Performance Evaluation of Selected Banks– A Comparative Study

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ABSTRACT

Banks play a vital role in the economy because they function as financial intermediaries and facilitate payments, creating credit, giving financial services, providing financial stability, and allowing economy to grow and in turn stimulate economic activity. This study examines the financial performance of both Punjab National Bank(PNB) and YES bank over a period of 2020-21 to 2024-25. This study is carried by using to profitability indicators namely ROA and ROE. These ratios are crucial in examining how efficiently company is using its assets to make profits, to measure company's profitability, how much profit is generated for shareholders from their investments. The findings reveal gradual but consistent improvement in ROA &ROE of Punjab National Bank, reflecting enhanced asset utilization and effective capital management. On the other hand, YES bank showed volatility in the initial years and moderate improvement in the subsequent years. The comparative results indicate that Punjab National Bank demonstrates greater stability in profitability whereas Yes Bank shows faster but inconsistent improvement. This study concludes that sustained improvements in asset quality and capital employment are essential for long term profitability and ROA, ROE remain key indicators for performance evaluation.

Keywords: Return on Assets, Return on Equity, Punjab National Bank (PNB), YES Bank.

INTRODUCTION

Banking sector plays a key role in economic growth of a country by mobilizing the savings and channelizing funds into productive investments. Profitability and efficiency are the crucial indicators of bank's financial health and sustainability. In this context, Return on Assets (ROA) and Return on Equity (ROE) are the widely used metrics to assess bank's financial performance and shareholder value creation.

LITERATURE REVIEW

Kaur and Kapoor (2019) demonstrated that Return on Assets effectively captures how efficiently banks manage their resources, especially in public sector banks with extensive asset holdings. Their study suggests that large asset bases require careful utilization to maintain profitability. Public sector banks tend to show steadier ROA due to asset diversification. Hence, ROA is considered a more dependable efficiency measure for such institutions.

Rose and Hudgines (2013) described ROA as a fundamental profitability ratio in banking analysis. They argued that it reflects the bank's ability to convert assets into earnings. Higher ROA signals better managerial performance and operational strength. The study reinforces the importance of ROA in evaluating banking efficiency.

Saunders and Cornett (2018) explained that Return on Equity is shaped by a bank's capital structure, asset quality, and leverage decisions. They noted that increased leverage can temporarily raise ROE but also heightens financial risk. Poor-quality assets weaken shareholder returns over time. Thus, ROE reflects both profitability and risk exposure.

Patel (2023) emphasized that recovery in ROE for financially stressed banks depends heavily on capital support and organizational restructuring. The study found that erosion of equity during crises suppresses ROE

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for extended periods. YES Bank's delayed recovery illustrates this challenge. The findings highlight the long-term nature of post-crisis profitability restoration.

The Reserve Bank of India (2021) identified ROA and ROE as key benchmarks for assessing the banking sector's recovery after the pandemic. The report observed consistent improvement in public sector banks driven by recapitalization and resolution of stressed assets. Private banks experienced sharper fluctuations due to governance-related issues. This divergence highlights structural differences across bank groups.

Sharma and Singh (2022) examined profitability behaviour in Indian banks and observed contrasting patterns between sectors. Public sector banks displayed relatively stable ROA, while private banks showed greater variability in ROE. The authors attributed this to state support and restructuring initiatives in PSBs. These measures foster gradual but lasting recovery.

Bansal (2020) analysed private banks and found that aggressive credit expansion often inflates ROE during favourable economic conditions. However, such strategies significantly increase vulnerability during downturns. This risk materialized in YES Bank's sharp decline in ROE during FY 2020–21. The study cautions against excessive risk-taking.

Kaur and Kapoor (2019) also pointed out that ROA serves as a more consistent efficiency indicator for banks with large balance sheets. Despite operating under lower margins, public sector banks benefit from diversified assets. This diversification cushions profitability during crises. Consequently, ROA recovery in PSBs tends to be smoother.

