**International Journal of Management (IJM)**
Volume 11, Issue 5, May 2020, pp.1903-1912, Article ID: IJM_11_05_181
Available online at https://iaeme.com/Home/issue/IJM?Volume=11&Issue=5
ISSN Print: 0976-6502 and ISSN Online: 0976-6510
DOI: https://doi.org/10.34218/IJM.11.5.2020.181



# FINANCIAL RATIO ANALYSIS OF DIFFERENT PUBLIC SECTOR BANKS

**Shipra Gupta**
Associate Professor, Graphic Era Hill University, Dehradun, Uttarakhand, India

**Vijay Kumar**
Professor, Graphic Era Hill University, Dehradun, Uttarakhand, India

**Rupa Khanna**
Professor, Graphic Era Deemed to be University, Dehradun, Uttarakhand, India

**ABSTRACT**

*Bank occupies a unique place in the Indian economy. The public has enormous faith in public sector banks because of their dedicated services. This study aims at analyzing the financial ratio analysis of different types of public sector banks. Commercial public sector banks' main objectives are customer satisfaction at the lowest cost by optimum utilization of the resources and maximization of the wealth. In this competitive environment, banks are concentrating on their financial performance improvement and are trying to increase their portfolios and return for sustain in this era. Ratio analysis, the most popular analyzing tool/technique, is used to analyze the financial statements of different public sector banks. Ratio analysis is a helpful tool for identifying, monitoring, evaluating and measuring the time to time banks performance in various aspects or parameters for different users. With the help of ratio analysis, a bank can improve, change and control its activities. Therefore the study was undertaken to analyze the financial status of different public sector banks*

**Key words:** Public Sector Banks, Financial Performance, Ratio Analysis, Different Ratios, Branches.

**Cite this Article:** Shipra Gupta, Vijay Kumar and Rupa Khanna, Financial Ratio Analysis of Different Public Sector Banks, *International Journal of Management (IJM)*, 11(5), 2020, pp. 1903-1912.
https://iaeme.com/Home/issue/IJM?Volume=11&Issue=5

## 1. INTRODUCTION

Banks are like lifeblood for the system of the Indian economy. Banking plays a vital role in economic development and forms the core of the cash market in a complicated country. In India, the cash market is characterized by each organized and unorganized sector. The organized sector includes industrial banks, Cooperative banks and Regional Rural banks, whereas the unorganized sector includes autochthonic bankers and personal cash lenders. Among the banking establishments within the organized sector, the industrial banks' area unit the oldest establishments having a good network of branches, commanding utmost public confidence and having the lion's share within the total banking operations. Initially, they were established as company bodies with share-holdings by personal people. However, afterwards, there has been a drift towards State possession and management. It's a vital instrument of mobilizing the community's resources through the institutional framework. As a matter of reality, economic and industrial development of a rustic depends on the main, upon however expeditiously funds area unit managed by the banks. Hence, banking plays a vital within the economic development of the country. Adequacy of capital and ability of management area unit the two pillars upon which the banks' earnings rely. Sufficient capital in stills depositor's confidence helps in mobilizing deposits. An increase in deposits will increase the disposal business and thus enhance the bank's probabilities of financial gain generation.

Moreover, a bank with a sound capital base will take the business chance effectively and might concentrate well on managing the downside arising from sudden loss. The success and survival of a bank depend to an excellent extent upon the dedication and competency of its managers. A sensible managing director will not solely facilitate mobilizing resources and deploy them in profitable channels. The manager can even cut back the number of idle balances and earn many profits. The banks currently specialize in integrated balance-sheet management wherever all the relevant factors that result in Associate in nursing acceptable record composition be thought. So, various parts of the record area unit analyzed, keeping the bank's strengths. Analyzing plus and Liability behaviour means that managing each asset and liabilities simultaneously aims to minimize the adverse impact of rate of interest movement, provide liquidity, and enhance the value of equity. Careful planning and management of plus and Liability behaviour is an integral part of the banking business, notably due to over three-fourths of its resources originating from the depositors. However, the banks don't have the freedom to create their behaviour on each side (asset and liabilities).

