NVEO

Natural Volatiles & Essential Oils

Pecuniary Examination of Banking Sector

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Abstract

Financial framework mirrors the monetary wellbeing of the nation. The superiority and efficacy of its monetary frame is dependent upon a subtle economic structure. Three indispensable capacities are executed by financial set up i.e., setting up of instalments, reserve cash building, and the task of speculation. Financial performance can be corroborated as how effectively a firm has apprehended resource utilization in order to attain business excellence. This study is an attempt to study the pecuniary examination of different private and public sector banks.

Keywords: Analysis, Financial framework, Financial performance, Private banks, Public banks etc.

1. Introduction

Banking sector has been regarded as a backbone of economy. They empower fund delivery from affluent to deficient. An efficient monetary set up augments positivity and enhances the financial as well as economic system. An important sway across the entire nation was in the year 1992 which gave a thrust to the working of business banks and moreover changed the adeptness of entire banking. The financial area is the existence blood of any cutting-edge economy. It is one of the imperative monetary cellars of the budgetary segment, which assumes an indispensable job in the working of an economy.

RBI is the focal financial arrangement of India and controls the fiscal approach of the Rupee just as money saves. It has its origins on April 1, 1935 and has an essential influence in administration. It serves as crucial ingredient of Asian Clearing Union.

Financial Performance

Money associated Performance is a vital device to survey the execution of different banks regarding gainfulness, working effectiveness, dependability and so forth.

2. Review of Literature

Meenakshi R et al (2010) found that prime concern of every bank is NPA as it has led to the emergence of global crisis. They explored the NPA trends across the varied domestic banks. Importance has been given to SHGs too. Chaudhary K et al (2011) researched that major modifications in banking industry were possible only as a consequence of LPG. Effectiveness of different banks in managing NPAs was also elaborated. Dwivedi et al (2011) discussed the reforms that Indian banking industry had gone through. They employed DEA. Moreover, banks with constant returns to scale were chosen. Goel and Rekhi (2013) measured and assessed Indian private as well as public sector banks whereby they concluded a correlation between efficiency and profitability. Tripathi D et al (2014) compared Axis and Kotak Mahindra bank through the application of CAMEL model and concluded that Axis has performed comparatively well than Kotak Mahindra Bank.

3. Research Methodology

Scope

Many researchers have scrutinized banking performance. The scope of work is extended to pecuniary examination of both sector banks for last eight years and to identify which sector is performing better or poor between both sectors banks and between banks of both sectors taken for study.

Research Objectives

1. To assess the monetary well-being of Indian banking sector.

2. To make comparison between SBI, PNB and HDFC Bank, ICICI Bank.

3. To conduct analysis of the performance of both sector banks through CAMEL Model approach, and analyse which sector is performing better.

Research Design

For this study data annual reports of different sector banks were assessed. Two each bank is taken from each sector for the study. This study covers a period of last 8 years i.e. from 2011-12 to 2017-2018. In this study research design will be Descriptive.

CAMEL Approach

The acronym CAMEL stands for:

	ACRONYM
C	Capital Adequacy
A	Asset Quality
M	Management Quality
E	Earnings
L	Liquidity

4. Financial Performance Analysis

The performance can be analysed as shown below:

Total income earned during the year 2014-2018 can be presented as:

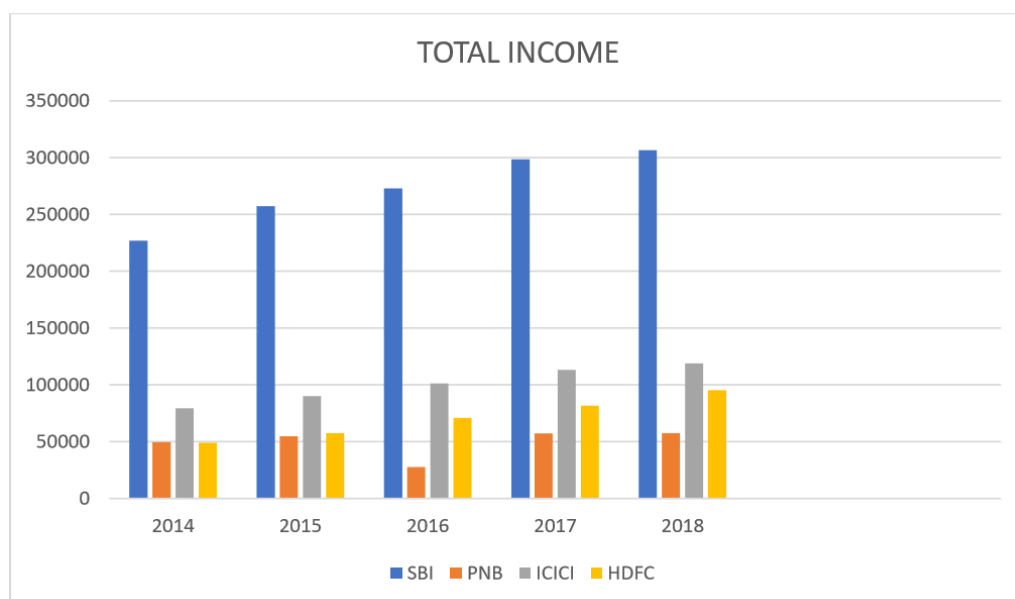| Particular	2014	2015	2016	2017	2018	Avg.	Rank
SBI	226994	257289	272871	298640	306527	272464.2	1
PNB	49668	54884	27780	57225	57608	49433	4
ICICI	79563	90216	101395	113397	118969	100708	2
HDFC	49055	57460	70973	81602	95461	70910.2	3

Table 1: Total Income earned

Fig 1: Total Income earned

The total income of both sector banks has been continuously increasing, in PNB there is a bit fluctuation from 2014 to 2018. Where as in context to private sector bank both HDFC and ICICI show continually growth it their respected sector. SBI rank 1st for total income and followed by ICICI, HDFC and PNB bank.

CAMEL Model

Various indicators of CAMEL approach has been used as elaborated below:

♣ Capital Adequacy Ratio: This ratio serves as a measurement for the banking ability regarding absorption of losses due to the risk weighted. It is a measurement of Tire1 and Tire-2 capital to the aggregate of risk weighted assets. CAR= (Tire 1 capital +Tire2 capital) / risk weighted assets.

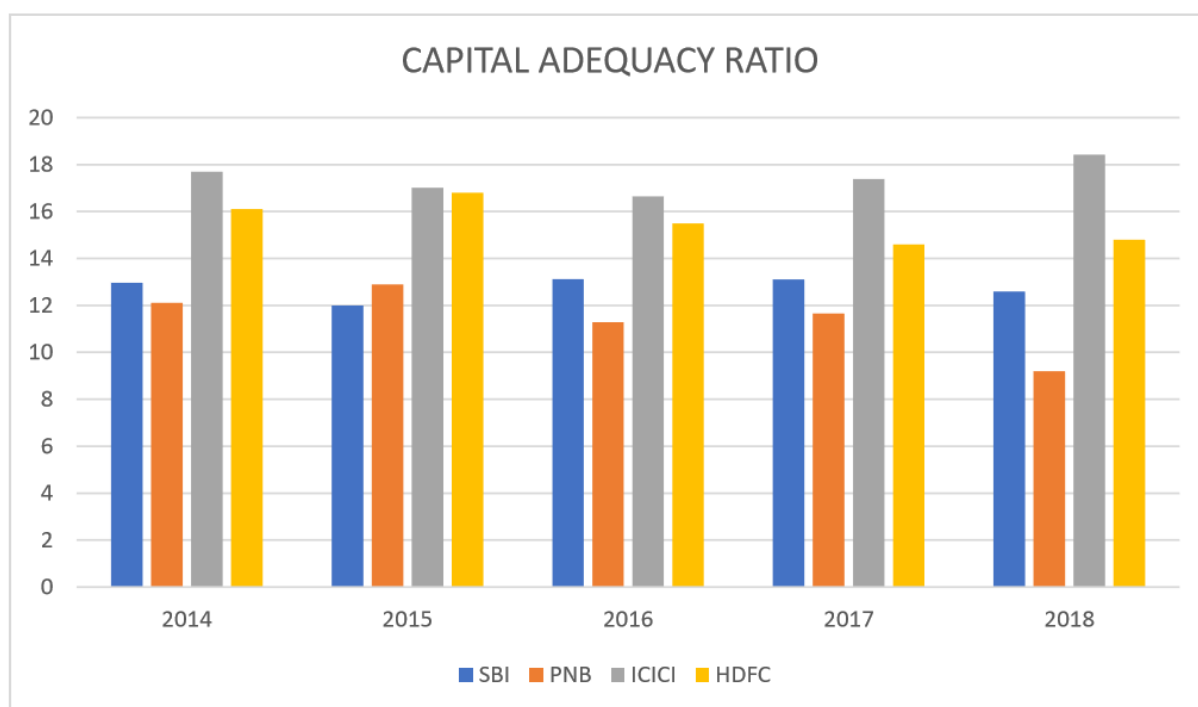| BANKS	2014	2015	2016	2017	2018	Avg.	Rank
SBI	12.96	12	13.12	13.11	12.6	12.75	3
PNB	12.11	12.89	11.28	11.66	9.2	11.42	4
ICICI	17.7	17.02	16.64	17.39	18.42	17.43	1
HDFC	16.1	16.8	15.5	14.6	14.8	15.56	2

