

Original Article

Evaluating the Financial Health of Public and Private Sector Banks in India

Dr. Nishita Thakrar¹ Ms. Pooja Thakrar²^{1,2} Assistant Professor, Atmiya University, RajkotEmail Id: nishtia.thakrar@atmiyauni.ac.in*Submitted: 25-Aug-2024 Revised: 30-Aug-2024 Accepted: 23-Sept-2024 Published: 31-Oct-2024*

Quick Response Code:



Access this article online

Website: <https://ibrij.us>

DOI: 10.5281/zenodo.14177898

Manuscript ID:
IBMIRJ-2024-010104

Volume 1

Issue 1

October 2024

E-ISSN: 3065-7857

How to cite this article:

Thakrar¹, N., & Thakrar, P. (2024). Evaluating the Financial Health of Public and Private Sector Banks in India. *InSight Bulletin: A Multidisciplinary Interlink International Research Journal*, 1(1), 13–19. <https://doi.org/10.5281/zenodo.14177898>

Address for correspondence:

Dr. Nishita Thakrar
Block No.132, Satyanrayan
Park, Gate No.3, Near Nanavati
Chowk, Rajkot, Gujarat
Pin- 360007
Email:
nishtia.thakrar@atmiyauni.ac.in

ABSTRACT

This study examines the financial performance of selected public and private sector banks in India over a five-year period from 2020 to 2024. Using secondary data, key financial indicators such as return on assets, total income, net profit, net interest income, and operating profit are analyzed. Findings indicate that public sector banks often lead in total income, net interest income, and operating profit, highlighting their strong revenue-generating capabilities. Conversely, private sector banks demonstrate superior profitability and asset efficiency, with higher return on assets and net profit margins. Notably, while public banks excel in generating income, private banks utilize their assets more effectively, indicating differences in operational strategies. Interestingly, the comparative analysis reveals no significant disparity in net profit between the two sectors, implying that both maintain relatively balanced earnings overall. This research offers valuable insights into the operational and financial dynamics between public and private banks in India, showcasing their distinct strengths. Public sector banks focus on revenue expansion, while private sector banks prioritize efficiency and profitability. This comparative study sheds light on their varied approaches and strategies, providing an understanding of the competitive landscape in Indian banking.

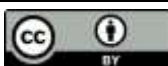
Keywords: Financial Performance, Public Sector, Private Sector, Net Profit, Operating Profit, Total Income, Net Interest income.

INTRODUCTION

Public sector banks, integral to rural and semi-urban areas, are predominantly owned by the government and known for their extensive reach and commitment to social welfare programs. In contrast, private sector banks focus on profit maximization and operational efficiency, leveraging technological innovations and customer-focused strategies to enhance their market presence. Understanding the financial performance of these banks is essential not only for investors but also for policymakers aiming to sustain a resilient and well-functioning banking system. This study seeks to compare select public and private sector banks in India, analyzing key financial indicators such as profitability, asset quality, and capital adequacy. The insights gained from this comparative analysis will contribute to understanding the distinct roles these banks play in supporting India's economic progress and stability.

REVIEW OF LITERATURE

(Sah, 2024) This study aimed to evaluate the performance and profitability of selected private sector banks in India, with a focus on eight banks from 2011–12 to 2022–23. Employing statistical tools like One-Way ANOVA, descriptive statistics, and net profit ratio analysis, the research examined trends in profitability using data from secondary sources. The findings highlight notable



This is an open access journal, and articles are distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/). The Creative Commons Attribution license allows re-distribution and re-use of a licensed work on the condition that the creator is appropriately credited

differences in net profits across these banks. HDFC Bank consistently performed well, credited to its high profitability and strong management practices. In contrast, governance issues contributed to a deteriorating financial position for Yes Bank, while Axis Bank and ICICI Bank showed a gradual decline in market share. Additionally, the study revealed an increase in non-performing assets (NPAs) among these banks, creating pressures that have occasionally led to mergers, acquisitions, or even liquidations to manage financial stability.

(Pirakatheeswari, 2023) This research aimed to assess the financial performance of selected public and private sector banks over a five-year period, focusing on key indicators like return on assets, total income, net profit, net interest income, and operating profit. Using data from this period, the study found that public sector banks generally excelled in total income, net interest income, and operating profit, highlighting their strength in revenue generation. Conversely, private sector banks exhibited stronger performance in net profit and return on assets, indicating greater efficiency and profitability in asset utilization. Interestingly, the analysis showed no substantial difference in net profit between the two sectors, suggesting a competitive balance in earnings despite their differing operational focuses. These insights contribute to a deeper understanding of the unique strengths that each banking sector brings to the financial landscape.