## 2. LITERATURE REVIEW

S. Subalakshmi, S. Grahalakshmi and M. Manikandan (2018) have studied the financial performance of SBI for various aspects by ratio analysis. The main aim of this research paper is to know about the financial status of SBI. Vidisha Shah (2015) has discussed in her research article the comparative analysis study on the performance of ICICI as a private sector bank and SBI as a public sector bank from 2011 to 2015 on many vital parameters of Ratio Analysis. Khataybeh & Tarawneh (2015) have discussed the impact of rate of return on portfolio composition, and the availability of funds is more important in determining the structure of these portfolios. Baser (2014) stated that a comprehensive and dynamic framework for measuring, monitoring and managing the market risk has Asset Liability Management. In this study, the banks' perspectives regarding identified and faced problems and risks in maintaining Asset Quality have been expressed. This study has to be an attempt to evaluate the changing views of the banks in identifying and facing the risks and maintaining Asset Quality to ensure profitability with the help of ALM techniques.

Chaudhary (2012) indicated that the Indian economy has recently witnessed the emergence of many banks in the private sector. There are several reasons behind the increasing number of commercialization of banks. The growth of such banks is not possible unless they witness some success in customer satisfaction, or may it be the net assets held by these banks, the Efficiency of their management or the networks of each bank, both in private and the public sector bank.

Scott and Arias (2011) presented an econometric model to study the determinants of profitability of the top five banks of the United States. The study observed that capital asset ratio positively impacted profitability as large banks could compete efficiently even if the macroeconomic factor did not support it.

Ibrahim (2011) stated that Indian scheduled commercial banks had improved their operational performance since 2000. There is a constant increase in aggregate deposits, and the Cash-Depository ratio also shows an increasing trend. The investment deposit ratio and priority sector advances have also gone up. Prasad and Ravinder (2011) analyzed the profitability of four central banks in India. The study revealed that the State Bank of India performed better in terms of earning per share and dividend payout ratio. In contrast, Punjab National Bank performed better in operating profit margins and equity returns.

Singh and Vyas (2009) used multiple regression models to compare mean capital to risk-weighted assets ratio of various bank groups. They found a significant difference in the CRAR (Capital to Risk-Weighted Asset Ratio) of the State Bank of India group and Foreign Banks operating in India in comparison to that of nationalized banks group. There is no significant difference in the CRAR of Indian private banks and that of nationalized banks, the study observed.

Rajamohan and Pasupathy (2009) stated that several factors determined the operating Efficiency and profitability of the bank. The results were summarized in capsule form. Therefore, he recommended that the burden rate be reduced by effecting cost control measures, and the spread rate should be increased so that the profitability may be at a higher rate.

Sinha and Chatterjee (2009) compared the performance of 40 Indian commercial banks using Window Analysis, considering deposit mobilizations as the output indicator. The private sector banks performed better than the public sector banks among the in-samples banks.

Namita (2012) explained the Punjab National Bank capital formation related parameters. To increment the bank's growth, some parameters are associated with capital formation: the rate of return on Assets, business per employee and business per branch, etc. She concluded that for the better growth of the banks, it had been advised that all the factors should be focused, not only on return on assets.

## 3. IMPORTANCE OF THE STUDY

The study is essential as it is believed that banks with good Asset & Liability behaviour can maximize their earnings and satisfy their social objectives as required by the Government and the Reserve Bank of India. At present, when most public sector banks are reeling under the pressure of growing NPA, focusing on aspects of Assets and Liability behaviour can help the banks cut down their risk exposure and unnecessary spending to strengthen their spending their balance sheet. In the context of strong opposition to the privatization of public sector commercial banks, this study attempts to analyze the financial performances of the State Bank of India and identify the reasons for the lag in the performance of SBI and the possible corrective measures.

## 4. RESEARCH METHODOLOGY

In the present study, secondary data available over five years from 2015-2016 to 2019-2020 by various sources have been analyzed. The data are collected by the RBI publications, the Annual reports, Government publications, balance sheets, profit & loss statements, and different banks' websites.

## 5. RATIO ANALYSIS

- Operating Profit to Total Assets Ratio identifies how banks manage their assets to produce an appropriate profit. This ratio works like a key to measure banks effectiveness and Efficiency in using assets to generate revenue and expand the business. A high ratio indicates the efficient utilization of assets in the form of profit. Operating profit to total assets ratio of different public sector banks for the study period is given in the following table1.

