



*Thakur Educational Trust's (Regd.)*  
**THAKUR COLLEGE OF SCIENCE & COMMERCE**  
AUTONOMOUS COLLEGE PERMANENTLY AFFILIATED TO UNIVERSITY OF MUMBAI  
NAAC Accredited Grade 'A' (3<sup>rd</sup> Cycle) & ISO 9001: 2015 (Certified)



**A PROJECT ON CAMPARATIVE STUDY BETWEEN PRIVATE  
SECTOR AND PUBLIC SECTOR BANKS**



**MUMBAI UNIVERSITY**

**A project submitted to**

**University of Mumbai for practical completion of degree of**

**Bachelor in Commerce (BANKING AND INSURANCE)**

**Under the Faculty of Commerce**

**By**

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2021-2022

## **CERTIFICATE**

This is to certify that Ms **Amrit Kaur** has worked and  
duly completed her Project Work for the degree of Bachelor in Commerce  
(Accounting & Finance) under the Faculty of Commerce in the subject of **Research Project**  
and her project is entitled, **“Comparative Study Between Public And Private Sector  
Banks”** under my supervision.

I further certify that the entire work has been done by the learner under my guidance  
and that no part of it has been submitted previously for any Degree or Diploma of any  
University.

It is her own work and facts reported by her personal findings and Investigations.

**Date of Submission**

**/03/2022**

Seal of College

**Name and Signature of Guiding Teacher**

## **Acknowledgement**

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal, Chaitaly.T Chakraborty** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Coordinator Mr Nirav Goda** Jha for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Mr Akash Deshmukh** whose guidance and care made the project successful.

I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my Parents and Peers who supported me throughout my project.

## ABSTRACT:

Any economy's backbone is its banking system. With the emergence of international private sector banks, the banking industry is facing fierce rivalry and a need to improve service quality in order to obtain a competitive advantage over their consumers. Public sector banks are up against tough competition from private sector banks, and they're under a lot of pressure to keep up with the services offered by multinational banks. While public sector banks benefit from a positive image and a large rural network, private sector banks offer superior services and amenities. The goal of our research was to compare the public and private sectors on public perception, basic facilities, customer-centric services, and bench strength. We conducted a field investigation with a sample size of 50 people.

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## Chapter 1. Introduction

### 1.1 Background :



The world of banking has assumed a new dimension at dawn of the 21st century with the advent of tech banking, thereby lending the industry a stamp of universality. Banking can also be classified as retail and corporate banking. Retail banking that is designed to meet the requirement of individual customers and their savings which includes payment of utility bills, credit cards, consumer loans and checking bank account. Corporate banking on the other side caters to the need of corporate customers such as opening letters, credit, managing cash, bills discounting etc.

Banks marketing can also be defined as the part of management activity which seems to divert the flow of profit from banking services to clients. Essentially, the marketing notion necessitates a knowledge of the customer's need to learn about the market and how it operates. Furthermore, the industry is categorized in order for banks to better understand the needs of their customers. Services like portfolio management, internet banking, venture capital etc.

The services that banks provide to their customers are nearly completely focused on managing money or finances for other individuals. Banks play a crucial role in our economy. The basic duty of banks is to put the money in their account holders' accounts to good use by lending it to individuals in need.

Money is a means of exchange, or a system for valuing goods and services that has been agreed upon. Precious stones, animal products, and other valuable things were once utilised as a means of exchange, and are still used in some places today. "Barter" is another name for this system.

A medium of exchange could be anything with a predetermined value. Many different types of money are used nowadays. Money is any thing or record that is widely accepted in a specific socio-economic setting or country as payment for goods and services and debt repayment. Money has four major functions: it is a medium of commerce, a unit of account, a store of value, and, in the past, a standard of postponed payment. Money can be defined as any object or secure verifiable record that performs certain functions. Money simply indicates how much something is worth, whether it is a new gadget or two hours of your effort. When you have money, a bank can operate as your financial institution.

The lifeblood of trade, commerce, and industry is finance. The banking industry now serves as the backbone of modern enterprise. The financial system is crucial to any country's development.

The word bank is derived from either the old Italian word banca or the French word banque, both of which refer to a bench or a money exchange table. For the purpose of lending or exchanging, European money lenders or money changers used to display (show) coins from various countries in large heaps (quantity) on benches or tables.

A modern economy cannot function without a bank. A bank, like any other business, is one that is heavily involved in money transactions. No one can live without money nowadays, and without a bank, safe and secure money transactions are impossible. A bank can be found wherever there is money. It engages in a variety of activities. A bank performs a variety of crucial functions for the growth of society and the country. As a result, no one can deny the significance of a bank. The bank is regarded to be the heart of the modern economy.

Commercial banks are financial entities that lend money as well as offer transactional, savings, and money market services.

## 1.2 What is Bank?



According to the research, a bank is defined as,

"An establishment that keeps money in its custody and pays it out according to a customer's request."

The Banking Companies Act of 1949 in India defines a banking company as follows:

"One who engages in the banking business, which entails collecting money from the public for the purpose of lending or investing it to depositors, repayable on demand or otherwise, and withdrawable by check, draught, or order." The Indian banking system is an important part of the overall financial system. It demonstrates a significant conduit for gathering small savings from households and lending them to businesses.

The Reserve Bank of India (RBI) is the central bank of India and is responsible for all banking concerns.

### History of Banks –

During the 'Swadeshi' movement, there had a significant impact in the financial sector. From 1906 through 1911, a large number of banks were created.

During this time, banks such as Bank of Baroda, Corporation Bank, Bank of India, Canara Bank, and others were established. Many powerful political leaders and business tycoons funded the banks at the time.

In the early years, the three presidential banks, the Bank of Bombay, the Bank of Bengal, and the Bank of Madras, merged to become the Imperial Bank of India. The bank was private until 1955.

The Imperial Bank of India was thereafter taken over by the government. The State Bank of India is currently known all over the world. As a result, among all the banks that exist today, State Bank of India is the most important.



### 1.3 Privatization of Indian Banking-

It entails more market force, ensures more competition, diminishes the role of the state in the economy, and so encourages more private participation in government tasks various policies to promote competition and market forces in the economy It is true also known as whole-of-economy structural adjustment programmes and as a component of a more comprehensive economic policy Privatization, on the other hand, refers to the sale of a public entity to a private entity. It is one of the policy initiatives aimed at increasing the efficiency of state-owned companies. Privatization is a process. The political process has significant economic and social ramifications that affect businesses not only in terms of performance, but also in terms of social welfare and stability. Any impact evaluation must take into account social implications, particularly those related to employment and social safety net initiatives.

ATM cards, Internet Banking, Phone Banking, and Mobile Banking are new creative banking channels that are widely used since they save both time and money, which are two key resources that everyone is short of and rushing to obtain. In addition, private sector banks are coordinating their infrastructure, marketing quality, and technology in order to demonstrate a strong commitment to consumer and retail banking. These banks' main focus is on product and service innovation.

In 1969, the federal government intended to nationalise 14 major private banks. The goal was to enlist the financial industry to help the government realise its socialist aspirations. When the country's banks were operated by the private sector in the 1950s and 1960s, there were massive financial inequities. The government therefore decided that taking over the banking sector was the best way to promote financial inclusion. Following this, other committees were established to make suggestions regarding bank privatisation. The Narasimhan Committee recommended that the government hold a 33 percent share, whereas the PJ Nayak Committee recommended a 50 percent stake. The gross nonperforming assets (NPA) ratio of commercial banks is likely to rise to 13.5 percent by September 2021, up from 7.5 percent in September 2020, according to the RBI's Financial Stability Report. This would mean that the public sector would have to work harder to increase equity, putting even more pressure on the government.

## 1.4 Indian Banking System

In India, the banking sector serves as a meeting place for savers and investors. Since liberalization, the structure of the Indian banking sector and our country's financial markets have undergone significant changes.

Banks play an important role in amassing public savings and making them available for investment in the modern era. They also increase capital mobility by generating demand deposits while granting loans and purchasing investment assets.

As a result, we may infer that the overall effects of the banking system in India have been favorable, resulting in a win-win situation for all enterprises and investors.

The history of India's banking sector is important to understand. As a result, we've compiled a list of key elements about India's banking system's history.

Did you know that India's first bank, the 'Bank of Hindustan,' was founded in 1770? Yes, you read that correctly. In the year 1770. Calcutta was the location of the bank, which ceased operations in 1832.

More than 500 banks were established during that time period, but only a few of them survived, including the Bank of Bengal (1809), Bank of Bombay (1840), and Bank of Madras (1843).

Note: The Bank of Calcutta (India's oldest commercial bank) was founded in 1806. The bank was given a royal status and renamed the Bank of Bengal after three years.

The three banks mentioned above were created during the British Empire's reign in India. All of these financial institutions were combined into one.

## 1.5 Reserve Bank of India

The Reserve Bank of India (RBI) is the apex body in the Indian banking sector for all matters connected to the banking system. It serves as India's "Central Bank" and acts as a banker to all other banks.

Functions:-

1. The Reserve Bank of India (RBI) is the financial system's regulator and supervisor. It establishes the rules and regulations under which Indian banks and financial institutions must function. The goal is to run the banks and financial system as efficiently as possible while maintaining public trust in the system. It's a success for RBI when people have faith in the banking system. How does the RBI maintain public trust? By guaranteeing that depositors' money is safe with banks and that all banking and financial services run smoothly and according to the rules.
2. Manager of Foreign Exchange: In India, all foreign currency flow must be done as per OFEMA (Foreign Exchange Management Act). It is the RBI who ensures that transactions happen as per FEMA. The bigger role of RBI is in ensuring that external trade happens in a seamless manner. Whether, the trader is a resident Indian or a foreign national, they must be able to deal in foreign exchange in an easy and transparent manner.
3. The Reserve Bank of India (RBI) is in charge of printing and issuing new currency notes in India. The RBI is also in charge of exchanging outdated or damaged notes for new ones. In this approach, the RBI can keep track of how much "excellent quality currency" is needed in the market at any one time. "Cash" refers to both notes and coins in this context.
4. Banker to Banks: The Reserve Bank of India (RBI) has an account with all Indian banks. This is where they maintain their statutory reserves and other deposits. As a result, RBI also serves as a banker to the banks. The RBI is in charge of ensuring interbank transactions. As an exceptional case, the RBI can lend money to banks.

## 1.6 Classification of Banks

### 1.6.1 On the basis of ownership

#### **PUBLIC SECTOR BANKS:**

Public sector banks are ones in which the government owns more than half of the company. Most depositors assume that their money is safer in public sector banks since they are owned by the government. As a result, the majority of public sector banks have a sizable clientele.

#### **PRIVATE SECTOR BANKS:**

The bank is the public's most trusted financial institution. This institution meets all of our financial requirements. Anyone can open a bank account and conduct all of their financial transactions there. This organization assists everyone in saving money, doing financial transactions, and obtaining a loan for a variety of financial needs. However, not all banks are created equal. A bank can be divided into two groups based on its stakeholders. Private sector banks are one of them. These banks work in a different way. Let's look at how private sector banks operate and the benefits and drawbacks that come with them.

#### **Co-OPERATIVE BANKS:**

A cooperative bank is a financial institution that offers its customers retail and commercial banking solutions and services. The twist is that, unlike other banks that are owned by the government or a private entity, customers own the bank.

Assume you have a group of people in your neighbourhood that have the same goal and share a common interest. Everyone in the group is willing to put money aside 'as a collective.'

In this instance, a cooperative bank will be of assistance. The group might put money aside and invest it in a common cause. The interest will be shared equally. A member of the organization can also apply for loans and other forms of financial support from the group.

## 1.6.2 According to the Law

### Scheduled Bank:

Scheduled Banks, as the name implies, are banks that are listed in the Reserve Bank of India (RBI) Act, 1934's Second Schedule. To be considered a scheduled bank, a bank must meet the following requirements:

1. A total of Rs. 5 lacs in paid-up capital and reserves is required.
2. The bank must demonstrate to the central bank that its operations do not jeopardise interest.
3. Instead of being a single proprietorship or a partnership, the bank must be a corporation.

Scheduled Banks are subdivided as:

- a) State co-operative banks.
- b) Commercial banks.

PUBLIC SECTOR	PRIVATE SECTOR
Allahabad Bank	Axis Bank Ltd
Bank of Baroda	Bank of Punjab Ltd
Bank of India	HDFC Bank Ltd
Bank of Maharashtra	ICICI Bank Ltd
Canara Bank	IDBI Bank Ltd
Central Bank of India	IndusInd Bank Ltd
Dena Bank	South Indian Bank



Non-Scheduled Banks:

They don't meet all of the conditions in clause 42, but they do adhere to the RBI's specific instructions.

Non-scheduled banks are those having a reserve capital of less than 5 lakh rupees.

They are not permitted to borrow from the RBI for conventional banking purposes, unlike scheduled banks, except in an emergency or unusual circumstances.

A few examples include Bangalore City Co-operative Bank Ltd. and Baroda City Co-operative Bank Limited.

They are further classified as follows:

- a) Central Co-operative Banks & Primary Credit Societies.
- b) Commercial Banks.

### 1.6.3 Technological Development In Banking Sector:-

Information technology advancements have a significant impact on the banking sector's growth and inclusion through supporting inclusive economic growth. IT integrates front-end and back-end processes and aids in cost reduction.

