

PERFORMANCE EVALUATION OF PUBLIC AND PRIVATE SECTOR BANKS IN INDIA: A COMPARATIVE STUDY

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ABSTRACT

Banking sector has been under constant change so far policies and practices are concerned and more so after liberalization of economy. Recent announcement of demonetization and cashless economy in India has brought about a great change in this sector. This sector is also under regular Government monitoring in recent times. Since public sector banks are bent towards economic and social welfare of the country, private sector banks are more inclined towards profit earning although all these banks are under the governance of RBI. The present paper tries to highlight the performance of banking sector and thereby tries to compare the performance in between public and private sector banks in India. For this purpose two banks in each of the two sections are taken under study. The study gives out some important observations.

KEYWORDS: *Public Sector, Private Sector, Performance, Growth, Liberalization.*

Introduction

The banking sector was always deemed to be one of the most vital sectors for the economy to be able to function. Its importance as the "lifeblood" of economic activity, in collecting deposits and providing credits to states and people, households and businesses is undisputable.

In all economic systems, banks have the leading role in planning and implementing financial policy. The difference lies with prioritizing goals and their way of achievement. Based on the liberalized model, achieving greater profits by using all means is an end in itself, while in the socialistic systems bank operations also aim at improving economy in general and at satisfying social needs.

Objectives of the Study:

- To analyse the performance of selected public and private banks of India.
- To study and calculate the specified key parameters of performance of selected banks.
- To make the comparative study on selected the public sector and private sector banks in India.

Research Methodology:

The present study is mainly based on secondary data. The study concentrates on Indian Banking Industry. Thus the two public sector banks and two private sector banks are selected. State Bank of India and United Bank of India are public sector banks. HDFC Banks and IDBI Banks are private sector Banks. The data is obtained from the annual reports of the banks under study. It is presented with the help of graphs, charts and tables etc. The study period is limited, from 2012-13 to 2016-17. The study uses five parameters to measure performance and growth namely, Total Advances, Total Deposits, Total Investments, Net worth and Net Profit. The formula to find out Compounded Annual Growth Rate (CAGR) is used which is as below:

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$$\text{CAGR} = \left\{ \left(\frac{\text{Ending value of parameter}}{\text{Beginning value of parameter}} \right)^{\frac{1}{n}} - 1 \right\}$$

Where, n=number of years under study.

Analysis and Interpretational Advances

Total Advances

Table 1: Analysis of Mean and Growth % of Selected Public and Private Sector Bank

Total Advances (Rs. In Crores)								
Year	SBI		UBI		HDFC		IDBI	
2012-13	1045616.55		68,908.66		2,39,720.64		1,96,306.45	
2013-14	1209828.72	15.70%	65767.51	-4.56%	3,03,000.27	26.40%	1,97,686.00	0.70%
2014-15	1300026.39	7.46%	66,763.04	1.51%	3,65,495.03	20.63%	2,08,376.87	5.41%
2015-16	1463700.42	12.59%	68,060.20	1.94%	4,64,593.96	27.11%	2,15,893.45	3.61%
2016-17	1571078.38	7.34%	66,139.30	-2.82%	5,54,568.20	19.37%	1,90,825.93	-11.61%
Mean	13,18,050.09		67,127.74		3,85,475.62		2,01,817.74	
CGR		8.48%		-0.01		18.26%		-0.56%