**Table 1** Operating Profit to Total Assets Ratio

| Name of Bank | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Total | Average | Rank |
|---|---|---|---|---|---|---|---|---|
| State Bank of India | -0.75 | -0.92 | -1.48 | -0.93 | -0.77 | -4.85 | -0.97 | 1 |
| Punjab National Bank of India | -1.62 | -1.05 | -2.76 | -2.23 | -1.07 | -8.73 | -1.746 | 6 |
| Bank of Baroda | -1.54 | -0.77 | -1.26 | -0.75 | -0.84 | -5.16 | -1.032 | 2 |
| Union Bank of India | -0.56 | -0.97 | -2.1 | -1.5 | -1.48 | -6.61 | -1.322 | 4 |
| Canara Bank | -1.39 | -1.1 | -1.8 | -0.89 | -1.38 | -6.56 | -1.312 | 3 |
| Central Bank of India | -1.09 | -1.59 | -2.36 | -2.43 | -1.33 | -8.8 | -1.76 | 7 |
| Indian Overseas Bank | -1.97 | -2.74 | -4.05 | -3.17 | -4.55 | -16.48 | -3.296 | 8 |
| Bank of India | -1.59 | -1.33 | -1.93 | -1.7 | -1.47 | -8.02 | -1.604 | 5 |

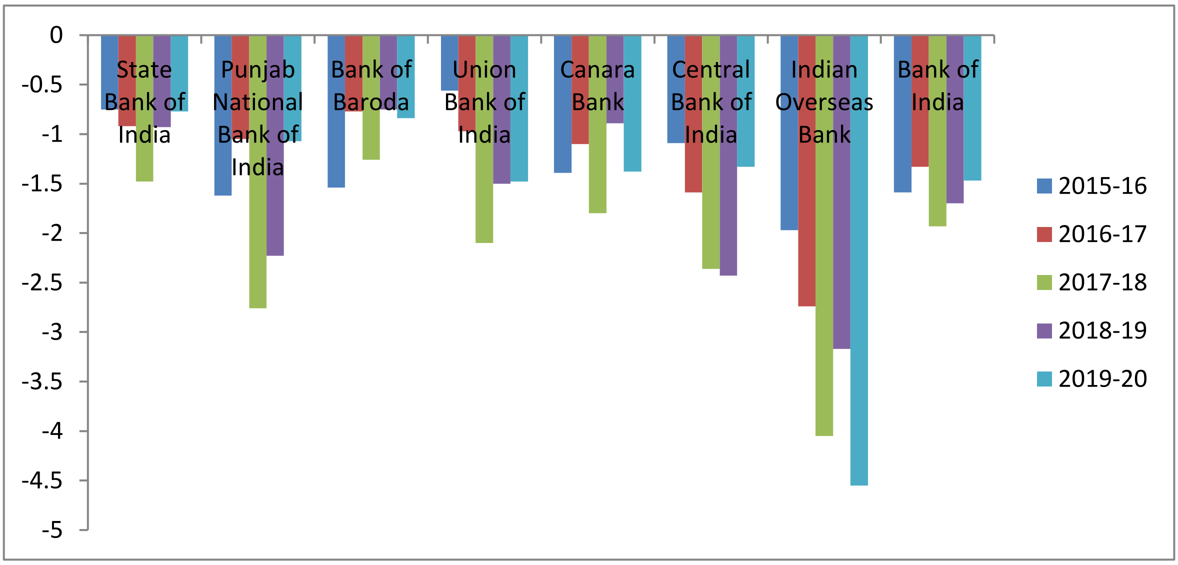


**Figure 1**

- Credit Deposit Ratio is a commonly used statistic for assessing a bank's liquidity by dividing the total bank loans by its total deposits. This is the ratio of how much a bank lends out of the deposits it has mobilized. RBI does not specify a minimum or maximum level for this ratio, but a low ratio indicates the insufficient usage of the resources. The ratio of credit to deposit of different public sector banks during the study period is shown in the following table2.

