

Financial Performance of Selected Nationalised Banks in India

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ABSTRACT

For the past three decades ,India's banking system has several outstanding achievements to its credit. The Government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India. Not so far, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. To make the comparative study of selected nationalized banks based on their financial ratios. To derive conclusion and suggest the measures for improving the financial performance of the selected nationalized banks if necessary most of the nationalized banks have lowest ability to leverage its average total resources in enhancing its main stream of operational interest income.

Keywords: Government policy, Private policy, Comparative study, Operational interest income.

INTRODUCTION

Without a sound and effective banking system in India, It cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and other external and internal factors. For the past three decades ,India's banking system has several outstanding achievements to its credit.

In fact, Indian banking system has reached even to remote corners of the country. This is one of the main reasons of India's growth progress. The Government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India. Not so far, an account holder had to wait for hours at the bank counters

for getting a draft or for withdrawing his own money. The most efficient bank transferred money from one branch to another in a day. Now it is simple as instant messaging or ordering a pizza. Money has become the order of the day.

Banking in India originated in the last decades of the 18th century. The oldest bank in existence in India is the State Bank of India, a government-owned bank that traces its origins back to June 1806 and that is the largest commercial bank in the country. Central banking is the responsibility of the Reserve Bank of India, which in the year 1935 formally took over these responsibilities from the Imperial Bank of India, relegating to commercial banking functions. After India's independence in the year 1947, the Reserve Bank was nationalised and given broader powers. In the year 1969, the government nationalised the 14 largest commercial banks, the government nationalised the six next largest in the 1980.

OBJECTIVE OF THE STUDY

- ☐ To evaluate the financial performance of selected nationalised banks.
- ☐ To know the origin and growth of selected nationalised banks.
- ☐ To analyze the overall management efficiency, profitability, liquidity, leverage, per share, and cash flow related ratios for selected nationalised banks.
- ☐ To make the comparative study of selected nationalised banks based on their financial ratios.
- ☐ To derive conclusion and suggest the measures for improving the financial performance of these selected nationalised banks if necessary

SCOPE OF THE STUDY

- The study is mainly based on these secondary data. Secondary data refer to that data which is already in existence and someone has obtained for a specific purpose but re-utilized by the researcher.
- The said research work is based on these secondary data of published financial statements of selected nationalised banks in India.
- The data of various financial parameters have been obtained from the Annual

Reports of the companies directly from the official websites of the banks and stock exchange websites.

- There is a significant difference between the management efficiency ratios of these

cted nationalised banks.

- There is significant difference between the profitability ratios of these selected nationalised banks.

RESEARCH METHODOLOGY

RESEARCH DESIGN

Research methodology is the systematic way to solve the research problem. It gives an idea about various steps adopted by the research in a systematic manner. A research design is considered as the framework or plan for the study that guides as well as helps the data collection and analysis of data. A research design or model indicates a plan of action to be carried out in connection with a proposed research work.

It provides only a guideline for the researcher to enable him/her to keep track of his/her actions and to know that he/she is moving in the right direction in order to achieve his goal. Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance.

The questionnaire will be prepared on the basis of the objective of the study. Direct contact is used for survey, i.e., contacting the employees is directly in order to collect data. Simple random sampling will be used.

The researcher has adopted descriptive research design. According to C. R. Kothari descriptive research design are those, which are concerned with describing the characteristics of the study.

TOOLS AND TECHNIQUES

The data collected has been analyzed by using the statistical tools like,

1. Percentage analysis
2. Chi-Square analysis
3. Correlation coefficient

PERCENTAGE ANALYSIS

As the data were represented in large numbers it was not easy to interpret. To make interpretation easy the percentage analysis was used.

$$\text{Percentage analysis} = \frac{\text{Number of Respondents}}{\text{Sample Size}} * 100$$

CHI-SQUARE ANALYSIS

For testing the significance of relationship between observed and expected frequencies under the null hypothesis that the relationship is insignificant, the formula for calculating Chi-Square is

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Here, O-the observed frequencies E-is expected frequencies

The expected frequencies can be calculated on the assumption of H_0 .

