



## A Comparative Analysis of the Financial Performance of Chosen Public and Private Sector Banks in India

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<p>Received: 10<sup>th</sup> Feb 2022 Revised: 15<sup>th</sup> March 2022 Accepted: 01<sup>st</sup> April 2022</p> <p>CC License CC-BY-NC-SA 4.0</p>	<p style="text-align: center;"><b>Abstract</b></p> <p>Banks play a crucial role in the financial system and are key participants in financial markets. An effective banking system, capable of mobilizing savings and directing them towards productive ends, is vital for the growth of any economy. This study aims to examine and compare the overall financial performance of selected public and private sector banks in India. The research relies on secondary data sourced from the annual reports of the respective banks and the Reserve Bank of India website. The study covers a five-year period from the financial year 2011-2012 to 2015-2016. A quota sampling method was employed to select ten banks, comprising five from the public sector and five from the private sector, based on their highest market capitalization during 2015-2016. Data analysis utilized T-tests, means, and graphical representations. While both sectors experienced increased profitability, private sector banks demonstrated a higher rate of growth. Public sector banks lag behind in various financial parameters and face numerous challenges. It is concluded that public sector banks must redefine their strategies by evaluating their strengths and weaknesses and considering the market environments in which they operate.</p> <p><b>Keywords: Public Sector Banks, Private Sector Banks, net income, Operating Profit, Net Profit, Return on Assets.</b></p>
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### 1. INTRODUCTION

Public sector banks are those in which the government holds a significant stake, while private sector banks are characterized by equity held by private shareholders without government involvement. Initially, public sector banks held a dominant position in the Indian banking industry. However, financial sector reforms brought about significant changes, enabling private sector banks to leverage advanced technology and professional management, thereby posing a significant challenge to public sector banks.

### 2. REVIEW OF LITERATURE

Anand. K(2015) states that banks play a vital role in the financial system and actively participate in financial markets. A robust banking system capable of mobilizing savings and directing them towards productive endeavors is crucial for economic development. Apart from providing financial resources for growth, banks

also influence the allocation of these resources. The post-liberalization era in India has brought new opportunities for growth and development but has also presented numerous challenges.

Vidisha Shah (2015) conducted a comparative analysis of the performance of new private sector banks and public sector banks in India from 2011 to 2015. The study focused on key parameters such as the P/E Ratio, Dividend Payout ratio, Return on Equity ratio, Capital Adequacy ratio, and Credit Deposit ratio. This time frame was chosen to understand how different banks performed during periods of recession and inflation. A field study was conducted, with ICICI Bank representing the private sector and SBI Bank representing the public sector, to gain deeper insights into the analysis.

D. K. Malhotra et al. (2011) analyzed the performance of commercial banks in India from 2005 to 2009, covering both pre-credit crisis and crisis periods. The study examined profitability, cost of intermediation, efficiency, banking system soundness, and industry concentration for public and private sector Indian commercial banks. The empirical findings indicate intensified competition in the Indian banking industry. While the net interest margin has improved, the cost of intermediation is on the rise, prompting banks to enhance efficiency levels in response to increased costs.

### 3. OBJECTIVE OF THE STUDY

The primary aim of the study is to assess and juxtapose the comprehensive financial performance of chosen public sector banks and private sector banks operating in India.

### 4. RESEARCH METHODOLOGY Secondary Data

The research relies on secondary data gathered from various sources, including annual reports of the respective banks, data from the Reserve Bank of India, publications from the Indian Banks Association, as well as information from magazines, journals, documents, and other published sources.

#### Period of the Study

This research study covers a period of five years i.e. from financial year 2011-2012 to 2015-2016.

#### Sample

A sample comprising ten banks, five from the public sector and five from the private sector, has been chosen based on the highest market capitalization generated by banks during 2015-2016. The selected banks meeting this criterion include State Bank of India, Bank of Baroda, Punjab National Bank, Central Bank of India, and IDBI Bank from the public sector, and HDFC Bank Ltd, ICICI Bank Ltd, Kotak Mahindra Bank, Axis Bank Ltd, and IndusInd Bank from the private sector.

