AARSI

A Peer Reviewed Multidisciplinary Annual Journal

Published by
SLU Arts and H. & P. Thakore Commerce College for Women
An Endeavour of
Gujarat Stree Kelavani Mandal

Theme

National Education Policy 2020 – Achievements, Challenges & Future Directions

Vol. 4
Issue. 4
Year
2026

ISSN - 2231 : 2897

GSKM - SLU Campus, Ahmedabad.

AARSI - A peer reviewed multidisciplinary annual journal

Issued Date: 15th June, 2026	Vol. 04	Issue. 04	ISSN: 2331-2897

INDEX

W60&61: Performance Evaluation of Selected Public Sector Banks in India.

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Abstract: This study evaluates how India's major public sector banks performed from 2018 to 2022 and selected public sector banks is State Bank of India (SBI), Punjab National Bank (PNB), Union Bank of India (UBI), Canara Bank, Bank of Baroda (BOB), Indian Bank (IB), Central Bank, Indian Overseas Bank (IOB), Industrial development bank of India (IDBI) and Bank Of Maharashtra (BOM). By evaluating return on assets (ROA), return on equity (ROE), equity per share (EPS) and operating expense ratio. The study identifies insights into the strengths, weaknesses, opportunities, and threats faced by public sector banks, offering valuable information for stakeholders, policymakers, and researchers to inform decisions related to the future trajectory and regulatory measures in the banking sector. The findings of this research will contribute to a deeper understanding of the financial health of public sector banks by benchmarking banks side by side, it highlights which are stronger or need improvement. By comparing the performance of different banks, the study will offer insights into the relative strengths and weaknesses of individual institutions. Additionally, the research aims to light on the impact of regulatory changes, government initiatives, and market conditions on the financial performance of public sector banks.

Key words: (PSB) public sector banks, Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), Operating Expense Ratio.

Introduction

The banking sector performances as a strength of economic development. It plays a vital role in the success or failure of an economy. The banking system is the main system which spurs economic efficiency. The countries with a well-developed banking system grow faster than those with a weaker one. A banking system efficiently mobilizes savings in productive sectors and a solvent banking system ensures that the bank is capable of meeting its duties to the depositors. So, economic development is not possible without a sound financial system. Basically, the Indian banking system has gained strength after nationalization. The policies and working of banks have been brought into closer harmony and coordinated with the national policy of economic development. The banks have reached out to the masses in every nook and corner of the country. Special efforts have been made to take the banking facilities to the doorsteps of the people and to extend credit to neglected sectors. Thus, the success of any organization depends on the team work which can bring in sustained results. The banks have been searching for new and innovative tools to improve their bottom lines. The banking sector in India, especially the public sector banks, are facing major threats in the form of assets quality, capital adequacy, technology and competition from private sector competitors. Recently, the entry of many new players who have received banking licenses from RBI, the competitive challenge is set to increase dramatically. Thus, the banking sector is seen as growth driver of the economy.

India's banking background is primarily divided into scheduled and non-scheduled banks, with scheduled commercial banks playing the leading role. According to the most recent Reserve Bank of India statistics, the banking sector comprises 12 public sector banks, 21 private sector institutions, 44 foreign banks, 43 regional rural banks, 11 small finance banks, and 6 payment banks. Public sector banks, where the government maintains majority ownership of more than 50%, include major institutions such as State Bank of India, Punjab National Bank, and Bank of Baroda. These government-owned banks control approximately 60% of the market in both deposits and lending, positioning them as key vehicles for rolling out government initiatives like the Pradhan Mantri Jan Dhan Yojana and Atmanirbhar Bharat programs. Following the economic liberalization of 1991, private sector banks such as HDFC Bank, ICICI Bank, and Axis Bank have emerged as significant players, concentrating their efforts on retail and corporate lending while driving innovation and operational efficiency throughout the sector.

Performance evaluation serves as a critical diagnostic mechanism to measure the financial health, operational capability, and structural flexibility of banking institutions. By systematically benchmarking accounting and operational metrics, this process translates raw balance sheet numbers into meaningful indicators of managerial capability. For public sector banks, regular performance assessments are essential to evaluate how effectively state-backed lenders balance social development mandates with corporate profitability goals.

