

# Comparative Analysis of Financial Performance of Listed Indian Public Sector Banks and Private Sector Banks

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## ABSTRACT

Banking system is the backbone of any country's financial system. Banking system of any economy should be financially and operationally strong enough, so that credit requirement of an economy can be fulfilled with ease without the major intervention of central bank or federal bank. Indian banking system majorly categorized into two broad categories i.e.; Public sector banks and Private sector Banks. In the recent time Indian banking system going through a chronic problem of Non-Performing Assets (NPA) and it is very essential for banks to maintain their financial strength and also create some cushion to absorb negative shocks or unexpected events of the economy. Public sector banks and private sector banks have different type of working culture and environment although they work in the same regulatory framework; public sector banks have more political pressure and labor union issues as compared to private sector banks, which affect their financial performance and operational performance as well. But because of government's stake in the PSU banks they also enjoy the higher level of trust as compared to private sector banks. The present study aims to compare the financial performance of selected listed public sector banks and selected listed private sector banks. Six years i.e., 2009-10-2014-15 was considered as study period. Financial ratios and mean were considered as tools to analyze the data. Results revealed that based on the comprehensive ranking Private sector banks outperformed as compared to public sector banks operating in India.

**Key Words:** CAMELMG Rating, Financial Performance, Comparative financial performance, Public Sector Banks, Private Sector Banks.

## Introduction

Bank's traditional business was lending and borrowing, but now banks in India are offering various types of innovative services and products such as; wealth management, portfolio management, financial planning, bancassurance, m-banking, e-banking are few of the examples. Access of quality service is vital and important for the well-being of economy. Customer acquisition was the policy which was adopted in last couple of years in the banking system of India, but now-days banks have shifted their focus to customer delight and customer retention. Introduction of information technology has changed the entire working system of banks and revolutionary changes have been seen in services of banks.

Banks have commendable progress during the last few decades, but serious problem and challenges are also faced by Indian banks. The biggest problem faced by public sector banks and private sector banks in India is bad asset quality. The slowdown in last few years, poor credit appraisal system and aggressive approach towards gaining market share of new banks and corruption in public sector banks in India are few of the reasons led to increase in bad loan or non-performing assets. Capital adequacy ratio (CAR) is the statutory requirement for banks in India, higher CAR provides greater cushion to absorb negative shocks in the economy such as; bad loan etc. In the last couple of years CAR is steadily decreasing especially in the public sector banks, which is another major concern for Indian banking system. Unavailability of skilled manpower, balance sheet management, fierce competitions among peer group, losses in rural branches are few of the major challenges faced by banks in India.

Strong financial performance of commercial banks is the need of the hour for Indian economy. Sustainable development and to maintain the growth momentum of Indian economy, role of commercial banks is unavoidable. Several internal and external determinants affect the financial performance of Indian commercial banks. The present study aims to analyze the financial performance of all the listed commercial banks in India and compare the financial performance of public sector banks and private sector banks. It helps in identifying the weak banks and sector in the system and reasons behind it. Various significant internal determinants and external determinants are identified, which will help banks to improve its financial performance by focusing on those factors.

### **Literature Review**

Another study conducted to analyze the financial performance of the Indian banking industry by employing CAMELS rating method. Period of the study covered from 2003-04 to 2007-08. Results revealed there was found to be no significant difference in the overall CAMELS ratings of 4 public and private/foreign banks. Moreover, there was a trend improvement in the overall CAMELS ratings of private/foreign banks over that of public sector banks (Dash and Das, 2009).

A comparative study conducted to analyze the productivity of among the selected private banks in India. ICICI Bank, HDFC Bank and Axis Bank were taken as sample and period of study was 2007-08 to 2001-12. Ratio analysis was used as a financial tool for the data analysis purpose. Employee Productivity and Branch Productivity was used as a major productivity indicator and various sub-parameters were used to analyze the productivity. The study revealed that based on employee productivity ICICI Bank was better than other selected private banks and as per branch productivity of ICICI bank is less than the other selected banks (Singla, 2013).

