

International Journal of Interdisciplinary and Multidisciplinary Research (IJIMR)

ISSN 2456-4567

A Study on Operational Performance of Selected Public and Private Sector Banks in India

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Abstract

The banks are prime intermediaries in mobilising the resources to various sectors of Indian economy. The flow of bank credit has a positive impact on the growth of the banking sector and contributes increasing the national income, employment and production. The present study analysing the operational performance of the public and private sector banks in India. The purpose of the study two public and private sectors banks SBI, PNB and HDFC, ICICI banks selected. The study period covers five years 2015 to 2019. The data analysis has been done using the ratio analysis, descriptive statistics like mean, standard deviation, coefficient of variation.

Key words: 1.Public Sector Banks 2.Private Sector Banks 3. Operational Performance

1.Introduction

The Indian monetary system has been keeping up mainly by the regulations, credit restrictions, share market controls. Banking sector in India has separated hooked on public and private sector banks. Banks are very financial mediators because they sever investors. The banks are providing finance facilities as a mediator to serve the investors. The banks also provides the medium of exchange the goods and services to the customers in the country.

Public sector banks: the central government started the baking business nationalisation of the Imperial bank of India in 1955. A 60% stake was taken by the reserve bank of India. The new bank was named as the state bank of India. Other state banks was became the subsidiaries of the new bank when nationalised on 19th July, 1960. The major 14 nationalisation of banks took place in 1969 when the government of India under prime minister of Indira Gandhi. In 1980 around six banks are internationalised by government bank.

Public Sector Banks: After 1990 to total investment in favour of Indian private sector the quantum grows of 56% to 70% in the 1990. The government enterprises ruled by the Indian market but the scene was changed the market was opened for investments. The rise of the Indian private sector companies periodised customers need and speedy service. The private sector banks in India represent part of the Indian banking sector that is made up by public and private sector banks. The importance of private sector in Indian economy has been ver commendable in generating employment and thus eliminating poverty.

2. Review of Literature

Vani Shree Sah (2017) in their article attempted to study the NPAs of Indian Banks. NPAs have impact on bank's the profitability and the net-worth. The banks must to take initiatives to reduce the NPAs. Gross NPA reflects the quality of the bank loans and the Net NPA reflects the bank's actual burden. It was concluded that the trends of gross NPAs, net NPAs are impact of NPAs and the recent government actions to reduce the NPAs.

Prasanth Kiran and Marry Jones (2016) in their study entitled to "Effect of NPAs on the profitability of banks-A selective study". It has been made on public sector banks in India to assess the effect of NPAs on the profitability of banks. For this study, SBI and 5 nationalized banks were selected and the relation between their gross NPAs and net profit was considered. The result highlights that except for SBI all the other banks demonstrate a negative correlation between their gross NPAs and net profits. But for SBI the net profit is not affected by gross NPAs and also it is in continuous profits. These days government is focused in mounting economy which wants vast financial resources.

Vivek Rajbagadur Singh (2016) in his study investigated the NPAs in Scheduled Commercial Banks which includes public sector banks, private sector banks and foreign banks which are listed in the second schedule of the Reserve Bank of India Act, 1934. It is based on secondary data. The conceptual framework of NPAs and it also highlights the trends, status and impact of NPAs on scheduled commercial banks during the period of 14 years i.e. from 2000 to 2014. The NPAs level of the banks is high when compared to the foreign banks. It is not possible to bring as zero NPAs and also study suggests to the bank management should speed up the recovery process.

Kajal Chaudhary and Monika Sharma (2011) defined that Public sector banks are the ones in which the government has a major holding. They are divided into two groups i.e. Nationalized Banks and State Bank of India and its associates. Among them, there are 19 nationalized banks and 8 State Bank of India associates. Public Sector Banks dominate 75% of deposits and 71% of advances in the banking industry.

3. Objectives of the study:

1. To examine the operational performance of selected public and private sector banks
2. To compare the working efficiency of public and private sector banks

4.0 Research Methodology

4.1 Sources of Data The study is based on secondary data only. The relevant data have been collected from the RBI publications like "Annual Report on Trends and Progress of Banking in India",

'Annual Report of RBI', and the publications of RBI like RBI bulletin, IBA (Indian Banks' Association), websites and magazines.

4.2 Period of the Study The present study covers a period of the ten years from 2015 to 2019.

Sampling Size. The four banks are selected state bank of India, Punjab national bank, HDFC bank, ICICI Commercial Bank are taken for the study.

4.3 Tools used for analysis: The following tools are used for the operational performance of selected banks are Descriptive statistics, Ratio analysis The analysis of data are done using statistical tools like, Mean, standard deviation, coefficient of variation.