**Table 2** Credit Deposit Ratio

| Name of Bank | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Total | Average | Rank |
|---|---|---|---|---|---|---|---|---|
| State Bank of India | 83 | 80 | 73 | 73 | 73 | 382 | 76.4 | 1 |
| Punjab National Bank of India | 75.19 | 70.81 | 67.51 | 67.66 | 67.4 | 348.57 | 69.714 | 4 |
| Bank of Baroda | 68.13 | 65.24 | 67.95 | 72.87 | 73.13 | 347.32 | 69.464 | **5** |
| Union Bank of India | 79.29 | 76.8 | 73.1 | 71.04 | 70.62 | 370.85 | 74.17 | 2 |
| Canara Bank | 68.66 | 68.38 | 70.95 | 72.03 | 70.23 | 350.25 | 70.05 | 3 |
| Central Bank of India | 70.62 | 56.75 | 50.03 | 50.96 | 48.5 | 276.86 | 55.372 | 8 |
| Indian Overseas Bank | 70.68 | 69.13 | 63.75 | 60.33 | 57 | 320.89 | 64.178 | 7 |
| Bank of India | 72.85 | 68.91 | 66.72 | 65.51 | 65.95 | 339.94 | 67.988 | 6 |

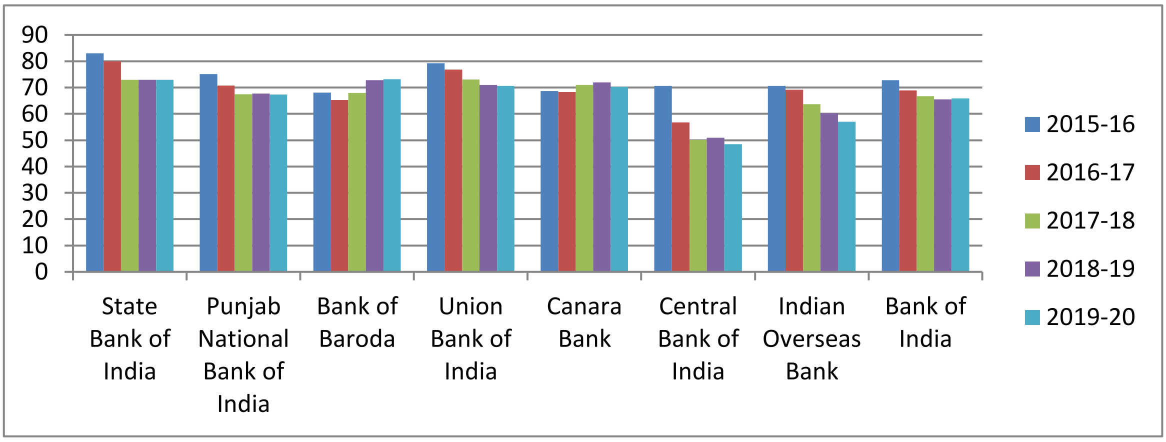


**Figure 2**

- Capital Adequacy Ratio is qualifying capital to risk-adjusted or weighted assets. RBI has set the minimum capital adequacy ratio at 9% for all banks, and a low ratio indicates that the bank has insufficient capital to expand its operations. The ratio of capital adequacy of different public sector banks during the study period is shown in the following table3.

**Table 3** Capital

| Adequacy Ratio | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name of Bank** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **Total** | **Average** | **Rank** |
| State Bank of India | 13.12 | 13.11 | 12.6 | 12.72 | 13.13 | 64.68 | 12.936 | 2 |
| Punjab National Bank of India | 11.28 | 11.66 | 9.2 | 9.73 | 14.14 | 56.01 | 11.202 | **6** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Bank of Baroda | 13.17 | 13.17 | 12.13 | 13.42 | 13.3 | 65.19 | 13.038 | 1 |
| Union Bank of India | 10.56 | 11.79 | 11.5 | 11.78 | 12.81 | 58.44 | 11.688 | 5 |
| Canara Bank | 11.08 | 12.86 | 13.22 | 11.9 | 13.65 | 62.71 | 12.542 | 4 |
| Central Bank of India | 10 | 11 | 9 | 10 | 12 | 52 | 10.4 | 7 |
| Indian Overseas Bank | 9.66 | 10.5 | 9.25 | 10.21 | 10.72 | 50.34 | 10.068 | 8 |
| Bank of India | 12.01 | 12.14 | 12.94 | 14.19 | 13.1 | 64.38 | 12.876 | 3 |

