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COMPARATIVE STUDY BETWEEN PUBLIC V/S PRIVATE BANK FOR FINANCIAL SERVICES

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Abstract In order to analyze and assess the financial performance of India's top public and private sector banks and to comprehend their NPA patterns, secondary data analysis is used in this research. The Indian banking industry has been under scrutiny as a result of certain substantial changes in monetary policy. When the Reserve Bank of India (RBI) boosted interest rates to support the weakening Rupee, the cost of funds for banks has dramatically increased. A rise in non-performing assets (NPAs) and a decline in profitability could be the results of this. Bank profitability is impacted by both internal and external variables. Metrics and risk variables relevant to each bank served as a guide for their earnings. SBI's leverage financial ratios were judged to be more susceptible to default than HDFC. Efficiency metrics were the primary profit-generating factors at HDFC, the largest private sector bank in India, but not at SBI. Measures of asset utilization efficiency were essentially the same for both banks. The largest public sector bank in India, SBI, had significantly higher NPA ratios. The liquidity ratios turned out to be the single most significant SBI determining factor. To determine whether there was a significant difference in the NPA ratio of SBI and HDFC bank over the past three years, a two sample T test with identical variances was also performed.

Keywords: Banking Sector, SBI & HDFC, NPA, Financial Ratios, Secondary & Primary Data

I. INTRODUCTION

A thriving economy has always depended on a strong banking sector. A crucial system is the banking system. The Indian banking industry has contributed significantly to the economy's growth and stability. In India's banking system, there are two different sorts of banks: cooperative banks and commercial banks. In terms of financial functions, public sector banks have performed very well compared to private sector banks. In terms of their financial performance, public sector banks perform well. Increasing levels of non-performing assets at public sector banks are the only issue at the moment. This NPA is steadily rising. India's banks are split into two categories.

1. Private Sector Banks,
2. Public Sector Banks.

India is not only the world's largest independent democracy, but it is also a rapidly growing economic powerhouse. No country can have a stable economy without a sound and efficient banking system. Banks play a critical role in a country's economic growth. They collect people's unused savings and make them eligible for investment. They're in the process of granting loans and purchasing investment securities, new demand deposits are also established. Accepting and discounting bills of exchange allows for trade both within and outside the country. The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions. As of September 2022, the total number of ATMs in India increased to 213,145 out of which 47.5% are rural and semi urban areas and is further expected to increase in upcoming number of years. (**Banking sector in India, 2022**).

Top-ranking companies The Bank of Baroda, State Bank of India, Canara Bank, Punjab National Bank, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Citibank, Standard Chartered Bank, HSBC Bank, ABN AMRO Bank, American Express, and others are the prominent participants in the Indian banking sector. The financial sector of an economy makes the largest contribution to its growth. Bank assets increased in all industries in 2020–2022. In 2022, the total assets of the banking industry (including both public and private sector banks) rose to US\$ 2.67 trillion. The combined assets of the public and private banking sectors were respectively \$1,594.41 billion and \$925.05 billion in 2022.

The Public Credit Registry (PCR), a sizable credit data base open to all stakeholders, has been established by RBI. It is anticipated that the passing of the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 Bill will boost the banking industry. The gross loan portfolio (GLP) of the microfinance sector increased by 10% to Rs. 2.85 trillion (US\$ 36.42 billion) in FY22.

The government's main initiative for financial inclusion, the Pradhan Mantri Jan Dhan Yojana (PMJDY), opened 45.60 crore bank accounts as of June 1st, 2022, and there were 1.68 trillion rupees (US\$ 21.56 billion) in deposits in these accounts.

2. LITERATURE REVIEWS

Avani Ojha and Hemchandra Jha (2018): Has done the study on impact of NPAs on working of the SBI and PNB by using the different NPAs have huge impact on the profitability of banks as they majorly related to the productivity, profitability and asset liability management of the banks. NPAs are the result of under recovery or non-recovery of asset within certain period of time. They have recommended the constant analysis of NPAs by the banks purpose wise, borrower wise, region wise etc. there should be the methods and proper examinations of the borrowers before sanctioning the credit. Information on the financial position should be analyzed (Avani Ojha, 2018) extensively.