Another study used CAMEL model to analyze the financial performance of banks in Turkey. 23 ratios were calculated for CAMEL model and period of study was 8 years i.e., 2005-2012. 3 State owned banks and 12 private owned banks were considered as sample. Results revealed as per capital adequacy Ada Bank was at top position. According asset quality and liquidity parameter Zirratt bank stood at top position. As per management efficiency Ak banks was at top ranking. Halk bank stood at top position according to earning quality. As per composite ranking Ziraat bank was in first position followed by AK bank and Vakif Bank. Last positioned bank was Tekstil Bank. Study also revealed that there was significant difference between financial performance of state-owned banks and private owned banks (Altan, Yusufazari and Beduk, 2014).

Another study examined the comparative financial performance of State Bank of India and ICICI Bank; public sector and private sector respectively. The research was descriptive and analytical in nature. The data used for the study was entirely secondary in nature and period of the study taken from the financial year 2009-2010 to 2013-14. Trend Analysis, Correlation and Ratio analysis was used for the data analysis purpose. The results of the study found that State Bank of India was performing well and financially sound than ICICI Bank

but in context of deposits and expenditure ICICI bank had better managing efficiency than State Bank of India (Prabhu and Chandrasekaran, 2015).

A Research conducted to analyze the financial performance of banks in India. Study period was 2003 to 2013 and it was divided in two period i.e., period 1 as 2003-2008 and period 2 as 2009-2013. 15 banks selected as sample and criteria for selection of banks was 5 banks from each of the following category i.e., Public Sector banks, Private Sector banks and Foreign banks. Ratio analysis and components of financial statements i.e. Balance Sheet and Profit and Loss were considered for data analysis purpose. Based on eleven parameters which are considered revealed that the performance of selected commercial banks has been significantly different (Nagarkar, 2015).

### **Research Objectives**

- ☐ To analyze the financial performance of the listed Commercial Banks in India.
- ☐ To compare the financial performance of the listed Public Sector and Private Sector Commercial Banks in India.

### **Research Methodology**

#### **Nature of Study**

The nature of the study is empirical and analytical. Present research works analyze and compares the financial performance of private sector banks and public sector banks.

#### **Study Sample**

Sample size of the present study consists of all the listed commercial banks except one bank i.e. ING Vysya Bank because of merger with Kotak Mahindra Bank Ltd. data were not available. 39 banks were considered for study purpose out of which 24 were public sector banks and 15 were private sector banks. The list of these banks has been exhibited below:

#### **Data collection and Period of the Study**

Financial year from 2009-2010 to 2014-2015 considered as a period of study for current research work and secondary data collected from annual reports of banks, internet, journals, RBI web site etc.

#### **Statistical tools**

CAMELMG Rating, Mean and Ratio analysis applied to analyze and compare the financial performance of listed commercial banks in India

#### **Data Analysis**

#### **Results and Interpretation**

Comparison of Financial Performance of Public Sector Banks and Private Sector Banks on Different Segments and Sub Parameters

Table No. 1

Capital Adequacy Segment								
Capital Adequacy Ratio (%)			Total Advances / Total Assets (%)		Government Securities / Total Investments (%)		Capital / Total Assets (%)	
Year	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks
2009-10	13.18	16.219	60.779	57.911	84.139	74.535	0.447	0.719
2010-11	13.327	15.091	62.651	58.87	81.846	71.151	0.509	0.604
2011-12	12.983	14.936	64.014	59.745	83.647	74.08	0.469	0.533
2012-13	12.184	14.888	63.956	58.995	81.647	73.013	0.42	0.454
2013-14	11.827	14.604	63.292	58.734	81.084	72.382	0.34	0.428
2014-15	11.75	14.271	63.257	59.989	81.44	72.314	0.278	0.436
MEAN	12.542	15.002	62.992	59.041	82.301	72.913	0.411	0.529

Private Sector Banks maintained higher Capital Adequacy ratio as compare to Public Sector Banks from 2009-10 to 2014-15, based on the mean ratio (Table No. 1) Private Sector Banks (15.002%) had higher level of adequate capital, safer and greater ability to absorb negative shocks as compared to Public Sector Banks (12.542%).

