

## **A Study on Performance and Composite Ranking of Public and Private Sector Banks in India a Micro Level Study**

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### **Abstract**

In the past, public sector banks had a monopoly on some services. These banks have now lost all of their advantages, special treatment, and monopoly powers. The public sector has suffered as a result of the government's new economic policies. Banks have found themselves in a competitive environment. The emergence of a new generation of private sector players the entire banking landscape has transformed as a result of banks. The majority of bad debts in Indian banks resulted from lending to the priority sector during the financial crisis. politicians' and bureaucrats' orders If only banks had kept a closer eye on their loans. The bad debt problem could have been efficiently managed, if not eradicated. Politicians and bureaucrats forced bank top management to pour good money after bad in the instance of dishonest borrowers. Many large borrowers defaulted solely as a result of the economic downturn. The primary cause of bad debts in banks is a lack of proper bankruptcy legislation and a dilatory judicial process for enforcing security claims.

**Key Words:** Performance, Evaluation, PublicSector Banks, Private Sector Banks, Modern Banking, Types of Banking.

### **Introduction**

The most important segment of the financial industry is banks. In general, banks gather money from people who have extra cash or who strive to save it from their earnings and lend it to people who need it. This financial provisioning method is a highly useful requirement in any community. Commercial banks' role, however, is not limited to saving and lending money to those who can invest it in a profitable venture. Banks serve as conduits for credit generation and economic transformation. The banking business in India undertakes a wide range of difficult tasks.

### **Banks in India**

Since the Vedic period, which lasted from 2000 B.C. to 1400 B.C., India has had a banking system that is both ancient and popular. The Babylonians, who are credited with the development of a financial system, used a similar approach. During the year 2000 B.C., the ancient Greeks and Romans practised credit. "The knowledge of banking in India predated the

settlement of the English in this part of the globe, albeit the method under which it was carried on was vastly different from that which European skill and science have established," according to Prof.C.N.Cooke. The banker has always been an important member of Indian society since the beginning of time. The Bank of Venice, which was founded in 1157 A.D. and acted as a public debt transfer organisation, is credited with establishing modern banking. The financial system in India is depicted in Figure 3.1.

### **Modern Banking**

The process of globalisation has had a significant impact on the Indian banking business in the modern period. Following liberalisation, there was a pressing need to make fundamental reforms to the Indian banking sector in order to make it more economically viable and competitive. As a result, the Government of India established a High Level Committee, chaired by Mr. M.Narasimham, a former Governor of the Reserve Bank of India, to investigate all aspects of the financial system's structure, organisation, activities, and procedures. The first phase of Financial Sector Reforms began in 1991, based on the recommendations of the Narasimham Committee. In 1998, the second phase of Banking Sector Reforms began. The following are the primary reform measures::

- Progressive reduction in Cash Reserve Ratio and Statutory Liquidity Ratio.
- Phasing out concessional rate of interest to priority sectors.
- Deregulation of interest rates.
- Introduction of prudential norms relating to capital adequacy, asset qualification, provisioning and income recognition.
- Setting up of new private sector banks with a view to inducing greater competition and for improving operational efficiency of the banking system.
- Entry of foreign banks to open offices in India either as branches or as subsidiaries.
- Setting up of Lok Adalats, Debt Recovery Tribunals, Asset Reconstruction Companies, Settlement Advisory Committee, Corporate Debt Restructuring Mechanism etc. for quicker recovery / restructuring. Promulgation of Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act and its subsequent amendment to ensure creditor rights.
- Setting up of INFINET as the communication backbone for the financial sector, introduction of Negotiated Dealing System (NDS) for screen-based trading in government securities and Real Time Gross Settlement (RTGS) System etc.

### **Types of Indian Banking**

Indian banking industry has been divided into two parts, organized and unorganized sectors. The organized sector consists of Reserve Bank of India, Commercial Banks and Co-operative Banks, and Specialized Financial Institutions (IDBI, ICICI, IFC etc). The 28

unorganized sectors, which are not homogeneous, are largely made up of money lenders and indigenous bankers.

An outline of the Indian Banking structure may be presented as follows:-

1. Reserve banks of India.
2. Indian Scheduled Commercial Banks.
  - a) State Bank of India and its associate banks.
  - b) Twenty nationalized banks.
  - c) Regional rural banks.
  - d) Other scheduled commercial banks.
3. Foreign Banks
4. Non-scheduled banks.
5. Co-operative banks.

