ratio
- Dividend payout ratio, Dividend yield ratio, Book value per share, Return on equity, Working capital ratio, Liquidity ratio, Non-performing asset, Dividend per share, Debt equity ratio, Proprietary ratio, Capital gearing ratio.

FUNDAMENTAL ANALYSIS
Fundamental analysis, in finance, is the analysis of a business's financial statements (usually to analyze the business's assets, liabilities, and earnings); health; and its competitors and markets. When applied to futures and forex, it focuses on the overall state of the economy, and considers factors...
including interest rates, production, earnings, employment, GDP, housing, manufacturing and management. When analyzing a stock, futures contract, or currency using fundamental analysis there are two basic approaches one can use: bottom up analysis and top down analysis. The terms are used to distinguish such analysis from other types of investment analysis, such as quantitative and technical.

Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives:
- to conduct a company stock valuation and predict its probable price evolution;
- to make a projection on its business performance;
- to evaluate its management and make internal business decisions;
- And/or to calculate its credit risk.

**STEPS OF FUNDAMENTAL ANALYSIS**
- Macroeconomic analysis, which involves considering currencies, commodities and indices.
- Industry sector analysis which involves the analysis of bank that are a part of sector.
- Situational analysis of a bank
- Financial analysis of a bank
- Valuation

**LIMITATIONS**
Only 3 public sector banks were chosen for the study due to time constraints. The data’s from the bank is too confidential, only limited data’s were gained and it’s from the annual report.

**DATA ANALYSIS**

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<th>RATIO</th>
<th>PNB</th>
<th>BOB</th>
<th>SBI</th>
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<tr>
<td>Earnings per share</td>
<td>17.40</td>
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<td>1.30</td>
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<td>Price to earnings ratio</td>
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<td>0.84</td>
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<td>Working capital ratio</td>
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<td>Non-performing asset</td>
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Dr. M. Parveen and Ms. S. Sameera, “Problems and Challenges On Indian Banking Sector In Pre and Post Globalisation Period” - (ICAM 2016)
EPS is highest in PNB (17.30) than the BOB and SBI. Price to earnings is highest in SBI (7.67) than the PNB and BOB. Price to growth ratio is highest in SBI (0.33) than PNB and BOB. Price to sales ratio is highest in SBI (6.69) than PNB and BOB. Price to book ratio is same in PNB, BOB and SBI. There is no difference. Dividend yield ratio is highest in SBI (0.99) than PNB. Return on equity is highest in BOB (15.78) than PNB and SBI. Working capital ratio is highest in BOB (1.05) than PNB and SBI. Liquidity ratio is highest in BOB (2.39) than PNB and SBI. Non-performing asset is highest in PNB (40.46) than BOB and SBI. DPS is highest in BOB (13.13) than PNB and SBI. Debt equity ratio is highest in BOB (0.89) than PNB and SBI. Proprietary ratio is highest in PNB (0.97) than BOB and SBI. Capital gearing ratio is highest in PNB (0.32) than BOB and SBI.

FINDINGS

PUNJAB NATIONAL BANK
Earnings per share increased in the year 2015 as 17.40, it is the highest for the period. Price to earnings increased in the year 2011 as 1.56, it is the highest for the period. Price to growth ratio does not show differences between the years 2011 to 2015. Price to sales ratio is in the same ratio for 5 years. Price to book ratio increased in the year 2011 to 2012 from 1.27. Dividend yield ratio, does not give any changes from 2011 to 2015. Book value per share is 0.74 from the year 2011 to 2015. Return on equity increased in the year 2015 as 10.44, it is the highest for the period. Working capital ratio is 2.52 in the year 2012 Liquidity ratio decreased in the year 2011 and 2015. NPA increased in the year 2015. Dividend per share decreases in 2014. Debt equity ratio is increased in the year 2012 as 38.05. Proprietary ratio is increased in the year 2015. Capital gearing ratio is the solvency ratio increased in the year 2011.

BANK OF BARODA
EPS increased in the year 2012 as 40.11, it is the highest for the period. P/E ratio is in the same position. Price to growth ratio is P/E divided by Annual EPS growth. Price to sales ratio is decreased in the year 2014 and 2015. Dividend payout ratio increased in the year 2015from 25.06. Dividend yield ratio is same. Book value per share is found 0.99 for the past 5 years. Return on equity is increased in the year 2015 as 15.78. Working capital does not show any differences. NPA is 3.40 in the year 2011. DPS increased in the year 2015 as 13.13, it is the highest for the period. Debt equity ratio increased in the year 2012. Proprietary ratio is same in the year from 2011 to 2015. Capital gearing ratio is dividends divided by shareholder funds. It is 0.02 in the year 2015.

STATE BANK OF INDIA
EPS is increased in the year 2012 to 2013. It is the highest for the period. P/E is 8.19 in the year 2014. Price to growth ratio is in the same. Price to sales ratio is increased in the year 2011 to 2013. Price to book ratio is in the same ratio. Dividend payout ratio increased in the year 2015 as 2.86. Dividend yield ratio is 0.35 in the year 2012 and 2015. Book value per share is 0.99 from the year 2011 to 2015. Return on equity is 35.40 from the year 2012 and 2013. Working capital ratio is increased in the year 2012. It is the highest for the period 4.47. Liquidity ratio increased as 9.22 in the year 2011. NPA increased in the year 2015. DPS is in the same position from the year 2011 to 2015. Debt equity ratio is 0.38 in the year 2015. Proprietary ratio is 0.11 in the year 2011 and 2013. Capital gearing ratio is 0.17 in the year 2011, it is the highest for the period.
SUGGESTIONS
Based on the analysis and findings the following suggestions are made:

- Long-term investment in banking sector is good option for investors, important ratios are increased in long term like DPS, Price earnings ratio etc…
- Non-monetary factors also should consider while investing.
- Current trend of market also should consider while marketing investment.
- DPS will relieve the dividend of the bank if dividend is high the investors will be ready to invest more and it result increase market capitalization.
- P/E ratio reflects the price the investors are willing to pay for every one rupee earnings.
- The lower cost to income ratio will be good for banks; it will increase profitability and return ratios.
- Higher the dividend payout ratio will increase demand for security and lower will decrease the demand.

CONCLUSION
Fundamental analysis argued that no investment decision should take without processing and analyzing all relevant information. The analysis is based on industry as well as bank. For analysis of three banks are selected. Intrinsic value of all banks except, bank of Baroda is under priced and P/E ratio of all banks except Bank of Baroda showing increasing trend. It indicates that investment in Bank of Baroda is not viable and other two banks are good for investors, among these two banks SBI showing highest P/E ratio and intrinsic value and it would be profitable for investors to invest in SBI.

REFERENCES

Dr. M. Parveen and Ms. S. Sameera, “Problems and Challenges On Indian Banking Sector In Pre and Post Globalisation Period” - (ICAM 2016)