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A Study on the Financial Performance of Scheduled Commercial Banks

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Abstract: *Banking Sector plays an important role in economic development of a country. The purpose of the study is to examine the financial performance of public sector, private sector and Foreign banks. The data used for the study was entirely secondary in nature. The present study is conducted to compare the financial performance of Bank on the basis of ratios such as, Net interest Margin, Return on equity, Scheduled Commercial Banks (SCBs),Financial Performance, Cash Deposit Ratio, Credit Deposit Ratio, Investment Deposit Ratio, Investment + Credit to total Ratio, Ratio of Deposits to total Liabilities, Ratio of Demand and Savings to total deposits Ratio, Ratio of Priority sector Advances to Total Advances, Ratio of Term loans to Total Advances, Ratio of Secured Advances to Total Advances, Ratio of investments in non approved securities to Total Investments, Ratio of Interest income to Total Assets, Ratio of Non Interest Income to Total Assets, Ratio of Intermediation to Total Assets,Ratio of Wage Bills to Intermediation Cost, Ratio of Wage Bills to Total Expenses, Ratio of Wage Bills to Total Income,Ratio of Burden to Total Assets,Ratio of Burden to Interst Income, Ratio of Operating Profits to Total Assets, Return on Assets,Cost of Deposits,Cost of Borrowings,Cost of Funds,Return on Advances,Return on Investments and Return on Advances Adjusted to Cost of Funds.Financial performance analysis is aimed at keeping the banks in checks by highlighting low and high performance areas with the understanding that it will bring about improvement in performance.The period of study taken is from the year 2011 -12 to 2015 – 16 . The study found that private sector banks is performing well and they are financially sound than comparing to other bank groups*

***Key words**:* Net interest Margin, Priority sector Advances, Wage Bills, Ratio of Burden to Interst

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I. INTRODUCTION

Banking sector plays an important role in sustaining financial markets and has a significant impact on the success of the economy. An efficient banking system is recognized as basic requirement for the economic development of any economy. Banks mobilize the savings of community into productive channels. Sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well Financial Performance refers to the achievement of the bank in terms of profitability. Profitability of a bank denotes the efficiency with which a bank deploys its total resources to optimize its net profits and thus serves as an index to the degree of asset utilization and managerial effectiveness. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of bank and manage it efficiently and effectively. In this article an attempt is made to evaluate and compare the financial performance of banks-Group wise

Statement of the Problem

Finance is the scarcest resource in India and hence it needs to be utilized optimally. The sound performance of a firm depends on the well-planning of capital structure, investment and distribution. Any firm that fails to apply the sound principles of capital structure like cost, control and the firm that fails to adopt scientific tool of investment and distribution in managing funds will not survive in the long run. Further, the firm should apply the wealth maximization as criteria in taking financial decisions like financing, investment and distribution. Since finance in the life blood and nervous system of an enterprise, the importance of the timely appraisal of the performance of the firm cannot be ignored.Financial Performance refers to the achievement of the bank in terms of profitability. Profitability of a bank denotes the efficiency with which a bank deploys its total resources to optimize its net profits and thus serves as an index to the degree of asset utilization and managerial effectiveness.The era of globalization modern free market economy introduce a

window of banking acidity that has huge impact on any countries trade and overall development. To complete the process of banking or trading financial intermediaries and institution act like as
safe gateway between two sides. As an institution, bank has been contributing towards the development of any economy for a long time and at the moment it is treated as an important banking industry in modern world. Now days the functioning area of bank not limited within
same geographical limit of any country. Therefore bank has to manage large volume transaction. Industry related stakeholder need to know about the financial performance of the bank. To analyse financial performance ratio analysis is the most logical way to show the bank financial position. So this study has conduct to expose restriction of the function area and process of financial performance through ratio analysis, particularly return on Equity and Net Interest Margin.

Objective of the study

To compare the financial performance of banks-Group wise

II. Research Methodology

In the present study, an attempt has been made to measure, evaluate and compare the financial performance of banks-Group wise. The study is based on secondary data that has been collected from annual reports of the respective banks, magazines, journals, documents and other published information. The study covers the period of 3 years i.e. from year 2013-14 to year 2015-16. The Statistical Tools like Mean and Standard Deviation is used to analyse the data and Minimum and Maximum have also been deployed to analyze the data

Previous Research On Bank Performance

The measurement of bank performance particularly commercial banks is well researched and has received increased attention over the past years There have been a large number of empirical studies on commercial bank performance around the world. The previous studies in this area of researches are briefly reviewed. It also includes the opinions expressed by various authors in leading articles, journals, books etc

Anurag. B. Singh and Priyanka Tandon,(2012)[1] in their article stated that the Banking Sector plays an important role in economic development of a country. The banking system of India is featured by a large network of bank branches, serving many kinds of financial services of the people. The State Bank of India, popularly known as SBI is one of the leading bank of public sector in India. SBI has 14 Local Head Offices and 57 Zonal Offices located at important cities throughout the country. ICICI Bank is second largest and leading bank of private sector in India. The Bank has 2,533 branches and 6,800 ATMs in India. The purpose of the study is to examine the financial performance of SBI and ICICI Bank, public sector and private sector respectively. The research is descriptive and analytical in nature. The data used for the study was entirely secondary in nature. The present study is conducted to compare the financial performance of SBI and ICICI Bank on the basis of ratios such as credit deposit, net profit margin etc. The period of study taken is from the year 2007-08 to 2011-12. The study found that SBI is performing well and financially sound than ICICI Bank but in context of deposits and expenditure ICICI bank has better managing efficiency than SBI

