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FINANCIAL PERFORMANCE OF BANKS: A STUDY OF PUBLIC SECTOR AND PRIVATE BANKS

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ABSTRACT

The financial performance of banks is studied by considering 5years data from 2016-17 to 2020-21. Thus, from the entire comparative examination of performances of both the chosen bank, it noted that ICICI Bank has superior performance as compare to IOB during the research period. The survey also assessed relative customer satisfaction ratings of public and private sector banks. The comparison of financial performance inclusiveness of chosen bank groups was done on the basis of secondary data acquired. Various statistical approaches including percentage method, compounded annual growth rate and ratio analysis were performed to investigate and evaluate the financial performance and inclusiveness of chosen bank groups. To acquire an understanding into the degree of customer satisfaction with relation to services given by public and private sector banks.

KEYWORDS Financial performance, public bank, Private Bank,

INTRODUCTION

The present economic system owes much to the banking system. The expansion of commerce and industry is a key contributor to economic development, and this growth is critically dependent on the efficient movement of funds via banking institutions. The Indian economic development narrative eloquently exemplifies the need of a strong banking system, and the existence of an efficient banking system is crucial for the economic prosperity of a nation. All nations' economic growth could not have progressed as far as it has without the contributions of the banking industry. Indeed, Banking is the Pulse of Today's Economy. It is fair to say that modern trade is reliant on banks. Most firms rely heavily on loans from banks because of their low interest rates and quick approval. Their contributions to the quest for low inflation, abundant employment, and robust economic expansion are crucial. They facilitate the availability of resources for the benefit of people, organizations, and governmental entities. By doing so, they make it easier for people and government agencies to exchange products and services with one another. Commercial banks supply a significant amount of a country's currency and are the principal tool for implementing monetary policy via deposit mobilization and lending activities.

LITERATURE REVIEW

Namita P Konnur et.al (2022) This study discusses the use of the CAMEL APPROACH to evaluate the efficiency of a number of different public and private sector banks. There is a sector-by-sector and overall ranking of the banking industries that met the criteria set out. The rankings are based on the scores given to each bank. With the use of CAMEL ratings, the CAMEL APPROACH was used to rate the performance assessment of the chosen banking sectors. Capital adequacy ratio (CRAR), asset quality, management

capability, earning potential, and liquidity were employed as independent variables in the analysis. The analysis of variance (ANOVA) is performed to determine whether there is a statistically significant difference between the public and private banks that were chosen for this research on each of the parameters being examined. Project results utilizing CAMEL's framework explain the overall rating of public and private banks and provide information on performance and economic stability.

Dr. S. Vijayalakshmi et.al (2021) The country's economy relies heavily on the banking system. The banking sector in India is among the country's most dynamic and rapidly expanding economic sectors. Over the last several years, the Indian business sector has undergone profound shifts and seen tremendous expansion. The capital asset pricing model (CAMEL) ratio is used to predict investment returns. The acronym CAMEL describes how well a company is able to balance its capital, assets, management, profits, and cash flow. This article analyzes the results of a few representative banks (HDFC bank and BOB). The time period covered by this analysis spans the first of April 2015 to the last day of March 2020. Since this is a secondary data analysis, we rely on each bank's Annual Report for the specified time frame to compile the necessary data.

Jyotirmoy Koley (2019) The banking industry in India is a crucial part of the country's economy. It has significant effects on the national economy and growth. This analysis compares the biggest public sector bank (SBI) with the most prominent private sector bank in terms of their financial standing, performance, and efficiency (HDFC). The study's goal is to assess the current financial standing of the chosen banks and their past performance, as well as to determine whether or not there are any notable differences between the two. Secondary data from annual reports of the participating banks were compiled for this research, which spans the five-year period 2013–14–2017–18. The CAMEL model was used to evaluate the health of the included banks. The study's findings are based on the use of a T-test to compare key variables such as capitalization, asset quality, management effectiveness, profitability, and liquidity.

Dr. Oshma Rosette Pinto et.al (2018) A stable, efficient, and trouble-free financial system is essential for the growth of the national economy. The research examines how ICICI Bank stacks up against other private sector banks of similar size and scope. The study's goal was to evaluate ICICI Bank in relation to other major chosen banks. AXIS, HDFC, and Kotak Mahindra are the three banks chosen for this analysis. The following ratios were used in the analysis: interest spread, net profit margin, return on net worth, total assets turnover ratio, return on assets, credit deposit ratio, cash deposit ratio, and liquid assets to demand deposit. Financial statements from the years 2012-2017 were used as the study's sample. A variance analysis and analysis of covariance (ANOVA) test has been performed to examine the dispersion of means among the sampled financial institutions. An examination of the relative positions of ICICI Bank and a few other private banks reveals that the former occupies a more advantageous position on both the net profit margin and the debt coverage ratio. Its Return on Assets, Return on Net Worth, and Total Assets Ratio have all underperformed, on the other hand. The study's primary suggestion is a merger between Axis Bank and ICICI, since doing so will increase both banks' prospective net value and return on assets. When put together, these institutions would become the largest private bank in India, with little difficulty in expanding into other countries.

