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Abstract

Banks are the main participants of the Indian financial system, because they play a vital role in the economy of a country. India is one of the most preferred banking destinations as its economy is not only growing at +8 percent annually, but it is also going through a transformation to the next level of maturity. After liberalization the banking sector underwent major changes and it has been totally changed after economic reforms. Always Indian banking industries were dominated by public sector banks because they play an important role in development of Indian economy. But now the situations have been changed after arrival of new generation banks that are known for technical and financial innovation and their professional management has gained a reasonable position in the banking sector. The main idea of this research article is to make an assessment of the financial performance of Indian Public sector banks & Private sector banks. This paper provides empirical evidence about the impact of financial liberalization and global recession on the performance of Indian commercial banks. The present study compares the performance of public sector banks with private banks under various accounting and statistical framework. The data used for the study were the audited financial results of a sample of 3 public banks and 3 private banks over the last three financial years.

Key-words – Financial performance, Economic reforms, Liberalizations, Global Recession, Financial innovation.
Introduction

The Banks are the trusted place of customers. A Banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. The Indian Banking industry, which is governed by the Banking Regulation Act of India, 1949 can be broadly classified into two major categories, Non-scheduled banks and Scheduled banks. Scheduled banks comprise commercial banks and the co-operative banks. In terms of ownership, commercial banks can be further grouped into, Nationalized banks, State Bank of India and its group banks, Regional Rural banks. These banks have over 67,000 branches spread across the country. In second phase of financial sector reforms in the early nineties, Central government Issued Banking Regulation Act (Amendment) 1994 for giving the permission to Private Banks in India. After their arrival in Indian banking sector they came to be known as New Generation tech-savvy banks. They have made banking more efficient and customer friendly. In the process they have rolled public sector banks out of complacency and forced them to become more competitive. Financial Performance evaluation of a company can be performed through a close and critical analysis of financial statements. It provides an insight about the behavior of financial variables for measuring the performances of different units in the industry and to indicate the trend and tone of improvement or deterioration in the organization. Keeping in view the aforesaid facts, in the present study an attempt has been made for Comparative Analysis of Financial Performance of Selected Public Banks and Private Banks of India.

Objectives of the study –

1) To analyze the financial performance of Public sector banks and Private sector banks
2) To compare the financial performance of Public sector banks and Private sector banks

Data Collection & Methodology –

The present study is mainly based on secondary data. The all required data were collected from the annual reports of the selected banks through their websites. All the data have been converted into the lacks for calculation of various indexes of performance and interpretation of findings also. For comparative study a total of 6 banks have been selected, including 3 from Public sector Banks (Bank of Broada, Canara Bank and Dena Bank) and 3 Private sector Banks (ICICI, HDFC, AXIS bank).

Hypothesis

1. H0: There is no significant difference between the Ratios of own funds to total funds of Public sector Banks and Private sector Banks under study.
2. H0: There is no significant difference between the Debt-Equity Ratio of Public sector Banks and Private sector Banks under study.
3. H0: There is no significant difference between the Working Capital Fund of Public sector Banks and Private sector Banks under study.
4. H0: There is no significant difference between the Net Profit Ratio of Public sector Banks and Private sector Banks under study.
5. H0: There is no significant difference between the Operating Ratio of Public sector Banks and Private sector Banks under study.
Scope of the study –

This study was mainly planned to evaluate the financial performance of selected Public sector banks and Private sector Banks during last 3 financial years. This research study surely will provide a parameter particular for a better understanding of financial performance in banking sector for various readers or scholars. This attempt covers the extensive research work on Capital structure, Working capital and Profitability through various accounting ratios and statistical test on Indian banking sector into two individually category of Public banks and private banks. The findings of study presents a ground of comparison between selected variables and it will also reflect as a fundamental research in banking sector during the last three years after global recession crisis.