Appropriate application of information technologies and modern conveniences, such as:

1. Automated Teller Machines (ATMs), Mobile Banking (SMS), and Telephone Banking
2. Internet banking, email, Datanet, RBI Net, Nicnet, I-Net, and so forth...
3. Cash Dispensers, Electronic Payments, and Home Banking
4. Gross settlement systems that are updated in real time (RTGS)
5. Electronic Fund Transfer (NEFT) (NEFT)
6. Electronic Clearing System, No. 6 (ECS),
7. EFT (Electronic Fund Transfer) (EFT)

8. E Cheques are an example of electronic payment services.

9. Electronic Data Exchange (EDI) (EDI)

10.SPNS - Shared Payment Network System

11. POS (Point of Sale)

SPNS - Shared Payment Network System

11. POS (Point of Sale) 10

12. Transactions based on a pin number for:

Smart Cards, Credit Cards, and Debit Cards are examples of magnetic cards.

b. Teller Machines, etc., at Bank Counters

13. Overseas Banking Services / Offshore Banking

### 1.7 Future Of Banking Technology:-

Banks and FinTech companies all over the world are working to develop new technology that will revolutionize the banking and financial industries. All transactions will be automated as technology focuses on removing manual processes. Automatic technologies like as biometrics, speech recognition, and gesture recognition will be used to replace current ways of login, typing, and keying transactions. Banking workers and agents will be replaced by robotics, kiosks, smart interactive gadgets, and interfaces. Let's take a look at a few technologies that have recently been deployed or are now being developed in various parts of the world, and how they will affect the future of banking. Mobile wallets are devices that allow you to make and receive payments using your phone. Mobile wallets are exploding in popularity. The ease with which Payments made with mobile phones are increasingly replacing cash and credit card payment.

## 1.8 REFORMS IN THE BANKING SECTOR:-

The banking sector, which is efficient, dynamic, and successful, plays a critical role in accelerating the rate of economic growth in any economy. In the aftermath of current events,

Changes in the global economy and other internal difficulties, such as an unbalanced budget, rising budget deficits, and a balance-of-payments concern.

Our country, too, has gone on an economic journey reforms

In the year 2000, the Indian government implemented economic and financial reforms.

Financial sector changes began in 1991, and banking reforms were a big component of that.

These were started in 1991 to improve the efficiency, strength, and stability of the Indian banking system.

In 1991, the Narasimham Commission-I made recommendations that led to the creation of the Narasimham Commission-II.

From 1992 to 1997, a blueprint for the first generation of financial sector changes was development.

## 1.9 Future Of Banking Reform:-

Prior to the economic reforms, India's financial industry was at a fork in the road.

The first phase of banking sector reforms were implemented in 1991 to improve the performance of Indian commercial banks, and after its success, the government invested heavily in the sector.

In 1998, the second phase of the changes was critical. The productive, dynamic, and

The banking sector's effectiveness is critical in accelerating the rate of economic growth in every economic situation as a result of recent economic shifts in the global economy and other domestic difficulties such as a negative balance of payments situation, rising fiscal deficits, and so on. Our country, too, embarked on economic reforms due to deficits and other factors. India's government. In 1991, he implemented economic and financial sector changes, as well as banking reforms.

### 1.10 Statement Of The Problem:-

The Indian economy, which had previously been sheltered, witnessed the forces of liberalisation, privatisation, and globalisation unleashed in the business environment in the early 1990s. Previously, until the 1990s, the insulated economy gave comforts to the general public.

While in an administered interest regime, sector banks in areas of liquidity management

Because management's discretion was limited, the risk parameters in these sectors were lowered.

Unquantifiable and fuzzy Regrettably, public sector banks, which played an important role, have been shut down to play earlier, but their performance deteriorated at that time. The truth is that the utility of the nationalised sector has passed. Banks in the public sector have been overburdened with debt unwanted heirlooms; customer service suffers a setback; the demand for computerization grows. The need for networking among the enormous branch network was felt urgently.

In the midst of all of this, a new generation of banks — private sector banks – emerged in the Indian banking system. In that setting, private banking was seen as a novel option because these banks were able to avoid the regulatory framework. The public sector has structural and other flaws. Several of the new ones that were introduced The IDBI and ICICI, which were pushed by institutions like as the IDBI and ICICI, were successful in establishing themselves (despite the fact that their size and scope of business activities differed) and made it through the market the 1990s upheavals Aside from other considerations, some of the professionals' approach. They were able to avoid the difficulties associated with new generation private sector banks.

After discussing the banking sector's performance metric, which represents an organization's efficient use of all resources, Banks are currently dealing with a number of issues, including regular technological upgrades required for modern banking, as well as a lack of capital.

Increasing competitiveness, strict prudential standards, and an alarming proportion of nonperforming assets. Customer demands are rising, profit margins are tightening, and asset-liability management is becoming more important management, liquidity and credit risk management, and increasing operating expenditures are just a few of the issues that need to

be addressed. The size of the spread is reducing, and so on. As a result, the research looked at how people's attitudes have changed through time.

Different types of financial indicators were used, and their impact on the performance of chosen institutions was investigated. As a result, it aids the banking sector in resolving issues with banking liquidity and profitability. The findings of this investigation were:

India's commercial and public sector banks have had a poor performance.

The Indian banking system has faced some problems and challenges in the post-reform period as a result of liberalisation, privatisation, and globalisation. The following are the major concerns and challenges that the Indian banking sector is now facing:

1. What role does banking play in our everyday lives?
2. Has India's banking system improved in terms of performance?
3. To what extent are banking sectors responsible for the safety of public deposits?
4. Which banking sectors are lowering public operating expenses?
5. Which of the financial sectors provides the best service to the public customer?
6. What is the public and private sector's significant financial position banks?
7. Which of the sectors is showing signs of improvement?
8. What is the significance of the CAMEL rating system in banking supervision?
9. What are the key roadblocks to the banking sector's expansion in India?

### 1.10.1 Objective Of The Study:-

The following are the precise goals of this research.

1. Research into the Banking Sector's Concept and Emerging Innovations in India.
2. To examine and compare the financial performance of a number of public-sector organisations. Banks in the Public and Private Sector.
3. Analyze and Compare the Operational Performance of Selected Public Sector Organizations Banks in both the public and private sectors.
4. To assess and compare the overall performance of the public sector in question.

#### CAMEL Ratings of the Banks Under Study and Public and Private Sector Banks

5. To Make Recommendations for Improving the Performance of the Selected Banks in both the public and private sectors.
6. Educating the general public on the need of saving.
7. Supporting the country's economic growth by providing funds to the private sector.
8. Growth of primary industries, consumer goods industries, and large and small businesses and the service sector.
9. Making a decent profit.
10. A comparison of public and private sector banks in terms of ATM, Internet Banking, Telephone Banking, and Mobile Banking services.
11. A comparison between public and private sector banks in terms of technology usage issues such as ATMs, Internet banking, telephone banking, and mobile banking.
12. To compare public and private sector banks' expectations and levels of satisfaction with several service quality aspects.
13. To identify the banking sector that is largely availed by the customers.

### 1.11 Nature And Scope Of The Study:-

In the modern era, the world has become a global market, and globalisation has had an impact on the financial sector as well. The Indian banking sector tries to improve the efficiency and profitability of financial institutions that must deal with global challenges competition. As a result, not only has there been a rapid increase in the number of banking institutions in the country, although the country's banking vision has also expanded. With the arrival of the new private sector and international banks, things have changed dramatically.

The study's scope is broader and includes India's banking sector. In India, there is a major problem with the banking sector's financial situation. However, the study will only compare the financial and operational performance of the two companies. In India, we chose ten public sector banks and ten private sector banks. Banks from other countries have been left out of the research. Foreign banks' policies and laws are constantly changing. They are not included, unlike other commercial banks. The time limit has been set from 2007 to 2016, as it will provide a precise picture of the bank's impact performance.

The research could be useful for future descriptive studies on the concepts being investigated. Furthermore, learning how to sustain the banking sector's healthy financial performance through numerous elements would be advantageous.

The research looks at 31 financial and 11 operational ratios. In addition, the research covers the 18 characteristics that can be used to evaluate and compare a company's overall performance based on the world's ten public sector banks and ten private sector banks.

The well-known CAMEL Model is used. CAMEL evaluates and compares the performance of several factors for the study's selected sample banks for the time period.

### 1.12 On The Basis Of The Function :-

#### Commercial Banks –

A commercial bank is a type of financial institution that conducts all public deposit and withdrawal operations, as well as offering investment loans and other services. These are profit-driven businesses that operate exclusively for the aim of making money.

The two most significant aspects of a commercial bank are lending and borrowing. To earn interest, the bank collects deposits and distributes the proceeds to various programmes (profit). The lending rate is the rate at which a bank lends money, whereas the borrowing rate is the rate at which a bank pays depositors interest.

#### Foreign Banks –

Any firm that participates in the business of banking and is incorporated under the laws of a foreign country, a US territory, Puerto Rico, Guam, American Samoa, or the Virgin Islands, or any subsidiary or affiliate of such a company, is referred to as a foreign bank.

#### Industrial Banks-

An industrial bank is a state-chartered financial organisation that is not regulated by a federal banking regulator and is usually owned by a commercial enterprise. Consumer and small business loans are available via industrial banks, which take customer deposits.

Industrial banks and industrial loan businesses are two terms for the same thing (ILCs).

Industrial banks are only established by a few states; Utah supplies the bulk of industrial bank charters in the United States.

### Agricultural Banks –

Agricultural banks are largely responsible for lending money to farmers and rural development organisations. It also performs many of the commercial banks' activities in addition to their typical specialised financial activity.

An Agricultural Bank (Land Bank) is a financial institution dedicated to assisting agricultural development, particularly through the provision of longer-term loans than are typically available from commercial banks.

### Savings Banks –

A savings bank is a type of financial institution that specialises in receiving and paying interest on savings deposits.

They began in Europe in the 18th century with the goal of providing savings products to people of all income levels. These early banks, which were frequently connected with social good, were often created to help low-income people to save money and have access to banking services. Governments or socially committed groups or organisations, such as credit unions, established them. Over the course of the twentieth century, the organisation and legislation of various countries assumed many distinct forms.

### Central Banks –

The Central Bank is the central bank of the country's banking system. It functions as a banker's bank and issues currency notes. This bank's primary mission is to maintain economic stability. In a nutshell, it oversees and governs the country's banking system. The Reserve Bank of India (RBI) is the country's central bank.

### 1.13 Structure of Banking System :-



Different banking systems exist in different parts of the world. Commercial banking, on the other hand, had grown under all of these banking regimes. Let's take a look at the different sorts of banking systems one by one to have a better understanding of how they work. These types are:

#### UNIT BANKING:

Banking operations are carried out through a single office rather than a network of branches controlled by a single bank in unit banking. The single office serves as both the command and control center. Each banking unit is a stand-alone business with its own capital, shareholders, and board of directors. In comparison to the branch banking system, the unit banking system has a smaller operational area and bank size. However, a few unit banks may operate in a small geographic area, resulting in a localised banking system.

Unit banking is a banking system in which a bank works in a small geographic area, does not create branches elsewhere, and is more sensitive to local requirements. These self-contained and segregated entities are responsible for all banking activities as well as maintaining good health. As a result, they must raise cash and deposits locally. They are more efficient since their scale is smaller and there is no gap between decision-makers and executives.

Unlike branch banking, where policies are established with a larger context in mind, choices in online banking are made faster and more tailored to the needs of the clients. These bankers are concerned with the growth of the local community and providing greater community service. These banks have their own stockholders and board of directors.

#### BRANCH BANKING:

The operating of storefront sites apart from the institution's home office for the convenience of customers is known as branch banking. One of the most notable changes is that banks have been allowed to provide investment and insurance products, as well as banking services, under one roof since 1999. In response to a more competitive and integrated financial services industry, branch banking in the United States has seen substantial changes since the 1980s. One of the most notable changes is that banks have been allowed to provide investment and insurance products, as well as banking services, under one roof since 1999. Branch banking enables a financial institution to extend its services beyond its main office and into smaller stores that serve as extensions of its larger activities. This can be a cost-cutting strategy for some organisations, since it allows smaller offices to provide critical services while larger sites can provide additional services.

#### CHAIN BANKING:

Following the 1929 stock market crash, chain banks rose to prominence. They were popular because they distributed risk among multiple banks rather of focusing it on a single organisation. According to a Federal Reserve committee study from 1931, chain banking began in North Dakota, where David H. Beecher bought a bank in 1884 and another in 1887. This type of bank ownership gained widespread in the south as a result. The Witham group began purchasing banks in 1896 and by 1930 had control of approximately 200 banks in New York, New Jersey, Georgia, and Florida. Chain banking differs from branch banking, which is executing banking operations (such as accepting deposits or making loans) at locations other than a bank's headquarters. Since the 1980s, branch banking has undergone substantial transformations. It's also not the same as group banking. Several affiliate banks exist under a single bank holding company in group banking. Three or more banks operate independently without the typical barriers of a controlling company in chain banking.

