A COMPRATIVE STUDY ON FINANCIAL PERFORMANCE OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS OF INDIA

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ABSTRACT :-

This research is based on comparative financial analysis of selected Public and Private Sector Banks using ratios, The banks are selected based on top five & bottom five market capital of the Public and Private sector banks, Earning ratios(Net Interest Margin, Yield on Advances, Return on Equity, Return on Asset), Debt coverage ratios(cash deposit ratio, Investment deposit ratio, Debt to equity ratio, Loan to deposit ratio), Efficiency ratios(Net Non-performing Asset, Cost to income ratio, Operating cost to Asset ratio, Cost of liabilities), Growth ratios(Advances growth, EPS growth, Operating income growth), Liquidity ratios(Credit to deposit ratio, Current and Saving Account ratio, Interest expended to Total fund, Interest income to total fund),Balance sheet ratios(Capital adequacy ratio, Advance/loan fund)Leverage ratio(Current ratio and Quick ratio) Profit and Loss ratios(Interest expended to Interest earned, Other income to Total Income, Operating expenses to Total income) and etc.., this are some ratios which is used in this research, A Graphical representation is used to rank the performance of the bank and T-test is used to comparative analysis of the Public and Private sector banks Regression is used to find out the relation & Predictability of Liquidity(Current ratio, Cash to Deposit ratio, Credit to Deposit ratio, Investment to Deposit ratio) and profitability(Return on Equity, Net Interest Margin) of both Private and Public banks . The ratio data is taken One Year (2019), and this study is mainly focus on to find out the best sector in banking sector.

Keywords: Financial Performance, Public Sector, Private Sector, Net Profit

INTRODUCTION

Banking is defined in the Indian Banking Companies Act as accepting for the purposes of lending or investments of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheque, drafts, orders or otherwise. A bank is not an office for 'borrowing' and' lending' money, but it is a manufactory of credit. The banker merely is an intermediary between the borrower and the lender, who borrows from one party and lends to another, and the difference between the terms on which he borrows and those at which he lends form the source of his profit.

The business of the banks can be mainly divided as under:

- ➢ Borrowing
- ➢ Lending

> ➢ Agency service, and
> ➢ General utility service

Financial Analysis is defined as being the process of identifying financial strength and weakness of a certain sector.

Banking has played a very important role in the Economic Development of all the Nations of the world. In fact, Banking is the life blood of Modern Commerce. It may truly be said that Modern Commerce is so dependent upon banking. The banking sector is considered to be an important source of financing for most businesses. They play a very important role in the effort to attain stable prices, high level of employment and sound economic growth. They make funds available to meet the needs of individuals, businesses and the government. In doing this, they facilitate the flow of goods and services and the activities of governments. The commercial Banking system provides a large portion of the medium of exchange of a given country, and is the primary instrument through which Monitory policy is conducted, through their deposit mobilization and lending operations. Commercial banks make the productive utilization of ideal funds, thus assists the society to produce wealth. Commercial Banks are the institutions specifically designed to further the capital formation process through the attraction of deposits and extension of credit.

LIMITATION OF THE COMPARISION:

This research is basically concentration on 10 Banks from Public sector and 10 Banks from the Private sector and the bank is selected based on Market Capital of the bank, Time is taken for the research is 5 year to identify the best performance bank and to rank the bank performance, and it is used to find effect of liquidity in management. Even some statistical tools is used for analysis to given better outlook of the effect of liquidity management in the Indian Private and Public banks.

2. INDUSTRY PROFIT:

2.1-PUBLIC SECTOR BANKS:

The Public sector banks are those where govt holdings are more than 50% while nationalized banks are those banks which were nationalized in 1969 and 1980. Thus all nationalized banks are public sector banks. Thus in total 27 PSB's are there. Examples of public sector banks are: SBI Bank, Bank of India, Canara Bank.

2.2- PRIVATE SECTOR BANKS:

These are banks majority of share capital of the banks is held by private individuals. These banks are registered as companies with limited liability. "Private banks" can also refer to non-government owned banks in general, in contrast to government-owned (or nationalized) banks, which were prevalent in communist, socialist and some social democratic states in the 20Th century. Private banks as a form of organization should also not be confused with "Private Banks" that offer financial services to high net worth individuals and others.

The main objective of the study is:
- To evaluate the financial performance of selected public and private sector banks.
- To compare the financial soundness of public and private sector banks.

The hypothesis of the study is given below:

H0: There is no significant difference between the financial performance of selected public and private sector banks.

