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STUDY ON VIABILITY POSITION OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS: AN INDIAN PERSPECTIVE

KEY WORDS: Public and Private Sector banks, Viability Position, Growth

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ABSTRACT

This study basically attempts to analyze the Viability Position of Public Sector banks in India. Banking sector is a life blood for every economy and profitability is the measure for the success story of banking industry growth. It shows the ability to earn for their owners. The profitability measures control and efficiency of business operations. The basic objective behind this study is to analyze profit- ability of selected private sector banks and public sector banks in India. The research has selected some profitability ratios like net profit margin, interest spread, and return on long term funds; return on net worth etc. this profitability ratios present insights on the performance of banks and financial health of the banks. Banks have to face many problems and cannot survive without profit. A good profit banks can reward its owners by large return on investment. It is the basic task of financial manager of banks to increase profitability.

INTRODUCTION

Banking business in India is largely governed by the banking regulation act 1949 section 5(b) "a bank is a financial institution and a financial intermediary that accepts deposits and channels those depos- it's into lending activities either directly by loaning or indirectly through capital markets. A bank links together customers that have capital deficits and customer with capital surplus." Without a sound and effective banking system in India it cannot have healthy economy. The banking system in India should not only be hassle free but it should be able to meet new challenges posed by technology and any other external and internal factors. Banking plays a significant role in financing the economic needs of the country. To compete effectively in present day competitive world banks have been permitted to undertake new activities such as investment banking securities trading insurance business etc. Private banking is all about personal service and relationship built around you. It is about delivering sophisticated solutions to complex financial problems seeing your affairs in totality and offering individual advice and tailored solutions.

REVIEW OF LITERATURE

Manish Mittal & Aruna Dhade (2004), had done a comparative study on profitability and productivity in Indian banks. They had selected five-year period from 1999- 00 to 2003-04 for the evaluation of performance. They had found that improved profitability is the only parameter for performance evaluation at shareholder's point of view. In their study, they found that public sector banks were more profitable than private and foreign banks. As far as overall profitability is concern, they also got that private sector banks had a higher no interest income as compared to public sector, as public sector banks were charging more fees for their services to the customers. So as per their point of view there was a great need for improvement and introducing more services to the customer to compete with private banks and foreign banks.

Gopal and Dev (2006) have studied profitability and productivity of Indian banks during the period of 1996-97 to 2003-04. They found very high degree of positive association in profitability and productivity.

Prasad and Ravinder (2011), have gone through the study of Indian banks for the period of 2005-06 to 2009-10. They used arithmetic mean and one-way ANOVA for the Analysis. Various ratios had been used to calculate profitability of banks and found out that private sector banks are better in comparison of public sector banks as far as profitability is concern.

RESEARCH OBJECTIVES

- To examine and compare the overall profitability of the public and Private sector banks.
- To outline the changes of profitability in public and Private sector banks in India.
- To identify the factors affecting to the profitability position of public and Private sector banks.

RESEARCH HYPOTHESIS

H0: There is no significant difference between profitability of Public and Private Sectors banks and its financial performance.

H1: There is a significant difference between profitability of Public and Private Sectors banks and its financial performance.

RESEARCH DESIGN

A research design is the specification of methods and procedures for acquiring the information needed to structure or solve the problem. It is the overall operational pattern or framework of the project that stimulates what information is to be collected from which source and by what procedure. The entire research is carried out by Descriptive research design.

METHODOLOGY

Sample Unit:

Public sector Banks - SBI, BOB, Panjab national Bank, Corporation Bank, Dena Bank, UCO Bank, Indian Overseas Bank, Indian Bank, Syndicate Bank, and Vijaya Bank and Private sector Banks- Axis Bank, ICICI Bank, HDFC Bank, Federal Bank, Yes Bank, IndusInd Bank, Kotak Mahindra Bank, and Lakshmi Vilas Bank.

Sample Size:

As any researcher wish to collect all required data and information about research, here a researcher is interested to take specific period, to analyses the data for meaningful conclusion. Here, the study is made for five years from 2015-16 to 2019-20.

Data Collection Method:

The secondary data is collected for the profitability ratio, which are identified from the literature re- view. The required data for this study are collected from the various sources like Reports on Currency and Finance (annual reports), Monthly RBI bulletins published by RBI, Annual reports of various banks, publications, and notifications of RBI.

Tools And Techniques:

To get a significant conclusion from the collected data it is

necessary to have a proper statistical tool that can help the researcher evaluate the data and can result in interpretation and conclusions. It is necessary to use sensible use of statistical tools to evaluate the data and get into a meaningful conclusion. Researcher is gone through t-test (two sample assuming unequal variance) to find the difference in two mean has been used. In this research researcher wants to know the difference in profitability performance of individual parameter between public sector banks of India.

Limitation Of The Present Study

This study is based on Secondary data and considering five-year time from 2015-16 to 2019-20 so its findings are depended only upon the accuracy of such data. The study covers ten Public sector and ten private sector banks of India. The analysis is done through various statistical tools and techniques of comparison, so the natural limitations are abiding to the researcher.

Data Analysis And Interpretation findings

Sr No	Name of Parameter	Hypothesis Criteria for Analysis	t-Test	t-critical value	Decision	Remarks
1	operating Profit to total working Fund	Between Public and Private Sector Banks	4.3800	2.4460	H0 is reject	There is a significance difference between financial performance
2	ROE		1.0057	2.5700	H0 is Accept	There is a no significance difference between financial performance
3	Total Interest Income to Total Working Funds		3.0920	2.3640	H0 is reject	There is a significance difference between financial performance
4	Net Interest Margin		5.2060	2.5700	H0 is reject	There is a significance difference between financial performance
5	Return on Assets		2.7390	2.7760	H0 is Accept	There is a no significance difference between financial performance

- Profitability of private sector banks in India plays major role in banking sector without profit the investors cannot invest in this business. A strong financial system promotes investment by financing productive business opportunities, mobilizing savings, efficiently allocating resources and makes easy the trade of goods and services.
- Overall operating profit performance of public sector banks have been continuously decreasing from 2015-16 to 2019-20 whereas in private sector it is quite good and stable operating profit performance during this period.
- No significance difference has been identified in Return on Equity at sector-to-sector level analysis as per the variance calculation there is a high variance of 73.5260618 in public sector banks as compared to the variance of 6.1759475 in private sector banks which results downward.
- Interest income is a basic source of revenue for every

bank. It shows the ability of bank to generate income. Overall public sector banks are performing poor compared to private sector banks.

- Overall Net Interest Margin performances of public sector banks in India do not show good performance.
- Return on Assets in the public sector banks is quite deteriorating. In private sector banks Return on Assets is relatively good compared to public sector banks. It is assumed that optimum utilization of assets is there in private sector banks.

CONCLUSION

In the banking sector of India, Private sector banks are playing a pivotal role in terms of quality banking. After consideration of available data regarding profitability position of public sector and private sector of India, private sector banks are more profitable than public sector banks in India by adopting innovation modern technological changes and by fixing responsibility of officers for recovery etc. & operating cost can be improve with the introduction of high-level technology as well as by improving the per employee productivity. Profitability of banks in India plays major role in banking sector without profit the investors cannot run the business. Profitability measures a company's ability to generate earnings related to sales, assets and equity.

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