## GROUP BANKING:

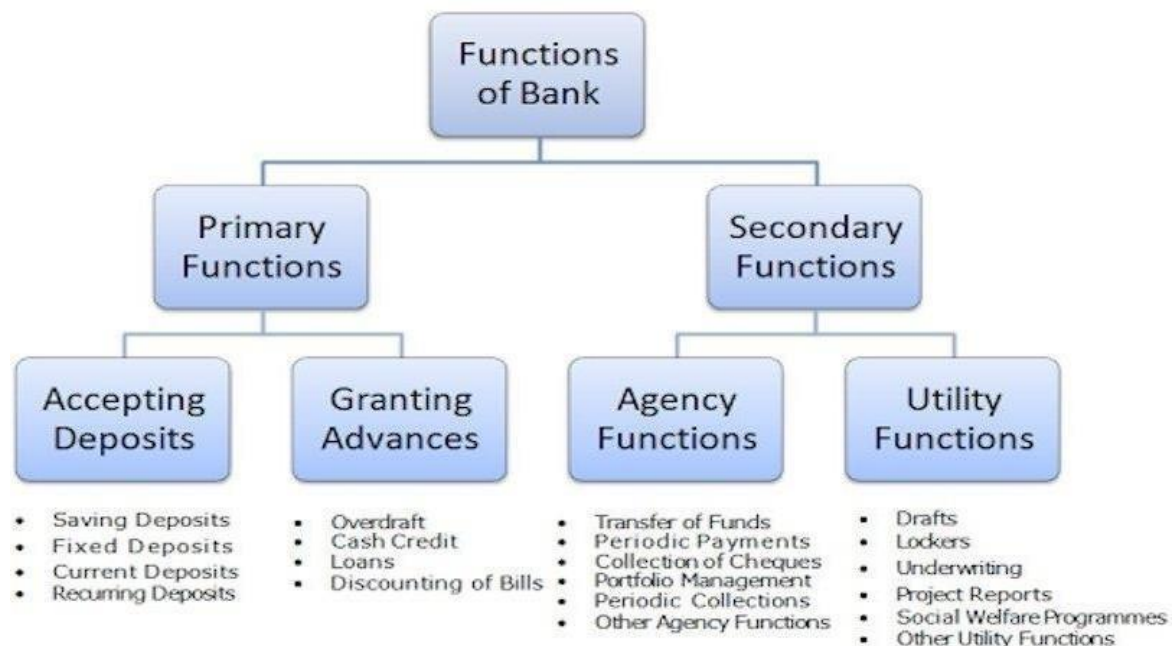
Group banking is a phrase that refers to a sort of banking plan that is offered to groups of people rather than individuals, such as employees in a firm. Participants in these schemes receive bonuses and other benefits that are not available to the bank's other customers. A company's influence over two or more financial institutions is referred to as group banking. Group banking functions similarly to the group health insurance policies that insurance firms provide to their employees. A bank will partner with a company to offer a group banking plan to its employees. Employees are usually not forced to join up for an employer's group banking benefits.

The benefits of signing up for group banking are usually compelling enough to persuade many employees to participate. Banks can use group banking to access a pool of consumers that they don't have to actively recruit. It also lowers the expenses of transactions such as direct deposit. Banks can also access more capital through group banking because of the money placed by group members.

## CORRESPONDENT BANKING:

A correspondent bank is a financial institution that acts on behalf of another bank or financial institution, usually in another nation, to provide services to a customer. Accepting deposits, collecting paperwork, and other services are provided by the correspondent bank to the other banks. Correspondent banking is a network of banks that serves a critical role in enabling international trade. It's essentially a bilateral arrangement between the two banks to provide payment services to the respondent bank's customers in the correspondent bank's jurisdiction.

## 1.14 Functions of Banks:



### 1.14.1 PRIMARY FUNCTIONS:

1) **Accepting of Deposits:** A bank is a financial institution that accepts deposits from the general population. To their convenience, people can deposit their cash balance in one of the following accounts.

a. **Fixed or Time Deposit Account:** - A fixed time deposit is a type of deposit account that is received for a set length of time with no movement and pays a greater interest rate than a standard savings account accepting fixed-term deposits for three months is the minimum period required. Interest rates will vary depending on the amount and length of the deposit, i.e., the greater the deposit amount/the longer the deposit time in the bank, the higher the interest rate.

b. **Savings Account:-** A limited number of withdrawals, a lack of check and connected debit card facilities, limited transfer choices, and the inability to be overdrawn are all common aspects. Savings account transactions were traditionally kept in a passbook, and were sometimes referred to as passbook savings accounts, with no bank statements; however, similar transactions are now regularly recorded electronically and accessible online.

c. Current Account: - A current account, also known as a financial account, is a type of deposit account used to conduct large-value transactions on a regular basis. Current Accounts are used to store liquid funds and, unlike Savings Accounts, do not pay interest.

Businessmen, such as proprietors, partnership partnerships, trusts, associations of persons, public and private corporations, and so on, open current accounts. It enables consumers to make deposits and withdrawals at any moment without prior warning. The account is perfect for making cheque payments to debtors. The primary goal of a current bank account is to allow businesspeople with accounts to conduct financial transactions efficiently.

2) Advancing of Loans :- The bank advances money in any one of the following ways:

a. Overdraft Facilities:- A bank overdraft is a sort of financial instrument that a bank offers to some customers in the form of an extended credit capacity that kicks in once the account's principal balance hits zero. To put it another way, a bank overdraft is an unsecured line of credit that is typically utilised to meet short-term liquidity needs. Customers of banks are given a credit limit based on their relationship with the bank. The bank assesses different interest and costs for account non-maintenance. The interest rate on an overdraft facility may differ from one bank to the next.

b. Money at Call:- It is money lent for a brief period of time, usually 1 to 14 days. Typically, such advances are made solely to other banks and financial institutions.

c. Loans:- Banks make loans based on securities that can be easily sold on the open market. A loan is issued when the bank has convinced itself that the party is sound.

d. Cash Credit :- Cash credit is a short-term loan that banks grant for enterprises, financial institutions, and companies to meet their working capital needs. Even if there is no credit balance, the borrowing firm can take money up to the borrowing limit.

e. Discounting Bill of Exchange:- Modern banks also offer discounting of bills of exchange as a sort of loan. The owner of the bill of exchange might get a discount from the bank using this procedure. In an exchange bill, the debtor receives the creditor's bills (that is, the bills' owner's bills) and agrees to pay the indicated amount at maturity. The bank pays the invoice's value to the owner after a minor deduction (in the form of a charge). The bank receives payment from the party who accepts the bill of exchange when it expires. As a result, such a loan is self-liquidating. An exchange invoice is a written, legally enforceable document that outlines the buyer's duty to pay the seller a specific sum.

f. Investment in Government Securities- Government securities are a sort of financial instrument in which investors can put their surplus money to work earning a fixed rate of income while also growing their wealth over time. Treasury bills, bonds, and notes, for example, are all examples of government securities. Furthermore, government securities are a type of debt instrument. That is, as an investor, you give the government with a loan/debt in order for it to fund its programmes. Bonds are issued by both the federal and state governments to cover their fiscal needs. The money of the investor is safe with the government, and the investor receives a predetermined rate of return on the capital invested.

3) Credit Creation: It is a well-known fact that banks do not maintain a 100% reserve against deposits in order to meet depositor demands. The bank is not a cloakroom where you may store your currency notes or coins and then retrieve them whenever you want. It is often assumed that the money received by the bank will be advanced to others. A depositor must be satisfied with the bank's commitment or assurance to repay him whenever he requests it. As a result, the term 'credit creation' denotes a situation in which "a bank may receive interest merely by allowing customers to overdraw their accounts or by purchasing assets and paying for them with its own cheques, thus raising the total bank deposits," to borrow Benham's words.

4) Cheque System of Payment of Funds :- A payment system is a method that allows a payer to discharge his or her payment obligations to a beneficiary by facilitating the transfer of value between them. Payment systems are a means of transferring payments from one person

to another, allowing businesses and economies to function more efficiently. The payment system allows for a two-way flow of payments in the economy in exchange for goods and services. Payment systems enable consumers to send money to one another. Cash is the most common and conventional payment method used by customers to buy products and services in their daily life. Other payment tools are also available through banking systems, and these are commonly utilised in business. Payment systems are made up of instruments that can be used to make payments.

#### 1.14.2 SECONDARY FUNCTIONS:-

Besides the above primary function, bank also perform many secondary functions such as agency functions, general utility and social functions.

##### 1. Agency Functions:-

Bank act as agents to their customers in different ways: -

a. Collection and Payment of Credit and Other Instruments: - Commercial banks collect and pay checks, bills of exchange, promissory notes, rent, interest, and other bills on behalf of their customers, as well as make payments for income tax, fees, and insurance premiums.

b. Purchase and Sale of Securities:- The manner different assets are bought and sold is one important component of investing that is often ignored. The financial business is expanding with numerous outlets for buying and selling stocks, bonds, and mutual funds, thanks to decreased commission rates, looser regulatory constraints, and increased public interest in investing.

In the North America, you can trade Investment Securities through the following four ways-

1. Brokerages
2. The company that issue them
3. Banks
4. Individual Investors

c. Trustee and Executor :- One crucial aspect of investing that is frequently overlooked is how different assets are acquired and sold. Because of lower commission rates, lighter regulatory limits, and more public interest in investing, the financial industry is booming with multiple venues for buying and selling stocks, bonds, and mutual funds.

d. Remittance of Funds :- Commercial banks occasionally serve as clients' representatives or correspondents, particularly when dealing with numerous applications.

e. Letter of References :- Banks also share information about their customers' financial situations with domestic and international traders, and vice versa.

f. Billion Trading :- Commercial banks in several countries trade in billions of dollars of gold and silver. In October 1997, eight banks, including SBI, IOB, Canara Bank, and Allahabad Bank, were granted permission to import gold under the open general licence category.

B) General Utility Services :- In addition to agency services , banks render many more utility services to the public. These services are-

a. Locker Facilities :- Customers of the bank have access to lockers. These lockers can be used to store valuable or crucial documents. Their annual rent is really low.

b. Issuing letters of credit :- A letter of credit is an international payment instrument in which a bank provides a monetary guarantee to enterprises that import and export commodities. A letter of credit can be used for both import and export. International businesses must deal with unknown suppliers and must obtain payment assurance before progressing with any transaction. As a result, a letter of credit is required to ensure that suppliers and exporters get paid.

c. Acting as Information Banks :- In today's environment, information systems are critical for corporate organisations' growth and survival. For the administration of critical information and data, all sectors of the industry are completely reliant on these. Information systems are used from small enterprises to huge, strong businesses such as high street banks and central and local government to regulate their data. We will cover the different benefits of using information systems in the banking industry in this paper. We'll examine the requirements of information systems at various levels, as well as the security requirements for these reasons.

d. Dealing in Foreign Exchange:- Major commercial bank branches also do foreign exchange transactions. In India, commercial banks are the primary permitted foreign exchange dealers.

e. Merchant Banking Services:- A merchant bank is a financial organisation that specialises in underwriting, lending, financial consulting, and fundraising for major enterprises and high-net-worth people (HNWIs). Merchant banks specialise on international trade, which qualifies them to interact with multinational firms. Merchant banks, unlike retail or commercial banks, do not offer financial services to the general public. J.P.

e. Help in Transportation of Goods:- After consigning products to their merchants, big businessmen or industrialists transmit the Railway Receipt to the bank.

### 1.15 CHALLENGES OF PUBLIC AND PRIVATE SECTOR BANKS:-

With the emergence of international private sector banks, the banking industry is facing fierce rivalry and a need to improve service quality in order to obtain a competitive advantage over their consumers. Public sector banks are up against tough competition from private sector banks, and they're under a lot of pressure to keep up with the services offered by multinational banks. While public sector banks benefit from a positive image and a large rural network, private sector banks offer superior services and amenities. The goal of our research was to compare the public and private sectors on public perception, basic facilities, customer-centric services, and bench strength. We conducted a field investigation with a sample size of 50 people.

Top Challenges facing the banking industry and financial institutions:-

The banking and finance business must adapt as mobile phone usage rises and younger clients demand simplicity. Customers want banking services – from bill pay to deposits to purchases – to be conducted on mobile phones, thanks to apps like Venmo, Apply Pay, and Google Wallet, and financial institutions must compete by offering streamlined banking services.

Financial technology firms are becoming more competitive. Financial technology (FinTech) companies are typically start-ups that provide financial services through software. FinTech companies are becoming increasingly popular, causing traditional banking to be disrupted.

Traditional banks face a significant difficulty as a result of their inability to adapt fast to changes in technology, operations, culture, and other aspects of the industry.

Regulatory coercion Regulatory requirements are continuing to rise, and banks must devote a significant portion of their discretionary budget on being compliant and developing systems and processes to meet the rising demands.



## **Chapter 2. Literature Review**

**SL Gupta and Arun Mittal** published "Comparative research of promotional studies adopted by public and private sector banks in India" in *Asia-Pacific Business Review*, July September 2008. According to the survey, the public sector is more dependable, but not as good as the private sector. A private sector bank is not as reliable as a public sector bank in terms of quality and innovation, but they are superior in terms of services both in terms of quality and creativity.

**Bhallabh (2002)** examines the issues that have arisen as a result of the banking sector reforms. Financial markets around the world have become increasingly intertwined as a result of globalisation and technological advancements. Banks must adopt new policies/strategies in response to changing market conditions if they are to survive environment.

**Kumar (2006)** found that bank nationalisation in India marked a paradigm shift in banking, with the goal of shifting the focus from class to popular banking. Internationally, efforts are also being made to investigate the causes of low-income people's financial inclusion, recognising it as both a problem and an opportunity. This is both an economic opportunity and a corporate social duty. Financial inclusion is a possibility as a commercially viable enterprise.

The Banking Industry is undergoing a paradigm transition in scope, content, structure, functions, and governance, according to **Laxman, deen, and Badiger (2008)**. The information and communication technology revolution is having a significant impact on the banking industry's operational environment.

The future problems of technology in banking were explored by **Nair (2006)**. The author also mentions how IT has a bright future in rural banking, but it is overlooked because it is generally thought to be unviable in this segment. A successful bank must be nimble and agile enough to respond to changing market conditions the new market paradigm and poor risk management The key to extending the life of a product will be innovation the provision of banking services to the underserved masses at the bottom of the pyramid.

**Singh (2003)** examined bank profitability management in a deregulated environment using some financial parameters of managers for bank groups such as public sector banks, old private sector banks, new private sector banks, and foreign banks, and found that profitability has declined in the deregulated environment.

**Singla (2008)** investigates the significance of financial management in the industrialist rise of banking. It is focused with examining the profitability position of sixteen banks from the banker index during a six-year period (2001-2006). The study demonstrates that the profitability position of the banks is improving. When compared to the prior year, was reasonable during the study period. Capital that is strong position on the balance sheet Banks are in a better position to handle and absorb economic shocks. Over a period of time, it has remained steady.

According to **Subbarao (2007)**, the Indian banking sector has undergone change from domestic to international banking, which necessitates a mix of modern technologies, well-regulated evaluation, treasury management, product diversification, and internal controls. To reach the pinnacles of success, you'll need control, external regulation, and highly trained people resources. The international community plays a key role in meeting the challenges.

