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Books

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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Online resources

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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PROFITABILITY PERFORMANCE OF PUBLIC SECTOR BANKS-AN EMPIRICAL STUDY

M.RAJESH
ASST. PROFESSOR
ANNAMACHARYA P.G. COLLEGE OF COMPUTER STUDIES
RAJAMPET, KADAPA

DR. N R V RAMANA REDDY
PRINCIPAL
ANNAMACHARYA P.G. COLLEGE OF MANAGEMENT STUDIES
RAJAMPET, KADAPA

ABSTRACT

The Public sector banks have brought with them state-of-art technology for business processing and service delivery to provide efficient service in catering to the customers' demand. They also have the advantages of standing with adequate capital resources, well trained and professional man-power, absence of non-performance assets, computerization, lien organizational system, a handful of branches in chosen centers and a new variety of products and services to meet the latest requirements of the present day corporates. Along with this, the global players have also brought in many foreign banks into India to fulfill the requirements of WTO accord. They offer new range of products and services like ATMs, EFTs, Credit Cards, Portfolio Management etc. Hence, a study was conducted to know whether these Public sector banks are maintaining profitability in the overall performance through step wise multiple regression analysis and found that the public sector banks performance is well during the study period.

KEYWORDS

Burden ratios, Burden related ratios, Profitability ratios, Spread ratios, Spread Related ratios.

INTRODUCTION

The growth in the Indian Banking Industry has been more qualitative than quantitative and it is expected to remain the same in the coming years. Based on the projections made in the "India Vision 2020" prepared by the Planning Commission and the Draft 10th Plan, the report forecasts that the pace of expansion in the balance-sheets of banks is likely to decelerate. The total assets of all scheduled commercial banks by end-March 2010 are estimated at Rs 40, 90,000 corers. That will comprise about 65 per cent of GDP at current market prices as compared to 67 per cent in 2002-03. Bank assets are expected to grow at an annual composite rate of 13.4 per cent during the rest of the decade as against the growth rate of 16.7 per cent that existed between 1994-95 and 2002-03. It is expected that there will be large additions to the capital base and reserves on the liability side.

The Indian Banking Industry can be categorized into non-scheduled banks and scheduled banks. Scheduled banks constitute of commercial banks and co-operative banks. There are about 67,000 branches of Scheduled banks spread across India. As far as the present scenario is concerned the Banking Industry in India is going through a transitional phase. The Public Sector Banks (PSBs), which are the base of the Banking sector in India account for more than 78 per cent of the total banking industry assets. Unfortunately they are burdened with excessive Non Performing assets (NPAs), massive manpower and lack of modern technology. On the other hand the Private Sector Banks are making tremendous progress. They are leaders in Internet banking, mobile banking, phone banking, ATMs. As far as foreign banks are concerned they are likely to succeed in the Indian Banking Industry. In the Indian Banking Industry some of the Private Sector Banks operating are IDBI Bank, ING Vyasa Bank, SBI Commercial and International Bank Ltd, Bank of Rajasthan Ltd. and banks from the Public Sector include Punjab National bank, Vijaya Bank, UCO Bank, Oriental Bank, Allahabad Bank among others. ANZ Grind lays Bank, ABN-AMRO Bank, American Express Bank Ltd, Citibank are some of the foreign banks operating in the Indian Banking Industry.

Currently, India has 96 scheduled commercial banks (SCBs) - 27 public sector banks (that is with the Government of India holding a stake), 31 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have a combined network of over 53,000 branches and 49,000 ATMs. According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively

BANKING IN INDIA

CENTRAL BANK

Reserve Bank of India

NATIONALISED BANKS

Allahabad Bank · Andhra Bank · Bank of Baroda · Bank of India · Bank of Maharashtra · Canara Bank · Central Bank of India · Corporation Bank ·Dena Bank · IDBI Bank · Indian Bank · Indian Overseas Bank · Oriental Bank of Commerce · Punjab & Sind Bank · Punjab National Bank · Syndicate Bank · UCO Bank · Union Bank of India · United Bank of India · Vijaya Bank

