

Performance Analysis of Major Public Sector Banks in India

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Abstract

Banks are the arteries of any financial system. Their performance widely reflects the economic scene of the country. The consistent performance evaluation of these banks gives an overview of the ongoing economic conditions. Present paper is a study to compare major banks operating in India. Top 5 banks, based on their net profits in FY 14-15, have been taken up for study. Parameters like business indicators, staff productivity, efficiency and assets quality have been considered for performance analysis. Ranking have been used to evaluate these 5 banks and accordingly they have been overall ranked.

Key Words: CASA Ratio, CAR, NIM and NPA

Introduction

Performance evaluation is an effective tool of proper implementation of any policy. Many of the government policies are implemented through banks which on one hand provide funds and customer base to banking industry but on other hand, also puts some strain on the existing resources. A comparative performance analysis of the top PSBs is needed to evaluate their functioning through all dimensions i.e. from financial, business, employee performance and asset quality aspect. Present paper undertakes the study of top 5 public sector banks, selected on the basis of their net profit in FY 2014-15, under following parameters:

- Business Indicators: Deposits, Advances, Net Profit and CASA
- Staff Productivity: Business per Employee and Profit per Employee
- Efficiency: Return on Assets (ROA), Capital Adequacy Ratio (CAR) and Net Interest Margin (NIM)
- Asset Quality: Gross NPA Ratio and Net NPA Ratio

A comparative analysis of 5 banks viz. State Bank of India (SBI), Bank of Baroda (BOB), Punjab National Bank (PNB), Canara Bank and Union Bank of India (UBI) has been done for five financial years from 2010-11 to 2014-15. The data regarding above fields have been collected through the annual reports of the concerned banks and from the official website of Reserve Bank of India wherever needed.

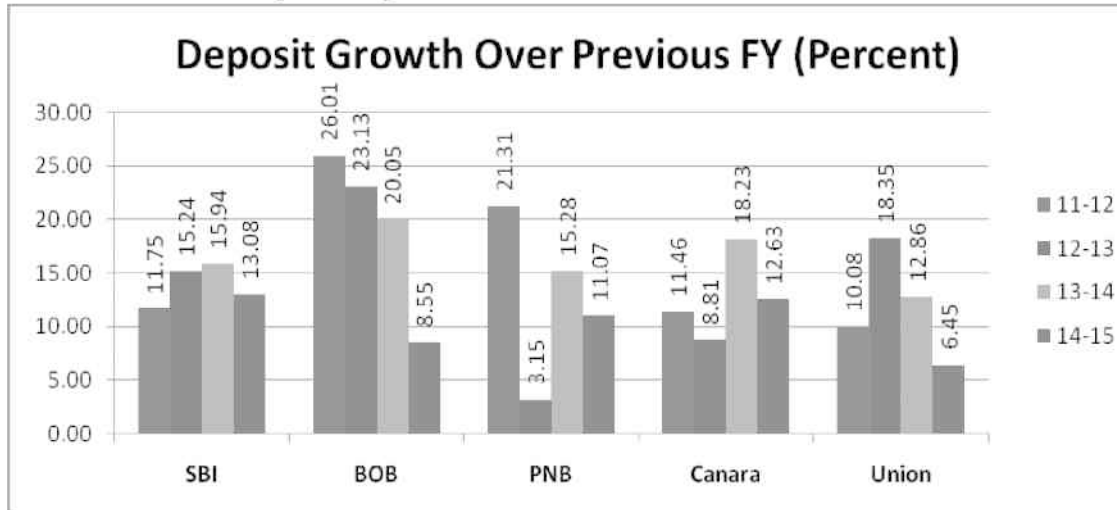
Performance Evaluation

Business Indicators

Deposits: Graph-1 depicts the growth of deposits over last

five years. In FY 2011-12, the deposit of BOB grew most by around 26% from 305440 crores to 384871 crores followed by PNB 21.31% growth, SBI 11.75% growth, Canara Bank 11.46% growth and UBI 10.08% growth.