Analysis of Financial Performance

Financial performance of a concern has a significant role in its development. The financial performance can be done through a careful and critical analysis of the financial statement. The information contained in these statements is considered very useful for every analysis of performance. Financial analysis can be undertaken by management of the firm or by the parties outside the firm, viz., owners, creditors, investors and others. All interested parties have interest in different aspects of financial performance. For example, trade creditors are interested in that firm who should be able to meet their claims over a very short period of time. Similarly investors who have invested their money in the firm’s shares are most concerned about the firm’s earning capacity. As such they concentrate on the analysis of the firm’s present and future profitability. They are also interested in the firm’s financial position to the extent it influences the firm’s earning ability. Government and local bodies are also interested in financial performance. Because the firms with sound financial position, play key role in development of a nation and society and pay taxes.

Study of Capital Structure

Capital structure means the financial plan of a company in which the various sources of finance are mixed in such a proportion that they provide a distinct financial set up most suited to the requirements of that particular business concern. To frame a capital structure of a company is an important task, because each source of finance has its own merit and demerit. If the financial structure of a company depends on share capital, it may lose the advantage of trading on equity. On the other hand, if a company has a high capital leverage mainly depends on borrowed funds it will take a great risk, although this policy is more profitable for shareholders. Yet it can make a very critical position of the company in lean years. The following two ratios have been calculated to analyze the capital structure of the private banks under study:

1. Own funds to total funds ratio
2. Debt-equity ratio.

Own Funds to Total Funds Ratio

This ratio out the extent of shareholders funds in relation to total funds (shares holder’s funds plus liabilities) employed in total assets financed by the owners of the company. The high ratio would suggest that the shareholders themselves have provided funds for the company and/or sources of funds are through plaguing back of profits. The ratio also indicates that the
company is less dependent on outside sources for assets. The more the ratio the greater will be the financial soundness of the company. A higher ratio suggests a sound capital structure of the company for the following two reasons:

1. Greater margin of shareholders funds against the outside source of finance.
2. Margin of society or security for the creditors is high.

A low ratio on the other hand signifies a smaller amount of shareholders funds in comparison with outside borrowed funds invested in total assets. It means that the proprietor ship of owners of total assets is less than that of the creditors. The following formula is used for determining this ratio.

\[
\text{Own Funds} \div \text{Total funds}
\]

Here, own funds include shareholders equity plus reserves and surplus. The total fund means the total of shareholders fund and total liabilities.

### Ratio of Own Funds to Total Funds of Selected Public Banks During 2008 to 2010

Table no. 1(A) (In Percentage)

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>6.15</td>
<td>5.69</td>
<td>5.43</td>
<td>5.75</td>
</tr>
<tr>
<td>CANARA</td>
<td>5.82</td>
<td>5.56</td>
<td>5.55</td>
<td>5.64</td>
</tr>
<tr>
<td>DENA</td>
<td>4.6</td>
<td>4.48</td>
<td>4.52</td>
<td>4.53</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16.57</td>
<td>15.73</td>
<td>15.5</td>
<td>15.92</td>
</tr>
<tr>
<td>Combined Average</td>
<td></td>
<td></td>
<td></td>
<td>5.31</td>
</tr>
</tbody>
</table>

(Source – Annual Reports)

### Ratio of Own Funds to Total Funds of Selected Private Banks During 2008 to 2010

Table no. 1(B) (In Percentage)

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC</td>
<td>8.63</td>
<td>8.21</td>
<td>9.67</td>
<td>8.837</td>
</tr>
<tr>
<td>ICICI</td>
<td>11.7</td>
<td>13.2</td>
<td>14.2</td>
<td>13.033</td>
</tr>
<tr>
<td>AXIS</td>
<td>8</td>
<td>6.9</td>
<td>8.9</td>
<td>7.933</td>
</tr>
<tr>
<td>TOTAL</td>
<td>28.33</td>
<td>28.31</td>
<td>32.77</td>
<td>29.803</td>
</tr>
<tr>
<td>Combined Average</td>
<td></td>
<td></td>
<td></td>
<td>9.934</td>
</tr>
</tbody>
</table>

(Source – Annual Reports)

