A STUDY ON FINANCIAL PERFORMANCE EVALUATION OF SBI & PUNJAB & SIND BANK

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Abstract

This study aimed to evaluate the financial performance of State Bank of India (SBI) and Punjab & Sind Bank, two major Indian public sector banks, over a five-year period (2018-19 to 2022-23). Utilizing the CAMELS framework (Capital Adequacy, Asset Quality, Management Efficiency, Earning Quality, Liquidity, and Sensitivity), the analysis, based on secondary data from bank websites and stock exchanges (NSE & BSE), revealed that SBI exhibited marginally better overall financial performance. While both banks demonstrated varying strengths across the CAMELS components, the study emphasizes the importance of continued efforts to enhance the growth of both banks and contribute to the overall development of the Indian economy.

Keywords: Financial Performance, CAMELS Model, Public Sector Banks.

INTRODUCTION:

The banking industry is one of the most crucial parts of the financial system. The arena currently provides financial services to the family and agricultural sectors in addition to the industry. It also has a significant role in the economy's capital formation. The banking industry in India has significantly boosted the economic expansion of the country. In public area banks, the government owns more than half of the total assets. For public sector banks, the government create all financial recommendations. The CAMELS model must be used in this examination to assess the overall economic performance of the two most well-known public sector banks, State Bank of India (SBI) and Punjab & Sind Bank. Given the changing needs of this region, the CAMELS version is one such rating tool that has shown success in measuring overall performance, evaluating performance, and strategic planning for the future growth and development of Indian banks. This is because the CAMELS model is the most straightforward and makes assessing the financial performance of a wide range of banks quick and simple.(Carter, 2024)

STATE BANK OF INDIA
The State Bank of India is the largest and most trustworthy public sector bank in India. It is one of the oldest banks in the country and has its headquarters in Mumbai, Maharashtra. It is unquestionably one of the top 10 banks in India for 2023. SBI offers a variety of financial solutions, including wealth management, corporate banking, NRI banking, personal banking, and more. The banking institution also offers one of the best credit cards in India. The Fortune 500 business Country Financial Institution of India (SBI), a global public sector banking and financial services statutory entity.(Carter, 2024)

PUNJAB & SIND BANK
On June 24, 1908, Bhai Vir Singh, Sir Sunder Singh Majitha, and Sardar Tarlochan Singh established the bank's first branch in Amritsar to serve the Punjab and Sind areas of colonial
India. In the second wave of nationalization, which began in 1969 when the government nationalized the top 14 banks, Punjab & Sind Bank was one of six nationalized banks on April 15, 1980. Punjab & Sind Bank opened a branch in London in the 1960s. At the Reserve Bank of India's request, Bank of Baroda purchased Punjab & Sind Bank's London branch in 1991 after Punjab & Sind was implicated in the Sethia scam in 1987. Since 2004, the bank has had annual growth of more than 40%, and its initial public offering (IPO) was more than 50 times oversubscribed.
On July 16, 2019, Punjab & Sind Bank announced that it had discovered a fraud involving Bhushan Power & Steel Limited worth ₹238 crore (US$28 million).(Carter, 2024)

LITERATURE REVIEW

(Subalakshm et al., 2018)Ratio analysis was used in this study to examine the asset-liability portfolio of state bank of India (SBI) between 2009 and 2016. funding, loan growth, profitability, non-performing assets and deposit mobilization were among the important factors that were looked at the credit-deposit ratio, deposit-to-

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total-assets ratio, return on equity, and net income margin were among the important metrics that showed favourable trends, according to the report. According to these results, SBI's overall performance has significantly improved. SBI's focus on customer care and its diverse operations in business and retail banking are the reasons for its impressive performance. However, sustaining and enhancing performance across all metrics is still essential for SBI's ongoing success in the cutthroat global market of today.

(Hyginus Iheanyi & Sotonye, 2017)This study used ordinary least squares regression to analyze the performance of Nigerian banks over a 19-year period using the CAMEL framework. The study found that, although the CAMEL framework was effective in assessing bank performance, only asset quality had a significant effect on profitability, with higher asset quality translating into higher profitability. Profitability, on the other hand, was not significantly impacted by capital adequacy, management quality, earnings, or liquidity. Reducing non-performing loans and credit risk should be Nigerian banks' top priorities in order to improve asset quality and increase profitability. In parallel, they ought to fortify their capital foundation via a number of strategies, including retained earnings, debt financing, and stock issuance.

(Lall & Agarwal, 2017)In order to assess the soundness and financial performance of six particular Indian public sector banks over a four-year period (2013-2016), this study used the CAMEL model. Using a descriptive research design and a statistical analysis approach, the study discovered that, according to the CAMEL model assessment, State Bank of India (SBI) performed the best overall, while Canara Bank came in last.

