International Journal of Advance and Innovative Research
Volume 9, Issue 1 (I): January - March, 2022 Part - 2
ISSN 2394 - 7780

# A DETAIL PROJECT ON A COMPARATIVE STUDY BETWEEN PUBLIC AND PRIVATE SECTOR BANK WITH RESPECT TO FINANCIAL PERFORMANCE

**Shaikh Zahid Maqbool Hasan**
Assistant Professor, Shree L. R. Tiwari Degree College of Arts, Commerce and Science, Thane, Maharashtra

**ABSTRACT**

*Banks form a fundamental component of the financial system and are also active players in financial markets. An efficient banking system capable of mobilizing the savings and channelling them to productive purposes are essential for the development of any economy. The objective of the study is to analyse and compare the overall financial performance of selected public and private sector banks in India. The study is based on secondary data that has been collected from annual reports of the respective banks, Reserve Bank of India website. This research study covers a period of five years i.e. from financial year 2011-2012 to 2015-2016. The main objective of this study is to compare the Financial Performance of Selected Public and Private Banks in India. Those banks government holds a major portion of the share known as public banks owned by private lenders known as private banks. They further divided into two parts: fifteen public sector banks and fifteen private sector banks. The data used in the study secondary in nature. This study covers the time periods from 1 April 2008 to 31st March 2018.To compare the financial performance of the public and private banks following parameters.*

*Keywords: Financial Markets, government, banks, public and private sector*

## 1. INTRODUCTION

A bank is a monetary body which controls the financial activities of individuals and commercial institutions on their behalf; amongst the broad spectrum of activities conducted in banks on daily basis, the most elementary task includes receiving deposits and advancing credits to earn profit. Banks can be considered as blood streams of the nation as it helps feed the economy by playing the important role to the businesses that keep their operations running on the daily basis, help them grow via offering loans and make future investments to further their business prospects bother nationally and internationally. Indian banking history has been quite diverse; just like the diverse culture of our nation many banks have been established throughout the years to meet the varied needs of our growing economy.

The foremost operational bank in India was established in 1839 known as the "Union Bank of India". However, it failed to withstand the brutal economic crisis of 1848-49 faced by our Indian economy. "Bank of Upper India" encountered the similar fate as it also could not survive and closed it operation in 1913. The timeline of establishment of some other banks are as follows; Bank of Bombay 1840, Bank of Madras 1843, and Bank of Calcutta 1806 (later renamed as Bank of Bengal in 1809). These three banks later in 1921 collaborated into one bank renamed as Imperial Bank of India. Since, the independence of India in 1947 the largest and most rapidly growing bank has been State Bank of India; established in 1955. SBI has successfully managed to overcome and survive numerous economic challenges faced by our nation. Nevertheless, not being the only bank to face such turmoil; Allahabad Bank (established 1865) has also forged its name in Indian banking history as being the oldest surviving bank of India and it has managed to do so till he date. Indian banking sector is mainly divided into two classes: scheduled and non-scheduled banks. Reserve Bank of India being the head governing body initiates the financial policies and procedures. Those banks that are included under second schedule of Reserve Bank of India Act 1934 are known as "scheduled banks". These banks are further classified under nationalized bank, Regional Rural Banks, Foreign banks and other private banks.

**Definition of Bank -** A bank is a financial institution that accepts the deposits of the public and provides loans. The bank deposits pubic deposits in debt through the capital market. Financial services are provided by the bank. All banks are regulated by the RBI. The bank provides an important role for an economy. Different types of accounts are opened by the bank and can be transacted in many ways. The bank is an important part of the public.

**Schedule Bank :** Scheduled banks are those banks which have been included in the second schedule as per the Reserve Bank Act 1934.They are called scheduled banks. The RBI has included those banks in the second schedule that meet the prescribe rules of section 42(6)(a) of the act. 2.

