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Comparative Study of Performance of Nationalized Banks and Private Banks in India

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ABSTRACT:

Economic growth and development of any country depends upon a well-knit financial system. The Banks are the important participants of financial system. The Banking sector is the backbone of modern economy as plays it a crucial role in economic growth and development. Banks also actually play a vital role in mobilizing deposits and disbursement of credit to various other sectors of the economy. The growth and development of any country is basically relates to financial soundness of their banks. Therefor the profitability of different banks like nationalized banks, private banks and foreign banks play important role. In this paper there is a comparison between two banks i.e. nationalized banks and private banks. In both sector 2 banks is selected for the study.

KEYWORDS: nationalized bank, private bank, profitability

INTRODUCTION:

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. In league of this India has potential to become the fifth largest banking industry in the world by 2020 and third largest by 2025 according to KPMG-CII report, India's banking and financial sector is expanding rapidly. Banks are now an essential part of our economic system. Their borrowing, lending and related activities simplify the process of production, distribution, exchange and consumption of wealth. Efficiency means, greatest human satisfaction from unusual resources. Imperial bank of India was consequently converted into State Bank of India in 1955. Reserve bank of India was nationalized in 1948 and was empowered to 'regulate, control and examine the banks in India'. The government decides to nationalize 14 major commercial banks in 1969 and second nationalization in banking was in 1980. So there are 21 nationalized banks in current in India. Efficiency generally, describes the extent to which time, effort or cost is well used for the intended purpose.

LITERATURE REVIEW:

- (1) D. C. Agarwal & S. Chauhan (2018), The motivation behind this examination is to distinguish the improvement of private division saving money in slant to open part saving money in India. The primary stage rotates around the point by point screening of structure of keeping money framework in India proceeded with capacities and issue of offers of private sector banks. The second stage demonstrates the significance of private sector saving money and moreover an examination between

private segment and open division on some standard parameters. The paper will give the point by point ignore of private sector saving money with standard to open division managing an account.

- (2) J Patel (2018), the objective of this paper is to understand the profitability of nationalized banks and private banks of different four banks in India. The second objective of the study is to give suggestions to improve the profitability of banks. For the purpose of the study the author has collected the data for five years 2013-14 to 2017-18. The result of the study finds out that banks should explore every possibility for improvement and increase profitability. Banks are required to control over expenses. They also try to utilize resources in a more efficient manner. Final result of the study states that the profitability of nationalized banks is lower in comparison to private banks.
- (3) S Sharma (2018) the main objective of this research is to evaluate and compare the financial performance of selected public and private sector banks. 30 banks in total i.e. top 15 public and private sector banks each according to financial rating agency Money Control have been selected for the study. Data related to CAMEL Model indicators has been collected from Indian banking association website and the bank's websites for the period of 4 years i.e. 2014-2017. Ranking, t-test and Mann-Whitney U test have been used to meet the objectives. The study finds that private sector banks perform better than the public sector banks in India on all parameters of CAMEL Model. Public sector banks display low soundness as compared to private sector banks.
- (4) V. Gupta (2017) the main objective of the study is to analysis the efficiency of selected banks ,to compare the efficiency of public and private sector banks and to suggest some measure to enhance the efficiency of banks. In this paper State bank of India, Punjab national bank is selected from public sector bank and from private banks ICICI, HDFC bank is taken for the study. The study is based on secondary data and data collected from various banks website and annual reports of magazine and journals.
- (5) C. Goel, & C.B. Rekhi (2013), the main objective is to compare the profit earning of the selected public sector banks and private sector banks from the year 2009 to 2012. And second is to investigate the factors affecting the profit earning of the selected banks during the period. This present study is conducted by following a Descriptive Design. For the in-depth analysis of the profitability, three major public sector and three private sector banks are selected on the basis of their Total Assets from the year 2009 to 2012. For the purpose of sampling judgmental sampling is used. Data was collected through Reserve Bank of India monthly bulletins, annual reports, money control, banks websites etc. Three private sector and three public sector banks were selected on the basis of their total assets.

RESEARCH OBJECTIVE:

- (1) To make analysis of the performance of the nationalized banks and private banks.

- (2) To make suggestion to improve the performance of nationalized banks and private banks.

RESEARCH METHODOLOGY:

“Research design is the arrangement of activities for the collection and analysis of the data in a manner that aims to combine relevance to the purpose with economy in procedure. The study carried out here is an Analytical Research. The data has been collected from secondary sources. This study was conducted for a period of five years from 2013-2014 to 2017-2018.

Table 1.1

SBI					
Parameters	2017-18	2016-17	2015-16	2014-15	2013-14
Net Profit Margin	-2.96	5.97	6.07	8.59	7.98
Return on Long Term Fund (%)	66.97	82.01	83.57	90.88	87.39
Return on Net Worth (%)	-3.37	6.69	6.89	10.2	9.2
Dividend Per Share	--	2.6	2.6	3.5	3
Source: www.sbi.com					

Table 1.2

BOB					
Parameters	2017-18	2016-17	2015-16	2014-15	2013-14
Net Profit Margin	-5.57	3.27	-12.24	7.91	11.66
Return on Long Term Fund (%)	58.38	77.31	61.25	88.35	90.23
Return on Net Worth (%)	-5.6	3.43	-13.42	8.53	12.61
Dividend Per Share	--	1.2	--	3.2	21.5
Source: www.bob.com					