STATE BANK GROUP

State Bank of India · State Bank of Bikaner & Jaipur · State Bank of Hyderabad · State Bank of Indore · State Bank of Mysore · State Bank of Patiala · State Bank of Travancore

PRIVATE BANKS

Axis Bank · Bank of Rajasthan · Bharat Overseas Bank · Catholic Syrian Bank · City Union Bank · Development Credit Bank · Dhanalakshmi Bank · Federal Bank · Ganesh Bank of Kurundwad · HDFC Bank · ICICI Bank · IndusInd Bank · ING Vysya Bank · Jammu & Kashmir Bank · Karnataka Bank Limited · Karur Vysya Bank · Kotak Mahindra Bank · Lakshmi Vilas Bank · Nainital Bank · Ratnakar Bank · Rupee Bank · Saraswati Bank · SBI Commercial and International Bank · South Indian Bank · Tamil Nadu Mercantile Bank · Yes Bank

FOREIGN BANKS

ABN AMRO · Abu Dhabi Commercial Bank · Antwerp Diamond Bank · Arab Bangladesh Bank · Bank International Indonesia · Bank of America · Bank of Bahrain & Kuwait · Bank of Ceylon · Bank of Nova Scotia · Bank of Tokyo Mitsubishi UFJ · Barclays Bank · Citibank India · HSBC · Standard Chartered · Deutsche Bank · Royal Bank of Scotland

REGIONAL RURAL BANKS

South Malabar Gramin Bank · North Malabar Gramin Bank · Pragathi Gramin Bank · Shreyas Gramin Bank

FINANCIAL SERVICES

Real Time Gross Settlement(RTGS) · National Electronic Fund Transfer (NEFT) · Structured Financial Messaging System (SFMS) · Cash Tree · Cashnet · Automated Teller Machine (ATM).

VISION OF BANKS IN INDIA

The banking scenario in India has already gained all the momentum, with the domestic and international banks gathering pace. The focus of all banks in India has shifted their approach to 'cost', determined by revenue minus profit. This means that all the resources should be used efficiently to better the productivity and ensure a win-win situation. To survive in the long run, it is essential to focus on cost saving. Previously, banks focused on the 'revenue' model which is equal to cost plus profit. Post the banking reforms, banks shifted their approach to the 'profit' model, which meant that banks aimed at higher profit maximization.

FOCUS OF BANKS IN INDIA

The banking industry is slated for growth in future with a more qualitative rather than quantitative approach. The total assets of all scheduled commercial banks by end-March 2010 is projected to touch Rs 40, 90,000 crore. This is going to comprise around 65% of GDP at current market prices as compared to 67% in 2002-03. The bank's assets are estimated to grow at an annual composite rate of growth of 13.4% during the rest of the decade as against 16.7% between 1994-95 and 2002-03.Barring the asset side, on the liability perspective, there will be huge additions to the capital base and reserves. People will rely more on borrowed funds, pace of deposit growth slowing down side by side. However, advances and investments would not see a healthy growth rate.

FUTURE CHALLENGES OF BANKS IN INDIA

The Indian banks are hopeful of becoming a global brand as they are the major source of financial sector revenue and profit growth. The financial services penetration in India continues to be healthy, thus the banking industry is also not far behind. As a result of this, the profit for the Indian banking industry will surely surge ahead. The profit pool of the Indian banking industry is probable to augment from US$ 4.8 billion in 2005 to US$ 20 billion in 2010 and further to US$ 40 billion by 2015. This growth and expansion pace would be driven by the chunk of middle class population. The increase in the number of private banks, the domestic credit market of India is estimated to grow from US$ 0.4 trillion in 2004 to US$ 23 trillion by 2050.