**Aurora and Malhotra (1997)** investigated the level of customer satisfaction and marketing methods used in India's public and private banks. Their research looked into several aspects of customer satisfaction in these banks and found that clients are more satisfied with private banks due to their employees. They recommend that public sector banks be well-equipped, employ qualified personnel, personalise services, eliminate long lines, and maintain a pleasant environment.

**Varghese (2000)** compared the state and private banks in Kerala. He looked at the outcomes of two banks from each category and compared them. There are no substantial differences in the services provided by public and private banks, according to the data. Furthermore, banks across all industries employ comparable internal marketing techniques.

In his Ph.D. research, "Performance of Public Sector Banks – A Case Study of State Bank of Hyderabad," **Prashanta Athma (2000)** aimed to investigate the performance of Public Sector Commercial Banks with a special emphasis on State Bank of Hyderabad. The study's performance evaluation period is a little more than a decade, from 1980 to 1993-94.

**V.N. Saxena (1978)** looked into this. "Stock inspection processes and procedures, as well as stock register maintenance, both need to be improved. It is necessary to adopt reforms in the areas of sponsorship programmes, recovery, and consulting "... For banks, this could be a **beneficial tool.**

**Mumupilly (1980)** looked into the profitability and costs of Indian commercial banks. The paper provides an analytical assessment of changes in the components of cost of profits of major groupings of Indian commercial banks since nationalisation. The study focuses on the cost and profitability of the banking industry as a whole, rather than individual banks.

**Srinivasa Reddy (2016)** examines the performance of priority sector advances in India, as well as their share of scheduled commercial banks, because commercial banks play an important role in the Indian financial system and are supervised by the Reserve Bank of India.

**Sudesh (2007)** investigated the quality of banking services in India and came to the conclusion that public sector banks in India deliver bad service. These institutions score low on tangibility, responsiveness, and empathy when compared to private sector banks. According to the poll, management should keep a watch on potential failure points and make every effort to handle customer complaints as promptly as possible.

The banking system's aid to vital sectors of the economy, according to **Jaynal Ud-din Ahmed (2010)**, has not received adequate funding from commercial banks. The examination of priority sectors NPAs in the study area, namely Barak Valley, was not included because to a lack of data. According to the findings, appropriate loan recovery is required to boost bank performance; otherwise, institutions would have a liquidity problem when recycling money.

With a focus on State Bank of India, Patna Circle, and Bihar, **Mishra (2011)** explained a conceptual framework for nonperforming assets (NPAs) and examined the dimensional approach to NPAs in India's banking sector.

A study on the efficiency of Indian commercial banks' NPA management was undertaken by **K.K.Siraj and P.Sudarsanan Pillai (2012)**. According to the survey, nationalised banks outperform international and private sector banks.

**Anne M Smith (1990)** investigated how clients' views of quality service from banks are influenced by the four distinctive qualities of services: intangibility, inseparability, heterogeneity, and perishability. According to the findings, increased competition and rising

customer expectations have produced an environment in which quality is viewed as a crucial strategic determinant for boosting customer happiness and, as a result, contributing to financial service providers' profitability.

According to **Liang et al (2004)**, there are two categories of service quality attributes: product-related and non-product-related. Customers may perceive symbolic, functional, or experiential benefits as a result of these characteristics. Customer satisfaction has a favourable impact on a customer's trust and commitment to a service provider, which in turn has a positive impact on a customer's behavioural loyalty, according to the study's findings.

According to **Sarin and Anil (2007)**, manpower in service firms should be focused on customer satisfaction. Banking should highlight the areas that need to be improved, as well as the methods that customers believe should be implemented in order to improve service quality.

According to Laroche and **Manning (1986)**, the most important factors in banking services are location convenience, speed of service, competency, and friendliness of bank personnel.

**Geiger (1975)** conducted research to determine client wants. Customers' social standing and perceptions of banks were investigated, as well as customers' assessments of the breadth of services offered by banks, the effectiveness of various advertising and other sales promotion measures, and customers' willingness to save and other habits. According to the findings, satisfied customers are more hopeful than those who are dissatisfied with the services provided by their banks.

**Lewis and Birmingham (1991)** investigated the demands, attitudes, and behaviour of the young market for financial services and discovered that the needs and conduct of the youth market are not uniform.

In a study of consumer choice criteria in financial institution selection in the United States, **Boyd et al (1994)** discovered that reputation and loan interest rates, as well as savings rates, are more important than personnel friendliness, modern facilities, and drive-in service. In his study on rural bank marketing, **Rajagopla Nair (1994)** discovered that security and liquidity are the most important requirements for rural customers' deposits, and that the interest rate on fixed and demand deposits is not at all a criterion for rural bank depositors to deposit their savings with commercial banks.

**Huu Phuong Ta and Kar Yin Har (2000)** investigated undergraduates' bank selection preferences in Singapore. The Analytic Hierarchy Process was used to structure the selection problem into a three-level hierarchy, and nine criteria for picking banks and five banks were determined. According to the data, undergraduates place a greater emphasis on the pricing and product characteristics of bank services.

Customer satisfaction in banks was investigated by **Hallowell Roger (1996)**, who discovered that banks should only target and serve those clients whose requirements they can meet better and more profitably than their competitors. Customers will be maintained for longer periods of time, consume various goods, and promote the bank to their friends and relatives, perhaps resulting in higher returns for the bank's stockholders.

According to **Meidan (1976)**, nearly 90% of respondents banked at the branch closest to their home and workplace. The single most essential consideration in choosing a bank was found to be convenience in terms of location.

**Dutta et al., 2009** did a study to look into customer perceptions and expectations across all banks' Information and Knowledge Management departments. Foreign banks were found to be the most popular, followed by private banks and public banks.

**Vashisht (1987)** examined the performance of public sector banks in India based on six indicators: branch expansion, deposit, credit, priority sector advances, DRI advances, and net profit from 1971 to 1983 in his PhD dissertation, "Performance Appraisal of Commercial Banks in India." He has proposed establishing marketing techniques for deposit mobilisation, profit planning, and SWOT analysis in order to increase performance.

In his research work "Productivity in Indian Banking Business," **Singh (1990)** analysed the trends and changes in productivity in the Indian banking industry, with a focus on employee and branch productivity. To analyse productivity trends, the researcher employed seventeen indices. Because banking is a service industry, more emphasis has been placed on staff productivity. On the basis of these indicators, he conducted cross-sectional and inter-temporal analyses, which he grouped into three categories:

- Per employee indicators (Labour productivity)
- Per branch indicators (Branch productivity)
- Financial ratios measuring productivity

The study period was divided into four sub-periods, from 1969 to 1985. In addition to comparing the growth rates of various variables, the relative performance of various positions has been assessed using average T-scores and ranking based on them.

In her thesis, "Profits and Profitability of Indian Nationalized Banks," **Amandeep (1991)** believed that banks have become an instrument to efficiently meet the needs of the economy's development in order to promote overall socioeconomic transformation. According to the study, two elements determine and influence a bank's profitability: spread and burden. Credit policy, priority sector lending, significant geographical development, growing establishment expenditures, low non-fund revenue, deposit composition, and all other factors. She has chosen 11 parameters that affect a bank's profitability in order to determine the most important variable. The report advised banks to concentrate their efforts on spread and burden management.

**Krishna (1996)** defines profitability analysis in depth in his article "Profitability Analysis: An Overview." It is a rate that expresses profit as a percentage of total assets or sales, or any other variable that represents assets or sales, according to the researcher. What should be utilised in the numerator and denominator to calculate the profit rate is determined by the goal being measured. Krishna (1996) defines profitability analysis in depth in his article "Profitability Analysis: An Overview." It is a rate that expresses profit as a percentage of total assets or sales, or any other variable that represents assets or sales, according to the researcher. What should be utilised in the numerator and denominator of the numerator and denominator of the numerator and denominator of the numerator and denominator

In his technical study on the profitability and productivity in Indian banking, **Ramamurthy (1998)** argued that the banking structure and profitability structure of the banking system across the country have an impact on bank profitability. When banks are classified as large, medium, or small, the larger banks have more room for economies of scale. The author believes that the network of branches, often known as franchise strength, is one of the most important factors of a bank's profitability. According to the study, Indian banks have :

- Higher interest spreads than banks abroad
- Higher operating costs than banks abroad
- Higher risk provision level.

In terms of the influence of liberalisation, the author claims that during the post-reform period of 1992-96, the banking system's overall productivity increased from Rs. 45.33 crore to Rs. 73.40 crore in terms of per employee business.

**Malhotra (1999)** examined the performance of PSBs as a result of banking sector reforms in her research "Banking Sector Reforms: Experience of PSBs." A brief review of banking reforms was conducted in the first section. Deregulation of lending and deposit rates is one of the most significant reforms. Entry deregulation, a revamped branch licencing policy, financial health measures, operational efficiency measures, and reserve preemption are all on the table. After splitting the reform period of 1992-98 into two phases, the researcher analysed the influence of banking sector reforms on PSBs in the second half. Phase I covers the years 1992-1993 to 1995-1996, and Phase II covers the years after that. Bank profitability dropped from 0.28 per cent to -0.38 per cent.

The influence of liberalisation on the Indian banking system was investigated by **Bisht et al. (2002)**. They demonstrated that the current banking structure is the result of a long-term process of expansion, reorganisation, and consolidation that went through three major stages: pre-nationalization, post-nationalization, and post-liberalization. With the advent of the internet, the arrival of the fourth phase can clearly be discerned, which resulted in massive structural changes in banking by replacing brick and mortar branches with electronic delivery channels to provide clients with more 18 options. Traditional banking is no longer an option, as technology has altered the game's rules.

In their article, **Bhinde et al. (2002)** provided a critical review of ongoing banking sector reforms. They discovered that the conventional face of banking has shifted from that of an intermediary to that of a provider of speedy, cost-effective, and efficient services. Consolidation, re-capitalization, adoption of prudential requirements, legislative framework, corporate governance, and Basel-II norms are all issues that the Indian banking sector is currently confronting. The reform process will not be painless. Along with accomplishments, there are also traps to be avoided. As a result, policymakers must establish a balance between the two. Authorities face a continuing problem in recognising fresh hazards, implementing detrimental incentives, and improving the banking industry in order to keep up with changes in the environment and technology.

**CRISIL (2002)** found that reducing operating expenses boosted bank profitability, contrary to prevalent belief that only trading earnings helped banks improve their bottom. The reduction in operating costs was made feasible by PSBs implementing large-scale VRS. According to the findings, the banking industry is currently experiencing the benefits of labour cost rationalisation and other cost-cutting initiatives. The ability of banks to replicate and sustain such initiatives, according to the study, will be a deciding factor in enhancing their productivity and profitability.

**Ram Mohan (2002)** assessed the performance of public sector banks (PSBs) in absolute and relative terms following deregulation, as well as the reasons for their better performing. The author stated that the banking system has not collapsed and that no banking crisis has occurred. The improvement in lowering spreads of PSBs is a significant feature that supports their better performance. Key performance measures such as interest spread, intermediation cost, nonperforming assets, provision and contingencies, and net profits as a percentage of total assets were used to assess PSB performance from 1991 to 1999. However, from 1994-95 to 1999-00, he compares public sector banks, private sector banks, and foreign banks in terms of relative performance.

The author concluded that government-owned banks have had low exposure to riskier assets such as real estate and the stock market, in part due to regulatory rules. Another reason for banks' survival throughout the deregulation era was the government's sensible decision to avoid full-fledged capital convertibility. The author also mentioned the need for PSBs to be recapitalized in his piece. Last but not least, government ownership promotes bank recapitalization at the onset of reforms, which has undoubtedly resulted in more expensive bailouts down the road. Furthermore, it was noted that, despite the economic crisis, the government had no alternative but to inject cash into the banking industry due to necessary Basel criteria for banks.

When analysing the financial performance of private sector banks from 1994 to 1995, **Pathak (2003)** stated that private sector banks have provided an unique banking experience. Because of the growing popularity of such services, their public-sector competitors have begun to imitate them. He looked at the financial performance of these institutions in terms of deposits, advances, earnings, return on assets, and productivity.

The author attempted to get insight into the financial operations of these institutions in this research. For financial analysis, a sample of five banks was chosen. All of these banks'

financial records were examined, and their financial performance was compared. All of the constituents performed admirably, but the HDFC Bank came out on top.

In his essay "Post-1991 Banking Sector Reforms in India: Policies and Impact," **Kalita (2004)** noted that banking sector reforms in India began as a follow-up measure to the country's economic liberalisation and financial sector reforms. Because the banking sector is the lifeblood of the economy, it was given top priority in the financial sector reforms. The reforms attempted to make India's banking system more competitive, adaptable, efficient, and productive, as well as to adhere to international accounting standards and be free of government supervision.

In their article "Comparing Performance of Public and Private Sector Banks: A Revenue Maximization Efficiency Approach," **Ram Mohan and Ray (2004)** compared the performance of three types of banks - public, private, and foreign - using physical quantities of input and outputs and comparing the revenue maximisation efficiency of banks. The study found that public sector banks performed much better than private sector banks, but not significantly better than international banks.

Data envelopment analysis was used to compare public, commercial, and foreign banks in India in this study (DEA). Physical input and output quantities are employed in DEA. As a result, efficiency measures based on output-input numbers may be more appropriate. In the case of India, the ideas of using deposits and loans as output were acceptable during the nationalised era, when maximising these was indeed a bank's goal. Banks, on the other hand, are primarily concerned with increasing their profits. When it comes to optimising income, interest and operating expenses are viewed as inputs. Finally, they came to the conclusion that PSBs' improved performance can be attributed to their higher technical efficiency rather than their superior allocative efficiency.