**Non-schedule bank:** Non-scheduled banks are those banks which are not included in the second schedule to the RBI Act 1934. They are called Non-scheduled banks. Those whose capital is less than 500000 rupees are non-scheduled banks

| Cooperative Bank | Commercial Bank |
|---|---|
| 1. Public Sector Bank | 1. State Co-operative |
| 2. Private Sector Bank | 2. District Co-operative |
| 3. Foreign Bank | 3. Other Co-operative |
| 4. Regional Rural Bank | |

**Public Sector Bank:** Public sector banks are those banks where the majority of the stake is held by the government. 51% of the shares are listed on the stock exchange. Shareholders of private sector banks hold a majority. As per the banking companies act, 14 banks were nationalized in July 1969 and 6 banks were nationalized in 1980.These are called public sector banks. Public sector banks are divided into two categories. Nationalized banks provide public control and control of their functioning to public sector banks. This work is done in nationalized banks.

**Private Sector Bank:** Private sector banks are those banks where the majority of the equity is held by private shareholder, the government does not have it. Since the liberalization of 1990, old and new private sector banks have evolved in government banking policy. According to the Reserve Bank of India Act and the banking regulation Act, the minimum paid up capital will be Rest. 100 core with promoters contribution 25% or 20% in case of paid up capital is more than Rest. 100 core.

**State Bank of India:** Banking in India started in the 18th century. The first bank of India was the Bank of Hindustan which was established in 1770. State Bank of India is the largest and oldest bank. It originated as Kolkata in June 1806 and was renamed Bank of Bengal in 1809. The three banks were merged in 1921, renamed Imperial Bank of India, which was renamed as State Bank of India in 1955 on the independence of India. The Indian banking system was sometimes considered stronger than the US. Although the financial sector is currently facing many challenges, finance Minister NIRMALA SITHARAMAN or has announced the inclusion of 10 Public Sector Banks in to four big banks. The total number of Banks in the Public Sector has been reduced from 27 to 12.

## 2. LITERATURE REVIEW

1. is no consensus till date on how to
2. Define a family business. Several researchers
3. have come out with different definitions

Meena and Dhar (2014 Agrawal and Yadev (2015 Bhatia et al (2015) debated over the liquidity ratio and asset liability management in topmost three public, private and foreign banks in India. The outcome exhibited that largely banks in India have a very decent short term liquidity position) showed a relative study amongst the growth rate of PNB and HDFC bank. In this paper subsequent factors were used i.e. Net profit growth, Net assets growth, ROA and NPA.

Gupta and Sundram (2015) inspected the public and private bank for this education major information was used. In this revision subsequent limits were used i.e. assets, net profit, interest expenditure, interest income, deposits. The consequence presented that the complete performance of selected private banks is enhanced than public banks.

Balaji and Kumar (2016) examined the monetary presentation of designated public and private banks. The outcome presented that effectiveness of both bank were augmented but the development rate was greater in private banks as compared to public banks.

Kumar (2017) detected that CRM approach directly effects on client area from the examination and private sector banks preserve better association in advertising methods as compared to public sector banks.

Mukund Sharma (2014) has given a statement in his article that the purpose of CAMEL system is to detect problems before they manifest themselves. He analysed that private sector banks were better than public sector banks in utilising the available resources such as flies and also banks whose investment ratios in Government securities were more to have less gross non-performing assets and net non-performing assets using Friedman test and Mann.

CAMEL stands for - Capital Adequacy, Asset Quality, Management Efficiency, Earnings Ability and Liquidity. Based on these parameters the financial institutions are rated. The Central Bank plays the regulatory role to inspect the banks performances. Poor management of the banks pressurize the entire financial system of the country. Therefore effective and efficient performance of the banks is necessary for economic development and even to compete globally.

## 3. OBJECTIVES OF THE STUDY

1. Comparison of financial Performance of New Private sector and Public Sector Banks-
2. To study the financial performance of last 12 years of public and private sector banks-
3. To identify the parameters in which private/public sector banks are performing better/poor compare to private/public sector banks
4. To identify the factors (reasons) responsible for better/poor financial performance of private/public sector banks

## 4. HYPOTHESIS OF THE STUDY

H0: There is no significance difference in the Financial Performance of Public and Private Sector Banks in India.
H1: There is Significance difference in the Financial Performance of Public and Private Sector Banks in India.