The RBI Annual Report (2022) highlighted a noticeable improvement in banking profitability after FY 2021. Lower provisioning expenses and improved asset quality were identified as major contributors. These structural changes supported rising ROA and ROE across the sector. The trend was evident in both PNB and YES Bank.

Patel (2023) further noted that ROE often lags operational recovery following financial distress. Even when profitability returns, capital rebuilding takes longer. This explains the slow improvement in YES Bank's ROE. The study underscores the importance of evaluating recovery over multiple years.

Goyal and Mehta (2021) found that public sector banks tend to withstand systemic crises better than private banks. Government ownership and policy backing were identified as stabilizing factors. Capital infusion played a significant role in restoring profitability. Over time, these interventions improved ROE in PSBs.

Sengupta (2020) explored how governance weaknesses negatively affect bank performance. The study revealed that inadequate internal controls reduce operational efficiency, leading to lower ROA. YES Bank was cited as an example of governance-related profitability decline. The findings stress the importance of strong oversight mechanisms.

Reassessment studies based on the Narasimham Committee reforms emphasized the need to improve asset deployment in banks. These reforms focused on efficiency, credit discipline, and risk management. Over time, their implementation strengthened profitability in public sector banks. PNB's recent improvement reflects these long-term reforms.

The IMF Working Paper on Indian Banking (2021) reported that bank profitability weakened during the pandemic due to elevated credit costs. ROE declined sharply across the sector. However, recapitalized public sector banks recovered more quickly. This recovery pattern supports PNB's improving ROE trend.

Choudhary and Jain (2022) highlighted that ROE in private banks is particularly sensitive to leverage adjustments. Heavy reliance on market funding increases post-crisis vulnerability. As a result, ROE normalization takes longer after financial stress. This explains prolonged weakness in YES Bank's equity returns.

The Economic Survey of India (2022–23) documented a broad-based recovery in the banking industry. Falling

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non-performing assets and improved loan growth were the primary drivers. Profitability indicators showed clear improvement during FY 2023–24. The findings confirm a sector-wide turnaround.

Mishra (2021) observed that public sector banks improved ROA mainly through cost control and technological adoption. The study noted limited dependence on aggressive lending. This conservative strategy supported steady profitability growth. PNB's performance aligns closely with this approach.

The Basel Committee on Banking Supervision (2020) stressed that adequate capitalization is essential for maintaining stable ROE. Banks undergoing restructuring often experience delayed equity returns. Rebuilding capital buffers takes time after crises. YES Bank's performance reflects this pattern.

Verma and Gupta (2023) argued that depositor and investor confidence plays a major role in restoring bank profitability. Public sector banks benefit from implicit government backing. This support ensures deposit stability and efficient asset use. Consequently, ROA performance remains relatively consistent.

The RBI's Trend and Progress of Banking in India (2023) reported a widespread improvement in profitability ratios. Public sector banks were identified as significant contributors to the overall rise in ROE. Improved asset quality and declining NPAs supported this growth. The report confirms systemic recovery.

Sinha (2020) recommended evaluating crisis-affected banks over a longer horizon. Short-term profitability ratios may fail to capture true recovery progress. This approach is particularly relevant for YES Bank's early negative ROE. The study advocates a longitudinal assessment framework.

Deloitte's Banking Outlook India (2022) forecast sustained improvements in ROA for Indian banks. The report linked this trend to better risk assessment and data-driven lending practices. Enhanced credit discipline supports long-term profitability. These projections align with recent banking performance.

PwC's Financial Services Report (2021) explained that operational profitability typically returns before shareholder returns in restructured banks. ROA improves earlier, while ROE follows capital restoration. YES Bank's recovery pattern mirrors this sequence. The study clarifies the lag between the two ratios.

Banerjee and Dutta (2021) found that public sector banks often prioritize balance-sheet strengthening over immediate profitability. This approach delays ROE improvement in the short term. However, it leads to more resilient financial performance later. Their findings explain the gradual ROE rise in PSBs.