In his research, **Bansal (2005)** sought to determine the impact of liberalisation on the productivity and profitability of India's public sector banks. In the postliberalization period, from 1991 to 2002, the researcher assessed the productivity and profitability of 27 PSBs. Employee productivity (labour productivity), branch productivity, and overall productivity have all been used to assess PSB productivity. The researcher assigned different banks to each of the three production levels. He employed characteristics like Deposit, Advances, Business, Total Income, Total Expenditure, Burden, Spread, and Net Profit to measure

productivity. According to the survey, the best performers in terms of total productivity were BOB, BOI, SBI, COB, and OBC, while SBBJ, SB, AIIB, SBM, and UCB were ranked last.

When analysing the profitability of all PSBs, the trend analysis revealed that while net earnings have increased in absolute terms for the majority of PSBs, profitability has decreased. However, a few banks have improved their profitability during the research period. Increased rivalry has resulted in a shrinking spread, which is the fundamental reason for the falling trend in profitability. The researcher employed a variety of ratios to assess profitability, including interest income, interest expended, spread, non-interest income, non-interest expenditure, burden, and net profits to working capital ratios. Interest income to total income ratios, interest expanded to total spending ratios, and staff expenditure to operating expenditure ratios were also employed by the researcher.

**Business India (2006)** convened a panel debate to choose the finest bank in the Indian banking market based on a number of factors. Business India examined 24 banks for the purpose of the panel discussion. While the remaining banks (out of a total of 88) were still eligible to be chosen by the panel. Business India essentially short-listed this universe of 24 banks. The panellists chose the 24 competitors from each of the three categories of banks — public sector, private, and foreign – based on factors such as size and visibility. Banks that drew notice had a profile that included those who were clearly leaders in specific areas. In order to create a short list, the judges chose a few general criteria to evaluate the candidates in the first round. Financial and operational success, management quality, the building of a growth platform, value creations, and how stockholders reacted to these factors. Thirteen banks were shortlisted in Round I; six banks were chosen in Round II; and in Round III, two banks, HDFC Bank and ICICI Bank, battled against each other.

The panellists used the CRAMEL Model to calculate distinct ratios under each metric, such as capital sufficiency, resources employed, asset quality, management efficiency, earnings quality, and liquidity. Finally, ICICI Bank was named the Best Bank in India by Business India in 2006. On its current trajectory, the ICICI group will soon become the country's largest financial behemoth. It has considerable market shares in numerous business lines, including house loans, auto loans, and insurance. It has demonstrated to the world that India can establish world-class institutions in just five years after becoming a full-fledged bank.

In his essay "Ratio Analysis: An Effective Tool for Performance Analysis in Banks," **Jain (2006)** addressed numerous ratios related to bank profitability. Costing Ratio, Returns / Yield

Ratio, and Spread Ratios are the three categories in which the author categorised the various ratios. These ratios can be used to understand a bank's financial situation, operations, and investment appeal. Such a ratio study, he continued, can be used to perform an inter-branch comparison to investigate the strengths and weaknesses of particular banks, allowing them to make strategic decisions and take appropriate corrective actions.

The author advocated for calculating average cost of deposits, average cost of borrowings, average cost of interest-bearing liabilities, average cost of funds, and operating expenses to average working funds as part of the costing ratio. Similarly, he calculated yield on advances, yield on investment, average return on interest earnings, average return on funds, and non-interest income to average working funds and total income in the yield/return category. Under spread category, he subcategorized the ratios such interest spread, net interest margin and burden ratios. The importance of ratio analysis as a technique for analysing the performance of different banks / bank branches was emphasised by the author. Aside from profitability measures, the author proposed the following kinds of ratios for comparing bank performance: Productivity Ratios, NPA Ratios, and Capital Ratios.

In his article "Indian Banking - The Challenges Ahead," **Leeladhar (2006)** stated that the Indian financial system, of which banking is a crucial component, has been significantly widening and deepening in recent years. The financial sector's rising role in resource allocation has huge potential benefits for the efficiency with which our economy operates. Given the importance of the Indian financial sector, the importance of a strong and resilient banking system cannot be overstated. The banking sector's expanded importance in the Indian economy, as well as rising levels of liberalisation and competition, have placed several pressures on banks. Operating in such a rigorous climate has presented banks with numerous hurdles, including customer service and branch management.

In his paper "Reforms Productivity and Efficiency in Banking: The Indian Experience," **Mohan (2006)** stated that the goal of reforms in general is to accelerate the economy's growth momentum, as measured by per capita income. As a result, the banking sector's success has far-reaching consequences across the economy. Financial intermediation is necessary for both extensive and intensive growth to occur. As a result, financial system improvement is critical for increased productivity and economic growth.

The author emphasised how banking productivity affects the rest of the economy. Recent study has offered compelling evidence that financial advancements contribute to economic

growth. The contribution of finance-related activities to GDP and the process of financial deepening are both basic indicators of financial development. Financial deepening, according to the author, is easier to quantify; examining productivity and efficiency changes in banking, on the other hand, is more difficult and must be viewed in light of the changing features of the Indian banking system. The evolution of India's banking industry must be understood in the context of the country's general economic reforms, as well as the rapid changes that have occurred in the worldwide environment in which banks operate. From 1996 to 2004, the author studied the spread (net interest margin), intermediation cost (operation expense), non-interest income, and net profit of major Asian banks. The author found that as the reform period progressed, more and more banks began to list on the stock exchange, resulting in increased market discipline and governance. The trend of efficiency and technical change seen in Indian banking is in line with expectations in an industry undergoing fast transformation as a result of deregulation factors. As deregulation gains traction, commercial banks will need to come up with creative ways to supplement their income, particularly fee income, in order to improve efficiency and productivity levels. When the economic environment (market potential) changes, a few pioneering banks may move quickly to seize new opportunities, while others react warily.

In their study work, **Gopal and Dev (2006)** looked at the productivity and profitability of a few public and private banks in India. During the years 1996-97 to 2003-04, they looked at the impact of globalisation and liberalisation on the productivity and profitability of Indian banks. According to the author, the creation of new private sector banks, as well as the admission of new foreign banks, has posed significant obstacles in the form of fierce competition among Indian banks in this age. The PSBs are likewise being pushed into greater profit orientation by the spirit of competition and the emphasis on profitability. They chose five large banks for their analysis based on the highest amount of deposit mobilisation from both the public and private sectors throughout the time period under consideration. The process of globalisation and liberalisation has had a significant impact on the Indian banking sector, according to the findings. The Indian banking sector has been obliged to adopt appropriate strategies that focus on productivity and sustainability as a result of ongoing banking reforms with an emphasis on transparency and efficiency. Except in a few cases, the productivity index is determined to be larger than one in the selected banks, according to the study. SBI and PNB were the most successful in terms of achieving the desired profitability, followed by HDFC Bank and ICICI Bank but the performance of J& K Bank, Canara Bank

and Bank of India was poor in terms of achievements. The only significant element determining profitability was the interest spread. During the study period, there was a strong positive correlation between productivity and profitability, indicating that banks were efficient in their resource utilisation.

In a fundamental review of the Indian banking business, **Ramudu and Rao (2006)** found that since the Indian economy opened its doors to MNCs, the Indian banking sector has seen unusual developments in terms of new goods and services, as well as shift competition. The number of IPOs that have taken place in the banking sector is astounding. Given these recent events, a thorough examination of the profitability of the Indian banking sector is unavoidable. SBI, ICICI, and HDFC are the three major Indian banks chosen by the researchers. Different profitability metrics such as OPM, NPM, ROE, EPS, PEB, DPS, and DPR were utilised to analyse the profitability of these banks. They looked at the data across a five-year period from 2001 to 2005. They employed statistical tools such as the Arithmetic Mean, Compounded Annual Growth Rate (CAGR), and one-way analysis of variance to analyse the data and interpret the results (ANOVA). The study's goal is to look into SBI, ICICI, and HDFC's economic viability. SBI outperformed ICICI and HDFC in terms of Earnings per Share and Payout Ratio, as well as CAGR in most of the metrics, according to the report. In terms of OPM, NOM, ROE, and PER, on the other side, HDFC outperformed. ICICI paid the biggest part of its earnings in terms of pay-out-ratio, despite the fact that its earning capability was not higher than the other two banks. The compound annual growth rate (CAGR) in all of the parameters of SBI was more than of ICICI and HDFC.

**Rathod and Kulkarni (2006)** took out the information of new banking trends with ING Vyasya Bank as a case study. They divided their research on banking in India into three phases: pre-nationalization (1948-68), post-nationalization (1969-91), and LPG (1991 onwards), with high-tech banking, core banking, ebanking, internet banking, RTGS, product innovation, enhanced customer services, Basel I and II implementation, consolidation and universalization, risk management technique adoption, and marketing concept. They claimed that as a result of globalisation, the Indian financial system has experienced numerous issues. Globalization has both benefits and drawbacks (challenges). Global banking issues include improving customer service, technology innovation, risk management system updates, and product diversification. India's banks should be prepared to meet these difficulties in order to become more competitive and operate as global players. The author conducted a case study of ING Vyasya Bank's numerous products and other financial services in light of evolving

client financial needs. They came to the conclusion that Indian banking has altered dramatically in the LPG era. It is tackling problems in the changing environment by providing clients with a variety of items. Customers and banks have both benefited from recent banking trends. Banks are fighting to serve client expectations in the post-reform age, and they seek to demonstrate their efficiency. The performance patterns in Indian banking suggest that a large number of institutions are capable of meeting global challenges.

In his article "Commercial Banks in India: Problems Ahead," **Saikrishna (2006)** examined the opportunities and challenges that banks in India faced in the current situation.

Globalization and privatisation, according to the author, have boosted competitiveness in the banking sector. Banks must be adequately equipped to operate in such a competitive market. Banks must maintain international standards in order to compete and attract more clients; they must provide high-quality services to their customers and incorporate innovative technology. Literature 27 The largest difficulty for the banking sector is reaching out to the rural masses through shared technological platforms and lowering service costs. Banks must adapt to the many challenges offered by the competitive world. In conclusion, the author predicted that the Indian financial sector will expand not just in size but also in complexity in the future years. With the increasing impact of globalisation, liberalisation, privatisation, and now banking changes in India, competition will heat up even further. To keep growing and strengthening the Indian banking sector as well as the Indian economy, commercial banks in India must successfully address these issues and concerns. The first line of defence against financial dangers is the financial strength of banks. In order to absorb future financial shocks, banks should always maintain good operating standards, a risk management system, and a sound capital structure. The key to success will be the efficient distribution of information about the customer's wants and preferences.

**Arora and Kaur (2006)** attempted to assess the banking sector's performance in India following the reforms. The banking sector, which is a vital aspect of India's financial system, has seen significant changes as a result of the country's continuing economic and financial reforms. The fundamental goal of these changes was to align the banking sector with worldwide best practises and standards, which will have a long-term impact on the Indian financial system as a whole. In India's banking sector, these financial sector changes have sparked stronger competition convergence and consolidation. Banks have been divided into four categories for the sake of analysis: private sector, foreign banks, nationalised banks, and SBI and its allies. They compared banks based on seven key performance indicators,

including returns on assets (ROA), capital asset, risk weighted ratio, NPA to net advances, business per employee, net profitability ratio, NPA level, and off-balance-sheet businesses, during a period of nine years, from 1996 to 2005. The academics discussed the most recent banking trends and advancements. The data demonstrates that the banking sector, notably PSBs, has experienced exceptional growth. Their results are comparable to those of banks in other industries, but they fall short in key categories such as asset quality, business per employee, capital adequacy requirements, and profitability. The study concluded with some recommendations for improving PSB performance, including operating costs, staff cost rationalisation, HRD, NPA reduction, investment in quality assets, technology upgrades, risk management techniques, market-driven approach, instance relationship management, and credit delivery mechanisms, among others. With India's growing integration into the global financial system, the Indian banking sector still has a long way to go before it can compete with its western counter parts.

**Tondon (2006)** investigated the impact of globalisation on Indian banking in his article. The financial sector's management has been geared toward a steady balancing of efficiency and stability, as well as shifting public and private ownership shares. The growth of the financial markets has been largely positive. The author discussed the banking sector's issues as well as the way ahead. The Indian banking system is being reshaped; it is confronted with both obstacles and opportunities, particularly after 2009, when it will be completely exposed to competition. The major challenges that the Indian banking sector is preparing for by adopting newer technology, strengthening their capital base to become Basel-II compliant, reducing nonperforming assets (NPA), lowering operating costs, improving corporate governance, restructuring their organisations, and sharpening their customer-centric initiatives. Indian banks may be consolidated through mergers and acquisitions (M&A) in order to compete effectively with giant global banks. According to the author, implementing Basel-II regulations is providing new obstacles, and impaired assets remain a major source of worry. To meet the high operational costs and shore up capital, banks are under increasing pressure to enhance their profitability. The author also drawn analogies between the Indian financial system and the banking systems of China and the rest of the world. In terms of size, return on assets, and non-performing assets, he compared the Bank of China to its Indian counterpart and the rest of the world (NPAs). According to the author, the Indian banking system would experience a transition driven by consolidation, convergence, and technology. The Indian banking system is transitioning from a big number of small banks to a limited number of

large banks, with a focus on improving banking competence and efficiency and integrating with global banking. Finally, the author stated that India's expanding worldwide impact benefits Indian banks in three ways: it allows them to serve Indian enterprises' cross-border banking needs, serve multinationals' local banking needs, and expand their global footprints. Despite fierce competition, the economy's expansionary phase is predicted to provide abundant opportunity for the banking industry to expand. The Indian banks' growth trajectory, adherence to global best practises, and risk management standards are all going to propel them onto the global map, making them a force to be reckoned with. The path will be long and difficult, and success will be determined by attention, flexibility, and effective execution.

