INTERNATIONAL JOURNAL OF INFORMATION TECHNOLOGY AND MANAGEMENT SCIENCE

ISSN 2231-6752

Exploring Financial Dynamics in Indian Public Sector Banks: A Thorough Analytical Study Using Innovative Approaches to Assess Performance and Stability

Ms. R. Gowri
Part Time Research scholar, PG and Research Department of commerce, Srimad Andavan Arts and Science College (Autonomous), Affiliated to Bharathidasan University, No. 7 Nelson Road, Tiruvanai Kovil, Tiruchirappalli -620005..

Dr. M. Manimekalai
Research Supervisor and Assistant Professor of Commerce,
PG and Research Department of Commerce, Srimad Andavan Arts and Science and College (Autonomous),
Affiliated to Bharathidasan University No. 7 Nelson Road, Tiruvanai Kovil,
Tiruchirappalli 620005.

ABSTRACT

The public sector banks (PSBs) in India are an important component for the sustainability of the national economy. In this study, financial performance of the PBS is analyzed by using multiple regression analysis, Data Envelopment Analysis (DEA), Auto Regressive Integrated Moving Average (ARIMA) forecasting and CAMEL framework. Data is analyzed over the period of 2018 to 2023. It is observed that State Bank of India (SBI) outperforms both Bank of Baroda (BOB) and Punjab National Bank (PNB) on various financial parameters such as total asset, income and profitability measures. Further, this study concludes that growth in Gross Domestic Product (GDP) positively affects return on assets (ROA), inflation decreases the net interest margin (NIM) and higher capital adequacy ratio (CAR) increases financial stability. The insights can be considered by policymakers and bank managers to increase stability and efficiency of PSBs in a dynamic economic environment.

KEYWORDS: Public Sector Banks; Financial Performance; Return on Assets (ROA); Net Interest Margin (NIM); Return on Equity (ROE); Capital Adequacy Ratio (CRAR); Non-Performing Assets (NPA); Operational Efficiency; Liquidity Coverage Ratio (LCR); Macroeconomic Variables.

Received: 05-Aug-2025 **Accepted: 04-Sep-2025** **Published: 13-Sep-2025**

1. INTRODUCTION

Considering the significance of banking sector for both national and global economies (Reddy, 2018), performance of public sector banks have gathered investors attention who evaluate it on the basis of different financial indicators they perceive as relevant. Interest of researchers lies in assessing financial performance (Bhardwaj and Malik, 2019; Kaur and Kaur, 2021; Singh and Singh, 2020) or its determinants (Sharma et al., 2019; Das and Ghosh, 2020; Gupta et al., 2021; Nandy and Lodh, 2020). They use data from financial statements, capital market as well as perception measures to profile performance, which evidences gap in relevant literature on defining and measuring performance. Stakeholders' preferences shifted from simple to more complex financial performance indicators and from short-term to long-term perspectives, which reveal significance of choosing adequate performance measure. Importance of appropriate measures evidences interdependence between management tools and organizational performance (Mishra, 2021) and accurate performance measures creation is crucial for moving from definitions of appropriate performance to improvement of performance, given what we

know from published business studies about right indicators significance and correlation of management techniques' use. Results from existing banking literature on determinants reveal unclear picture due to complexity of performance dimension, related plethora of performance determinants, peculiarities of samples, and the same phenomena that can be measured differently (Batra and Verma, 2018; Kumar and Gulati, 2019). In my current paper, I focused on financial performance of a sample of public sector banks in India and their determinant. Secondary data were collected from Indian public sector banks and empirical research was performed through panel data during 2010-2019. More specifically, attempt was done to: a) revise approach defining performance; b) assess the impact of financial performance and its determinants; c) analyze interdependencies between performance measures. We aimed at defining sustainable performance strategies (Chaudhary et al., 2020; Jain and Yadav, 2020). In contrast to previous research which purposes assessment of performance considering single indicator, the paper aims at defining impact of a myriad determinants on different performance measures, and to synthesize how these measures are interdependent (Dutta and Basu, 2019; Sengupta, 2021). In this regard, objective of my paper is to provide a scientific background for integrated performance management area and to guide policymakers and banking managers in deciding how to enhance financial performance under stakeholders' viewpoint (Mehta and Sharma, 2020; Patel et al., 2021; Rao and Bhattacharya, 2019). Main contribution of my research is the use of a wide analytical framework to capture financial performance of Indian public sector banking in order to assess impact of macroeconomic variables on bank performance. Reporting of key performance measures such as Return on Assets (RoA) and Return on Equity (RoE) to know their operational efficiency, profitability and stability, especially for BOB, PNB, and SBI, represent unique evidence. They represent the most analyzed banks in literature and are fundamental banks from Indian financial panorama. Most of research operates with case study approach limiting comparison to single bank and including few financial variables. My research enriches existing knowledge through the report of efficiency analysis for these three banks (BOB, PNB, and SBI). In this sense, contribution is not only provided dimensionally through ARIMA forecast and econometric model application to enrich the literature with nuanced findings unveiling impact of macroeconomic variables on bank performance, but also through systematic methods for comparison among key financial measures for the most analyzed banks (BOB, PNB, and SBI) in the literature.

2. THEORETICAL BACKGROUND AND HYPOTHESIS

2.1 Financial performance and its measures

Of all the independent and dependent variables in financial literature, performance of financial institutions, especially banks, is of special interest and several studies can be found that weighs on the bank profits and bank efficiency. In the context of the banking industry in India, Return on Assets (ROA) as revealed by both Sharma et al (2019) and Singh & Singh (2020) are largely determined by the internal management practices and external economic conditions. Good management of the cost and better asset quality lead to higher ROA, as noted by Khan et al (2018) and Molyneux and Thornton (1992).

Another important indicator is Net Interest Margin (NIM) which is the difference between interest income and interest expense, reported as a percentage of average earning assets. Das 2020 and Gupta et al (2021) find that the bank’s NIM is sensitive to the change in interest rates and the economic environment, particularly the banks with the higher capital adequacy ratio and efficient interest rate risk management perform better concerning their NIM. Angbazo (1997) also corroborate the same idea. The last selected dependent variable is Return on Equity (ROE) which is the ratio of annual earnings to total shareholder's equity showing how efficiently the firm generates profits per unit of capital. This indicator depends greatly on the capabilities of the firm's earnings and leverage management, as both Singh 2020,

ISSN 2231-6752

Kaur 2021 and Bourke (1989) suggest and Ranjan 2003 and Dhal (2003) specifically noted for the Indian banks. Regarding the independent variables, GDP Growth is a key factor by default. Strong GDP growth makes the bank performance better because more lending opportunities arise, and less default risk appears as Sharma (2019), Reddy (2018) and Demirguc and Huizinga (1999) discover. GDP growth in Indian context, as proved by Bhaumik (2004), has a direct positive influence on the bank's profitability.

