A Comparative Study Of Public And Private Sectors Banks In India
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Abstract

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.

Keywords: Public Sector, Private Sector, Banking System.

Introduction:

The Indian keeping money can be comprehensively portrayed as nationalized (government claimed), privet banks and concentrated managing an account establishments. The hold bank of India played out a concentrated body observing any errors and inadequacy in the framework. Nationalization of banks occurred in 1969, general society division banks or the nationalized banks have accomplished a conspicuous place and has from that point forward seen huge improvement. The Indian managing an account has at long last taken up challenges under aggressive flow situation in India. Keeping money division is effectively tending to the important issues to go up against the diverse difficulties of globalization. More number of Banks utilize IT arrangements and they are seen to be 'modern' and proactive players, fit for meeting the diverse necessities of the substantial client base.

According to the Reserve Bank of India (RBI), India’s saving money part is adequately promoted and all around controlled. The budgetary and monetary conditions in the nation are far better than some other nation on the planet. Allied of this India can possibly turn into the fifth biggest keeping money industry on the planet by 2020 and third biggest by 2025 as per KPMG-CII report, India’s managing an account and monetary area is growing quickly. The Indian Banking industry is at present worth Rs.81 trillion (US $ 1.31 trillion) and banks are currently using the most recent advancements like web and cell phones to do exchanges and speak with the masses. Credit, market and liquidity hazard contemplates recommend that Indian banks are by and large flexible and have withstood the worldwide downturn well.

Indian keeping money industry has as of late seen the take-off of creative managing an account models like installments and little fund banks. The national bank allowed on a fundamental level endorsement to 11 installments banks and 10 little back banks in FY 2015-16. RBI’s new measures may go far in helping the rebuilding of the household keeping money industry. The market size of Indian keeping money framework comprises of 26 open division banks, 25 private area banks, 43 outside banks, 56 provincial rustic banks, 1,589 urban agreeable banks and 93,550 country helpful banks, notwithstanding helpful credit foundations.
Structure Of Indian Banking Industry

All managing an account industry working in India needs to take after the principles and control gave by Reserve Bank of India. As RBI is the administrative expert in India. As per RBI, Banking industry for the most part comprises of: (1) Commercial Banks (2) Co-agent Banks The business banks in India isolated in to 2 sections (1) Scheduled Commercial Banks (2) Unscheduled Bank. Planned business Banks constitute those banks which have been incorporated into the Second Schedule of Reserve Bank of India Act, 1934.

With the end goal of evaluation of execution of banks, the Reserve Bank of India classifications them into 3 fundamental parts are (1) Private Sector banks (2) Public division banks (3) Foreign banks. The co-agent Banks in India separated in to 3 sections (1) Regional Rural Banks (2) Urban Co-agent Banks (3) Rural co-agent credit establishments.

Private Banking Sector

Generally, the private area banks assumed a vital part in the development of joint stock saving money in India. The main portion of the twentieth century saw extraordinary development of private segment banks. At display, there are 32 private banks containing 24 old banks, which existed before 1993-94 and eight new private banks, which were set up amid 1993-94 onwards after the RBI reported rules in January 1993 for foundation of new banks in private part following the proposals of Narasimham Committee-I (1991).

Current Scenario of Private Sector Banks

New private division banks are the quickest developing segment in India. Execution and effectiveness of these banks have expanded complex. Assessment of this part isn't a simple errand. After the banks nationalization process done in the year 1969, the quantity of private division banks expanded. What's more, because of essence of the new private segment banks and outside banks has made the market focused and it additionally enhance the nature of administrations amid the most recent two decade in India. These banks have built up themselves in new and most recent framework and standard with great nature of administration and great effectiveness. In the year 1993, RBI reported rules for the foundation of 7 new private segment banks according to the proposals of Narsimham board of trustees 1 (1991)

Public Sector Bank
Public Sector Banks (PSBs) are banks where a greater part stake (i.e. over half) is held by an administration. The offers of these banks are recorded on stock trades. There are an aggregate of 27 PSBs in India that incorporates 21 nationalized banks and 6 State bank gathering (SBI + 5 associates). In 2011, IDBI bank and in 2014 Bhartiya Mahila Bank were nationalized with a base capital of Rs 500 crores. Thus at exhibit all the nationalized banks are Public Sector banks. Notwithstanding these, we can likewise say that IDBI Bank Ltd, BMB and SBI are excessively public Sector Bank (however not nationalized bank) as GoI has more than half stake in these bank as well.