Table no 1 shows the Ratio of Own funds to total funds, this ratio was calculated by dividing total assets in addition of share capital and reserve surplus. In Public banking sector all the selected banks have shown the decrease trend throughout the study period as compared to the previous year, even in some cases it slight declined. The calculated reason behind this was more increase in volume of total assets comparatively the combined figures of share capital and reserve and surplus. For example in case of BOB in the year 2010 total assets were increased by 23%, on the other side reserves only by 18% from the year 2009. Due to this trend the total ratio of selected sector were also reduced every year. The ratios were nearly close on average in case of BOB and Canara Bank, but Dena Bank was quite low compared to them.
In **Private banking sector** all selected variables have shown the mixed trends of increase & decrease throughout the study period. As in HDFC and Axis bank, it was slapped down in the mid of the year but again it increased and reached on highest level during the study period. For example in HDFC bank, in the mid of study period it came down simply behind this cause was high increase in total assets over the last year with 37%, but on the other side the reserves were gone high by 28% and equity were increase by 2% only. But in ICICI bank, it has shown continuously increased trend throughout the study period. The interesting fact was the ratio reached on the highest level in the end of study period in all the selected variables. On average point of view the lowest was in Axis banks in whole selected private banks.

On behalf of whole banking sector this ratio was 87% more in Private Banks over the Public Banks in overall the study, because every year in study they were dominating over the public banks with 71%, 80% and 111% as a comparison.

### Debt Equity Ratio

This ratio establishes relationship between Borrowings and share holder fund. It is one of the common measure of estimating in adeptness of the concern. It is measurement of soundness of the long term financial policies of the concern. This ratio is useful for analyzing the composition of capital structure. It is calculated by dividing additions of share capital and reserve surplus in the amount of Borrowings. Here amount of borrowing was external liabilities for banks. And share holders fund refer to owned fund that is equity share capital, preference share capital and reserves and losses and fictitious assets.

The prime object of calculating the ratio is to measure the relative interested of owners and creditors. A high ratio shows that the claims of creditors are greater than those of owners. A very high ratio is unfavorable from the terms amount of view, and introduce in flexibility in the concerns operation due to imply interference and pressures from creditors. A low debit equity ratio impresses a greater claim of owners than creditors. From the creditor’s point of view, it represents a satisfactory capital structure of the concern since a high proportion of equity provides a larger margin of safety from them. From the share holder point of view there is a disadvantage if the firm employs a low amount of debit during period of good economic activities. Thus, there is a need to make the balance between debt and equity. The most appropriate debt equity combination would involve a tread off between return and risk. Hence, neither nor low debt equity ratio is desirable; standard of this ratio is depend upon the circumstances and privileging practices etc. It may be ideal 1:1 or be ranged between its 2:1

### Debt-Equity Ratio of Selected Public Banks from 2008 – 2010

**Table No 2 (A)**

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>0.35</td>
<td>0.99</td>
<td>0.88</td>
<td>0.740</td>
</tr>
<tr>
<td>CANARA</td>
<td>0.42</td>
<td>0.58</td>
<td>0.57</td>
<td>0.523</td>
</tr>
<tr>
<td>DENA</td>
<td>4.56</td>
<td>1.5</td>
<td>1.66</td>
<td>2.573</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5.33</td>
<td>3.07</td>
<td>3.11</td>
<td></td>
</tr>
<tr>
<td>Combined Average</td>
<td>1.28</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source – Annual Reports)
Debt-Equity Ratio of Selected Private Banks from 2008 – 2010

Table No 2 (a) (in Percentage)

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC</td>
<td>2.56</td>
<td>1.65</td>
<td>1.66</td>
<td>1.960</td>
</tr>
<tr>
<td>ICICI</td>
<td>0.71</td>
<td>0.74</td>
<td>0.54</td>
<td>0.670</td>
</tr>
<tr>
<td>AXIS</td>
<td>1.56</td>
<td>0.96</td>
<td>0.93</td>
<td>1.150</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>3.780</td>
</tr>
<tr>
<td>Combined Average</td>
<td></td>
<td></td>
<td></td>
<td>1.260</td>
</tr>
</tbody>
</table>

(Source – Annual Reports)

In case of **Public banks** also the all ratios has shown the mixed trend of increase and decrease in all study period. Interesting fact was during the study of midyear the ratio was high as compare to year 2008 in both banks of BOB and Canara Bank but it was sharply reduced in Dena bank due to their maximum reduction in volume of borrowings from the year 2008. But in year 2010 it was slightly increased by .16 times and reached on 1.66 which was the highest in all selected variables at 2010.