The RBI Discussion Paper on NPAs (2020) explained that heavy provisioning pressures temporarily weaken profitability ratios. Both ROA and ROE improve once provisioning requirements decline. This trend became visible after FY 2021. The paper supports the observed post-crisis recovery.

The World Bank (2022) noted that regulatory and government support enhanced the resilience of public sector banks. Private banks faced stronger market-driven pressures. These pressures contributed to instability in ROE. Structural differences influenced recovery outcomes.

Joshi (2023) emphasized that long-term ROE improvement depends on maintaining asset quality. Rapid credit expansion without adequate risk assessment was found to be unsustainable. Public sector banks benefited from prudent lending strategies. PNB's strong later-stage ROE recovery supports this view.

SEBI's Banking Sector Analysis (2024) reported growing investor confidence in public sector banks. Rising ROE and declining NPAs improved market perception. These banks were viewed as stable long-term investment options. The report reflects strengthened financial fundamentals.

Khan and Rahman (2024) concluded that comparative financial ratio analysis reveals inherent structural differences between public and private banks. Governance standards, risk tolerance, and recovery speed vary significantly. ROA and ROE effectively capture these differences. The study reinforces their importance in banking performance evaluation.

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Objectives of the Study

The main objectives of the study are as follows:

i. To study the profitability position of selected banks.
ii. To examine total assets and capital employed in the selected banks.
iii. To analyze the trend of ROA of PNB and YES bank.
iv. To analyze the trend of ROE of PNB and YES bank.
v. To Compare the profitability performance of PNB and YES bank.

RESEARCH METHODOLOGY

Research Design:

The research follows a descriptive and comparative research design. It aims to analyse and compare the trends in profitability indicators like Return on Assets (ROA) and Return on Equity (ROE) of a public sector bank and a private sector bank over a specified period of 5 years from 2020-21 to 2024-25.

Selection of Sample:

The sample consists of two scheduled commercial banks operating in India one is Punjab National Bank, representing the public sector banking segment and the other is YES Bank, representing the private sector banking segment.

Sources of Data

The study is based exclusively on secondary data. The required financial data were collected from Annual reports of Punjab National Bank and YES Bank, Publications of the Reserve Bank of India, reputed financial databases, journals, and official bank disclosure.

Hypotheses

The hypotheses of the study are as follows:

H_{01}: There is no significant difference in ROA of PNB and YES bank is concerned.

H_{02}: There is no significant difference in ROE of PNB and YES bank is concerned.

Data Analysis and Interpretation

The present study is concerned about the evaluation of financial performance of Punjab National Bank and YES bank from 2020-21 to 2024-25. It has been conducted with the help of different ratios. The main variables and their trends are given below.

Concepts and formulae used:

ROA (%) = (Net Profit/total Assets) *100

ROE (%) = (Net Profit/Shareholders Equity) *100

Table-1 Financial highlights of PNB

(Rs. In crores)

Year	Gross profit	Net Profit	Total Assets	Capital	Reserves and Surplus
2020-21	22159	2021	1260632	2095	88841
2021-22	20761	3457	1314805	2202	93284
2022-23	22529	2507	1461831	2202	97653
2023-24	24931	8245	1561835	2202	104274
2024-25	26831	16630	1818171	2298	125064

Source: Annual Reports of PNB from 2020-21 to 2024-25

Interpretation: Table–1 presents the financial highlights of Punjab National Bank from 2020–21 to 2024–25. It is evident that PNB's gross profit and net profit have shown a significant improvement over the study period. Although profits were relatively low in the initial years, a sharp increase is observed after 2022–23, indicating recovery from earlier conditions. Total assets increased consistently throughout the period, reflecting expansion in business operations. Capital and reserves also showed steady growth, indicating strengthening of the bank's improved financial stability. Overall, the table indicates that PNB has achieved strong financial recovery and growth during the study period.