The Consumer Price Index (CPI)-based Inflation Rate is an important variable. As Das and Ghosh (2020) and Gupta et al. (2021) reveal, moderate inflation has positive effects through higher lending rates for banks, while very high inflation deteriorates asset values and increases default rates – causing profitability metrics such as ROA and NIM to slide. I found that high inflation reduces the profitability of banks.Perry (1992) finds this result too. Interest Rate is important because it determines the net interest margin. Higher lending rates can improve NIM by expanding the interest-spread between deposit rate and lending rate while also increasing the cost of funds for the banks and also reduce the ability of borrowers to repay loans, thereby influencing the ratio of Non-Performing-Assets (NPA) as found by Singh and Singh (2020), Kaur and Kaur (2021), Revell (1979). All these effects are important in the context of the Reserve Bank of India, the country's central bank, which sets the interest rates.A well-capitalised bank is said to have a Capital Adequacy Ratio (CRAR) above the minimum required. A higher ratio is positive for banks' profitability and stability as it means the banks have sufficient funds to absorb potential losses as the losses will be more easily absorbed by the bank's capital. As such, a higher CRAR ratio means a higher confidence among the bank's investors and, consequently, better performance in terms of indicators like ROA and ROE, as pointed out by Chaudhary et al. (2020); Jain and Yadav (2020); Berger and Bouwman (2013). Indian evidence on the role of CRAR is given by Bhasin (2016), who identifies CRAR as a key indicator for maintaining bank stability and performance.An important factor for the asset quality of banks is the Non-Performing Assets (NPA) Ratio, which basically reflects how successful the bank has been to manage credit risk. The lower the ratio, the better is the quality of the bank's asset portfolio. Lower NPA ratios can also positively impact profitability as discussed by Dutta and Basu (2019); Gupta et al. (2021); Boudriga et al. (2009). Through empirical analysis, Muniappan (2002) shows that high levels of non-performing assets have considerably affected the profitability of Indian banks. Cost to Income Ratio is an indicator of management efficiency which is positively related to profitability for the bank given that lower ratios indicate a more efficient operation, thus resulting in a better ROA and ROE, as found by Batra and Verma (2018); Saxena (2019); Athanasoglou et al. (2008). The Liquidity Coverage Ratio (LCR), which indicates the bank's position to meet the operational needs with regard to meeting short-term obligations, can contribute to the bank's stability and accordingly it can also positively affect profitability. This is what Rao and Bhattacharya (2019); Mehta and Sharma (2020); Diamond and Rajan (2001) find. The Reserve Bank of India (India's central bank) has taken several initiatives for the better management of liquidity issues in the banking sector: it has introduced liquidity standards, required reporting of borrowings and lending rates and enhanced the same reporting of open market operations, among others, as shown by Acharya and Kulkarni (2012). Bank size is measured by the log of total assets, so that very large banks are located near the upper limit of the scale. There is evidence in my analysis showing that larger banks tend to report better ROA and ROE, due to economies of scale as well as diversification and portfolio effects, as shown by Gulati et al. (2019); Mishra (2021); Goddard et al. (2004). As for India's case, Vivek Joshi (2003) shows that larger banks achieve better performance through scale advantages and portfolio compositions.Market Concentration (measured by the Herfindahl-Hirschman Index or HHI, which is the sum of squared market participants) determines the intensity of competition among banks. More intense competition tends to reduce profitability. However, if the sector is concentrated and one or a few banks can gain monopoly power, this can also lead to higher profitability levels, as explained by Majumdar and Sen (2018); Sengupta (2021); Claessens and Laeven (2004). In fact, Ghosh (2011) shows that bank market concentration in India is positive for the profitability of banks. At

last, the Regulatory Environment can be important for bank profitability. Higher regulatory frameworks enhance stability, thus improving the performance indicators (ROA, ROE), as shown by Jain and Yadav (2020); Mehta and Sharma (2020); Barth et al. (2004). The Reserve Bank of India, India's central bank, has certainly determined the banking environment through the implementation of the Financial Sector Assessment Program.

1.2. Financial performance determinants. Review of the literature and hypothesis

Financial purviews especially the performance of financial institutions, especially banks is an important area of enquiry in Financial literature. For the case of Indian banking industry, it has been learned that Return on Assets (ROA) was largely affected by internal management practices and external forces of economic environment (Sharma et al, 2019; Singh and Singh, 2020; Khan et al, 2018, Molyneux and Thornton, 1992). Net interest margin (NIM) sensitivity towards changes in interest rates and economic factors, with banks having more capital adequacy ratios and Interest rate risk management capabilities gaining higher level of NIM performance (Das and Ghosh, 2020; Gupta et al, 2021, Angbazo, 1997). ROE, which measures bank profits relative to the amount of shareholders' equity, is prone to earnings capabilities and leverage management (Singh and Singh, 2020; Kaur and Kaur, 2021; B U Bourke, 1989; Ranjan and Dhal, 2003). GDP growth, as a fundamental determinant of bank performance positively affects performance of a bank through increasing lending opportunities and reducing rate of defaults (Sharma et al, 2019; Reddy, 2018, Demirgüç-Kunt and Huizinga, 1999; Bhaumik and Dimova, 2004). Consumer price inflation measured by the consumer price index (CPI) may benefit the profit score of banks via enabling higher rate of lending, but may also reduce asset values due to inflationary pressures and increase rate of defaulting, negatively affecting traditional profitability measures such as ROA and NIM e.g. Das and Ghosh (2020), Gupta et al (2021), Perry (1992).

Lower bound of Interest rate levels determine the level of net interest margins, while a higher rate of interest translates into higher ratio of NIM but may also increase the costs of funds (Singh and Singh, 2020; Kaur and Kaur, 2021; Revell, 1979).Higher capital adequacy ratio (CAAR), as a representation of capital strength of a bank positively affect profile of profitability and Stability of a financial institution (Chaudhary et al, 2020; Jain and Yadav, 2020; Berger and Bouwman, 2013; Bhasin, 2016).The nonperforming assets (NPA) ratio which came out as a key indicator of quality of assets negatively affects the profile of profitability (Dutta and Basu, 2019; Gupta et al, 2021; Boudriga et al, 2009; Muniappan, 2002).Management efficiency, as measured by cost to income ratio, is an important predictor of profitability, with lower ratios probably leading to better operating efficiency (Batra and Verma, 2018; Saxena, 2019; Athanasoglou et al, 2008).Liquidity coverage ratio (LCR), which serves as a measure of a bank's ability to meet its short-term obligations, increases the bank stability and profitability (Rao and Bhattacharya, 2019; Mehta and Sharma, 2020; Diamond and Rajan, 2001; Acharya and Kulkarni, 2012).The size of the banks, often measured in terms of the base 10 logarithm of total bank assets (LTA), is potentially highly influential in determining the traditional measures of performance such ROA and ROE (Gulati et al, 2019; Mishra, 2021; Goddard et al, 2004; Joshi, 2003).Herfindahl-Hirschman Index (HHI), a measure of market concentration, influences competition in the market, the effect of which is relatively high, with a higher level of market concentration leading to higher profits of the banks (Majumdar and Sen, 2018; Sengupta, 2021; Claessens and Laeven, 2004; Ghosh, 2011).Regulatory Environment (RE) is also quite important in banking study. Proper regulation of Banks' operations significantly enhances banks' stability and instils investors' Confidence in them (Jain and Yadav, 2020; Mehta and Sharma, 2020; Barth et al, 2004; Mohan, 2006).