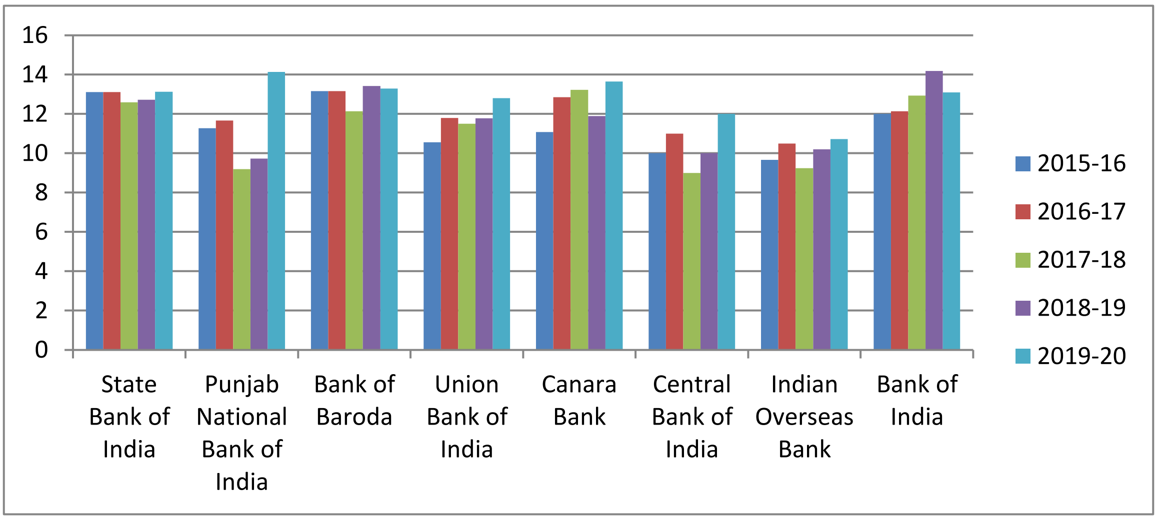


**Figure 3**

- Investment Deposit Ratio helps to understand how much the deposit is invested in government securities and other approved securities. Continuous increasing of this ratio shows that the bank efficiently uses the customers' deposits. The Investment Deposit Ratio of different public sector banks during the study period is shown in the following table4.

$$\text{Investment Deposit Ratio} = \frac{\text{Investment} \times 100}{\text{Deposits}}$$

**Table 4** Investment

| Deposit Ratio | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name of Bank** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **Total** | **Average** | **Rank** |
| State Bank of India | 31.97 | 35.54 | 38.45 | 36.1 | 32.73 | 174.79 | 34.958 | 2 |
| Punjab National Bank of India | 29.32 | 29.33 | 30.62 | 30.53 | 32.07 | 151.87 | 30.374 | 4 |
| Bank of Baroda | 20.37 | 21.27 | 24.54 | 28.09 | 28.83 | 123.1 | 24.62 | 8 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Union Bank of India | 27.79 | 27.92 | 29.98 | 30.3 | 32.13 | 148.12 | 29.624 | 5 |
| Canara Bank | 30.16 | 30.01 | 28.85 | 26.43 | 26.89 | 142.34 | 28.468 | 6 |
| Central Bank of India | 35.33 | 32.15 | 32.92 | 38.33 | 43.65 | 182.38 | 36.476 | 1 |
| Indian Overseas Bank | 34.11 | 34.58 | 32.74 | 30.86 | 32.85 | 165.14 | 33.028 | 3 |
| Bank of India | 22.84 | 23.43 | 24.97 | 27.33 | 28.45 | 127.02 | 25.404 | 7 |