Figure1

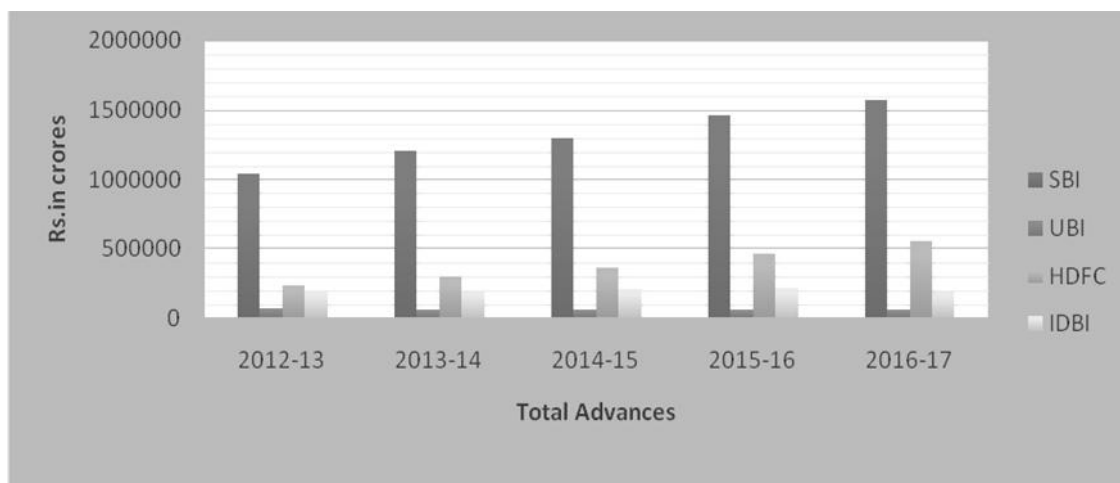


Table 1 shows the position of total advances in selected banks from the period 2012-13 to 2016-17. It shows that the mean value of State Bank of India is more than the other banks i.e. Rs.13,18,050.09 Crores. Compound Growth Rate of HDFC bank is highest being 18.26% from 2012-13 to 2016-17 followed by SBI bank 8.48% and has further decreased in the cases of UBI and IDBI Bank at 0.01% and -0.56% respectively. Figure 1 shows that total advances of SBI has increased more than the other banks under study but annual growth rate is high in HDFC Bank as seen in (Table-1)

Total Deposits

Table 2: Analysis of Mean and Growth % of Selected Public and Private Sector Banks

Total Deposits (Rs. In Crores)								
Year	SBI		UBI		HDFC		IDBI	
2012-13	12,02,739.57		1,00,651.54		2,96,246.98		2,27,116.47	
2013-14	13,94,408.51	15.94%	1,11,509.71	10.79%	3,67,337.48	24.00%	2,53,773.63	11.74%
2014-15	15,76,793.24	13.08%	1,08,817.60	-2.41%	4,50,795.64	22.72%	2,59,835.97	2.39%
2015-16	17,30,722.44	9.76%	1,16,401.28	6.97%	5,46,424.19	21.21%	2,65,719.83	2.26%
2016-17	20,44,751.39	18.14%	1,26,939.25	9.05%	6,43,639.66	17.79%	2,68,538.10	1.06%
Mean	15,89,883.03		1,12,863.88		4,60,888.79		2,54,996.80	
CGR		11.20%		4.75%		16.79%		2.34%