RESEARCH METHODOLOGY RESEARCH DESIGN

Analytical research using a comparative analysis of financial accounts would be the type of research used here. A particular kind of research called analytical research evaluates data and facts in relation to the study being carried out.

RESEARCH GAP
Regarding the Review of Literature, we can state that although researchers and academicians have made many attempts over the years to assess the performance and financial status of public sector banks using various CAMELS model components, the sensitivity factor or responsiveness of the banks to market risk has not been examined in any of the earlier studies. As a result, the undisturbed region sensitivity must be highlighted in this investigation.

SOURCE OF DATA SECONDARY DATA
This research was carried out utilizing secondary data. that is already in existence and produced as part of organizational record keeping by major government agencies, hospitals, etc. The information is then taken out of more diverse data files. The primary source of data used in this study is secondary sources. The National Stock Exchange (NSE), Bombay Stock Exchange (BSE), bank websites, and the Money Control App are the sources of the data used for the study. The balance sheet and other financial statements were used in this analysis.

OBJECTIVES OF THE STUDY PRIMARY OBJECTIVE
To compare and evaluate the financial performance of State bank of India and Punjab & Sind bank.

SECONDARY OBJECTIVE
To study the Capital adequacy Test of SBI and Punjab & Sind Bank. To study the Asset quality Test of SBI and Punjab & Sind Bank.
To study the Management Efficiency Test of SBI and Punjab & Sind Bank. To study the Earning ability Test of SBI and Punjab & Sind Bank.
To study the Liquidity Test of SBI and Punjab & Sind Bank.
To study the Sensitivity of Market Risk Test of SBI and Punjab & Sind Bank.

SCOPE OF STUDY:
- Only two public sector banks—SBI and Punjab & Sind Bank—are included in this analysis. The individual banks' financial performance is assessed using the CAMELS model.
- All necessary information has been gathered from the yearly Annual Reports that are posted on the websites of SBI, Punjab & Sind Bank, and the BSE & NSE.

REASON OF CHOOSING SBI AND PUNJAB & SIND BANK:
With a substantial market capitalization and balance sheet, SBI is now the biggest public sector bank in India as of 2023.
While Punjab & Sind Bank is the lowest market capitalization from the overall public sector bank in India

AREA OF STUDY

The banking sector will be the studied area. Two public sector banks, the State bank of India and Punjab & Sind bank, have been selected for the study.

PERIOD OF STUDY

The study will cover five financial years from 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 .

TOOLS FOR ANALYSIS

CAMELS components is used for his tools for analysis
C- Capital Adequacy, A- Asset Quality, M- Management Efficiency, E- Earning Ability, L- Liquidity and S-Sensitivity.

LIMITATION OF THE STUDIES

The drawback of this study is entirely based on the analysis of secondary data.

DATA ANALYSIS AND INTERPRETATION
OBJECTIVE.1 : Capital Adequacy Test
(1) Capital Adequacy Ratios

YEARS	CAPITAL ADEQUACY RATIOS	
	SBI	P&S
2018-19	12.72	10.93
2019-20	13.06	12.76
2020-21	13.74	17.06
2021-22	13.83	18.54
2022-23	14.68	17.1
Average	**13.61**	**15.28**
Rank	**2**	**1**

(Data from the Respective Annual Reports of SBI and Punjab &Sind Bank)

INTERPRETATION:

The average capital Adequacy ratio of both the banks SBI and Punjab & Sind Bank is Highest than the threshold limit. However the Capital Adequacy ratio of Punjab & Sind Bank is 15.28% higher than SBI's 13.61%.

OBJECTIVE. 2: Asset Quality Test
(1) Net NAPs to Total Assets Ratio

YEARS	Net NAPs to Total Assets Ratio	
	SBI	P&S
2018-19	3.01	7.22
2019-20	2.23	8.03
2020-21	1.5	4.04
2021-22	1.02	2.74
2022-23	0.67	1.84
Average	**1.69**	**4.77**
Rank	**1**	**2**

(Data from the Respective Annual Reports of SBI and Punjab &Sind Bank)

INTERPRETATION

This ratio evaluates both the quality of assets and the effectiveness of the bank in determining credit risk. The average net NPAs to total Assets ratio of SBI stands at about 1.69% while that Punjab & Sind bank stands at about 4.77%. This shows the quality of Advances of SBI is better than the quality of Advances of Punjab & Sind Bank.

OBJECTIVE. 3: Management Efficiency Test:
(1) Business Per Employee Ratio

YEARS	Business Per Employee Ratio	
	SBI	P&S
2018-19	18.77	18.87
2019-20	21.05	16.98

2020-21	23.73	18.49
2021-22	10.76	20.31
2022-23	11.68	21.45
Average	**17.20**	**19.22**
Rank	**2**	**1**

(Data from the Respective Annual Reports of SBI and Punjab &Sind Bank)

INTERPRETATION

This ratio shows the efficiency of the employees of the bank while generating the business in the bank. The average of Business per Employee of Punjab & Sind Bank is 19.22 which is more efficient of generating business for the bank as compared to State Bank of India has 17.20.