(Meetei & Singh, 2023) This research aimed to evaluate the earning capacity, liquidity, solvency, and overall efficiency within the banking sector. Using secondary data, the study examined key financial ratios such as earnings ratio, asset quality ratio, management ratio, liquidity ratio, and solvency ratio to gauge financial health and operational strength. The analysis focused on HDFC Bank, ICICI Bank, Canara Bank, and Bank of Baroda, providing a comparative overview of both private and public sector banks. These ratios offered insights into each bank's profitability, asset quality, management effectiveness, and ability to meet obligations, allowing for a comprehensive assessment of stability and performance within the selected banks.

(Singh, Shambhavi, & Sharma, 2022) Three public banks—Bank of Baroda, State Bank of India, and Punjab National Bank—and three private banks—HDFC Bank, ICICI Bank, and Axis Bank—are the subject of this study, which evaluates the financial performance of a few public and private sector banks in India over a four-year period, from 2016–17 to 2019–20. According to the report, private sector banks are more efficient and profitable than their public counterparts in terms of capital adequacy, non-performing asset management, returns on equity and

assets, and net interest margins. Public sector banks, on the other hand, showed greater consistency in these areas by displaying superior credit-deposit and current ratios. With the exception of international and cooperative banks,

(Chavda, Dharmendra, & Deshpande, 2022) This study evaluates the financial performance of Indian public and private sector banks over a five-year period from 2015-16 to 2019-20, focusing on six key financial variables. The analysis identifies significant differences in performance across the selected banks, yet finds the overall financial outcomes of both public and private banks to be nearly comparable throughout the study period. The research underscores the essential role of the banking sector in driving regional development, supporting agricultural activities, and raising living standards. These functions are integral to economic growth, with the performance of banks directly influencing broader economic stability and development.

OBJECTIVES

The primary objectives of this study are twofold: first, to assess the financial performance of selected public and private sector banks; and second, to compare the financial soundness of these two banking sectors. By analyzing key financial indicators, the study aims to provide insights into how public and private banks differ in their performance metrics, stability, and resilience within the financial landscape. This comparative analysis will highlight strengths and potential areas for improvement, offering valuable information for stakeholders interested in the stability and efficiency of India's banking sector..

HYPOTHESIS

H0: There is no significant difference between the financial performance of selected public and private sector banks.

H1: There is significant difference between the financial performance of selected public and private sector banks.

RESEARCH METHODOLOGY

Sample

The study selects a sample of six banks, comprising three public sector banks—State Bank of India, Punjab National Bank, and Bank of Baroda—and three private sector banks—HDFC Bank, ICICI Bank, and Axis Bank—based on their market capitalization from 2019-20 to 2023-24. This selection criteria ensures that the analysis focuses on major players in the banking sector, providing a robust comparison between public and private banks with substantial market influence. The period under review allows for examining recent trends and financial performance, shedding light on

the comparative strengths and resilience of these banks in a dynamic economic environment.

Study Period

The study covered the period of five years from 1st April 2020 to 31st March 2024

Data Collection

This study is based entirely on secondary data, which was collected from various reliable sources. These include the annual reports of the respective banks, RBI bulletins, and relevant magazines and journals, along with other pertinent publications. This approach ensures that the analysis is grounded in

Results and Discussion

comprehensive and credible information, facilitating a thorough evaluation of the financial performance and soundness of the selected public and private sector banks. By leveraging diverse sources, the study aims to provide a well-rounded understanding of the banking sector's dynamics during the specified period.

Tools of analysis

Mean, Standard Deviation, t- test and graphs are used to evaluate and compare the financial

performance of selected public and private sector banks.

Table 1 – Return on Assets of Selected Public and Private Sector Banks Amount (in per cent)

Particulars	2020	2021	2022	2023	2024
SBI	0.37	0.45	0.63	0.91	0.99
Punjab National Bank (PNB)	0.4	0.16	0.26	0.17	0.53
Bank of Baroda (BOB):	0.03	0.05	0.57	0.96	1.21
Public Banks	0.8	0.66	1.46	2.04	2.73
HDFC	1.71	1.72	1.79	1.79	1.69
ICICI Bank	0.72	1.32	1.65	2.01	2.18
Axis Bank:	0.18	0.66	1.11	0.73	1.68
Private Banks	2.61	3.7	4.55	4.53	5.55

Based on the above table, we can conclude that the return on assets (ROA) ratio for private sector banks is higher than that of public sector banks. Additionally, it

is observed that the ROA for private sector banks shows a consistent upward trend compared to public sector banks.