**OBJECTIVE OF THE STUDY**

1. To know the details of the private sector banks such as functions, policy framework for ownership and governance, issue of shares.
2. To know about some of the leading private banks in India with current share and market price.
3. A comparison between private sector bank (HDFC) and public sector bank (PNB).

**RESEARCH METHODOLOGY**

The present investigation is auxiliary information based gathered from different journals, reports of RBI and yearly reports of banks, cash control.com. The investigation time frame is restricted, from 2010-11 to 2016-17. The data about private banks is taken from their individual site and net current data from financial circumstances.

Numerous books and articles have been referred to say the capacities, share issue and other data.

**Functions of Private Sector Bank**

**(A) Primary Function**

**Acceptance Deposits:** Time Deposits deposit repayable after a certain fixed period. Deposits are not withdrawn able by Cheque, draft or by other means. It includes the following.

**Fixed Deposit:** The deposit can be withdrawn only after expiry of certain period, say 3 years, 5 years or 10 years. The banker allows a higher rate of interest depending upon the amount and period of time. Previously the rates of interest payable on fixed deposit were determined by RBI.

**Recurring Deposit:** The customer opens an account & deposit a certain sum of money every month after a certain period say 1 year or 3 years or 5 years. The accumulated amount along with interest is paid to the customer. It is very helpful to the middle & poor sections of the people. This deposit system is useful mechanism for regular’s savers of money. Interest paid on such deposits is generally on cumulative basic.

**(B) Secondary Function**

- **Agency Function: Collection of Cheque dividends interest:** As an agent the banks collects Cheque, draft, promissory notes, interest, dividend etc. on behalf of its customer and credit the amounts to their account. Customer may furnish their bank details to corporate where investment is made in shares; debentures etc. as and when dividend, interest is due the companies directly send the warrants / Cheque to the bank for credit to customer account.
• **Payment of rent, insurance premiums** :- The bank makes the payments such as rent, insurance premiums, subscription on standing instructions until further notice till the order is revoked the bank will continue to make such payment regularly by debiting the customer account.

• **Dealing in foreign exchange** :- As an agent the commercial bank purchase and sell foreign exchange as well for customers as per RBI exchange control regulations.

• **Act as correspondent** :- Commercial banks act as a correspondent of their customer. Small banks even get travel tickets, book vehicles; receive letters etc. on behalf of the customers.

• **Preparation of income tax returns** :- They provide income tax returns and provide advice on tax matters for their customers. For those purposes they employ tax experts and make their services available to their customers.

**IMPORTANCE OF PRIVATE SECTOR BANK IN INDIA**

The private sector bank assumes a key part in the Indian economy. They in a roundabout way persuade people in general area banks by offering a solid rivalry to them. The accompanying are their significance:

• **Offering high degree of professional management** :- The private sector bank helps in introducing a high degree of professional management and marketing concept into banking. It helps the public sector banks as well to develop similar skill and technology.

• **Creates healthy competition** :- The private sector banks provide a healthy competition on general efficiency levels in the banking system.

• **Encourage Foreign Investment** :- The private sector banks especially the foreign banks have much influence on the foreign investment in the country.

• **Helps to develop innovation and achieve experts** :- The private sector banks are always trying to innovate new products avenues (new schemes, services) and make the industries to achieve experts in their respective fields by offering quality service and guidance. They introduce Thus; they lead the other banks in various new fields. For example, introduction of computerized operations, credit cards business, ATM service, etc.

**LEADING PRIVATE BANKS IN INDIA**

**ICICI Bank**

ICICI Bank (Industrial Credit and Investment Corporation of India) will be India's biggest private division keep money with add up to resources of Rs. 7,206.95 billion (US$ 109 billion) at March 31, 2016 and benefit after expense Rs. 97.26 billion (US$ 1,468 million) for the year finished March 31, 2016. ICICI Bank right now has a system of 4,850 Branches and 13,882 ATM's crosswise over India. It offers an extensive variety of keeping money items and budgetary administrations to corporate and retail clients through an assortment of conveyance channels and through its gathering organizations.