Dr. Ganesan and R. Santhanakrishnan (2013): Did the study on NPAs of state Bank of India for the duration of 2002-03 to 2011-12 by keeping the objective of deployment of funds, examining gross NPAs, investigate the impact of NPAs, measures to be suggested to control the NPAs. They have tested the hypothesis by calculating the mean and standard deviation and concluded the result on the mentioned objectives. NPAs have increased with the economic growth and aggressive lending of the banks. After some default banks also become the cautious and government has taken the measures and ultimately it looks quite in control so far.

Manisha Raj, Aashita Jain, Shruti Bansal, Tanya Verma (2018): Has done the study on NPAs and conducted the "A comparative study of SBI & ICICI Bank from 2014-17". They have majorly done the study on NPAs and to check the trend of NPAs in 4 years from 2014-17 of SBI and ICICI Bank. Also, they have compared the total advances, net profit, gross NPAs and net NPAs of SBI and ICICI Bank. Also, during the study, they have checked for a linear relationship in net profit and net NPAs in both the banks. After the study of figures for the given years it is found that it seems biggest challenge as far as liquidity is concern for both the banks as NPAs has increased and profitability has gone down. Even though SBI having higher NPAs than the ICICI Bank.

Renu Bagoria (2014): The main objective of this paper is to make a comparative study between private sector banks and public sector banks and the adoption of various services provided by this bank. The different services provided by these banks are M-Banking, Net banking, ATM, etc. One of the services provided by the bank i.e. Mobile banking helps us to conduct numerous financial transactions through mobile phone or personal digital assistant (PDA). Data analysis had been made in private sector banks like ICICI Bank, INDUS SIND Bank, HDFC Bank, Axis Bank and public sector banks like SBI Bank, SBBJ, IDBI and OBC Bank. The overall study showed that the transaction of Mobile banking through public sector bank is higher than private sector.

William George A J and Dr. Manoj P K (2013): This research paper is a study of the modern management philosophy of customer relationship management (CRM) which deals with the maintenance of a sound relationship with the customers. The study is carried out in the Kerala based commercial banks. Also this study compares the CRM between the public and private sector banks of the same region. Kerala has been very conducive and of great benefit for the development of banking sector. The Indian banking sector is undergoing many changes and the banks are facing many challenges. Customers switch banks and go to other banks where they find better services and thus the find it difficult to retain their old customers.

3. STATEMENT OF PROBLEM

Definition of NPAs has been changes in India from time to time and hence NPAs in India in banking sector has also been changes in increasing order. Since many years NPAs has been seen as big monster in every corporate for different good reasons for which one of the reasons being more transparency taken in to the picture especially in banking. To study these dynamic changes in NPAs for different banks become very important and we have chosen the HDFC Bank and SBI for the study purpose for being these banks most prominent and best in their category. Present study has focused on the different component like CAR, Gross Profit, and PCR by keeping NPAs ratios in the central for the study of non-performing assets of Punjab National Bank.

4. OBJECTIVES

- To compare customers expectation and perception level towards service quality of SBI & HDFC banking Services in five dimension: tangibility, reliability, responsiveness, assurance, and empathy.
- To examine and compare the NPA trends of SBI & HDFC for 3 past years.
- To study the impact of non-performing assets and the reasons due to which assets becoming NPA's.
- To know the level of satisfaction among customers on the basis of electronic services offered by the banks.
- A comparison of the profitability of SBI & HDFC Banks Limited.

5. RESEARCH HYPOTHESIS

- Ho1 = there is no significant relationship between the gross NPA ratio of SBI and HDFC over the last three years.
Since $p < 0.05$ ($p = 0.03$), H01 rejected and therefore we it is proved that there is significant relationship between the gross NPA ratio of SBI & HDFC bank over the last three years
- Ho2 = there is no significant relationship between the net NPA ratio of SBI and HDFC over the last three years.
Since $p < 0.05$ ($p = 0.008$), H02 is rejected and therefore we it is proved that there is significant relationship between the net NPA ratio of SBI & HDFC bank over the last three years

RESULT: A two sample t test assuming equal variances was conducted to check if there was significant difference between the net NPA ratio of SBI and HDFC bank over the last three years.

There was statistically significant difference between the average net NPA ratios of SBI and HDFC bank.

5.1 RESEARCH METHODOLOGY

Research is an art of scientific investigation. The logic behind taking research methodology into consideration is that one can have knowledge about the method and procedure adopted for achievement of objectives of the project.