The expected frequencies can be calculated by using the following formula

$$E = \frac{\text{Row total} * \text{Column total}}{\text{Grand total}}$$

Pearson has shown that for large sample this statistic follows a chi-squared distribution with (n-1) degrees of freedom.

Result:

1. If the calculated value of chi-square is < the table value of chi-square, H_0 is accepted at the significance level of 5%
2. If calculated value of chi-square is > the table value, H_0 is rejected at significance level of 5%

CORRELATION

Correlation analysis is a statistical procedure by which we can determine the degree of association or relationship between two or more variables

$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{(N \sum X^2 - (\sum X)^2) * (N \sum Y^2 - (\sum Y)^2)}}$$

REVIEW OF LITERATURE

Introduction:

The reviews of previous studies are summated below:

Gabriel and Chandrasekaran (2011) compared the financial performance of State Bank of India and ICICI. They found that the State Bank of India is performing better than the ICICI but in the context of deposits and expenditure, ICICI is performing better than the SBI.

Hari et al., (2011) used CAMEL model to evaluate the performance of banks. They revealed that the Banks of Baroda has maintained highest across in all 14 financial ratios compared to Punjab National Bank and they have concluded that transparency and good governance would work as principal guiding force in the present scenario.

Sneha (2011) stated that the HDFC bank and BOB stood at top position in capital adequacy whereas the HDFC and ICICI positioned at first in management quality. In terms of earning quality, HDFC bank, ICICI and IDBI bank obtained the top position. In total, the HDFC bank is ranked first followed by ICICI bank and Bank of Baroda.

Nagamani and Abirami (2011) analysed financial performance of banks with the help of profit margin, spread ratio and burden ratio. The bank of baroda has achieved in the all three ratios during the study from 2009-10 to 2013-14.

PROFILE OF THE SELECTED NATIONALISED BANKS IN INDIA

BANK OF BARODA

Bank of Baroda is one of India's leading commercial banks. It was established on 20th July 1908 under the Companies Act of 1887 as a private bank and following nationalisation became a wholly-owned Government bank in 1969. The initial capital invested was Rs. 10 Lakhs. The Maharaja was none other than Sayajirao Gaekwad who, with his visionary insight, planned the beginning of a reputed journey which over the years, came to be known as the Bank of Baroda. During the period of 1913 to 1917, almost 87 banks in India succumbed to a financial crisis. However, the Bank of Baroda survived the economic depression by dint of its financial integrity, business prudence and concern uncompromising concern about its customers and clients. This has transcended down to the present ages and has become the motto of the bank. Ever since its inception, the bank has been growing and expanding its branches successfully. At the turn of a century, the bank has its presence in

25 countries across the world. Bank of Baroda has progressively taken a step towards commitment and values by providing uncompromising standards of service to its customers, stakeholders, employees and the like. From a small building in this city of Gujarat, Bank of Baroda bank has moved to the Bank of Baroda corporate head office in Mumbai.

BANK OF INDIA

INTRODUCTION

Bank of India is one of the premier and one of the oldest Commercial Banks in India. Bank of India was established on 7th September 1906 by a group of eminent businessmen from Mumbai. The bank was under private ownership and control till July 1969 but after that was nationalised along with 13 other banks. It began with a paid up capital of Rs. 50 lakhs and 50 employees,

and bank has made a rapid growth over the years and proved itself as a mighty financial conglomerate.

In business volume, the Bank occupies a premier position among the nationalised banks. While firmly adhering to a policy of prudence and caution, the Bank has been in the forefront of introducing various innovative services and systems.

