IJNRD.ORG ISSN : 2456-4184
INTERNATIONAL JOURNAL OF NOVEL RESEARCH AND DEVELOPMENT (IJNRD) | IJNRD.ORG
An International Open Access, Peer-reviewed, Refereed Journal

Impact on Financial Performance of Selected Public and Private Banks in India

***Kunj k Patel**
Student, Faculty of Commerce, Parul University, India
****Dr.Nidhi Nalwaya**
Associate Professor, Faculty of Commerce, Parul University

Abstract

The Indian banking sector has a strong network of private sector companies that continue to strengthen the Indian economy. Although the public and private sectors collaborate on different government projects, their sources and objectives are different. The main purpose of financial institutions in the public and private sector is more target-oriented and profitability-oriented. In this study, the financial performance of the private sector and the internal and external factors affecting the overall performance of the banking sector were tried to be compared. This research assists central policy and identifies factors that negatively impact operations so banks can better prepare for future financial losses. The aim of this study is to analyze the financial performance of public and private sector banks from 2017 to 2022. The study concludes that public and private banks should focus on reducing their assets. This is because non-performing assets affect the bank's profits, making the bank less profitable. Business Development Services Banking should come from the perspective of increasing revenue and reducing costs.

{**KEYWORDS:** Financial Performance, Financial Analysis, Public Sector Banks, Private Banks}

Introduction

The Indian banking sector has become one most powerful engines of the country's economic development. India's banking system has made great strides in recent years in the face of the global financial crisis. India's global expansion and financial market liberalization over the past 20 years have revolutionized the Indian banking sector. The Indian banking sector is currently facing a historically unimaginable shock. The company has completed 4,444 major expansions and investments in recent years.

The results of this study will contribute to the growing body of knowledge in banking and the data will be available for use as scholarly literature by other students and researchers globally and locally. Policy makers will have pieces of information to help them shape policies affecting the banking sector. In addition, the public will be informed about many useful aspects for analyzing a bank's financial performance. This information will benefit the future investors who trade on NSE. The findings of this study will greatly help bank owners. They will gain a better understanding of the internal variables that affect them and develop strategic plans to improve their performance and competitiveness in their sector and in the wider local and global economy.

Other financial institutions also benefit, as they can now measure their own performance and determine if the factors investigated in this study influence their success. After the study, recommendations will help them get answers to similar questions raised in the study.Research findings can be used to develop policies that will benefit the industry and ultimately the economy.

When asked about the banking sector performance in 2022, analyst Anmol Das said, "Banking is my favorite sector, and I maintain a tight watch on it. The banking sector outperformed all sectors in 2022, especially the PSU banking space, which has rallied somewhere between 65 and 75% on a year-on-year level, with many smaller PSU banks giving more than 100% returns over the last year." Sonam Srivastava mentioned that PSU Bank is going through a cycle of good loan growth, NII growth, NIM growth, and balance sheet cleanup, giving investors' confidence. She also said that PSU's banking stocks had outperformed their private sector peers as asset quality, corporate loan portfolios, and earnings have improved. Higher margins will support PSB's strong performance, continued credit growth and improved trade debt over the next few years. Credit growth is sustainable and credit costs for these banks will remain low.

REVIEW OF LITERATURE:

Sarkar & Rakshit, (2021): analyzes the factors affecting the performance of Indian companies from 2000 to 2017 with a focus on macroeconomic issues. We selected three groups of public and private companies from countries to realize performance indicators based on return on assets (ROA), return on equity (ROE) and net interest income (NIM). The 4044 Generalized Difference of Moments (GMM) method is used to analyze the effect of macroeconomic factors on the performance of private banks. GDP, inflation and credit were used as the main explanatory variables, along with some bank and macroeconomic specific control variables.