DURATION OF STUDY- The period of this study will cover last 3 years of the financial data- 2018-19, 2019-20, and 2020-21.

DATA COLLECTION PROCEDURE- Secondary Data will be used in this study to compare the financial statements of both the banks over the last three years.

DATA COLLECTION METHODS- Data has been collected through Ratio Analysis.

STATISTICAL TOOLS AND TESTS USED- The statistical tool used in the study is Mean and inferential statistic T-test has been conducted to know the significant relation between the NPA Ratios of both the banks.

5.2 RESEARCH DESIGN

The research design in this paper is descriptive. For this study, descriptive research design is used where the data is collected through the questionnaire. The information is gathered from the different customers of the two banks, State Bank of India and HDFC Bank located in the Vadodara Gujarat Hundred and forty (140) customers.

Data Analysis: For analysis of the data mean, weighted mean and mean difference, percentage and T Test have been calculated. Sample Size: 140 respondents selected using convenient sampling method.

5.3 SOURCES OF DATA

Customers form an important ingredient of the primary data survey. The sample size consists of 140 customers of two banks including Public and Private sector namely SBI & HDFC. It is required to study the customer profile as the customers are the pillars of any Banking Business. The basic attributes of the customers that were study are age, monthly income, education, gender and occupation.

DATA COLLECTION METHOD

Data was collected by using main two methods primary data and secondary data.

PRIMARY DATA

Primary data is the data which is used or collected for first time and it is not used by anyone in the past.

- QUESTIONNAIRE:-This method of data collection is quite popular, particular in case of big enquiries. Here in our research we set 15 simple questions and request the respondents to answer these questions with correct information.
- RESPONDENTS:-Respondents helps in creation of more accurate idea about our research. We personally meet the respondents inside and outside the banks.
- SAMPLE SIZE: Keeping in mind all the constraints the size of the sample of the study was selected as 140.

SECONDARY DATA

Secondary data is the data which is available in readymade form and which is already used by people for some purposes. There may be various sources of secondary data such as-newspapers, magazines, journals, books, reports, documents and other published information.

- BANKS ANNUAL REPORTS:-Banks issues their annual reports to get the people informed with the profitability and growth of the bank. These annual reports helps us a lot to get the latest data and other related information for our research. It tells us about the increase or decrease in profits and other facilities.
- JOURNALS AND PUBLICATIONS OF DIFFERENT BANKS:- We also take into consideration the journals and publications issued by the bank at different times. We come to know about the Branches, ATM, locations and other useful information.

- **MANUALS AND BROACHERS OF DIFFERENT BANKS:-** We take the help of bank staff and other people who gives us deep information and data which may not be available at anywhere. They gives us there full co-operation.
- **INTERNET:-** We also take into consideration the internet facility with which we collect lot of latest information.

HDFC BANK

- **HDFC BANK** Limited reported earnings results for the third quarter and nine months ended December 31, 2022. For the third quarter, the company reported net income was INR 126,983.2 million compared to INR 105,914.6 million a year ago. Basic earnings per share from continuing operations were INR 22.78 compared to INR 19.12 a year ago. Diluted earnings per share from continuing operations were INR 22.68 compared to INR 18.98 a year ago. For the nine months, net income was INR 334,026.4 million compared to INR 276,097.4 million a year ago.

HDFC BALANCESHEET

TITLE	Mar 31, 2022	Mar 31, 2021	Mar 31, 2020	Mar 31, 2019
TOTAL ASSETS	21,229,343	17,995,066.30	15,808,304.37	12,928,057.06
TOTAL LIAB'S	18,748,877.20	18,890,636.90	14,044,717.32	11,391,330.47
TOTAL EQUITY	2,480,465.80	2,104,429.40	1,763,587.05	1,536,726.59

SBI BANK

- **State Bank of India** reported earnings results for the third quarter and nine months ended December 31, 2022. For the third quarter, the company reported net income was INR 154,772.2 million compared to INR 95,550 million a year ago. Basic earnings per share from continuing operations were INR 17.34 compared to INR 10.71 a year ago. Diluted earnings per share from continuing operations were INR 17.34 compared to INR 10.71 a year ago. For the nine months, net income was INR 375,643.3 million compared to INR 258,247.5 million a year ago. Basic earnings per share from continuing operations were INR 42.08 compared to INR 28.94 a year ago.