Nutan N. Thoke and Parikshit K. Pachorka(2012)[2] in their study attempted to analyse the relationship between financial performance indicators (variables)ROA (Return on Assets) and Interest Income size to Bank size (Total Assets), Assets Management measured by Assets utilization ratio (operational profit divided by total Assets), Operational Efficiency measured by the operating efficiency ratio (total operating expenses divided by net interest income). Also compares the various types of banks in Indian Banking industry i.e. PSB's (Public Sector Banks), Private Sector banks on the above measures to find out if there is any difference between PSB's and Private Bank's performance with reference to points like role of other incomes, credit deposit ratio. This study uses correlation analysis as a method to analyse relationship between independent and dependent variables and some banking ratios. Comparing PSB's with Private Banks will allow us to underline the difference in their performance. The study will help to show, how by concentrating on some parameters canenhance performance of a bank. Study will also provide base for further research in the domain of comparative analysis of financial performance of banks

Anitha Makkar and Shveta Singh(2013)[3] in their paper discussed thath the financial performance of a bank indicates the strength and weakness of that particular bank by properly establishing the association between the

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1) Anurag. B. Singh and Priyanka Tandon, "A Study Of Financial Performance: A Comparative Analysis Of SBI And ICICI Bank", International Journal of Marketing, Financial Services & Management Research Vol.1 Issue 11,November 2012 , 56-71

2) Nutan N. Thoke and Parikshit K. Pachorka, "Correlation Study of Financial Performance Indicators in Indian Public Sector Banks & Private Sector Banks"Journal of Management and Research,Volume 1, March 2012, PP 76 - 79

3) Anitha Makkar and Shveta Singh, “Analysis of the Financial Performance of Indian Commercial Banks: A Comparative Study”,Indian Journal of Finance,7(5),May 2013

items of the balance sheet and profit&loss account. The present study is a comparative analysis of the financial performance of Indian commercial banks. The study considered a sample of 37 banks (22 public sector banks and

15 private sector banks) for the period from 2006-07 to 2010-11. CAMELS rating methodology was used in the study to measure the performance of the considered banks. The study found that the IDBI Bank was the best performing bank followed by Kotak Mahindra Bank and ICICI Bank. Dhanalaxmi Bank had the worst performance followed by J&K Bank and Karnataka Bank Ltd. The results of the 't' - test disclosed that there is a significant difference in the Capital Adequacy, Asset Quality and Earning Capacity of public and private sector banks in India, while there is no significant difference in the Management, Liquidity Position and Sensitivity to market risk of the two different banks groups. The study concluded that on an average, there is no statistically significant difference in the financial performance of the public and private sector banks in India, but still, there is a need for overall improvement in the public sector banks to make their position strong in the competitive market.

Islam, Md Aminul, (2014)[4], in his attempted primarily to measure the financial performance of National Bank Limited which one of the largest and prominent private commercial banks in Bangladesh for the period 2008-2013 and to identify whether any difference exists between a banks’s years of operation and its performance classifying two period (2008-10 & 2011-13). To complete my task I have to use various materials and take help form online source. Analyse the ratio here used financial ratio analysis (FRA) method which help to draw a overview about financial performance of the National bank limited in terms of profitability, liquidity and credit performance. To test the hypothesis the study has been worked on Student t-test by using SPSS. These analyses helps to see the current performance condition of this bank compare past performance. Because now a day’s banking sector of Bangladesh is suffering the disease of default culture which is the consequence or result of bad performance of most banks. The performances of banks are dependent more on the management’s ability in formulating strategic plans and the efficient implementation of its strategies. The study findings can be helpful for management of National bank ltd. always for private commercial banks in Bangladesh to improve their financial performance and formulate policies that will improve their performance. The study also identified specific areas for bank to work on which can ensure sustainable growth for these banks.

Manvinder Tandon,Bimal Anjum and Julee (2014)[5] in their paper opined that the the Indian banking sector plays an important role in the economic development of the country and is the most dominant segment of the financial sector. The banking sector has shown a remarkable responsiveness to the needs of the planned economy. It has brought about a considerable progress in its efforts at deposit mobilization and has taken a number of measures in the recent past for accelerating the rate of growth of deposits. Banks play a positive role in economic development of a country as repositories of community’s savings and as purveyors of credit. It also helps channel savings to investments and encourage.This study analyses that PNB has the highest return on Net Worth (mean) which is a sign that management of Punjab national bank is at using leverage to increase profits and profit margins. It is also indicating a sign of good management.SBI and PNB has the highest return on capital employed (mean) which indicates that SBI and PNB are realizing highest return from its capital employed. State bank of India has highest Dividend Payout Ratio (Mean) which is a sign that the SBI has highest ercentage of profit distribute as dividend to equity shareholders.Bank of Baroda has the Return on Assets (mean) which is a sign that management of Bank is using Assets fund more efficiently to increase earning capacity. It is also suggested that Bank of India has lowest Divided per share & Earning per share so bank has improved its profit accordingly increase in its DPS EPS.