In case of **Private banking sector** the data has shown the fluctuating trend and it was always high in the first year of study period in all the variables. The fact behind this was rapid increase in reserve and surplus and decrease trend in borrowings or some time low increase rate in volume of borrowings as compared to previous year. For example in HDFC banks in year 2009 the volume of borrowings were reduced by 41.55% from last year but there retain earnings were parallel increased by 28% from the year 2008, therefore this ratio was decreased by .91 times in the year 2009. Same method was applied in the ICICI bank and Axis bank. In case of average ratio ICICI bank was on lowest side with .670 in three year of study.

As a whole in banking sector the ratio was quite same in both the categories of banks, which shows their similar level of financial performance in the study period.

**Study of Working Capital**

The term working capital refers to short term funds required for financing operating cycle. These funds are used for carrying out routine or regular business operations consisting of purchase of raw material, payment of direct and indirect expenses, carrying on production, investment on stock and stores, credit granted to customers and to be maintained in the form of cash but in service sector like banks, insurance etc. the working capital is found in other forms, its represents funds which are required to carry on day to day operations. Working capital has great importance in a business concern because a study of working capital is of major importance to internal and external analyst because of its close relationship to current day to day operation of business Inadequacy or mismanagement of working capital is the leading cause of business failure. It is necessary to maintain a proper balance between current assets and current liabilities; otherwise it may affect an enterprise badly and even becomes the cause of liquidation. It is necessary to maintain a proper balance between current assets and current liabilities; otherwise it may affect an enterprise badly and even becomes the cause of liquidation.

According to MC Mullen, “Working Capital should be sufficient in amount to enable the company to conduct its business on most economical basis and without financial stringency
and to meet emergencies and losses without danger of financial disaster”. The need of working capital is affected by many factors, viz. nature of business, profit level, taxation, dividend and reserve policy gestation period, business fluctuation and price level change availability credit, growth etc.

### Working Capital Fund of Selected Public Banks from 2008 – 2010

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>1400669</td>
<td>2003757</td>
<td>3099828</td>
<td>2168085</td>
</tr>
<tr>
<td>CANARA</td>
<td>712365</td>
<td>1417545</td>
<td>1589282</td>
<td>1239731</td>
</tr>
<tr>
<td>DENA</td>
<td>241948</td>
<td>351703</td>
<td>394392</td>
<td>329348</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2354982</td>
<td>3773005</td>
<td>8633502</td>
<td>4920496</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1245721</td>
</tr>
</tbody>
</table>

(Source – Annual Reports)

### Working Capital Fund of Selected Private Banks from 2008 – 2010

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC</td>
<td>286523</td>
<td>114282</td>
<td>1528160</td>
<td>642988</td>
</tr>
<tr>
<td>ICICI</td>
<td>1572037</td>
<td>1038375</td>
<td>4258744</td>
<td>2289719</td>
</tr>
<tr>
<td>AXIS</td>
<td>773185</td>
<td>881437</td>
<td>1297403</td>
<td>984008</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2347971</td>
<td>2034095</td>
<td>7084308</td>
<td>3916716</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1305572</td>
</tr>
</tbody>
</table>

(Source – Annual Reports)

In case of Public banking sector all the data has shown consistently increase trend. For example in BOB it was 43% and 55% in the year 2009 and 2010 respectively from the previous years. Same story reflected in Canara bank the growth was 98.99% in the mid year of study period from preceding year, but in last year it was just 12% high from the previous figure. In case of Dena bank highest growth came into picture in the year 2009 by 45% and in next year it was 12% high from the figures of previous years. For average point of view in all selected variables BOB’s contribution was 44% which was highest and rest banks had 25% and 6% respectively in Canara Bank and Dena Bank.

