

Comparative Study on Banking Sectors: Top Three Public and Private Banks

Mrs B. Kishori¹ S. Sivaranjani²

¹Assistant Professor ²PG Student

^{1,2}Department of Management Studies

^{1,2}Anna University (BIT Campus), Trichy. India

Abstract— The financial institutions are more concentrate in the financial statements. Use of financial statements in growth of financial institutions and the banking sectors also, the financial statement affected in some variables are namely, working capital analysis, profitability analysis, activity analysis and the financial structure analysis. These variables are most using in this paper is studied about the comparative analysis of private and public banking sectors. I have use of the research technique is regression analysis and the research design is descriptive study and also collected from the data was secondary data in some books, journals, articles, etc. This study result is most use for the service receiving the customers to the banks.

Key words: Financial Performance, Banking Sectors

I. INTRODUCTION

Financial performance is using the historical data it demonstrates the interrelationship between the income statement and balance sheet and describes the risk and Return trade-off underlying management decisions. Financial performance indicators of the banks can be divided into two main categories, namely financial statement and non-financial statement indicators. The financial statement indicators are related to the decisions which directly affect the items in a balance sheet and profit & loss accounts. On the non-financial statement indicators involve those factors which do not have a direct impact on the financial statements. This part of financial performance is most important of all the financial sectors, particularly the banking sectors is very essential for the financial performance. This paper attempt the comparative for the private and public banking sectors based on the financial performance using the regression analysis.

II. LITERATURE REVIEW

Tadija Đukić, Bojana Novičević (2013), the financial reporting is the most important activity for providing related information to making business decisions. The bank's operations are efficiency then to crucial importance to provide the financial reporting. The growing need for the calculating performance is indicators information from balance sheets, income statements and the cash flow statements.

Jeevan Jayant Nagarkar(2015), this study was analyze the performance of financial parameters between the public, private and the foreign sectors banks. Banking sector is one of the growing sectors in the Indian economy. The banking industry was growing at a high growth of 30% is increase and now is struggling for growth to achieve the 19% of growth.

Pooja Sharma, Hemlata (2014), explain the banks work, the bank is plays silent and crucial role in the economy. The term as banks work is financial intermediaries, pooling

savings and channelizing them into investment, finally its helps to growth of economy of a country. The study was explores that the ICICI and the SBI banks are which is provide the better performance. ICICI is the able to generate more loans from its deposits to the customer better than SBI.

G. Gabriel prabhu¹ & g. Chandrasekaran² (2015), this study was conducted in compared study in financial performance of State Bank of India (SBI) and ICICI Bank, based on the some ratios are included namely, credit deposit, net profit margin etc. the study had taken the sources based on the Bank performance from 2009-10 to 2013-14. Finally the SBI was based on performing is well good but the ICICI was financially very sound, then the context of deposits and expenditure are better managing the ICICI Bank than SBI.

C. Kandasamy¹, C. Indirani (2013), this study was to provided financial services based on bank is a financial institution to their customers. The banking service should provide the fundamental banking services such as deposits, credits, provide loans, transactions, etc. The banking sector system is which offers cash management, service for customers, reporting the transactions of their accounts and portfolios throughout the day. The Indian banking system is past three decades has achieved several outstanding to its credit. The banking sectors are reached in every corner of India; it is also main participants of financial performance is one of the part of growth in India.

III. FINANCIAL RATIOS

A. Profitability

The most common measure of bank performance is profitability. Generally, accounting profits are the difference between revenues and costs. Profitability is considered to be the most difficult attributes of a firm to conceptualize and to measure. These ratios used to assess the ability of business to generate earnings in comparison with its all expenses and other relevant costs during a specific time period. Profitability on assets and to shareholders of the firm basic is performing in terms profit

B. Liquidity

The Liquidity is indicates the ability of the bank to meet its financial obligations in a timely and effective manner. States that "liquidity is the life and blood of a commercial bank". Financial liabilities are attracted through retail and wholesale distribution channels. Retail generated funding is considered less interest elastic and more reliable than deposits attracted from wholesale distribution channels (Thygerson, 1995). The following ratios are used to measure liquidity.