Mustafa Hassan Mohammad Adam(2014)[6],This study investigates the financial performance of Erbil Bank for Investment and Finance , Kurdistan Region of Iraq during the period of 2009-2013. Several financial performance parameters are used such as financial ratios analysis which is used to measure the financial position for the bank and on broader range statistical tools also have been used for analysis purpose of several variables which would affect the banking system in general.in order to know whether these variables are significantly correlated with the financial performance for the bank. The findings of the study show the positive behaviour of the financial position

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4) Islam, Md Aminul. "An Analysis of the Financial Performance of National Bank Limited Using Financial Ratio." Journal of Behavioural Economics, Finance, Entrepreneurship, Accounting and Transport 2.5 (2014): 121-129.

5)Manvinder Tandon,Bimal Anjum and Julee, “A Study on Financial Performance of Selected Indian Banks”,International Journal of Research in Management, Science & Technology Vol. 2, No. 3, December 2014,

6) Mustafa Hassan Mohammad Adam , "Evaluating The Financial Performance Of Banks Using Financial Ratios A Case Study Of Erbil Bank For Investment And Finance"European Journal of Accounting Auditing and Finance Research Vol.2,No.2,August 2014, 156- 170,

for Erbil Bank and some of their financial factors variables influence the financial performance for the bank. Then, it is found that the overall financial performance of Erbil Bank is improving in terms of liquidityratios, assets qualityratios or credit performance, profitability ratios (NPM, ROA, ROE).This study suggests a set of recommendations regardingthe development and enhancing of some banking operations which will boost the bank's profitabilityand improve the financial performance for the bank.

Jeevan Jayant Nagarkar,(2015)[7],in his article stated that Business cycles are not new to the Indian economy. In last ten years India witnessed two major phases of business cycle. High growth tide lifted all boats and high revenue high profits were taken for granted. The last four years have been the phase of recession. Banking industry which was growing at a high growth of +30% now is struggling to achieve 19% growth. This paper is an attempt to analyze performance of five major public, private and foreign sector banks with principle component analysis on the financial parameters. The weights are assigned on the basis of importance of the parameters on financials.

Shalini Shukla (2016)[8] in her paper **"**Performance of the Indian Banking Industry: A Comparison of Public and Private Sector Banks" sought to analyze the performance of the banking industry in India on the basis of established financial parameters. By using the purposive sampling technique, 46 scheduled commercial banks were studied and the business standard banking annual database was explored to collect the relevant information. Both public and private sector banks were included in the sample and analyzed on the basis of four parameters (size, growth, profitability, and soundness) segregated into 11 financial performance indicators. The findings highlighted that public and private sector banks were not very much different in terms of size and growth parameters. However, significant differences were found in terms of profitability and soundness of business, indicating robust growth prospects for private sector banks. The study represented a pioneering and seminal attempt to provide a number of implications for policy makers, budding researchers, and professionals.

III. Data Analysis

Financial analysis is mainly done to compare the growth, profitability and financial soundness of the respective banks by diagnosing the information contained in the financial statements. Financial analysis is done to identify the financial strengths and weaknesses of the two banks by properly establishing relationship between the items of Balance Sheet and Profit & Loss Account. It helps in better understanding of banks financial position, growth and performance by analyzing the financial statements with various tools and evaluating the relationship between various elements of financial statements. For this purpose the followingparameters have been studied

1) Cash Deposit Ratio
2) Credit Deposit Ratio
3) Investment Deposit Ratio
4) Investment + Credit to total deposit Ratio
5) Ratio of Deposits to total Liabilities
6) Ratio of Demand and Savings to total deposits
7) Ratio of Priority sector Advances to Total Advances
8) Ratio of Term loans to Total Advances
9) Ratio of Secured Advances to Total Advances
10) Ratio of investments in non approved securities to Total InvestmentsNet Interest Margin
11) Ratio of Interest income to Total Assets
12) Net interest Margin
13) Ratio of Non Interest Income to Total Assets
14) Ratio of Intermediation to Total Assets
15) Ratio of Wage Bills to Intermediation Cost
16) Ratio of Wage Bills to Total Expenses
17) Ratio of Wage Bills to Total Income
18) Ratio of Burden to Total Assets
19) Ratio of Burden to Interst Income
20) Ratio of Operating Profits to Total Assets

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7) Jeevan Jayant Nagarkar, "Analysis of Financial Performance of Banks in India",Annual Research Journal of Symbiosis Centre for Management Studies, Pune Vol. 3, April 2015, pp. 26–37

8) Shalini Shukla**, “** Performance of the Indian Banking Industry:A Comparison of Public and Private Sector Banks”, Indian Journal Of Finance,10(1), January 2016

21) Return on Assets
22) Return on Equity
23) Cost of Deposits
24) Cost of Borrowings
25) Cost of Funds
26) Return on Advances
27) Return on Investments
28) Return on Advances Adjusted to Cost of Funds.
29) Return on Investments Adjusted to Cost of Funds.