### 5. TOOLS OF ANALYSIS

The analysis and comparison of the financial performance of public sector banks and private sector banks were conducted using T-tests, mean calculations, and graphical representations.

### 6. DATA ANALYSIS

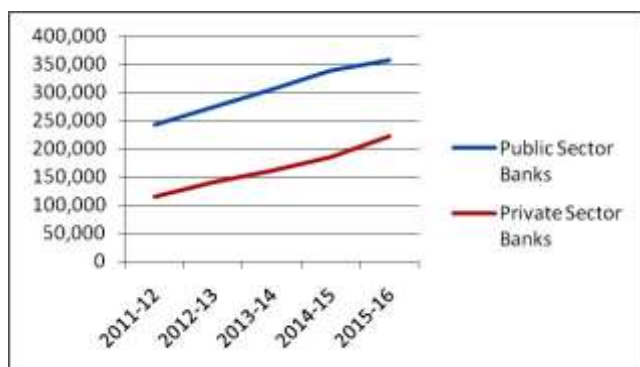
Table 1: Showing total incomes of selected public and private sector banks

**Total Income Amount in Cr.**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	Mean
State Bank of India	1,20,873	1,35,692	1,54,904	1,74,973	1,91,843	<b>1,55,657</b>
Bank Of Baroda	34,589	40,953	46,018	50,364	51,791	<b>44,743</b>
Punjab National Bank	40,679	46,117	47,800	52,206	54,301	<b>48,221</b>
Central bank on India	20,545	23,528	26,350	28,303	27,827	<b>25,311</b>
IDBI bank	25,482	28,284	29,576	32,162	31,453	<b>29,391</b>
<b>Public Sector Banks</b>	<b>2,42,168</b>	<b>2,74,573</b>	<b>3,04,648</b>	<b>3,38,008</b>	<b>3,57,216</b>	<b>3,03,323</b>

HDFC Bank Ltd.	33,658	41,917	49,055	57,466	70,973	<b>50,614</b>
ICICI Bank Ltd.	41,045	48,421	54,606	61,267	68,062	<b>54,680</b>
Kotak Mahindra Bank	7,158	9,203	10,167	11,748	18,996	<b>11,454</b>
Axis Bank Ltd.	27,415	33,734	38,046	43,844	50,360	<b>38,680</b>
Indusind Bank	<b>6,371</b>	<b>8,346</b>	<b>10,144</b>	<b>12,096</b>	<b>14,878</b>	<b>10,367</b>
<b>Private Sector Banks</b>	<b>1,15,647</b>	<b>1,41,621</b>	<b>1,62,018</b>	<b>1,86,421</b>	<b>2,23,269</b>	<b>1,65,795</b>

Source : Reserve Bank of India website



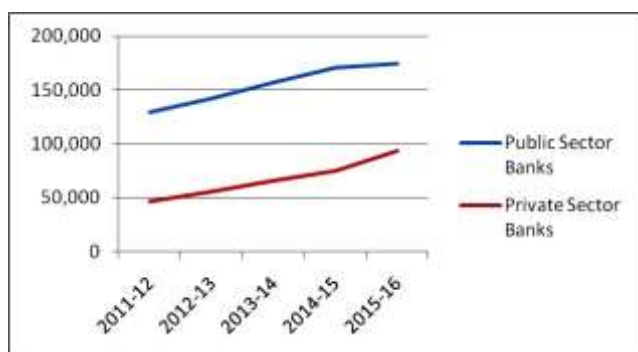
**Graph 1: Representing the growth of total incomes of public and private sector banks**