### **Reviews of the Study**

'Credit Appraisal, Risk Analysis, and Decision Making - An Integrated Approach to on and off-Balance Sheet Lending,' according to **Mukherjee (2014)**. The book covers all aspects of commercial bank financing to various parts of the economy, including fund based and non-fund-based finance, balance sheet analysis, full comprehension of credit appraisal procedures, theoretical aspects of bank lending, RBI lending guidelines, and so on.

**Arora et al. (2009)**, evaluated and compared the performance (in terms of loan disbursement and non-performing assets) of credit schemes of selected banks for the last five years in their the first part, bank- and year-level comparisons are made using the Compound Annual Growth Rate (CAGR), mean, and standard deviation; and in the second part, using a correlation technique, a positive relationship between total loan disbursement and total NPA outstanding of selected banks is discovered.

"Analyzing Financial Strength of Public and Private Sector Banks: A CAMEL Approach," by **Sneha S. Shukla (2015)**. She used the CAMEL Model to examine the performance of public and private sector banks in that study. According to the survey, private banks are growing at a quicker rate than state banks.

In their work "Comparative position of Non-Performing Assets of Selected Public and Private Sector Banks in India," **Aggarwal et al (2012)** looked examined the efficiency of public and private sector banks in India. Data was obtained over a ten-year period from diverse secondary sources and evaluated using descriptive statistics and ANOVA. All banks are enacting policies aimed at controlling nonperforming assets (NPAs) in order to improve asset quality and profitability. In comparison to SBI and ICICI, PNB and HDFC banks are considered to be superior in managing nonperforming assets (NPAs), and private sector banks are significantly more comfortable and efficient than state banks.

**Ray and Patil (2013)**, give a comparative examination of non-performing assets and their impact on a bank's profitability and productivity in their research paper "Management of NPA in Banks: A Comparative Study of Commercial and Cooperative Banks with Reference to Selected

Banks in Pune." The study's findings are provided in the form of a thesis that includes chapters such as Introduction, NPA Guidelines, Current NPA Scenario, Effect of NPA, Reasons for NPA, Management of NPA, and Conclusion and Suggestions. They investigated whether the presence of nonperforming assets (NPAs) has a negative impact on a bank's profitability and financial health.

### Objective of the Study

- To find out the performance of public and private sector banks India
- To analysis the composite performance of selected publicsector and private sector banks in India a micro level

### Results and Discussions

The study focus is to analyze the financial performance of selected public sector and private sector banks through CAMEL FRAMEWORK and draw comparisons.

**Table No-1**  
**List wise Public and Private Sector Banks in India Cover the Study**

S.No.	PUBLIC SECTOR BANKS	PRIVATE SECTOR BANKS
1	<b>SBI</b>	<b>TMB</b>
2	<b>INDIAN OVERSEAS BANK</b>	<b>KVB</b>
3	<b>CANARA BANK</b>	<b>LVB</b>
4	<b>BANK OF INDIA</b>	<b>AXIS</b>
5	<b>BANK OF BARODA</b>	<b>HDFC</b>
6	<b>UNION BANK</b>	<b>ICICI</b>
7	<b>INDIAN BANK</b>	<b>FEDERAL BANK</b>
8	<b>IDBI</b>	<b>CITY UNION BANK</b>
9	<b>PUNJAB NATIONAL BANK</b>	<b>SOUTH INDIAN BANK</b>
10	<b>SYNDICATE BANK</b>	<b>INDUSIND BANK</b>

In this research, for performance comparison of public and private bankingsectors, the paper has taken to analyse 10 banks each.