Public Sector Banks maintained higher Total Advances/Total Assets ratio than Private Sector Banks. Higher ratio indicates more productive use of available assets, which results into higher profitability and lower reliance on external capital. Based on the mean (Table No. 1) Public Sector Banks (62.992%) maintained slightly higher ratio and were in a better position than Private Sector Banks (59.041%).

As per mean (Table No. 1) Public Sector Banks (82.301%) maintained higher Government Securities/Total Investment Ratio than Private Sector Banks (72.913%). It indicates higher safety and greater availability of capital to absorb losses.

As per mean (Table No. 1) Private Sector Banks (.529%) maintained Capital/Total Assets Ratio higher than Public Sector Banks (.411%). Higher ratio indicates lower funding from external sources and vice versa, it is also implied that greater amount of capital is available to cover losses and more safety for the banks.



Table No. 2

Assets Quality Segment								
Gross NPA Ratio (%)			Net NPA Ratio (%)		Total Investment / Total Assets Ratio (%)		Net NPAs / Total Assets Ratio (%)	
Year	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks
2009-10	2.003	2.603	0.985	1.144	27.81	30.224	0.595	0.623
2010-11	2.038	2.065	1.005	0.581	25.94	29.959	0.627	0.312
2011-12	2.669	1.899	1.485	0.574	25.95	30.133	0.951	0.356
2012-13	3.251	1.725	2.021	0.703	26.46	30.518	1.293	0.533
2013-14	4.349	1.948	2.774	1.071	26.65	29.018	1.733	0.663
2014-15	5.186	2.003	3.227	1.082	26.46	28.407	2.021	0.743
MEAN	3.249	2.041	1.916	0.859	26.55	29.71	1.203	0.538

As per mean (Table No. 2) Gross NPA Ratio (Gross NPA/Gross Advances), Private Sector Banks (2.041%) showed higher asset quality than Public Sector Banks (3.249%). Higher asset quality means lower level of non -performing assets. Lower ratio indicates higher standard assets in bank which results in higher level of profits, capital and safety.

As per mean (Table No. 2) Net NPA Ratio (Net NPA/Net Advances), Private Sector Banks (.859%) showed higher asset quality than Public Sector Banks (1.916%). Higher asset quality means lower level of non-performing assets. Lower ratio indicates higher standard assets in bank which results in higher level of profits, capital and safety.

Net NPA/Total Assets is another ratio to analyze the asset quality of the banks. As per mean (Table No. 2) Private Sector Banks (.538%) maintained lower ratio and higher level of asset quality and safety as compared to Public Sector Banks (1.203%). Its interpretation was same as the Gross NPA and Net NPA ratio

Table No. 3

Management Efficiency Segment										
Cost Income Ratio (%)			Operating Cost / Total Assets Ratio (%)		Profit Per Employee (Rs. in Lakhs)		Business Per Employee (Rs. in Lakhs)		Total Advances / Total Deposits Ratio (%)	
Year	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks
2009-10	46.204	50.572	1.427	1.988	5.625	8.028	916.823	928.798	71.207	76.368
2010-11	46.265	49.401	1.544	1.945	6.85	6.137	1086.36	785.19	74.113	73.341
2011-12	44.924	49.038	1.437	1.926	6.594	7.614	1212.98	876.847	75.964	75.312
2012-13	45.616	52.809	1.394	1.987	6.205	8.188	1347.92	889.776	76.143	78.348
2013-14	48.89	50.086	1.453	1.944	4.007	8.661	1363.58	951.794	75.076	77.265
2014-15	49.807	51.216	1.477	2.041	4.267	8.826	1508.17	948.414	74.657	76.221
MEAN	46.951	50.52	1.455	1.972	5.591	7.909	1239.31	896.803	74.527	76.143

As per mean (Table No. 3) Public Sector Banks (46.951%) were efficiently managing their resources and keeping the cost low as compared to Private Sector Banks (50.520).

According to mean (Table No. 3) Public Sector Banks (1.455%) had higher level of management efficiency and lower spending against their assets as compared to Private Sector Banks (1.972%). Higher ratio of other banks may be due to providing better customer service, value added services, higher technology expenses, or more skilled employees.

