



## PERFORMANCE OF INDIAN PUBLIC AND PRIVATE SECTOR BANKS

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### Abstract

The paper attempts to analyse the financial performance of public and private sector banks in India. Public sector banks form a major part of total banking system in India. Private sector banks came into existence to supplement the performance of public sector banks and serve the needs of the economy. So there is a need to evaluate the performance of these banks. The study is based on secondary data covering the period from 2000-2010. For analysing the performance average and coefficient of Variation of advances, deposits are calculated.

### Introduction

The economic reforms in India started in early nineties, but their outcome is visible now. Major changes took place in the functioning of Banks in India only after liberalization, globalisation and privatisation. It has become very mandatory to study and to make a comparative analysis of services of Public sector Banks and Private Sector banks. Increased competition, new information technologies and thereby declining processing costs, the erosion of product and geographic boundaries, and less restrictive governmental regulations have all played a major role for Public Sector Banks in India to forcefully compete with Private and Foreign Banks. This paper an attempt to analyse how efficiently Public and Private sector banks have been performing.

### Data Base and Research Methodology

The study is based upon secondary data covering the period from 2000-2010. The data on the variables selected like total deposits, total advances, total assets for analysis from RBI websites [www.rbi.org.in](http://www.rbi.org.in) and other websites [www.moneycontrol.com](http://www.moneycontrol.com).

The present study is based upon the objective to analyse the financial performance of public and private sector banks in India. The study is designed for performance appraisal of public and private sector banks in terms of variables like total deposits, total advances and financial ratios. Ratio analysis is a technique used for evaluating the financial performance of organisation. There are number of ratios for measuring the performance of banks but in the present study ratios like current ratio, quick ratio has been used. These computed ratios are further analysed by computing coefficient of variation.

### Analysis and Result

#### Deposits

Deposits from the public are the main source of funds for commercial banks. They are both liability and assets of the banks. They are also the major portion of the banks working capital. These deposits are of various types like demand deposits, time deposits and savings deposits. Demand deposits can be withdrawn at any time and no interest is paid. Time deposits can be withdrawn after a fixed period of time and high rate of interest is paid. Savings deposits are those which can be withdrawn to the limited extent in a given period and some interest is paid. Deposits of public and private sector banks are shown in table.1 and table 2 respectively.

Table.1

Private Banks - Deposits										
Year	City Union Bank	Dhanalakshmi Bank	Federal Bank	ING Vysya Bank	Jammu & Kashmir Bank	Karnataka Bank	Karur Vysya Bank	Lakshmi Vilas Bank	South Indian Bank	Development Credit Bank
2000	1,340.48	1,400.67	6,463.38	7,424.00	20.53	5,174.17	3,090.61	1,963.41	3,885.36	2,766.62
2001	1,611.62	1,494.34	7,665.44	8,141.11	176.99	6,075.50	3,615.25	2,277.64	4,668.55	3,430.49
2002	1,973.71	1,657.24	8,865.31	8,068.28	184.53	7,001.48	4,180.06	2,476.92	5,919.70	3,691.76
2003	2,317.37	1,837.89	10,947.42	9,186.62	215.9	8,291.72	5,121.92	2,770.50	6,861.27	3,657.09
2004	2,846.65	2,155.77	13,476.68	10,478.07	297.01	9,406.94	5,911.48	3,295.82	8,280.03	4,474.18
2005	3,095.24	2,338.84	15,192.88	12,569.31	319.48	10,837.06	6,672.19	3,495.93	8,492.31	3,894.76
2007	3,517.74	2,532.67	17,878.74	13,335.26	263.93	13,243.16	7,576.84	4,336.38	9,578.66	3,124.00