In his paper "Indian Bank: Banking on Expansion," **Bharathi (2007)** stated that as the banking sector approaches exponential growth, consolidation, reforms, and compliance remain the most important topics on the boardroom agenda of Indian banks. He stated that India has the world's second fastest expanding economy, and that a strong banking system would be critical in boosting the country's levels of activity. The author stated that the Indian banking sector is growing at a steady pace as a result of liberalisation, increasing economic conditions, changing consumer demographics, and expanding market prospects, and that it is currently ranked among the most desirable banking destinations.

**Shyamala (2007)**, in her inaugural address on the special features of financial sector reforms in India at the 18th Annual National Conference on Forex Association of India on April 6, 2007 in Bangkok, said that reforms were introduced as a part of structural adjustment and have had a profound impact on the functioning of banks. The fundamental goal of financial sector reforms was to increase resource allocative efficiency, ensure financial stability, and retain trust in the financial system by improving its soundness and efficiency.

Simultaneously, reforms in many parts of the financial market were implemented in order for the financial sector to effectively perform its intermediation role. The reform process was carried forward through study and recommendation by several committees/working groups, as well as thorough interactions with experts and market participants, with the goal of making the reform measures mutually reinforcing. She also emphasised the financial sector's role on change. Various initiatives implemented over the last 15 years have greatly improved the profitability, asset quality, and capital position of the commercial banking sector. Reforms have included contemporary measures such as financial conglomerate oversight, new capital instruments, procyclical prudential provisioning, credit information companies, and financial

inclusion. She also outlined the next work agenda for Draft Accounting Aspects, Derivatives, Stress Testing, Basel-II, Mortgage Guarantee Companies, and FSAP self-assessment.

In his article, **Mitra (2007)** asserted that financial sector reforms have resulted in significant improvements in the banking sector. He explained that the essence of financial liberalisation consists of three sets of actions: first, opening a country to the free flow of international finance; second, removing controls and restrictions on the functioning of domestic banks and other financial institutions so that they can properly integrate as participants in global financial markets; and third, giving the central bank autonomy so that its supervisory and regulatory role can be properly carried out. According to the author, banking sector changes have boosted competitiveness, convergence, and consolidation in Indian banking industry. The Narasimham Committee-II (1998) advocated second-generation changes to provide better accountability and market discipline, to which our banking system responded positively. On the basis of profitability and provision, return on assets, net NPA as a proportion of net advances, and business per employee, the author evaluated the banking sector's performance in the post-reform period. He divided the banking industry into three categories: Indian private sector banks, nationalised banks, and SBI and its allies. The author stated that financial sector reforms have resulted in significant changes in our country's banking sector. As the financial landscape has altered, our banks have more options to develop abroad through self-expansion, strategic alliances, and other means.

### **Chapter 3. Research Methodology**

Research design used to carry out this study is descriptive research because it deals with statistical data and the main aim of the report is to describe the factors affecting the problem mentioned and making comparison between banks performance in context of NPA. The study is done on the basis of data for the period of 5 years from the financial year 2012-2017 and secondary data is collected mainly from the sources available at internet like the RBI website, websites of the banks etc. Data is presented with the help of Graphs, charts and tables etc.

**3.1 Sample Design :-** A sample design is a method for selecting a representative sample . It refers to the methods or procedures used by the researcher to select items for the sample. The sample design may also specify the number of items to be included in the sample, i.e. the sample size. Before any data is gathered, the sample design is determined.

The methodology and design adopted for the study is as follows:

**Area of Study -**The study has been conducted in Chandigarh city having a population of more than nine lacs. Chandigarh is known as one of the best experiments in urban planning and modern architecture in the twentieth century in India.

#### Period of the Study-

The present research study is related to “Customer Satisfaction: A Comparative study of Public and Private Sector Banks in India”. The survey lasted for about six months.

#### Data Collection-

This study is based on questionnaire methods. Primary data were collected from men and women respondents living in Chandigarh city. People from all walks of life were contacted. The total number of respondents was 160. The researchers have covered customers from six banks, three each from public sector and private sector. Under Public sector banks State Bank of India, Punjab National Bank and Oriental Bank of Commerce were selected and ICICI, HDFC and Axis Bank were selected among Private Sector Banks.

#### Sampling-

A sample of 160 customers has been selected using convenient sampling method. The data has been interpreted satisfactorily whenever and wherever needed.

**Sampling Technique:**

All of the people who had a savings account were considered. The study was based on the idea that respondents will provide honest and fair replies in a pragmatic and non-biased manner.

#### SAMPLING DESCRIPTION:-

The material was collected and evaluated according to their socioeconomic background, which included the features of their respondents, in order to better understand the nature and characteristics of various respondents in this study. This description demonstrates that the respondents in this survey come from a variety of backgrounds, broadening the study's breadth.

Limitations :- Every study has certain limitations. Same is true with this study also. Some of the limitations faced during this study are: For the purpose of this study only data of 5 years has been taken that is from financial year 2013-2017.

Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned here under so that the findings of the study may be understood in a proper perspective. The limitations of the study are:

- The study is based on the secondary data and the limitation of using secondary data may affect the results.
- The secondary data was taken from the annual reports of the Private Sector and Public Sector Banks. It may be possible that the data shown in the annual reports may be window dressed which does not show the actual position of the banks.

Financial analysis is mainly done to compare the growth, profitability and financial soundness of the respective banks by diagnosing the information contained in the financial statements. Financial analysis is done to identify the financial strengths and weaknesses of the two banks by properly establishing relationship between the items of Balance Sheet and Profit & Loss Account. It helps in better understanding of banks financial position, growth and performance by analyzing the financial statements with various tools and evaluating the relationship between various elements of financial statements.

## FOR THIS PURPOSE THE FOLLOWING PARAMETERS HAVE BEEN STUDIED

1. Credit Deposit Ratio
2. Interest Expenses to Total Expenses
3. Interest Income to Total Income
4. Other Income to Total Income
5. Net Profit Margin
6. Net worth Ratio
7. Percentage Change in Net Profits
8. Percentage Change in Total Income
9. Percentage Change in Total Expenditure
10. Percentage Change in Deposits
11. Percentage Change in Advances

### 3.2 Primary Data :-

Primary data is information that is used or obtained for the first time and has never been used before. There are a variety of primary data sources from which information can be gathered.

I choose the following resources for our research :

#### QUESTIONNAIRE:

This type of data collection is very popular, especially for large inquiries. In our study, we asked respondents to answer 11 basic questions with accurate information.

#### RESPONDENTS:

Respondents aid in the development of a more accurate understanding of our research. I meet the respondents both inside and outside of the banks.

### 3.3 Secondary Data:-

Secondary data is information that is already available in a ready-to-use format and has been used by people for a variety of purposes. Secondary data can come from a variety of places, including newspapers, periodicals, journals, books, reports, records, and other publicly available material.

#### BANKS ANNUAL REPORTS:

Banks publish annual reports to keep the public informed about their profitability and growth. These annual reports are quite helpful in providing us with the most up-to-date data and other relevant information for our research. It informs us about the rise or fall in profits as well as other facilities

#### JOURNAL AND PUBLICATIONS OF DIFFERENT BANKS:-

I also take into account the bank's periodicals and papers published at various times. I learn about the locations of the branches, ATMs, and other essential information.

#### MANUALS AND BROACHERS OF DIFFERENT BANKS:-

I enlist the assistance of bank employees and others who provide me with detailed information and data that may not be available elsewhere. They are willing to help in any way they can.

#### INTERNET :-

I also take the consideration the internet facility with which I collect lot of latest information.

#### Limitations of The Study are:-

Some of the respondents of the survey were unwilling to share information.

The research was carried out in a short period. Therefore the sample size and other parameters were selected accordingly so as to finish the work within the given time frame.

The information given by the respondents might be biased because some of them might not be interested to give correct information.

The officials of the bank supported me a lot, but did not have sufficient time to make the points more clear.

## **CHAPTER 4. Analysis and Interpretation of Data**

### 4.1 Findings of the Study:

Majority of the respondents whether in public or private sector banks have savings account in banks.

People want a change in the behaviour of the staff of the public sector banks.

In private sector banks proper ,promotional activities should be taken up so as to make the population aware of the services provided by the banks even in rural areas.

The facility that was availed by most of the people at public sector banks was that of ATM/Debit cards. The least availed facility was that of Demat account and foreign transfer of funds.

The facility that was availed by most of the people at private sector banks was that of internet/phone banking by ATM/Debit card.

Majority of respondents do not want to shift from their present bank.

### 4.2 Classification :-

Private sector banks and public sector banks are distinguished primarily by who owns the majority of their shares, with private individuals and companies owning the majority of shares in private sector banks and the government owning the majority of shares in public sector banks.

The banking business has risen in leaps and bounds in recent years, and it now provides some of the best chances for professional development. Working for a public sector bank, on the other hand, may be very different from working for a private sector bank in terms of working hours, level of competition, and professional learning curve.

Job stability and remuneration might also vary significantly, so it's vital to investigate these factors before deciding on the best financial business for a successful career. Before we go any further, it's vital to consider what separates public and private banks.

### 4.3 Conceptual Differences:

**Private Sector** - Banks in the private sector are known for their fierce competition and technological prowess. As a result, careers in private banking are more competitive, with professionals being obliged to fulfil strict targets and perform above par in order to advance their careers. The risk-to-reward ratio is also higher, and income may be better, but job security may not be as good as it is at publicly-owned institutions.

**Public Sector** - Public sector banks are known for having a more organised organisational structure and a larger customer base. In comparison to privately-owned banks, the work climate is also less competitive, and professionals are less likely to be focused on hitting targets and being the best performance in a team. There is usually a larger emphasis on offering appropriate training to their employees in order to help them refresh their knowledge and abilities in order to improve their performance in the long run. When compared to private sector banks, job security is substantially stronger, and for some, this may be the most important factor in establishing a long-term career.

### 4.4 Analysis Data Collected

#### 1. Gender

<b>Particulars</b>	<b>No of Respondents</b>	<b>Percentage%</b>
<b>Male</b>	<b>2</b>	<b>12%</b>
<b>Female</b>	<b>15</b>	<b>88%</b>
<b>Total</b>	<b>17</b>	<b>100%</b>

Analysis: From the above result I come to know that out of 17, 2 respondents are male and 15 are female which is 12% and 88% respectively.

**INTERPRETATION:** From the above data I can conclude that most of our respondents are female.

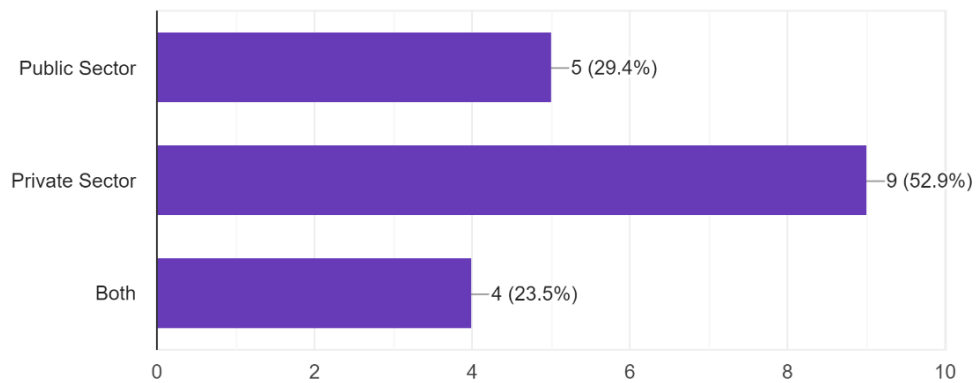
2. The respondents were asked about which banking sector's services do their avail.

Table 2: banking sector's service which the respondents avail.

Banking sector	Number of respondents
<b>PUBLIC</b>	<b>30</b>
<b>PRIVATE</b>	<b>53</b>
<b>BOTH</b>	<b>24</b>

Which sector bank do you have your account ?

17 responses



**Graph 2:** Banking Sector's service which the respondents avails

**INTERPRETATION:-** It was found that most of the respondents were availing services of private sector banks while those of the public sector banks were less as compared to other sector.

3. The respondents were asked about the type of account they have in the public sector as well as private sector banks.

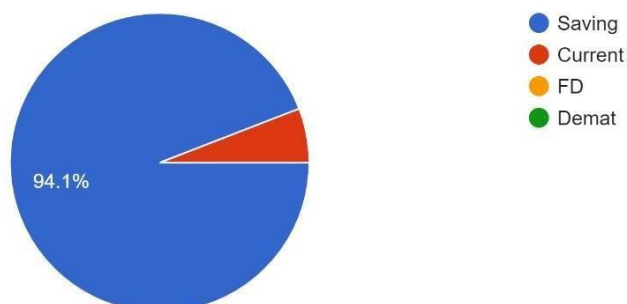
Table 3.1 Number of type of account held in public sector banks

Types of Accounts

Name of Account	Savings	Current	Fixed Deposit	Demat
Total number of respondents	94.1%	6.9%	0%	0%

In which bank do you have your account?