Profit per Employee ratio was new metrics to judge the efficiency of bank's management. As per mean (Table No. 3) Private Sector Banks (Rs. 7.909 Lakhs Profit per Employee) revealed better efficiency, more profit generated per employee and efficient use of resources than Public Sector Banks (Rs. 5.591 Lakhs Profit per Employee).

Another new metrics to analyze the management efficiency was Business per Employee (Deposits + Advances / No. of Employees). As per mean (Table No. 3) Public Sector Banks (Rs. 1239.306 Lakhs Business per Employee) were in a position to generate more business per employee, it revealed efficient and effective use of human resource by Public Sector Bank's management than Private Sector Banks (Rs. 896.803 Lakhs Business per Employee).

As per mean (Table No. 3) Private Sector Banks (76.143%) maintained higher ratio, it indicates that these banks were deploying their assets in more productive way which ultimately increases bank's profitability as compared to Public Sector Banks (74.527).

**Table No. 4**

Earnings Segment												
Return on Assets (%)			Return on Equity (%)		Return on Capital Employed (%)		Net Interest Margin (%)		Non Interest Income / Average Working Funds (%)		Interest Income / Total Funds Ratio (%)	
Year	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks
2009-10	0.963	1.223	21.715	14.973	17.061	15.036	2.456	3.166	1.109	1.402	6.904	8.393
2010-11	0.934	1.096	20.134	13.721	15.951	14.78	3.013	2.993	0.91	1.581	7.052	7.545
2011-12	0.818	1.217	16.364	15.101	12.964	16.308	2.804	3.189	0.838	1.365	8.069	7.382
2012-13	0.703	1.259	13.733	16.048	10.763	15.93	2.588	3.075	0.834	1.309	8.12	8.65
2013-14	0.453	1.29	8.868	16.299	8.043	15.663	2.473	3.11	0.825	1.347	8	8.872
2014-15	0.378	1.245	7.373	14.98	8.112	14.127	2.393	3.294	0.873	1.354	8.12	9.061
MEAN	0.708	1.222	14.698	15.187	12.149	15.307	2.621	3.138	0.898	1.393	7.711	8.317

As per mean (Table No. 4) Private Sector Banks (1.222%) had higher earnings, higher asset quality and more productive use of their assets to generate higher incomes as compared to Public Sector Banks (.708%). Trend line revealed upward trend for Private Sector Banks and margins were also improving except in year 2014-2015.

Return on Equity Ratio is another measure to judge the profitability. As per mean (Table No. 4) Private Sector Banks (15.187%) had higher earnings and higher ability to generate more profits for its shareholders than Public Sector Banks (14.698%).

Return on Capital Employed (ROCE) Ratio is one of the important profitability measures. As per mean (Table No. 4) Private Sector Banks (15.307%) had higher operating earnings and more ability to generate higher returns for its capital suppliers as compared to Public Sector Banks (12.149%).

Net Interest Margin is one of the important earning measure that examines how successful a bank's Loans (Advances) or Investment decisions as costs has to be paid on liabilities (Deposits, Debts). As per mean (Table No. 4) Private Sector Banks (3.138%) revealed higher Net Interest Margin; it implied that they were managing their portfolio of interest earning and interest spending assets more efficiently as compared to Public Sector Banks (2.621%).

Non Interest Income constitutes significant portion of earnings in today's banking system and represents the diversification of income. As per mean (Table No. 4) Private Sector Banks (1.393%) showed higher Non Interest Income; it implied that better management of its assets to generate non interest income and lower reliance on more volatile interest incomes compared to Public Sector Banks (.898%).

Interest Income / Total Funds Ratio are one of the important measures to judge the earning capabilities and to analyze the management of its funds to generate income. As per mean (Table No. 4) Private Sector Banks (8.317%) showed higher Interest Income; it is implied that efficient utilization of its available funds for generating interest income as compared to Public Sector Banks (7.711%).

