Available online at https://journalsacfa.apeejay.edu/

ENVISION – International Journal of Commerce and Management
ISSN: 0973-5976 (Print), 2456-4575 (Online)
VOL-16, 2022

An Analytical Study of Key Share Performance Ratios in Selected Public Sector Banks

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ABSTRACT

Nation depends on the banking sector for the smooth supply of money. Banking sector plays a vital role for the movement of money in the economy. The present study has analyzed the operating performance of selected banks with special emphasis on revenue generation for the shareholders of public sector banks. Performance ratios have been calculated for the period ranging between 2017-18 to 2021-22. The findings of the study indicate that in case of Diluted EPS and Cash EPS, the performance of State bank of India (SBI) was good as compared to Bank of Baroda (BOB) and Canara Bank. In case of per share book value ratio and operating revenue ratio, performance of Canara bank is quite better as compared to SBI and BOB. Net profit per share ratio for SBI and BOB is positive whereas it is negative for the Canara Bank during the period of study.

Keywords: Banking Sector, Public Sector Banks, Key Share Performance Ratios

1. Introduction

Banking sector is considered as the most important sector for the economic development. Growth of banking sector is mainly studied with the help of growth in conventional banking services like deposits and loans. Comparative studies use variables like operating performance, growth and sometimes shareholders performance. Economic liberalization has given way to entry of private and foreign banks and created competition for public sector banks resulting in larger number of services and higher profit volumes for the banks. It is very important for banks to sustain their profitability levels and retain public confidence. The last two decades have been instrumental in bringing positive changes in the banking sector in India. Some banks have shown outstanding growth and value creation. The global financial crisis has been a result of non-performance and financial losses of banks. Therefore, the study of financial performance of banks is pivotal to the growth of any economy. Several studies have been conducted to analyze the performance of the banks in India and abroad. Present study has been framed with a view to analyse the operating performance of the selected banks and how it contributes to maximise the shareholders' revenue.

2. Review of Literature

(Ganesh, 2018) analyzed financial performance of private commercial banks in India using multiple regression analysis. Private Banks play a significant role in the economic development of the nation and the performance of the top three private sector banks has been the focus of the current research.

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For the statistical examination of banks' performance, financial ratios have been used. Tobin's Q model (price/book ratio) which measures market-based performance, Return on Equity (ROE) and Return on Assets (ROA), which measures internal-based performance, have been used to assess the financial performance of the chosen private banks. The data has been chosen for the specified banks from 2006 to 2017. The financial performance has been examined using the multiple regression approach based on the independent variables like bank size, credit risk, asset management, operational effectiveness, and debt ratio. The findings show that each of the chosen ratios have an effect on the financial health of private commercial banks.

(Koundal, 2022) analyzed performance of Indian banks in Indian financial system. This study has made an attempt to assess the effectiveness of Indian banks. It has chosen public sector banks, private sector banks and foreign sector banks for the analysis. Because the production in the service industry is intangible and it is challenging to define, many proxy measures have been used to gauge the banking sector's productivity. The banking industry in India has been divided into the following categories: numbers of banks, offices, workers, profit per employee, worker deposits, worker advances, quantity of bank assets, non-performing assets etc. The findings have reported that new banks are more efficient than older ones and that western banks are most effective. Banks in the government sector are not as profitable as those in other industries. Smaller banks are more effective on a global scale than larger banks on a local level. It implies a connection between effectiveness and financial success. Although productivity is not the only element that influences profitability, it is a significant factor. Productivity growth is the key to boosting profitability.

(Kulshrestha & Srivstava, 2022) made a comparative performance analysis of selected commercial banks in India by using CAMEL rating framework. A total of 14 banks, both private and public, have been chosen for this purpose. The chosen sample has the largest market capitalization in the capital market and is comprised of industry leaders. The overall goal of the study has been to assess and contrast the financial performance of private and public sector banks over an eight-year period, from 2011 to 2018, using the CAMEL technique. For this research, the ratios of Capital Adequacy (CA), Asset Quality (AQ), Management Soundness (MS), Earnings, and Liquidity (LR) have been taken into account. Results indicate that private sector banks outperformed public sector banks in terms of performance. The overall findings show that contemporary technology-based banking reforms and recovery mechanisms have enhanced the performance of private sector banks.

