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A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF PUBLIC & PRIVATE SECTOR BANKS IN INDIA WITH REFERENCE TO SBI AND HDFC BANKS

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ABSTRACT:

Financial institution is a main element of the financial system and also plays active role in the financial markets. An efficient banking system is capable of mobilizing the savings and channeling them to productive purposes are essential for the development of any economy. The paper intended to present the comparative study between the private sector banks and public sector banks in the financial performance in India. The performance of the banks can access with different kind of the ratios in management accounting. This paper identified that which sector bank performing best during the study period. The study data is collected through the secondary sources for five years in different websites, those were analysed with standard ratios and suitable statistical tools during the study period. The paper attempted to know which bank performed best in the study constraints. Hence the study entitled "A Comparative Study on Financial Performance of Public & Private Sector Banks in India with reference to SBI and HDFC Banks".



KEYWORDS: Investment Valuation Ratios, Profitability Ratios, Management Efficiency Ratios, Profit And Loss Account Ratios, Balance Sheet Ratios, Debt Coverage Ratios, Leverage Ratios and NPA Ratios.

INTRODUCTION

Financial institution plays as significant component in the financial system. It has a strong impact on the economic development and growth of the nation. The present study is attempted to know the financial position, performance and efficiency of the largest public sector bank (SBI) and private sector bank (HDFC). The objective of the study is to identify financial position and

performance of the selected bank and to examine whether any significant difference exists in their performance. The performance of the banking sector is supposed to be a crucial economic activity of Indian economy. So, the reforms in banking sector are intended to make the banks more efficient. However, the Banking sector is facing alarming challenges like rising in competition, level of Non Performing Assets and

weakening asset quality. These may have a negative impact on the economy of the nation. This study deals with the analysis of the financial position and performance of public sector bank and private sector bank in India. Hence the study entitled "A Comparative Study on Financial Performance of Public & Private Sector Banks in India with reference to SBI and HDFC Banks".

OBJECTIVES OF THE STUDY

The main objective of the study is to evaluate the performance of selected financial institutions of SBI and HDFC Banks using financial ratios.

RESEARCH METHODOLOGY

Research Design: In the present study, exploratory research design has been adopted.

Type of Data and Data Collection: The present study is based on secondary data. This data has been collected from various sources like Annual reports, official website of moneycontrol.com and various research papers, articles, etc.

Study period: The study covers Five years annual data to compare the performance of the banks, i.e., March 2014 to March 2018.

Tools of Analysis: The study was used mean, Coefficient of covariance and Standard Deviation for the attainment of the study objectives.

ANALYSIS AND INTERPRETATION

Table-1
Investment Valuation Ratios

	Dividend Per Share		Operating Profit Per Share (Rs)		Net Operating Profit Per Share (Rs)	
	SBI	HDFC	SBI	HDFC	SBI	HDFC
Mar '18		13	20	70.56	247.07	309.2
Mar '17	2.6	11	22.2	55.68	220.13	270.5
Mar '16	2.6	9.5	22	44.77	211.26	238.2
Mar '15	3.5	8	24.2	36.16	204.13	193.4
Mar '14	3	6.85	19.9	29.65	182.64	171.5
Mean	2.93	9.67	21.67	47.36	213.05	236.54
Std. Dev	0.43	2.43	1.78	16.23	23.53	55.97
C.V (%)	14.68	25.13	8.21	34.27	11.04	23.66

Source: Moneycontrol.com

From the above Table 1, it shows that, Dividend per share, Operating profit per share and Net Operating profit per share mean, standard deviation and Coefficient of correlation values of the HDFC bank have higher than the SBI, it indicates that higher efficiency, less consistency, high variable during the study period. It concludes that HDFC bank has dominated in the investment valuation ratios during the study period.

Table-2
Profitability Ratios

	Interest Spread		Adjusted Cash Margin (%)		Net Profit Margin		Return on Long Term Fund (%)		Return on Net Worth (%)	
	SBI	HDFC	SBI	HDFC	SBI	HDFC	SBI	HDFC	SBI	HDFC
Mar'18	6.65	7.78	-1.36	19.26	-2.96	21.79	66.97	62.88	-3.37	16.45
Mar '17	6.36	7.46	6.05	18.85	5.97	20.99	82.01	65.17	6.69	16.26
Mar '16	6.01	7.52	6.07	18.31	6.06	20.41	83.57	70.54	6.89	16.91
Mar '15	6.26	8.01	8.12	18.91	8.59	21.07	90.85	66.77	10.2	16.47
Mar '14	5.76	8.01	7.89	18.65	7.98	20.61	87.28	81.47	9.2	19.5
Mean	6.21	7.76	5.35	18.80	5.13	20.97	82.14	69.37	5.92	17.12
Std. Dev	0.34	0.26	3.88	0.35	4.67	0.53	9.14	7.32	5.41	1.35
C.V (%)	5.48	3.35	72.52	1.86	91.03	2.53	11.13	10.55	91.39	7.89