Graph-1: Deposit Growth over Previous Financial Year



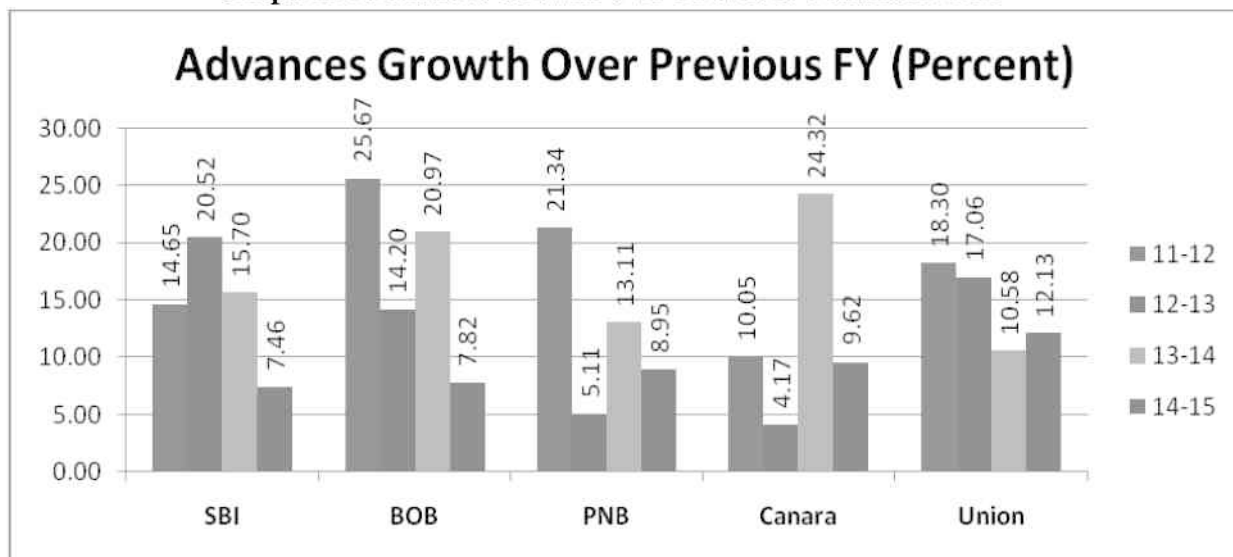
Source: Compiled from Annual Reports of Various Banks of Various Years

In FY 2012-13, again BOB topped the list with 23.13% growth in deposits from 384871 crores to 473883 crores followed by UBI 18.35% and SBI 15.24%. In FY 2013-14 BOB was again on the top of list by securing around 20% growth in its deposits. The second place was occupied by SBI with around 16% growth in its deposits from 1202740 crores to 1394409 crores. A common slug was observed in the deposit growth rate of all the banks owing to the stressed

economic conditions. This scene continued to next year whereby by the end of 2014-15, SBI topped the list with highest growth in deposits which grew by around 13% followed by Canara Bank 12.63% and PNB by 11%.

Advances: Graph-2 shows the growth of advances of various banks over five financial years.

Graph-2: Advances Growth over Previous Financial Year



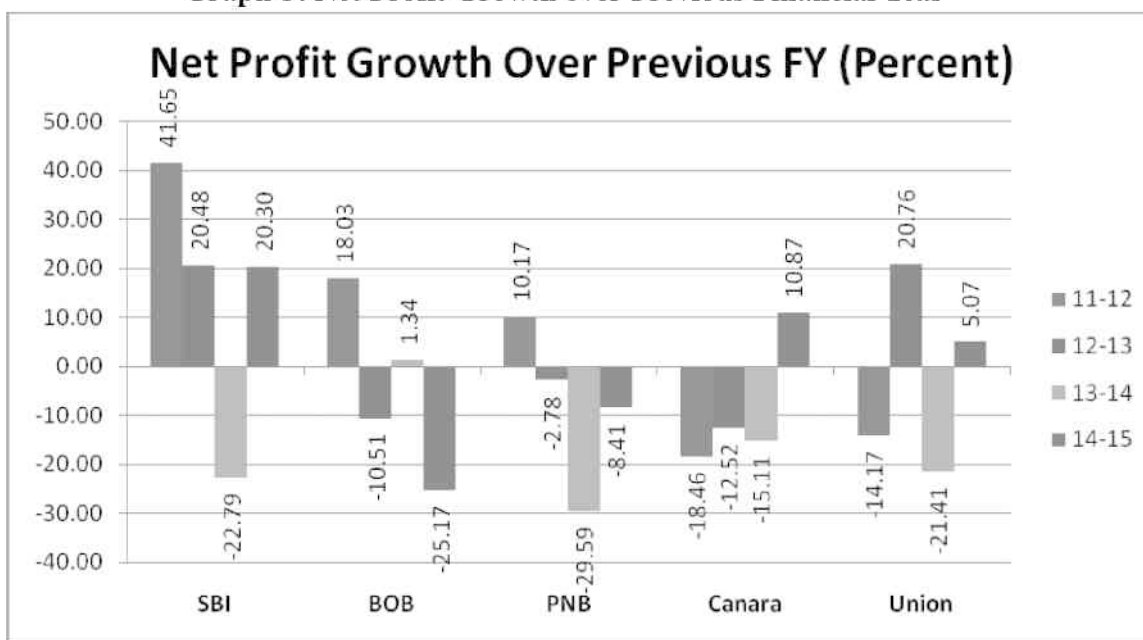
Source: Compiled from Annual Reports of Various Banks of Various Years

SBI had the highest amount of advances throughout the period of study. However, BOB was first in the list with highest growth rate of advances in 2011-12 (25.67%) followed by PNB (21.34%) and UBI (18.30%). In FY 2012-13 situation changed and SBI had the maximum growth in advances (20.52%) followed by (17.06%). BOB was placed third with 14.20% growth in advance. In FY 2013-14, Canara Bank observed highest growth rate of 24.32% in advance with total figure of Rs. 301067 crores as compared to Rs. 242177 crores in 2012-13. Canara Bank was followed by BOB (20.97%) and SBI (15.70%) in growth in advances. The next FY 2014-15 showed a sluggish growth rate in advance wherein the advance growth rate of every bank continued to be in single digit except UBI (12-13%) who topped the list followed by Canara Bank (9.62%) and PNB (8.95%).