5.0 Data analysis

YEAR	SBI	PNB	HDFC	ICICI
2019	0.02	-1.27	1.74	1.77
2018	-0.18	-1.62	1.68	2.28
2017	0.31	0.12	1.71	2.74
2016	0.32	-0.52	1.76	2.95
2015	0.49	0.53	1.76	2.97
Mean	0.19	-0.55	1.73	2.54
SD	0.27	1.35	0.55	0.51
CV	1.40	-2.44	0.32	0.20

Source: RBI Published Data and Annual Reports

Table 5.1 shows the gross profit ratio of selected public and private banks in India. the public sector SBI bank has the highest gross profit ratio with mean value of 0.19 and followed by private sector bank ICICI bank has the Highers gross profit ratio with mean value of 2.54. hence it concludes that the private sector banks operational performance of gross profit ratio is better than public sector bank

YEAR	SBI	PNB	HDFC	ICICI
2019	0.02	7.46	9.60	10.63
2018	-0.18	7.34	9.19	10.61
2017	0.31	7.71	9.65	11.54
2016	0.32	7.65	10.18	11.07
2015	0.49	8.21	9.92	10.92
Mean	0.19	7.67	9.71	10.95
SD	0.27	0.33	0.37	0.38
CV	1.40	0.04	0.04	0.03

Source: RBI Published Data and Annual Reports

Table 5.2 shows the net return on total assets ratio of selected public and private banks in India. the public sector PNB bank has the highest net return on total assets with mean value of 7.67 and followed by private sector bank ICICI bank has the Highers net return on total assets ratio with mean value of 10.95. hence it concludes that the private sector banks operational performance of net return on total assets ratio is better than public sector bank.

YEAR	SBI	PNB	HDFC	ICICI
2019	0.07	0.07	0.10	0.06
2018	0.06	0.06	0.09	0.06
2017	0.07	0.07	0.10	0.06
2016	0.07	0.07	0.10	0.06
2015	0.08	0.09	0.08	0.07
Mean	0.07	0.07	0.09	0.06
SD	0.01	0.01	0.01	0.00
CV	0.08	0.13	0.07	0.07

Source: RBI Published Data and Annual Reports

Table 5.3 shows the interest income to total assets ratio of selected public and private banks in India. the public sector SBI and PNB bank has the highest interest income to total assets ratio with mean value of 0.07 and followed by private sector bank HDFC bank has the Highers interest income to total assets ratio with mean value of 0.09. hence it concludes that the private sector banks operational performance interest income to total assets is better than public sector bank.

YEAR	SBI	PNB	HDFC	ICICI
2019	0.04	0.04	0.04	0.03
2018	0.04	0.04	0.04	0.03
2017	0.04	0.04	0.04	0.04
2016	0.05	0.05	0.05	0.04
2015	0.05	0.05	0.04	0.04
Mean	0.04	0.05	0.04	0.03
SD	0.00	0.00	0.00	0.00
CV	0.09	0.06	0.07	0.10

Source: RBI Published Data and Annual Reports

Table 5.4 shows the interest expended to total assets ratio of selected public and private banks in India. the public sector PNB bank has the highest interest expended to total assets ratio with mean value of 0.05 and followed by private sector bank HDFC bank has the Highers interest expended to total assets ratio with mean value of 0.04. hence it concludes that the public sector banks operational performance interest expended to total assets ratio is better than public sector bank.

YEAR	SBI	PNB	HDFC	ICICI
2019	0.00	0.07	0.04	0.03
2018	0.00	0.06	0.04	0.03
2017	0.00	0.07	0.04	0.04
2016	0.00	0.07	0.05	0.04
2015	0.01	0.08	0.04	0.04
Mean	0.00	0.07	0.04	0.03
SD	0.00	0.00	0.00	0.00
CV	1.44	0.07	0.07	0.09

Source: RBI Published Data and Annual Reports

Table 5.5 shows the net interest income to total assets ratio of selected public and private banks in India. the public sector PNB bank has the highest interest income to total assets ratio with mean value of 0.07 and followed by private sector bank HDFC bank has the Highers interest income to total assets ratio with mean value of 0.04. hence it concludes that the public sector banks operational performance of net interest income to total assets ratio is better than public sector bank.

YEAR	SBI	PNB	HDFC	ICICI
2019	0.030	0.015	0.021	0.052
2018	0.027	0.018	0.022	0.050
2017	0.026	0.013	0.023	0.049
2016	0.024	0.015	0.024	0.045
2015	0.027	0.017	0.024	0.042
Mean	0.027	0.015	0.023	0.048
SD	0.002	0.002	0.001	0.004
CV	0.077	0.121	0.059	0.083

Source: RBI Published Data and Annual Reports

Table 5.6 shows the operating expenses to total assets ratio of selected public and private banks in India. the public sector SBI bank has the highest operating expenses to total assets ratio with mean value of 0.027 and followed by private sector bank ICICI bank has the Highers operating expenses to total assets ratio with mean value of 0.048. hence it concludes that the private sector banks operational performance of operating expenses to total assets is better than public sector bank.

6.Findings

- private sector banks operational performance of gross profit ratio is better than public sector bank.
- private sector banks operational performance of net return on total assets ratio is better than public sector bank
- private sector banks operational performance interest income to total assets is better than public sector bank.
- public sector banks operational performance interest expended to total assets ratio is better than public sector bank.
- public sector banks operational performance of net interest income to total assets ratio is better than public sector bank.
- private sector banks operational performance of operating expenses to total assets is better than public sector bank.

7.Conclusion:

The present study is attempted to know the operational performance of public and private sector banks in India during the study period. The study findings indicates that public sector banks have higher operational performance of gross profit, net return and total assets. and the public sector banks higher performance at interest expended to total assets and net interest income. The study suggests

that banks should try to retain improve the operational efficiency of banks. Controls to over the expenses and disbursement cost in order to improve to increase the profits.

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