Source: Moneycontrol.com

From the above Table 2 show the Profitability ratio during the study period, SBI mean, standard deviation and coefficient of correlation value of interest spread higher than the HDFC bank, hence it understood that Public sector bank (SBI) has been performed with high efficiency, less consistent, higher variable as compared to HDFC.

HDFC bank average, Net Profit Margin, adjusted cash margin, Return on Long Term Fund, Return on Net Worth percentages are higher than the SBI, but standard deviation and coefficient of correlation is lower than SBI. Therefore, it indicates that HDFC bank has higher consistency, lower variable/efficiency, mean, standard deviation and coefficient of correlation value of interest spread is higher than the HDFC bank, hence it understood that Public sector bank (SBI) has been performed with high efficiency, less consistent, higher variable as compared to HDFC.

Table-3
Management Efficiency Ratios

		Mar '18	Mar '17	Mar '16	Mar '15	Mar '14	Mean	Std. Dev	C.V
Asset Turnover Ratio	SBI	0.08	0.07	0.08	0.08	0.09	0.08	0.01	12.50
	HDFC	0.09	0.09	0.1	0.1	0.1	0.10	0.01	10.00
Interest Expended / Capital Employed (%)	SBI	4.77	4.52	4.85	5.07	5.18	4.88	0.26	5.33
	HDFC	4.17	4.6	5.02	4.82	5.08	4.74	0.37	7.81
Interest Expended / Total Funds	SBI	4.77	4.52	4.85	5.07	5.18	4.88	0.26	5.33
	HDFC	4.17	4.6	5.02	4.82	5.08	4.74	0.37	7.81
Interest Income / Total Funds	SBI	7.22	6.98	7.44	7.94	8.12	7.54	0.48	6.37
	HDFC	8.32	8.81	9.27	8.96	9.22	8.92	0.38	4.26
Loans Turnover	SBI	0.13	0.12	0.12	0.12	0.12	0.12	0.00	0.00
	HDFC	0.13	0.14	0.15	0.15	0.15	0.14	0.01	7.14
Net Interest Income / Total Funds	SBI	2.45	2.46	2.6	2.86	2.93	2.66	0.22	8.27
	HDFC	4.16	4.21	4.25	4.14	4.14	4.18	0.05	1.20
Net Profit / Total Funds	SBI	-0.21	0.42	0.45	0.68	0.65	0.40	0.36	90.00
	HDFC	1.81	1.85	1.89	1.89	1.9	1.87	0.04	2.14
Non Interest Income / Total Funds	SBI	1.46	1.41	1.26	1.18	1.1	1.28	0.15	11.72
	HDFC	1.58	1.56	1.65	1.66	1.78	1.65	0.09	5.45
Operating Expense / Total Funds	SBI	1.87	1.76	1.82	1.92	2.05	1.88	0.11	5.85
	HDFC	2.26	2.4	2.5	2.46	2.55	2.43	0.11	4.53
Profit Before Provisions / Total Funds	SBI	1.95	2.02	1.96	2.06	1.91	1.98	0.06	3.03
	HDFC	3.38	3.27	3.29	3.22	3.22	3.28	0.07	2.13
Total Assets Turnover Ratios	SBI	0.07	0.07	0.07	0.08	0.08	0.07	0.01	14.29
	HDFC	0.08	0.09	0.09	0.09	0.09	0.09	0.00	0.00
Total Income / Capital Employed (%)	SBI	8.69	8.39	8.71	9.11	9.22	8.82	0.34	3.85
	HDFC	9.9	10.38	10.92	10.62	11	10.56	0.45	4.26

Source: Moneycontol.com

The management efficiency ratios of SBI bank during the study period has average (Mean) value of Asset Turnover Ratio, Interest Income / Total Funds, Net Interest Income / Total Funds, Net Profit / Total Funds, Non Interest Income / Total Funds, Operating Expense / Total Funds, Total Income / Capital Employed (%), Profit Before Provisions / Total Funds and Total Assets Turnover Ratios are lower than the HDFC and those Standard deviations are higher than the HDFC, it indicates that SBI has lower efficiency, high consistent and Coefficient of Variance values are showing the higher value than

the HDFC bank, it indicates that SBI Bank is more variable, less stable, less uniform, lower consistent or lesser homogeneous than the HDFC bank during the study period.