LITERATURE REVIEW

Perhaps because profitability was not the objective of Indian banks, there have not been many attempts to compare the profitability amongst the various categories of banks. Verma and Verma [11] attempted to determine the determinants of profitability of SBI group, other nationalized and foreign banks in India. A study by Das [2] compares performance of Public Sector Banks for 3 years in the post reform period, 1992, 95, 98. He notes that while there is a welcome increase in emphasis on non-interest income, Banks have tended to show risk averse behavior by opting for relatively risk free investments over risky loans. Sarkar & Das [8] compared performance of Public Sector Banks, Private Banks, and Foreign Banks for the year-1994-95 on their profitability, productivity & financial management. They found that Public Sector Banks compare poorly with the other two categories of banks. Another study by Ram Mohan [6] covers a recent period, 1996-97 to 1999-2000. He found that over these years the profitability of the Public sector Banks did improve in comparison to the Private and Foreign Banks, but they have lagged behind in their ability to attract deposits at favorable interest rates and have been slow in technology up gradation and improving staffing and employment practices, which may have negative implications on their longer–term profitability. Researchers have earlier opined that the major reason for declining bank profitability are increasing pre-emption for CRR, SLR, rigorously structured interest rate, the burden of social banking and enormous increase in the establishment cost. Recently, there has been an increased amount of stress on soundness of the Balance Sheet as well as on the profitability. It is recognized that Public Sector Banks must have a strong balance sheet and should be profitable. It also implies that bank interest and other earnings should be sufficient to cover its financial & administrative expenses. Stronger balance sheet also means that the banks have sufficient surplus for provisions of bad debts, tax liabilities & depreciation of financial assets, to pay dividends and to augment reserves. A bank's strong balance sheet also implies that it has sufficient capital & reserve to protect its depositors and other creditors from the risks it bears on its assets. The major reasons identified for the declining levels of profitability of Public Sector Banks are mismanagement, liquidity, credit policies, increased lending to priority & preferred sector, mounting agricultural over dues & incidences of sickness of industrial units, rise in operation cost, lack of efforts in *PROFITABILITY AND PRODUCTIVITY IN* 140 *INDIAN BANKS* manpower planning (Bisht, Mishra & Belwal [1]). Ganeshan [4] reveals by an empirical establishment of profit function that interest cost, interest income, deposits per branch, credit to total assets, proportion of priority sector advances & interest income loss are significant determinants of the profits & profitability of Indian public sector banks. Sarkar et al. [7] found that the foreign banks were more profitable and efficient than Indian banks and amongst the Indian Banks private banks were superior to the public sector banks. They also conclude that the non-traded private sector banks are not significantly different from the public sector banks with respect to profitability and efficiency, a result consistent with the property right hypothesis. Sathye [9] studied the impact of privatization on banks performance and efficiency for the period 1998-2002 and found that partially privatized banks have performed better than fully public sector banks and they are catching up with the banks in the private sector. Shanmugam and Das [10] reported that, in general, State bank group and private-foreign group banks have performed better than their counterparts during 1992-1999. According to the Business Standard Banking annual Survey 2003, Indian Banks showed a 52.3% growth in the net profit in the year 2002-2003. Public sector banks outperformed the other category of banks bagging six of the top 10 slots. Only one foreign Bank could make it to the top. The remaining three slots were occupied by the private banks (Kadam, [5]).

OBJECTIVES OF THE STUDY

To assess the profitability performance of selected public sector banks through Spread ratios, Spread Related ratios, Burden ratios, Burden related ratios and Profitability ratios.

SOURCE OF DATA

The study is based on secondary data. The data were collected from the database of Centre for Monitoring Indian Economy (CMIE) namely PROWESS. The published annual reports of the selected banks taken from their website.

TOOLS OF ANALYSIS

The ratios considered for the study are Spread Ratios, Spread Related Ratios, Burden Ratios, Burden Related Ratios and Profitability Ratios. Statistical tools like Mean, Standard Deviation, Coefficient of Variation and Step wise Regression are used for the analysis.