H0- There is no significant difference between being satisfied and not satisfied customers from their rural and urban branches. Also there is no significant difference between satisfaction and not satisfaction in terms of being employment of the customers the difference between Public and Private Banks in terms of gender of the customer is also too less talking about the difference between Public and Private Banks in terms of income of the customer is also minimum.

H1- he study proposed a hypothesis that there is a significant difference between the financial performance of public sector banks and private sector banks with reference to the select variables.

**Hypothesis Testing**

In order to test the hypothesis questionnaires **"How do you feel about the overall financial performance of the bank?"**

The study proposed a hypothesis that there is a significant difference between the financial performance of public sector banks and private sector banks. As the majority of the customer who responded good and excellent financial services of their bank are the private banks account holders which shows that there is a significant difference between the financial performance of public and private sector banks.

Therefore we reject H0 and accept H1

**5.1 SCOPE OF THE STUDY-** For the survey, Mumbai city was selected. Mumbai is a well-known city and a developing city. The valuation of the business or a business interest is often a complex process involving a number of considerations ranging from defining the purpose of valuation. The basis and premise of value used the historical performance and future outlook for the subject of valuation. the form has been filled by professionals, family and friends. The study covers period is from March 2021 to May 2021 for primary and secondary data collection regarding Comparative study between private and public sector banks with respect to financial performance.

**5.2 SIGNIFICANCE OF THE STUDY -** The valuation can be useful when trying to determine whether private or public bank which is preferable. When one has to decide to choose this is better to carry on in terms of profitability, size and management. This long term perspective when properly module and intelligently utilised, allows for creative decision making and strategy development. The focus is to utilize resources to project that are pre received to not only to benefit the bank in the present all the way into the future.

## 6. Data Analysis and interpretation

### 6.1 Questionnaire

Q.1. Do you have a bank account?

Q.2. If yes which bank do you have an account?

Q.3. Are you satisfied with the service provided by your bank?

Q.4. what do you feel about the overall financial performance of your bank?

Q.5. what do you prefer for investment?

Q.6. Do you think your bank offers competitive interest rate in your investment?

Q.7. If yes what time period would you like to invest?

**International Journal of Advance and Innovative Research**
Volume 9, Issue 1 (I): January - March, 2022 Part - 2

ISSN 2394 - 7780

Q.8. Mention the reasons for choosing your bank?

Q.9. Do you have trust in your bank?

Q.10. Would you prefer taking a loan from your bank?

Q.11. If Yes/No they why?

Q.12. Would you recommend your bank to your friends or relatives?

**6.2 Interpretation** The method of findings is by questionnaires method. The total numbers of responses are 60. The data is collected through the responses from the questionnaire which was specifically prepared for this study. The questionnaire contained questions regarding the study on financial performance of public and private sectors bank.

The values of sig the t-test are lesser than 0.05 for all the parameters accept for the cash and credit deposit ratio. This means that there is no significant difference between the private and public sector banks when it comes to these two ratios. This reflects that both the private and public sector banks are doing equally well to carry out their lending activities to their customers.

## 7. CONCLUSION

Financial sector reforms have made favourable changes in the banking industry. The service levels have been redefined along with the extension of activities performed by banks. Although there was increase in profitability for both sector banks the rate of growth is higher for private sector banks. Public sector banks are lagging in many financial parameters and they are facing many challenges also. But their contributions to social aspects are also on the higher side which has an impact in the parameters. Public sector banks must redefine their strategies by considering their strengths and weakness and the type of market they are operating with whereas private sector banks must also consider priority sector lending in its fullest form along with meeting of societal aspects so that there exists a balanced growth for the industry and for the nation.

## 8. BIBLOGRAPHY AND REFERENCES

### BIBLOGRAPHY

Alcorn, P.B. Success and survival in the family owned business, McGraw-Hill, 1982.

Coleman, S. and Carsky, M. "Sources of Capital for Small Family-Owned Businesses: Evidence from the National Survey of Small Business Finances", Family Business Review, Vol. XII, No. 1, March 1999.

Daily, C.M. and Dollinger, M.J. "An empirical examination of ownership structure in family and professionally managed firms", Family Business Review, Vol. V, No. 2, 1992.