17 responses



**Graph 3.1:-** Number of type of accounts held in public sector banks

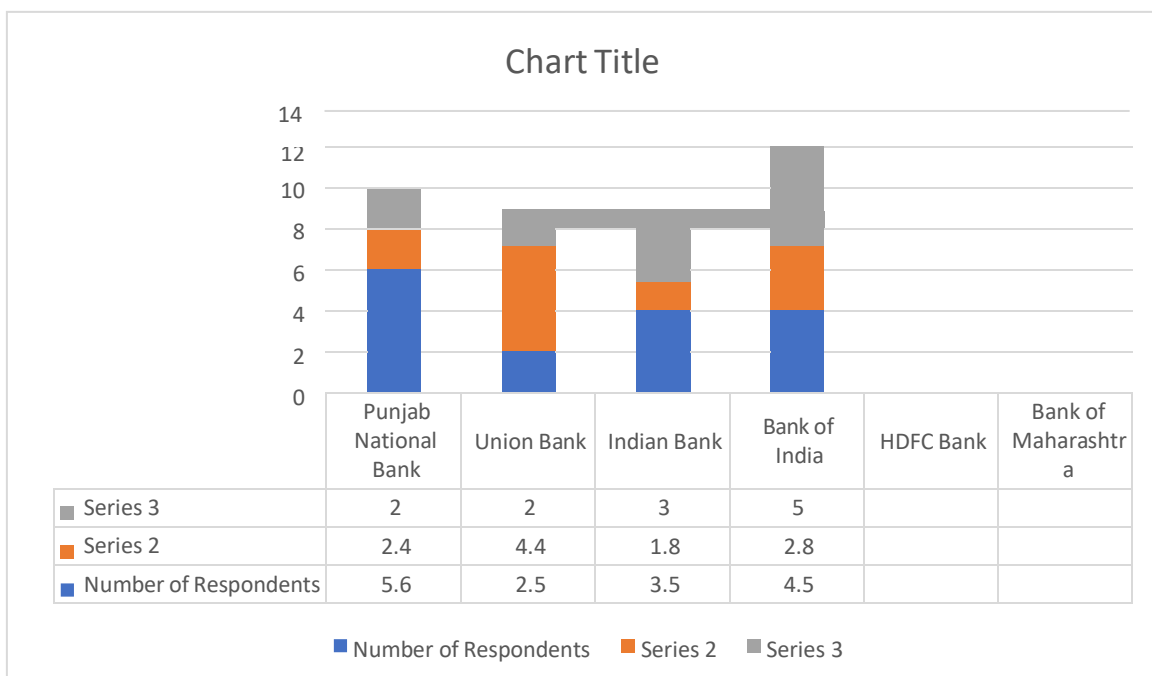
Analysis: 94.1% people own Saving Account , 6.9% own Current Account , 0% Fixed Deposit and also 0% Demat Account.

**INTERPRETATION:-** It was found that in case of public sector banks, maximum number of account holders owns Saving Account . After Saving Account most prefer account is Current Account prefer by people and non of the people owns Fixed Deposit and Demat Accounts.

4. The basic purpose of this question was to know the most preferred bank.

Table 4: Number of respondents preferring different banks.

Name of Bank	No of Respondents
Punjab National Bank	5
Union Bank	3
Indian Bank	4
Bank of India	5
HDFC Bank	0
Bank of Maharashtra	0



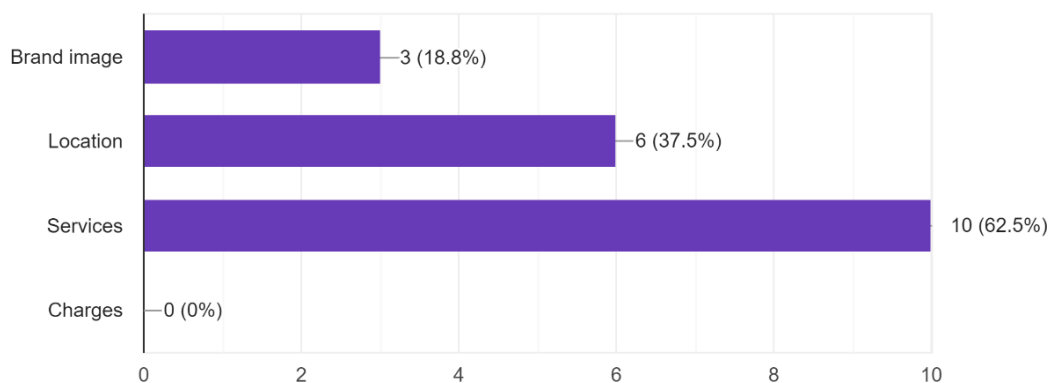
Analysis: From above graph , it is seen that 5.6% stake of the respondents follows to Punjab National Bank followed by Union Bank. It is the bank which provide fast services and also ATM machine is more compared to the other private sector banks.

**INTERPRETATION:-** From the above graph , it is seen that Punjab National Bank is the most preferred bank as compared to other Public and Private sector banks.

5. The main aim to ask this question was to know the criteria for opening bank account.

**Table 5:** Ranking Criteria

Rank the selection criteria for opening account with bank  
16 responses



**INTERPRETATION:-** By analysing this graph , we can conclude that most of the people is influenced by the quick and speedy Services provided by the bank and Brand Image is given less preference than others.

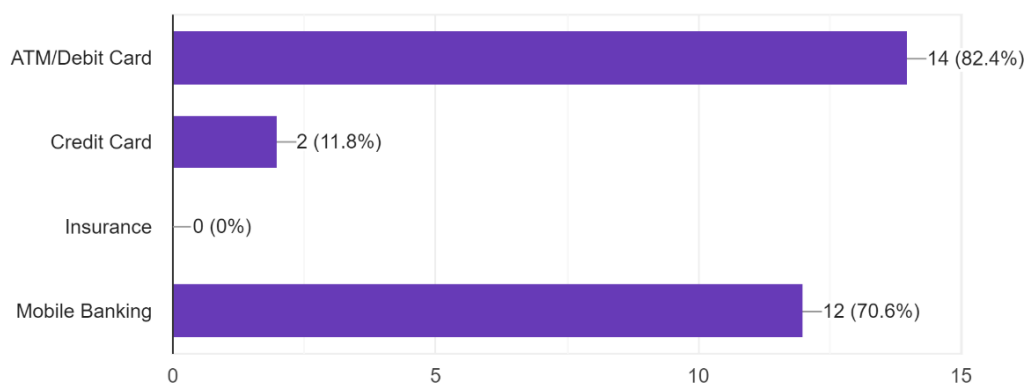
6.The respondents were asked about the facilities they were availing in public as well as private sector banks.

Table 6.1 Number of people availing different facilities at public and private sector banks:

Facilities Aailed	Number of Respondents
ATM/Debit Card	14
Credit Card	2
Insurance	0
Mobile Banking	12

Which services are you availing at your bank?

17 responses



Graph 6.1 : Number of people availing different facilities at public sector banks

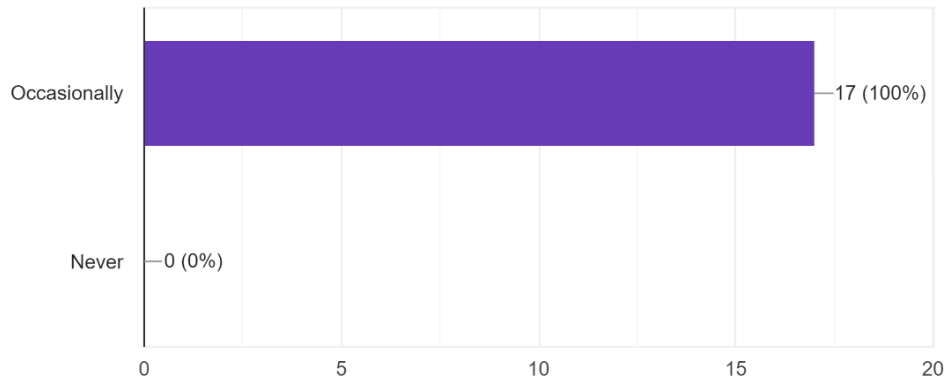
**INTERPRETATION:-** From the above graph , it was found that was availed by most of the people at public sector banks was that of ATM/Debit Cards which hold 82.4% of respondents. It was clearly observed by the graph that Insurance facility has not been used by any of the respondent.

7. The main aim of the question was to know how often did you use your debit cards.

**Table 7.1**

How often do you use debit card to shop?

17 responses



Graph 7.1: Number of peoples % using debit card.

**INTERPRETATION:-** From the above given graph, it is clearly seen that each and every customer use the Debit Card facility to shop . No one is there who has never used it.

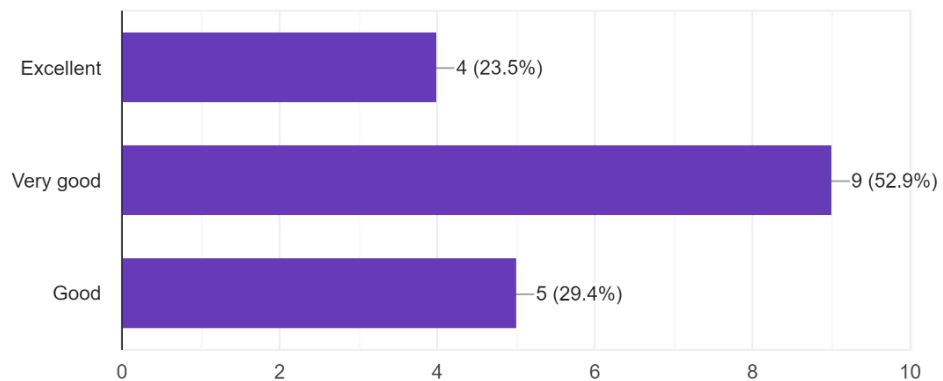
8. The purpose of this question is to know the satisfaction level they were having with their banks overall performance.

Table 8.1: Satisfaction level of the customers regarding the facilities availed from the public sector banks.

Level of Satisfaction	No of Respondents
Excellent	4
Very Good	9
Good	5

How much satisfied are you with your bank's overall performance?

17 responses

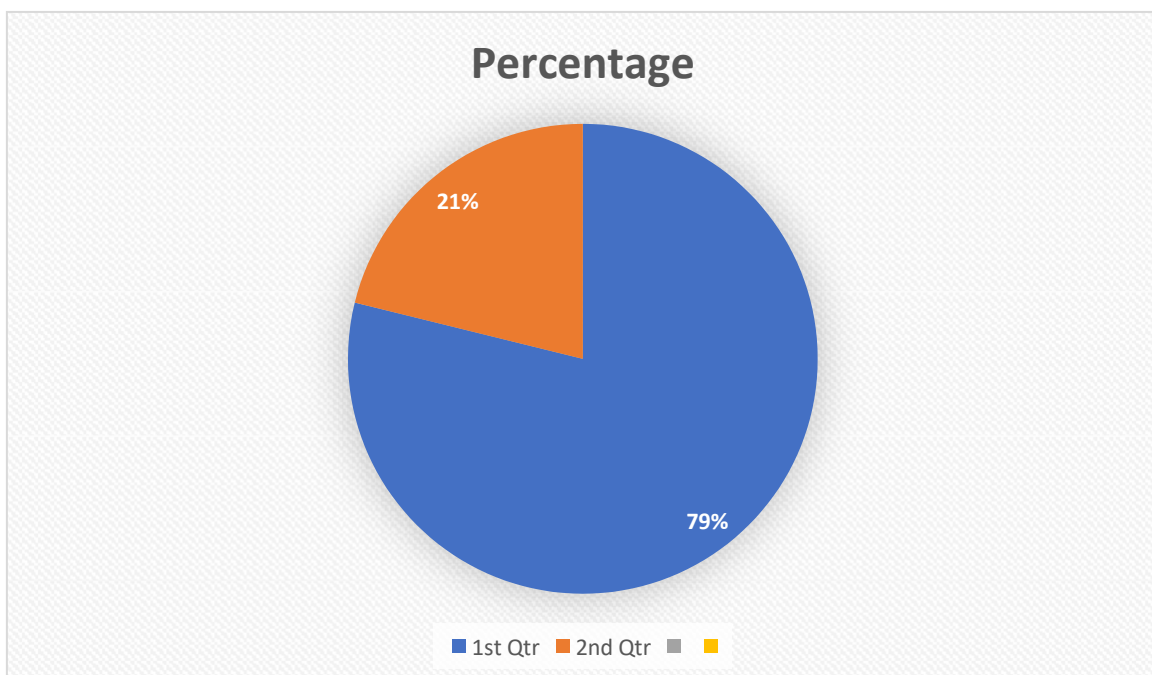


**Analysis :** It was found that 24% of the respondents were highly satisfied ranked excellent from the products and services availed by them. 53% were just satisfied given very good and 29% have moderate view.

**INTERPRETATION:-** People have mixed type of view regarding the view.

9. The respondents were asked that if they have given option, would they like to shift from the present banks:-

Table 9.1 Number of customers ready to shift from present bank.

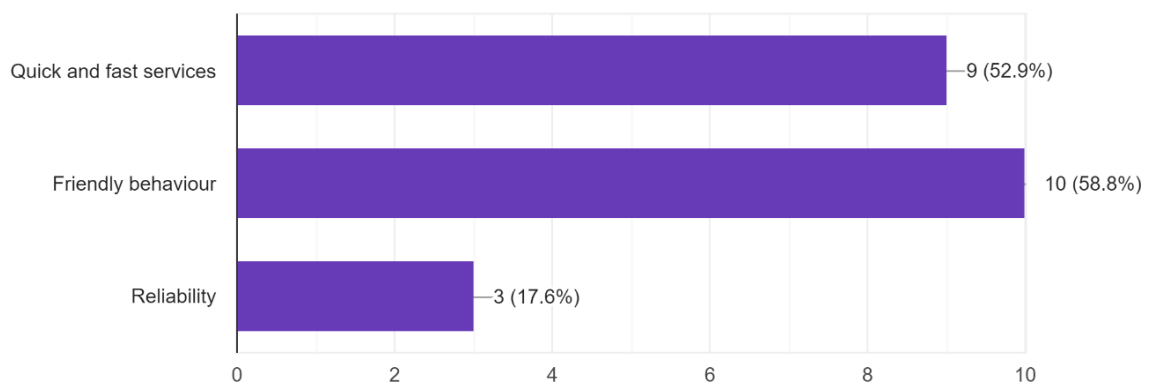


Graph 9 :- Number of customers ready to shift from their present bank or not.

**INTERPRETATION:-** From the above graph we can conclude that the number of respondents ready to shift from their present bank is 21% while 79% customers seems to be satisfied from their bank and hence willing to shift from their present bank to other.