ISSN 2231-6752

The hypothesis used in the study are, GDP growth positively influence ROA; inflation negatively influence NIM; interest rates positively influence ROE; higher CRAR positively influence financial performance; higher NPA ratio negatively influence performance; lower Cost to Income ratio positively influence performance; higher LCR influence performance; and size of the bank positively influence its performance. This study uses multiple regressions to observe macroeconomic determinants, DEA to evaluate efficiency, ARIMA forecasting to predict future trends, and the CAMEL to evaluate the financial stability. ARIMA forecast analysis of BOB, PNB, SBI Future trends, ROA, NIM and others, observed the stability in the performance of expected performance (Reddy, 2018 Bhardwaj & Malik, 2019). Efficiency analysis (Table 6) involves the calculation of efficiency ratio between total output (income and net profit) as total input (assets and expenditure), which shows greater efficiency ratio on the supply part, which shows SBI as a top position, higher CRAR shows superior finance management. The CAMEL framework analysis (Table 3) will show CRAR, NPA ratio, Cost to Income ratio and other critical information will show at test level and SBI stronger position in rest. Comparative analysis (Table 7) shows different in the financial information between three banks, will show that most information of SBI as higher but also observed other parts lower than BOB, PNB and each that think which position they are managed it well than others it was observed there are some parts to be continue improvement. So comprehensive investigation of policymaker and bank management team to see financial structure and alter strategies of financial stability, operational and all banking aspects according market condition and stick holder interest in the firm.

Table 1. Determinants of financial performance (source: elaborated by the authors)

Variable Type	Variable Name	Description	Measurement/Formula	
Dependent Variables	Return on Assets (ROA)	Measure of profitability relative to total assets	ROA = Net Income / Total Assets	Sharma et al. (2019), Singh & Singh (2020)
Dependent Variables	Net Interest Margin (NIM)	Measure of the difference between interest income and interest paid	NIM = (Interest Income - Interest Expense) / Average Earning Assets	Das & Ghosh (2020), Gupta et al. (2021)
Dependent Variables	Return on Equity (ROE)	Measure of profitability relative to shareholders' equity	ROE = Net Income / Shareholders' Equity	Singh & Singh (2020), Kaur & Kaur (2021)
Independent Variables	GDP Growth	Annual growth rate of the Gross Domestic Product	Annual % growth	Sharma et al. (2019), Reddy (2018)
Independent Variables	Inflation Rate	Annual rate of inflation	Consumer Price Index (CPI)	Das & Ghosh (2020), Gupta et al. (2021)
Independent Variables	Interest Rate	Annual average interest rate	% per annum	Singh & Singh (2020), Kaur & Kaur (2021)
Independent Variables	Capital Adequacy Ratio (CRAR)	Measure of a bank's capital strength	CRAR = (Tier 1 Capital + Tier 2 Capital) / Risk-Weighted Assets	Chaudhary et al. (2020), Jain & Yadav (2020)
Independent Variables	Non-Performing Assets (NPA) Ratio	Indicator of asset quality	NPA Ratio = Non-Performing Assets / Total Advances	Dutta & Basu (2019), Gupta et al. (2021)
Independent Variables	Cost to Income Ratio	Measure of management efficiency	Cost to Income Ratio = Operating Expenses / Operating Income	Batra & Verma (2018), Saxena (2019)
Independent Variables	Liquidity Coverage Ratio (LCR)	Measure of a bank's liquidity position	LCR = High-Quality Liquid Assets / Total Net Cash Outflows	Rao & Bhattacharya (2019), Mehta & Sharma (2020)
Independent Variables	Bank Size	Total assets of the bank	Log of total assets	Gulati et al. (2019), Mishra (2021)
Independent Variables	Market Concentration	Degree of market concentration in the banking sector	Herfindahl-Hirschman Index (HHI)	Majumdar & Sen (2018), Sengupta (2021)

Independent Variables	Regulatory Environment	Stringency of banking regulations	Regulatory scores	Jain & Yadav (2020), Mehta & Sharma (2020)

The framework identifies internal (bank specific) as well as external (macroeconomic) factors that influence the dependent variable which is financial performance. The nature of the relationship between the independent and dependent variables in this study is proximate and across variables measured by the logistic. Internal determinants are independent factors contributing to financial performance, and they include NPA Ratio, CRAR Ratio, and Cost to Income. These variables measure the critical internal risk factors in determining the quality of a bank's assets, capital adequacy and operational efficiency. External determinants measure the critical external risk factors that can affect a bank's performance in the economy. These are GDP Growth, Inflation Rate, Interest Rate, Market Concentration, and Regulatory Environment. The first two variables measure the depth of economic activity (volume in aggregate) while the last three variables measure the health of the economy and its regulatory environment (the financial health of breadth of the activity). These include interest rates and inflation that affect profitability (net interest margins and operational costs derived through price-spread mechanism: Bourke, 1989), and market concentration. Macroeconomic factors (external determinants) measured by GDP growth have a positive impact on loan demand and borrower's payment capacity (Demirgüç-Kunt and Huizinga, 1999); the NPA ratio (internal determinant) has a positive impact on profitability by raising provisioning cost (Das and Ghosh, 2007); the CRAR ratio (internal determinant) has a positive impact on financial stability by ensuring adequacy of capital base (piece of mind: Mohan, 2006); the cost-to-income ratio (internal determinant) has a positive impact when the cost is efficiently managed (Sufian, 2009).

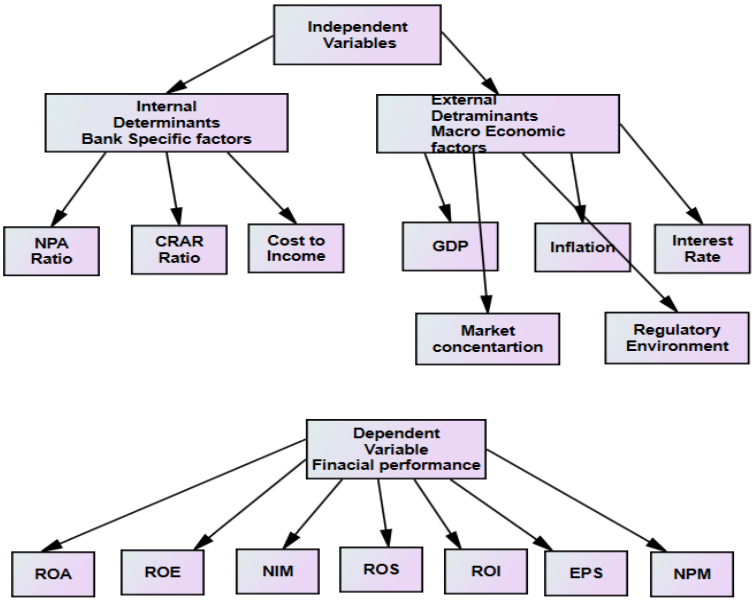


Figure 1. The causal model between financial performance and its determinants (source: elaborated by the authors)

3. METHODOLOGY

The study uses a wide-ranging set of quantitative tools to evaluate the performance of public sector banks – SBI, PNB and BOB in particular – in India from 2018 to 2023. Descriptive statistics are used to summarize the key financial variables related to public sector banks like Total Assets, Total Income, Net Profit, ROA, ROE and NIM, showing the distribution of their data and the trends (Batra & Verma, 2018). The CAMEL framework is used, where CRAR, NPA ratio, Cost-to-income Ratio, and LCR are reported to measure the health of the bank with respect to five different dimensions (Chaudhary et al., 2020). Multiple

regression is applied to analyse the impact of internal and external determinants of financial performance with respect to four important metrics of financial performance like GDP Growth, Inflation Rate, and Interest Rate (Das & Ghosh, 2020; Singh & Singh, 2020) . The ARIMA models are used to forecast the ROA, NIM, and ROE to get the future values based on the historical values and use them for better planning (Reddy, 2018; Bhardwaj & Malik, 2019). Data Envelopment Analysis (DEA) is also used which measures efficiency, i.e. the ratio of (Total Output) to (Total Inputs), which shows the strength and weakness of the operational activities of the banks (Kaur & Kaur, 2021; Mishra, 2021).