SBI BALANCESHEET

TITLE	Mar 31, 2022	Mar 31, 2021	Mar 31, 2020	Mar31,2019
TOTAL ASSETS	53,608,835.29	48,456,185.47	41,974,923.44	38,884,641.96
TOTAL LIAB'S	50,552,954.84	45,700,569.87	39,464,322.20	36,539,685.36
TOTAL EQUITY	3,055,880.45	2,755,615.60	2,510,601.24	2,344,956.60

5.4 PERSONAL DETAIL

AGE

From the above study we find that below 20 age is 11.4% and respondents are between 20- 30 age group is 55% and respondents are between 30-40 age group, 12% respondents is between 40- 50 age group and 7.9% respondents are between 50-60 age group.

GENDER

From the survey result we come to know that out of 140, 84 respondents are male and 56 are female which is 67.1% and 29.3% are respectively.

MARITAL STATUS

We find that out of 100%, 7% respondents are married and 93% respondents are unmarried. .

HIGHEST EDUCATIONAL QUALIFICATION:-

This analysis shows that out of 140 respondent, 58% respondents are graduate & professional, 22% respondents are post graduate, 14% respondents are senior secondary and 6% respondents are of Matric category. All the respondents of our survey are qualified.

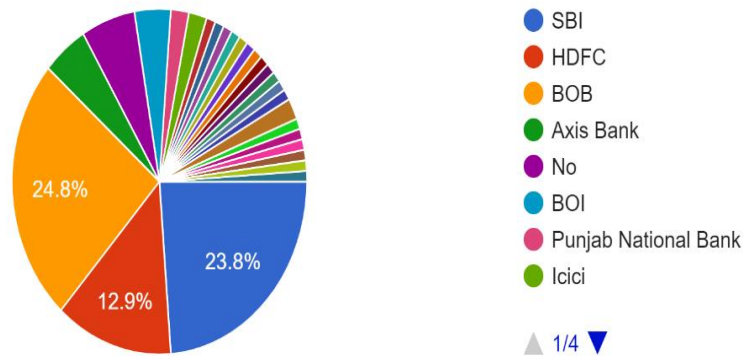
OCCUPATION

It is clear that 32% respondents are doing their own business, 28% are employees and 16% respondents belong to other category and 24% of our respondents are students. Most of the respondents of our survey are Businessmen.

5.5 DATA INTERPRETATION

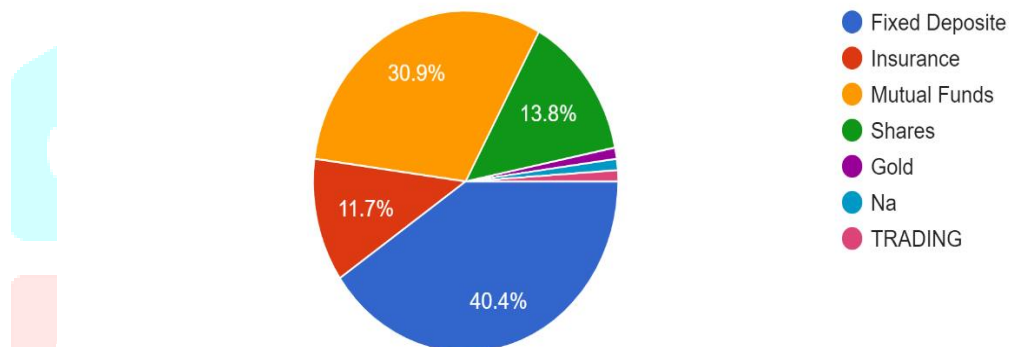
In Which bank you have Account

101 responses



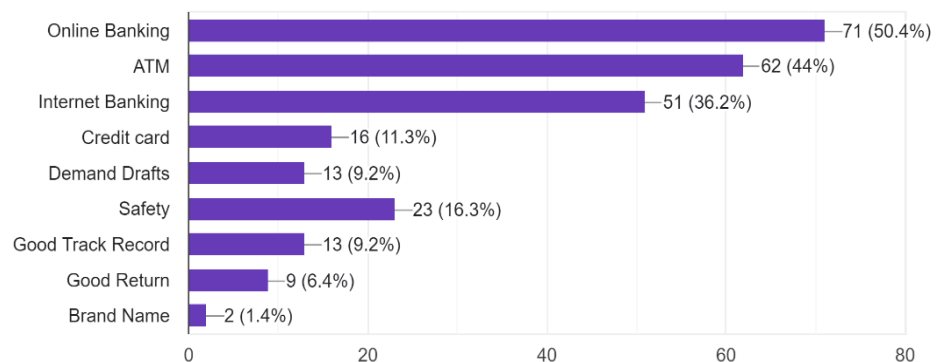
What do you prefer for Investments?