10. The aim to ask this question was to know the reasons for your performance in the particular bank.

Kindly rank the reasons for your performance in this particular bank?  
17 responses



Graph 10:- Performance of the bank

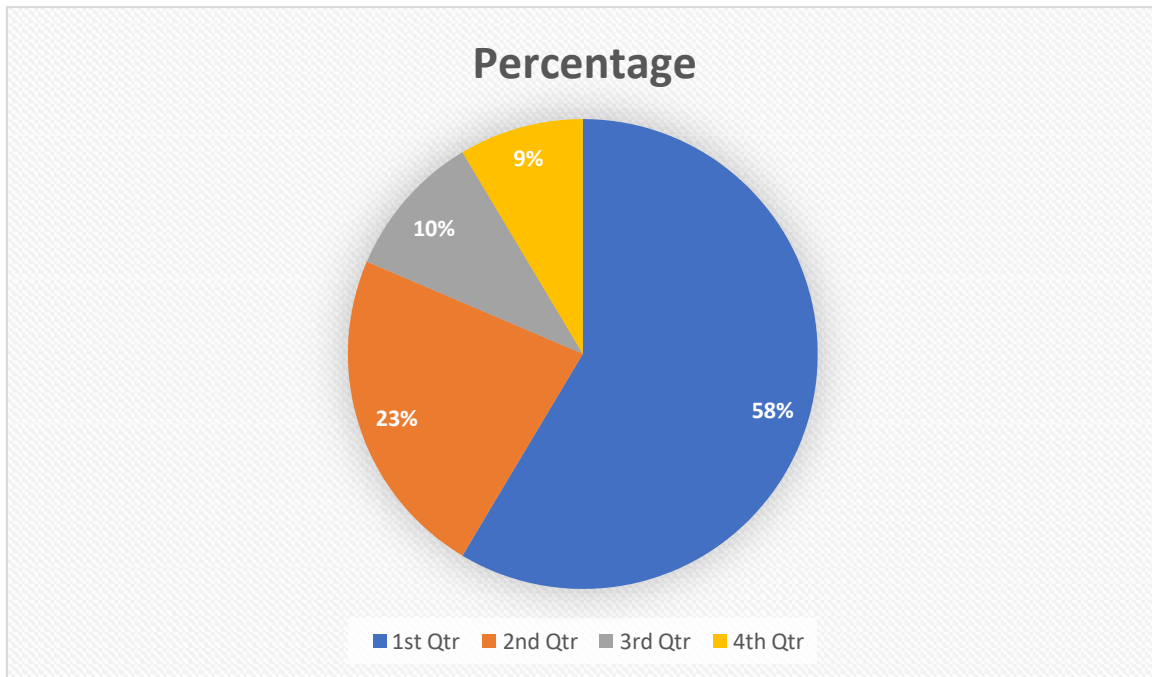
**INTERPRETATION:-** It was found that 53% of the respondents given their reason of performance to Quick and Fast Services. 59% were upto Friendly Behaviour and 18% were of Reliability.

11. The aim to ask this question was to know whether the respondents faces any problem regarding the services provided them by their preferred bank.

Table 11 Problem faced by customers

Types of Problems	No of Respondents
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<b>Reference</b>	<b>45</b>
<b>Time consuming</b>	<b>11</b>
<b>Too many formalities</b>	<b>12</b>
<b>No problem</b>	<b>5</b>



**INTERPRETATION:-** It was found that most of the respondents are facing problem of reference. Respondents also find that the time and too much formalities also cause problem in banks.

## **Chapter 5. Suggestion and Conclusion**

### **5.1 Suggestion :-**

Banks provide important services to both the general population and the financial industry. Not only is the variety of services and profit vital, but so are the quality of services, the cost of services, and the security of public funds. Throughout the research, a number of financial and non-financial issues have surfaced. Depositors' difficulties, borrower's problems, employee's problems, and management's problems are all among them. These issues are discussed in depth at the proper locations. The Narsimhan Committee's report from 1998 places a greater emphasis on the consideration of banks. There will be significant changes in the financial sector over the next three years. Not only will the faces of banks change, but so will the character of the institutions. Global banks, which will begin operations in the country in 2005, will face strong competition. We have attempted to provide my simple, concrete, and realistic solutions in response to those issues, which are as follows: Not only will the faces of banks change, but so will the character of the institutions. Global banks, which will begin operations in the country in 2005, will face strong competition. We have attempted to provide my simple, concrete, and realistic solutions in response to those issues, which are as follows:

1. To compete with local and global banks, all public sector banks should be integrated as quickly as feasible into 8-10 large banks.
2. There should be appropriate recruitment of more officers in the public sector banks so that the branches, which are really understaffed and overburdened, become systematically sufficient.
3. The bank management should have freedom terminate the inefficient employees.
4. The work of employees of public sector banks should be associated with the targets i.e. they should be given targets of specific amount or specific job.
5. All the public sector banks should provided refresher training course at least once in a year, which must includes the topics related with latest trends in banking, various management, building public relations, communications skills, good behavior etc. actually they should be trained to behave properly with customers and to feel that customers is very important. Not only the borrower but depositor is also very important and be respected.

6. The employees should motivate for doing extra work or doing more than target. This motivation may be monetary or non monetary.
7. All the banks must have ATM facilities. It will be better to have networking ATM system i.e. if it is not possible to install ATMS in all parts of city there should be tie up with other banks. Presently, some banks are doing the same.
8. There should be flexibility in organizational structure of banks. The top management should have liberty to appoint professional from out of banking sector(if required).
9. There should be incentive and penalty mechanism for employees.
10. There should be tie up with manufacturer of consumer goods to finance the customer e.g. the manufacturers of cars, bikes, television, fridge, computers etc.
11. The bank should raise additional capital through public issues, foreign direct investment (FDI) etc. to meet the capital requirements under the base and to meet the growing domestic and international competition.
12. There should not be government intervention and the bank should be liberated to run on professional basis.

## **5.2 Recommendations :-**

### **1. Public Sector Banks:-**

Bank staff should be customer friendly and highly motivated to serve the normal customer.

As far as possible, banks should reduce its documentations process while providing loans.

Computerization should be done in banks at all level and the operators should be properly trained.

Token system should be induced so as to minimize the waiting lines in the banks.

Quick services should be provided.

### **2. Private Sector Banks:-**

24 hours banking should be induced so as to facilitate the customers who may not have free time in the day time. It will help in facing the competition more effectively.

More ATM coverage should be provided for the convenience of the customers.

Customer care services should be provided by banks.

### **5.3 Conclusion:-**

Customers are increasingly aware of not just the quality of service given by banks in India, but also around the world. As a result, the new banking industry must serve and cater to all of the needs of the clients, or else it would be impossible to survive in the upcoming competition. Banks need to have a better understanding of what their clients really want. A bank is closed if it is not operating correctly. As a result, dealing with such situations is challenging. Here, a basic philosophy of customers as God can work, and we must adhere to it in order to live and serve better. The banking industry is on the verge of exploding. In this context, it is critical for banks to adopt technology at a rapid pace if they are to remain competitive. Mani Mamallan argues that banks should outsource their IT infrastructure needs, allowing for early adoption and greater efficiency. In the current environment, a number of banks have adopted a new infrastructure outsourcing deployment approach in order to reduce the cost of service channels. As a result, other banks will have to coordinate their redesigned business strategies as well. Both the business and technological changes that are necessary are massive. Early adopters benefit from enhanced efficiencies in a highly competitive banking industry.

## Chapter 6. Bibliography

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## APPENDIX

- Which Sector Bank do you have your account?
- In which Bank do you have your account?
- Which type of account do you have in the Bank?
- In case you have your account in more than one bank which one is your most preferred bank?
- Rank the selection criteria for opening account with bank?
- Which facilities are you availing at your bank?
- How often do you use debit card to shop?
- How much satisfied are you with your bank's overall performance?
- Kindly rank the reasons for your preference in this particular bank?
- If they have given option, would they like to shift from the present bank?
- What kind of problems are you facing regarding the services provided by their preferred bank?



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Any economy's backbone is its banking system. With the emergence of international private sector banks, the banking industry is facing fierce rivalry and a need to improve service quality in order to obtain a competitive advantage over their consumers. Public sector banks are up against tough competition from private sector banks, and they're under a lot of pressure to keep up with the services offered by multinational banks. While public sector banks benefit from a positive image and a large rural network, private sector banks offer superior services and amenities. The goal of our research was to compare the public and private sectors on public perception, basic facilities, customer-centric services, and bench strength. We conducted a field investigation with a sample size of 50 people. The world of banking has assumed a new dimension at dawn of the 21st century with the advent of tech banking, thereby lending the industry a stamp of university. Banking can also be classified as retail and corporate banking. Retail banking that is designed to meet the requirement of individual customers and their savings which includes payment of utility bills, credit cards, consumer loans and checking bank account. Corporate banking on the other side caters to the need of corporate customers such as opening letters, credit, managing cash, bills discounting etc. Banks marketing can also be defined as the part of management activity which seems to divert the flow of profit from banking services to clients. Essentially, the marketing notion necessitates a knowledge of the customer's need to learn about the market and how it operates. Furthermore, the industry is categorized in order for banks to better understand the needs of their customers. Services like portfolio management, internet banking, venture capital etc. The services that banks provide to their customers are nearly completely focused on managing money or finances for other individuals. Banks play a crucial role in our economy. The basic duty of banks is to put the money in their account holders' accounts to good use by lending it to individuals in need. Money is a means of exchange, or a system for valuing goods and services that has been agreed upon. Precious stones, animal products, and other valuable things were once utilised as a means of exchange, and are still used in some places today. "Barter" is another name for this system. medium of exchange could be anything with a predetermined value. Many different types of money are used nowadays. Money is any thing or record that is widely accepted in a specific socio-economic setting or country as payment for goods and services and debt repayment. Money has four major functions: it is a medium of commerce, a unit of account, a store of value, and, in the past, a standard of postponed payment. Money can be defined as any object or secure verifiable record that performs certain functions.

Money simply indicates how much something is worth, whether it is a new gadget or two hours of your effort. When you have money, a bank can operate as your financial institution.

The lifeblood of trade, commerce, and industry is finance. The banking industry now serves as

the backbone of modern enterprise. The financial system is crucial to any country's development. The word bank is derived from either the old Italian word banca or the French word banque, both of which refer to a bench or a money exchange table. For the purpose of lending or exchanging, European money lenders or money changers used to display (show) coins from various countries in large heaps (quantity) on benches or tables. A modern economy cannot function without a bank. A bank, like any other business, is one that is heavily involved in money transactions. No one can live without money nowadays, and without a bank, safe and secure money transactions are impossible. A bank can be found wherever there is money. It engages in a variety of activities. A bank performs

equity, putting even more pressure on the government. In India, the banking sector serves as a meeting place for savers and investors. Since liberalization, the structure of the Indian banking sector and our country's financial markets have undergone significant changes. Banks play an important role in amassing public savings and making them available for investment in the modern era. They also increase capital mobility by generating demand deposits while granting loans and purchasing investment assets. As a result, we may infer that the overall effects of the banking system in India have been favorable, resulting in a win-win situation for all enterprises and investors. The history of India's banking sector is important to understand. As a result, we've compiled a list of key elements about India's banking system's history. Did you know that India's first bank, the 'Bank of Hindustan,' was founded in 1770? Yes, you read that correctly. In the year 1770, Calcutta was the location of the bank, which ceased operations in 1832. More than 500 banks were established during that time period, but only a few of them survived, including the Bank of Bengal (1809), Bank of Bombay (1840), and Bank of Madras (1843). Note: The Bank of Calcutta (India's oldest commercial bank) was founded in 1806. The bank was given a royal status and renamed the Bank of Bengal after three years. The three banks mentioned above were created during the British Empire's reign in India. All of these financial institutions were combined into one. The Reserve Bank of India (RBI) is the apex body in the Indian banking sector for all matters connected to the banking system. It serves as India's "Central Bank" and acts as a banker to all other banks. Functions:-

The Reserve Bank of India (RBI) is the financial system's regulator and supervisor. It establishes the rules and regulations under which Indian banks and financial institutions must function. The goal is to run the banks and financial system as efficiently as possible while maintaining public trust in the system. It's a success for RBI when people have faith in the banking system. How does the RBI maintain public trust? By guaranteeing that depositors' money is safe with banks and that all banking and financial services run smoothly and according to the rules. 2. Manager of Foreign Exchange: In India, all foreign currency flow must be done as per FEMA (Foreign Exchange Management Act). It is the RBI who ensures that transactions happen as per FEMA. The bigger role of RBI is in ensuring that external trade happens in a seamless manner. Whether, the trader is a resident Indian or a foreign national, they must be able to deal in foreign exchange in an easy and transparent manner. 3. The Reserve Bank of India (RBI) is in charge of printing and issuing new currency notes in

India. The RBI is also in charge of exchanging outdated or damaged notes for new ones. In this approach, the RBI can keep track of how much "excellent quality currency" is needed in the market at any one time. "Cash" refers to both notes and coins in this context.

4. Banker to Banks: The Reserve Bank of India (RBI) has an account with all Indian banks. This is where they maintain their statutory reserves and other deposits. As a result, RBI also serves as a banker to the banks. The RBI is in charge of ensuring interbank transactions. As an exceptional case, the RBI can lend money to banks.

**PUBLIC SECTOR BANKS:** Public sector banks are ones in which the government owned equal. A bank can be divided into two groups based on its stakeholders. Private sector banks are one of them. These banks work in a different way. Let's look at how private sector banks operate and the benefits and drawbacks that come with them.

**Co-OPERATIVE BANKS:** A cooperative bank is a financial institution that offers its customers retail and commercial banking solutions and services. The twist is that, unlike other banks that are owned by the government or a private entity, customers own the bank. Assume you have a group of people in your neighbourhood that have the same goal and share a common interest. Everyone in the group is willing to put money aside 'as a collective.' In this instance, a cooperative bank will be of assistance. The group might put money aside and invest it in a common cause.

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