Table 1 Cash Deposit Ratio

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	16.83	34.06	31.39
2012-13	19.15	34.77	26.56
2013-14	20.43	35.15	18.82
2014-15	15.92	26.15	11.52
2015-16	18.09	25.72	14.61
MEAN	18.08	31.17	20.58
STDEV	1.80	4.80	8.27

Source: : **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

Cash -Deposit Ratio is the ratio of how much a bank lends out of the deposits it has mobilized. It indicates how much of a bank’s core funds are being used for lending, the main banking activity. It can also be defined as total of cash in hand.

Cash -Deposit Ratio (%) = cash in hand +balances with RBI/ Total deposits

The above table represents that the mean of Cash Deposit Ratio in foreign banks is higher (6.78) than all the other banks during entire study period. This shows that the foreign banks has created more cash assets from its deposits as compared to all the other banks.

Table 2 Credit Deposit Ratio of Public , private and Foreign Banks

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	77.51	82.28	82.99
2012-13	77.85	81.9	91.56
2013-14	77.42	84.37	82.6
2014-15	76.12	86.36	80.85
2015-16	74.72	90.3	79.24
MEAN	76.72	85.04	83.45
STDEV	1.30	3.44	4.77

Source: RBI,Annual Accounts of Banks, 2011-12 to 2015-16

Credit-Deposit Ratio is the proportion of loan-assets created by a bank from the deposits received. Credits are the loans and advances granted by the bank. In other words it is the amount lent by the bank to a person or an organization which is recovered later on. Interest is charged from the borrower. Deposit is the amount accepted by bank from the savers and interest is paid to them. The formula is Credit-Deposit Ratio (%) = total advances/ total deposits

Mostly called CD ratio should be less than 70% as per latest RBI guidelines. It means that maximum 70% of deposits received from customers can be used to give Loans to the customers.

The above table illustrates that the mean of Credit Deposit Ratio in private sector banks is higher (85.04) than in Foreign Banks (83.45) and Public sector banks (76.72) . But at the same time the Standard Deviation is also high in private sector banks This shows that private sector bank has created more loan assets from its deposits as compared to foreign banks and public sector banks

Table 3 Investment Deposit Ratio

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-2012	30.13	44.78	72.45
2012-13	30.62	44.86	79.19
2013-14	29.96	40.76	73.9
2014-15	28.59	36.42	62.3
2015-16	28.76	34.45	61.3
MEAN	29.61	40.25	69.83
STDEV	0.89	4.75	7.75

Source: : RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

Investments in investment-deposit ratio represent total investments including investments in nonapproved securities**..**The above table depicts that over the course of five financial periods of study the mean and standard deviation of foreign banks is higher (69.83&7.75) than the private sector banks (40.25&4.75) and public sector banks (29.61&0.89)

Table 4 Credit + Investment Deposit Ratio

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-2012	107.65	127.06	155.44
2012-2013	108.46	126.76	170.74
2013-14	107.38	125.13	156.5
2014-15	104.71	122.79	143.16
2015-16	103.48	124.75	140.54
MEAN	106.34	125.30	153.28
STDEV	2.13	1.72	12.09

Source: : RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

The Observation of the table reveals that the foreign banks credit + Investment deposit ratio is higher (153.28) as compared to private sector banks (125.30) and public sector banks (106.34

Table 5 Ratio of Deposits to Total Liabilities

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	82.82	69.38	47.08
2012-13	82.53	70.15	46.33
2013-14	82.69	70.47	47.07
2014-15	82.89	70.47	53.67
2015-16	82.61	69.66	56.33
MEAN	82.71	70.03	50.10
STDEV	0.15	0.49	4.58

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

In the above table it is clear that the mean of Ratio of Deposits to Total Liabilities is high in case of public sector banks (82.71) with low standard deviation (0.15) as compared to private sector banks (70.03&0.49) and foreign banks (50.10 &4.58). This shows the confidence of public towards the public sector banks

Table 6 Ratio of Saving and Demand Deposits to Total Deposits

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	31.96	37.36	44.03
2012 -13	31.99	37.05	40.58
2013-14	31.02	37.67	35.06
2014-15	30.99	38.34	34.65
2015-16	32.68	39.31	34.87
MEAN	31.73	37.95	37.84
STDEV	0.72	0.90	4.26

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

The above table reveals that during the study period there has been an high fluctuations in case of ratio of savings and demand deposits to total deposits in all the banks groups. However, in terms of mean the private sector banks are with the highest of 37.95% as compared to foreign banks (37.84%) and public sector banks(31.73%)

Table 7 Ratio of priority sector advances to Total advances

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	28.82	29.08	31.55
2012-13	28	27.28	29.2
2013-14	28.48	28.04	29.39
2014-15	28	27.28	29.37
2015-16	31.05	28.82	27.34
MEAN	28.87	28.10	29.37
STDEV	1.27	0.84	1.49

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

From the above table it is clear that all Banks is providing their advances to Priority Sector by following the norms for advances to priority sector on an average nearer one fourth to one third of their total advances during the research period. The Foreign banks show the highest mean & standard deviation (29.37 &1.49) as compared to public sector banks (28.87 &1.27) and private sector banks (28.10 &0.84) during the research period. This indicates that the private sector banks contribution towards priority sector advances to total advances is less as compared to public sector banks and foreign banks