94 responses



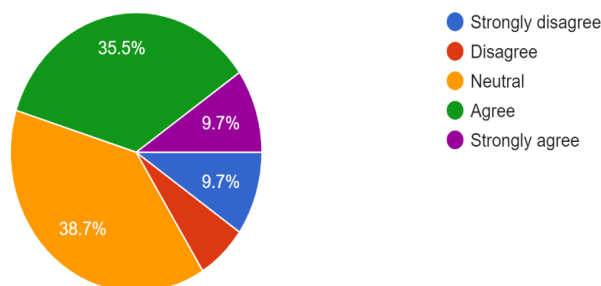
If, Yes than which service you get from bank?

141 responses



Do you agree that private sector banks are procedure, documentation, technology, etc is better than public sector banks?

93 responses



6. MAJOR FINDINGS

1. NPA Ratios- From graph 1 and graph 2 it is clear that over the last three years, NPAs of SBI are far more than that of HDFC which clearly shows that asset quality and overall financial health of SBI is in poor shape.

- Among the last three years 2017-18 has been proved to be the worst year for SBI with highest NPA ratios and HDFC had highest gross and net NPA ratios in 2018-19 and 2017-18 respectively.

2. Efficiency Ratios Fixed Assets Turnover ratio- From table and graph no. 3 it is found that the average fixed asset turnover ratios of SBI and HDFC were almost same during the last 3 years which shows that both the banks were inefficiently using their fixed assets.

3. Leverage Ratios - Debt to equity ratio- It is used to evaluate a company's debt level which is not satisfactory of both the banks. The average debt equity of SBI stood at 16.59 and that of HDFC stood at 7.70 which shows that SBI is at higher default risk than HDFC. Among the last three years it is observed that SBI had highest debt in 2019-20 whereas HDFC had the highest in 2018-19.

4. Profitability Ratios

- Operating Profit ratio- Further in graph 5 it is clear that the operating profit ratio of SBI is very less while that of HDFC is completely satisfactory which shows that the company is making enough money from its ongoing operations to pay for its variable costs as well as its fixed costs.

LIMITATIONS OF THE RESEARCH STUDY

There is no research study without limitations. There are a few limitations in the present study “COMPARATIVE STUDY BETWEEN PUBLIC V/S PRIVATE BANK FOR FINANCIAL SERVICES”.

These limitations are discussed as follows:

1. The researcher believes that the result of this study may be limited in terms of generalization because it refers only to a single city and this extinguishes the opportunity of making comparison and generalizing to the other parts of country.
2. The sample of the study consisted of only 140 respondents due to time constraints.
3. The questionnaires were mostly filled by the customers in the presence of bank officials, so it is quite possible that the respondents may avoid giving negative responses fearing retaliation.

CONCLUSION

During, the comparative study of SBI v/s HDFC Bank it is found that HDFC Banks has never gone above 2% in net NPAs during the study period while SBI has never gone below 7% during the study period.

This is an eye-opening comparison that demonstrates SBI's need to concentrate on acquiring high-quality assets; otherwise they will be compromising customers' hard-earned money in the future.

The distribution of sample says that majority of people which is 60.5% are at the age of 18 to 30. People at the age of 18 to 30 prefer to make investments in banking sector.

People prefer to invest in banks due to various factors like security, awareness, opinion, benefit and duration. Individual require mainly security factor to invest in banks.

In order to study the trends of NPA, t-Test has been used, the results of which have been shown in the relevant tables. The comparative analysis of the profitability of the two banks clearly reveals that there is no significant relation between the NPA ratios of both the Banks.

Also the comparative study of both bank shows the NPAs never been easy handling for the state bank of India and in every two to three year they are doing the provisioning of their NPAs while in case of HDFC Bank these restructuring incidents are rare and SBI need to be more focused on managing the net profits and NPAs part to be a commercially successful bank.

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