Review of Literature

The aim of a literature review is to show particular reader that researcher have read, and have a good grasp of, the main published work concerning a particular topic or question in specific field. This work may be in any format, including online sources. It may be a separate assignment, or one of the introductory sections of a report, dissertation or thesis. In the latter cases in particular, the review will be guided by research objective or by the issue or thesis researcher are arguing and will provide the framework for researchers' further work(Khobragade, Bhambulkar, & Chawda, 2022).

Importance of Literature Review
- To define and limit of the research
- To place your study in an historical perspective
- To avoid unnecessary duplication
- To evaluate promising research methods
- To relate your findings to previous knowledge and suggest further research

G. Santhoshi Kumari and M. S. V. Prasad, 2015: A Comparative Study Of The Financial Performances Of Selected Public And Private Sector Banks. This paper evaluates and compares the financial performance of SBI, BOB, ICICI Bank and Axis Bank by comparing various ratios. The research is descriptive and analytical in nature. The data used for the study was entirely secondary in nature for the period of 2008-09 to 2013-14. Based on finding, the study reveals that bank customers have more trust in public sector banks compared to private sector banks.

Prabhjot Kaur, 2015: A Financial Performance Analysis of the India Banking Sector Using CAMEL Model. In paper attempt to analyze the financial performance of Indian banking sector using CAMEL model, and also identifies the factors that predominantly affect the financial performance of the banks.

Patil, R. N., & Bhambulkar, A. V.,2020 : Comparative Study of Selected Private Sector Banks in India. A study research analytical and descriptive research design used. The variables used in the analysis of the data are EPS, net profit margin, ROE, assets turnover ratio, and ROA. For statistical tool one way analysis of variance (ANOVA) has been used. The study attempts to analyze the profitability position of the sample banks.

Ashish Gupta and Sundram [2] compared the financial performance of selected public sector banks (Bank of Baroda, Central Bank of India and Punjab National Bank) and private sector banks (Axis Bank, HDFC Bank and ICICI Bank) in India. They used the secondary data during

the 5 years period from 2009-10 to 2013-14. They used financial ratios to known the financial position of selected public and private sector banks. Their study results showed that overall financial performances of private sector banks like Axis bank, HDFC bank and ICICI bank are better than public sector banks such as Bank of Baroda, Central Bank of India and Punjab National Bank.

Pawan et al. [3] conducted to know the financial performance of selected private sector banks in India such as ICICI bank, Axis bank, HDFC bank, Yes bank and Indusland bank. They used the 5 years from financial year 2010-11 to 2014-15. Their study results indicate that Indusland bank and Yes bank generated profit high rate than ICICI bank, Axis bank and HDFC bank. They also concluded from the return on net worth ratio that Yes bank, HDFC bank and Axis bank generated more return on net worth compare to ICICI and Indusland bank.

Sonaje and Nerlekar [4] attempted to study the performance of commercial banks in India during the period from 2012-13 to 2016-17. Their results showed that HDFC bank and Kotak bank are the top performers while the public sector giant Punjab National bank and State Bank of India are at the bottom.

RESEARCH METHODOLOGY:

- Data Collection – In this research the data's collected to secondary method.
- Source of Data–The ratio data is are taken from trusted websites like Money Control, Stock Edge, Business Standard, Valuestock.com.
- Analysis – A study on comparative analysis of financial position of private and public sector banks.
- Time period of the study-The selected ratio variables of public and private sector banks taken for study was from financial year 2015 to 2019 for five years
- Data type -The data used for the research is taken for 10 Public and 10 Private bank, The variables used for finding bank performance are Profitability(ROE,NIM), Liquidity ratio(Cash/deposit ratio, Credit/deposit ratio) etc…,and this ratio is used to find out the liquidity in management.
- Statistical tools used- The tools used for the analysis is T-test it is used to compare the all bank performance of the Private sector banks vs Public sector banks, Regression this test is used for measure the effect of liquidity management on the profitability of both public and private sector banks, Graphical representation it is used for ranking the bank in both sector based on the performance, Correlation analysis is done to study the interrelationship between different sets of independent and dependent variable.

RESULTS AND DISCUSSIONS

From the Table.1 showed that return on assets of public sector banks are decreased from 2.52 in the year 2014-15 to -1.95 in 2018-19. The total return on assets of private sector also decreased from 9.61 in 2014-15 to 5.13 in the year 2018-19. The Table.1 also observed that means of

selected public sectors banks are less than the selected private sector banks with private sector average 7.32 than that of public sector banks average of -0.97.