Kiran Gaur et.al (2017) A nation's prosperity and fiscal stability are crucial to its progress. A strong and reliable banking system is essential to the development of any economy, but more so in a nation like India. Private sector banks' contribution to economic growth has also grown during the last two decades. The purpose of this article is to use the analytic hierarchy approach to identify some sizable private sector banks in India and rank them according to their capital sufficiency, profitability, asset quality, and managerial efficiency (AHP). Based on their respective market capitalization values as of March 31, 2016, the research singled out four significant private sector banks: ICICI, HDFC, Axis, and Kotak Mahindra bank. Because the banks were ranked according to each criterion, the AHP model was used to get an overall rating. Capital sufficiency was prioritized above profitability, asset quality, and managerial efficacy as the primary metric by which banks were evaluated for this study. To summarize, ICICI Bank topped the charts for both capital sufficiency and managerial efficiency, while HDFC Bank topped the charts for both profitability and asset quality. ICICI Bank was deemed the top private sector bank based on a combination of all three criteria, followed by HDFC, Kotak Mahindra, and Axis Bank. The survey also found that after merging with ING Vysya Bank, Kotak Mahindra Bank's standing has drastically declined in contrast to previous years. Ranking, the AHP model, enough capital, profitable operations, high-quality assets, and effective management are all essential concepts.

METHODS

Scope Of the Study:

The research will only look at the performance of one Public Sector Bank and one Private Sector Bank in India from 2016–17 to 2020–21. The purpose of this research was to compare public and private sector banks' financial performance and their commitment to diversity and inclusion. Public and private banks were compared in terms of client satisfaction. As discrepancies between public and private sector banks in terms of their operations and the services they provide are a common topic of discussion, this is an issue of relevance.

sample design:

To conduct the research, a convenience sample of both public and private sector banks were chosen. Based on their performance, one public sector bank and one private sector bank in India were selected for the analysis.

Data Source

In order to compare the two types of banks in terms of how their customers see them and how satisfied they are with the services they get; primary data was collected from those who bank with the chosen institutions. One city in each of the states was specifically picked for this reason. The accessibility of all the selected banks in the selected city was a primary factor in picking these cities for comprehensive assessment. For this reason, we chose to conduct our customer satisfaction survey in three different cities: Shimla, Himachal Pradesh; Panchkula, Haryana; and Mohali, Punjab. Additionally, bank branches in each location were chosen using purposive sampling. At long last, a convenience sample of 300 clients of the chosen banks (150 private and 150 public) in each state was questioned. Overall, 1100 clients were surveyed for this project.

Data Collection

Individual surveys were used to compile primary data on bank customers' perceptions of the quality of service they received from both public and private institutions. During the surveys, a well-structured questionnaire was utilized to obtain information from the randomly chosen clients. The research was conducted with the key factors of consumer satisfaction in mind, which were found to be efficiency, affordability, material quality, dependability, and empathy.

RESULT

SIGNIFICANCE TEST OF FINANCIAL PERFORMANCE OF ICICI AND IOB BANK

• H0-There is no significant difference between profitability ratios of ICICI Bank and IOB Bank.

• H1- There is significant difference between profitability ratios of ICICI Bank and IOB Bank

Table 1 Descriptive Statistics of Profitability Ratios

Profitability Ratios	Banks	Mean	SD	Sig. Value	df	t-value
1. Net Interest Margin%	ICICI	2.7360	0.42194	0.029	4.183	3.249
	IOB	2.1160	0.06387			
2. Net Profit	ICICI	13.356	6.05031	0.013	4.1710	3.910

Margin%	IOB	-23.554	20.22204			
3. ROE%	ICICI	7.626	3.16583	0.021	4.153	3.599
	IOB	-29.534	22.86849			
4. ROA%	ICICI	0.88	O.40577	0.004	8	4.048
	IOB	-1.676	1.35223			

• From the data in the table, it can be seen that the t (4.183) =3.249, p=0.029 (0.05) indicates that we should reject H0 in favor of H1. As a result, ICICI Bank's Net Interest Margin is much higher than IOB Bank's.

• Table results for NET PROFIT MARGIN% show that H0 is rejected and H1 is accepted, with t(4.1710)=3.910, p=0.013 (0.05). Consequently, ICICI Bank's Net Profit Margin is much higher than IOB Bank's.

• Table indicates that ROE% is supported by t (4.153) =3.599, p(0.021)0.05, rejecting H0 in favor of H1. There is, thus, a significant gap between ICICI Bank's ROE% and that of IOB Bank.