Figure 2

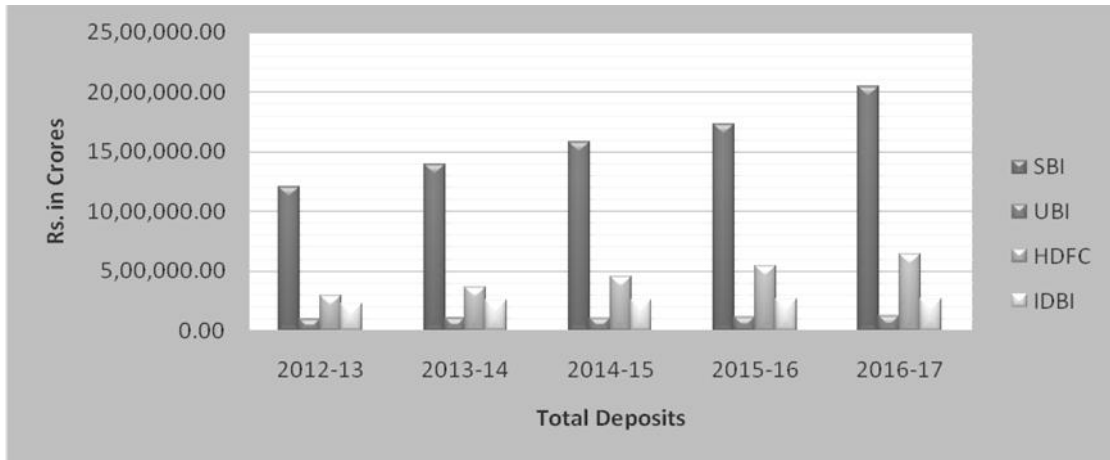


Table 2 shows the position of total deposits in selected banks from the period 2012-13 to 2016-17. It shows that the mean value of State Bank of India is more than the other banks i.e., Rs.15, 89,883.03 Crores. But the Compound Growth Rate on total deposits of HDFC shows highest, i.e., 16.79% from 2012-13 to 2016-17 followed by SBI at 11.20% and followed further by UBI and IDBI Bank at 4.75% and 2.34% respectively. Figure 2 shows that total deposits of SBI increases more than the other banks and shows annual growth rate is high in HDFC Bank i.e 24.00% during the period 2013-14 in (Table-2).

Total Investment (Rs. In Crores)								
Year	SBI		UBI		HDFC		IDBI	
2012-13	3,50,927.27		33,463.40		1,11,613.60		98,800.93	
2013-14	3,98,308.19	13.50%	44,876.34	34.11%	1,20,951.07	8.37%	1,03,773.50	5.03%
2014-15	4,95,027.40	24.28%	46,603.11	3.85%	1,66,459.95	37.63%	1,20,963.21	16.56%
2015-16	4,77,097.28	-3.62%	44,723.38	-4.03%	1,63,885.77	-1.55%	98,999.43	-18.16%
2016-17	7,65,989.63	60.55%	53,035.49	18.59%	2,14,463.34	30.86%	92,934.41	-6.13%
Mean	4,97,467.95		44,540.34		1,55,474.75		1,03,094.30	
CGR		16.90%		5.89%		6.85%		0.85%

Total Investments

Table 3: Analysis of Mean and Growth % of Selected Public and Private Sector Banks

Figure 3

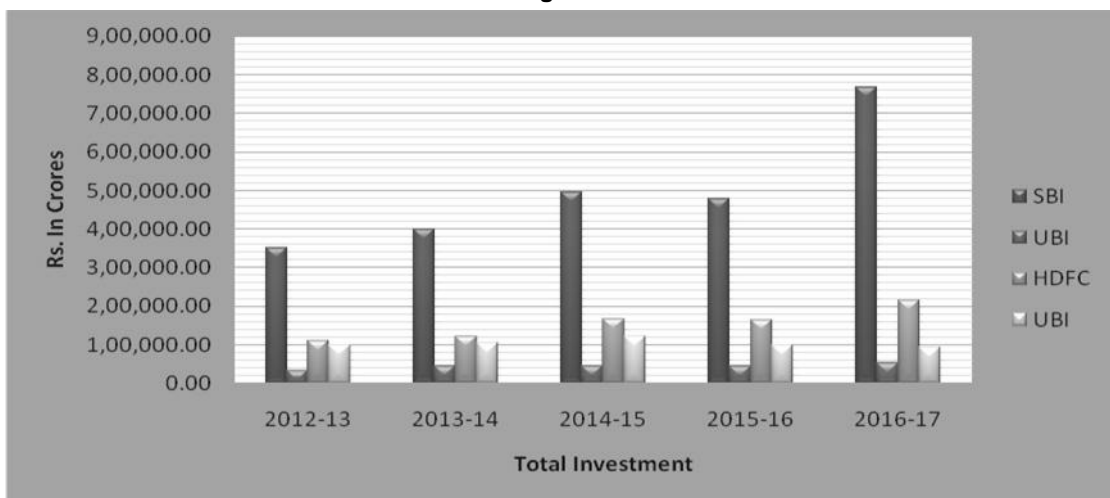


Table 3 shows the position of total investment in selected banks from the period 2012-13 to 2016-17. It shows that the mean value in State Bank of India is more than the other banks i.e. Rs. 4, 97,467.95 Crores. The Compound Growth Rate on total Investments of SBI shows highest, i.e. 16.90% from 2012-13 to 2016-17 followed by HDFC at 6.85% and followed further by UBI and IDBI Bank at 5.89% and 0.85% respectively. Figure 3 shows that total Investment of SBI increases more than the other banks and but it also shows annual growth rate is high 60.55% during the period 2016-17 in (Table-3).