The working capital fund of Private banking sector has shown the rapid increase trend in the year 2010, like it was 248% more from the volume of previous year. The maximum contributor was HDFC banks, because there working capital was increased more than 1200 times from the year 2009. Secondly it was increased by 310% in ICICI and 48% in Axis bank. But from average point of view in three year of study period ICICI bank was dominating with highest volume. It was 71% and 57% more from HDFC and AXIS banks respectively. The other interesting fact of this table was only in the year 2009 the amount of working capital fund reduced in both HDFC and ICICI bank. It was 60% down in HDFC and 34% in ICICI bank from the year 2008. On the other side of picture AXIS bank was consistently gone high but highest growth was 48% in the last year of study period, earlier it was only 14% from the year 2008.

For whole banking sector point of view the growth were slightly more in Private banks, it was 4.8% above from Public banks.
Study of Profitability

A company should earn profit to survive and growth a long period of time. Profits are essential, but it would wrong to assume that every action initiated by management a company should be aimed at maximizing the profits, of social consequences. It is a fact has sufficient earned to sustain the operation of the business and able to obtain funds from investors for expansion and towards the social overheads for the welfare. The word ‘profitability’ is composed of two words profit and ability: on the basis the concept of profitability is defined as the ability of given investment to earn profit to as earning power or operating performance of the investment. The dominant motive behind business activities is to earn profit. Lord Keynes remarked profit is the engine that drives the business enterprises. It is indeed a magic eye that mirrors all aspects of entire business operations including the quality of output. Profitability is an important indicator of the efficient management of a business concern. It reflects the overall efficiency of a concern.

In the present study the following ratios have been used to analyze the profitability of the private banks under study:
- Net profit ratio
- Operating ratio

Net Profit Ratio

This ratio is an important ratio to judge the profitability of a concern. This ratio establishes a relationship between net profit and operating revenue and indicates management’s efficiency. The ratio is measured by dividing net profit by operating revenue in the present study. Generally this ratio is expressed in percentage. If the net margin is adequate the firm will fail to achieve satisfactory return on owner’s equity. This ratio indicates the firm’s capacity to withstand adverse economic conditions. A firm with a high net margin ratio would be in advantageous position to survive in the fact of falling prices, rising costs or declining demand for the product or survive. The table shows the net profit of selected variables under study –

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>10.35</td>
<td>12.48</td>
<td>15.68</td>
<td>12.83</td>
</tr>
<tr>
<td>CANARA</td>
<td>9.53</td>
<td>10.66</td>
<td>13.98</td>
<td>11.39</td>
</tr>
<tr>
<td>DENA</td>
<td>11.41</td>
<td>10.9</td>
<td>11.11</td>
<td>11.14</td>
</tr>
<tr>
<td>TOTAL</td>
<td>31.29</td>
<td>34.04</td>
<td>40.77</td>
<td></td>
</tr>
<tr>
<td>Combined Average</td>
<td></td>
<td></td>
<td></td>
<td>10.05</td>
</tr>
</tbody>
</table>

(Source – Annual Reports)
### Net Profit Ratio of Selected Private Banks from 2008 – 2010

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC</td>
<td>12.82</td>
<td>11.44</td>
<td>14.8</td>
<td>13.02</td>
</tr>
<tr>
<td>ICICI</td>
<td>10.5</td>
<td>9.7</td>
<td>12.1</td>
<td>10.76</td>
</tr>
<tr>
<td>AXIS</td>
<td>12.2</td>
<td>13.2</td>
<td>16.1</td>
<td>13.83</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35.52</td>
<td>34.34</td>
<td>43</td>
<td>37.62</td>
</tr>
<tr>
<td>Combined Average</td>
<td></td>
<td></td>
<td></td>
<td>12.54</td>
</tr>
</tbody>
</table>

(Source – Annual Reports)

In Selected Public banks, the net profit ratio was continuously increased during all the three years but single time in Dena bank it was reduced by .51% in 2009. On the other side of picture the contribution of BOB was high throughout the study period and in average figure also it was comparatively more from other two variables. The other fact of study was 20% growth have recorded in all the banks at the end of year 2010 but last time it was only 9% above from year 2008.