A comprehensive evaluation relies on core key performance indicators (KPIs) spanning profitability, efficiency, asset quality, and capital adequacy. Profitability metrics like Return on Assets (ROA) and Return on Equity (ROE) measure a bank's capacity to generate net income from its resource base and shareholder equity. Earnings Per Share (EPS) tracks investor value creation, while the Operating Expense Ratio diagnoses structural cost efficiency by measuring administrative overhead against total revenue.

Ultimately, this analytical framework provides stakeholders with data-driven insights necessary for informed decision-making. For bank executives, it isolates operational weaknesses requiring cost rationalization. For investors, it clarifies risk-return dynamics to optimize investment portfolios. Most importantly, for policymakers and the Reserve Bank of India, performance evaluation provides a vital regulatory tool to measure the value of banking reforms, design targeted capital infusions, and safeguard systemic financial stability.

Literature Review:

Palamalai, S., & Britto, J. (2017) study Analysis of financial performance of selected commercial banks in India. In these study financial ratios, the study assesses the financial performance of sixteen Indian commercial banks between 2012–2013 and 2016–17. It determines that public-sector banks are not as successful as private-sector banks. The empirical findings revealed that public sector banks underperformed compared to private sector institutions in profitability. The study investigated how proficiency, solvency, and liquidity dynamics influence overall returns. The statistical analysis established that turnover ratios, liquidity buffers, and solvency margins exert a positive and significant impact on bank profitability. Ultimately, this highlights that superior operational efficiency and robust risk-management frameworks are critical drivers for maximizing corporate earnings within the domestic banking sector.

Nandi, J. K. (2013) analyse Comparative performance analysis of select public and private sector banks in India: An application of CAMEL model. This study examines the financial results of Indian banking institutions operating in the public and private sectors between 2001–2002 and 2011–2012. The study studied profitability, interest spread, customer service, cost control, management, and non-performing assets (NPA) using the CAMEL approach and statistical tools. Bank of Baroda, ICICI Bank, HDFC Bank, Central Bank of India, Karnataka Bank, and UCO Bank were the top ten banks. In term of consistency and financial performance, public sector banks fared better.

Singh, S., & Das, S. (2018) study Impact of post-merger and acquisition activities on the financial performance of banks: A study of Indian private sector and public sector banks. The study evaluates how merger and acquisition activity affects Indian banks' operational results. It looks at M&A patterns and analyzes the performance of three top banks over six years. The results imply that post-merger and acquisition activities require strategies and regulations in procedural, physical, and sociocultural contexts. To improve internal and external operations and market share, the study suggests updating management policies, strengthening the assistance provided by the logistical framework, and putting in place a comprehensive integrated marketing communications mix.

P. Kaur (2015) analyse A financial performance analysis of the Indian banking sector using CAMEL model. Indian public and private banks established long-term customer relationships by adopting effective business models, which enabled improved performance. This strategic approach allows banks to gain experience and skills necessary to enhance overall operational efficiency.

Objectives of the study:

- To analyze the financial performance of selected public sector banks.
- To determine the problems of public sector banks in India, challenge and to recommend solutions to enhance performance.
- To compare different banks financial performance ratio.
- To examine the effects of outside variables on the financial performance of India's public sector banks.
- To evaluate the performance of public sector banks in India and determine the variables.
- To make a correct suggestion to the investors for their better investment choice.

Sample size:

There is 10 banks selected from the public sector bank. That is State Bank of India, Punjab National Bank, Union Bank of India, Canara Bank, and Bank of Baroda, Indian bank, central bank, Indian overseas bank, IDBI, and Bank of Maharashtra collected for the financial years in order to analyse the performance of the public sector banks. data collected from the financial year 2018-2022.

Data collection:

Data is collected from secondary data. Data collected from the annual reports of public sector banks in India and it include comprehensive financial and operational data, such as balance sheets, profit and loss statements, and other key performance indicators. The RBI releases a number of reports that offer useful information on the performance of India's public sector banks. In these study used secondary data from the moneycontrol.com website.

Tools for Analysis: Statistical Tools for Analysis

Mean:

For the analysis in the present study RATIONS will be used as tools at the light of requirements of analysis and Arithmetic mean. The mean is one of the most useful and widely used methods to find out the average in statistics. It is calculated by adding up all the number and dividing that sum by the total numbers.

In the course of analysis in the present study RATIONS will be used as tools at the light of requirements of analysis and Arithmetic mean.

$$\text{Mean}=\sum \mathbf{x} / \mathbf{N}$$

Were, X= Represents the individual financial ratio score for a specific financial year.