C. Leverage Ratios

The short term creditors like banker or suppliers of raw materials are more concerned with firms current debt paying

ability on other hand long- term and creditors like debenture holders, financial institutions etc. are more concerned with firms long term financial as well as long term financial position. To judge the long term financial position of the firm, financial leverage or capital structure, ratios are calculated. There ratio indicates size or fund provide by owner and tenders.

IV. DEFINITION OF THE VARIABLES

S. No.	Abbreviation of the Variable	Description	Formula
1	ROE	Return on Equity	Net Income Shareholders equity
2	CR	Current Ratio	Current Assets Current liabilities
3	QR	Quick Ratio	Total Current Assets- Inventory- Prepaid expenses Current liabilities
4	CR	Cash Ratio	Cash+ Cash Equivalents Total Current Liabilities
5	ROA	Return on Assets	Net Income Assets x100
6	DEQ	Debt to Equity Ratio	Total liability- Shareholder Equity
7	LR	Leverage Ratio	$\frac{\text{Total debt}}{\text{Total equity}} \times 100$

Table 1: Description of Variables

V. RESEARCH OBJECTIVE

- To identify the variables influencing Financial Performance banks.
- To compare the financial performance of Top Three Public sectors and Private sectors banks.
- To Analysis and Forecast the Financial performance of private and the public banks sectors.

VI. DATA COLLECTION TECHNIQUE

A. Secondary Data

The secondary data collected is from the Annual report of State of bank of India for the year 1997 to 2016, published in State bank of India website is used for the calculation.

B. Research Methodology

Financial analysis is mainly done to compare the growth, profitability and financial soundness. Financial analysis is done to identify the financial strengths and weaknesses of public and private banks. Though the research starts with of the variables such as Profitability, leverage, liquidity

C. Research Design

The research design was adopted in this study in Descriptive research design.

D. Research Technique

The collected data ware codified, classified and then Tabulated with help of computer statistical tools such as mean, Regression and Ratio analysis of Profitability, Liquidity, Leverage

E. Data Analysis and the Interpretation

Multiple Regressions is employed to estimate the effect of public and private banking Growth level of such as follows,

VII. PUBLIC BANKS

A. SBI Bank

Regression Statistics	
Multiple R	0.987183
R Square	0.974531
Adjusted R Square	0.966041
Standard Error	64.50299
Observations	5

Table 2: Regression Statistics

	df	SS	MS	F	Significance F
Regression	1	47759.29	47759.29	114.7885	0.001738
Residual	3	12481.91	4160.635		
Total	4	49007.48			

Table 3: ANOVA

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	3475.019	67.6513	51.3662	1.62E-05	325.9723	369.0316	325.9723	369.0316
X Variable 1	-0.539	20.39764	-0.0264	0.0173	-283.453	-153.625	-283.453	-153.625

Table 4: ANOVA

The above table is given R square value is more than 0.7 it means 0.974, and then the SBI bank is have an highly financial performance.

B. Bank of Baroda

Regression Statistics	
Multiple R	0.15664
R Square	0.02454
Adjusted R Square	-0.3006
Standard Error	0.13614
Observations	5

Table 5: Regression Statistics

	df	SS	MS	F	Significance F
Regression	1	0.0014	0.0014	0.0755	0.801
Residual	3	0.0556	0.01853		
Total	4	0.057			

Table 6: ANOVA

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	4.89697	0.14278	34.2962	5E-05	4.443	5.3514	4.44256	5.35137
X Variable 1	0.01183	0.04305	0.27471	0.8014	-0.13	0.1488	-0.1252	0.14883

Table 7: ANOVA

The above table is given R square value is less than 0.7 it means 0.02, and then the bank of Baroda is have an less financial performance.

C. Punjab National Bank

Regression Statistics	
Multiple R	0.901251
R Square	0.812253
Adjusted R Square	0.749671
Standard Error	0.097998
Observations	0.901251

Table 8: Regression Statistics

	df	SS	MS	F	Significance F
Regression	1	0.124645	0.124645	12.97897	0.036694
Residual	3	0.028811	0.009604		
Total	4	0.153456			

Table 9: ANOVA

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	3.548359	0.102781	34.52342	5.34E-05	3.221263	3.875455	3.221263	3.875455
X Variable 1	-0.11164	0.03099	-3.60263	0.000694	-0.2107	-0.01302	-0.21027	-0.01302

Table 10: ANOVA

The above table is given R square value is more than 0.7 it means 0.812, and then the POB is having a highly financial performance.

