



“A comparative study of profitability analysis of private banks and public banks in India.”

(With special reference to NII of Banks)

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Abstract: *The banking sector is dominant in India as it accounts for more than half the assets of the financial sector which depends on a sound banking system efficiently develops and mobilized savings in productive sectors and a solvent banking system ensures that the bank is capable of meeting its obligation to the depositors.*

This paper concerns with measure the ability of private banks and public banks to generate interest income from the market. Net income consider on the base of comparison interest earned and expenses paid for same. Paper studied five-five selected private banks and public banks for study for five years. Study enclosed five accounting year 2008-09 to 2012-13. T-test test employed for analysis study between private and public banks.

Study concerned with secondary data collected from the various banks reports for data analysis and interpretation. However, from an investor's and bank's point of view, it would be greatly helpful in future era.

Keywords: *Banking System, Profitability, Non-performing Assets (NPA), Net Interest Income (NII).*

I. INTRODUCTION

The rivalry which has increased in the banking sector obliged the banks to change the strategies and policies for development and growth. The banking sector now –a- days has transformed to profit sloping activities. The problems faced by the banks especially concerning the settlement of the lending given by the bank, recoveries, decreasing interest rate and risk involved is thus increasing the non-performing assets of the banks. Accordingly the study evaluated the changing perspectives of the banks in identifying and opposite such risks.

II. OBJECTIVES OF THE STUDY

1. Paper shows the mechanism and trend of net income of private and public banks.
2. To compare the earning capacity of private banks and public banks in India.
3. To profitability analysis of private and public bank.

III. SAMPLING UNITS

As this study revolves around the Indian banking sectors, so far the sampling unit is confined to only the nationalize banks for the purpose of study.

No. of sample: Public bank and Five Private bank which are Nationalized Banks in India for this paper.

From Public Sector Banks

State Bank of India
Bank of Baroda
Punjab National Bank
Union Bank of India
Central Bank of India

From New Private Sector Banks

ICICI Bank Ltd.
HDFC Bank Ltd.
AXIS Bank Ltd.
Bank of Punjab Ltd.
IDBI Bank Ltd.

IV. PERIOD OF THE STUDY

Period of the study restricted and bounded for 5 years which start from April 2008 to March to 2013.



V. DATA COLLECTION

The study is based on secondary data, collected financial statements of banking sector for last five years from banks financial reports

VI. DATA ANALYSIS

In this paper, there are vary ratios used from the data analysis, liquidity analysis and profitability analysis apply for interpretation for the study.

VII. TOOLS & TECHNIQUES

Statistical tool: T-test employed

VIII. DATA ANALYSIS AND INTERPRETATIONS

The prepared table shows the net interest income of selected five private banks and five public banks for the year 2008-09 to 2012-13. Here net interest income value calculated by interest earning of banks minus expenses paid for interest earning of banks. In this table, Second column presents total net interest income of five public selected banks, third column present sum of net interest income of five private selected banks. Last two columns employed for difference in terms of amount and in terms of percentage for the year 2008-09 to 2012-13.

Table-1

Table showing Comparative analysis for Net interest income (NII) of selected private banks and public banks

NET INTEREST INCOME (NII) = INTEREST EARNED - INTEREST EXPENDED (amount in crore)				
YEAR	PUBLIC BANKS	PRIVATE BANKS	DIFFERECCE IN AMOUNT	DIFFERENCE IN %
2008-09	39,069.45	21,222.68	17,846.77	45.68
2009-10	44,826.70	24,549.32	20,277.38	45.24
2010-11	64,677.53	31,639.26	33,038.27	51.08
2011-12	78,984.24	37,755.66	41,228.58	52.20
2012-13	83,783.48	46,880.99	36,902.49	44.05

Net interest income of selected five public banks have positive trend which increased 39,069.45 cr in the year 2008-09 to 83,783.48 cr. 2012-13 respectively. There were positive tendency of net interest income of selected five private bans for the year 2008-09 to 2012-13 which increased 21,222.68 cr. to 46,880.99 cr. The difference between net interest income of selected public banks and selected private banks were valued at 17,846.77 cr, 20,277.38, 33,038.27cr, 41,228.58 cr. and 36,902.49 cr. for the year 2008-09 to 2012-13 respectively. Whereas percentage changes in net interest income of selected banks were 45.68%, 45.24%, 51.08%, 52.20%, and 44.05% for the year 2008-09 to 2012-13 respectively.

The difference indicates that net interest income of selected public banks more than selected private banks during this tenure. Performance of selected public banks was superb compare to selected private banks for the year 2008-09 to 2012-13. In the year 2011-12, performance of selected public banks was valued at 41,228.58 cr. with 52.20 % finest compare to performance of selected private banks.

T-Test: Test for significance difference between net interest income of private banks and public banks.

This T-Test determines significance difference between average valued of net interest income of selected public banks and private banks. The hypothesis being tested which are as follow:

Null H0: $\mu_1 = \mu_1$

Alt H1: $\mu_1 \neq \mu_1$

OR

Null H0: There is no significance difference between net income of public banks and private banks.

Alt H1: There is significance difference between net income of public banks and private banks.

Table-2
T - Test for net interest income of private banks and public banks

Df	4
t Stat	6.476598
P(T<=t) two-tail	0.002929
t Critical two-tail	2.776445

The above table shows T-Test for investigates significance difference between net interest of selected private banks and public banks. Results indicate that weather interest income vary at significance level or not. T-Test used with using at 5% significant level 4 ($n-1 = 5- 1$) degree of freedom.

T-Test investigates the significance difference mean of net interest of selected private banks and public banks for five year 2008-09 to 2012-13. Here null hypothesis T-Test that there is no significance difference between net interest income of selected private banks and public banks at 0.05 significance level.

T-Test value 6.48 which significance at 5% level. T-critical value is 2.78. T-Test hypothesis acceptance region is -2.78 to +2.78. Here, T-Test value 6.48 was not arrived between acceptance region -2.78 to +2.75 which indicates that there is significant difference between mean of interest income of private banks and public banks for the year 2008-09 to 2012-13. Thus, testing results show that public banks have generated interest income than private banks during this tenure.

IX. CONCLUSION & FINDINGS

First finding, performance of private banks and public banks have positive upward trend for last decade 2008-09 to 2012-13. Ability to earn interest of banks were positive during this tenure. Data reveals that performance of public banks having good ability to generate profit during this tenure. Public banks have make interest income more than private banks during these years.

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