

## COMPARATIVE PERFORMANCE ANALYSIS OF PUBLIC, PRIVATE AND FOREIGN BANKS IN INDIA

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Varghese George\*

### ABSTRACT

*A Bank is an establishment that has banking and other financial services to their customers. A bank is usually understood as an establishment which provides fundamental banking services like accepting deposits and providing loans. All the banks safeguard the money and valuables and supply loans, credit, and payment services, like checking accounts, money orders, and cashier's cheques. The banks also offer investment and insurance products. As a spread of models for cooperation and integration among finance industries have emerged, a number of the normal distinctions between banks, insurance companies, and securities firms have diminished. Profitability Analysis and performance of banking sector in India has assumed primal importance because of intense competition, greater customer demands and changing banking reforms. Since competition can't be observed directly, various indirect measures in the variety of simple indicators or complex models are devised and used both in theory and in practice. This study attempts to live the relative performance of banks working in India for this study, we have used public sector banks and Private sector banks and foreign banks. We all know that in the service sector, it's difficult to quantify the output because it's intangible. Hence different proxy indicators are used for measuring Profitability and Performance of banking sector. Segmentation of the banking sector in India is selecting on the idea of nature of ownership, i.e. public sector, private sector and foreign sector banks working in India. So, it's very necessary to look at the performance of selected banks on the premise various selected parameters, so an estimate are often made about the progress of that bank group. So this study is a trial during this area.*

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**Keywords:** Performance, Banking, Demand, Indicators, Progress, Reforms, Competition, Profitability.

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### Introduction

Today banks became a component and parcel of our life. Aside from their traditional business oriented functions, they need now begin to satisfy national responsibilities through catering to the requirements of agriculturists, industrialists, traders and to all or any the opposite section of the society. Thus they accelerate the economic process of a nation and steer the wheels of the economy towards its goal of self reliance all told fields. The Indian banking industry has undergone significant structural transformation since the 1990s. An administered regime under state ownership until the initiation of monetary sector reforms in 1992, the world was opened to greater competition by the entry of latest private banks and more liberal entry of foreign banks in line with the recommendations of the Report of the Committee on the economic system. With the time of globalization and with the emergence of banking sector reforms, Indian banks started operating publicly, private & foreign collaboration. Thus there's a necessity to review the financial performance of the banks for making analysis of comparative performance of the Banks including Foreign Banks.

### Performance Analysis and Banking Development

The system of the Indian banking has abundant achievements to its credit. In this system, banks are the chief contributors to the general growth of monetary structure in India. Banks offers various services and opportunities to their customers. Safety first is the principle of the banks on monetary aspects and valuables, which further engaged in offering loans under different categories and customers additionally to

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\* Research Scholar, Department of Management, Mahatma Jyoti Rao Phoole University, Jaipur, Rajasthan, India.

other payment services, like inspecting accounts maintained, money orders, Demand Drafts and Bankers cheques. The banks also involved in offering new and innovative investment and insurance products to the shoppers. Different new models in the Indian economic system have emerged leading to diminishing the sooner dissimilarities among the banking institutions, companies managing insurance products and firms offering securities. Even after these changes, banks continue their originality in continuing to their ancient banking activities like performing deposit acceptance from the purchasers by paying them interest on such deposits and advancing the deposit funds through various styles of loans to the potential customers. Expectations and Satisfaction travel together. The expectation level has made a substantial impact on the satisfaction by hi-tech intricacy, stream of information, income from revenue, changing standards of individuals tend to vary rapidly trending ascendant movement, if it's not contented in a very suitable manner, the gates for dissatisfaction are going to be always open. We all are in the period of skilled expertise era leading in repeated improvements in the classy technology growth which in-turn surface for the arrival of complete western standard of living which leads in bringing a revolutionary change in the behaviour pattern of the potential individual citizens of our country. In the beginning of the twenty first century and in late twentieth century, the method of globalization in the nineties increased the momentum and entry of assorted foreign financial institutions leading to intense competition. The ever-rising passion of globalized era laid steps in the successful implementation of contemporary western cultural touch and correspondingly increases in the level of advancements in the behaviour of the individuals and also the integrity for tech-culture which transforms from their earlier behaviour to new and updated communicative customs and social magnitudes. This transformation affects not only the Indian sub-continent, but throughout the world.

#### **Why Performance Analysis is Needed**

The industry is one amongst the rapidly growing industries in India. It's transformed itself from a sluggish business entity to a dynamic industry. Indian banking system is seeing tremendous competitiveness, growth, efficiency, profitability and soundness, especially in the recent years. In epoch of cut throat competition, every bank and banking group is striving to draw in more and more customers towards itself, in order that it can make its name in the banking system and gets fame by their operations and dealing, in order that their customer's loyalty will be increased towards them and that they are ready to utilize this in their future policies. Now each day they're not only concerned about providing their customers with plenty of facilities, but the standard of these services also are their major concern issue. Today industry isn't bank oriented but its customer oriented. All the banks and banking groups do what their customers are demanding from them. They're able to provide all the facilities only to retain them with their bank. a number of the samples of this are 24 hour ATM facility to their customers, mobile banking, electronic fund transfer etc. These facilities make customers more contented and satisfied. There are different parameters on which these banks and bank groups compete with one another. The foremost purpose behind this competition is to boost their customer base and profitability by increasing their efficiency. So these parameters hold a very important place in the policies of the banks and they should be properly handled and appropriate polices should be made to form the simplest use of those parameters.

