International Journal of Innovative Research in Engineering & Management (IJIREM)
ISSN: 2350-0557, Volume-8, Issue-6, November 2021
https://doi.org/10.55524/ijirem.2021.8.6.48
www.ijirem.org

A Study of the Operational Performance of India's Public and Private Sector Banks

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ABSTRACT
The success of the Indian economy has become one of the greatest drivers of banking industry development and vice versa, and the banking sector's progress would be aided by the average GDP growth of 8.1 percent anticipated from 2011 to 2016. The financial ratios of both the public and private sector banks chosen for the research were used to evaluate the institutions' operational performance. A ratio is a mathematical expression of a connection between two figures that are linked in some logical way. Profitability is the most frequently used criterion for determining a bank's efficiency, and it may be assessed using a variety of techniques based on various ideas. Various amounts of profitability ratio and various heads of expenditures to liquid wealth of categories of banks are examined to determine the relative efficiency of something like the different types commercial banks. This paper provides an overview on operational performance of India's public and private sector banks.

Keywords
Gross Profit, Interest, Net Return, Net Profit, Operational Performance, Total Assets.

1. INTRODUCTION
Government measures that promote monetary stability would also help the sector and protect it from global economic and political upheaval. Any bank's total assets primarily consist of loans, advances, investments, and other assets that are anticipated to produce a desired rate of return with little cost and expenditure[1].

1.1. Banks' Non-Performing Assets (NPAS) in the Public and Private Sectors
During the next 2 years, the asset quality of Indian banks is expected to worsen. The economy's downturn, as well as the maturation of recent loans, will fuel this trend. The number of nonperforming assets (NPAs) is a key metric used to assess a bank's performance and financial health. One of the determinants of financial stability and development in the banking industry is the amount of nonperforming assets (NPAs). Non-Performing Assets are turning to be a significant setback for the economy's development, and financial firms and institutions are now grappling with how to manage them. In basic terms, a non-performing asset (NPA) is a borrower who fails to pay principle and interest for a period of 180 days. However, it is currently considered that if a borrower's dues are really not paid for 90 days, the borrower will be placed in default. If a bank grants a borrower a non-performing advance or credit facility, the bank must consider all advances and credit facilities given to that borrower as non-performing, regardless of whether some advances or credit facilities remain in good standing[2].

The following metrics were chosen to evaluate the performance of all sector banks, as well as the selected banks, during the ten years prior to the survey date, i.e. 2004-05 to 2013-14.1. Gross profit on Total Assets.

- Net Return on Total Assets.
- Interest Income on Total Assets.
- Interest Expended on Total Assets.
- Net Interest Income or Margin (Spread) on Total Assets
- Provisions and Contingencies on Total Assets
- Operating expenses on Total Assets
- Capital Adequacy Ratio

India has a total of 27 public sector banks including 22 private sector banks. Cluster sampling was used to pick three banks from either the high performing group, three from the medium performing group, or three from the poor performing group depending on their profitability[3].Dena Bank, Uco Bank, Vijaya Bank, Indian Bank, Bank of India, Canara Bank, Bank of Baroda, Punjab National Bank, State Bank of India are among the public sector banks chosen for the study, while City Union Bank, Lakshmi Vilas Bank, Karnataka Bank, ING Vysya Bank, KarurVysya Bank, South Indian Bank, Federal Bank, HDFC Bank, and Axis Bank are among the private sector banks

1.2. Gross Profit as a Percentage of Total Assets
The gross profit generated by banks before generating preparations for potential eventualities is referred to as gross profit. The bank's gross profit will be the total revenue after expenditures are subtracted. Gross profit over total assets is calculated by dividing the bank's gross profit by its total assets.

1.3. Yield on Total Assets (Net)
After making necessary provisions for potential losses, net gains are achieved. In order to enhance earnings, banks are required to make arrangements for anticipated losses such as nonperforming assets (NPAs). When there are more NPAs, more provisions are required, which has a negative effect on net profits. The net profit of the bank is divided by the entire assets of the bank to get the net return on total assets.

1.4. Total Asset Interest Income

This ratio calculates a bank's annual revenue from lending activities as a proportion of total assets. Income from loans and interest on deposited with the RBI are examples of interest income. The interest revenue of the banks is divided by the total assets to get investment income on total assets.

1.5 The Amount of Interest Paid on Total Assets

The rate at which a bank incurs expense by borrowing money is shown by the interest spent on total assets ratio. Interest paid by a bank on total deposits (time deposit + savings plus demand deposit) and interest paid on external borrowings is referred to as fund based expenditure (debt). The lower the ratio, the higher the bank's profit margin and efficiency.