BANK OF MAHARASHTRA

INTRODUCTION

Bank of Maharashtra is one of the leading banks of India. It incorporated on 16th September 1935 as a public limited company. After nationalisation in 1969. It is one of the largest network

of branches by any Public sector bank in the state of Maharashtra. Bank of Maharashtra is one of the largest public sector banks in India. Prof. V. G. Kale and the late Shri D. K. Sathe and registered it as a banking company in Pune. The authorized capital was Rs. 10 Lakhs and issued capital of Rs. 5 Lakhs. Their vision was to reach out to and serve the common man and meet all their banking needs. Successive leadership of the Bank and the employees have endeavored to fulfill their vision. The bank wishes to cater to all types of needs of the entire family, in the whole country. Its dream is "One Family, One Bank, Bank of Maharashtra". The Bank attained autonomous status in 1998. It helps in giving more and more services with simplified procedures without intervention of Government. The bank excels in Social Banking, overlooking the profit aspect; it has a good share of Priority sector lending having

38% of its branches in rural areas. Bank is the convener of State level Bankers committee.

INTEREST INCOME TO TOTAL FUNDS RATIO

INTEREST INCOME TO TOTAL FUNDS RATIO (%)										
COMPANY	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Bank of Baroda	7.47	7.01	7.44	8.14	8.16	7.56	6.87	7.37	7.08	6.45
Bank of India	7.14	7.49	8.05	8.62	9.15	7.93	7.59	8.28	7.63	7.39
Bank of Maharashtra	7.68	7.15	7.93	8.56	8.81	8.20	8.15	9.37	9.40	9.44
Canara Bank	7.92	7.49	7.81	9.08	9.16	8.69	8.20	9.16	8.69	8.75
Central Bank of India	8.75	7.30	7.73	7.85	8.44	8.21	8.27	9.26	8.81	8.76
Corporation Bank	7.52	7.59	7.88	8.27	8.74	8.00	7.63	9.02	8.59	8.64
Dena Bank	8.15	6.89	7.66	8.34	8.44	8.17	8.18	8.87	8.87	8.37
Indian Bank	8.36	8.02	8.46	8.81	9.37	9.31	9.01	9.68	9.17	8.71
Punjab National Bank	8.52	7.23	7.88	8.86	9.89	9.07	8.01	8.71	8.96	8.40
State Bank of India	8.41	7.94	8.27	8.82	8.88	8.52	7.15	8.32	8.25	8.12

INTEREST INCOME TO TOTAL FUNDS RATIO

INTEREST INCOME TO TOTAL FUNDS RATIO (%)			
COMPANY	AVERAGE	AVERAGE LATEST	AVERAGE FIRST
	10 YEARS	5 YEARS	5 YEARS
Bank of Baroda	7.36	7.07	7.64
Bank of India	7.93	7.76	8.09
Bank of Maharashtra	8.47	8.91	8.03
Canara Bank	8.50	8.70	8.29
Central Bank of India	8.34	8.66	8.01
Corporation Bank	8.19	8.38	8.00
Dena Bank	8.19	8.49	7.90
Indian Bank	8.89	9.18	8.60
Punjab National Bank	8.55	8.63	8.48
State Bank of India	8.27	8.07	8.46

INTERPRETATION

From the above table, it can be concluded that on an average Indian Bank has high ratio value of all time followed by Punjab National Bank and Canara Bank which indicates that Indian

Bank has highest ability to leverage its average total resources in enhancing its main stream of operational interest income whereas Bank of Baroda has lowest ability to leverage its average total resources in enhancing its main stream of operational interest income. During the year 2014, most of nationalised banks have highest ability to leverage its total resources in enhancing its main stream of operational interest income while during the year 2011, most of the nationalised banks have lowest ability to leverage its average total resources in enhancing its main stream of operational interest income.

FINDINGS FROM THE STUDY

❖ From the above table, it can be concluded that on an average Indian Bank has high ratio value of all time followed by Punjab National Bank and Canara Bank which indicates that Indian Bank has highest ability to leverage its average total resources in enhancing its main stream of operational interest income whereas Bank of Baroda has lowest ability to leverage its average total resources in enhancing its main stream of operational interest income. During the year 2014, most of nationalised banks have highest ability to leverage its total resources in enhancing its main stream of operational interest income while during the year 2011, most of the nationalised banks have lowest ability to leverage its average total resources in enhancing its main stream of operational interest income.