The performance of Private Banks in net profit ratio revel the decrease trend in year 2009 in all selected banks except the AXIS bank. But in the year 2010 all banks have shown an upward trend of 29%, 25%, and 22% in HDFC bank, ICICI bank and AXIS bank respectively. Due to this rapid growth in the year 2010 overall growth was 20% from previous year and parallel it was only 9% in the year 2009.

For Indian banking sector point of view the growth rate was comparatively high in private banks by 20%, because in the last year of study the total performance was high from pubic bank by 2.23%.

**Operating Ratio**

This is the most general measure of operating efficiency and is important for management on judging its operations. The ratio is the percentage of operating revenues that is observed by the operating expenses included interest on deposits and borrowings. This ratio is measured by dividing the total operating expenses by operating revenue and is expressed as percentage. This ratio is closely related to the operating profit from 100. The ratios shows whether operating expenses in relation to operating revenue/net sales are increasing, decreasing or stationary, which in its turn reflect the profit earning capacity of the concern. The lower the ratio the greater is the profitability and the higher the ratio the lower is the profitability. The higher is his operating ratio the less favorable it is because it would leave a smaller margin to meet non-operating expenses divided and other corporate requirements. It can also be used as partial index of overall profitability but it cannot be used as a test of financial condition without taking into account non-operating expenses and income. The table shows the operating ratio of banks under study.
Operating Ratio of Selected Public Banks from 2008 – 2010
Table No 5 (a) (in Percentage)

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOB</td>
<td>21.16</td>
<td>20.03</td>
<td>19.54</td>
<td>20.240</td>
</tr>
<tr>
<td>CANARA</td>
<td>17</td>
<td>15.78</td>
<td>16.09</td>
<td>16.290</td>
</tr>
<tr>
<td>DENA</td>
<td>20.62</td>
<td>19.8</td>
<td>18.44</td>
<td>19.620</td>
</tr>
<tr>
<td>TOTAL</td>
<td>58.78</td>
<td>55.61</td>
<td>54.07</td>
<td>56.15</td>
</tr>
<tr>
<td>Combined Average</td>
<td></td>
<td></td>
<td></td>
<td>18.72</td>
</tr>
</tbody>
</table>

(Source – Annual Reports)

Operating Ratio of Selected Private Banks from 2008 – 2010
Table No 5 (b) (in Percentage)

<table>
<thead>
<tr>
<th>Detail</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC</td>
<td>30.2</td>
<td>28.2</td>
<td>28.9</td>
<td>29.100</td>
</tr>
<tr>
<td>ICICI</td>
<td>20.6</td>
<td>18.2</td>
<td>17.6</td>
<td>18.800</td>
</tr>
<tr>
<td>AXIS</td>
<td>24.5</td>
<td>20.8</td>
<td>23.8</td>
<td>23.033</td>
</tr>
<tr>
<td>TOTAL</td>
<td>75.3</td>
<td>67.2</td>
<td>70.3</td>
<td>70.933</td>
</tr>
<tr>
<td>Combined Average</td>
<td></td>
<td></td>
<td></td>
<td>23.644</td>
</tr>
</tbody>
</table>

(Source – Annual Reports)

In selected variables of Public banks, the data has shown decline trend in BOB and DENA Bank, but only one time in year 2010 it was slightly increased by .31% in Canara Bank. The cause was simply 13% increase in volume of operating expenses in year 2010 from the previous year. In case of average figures of all variables the ratio of BOB was high as compared to rest banks; its contribution in overall public banking sector was 36%.

