Financial Performance of Scheduled Commercial Banks: A Comparative Study of Selected Public and Private Sector Banks in India

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Abstract
Financial Performance of banks is an important indicator of an economy. The present research paper aims to study the financial performance of selected public sector and private sector banks. Further mean value of selected ratio are compared. Five public sector banks and five private sectors were selected as a sample for the study. The present study is based on secondary data covering the period of six years i.e. The FY 2018 to The FY 2023. Mean values of Credit deposit ratio, Return on Assets, return on equity and return on advances are compared for evaluating the financial performance of selected private and public sector banks. The financial performance of private sector banks is quite satisfactory in terms of credit deposit ratio, return on assets and return on equity as compared to selected public sector banks. Return on advances depicts that private sector banks are financing in risker assets which may lead to assets quality issue. However, public sector banks also show the improvement in the selected parameters for thew study during the study period.

Key Words: Financial Performance, Public Sector Banks, Private Sector Banks, Return on Advances, C-D Ratio, ROA, ROE

A. Introduction
Banks play an important role in the development of the economy. Economic growth of the country depends upon a well knitted financial system where financial system is characterized by an integrated and organized financial markets, financial institution and services. These financial institutions act as the intermediaries between investors and borrowers, so as to facilities smooth functioning. They provide services not only to the customer/ individuals but also to the businesses and government. An organization’s overall health can we measured through the parameters of how well it manages its assets to generate profits and to earn revenues.

Indian banking industry is subjected to the Central Bank i.e. The Reserve Bank of India who runs and regulates the monetary system. This can be classified as organized and unorganized sector which is further divided as scheduled and non-scheduled banks. Where, only scheduled banks are included in the RBI as per the Indian Banking system. These are investor friendly banks which are more financially stable and charge a low rate of interest on the borrowings. The benefits obtained by schedule banks are comparatively good than non-scheduled.

Now a days, banking system is becoming more complex due to its wide operations and therefore there is a need to evaluate the performance of the banks. Present research paper studied the financial performance of selected scheduled commercial banks covering the period of six financial year i.e. from the FY 2018 to the FY 2023.

B. Review of Literature

Balaji, C., & Kumar, G. P. (2016) in their research paper revealed that public sector banks are lagging in many financial parameters and they must redefine their strategies by considering their strengths and weakness and the type of market they are operating.

Krishnaiah, B. and Rao, T. Umamaheswara (2018) in their research paper observed that there is the growth in number of commercial banks during the study period. Aggregate deposits, demand deposits and time deposits of the commercial banks in India is also increasing. It was highlighted that composition of NPA's of commercial banks has been significantly increased in both priority sector and non-priority sector. The overall operational performance of the commercial banks of India was satisfactory during the study period and it is growing contributing to the national growth.

Kanagavalli, G. and Devi, R. Saroja (2018) studied the financial performance of State Bank of India in terms of deposit mobilization, loans and advances, investment position, non-performing assets, earnings and profitability and found that SBI is maintaining the required standards and running profitability.

Balakrishnan, C (2019) studied the financial performance of ICICI bank using camel analysis. The capital adequacy ratio of bank was at the average, asset quality parameter was moderate, management efficiency was in an increasing trend, earning quality is also in growing trend and liquidity were on the top position. Study revealed that the ICICI bank was in growing trend and liquidity parameter were on the top position.

Vithalbhai (2020) studied the performance of selected private sector banks in India covering the period from 2011-12 to 2018-19. Study found significant difference in in their net profit, many banks go to liquation and merger/acquisition due to its non-performing assets. HDFC bank Ltd. reveals the highest profit among others whereas Yes bank shows deteriorating financial position.

Tamilarasu, S. and Srinivasan, K. (2022) in their research paper examine the financial performance of a selected public and private sector banks from 2017 to 2021. The study found that both public sector banks and private sector banks need to focus on decreasing their non-performing assets as they have impact on the profitability of banks.

Karthikeyan, K. and Kumar, M. Dinesh (2023) found that the RBI guidelines to SBI and HDFC banking sectors are improving on providing loan & advances and proper collection to NPAs. A comprehensive approach should be followed to reduce non-performing assets. Banks should take essential steps to minimize the risk of NPAs and ensure the stability of the financial system.