The management efficiency ratios of SBI bank during the study period has average (Mean) value of Interest Expended / Capital Employed (%), Interest Expended / Total Funds, Loans Turnover ratios are higher than the HDFC and those Standard deviation are lower than the HDFC, it indicates that SBI has higher efficiency, low consistent and Coefficient of Variance values are showing the higher value than the HDFC bank, it indicates that SBI Bank is more variable, less stable, less uniform, lower consistent or lesser homogeneous than the HDFC Bank during the study period.

Table-4
Profit And Loss Account Ratios

Profit And Loss Account Ratios		Mar '18	Mar '17	Mar '16	Mar '15	Mar '14	Mean	Std. Dev	C.V
Interest Expended / Interest Earned	SBI	66.05	64.76	65.12	63.9	63.86	64.74	0.91	1.41
	HDFC	50.03	52.18	54.18	53.79	55.07	53.05	1.99	3.75
Operating Expense / Total Income	SBI	21.51	20.94	20.89	21.11	22.2	21.33	0.54	2.53
	HDFC	22.82	23.12	22.93	23.2	23.18	23.05	0.17	0.74
Other Income / Total Income	SBI	16.82	16.81	14.51	12.9	11.98	14.60	2.21	15.14
	HDFC	15.94	15.07	15.15	15.66	16.14	15.59	0.47	3.01
Selling Distribution Cost Composition	SBI	0.16	0.16	0.18	0.18	0.2	0.18	0.02	11.11
	HDFC	0.2	0.21	0.41	--	--	0.27	0.12	44.44

Source: Moneycontol.com

The financial performance (Profit And Loss Account Ratios) of SBI bank during the study period has average (Mean) value of Operating Expense / Total Income, Other Income / Total Income are lower than the HDFC and those Standard deviation are higher than the HDFC, it indicates that SBI has lower efficiency, high consistent and Coefficient of Variance values are showing the higher value than the HDFC bank, it indicates that SBI Bank is more variable, less stable, less uniform, lower consistent or lesser homogeneous than the HDFC Bank during the study period.

The management efficiency ratios of SBI bank during the study period has average (Mean) value of Interest Expended / Interest Earned, Selling Distribution Cost Composition are higher than the HDFC and those Standard deviation are lower than the HDFC, it indicates that SBI has higher efficiency, low consistent and Coefficient of Variance values are showing the lower value than the HDFC bank, it indicates that less variable, more stable, more uniform, more consistent or more homogeneous than HDFC Bank in the study period.

Table-5
Balance Sheet Ratios

B/S Ratio	Advances / Loans Funds (%)		Capital Adequacy Ratio	
	SBI	HDFC	SBI	HDFC
Mar '18	71.25	80.8	12.6	14.82
Mar '17	71.15	84.21	13.11	14.55
Mar '16	76.31	84.82	13.12	15.53
Mar '15	77.39	80.97	12	16.79
Mar '14	82.04	82.33	12.96	16.07
Mean	75.63	82.63	12.76	15.55
Std. Dev	4.58	1.84	0.47	0.91
C.V	6.06	2.23	3.68	5.85

Source: Moneycontol.com

From the above table 5, it depicted that SBI has issued higher efficiency of advances to loans/funds on percentage than the HDFC and less consistency. Coefficient of covariance indicates that SBI bank shows the higher value than the HDFC bank, it indicates that SBI Bank is more variable, less stable, less uniform, lower consistent or lesser homogeneous than the HDFC during the study period. SBI bank has issued lower efficiency of Capital Adequacy Ratio than the HDFC and high consistency. Coefficient of covariance is showing the lower value than the HDFC bank, it indicates that SBI is less variable, more stable, more uniform, more consistent or more homogeneous than HDFC Bank in the study period.