SPREAD RATIOS

1. Ratio of interest income to Working fund(X_1) = Interest income/ Working fund
2. Ratio of Interest expenses to Working fund(X_2) = Interest expenses/ Working fund
3. Spread to Working fund(X_3) = Spread / Working fund

Spread is the difference between interest earned to interest paid

Working fund=Total assets- Accumulated depreciation

SPREAD RELATED RATIOS

1. Ratio of Interest income to Total income(X_4) = Interest income / Total income
2. Ratio of Interest expenses to Total expenses(X_5) = Interest expenses/ Total expenses

BURDEN RATIOS

1. Ratio of Non-interest expenditure to Working fund(X_6) = Non Interest expenditure / Working fund
2. Ratio of Non-interest income to Working fund(X_7) =Non-interest income/ Working fund
3. Ratio of Burden To Working fund(X_8) = Burden / Working fund

BURDEN RELATED RATIOS

1. Ratio of Non-interest income to Total income(X_9) = Non-Interest Income / Total Income
2. Ratio of Establishment expenses to Total expenses(X_{10}) = Establishment expenses / Total expenses

3. Ratio of Operating expenses to Total expenses(X_{11}) = Operating expenses / Total expenses
4. Ratio of Burden to Total income(X_{12}) = Burden / Total income

PROFITABILITY RATIOS

1. Ratio of Gross profit to Working fund(X_{13}) = Gross profit / Working
2. Ratio of Gross profit to Total deposit(X_{14}) = Gross profit / Total deposit
3. Ratio of Net profit /loss to Total income(X_{15}) = Net profit / Total income
4. Ratio of Net profit/loss to Total deposit(X_{16}) = Net profit / Total deposit
5. Ratio of Net profit to working fund (X_{16}) = Net profit / Working Fund

SPREAD RATIOS

Spread is the difference between interest earned (on loan and advances) and interest paid (on deposit and borrowing) by the banks. These ratios play a major role in determining the profitability of the banks. It is the net amount available to the banks for meeting their operating and managerial expenses. The components like Interest earned and Interest paid in relation to working fund of the banks is required to analyze the profitability performance.

ANALYSIS

TABLE 1: CALCULATION OF SPREAD RATIOS

Banks	Interest income to Working Fund (X_1)			Interest Expenses to Working Fund (X_2)			Spread to Working Fund (X_3)		
	Mean	S.D	C.V	Mean	S.D	C.V	Mean	S.D	C.V
Bank of Baroda	0.074	0.010	13.513	0.046	0.009	19.565	0.027	0.003	11.111
Indian Overseas	0.081	0.007	8.641	0.053	0.009	16.981	0.328	0.004	1.219
Punjab National	0.079	0.010	12.658	0.047	0.011	23.404	0.031	0.002	6.451
Canara	0.077	0.008	10.389	0.051	0.009	17.647	0.049	0.003	6.122
Vijaya	0.082	0.010	12.195	0.056	0.011	19.642	0.028	0.006	21.428
Syndicate	0.078	0.011	14.102	0.048	0.009	18.75	0.029	0.006	20.689
SBI	0.076	0.007	9.210	0.088	0.007	7.954	0.026	0.002	7.692
Dena Bank	0.086	0.011	12.790	0.053	0.012	22.641	0.025	0.002	8.00
Over all	**0.079**	**0.009**	**11.687**	**0.055**	**0.009**	**15.867**	**0.067**	**0.003**	**10.339**

The above table 1 reveals that the mean ratio X_1 of the sample banks is ranging from 0.074 to 0.086 with the overall ratios of 0.079, SD of 0.074.The ratio of IOB, VB and DB is higher than the overall ratio and all the remaining banks are less than the overall ratio.

It is also revealed that the mean ratio of X_2 is ranging from 0.046 to 0.057 with the overall ratio of 0.055, SD of 0.077 and CV of 15.867. The ratio of SBI, DB and VB is higher than the overall ratio, BOB, IOB, PNB, CB and Syndicate bank as it less than the average. It is also revealed that X_3 which is the difference between X_1 and X_2 is ranging from 0.025 to 0.328 with an overall ratio of 0.067, SD of 0.03 and CV of 10.339. The ratio of IOB is higher than the overall ratio.

SPREAD RELATED RATIOS

Spread Related Ratios are used to analyze the changes in the contents of interest earned and interest paid. So the following ratios are used to analyze the spread.