ROA (%) = (Net Profit/total Assets) *100

Table-2 Return on Assets of PNB

(Rs. In crores)

Year	Net Profit	Total Assets	ROA (%)
2020-21	2021	1260632	0.16
2021-22	3457	1314805	0.26
2022-23	2507	1461831	0.18
2023-24	8245	1561835	0.52
2024-25	16630	1818171	0.91

Interpretation: The above table shows the Return on Assets of PNB over five years. ROA increased from 0.16% in 2020–21 to 0.91% in 2024–25. This upward trend indicates improved efficiency in utilizing assets to generate profits. A minor decline in 2022–23 reflects temporary profitability pressure; however, the strong rise thereafter suggests better asset quality and improved operational performance.

ROE (%) = (Net Profit/Shareholders Equity) *100

Table-3 Return on Equity of PNB

(Rs. In crores)

Year	Net Profit	Shareholders' Equity	ROE (%)
2020-21	2021	90936	2.3
2021-22	3457	95486	3.6
2022-23	2507	99855	2.5
2023-24	8245	106476	7.7
2024-25	16630	127362	13.05

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Interpretation: The above table depicts the Return on Equity of PNB from 2020–21 to 2024–25. ROE increased significantly from 2.3% to 13.05% during the study period. The rising trend reflects enhanced profitability and effective utilization of shareholders' funds. Although ROE dipped slightly in 2022–23 due to lower net profit, the sharp increase in subsequent years indicates strong capital efficiency and improved returns to shareholders.

Table-4 Financial Highlights of YES Bank

Year	Gross profit	Net profit	Total Assets	Capital	Reserves and Surplus
2020-21	4648	(3462)	273543	5010	28185
2021-22	2916	1066	318220	5010	28730
2022-23	3183	717	354786	5750	34043
2023-24	3386	1251	405493	5753	35443
2024-25	4254	2406	423422	6270	41509

(RS. In crores)

Source: Annual reports of YES Bank from 2020-21 to 2024-25

Interpretation: The above table presents the financial highlights of YES Bank during the study period. The bank reported a net loss in 2020–21, indicating financial stress. However, net profit turned positive from 2021–22 onwards and showed gradual improvement. Total assets increased consistently, reflecting expansion in business operations. Capital, reserves and surplus also improved, indicating banks financial stability and recovery efforts. Overall, the table shows YES Bank's gradual turnaround from a stressed position.

ROA (%) = (Net Profit/total Assets) *100

Table-5 Return on Assets of Yes Bank

(Rs. In crores)

Year	Net Profit	Total Assets	ROA (%)
2020-21	(3462)	273543	-1.3
2021-22	1066	318220	0.4
2022-23	717	354786	0.2
2023-24	1251	405493	0.3
2024-25	2406	423422	0.6

Interpretation: The above table shows the ROA of YES Bank. In 2020–21, ROA was negative (-1.3%), reflecting losses and inefficient asset utilization. From 2021–22 onwards, ROA turned positive and increased gradually to 0.6% in 2024–25. This improvement indicates better asset management and recovery in profitability. However, ROA levels remain lower than those of PNB, indicating relatively weaker efficiency.

ROE (%) = (Net Profit/Shareholders Equity) *100

Table-6 Return on Equity of Yes Bank

(Rs. In crores)

Year	Net Profit	Shareholders' Equity	ROE (%)
2020-21	(3462)	33195	-11.4
2021-22	1066	33740	3.2
2022-23	717	39793	2.0
2023-24	1251	41196	3.0
2024-25	2406	47779	5.2

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Interpretation: The above table presents the ROE of YES Bank. The bank reported a highly negative ROE (-11.4%) in 2020–21, indicating erosion of shareholders' equity due to losses. ROE turned positive from 2021–22 and gradually improved to 5.2% in 2024–25. Although the trend is positive, the relatively low ROE reflects slow restoration of shareholder value.