Rs. 357,216 crores in the financial year 2015-16. Similarly, the total incomes of selected private sector banks also rose from Rs. 115,647 crores in 2011-12 to Rs. 165,795 crores in 2015-16. The mean total income for selected public sector banks is higher than that of private sector banks, averaging Rs. 303,323 crores compared to Rs. 165,795 crores for private sector banks. Additionally, the graph illustrates a continuous increase in total incomes for both public and private sector banks, with total incomes of public sector banks consistently surpassing those of private sector banks. The table above illustrates an increase in total private sector banks' incomes for selected public sector banks from Rs. 242,168 crores in the financial year 2011-12 to

**Table 2: Showing net interest income of selected public and private sector banks**  
Net Interest Income Amount in Cr.

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	Mean
State Bank of India	43,291	44,329	49,282	55,015	56,881	<b>49,760</b>
Bank Of Baroda	30,488	36,442	40,463	44,915	45,799	<b>39,621</b>
Punjab National Bank	13,414	14,857	16,146	16,556	17,674	<b>15,729</b>
Central bank on India	19,150	21,861	24,428	26,409	25,888	<b>23,547</b>
IDBI bank	23,370	25,064	26,598	28,154	28,043	<b>26,246</b>
<b>Public Sector Banks</b>	<b>1,29,713</b>	<b>1,42,553</b>	<b>1,56,916</b>	<b>1,71,049</b>	<b>1,74,285</b>	<b>1,54,903</b>
HDFC Bank Ltd.	12,885	15,811	18,483	22,396	27,591	<b>19,433</b>

ICICI Bank Ltd.	10,734	13,866	16,476	19,040	21,224	<b>16,268</b>
Kotak Mahindra Bank	6,180	8,042	8,767	9,720	16,384	<b>9,819</b>
Axis Bank Ltd.	8,018	9,666	11,952	14,224	16,833	<b>12,139</b>
Indusind Bank	<b>8,254</b>	<b>8,254</b>	<b>9,692</b>	<b>9,692</b>	<b>11,581</b>	<b>9,494</b>
<b>Private Sector Banks</b>	<b>46,071</b>	<b>55,639</b>	<b>65,370</b>	<b>75,072</b>	<b>93,613</b>	<b>67,153</b>



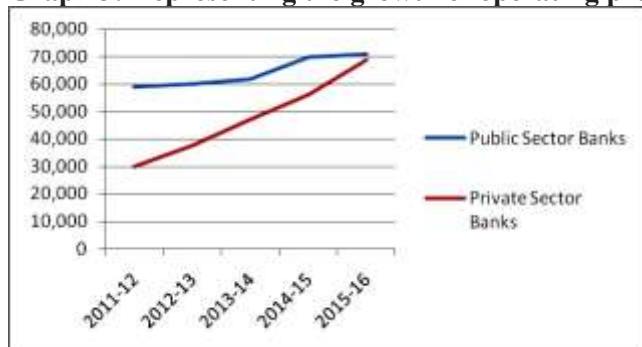
**Graph 2: Representing the net interest incomes**

The data presented in the table indicates **of public and private sector banks** that the total net interest incomes of selected public sector banks increased from Rs. 129,713 crores in the financial year 2011-12 to Rs. 174,285 crores in the financial year 2015-16. Similarly, the total net interest incomes of selected private sector banks also saw an increase from Rs. 46,071 crores in 2011-12 to Rs. 93,613 crores in 2015-16. The mean net interest income for selected public sector banks is higher than that of private sector banks, averaging Rs. 154,903 crores compared to Rs. 67,153 crores for private sector banks. Additionally, the graph illustrates a continuous increase in net interest income for both public and private sector banks, with net interest income of public sector banks consistently surpassing that of private sector banks.