Table 2: Capital Adequacy Ratio

Fig 2: Capital Adequacy Ratio

Capital Adequacy Ratio of Both banks having affiliation with public is low in comparison to private sector banks. As observed that SBI and PNB capital adequacy shows fluctuating trend but capital adequacy of ICICI and Private bank shows increasing trend.

➕ Asset Quality Analysis: This is another vivacious element of CAMEL. It can be assessed as shown below

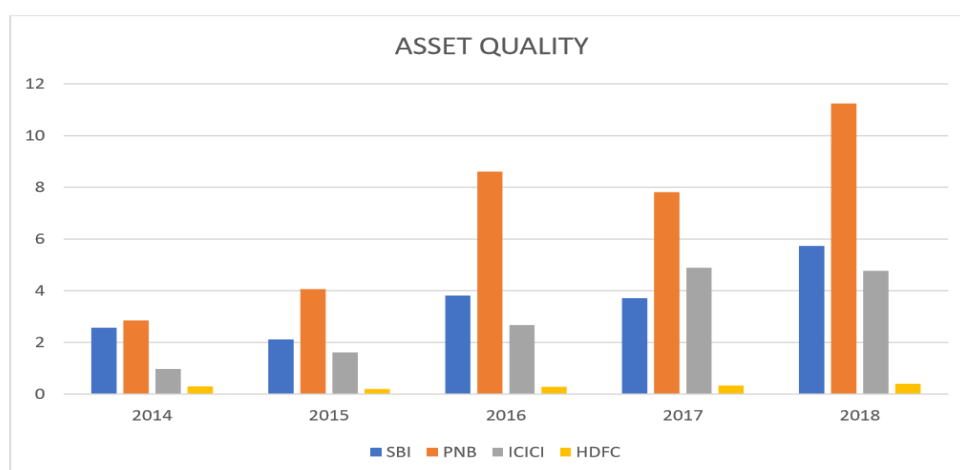| YEAR	SBI	PNB	ICICI	HDFC
2014	2.57	2.85	0.97	0.3
2015	2.12	4.06	1.61	0.2
2016	3.81	8.61	2.67	0.28
2017	3.71	7.81	4.89	0.33
2018	5.73	11.24	4.77	0.4
Avg. value	**3.5**	**6.9**	**2.9**	**0.3**
Rank	**2**	**1**	**3**	**4**

Table 3: Net NPA to Total Assets

Fig 3: Net NPA to Total Assets

Asset quality of private sector bank is much sounder than the other sector. In public sector SBI has better Asset quality than of PNB bank. It can be observed that NPAs of SBI is less than PNB bank. HDFC has lowest NPAs among all the banks. HDFC has lowest average NPA among all banks which is 0.3 where ICICI bank has 2.9 average NPA. In term of ranking highest rank is given to PNB trailed by SBI, ICICI and HDFC bank.

✚ Management Quality: This serves as another vital indicator of performance assessment.