Table 2 – Total Income of Selected Public and Private Sector Banks Amount (Rs. in Crore)

Particulars	2020	2021	2022	2023	2024
SBI	3,02,545	3,08,647	3,16,021	3,68,719	4,66,813
Punjab National Bank (PNB)	63,074	93,562	87,199	97,287	1,20,285
Bank of Baroda (BoB):	86,301	82,860	81,365	99,614	1,27,101
Public Banks	4,51,920	4,85,068	4,84,585	5,65,620	7,14,199
HDFC	1,38,073	1,46,063	1,57,263	1,92,800	3,07,582
ICICI Bank	91,247	98,087	1,04,892	1,29,063	1,65,849
Axis Bank:	78,172	78,483	82,597	1,01,665	1,31,811
Private Banks	3,07,492	3,22,633	3,44,752	4,23,528	6,05,241

From the above database, The rise of public sector banks' total income has been erratic between 2020 and 2024. Compared to 2020, there was a 7.33% growth in 2021. However, there was a minor 0.10% decrease in 2022. With a notable growth of 16.72% in 2023, the trend reverted, and in 2024, it increased even more, by 26.27%. This suggests that public sector banks' financial performance significantly improved in subsequent years.

The total income for private sector banks showed a consistent rising trend between 2020 and 2024. The total income grew by 4.92% in 2021 and 6.86% in 2022. The total income increased by 42.90% in 2024, further accelerating this trend with a 22.85% increase in 2023. The information shows that private sector banks' financial performance has significantly improved during the time frame.

Table 3 – Net Profit of Selected Public and Private Sector Banks (Rs. in Crore)

Particulars	2020	2021	2022	2023	2024
SBI	14,488.11	20,410.47	31,675.98	50,232.45	61,076.62
Punjab National Bank (PNB)	336.19	2,021.62	3,456.96	2,507.20	8,244.62
Bank of Baroda (BOB):	546.19	828.96	7,272.28	14,109.62	17,788.78
Public banks	15,370.49	23,261.05	42,405.22	66,849.27	87,110.02
HDFC	26,257.32	31,116.53	36,961.36	44,108.70	60,812.28
ICICI Bank	7,930.81	16,192.68	23,339.49	31,896.50	40,888.27
Axis Bank:	1,627.22	6,588.50	13,025.48	9,579.68	24,861.43
Private banks	35,815.35	53,897.71	73,326.33	85,584.88	126,561.98

Over the course of the five years, net profit has increased significantly for both public and private sector banks, with private banks continuously beating public banks.

Between 2020 and 2024, the aggregate net profit of the public sector banks (SBI, PNB, and BOB) grew by 466.7%, from Rs.15,370.49 crore to Rs.87,110.02 crore.

SBI saw substantial growth and a clear upward trajectory.

Despite a decline in 2023, PNB's profits increased significantly from Rs.336.19 crore in 2020 to Rs.8,244.62 crore in 2024.

Additionally, Bank of Baroda showed strong growth, especially in 2021 and 2022, and its earnings kept rising until 2024.

- **SBI** remains the dominant player in the public sector, with its profits alone exceeding the combined profits of many smaller banks.
- **HDFC Bank** maintains a strong lead among private sector banks, consistently outperforming its peers.
- **PNB and Axis Bank** both saw erratic profit trends but recovered strongly by 2024, reflecting possible restructuring or recovery strategies.
- Overall, **private sector banks** consistently maintain higher profitability, but **public sector banks** are closing the gap through aggressive growth.

Private banks are leading in terms of total profits but **public banks** are showing stronger growth, signaling a competitive future.