Table No. 5

Liquidity Segment								
Liquid Assets/Total Assets Ratio			Cash / Deposit Ratio (%)		Liquid Assets / Total Deposit Ratio (%)		Liquid Assets / Demand Deposits Ratio (%)	
Year	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks
2009-10	8.638	6.857	7.208	6.144	9.812	8.911	32.748	32.969
2010-11	8.345	8.186	7.708	7.8	9.874	10.489	33.495	36.031
2011-12	7.048	7.442	5.792	7.467	8.357	9.548	29.267	36.05
2012-13	6.8	6.019	5	5.667	8.07	7.95	31.963	31.009
2013-14	7.076	6.268	5.333	5	8.365	8.254	30.598	31.658
2014-15	7.254	6.779	5.375	5.6	8.538	8.289	32.143	33.172
MEAN	7.527	6.925	6.069	6.28	8.836	8.907	31.702	33.482

As per mean (Table No. 5) Public Sector Banks (7.527%) showed higher ratio; it implied that these banks had maintained adequate funds to meet its obligation as compared to Private Sector Banks (6.925%).

Cash/Deposit Ratio is another measure used to judge the liquidity position of bank. As per mean (Table No. 5) Private Sector Banks (6.280%) showed higher ratio indicating strong liquidity position as compared to Public Sector Banks (6.069%).

As per mean (Table No. 5) Private Sector Banks (8.907%) showed higher ratio indicating greater liquidity and sound position as compared to Public Sector Banks (8.836%).

Demand deposit constitute major portion of banking deposits. As its name suggest this deposit are payable on demand and require greater level of liquidity management for banks. As per mean (Table No. 5) Private Sector Banks (33.482%) had greater availability of liquid assets to fulfill the obligations as compared to Public Sector Banks (31.702%).

Table No. 6

Margin Ratios Segment

Yield on Advances (%)			Yield on Investments (%)		Cost of Liabilities (%)	
Year	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks
2009-10	11.533	14.092	7.153	7.12	5.358	6.385
2010-11	11.352	13.069	6.844	6.627	5.003	5.648
2011-12	12.78	12.575	7.278	6.256	6.256	5.25
2012-13	12.848	14.507	7.365	6.982	6.458	6.756
2013-14	12.825	15.018	7.65	7.226	6.432	6.91
2014-15	12.972	14.999	8.221	7.711	6.6	6.965
MEAN	12.385	14.043	7.419	6.987	6.018	6.319

Yield on Advances ratio is one of the important measures in Margin Ratio segment. As per mean (Table No. 6) Private Sector Banks (14.043%) were generating more income on their loans and advances and had better profitability, productivity than Public Sector Banks (12.385%).

Banks deploy their resources majorly in advances and rest into investment and cash segment, and maintain balance with RBI. Higher Yield on Investment reflects efficient allocation of resources and greater profitability. As per mean (Table No. 6) Public Sector Banks (7.419%) earned higher return on their investment than Private Sector Banks (6.987%).

As per mean (Table No. 6), Public Sector Banks (6.018%) had lower cost of liabilities among as compared to Private Sector Banks (6.319%); it implied that management was efficiently raising funds at lower cost which ultimately enhanced the profitability of Public Sector Banks.

**Table No. 7**  
**Growth Ratios Segment**

Operating Profit Growth (%)			Net Profit Growth (%)		Advances Growth (%)		Earnings Per Share Growth (%)	
Year	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks	Public Sector Banks	Private Sector Banks
2009-10	21.859	18.286	28.559	-91.174	21.859	18.286	27.398	16.251
2010-11	29.182	20.701	20.635	22.161	29.128	20.701	7.328	18.53
2011-12	15.209	33.804	10.123	35.423	15.209	33.804	-4.707	27.171
2012-13	9.391	0.33	4.095	-1.405	9.391	0.33	2.779	23.074
2013-14	12.108	18.666	-43.48	18.051	12.108	18.666	-30.854	21.54
2014-15	5.699	10.584	-25.923	-638.78	5.699	10.584	-22.642	0.197
<b>MEAN</b>	<b>15.575</b>	<b>17.062</b>	<b>-0.998</b>	<b>-109.29</b>	<b>15.566</b>	<b>17.062</b>	<b>-3.45</b>	<b>17.794</b>

As per mean (Table No. 7), Private Sector Banks (17.062%) showed higher operating profit growth which showed efficient and effective management of their resources to generate operating income as compared to Public Sector Banks (15.575%).