Net Profit: Graph-3 shows the growth of net profit of these banks over 5 years. It is observed that net profit followed a zigzag growth pattern. It was so because in the initial years i.e. in 2010-11 & 2011-12, the economy was slow and was

recovering from the clutches of worldwide economic depression due to sub prime crisis. The investment and development works in the economy slowed down which hampered the growth of banking industry. In later years of study i.e. 2013-14 & 2014-15, there emerged a big problem of NPAs which then required provisioning thereby putting a drain on profit. Also, there was wage revision in banking industry during this period which put further load on the profitability of banks. Thus, it was observed that banks' growth in net profit remained in negative zone for the maximum time during the period under study. SBI again accounted for highest net profit in the banking industry. However, its net profit growth rate declined by around 23% in FY 2013-14 mainly due to higher NPAs and wage revision. It was also observed that net profit growth rate of PNB (-30%), UBI(-21%) and Canara Bank(-15%) also dipped due to higher NPA provisioning. It was observed that PNS was worst hit by NPA crisis and its net profit rate further dipped. However, in FY 2014-15, BOB topped the list as its net profit dipped the most (around 25%).

Graph-3: Net Profit Growth over Previous Financial Year

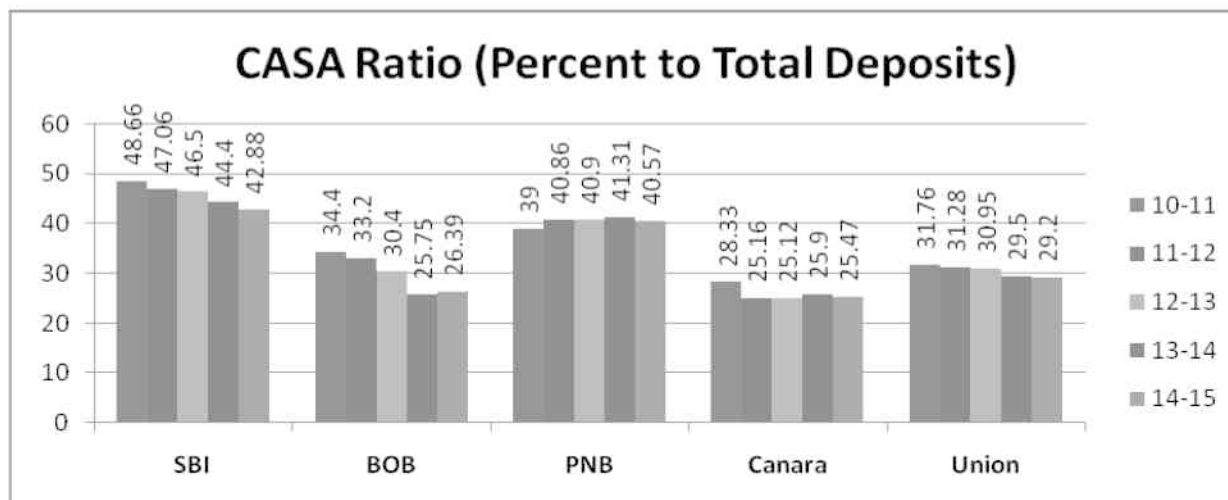


Source: Compiled from Annual Reports of Various Banks of Various Years

CASA Ratio: From the Graph-4 it is observed that SBI continuously has the highest CASA ratio in its total deposits. This may be due to the fact that SBI is authorized by government for the distribution of all government funds

in the form of salary and pensions. It was also observed that during the years under study, except PNB, all other banks had their CASA ratio declining. PNB was able to maintain and grow its total deposit to CASA ratio.

Graph-4: CASA Ratio for Different Years



Source: Compiled from Annual Reports of Various Banks of Various Years

Now we can analyze the performance of these banks for the above business parameters. The banks have been evaluated on a scale of 5 to 1 mark for their best to lowest performance respectively for each year.

Table-1: Business performance ranking at the end of FY2012

Indicators	SBI	BOB	PNB	Canara	UBI
% growth in deposits	3	5	4	2	1
% growth in advance	2	5	4	1	3
% growth in N/P	5	4	3	1	2
CASA ratio	5	3	4	1	2
Total (20)	15	17	15	5	8
Ranking	2	1	2	4	3

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-2: Business performance ranking at the end of FY 2013

Indicators	SBI	BOB	PNB	Canara	UBI
% growth in deposits	3	5	1	2	4
% growth in advance	5	3	2	1	4
% growth in N/P	4	2	3	1	5
CASA ratio	5	2	4	1	3
Total (20)	17	12	10	5	16
Ranking	1	3	4	5	2

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-3: Business performance ranking at the end of FY 2014

Indicators	SBI	BOB	PNB	Canara	UBI
% growth in deposits	3	5	2	4	1
% growth in advance	3	4	2	5	1
% growth in N/P	2	5	1	4	3
CASA ratio	5	1	4	4	3
Total (20)	13	15	9	17	8
Ranking	3	2	4	1	5

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-4: Business performance ranking at the end of FY 2015