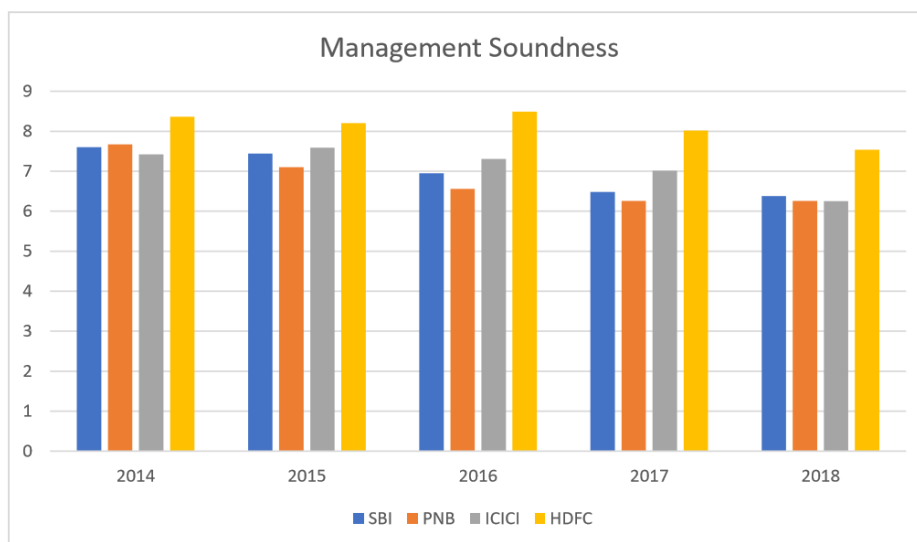| YEAR	SBI	PNB	ICICI	HDFC
2014	7.6	7.67	7.42	8.36
2015	7.44	7.1	7.59	8.2
2016	6.95	6.56	7.31	8.49
2017	6.48	6.26	7.01	8.02
2018	6.38	6.26	6.25	7.54
Avg. value	**6.9**	**6.7**	**7.1**	**8.1**
Rank	**3**	**4**	**2**	**1**

Table 4: Interest income to Total income

Fig 4: Interest income to Total income

From above it is observed that management soundness in context to interest income to total income there is not much variance in both sector as they show same kind of fluctuation trend. But as HDFC bank maintain its better management than ICICI and both the banks of public sector. On an average HDFC bank give 8.1% interest income to total income and ICICI bank 7.1% and in public sector bank SBI has 6.9% and PNB has 6.7%. So HDFC bank has better management and give better interest on total income so ranked 1st and followed by ICICI, SBI and PNB bank.

♣ Earning Tendency: Earnings has always been a crucial indicator of organizational performance.

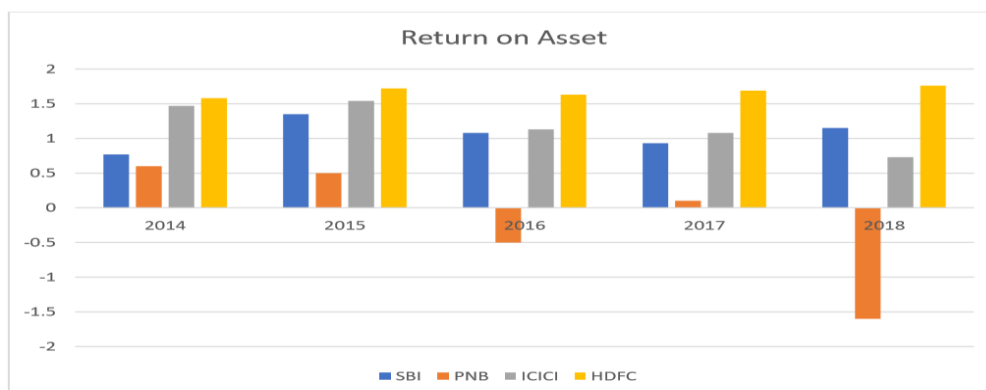| 2014	0.73	0.6	1.47	1.58
2015	1.35	0.5	1.54	1.72
2016	1.08	-0.5	1.13	1.63
2017	0.93	0.1	1.08	1.69
2018	1.15	-1.6	0.73	1.76
Avg. value	**1.04**	**0.9**	**1.4**	**1.6**
Rank	**3**	**4**	**2**	**1**