N= Represents the total number of financial years analysed.

To evaluate the financial health, profitability, and operational efficiency of the selected banks, the study utilizes four primary financial ratios as core performance indicators. In this study the ratios will be used such as:

1. Return On Asset (ROA)
2. Return On Equity (ROE)
3. Equity Per Share (EPS)
4. Operating Expenses

1. Return on Assets Ratio

Return on assets, or ROA, measures net income produced by a bank's total assets. This ratio measures the net profit generated per unit of total assets, indicating how efficiently bank management utilizes its asset base to generate earnings.

ROA Formula: Return on Assets = Net Income / Average Total Assets

2. Return on Equity (ROE)

Return on equity or ROE is another financial ratio that's used to measure profitability. In simple terms, it's used to illustrate the return on shareholder equity based on how a company spends its money.

ROE Formula: ROE = Net income – Preferred dividends / Value of average common equity

3. Earnings Per Share (EPS):

This ratio reflects corporate profitability allocated to each outstanding share of common stock, serving as a primary driver of market valuation. Earnings per share (EPS) is a commonly used measure of a bank's profitability. It indicates how much profit each outstanding share of common stock has earned. Generally speaking, the higher a bank's EPS, the more profitable it is considered to be.

EPS Formula: = (Net Income – Pref. Dividends)/ End-of Period Common Shares Outstanding

4. Operating expense ratio: This metric evaluates structural cost efficiency by comparing total operational costs against total operating income, indicating a bank's capacity to control overhead expenses. operating expense ratio or OER is a measurement of the cost to operate a piece of property, compared to the income brought in by the property. It is calculated by dividing a property's operating expense (minus depreciation) by its gross operating income.

OER Formula: OER = Total operating expenses / Total revenue

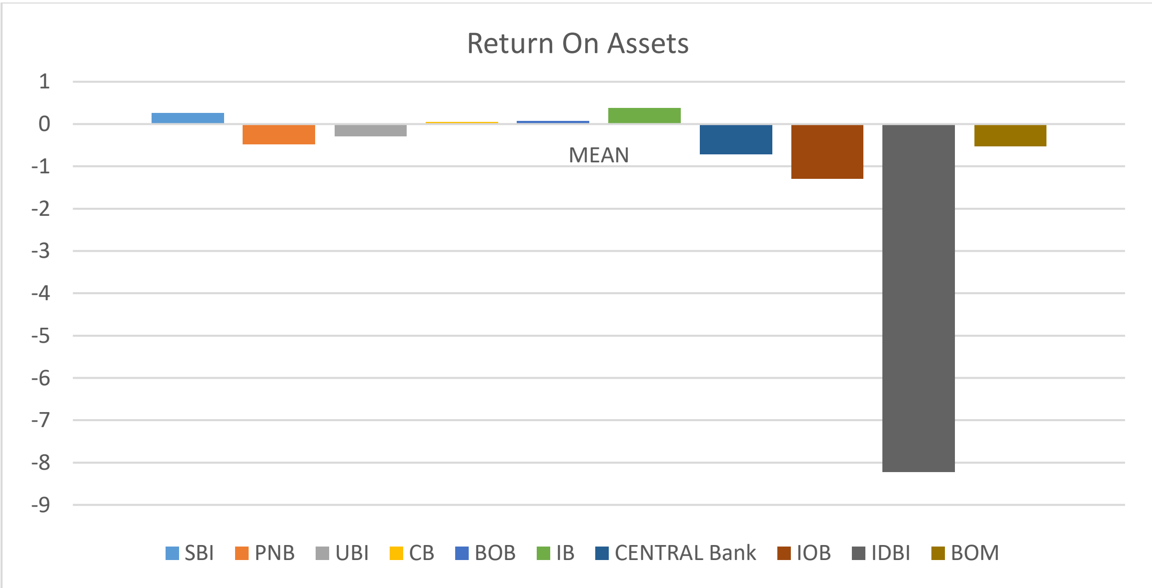
Data Analysis and Interpretation:

This section presents the side-by-side comparative financial analysis of the ten selected Indian public sector banks from the financial years 2018 to 2022. The data is structured around the four core performance indicators outlined in the research methodology: Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), and the Operating Expense Ratio.