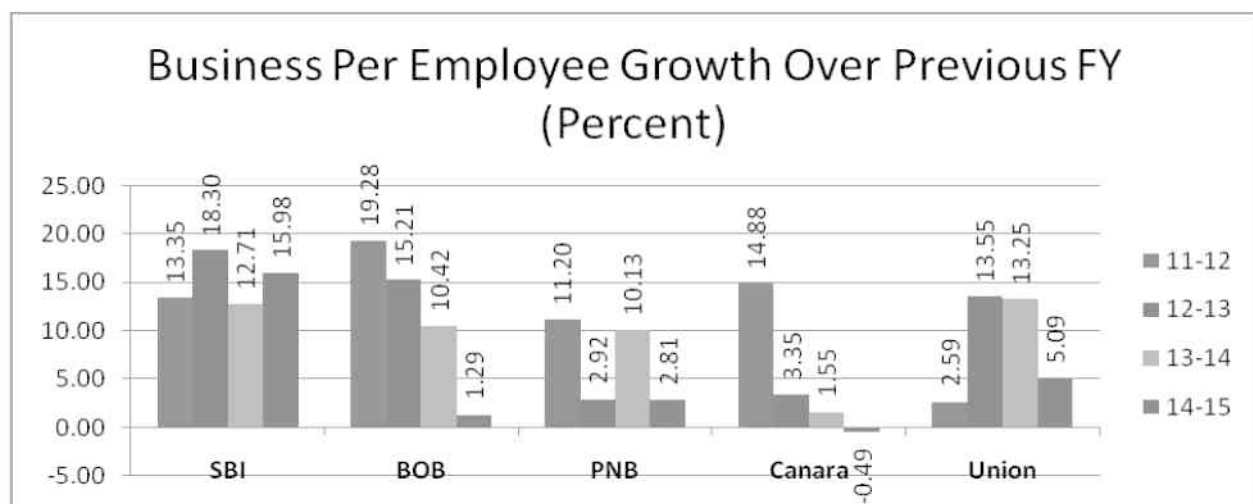
Indicators	SBI	BOB	PNB	Canara	UBI
% growth in deposits	5	2	3	4	1
% growth in advance	1	2	3	4	5
% growth in N/P	4	5	1	3	2
CASA ratio	5	2	4	1	3
Total (20)	15	11	11	12	11
Ranking	1	3	3	2	3

Source: Compiled from Annual Reports of Various Banks of Various Years

Staff Productivity Indicators

Business per Employee: It is the ratio of total business (total advances + total deposits) and total number of

employees. The Graph-5 presents the growth in business per employee during period under study.

Graph-5: Growth in Business per Employee over Previous Financial Year

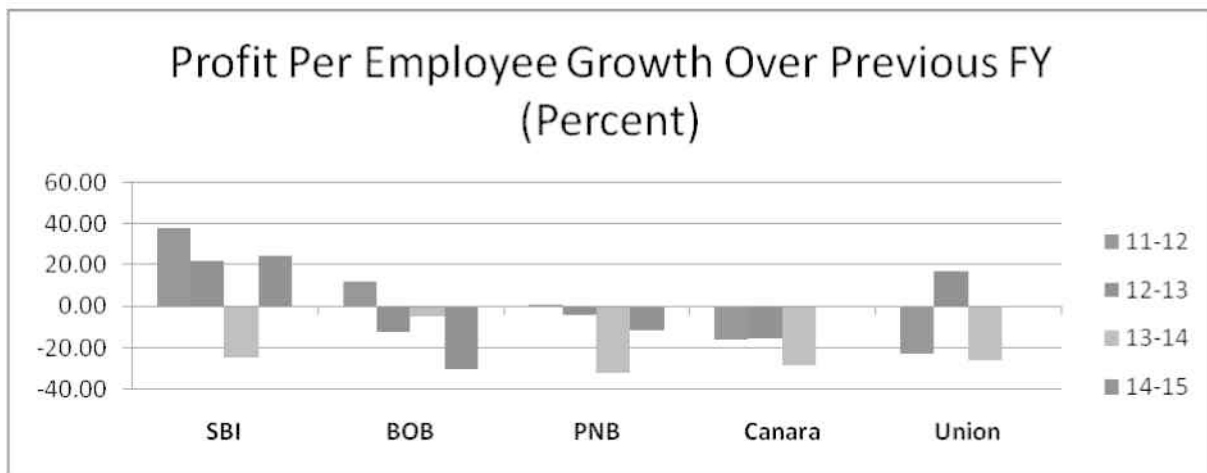
Source: Compiled from Annual Reports of Various Banks of Various Years

It is observed that business per employee for all banks under study has grown over the year. Staff productivity growth was maximum for BOB (19.28%) in FY 2011-12 followed by Canara Bank (14.88%) and SBI (13.35%). SBI topped the list with 18.30% growth in FY 2012-13 followed by BOB (15.21%) and UBI (13.55%). FY 2014-15 observed negative growth rate of 0.49% in staff productivity in Canara Bank while SBI topped the list by increasing its staff productivity by about 16%.