TABLE 2: CALCULATION OF SPREAD RELATED RATIOS

Banks	Interest income to Total Income (X_4)			Interest Expenses to Total Expenses (X_5)		
	Mean	S.D	C.V	Mean	S.D	C.V
Bank of Baroda	0.849	0.032	3.769	0.589	0.058	9.847
Indian Overseas	0.863	0.027	3.128	0.607	0.060	9.884
Punjab National	0.859	0.029	3.376	0.569	0.062	10.896
Canara	0.840	0.032	3.809	0.624	0.055	8.814
Vijaya	0.869	0.039	4.487	0.597	0.050	8.375
Syndicate	0.880	0.036	4.090	0.587	0.066	11.243
SBI	0.841	0.023	2.734	0.614	0.075	12.214
Dena Bank	0.835	0.049	5.868	0.603	0.084	13.930
Over all	**0.854**	**0.033**	**4.468**	**0.598**	**0.063**	**10.650**

The above table 2, represents that the ratio X_4 is ranging from 0.835 to 0.880 with an average of 6.836, SD of 0.267 and CV of 35.748 and it is more than the average in case of syndicate, Vijaya, Indian Overseas and Punjab National banks. The degree of variability is less in case of syndicate, Indian Overseas, Bank of Baroda, Punjab National, Canara and SBI. The ratio X_5 is ranging from 0.569 to 0.624 with an average of 0.598, SD of 0.063 and CV of 10.560 and it is more than the average in case of PNB, IOB, DB and SBI. The degree of variability is also less in case of BOB, IOB, PNB and VB.

BURDEN RATIOS

Burden is defined as the difference between non-interest expenditure and non-interest income of the banks. It represents non-interest expenditure that is covered by non-interest income. So the following ratios are calculated.

TABLE3: CALCULATION OF BURDEN RATIOS

Banks	Non-Interest expenditure to Working Fund (X_6)			Non-Interest income to Working Fund (X_7)			Burden to Working Fund (X_8)		
	Mean	S.D	C.V	Mean	S.D	C.V	Mean	S.D	C.V
Bank of Baroda	0.031	0.005	16.129	0.012	0.003	25.00	0.018	0.004	22.222
Indian overseas	0.032	0.004	12.5	0.012	0.002	16.666	0.019	0.004	21.052
Punjab National	0.034	0.006	17.647	0.014	0.003	21.428	0.021	0.003	14.285
Canara Bank	0.030	0.005	16.666	0.014	0.003	21.428	0.029	0.042	144.827
Vijaya Bank	0.032	0.007	21.875	0.012	0.004	33.333	0.022	0.004	18.181
Syndicate Bank	0.031	0.007	22.580	0.010	0.003	30.00	0.021	0.006	28.577
SBI	0.032	0.003	9.375	0.012	0.004	0.333	0.019	0.006	31.578
Dena Bank	0.037	0.008	21.621	0.015	0.005	33.333	0.021	0.007	33.333
Over all	**0.032**	**0.005**	**17.299**	**0.012**	**0.003**	**22.689**	**0.021**	**0.009**	**39.256**

The above table 3, indicates that the ratio of X_6 is ranging from 0.030 to 0.037 with an overall ratio of 0.032, SD of 0.005 and 17.299.The ratio DB and PNB is above average. The degree of variability is less in case of SBI, IOB, BOB and CB. The ratio X_7 is ranging from 0.010 to 0.015 with an overall ratio of 0.012, SD of 0.003 and CV of 22.689.The ratio of DB, CB and PNB is more than average. The degree of variability is less in case of SBI, CB, PNB and IOB. The ratio X_8 is ranging from 0.018 to 0.029 with an overall ratio of 0.021, SD of 0.099 and CV of 39.256.The ratio of CB and VB is more than the average ratio. The degree of variability is less in case of all banks except CB.