1.6 Total Assets Net Interest Income (Margin)

The difference between interest earned and interest spent is used to calculate net interest. Interest margin is the difference between interest earned and interest spent. Banks use improved methods to extract high interest revenue in order to generate a large interest margin. The net interest income of something like the banks is divided by the total assets of the banks to get net interest income on total assets.

1.7 Total Assets Provisions and Contingencies

Banks are required to make provisions for nonperforming assets (NPAs) under RBI regulations. Profits are used to provide such arrangements. As a result, NPAs have an impact on the provisions and contingencies that influence bank profitability. As a result, banks should manage their assets in such a manner that they are always healthy and produce the appropriate amount of profit to fulfill all of their commitments. Provisions and contingencies on total assets is the sum of the banks' provisions and contingencies divided by their total assets.

1.8 Operating Costs as a Proportion of Total Assets

This ratio is computed as a percentage of total assets divided by operational expenditures. Controlling overhead expenses is a crucial component of every business, whether it's a bank or a manufactured corporation. In the case of banks, keeping a tight eye on overheads would allow wages, branch rationalization, and technological upgrades to account for a large portion of next generation bank operating costs. The lower the ratio, the better for a bank since it will assist them improve their return ratios.

1.9 Capital Adequacy Ratio (CAR) is a Measure of how Well a Company's (CAR)

A bank must have enough capital to withstand operating losses without jeopardizing the interests of its depositors. As a result, Section 11 of the Banking Regulation Act of 1949 was enacted to establish certain absolute minimum capital requirements. The capital adequacy ratio measures a bank's capacity to cope with possible loan default. According to RBI rules, banks must maintain a CAR of at least 9%. Tier-I and Tier-II capital were divided by risk weighted assets to arrive at this figure. Tier-I capital consists of equity and free reserves. Tier-II capital is made up of 5-7-year subordinated debt. The CAR indicates how solid a bank's financial condition [4]The following is a breakdown of the banks' operating performance:

Section I: All public and private sector banks in India's operational performanceFor all public and private sector banks, the ratios that have been used to evaluate operational performance have been used, and the following assumptions have been formulated. When it comes to ratios like gross profit on total assets, net return on total assets, interest income on total assets, interest Expended on total assets, net interest income / margin on total assets, provisions and contingencies on total assets, operating expenses on total assets, and capital adequacy, there is no significant difference between public and private sector banks in India. Gross profit as a statement of financial position, Net return as a statement of financial position, Interest Income as a statement of financial position, Interest Expended as a percentage of total assets, Net Interest Income / Rate of return as a percentage of Total Assets, Provisions and Contingencies as a percentage of Total Assets, Operating Expenses as a percentage of Total Assets, and Capital Adequacy Ratio are all examples of ratios that can be calculated.

Section II: The operational efficiency of individual banks studied in the public and private sectorsANOVA is used to determine the operational efficiency of particular banks. The following factors are taken into account in terms of understanding how the various banks fared throughout the research period.

- Total Assets Gross Profit.
- Total Assets Net Return.
- Total Assets as a Proportion of Interest Income
- Total Assets as a proportion of Interest Expended
- Margin (Spread) or Net Interest Income as a Percentage of Total Assets
- Provisions and Contingencies as a % of Total Assets
- Total Assets as a Percentage of Operating Expenses

The Capital Adequacy Ratio (CAR) is a measure of how well a company's

1.9.1 Total Assets Gross Profit

To understand the function of each of the categories of banks chosen, the gross profit on total assets of each of the public and private sector banks is examined.Ho: "Among the chosen public banks, there is no substantial variation in the gross profit on total assets ratio."

1.9.2 Return on Total Assets (Net Return)

The average value of the net return on total assets ratio of the chosen public and private sector banks. ANOVA was used to assess the mean difference at a 5% level of significance, and the following hypothesis was formulated.Ho: “The net return on total assets. This ratio of the chosen public and private sector banks is not significantly different.”

1.9.3 Income from Interest as a Percentage of Total Assets

The mean value of Investment Gains as a Percentage of Total Assets ratio of the chosen public and private sector banks. ANOVA was used to assess the mean difference at a 5% level of significance, and the following hypothesis was formulated.Ho: “The interest income as a proportion of total assets ratio among the chosen public and private sector banks is not significantly different.”

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1.9.4 Total Assets Interest Expended

The mean value of the Interest Expended on Total Assets ratio of the chosen public and private sector banks. The mean difference in was evaluated using ANOVA at a significance threshold of 5%, and the research recommendations was formulated.

Ho: "The Interest Expended on Total Assets Ratio among the chosen public and private sector banks is not significantly different."