(Shah & Hasan, 2022) studied the financial performance of public sector banks in India. Public and private banks are among the numerous and diverse financial institutions in India that are governed and regulated by the Reserve Bank of India and the Ministry of Finance. The effectiveness and profitability of the Indian banking sector has taken center stage due to the intense rivalry and more demanding clients. The main focus of study is on the financial performance of selected public sector banks. The financial performance of these banks has been analysed over a period ranging from 2015–16 to 2019–20. By examining the ratios, public sector banks' financial performance has been assessed using a method called FRA (Financial Ratio Analysis). The findings of the study are useful to banks.

3. Methodology

3.1 Research Gap:

Research gap has been identified with the help of previous researches and present environment in banking sector. The present study has been framed with a view to analyse the operating performance of public sector banks from shareholders' perspective. Those ratios are given special emphasis which measure the earnings available to shareholders.

3.2 Objectives of the Study:

- To analyze diluted Earnings per Share (EPS) of selected Banks.
- To study per share book value of selected Banks.
- To identify per share operating revenue and net profit of selected banks.

3.3 Hypotheses for the Study:

H_0: There is no significant difference among Diluted Earnings per Share (EPS) of selected banks during the study period.

H_0: There is no significant difference among Cash Earnings per Share (EPS) of selected banks during the study period.

H_0: There is no significant difference among Per Share Book Value Ratio of selected banks during the study period.

H_0: There is no significant difference among Operating Revenue per Share ratio of selected banks during the study period.

H_0: There is no significant difference among Net Profit per Share Ratio of selected banks during the study period.

3.4 Period of the Study:

Period of the study is most important for any research work. The time frame for the study has been taken from 2017-18 to 2021-22. This is a sufficient time period to analyse the operating performance of banks.

3.5 Scope of the Study:

The functional scope of the study refers to per share performance of selected banks for the selected time span. For the analysis of per share performance, researchers have used ratios like Diluted EPS, Cash EPS, Per share book value ratio, Per share operating value ratio and Per share net profit ratio. Geographical scope covers the whole of India because selected banks are providing their products and services all over India.

3.6 Selection of Sample:

Following sample has been selected based on higher market capitalization as on 28th June, 2022.

Table 1
Selection of Sample

Sr. No.	Selected Banks	Market Capitalization (in. Rs. Cr.)
1.	State Bank of India	4,14, 414
2.	Bank of Baroda	52, 740
3.	Canara Bank	34, 069

(Source: www.moneycontrol.com)

Data Collection:

The scope of the research work is dependent on the availability of data and present study is based on the data collected from secondary sources like various websites and annual reports of the selected companies.

4. Data Analysis, Interpretation and Findings:

Table 2
Diluted EPS

(In Rs.)

Years	State Bank of India	Bank of Baroda	Canara Bank
2017-18	-7.67	-10.53	-70.47
2018-19	0.97	1.41	4.71
2019-20	16.23	1.36	-26.5
2020-21	22.87	1.78	16.91
2021-22	35.49	14.06	32.49
Average	13.578	1.616	-8.572
Minimum	-7.67	-10.53	-70.47
Maximum	35.49	14.06	32.49

(Source: www.moneycontrol.com)

Table 2 indicates diluted EPS for the selected banks during the study period. SBI has average Diluted EPS of Rs.13.58, which is higher than other selected banks followed by Bank of Baroda with Rs.1.61 on an average. Canara Bank is at number three by recording Rs.-8.57 on an average. 2020-21 remained the best year for banks as they showed an improved performance in that year. So it can be said that banks have shown an improvement in the selected time period.

Table 3
Cash EPS

(In Rs.)