• Table indicates that ROA% is supported by t (8) =4.048, p=0.004(0.05), rejecting H0 in favor of H1. As a result, ICICI Bank's ROA% is noticeably higher than IOB Bank's.

Customer Satisfaction

There have been massive shifts in the banking sector in India ever since the country gained its independence. The competitive landscape for banks was formed by the introduction of new technology, economic uncertainty, severe rivalry, and shifting demand from clients. When comparing the factors that contribute to a bank's performance in today's banking industry, client satisfaction consistently ranks at the top. Therefore, it is crucial for banks to provide superior services in order to achieve a high level of customer satisfaction and keep their clientele. Providing high-quality service is a key differentiator in the business world, and it's essential if you want to build long-lasting, mutually gratifying connections with your clients. Service quality, as defined by Persuraman et al. (1992) is "the extent to which a customer's expectations about a service are met by that service's actual delivery." Researchers have spent a lot of time trying to pin down what makes a consumer happy or unhappy with a bank's service. The purpose of this research was to compare consumer satisfaction with public and private sector banking services. Several factors, including service efficiency, affordability, tangibles, bank dependability, and empathy, were utilized to gauge customer satisfaction after an exhaustive literature research. We further analyzed these data by keeping track of how customers reacted to each indicator. Customer opinion fluctuation was analyzed using mean and standard deviation. To further clarify the image of banking service satisfaction, the relationship between certain metrics and socioeconomic characteristics was also investigated. The outcomes of the chi-square test and the mean and standard deviation of consumer answers to various indicators are reported in this section.

Effectiveness Indicators and Customer Satisfaction

In order to gauge how content customers are with the services offered by both public and private banks, their reactions to efficiency measures were analyzed. The tabular results of the investigation are shown below.

Table 2a Customers' Responses towards Effectiveness Indicators

Effectiveness Indicators	Public (%)			Private (%)		
	Disagree	Neutral	Agree	Disagree	Neutral	Agree
Courteous and friendly employee behavior	3	5	92	2	4	95
Recognition as a valued customer	4	9	88	4	8	87
Maintenance of customer confidentiality	1	9	90	1	7	92
Fast and efficient services	7	14	79	4	9	86
Trained and knowledgeable bank personnel	5	12	84	4	10	87
Bank's reputation	3	9	88	1	11	88
Feeling of security in bank transactions	1	5	94	4	8	89

Table 2b Mean and SD of Effectiveness Indicators

Effectiveness Indicators	Public (%)		Private (%)	
	Mean	Std. Deviation	Mean	Std. Deviation
Courteous and friendly employee behavior	4.2	0.7	4.2	0.6
Recognition as a valued customer	4.1	0.7	4.0	0.7
Maintenance of customer confidentiality	4.2	0.6	4.2	0.6
Fast and efficient services	4.0	0.9	4.1	0.8
Trained and knowledgeable bank personnel	4.1	0.8	4.1	0.7
Bank's reputation	4.1	0.7	4.2	0.7

Feeling of security in bank transactions	4.2	0.6	4.0	0.7

H0 3: There is no significant relationship between socio-economic variables and effectiveness indicators.

According to Table 2a, there was little variation in customer satisfaction across the various efficacy metrics for the services offered by both private and public sector banks. The largest disparity was seen in how people felt about the speed and efficiency of the banking services they received, with 86% of respondents agreeing that private sector banks were faster and more efficient than public banks, compared to 79% who felt the same way about public banks. Public bank clients were more likely to report a sense of security during financial transactions (94% vs. 89%). This means that private-sector banks should prioritize fostering loyal client relationships, whereas public-sector banks should put their efforts toward improving the speed and efficiency with which they serve the public. An unprofessional attitude from bank staff led to client dissatisfaction. Having a customer service hotline available in public-sector banks has been recommended by certain bank users. Standard deviation (table, 2b) findings indicated a spread between 4 and 5 (MS.D.), indicating that the vast majority of consumers believed that the services offered by both public and private sector banks were successful in meeting their needs.

CONCLUSION

Researchers looked at how customers felt about the bank and how satisfied they were with its services based on factors like how well they were treated by employees, how well they respected their privacy, how quickly they were helped, how well-trained the employees were, how well-known the bank was, and how safe they felt using its services. Customers' ratings on these metrics were collected, and the standard deviation from the mean was computed. A majority of clients (54%) and a plurality (42%) of customers (including public and private sector banks) were agnostic about the ease with which they could utilize online and mobile banking. Many people who aren't in agreement with the notion that mobile and internet services are easy to use point to the complexity of the onboarding process and the unsatisfactory quality of customer care as reasons. Both ICICI Bank and IOB have good ROE and ROA, however their trends are opposite. Therefore, it was determined that ICICI's financial standing was superior to that of IOB Bank.

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