According to Table No. 7, Public Sector Banks revealed negative net profit growth rate of -.998% whereas Private Sector Banks net profit growth rate was negative-109.287%. Negative net profit growth rate indicates inefficient and ineffective management of assets to generate net profits.

As per mean (Table No. 7), Private Sector Banks (17.062%) revealed higher and positive advances growth rate, which showed higher market share and higher business growth as compared to Public Sector Banks (15.566%).

As per mean (Table No. 7), Private Sector Banks (17.794%) revealed positive and higher EPS growth rate, which signified every year earnings per share is rising as compared to Public Sector Banks (-3.450).



Table No. 8

Sr. No.	Segment	Sub Parameters	Public Sector Banks Sub Parameters Rank	Private Sector Banks Sub Parameters Rank	Mean Ranking Public Sector Banks	Mean Ranking Private Sector Banks	Segment Mean Ranking Public Sector Banks	Segment Mean Ranking Private Sector Banks
1	Capital Adequacy	Capital Adequacy Ratio (%)	2	1	1.5	1.5	2	1
		Total Advances / Total Assets Ratio (%)	1	2				
		Government Securities / Total Investments Ratio (%)	1	2				
		Capital / Total Assets Ratio (%)	2	1				
2	Asset Quality	Gross NPA Ratio (%)	2	1	2	1	2	1
		Net NPA Ratio (%)	2	1				
		Total Investment / Total Assets (%)	2	1				
		Net NPA / Total Asset (%)	2	1				
3	Management Efficiency	Cost Income Ratio (%)	1	2	1.4	1.6	1	2
		Operating Cost / Total Assets Ratio (%)	1	2				

Sr. No.	Segment	Sub Parameters	Public Sector Banks Sub Parameters Rank	Private Sector Banks Sub Parameters Rank	Mean Ranking Public Sector Banks	Mean Ranking Private Sector Banks	Segment Mean Ranking Public Sector Banks	Segment Mean Ranking Private Sector Banks
		Profit Per Employee (In Lakhs)	2	1				
		Business Per Employee (In Lakhs)	1	2				
		Total Advances /Total Deposit Ratio (%)	2	1				
4	Earnings	Return on Assets Ratio (%)	2	1				
		Return on Equity Ratio (%)	2	1				
		Return on Capital Employed (%)	2	1				
		Net Interest Margin Ratio (%)	2	1	2	1	2	1
		Non Interest Income / Average Working Funds Ratio (%)	2	1				
		Interest Income / Total Funds Ratio (%)	2	1				

Sr. No.	Segment	Sub Parameters	Public Sector Banks Sub Parameters Rank	Private Sector Banks Sub Parameters Rank	Mean Ranking Public Sector Banks	Mean Ranking Private Sector Banks	Segment Mean Ranking Public Sector Banks	Segment Mean Ranking Private Sector Banks
5	Liquidity	Liquid Assets / Total Assets Ratio (%)	1	2	1.75	1.25	2	1
		Cash / Deposits Ratio (%)	2	1				
		Liquid Assets / Total Deposits Ratio (%)	2	1				
		Liquid Assets / Demand Deposits Ratio (%)	2	1				
6	Margin	Yield on Advances Ratio (%)	2	1	1.333	1.667	1	2
		Yield on Investments Ratio (%)	1	2				
		Cost of Liabilities Ratio (%)	1	2				
7	Growth	Operating Profit Growth Ratio (%)	2	1	1.75	1.25	2	1
		Net Profit Growth Ratio (%)	1	2				
		Advances Growth Ratio (%)	2	1				
		Earnings Per Share Growth Ratio (%)	2	1				

