



## An Analytical Study on Financial Performance of Selected Nationalized Banks

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### ABSTRACT

*The financial performance has great importance in any firm. It is the blue print of the financial position and financial affairs. It is a technique to know the financial position and progress of a bank. There are many techniques to measure the financial performance of a bank. The main objective of financial performance measurement is to evaluate the liquidity, stability, operational efficiency and profitability of a bank. The present study focused on banking sector in terms of financial performance. The five years period from 2009-10 to 2013-14 has been selected for the evaluation of financial performance. The researcher has tried to attempt some selected ratios in the banks like Credit-Deposit Ratio, Return on Assets, Capital Adequacy Ratio, Business Per Employee and Profit Per Employee in five selected Nationalized Banks viz. Bank of Maharashtra, Canara Bank, Central Bank of India, Syndicate Bank and UCO Bank.*

**KEYWORDS :** Financial Performance, CDR, ROA, CAR, BPE, PPE

### Introduction

The financial performance has great importance in any firm. It gives an idea about the financial position and financial affairs of a bank to the concern party as well as bank can compare its financial performance with the other banks based on the financial statement i.e. P & L Account and Balance-Sheet. It is essential for every firm to measure the financial performance because it gives an idea about the financial position and success of the firm. Today the bank has to improve their financial performance because improved financial performance resulted into improved overall efficiency, profitability and productivity of a bank.

### Conceptual Framework

The term financial performance is the blue print of the financial position and financial affairs. It is a technique to know the financial position and progress of a bank. The financial performance of a bank is measured with the help of financial statement. It is a technique to evaluate the past, present and projected performance of a bank. The main objective of financial performance measurement is to evaluate the liquidity, stability, operational efficiency and profitability of a bank. The better financial performance of a bank, greater is its operational efficiency and profitability of a bank. There are many techniques to measure the financial performance of a bank.

The financial performance of the banks can be measured by using some of the selected financial ratios. The following ratios are used by researcher for the analysis of financial performance of the bank.

- Credit-Deposit Ratio (CDR)
- Return on Assets (ROA)
- Capital Adequacy Ratio (CAR)
- Business Per Employee
- Profit Per Employee

### Review of Literature

**Dr. V. R. Nedunchezian and Ms. K. Premalatha (2013)** carried a study on financial performance of commercial banks. The objective of this study is to find out the financial performance of commercial banks during its post merger period and to evaluate its impact of merger in the selected banks in pre and post merger in India. The study is concluded that overall performance of selected banks after merger shows better improvement in most of the areas.

**Rashed Al Karim, Tamima Alam (2013)** presented a study on an evaluation of financial performance of private commercial banks. The object of this study is to evaluate the financial performance of the selected five private sector banks in Bangladesh through three indicators namely Internal-based performance measured by ROA, Market-based performance measured by Tobin's Q Model and Economic-base performance measured by EVA from 2008-12. It is revealed that the hypothesis is claiming that bank size, credit risk, operational efficiency and asset management have significant impact on financial performance of Bangladeshi Commercial Banks.

**Dr. M. Dhanabhakym and M. Kavitha (2012)** examined the financial performance of selected public sector banks in India with the help of Ratio Analysis. The study revealed and concluded that Bank of India, Canara Bank, Indian Overseas Bank, State Bank of India and Union Bank of India have performed well on the sources of growth rate and financial efficiency during the study period.

### Objectives of the study

- To study and analyze the financial performance with the help of ratios i.e. Credit-Deposit Ratio, Return on Assets, Capital Adequacy Ratio, Business Per Employee and Profit Per Employee in some selected Nationalized Banks.
- To compare the financial performance in some selected Nationalized Banks.

### Period of the Study

The present study covers the period of last 5 years i.e. from 2009-10 to 2013-14.

### Data Collection

The present study is based on the secondary data, obtained from the published annual reports of the selected Nationalized Banks, journals, articles, various books relating to subjects and Reserve Bank of India websites.

### Sample Size

The sample size of the present study is five Nationalized Banks from Indian Banking Industry. The universe of the study includes all the banks working in India. Out of all the banks working in India only Nationalized Banks have been selected for the purpose of the study. The researcher has randomly selected five Nationalized Banks i.e. Bank of Maharashtra, Canara Bank, Central Bank of India, Syndicate Bank and UCO Bank.

### Tools and Techniques of Analysis

The Accounting Tools and Statistical Tools have been used for the purpose of analysis. The accounting tool like Ratio Analysis and Statistical tool like Mean and F-test One Way ANOVA to test the hypothesis at 5% level of significance have been used.

### Hypothesis of the Study

1. **Ho:** There is no significant difference in Credit-Deposit Ratio of selected units.
2. **Ho:** There is no significant difference in Return on Assets Ratio of selected units.
3. **Ho:** There is no significant difference in Capital Adequacy Ratio of selected units.
4. **Ho:** There is no significant difference in Business Per Employee of selected units.
5. **Ho:** There is no significant difference in Profit Per Employee of selected units.

**Limitations of the Study**

- The present study is considering some selected ratios of banks.
- The present study is based on secondary data which have their own limitation.
- The economic condition differs at different point of time which will affect the findings of the study.
- The present study is based on accounting and statistical tools and techniques which have their own limitation.