Private Sector banks - 10

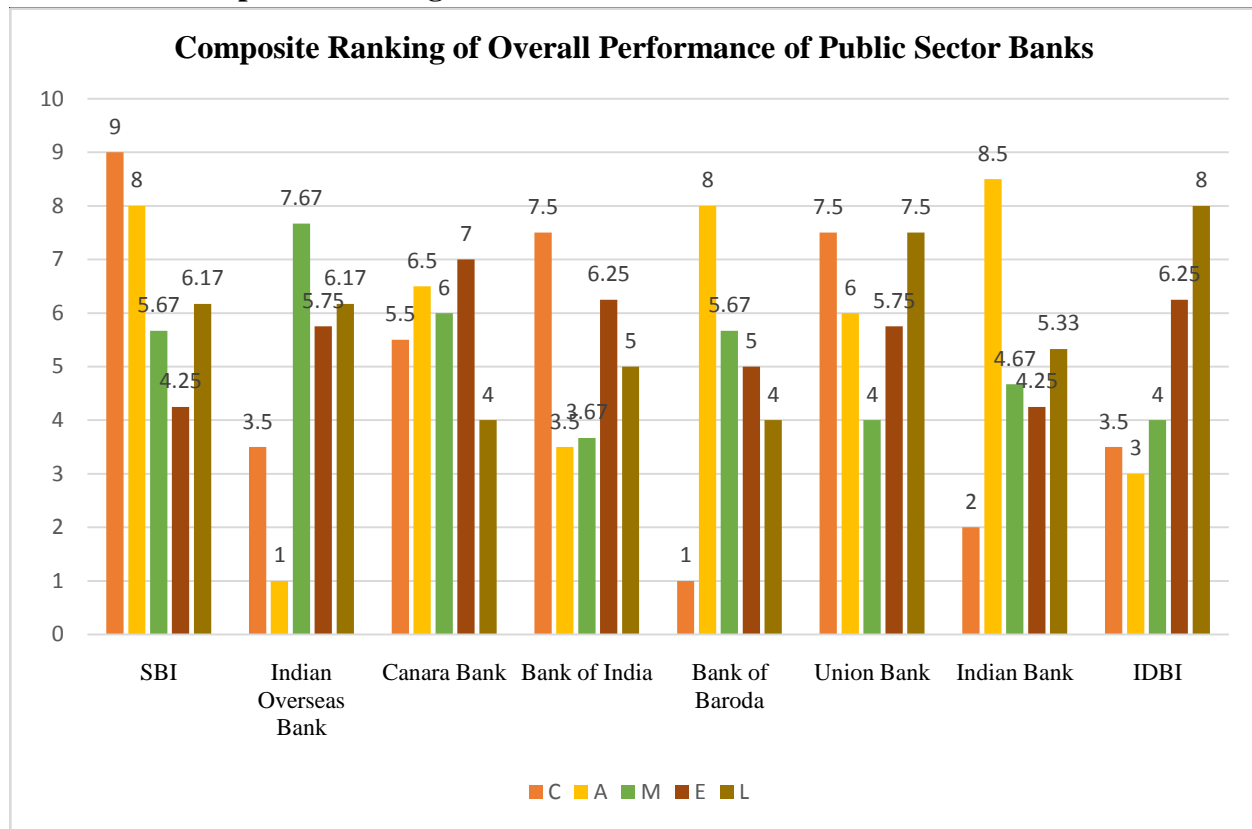
Public Sector Banks – 10

**Table No-2**  
**Composite Ranking of Overall Performance of Public Sector Banks**

<b>Public Sector Banks</b>	<b>C</b>	<b>A</b>	<b>M</b>	<b>E</b>	<b>L</b>	<b>Avg</b>	<b>Rank</b>
SBI	9	8	5.67	4.25	6.17	6.62	2
Indian Overseas Bank	3.5	1	7.67	5.75	6.17	4.82	9
Canara Bank	5.5	6.5	6.00	7	4.00	5.80	4
Bank of India	7.5	3.5	3.67	6.25	5.00	4.73	10
Bank of Baroda	1	8	5.67	5	4.00	4.73	10
Union Bank	7.5	6	4.00	5.75	7.50	6.15	3
Indian Bank	2	8.5	4.67	4.25	5.33	4.95	6.5
IDBI	3.5	3	4.00	6.25	8.00	4.95	6.55
Panjab National Bank	5.5	2.5	8.00	4	3.33	4.67	8
Syndicate Bank	10	8	7.00	6.5	5.50	7.40	1

It is clear from Table 2 that, the syndicate bank is ranked at top position with composite average of 7.40 followed by SBI 6.62. Bank of Baroda secured a least position(4.73).

**Figure-1**  
**Composite Ranking of Overall Performance of Public Sector Banks**



The figure-1 shows it highly influenced by SBI is 9 point the Indian bank 8.5 indicated that the same level pointed that Bank of Baroda and Union Bank the camel point out one are two variables low down all the banks but average performed well by 10 banks.