Net Worth

Table 4: Analysis of Mean and Growth % of Selected Public and Private Sector Banks

Net Worth (Rs. In Crores)								
Year	SBI		UBI		HDFC		IDBI	
2012-13	98,883.68		5,259.24		36,214.15		19,473.25	
2013-14	1,18,282.25	19.62%	4,673.76	-11.13%	43,478.63	20.06%	21,926.47	12.60%
2014-15	1,28,438.22	8.59%	5,233.97	11.99%	62,009.42	42.62%	22,654.26	3.32%
2015-16	1,44,274.44	12.33%	5,394.53	3.07%	72,677.76	17.20%	22,113.97	-2.38%
2016-17	1,56,799.41	8.68%	6,842.78	26.85%	89,462.35	23.09%	17,145.91	-22.47%
Mean	1,29,335.60		5,480.86		60,768.46		20,662.77	
CGR		9.66%		5.41%		-16.55%		-2.51%

Figure 4

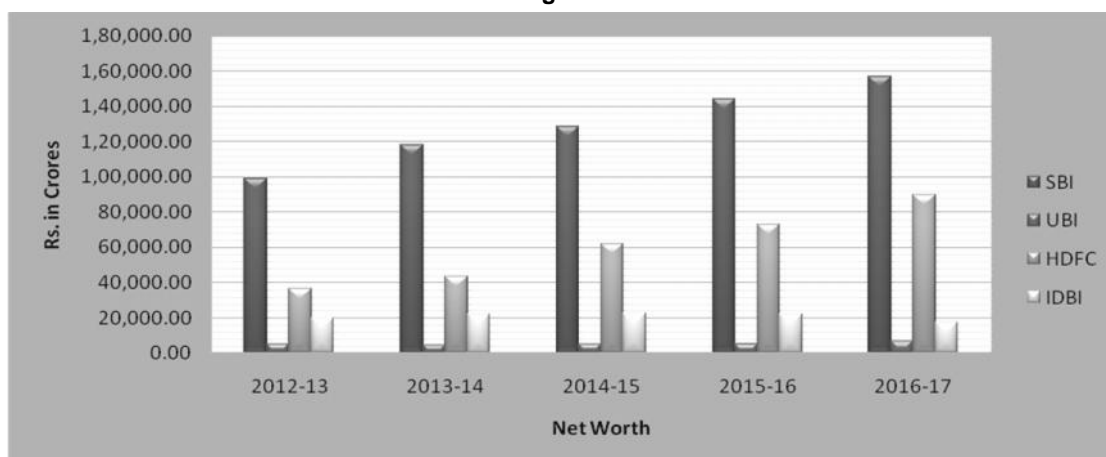


Table 4 shows the position of Net worth in selected banks from the period 2012-13 to 2016-17. It shows that the mean value of State Bank of India is more than the other banks i.e. Rs.1,29,335.60 Crores. The Compound Growth Rate on Net Worth of SBI shows highest, i.e. 9.66% from 2012-13 to 2016-17 followed by UBI at 5.41% and followed further by HDFC and IDBI Bank at (-)16.55% and (-)2.51% respectively. Figure 4 shows that mean Net worth of SBI increases more than the other banks and but on the other hand the annual growth rate is highest in HDFC at 42.62% during the period 2014-15 as in (Table-4).