Alam et al (2021): study the long-term relationship between banking performance and economic development in Indian countries in developing countries. The study analyzed a dataset from 20 private sector banks from 2009 to 2019. It uses Pedroni and Kao counteraction tests, dynamic panel vector error correction model (VECM), panel OLS Fully Modified Ordinary (FMOLS) of at least squares. , and dynamic least squares (DOLS) to estimate the relationship between the return to asset allocation, banks' investment and lending capacity, and national gross domestic product (GDP). The contribution of the study is in identifying and taking into account these banking factors. The results indicate that bank-related factors are positively correlated with economic growth. Further research shows that interest rate spreads and asset returns are positively correlated with economic development. Furthermore, since lending capacity and investment activity are not closely related to economic growth.

Mubarak (2021): shows that when the company is not operating at all, the economic impact can be large and far-reaching. Therefore, it is necessary to study the financial stability of the Indian banking system and its related features. In this study, the financial quality of the selected schools was evaluated with specific financial criteria and analyzed using the Eagles methodology. Researchers selected five private sector banks in India for research and data collection from 2012 to 2020. According to this review, some private sector banks are safer than public companies. State Bank of India, ICICI Bank, CSB Bank and AXIS Bank. Most features vary from bank to bank, except for the return of assets, sampling requirement and deposit fee. Investment banks and CSBs must profit first.

OBJECTIVES OF THE STUDY

1. To study the financial performance of public and private sector banks.
2. To compare the mean value of selected public and private sector banks with respect to selected ratio analysis.

SCOPE OF THE STUDY

Various interrelated organizations including the RBI and the national and state governments of the country play a pivotal role in assessing the performance of banks. The profitability, efficiency and production of bank will be evaluated using important criteria given by many scholars. Various institutions can use the results of this research to improve their performance. The study focused on certain internal and external elements because dealing with them all is difficult and can lead to ambiguous results. Studies combined private and public sector banks. The results of the study will make it possible to determine the extent of the influence of the internal or external factors studied, as well as to improve the banking structure of the countries.

RESEARCH METHODOLOGY

Research method is a method of solving a research topic. It explains some of the methods and ideas most scientists use to study problems. The aim of this study is to examine the financial performance of some public and private banks. This study collects secondary data by comparing the financial statements and balance sheets of public and private banks. The company's annual report is written for five years, from 2017 to 2021.

SOURCES OF DATA

To analyze the performance of public and private financial institutions, this study only uses secondary data from public sector banks such as State Bank of India (SBI), Punjab National Bank, Union Bank of India and Kana data for fiscal year 2017. 2021 written by Canara Bank and Bank of Baroda. Similarly, private sector banks such as ICICI Bank HDFC Bank, AXIS Bank, IDBI Bank and JA Bank will also be subject to tax for the 2017-2021 fiscal year.

ANALYSIS AND INTERPRETATIONS

TABLE 1: PUBLIC SECTOR BANKS - RETURN ON ASSETS (%)

Public Sector Banks	2021	2020	2019	2018	2017	Mean Value
State Bank of India (SBI)	0.45	0.38	0.02	-0.19	0.41	0.091
Punjab National Bank	0.16	0.04	-1.28	-1.6	0.18	-0.500
Union Bank of India	0.27	-0.52	-0.59	-1.07	0.12	-0.358
Canara Bank	0.22	-0.3	0.04	-0.68	0.19	-0.106
Bank of Baroda	0.07	0.04	0.05	-0.33	0.19	0.004

Source: Compiled from financial ratios available in Moneycontrol.com

Interpretation:

Table 1 presents the return on assets from FY2017 to FY2021. India's state-owned bank has seen a significant recovery this year after a drop in ROA after mergers with other banks. Pre-merger ROA exceeded 4,444. Bank of Baroda had the worst performance among public sector banks, with ROA of 0.07% for FY 2017 FY 2021 and ROA 4,444.19% for FY 2020. However, over the five-year period, SBI ranked first with an average ROA of 0.091, while

PNB had the worst five-year average at -0.50. PNB experienced sharp declines in FY 2018 and FY 2019, which could be attributed to PNB fraud in FY 2018.