Table 5: Return on Asset Ratio

Fig 5: Return on Asset Ratio

Among all HDFC bank emerged as better rate of return on Asset than all the other banks. In public bank PNB gives negative return on Assets. As we can see in graph in 2016 and 2018 PNB gives negative return on Assets whereas HDFC bank continually increasing. On an average HDFC bank give 1.6% ROA and ICICI give 1.4%. and SBI and PNB give 1.04% and 0.9% ROA. In HDFC bank has given rank 1st and followed by ICICI bank, SBI and PNB.

Liquidity: Overall liquid assets can be measured with its help. The following table summarises the liquidity position

2014	0.09	0.09	0.08	0.1
2015	0.08	0.08	0.08	0.1
2016	0.08	0.08	0.08	0.1
2017	0.07	0.07	0.08	0.09
2018	0.08	0.07	0.07	0.09
Avg. value	**0.08**	**0.07**	**0.07**	**0.09**
Rank	**2**	**4**	**3**	**1**

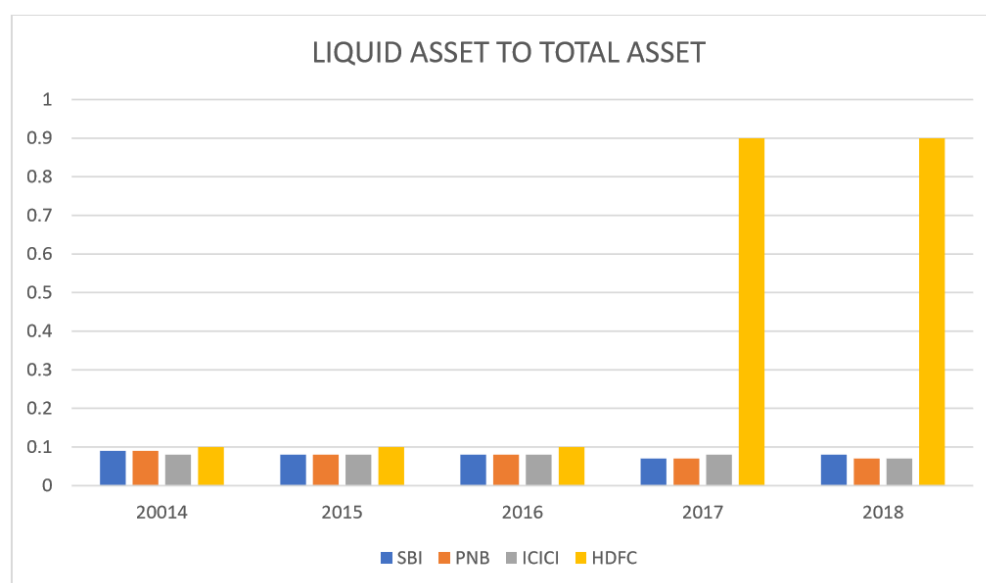Table 6: Liquid assets to Total assets ratio

Fig 6: Liquid assets to Total assets ratio

From above table and graph, it can be inferred that HDFC again has the best liquid assets than all the other banks. So in Private bank HDFC bank rank 1st in maintaining liquid asset and in Public bank SBI bank rank 1st but among all bank it ranked 2nd on maintain liquid assets.

5. Findings

Banks of the private sector are earning decent profit from years than that of banks of public sector. HDFC bank is good and its profit is increasing from 2014 to 2018. But in public sector it is opposite, both banks incur loss during 2018. ICICI too bear loss from that of 2017

6. Conclusion

Pecuniary examination of public and private sector banks enables to know which one is performing better and then find solutions for low performers. In this research CAMEL approach has been used. CAMEL approach as a quantitative technique is a popular approach among researchers. In this study base mentioned approach, it is found that private sector banks have superior performance. As both best performer of respective sector banks was taken for study by analysing it was found that HDFC bank is best performer for all selected banks and irrespective SBI is best performer and good financial performance in public sector and that of PNB bank.

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