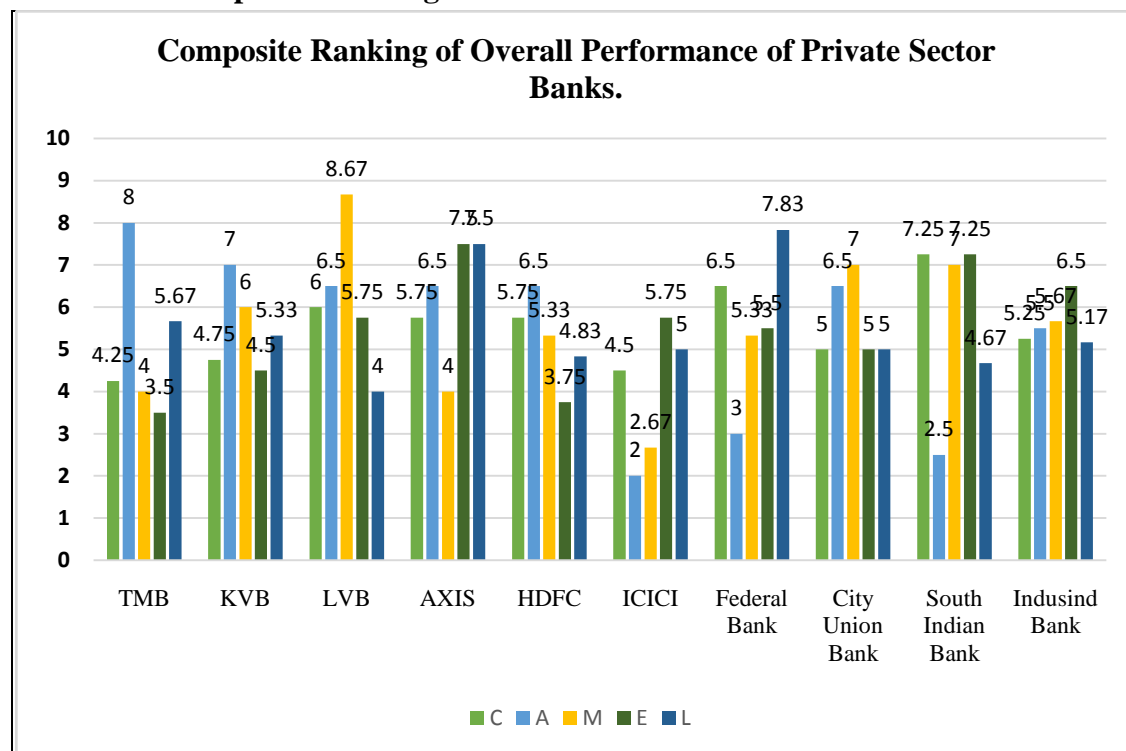
**Table No-3**  
**The composite ranking of overall performance of private sector banks.**

Private Sector Banks	C	A	M	E	L	Avg	Rank
TMB	4.25	8	4.00	3.5	5.67	5.08	9
KVB	4.75	7	6.00	4.5	5.33	5.52	7
LVB	6	6.5	8.67	5.75	4.00	6.18	2

AXIS	5.75	6.5	4.00	7.5	7.50	6.25	1
HDFC	5.75	6.5	5.33	3.75	4.83	5.23	8
ICICI	4.5	2	2.67	5.75	5.00	3.98	10
Federal Bank	6.5	3	5.33	5.5	7.83	5.63	5
City Union Bank	5	6.5	7.00	5	5.00	5.70	4
South Indian Bank	7.25	2.5	7.00	7.25	4.67	5.73	3
Indusind Bank	5.25	5.5	5.67	6.5	5.17	5.62	6

It is clear from Table 3 that AXIS bank is ranked at top position with composite average of 6.25 followed by LVB 6.18. ICICI Bank secured a least position (3.98).

**Figure-2**  
**Composite Ranking of Overall Performance of Private Sector Banks**



The figure 2 indicates that LVB is 8.67 highly influenced the point after the Federal Bank is 7.83 has to made great performance, other than Axis bank and South Indian Banks are equal point performed well is 7.25 each bank. Rest of the banks performed very good level but compare previously mentioned the banks little bit normal over the camel ranking all the ten banks are enumerates performed.

### **Conclusion**

Private sector banks make significantly more money than public sector banks. The Indian government's economic liberalisation policies, combined with globalisation trends, have had a significant impact on the banking sector, with public sector banks' profitability declining significantly. In order to stay in business, public sector banks will have to adopt new financial tools and innovations. All of these changes in Indian banking have altered the face of the Indian economy's traditional banking. Indian banks ensure a significant transformation by delivering technology-based banking products and services to their consumers, as well as moving towards the universalization of banking products and services to attain the position of top banking shop for customer delight. Private and foreign banks operating in the Indian economy, on the other hand, apply a greater level of modernization, giving a variety of modern services to their consumers.

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