Table-6
Debt Coverage Ratios

		Mar '18	Mar '17	Mar '16	Mar '15	Mar '14	Mean	Std. Dev	C.V
Cash Deposit Ratio	SBI	5.86	6.82	7.42	6.76	5.81	6.53	0.69	10.57
	HDFC	9.95	5.71	5.77	6.46	6.02	6.78	1.80	26.55
Credit Deposit Ratio	SBI	73.79	80.38	83.56	84.47	86.84	81.81	5.04	6.16
	HDFC	84.68	85.64	83.24	81.71	81.79	83.41	1.74	2.09
Financial Charges Coverage Ratio	SBI	1.43	1.47	1.42	1.42	1.38	1.42	0.03	2.11
	HDFC	1.84	1.73	1.68	1.69	1.66	1.72	0.07	4.07
Financial Charges Coverage Ratio Post Tax	SBI	0.98	1.11	1.11	1.15	1.14	1.10	0.07	6.36
	HDFC	1.46	1.43	1.4	1.42	1.4	1.42	0.02	1.41
Investment Deposit Ratio	SBI	38.45	35.54	31.97	29.64	28.87	32.89	4.05	12.31
	HDFC	31.88	31.79	33.13	35.13	35.05	33.40	1.63	4.88
Total Debt to Owners Fund	SBI	15.79	15.08	14.24	13.87	13.34	14.46	0.98	6.78
	HDFC	8.58	8.02	8.25	8	9.36	8.44	0.56	6.64

Source: Moneycontol.com

From the above table 6, it depicted that SBI bank Debt coverage ratios of Credit Deposit Ratio, Financial Charges Coverage Ratio, Charges Coverage Ratio Post Tax, Investment Deposit Ratio and Total Debt to Owners Fund average (Mean) values are higher than HDFC Bank but Standard deviation shows the high values, Coefficient of covariance also shows the higher value than the HDFC Bank ratios. It depicted that more variable, less stable, less uniform, lower consistent or lesser homogeneous than the HDFC Bank during the study period

Cash Deposit Ratio of SBI Bank has lower mean value, higher standard deviation, it indicate that high efficiency and less consistency, also Coefficient of covariance is showing lower value than the HDFC bank, it indicates that SBI is less variable, more stable, more uniform, more consistent or more homogeneous than HDFC Bank in the study period.

Table-7
Leverage Ratios

Leverage Ratios	Current Ratio		Quick Ratio	
	SBI	HDFC	SBI	HDFC
Mar '18	0.08	0.04	13.83	17.48
Mar '17	0.07	0.06	11.94	11.19
Mar '16	0.07	0.07	10.89	14.51
Mar '15	0.06	0.04	11.02	12.69
Mar '14	0.03	0.06	13.81	8.55
Mean	0.06	0.05	12.30	12.88
Std. Dev	0.02	0.01	1.45	3.37
C.V	33.33	20.00	11.79	26.16

Source: Moneycontol.com

From the above table 7, it shows that current ratio in leverage ratios of SBI bank's mean and standard deviation values are higher than the HDFC bank. The Coefficient of Covariance shows higher value than the HDFC Bank ratios. It depicted that SBI is more variable, less stable, less uniform, lower consistent or lesser homogeneous than the HDFC Bank during the study period.

Quick ratio in leverage ratios of SBI mean and standard deviation value are lower than the HDFC bank. Coefficient of covariance shows lower value than the HDFC bank, it indicates that less variable, more stable, more uniform, more consistent or more homogeneous than HDFC Bank in the study period.

Table-8
Non-performing asset Ratios

	% of Gross NPA		% of Net NPA		Return on Assets %	
	SBI	HDFC	SBI	HDFC	SBI	HDFC
Mar '19	7.53	1.36	3.01	0.39	0.02	1.9
Mar '18	10.91	1.3	5.73	0.4	-0.19	1.93
Mar '17	6.9	1.05	3.71	0.33	0.41	1.88
Mar '16	6.5	0.94	3.81	0.28	0.46	1.92
Mar '15	4.25	0.9	2.12	0.2	0.76	2
Mean	7.22	1.11	3.68	0.32	0.29	1.93
Std. Dev	2.41	0.21	1.33	0.08	0.38	0.05
C.V	33.38	18.92	36.14	25.00	131.03	2.59

Source: Moneycontol.com

From the above table 8, shows that Parentage of Gross NPA, Parentage of Net NPA and Return on Assets Parentage in **Non-performing asset Ratios** of SBI mean and standard deviation values are higher than the HDFC bank. The Coefficient of Covariance shows higher value than the HDFC Bank ratios. It depicted that SBI is more variable, less stable, less uniform, lower consistent or lesser homogeneous than the HDFC Bank during the study period.

CONCLUSION

The financial performance and financial position of the selected sectors have been analysed with the help of the selected financial ratios and compared them in statistical tools such as Investment Valuation Ratios, Profitability Ratios, Management Efficiency Ratios, Profit And Loss Account Ratios, Balance Sheet Ratios, Debt Coverage Ratios, Leverage Ratios and NPA Ratios. The study derived from the above said ratios that SBI Bank has performed best than the HDFC Bank in the form of mean, standard deviation and Coefficient of covariance.

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