**Yes Bank**
YESBANK is India's fifth biggest private sector Bank, established in 2004. Yes Bank is the main Greenfield Bank permit granted by the RBI over the most recent two decades. YES BANK is a "Full Service Commercial Bank", and has consistently assembled a Corporate, Retail and SME Banking establishment, Financial Markets, Investment Banking, Corporate Finance, Branch Banking, Business and Transaction Banking, and Wealth Management business lines the nation over. As on 31 Dec 2015, the bank had 630 branches and 2000 ATMs. It had a monetary record size of ₹ 1, 23,200crore and Gross NPA of 0.42% fifth biggest bank in private segment.

**IndusInd Bank**

IndusInd Bank Limited is a Mumbai based Indian new age bank, set up in 1994. The bank offers business, value-based and electronic managing an account items and administrations. As on June 30, 2016, IndusInd Bank has 1,004 branches, and 1885 ATMs spread crosswise over 625 topographical areas of the nation. It additionally has agent workplaces in London, Dubai and Abu Dhabi.

**Axis Bank**

Axis Bank Ltd is the third largest of the private-sector banks in India offering a comprehensive suite of financial products. The bank has its head office in Mumbai and Registered office in Ahmedabad. It has 3300 branches, 13,003 ATMs, and nine international offices. The bank employs over 50,000 people and had a market capitalization of ₹1.0583 trillion (US$16 billion) (as on March 31, 2017). It offers the entire spectrum of financial services large and mid-size corporates, SME, and retail businesses. As of 12 Aug 2017, the bank had a network of 3,120 branches and extension counters and 12,922 ATMs. Axis Bank has the largest ATM network among private banks in India and it operates an ATM at one of the world’s highest sites at Thegu, Sikkim at a height of 4,023 meters (13,200 ft.) above sea level.

**Federal Bank**

The Federal Bank Limited is a major private sector commercial bank headquartered at Aluva, Kochi and Kerala as on 31 March 2017, Federal Bank has 1252 branches spread across 24 states and 1516 ATMs across the country. Its balance-sheet stood at Rs 1.37 trillion as of end March 2017 and its net profit stood at Rs 475 crore for the fiscal year. In April 2016, Federal Bank opened 'Launchpad', exclusive outlets for startups. „Launchpad” is a one stop facility providing a range of advisory services in addition to customized banking offerings to budding entrepreneurs who wish to set up start-up ventures in diverse sectors like Digital Financial Services, Biotechnology, Hi-Tech Farming, Healthcare, Logistics, e-Commerce/e-Markets etc.

**Performance of Public and Private sector bank: A Comparison**

**Net Assets Growth Comparison**

Net resources is the entirety of advantage side of the monetary record barring any arrangement for deterioration subsidize or the benefits appeared at book esteem less deterioration charges, or the market estimation of the advantage for be arranged off less any normal misfortune or arrangement against that benefit. This aggregate of the benefit side prohibit the imaginary resources if there is any appeared in the advantage side of the accounting report like preparatory costs, rebates on issue of offers or debenture, intrigue paid out of capital and so on. Net resources
incorporate the two sorts of benefits i.e., settled resource, and in addition, the present resource controlled by the business substance possessed by the concerned. These benefits gives the base to making the worry proficient for completing its business exercises for procuring income and solidify its situation in the years to come. As in regards to Net Assets of State Bank of India and HDFC Bank Limited, it has been registered by deducting all liabilities from add up to resources.

<table>
<thead>
<tr>
<th>Year</th>
<th>State Bank Of India</th>
<th>HDFC Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Assets (in Lacs)</td>
<td>Total Assets (in Lacs)</td>
</tr>
<tr>
<td>2015-16</td>
<td>32,24805</td>
<td>478,44819</td>
</tr>
<tr>
<td>2016-17</td>
<td>35,48714</td>
<td>560,01174</td>
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**Return on Assets**

Return on Assets (ROA) shows the rate of return (after tax) being earned on all of the firm's assets regardless of financing structure (debt vs. equity). It is a measure of how efficiently the company is using all stakeholders’ assets to earn returns. Because ROA can differ significantly across firms, ROA is often used to compare a company over time or against companies that have similar financing structures.

A bank’s ROA is normally well under 2%. This proportion measures the arrival on resources utilized or productivity in use of the advantages. It is touched base at by partitioning net benefit by add up to resources.

 Profit for Assets = Net Profit/Total Assets × 100

In 2016-17 the ROA of HDFC is 1.72%, which is most elevated among above years; yet SBI's ROA is 60%, which is least among above years. Consequently, in contrast with SBI, HDFC uses its advantages all the more proficiently and gives better execution.