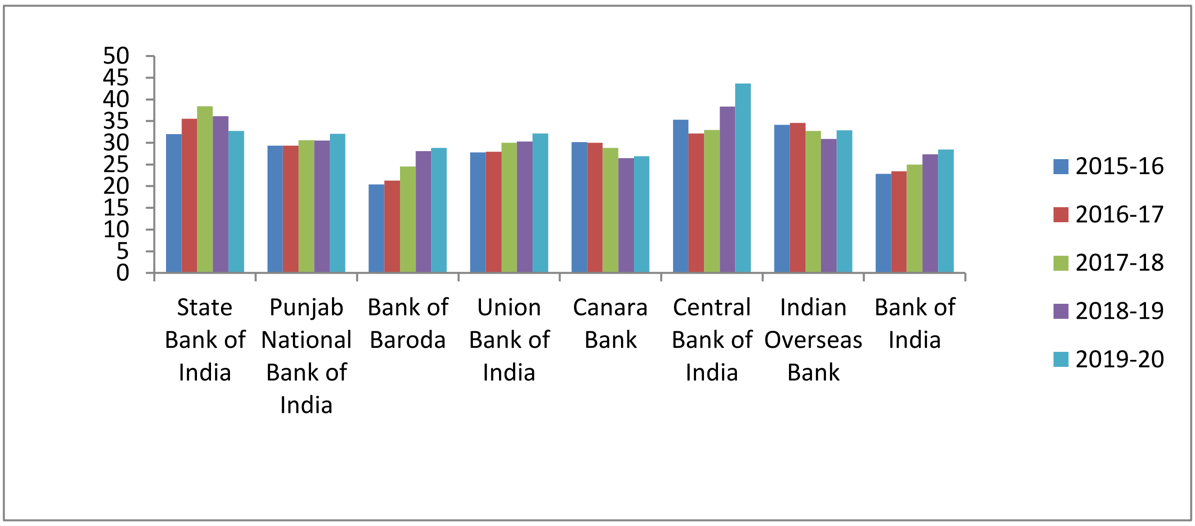


**Figure 4**

- Operating Efficiency (operating expenses/total funds) Ratio shows a measurement of the cost to operate a piece of property, compared to the income brought in by that property. A lower operating expense ratio (OER) is more desirable for investors because expenses are minimized relative to revenue. Since a bank's operating expenses are in the numerator and its revenue is in the denominator, a lower efficiency ratio is performing better. An efficiency ratio of 50% or under is considered optimal. If the efficiency ratio increases, a bank's expenses increase, or its revenues decrease. The Operating Expenses Ratio of different public sector banks during the study period is shown in the following table 5.

**Table 5** Operating Efficiency Ratio (operating expenses/total funds)

| **Name of Bank** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **Total** | **Average** | **Rank** |
|---|---|---|---|---|---|---|---|---|
| State Bank of India | 1.83 | 1.79 | 1.86 | 1.88 | 3.04 | 10.4 | 2.08 | 1 |
| Punjab National Bank of India | 4.35 | 3.11 | 5.79 | 5.13 | 3.18 | 21.56 | 4.312 | **7** |
| Bank of Baroda | 3.45 | 2.53 | 3.41 | 3.09 | 3.91 | 16.39 | 3.278 | 3 |
| Union Bank of India | 2.54 | 3.11 | 4.08 | 3.73 | 3.91 | 17.37 | 3.474 | 5 |
| Canara Bank | 3.24 | 2.75 | 3.46 | 3.54 | 3.17 | 16.16 | 3.232 | 2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Central Bank of India | 3.64 | 4 | 5.09 | 5.2 | 3.46 | 21.39 | 4.278 | 6 |
| Indian Overseas Bank | 4.12 | 4.36 | 7.13 | 6.08 | 6.54 | 28.23 | 5.646 | 8 |
| Bank of India | 3.72 | 3.39 | 2.74 | 3.4 | 3.61 | 16.86 | 3.372 | 4 |

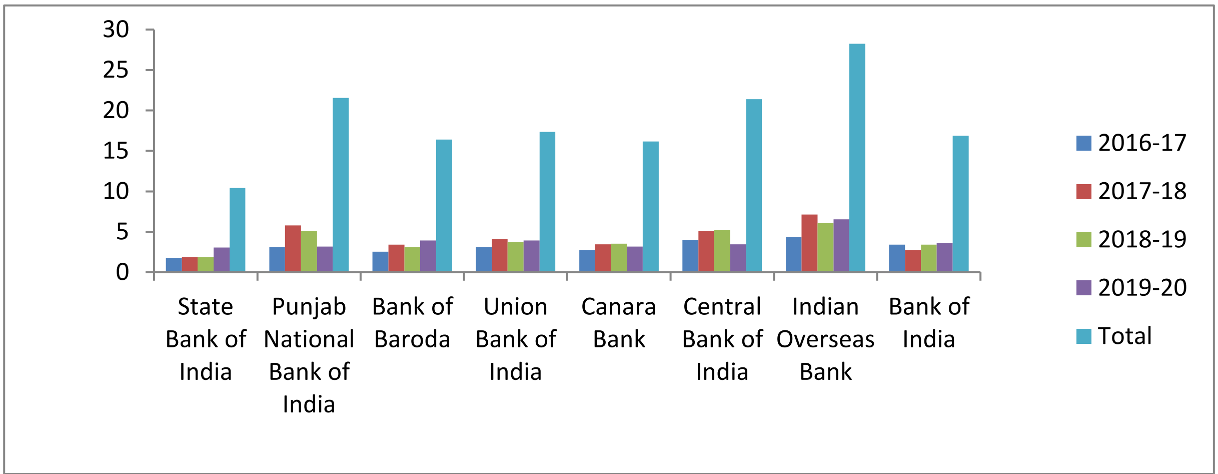


**Figure 5**

- Branches: Those banks with the maximum number of units have understood that they have a leading business. Those banks with the most significant business have the most considerable revenue, and they are more demanded than others. The branch of different public sector banks during the study period is shown in the following table6.

