



A COMPARATIVE ANALYSIS OF PRIVATE SECTOR BANKS AND NATIONALISED BANKS IN INDIA

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Abstract

This paper takes into an account of 20 nationalized banks and 20 private sector banks, and the period of comparison is five years, the year between 2008-09 and 2013-14. This paper analyses growth of offices of the banks, number of employees, business per employee and profits per employee. Private Banks have an edge over the nationalized banks in business per employees and profits per employees, since then private sector banks have strict norms and stringent business practices. The paper also makes an analysis of loans and NPA ratio of loans.

Key Words: Private Sector Banks ,Nationalized Banks, Employment.

INTRODUCTION

In Indian banking sector which is consisting of government controlled banks, the public sector banks, the private sector and cooperative banks. The banking administration differs from the public sector and the private sector banks. The present paper is a comparison of 27 public sector banks and 22 private sector banks. The period of comparison between 2008-09 and 2012-13 that is for a period of 5 years.

NUMBER OF OFFICES

The public sector banks had 57979 offices in 2008-09. In 2012-13 the number of offices in public sector banks has increased to 75779. That is over the period of 5 years that is 30 percent increase in the number of offices in the public sector banks. In private sector there were 9288 offices in 2008-09 which had increased to 16001 that is; there is an increase of 72 percent in the number of offices in the private sector banks. As regard the number of offices, the private sector bank shows a higher growth rate.

NUMBER OF EMPLOYEES

In public sector banks in 2008-09, 731524 were employed. In 2012-13 the number of employees increased to 801659. Employment in public sector banks has increased by just 9 percent. The numbers of employees in private sector banks are 193578, which increased to 269941 in 2012-13. The private sector banks employment has increased by 39 percent over the 5 year period.

On a year a year basis, in public sector banks the number of offices had increased by 6 percent and employment had increased by 1.8 percent the existing employees there asked to do more work in the bank. There is also an equal probability that a part of the business a public sector banks are managed by the vendors.

On a year a year basis, the number of offices in private sector banks had increased by 14.4 percent and the number of employees had increased by 7.8 percent. The gap between the employment and number of offices is caused by the private sector banks going on in core banking, greater automation in the banks and higher work load.

BUSINESS AND PROFIT PER EMPLOYEE

The public sector banks had done business of Rs 73.44 million in 2008-09 and this had increased to Rs 127.47 million in 2012-13 that means by business per employee depends on the cost of employment (wages) and the revenue (interest rate, total business, NPA.....). The profit per employee was 0.47 in 2008-09 and had increased to 0.63 in 2012-13 it works out to 74 percent.

On a year basis, the annual increase in business for public sector banks is 14.6 percent while the profit per employee is increased by 14.8 percent. The business per employee and profit per employee have been increasing at the same rate.

The private sector banks have done business per employee for Rs 67.76 million in 2008-09. It has increased to Rs 94.06 million in 2012-13. The business per employee has increased by 38 percent. The profit per employee increased from Rs 0.56 million in 2008-09 to Rs 1.07 million in 2012-13. There is an increase of 91 percent.

On a year basis, private sector banks' business per employee is increased by 7.6 percent while the profit per employee had increased by 18.2 percent. That means the private sector banks have exploited more and the banks get more profit.

CAPITAL AND RESERVES SURPLUS

Retained earnings are the percentage of business profits not distributed to shareholders, to corporate investors or to vendors as part of continuing financial obligations. A successful business with a long history of operation can have a large amount of retained earnings, whereas a company with poor profits may have little funds stored in reserves.

1. Public Sector Banks

Deposits in 2008-09 had increased from Rs 31127471 million rupees to Rs 57456972 million rupees in 2012-13. On a year on year basis, increase in deposits is 18.45 percent. Over the past 5 years and the average year on year is 3.69 percent. Capital reserve and surplus had increased in 2008-09 from Rs 2083419 million to Rs 4086022 million in 2012-13. Over the past 5 years capital reserve and surplus has increased by 96 percent and on year basis, increased by 19.2 percent. The deposit to CRS in 2008-09 was 6 percent and in 2012-13 it is 7 percent. Over the 5 year term there is no noticeable change.

2. Private Sector Banks

Deposits in 2008-09 had increased from Rs 7363776 million rupees to Rs 13958355 million rupees in 2012-13. On a year on year basis, increase in deposits is 52 percent. Over the past 5 years and the average year on year is 10 percent. Capital reserve and surplus had increased from Rs 996686 million in 2008-09 to Rs 1929461 million in 2012-13. Over the past 5 years capital reserve and surplus has increased by 51 percent and on a year on year basis, increased by 10 percent. The deposit to CRS in 2008-09 was 13 percent and in 2012-13 it is the same.

ADVANCES

1. Public Sector Banks

The public sector bank had given an advance loan of Rs 22592117 million in 2008-09 against the deposit of Rs 31127471 million. That advance constituted 72 percent of the total deposits. In 2012-13 deposit constituted Rs 57456972 million and advances account for Rs 44727740 million. The advances accounted are 77 percent of the total deposits.

2. Private Sector Banks

The private sector bank had given an advance loan of Rs 5753276 million in 2008-09 against the deposit of Rs 7363776 million. That advance constituted 78 percent of the total deposits. In 2012-13 deposit constituted Rs 13958355 million and advances accounted for Rs 11432486 million. The advances accounted 81 percent of the total deposits.

COMPARISON OF WAGES

In public sector banks in 2008-09 13.88 percent of the total expenses were given as wage. In 2012-13 the total wage bill constituted 13.09 percent of total expenses. In private sector banks in 2008-09 of the total expenses, 10.83 percent constituted wage expenses. In 2012-13, 11.61 percent was given as wage. By comparison the wage bill as percentage of total expenses is lower for private sector banks for compared to the public sector banks.

NON PERFORMING ASSETS (NPA)

Public sector banks have higher ratio of non-performing assets. The net NPA ratio which was 0.94 in 2008-09 had increased to 2.02 in 2012-13 (by 2.14 times). On the other hand the private sector banks had the net NPA ratio of 1.29 in 2008-09 and has decreased to 0.52 in 2012-13 (decreased by 2.48 times)

CONCLUSION

The number of private sector bank offices has increased much faster than the number of public sector banks. Employment in public sector banks has increased by 1.8 percent annually while private sector banks it has increased by 7.8 percent. In private sector banks profit per employee is much higher than the public sector banks. The private sector banks provide more easy credit than the public sector banks. But the non performing assets are much lower in private sector banks than public sector banks. In short, the period of analysis of private sector banks are functioning more efficiently than the public sector banks.

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