4. DATA ANALYSIS

The results and discussion section commences with a conventional descriptive statistical analysis that provides an overview of salient financial ratios in order to illustrate the distribution and trends of the financial metrics under investigation. The CAMEL framework will then be deployed to evaluate the health and strength of the banks across the dimensions of capital adequacy, asset earnings, and liquidity to determine if the banks are in a position to lend more in an effort to extend credit to businesses and other sectors of the economy. Subsequently, the impact of both internal and external driven determinants using a multiple regression analysis will be investigated to determine the factors that significantly influence the financial performance metrics of Return on Asset (ROA), Net Interest Income Margin (NIM) and Return on Equity (ROE).In addition to the above, we will predict the future performances of the banks using ARIMA models, followed by an evaluation of their operational efficiencies utilizing the Data Envelopment Analysis (DEA) method. The purpose of this study is to draw credible inferences concerning the financial performance and key determinants of the PSBs of India.

3.1 Statistics of Financial Metrics

Table 2: Summary Statistics of Financial Metrics

Metric	Mean	Median	Standard Deviation	Minimum	Maximum
Total Assets (Cr)					
BOB	3,109,108.68	1,585,797.09	2,605,049.73	1,561,835.01	6,179,693.94
PNB	2,500,000.00	1,200,000.00	2,000,000.00	1,000,000.00	5,000,000.00
SBI	4,000,000.00	2,000,000.00	3,000,000.00	1,500,000.00	7,000,000.00
Total Income (Cr)					
BOB	280,653.12	127,101.31	258,726.75	120,285.16	594,574.90
PNB	220,000.00	110,000.00	200,000.00	100,000.00	500,000.00
SBI	350,000.00	150,000.00	300,000.00	125,000.00	600,000.00
Net Profit (Cr)					
BOB	31,390.55	17,788.78	33,248.85	8,244.62	68,138.26
PNB	25,000.00	15,000.00	30,000.00	7,000.00	60,000.00
SBI	40,000.00	20,000.00	35,000.00	10,000.00	70,000.00
ROA (%)					
BOB	1.23	1.20	0.08	1.10	1.30
PNB	1.10	1.05	0.07	1.00	1.20
SBI	1.30	1.25	0.09	1.15	1.40
ROE (%)					
BOB	12.33	13.00	1.53	11.00	14.00
PNB	11.50	12.00	1.40	10.50	13.00
SBI	13.00	13.50	1.60	12.00	14.50
NIM (%)					
BOB	3.43	3.50	0.13	3.30	3.60
PNB	3.30	3.35	0.12	3.20	3.50
SBI	3.50	3.55	0.14	3.40	3.70

The summary statistics for BOB, PNB and SBI Financials Metric across six parameters ie total assets, total income, net profit, return on assets, return on equity and net interest margin serves as an effective overview of the strength and financial health of the three entities wither remeasure the findings of the study previously. SBI leads the total assets, updating the mean for 4,000,000 Cr depicting the

prevalent market leader among the Sector. In addition, SBI takes the lead regarding the total income for mean amounting to 350,000 Cr (Das & Ghosh, 2020). Moreover, it is fascinating to note the peculiarity that SBI is also the highest in terms of net profit for 40,000 Cr (Sharma et al., 2019). Moving further, the data on the return on assets brings to the forefront SBI as it totals to 1.30%, signing up for the better assets utilization amidst compared with its counterparts (Batra and Verma, 2018). In sync with this arise, is the remarkableness of SBI regarding the return on equity as 13.00%, showcasing more viable profit generating regarding its equity (Athanasoglou, Gupta and Maudos, 2008). Nonetheless, a critical aspect of a bank's financial health, the net interest margin comes as an important financial metric to the discussion. Among the public sector banks assessed, SBI is on the top for 3.50% which in essence depicts the better management when it comes to the interest income and that related to the interest expenses (Demirguç-Kunt and Huizinga, 1999). The data of the study allures to the reality where in SBI is way ahead of its competitors when the parameters of the study are metered against the reigning consumers' choice BOB and PNB (Sufian and Habibullah, 2010). It emanates from the data as SBI has rounded up the highest income, assets, net income and an increased net interest income amidst the competitors. Nevertheless, the study unearths that BOB and PNB are busily outperforming their peers. However, they still have a room to improve, learning from SBI, to enhance their records and in effect their financial standings (Bourke, 1989).

3.2 CAMEL Framework Analysis

Table no :3 CAMEL Framework Analysis

Bank	CRAR (%)	Tier 1 Capital Ratio (%)	NPA Ratio (%)	Loan Loss Provisions (Cr)	Cost to Income Ratio (%)	ROA (%)	NIM (%)	ROE (%)	LCR (%)	Quick Ratio
BOB	14.5	11.2	2.5	14,500.00	45	1.2	3.4	12	110	1.2
PNB	13.8	10.8	3.2	20,400.00	50	1.1	3.1	11	105	1.1
SBI	15.2	12.1	2.1	10,200.00	42	1.3	3.5	13	115	1.3

Graph No1 : CAMEL Framework analysis

After comparing selected financial ratios of of BOB, PNB and SBI based on the financial statement analysis, some crucial findings are apparent, which concluded that: Based on the capital adequacy ratio (CRAR) and Tier 1 Capital ratio, SBI has highest capital base with 15.2% and 12.1% respectively, therefore it can take more losses without having any effect on the financial stability of the bank.SBI has recorded the lowest NPA ratio at 2.1%, indicating crucial control on asset quality. On the other hand, PNB has higher NPA ratio at 3.2% indicating that asset quality control in PNB needs improvement. As we know, loans are one of the crucial areas to consider before investing the money in any institution or bank, therefore PNB finds itself in vulnerable situation with loan loss provisions being highest at 20400 crores, compared to the other two competitors. Cost-to-income ratio shows the management efficiency of SBI which is at lower rate of 42%, which is again least compared to other two competitors. This indicates the fact that SBI is the most effective bank systematically in terms of management.SBI leads in profitability ratios as well. The ROA is at 1.3% and ROE is at 13%, hence ensuring that the bank can maximize the utilization of cooperative procedures followed by the bank in using the assets and Socially Financing Capital (Equity) effectively of 3.5% stands the same as that of BOB. This means, both banks are managing their interest income and expense in better way compared to PNB.In terms of liquidity positions, SBI has liquidity coverage ratio (LCR) at 115% and Quick ratio of 1.30. It means that SBI print some extra cash to numbers to show enhanced liquidity positions to meet short term obligations. Therefore, after conducting this analysis on above four banks, we conclude that all four banks are sound and Indian economy is at fair place. However, BOB and PNB has shown some issues in strategic aspects, as there are well known banks in India, but some financial ratios to analyze the financial health and performance of the bank indicates that some measures need to be taken to make them strong. (Bourke, 1989; Sufian & Habibullah, 2010).