**Table 6** Number of Branches

| Name of Bank | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Total | Average | Rank |
|---|---|---|---|---|---|---|---|---|
| State Bank of India | 16784 | 17170 | 22414 | 22010 | 22141 | 100519 | 20103.8 | 1 |
| Punjab National Bank of India | 6760 | 6938 | 6983 | 6989 | 7040 | 14029 | 2805.8 | 8 |
| Bank of Baroda | 5436 | 5481 | 5467 | 5598 | 9528 | 31510 | 6302 | 2 |
| Union Bank of India | 4200 | 4282 | 4297 | 4292 | 4284 | 21355 | 4271 | 6 |
| Canara Bank | 5849 | 6083 | 5849 | 6310 | 6329 | 30420 | 6084 | 3 |
| Central Bank of India | 4728 | 4714 | 4685 | 4659 | 4651 | 23437 | 4687.4 | 5 |
| Indian Overseas Bank | 3397 | 3373 | 3332 | 3280 | 3270 | 16652 | 3330.4 | 7 |
| Bank of India | 5077 | 5016 | 5127 | 5119 | 5107 | 25446 | 5089.2 | 4 |

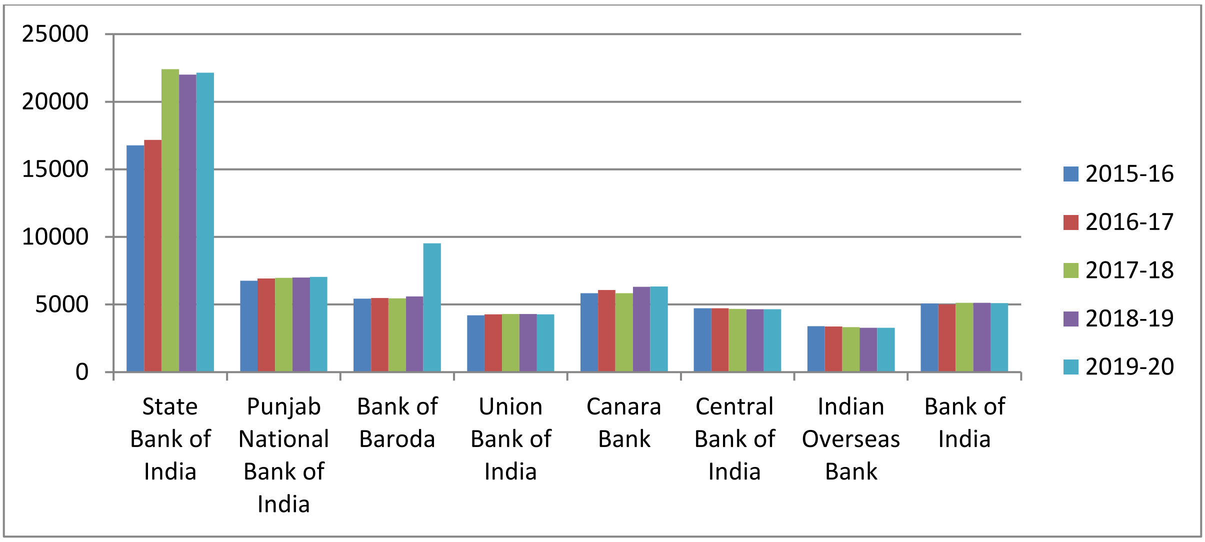


**Figure 6**

## 6. FINDINGS

- As per the above table and figure 1, it has been shown that all the public sector banks are in an unfavourable position for the study period of this ratio, but the State Bank of India has the least one in negative form. The unutilized resources of SBI are lesser as compared to others. So, SBI has got rank 1, then UBI on rank 2, Canara bank on 3, etc.
- As per the above table and figure 2, it has been shown that the State Bank of India has maximum utilized its resources compared to others. So, SBI has got rank 1, then UBI on rank 2, Canara bank on 3 ranks, and others.
- As per the above table and figure3, it has been shown that the Bank of Baroda has sufficient capital for its operating activities. So, Bank of Baroda has got rank 1, then SBI on rank 2, Bank of India on 3 ranks, and others.
- As per the above table and figure 4, it has been shown that the Central Bank of India has sufficiently utilized or invested in its customer's deposits. So, Central Banks of India has got rank 1, then SBI on rank 2, Indian Overseas Bank on 3 ranks, and others.
- As per the above table and figure 5, it has been shown that the State Bank of India has the lowest efficiency ratio, it means that a bank's expenses are decreasing or its revenues are increasing. So, SBI is operating better and got one rank. Canara Bank has got rank 2, Bank of Baroda on three and others are so on.
- As per the above table and figure6, it has been shown that the State Bank of India has the largest number of branches, it means that this bank has a wider business and more profit than others. So, SBI has got one rank, Bank of Baroda has got rank 2, Canara Bank on 3 and others are so on.