Gallo, M.A. and Vilaseca, A. "A Financial Perspective on Structure, Conduct, and Performance in the Family Firm: An Empirical Study", Family Business Review, Vol. XI, No. 1, 1998.

Gallo, M.A. "La sucesión en la empresa familiar", Servicio de estudios de la Caixa, 1998.

Gallo, M.A. and Cappuyns, K. "Los órganos de gobierno en la empresa familiar", Research Paper No. 346, IESE, 1996.

Gallo, M.A.; Cappuyns, K. and Estapé M.J. "La continuidad de las empresas familiares." Research Paper No. 290, IESE, 1995.

Gallo, M.A. and Vilaseca, A. "Finance in Family Business", Family Business Review, Vol. IX, No. 4, 1996.

Gallo, M.A. and Estapé, M.J. "La empresa familiar entre las 1000 mayores empresas de España.", Research Paper No. 231, IESE, 1992.

Gallo, M.A. and García Pont, C. "La empresa familiar en la economía española." Papeles de Economía Española, 1989.

Gersick, K.; Davis, J.; McCollan, M. and Lansberg, I. Generation to generation, Harvard Business School Press, 1992.

Mahérault, L. "Fonction d'investissement des P.M.E. familiales: l'influence de la cotation", paper presented at the Family Business Network 9th World Conference, Paris, 1998.

 ISSN 2394 - 7780

Neubauer, F. and Lank, A. Family business: Its governance for sustainability, MacMillan, 1998.

Smyrnios, K.; Romano, C. and Tanewski, A. "An Exploratory Investigation into the Financing Determinants of FBs", paper presented at the Family Business Network 9th World Conference, Paris, 1998.

Poutziouris, P.; Chittenden, F. and Michaelas, N. "The Financial Affairs of Private Companies", paper presented at the Family Business Network 9th World Conference, Paris, 1998.

Tápies, J. "Buy out con participación de un socio financiero. Un análisis de la situación española 1989-1997", Research Paper No. 334, IESE, 1997.

Ward, John L. Creating Effective Boards for Private Enterprises, Jossey-Bass, 1991

Sodhi,A.K. and Waraich, S. (2016). Fundamental Analysis of Selected Public and Private Sector Banks in India. NMIMS Management Review, XXVIII, 31-48.

Karri, H.K. et al. (2015). A Comparative Study on Financial Performance of Public Sector banks in India: An Analysis on CAMEL Model. Munich Personal RePEc Archive, Paper no. 62844. Online Available at https://mpra.ub.uni- muenchen.de/62844/

Goel, C. and Rekhi,C.B. (2013). A Comparative Study on the Performance of Selected Public Sector and Private Sector Banks in India. Journal of Business Management & Social Sciences Research (JBM&SSR), 2(7), 46-56.

Majumder, T.H. and Rahaman, M.M. (2016). A CAMEL Model Analysis of Selected Banks in Bangladesh. International Journal of Business and Technopreneurship, 6(2), 233-266.

Mistry, D.S. and Savani,V. (2015). A Comparative Study of the Profitability Performance in the Banking Sector: Evidence from Indian Private Sector Bank. XVI Annual Conference Proceedings, 346-360.

Taqi, M and Mustafa, M.S.M. (2018). Financial Analysis of Public and Private Sector Banks of India: A Comparative Study of Punjab National Bank and HDFC Bank. International Academic Journal of Business Management, 5(1), 26-47. Balaji, C. and Kumar, G.P. (2016). A Comparative Study on Financial Performance of Selected Public & Private Sector Banks in India. Journal of Commerce and Trade, XI (2), 89-96.

Annual reports of SBI from 2013-14 to 2017-18. Annual Reports of HDFC from 2013-14 to 2017-18.

**REFERENCES**

https://indianmoney.com/articles/financial-performance-of-private-sector-banks-in-india#:~:text=A%20Brief%20Analysis%20of%20the,the%20profitability%20of%20the%20bank.&text=Business%20per%20employee%3A%20in%20order,the%20profit%20per%20employee%20tool

http://www.internationalconference.in/XVI_AIC/I NDEX.HTM