

Chapter7

SUMMARY

Every economy relies heavily on banks. In deciding a nation's economic future, the role of the banking sector is vital. A vital part of an economy's social and economic infrastructure is a well-designed, organized, efficient banking system. Small changes in government policy can have a significant impact on the banking sector's operations, which can directly affect the growth and development of the economy as a whole. India demonetized its five hundred- and thousand-rupee notes on November 8th, 2016. People were given a window of time of roughly two months to deposit all of this demonetized money with the banks. It was said that demonetized currency's total value was 15.4 trillion, or around 86.9% of all currency in circulation. The government said that these currency restrictions were essential for achieving three key goals: discouraging the use of black money, removing counterfeit currency from circulation, and minimizing cash transactions to support a cashless society. Most researchers examined the impact of demonetization on several economic sectors, including rural and agricultural, cashless and online commerce, hospitality and tourism, retail, transportation, health care etc. Studies on demonetization impact on the banking industry were limited. The demonetization phase had some impact on banks performance also hence, researchers tried to analyze the financial performance of banks during the demonetization period. The current analysis includes six commercial banks, of which three are from the public sector and three are from the private sector. Public sector banks are the State Bank of India, Punjab National Bank, and Bank of Baroda, and private banks are HDFC, ICICI, and AXIS. Pre- and post-demonetization phases are used to categorize the time period. Pre-demonetization years fall from the year 2013–14 and 2016–17, and post-demonetization years fall from the year 2017–18 and 2020–21. The researcher tried to achieve three objectives. The first objective is to assess the financial performance of public and private sector banks throughout the study period. To

compare the financial performance of public and private sector banks in the pre- and post-demonetization phases and to evaluate the factors that directly affect the profitability of banks during the above-mentioned period are another two objectives of the study. The performance of commercial banks is assessed using secondary data. The researcher has done data analysis and interpretation of the performance of SBI, PNB, BOB, HDFC, ICICI, and AXIS banks from the year 2013-14 to 2020-21. The most common and often used tool for financial analysis is ratio analysis. Ratio analysis tool is applied to evaluate the financial performance of banks. All the banks financial performance is analyzed based on four parameters which are profitability, asset quality, efficiency, and liquidity. The analysis is carried out by computing various ratios like other income to total income , return on equity , return on asset , return on investment , cost of deposit , cost of borrowing , gross profit , net profit , return on advance , operating expense to total income, interest income to total income to total asset, non-interest income to total asset, operating expense to total asset, income on asset , operating profit to total asset, gross NPA to total asset, Net NPA to total Asset, current ratio, cash ratio, demand and saving bank deposit to total deposit, Total investment to deposit , absolute liquid ratio. This chapter is divided into three parts. In the first phase, on the basis of all selected ratios, descriptive statistics of all banks are obtained. In the second part, public and private banks financial performance is compared in pre and post demonetization period. In the third phase, correlation analysis is done between the dependent and independent variable. Profit after tax is considered as dependent variable and other income, interest earned, operating expenses, interest paid on deposit and NPA are considered as independent variable. The performance of the bank is not dependent on these limited parameters only. The result shows that private banks performed better than public sector banks in terms of profitability analysis in pre and post demonetization period. In terms of asset quality analysis, private banks were more efficient at managing their NPAs than public sector banks in pre and post demonetization period. Regarding efficiency analysis again, over

all, private banks were ahead of public sector banks. In liquidity analysis, public sector banks performed well in some areas and private banks also performed well in other areas in pre and post demonetization period. It was also found that HDFC is the only banks whose dependent factors affect the profitability of bank. Furthermore, it was also discovered that HDFC was the only bank in which all the dependent factors positively affected the profitability of the bank.