1. Calculation of Return on Assets from 2018-2022 (Values in percentage %)

Return on Assets measures the net profit generated per unit of total assets, indicating how efficiently a bank's management deploys its entire asset base to generate earnings**.**

Bank Name	SBI	PNB	UBI	CB	BOB	IB	CB	IOB	IDBI	BOM
2022	0.6	0.26	0.44	0.46	0.56	0.58	0.27	0.57	-2.35	0.49
2021	0.45	0.16	0.27	0.22	0.07	0.47	-0.24	0.30	-4.71	0.27
2020	0.36	0.04	-0.52	-0.30	0.04	0.24	-0.31	-3.27.	-4.29	0.23
2019	0.02	-1.28	-0.59	0.04	0.05	0.11	-1.70	-1.49	0.45	-2.90
2018	-0.18	-1.60	-1.07	-0.68	-0.33	0.49	-1.56	-2.54	0.80	-0.73
Mean	0.256	-0.484	-0.294	0.052	0.078	0.378	-0.708	-1.289	-8.22	-0.528

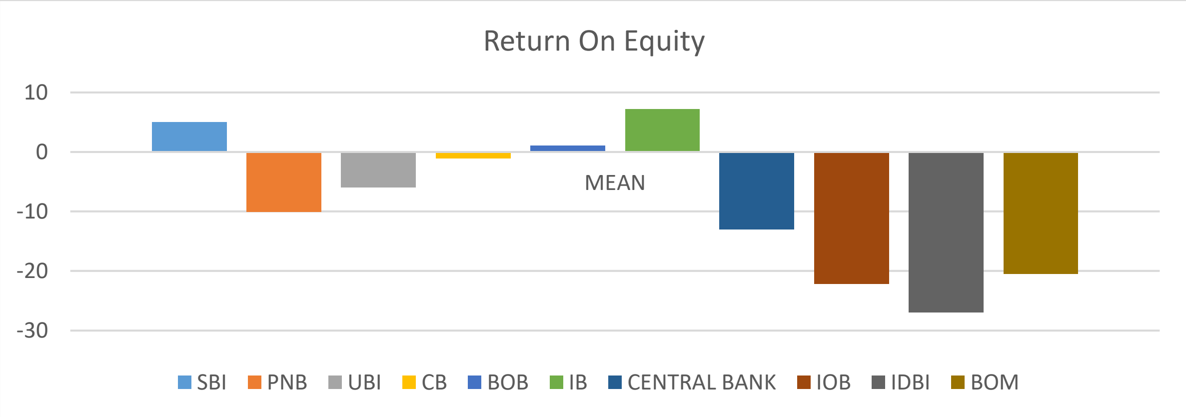


In the above table signifies the financial performance of selected public sector banks, examining the Return on Asset for the financial year from 2018 to 2022. The Indian bank has highest return on asset of 0.378. And Indian overseas bank has average return on asset of -1.286. The lowest return on asset showing the Industrial development bank of India with the value of -8.22. Other banks performance is fluctuating every year.

2. Calculation of Return on Equity from 2018-2022(value in percentage %)

Return on Equity is financial return generated on shareholder equity, tracking how effectively bank executives spend investor funds to build net value.

Bank name	SBI	PNB	UBI	CB	BOB	IB	CB	IOB	IDBI	BOM
2022	12.33	3.90	7.94	9.85	8.46	10.52	4.38	7.43	-50.99	9.35
2021	8.86	2.41	4.87	5.05	1.07	11.88	-4.95	4.9	-48.94	5.02
2020	6.95	0.58	-9.46	-6.78	0.76	3.94	-6.07	-52.78	-46.82	4.09
2019	0.39	-24.2	-12.15	1.16	0.94	1.97	-29.79	-22.84	4.45	-109.56
2018	3.37	-32.85	-20.9	-14.51	-5.6	7.95	-28.38	-47.45	7.34	-11.52
Mean	5.032	-10.032	-5.94	-1.046	1.126	7.252	-12.962	-22.148	-26.99	-20.524