C. Objectives of the study

1. To study the financial performance of public and private sector banks

2. To compare the mean value of selected ratios of public and private sector banks.

D. Research Methodology

Experimental and descriptive research design has been adopted for the current research paper. Secondary data has been collected for the study. Data has been compiled from the statistical tables relating to banks in India provided by Reserve Bank of India annual publications. Study covers the period of six years raging from the FY 2018 to the FY 2023. Various research paper, thesis journals, articles and website of RBI has been studied for the data collection and finding the research gap.

Five public sector banks viz; Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank and State Bank of India and five private sector banks viz; Axis Bank Limited, HDFC Bank Ltd., ICICI Bank Limited, IndusInd Bank Ltd and Kotak Mahindra Bank Ltd. were selected as sample for the study. Four ratios have been used i.e. Credit deposit ratio, return on assets, return on equity and return on advances. Further, mean values are used to compare the performance of selected scheduled commercial banks.

E. Analysis and Discussion

Table 1 Credit Deposit Ratio of Public Sector Banks

PUBLIC SECTOR BANKS	**FY2023**	**FY2022**	**FY2021**	**FY2020**	**FY2019**	**FY2018**	**Mean Value**
BANK OF BARODA	78.18	74.30	73.04	72.95	73.40	72.28	74.03
BANK OF INDIA	72.57	67.02	58.31	66.41	65.47	65.54	65.89
CANARA BANK	70.44	64.76	63.22	69.11	71.40	72.74	68.61
PUNJAB NATIONAL BANK	64.85	63.53	60.94	67.04	67.79	67.54	65.28
STATE BANK OF INDIA	72.32	67.48	66.54	71.73	75.08	71.49	70.77

Source: Compiled from Statistical tables relating to banks in India

Table 1 depicts the credit deposit ratio of public sector banks. Mean value reveals the highest C-D ratio in case of Bank of Baroda i.e. 74.03 percent followed by State Bank of India i.e. 70.77 percent. On the other hand, mean value of Punjab National Bank reveals the lowest credit deposit ratio of 65.28 percent followed by Bank of India i.e. 65.89 percent. Usually, analyst consider that 80 percent above consider healthy C-D ratio but RBI doesn't require any minimum or maximum ratio to be maintained.

Table 2 Credit Deposit Ratio of Private Sector Banks

PRIVATE SECTOR BANKS	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018	Mean Value
AXIS BANK LIMITED	89.27	86.13	88.02	89.27	90.21	96.92	89.97
HDFC BANK LTD.	84.98	87.79	84.85	86.60	88.76	83.46	86.07
ICICI BANK LIMITED	86.35	80.69	78.68	83.70	89.85	91.34	85.10
INDUSIND BANK LTD	86.17	81.40	82.98	102.35	95.65	95.59	90.69
KOTAK MAHINDRA BANK LTD.	88.09	87.03	79.86	83.61	91.06	88.10	86.29

Source: Compiled from Statistical tables relating to banks in India

Table 2 shows the mean value of credit deposit ratio of private sector banks for the last 6 years (i.e. from the FY 2018 to the FY 2023). Analysis reveals that all the selected banks have above 85 percent mean value which shows a healthy credit deposit ratio. Table reveals the highest mean value of 90.69 percent in case of IndusInd bank Limited. followed by Axis Bank Limited. i.e. 89.97 percent; Kotak Mahindra Bank Limited i.e. 86.29 percent; HDFC Bank Limited. 86.07 percent and ICICI Bank Limited i.e. 85.10 percent.

Table 3 Return on Assets of Public Sector Banks

PUBLIC SECTOR BANKS	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018	Mean Value
BANK OF BARODA	1.03	0.60	0.07	0.06	0.06	-0.34	0.25
BANK OF INDIA	0.49	0.43	0.28	-0.43	-0.84	-0.91	-0.16
CANARA BANK	0.81	0.48	0.23	-0.32	0.06	-0.75	0.09
PUNJAB NATIONAL BANK	0.18	0.26	0.15	0.04	-1.25	-1.60	-0.37
STATE BANK OF INDIA	0.96	0.67	0.48	0.38	0.02	-0.19	0.39

Source: Compiled from Statistical tables relating to banks in India

Table 3 evaluates the return on assets from the FY 2018 to the FY 2023 for the Public Sector Banks. Among the selected public sector banks, State Bank of India depicts the highest mean value of 0.39 percent whereas Punjab National Banks records the negative mean value of -0.37 percent during the six years of study. During the study period, Bank of Baroda displays the drastic improvement from -0.34 percent in the FY 2018 to 1.03 percent in the FY 2023. All the selected Public Sector Banks shows improvement in their return on assets during the study period from negative return on assets in the FY 2018 to positive figures in the FY 2023.