**Table 3: Showing operating profit of selected public and private sector banks**  
Operating Profit Amount in Cr.

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	Mean
State Bank of India	31,574	31,082	32,109	38,914	43,258	<b>35,387</b>
Bank Of Baroda	8,630	9,074	9,353	9,915	8,816	<b>9,158</b>
Punjab National Bank	10,614	10,915	11,384	11,955	12,216	<b>11,417</b>
Central bank on India	2,815	3,173	3,238	3,559	2,643	<b>3,086</b>
IDBI bank	5,370	5,728	5,681	5,458	4,056	<b>5,259</b>
<b>Public Sector Banks</b>	<b>59,003</b>	<b>59,971</b>	<b>61,766</b>	<b>69,801</b>	<b>70,989</b>	<b>64,306</b>
HDFC Bank Ltd.	9,391	11,428	14,360	17,404	21,523	<b>14,821</b>
ICICI Bank Ltd.	10,386	13,199	16,595	19,720	23,863	<b>16,753</b>
Kotak Mahindra Bank	1,655	2,157	2,577	2,997	4,041	<b>2,685</b>
Axis Bank Ltd.	7,431	9,303	11,456	13,385	16,104	<b>11,536</b>
Indusind Bank	1,193	1,576	2,128	2,709	3,469	<b>2,215</b>
<b>Private Sector Banks</b>	<b>30,056</b>	<b>37,663</b>	<b>47,116</b>	<b>56,216</b>	<b>69,000</b>	<b>48,010</b>

**Graph 3: Representing the growth of operating profit of public and private sector banks**



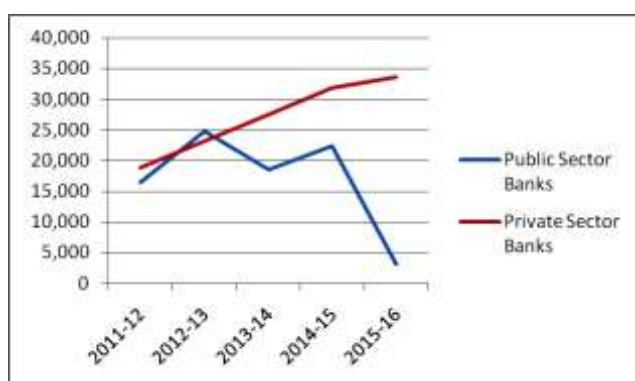
From the above table it is observed that total operating profits of selected public sector banks are stable from 2011-12 to 2013-14 with Rs. 59,003 crores in 2011-12 to Rs. 61,766 crores in 2013-14 and total operating profits are increased in the year 2014-15 with Rs. 69,801 crores. The total operating profits of selected private sector banks continually increased from 2011-12 to 2015-16 with Rs. 30,056 crores in the financial year 2011-12 to Rs. 69,000 crores in financial year 2015-16. It is also observed that means of the selected public

sector banks are higher than the selected private sector banks with public sector banks average Rs. 64,306 crores than that of private sector banks average of Rs. 48,010 crores.

From the above graph it is observed that operating profits of both public and private sector are increasing and operating profits of public banks are higher than the private sector banks.

**Table 4: Showing net profit of selected public and private sector banks**  
**Net Profit Amount in Cr.**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	Mean
State Bank of India	11,707	14,105	10,891	13,102	9,951	<b>11,951</b>
Bank Of Baroda	5,007	4,481	4,541	3,398	-5,396	<b>2,406</b>
Punjab National Bank	4,884	4,755	3,343	3,062	-3,974	<b>2,414</b>
Central bank on india	-1,418	606	-1,263	1,015	533	<b>-105</b>
IDBI bank	-3,665	873	1,121	1,882	2,032	<b>449</b>
<b>Public Sector Banks</b>	<b>16,515</b>	<b>24,821</b>	<b>18,634</b>	<b>22,459</b>	<b>3,146</b>	<b>17,115</b>
HDFC Bank Ltd.	5,167	6,726	8,478	10,216	12,296	<b>8,577</b>
ICICI Bank Ltd.	6,465	8,325	9,810	11,175	9,726	<b>9,100</b>
Kotak Mahindra Bank	2,090	1,866	1,503	1,361	1,085	<b>1,581</b>
Axis Bank Ltd.	4,242	5,179	6,218	7,358	8,224	<b>6,244</b>
Indusind Bank	803	1,061	1,408	1,794	2,286	<b>1,470</b>
<b>Private Sector Banks</b>	<b>18,766</b>	<b>23,157</b>	<b>27,417</b>	<b>31,903</b>	<b>33,618</b>	<b>26,972</b>