Table.1. Return on Assets of Selected Public and Private Sector Banks Amount (in %)

Particulars	2014-15	2015-16	2016-17	2017-18	20 18-19	Mean
State Bank of India	0.68	0.46	0.4 1	-0.19	0.02	0.276
Punjab National Bank	0.53	-0.61	0.19	- 1.61	-1.25	-0.550
Bank of Baroda	0.49	-0.78	0.20	-0.34	0.06	-0.074
Canara Bank	0.55	-0.52	0.20	-0.75	0.06	-0.092
Bank of India	0.27	-0.94	-0.24	-0.91	-0.84	-0.532
Public Sector Banks	2.52	-2.39	0.76	-3.80	-1.95	-0.972
ICICI Bank	1.86	1.49	1.35	0.87	0.39	1.192
HDFC Bank	2.02	1.89	1.88	1.93	1.90	1.924
Axis Bank	1.83	1.72	0.65	0.04	0.63	0.974
Yes Bank	1.60	1.78	1.81	1.78	0.52	1.498
Kotak Mahindra Bank	2.30	1.19	1.73	1.73	1.69	1.728
Private Sector Banks	9.61	8.07	7.42	6.35	5.13	7.316

From Table.1 showed that return on assets of public sector banks are fluctuated during the study period whereas, private sector banks are decrease continuously.

Table.2. Total Income of Selected Public and Private Sector Banks Amount (Rs. in Crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Mean
State Bank of India.	174,973	191,844	210,979	265,100	279,644	222,708
Punjab National Bank	52,206	54,301	56,227	56,877	58,688	55,660
Bank of Baroda	47,366	49,060	48,958	50,306	56,065	50,351
Canara Bank	48,300	48,897	48,942	48,195	5 ,385	49,543
Bank of India	47,963	45,764	46,063	43,805	45,899	45,898
Public. Sector Banks	370,808	389,866	411,169	464,283	493,681	424,160
ICICI Bank	61,267	68,062	73,661	72,386	77,913	70,657
HDFC Bank	57,466	70,973	81,603	95,462	116,598	84,420
Axis Bank	43,844	50,360	56,233	56,747	68,116	55,060
Yes Bank	13,618	16,246	20,581	25,491	34,215	22,030
Kotak Mahindra Bank	21,47 1	28,032	33,983	38,813	45,979	33,655
Private Sector Banks	197,666	233,673	2,66,061	288,899	342,821	265,822

From the Table.2 indicated that total income of selected public sector banks is continuously increased from 2014-15 to 2018-19 with Rs. 3,70,808 crores in the year 2014-15 to Rs. 4,93,681 crores in 2018-19. The total income of private sector banks is also increased from 1,97,666

crores in the year 2014-15 to Rs. 3,42,821 crores in the year 2018-19. It is also observed that the means of public sector banks are higher than that of private sector banks. From Table.2 observed that the total income of both selected public and private sector banks is increased during the study period of 2014-15 to 2018-19.

Table.3. Net Profit of Selected Public and Private Sector Banks

Particulars	2014-15	2015-16	20 16-17	2017-18	2018-19	Mean
State Bank ofindia	13,102	9,951	10,484	-6,547	862	**70,658**
Punjab National Bank	3,062	-3,974	1,325	-12,282	-9,975	**84,420**
Bank of Baroda	3,398	-5,396	1,383	-1,887	1,100	**55,060**
Canara Battle	2,703	-2,813	1,122	-4,222	347	**22,030**
Battle of hldia	1,709	-6,089	-1,558	-6,044	-5,547	**33,655**
Public Sector Banks	**23,974**	**-8,321**	**12,756**	**-30,982**	**-13,213**	**265,823**
ICICI Bank	11,175	9,726	9,801	6,777	3,363	**8,168**
HDFC Bank	10,216	12,296	14,550	18,561	22,446	**15,613**
Axis Battle	7,358	8,224	3,679	276	4,677	**4,842**
Yes Bank	2,005	2,539	3,330	4,225	1,720	**2,764**
Kotak Mahindra Bank	1,866	2,090	3,411	4,084	4,865	**3,263**
Private Sector Banks	**32,620**	**34,875**	**34,771**	**33,923**	**37,071**	**34,650**

From the Table.3 showed that net profit of selected public sector banks is decreased from 2014 to 2018-19 and it is also observed that during the years of 2015-16, 2017-18 and 2018-19 are showed that net loss. The net profit of private sector banks is fluctuated during the study period but it has no loss for the entire study period from 2014-15 to 2018-19. From the Table.3 observed that net profit of public sector banks is showed that positive as well as negative trend during the study period whereas, the private sector banks are indicating fluctuated trend for study period.