Table 4 Return on Assets of Private Sector Banks

PRIVATE SECTOR BANKS	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018	Mean Value
AXIS BANK LIMITED	0.80	1.21	0.70	0.20	0.63	0.04	0.60
HDFC BANK LTD.	2.07	2.03	1.97	2.01	1.90	1.93	1.99
ICICI BANK LIMITED	2.16	1.84	1.42	0.81	0.39	0.87	1.25
INDUSIND BANK LTD	1.80	1.28	0.90	1.54	1.39	1.90	1.47
KOTAK MAHINDRA BANK LTD.	2.47	2.13	1.85	1.87	1.69	1.73	1.96

Source: Compiled from Statistical tables relating to banks in India

Table 4 analysis the return on Assets ratio from the FY2018 to the FY 2023 for the selected private sector banks. Among them, HDFC banks reveals the highest mean value i.e. 1.99 percent followed by Kotak Mahindra Bank Ltd. i.e. 1.96 mean value. Axis bank Ltd recorded the lowest mean value i.e. 0.60 percent followed by ICICI bank limited having the mean value of 1.25 percent. IndusInd Bank Ltd. recorded a decline of .010 percent from the FY 2018 to the FY 2023.

Table 5 Return on Equity of Public Sector Banks

PUBLIC SECTOR BANKS	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018	Mean Value
BANK OF BARODA	15.33	8.93	1.11	0.84	0.97	-5.81	3.56
BANK OF INDIA	7.05	6.75	4.83	-6.92	-14.37	-18.23	-3.48
CANARA BANK	15.18	9.09	4.62	-5.92	0.97	-12.19	1.96
PUNJAB NATIONAL BANK	2.57	3.71	2.29	0.63	-23.24	-29.54	-7.26
STATE BANK OF INDIA	16.53	11.86	8.40	6.40	0.39	-3.21	6.73

Source: Compiled from Statistical tables relating to banks in India

Table 5 depicts the Return on Equity ratio of public sector banks from the FY 2018 to FY 2023. State Bank of India revealed a highest mean value of 6.73 percent, shows a drastic improvement from the FY 2018 (-3.21 percent) to FY 2023 (16.53 percent) followed by Bank of Baroda revealing the mean value of 3.56 per cent. Punjab National Bank has witnessed the worst performance with regards to return on Equity which recorded the mean value of -7.26 percent, however slowly it shows improvement from FY 2018 (-29.54 percent) to FY 2022 (3.71 percent) again in The FY 2023 it is declined by 1014 percent. Overall, all the selected public sector banks highlight the improvement in Return on Equity from the FY 2018 to the FY 20203.

Table 6 Return on Equity of Private Sector Banks

PRIVATE SECTOR BANKS	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018	Mean Value
AXIS BANK LIMITED	7.96	12.02	7.06	2.15	7.19	0.46	6.14
HDFC BANK LTD.	16.96	16.66	16.61	16.40	16.50	17.87	16.83
ICICI BANK LIMITED	17.18	14.68	12.27	7.05	3.15	6.61	10.16
INDUSIND BANK LTD	14.44	10.13	7.33	14.55	13.07	16.21	12.62
KOTAK MAHINDRA BANK LTD.	14.03	12.59	12.36	12.94	12.11	12.55	12.76

Source: Compiled from Statistical tables relating to banks in India

Table 6 displays the Return on Equity of Private Sector banks from the financial year (FY) 2018 to the FY 2023. HDFC bank has revealed a consistent performance and has the highest mean of 16.83 percent mean value followed by Kotak Mahindra Bank Ltd. with a mean value of 12.76 percent with regards to Return on equity. Axis bank limited recorded the lowest mean value of 6.14 percent followed by ICICI bank Ltd. having mean value of 10.06 percent. Among the selected private sector banks, IndusInd Bank Ltd. reveals the declining trend towards the return on equity during the study period.