TABLE 2: PRIVATE SECTOR BANKS - RETURN ON ASSETS (%)

Private Sector Banks	2021	2020	2019	2018	2017	Mean Value
ICICI Bank	1.31	0.72	0.34	0.77	1.26	0.880
HDFC Bank	1.78	1.71	1.69	1.64	1.68	1.700
AXIS Bank	0.66	1.17	0.58	0.03	0.61	0.410
IDBI Bank	0.45	-4.29	-4.71	-2.35	-1.42	0.45
YES Bank	-1.26	-6.36	0.45	1.35	1.54	-0.856

Source: Compiled from financial ratios available in Moneycontrol.com

Interpretation:

Table 2 details the return on assets of private banks from fiscal year 2017 to fiscal year 2021. HDFC's ROA has remained stable over the past five years, with a high average of 1.70; almost double the ICICI Bank average (0.880).Table 4.2 details the return on assets of 4,444 private banks from fiscal year 2017 to fiscal year 2021. HDFC's ROA has remained stable over the past five years, with a high average of 1.70, almost twice the average of ICICI Bank (0.880).Yes, the bank had the lowest five-year ROA at -0.856. This may be related to the Yes Bank scam in 2018 and its reorganization in 2020. Not only was Yes Bank found guilty of insider trading, but it was also found guilty of illegal lending practices, Evergreen loans and borrower billing faster than bank interest rates. Overstatement of Income and Violation of the RBI Standards Policy. (Yes, Bank Fraud Crisis: Corporate Crimes - Intellectual Property Leaders 2021) Yes, banks had the lowest 5-year ROI at -0.856. This could be attributed to the 2018 Yes Bank scam and the 2020 reorganization. Yes Bank was convicted of insider trading, as well as illegal lending practices, evergreen lending, and charging borrowers faster than bank rates. This policy inflated returns and violated the RBI standard. (Yes Bank Fraud Crisis: Corporate Crime - IP Leader 2021).

TABLE 3: PUBLIC SECTOR BANKS - ROE / NET WORTH (%)

Public Sector Banks	2021	2020	2019	2018	2017	Mean Value
State Bank of India (SBI)	8.86	6.95	0.39	-.3.37	6.69	3.904
Punjab National Bank	2.41	0.58	-24.2	-32.85	3.47	-10.118
Union Bank of India	4.87	-9.46	-12.15	-20.9	2.36	-7.056
Canara Bank	5.05	-6.78	1.16	-14.51	3.96	-2.224
Bank of Baroda	1.07	0.76	0.94	-5.6	3.43	0.12

Source: Compiled from financial ratios available in Moneycontrol.com

Interpretation:

Table 3 examines return on equity for public sector banks from FY 2017 to FY 2021. Like its return on assets, SBI's return on investment has decreased since the merger, but has improved. Rebounding after 5 years, ROE in FY21 was 8.86, surpassing the previous year's figure of 6.69 in FY2017. PNB again had the worst result with a 5-year average of -10.118, followed by Union Bank of India (-7.056).) and Canara Bank (-2,224).

TABLE 4: PRIVATE SECTOR BANKS - ROE / NET WORTH (%)

Private Sector Banks	2021	2020	2019	2018	2017	Mean Value
ICICI Bank	11.21	6.99	3.19	6.63	10.11	7.626
HDFC Bank	15.27	15.35	14.12	16.45	16.26	15.49
AXIS Bank	6.48	1.91	7.01	0.43	6.59	4.484
IDBI Bank	4.45	-46.82	-48.94	-50.99	-30.08	4.456
YES Bank	-10.42	-75.56	6.39	16.4	15.09	-9.62

Source: Compiled from financial ratios available in Moneycontrol.com

Interpretation:

Table 4 analyzes return on equity for private sector banks from FY 2017 to FY 2021. HDFC Bank showed the highest performance with an average ROE/Net Asset (%) of 15.49, followed by ICICI Bank with an average ROE/Net Asset (%) of 7.626. Similarly, Yes bank had the worst performance with an average of -9.62. HDFC showed consistency, but ICICI, Axis and IDBI banks showed significant improvement over the 5-year review period.

