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PUBLIC AND PRIVATE SECTOR BANKS' COMPARISON WITH REFERENCE TO STATE BANK OF INDIA AND HDFC BANK

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ABSTRACT:

the present study is based on analyzing the comparison of public and private sector bank with reference to SBI and ICICI Bank. For analysis purpose, the accounting Ratios and t-test as well as correlation is used for analysis. In all the ratios, the HDFC bank is found to be better performer among two. The state Bank of India shown negative correlation between Net NPA and Net Profit which directs that the Profit earning capacity is affected by the non-performing assets in the bank.

Keywords:HDFC, SBI, Public Sector Banks, Private Sector Banks, NNPA

INTRODUCTION:

Bank is referred to as an institute dealing with demand and supply of money to the economy. The supply bank receives is in the form of savings by people which are of different types of account in nature. People for the purpose of saving and safety for their money open bank account and earns interest on it. The same money is given in the form of loans and advances and interest is earned by bank on it. The difference acts as a profit for the bank. his earning capacity may get affected by non-recovery of the amount due from the person or institute bank has given the loan. The central bank for India is Reserve Bank of India which regulates banking activities in the country. Banks can be private as well as public in nature. Public sector banks refer to the banks of which certain defined percent of shares are with Central or State Government. In private sector banks, the right of ownership is with limited number of people.

LITERATURE REVIEW:

(R.S.N.Sharma, 2019): In his research paper titled A Research on Nonperforming Assets of Banks in India found that Non performing assets in public as well as private sector bank are increasing at increasing rate.

(Santosh Shah, 2019) : In their research paper titled Non-Performing Assets: A Comparative Study of SBI & HDFC Bank found that the private sector bank is more efficient in handling the problem of non-performing assets.

(Kambar, 2019) : in his research paper titled A study of rising Non Performing Assets (NPAs) in the Indian Banking Sector and its adverse effects found that the rising cost of NPA directly affects the yield capacity of bank to earning more interest and similarly loses creditability.

OBJECTIVES OF THE STUDY:

- To compare the profitability of the banks
- To compare interest earning margin capacity of the banks
- To know if there is any relation between Net NPA and Net Profit of the banks
- To know the situation regarding asset management efficiency

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NULL HYPOTHESES FOR THE STUDY

1. There is no significant difference in Net Profit Ratio of the Banks
2. There is no significant difference in Net Interest Margin of the Banks
3. There is no significant difference in Net NPA Ratio of the banks

RESEARCH METHODOLOGY:

The present study is analytical in nature. For the purpose of analysis, as referred in title, two banks namely SBI and HDFC are taken for study. The data collection is done through annual reports and other websites for the period of five years ending 2018-19. For analysis, t-test is taken as tool and as accounting tool, different banking ratios were considered.

DATA ANALYSIS AND INTERPRETATION:

Ratios Data:

Ratio	Bank	2014-15	2015-16	2016-17	2017-18	2018-19
Net Profit Ratio	SBI	8.59	6.06	5.97	-2.96	0.35
	HDFC	21.07	20.41	20.99	21.79	21.29
Net Interest Margin	SBI	2.68	2.42	2.28	2.16	2.40
	HDFC	3.79	3.89	3.89	3.76	3.87
Net NPA Ratio	SBI	2.12	3.81	3.71	5.73	3.01
	HDFC	0.20	0.28	0.33	0.40	0.39

Table 1: Selected Ratios of the Bank (percent)