Table.4. Net Interest Income of Selected Public and Private Sector Banks

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Mean
State Bank of India	55,015	57,195	61,860	74,854	88,349	**67,454**
Punjab National Bank	16,556	15,312	14,993	14,922	17,156	**15,787**
Bank of Baroda	13,188	13,692	14,878	15,522	18,684	**15,192**
Canara Bank	9,664	9,763	9,872	12,163	14,478	**11,188**
Bank of India	11,344	11,724	11,826	10,506	13,658	**11,811**
Public Sector Banks	**105,767**	**107,686**	**113,429**	**127,967**	**152,325**	**121,432**
ICICI Bank	19,040	21,224	21,737	23,026	27,015	**22,408**
HDFC Bank	22,396	27,594	33,139	40,095	48,243	**34,293**
Axis Bank	14,224	16,883	18.093	18,618	21,708	**17,905**
Yes Bank	3,488	4,567	5,797	7,737	9,809	**6,679**
Kotak Mahindra Battle	4,224	6,900	8,126	9,532	11,259	**8,008**
Private Sector Banks	63,37!	77,168	86,892	99,008	1,18,34	**89,293**

From the Table.4 observed that net interest income of public sector banks is increased from 2014-15 with Rs. 1,05,767 crores to Rs. 1,52,325 crores in the year 2018-19. The net interest income of private sector banks is also increased from 2014-15 to 2018-19 with Rs.63,372 crores in the financial year 2014-15 to Rs. 1,18,034 crores in the year 2018-19. It is also observed that means of public sector banks are higher than that of private sector banks. From Table.4 it is observed that net interest income of both public and private sector banks is increasing trend.

Table.5. Operating Profit of Selected Public and Private Sector Banks

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Mean
State Bank of lndia	39,537	43,258	50,848	59,511	55,436	49,718
Punjab National Bank	11,955	10,350	14,980	10,432	13,170	12,177
Bank of Baroda	5,421	-6,698	2,303	-2,081	1,538	77
Canara Bank	6,950	7,147	8,914	9,548	10,590	8,630
Bank of India	8,423	6,036	9,733	7,139	8,092	7,885
Public Sedor Banks	72,286	60,093	86,778	84,549	88,826	78,487
ICICI Bank	19,720	23,863	26,487	24,741	23,438	23,650
HDFC Bank	10,216	12,296	14,550	18,561	22,446	15,614
Axis Bank	13,385	16,104	17,585	15,594	19,005	16,335
Yes Bank	3,250	4,302	5,838	7,748	8,135	5 855
Kotak Mahindra Bank	2,997	4,041	5,985	7,158	8,348	5,706
Private Sedor Banks	49,568	60,606	70,445	73,802	81,372	67,160

From the Table.5 observed that operating profit of public sector banks are increased from 2014-15 with Rs. 72,286 crores to Rs. 88,826 crores in the year 2018-19. The operating profit of private sector banks are also continually increased from Rs. 49,568 crores in the year 2014-15 to Rs. 81,372 crores in the financial year 2018-19. It is also observed that mean value of public sector banks (Rs. 78,487 crores) are higher than private sector banks (Rs. 67,160 crores). From the Table.5 represented those operating profits of both public sector and private sector banks are increasing trend during the study period.

T- TEST

In order to find the significant difference between the net profits of public sector and private sector banks paired sample t-test are used (Rahul Mishra et al.,2013).

H0: There is no significant difference between the financial performance of selected public and private sector banks.

Table.6. Net Profits of Selected Public and Private Sector Banks

Financial Year	Public Sector Banks	Private Sector Banks
20 14-15	23,974	32,620
2015-16	-8,321	34,875
20 16-17	12,756	34,771
20 17-18	-30,982	33,923
20 18-19	-13,213	37,071

From the Table.6 showed that mean value of net profits of public sector banks are less than private sectors banks. Since computed value of t-test (0.020) is greater than tabulated value (-3.763), therefore the null hypothesis is accepted at 5 percent level of significance. Hence, we conclude that there is no significant difference between the net profits of selected public and private sector banks(Tripathi, 2019) .

SUGGESTIONS

➢ Public sector banks must be reviewed by its net profit and must be implementing their cost control measures.
➢ Unutilized assets should be considered to generate new income schemes by public sector banks.
➢ The growth rate of all parameters is high for private sector banks; therefore, public sector banks must enhance their performance.
➢ Private sector banks should concentrate to rural areas.
➢ Both public sector and private sector banks must be given more attention to Corporate Social Responsibility.

CONCLUSION

The main objective of this paper is to evaluate the financial performance as well as compare the performance of selected public sector and private sector banks in India for the five years period from 2014-15 to 2018-19. To compare the financial performance by using selected parameters namely return on asset, total income, net profit, net interest income and operating profit. As per the study, total income, net interest income and operating profit of selected public sector banks are performing better than private sector banks. On the other hand, net profit and return on assets of private sector bank is higher than public sector banks. There is no significant difference between the net profits of selected public sector and private sector banks. So, the private sector banks are more constant than public sector banks.

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