Profit per Employee: It is the ratio of net profit to total number of employees. It is also considered as an efficient

measure of employee productivity. The Graph-6 shows the profit per employee growth during the period under study. It was observed that sluggish economic environment and NPA crisis had a major impact on the profitability per employee. A major negative trend was observed in the profit per employee. This may be on account of rise in wages and large scale new employment in banks. It was also observed that during FY 2013-14, all the banks had fall in their profit per employee, highest of being PNB (-31.89%) followed by Canara Bank (28.16%) and UBI (26.07%).

Graph-6: Growth in Profit per Employee over Previous Financial Year



Source: Compiled from Annual Reports of Various Banks of Various Years

Now we can analyze the performance of these banks for the above staff productivity parameters. The banks have been

evaluated on a scale of 5 to 1 mark for their best to lowest performance respectively for each year.

Table-5: Staff Productivity Performance Ranking at the end of FY 2012

Indicators	SBI	BOB	PNB	Canara	UBI
% growth in Business Per Employee	3	5	2	4	1
% growth in Profit Per Employee	5	4	3	2	1
Total (10)	8	9	5	6	2
Ranking	2	1	4	3	5

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-6: Staff Productivity Performance Ranking at the end of FY 2013

Indicators	SBI	BOB	PNB	Canara	UBI
% growth in Business Per Employee	5	3	1	2	4
% growth in Profit Per Employee	5	2	3	1	4
Total (10)	10	5	4	3	8
Ranking	1	3	4	5	2

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-7: Staff Productivity Performance Ranking at the end of FY 2014

Indicators	SBI	BOB	PNB	Canara	UBI
% growth in Business Per Employee	4	3	2	1	5
% growth in Profit Per Employee	4	5	1	2	3
Total (10)	8	8	3	3	8
Ranking	1	1	2	2	1

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-8: Staff Productivity Performance Ranking at the end of FY 2015

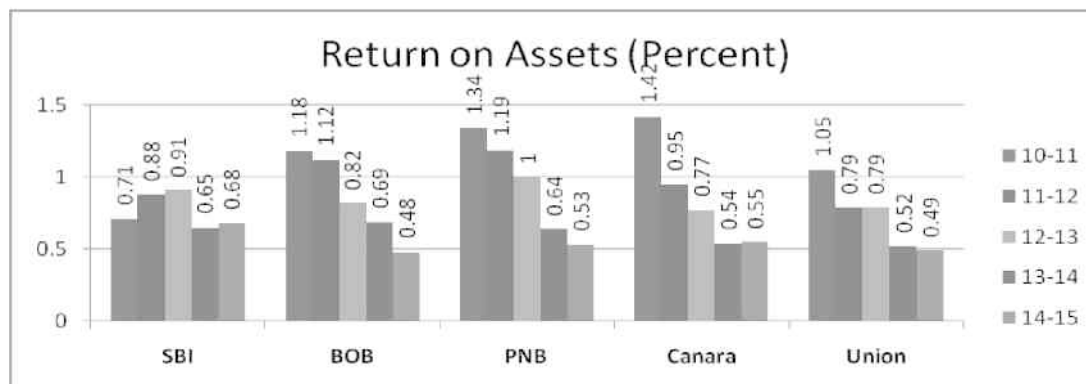
Indicators	SBI	BOB	PNB	Canara	UBI
% growth in Business Per Employee	5	2	3	1	4
% growth in Profit Per Employee	5	1	2	4	3
Total (10)	10	3	5	5	7
Ranking	1	4	3	3	2

Source: Compiled from Annual Reports of Various Banks of Various Years

Efficiency

Return on Assets (ROA): It is calculated to determine how efficiently the bank is deploying its assets to earn profits. It

is calculated as percent of net profit to total assets. The ratio nearer to 1 shows best utilization of available assets with bank. The Graph-7 shows that it has been difficult for these banks to maintain this ratio.

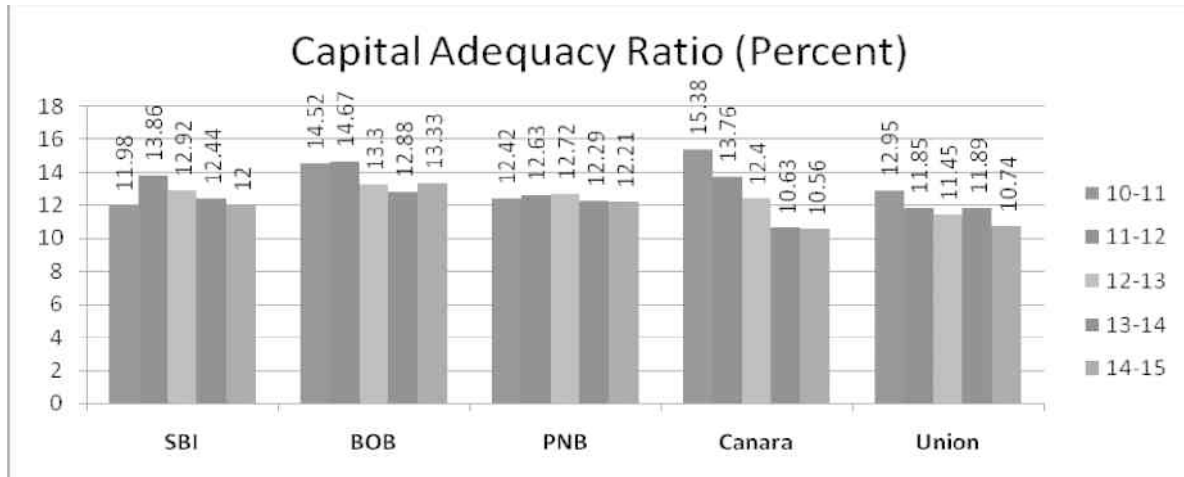
Graph-7: Return on Assets of Different banks

Source: Compiled from Annual Reports of Various Banks of Various Years

During the period under study, SBI has never been able to achieve that mark while none other bank have been able to achieve the same in later years of study owing to high NPA provisioning.