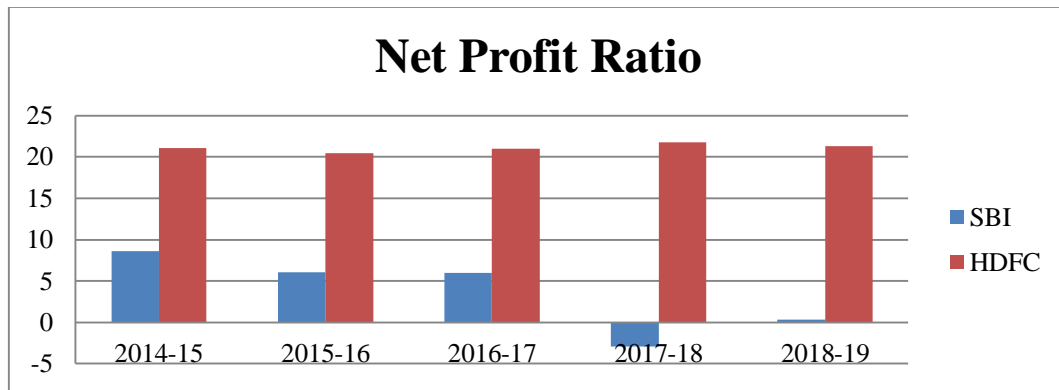


Figure 1: Net Profit Ratio

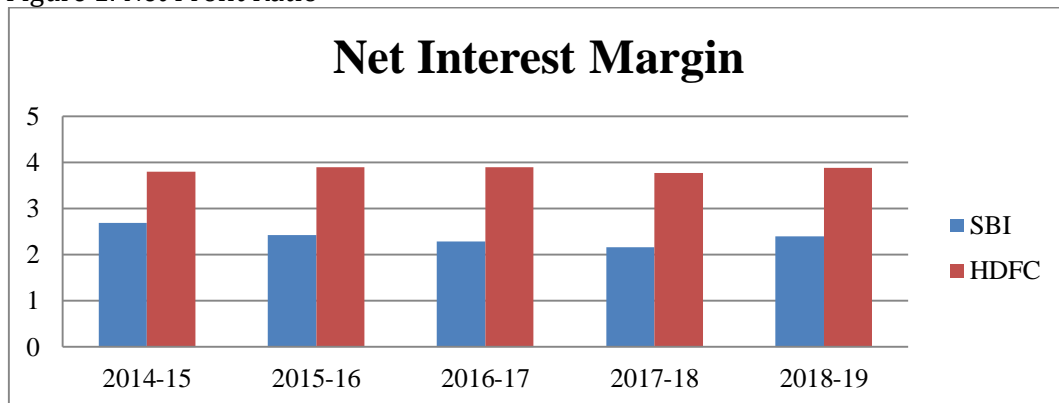


Figure 2: Net Interest Margin

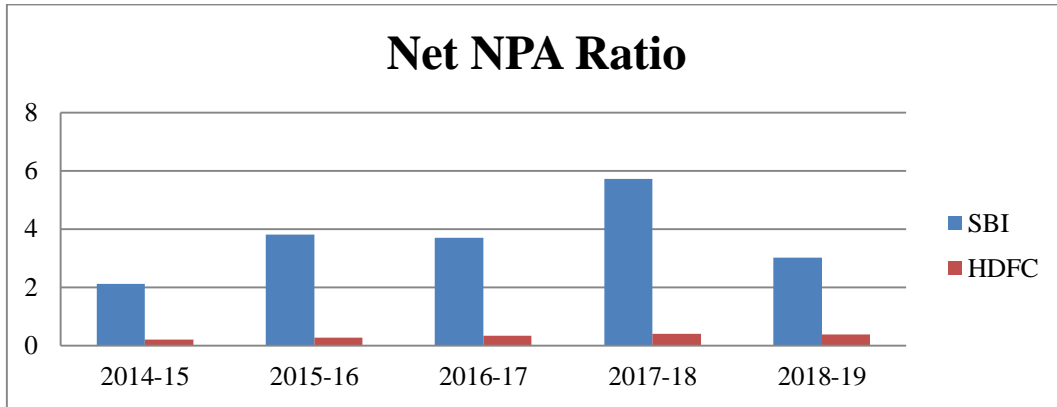


Figure 3: Net NPA Ratio

Analysis: The Net Profit Ratio was showing mixed trend for State Bank of India. The lowest Net Profit Ratio was -2.96 percent in 2017-18 and lowest in the year 2014-15 at 8.59 percent. In HDFC Bank, the highest Net Profit Ratio was in 2017-18 at 21.79 percent and lowest was in the year 2014-15 at 21.07 percent. The Net Interest Margin in State Bank of India was 2.68 percent in 2014-15 and lowest was in 2017-18 at 2.16 percent. For HDFC Bank, the highest Net Interest Margin Ratio was in the year 2015-16 and in 2016-17 at 3.89 percent. The Net NPA Ratio of State Bank of India was highest in the year 2017-18 at 5.73 percent and lowest was in the year 2014-15 at 2.12 percent. for HDFC Bank, the Net NPA Ratio was lowest in the year 2014-15 at 0.20 percent and highest at 2017-18 at 0.40 percent.

Hypothesis testing:

No.	Ratio	Bank	Mean	F-test	p-value	t-test	t-cal	p-value	H ₀
1	Net Profit Ratio	SBI	3.60	90.09	0.00	Assuming unequal variance	-8.20	0.00	Rejected
		HDFC	21.11						
2	Net Interest Margin Ratio	SBI	2.39	1.14	0.02	Assuming unequal variance	-15.99	0.00	Rejected
		HDFC	3.84						
3	Net NPA Ratio	SBI	3.67	259.22	0.00	Assuming unequal variance	5.62	0.00	Rejected
		HDFC	0.32						

Table 2: Hypothesis testing using t-test

Correlation between Net Profit and Net NPA

No.	Bank	Year	2014-15	2015-16	2016-17	2017-18	2018-19	r
1	State Bank of India	Net NPA	27,590.58	55,807.02	58,277.38	110,854.70	65,894.74	-0.93
		Net Profit	12,631.62	9,758.15	9,536.10	-6,422.50	726.10	
2	HDFC Bank	Net NPA	896.28	1,320.37	1,843.99	2,601.02	3,214.52	0.70
		Net Profit	10,156.92	9,570.60	14,486.17	17,097.55	13,528.08	

Table 3: Correlation (amount in crores)



Figure 4: Correlation

FINDINGS:

- There is significant difference found between Net Profit Ratio of the Banks. HDFC Bank has more Profit earning capacity in both banks
- There is significant difference found between Net Interest Margin Ratio of the Banks. HDFC Bank has more Interest Earning capacity in both banks
- There is significant difference found between Net NPA Ratio of the Banks. HDFC Bank has more Profit earning capacity in both banks
- There is positive correlation found between Net Profit and Net NPA of HDFC Bank.
- There is negative correlation found between Net Profit and Net NPA of State Bank of India.

CONCLUSION:

Bank is an important entity in any country's financial system which deals with demand and supply of money in the economy. Mostly people deposit money in the bank for safety and earning of interest. Banks also provide loan to the borrower for their short and long term needs. The public sector banks are mostly influenced by government decisions as well as political decisions. In this study, the researcher found that the private bank i.e., HDFC Bank has better earning capacity, better Net Interest Earning margin as well as better management in Non-performing assets. The public bank State Bank of India is found to be less efficient as compared to private sector bank.

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