OBJECTIVE. 4: Earning Quality Test
(1) Return on Asset Ratio

YEARS	Return on Asset	
	SBI	**P&S**
2018-19	0.02	-0.47
2019-20	0.38	-0.91
2020-21	0.48	-2.55
2021-22	0.67	0.85
2022-23	0.96	0.98
Average	**0.50**	**-0.42**
Rank	**1**	**2**

(Data from the Respective Annual Reports of SBI and Punjab &Sind Bank)

INTERPRETATION

In this average of Return on asset ratio show that SBI show the positive ratio with 0.50 average while Punjab & Sind Bank show negative ratio with -0.42.

OBJECTIVE. 5: Liquidity Test:
(1) Liquid Assets to Total Asset Ratio

YEARS	Liquid Assets to Total Asset Ratio	
	SBI	**P&S**
2018-19	6.04	6.07
2019-20	6.35	9.53
2020-21	7.57	7.55
2021-22	7.91	5.19
2022-23	5.58	4.61
Average	**6.69**	**6.59**
Rank	**1**	**2**

(Data from the Respective Annual Reports of SBI and Punjab &Sind Bank)

INTERPRETATION

This ratio displays the total liquidity status of the bank. To regularly assess how much liquid assets can sustain an organization's asset base, the ratio of liquid assets to total assets is a crucial tool for maintaining liquidity. The average liquid asset to total asset ratio of SBI Bank is 6.69 % which is higher than that of Punjab & Sind Bank at 6.59%.

OBJECTIVE. 6: Sensitivity of Market Risk Test:
(1) Demand Deposit to Deposit ratio

YEARS	Demand Deposit to Deposit ratio	
	SBI	**P&S**
2018-19	0.071	0.050
2019-20	0.688	0.036
2020-21	0.077	0.042
2021-22	0.068	0.041
2022-23	0.068	0.045
Average	**0.070**	**0.043**
Rank	**1**	**2**

(Data from the Respective Annual Reports of SBI and Punjab &Sind Bank)

INTERPRETATION

Sensitivity addresses the potential impact on banks of a specific risk exposure. The average of Demand Deposit to Deposit ratio of SBI is 0.07 which is higher than that of Punjab & Sind Bank at 0.04.

FINDINGS

- Punjab & Sind Bank and SBI both have average capital adequacy ratios that are higher than the cutoff point. Punjab & Sind Bank's capital adequacy ratio, however, is 15.28% greater than SBI's 13.61%.
- The quality of assets and the bank's ability to assess credit risk are both assessed by this ratio. While Punjab & Sind Bank's average net non-performing assets (NPAs) to total assets ratio is approximately 4.77%, SBI's is is approximately 1.69%. This demonstrates that SBI's advances are of higher quality than Punjab & Sind Bank's advances.
- This ratio demonstrates how effectively the bank's staff generates business for the institution. When it comes to creating business, Punjab & Sind Bank's average business per employee is
- 19.22 which is more efficient than SBI's 17.20.
- SBI displays a positive return on asset ratio of 0.50 on average, while Punjab & Sind Bank displays a negative ratio of -0.42.
- This percentage shows how liquid the bank is overall. An essential instrument for sustaining liquidity is the ratio of liquid assets to total assets, which is used to periodically evaluate how much liquid assets can support an organization's asset base. SBI Bank has an average liquid asset to total asset ratio of 6.69%, which is greater than Punjab & Sind Bank's ratio of 6.59%.
- The possible effects of a particular risk exposure on banks are addressed by sensitivity. SBI has a higher average demand deposit to deposit ratio (0.07) than Punjab & Sind Bank (0.04).

SUGGESTION

Since the banking industry is a public sector that alters what the government has implicated, the bank must implement these modifications in order to boost the growth of the banking industry of India.

CONCLUSION

Utilizing the "CAMELS" Model, a comparative analysis of the financial performance of SBI and Punjab & Sind banks has been conducted in order to assess and compare their respective scores. The banking sectors is being studied. The Public Sector selected the bank. To analyse and assess the banks' financial performance, the CAMELS model components are employed as the analysis tools. Secondary data from the Bombay Stock Exchange, National Stock Exchange, Money Control App, and bank official websites was used to analyse the study. Punjab & Sind Bank has a greater Capital Adequacy Ratio and Management efficiency Ratio than State Bank of India (SBI), according to the research done using the CAMELS model. However, SBI performs better than its competitors in the remaining CAMELS framework components (Asset Quality, Earnings, Liquidity, and Sensitivity to Market Risk). Thus, according to the CAMELS model's conclusions, SBI's overall financial performance is deemed superior to Punjab & Sind Bank.

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