D. Private Bank

1) ICICI Bank

Regression Statistics	
Multiple R	0.89878
R Square	0.807805
Adjusted R Square	0.74374
Standard Error	0.203252
Observations	5

Table 11: Regression Statistics

	df	SS	MS	F	Significance F
Regression	1	0.5209	0.5209	12.60912	0.038065
Residual	3	0.123934	0.041311		
Total	4	0.644834			

Table 12: ANOVA

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	2.634401	0.213173	12.35807	0.00141	1.95591	3.312811	1.95591	3.312811
X Variable 1	-0.22823	0.064274	-3.55093	0.000658	-0.43278	-0.02368	-0.43278	-0.02368

Table 13: ANOVA

The above table is given R square value is more than 0.7 it means 0.812, and then the POB is having a highly financial performance.

2) HDFC Bank

Regression Statistics	
Multiple R	0.89878
R Square	0.807805
Adjusted R Square	0.74374
Standard Error	0.203252
Observations	5

Table 11: Regression Statistics

	df	SS	MS	F	Significance F
Regression	1	0.5209023	0.5209002	12.609117	0.038065
Residual	3	0.12393419	0.0413114		
Total	4	0.64483442			

Table 12: ANOVA

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	2.634401	0.21317255	12.358067	0.001415	1.9559191	3.3128111	1.9559191	3.3128111
X Variable 1	-0.228233	0.06427394	-3.550932	0.0006584	-0.4327808	-0.0236808	-0.4327808	-0.0236808

Table 13: ANOVA

The above table is given R square value is more than 0.7 it means 0.807, and then HDFC bank is having a highly financial performance.

3) AXIS BANK

Regression Statistics	
Multiple R	0.83718
R Square	0.70087
Adjusted R Square	0.60116
Standard Error	0.16557
Observations	5

Table 11: Regression Statistics

	<i>d</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.192704	0.1927	7.02912	0.076912
Residual	3	0.0822437	0.027415		
Total	4	0.2749441			

Table 12: ANOVA

	<i>Co</i>	<i>Stan</i>	<i>t</i>	<i>P-</i>	<i>Lo</i>	<i>Up</i>	<i>Low</i>	<i>Upp</i>
	<i>effi</i>	<i>dard</i>	<i>Sta</i>	<i>va</i>	<i>wer</i>	<i>per</i>	<i>er</i>	<i>er</i>
	<i>cie</i>	<i>Erro</i>	<i>t</i>	<i>lu</i>	<i>95</i>	<i>95</i>	<i>95.0</i>	<i>95.0</i>
	<i>nts</i>	<i>r</i>	<i>t</i>	<i>e</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Intercept	2.91687	0.1736549	16.79692	0.00046	2.36422	3.469515	2.36422	3.469515
X Variable 1	-0.13882	0.0523589	-2.651249	0.07691	-0.30545	0.027813	-0.30545	0.027813

Table 13: ANOVA

The above table is given R square value is more than 0.7 it means 0.700, and then axis bank is having a highly financial performance.

E. Findings

The ratio analysis was given that above particular results are public banks are good financial performance better than private banks. For example, the ratio analysis result was SBI is given the highly financial performance than ICICI Bank. Then the SBI bank impact is very high, it is better than ICICI bank. So the public banks to give the better performance than private banks. SBI bank- The R square value is 0.974 then to more influence of those factors are in this bank. ICICI bank- The R square value is 0.807 then to more influence of those factors are in this bank. The above banks are influenced by the financial performance but the public banks are more influenced in the financial performance than private banks.

VIII. CONCLUSION

This study was explores that the financial performance for three public and the private banks. The financial performance is refers to the process of determining financial strength and weaknesses of the public and private banks by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data. The main of this analysis is the financial Performance of Public banks are better than private banks. The results are explores that the financial performance is good for the public banks are better than the private banks. And then the public banks are very clear about our customer service than private banks.

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