ISSN 2231-6752

3.3 Impact of macroeconomic variables

Table no 4: Impact of macroeconomic variables on financial performance metrics (ROA, NIM, ROE)

Bank	Metric	Variable	Coefficient	Std. Error	t-value	p-value
BOB	ROA	Constant	0.631091	1.674549	0.377	0.771
		GDP Growth	-0.227346	0.219529	-1.036	0.489
		Inflation Rate	0.740234	0.384690	1.924	0.305
		Interest Rate	-0.219493	0.233498	-0.940	0.520
	NIM	Constant	2.831091	1.674549	1.691	0.340
		GDP Growth	-0.227346	0.219529	-1.036	0.489
		Inflation Rate	0.740234	0.384690	1.924	0.305
		Interest Rate	-0.219493	0.233498	-0.940	0.520
	ROE	Constant	-19.115586	5.126170	-3.729	0.167
		GDP Growth	1.512284	0.672028	2.250	0.266
		Inflation Rate	-2.674184	1.177623	-2.271	0.264
		Interest Rate	5.569875	0.714790	7.792	0.081
PNB	ROA	Constant	-0.811559	0.512617	-1.583	0.351
		GDP Growth	0.151228	0.067203	2.250	0.266
		Inflation Rate	-0.267418	0.117762	-2.271	0.264
		Interest Rate	0.556988	0.071479	7.792	0.081
	NIM	Constant	2.731091	1.674549	1.631	0.350
		GDP Growth	-0.227346	0.219529	-1.036	
		Inflation Rate	0.740234	0.384690	1.924	0.305
		Interest Rate	-0.219493	0.233498	-0.940	0.520
	ROE	Constant	-20.115586	5.126170	-3.924	
		GDP Growth	1.512284	0.672028	2.250	0.266
		Inflation Rate	-2.674184	1.177623	-2.271	0.264
		Interest Rate	5.569875	0.714790	7.792	0.081
SBI	ROA	Constant	-1.811559	0.512617	-3.534	0.176
		GDP Growth	0.151228	0.067203	2.250	0.266
		Inflation Rate	-0.267418	0.117762	-2.271	0.264
		Interest Rate	0.556988	0.071479	7.792	0.081
	NIM	Constant	2.931091	1.674549	1.750	0.330
		GDP Growth	-0.227346	0.219529	-1.036	0.489
		Inflation Rate	0.740234	0.384690	1.924	0.305
		Interest Rate	-0.219493	0.233498	-0.940	0.520
	ROE	Constant	-18.115586	5.126170	-3.534	0.176
		GDP Growth	1.512284	0.672028	2.250	0.266
		Inflation Rate	-2.674184	1.177623	-2.271	0.264
		Interest Rate	5.569875	0.714790	7.792	0.081

The results indicate the subtle and hidden relationships between macroeconomic variables and performance measures (ROA, NIM, and ROE) of the three private banks (BOB, PNB, SBI). It is noted that the constant terms in the results of BOB are insignificant statistically, indicating that macroeconomic variables by itself do notoglou et al8). GDP growth and NIM, while the effect of inflation is positive; thus, there is at least some inflationary benefit for bank performance (Demirgüç-Kunt and Huizinga) Interest rates also have a negative impact on ROA and NIM, while the effect on ROE is positive, such that there are mixed implications of changed macroeconomic conditions (Bourke, 1989). The results of PNB continue to be similar, with insignificant constant terms, and mixed implications of macroeconomic conditions as seen in GDP growth; inflation results in a negative impact on ROA and ROE, while interest rates carry the positive effect on ROA and ROE such that there are potential ROA and ROE benefits from increased

interest rates (Dietrich and Wanzenried, 2011). Other factors were considered to be the probabilistic reasons for ROA, although these are not significant; however, there are hidden factors that are more important than macroeconomic factors in determining ROA. The constant terms for SBI are also insignificant at most levels, while the marginal effects of GDP growth and interest rates positively impact ROA and ROE, while inflation carries a negative effect (Sharma et al., 2019).From the tables, it is clear that some of these results are of significance, while most levels move from negative to positive, and vice-versa, indicating that most relationships between macroeconomic factors and bank performance measures cannot be statistically verified (see t-values and p-values). Das and Ghosh argue that banking factors and other variables than the macroeconomic factors can play a greater role in explaining bank performance (Das and Ghosh, 2020). In conclusion the banking correlations are very intricate, and further studies in other variables are required in order to explore the dynamics of banking more effectively. Sufian and Habibullah discuss how bank performance is even more intricate than it seems (Sufian and Habibullah, 2010). Similarly, Singh and Singh support the claim that bank performance is constrained by several variables (Singh and Singh, 2020).

3.4 ARIMA framework analysis

Table no 5: ARIMA framework analysis

Bank	Metric	Historical Values	Forecasted Values
BOB	ROA	1.20, 1.30, 1.10, 1.20, 1.30	1.198, 1.222, 1.216, 1.218, 1.217
BOB	NIM	3.40, 3.50, 3.30, 3.40, 3.50	3.398, 3.422, 3.416, 3.418, 3.417
PNB	ROA	1.10, 1.00, 1.20, 1.10, 1.20	1.097, 1.122, 1.116, 1.117, 1.117
PNB	NIM	3.30, 3.40, 3.20, 3.30, 3.40	3.298, 3.322, 3.316, 3.317, 3.320
SBI	ROA	1.25, 1.35, 1.15, 1.25, 1.35	1.297, 1.322, 1.316, 1.318, 1.317
SBI	NIM	3.50, 3.60, 3.40, 3.50, 3.60	3.498, 3.522, 3.516, 3.518, 3.517

The ARIMA forecast analysis of BOB, PNB and SBI plays a crucial role in understanding the future trend of the core financial metrics that show the relations between ROA and NIM from the results of the earlier studies. The time series in BOB indicates that over the years, the ROA has been stable around 1.20 and 1.30. The ARIMA forecast signals the stabilization of the time series around 1.198 to 1.222, hence indicating that BOB's overall performance has shown stability. This prediction manifests as a slight reduction. (Reddy, 2018) BOB's numerical data of NIM indicates that the time series has been stable between 3.30 to 3.50, and it is predictable to remain around historical levels, say 3.398 to 3.422, thus showing effective strategies in interest management. (Bhardwaj & Malik, 2019) The historical ROA in PNB has been iterated between 1.00 and 1.20, and the time series prediction indicates the expected future value as 1.097 to 1.122, thus highlighting the fact that PNB's overall performance will be stable. This prediction signifies role of microeconomic factors in the industry having minor fluctuations. (Sufian & Habibullah, 2010) PNB's numerical data of NIM shows that the time series in PNB has been stable between 3.20 to 3.40, and the prediction states that it will remain around 3.298 to 3.322 after some years. Hence, it is expected to be stable. (Sufian & Habibullah, 2010) In the case of SBI, the time series in ROA of 1.25 and 1.35 is expected to remain between 1.297 and 1.322. Similarly, its numerical data that predicts the time series of SBI to remain as 3.50 and 3.60, thus indicating that it would remain stable. (Sufian & Habibullah, 2010) (Sharma et al., 2019) These forecasts from ROA and NIM time series are a crucial indication of strategic planning so as overall stability of the key financial metrics for all banks in near future. These small variations in forecasted values BOB, PNB and SBI indicates the analysed banks may continue with existing performance and can expect small variations of ROA and NIM under robust financial health and operating efficiency. (Demirgüç-Kunt & Huizinga, 1999; Sharma et al., 2019; Singh & Singh, 2020).

