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TO EVALUATE THE FINANCIAL PERFORMANCE OF SCHEDULED COMMERCIAL BANKS IN INDIA

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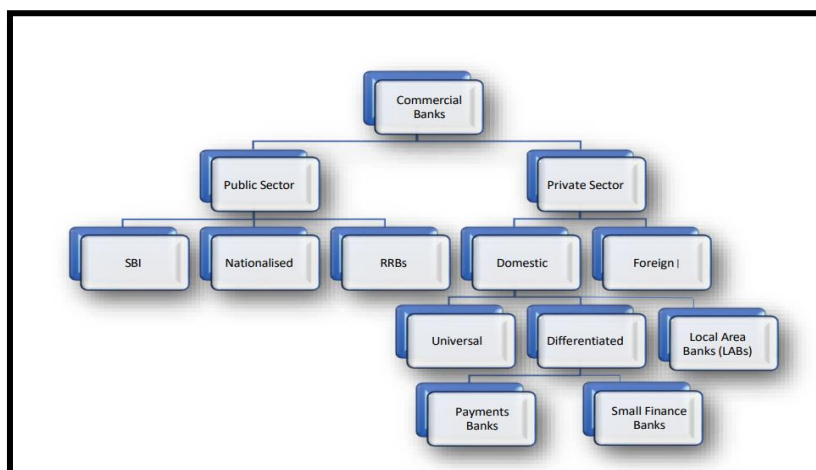
ABSTRACT

The banking system, which is the most important part of the financial sector, is a big part of how monetary policy affects the whole economy. So, the performance evaluation shows how strong and weak the banks are and how it affects economy's growth. The objective of the study is to evaluate the financial performance and trend analysis of select Scheduled Commercial Public and Private Sector Banks in India. The study covers a period of five consecutive financial years from 2020-2021 to 2024-2025. The required data was primarily collected from secondary sources. Based on higher Market Capitalization value ten banks - five from public sector and five from private sector banks were selected. The statistical tools used for the study Descriptive statistics, Ratio analysis and Trend analysis. The study presents how private sector banks demonstrated relatively better financial performance and operational efficiency than public sector banks. However, public sector banks also showed improvement in profitability and capital strength over time. The results imply that maintaining strong capital adequacy, improving asset utilization, and controlling financial leverage are essential for enhancing the financial performance of banks in India.

KEYWORDS: Financial Performance, Public Bank, Private Bank, Profitability, Capital adequacy, Commercial Bank

INTRODUCTION

The banking sector is regarded as the most essential part of the financial sector and is crucial to a nation's economic growth. By directing savings into investments in various economic sectors and promoting economic growth, it plays a critical role in achieving macroeconomic goals and serves as a catalyst for socioeconomic transformation. Due to their significant market share, the Scheduled Commercial Banks have expanded their operations to better meet the demands of business and industry.



Source: rbi.org.in

The process of synthesizing and summarizing financial and operational data in order to gain insight into a commercial enterprise's operational activities is known as financial performance analysis. The financial system that plays a significant part in sending monetary policy impulses to the whole economic system and is the foundation of the financial sector. As a result, the performance review influences economic growth and reveals the banks' strengths and weaknesses.

SCOPE OF THE STUDY

The main goal of the study is to assess the Scheduled Commercial institutions' financial stability using the key metrics that gauge the institutions' soundness. The study scope is broader since the banks and components are chosen by market capitalization of public and private sector banks in India.

STATEMENT OF THE PROBLEM

The main issue facing banks and the regulatory bodies is still financial stability. As a result, the RBI has been strengthening the Indian financial system through a number of initiatives and reorienting the regulatory and supervisory environment. Since a robust economy is reflected in a stable banking system, the regulatory body should keep an eye on the banks' ability to meet needs such as credit disbursement, maintaining asset quality and technology adoption, and enhancing risk management techniques for improved functionality. Therefore, in order to investigate the effectiveness of India's Scheduled Commercial Banks, trend analysis has been taken place in the sturdy.

OBJECTIVES OF THE STUDY

1. To evaluate the financial performance based on capital adequacy ratio and debt equity ratio.
2. To analyse the financial trend between Public Sector and Private Sector banks in India.

REVIEW OF LITERATURE

A literature review is a comprehensive summary and explanation of the current state of knowledge on a specific topic, based on academic books and journal articles. It involves the process of reading, analyzing, evaluating, and synthesizing scholarly materials related to that topic.