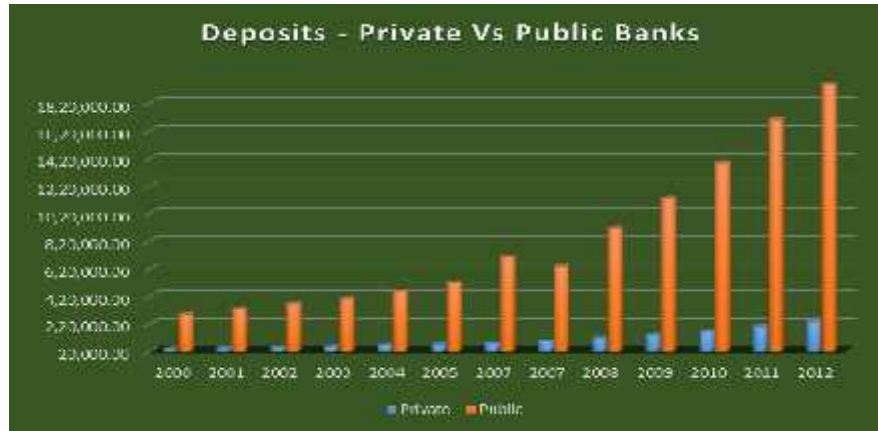
2007	4,699.33	3,087.96	21,584.44	15,418.59	620.19	14,037.44	9,340.29	5,019.87	12,239.21	4,415.20
2008	6,424.96	3,608.42	25,913.36	20,498.06	751.79	17,016.19	12,549.99	5,618.49	15,156.12	6,074.85
2009	8,206.62	4,968.81	32,198.19	24,889.92	996.63	20,333.29	15,101.39	7,360.90	18,092.33	4,646.89
2010	10,284.59	7,098.48	36,057.95	25,865.30	1,100.21	23,730.65	19,271.85	9,075.38	23,011.52	4,787.33
2011	12,914.29	12,529.63	43,014.78	30,194.25	1,104.65	27,336.45	24,721.85	11,149.51	29,721.08	5,610.17
2012	16,340.76	11,804.41	48,937.12	35,195.42	1,240.96	31,608.32	32,111.59	14,114.14	36,500.53	6,335.56
Average	5813.34	4347.32	22168.90	17020.32	560.98	14930.18	11481.95	5611.91	14031.28	4377.61
SD	4784.26	3820.25	14028.21	9342.28	427.69	8536.64	9017.89	3787.67	10181.85	1109.47
CV	82.30	87.88	63.28	54.89	76.24	57.18	78.54	67.49	72.57	25.34

The deposits of private banks have been increased for the selected banks is shown in above table. Moreover all banks hold same range of deposits during the study period. Among the selected ten private banks ING vysya bank hold the deposit of Rs.7424 crores in the year 2000. Jammu and Kashmir bank had the lowest deposit of Rs.20.53 crores in the same year and in the end of the study period it was increased to 1240.96 crores in the year 2012. In the year 2001 federal bank takes the lead and increased continuously till the end of the study period. The calculated co-variance shows that there was consistency in the deposits of banks during the study period.