TABLE 5: PUBLIC SECTOR BANKS - EARNINGS PER SHARE in RS

Public Sector Banks	2021	2020	2019	2018	2017	Mean Value
State Bank of India (SBI)	22.8 7	16.23	0.97	-7.67	13.43	9.166
Punjab National Bank	2.08	0.62	-30.94	-55.39	6.45	-15.436
Union Bank of India	4.54	-12.49	-25.08	-69.45	8.08	-18.88
Canara Bank	16.91	-26.5	4.71	-70.47	20.63	-10.944
Bank of Baroda	1.78	1.36	1.64	-10.53	6	0.05

Source: Compiled from financial ratios available in Moneycontrol.com

Interpretation:

Table 5 shows the earnings per share (rupees) of public sector banks from FY 2017 to FY 2021. State Bank of India posted the highest EPS of INR 22.87 in FY21, followed by Canara Bank with INR 16.91 in FY21. During the period, SBI had the highest average INR 9.166 and UBI had the lowest average −18.88. This could be due to UBI loan fraud and bad assets. EPS was negative for GNP, UBI and Canara Bank.

TABLE 6: PRIVATE SECTOR BANKS - EARNINGS PER SHARE in RS

Private Sector Banks	2021	2020	2019	2018	2017	Mean Value
ICICI Bank	24.01	12.28	5.23	10.56	15.31	13.478
HDFC Bank	56.38	48.01	78.65	67.76	57.18	61.636
AXIS Bank	22.15	5.99	18.2	1.13	15.4	12.574
IDBI Bank	1.3	-14.48	-30.48	-34.45	-25.5	-20.632
YES Bank	-1.61	-56.07	7.45	18.43	15.78	-3.208

Source: Compiled from financial ratios available in Moneycontrol.com

Interpretation:

Table 6 shows private bank earnings per share in rupees from FY 2017 to FY 2021. HDFC Bank had the highest INR average of INR 61,636 due to its strong performance during the review period. The average ICICI bank is INR 13,478 and the average Axis bank is INR 12,574. Both ICICI and Axis Bank recorded earnings improvement in fiscal year 2021.

TABLE 7: PUBLIC SECTOR BANKS - OPERATING EXPENSES (IN RS. CR.)

Public Sector Banks	2021	2020	2019	2018	2017	Mean Value
State Bank of India (SBI)	82652.22	75113.69	69687.74	59943.45	46472.77	66785.97
Punjab National Bank	20308.75	11973.37	11538.47	13509.07	9379.38	13341.81
Union Bank of India	16765.99	7516.41	7163.63	6754.96	6437.84	8928.57
Canara Bank	19338.18	11577.23	10462.21	9557.94	8512.28	11889.57
Bank of Baroda	20543.66	18077.19	11287.98	10173.37	9296.40	13875.72

Source: Compiled from financial ratios available in Moneycontrol.com

Interpretation:

Table 7 shows operating expenses for public sector banks from FY 2017 to FY 2021. The SBI is the largest bank in India and has the highest operating costs, unmatched by any other bank. SBI has the highest average operating cost at Rs 66,785.97 crore, with Baroda Bank much lower at Rs 13,875 crore and Rs 7,244.44 crore. Banks need to reduce costs to increase efficiency. This explains why SBI is the largest banking institution in India, but its return on assets is much lower than that of private banks. Union Bank of India's administrative costs is as low as Rs 8,928,570, representing more economical administration than SBI.

TABLE 8: PRIVATE SECTOR BANKS - OPERATING EXPENSES (IN RS. CR.)

Private Sector Banks	2021	2020	2019	2018	2017	Mean Value
ICICI Bank	21560.83	21614.41	18089.06	15703.94	14755.06	18344.66
HDFC Bank	32722.63	30697.53	26119.37	22690.38	19703.34	26386.65
AXIS Bank	18375.15	17304.62	15833.41	13990.34	12199.91	15540.69
IDBI Bank	6051.95	6336.16	5153.79	4744.69	5140.81	5485.48
YES Bank	5792.02	6729.21	6264.28	5212.78	4116.54	5622.97

Source: Compiled from financial ratios available in Moneycontrol.com

Interpretation:

Table 8 shows operating costs for private banks from FY2017 to FY2021. It is noteworthy that HDFC Bank has demonstrated stable financial performance and has one of the highest operating costs of any bank in the world. private sector. HDFC Bank has an average operating value of Rs. ICICI Bank tracks Rs 26,386 crore 65 crore with an average operating cost of Rs 4,444 crore. 18,344.66 million IDBI Bank and YES Bank have surprisingly low operating costs compared to all other banks reviewed in the study. Maintaining a good level of efficiency requires finding a balance between operating costs and bank profitability.