**Graph 4: Representing the growth of net profit of public and private sector banks**

From the above table it is observed that total net profits of selected public sector banks are increased from 2011-12 to 2012-13 with Rs. 16,515 crores in 2011-12 to Rs.24,821 crores in 2012-13 and total net profits are decreased in the year 2015-16 with Rs.3,146 crores. The total net profits of selected private sector banks continually increased from 2011-12 to 2015-16 with Rs. 18,766 crores in the financial year

2011-12 to Rs. 33,168 crores in financial year 2015- 16. It is also observed that means of the selected private sector banks are higher than the selected public sector banks with public sector banks average Rs. 17,115 crores than that of private sector banks average of Rs. 26,972 crores.

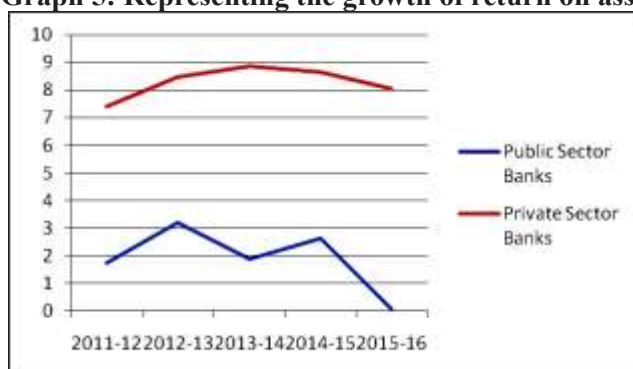
From the above graph it is observed that net profits of public sector banks fluctuated during the research period and the public sector banks are increase continually.

**Table 5: Showing return on assets of selected public and private sector banks**  
**Return on Assets Percentage**

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	Mean
State Bank of India	0.88	0.97	0.65	0.68	0.46	<b>0.728</b>
Bank Of Baroda	1.11	0.81	0.68	0.47	-0.8	<b>0.454</b>
Punjab National Bank	1.19	1	0.64	0.53	-0.5	<b>0.572</b>

Central bank on india	-0.46	0.19	-0.43	0.37	0.23	<b>-0.02</b>
IDBI bank	-0.97	0.24	0.34	0.58	0.69	<b>0.176</b>
<b>Public Sector Banks</b>	<b>1.75</b>	<b>3.21</b>	<b>1.88</b>	<b>2.63</b>	<b>0.08</b>	<b>1.91</b>
HDFC Bank Ltd.	1.77	1.9	2	1.73	1.73	<b>1.826</b>
ICICI Bank Ltd.	1.5	1.7	1.78	1.86	1.34	<b>1.636</b>
Kotak Mahindra Bank	1.08	1.76	1.71	1.62	1.65	<b>1.564</b>
Axis Bank Ltd.	1.68	1.7	1.78	1.83	1.72	<b>1.742</b>
Indusind Bank	1.39	1.44	1.61	1.64	1.63	<b>1.542</b>
<b>Private Sector Banks</b>	<b>7.42</b>	<b>8.5</b>	<b>8.88</b>	<b>8.68</b>	<b>8.07</b>	<b>8.31</b>

**Graph 5: Representing the growth of return on assets of public and private sector banks**



From the above table it is observed that total return on assets of selected public sector banks are increased from 2011-12 to 2012-13 with 1.75 in 2011- 12 to 3.21 in 2012-13 and total return on assets are decreased in the year 2015-16 with 0.08. The total return on assets of selected private sector banks than the selected public sector banks with public sector banks average 1.91 than that of private sector banks average of 8.31.