Capital Adequacy Ratio (CAR): It is the ability of bank to withstand the shocks of NPA and corrosion of capital. According to RBI guidelines, all banks must have CAR to be minimum at 9%. It is observed from the Graph-8 that all banks are in comfortable position in relation to CAR.

Graph-8: Capital Adequacy Ratio of Different banks



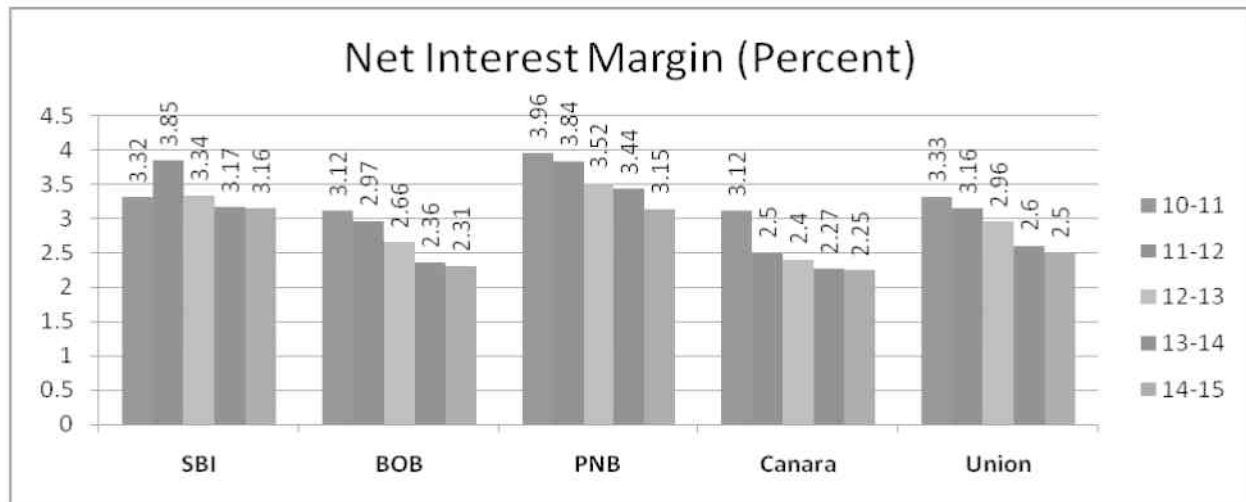
Source: Compiled from Annual Reports of Various Banks of Various Years

During the period under study, SBI maintained CAR between 12% - 14%, BOB in between 13% - 15%, PNB between 12% - 13%, Canara Bank between 10% - 16% and UBI between 11% - 13%.

incurred by the bank. It is also termed as spread. This difference is used to cover all sorts of expenses incurred by bank. The more is the spread, the more is the profit of the bank. It is shown as the percentage of total earning assets. The Graph-9 shows that SBI and PNB have been able to maintain fairly good NIM all the years under study.

Net Interest Margin (NIM): It is the difference between the net interest income earned and net interest expenses

Graph-9: Net Interest Margin of Different banks



Source: Compiled from Annual Reports of Various Banks of Various Years

It is observed that even during the dampening economic scenario and high NPA position during FY 2013-14 & 2014-15, SBI and PNB have been able to maintain NIM of above 3%. Other three banks under study have also maintained NIM above 2%.

Now we can analyze the performance of these banks for the above efficiency parameters. The banks have been evaluated on a scale of 5 to 1 mark for their best to lowest performance respectively for each year.

Table-9: Efficient Performance Ranking at the end of FY 2012

Indicators	SBI	BOB	PNB	Canara	UBI
ROA	2	4	5	3	1
CAR	4	5	2	3	1
NIM	5	2	4	1	3
Total (15)	11	11	11	7	5
Ranking	1	1	1	2	3

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-10: Efficient Performance Ranking at the end of FY 2013

Indicators	SBI	BOB	PNB	Canara	UBI
ROA	4	3	5	1	2
CAR	4	5	3	2	1
NIM	4	2	5	1	3
Total (15)	12	10	13	4	6
Ranking	2	3	1	5	4

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-11: Efficient Performance Ranking at the end of FY 2014

Indicators	SBI	BOB	PNB	Canara	UBI
ROA	4	5	3	2	1
CAR	4	5	3	1	2
NIM	4	2	5	1	3
Total (15)	12	12	11	4	6
Ranking	1	1	2	4	3

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-12: Efficient Performance Ranking at the end of FY 2015