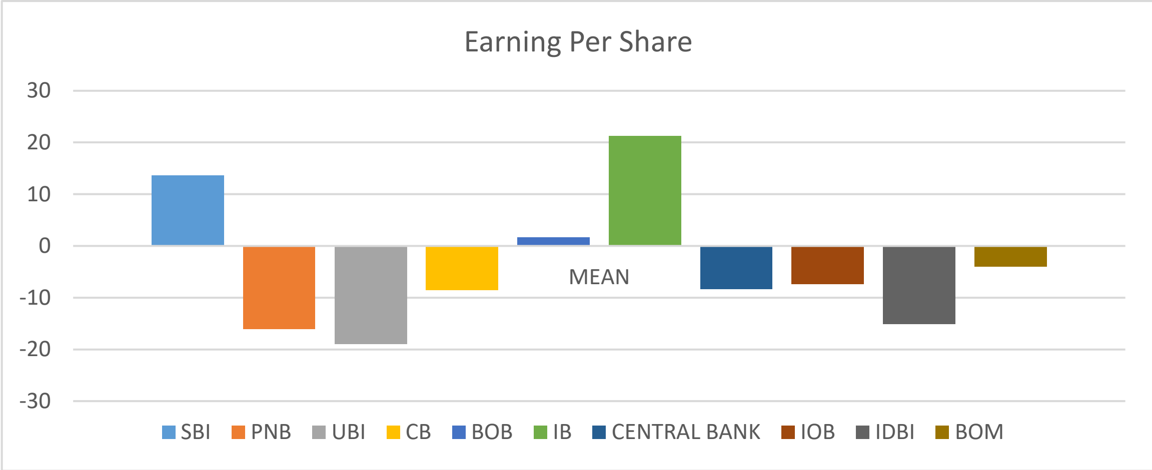
In the above table signifies the financial performance of selected public sector banks, analysing the Return on Equity for the financial year from 2018 to 2022. The Indian bank has highest return on equity of 7.252. And Punjab national bank has average return on equity of -10.032. The lowest return on equity showing the Indian overseas bank with the value of -22.148. Other banks performance is fluctuating every year.

3. Calculation of earning per Share from 2018-2022 (Value in percentage %)

Earnings Per Share reflects corporate profitability allocated to each outstanding share of common stock, serving as the main driver of stock exchange valuations.

In the above table signifies the financial performance of selected public sector banks, analysing the Earning per share for the financial year from 2018 to 2022. The Indian bank has highest Earning per share of 21.26. And Indian overseas bank has average Earning per share of -7.33. The lowest earning per share showing the Union bank of India with the value of -18.95. Other banks performance is fluctuating every year.

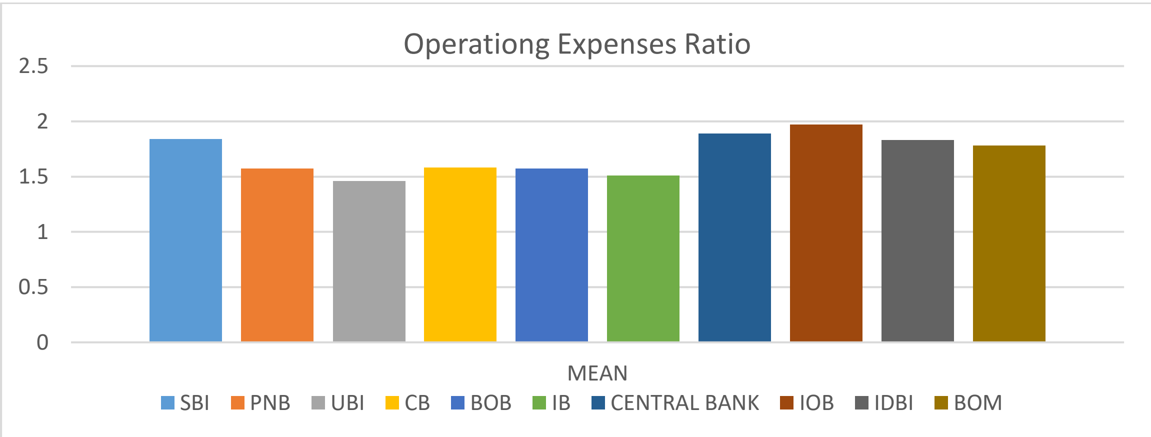
Bank name	SBI	PNB	UBI	CB	BOB	IB	CB	IOB	IDBI	BOM
2022	35.49	3.16	7.73	32.49	14.06	32.38	1.27	0.92	-34.45	1.72
2021	22.87	2.08	4.54	16.91	1.78	26.61	-1.53	0.51	-30.48	0.88
2020	16.23	0.62	-12.49	-26.50	1.36	14.33	-1.81	-1.99	-14.48	0.67
2019	0.97	-30.94	-25.08	4.71	1.64	6.70	-20.19	-6.89	1.30	14.26
2018	-7.67	-55.39	-69.45	-70.47	-10.53	26.21	-19.50	-23.25	2.27	-8.95
Mean	13.58	-16.09	-18.95	-8.57	1.67	21.26	-8.35	-7.33	-15.16	-3.99



4. Calculation of Operating Expenses Ratio from 2018-2022 (Values in percentage %)

The Operating Expense Ratio evaluates structural cost efficiency by comparing total operational costs against total operating income, identifying how effectively a bank manages overhead administrative spending.