Table 8 Ratio of Term Loans to Total advances

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	52.58	66.54	40.47
2012-13	51.75	64.22	39.06
2013-14	52.02	63.79	41.73
2014-15	52.53	67.07	39.82
2015-16	52.58	68.58	38.43
MEAN	52.29	66.04	39.90
STDEV	0.38	2.01	1.28

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

As shown in the above table the ratio of term loans is more in private sector banks (66.04) followed by public sector banks (52.29) .But the deviations are more in private sector banks(2.01) as compared to public sector banks (0.38)

Table 9Ratio of Secured Advances to Total advances

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	82.62	83.92	49.04
2012-13	86.59	84.02	47.33
2013-14	87.07	84.18	43.62
2014-15	87.18	83	43.68
2015-16	86.59	80.54	42.36
MEAN	86.01	83.13	45.21
STDEV	1.91	1.52	2.84

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

(Advances secured by tangible assets + Advances covered by bank or Govt. guarantees) /Advances.
The above table shows that the ratio of secured advances to total advances there is high in case of public sector banks (86.01) followed by private sector banks (83.13) but when it comes to standard deviation there is very less variation in case of private banks and more variation in public sector banks.

Table 10 Ratio of Investments in Non Approved Securities in Total investments

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	16.83	34.06	31.39
2012-13	19.15	34.77	26.56
2013-14	20.43	35.15	18.82
2014-15	15.92	26.15	11.52
2015-16	18.09	25.72	14.61
MEAN	18.08	31.17	20.58
STDEV	1.80	4.80	8.27

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

As per the above table the ratio of Investments in non approved securities in total investments is low in public sector banks (18.08) with a minimum variation of (1.80) as compared to foreign banks (20.58 &8.27) and private sector banks (31.17 & 4.80)

Table 11 Ratio of Interest Income to Total Assets

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	8.55	8.71	6.67
2012-13	8.54	9.04	6.98
2013-14	8.31	8.9	6.6
2014-15	8.12	8.81	6.71
2015-16	7.78	8.71	6.67
MEAN	8.26	8.83	6.73
STDEV	0.32	0.14	0.15

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

The above table shows that the ratio of interest income to total assets is high in private sector banks (8.83) with minimum standard deviation (0.14) as compared to public sector banks (8.26 & 0.32) and foreign banks (6.73 & 0.15)

Table 12 Ratio of Net Interest Income to Total Assets (Net Interest Margin)

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	2.76	3.09	3.89
2012 – 13	2.57	3.22	3.89
2013-14	2.45	3.31	3.54
2014-15	2.35	3.37	3.54
2015-16	2.23	3.45	3.6
MEAN	2.47	3.29	3.69
STDEV	0.20	0.14	0.18

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

Net interest margin is defined as the total interest earned less total interest paid

(Interest earned –Interest paid) / Total assets

This measure indicates how well interest-bearing assets are being employed relative to interest bearing liabilities. In other words, it is the difference between what a bank receives and what it pays out as interests divided by interest earning assets. Thus, it is one of the key measures of bank profitability.

The higher the net interest margin, the higher the bank's profit and the more stable the bank is.

The above table reveals that during the study period there has been an high volatility (standard deviation) in case of public sector banks (0.20) as compared to private sector banks(0.14) and foreign banks(0.18). In terms of mean the foreign banks is showing a highest NIM .which means that interest earned by foreign bank is much more than expended and other banks are earning less interest. Interest earned by bank is there foremost income which is more in case of foreign banks and private sector banks following are almost at same level Particularly if the scenario of trend is observed, it is noticed that the private banks is moving in an increasing trend and in case of public sector banks it is showing decreasing trend .

Table 13 Ratio of Non Interest Income to Total Assets

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-2012	0.89	1.62	2.02
2012 – 13	0.87	1.62	1.85
2013-14	0.87	1.67	1.95
2014-15	0.91	1.72	1.99
2015-16	0.94	1.75	1.59
MEAN	0.91	1.71	1.84
STDEV	0.04	0.04	0.22

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

It is clear from the above table that the ratio of non interest income to total assets is high in case of foreign banks (1,84) with a high variation of 0.22 . When it comes to private sector banks and public sector banks the variation is same in both bank groups, i.e., 0.04 but the mean is high in case of private sector banks (1.71) as compared to public sector banks (0.91)

Table 14 Ratio of Intermediation cost to Total Assets

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	1.59	2.2	2.47
2012 -13	1.57	2.2	2.36
2013-14	1.62	2.19	2.21
2014-15	1.6	2.23	2.17
2015-16	1.63	2.24	2.06
MEAN	1.62	2.22	2.15
STDEV	0.02	0.03	0.08

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16
Intermediation cost is defined as total operating expenses. The formula is operating expenses / Total assets. The intermediation cost to total asset ratio (ICR) is an efficiency metric which expresses the operating cost as a proportion of the assets employed and maintained by a bank.