Table 2

Public Banks - Deposits										
Year	Andhra	Borada	Bank of India	Maharashtra	Canara	Central	Corporation	Dena	Indian overseas	Oriental
2000	14,417.95	51,308.19	47,743.89	13,406.55	48,001.36	35,871.71	14,279.63	13,286.62	24,317.75	22,095.21
2001	18,291.52	53,985.78	51,678.81	17,024.56	59,069.53	41,517.90	16,560.14	14,573.00	27,414.16	24,680.43
2002	18,490.77	61,804.46	59,710.60	19,130.63	64,030.01	47,137.38	18,924.27	15,354.69	31,808.48	28,488.39
2003	21,061.85	66,366.37	64,453.60	22,175.75	72,094.82	51,165.12	21,724.57	16,491.26	36,698.59	29,809.09
2004	22,940.52	72,967.32	71,003.12	26,445.93	86,344.56	55,908.60	23,190.93	18,349.18	41,482.58	35,673.50
2005	27,550.71	81,333.46	78,821.44	28,844.17	96,908.42	60,751.67	27,233.16	20,096.09	44,241.24	47,850.33
2007	41,454.02	124,915.98	119,881.74	33,919.34	142,381.45	82,776.28	32,876.53	23,623.06	50,529.32	50,197.46
2007	33,922.41	93,661.99	93,932.03	26,906.19	116,803.23	66,482.65	42,356.89	27,689.91	68,740.41	63,995.97
2008	49,436.55	152,034.13	150,011.98	41,758.33	154,072.42	110,319.67	55,424.42	33,943.18	84,325.58	77,856.70
2009	59,390.02	192,396.95	189,708.48	52,254.92	186,892.51	131,271.85	73,983.91	43,050.61	100,115.89	98,368.85
2010	77,688.21	241,044.26	229,761.94	63,304.07	234,651.44	162,107.47	92,733.67	51,344.28	110,794.71	120,257.59
2011	92,156.28	305,439.48	298,885.81	66,844.74	293,972.65	179,356.02	116,747.50	64,209.62	145,228.75	139,054.26
2012	105,851.22	384,871.11	318,216.03	76,528.65	327,053.73	196,173.33	136,142.20	77,166.80	178,434.18	155,964.92
Average	44819.39	144779.19	136446.88	37580.29	144790.47	93910.74	51705.99	32244.48	72625.51	68791.75
SD	30375.70	106944.84	94413.00	20776.84	91483.05	55993.21	40841.92	20746.67	48673.72	45931.28
CV	67.77	73.87	69.19	55.29	63.18	59.62	78.99	64.34	67.02	66.77

The deposits of private banks have been increased for the selected banks is shown in the above table. Among the selected ten banks the highest holding of deposits was with the Bank of Baroda with Rs.51308.19 crores in the year 2000 and it continued till the end of the study period 2012 with rs.384871.11 crores. The second highest deposit was with rs.48001.36 crores in canara bank and it also increase the deposits to 327053.73 crores in the year 2012. The least deposit was with the bank of Maharashtra with rs.13406.55 crores in the year 2000 and in the end of the study period also it had the least deposit with Rs 76528.65 crores. The calculated co-variance shows that there was consistency in the holding of deposits during the study period.



### Advances

The most important item on the asset side of balance sheet is advances. The advance represent the credit extended by the bank to its customers. they are also the main source of income for the banks. Loans are given in the form of overdrafts, term loans and demand loans. Advances are the most profitable but least liquid assets. The difference between loans and advances is that, advances are for short period and loans are for long period. Loans and advances earn high rate of interest but carry greater risk and are non-shiftable.

Table 3

Private Banks - Advances									
Year	Bank of Rajasthan	City Union Bank	Dhanalakshmi Bank	Federal Bank	ING Vysya Bank	Jammu & Kashmir Bank	Karnataka Bank	Karur Vysya Bank	Lakshmi Vilas Bank
2000	1,728.44	769.39	776.31	4,035.71	3,937.75	4,254.32	2,451.43	1,807.30	1,150.05
2001	1,867.04	876.42	880.1	4,854.13	4,316.31	5,424.95	2,828.22	2,254.15	1,480.23
2002	1,955.96	1,011.05	917.71	5,189.11	4,418.33	5,752.54	3,417.55	2,460.03	1,565.25
2003	2,221.24	1,214.47	1,080.49	6,217.52	5,611.61	6,737.82	3,899.70	3,344.40	1,763.70
2004	2,431.63	1,546.98	1,138.59	7,700.53	7,046.51	8,451.10	4,667.92	4,023.24	2,038.70
2005	2,896.17	2,012.96	1,410.15	8,822.59	9,080.59	9,089.23	6,287.44	4,619.80	2,317.71
2007	4,064.97	2,549.53	1,594.34	11,736.47	10,231.53	9,002.34	7,791.57	5,555.44	2,952.82
2007	5,704.02	3,329.23	1,839.50	14,899.10	11,976.17	7,392.19	9,552.68	7,040.48	3,612.70
2008	7,433.88	4,537.06	2,102.03	18,904.66	14,649.55	8,757.66	10,841.97	9,421.53	3,858.79
2009	7,780.75	5,645.25	3,196.06	22,391.88	16,750.93	10,736.33	11,810.05	10,409.88	5,245.83
2010	8,329.47	6,833.46	5,006.26	26,950.11	18,507.19	13,956.25	14,435.68	13,497.50	6,277.50
2011	-	9,255.46	9,065.15	31,953.23	23,602.14	19,695.77	17,348.07	17,814.46	8,094.42
2012	-	12,137.46	8,758.05	37,755.99	28,736.67	21,624.32	20,720.70	23,949.19	10,188.68
Average	4219.42	3978.36	2904.98	15493.16	12220.41	10067.29	8927.15	8169.03	3888.18
SD	2606.49	3585.41	2907.86	11230.24	7876.92	5326.53	5872.78	6746.89	2813.43
CV	61.77	90.12	100.10	72.49	64.46	52.91	65.79	82.59	72.36