Table 4 – Net Interest Income of Selected Public and Private Sector Banks

Particulars	2020	2021	2022	2023	2024
SBI	98,084.82	110,710.00	120,707.59	144,840.50	159,875.83
Punjab National Bank (PNB)	17,437.79	30,476.98	28,694.46	34,491.64	40,083.07
Bank of Baroda (BOB):	27,451.29	28,809.02	32,621.34	41,356.01	44,721.54
Public Banks	1,42,973.90	1,69,996.00	1,82,023.39	2,20,688.15	2,44,680.44
HDFC	56,186.25	64,879.57	72,009.59	86,842.22	108,532.48
ICICI Bank	6,213.10	32,015.53	47,466.10	62,128.60	74,305.72
Axis Bank:	25,206.21	29,239.12	33,132.22	42,945.75	49,894.48
Private Banks	87,605.56	1,26,134.22	1,52,607.91	1,91,916.57	2,32,732.68

The combined **Net Interest Income (NII)** of public sector banks (SBI, PNB, BOB) grew from Rs.1,42,973.90 crore in 2020 to Rs.2,44,680.44 crore in 2024, a 71.2% increase. among the public sector banks:

SBI maintained a consistent upward trend, with its NII increasing from Rs.98,084.82 crore in 2020 to Rs.1,59,875.83 crore in 2024, reflecting a 62.9% rise. SBI

remains the largest contributor among the public sector banks.

PNB saw significant growth from Rs.17,437.79 crore in 2020 to Rs.40,083.07 crore in 2024, a remarkable increase of 129.9%. This suggests a substantial improvement in its interest-based income generation capacity.

BOB also demonstrated growth, with its NII rising from Rs.27,451.29 crore in 2020 to Rs.44,721.54 crore in 2024, showing a 62.9% increase.

Private Sector Banks:

The combined NII of private sector banks (HDFC, ICICI, Axis Bank) increased from Rs.87,605.56 crore in 2020 to Rs.2,32,732.68 crore in 2024, a 165.6% increase.

Among private sector banks:

HDFC Bank consistently outperformed its peers with its NII growing from Rs.56,186.25 crore in 2020 to Rs.1,08,532.48 crore in 2024, almost doubling its income with a 93.1% increase.

ICICI Bank saw the most dramatic rise, with its NII increasing from Rs.6,213.10 crore in 2020 to Rs.74,305.72 crore in 2024, an incredible 1,095.8% increase, which indicates strategic measures to enhance interest income.

Axis Bank also showed strong growth, with NII increasing from Rs.25,206.21 crore in 2020 to Rs.49,894.48 crore in 2024, almost doubling (97.9%)

Table 5 – Operating Profit of Selected Public and Private Sector Bank

Particulars	2020	2021	2022	2023	2024
SBI	68,132.61	71,554.15	67,873.98	83,712.96	86,697.18
Punjab National Bank (PNB)	14,738.55	22,980.08	20,761.82	22,528.76	24,930.81
Bank of Baroda (BoB):	19,691.42	20,629.80	22,388.85	26,863.54	30,965.23
Public banks	1,02,562.58	1,15,164.03	1,11,024.65	1,33,105.26	1,42,593.22
HDFC	48,749.54	57,361.83	64,077.30	70,404.97	94,387.46
ICICI Bank	1,047.31	29,423.23	39,250.31	49,086.81	58,130.76
Axis Bank:	23,438.15	25,702.17	24,742.02	19,790.63	37,123.16
Private Banks	73,235.00	1,12,487.23	1,28,069.63	1,39,282.41	1,89,641.38

The combined operating profit of public sector banks (SBI, PNB, BOB) increased from Rs.1,02,562.58 crore in 2020 to Rs.1,42,593.22 crore in 2024, showing a 39.1% increase.

Among the public sector banks:

SBI saw relatively moderate growth in operating profit, rising from Rs.68,132.61 crore in 2020 to Rs.86,697.18 crore in 2024, a 27.3% increase. There was a dip in 2022, but SBI recovered well in the following years.

PNB showed fluctuations, with its operating profit growing from Rs.14,738.55 crore in 2020 to Rs.24,930.81 crore in 2024, an overall increase of 69.1%. After a peak in 2021, PNB's performance stabilized at a higher level.

BOB displayed consistent growth, with its operating profit rising from Rs.19,691.42 crore in 2020 to Rs.30,965.23 crore in 2024, a 57.2% increase. This

indicates solid improvements in its core operations over time.

Private Sector Banks: The combined operating profit of private sector banks (HDFC, ICICI, Axis Bank) increased from Rs.73,235.00 crore in 2020 to Rs.1,89,641.38 crore in 2024, showing an impressive 158.9% growth.

Among private sector banks:

HDFC Bank showed strong and steady growth, with its operating profit increasing from Rs.48,749.54 crore in 2020 to Rs.94,387.46 crore in 2024, nearly doubling (93.6%) over the period.

ICICI Bank experienced phenomenal growth, with its operating profit rising from Rs.1,047.31 crore in 2020 to Rs.58,130.76 crore in 2024, a staggering increase of 5,452%. This sharp rise is likely due to operational improvements and strategic initiatives taken by ICICI Bank during this period.

