

Analysis of Revenue, Costs and Profit: A Study on Consistency in Performance of the Selected Public Sector Banks in India

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Abstract

The public sector banks in India have dominated the financial system in mobilization of deposits and utilizing them for loans, advances and investments. These activities entail costs, revenue and profit to banks. Consistency in performance in these areas is a key to long-term survival of the banks and ability to override the crisis. On the other hand, the banks with inconsistent performance invite problems. This study examines the consistency of the Indian public sector banks in earning incomes, incurring expenses and making profits. It covers a period of five years (2005 – 2009). The enquiry into the consistency of performance is conducted and the performance ratings are awarded. These ratings offer insights on the stability of business operations of the banks and help the stakeholders whether or not to associate with these banks for doing business. The study also offers suitable measures to help banks maintain consistency in their revenue and cost and ensure attractive return to their stakeholders.

1. Introduction

THE INDIAN ECONOMY is the second fastest growing economy after China. The Indian financial system in particular, proved its strength during the latest global financial meltdown. The banking sector being the integral part of the financial system has demonstrated its resilience. The Indian banking system is dominated by the nationalized banks (popularly known as public sector banks). The public sector banks (PSBs) have many stakeholders including depositors, borrowers, investors (shareholders), government and the general public. The PSBs manage and control a substantial share of the country's banking business. They have demonstrated a commendable performance during all these years including the

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