Indicators	SBI	BOB	PNB	Canara	UBI
ROA	5	1	3	4	2
CAR	3	5	4	1	2
NIM	5	2	4	1	3
Total (15)	13	8	11	6	7
Ranking	1	3	2	5	4

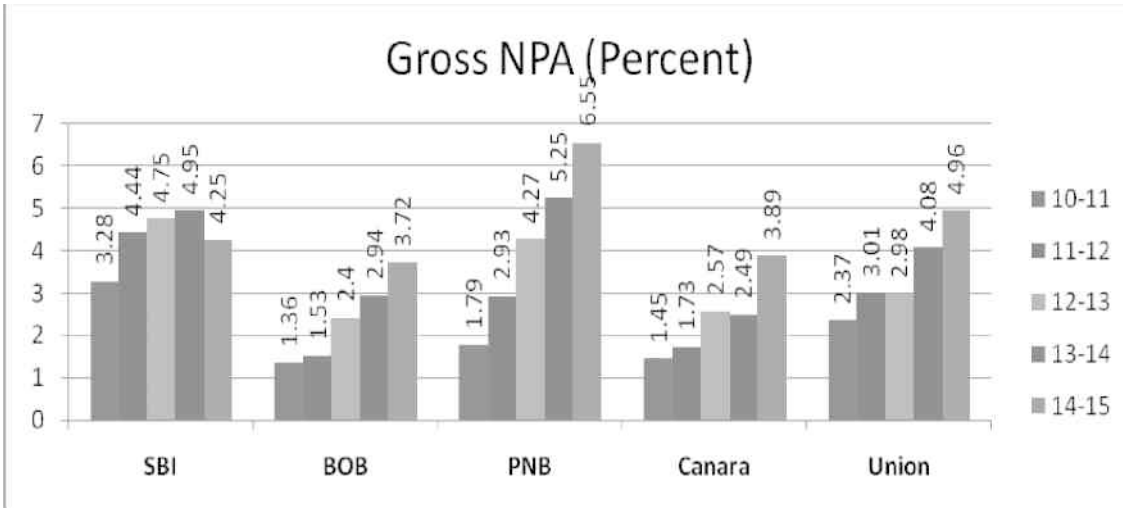
Source: Compiled from Annual Reports of Various Banks of Various Years

Asset Quality

GNPA Ratio: Gross NPA is the total outstanding amount in the books of banks which has not been received. GNPA ratio is the ratio of such blocked amount to total advances. Lesser

is this ratio, lesser will be bank's requirement for provisioning and more will be their profit or income. The Graph-10 shows that PNB is most severally affected from the problem of NPA management.

Graph-10: Gross NPAs of Different banks



Source: Compiled from Annual Reports of Various Banks of Various Years

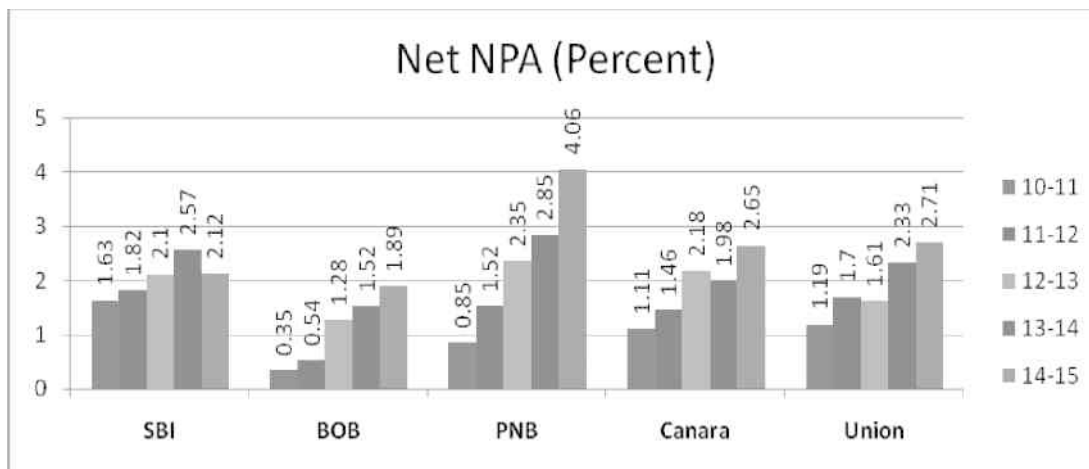
It is also seen that NPA problem for all banks have risen in the last two years of study i.e. for 2013-14 & 2014-15 on account of less recovery of loans due to dampened economic environment. It is observed that policies followed by BOB in NPA management have shown results and the Bank has been able to keep its GNPA at lowest level amongst other banks under study.

received & kept in suspense a/c + total provisions held in respect of NPA). From the Graph-11, again it is clear that last two FYs have been very tough for banking industry with respect to the management of NPAs.

NNPA Ratio: Net NPA can be defined as gross NPA less (balance in interest suspense a/c + DICGC/ ECGC claims received & held pending adjustment + part payment

Policies of PNB have not been efficient enough to contain NPA which has been highest among all banks under study while BOB has been able to contain its NPA below 2% in FY 2014-15. On the whole it is observed that NNPA of banks is on rising note with each passing year and has become area of great concern.