BURDEN RELATED RATIOS

TABLE 4: CALCULATION OF BURDEN RELATED RATIOS

Banks	Non-interest income to Total income(x_9)			Establishment expenses to Total expenses(x_{10})			Operating expenses to Total expenses(x_{11})			Burden to Total income(x_{12})		
	Mean	S.D	C.V	Mean	S.D	C.V	Mean	S.D	C.V	Mean	S.D	C.V
Bank of Baroda	0.149	0.032	21.476	0.297	0.057	19.191	0.297	0.057	19.191	0.219	0.045	20.547
Indian overseas	0.135	0.027	20.00	0.293	0.055	18.771	0.293	0.055	18.771	0.214	0.039	18.224
PNB	0.139	0.029	20.863	0.319	0.054	16.927	0.319	0.054	16.927	0.242	0.039	16.115
Canara Bank	0.156	0.034	21.794	0.289	0.062	21.453	0.289	0.062	21.453	0.178	0.045	25.280
Vijaya Bank	0.129	0.036	27.906	0.293	0.110	37.542	0.293	0.110	37.542	0.220	0.056	25.454
Syndicate Bank	0.119	0.035	29.411	0.341	0.073	21.407	0.341	0.073	21.407	0.236	0.085	36.016
SBI	0.157	0.023	14.649	0.297	0.041	13.804	0.297	0.041	13.804	0.205	0.035	17.073
Dena Bank	0.163	0.049	30.061	0.313	0.072	23.003	0.313	0.072	23.003	0.230	0.071	30.869
Overall	**0.143**	**0.033**	**23.27**	**0.305**	**0.065**	**21.51**	**0.305**	**0.065**	**21.512**	**0.218**	**0.051**	**23.697**

The above table 4, describes that the ratio X_9 is ranging from 0.119 to 0.163 with an overall ratio of 0.143, SD of 0.033 and CV of 23.27.The ratio is greater than its average in case of DB, SBI CB and BOB. There is lesser degree of variability in case of ratio SBI, CB, PNB, IOB and BOB. The ratio X_{10} is ranging from 0.293 to 0.341 with an overall ratio of 0.305, SD OF 0.065 and CV of 21.51.The ratio of Syndicate, PNB and DB is more than the average. The ratio X_{11} is ranging from 0.293 to 0.341 with an overall ratio of 0.305, SD OF 0.065 and CV of 21.51.The ratio of Syndicate, PNB and DB is more than the average. The ratio of X_{12} is ranging from 0.178 to 0.242 with an overall ratio of 0.218, SD of 0.051 and CV of 23.697.The ratio is greater than the average in case of PNB, Syndicate, DB,VB and BOB. The ratio has less degree of variability in case of BOB, IOB, and SBI.

PROFITABILITY RATIOS

Profitability ratios indicate the efficiency with which a bank deploys its total resources to maximize its profit. The relationship between the earnings and funds is used to analyze the profitability of the banks.

TABLE 5: Calculation of PROFITABILITY RATIOS

Banks	Gross Profit To Working Fund (X_{13})			Gross Project To Total deposit(X_{14})			Net Profit To Total Income (X_{15})			Net Profit To Total deposit (X_{16})			Net Profit To Working Fund (X_{17})		
	Mean	S.D	C.V	Mean	S.D	C.V	Mean	S.D	C.V	Mean	S.D	C.V	Mean	S.D	C.V
Bank of Baroda	0.058	0.009	0.068	0.068	0.010	14.705	0.094	32.541	34618.08	0.009	0.001	11.111	0.007	0.001	14.285
Indian overseas	0.064	0.005	0.074	0.074	0.006	8.108	0.103	0.049	47.572	0.010	0.004	40.00	0.008	0.004	50.00
Punjab National	0.061	0.009	0.065	0.065	0.009	13.846	0.107	0.028	26.168	0.010	0.002	20.00	0.009	0.002	244.444
Canara	0.073	0.009	0.135	0.135	0.011	8.148	0.111	0.029	26.126	0.012	0.012	100.00	0.011	0.003	27.272
Vijaya	0.067	0.014	0.074	0.074	0.016	21.621	0.199	0.0215	108.040	0.010	0.006	60.00	0.009	0.005	55.555
Syndicate	0.058	0.008	0.065	0.065	0.010	15.384	0.094	0.014	14.893	0.008	0.001	12.50	0.007	0.001	14.285
SBI	0.061	0.006	0.078	0.078	0.008	10.256	0.092	0.021	22.826	0.010	0.001	10.00	0.008	0.001	12.5
Dena Bank	0.064	0.011	0.076	0.076	0.013	17.105	-0.076	0.076	-57.894	0.008	0.005	55.555	0.008	0.004	50.00
Over all	**0.063**	**0.008**	**14.015**	**0.079**	**0.010**	**13.696**	**0.109**	**4.117**	**4350.72**	**0.009**	**0.004**	**38.645**	**0.008**	**0.002**	**52.298**