Bank name	SBI	PNB	UBI	CB	BOB	IB	CB	IOB	IDBI	BOM
2022	1.87	1.54	1.55	1.61	1.69	1.62	1.87	1.82	1.35	1.66
2021	1.82	1.61	1.56	1.67	1.77	1.65	1.83	2.02	1.60	1.81
2020	1.90	1.44	1.36	1.59	1.56	1.42	1.94	1.96	2.11	1.82
2019	1.89	1.48	1.45	1.50	1.44	1.43	1.83	1.78	2.03	1.87
2018	1.73	1.76	1.35	1.54	1.41	1.45	1.96	2.25	2.10	1.72
Mean	1.84	1.57	1.46	1.58	1.57	1.51	1.89	1.97	1.83	1.78



The above table signifies the operating expenses of selected public sector banks in India from the financial year 2018-2022. By analysing the operating expenses, it shows all the banks performing positively, increasing their performance. From the table Indian overseas bank is having the highest value of 1.97. And Bank of Maharashtra has an average performance of 1.73. Union bank of India has lowest performance of 1.46.

Findings:

Profitability and earnings: Indian banks stand out as the strongest performer, while IDBI, Indian overseas bank, and union bank show persistent weakness on those measures.

Efficiency ratio: Indian overseas bank records the highest value, bank of Maharashtra sits near the average, and union bank the lowest, with bank of Maharashtra in middle.

Overall, the benchmarking results expose a fragmented public banking landscape. While a few elite institutions effectively generate sustainable returns and optimize asset deployment, several vulnerable banks remain trapped in loss-making cycles. These weaker institutions require immediate strategic interventions, aggressive bad loan resolution, and modernized cost-containment frameworks to restore baseline operational viability and preserve systemic banking stability.

Suggestions

To enhance financial performance, Indian public sector banks must adopt a rigorous asset liability management framework that optimizes resource allocation and creates high-margin, fee-based revenue streams. Executives should conduct an objective internal audit to map core organizational strengths against deep-rooted operational weaknesses, realigning the bank's corporate strategy with current macroeconomic realities. Improving the bottom line requires shifting the credit underwriting mix away from low-yielding corporate portfolios toward high-yield retail, agriculture, and MSME advances. Concurrently, banks must enforce strict fiscal discipline by cutting unnecessary administrative overheads, rationalizing branch networks, and automating redundant tasks through artificial intelligence and modern digital banking infrastructure. By combining proactive income diversification with aggressive cost control, state-backed lenders can significantly compress their cost-to-income ratios and generate sustainable returns on assets. This strategic pivot from volume-driven to value-driven banking is essential for building capital buffers, satisfying Basel III requirements, and defending market share against agile private sector competitors. Ultimately, these targeted adjustments will transform vulnerable state-owned entities into highly efficient, market-driven financial institutions capable of driving stable national economic growth.

Conclusion

The research is absorbed on financial performance of Indian public sector banks over the last five years from 2018- 2022. The study also pointed at identifying the bank's success and performance as well as the best banks based on their financial results over a set period of time. The return on assets, return on equity, earnings per share, operating expenses, net profit, total income, total assets and liabilities were used to analyze the data. Based on the data analysis it is possible to conclude that public sector banks are performing well. From that data SBI was observed to be very stable.

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About SLU College

Shree Lalshankar Umiyashankar Arts and Harivadan & Padmaben Thakore Commerce College for Women, which was established in 1920 as an endeavour of Gujarat Stree Kelvani Mandal, has the proud privilege of being the first women's college in Ahmedabad. The college is recognised under Section 2 (f) and 12 (b) of UGC Act 17th June, 1972. The college runs various programmes in affiliation with Gujarat University such as - B.A., B.Com., and M.Com. The BS-BBA programme was added from the academic year 2025-2026. The college also runs several add-on programmes like Fashion Design and Computer Courses at the ICTC centre located at the SLU Campus.

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