

# A Study on Financial Analysis of Private and Public Sector Banks in India

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**Abstract-** The banking sector plays a crucial role in the economic development of India by mobilizing savings, providing credit, and supporting financial stability. This study focuses on the financial analysis of selected private and public sector banks in India to evaluate their performance in terms of profitability, liquidity, solvency, and operational efficiency. By comparing two private sector banks and one public sector bank using financial ratios and secondary data sources, the study aims to identify performance differences and understand the strengths and weaknesses of each banking segment.

**Keywords:** Financial Analysis, Banking Sector, Public Sector Banks, Private Sector Banks, Financial Performance, Profitability Analysis.

## I. INTRODUCTION

The Indian banking industry has undergone significant transformation due to liberalization, technological advancement, and regulatory reforms introduced by the Reserve Bank of India. Both private and public sector banks play a vital role in economic growth by facilitating financial intermediation and supporting various sectors of the economy. While public sector banks emphasize financial inclusion and government policy implementation, private sector banks focus on efficiency, innovation, and customer centric services. In this context, financial analysis becomes essential to measure performance, compare operational effectiveness, and understand the overall health of banks operating under different ownership structures.

## II. STATEMENT OF THE PROBLEM

Despite operating within the same regulatory framework, private and public sector banks in India exhibit variations in profitability, asset quality, operational efficiency, and growth performance. These differences create uncertainty among stakeholders regarding investment decisions, policy formulation, and managerial strategies. Therefore, there is a need to systematically analyze and

compare the financial performance of selected private and public sector banks using standardized financial indicators. The problem addressed in this study is to determine whether significant performance differences exist between these banking sectors and to identify the factors influencing such variations.

### Objectives of The Study

- To study and compare the Financial Performance of SBI, ICICI, HDFC Bank in India for 3 years (2022 to 2024)
- Calculating and comparing key financial ratios such as liquidity ratios, profitability ratios, efficiency ratios, and solvency ratios for each bank.
- To study the causes influencing the choice of a bank for availing services.

## III. DATA SOURCES AND METHODOLOGY

The research methodology for a study on the financial analysis of HDFC, SBI, and ICICI banks, representing both private and public sector banks in India, will involve a comprehensive quantitative approach. The study will utilize secondary data from financial statements, annual reports, and industry databases for a detailed analysis of key financial

ratios, including liquidity, profitability, efficiency, leverage, and market ratios. Comparative and trend analyses will be conducted to assess and compare the financial performance of these banks over a specified period.

Periods of Study:-(2021 to 2023)

Population of Study:-

(PRIVATE BANKS: 2 , PUBLIC BANKS: 1)

Sample Size:-

( 3 BANKS – SBI , HDFC , ICICI )

- Only Three Banks
- Short Period of Time
- Choose the Secondary Data Only

#### IV. REVIEW OF THE LITERATURE

- Anita Makkar (2013) in her study applied the CAMEL approach to evaluate the overall financial performance of new private sector banks during the pre- and post-financial crisis periods. Her findings indicated that the private banks showcased stronger performance in terms of capital adequacy and earnings, especially post-crisis. This study supports the use of CAMEL as a reliable model for financial comparison, which is relevant for analyzing.
- Abata M. A. (2014) focused on the impact of asset quality on bank performance in Nigerian commercial banks. The study highlighted that deteriorating asset quality significantly affects profitability. Although based in Nigeria, the research provides a strong theoretical basis for understanding the link between non-performing assets (NPAs) and financial performance, applicable to SBI's public sector performance.
- Priya Ponraj and Gurusamy Rajendran (2012) explored financial strength as a measure of bank competitiveness within the Indian context. Using empirical evidence, they concluded that stronger capital and liquidity positions contribute to better competitiveness. This is particularly relevant in assessing how private banks like HDFC and ICICI .
- Ramachandran and Kavitha (2009) analyzed the profitability of Indian Scheduled Commercial Banks, presenting a case-based perspective. Their study revealed that private banks often

outperform public ones in return on assets and equity, owing to better operational efficiency. This finding aligns with the core objective of your project in comparing SBI,HDFC,ICIC.

- Sushendra Kumar Misra (2013) conducted a CAMEL model analysis on the State Bank Group, emphasizing the strengths and weaknesses in various financial aspects such as asset quality and earnings. The study is instrumental in understanding SBI's internal financial performance and serves as a benchmark for comparison with private banks.

#### Theoretical Overview

The theoretical overview of financial analysis in banking provides the conceptual foundation for evaluating the performance, efficiency, and financial stability of banking institutions. Financial analysis refers to the systematic examination of financial statements using various analytical tools and techniques to assess profitability, liquidity, solvency, and operational efficiency. In the banking sector, such analysis is particularly important because banks operate as financial intermediaries that manage public funds, extend credit, and contribute significantly to economic development.

One of the primary theoretical bases of this study is financial statement analysis theory, which emphasizes the interpretation of balance sheets, income statements, and cash flow statements to measure an institution's financial health. Ratio analysis, trend analysis, and comparative analysis are commonly applied methods that enable stakeholders to evaluate bank performance over time and across institutions.