**Table-1 Credit-Deposit Ratio (Figures in %)**

	2009-10	2010-11	2011-12	2012-13	2013-14
Bank of Maharashtra	63.68	70.13	73.25	80	76.13
Canara Bank	72.16	72.27	71.09	68.05	71.56
Central Bank of India	65.01	72.33	75.2	76.06	73.86
Syndicate Bank	77.25	78.75	78.27	79.61	81.9
UCO Bank	67.4	68.19	75.02	73.97	74.97
Mean	69.1	72.334	74.566	75.538	75.684

(Sources: Compiled from Annual Reports of Banks and RBI (www.rbi.org.in))

**Table-2 A Table Showing Analysis of Variance (ANOVA) of Credit-Deposit Ratio**

Sources of Variation	SS	Dof	MS	F cal	F crit
Between Groups	153.8188	4	38.45469	2.072494	2.866081
Within Groups	371.0958	20	18.55479		
Total	524.9146	24			

**Table-3 Return on Assets Ratio (Figures in %)**

	2009-10	2010-11	2011-12	2012-13	2013-14
Bank of Maharashtra	0.70	0.47	0.55	0.74	0.30
Canara Bank	1.30	1.42	0.95	0.77	0.54
Central Bank of India	0.66	0.70	0.26	0.44	-0.47
Syndicate Bank	0.62	0.76	0.81	1.07	0.78
UCO Bank	0.87	0.66	0.69	0.33	0.77
Mean	0.83	0.802	0.652	0.67	0.384

(Sources: Compiled from Annual Reports of Banks and RBI (www.rbi.org.in))

**Table-4 A Table Showing Analysis of Variance (ANOVA) of Return on Assets Ratio**

Sources of Variation	SS	Dof	MS	F cal	F crit
Between Groups	0.625576	4	0.156394	1.238235	2.866081
Within Groups	2.52608	20	0.126304		
Total	3.151656	24			

**Table-5 Capital Adequacy Ratio (Figures in %)**

	2009-10	2010-11	2011-12	2012-13	2013-14
Bank of Maharashtra	12.78	13.35	12.43	12.59	12.11
Canara Bank	13.43	15.38	13.76	12.4	11.14
Central Bank of India	12.23	11.64	12.4	11.49	11.96
Syndicate Bank	12.7	13.04	12.24	12.59	12.01
UCO Bank	13.21	13.71	12.35	14.15	13.4
Mean	12.87	13.424	12.636	12.644	12.124

(Sources: Compiled from Annual Reports of Banks and RBI (www.rbi.org.in))

**Table-6 A Table Showing Analysis of Variance (ANOVA) of Capital Adequacy Ratio**

Sources of Variation	SS	Dof	MS	F cal	F crit
Between Groups	4.421216	4	1.105304	1.379829	2.866081
Within Groups	16.02088	20	0.801044		
Total	20.4421	24			

**Table-7 Business Per Employee (Figures in Lakh)**

	2009-10	2010-11	2011-12	2012-13	2013-14
Bank of Maharashtra	7.62	8.25	9.67	12.56	14.35
Canara Bank	9.83	12.28	13.74	14.2	14.38
Central Bank of India	7.12	8.35	8.62	10.67	10.25
Syndicate Bank	7.47	8.75	10.74	12.57	14.3
UCO Bank	8.64	10.69	11.64	11.89	13.61
Mean	8.136	9.664	10.882	12.378	13.378

(Sources: Compiled from Annual Reports of Banks and RBI (www.rbi.org.in))

**Table-8 A Table Showing Analysis of Variance (ANOVA) of Business Per Employee**

Sources of Variation	SS	Dof	MS	F cal	F crit
Between Groups	87.45958	4	21.86489	8.433272	2.866081
Within Groups	51.85388	20	2.592694		
Total	139.3135	24			

**Table-9 Profit Per Employee (Figures in Lakh)**

	2009-10	2010-11	2011-12	2012-13	2013-14
Bank of Maharashtra	3.21	2.38	3.12	5.59	2.68
Canara Bank	7.35	9.76	8.21	7.00	5.00
Central Bank of India	3.30	3.96	1.51	2.73	-3.11
Syndicate Bank	3.18	3.99	5.29	8.11	6.83
UCO Bank	4.43	4.19	5.09	2.72	6.55
Mean	4.294	4.856	4.644	5.23	3.59

(Sources: Compiled from Annual Reports of Banks and RBI (www.rbi.org.in))

**Table-10 A Table Showing Analysis of Variance (ANOVA) of Profit Per Employee**

Sources of Variation	SS	Dof	MS	F cal	F crit
Between Groups	7.741544	4	1.935386	0.239695	2.866081
Within Groups	161.4874	20	8.074368		
Total	169.2289	24			

**Finding of the Study:**

The above table reflects the Financial Ratios and One-way Analysis (F-test). The following are the finding of the study.

Ratios	F <sub>cal</sub> and F <sub>tab</sub> Value	Conclusion	Findings
Credit-Deposit Ratio	F <sub>cal</sub> 2.07 F <sub>tab</sub> 2.87	H <sub>0</sub> : Accepted H <sub>1</sub> : Rejected	It is concluded that there is no significant difference in Credit-Deposit Ratio among the banks.
Return on Assets Ratio	F <sub>cal</sub> 1.24 F <sub>tab</sub> 2.87	H <sub>0</sub> : Accepted H <sub>1</sub> : Rejected	It is concluded that there is significant difference in Return on Assets Ratio among the banks.
Capital Adequacy Ratio	F <sub>cal</sub> 1.38 F <sub>tab</sub> 2.87	H <sub>0</sub> : Accepted H <sub>1</sub> : Rejected	It is concluded that there is no significant difference in Capital Adequacy Ratio among the banks.
Business Per Employee	F <sub>cal</sub> 8.43 F <sub>tab</sub> 2.87	H <sub>0</sub> : Rejected H <sub>1</sub> : Accepted	It is concluded that there is significant difference in Business Per Employee among the banks.
Profit Per Employee	F <sub>cal</sub> 0.24 F <sub>tab</sub> 2.87	H <sub>0</sub> : Accepted H <sub>1</sub> : Rejected	It is concluded that there is no significant difference in Profit Per Employee among the banks.

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