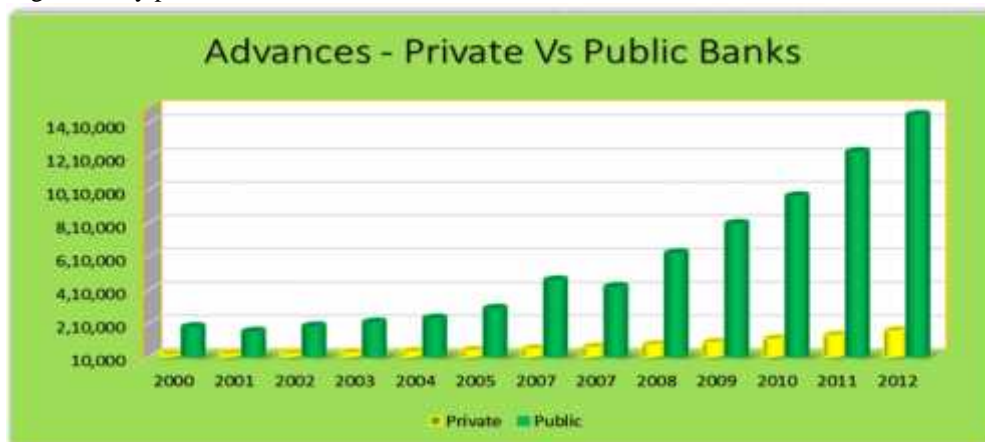
The advance of private banks for the selected banks over a period of 13 years is depicted in the above table. The advances of Jammu and Kashmir Banks was high in the year 2000 with 4254.32 Crores and it increased till the end of the study period. City Union had the lowest advance with Rs: 769.39 Crores in the starting of the study period and it increased with Rs: 12137.46 Crores in 2012. In the year 2005 ING Vysya Bank had the highest advance of Rs: 9080.59 Crores and it increased with Rs: 28736.67 Crores in 2012. In the same year the lowest advance was with Dhanalakshmi Bank of Rs: 1410.15 Crores and it continues to increase till the end of the study period with Rs: 8758.05 Crores. Moreover all the banks had an increase in the advance. The calculated co-variance shows that there is consistency in the advances of private banks during the study period.