## 7. CONCLUSION

The present research dealt with the performance of eight public sector banks (SBI, PNB, BOB, UBI, Canara, CBI, IOB and BOI) concerning different Ratio analysis parameters on their average and rank. As per the above data analysis, it has been concluded that in most of the factors, SBI has got rank 1 or 2 and the overall performance of the remaining banks is also good. The performance of SBI bank has been analyzed in detail in terms of operating profit to total assets, credit deposit, capital adequacy, investment deposit, operating Efficiency and number of branches. According to the analysis, the SBI maintains the required standards and runs profitability. SBI has more profitability because it enters into the industry and commercial market and regularly improves the service quality level. So, to sustain in this highly competitive global environment, it is imperative for the SBI and all other banks to show outstanding performance in various parameters

## REFERENCES


[1] S. Subalakshmi, S. Grahalakshmi and M. Manikandan, (2018), "Financial Ratio Analysis of SBI [2009-2016]," ICTACT JOURNAL OF MANAGEMENT STUDIES, 4(1), 698-704. DOI: 10.21917/ijms.2018.0095

[2] Vidisha Shah, (2015)," An Analysis on the Performance of Private and Public Sector Banks in India," International Journal for Technological Research in Engineering, 3(4), 574-579.

[3] Alaaeddin Al-Tarawneh and Mohmmad Khataybeh, (2015), "Portfolio Behaviour of Commercial Banks: The Expected Utility Approach: Evidence from Jordan," International Journal of Economics and Financial Issues, 5(2), 62-68.

[4] Narayan Baser, (2014), "Asset and Liability Management of Scheduled Commercial Banks", International Journals of Marketing and Technology, 2(4), 20-44.

[5] Garima Chaudhary, (2012). "Performance Comparison of Private Sector Banks with the Public Sector Banks in India with Reference to Assets and Liabilities", International Journal of Emerging Research in Management and Technology, 3 (2), 5-12.

[6] J.W. Scott and J.C. Arias, (2011). "Banking Profitability Determinants", Business Intelligence Journal, 4(2), 209-230.

[7] Ibrahim M. Syed, (2011). "Operational Performance of Indian Scheduled Commercial Banks-An Analysis", International Journal of Business and Management, 6(5), 12- 16.

[8] K.V.N. Prasad and G. Ravinder, (2011). "Performance Evaluation of Banks: A Comparative Study on SBI, PNB, ICICI & HDFC", Advances in Management, 4(2), 43-53.

[9] Manmeet Singh and R.K. Vyas, (2009). "Capital Adequacy and Scheduled Commercial Banks in India", Bauddhik, 1(1), 18-21.

[10] Rajamohan and Pasupathy, (2009). "Performance Evaluation of Tamil Nadu Industrial Co-operative Bank Ltd.)-An Application of Structural and Growth Analysis", Indian Cooperative Review, 37(2), 11-15.

[11] Ram Pratap Sinha and Biswajit Chatterjee, (2009). "Bank Ownership and Deposit Mobilization: A Non-Parametric Approach", Prajnan-Journal of Social and Management Sciences, 37(3), 159-180.

[12] Namita Maini, (2012). "ASSETS FORMATION AND BUSINESS IN PUNJAB NATIONAL BANK: A CASE STUDY", IJRCM, 2(3) 102-104