Years	State Bank of India	Bank of Baroda	Canara Bank
2017-18	-4.07	-5.92	-51.51
2018-19	0.97	5.07	10.14
2019-20	19.94	4.77	-17.51
2020-21	26.59	4.14	20.51
2021-22	39.13	16.73	35.8
Average	16.512	4.958	-0.514
Minimum	-4.07	-5.92	-51.51
Maximum	39.13	16.73	35.8

(Source: www.moneycontrol.com)

Table 3 shows Cash EPS for the selected banks during the study period. On an average SBI was in good position for the cash EPS with Rs.16.51 during the study period. Bank of Baroda recorded Rs.4.96 of cash EPS during the study period and for Canara Bank the cash ratio was Rs.-0.51 which was lower and negative during the study period. Cash EPS was reported to be negative during the year 2017-18 and it became positive in later years and improved by the year 2021-22.

Table 4
Per Share Book Value Ratio

(In Rs.)

Years	State Bank of India	Bank of Baroda	Canara Bank
2017-18	245.53	163.64	485.58
2018-19	247.53	173.24	480.29
2019-20	259.96	155.3	381.4
2020-21	284.47	148.8	357.59
2021-22	313.84	165.92	364.42
Average	270.266	161.38	413.856
Minimum	245.53	148.8	357.59
Maximum	313.84	173.24	485.58

(Source: www.moneycontrol.com)

Table 4 indicates per share book value ratio of selected banks during the study period. On an average, the ratio of per share book value is Rs. 270.27 for State Bank of India which was second highest during the study period. Canara bank showed good performance too by recording Per Share book Value ratio of Rs.413.85 which was highest during the study period. Bank of Baroda indicated Rs.161.38 which was lowest ratio for the selected banks. Per share book value ratio has remained constant throughout. It indicates that all the sampled banks have given maximum return to shareholders during the study period.

Table 5
Per Share Operating Revenue Ratio

(In Rs.)

Years	State Bank of India	Bank of Baroda	Canara Bank
2017-18	247.07	164.6	562.6
2018-19	272.13	187.68	621.45
2019-20	288.33	164.22	474.99
2020-21	297.1	136.15	420.47
2021-22	308.65	134.97	382.61
Average	282.656	157.524	492.424
Minimum	247.07	134.97	382.61
Maximum	308.65	187.68	621.45

(Source: www.moneycontrol.com)

Table 5 depicts operating revenue per share ratio for the selected banks during the study period. Operating revenue indicated per share income during a year. On an average Canara Bank generated more revenue as compared to other selected banks. The average ratio of operating revenue per share was Rs.492.42 followed by State Bank of India with Rs.282.66 during study period. Bank of Baroda obtained Rs. 157.52 of operating revenue during the study period. Per share operating revenue has

also shown consistency throughout the study period. It indicates that shareholders have remained satisfied with the performance of banks.

Table 6
Net Profit per Share Ratio

(In Rs.)

Years	State Bank of India	Bank of Baroda	Canara Bank
2017-18	-7.34	-9.17	-57.58
2018-19	0.97	1.63	4.61
2019-20	16.23	1.18	-21.7
2020-21	22.87	1.6	15.53
2021-22	35.49	14.05	31.3
Average	13.644	1.858	-5.568
Minimum	-7.34	-9.17	-57.58
Maximum	35.49	14.05	31.3

(Source: www.moneycontrol.com)

Table 6 depicts net profit per share ratio during the study period for the selected banks. State bank of India generated Rs.13.64 per share on average basis for the selected time period. The performance of Bank of Baroda and Canara Bank reveals Rs.1.85 and Rs. -5.56 has been generated per share during the study period on an average basis. Net Profit per share has fluctuated in the study period. It was negative in the year 2017-18, improved in the following years and remained increasing till 2021-22.

5. Conclusion:

Diluted EPS and Cash EPS have remained positive for SBI and Bank of Baroda on average whereas it remained negative for Canara Bank. Both the ratios have shown fluctuations during the study period but have been positive for SBI and Bank of Baroda whereas it remained negative for Canara Bank on average basis. Thus, it indicates strong earnings position of SBI and Bank of Baroda. Per Share Book Value Ratio and Per Share Operating Revenue Ratio have remained positive throughout the period of study which reveals that shareholders have derived positive returns from the sampled banks. However, the Net Profit per share did not remain positive in the initial years but improved in the later years. Thus, indicating benefit for the shareholders.

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