❖ From the above, it can be concluded that with 3.78 average Net Interest Income to Total Funds Ratio value of Punjab National Bank have highest ratio value followed by Indian Bank, which indicates that these banks have higher interest income compare to non-interest income and stood at number one position. While with 2.85 average Net Interest Income to Total Funds Ratio value of Canara Bank and Central Bank of India stood at last position which indicates that these banks have least interest income compare to non-interest income. During the year 2010, Net Interest Income to Total Fund Ratio has highest value whereas in latest year 2019, banks have lowest average ratio value, which is mainly because of increase in non-interest income of banks compare to purely interest income.

❖ From the above table and graph no. 5.5, it can be concluded that on an average Indian Bank have highest ratio value with 0.69 followed by State Bank of India, which indicates that these banks earned lower amount of other than interest. Indian Bank stood at number one position while with 0.23 average Non-Interest Income to Total Funds Ratio value

of Central Bank of India stood at last position which indicates that this bank earned least amount of other than interest. During the year 2018, Non-Interest Income to Total Fund Ratio has highest value whereas in the year 2010, all banks have lowest average ratio value, which is mainly because of earned lower amount of other than interest.

SUGGESTIONS AND RECOMMENDATIONS

For improving the working of the selected nationalised banks in India following suggestions emerge for consideration.

1. The major asset of the banks being their human resources, they have been deployed matching their hard stick of skill sets and providing on the job training wherever necessary in order to derive optimum level of efficiency and productivity.
2. The banks should adopt more authentic and pinpointed marketing strategies, to keep in mind the targeted customer segmentations which would be better for them in reaching till desired segmentation and also helpful to bank in improving own market share in positive manner.
3. Proper training should be provided to bank staff so they would become techno friendly. As long with this the excess human resources should be diverted to new branches so better utilization of resources would be maintained. This would result in better satisfaction level of HR and give better return in terms of deposit and advances.
4. The bank should merge that branch which turns up with demarked margin business. Such way curtails expenses in significant way.
5. The banks should shed high cost deposits. The banks should strive for better deposit mix thereby reducing the cost of deposit and improve profitability. High yielding advances should be aggressively marketed to improve earning/ income.
6. Endeavor for increasing fee-based income on services like issue of drafts, opening of letters of credit, issue of guarantees and other ancillary services. By adopting the above measures, the spread will improve resulting in improved profitability.
7. Nationalized banks should have to identify top 100 Non-Performing Assets accounts in the banks and form a team at the head office level comprising of officials having the requisite expertise and exposure and depute them to the branches in groups where the incidences of Non-Performing Assets is large.

8. To monitor system need to hire efficient new Machinery who look after such collection and approval aspect.

CONCLUSION

Appropriate use of technology for improvement in the quality of customer service and ensuring efficiency in operations is crucial for the effective functioning of banks in emerging competitive environment. Success lies in aligning technology with the business strategy and redefining processes to get maximum advantage. The attitude of bankers will have to be more customer oriented than procedure oriented. Banks also should provide customer services during extended business hours and also provide Automatic Teller Machine facilities covering residential areas to facilitate customers in withdrawing cash at any time of the day and night as per their convenience.

Real progress and prosperity depend on harmonious relations among all staff members, customers and all areas of banking. A group of eminent persons functioning efficiently should make the appointment of Chief Executive Officers or other top executives. Innovation with technology can add to bank's competitive edge in rendering services to its clients. If it is not possible to be the first in the market, then the next best is to become a fast follower those who develop innovative methods to reduce cost and provide cheaper and quality service and products at reasonable prices will win.

It can be said that the banks need to improve their product portfolio and it must strive to be a one stop shop for the financial needs of middle and upper class income and high net worth individuals. This would be a good step to be a market leader in the highly competitive financial market.

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