1.9.5 Margin (Spread) or Net Interest Income as a Percentage of Total Assets

The mean value of Net Interest Income or Margin (Spread) as a percentage of total assets ratio for the chosen public and private sector banks. The mean difference in public sector banks was evaluated using ANOVA at a significance threshold of 5%, and the following hypothesis was formulated.Ho: "Among the chosen public and private sector banks, there is no notable variation in Net Interest Income or Margin (Spread) on total assets ratio."

1.9.6 Adjustments and Contingencies as a Proportion of Total Assets

The mean value of provisions and contingencies as a proportion of total assets for the chosen public and private sector banks. The mean difference in public sector banks was evaluated using ANOVA at a significance threshold of 5%, and the research recommendations was formulated.Ho: "The Provisions and Contingencies on Total Assets Ratio among the chosen public and private sector banks are not significantly different."

1.9.7 Total Assets as a Proportion of Operating Costs

The mean value of operating costs as a proportion of total assets for the chosen public and private sector banks. ANOVA was used to assess the mean difference at a 5% level of significance, and the following hypothesis was formulated.

Ho: "Among the chosen public and private sector banks, there is no substantial variation in operating costs of Total Assets ratio."

1.9.8 Capital Adequacy Ratio (Capital Adequacy Ratio)

The mean capital adequacy ratio of chosen public and private sector banks is emphasized. The mean difference in public sector banks was evaluated using ANOVA at a significance threshold of 5%, and the following hypothesis was formulated.

Ho: "The capital adequacy ratios of the chosen public and private sector banks do not vary significantly."

2. LITERATURE REVIEW

Traditionally, buzz has grown naturally via word of mouth. Word of Mouth Marketing refers to the deliberate dissemination of information by customers to others. WoM marketing is cultivated by expert and clever marketers to get a competitive advantage over their rivals by providing people a cause to speak about their goods and services and making it simpler for them to do so. Word of mouth marketing is the term used to describe this approach [5]. Over time, word of mouth has changed dramatically. After a particularly unpleasant encounter with akitchen item, our forefathers warned all the women within their grasp not to purchase that brand of cookware. Fortunately for the cookware business, those ancient individuals only had a few others with whom they could discuss their experience and influence their buying decisions, so the economic effect of their diatribe was likely limited. WoM's goal is to pique the attention of a group of customers so that they may spread the company's messaging and products more widely. As a result, businesses are attempting to undertake WoM marketing. The marketing guru, Kotler, quotes a survey of 7000 European customers in which 60% of those polled said that friends or family had impacted their purchase of a new brand [6]. The market position of a brand is enhanced if the brand can build consumer trust. Customers must be able to trust brands in order for them to stay loyal [8]. A trustworthy brand, in the words of Bainbridge [8],"places the customer at the center of its universe" and "focuses more on understanding and satisfying genuine consumer requirements than on the specific service or product". Consumer pleasure with the product's functional performance and characteristics isn't enough to build brand trust (9). Brand trust is described as "a sense of security held by the customer in his or her contact with the brand, based on beliefs that the brand is trustworthy and accountable for the consumer's interests and welfare [10].

3. DISCUSSION

According to the research, prospective customers seek opinions from both known and unknown sources, and depend on the opinions of the general public to get knowledge about any brand, as opposed to information obtained via the company's communication channels. The research shows that regular individuals do not convey information about a brand in a biased manner. According to the responses, the business does not always offer accurate information. According to the findings, a prospective buyer's choice for a brand is heavily influenced by the positive information that is disseminated. A prospective buyer's willingness to embrace a new brand is also influenced by its reputation. According to the findings, a consumer of any brand may be unhappy if they hear bad things about that brand. Surprisingly, the research discovered that the opinion of the general public had little impact on customer satisfaction. This research has shown that if a brand is provided with good Word of Mouth, an average customer would maintain his or her degree of devotion to it. It should also be emphasized that people's decisions about which brands to support are not influenced by the opinions of others. As a result, regardless of public opinion, brand patronage of any favored one continues.

4. CONCLUSION

In comparison to public sector banks, private sector banks had a higher net return on total assets. In comparison to private sector banks, public sector banks had lower operational costs. The capital adequacy ratio, which is a crucial measure of a bank's financial health, indicates that private sector banks performed better than public sector banks throughout the research period. The study's secondary data constraints offer research opportunities for future studies. The present research is limited to the operational performance of public and private sector banks in India; however, there is need for further research that includes international and cooperative banks. The research shows that mass people's Word of Mouth has a significant impact on the positioning of a brand in the minds of customers.

The research confirms that the general public's opinion, expressed as the WoM, trumps any brand's functional competence. A well-known brand has a significant impact on a customer's choice to buy a product since its popularity generates a sense of trustworthiness for the brand. The study substantiates the idea that a person will suggest a popular brand to others. People depend on WoM more when selecting a brand of service than a brand of goods, according to the research.

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