

A Study on Internal Financing on Performance of Private Sector Banks

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Abstract

Internal financing plays an important role in determining the financial strength, stability, and performance of private sector banks. Unlike external sources of finance, internal financing is generated within an organization through retained earnings, reserves, provisions, and other internally accumulated funds. This study examines the relationship between internal financing and the financial performance of private sector banks. The study focuses on how the effective utilization and management of internally generated funds can influence profitability, capital adequacy, liquidity, operational efficiency, and sustainable growth. Key financial indicators such as return on assets, return on equity, net interest margin, earnings retention, capital adequacy ratio, and cost-to-income ratio can be used to assess banking performance and financial efficiency. Internal financing enables banks to strengthen their capital base, support expansion, absorb financial risks, and reduce dependence on external sources of funds. Effective retention and allocation of profits may also provide greater flexibility in financing technological development, branch expansion, digital banking services, and other strategic investments. However, excessive retention of earnings may affect shareholder returns, while inadequate internal financing may increase dependence on external capital. The study proposes an analytical framework for examining the association between internal financing practices and the performance of selected private sector banks. Secondary financial data obtained from annual reports and other reliable sources may be analyzed using appropriate financial and statistical techniques. The study aims to contribute to a better understanding of internal financial management and its significance for the profitability, resilience, and long-term sustainability of private sector banking institutions.

Keywords: Internal Financing, Private Sector Banks, Financial Performance, Retained Earnings, Profitability, Capital Adequacy, Return on Assets, Return on Equity, Liquidity, Banking Sector.