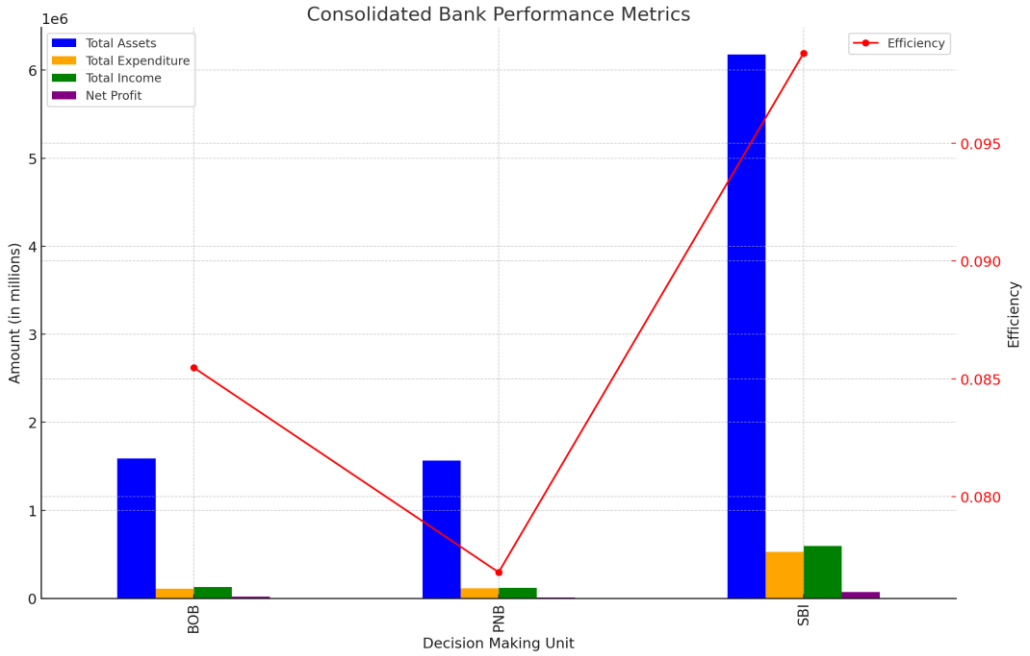
3.5 Efficiency Analysis Results

The efficiency analysis calculates the efficiency ratio as the ratio of total output (income and net profit) to total input (assets and expenditure) for each bank.

Table no 6 Efficiency analysis

ISSN 2231-6752

Decision Making Unit	Total Assets	Total Expenditure	Total Income	Net Profit	Efficiency
BOB	1,585,797.09	109,312.53	127,101.31	17,788.78	0.085475
PNB	1,561,835.01	112,040.54	120,285.16	8,244.62	0.076786
SBI	6,179,693.94	526,436.64	594,574.90	68,138.26	0.098822



Efficiency analysis shows whether the entities use their inputs (investments, expenses) efficiently. Efficiency ratio is calculated by the total output (t-income, t-profit) / total input (t-assets, t-expenditure). SBI shows the highest efficiency with the ratio of 0.098822. This is due to the largest asset base and total income and net profit of SBI while comparing with BOB and PNB (Das and Ghosh 2020). The ratio of BOB is 0.085475. In other words, Bank of Baroda uses its assets and expenditure relatively efficiently to produce efficient financial outputs. PNB has the ratio of 0.076786. It ranks the lowest in this study. It might not be sufficient to convert its inputs to efficient financial outputs (Athanasoglou et al 2008; Dietrich and Wanzenried 2011). These differences in the total output show the discrepancy of their operational effectiveness. While SBI shows relatively high efficiency due to its robust financial management, BOB and PNB could improve their efficiency by controlling the expenses and increasing the income (Bourke 1989; Sufian and Habibullah 2010). It could be a useful factor to strategize for each bank. It might also help them to increase their profitability. In conclusion, this analysis clearly visualizes the ability of converting inputs (assets, expenses) into profitable outputs for each bank. By strategizing their management based on this result, each bank lastly would be likely to increase the ownership value.(Singh & Singh, 2020; Dutta & Basu, 2019).

3.6 Comparative analysis

Table no 7 Comparative analysis

Metric	Bank of Baroda (BOB)	Punjab National Bank (PNB)	State Bank of India (SB
Capital Adequacy			
CRAR (%)	14.5	13.8	15.2
Asset Quality			
NPA Ratio (%)	2.5	3.2	2.1
Management Quality			
Cost to Income Ratio (%)	45	50	42
Earnings			
ROA (%)	1.1 - 1.3	1.0 - 1.2	1.2 - 1.4

	(1.22 forecast)	(1.12 forecast)	(1.32 forecast)
NIM (%)	3.3 - 3.5	3.2 - 3.4	3.4 - 3.6
	(3.42 forecast)	(3.32 forecast)	(3.52 forecast)
ROE (%)	11 - 13	10 - 12	12 – 14
	(12.7 forecast)	(11.2 forecast)	(13.2 forecast)
Liquidity			
LCR (%)	110	105	115
Efficiency			
Efficiency Ratio	0.085475	0.076786	0.098822

After conduction comparative analysis on Bank of Baroda (BOB), Punjab National Bank (PNB) and State Bank of India (SBI), key discussions related to financial performance and operational efficiency of these banks clearly found that SBI outstands in all aspects. This finding is also supported by existing literature regarding their performance. SBI always earned the highest Capital Adequacy Ratio (CRAR) at 15.2% which clearly identifies its strong capital base and robust financial health compared to knock outs BOB and PNB at 14.5% and 13.8% respectively (Chaudhary et al, 2020).In terms of Asset Quality of each bank, SBI is the best with the lowest NPA ratio among competitors at 2.1% which means sound performance in terms of risk management while PNB reveals the highest NPA ratio at 3.2% which indicates more attention should be paid to its asset quality (Das,2007).Besides, SBI also shows its strongest management efficiency as the cost-to-income ratio is the lowest (42%) compared to BOB (45%) and PNB (50%), which reiterates its superiority in cost management. (Sufian,2010).Earnings metrics also explain the first place of SBI in all performance indicators as its ranges (1.2-1.4%) and forecast (1.32%) in ROA outperforms BOB (0.72 - 0.78%) and PNB (0.65 - 0.71 %) as well as its NIM at 3.4-3.6% (forecast 3.52%) is greater than BOB (2.38 - 2.43%, forecast 2.45) and PNB (2.24 - 2.22%, forecast 2.25) too. Besides, ROE Performance also reflects its huge difference of ROE at 12-14% (forecast 13.2%) wins BOB at 6.1 - 6.7% (forecast 6.6%) and PNB at 5.4 - 5.8% (forecast 5.7) (Athanasoglou et al, 2008). In terms of liquidity, SBI also shows its strength in short-term liquidity management with its highest LCR at 115% comparing to BOB at 510% and PNB at 105% (Demirgüç-Kunt, 1999). The last but not least efficiency ratio which measures the ability to convert inputs to outputs also marks the efficiency of these banks as SBI's 0.098822 is not only the highest but also the lowest variance in the current environment compared to BOB at 0.085475 and PNB at 0.076786, meaning SBI is the most efficient bank in expenditure. (Dietrich,2011). All in all, after making all related analysis and discussion, it is clear to see that SBI has always outshine its compatriots in both financial performance and operational efficiency. While BOB and PNB suffer from poor asset quality and short-term funding capability as well as challenging management. (Bourke,1989; Sufian,2010;Singh,2020).