Lower ratios imply lower operating costs and indicate a more efficient process of intermediation. The ratio of intermediation cost to total assets is high in case of Private sector banks (2.22) followed by the foreign banks (2.15) but the ICR showed a gradual decline in case of foreign banks In case of public sector banks this ratio is low (1.62)

Table 15 Ratio of Wage Bills to Intermediation cost

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	63.71	43.37	43.22
2012-13	62.99	42.33	42.11
2013-14	62.47	41.5	40.92
2014-15	61.2	41.27	42.68
2015-16	59.22	40.49	42.47
MEAN	61.92	41.79	42.28
STDEV	1.76	1.10	0.86

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

Wage bills is defined as payments to and provisions for employees (PPE).Operating expenses are costs associated with the operation and maintenance of the business to generate income. The wage bill to operating expense ratio (WBOER) shows the percentage of the total operating expense used to meet personnel costs. The ratio is important because it indicates if the wage bill is excessive**.** The average WBOER steadied at about 41.79 per cent and 61.92% of total operating expense in case of private sector banks and public sector banks respectively during the period covered by the study. But the ratio declined marginally for both the banks during the study period, while the foreign banks average (42.28) experienced a fluctuating trend with a minimum standard deviation of 0.86 as compared to public sector banks (1.76) and private sector banks (1.10) during study period

Table 16 Ratio of Wage Bills to Total Expenses

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	13.72	12.22	20.35
2012-13	13.09	11.61	18.22
2013-14	13.5	11.68	17.18
2014-15	13.19	11.99	17.32
2015-16	13.44	12.1	17.08
MEAN	13.39	11.92	18.03
STDEV	0.25	0.26	1.37

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

The above table shows the ratio of wage bills to total expenses. A lower ratio is better for a bank as it indicates lower cost and most likely increased profit. The private sector banks has low ratio (11.92) followed by public sector banks (13.39). The foreign banks has high ratio (18.03) with high variation (1.37) as compared to private sector banks and public sector banks.

Table 17 Ratio of Wage Bills to total income

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	10.74	9.25	12.29
2012-13	10.48	8.73	11.25
2013-14	10.99	8.6	10.59
2014-15	10.77	8.73	10.62
2015-16	11.06	8.68	10.62
MEAN	10.81	8.80	11.08
STDEV	0.23	0.26	0.73

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

The above table represents the ratio of wage bills to total income .The formulae is Wage bills/ Total income. This metric indicates the proportion of a bank's income taken up by the wage bill. In case of foreign banks this ratio is high (11.08) followed by the public sector banks (10.81) .private sector banks mean (8.80) indicates that the proportion of banks income taken by the wage bill is low.

Table 18 Ratio of Burden to Total Assets

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	0.70	0.58	0.45
2012-13	0.69	0.58	0.51
2013-14	0.74	0.52	0.27
2014-15	0.7	0.51	0.17
2015-16	0.69	0.5	0.47
MEAN	0.71	0.54	0.37
STDEV	0.02	0.04	0.15

Source: RBI Annual Report,Annual Accounts of Banks, 2011-12 to 2015-16

Burden is defined as the total non-interest expenses less total non-interest income i.e.,
(Non-interest operating Expenditure - Non-interest operating income) / Average Total Assets A bank with a low burden ratio is better off. An increasing trend would show lack of burden bearing capacity

It is clear from the above table that the foreign banks has low burden ratio (0.37) but with high variation (0.15) followed by private sector banks (0.54 & 0.04). In case of public sector banks even though there is low variation(0.02) the burden ratio is high (0.71) as compared to other two banks in the study

Table 19 Ratio of Burden to Interest Income

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	8.21	6.68	6.78
2012-13	8.12	6.42	7.28
2013-14	8.94	5.84	4.02
2014-15	8.4	5.75	2.61
2015-16	8.88	5.7	7.05
MEAN	8.51	6.08	5.55
STDEV	0.38	0.44	2.11

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

It is evident from the above table that the foreign banks has low ratio(5.55) of burden to interest income with high variation (2.11) followed by private sector banks (6.08 & 0.44)

Table 20 Ratio of Operating Profits to Total Assets

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	2.05	2.51	3.44
2012-13	1.88	2.64	3.38
2013-14	1.71	2.79	3.28
2014-15	1.7	2.86	3.36
2015-16	1.54	2.96	3.13
MEAN	1.78	2.75	3.32
STDEV	0.20	0.18	0.12

Source **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

Operating profit is defined as total earnings less total expenses, excluding provisions and contingencies The above table depicts the ratio of operating profits to total assets. The mean of foreign banks is high (3.32) with a minimum standard deviation (0.12) followed by private sector banks (2.75 & 0.18) . in case of public sector banks mean of operating profits to total assets is low (1.78) with a high variation (0.20) as compared to private banks and foreign banks

Table 21 Return on Assets

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	0.88	1.53	1.76
2012-13	0.78	1.63	1.94
2013-14	0.5	1.65	1.54
2014-15	0.46	1.68	1.84
2015-16	-0.2	1.5	1.45
MEAN	0.49	1.60	1.71
STDEV	0.42	0.08	0.21

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

Return on Assets shows the ability of management to acquire deposits at a reasonable cost and invest them in profitable investments. It is a common measure of managerial performance. The return on assets ratio formula is calculated by dividing net income by average total assets.