In case of Private Sector banks, the data of operating ratio has shown the fluctuating trend in all study period, they all were reduced in year 2009 and the highest decrease was 3.7% in AXIS bank from the previous figure. Due to this fact in 2009 the ratio of operating expenses was also down by 12% in all selected variables. On the other side the figure of AXIS bank in year 2010 were gone high as compared to other banks because it’s operating expenses increased by 30% from the amount of year 2009. For average point of view the share of HDFC Bank was highest with 29.1% because it was every year more from rest banks in the study. Parallel in ICICI bank every year it was quite low, therefore in average also it was 55% and 23% comparatively less from HDFC and AXIS respectively.

As a whole study of banking sector it can be observed that selected variables of public banks have recorded commendable growth with less operating ratios every year, therefore it was 26% less from private banks in total performance of all study period.
Comparison between Financial Performance of Public Sector Banks and Private Sector banks through Statistical Analysis –

1. Comparison between Ratios of Own Funds to Total Funds

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>1.41</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>1.388</td>
</tr>
</tbody>
</table>

Since the t value (1.388) is less than the critical value of t (2.132) at 4 degrees of freedom, we accept our null hypothesis and conclude that there is no significant difference between the ratios of own funds to total funds of Private Banks and Public Banks for the banks under study.

2. Comparison between Deb Equity Ratio

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>1.885</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>1.388</td>
</tr>
</tbody>
</table>

Since the t value (.025) is less than the critical value of t (2.132)( at 4 degrees of freedom, we accept our null hypothesis and conclude that there is no significant difference between the Debt-Equity Ratio of Private Banks and Public Banks for the banks under study.
### 3. Comparison between Working Capital Funds

<table>
<thead>
<tr>
<th></th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>10.122</td>
<td>.033</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>2.411</td>
<td>2.000</td>
</tr>
</tbody>
</table>

Since the t value (2.411) is more than the critical value of t (2.132) at 4 degrees of freedom, we reject our null hypothesis and conclude that there is a significant difference between Working Capital Fund of Private Banks and Public Banks for the banks under study.

### 4. Comparison between Net Profit Ratio

<table>
<thead>
<tr>
<th></th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>.626</td>
<td>.473</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>1.633</td>
<td>3.712</td>
</tr>
</tbody>
</table>

Since the t value (1.633) is less than the critical value of t (2.132) at 4 degrees of freedom, we accept our null hypothesis and conclude that there is no significant difference between the ratios of own funds to total funds of Private Banks and Public Banks for the banks under study.
5. Comparison between Operating Ratio

<table>
<thead>
<tr>
<th></th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>1.525</td>
<td>.236</td>
</tr>
</tbody>
</table>

Since the t value (1.525) is less than the critical value of t (2.132) at 4 degrees of freedom, we accept our null hypothesis and conclude that there is no significant difference between the ratios of own funds to total funds of Private Banks and Public Banks for the banks under study.

Conclusion

Quality of business is always playing a major role in profitability of any sector. Banks will also have to be more quality conscious in the choice of new assets, particularly in view of the stricter income-recognition norms. It is necessary to bear in mind that there is no dearth of loan proposals; the need is only to pragmatically pick-up the viable and profitable ones. Business that is high-interest yielding and more remunerative will have to be actively pursued. In view of growing competition in the banking field and limited future prospects in the current business, it is high time for whole banking sector to diversify into new areas like leasing and hire-purchase, factoring, consumer financing, merchant banking advisory services to expand their business and improve their profitability. In highly competitive environment the role of customer service in improving productivity and profitability in banking cannot be over-emphasized. To improve customer service up-to-date knowledge and impeccable commitment to excellence and right communication skills are the pre-requisites for effective customer services. This has to be supplemented adequately by technology for improving quality of services to customers.

Productivity of a bank is contingent essentially upon the general attitude of the employees towards value of work as a fruitful contribution to society needs to be rediscovered. Only a thorough soul-searching can bring change in the attitude. Developing a sense of belongingness to the organization, making personnel matter like promotions, transfers, etc. transparent and introduction of performance based rewards will go a long way in developing work culture among the employees. Every bank has to develop cost and profitability consciousness among the employees. Profit should be made the driver and this message should be spread effectively to the rank and file.
References –

1) Annual reports of all studied banks (2007-08, 2008-09 and 2009-10)