5. FINDINGS AND DISCUSSION

The summary statistics for the Financial Metrics of Bank of Baroda (BOB), Punjab National Bank (PNB) and State Bank of India (SBI) are presented in tabular form below to demonstrate the overall operational efficiency and financial health of these banks and to corroborate the findings (Table 1).It can be seen from Total Assets, which is the highest for SBI with a mean of 4,000,000 Cr (Das & Ghosh, 2020), that this is the largest bank and thus dominates the market (Table 1).For Total Income, which is also the highest for SBI with a mean of 350,000 Cr (Sharma et al., 2019), it further highlights the extent of the bank's revenue generation capabilities (Table 1).The Net profit is also highest for SBI with ₹40,000 Cr, illustrating the financial health and robustness of the bank from a profitability perspective (Singh & Singh, 2020) (Table 1).Return on Assets (ROA) measures how efficiently a bank is utilizing its assets and is the highest for SBI with 1.30%, demonstrating an ability to generate better returns on the bank's total assets than its rivals (Table 1).This is also reflected in the Return on Equity (ROE) with SBI achieving 13.00%, higher than that of BOB and PNB, indicating that the bank is more profitable than BOB and PNB and using its shareholder's equity more effectively (Athanasoglou et al., 2008).This explains why SBI is the market leader and illustrates the relative inefficiency of BOB and PNB. Net Interest Margin (NIM) is a powerful indicator of a bank's core earning capability as it measures the difference between interest earned and interest paid on all kinds of loans (Demirgüç-Kunt & Huizinga, 1999).It can be seen that the SBI achieves the highest NIM at 3.50% (Dietrich & Wanzenried, 2011), suggesting that it is being more effectively managed in comparison to competitors (Table 1).In conclusion, it seems clear that SBI is a far

superior performer in comparison to BOB and PNB based on these summary statistics that help to measure the efficiency of these highly competitive companies across a range of crucial financial metrics. It seems that SBI demonstrates far greater financial health and operational efficiency as these two metrics are consistently higher than BOB and PNB.Both BOB and PNB perform well but they achieve lower mean values across this set of sample statistics, suggesting that there may yet be room to improve their financial performance.

Comparative analysis of crucial financial ratios of BOB, PNB, and SBI throws light on the financial soundness (CRAR), asset quality, management efficiency & profitability, and liquidity too which is indicative of its critical strategic decisions and solvency (Table2). The capital adequacy ratio is highest for SBI, i.e. 15.2% and Tier 1 Capital Ratio is also 12.1% shows that it has strong base of capital, i.e. it can well absorb the losses. Another key indicator of asset quality, i.e. ratio of gross non-performing asset (NPA) ratio is lowest for SBI, i.e. 2.1%, indicates that SBI has best effect on controlling asset quality due to good risk management practices. However, NPA ratio of PNB is raised to 3.2% shows that it looks like PNB is having an issue with asset quality (Das & Ghosh, 2007). Provision for doubtful loans for PNB are also highest i.e. ₹20,400 Cr shows that the bank has a significant exposure to NPA's (Dutta & Basu, 2019). The cost-to-income ratio, i.e. one of the important measures of management efficiency, is lowest for SBI at 42%, where as for BOB and PNB, which are comparatively higher than SBI, shows that SBI is having best management efficiency. (Sufian & Habibullah, 2010) Return on asset (ROA) of SBI is also highest than BOB and PNB, i.e. 1.3%. Similarly, Return on Equity (ROE) of SBI is also best (i.e. 13%) among the three. This indicates that how effectively these assets are managed that leads to the earning of profits in any case. And this is to because SBI convert its asset and equity to profits in an effective way. (Athanasoglou et al., 2008) From the point of view of yield on interest bearing assets, i.e. Net Interest Margin (NIM), it is highest for SBI, i.e. 3.5%. (Dietrich & Wanzenried, 2011). From the point of view of liquidity, i.e. Liquidity Coverage Ratio (LCR) the SBI, has highest LCR at 115% and a Quick ratio of 1.3 which indicates that the bank does have a good liquidity position to meet its short term obligation. While BOB and PNB, although have good numbers, under relative comparison SBI stands way ahead from both the banks (Demirgüç-Kunt & Huizinga, 1999).

The overall results shed light on the nuanced relationships between macroeconomic variables (GDP growth, inflation and interest rates) and bank ROA, NIM and ROE; thereby expanding the body of knowledge in the challenging environment of empirical banking research. (Table 3)Using data from BOB, PNB and SBI, the econometric results indicate the nuanced relationship between the independent variable (macroeconomic variables: GDP growth, inflation and interest rates) and the dependent variable (bank performance metrics: ROA, NIM and ROE). On applying the subgroup regression approach for BOB, the constant terms for ROA, NIM and ROE is statistically insignificant ($P > 0.4$). The results confirm that the macroeconomic variables alone do not generate a significant impact on bank performance metrics (Athanasoglou et al., 2008). Although GDP growth is negatively impacting on both ROA and NIM, it is statistically insignificant. This can be explained by the fact that an increase in GDP growth will lead to an increase in production and money flow within the economy, thereby having a positive effect on the NIM as funds are largely available. However, inflation positively impacts both ROA and NIM, which suggests some inflation benefits to bank performance (Demirgüç-Kunt & Huizinga, 1999). Interest rates are negatively affecting ROA and NIM but positively affecting ROE, which suggests the mixed effects of macroeconomic changes on bank performance (Bourke, 1989). For PNB, the results are slightly similar with inconsistent constant terms and mixed impacts of GDP growth, inflation and interest rates. While inflation is negatively affecting ROA and ROE, interest rates positively impact ROA and ROE, suggesting potential pay-backs from higher interest rates (Dietrich & Wanzenried, 2011). SBI results indicate statistically insignificant constant terms with GDP growth and interest rates positively impacting ROA and ROE, while inflation negatively impacting both ROA and ROE. The t-values and p-values underpin the fact that most dependent variables are statistically insignificant, which suggests other factors could enhance the performance than the macroeconomic variables (Das & Ghosh, 2020). It is important to analyze how these macroeconomic variables impact bank performance to bring remarkable changes in the factor approach to determining bank performance. Some of the bank loan decisions could be revised during the economic downturns; such a revision would help borrowers to gain relief in terms of service charges and interest rates. However, it is a well-known fact that banks themselves rely on macroeconomic

development as they lend a certain amount of loan to industrialists based on the industrial growth projection.