Axis Bank exhibited volatility, with its operating profit Rs.37,123.16 crore in 2024, a 58.4% increase, although fluctuating from Rs.23,438.15 crore in 2020 to there was a significant dip in 2023.

Data interpretation:

Anova: Two-Factor Without Replication

Particulars	P value of public sector bank	P value of public sector bank	Accept/reject	Accept/reject
Return on asset	0.127378254	0.010716168	Reject	Accept
Total income	9.97437e-07	0.001046052	Reject	Accept
Net profit	0.000901237	7.65574e-06	Accept	Reject
Net interest	6.36829e-07	0.340291332	Reject	Reject
Operating profit	1.73114e-08	0.36040201	Reject	Reject

Findings of the Study

ROA

P-value = 0.127378254 (higher than 0.05) for public sector banks indicates that there is no discernible variation in ROA amongst public sector banks, while the p value of private sector bank = 0.010716168 (less than 0.05) shows a significant variation in ROA for these banks.

Total income:

Public sector banks has a significant difference in total income is indicated by the P-value, which is 9.97437E-07 (very small, less than 0.05). while Private sector banks P-value is 0.001046052 (less than 0.05).

Net profit:

A significant difference in net profit is indicated by the P-value of 0.000901237 (less than 0.05) for public sector banks. Institutions in the private sector: P-value = 7.65574E-06 (less than 0.05) similarly shows a substantial variation in net profit for these institutions.

Net interest

the P-value of public sector bank is 6.36829E-07 (less than 0.05) on the same way the P value of private sector bank is 0.340291332, larger than 0.05). this indicates that there is no significant difference.

Operating profit

P-value is 1.73114E-08 (very small, less than 0.05) for public sector banks indicates a significant difference in operational profit. There is no discernible difference in operating profit for the private banks (P-value = 0.36040201; larger than 0.05).

In conclusion, there is no discernible variance in ROA among public sector banks, yet there is considerable diversity in total income, net profit, net interest, and operating profit. The ROA, total income, and net profit of private sector banks, on the other hand, vary

significantly, But Not the Net interest or operating profit.

Conclusion:

In conclusion, this research paper provides a comprehensive comparison of the financial performance of public and private sector banks in India over a five-year period (2020-2024). The study demonstrates that public sector banks have outperformed their private counterparts in terms of total income, net interest income, and operating profit. However, private sector banks have shown higher returns on assets (ROA) and net profits. The statistical analysis reveals significant differences in key financial metrics between these two sectors, with private banks maintaining a consistent upward trend in profitability and operational efficiency.

The findings highlight that while public sector banks are catching up in terms of total income and operational performance, private sector banks continue to lead in terms of profitability. Public banks are narrowing the gap through strong growth in income and profits, reflecting efforts to improve their financial health. Both sectors show a competitive landscape, with public banks focusing on expanding their reach and strengthening their financials, while private banks leverage technological advancements and customer-centric strategies to maintain their profitability. This comparison is vital for investors and policymakers, as it underscores the evolving dynamics within India's banking sector, contributing to the country's overall economic growth.

REFERENCES

Papers

1. Chavda, D., Dharmendra, S., & Deshpande, S. (2022). Analysis of performance of public and private sector banks in india. VIDYA - A JOURNAL OF GUJARAT UNIVERSITY, 1(1), 38-43. doi:10.47413/vidya.v1i1.80

2. Meetei, C., & Singh, K. (2023). FINANCIAL PERFORMANCE EVALUATION OF SELECT INDIAN BANKS. EPRA International Journal of Economic and Business Review-Peer Reviewed Journal, 11(7), 66-72. Retrieved from <https://doi.org/10.36713/epra2012>
3. Pirakatheeswari, p. (2023). FINANCIAL PERFORMANCE OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS IN INDIA. SOUTH INDIA JOURNAL OF SOCIAL SCIENCES, 81-87.
4. Sah, S. (2024). Financial performance of Banks in India: A study of selected private sector Banks. International Journal of Research in Finance and Management, 7(1), 224-229. doi:DOI: <https://doi.org/10.33545/26175754.2024.v7.i1c.301>
5. Singh, D., Shambhavi, & Sharma. (2022). Analysis of financial performance of selected Banks in India: A comparative study on public sector banks and private sector banks. International journal of applied research, 810-816. doi:10.22271/allresearch.2022.v8.i2f.9477