<table>
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<tr>
<th>Year</th>
<th>SBI</th>
<th>HDFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>0.98</td>
<td>2.68</td>
</tr>
<tr>
<td>2016-17</td>
<td>0.70</td>
<td>2.72</td>
</tr>
</tbody>
</table>

**Net Profit/Loss growth rate**

Net salary is the thing that remaining parts out of a company’s income subsequent to subtracting all expenses. It is likewise alluded as net benefit, income, or all that really matters. Net Income, that isn't paid out in profits is added to held profit.

Expanding (diminishing) net wage is a decent (terrible) sign for a company’s gainfulness. Organizations with predictable and expanding net pay after some time are taken a gander at positively by investors.

Net benefit is another base for looking at the execution of these two banks SBI and HDFC. Net benefit development in regard of State Bank of India and HDFC Bank has been ascertained by taking Net Profit after Tax, in order to pronounce the outright development of net benefit after tax.
In 2015-16 and in 2016-17 SBI has demonstrated a negative development in the benefit which is -2.7 and -29.5 separately, when contrasted with HDFC it is low. The development rate of SBI is 15.5% and HDFC development rate is 25.4%. The net benefit of both the banks HDFC demonstrate yearly compound development rate of 28.98% while SBI indicates 9.01%this suggests that the execution of HDFC is better circumstances as SBI in the relating years.

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<tr>
<td></td>
<td>Net Profits (in Lacs)</td>
<td>% Increase Over Previous Years</td>
</tr>
<tr>
<td>2015-16</td>
<td>484767</td>
<td>-3.7</td>
</tr>
<tr>
<td>2016-17</td>
<td>344258</td>
<td>-30.5</td>
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Non-Performing Assets

An obligation commitment where the borrower has not paid any already settled upon intrigue and foremost reimbursements to the assigned loan specialist for an expanded timeframe. The Non-Performing Asset is in this way not yielding any pay to the loan specialist as primary and intrigue installments.

Types of NPA

Gross NPA: Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on Balance Sheet date. Gross NPA reflects the quality of the loans made by banks. It consists of all the nonstandard assets like as sub-standard, doubtful, and loss assets. It can be calculated with the help of following ratio:

Gross NPAs Ratio = Gross NPAs/Gross Advances

Net NPA: Net NPAs are those type of NPAs, in which the bank has deducted the provision regarding NPAs. Net NPA shows the actual burden of banks. Since in India, bank balance sheets contain a huge amount of NPAs and the process of recovery and write off of loans is very time consuming. The provisions the banks have to make against the NPAs according to the central bank guidelines are quite significant. That is why the difference between gross and net NPA is quite high. It can be calculated as per following:


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<th>Coefficient Of Variation</th>
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<tr>
<td>SBI</td>
<td>2.012</td>
<td>0.9267</td>
<td>0.90462</td>
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<td>HDFC</td>
<td>1.336</td>
<td>0.14999</td>
<td>0.46853</td>
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HDFC have the lowest mean value and standard deviation as for as 1.336 and 0.14999 respectively. Coefficient of variation of SBI is 0.90462 which is very high as compared to HDFC. This means that HDFC is managing its NPA in better manner.
CONCLUSION:

To conclude, it can be said that the study was able to meet all the set objectives and get a detailed account on private sector banking in India and also could show an inclination of private bank over public bank. There are some basic observations that can be drawn:

1) Private Sector Banks profitability is much higher than that of Public Sector Banks.

2) The economic liberalization measures introduced by the Indian government coupled with trends towards globalization have substantially altered the banking sector and the profitability of public sector banks has declined to a large extent. So Public Sector Banks will have to introduce new financial instruments and innovations in order to remain in business.

3) It is clear from the analysis that the public sector banks are less profitable than the private sector banks in terms of overall profitability.

4) All these developments in Indian banking are says that, the Indian banks are moving towards modern banking changing a face of traditional banking of Indian economy .It is grate change of banking industry. They having a installing an information technology for 191 banking business and they trying to provide technology based banking products and services to their customers.

5) Indian banks also trying to Universalization of banking products and services to one top banking shop for customerdelight, but comparatively private and foreign banks existing in Indian economy are having a higher level of modernization and those providing numbers of modern services to their customers.

6) For a long term success of banking institution to require effective management of credit risk and diversified into fee based activities. Non-traditional activities of banks are more sophisticated and versatile instrument for risk assessment.

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