From the above graph it is observed that return on assets of public sector banks fluctuated during the research period and the public sector banks are increase continually.

#### T Test:

H0: There is no significant difference between the total net profits of public sector banks and private sector banks in India.

H1: There is significant difference between the total net profits of public sector banks and private sector banks in India.

**Table 5: Showing total net profits of selected public and private sector banks**

Financial Year	Public Sector Banks	Private Sector Banks
<b>2011-12</b>	16514.97	18766.39
<b>2012-13</b>	24820.56	23157.16
<b>2013-14</b>	18633.64	27416.54
<b>2014-15</b>	22459.47	31903.44
<b>2015-16</b>	3146.1	33617.5

continually increased from 2011-12 to 2013-14 with 7.42 in the financial year 2011-12 to 8.88 in financial year 2013-14 and total return on assets are decreased in the year 2015-16 with 8.07. It is also observed that means of the selected private sector banks are higher

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	17114.948	26972.206
Variance	71433871.3	37641106.51



Observations	5	5
Pearson Correlation	-0.4352169	
Hypothesized Mean		
Difference	0	
df	4	
t Critical one-tail	2.13184678	
P(T<=t) two-tail	0.15056946	
t Critical two-tail	2.77644511	

From the above table it is observed that mean value for net profits of public sector banks are less than that of the private sector banks. As computed t- test value 0.150 is less than tabulated value 2.7764 there is not enough evidence to reject H<sub>0</sub>. There is no significant difference between the net profits of public and private sector banks.

## 7. FINDINGS

The key findings of this study are outlined as follows:

1. Both public and private sector banks demonstrated robust growth in total income throughout the study period.
2. Net interest income exhibited an upward trend for both sectors, with public sector banks showing a comparatively higher net interest margin.
3. Public sector banks reported significantly higher volumes of operating profit compared to private sector banks.
4. A noticeable shift from public sector to private sector banks was observed in terms of net profit, with public sector banks leading in net profit during the initial two years of the study period. However, private sector banks consistently recorded higher profits throughout the entire duration.
5. Private sector banks displayed a steady growth in return on assets over the years, whereas public sector banks experienced a declining trend throughout the period. Private sector banks demonstrated superior asset utilization.
6. There was considerable variability in net profits between public sector and private sector banks.

## 1. SUGGESTIONS

Here are the recommendations for enhancing performance:

1. Public sector banks should improve their performance by adopting professional management practices and enhancing customer service. While private sector banks show higher growth rates across various parameters, public sector banks can focus on improving efficiency and service quality.
2. Public sector banks need to review their net profit and growth rates critically. Implementing cost-control measures to reduce operating expenses and assessing employee performance can contribute to better financial outcomes.
3. Effective utilization of assets is crucial for public sector banks. Underutilized assets should be diversified or invested in incomegenerating schemes to optimize returns.
4. Private sector banks should extend their services to rural areas and priority sectors to promote balanced regional development. Prioritizing social responsibility over solely profitable ventures is essential.
5. Corporate social responsibility initiatives should be prioritized by both public and private sector banks.
6. Public sector banks should set branch-wise, product-wise, and employee-wise targets to ensure performance efficiency. Similarly, private sector banks should establish targets for social performance, monitored by regulatory bodies like the Reserve Bank of India.

## 7. CONCLUSION

Financial sector reforms have brought about significant changes in the banking industry, redefining service levels and expanding the range of activities performed by banks. While both public and private sector banks have experienced increased profitability, the rate of growth is notably higher for private sector banks. Public

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sector banks, however, lag behind in various financial parameters and face numerous challenges. Nevertheless, their contributions to social aspects are considerable and impact these parameters. It is imperative for public sector banks to redefine their strategies by carefully assessing their strengths, weaknesses, and the market conditions they operate in. Similarly, private sector banks should prioritize sector lending and address societal concerns to ensure balanced growth for the industry and the nation as a whole.

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