Table 7 Return on Advances of Public Sector Banks

PUBLIC SECTOR BANKS	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018	Mean Value
BANK OF BARODA	7.46	6.64	7.17	8.07	7.67	7.17	7.36
BANK OF INDIA	7.36	6.57	7.46	8.12	7.99	7.15	7.44
CANARA BANK	8.00	7.43	8.03	8.39	8.48	8.04	8.06
PUNJAB NATIONAL BANK	7.35	6.92	7.78	7.70	7.87	7.46	7.51
STATE BANK OF INDIA	7.46	6.63	7.18	7.97	7.85	8.06	7.53

Source: Compiled from Statistical tables relating to banks in India

Table 7 shows the mean value of return on advances of public sector banks. Study reveals the highest mean value in case of Canara Bank i.e. 8.06 percent followed by State Bank of India i.e. 7.53 percent and Punjab National Bank i.e. 7.51 percent whereas Bank of Baroda reveals the lowest value of 7.36 percent followed by Bank of India i.e. 7.44 percent. It indicates their financing pattern; how riskier the returns are and their profitability. Generally, up to 2 percent shows the healthier revenue and profits however there is no such mandatory guidelines provided by the Reserve Bank of India.

Table 8 Return on Advances of Private Sector Banks

PRIVATE SECTOR BANKS	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018	Mean Value
AXIS BANK LIMITED	8.31	7.50	8.03	9.06	8.84	8.40	8.36
HDFC BANK LTD.	8.56	7.88	8.92	10.12	10.50	10.33	9.38
ICICI BANK LIMITED	8.94	8.02	8.31	9.34	8.72	8.37	8.62
INDUSIND BANK LTD	11.32	11.13	11.49	12.21	11.02	10.62	11.30
KOTAK MAHINDRA BANK LTD.	9.13	7.83	8.38	9.87	9.76	9.63	9.10

Source: Compiled from Statistical tables relating to banks in India

Table 8 highlights the return on advances of private sector banks from the FY 2018 to the FY 2023. IndusInd Bank Limited shows the highest mean value of 11.30 percent which shows that bank financing in risker assets followed by HDFC Bank Limited i.e. 9.38 percent and Kotak Mahindra Bank Limited i.e. 9.10 percent. Whereas as compared to other private sector banks, Axis Bank Limited reveals the lowest mean value of 8.36 percent followed by ICICI Bank Limited i.e. 8.62 percent. Above table reveals that the banks are financing in risker assets which may lead to the assets quality issue and may have impact on their profitability.

F. Conclusion

Reserve Bank of India has not mandated any minimum or maximum credit deposit ratio to be maintained by the banks but above 80 percent credit deposit ratio indicates a healthy ratio. Analysis reveals that among selected private and public sector banks; private sector banks performance is better as compared to the selected public sector banks. Return on assets reveals that how profitable a bank asset is in generating revenue from its operations. Study reveals that public sector banks depict improvement in return on assets from negative figures to positive figures during the study period but as compared with private sector banks, they are far behind. Although private sector banks depict low return on assets. Return on equity measures the banks' ability to converts its equity into its earnings. Above 10 percent is considered good. Present research paper reveals that among public sector banks; State Bank of India, Bank of Baroda and Canara Bank performance is highly satisfied as their return on equity in the FY 2023 are more than 10 percent i.e. 16.5 percent, 15.33 percent and 15.18 percent respectively.

Whereas among selected private sector banks except Axis bank Limited, all other banks depict more than 10 percent return on their equity which indicates healthy earnings on their equities. Return on advances indicates the average lending rate of the bank portfolio. High ratio to indicates that the banks is financing in risker assets which may lead to the issues with regards to quality of the assets. There is no rule of thumb or requirement of Reserve Bank of India guidelines with regards to return on advances but lower the ratio better it is. Study reveals that among the selected public sector banks and private sector banks; public sector banks depict less ratio as compared to selected private sector banks. But in both the cases, study reveals more than 7 percent mean value which shows their financing in risker assets and may lead to assets quality issue.

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