Table 4

Public Banks - Advances										
Year	Andhra	Borada	Bank of India	Maharashtra	Canara	Central	Corporation	Dena	Indian overseas	Oriental
2000	5,573.60	24,392.91	25,231.05	56,059.76	23,546.73	15,804.92	7,777.47	7,117.88	11,573.20	9,325.53
2001	7,423.17	27,420.68	32,173.14	5,252.21	27,831.77	18,833.38	8,666.10	7,001.90	13,095.51	11,076.41
2002	9,677.72	33,662.99	38,310.78	6,672.53	33,126.71	21,287.51	10,987.41	7,522.96	15,162.34	14,157.87
2003	11,512.94	35,348.08	42,633.18	8,255.12	40,471.60	22,251.75	12,029.17	8,435.60	17,447.00	15,677.24
2004	12,885.47	35,600.88	45,855.90	9,508.14	47,638.63	22,804.11	13,889.72	9,411.79	20,294.86	19,680.76
2005	17,516.84	43,400.38	56,012.58	11,731.51	60,421.40	27,277.32	18,546.38	11,308.59	25,205.19	25,299.20
2007	27,889.07	83,620.87	84,935.89	13,061.64	98,505.69	51,795.47	23,962.43	14,231.24	34,756.20	33,577.24
2007	22,100.43	59,911.78	65,173.74	22,919.38	79,425.70	37,483.48	29,949.65	18,303.39	47,060.29	44,138.47
2008	34,238.39	106,701.32	113,476.33	16,469.73	107,238.04	72,997.43	39,185.57	23,023.98	60,423.84	54,565.83
2009	44,139.26	143,985.90	142,909.37	29,285.81	138,219.40	85,483.20	48,512.16	28,877.96	74,885.27	68,500.37
2010	56,113.51	175,035.29	168,490.71	34,290.77	169,334.63	105,383.49	63,202.56	35,462.44	79,003.93	83,489.30
2011	71,435.36	228,676.36	213,096.18	40,314.70	212,467.17	129,725.41	86,850.40	44,828.05	111,832.98	95,908.22
2012	83,641.83	287,377.29	248,833.34	46,880.77	232,489.82	147,512.85	100,469.02	56,692.54	140,724.44	111,977.69
Average	31088.28	98856.52	98240.94	23130.93	97747.48	58356.95	35694.46	20939.87	50112.70	45182.63
SD	25585.58	85659.98	73716.43	16780.99	70863.48	45609.87	30776.58	16141.20	41305.12	34877.61
CV	82.30	86.65	75.04	72.55	72.50	78.16	86.22	77.08	82.42	77.19

The advances of public sector banks for the selected years are given in the above table. The advance of Maharashtra bank was high with Rs: 56059.76 Crores. It decreased a lot in the upcoming years and then increased rapidly and reached to Rs: 46880.77 Crores in the year 2012. The second highest advance was held by Bank of India with Rs: 25231.05 Crores. It raised continuously till the end of the study period with Rs: 248833.34 Crores. The least advance was held by Andhra bank with Rs: 5573.60 Crores and increased continuously till 2006 and declined in 2007 and then increased till the end of the study period with Rs: 83641.83 Crores. The calculated co-variance shows that moreover all the banks had consistency in the advance of public banks during the study period.



### Current Ratio

The current ratio is a popular financial ratio used to test a company's liquidity (also referred to as its current or working capital position) by deriving the proportion of current assets available to cover current liabilities. The concept behind this ratio is to ascertain whether a company's short-term assets (cash, cash equivalents, marketable securities, receivables and inventory) are readily available to pay off its short-term liabilities (notes payable, current portion of term debt, payables, accrued expenses and taxes). In theory, the higher the current ratio, the better. Companies would aim to maintain a current ratio of at least 1 to ensure that the values of their current assets cover at least the amount of their short term obligations.