The above table 5, describes that the ratio of X_{13} is ranging from 0.0582 to 0.073 with an overall ratio of 0.063, SD of 0.008 and CV of 14.015.The ratio is greater than its average in case of IOB, CB, VB and DB. The degree of variability in case of IOB, SBI and Syndicate Bank.

The ratio X_{14} is ranging from 0.065 to 0.135 with an overall ratio of 0.079, SD OF 0.010 and CV of 13.646.The ratio is greater than in case of CB only. The degree of variability is less in case of SBI, CB and IOB.

The ratio X_{15} is ranging from -0.076 to 0.111 with an overall ratio of 0.109, SD of 4.117 and CV of 4350.72.The Ratio is greater than in case of VB, CB. The degree of variability less in case of all banks.

The ratio of X_{16} is ranging from 0.009 to 0.012 with an overall ratio of 0.009, SD of 0.004 and CV of 38.645.The ratio is above average in case of IOB, PNB, CB, VB and SBI.

The ratio of X_{17} is ranging from 0.007 to 0.011 with an overall ratio of 0.008, SD of 0.002 and CV of 2.298. It is more than average in case of PNB, CB and VB.

REGRESSION ANALYSIS

Stepwise multiple regression analysis is used to ascertain the percentage of contribution of each independent variable on the dependent variable. In this section, multiple regression analysis is used to analyze the level of influence of financial ratios on the dependent variable x16.

The following regression model is fitted for financial ratios:

The stepwise multiple regression model indicates that out of 17 ratios X_{17} ratio only significantly contributing to X_{16} (the dependent variable)

Regression fitted $X_{16}= 0.002+0.853X_{17}$

TABLE – 6: REGRESSION COEFFICIENT AND OTHER STATISTICS

Regression Coefficient	Value	Standard error of regression coefficient	't' value	Sig.t
Constant	.002	.002	1.376	.218
X17	.853	.213	3.997	.218
Multiple R=.853[a]	R^2= .727*	F=15.976	S.E. of R=.00074	
* Indicates significant at 5% probability				

The above table describes the results of multiple regression analysis in terms of regression co-efficient, the standard error, co-efficient of determination (R^2 and t value).The co-efficient of determination R^2 value shows that the X_{16} (net profit to total deposits) alone explains the variation in Dependent variable to the extent of 72.7%.The F value of ANOVA is 15.976 greater than probabilistic value (.007) and hence, the model is good fit.

CONCLUSION

The Study reveals that the profit earning capacity of a bank can be understood in terms of four influential factors interest earned, other income, interest expended and operating expenses. With reference to Interest earned in relation to Working fund is less than the average in case of BOB, SBI, Syndicate and Canara banks. So these banks may concentrate on improving their interest income With reference to other income (Non-interest income) in relation to working fund is less than the average in case of Syndicate bank only. So this bank may concentrate on improving their other income. With reference to Interest expenses to Total expenses are more than the average in case of Indian Overseas, Canara, SBI and Dena banks. So these banks may concentrate on reducing their interest expenses. With reference to Operating Expenses to Total expenses are more than the average in case of PNB, Syndicate and Dena banks. So these banks may concentrate on reducing their Operating expenses. On the whole, the selected public sector banks performance is well in that Dena Bank, Vijaya Bank, Punjab National Bank & Indian Overseas Bank are maintaining good profitability performance than the Syndicate, SBI, Canara Bank, & Bank of Baroda.

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