The new age banks of foreign and private banking sector have triggered the method of technological intricacy. Globalization has brought essential change worldwide which actually includes the specified services in a very particular nation in terms of economic and banking services. Though the service sector contribution is high for the national productivity, the impact of globalization on services remains on the verge in gaining the entire researchers consideration. Everyday acting on the betterment towards the Modernisation of the banking products and financial services made drastic impact in the change in the promoting of banking products and services. The banks which are engaged in the domestic functions are expanding their market size by overseas banking activities. This happens because the businesses is in need in providing several walks for receiving payments on transactions made to avail various banking facilities regarding the merchandises offered, a gradual and supple system is the need of the hour in giving the end-user the various ways in paying the desired amount. Innovation in developing a healthier technological platform should be advanced to enhance the purchasers in offering best banking and financial services and ways in the acceptance of such payments.

#### **Literature Review**

**Koundal, Virender, (2012)**, conducted a study on 'Performance of Indian Banks in Indian Financial System'. Different indicators like number of banks, offices, number of employees, business per employees, deposits per employee, advances per employee, bank assets size, non-performing assets etc. were used for measuring productivity of banking sector. The study concluded that foreign owned banks are on the average best which new banks are more efficient than old ones. The public sector banks aren't as profitable as other sectors are.

**Chaudhary, K., and M. Sharma, (2011)**, in their study on 'Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative Study' performed comparative analysis of services of public sector banks and Private sector banks and stated that the increased competition and knowledge technologies reduce processing costs, the erosion of product and geographic boundaries, and fewer restrictive governmental regulations have all played a significant role for public sector banks in India to forcefully compete with private and foreign banks.

**Kapoor, G. P., (2004)**, in her book entitled 'Commercial Banking' analyzed the performance of banks from 1981-1982 to 1999-2000 and revealed that the deposits, advances, total business income, expenditure, net interest margin, working funds, branches and employees of the whole PSBs registered lower rates of growth in the post-reform period as compared to the pre-reform period.

**Swamy, B. N. A., (2001)**, studied on 'New Competition, Deregulation and Emerging Changes in Indian Banking', analyzed the comparative performance of various bank groups since 1995-96 to 1999-2000. A trial was made by researcher to spot factors which could have led to changes in the position of individual banks in terms of their share in the overall industry.

**Vashist, A. K., (1987)**, in his study titled 'Performance appraisal of economic banks in India' evaluated the performance of public sector commercial banks with relevancy six key indicators. He developed the composite weighted growth index, which is employed for ranking the banks. For improving the performance of business banks he suggested (I) the developing of promoting strategy for deposit mobilization (II) profit planning and strength, weaknesses, opportunities and threat analysis in commercial banks.

#### **The Current Scenario and Requirements**

Financial System is the most vital institutional and functional vehicle for economic transformation of any country. Banking sector is reckoned as a hub and barometer of the financial set-up. The virtual monopoly of banks in 'Payment Mechanism' touches the lives of scores of people daily and everywhere. Thus the banking sector has been playing a major role as growth facilitator. The globe of banking and finance is changing in no time transforming them with and banks are the main target on knowledge. Therefore, there's a desire for today's bank employees to stay themselves updated with a brand new set of skills and knowledge. Banks and technology are evolving so rapidly that bank staff must continually seek new skills that enable them not only to retort to alter, but also to create competence in handling various queries raised by customers still. The Indian banking system spreads, new banking products and players and mergers and acquisitions. In the present environment where change is invisible, it's not enough if bank change with the change, but they need to alter before the change. They ought to perceive what customer want and accordingly structure their product and services. Indian banks face innumerable challenges like NPAs, deteriorating asset quality, and increasing pressures on profitability, asset liability management, liquidity risk management, market risk management and ever tightening prudential norms. Besides this, the disclosure requirements worrying level of also are increasing.

#### **Conclusion**

Evaluating Indian banking sector is not a simple task. Sound performance of a bank is that the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy likewise. As a sequel to the current maxim, efforts are made of time to time, to live the financial position of every bank and manage it efficiently and effectively. There are numerous factors, which require to be taken care while differentiating good banks from bad ones. Also, the restructuring of public sector banks and therefore the emergence of latest banks in the private sector still because the increased competition from foreign banks, have improved the professionalism in the banking sector. In the study CAMEL approach has been used assess the relative financial strength of the chosen banks. It is seen that Foreign Banks were found at the highest compare to Indian Banks during the study period followed by Private Sector Banks and Public Sector. CAMEL Performance of Public Sector wasn't satisfactory during study period. To boost the financial performance of the chosen banks;

- Banks should expand their business in unbanked areas particularly rural and remote areas.
- The banks should improve the operational and financial efficiency with the assistance of well equipped tools, technology, and financial and technological innovations.
- Management of non-performing assets and risk emanating from adverse events is that the key to the upper profitability of the Indian Banking.

- The bank should target improving the liquidity position so as to fulfill out its current obligations.
- The failure of getting sufficient liquidity will end in the loss of creditor's confidence.
- The earning quality of the bank will be improved by increasing the online and operating profits through their efficient technology.
- The creditworthiness of the banks is improved by having a correct internal audit team.

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