CONCLUSIONS:

Financial ratios show that public sector banks have greater coverage in both urban and rural populations, but private sector banks, although rooted in urban areas, remain weak in rural areas. It shows that public sector banks are asset heavy and employ a large number of employees compared to private sector banks. In terms of financial performance, publicbanks lag behind private banks in terms of profitability, but enjoy stability thanks to the support of the federal government. Private sector banks place more emphasis on checking accounts than savings accounts because checking accounts increase profitability by reducing expenses, while savings accounts are expensive for banks. For public sector banks, customers prefer savings accounts and term deposits because of their stability and security.

It can be seen that the performance of both public and private sector banks are affected by loan fraud and non-performing assets. Another factor that seriously reduces a bank's profitability is cost. Private sector banks have outperformed public sector banks by streamlining management, reducing costs and increasing profits per employee. Public sector banks need to focus more on reducing costs and improving profitability. Public sector banks are undergoing various consolidations that also affect profitability.

This can be seen in the example of state-owned banks in India, which have undergone consolidation in recent years. Performance may decline significantly during the consolidation period, but you will see significant improvements in your financial performance in subsequent years.

REFERENCES:

1. Sarkar, S., & Rakshit, D. (2021). Factors Influencing the Performance of Commercial Banks: A Dynamic Panel Study on India. FIIB Business Review, 231971452110215. https://doi.org/10.1177/23197145211021564

2. Alam, M. S., Rabbani, M. R., Tausif, M. R., & Abey, J. (2021). Banks' performance and economic growth in India: A panel cointegration analysis. Economies, 9(1), 1–13. https://doi.org/10.3390/economies9010038

3. Khan, M. A., Roy, P., Siddiqui, S., & Alakkas, A. A. (2021). Systemic Risk Assessment: Aggregated and Disaggregated Analysis on Selected Indian Banks. Complexity, 2021, 1–14. https://doi.org/10.1155/2021/8360778

4. Mubarak, M. (2021). An Assessment of Financial Stability of Select Public and Private. August.

5. Demirgüç-Kunt, A., Pedraza, A., & Ruiz-Ortega, C. (2021). Banking sector performance during the COVID-19 crisis. Journal of Banking and Finance, August. https://doi.org/10.1016/j.jbankfin.2021.106305

6. Athanasoglou, Brissimis, P. and, Delis, S. and, & Matthaios. (2005). Munich Personal RePEc Archive Bank-specific, industry-specific and macroeconomic determinants of bank.Digitalcommons.Iwu.Edu,32026.https://digitalcommons.iwu.edu/uer/vol7/iss1/2

7. Ayomi, S., Sofilda, E., Hamzah, M. Z., & Ginting, A. M. (2021). The impact of monetary policy and bank competition on banking industry risk: A default analysis. Banks and Bank Systems, 16(1), 205–215. https://doi.org/10.21511/bbs.16(1).2021.18

8. Bajaj, R., & Anshu. (2020). A study on Factors affecting Financial performance of Indian Banking Sector. Journal of Business Management and Information Systems, 7(2), 9–16. https://doi.org/10.48001/jbmis.2021.0702002

9. Banking Sector in India: Market Size, Industry Analysis, Govt Initiatives | IBEF. (n.d.). Retrieved April 28, 2021, from https://www.ibef.org/industry/banking-india.aspx

10. Bawa, J. K., Goyal, V., Mitra, S. K., & Basu, S. (2019). An analysis of NPAs of Indian banks: Using a comprehensive framework of 31 financial ratios. IIMB Management Review, 31(1), 51–62. https://doi.org/10.1016/j.iimb.2018.08.004