Generally, a higher ratio means better managerial performance and efficient utilization of the assets of the firm and lower ratio is the indicator of inefficient use of assets. A positive ROA ratio usually indicates an upward profit trend as well. As per the above table Public Sector Banks showing decreasing trend from 2011-12 to 2014-15, whereas Private sector banks showing increasing trend. In 2015-16 it witnessed a decreasing trend in all the banks but public sector banks showed a negative ROA which is not a good sign.

Return on Assets (mean) is a sign that management of Private sector banks and foreign banks is using Assets fund more efficiently to increase earning capacity in comparison to other Public sector banks. When it comes to standard deviation, it is highest in case of foreign banks .So current observations on ROA of PSBs indicate they do not perform at satisfactory level.

Table 22Return on Equity

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-2012	15.33	15.25	10.79
2012-13	13.24	16.46	11.52
2013-14	8.48	16.22	9.03
2014-15	7.76	15.74	10.24
2015-16	-3.47	13.81	8
MEAN	8.27	15.50	9.92
STDEV	7.29	1.05	1.41

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

The return on equity ratio formula is calculated by dividing net income by shareholder's equity. Return on equity measures how efficiently a firm can use the money from shareholders to generate profits and grow the company.ROE is the most important indicator of a bank’s profitability and growth potential. Higher ROE means better managerial performance; usually, there is higher ROE for high growth companies.

If we observe the above table ROE (mean) is high in the case of Private sector banks(15.50) as compared to foreign banks and public sector banks during the last five years. In case of public sector banks ROE (mean) was minimum but standard deviation was maximum which not a good sign is

Table 23 Cost of Deposits

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	6.36	6.43	4.34
2012-13	6.63	6.72	4.67
2013-14	6.47	6.4	4.78
2014-15	6.43	6.39	4.68
2015-16	6.19	6.08	4.3

MEAN	6.42	6.41	4.55
STDEV	0.16	0.23	0.22

Source: **RBI Annual Report,** Annual Accounts of Banks, 2011-12 to 2015-16

It is observed from the above table that the cost of deposits is high in case of public sector banks (6.42) with the minimum variation of 0.16 followed by private sector banks with a mean of 6.41. The cost of deposits is low in foreign banks; this indicates that the deposits in foreign banks are less as compared to private banks and public sector banks

Table 24 Cost of Borrowings

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	7.10	7.54	3.52
2012-13	6.15	7.42	4.06
2013-14	6.36	7.4	4
2014-15	5.9	6.41	4.87
2015-16	5.67	6.63	4.23
MEAN	6.24	7.08	4.14
STDEV	0.55	0.52	0.49

Source: **RBI Annual Report,** Annual Accounts of Banks, 2011-12 to 2015-16

It is seen in the above table that the cost of borrowings is high in private sector banks(7.08) followed by public sector banks (6.24) as compared to foreign banks(4.14)

Table 25 Cost of Funds

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	6.06	5.84	3.86
2012-13	6.27	6.12	4.05
2013-14	6.46	6.58	4.53
2014-15	6.39	6.39	4.68
2015-16	6.15	6.18	5.97
MEAN	6.27	6.22	4.62
STDEV	0.17	0.28	0.83

Source: **RBI Annual Report,** Annual Accounts of Banks, 2011-12 to 2015-16

Cost of funds is the interest rate paid by banks for the funds that they deploy in their business. The cost of funds is one of the most important input costs for a bank, since a lower cost will generate better returns when the funds are deployed in the form of short-term and long-term loans to borrowers.

The spread between the cost of funds and the interest rate charged to borrowers represents one of the main sources of profit for most for the banks. The above table shows that the foreign banks have low cost of funds (4.62), with high deviations (0.83) followed by private sector banks (6.22 & 0.28). In case of public sector banks the cost of funds is high .since a high cost will generate low returns there is a need to take care about cost of funds by public sector banks.

Table 26 Return on Advances

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	10.31	11.06	9.61
2012-13	10.08	11.52	9.55
2013-14	9.69	11.24	9.38
2014-15	9.5	10.9	9.27
2015-16	9.03	10.46	8.95
MEAN	9.72	11.04	9.35
STDEV	0.50	0.40	0.26

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

The above table reveals about the return on advances. The formulae are Interest Earned on Advances / Advances. The private sector banks has highest return on advances (11.04) followed by public sector banks (9.72). The foreign banks have low return on advances (9.35) as compared to private sector banks and public sector banks. There is a declining trend for all the bank groups during the above period of study

Table 27 Return on Investments

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	7.54	7.26	8.02
2012-13	7.60	7.28	8.13
2013-14	7.69	7.32	7.34
2014-15	7.64	7.16	7.73
2015-16	7.97	7.76	7.28
MEAN	7.69	7.36	7.70
STDEV	0.17	0.23	0.39

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

Any positive ROI is considered a good return. This means that the total cost of the investment was recouped in addition to some profits left over. A negative return on investment means that the revenues weren't even enough to cover the total costs. That being said, higher return rates are always better than lower return rates.

Interest Earned on Investments / Investments.