Table-7 Comparative ROA Trend

Year	PNB-ROA (%)	YES Bank-ROA (%)
2020-21	0.16	-1.3
2021-22	0.26	0.4
2022-23	0.18	0.2
2023-24	0.52	0.3
2024-25	0.91	0.6

Interpretation: The above table compares the ROA of PNB and YES Bank. PNB maintained positive ROA throughout the study period and showed a strong upward trend, especially after 2022–23. In contrast, YES Bank reported negative ROA in 2020–21 and lower ROA values in subsequent years. This comparison highlights that PNB utilized its assets more efficiently than YES Bank during the study period, reflecting PNB's superior operational performance. As there is significant difference in ROA of PNB and YES bank H_{01} is rejected.

Table-8: Comparative ROE Trend

Year	PNB-ROE (%)	YES Bank-ROE (%)
2020-21	2.3	-11.4
2021-22	3.6	3.2
2022-23	2.5	2.0
2023-24	7.7	3.0
2024-25	13.05	5.2

Interpretation: The above table compares the ROE of PNB and YES Bank. PNB shows a steady and strong increase in ROE, particularly in the later years, indicating improved shareholder returns. YES Bank, on the other hand, experienced negative ROE initially and slower improvement thereafter. The table clearly indicates that PNB outperformed YES Bank in generating returns on equity, reflecting stronger financial health and capital efficiency. As there is significant difference in ROE of PNB and YES bank H_{02} is rejected.

Growth rate (%) = (Current year – Previous year)/ (Previous year) *100

Table-9: Profitability performance of PNB and YES bank

Year	PNB gross profit	PNB gross profit growth	PNB net profit	PNB net profit growth	Yes bank gross profit	Yes bank gross profit growth	Yes bank net profit	Yes bank net profit growth
2020-21	22159	Base year	2021	Base year	4648	Base year	-3462	Base year
2021-22	20761	-6.3%	3457	+71.1%	2916	-37.3%	1066	130.7%
2022-23	22529	+8.5%	2507	-27.5%	3183	+9.2%	717	-32.7%
2023-24	24931	+10.7%	8245	+228.8%	3386	+6.4%	1251	+74.5%
2024-25	26831	+7.6%	16630	+101.7%	4254	+25.6%	2406	+92.3%

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Interpretation: The year-after-year growth analysis highlights the profitability trajectories of Punjab National Bank and YES Bank during the study period.

Punjab National Bank recorded strong and accelerating growth in both gross profit and net profit, particularly after 2022–23. Although a temporary decline was observed in 2022–23, the subsequent years witnessed exceptionally high growth rates. The sharp increase in 2023–24 and 2024–25 reflects improved asset quality, and enhanced operational efficiency. The consistently high net profit growth indicates effective capital utilization and sustained recovery.

YES Bank, on the other hand, exhibited unstable growth patterns. The decline in gross profit during 2021–22 and negative net profit in 2020–21 reflect severe financial stress. Although gross profit growth became positive from 2022–23 onwards, the growth remained moderate. Net profit growth showed improvement in later years; however, it remained volatile, indicating weak recovery. The growth rates suggest that YES Bank's profitability improvement is faster but inconsistent.

Overall Interpretation:

The combined analysis of gross profit, net profit, ROA, ROE indicates that Punjab National Bank demonstrated strong and consistent improvement in profitability performance. Although Yes Bank profitability indicators increased, they remained lower than those of PNB.

CONCLUSION

Overall, the study concludes that sustained improvement in asset quality, efficient capital employment are essential for long-term profitability in the banking sector. Return on Assets and Return on Equity continue to serve as reliable and meaningful indicators for evaluating bank performance. The comparative analysis clearly indicates a significant difference in the profitability performance of the two banks. As there lies a significant difference between the ROA and ROE of Punjab National Bank and Yes Bank H_{01} & H_{02} are rejected.

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