*As per Table No. 8 Private Sector Banks outperformed Public Sector Banks.*

Indian banking sector was dominated by public sector undertaking banks. But now the situation has changed due to the entry of private sector banks. PSU banks are major market share holder as compared to private sector banks. Due to the introduction of latest information technology, innovative products, higher quality of customer service, and professional management are few of the unique selling points due to which public sector banks facing stiff competition from private sector banks. PSU banks are known for their better organizational structure, experience curve, and huge customer base. Private sector banks are usually known for their highly competitive outlook and technological superiority as compared to PSU banks. Both the sectors have their own positives and negatives, comparative analysis of both the sectors at common platform unveil the weak spots and strong areas. Present study considered the same sample size, study period and financial tool, which were considered for individual analysis of banks. Public Sector Banks and Private Sector Banks were also compared based on 7 categories and 30 sub-parameters i.e. financial ratios and trend analysis was also applied to judge the trend existed during the period of the study.

The results of present study revealed that as per Capital Adequacy segment Private Sector Banks ranks top as compared to Public Sector Banks. Strong position in capital adequacy segment also has positive impact on private sector bank's profitability. Asset Quality segment results showed that Private Sector Banks ranks top as compared to Public Sector Banks. Due poor credit analysis system and lack of responsibility centre asset quality is much critical and chronic problem in PSU banks as compared to private sector banks. Management Efficiency segment results showed that Private Sector Banks ranks top as compared to Public Sector Banks. It was found that private sector banks are efficiently and optimally utilizing resources as compared to public sector banks. Earnings segment results showed that Private Sector Banks ranks top as compared to Public Sector Banks. Due lower NPAs, efficient management, skilled human resources and good investment policy converted into higher profitability for private sector banks. Liquidity segment results showed that Private Sector Banks and Public Sector Banks share the equal position. Margin Ratio segment results showed that Public Sector Banks ranks top as compared to Private Sector Banks. Higher margins indicate that public sector bank's stakeholders have higher faith and confidence into the PSU banking system as compared to public sector banking. Growth Ratio segment results showed that Private Sector Banks ranks top as compared to Public Sector Banks.

Final Ranking according to Seven Segments and Thirty sub-parameters Private Sector Banks perform better than Public Sector Banks.

### **Suggestions**

Public sector banks should improve their business by hiring or training to the existing staff to be more customers friendly for better customer relationship management. Aggressive marketing should be adopted by public sector banks for higher market share, which ultimately turn out to be higher growth of operating profit, net profit, earning per share and advances.

Private sector banks performed well as compared to private sector banks in Earnings segment. Public sector banks should enhance their non-interest income by diversifying their income portfolio by providing services like Wealth Management, Dedicated relationship manager for ultra high networth individuals and higher penetration of cross selling of financial products.

Banks are taking advantages of economies of scale and small public sector banks should be merged with other strong public sector banks to enhance the balance sheet of banks at global level. International acquisition of banks required strong balance sheet of existing banks which can be achieved by merger and acquisition techniques.

Innovative products should be introduced to enhance the business portfolio of banking sector and profitability of the banking system. Small banks should also adopt the approach of financial supermarket, where all the financial products needs of the customer can be fulfilled under one roof. Public sector banks should introduce innovative products such as family saving account offered by some of the private sector banks.

Public sector banks must increase the use of technology to make easier and improve efficiency of banks.

Public Sector banks should make commercial decision independently and without any political interference. Social mandates and obligations have to be backed by financial gains.

Top management of public sector banks should be paid higher from its current level. Otherwise it would be difficult for public sector banks to attract at higher level, through lateral entry.

Private sector banks should improve their market standing, so the faith of depositors and shareholders can be enhanced and cost of funds can be decreased. Investment portfolio should be managed more actively to enhance the returns by private sector banks.

All the banks should pool their ATMs to reduce their operating cost. This move definitely eliminate the USP of few large banks, but overall cost of banking system reduces and improves the efficiency of Indian banking system.

#### **Limitation of the Study**

1. Unlisted banks were not considered for the research work.
2. All the listed public sector banks and private sector banks were not considered for the research work.
3. Only public sector banks and private sector banks were considered for the study purpose, but co-operative banks, foreign banks were not considered for research work.
4. Public and private sector banks were compared on the basis of financial parameters, other factors were not considered for comparative analysis.



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