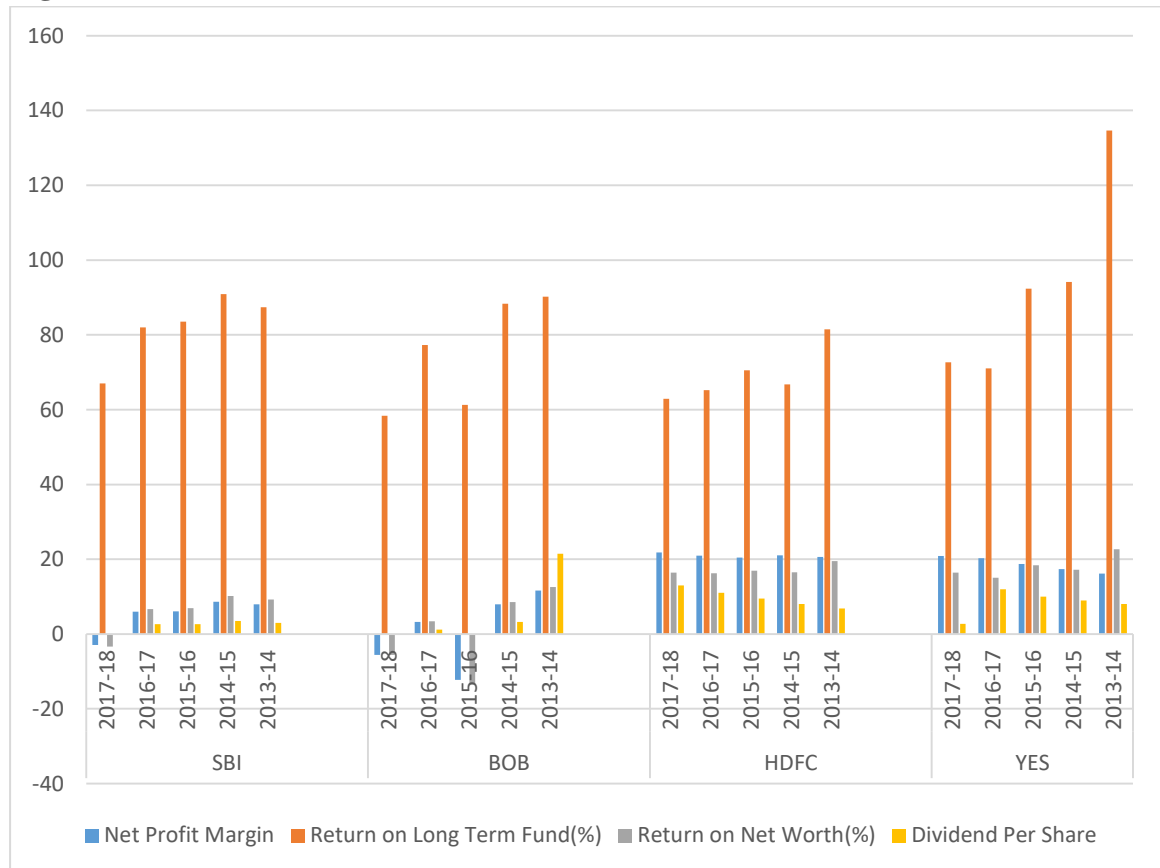
Table 1.3

HDFC					
Parameters	2017-18	2016-17	2015-16	2014-15	2013-14
Net Profit Margin	21.79	20.99	20.41	21.07	20.61
Return on Long Term Fund (%)	62.88	65.17	70.54	66.77	81.47
Return on Net Worth (%)	16.45	16.26	16.91	16.47	19.5
Dividend Per Share	13	11	9.5	8	6.85
Source: www.hdfc.com					

Table 1.4

YES					
Parameters	2017-18	2016-17	2015-16	2014-15	2013-14
Net Profit Margin	20.84	20.27	18.76	17.32	16.2
Return on Long Term Fund (%)	72.69	71.05	92.35	94.12	134.67
Return on Net Worth (%)	16.4	15.09	18.41	17.16	22.71
Dividend Per Share	2.7	12	10	9	8
Source: www.yes.com					

Figure 1.1



From the above graph we can say that dividend per share of nationalized banks is decreasing but in case of private banks it is increasing. It shows that private banks performance is better in comparison to nationalized banks. Return on long term fund in both nationalized banks and private banks is fluctuating. Net Profit Margin of nationalized banks is negative and in case of private banks net profit margin is higher and it's positive. It shows that the performance of private banks is better in comparison to nationalized banks. Return on net worth of private banks is higher. Where in case of nationalized banks it is negative. From the above discussion we can say that the profitability and performance of private banks is better than the nationalized banks.

CONCLUSION:

There is a certain limitation of this paper. One is in this paper only four banks are considered for the study. Other is only five year data is considered. For the purpose of measuring the performance of banks only four ratios is consider. In this paper for the purpose of the study four banks is consider on the basis of market share and profitability. And here this four banks are compare with one other. From the data it is find out that the performance of the nationalized banks are lower compare to private banks. Nationalized banks have to better their service and attract the more customer. They required to increase their profitability so that their performance can be improved and they can compete with the private banks. Nationalized banks have to provide

more services and increase their performance. Banks should explore the every possibility of improvement and increase their profitability and performance.

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