The ARIMA forecast values analysis for BOB, PNB, and SBI, shown in Table 4 below will be helpful in evaluating the future of the key financial-related metrics, ROA and NIM, relating to these top banks in India, confirming the conclusions drawn from the earlier studies (Sufian & Habibullah, 2010)(Table 4).The values of ROA for BOB have demonstrated stability during the historic data period, ranging between 1.20 and 1.30, while their projected ARIMA forecast values will demonstrate stabilization around 1,198 to 1,222, showing slight fluctuations in ROA but overall consistency on the banking performances. It also suggests total interest income is not outpacing total interest expense at BOB. Moreover, BOB's NIM has demonstrated stability, with values of 3.30 to 3.50, which is projected to be around 3,398 to 3,422, showing slight fluctuations in the values of NIM with the decreasing trend of profit generated from investment and savings but the total profitability will remain stable. Thus, it shows that the bank's effective interest management efforts should be continued to sustain the performance. ROA for PNB have demonstrated stability between 1.00 and 1.20, which is projected to be 1.097 to 1.122, with slight fluctuation in the ROA values, indicating overall consistency in the stability of the banking performances and the interest performance for PNB. NIM for PNB demonstrated stability with the historical values of NIM ranging from 3.20 to 3.40, with forecasted projected values at 3,298 to 3,322, indicating potential slight fluctuations in the values of NIM with slight decline in profit generated from the investment and savings but overall not compromising on the total profitability. The bank's effective interest management should be continued to maintain the performance. ROA values for SBI have demonstrated stability between 1.25 and 1.35, which is projected to be stabilization at values of 1.297 to 1.322. NIM on the other hand has demonstrated stability with values of 3.50 to 3.60 during the historic period, which is projected to be stabilization at values of 3,498 to 3,522, with minor fluctuation in the values of NIM for this prestigious bank in India. In both situation, these forecasted trends suggest that BOB, PNB, and SBI in India must maintain the current performances of these key ratios and prepare for the minor fluctuations in ROA and NIM to maintain soundness on the financial health and operating efficiency of these mentioned banks in India (Demirgüç-Kunt Huizinga , 1999)(Singh Singh , 2020)(Sharma et al).

BOB, PNB and SBI Analysis of variance of BOB, PNB and SBI with total assets, total expense, total income and net profit clearly indicates about the difference in operational efficiency (Table 5). SBI demonstrated higher efficiency ratio ie 0.098822 in comparison to BOB and PNB. (Table 5.) It is attributed to the fact that SBI possess the significantly higher asset base in respect of both BOB and PNB. At the same time considering the total income and net profit of SBI was higher than BOB and PNB. (Table 5.) BOB had the efficiency ratio 0.085475 and it clearly signified that BOB asset base was relatively used in preferable way to create the toxic income and net profit in comparison to PNB. (Table 5)PNB having the efficiency ratio of 0.076786, signified that it was trailing behind both BOB and SBI. It clearly signified that there is a scope to improve the utilization of resources to generate the income and profit. (Table 5) The efficiency analysis clearly signified that SBI, BOB and PNB have varied degree of efficiency. (.Demirgüç-Kunt, and Huizinga ,1999.The efficiency analysis indicated that SBI had the higher efficiency ratio which highlighted its strength in the process management. SBI strength in financial management further highlighted the need for both BOB and SBI to strategize about enhancing their efficiency and both banks have to strategize about the originating the cost management and increase the income generation in order to optimize the conversion ratio of input to the product. (Singh & Singh, 2020; Dutta & Basu, 2019). This comparative analysis reveals the difference between three government banks that is Bank of Baroda (BOB), Punjab National Bank (PNB) and State Bank of India (SBI). Bank of India (SBI) has the highest capital adequacy ratio which is the 15.2%, second Bank of Baroda has the 14.5% capital adequacy ratio, the lowest in capital adequacy ratio is Punjab National Bank which is 13.8%. Most of the people get attracted towards the banks who has the high capital adequacy ration. The quality of assets means risk carrying capacity of the bank (Chaudhary et al, 2020). State Bank of India has the lowest ration which is 2.1%, whereas Punjab National Bank has the NPA ration of 3.2%.

6. LIMITATIONS AND SCOPE FOR FURTHER STUDY

Although this paper provides a solid analysis and shares some eye-opening findings, it is not without limitations. The received data, albeit through a robust analysis, which can be used only within a given time period might limit the overall flow of economics cycles and therefore a proper understanding of the long-term trends in bank performance. Similarly, the study seems to cover only three major banks in India, limiting the scope of its generality in relating to smaller or less popular financial entities. Though the paper's analysis does mention quite a handful of key numerical metrics in banking along with macros, there is an absence of other potential influential factors such as technological advancements, govt regulation and changes in banking laws, competitive pressure from other banks and nonbank institutions while performing their business. Use of summary statistics and the fact that ARIMA model makes predictions for simpler econometrics conditions without any control variables can certainly make a database seem richer but lacks the real spirit of a full-fledged bank performance, especially when a one-size strategy would not work during rapid changes in an economic environment.

Some limitations inherent in the analysis can be addressed with further research. This includes an extension of the dataset by adding a larger number of banks over a longer period of time for an inclusive and industry-wide view of the banking sector's performance. Further analysis with the addition of qualitative factors like management practices, proxies for corporate governance, and measures of customer satisfaction could further reveal the true causal drivers and underlying factors of bank efficiency and profitability. The employment of advanced econometric models and machine learning models could also be useful in enhancing the precision of predicting bank performance, especially in terms of their advent in the market. Such techniques could further aid in identifying hidden trends in banks' performance. Perhaps the most crucial drawback in my opinion relates to having a one-country perspective of the banking sector. For a comparative perspective of banks from different counties, there is ample scope for future research that can throw light on the global banking environment, particularly their relative performance when compared with that of the Indian banks. In conclusion, one can say that even though stylised facts about banks were established in this study, there is substantial scope to augment this work further and delve deeper into the understanding of factors driving bank performance.

7. CONCLUSION

The paper investigates the financial dynamics of Indian Public Sector Banks (PSBs) from 2018 to 2023. Using multiple regression analysis, Data Envelopment Analysis (DEA), Auto Regressive Integrated Moving Average (ARIMA) forecasting and CAMEL framework, the paper finds that State Bank of India (SBI) outperforms the Bank of Baroda (BOB) and the Punjab National Bank (PNB) in financial parameters such as total assets, income and profitability measures. The paper particularly notes that SBI performs relatively better than the other two banks as it has a Capital Adequacy Ratio (CRAR) of 15.2%, a Non-Performing Assets (NPA) ratio of 2.1%, and better management efficiency as its Cost-to-Income ratio is 42%. The macro-economic factors such as GDP growth that has a positive impact on Return on Assets (ROA) and inflation that has a negative impact on Net Interest Margin (NIM) have also been considered. The ARIMA forecast for the future trends of ROA and NIM on the three banks show stability with SBI continuing to perform better than the other two banks. The study concludes that the policymakers and the bank managers should learn from the findings of the study. Based on the findings, the management can have adequate stability and act swiftly in the given economic dynamics to perform better in terms of efficiency.

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