#### V. ANALYSIS AND INTERPRETATION OF PERCENTAGE ANALYSIS

##### ANALYSIS OF LIQUIDITY RATIO:

LIQUIDITY RATIO:-

1. Current Ratio = Current Assets / Current Liabilities
2. Quick Ratio = Quick Assest / Quick Liabilities

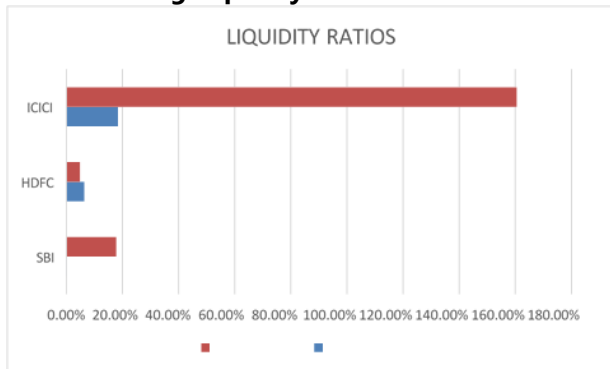
Table showing Liquidity Ratio

S.No	Banks	Current Ratio	Quick Ratio
1.	Sbi	0.056%	17.8%
2.	Hdfc	6.32%	4.84%
3.	Icici	18.36%	160.51%

Interpretation: In this table, SBI's low current ratio (0.056) suggests potential difficulties in meeting short-term obligations, though its strong quick ratio (17.8) indicates excellent liquidity when excluding inventory. HDFC Bank has a solid liquidity position with a current ratio of 6.32 and a quick ratio of 4.84, showing it can easily cover its short-term liabilities. ICICI Bank's extremely high current ratio (18.36) and quick ratio (160.51) indicate an exceptionally strong liquidity position, although this might point to inefficiency in utilizing current assets.

Overall, while SBI's liquidity is robust in terms of liquid assets, both HDFC and ICICI have more than adequate liquidity, with ICICI showing the strongest liquidity position.

Chart showing Liquidity Ratio



**Analysis Of Profitability Ratio:**

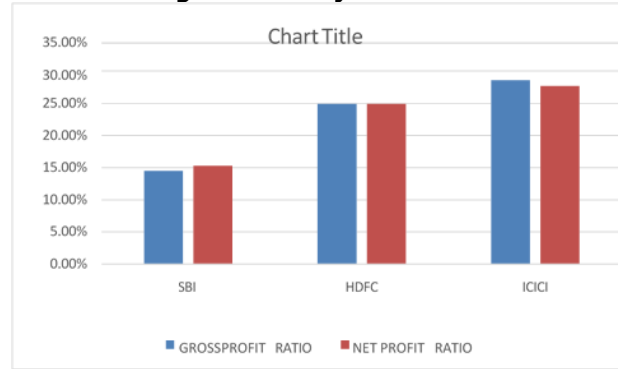
**PROFITABILITY RATIO:-**

- Gross Profit Ratio =  $(\text{Net Sales} / \text{Gross Profit}) \times 100$ 
  - Gross Profit = Net Sales - Cost of Goods Sold (COGS)
  - Net Sales = Total revenue from sales minus returns, allowances, and discounts
- Net Profit Ratio =  $(\text{Net Sales} / \text{Net Profit}) \times 100$** 
  - Profit = Total Revenue - Total Expenses (including operating costs, interest, taxes, etc.)

Table showing Profitability Ratios

S.NO	BANKS	GROSS PROFIT RATIO	NET PROFIT RATIO
1.	SBI	14.5%	15.3%
2.	HDFC	24.92%	24.92%
3.	ICICI	28.61%	27.7%

Chart showing Profitability Ratio



**Interpretation:**

SBI has a lower Gross Profit Ratio (14.5%) than its Net Profit Ratio (15.3%), indicating efficient cost management and slightly better profitability after all expenses. HDFC Bank maintains consistent profit margins, with both its Gross and Net Profit Ratios at 24.92%, reflecting strong operational efficiency. ICICI Bank leads with the highest Gross Profit Ratio (28.61%) and a solid Net Profit Ratio (27.7%), showcasing robust performance in core operations and after expenses. SBI's potential for growth is evident, as its net profit margin exceeds its gross profit margin, suggesting improved cost management. Overall, ICICI and HDFC demonstrate stronger financial health compared to SBI, with ICICI having a slight edge in gross profit.

**VI. FINDING**

**Profitability Performance:**

HDFC and ICICI report higher Net Profit Margins and Return on Assets (ROA) than SBI, though SBI's profitability is gradually improving.

**Non-Performing Assets (NPAs):**

SBI has higher Gross and Net NPA ratios compared to HDFC and ICICI, but private banks maintain stronger asset quality due to stricter risk controls.

### **Capital Adequacy Ratio (CAR):**

All banks meet Basel III norms, but HDFC and ICICI have stronger CARs, offering more financial stability and growth potential.

### **Suggestions**

1. **Strengthening Asset Quality Management:** Public sector banks should enhance credit appraisal mechanisms and adopt advanced risk assessment tools to reduce the level of Non-Performing Assets (NPAs). Implementing strict monitoring systems and faster recovery procedures will help improve asset quality and profitability.
2. **Improving Operational Efficiency:** Banks, particularly in the public sector, should focus on streamlining operational processes through automation and performance-based management practices. Adoption of digital banking technologies can reduce operational costs and enhance service delivery.

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## **VII. CONCLUSION**

The study on financial analysis of private and public sector banks in India highlights the importance of comparative evaluation in understanding banking sector dynamics. Through the examination of key financial indicators, the research provides insights into performance patterns, efficiency levels, and financial stability across selected banks. The findings of the study contribute to better decision-making for investors, improved strategic planning for bank management, and informed policy development for regulators. Overall, the research emphasizes that continuous financial monitoring and adoption of best practices are essential for strengthening the competitiveness and sustainability of both private and public sector banks in India.

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