**Table 5**

Private Banks - Current Ratio										
Year	City Union Bank	Dhanalakshmi Bank	Federal Bank	ING Vysya Bank	Jammu & Kashmir Bank	Karnataka Bank	Karur Vysya Bank	Lakshmi Vilas Bank	South Indian Bank	Development credit Bank
2000	0.03	0.04	0.04	0.06	0.04	0.02	0.04	0.03	0.03	0.03
2001	0.03	0.04	0.04	0.08	0.03	0.02	0.03	0.03	0.03	0.03
2002	0.05	0.06	0.04	0.09	0.03	0.02	0.04	0.04	0.03	0.03
2003	0.05	0.05	0.03	0.08	0.02	0.03	0.04	0.05	0.03	0.04
2004	0.03	0.05	0.03	0.06	0.02	0.02	0.03	0.04	0.03	0.04
2005	0.04	0.06	0.03	0.05	0.02	0.02	0.04	0.04	0.02	0.05
2007	0.06	0.07	0.03	0.04	0.02	0.02	0.03	0.04	0.03	0.05
2007	0.04	0.03	0.03	0.05	0.01	0.02	0.03	0.04	0.02	0.04
2008	0.03	0.03	0.02	0.04	0.02	0.02	0.03	0.05	0.02	0.03
2009	0.03	0.03	0.02	0.07	0.02	0.02	0.03	0.03	0.02	0.05
2010	0.03	0.03	0.02	0.05	0.02	0.03	0.03	0.03	0.02	0.04
2011	0.03	0.04	0.02	0.04	0.01	0.03	0.03	0.04	0.02	0.03
2012	0.02	0.04	0.03	0.05	0.01	0.02	0.03	0.04	0.02	0.03
Average	0.04	0.04	0.03	0.06	0.02	0.02	0.03	0.04	0.02	0.04
SD	0.01	0.01	0.01	0.02	0.01	0.00	0.00	0.01	0.01	0.01
CV	31.00	30.23	25.98	28.66	41.52	19.66	14.52	17.91	21.08	22.07

All the private banks are having the current ratio which is less than 1 in the above table. Whereas low values for current ratio indicates that the bank may have difficulty in meeting current obligations. A low current ratio can be often be supported by a strong cash flow. However, a current ratio greater than one provides additional cushion against unforeseeable contingencies that may arise in the short term.

**Table 6**

Public banks - Current Ratio										
Year	Andhra	Borada	Bank of India	Maharashtra	Canara	Central	Corporation	Dena	Indian overseas	Oriental
2000	0.03	0.05	0.09	0.05	0.05	0.05	0.04	0.06	0.03	0.04
2001	0.04	0.05	0.04	0.05	0.06	0.07	0.05	0.09	0.04	0.04
2002	0.05	0.06	0.03	0.05	0.04	0.06	0.05	0.1	0.04	0.03
2003	0.04	0.05	0.03	0.04	0.04	0.05	0.04	0.08	0.03	0.03
2004	0.04	0.04	0.03	0.02	0.04	0.05	0.06	0.06	0.03	0.02
2005	0.03	0.05	0.03	0.04	0.02	0.04	0.04	0.04	0.02	0.05
2007	0.03	0.04	0.02	0.03	0.02	0.04	0.04	0.03	0.03	0.05
2007	0.05	0.04	0.03	0.03	0.02	0.04	0.03	0.02	0.02	0.03
2008	0.03	0.03	0.02	0.05	0.02	0.04	0.03	0.02	0.02	0.02
2009	0.03	0.02	0.03	0.03	0.02	0.03	0.03	0.02	0.02	0.02
2010	0.02	0.02	0.02	0.03	0.01	0.03	0.03	0.02	0.03	0.02
2011	0.03	0.02	0.04	0.03	0.02	0.04	0.02	0.02	0.03	0.02
2012	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.03	0.02
Average	0.03	0.04	0.03	0.04	0.03	0.04	0.04	0.04	0.03	0.03
SD	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.03	0.01	0.01
CV	25.34	34.96	53.32	27.94	49.07	27.21	28.97	67.00	24.20	38.49

All the public banks are having the current ratio which is less than 1 are given in the above table. Whereas low values for current ratio indicates that the bank may have difficulty in meeting current obligations. A low current ratio can be often be supported by a strong cash flow. However, a current ratio greater than one provides additional cushion against unforeseeable contingencies that may arise in the short term.

**Conclusion:** From the above analysis, it is concluded that in terms of growth of advances and deposits public and private banks shows maximum growth whereas from the point of view of current ratio both the banks are been supported by a strong cash flow.