Palamalari Srinivasan and John Britto (2017)¹ conducted a study which examined the financial performance of 16 Indian commercial banks from 2012–13 to 2016–17 using financial ratio analysis. It found that private sector banks performed better than public sector banks. Liquidity, solvency, and efficiency ratios had a positive and significant impact on bank profitability.

Natarajan et al. (2018)² evaluated the financial performance of major private sector banks listed on NSE and BSE during 2006–2017. Financial indicators such as ROA, ROE, and Tobin's Q were used along with multiple regression analysis. The results showed that

bank size, credit risk, operational efficiency, and debt ratio significantly influenced bank performance.

Pawan Kuman et al. (2020)³ undertook a study that analysed the financial health of ten commercial banks in India using the Analytical Hierarchy Process (AHP) during 2009–2018. Six financial criteria with twenty-four sub-criteria were used to evaluate bank performance. The results showed that Capital Adequacy Ratio was the most important factor and financial ratios had greater influence than bank size.

Suresh and Subhendu Kumar Pradhan (2023)⁴ researched the financial performance of selected public and private sector banks in India for the period 2017–2021 on a comparative basis. It analysed stability, liquidity, and profitability using an independent sample t-test. The findings revealed that private sector banks performed better than public sector banks under the CAMEL indicators.

Soumendu Das (2024)⁵ studied the role of commercial banks in economic development through financial performance evaluation. It compared one public sector bank and one private sector bank using financial analysis techniques. The findings helped to understand performance differences among banks under RBI regulations.

RESEARCH METHODOLOGY

The secondary data provided the majority of the research purpose. From 2020 to 2025, a total of five years were covered for this study. According to the market capitalization top five banks in public and top five banks in private sector banks in India. The tool used for this study is ratio analysis, specifically the solvency ratio and asset quality ratio, along with trend analysis to evaluate the increase or decrease in overall performance over a five-year period.

ANALYSIS AND INTERPRETATION

Table 1
CAPITAL ADEQUACY RATIO OF SCHEDULED COMMERCIAL BANKS IN INDIA

Banks	(in Percent)					Mean	Standard Deviation
	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025		
Public Sector							
State Bank of India	12.74	12.85	13.13	13.82	13.85	13.28	0.53
Bank of Baroda	14.99	15.84	16.24	16.31	17.19	16.11	0.80
Union Bank of India	12.56	14.52	16.04	16.97	18.02	15.62	2.14
Punjab National Bank	14.32	14.50	15.50	15.97	17.01	15.46	1.11
Canara Bank	13.18	14.90	16.68	16.28	16.33	15.47	1.45
Private Sector							
HDFC Bank	19.11	19.32	19.42	18.80	19.3	19.19	0.25
ICICI Bank	19.12	19.16	18.34	16.33	16.55	17.90	1.37
Axis Bank	19.12	18.54	17.64	16.63	17.07	17.80	1.03
Kotak Mahendra Bank	22.26	22.69	21.80	20.55	23.30	22.12	1.04
IndusInd Bank	15.23	16.65	18.09	17.86	17.23	17.01	1.14

Source: Secondary Data

It is observed from Table 1 that Bank of Baroda recorded the highest average at 16.11 percent followed by Union Bank of India at 15.62 percent ensuring paramount safety to its shareholders in public sector banks. Among Private sector bank Kotak Mahendra held the highest average at 22.12 percent. Both Public and Private bank State Bank of India reported the least average at 13.28 percent with 0.53 percent of standard deviation. The analysis

indicates that private sector banks maintained stronger capital adequacy positions compared to public sector banks.

Table 2
DEBT EQUITY RATIO OF SCHEDULED COMMERCIAL BANKS IN INDIA
(in Times)

Banks	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	Mean	Standard Deviation (%)
Public Sector							
State Bank of India	15.12	14.85	13.90	13.59	12.42	13.98	1.08
Banks of Baroda	14.10	14.88	14.85	14.13	13.00	14.19	0.76
Union Bank of India	16.62	16.83	16.35	14.35	13.28	15.49	1.58
Punjab National Bank	13.86	13.77	14.64	14.67	14.28	14.24	0.42
Canara Bank	19.59	18.56	18.28	17.15	16.85	18.09	1.11
Private Sector							
HDFC Bank	8.57	8.62	8.80	8.22	7.80	8.40	0.40
ICICI Bank	8.34	8.28	7.89	7.85	7.25	7.92	0.44
Axis Bank	9.80	10.20	10.50	9.78	8.96	9.85	0.58
Kotak Mahendra Bank	6.02	5.92	5.87	6.21	5.92	5.99	0.14
IndusInd Bank	8.37	8.43	8.38	8.01	8.59	8.36	0.21