Net Profits

Table 5: Analysis of Mean and Growth % of Selected Public and Private Sectors

Net Profits (Rs. In crores)								
Year	SBI		UBI		HDFC		IDBI	
2012-13	14,104.98		391.9		6,726.28		1882	
2013-14	10,891.17	-22.78%	-1213.44	-409.63%	8478.38	26.05%	1121.4	-40.41%
2014-15	13,101.57	20.30%	255.99	-121.10%	10,215.92	20.49%	873.39	-22.12%
2015-16	9,950.65	-24.05%	-281.96	-210.14%	12,296.21	20.36%	-3,664.80	-519.61%
2016-17	10,484.10	5.36%	219.51	-177.85%	14,549.64	18.33%	-5,158.14	40.75%
Mean	11,706.49		146.36		10,453.29		-989.23	
CGR		-5.76%		-10.95%		16.69%		-187.93%

Figure 5

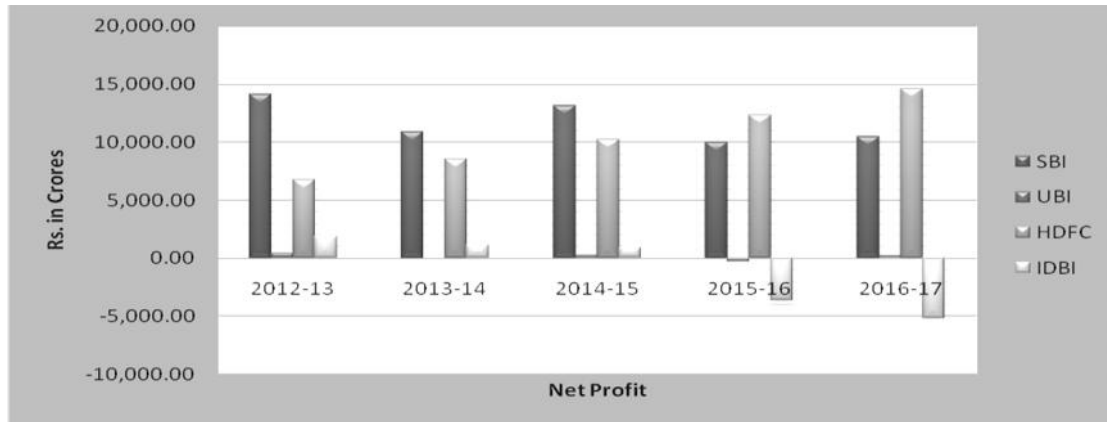


Table 5 shows the position of Net Profit in selected banks from the period 2012-13 to 2016-17. It shows that the mean value of State Bank of India is more than the other banks i.e. Rs.11,706.49 Crores. While the Compound Annual Growth Rate is positive only in HDFC at 16.69% which is obviously the highest and followed by negative rates as (-)5.76%, (-)10.95% and (-)187.93% in SBI, UBI and IDBI respectively. Surprisingly, Figure 5 shows the annual growth rate in IDBI is the highest in 2016-17 at 40.75% while in the CGR this bank shows the highest negative growth as against highest net profit in the same year.

Conclusion

Since the imposition of privatization in the nineties, there has been a growth of private participation in the business in general and service sector in particular. Banking sector has also been running under two major wings namely public sector and private sector. It had been a notion that private sectors perform better than that of their public sector counterparts. The present study has reflected a picture which indicates performance of public sector is similar to private sector banks. State bank of India (SBI) being one of the major public sector banks in India has shown an encouraging performance in comparison to its private sector counterparts. While in almost all the parameters under study, SBI claims top position while on the overall growth is concerned the picture is less satisfactory as HDFC bank has shown a better growth. UBI under public sector and IDBI under private sector seem having less impact on performance. So far growth is concerned, the annual growth count seem satisfactory while the CGP shows overall less growth in public sector banks as compared to private sector banks. Banks in India are regulated by the RBI guidelines but the attempt to grow is more significant in private sector banks. The present monitoring by the Government on banks is expected to extract a greater performance based activities out of banking business in general and public sector banks in particular.

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