Graph-11: Net NPAs of Different banks



Source: Compiled from Annual Reports of Various Banks of Various Years

Now we can analyze the performance of these banks for the above asset quality parameters. The marking in this has been reversed as lower NPA ratio denotes good financial

health. The banks have been evaluated on a scale of 1 to 5 marks for their -best to lowest performance respectively for each year.

Table-13: Asset Quality Ranking at the end of FY 2012

Indicators	SBI	BOB	PNB	Canara	UBI
Gross NPA Ratio	1	5	3	4	2
Net NPA Ratio	1	5	3	4	2
Total (10)	2	10	6	8	4
Ranking	5	1	3	2	4

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-14: Asset Quality Ranking at the end of FY 2013

Indicators	SBI	BOB	PNB	Canara	UBI
Gross NPA Ratio	1	5	2	4	3
Net NPA Ratio	3	5	1	2	4
Total (10)	4	10	3	6	7
Ranking	4	1	5	3	2

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-15: Asset Quality Ranking at the end of FY 2014

Indicators	SBI	BOB	PNB	Canara	UBI
Gross NPA Ratio	2	4	1	5	3
Net NPA Ratio	2	5	1	4	3
Total (10)	4	9	2	9	6
Ranking	3	1	4	1	2

Source: Compiled from Annual Reports of Various Banks of Various Years

Table-16: Asset Quality Ranking at the end of FY 2015

Indicators	SBI	BOB	PNB	Canara	UBI
Gross NPA Ratio	3	5	1	4	2
Net NPA Ratio	4	5	1	3	2
Total (10)	7	10	2	7	4
Ranking	2	1	4	2	3

Source: Compiled from Annual Reports of Various Banks of Various Years

Conclusion

The final position of each bank for every FY has been

prepared from the summarization of marks received on each parameter. Following Table-17 presents summarization for FY 2011-12

Table-17: Summarization for FY 2011-12.

Parameters	SBI	BOB	PNB	Canara	UBI
Business Indicators (Marks 20)	15	17	15	5	8
Staff Productivity (Marks 10)	8	9	5	6	2
Efficiency (Marks 15)	11	11	11	7	5
Asset Quality (Marks 10)	2	10	6	8	4
Grand Total (Marks 55)	36	47	37	26	19
Rank	3	1	2	4	5

Source: Compiled from Above Tables

- BOB stood at 1st position in overall and also in every parameter i.e. business indicators, staff productivity, efficiency and asset quality.
- PNB was equal to SBI in terms of business indicator and efficiency but overall it ranked higher than SBI.

Following Table-18 presents summarization for FY 2012-13

Parameters	SBI	BOB	PNB	Canara	UBI
Business Indicators (Marks 20)	17	12	10	5	16
Staff Productivity (Marks 10)	10	5	4	3	8
Efficiency (Marks 15)	12	10	13	4	6
Asset Quality (Marks 10)	4	10	3	6	7
Grand Total (Marks 55)	43	37	30	18	37
Rank	1	2	3	4	2

Source: Compiled from Above Tables

- SBI acquired 1st position in overall ranking and also in business indicators & staff productivity
- Asset quality management of BOB was best but it stood at 2nd position combined with UBI in overall rank.

Following Table-19 presents summarization for FY 2013-14

Parameters	SBI	BOB	PNB	Canara	UBI
Business Indicators (Marks 20)	13	15	9	17	8
Staff Productivity (Marks 10)	8	8	3	3	8
Efficiency (Marks 15)	12	12	11	4	6
Asset Quality (Marks 10)	4	9	2	9	6
Grand Total (Marks 55)	37	44	25	33	28
Rank	2	1	5	3	4

Source: Compiled from Above Tables

- BOB regained its 1st position in overall ranking with best performance in staff productivity, efficiency and asset quality management
- Canara Bank topped in business indicator performance but secured 3rd position in overall due to lower performance in staff productivity and efficiency parameter

Following Table-20 presents summarization for FY 2014-15

Parameters	SBI	BOB	PNB	Canara	UBI
Business Indicators (Marks 20)	15	11	11	12	11
Staff Productivity (Marks 10)	10	3	5	5	7
Efficiency (Marks 15)	13	8	11	6	7
Asset Quality (Marks 10)	7	10	2	7	4
Grand Total (Marks 55)	45	32	29	30	29
Rank	1	2	4	3	4

Source: Compiled from Above Tables

- SBI again stood at 1st position in overall on account of its good performance in business indicators, staff productivity and in efficiency parameters.
- BOB continued with its good asset quality management and achieved 2nd position.

Summary

- BOB, although smaller in size than SBI, is able to give neck-to-neck competition to SBI on account of its better NPA management policies and staff productivity performance.
- Performance of PNB has been affected by its slackening policies regarding NPA management.
- UBI has increased its staff productivity performance but need to work on its efficiency and business indicator parameters
- Canara bank has increased its business indicator performance but need to increase its efficiency.
- For the last three FYs, 1st & 2nd positions have been occupied either by SBI or BOB.
- Last two FYs have been dampening for banking industry and are demanding better NPA management policies.
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