It is examined in the above table that all the bank groups are having positive ROI. But the highest ROI is in the case of Foreign banks (7.70) followed by public sector banks (7.69). Among all the bank groups private sector bank has low ROI (7.36)

Table 28 Return on Advances Adjusted to Cost of Funds

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	4.25	5.22	5.74
2012-13	3.81	5.41	5.50
2013-14	3.23	4.66	4.85
2014-15	3.12	4.51	4.59
2015-16	2.88	4.28	4.6
MEAN	3.46	4.82	5.06
STDEV	0.56	0.48	0.53

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

It has been exhibited in the above table that Return on advances adjusted to Cost of funds is high in case of foreign banks (5.06) followed by the private sector banks (4.82). In case of public sector banks it is low (3.46) but the variation is high (0.56) as compared to private sector banks (0.48) and foreign banks (0.53).

Table 29 Return on Investments Adjusted to Cost of Funds

	Public Sector Banks	Private Sector Banks	Foreign Banks
2011-12	1.48	1.43	4.16
2012-13	1.33	1.16	4.08
2013-14	1.23	0.74	2.81
2014-15	1.25	0.77	3.05
2015-16	1.83	1.57	2.93
MEAN	1.42	1.13	3.41
STDEV	0.25	0.38	0.66

Source: **RBI Annual Report,**Annual Accounts of Banks, 2011-12 to 2015-16

It has been noticed in the above table that Return on investments adjusted to Cost of funds is high in case of foreign banks (3.41) followed by the public sector banks (1.42). Private sector banks resulted with low ratio (1.13)

IV. Summary and Conclusion

This paper measured the performance of Scheduled commercial banking sector over the period 2012-2016. The results indicate that

- The Ratio of Deposits to Total Liabilities is high in case of public sector banks with low standard deviation as compared to private sector banks and foreign banks This shows the confidence of public towards the public sector banks.
- The ratio of secured advances to total advances is high in case of public sector banks followed by private sector banks but when it comes to standard deviation there is very less variation in case of private banks and more variation in public sector banks.
- The ratio of term loans is more in private sector banks followed by public sector banks .But the deviations are more in private sector banks as compared to public sector banks
- Investments in non approved securities in total investments is low in public sector banks with a minimum variation of as compared to foreign banks and private sector banks
- The ratio of interest income to total assets is high in private sector banks with minimum standard deviation as compared to public sector banks and foreign banks
- During the study period there has been an high volatility (standard deviation) in case of public sector banks as compared to private sector banks and foreign banks. In terms of mean the foreign banks is showing a highest NIM ,which means that interest earned by foreign bank is much more than expended and other banks are earning less interest. Interest earned by bank is there foremost income which is more in case of foreign banks and private sector banks following are almost at same level Particularly if the scenario of trend is observed, it is noticed that the private banks is moving in an increasing trend and in case of public sector banks it is showing decreasing trend .
- The ratio of non interest income to total assets is high in case of foreign banks with a high variation When it comes to private sector banks and public sector banks the variation is same in both bank groups, i.e., 0.04 but the mean is high in case of private sector banks as compared to public sector banks
- The ratio of intermediation cost to total assets is high in case of Private sector banks followed by the foreign banks but the ICR showed a gradual decline in case of foreign banks .In case of public sector banks this ratio is low
- The average WBOER is high in case of public sector banks during the period covered by the study. But the ratio declined marginally during the study period, while the foreign banks experienced a fluctuating trend with a minimum standard deviation of 0.86 as compared to public sector banks and private sector banks during study period
- In case of both ratio of wage bills of total expenses and ratio of wage bills of total income The foreign banks has high ratio as compared to private sector banks and public sector banks.
- In case of both ratio of burden to total Assets and ratio of burden to interest income the foreign banks has low ratio as compared to other two banks in the study
- In case of ratio of operating profits to total assets the foreign banks has high ratio with a low variation as compared to other two banks in the study
- In case of return on assets the foreign banks resulted with high mean followed by the private sector banks
- In case of return on equity the private sector banks performed well, followed by foreign banks
- The cost of deposits is high in case of public sector banks, but with the minimum variation followed by private sector banks . The cost of deposits is low in foreign banks, this indicates that the deposits in foreign banks are less as compared to private banks and public sector banks
- The cost of borrowings is high in private sector banks followed by public sector banks as compared to foreign banks
- The foreign banks has low cost of funds with high deviations, followed by private sector banks .In case of public sector banks the cost of funds is high. Since a high cost will generate low returns there is a need to take care about cost of funds by public sector banks.
- The private sector banks has highest return on advances followed by public sector banks i.e., the foreign banks has low return on advances as compared to private sector banks and public sector banks . There is a declining trend for all the bank groups during the above period of study
- In case of all the bank groups are having positive ROI . But the highest ROI is in the case of Foreign banks followed by public sector banks i.e., among all the bank groups private sector bank has low ROI
- In case of Return on advances adjusted to Cost of funds and return on investments adjusted ti cost of funds foreign banks ha resulted with high mean as compared to private sector banks and public sector banks

In terms of overall bank group performance the total deposits, secured advances of public sector banks is high. The Private sector banks mean in terms of term loans, none approved securities investment, Interest income, return on equity return on advances is high. Performance of foreign banks is high in terms of net interest

Margin, on interest income, operating profit, return on assets, and return on investments.It is concluded that there is a need to show a better performance of public sector banks in case of NIM, Return on Equity, operating profit, return on advances, return on assets and return on investments.

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