Source: Secondary Data

Table 2 reveals that the average debt to equity ratio is found to be higher in Canara Bank at 18.09 times followed by Union Bank of India at 15.49 percent with a standard deviation at 1.11 percent and 1.58 percent. On the other side Kotak Mahendra Bank at 5.99 percent which was lowest in the both public and private in the group with a standard deviation with 0.14 percent signifying that the banks are operating with lowest risk. The analysis indicates that public sector banks relied more heavily on debt financing compared to private sector banks. In contrast, private sector banks maintained lower leverage levels, reflecting stronger capital structures and better financial stability from 2020-2021 to 2024-2025 period.

Table 3
TREND ANALYSIS OF PUBLIC SECTOR IN SCHEDULED COMMERCIAL BANKS IN INDIA
(in Percent)

Banks/Year	SBI	Trend	Baroda	Trend	Union Bank	Trend	Punjab Bank	Trend	Canara Bank	Trend
2020-2021	8.86	100	12.33	100	16.75	100	17.46	100	17.13	100
2021-2022	1.07	12.08	8.46	68.61	14.36	85.73	15.85	90.78	14.30	83.48
2022-2023	4.87	54.97	7.94	64.40	11.68	69.73	14.94	85.57	15.92	92.94
2023-2024	3.00	33.86	4.26	34.79	3.54	21.13	8.92	51.09	14.80	86.40
2024-2025	5.05	56.10	9.85	79.89	16.03	95.70	18.69	107.04	18.22	106.36

Source: Secondary Data

Table 3 reported that Trend analysis of Return on Equity of select public and private sector scheduled commercial banks in India for the period from 2020-2021 to 2024-2025 shows that Punjab National Bank experienced a gradual decline until 2023-2024 but recorded a

substantial increase in 2024-2025 with a trend value of 107.04 which is the highest among the select banks, Canara Bank also showed a positive trend in the last years reaching 106.36 in 2024-2025 indicating strong improvement in profitability

Table 4
TREND ANALYSIS OF PRIVATE SECTOR IN SCHEDULED COMMERCIAL BANKS IN INDIA

(in Percent)

Banks/ Year	HDFC	Trend	ICICI	Trend	Axis	Trend	Kotak	Trend	IndusInd	Trend
2020-2021	15.27	100	15.39	100	15.74	100	13.81	100	13.43	100
2021-2022	11.21	73.41	13.94	90.58	16.13	102.47	17.37	125.78	16.16	120.33
2022-2023	6.48	42.44	11.30	73.42	7.63	48.48	16.45	119.12	14.67	109.23
2023-2024	11.01	72.10	11.90	77.32	13.17	83.67	14.24	103.11	14.03	104.47
2024-2025	6.58	43.09	9.73	63.22	13.60	86.40	14.31	103.62	4.11	30.60

Source: Secondary Data

Table 4 evaluates that the Trend analysis of Return on Equity of selected private sector scheduled commercial banks in India for the period 2020–2021 to 2024–2025, with 2020–2021 taken as the base year (100). private sector banks experienced fluctuations in profitability, Kotak Mahindra Bank maintained relatively stable and positive growth during the study period. The highest trend value was recorded by Kotak Mahindra Bank (125.78) in 2021–2022, whereas the lowest trend value was observed in IndusInd Bank (30.60) in 2024–2025.

Overall, the comparative trend analysis suggests that both public and private sector banks experienced fluctuations in profitability. However, some banks such as Kotak Mahindra Bank, Punjab National Bank and Canara Bank showed notable improvement indicating better financial performance and efficiency during the year 2024-2025.

CONCLUSION

The sustainability, efficiency in managing funds and ability to earn returns by using resources correctly are all ways to measure how well banks are doing. The banks also need to have enough liquid assets to meet the needs of their customers and the economy. Also, the banks need to make sure that the money they give out is safe to avoid bad loan impairment. So, the banks' plans must be able to balance the risks that come with running a business.

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