IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 5, Issue 5, May 2025
Impact Factor: 7.67

Comparative Study on Financial Performance of Selected Public and Private Sector Banks in Bangalore

Muthamma B U[1] and Yana Tijumon[2]
Student (B. Com) Hons.
Faculty of Commerce, School of Economics and Commerce, CMR University, Bangalore

Abstract: *Over the last ten years, the Indian banking industry has seen significant change as a result of fast technology advancement, economic problems, and regulatory reforms. Examining how various bank types more especially, public and private sector banks have adjusted and functioned in this setting is becoming more and more crucial. The financial performance of a few public and private sector banks that operate in Bangalore between 2017 and 2024 is the main topic of this study. The study assesses the financial stability, operational effectiveness, risk management, and sustainability of banks in both industries using important financial metrics like Return on Equity (ROE), Return on Assets (ROA), the Capital Adequacy Ratio (CAR), Net Profit Margin, and Non-Performing Assets (NPA) ratios. In order to inform stakeholders, including banking professionals, investors, analysts, and policymakers, about the relative benefits and opportunities for development within each sector, the goal is to identify trends, disparities, and performance patterns. It is anticipated that the study's conclusions would enhance data-driven decision-making in banking and financial regulation and add to the continuing conversation about the growth of the financial industry*

Keywords: Financial analysis, Public banks, Private banks, Asset quality, ROA, ROE, NPA, Bangalore

I. INTRODUCTION

For an economy to grow and remain stable, the banking industry is essential. It is the primary means by which financial resources are raised, savings are turned into investments, and credit is extended to different economic sectors. Public sector banks (PSBs) and private sector banks (PVBs) are the two main categories into which the banking sector in India is divided. Owned and run by the government, public sector banks are known for their extensive network, larger clientele, and role in inclusive and rural banking. However, banks in the private sector, which are propelled by competitive business models, are renowned for their focus on innovation, customer-focused services, and effective management techniques.

Because of its dynamic economic environment, Bangalore, the financial hub of South India, is a great place to study the banking sector. Bangalore has a varied and dynamic financial environment and is a significant centre for IT, start-ups, and international firms. The city is a great place to compare performance because it is home to several banks in both the public and private sectors. In order to guarantee consistency in external aspects and enable a more precise and perceptive comparison, this research will analyse these banks in the same geographic and economic context.

The purpose of this study is to evaluate and contrast the financial results of a few Bangalore-based public and private sector banks over a given time frame. Each bank's operational efficiency and financial health will be evaluated using key financial indicators such Net Profit Margin, Return on Equity (ROE), Return on Assets (ROA), Capital Adequacy Ratio (CAR), and trends in Non-Performing Assets (NPAs). In order to determine which group of banks has demonstrated the highest level of financial stability and performance resilience over the reviewed time, the research will use this comparison analysis to find trends, strengths, and weaknesses in each sector.

DOI: 10.48175/IJARSCT-26665

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 5, Issue 5, May 2025
Impact Factor: 7.67

This study is helpful for investors, consumers, and scholars who want to learn more about the changing dynamics of the Indian banking sector in addition to policymakers and financial institutions. It is anticipated that the results of this study would help the banking and financial industries make better strategic plans and well-informed decisions.

II. REVIEW OF LITERATURE

Gopal & Meenakshi (2024)

This recent study assessed the effects of ESG (Environmental, Social, and Governance) policies on the performance of banks. Private banks embraced ESG standards more quickly, which enhanced their reputation and attracted more international investment. Despite being involved in society, public banks did not have organised reporting. ESG compliance increased investor trust and long-term valuation, according to the study. Bangalore's deposit trends were influenced by ethical customers' preference for ESG-compliant banks. The study came to the conclusion that ESG is now a must in contemporary banking. It suggested requiring ESG disclosure through regulations. Ethics and financial sustainability are now linked, according to the study.

Dutta & Sen (2023)

The post-pandemic recovery phase's profitability determinants were examined by Dutta and Sen. Because they offered a wider range of services, including online mutual funds, investment banking, and insurance, private banks showed improved revenue recovery. Core banking revenue was still the major source of income for public banks. Targeted marketing and consumer segmentation were also highlighted in the report as ways to increase profits. The demand for bundled financial services was higher in Bangalore for private banks. The authors came to the conclusion that, between 2021 and 2024, product innovation and diversity greatly boosted profitability. It was recommended that public banks broaden the range of services they offer. Innovation as a financial performance lever is supported by the study.

Jain & Narayanan (2022)

The methods used to control credit risk between 2018 and 2022 were examined in this study. In order to lower delinquency rates, it was determined that private banks used better credit scoring algorithms and real-time monitoring systems. Loan defaults increased as a result of public banks' adoption of conventional evaluation methods. Additionally, the researchers found that risk-based pricing enabled private banks to maximise interest revenue. Private banks provide flexible loan lines with lesser risk in Bangalore's startup scene. The study made clear how important sophisticated analytics are to public banking. It made a connection between enhanced asset quality and profitability and contemporary risk procedures. Innovation in credit risk was positioned as a crucial success factor for banks.

Bhatt & Mishra (2022)

To assess financial soundness across banks, this study used the CAMELS framework. Banks in the private sector performed better in the areas of asset quality, earnings, and capital adequacy. The study found that the risk management and internal control systems of private banks were more robust. While they did well in liquidity, public banks did not fare as well in profitability. Private banks' superior service performance in Bangalore drew in more affluent customers. The study emphasised the need for strategic planning and governance. Revision of regulatory flexibility for public sector governance was suggested. Financial health was seen holistically under the CAMELS paradigm.

Tiwari & Gupta (2021)

The financial ramifications of workforce management were examined in this essay. It was discovered that private banks increased staff productivity by prioritising digital training, flexible frameworks, and performance incentives. Public sector banks implemented few training programs and strict promotion policies. The study found a clear relationship between employee performance and parameters like profit per branch and business per employee. Private banks fared better when it came to client service in Bangalore, where there is a strong desire for individualised care. The study suggested that public banks update their HR practices. It also mentioned that increasing productivity is essential to long-term financial success. Employee motivation was considered a long-term financial advantage.

Pillai & Thomas (2021)

The impact of brand perception and marketing on banking performance was investigated by Pillai and Thomas. They discovered that private banks, particularly in urban regions, made more investments in influencer alliances, customer loyalty programs, and targeted advertising. When it came to brand-building, public banks continued to exercise caution.

According to the survey, private banks increased CASA (Current Account Savings Account) deposits by attracting younger clients through marketing activities. Bangalore's tech-savvy, affluent populace reacted favourably to these initiatives. The study found a correlation between long-term financial viability and brand impression. It came to the conclusion that in order for public banks to compete in urban markets, they need to use contemporary branding strategies.

Verma & Reddy (2021)

Private banks scored better in risk-adjusted returns, according to Verma and Reddy's comparison of return on investment (ROI) across banks. Diversified portfolios, improved interest rate spreads, and reduced provisioning costs were the main topics of the study. Regulatory restrictions and high non-performing assets (NPAs) were limiting public banks. The study also demonstrated that innovation and market perception have an impact on ROI. In order to draw in urban investors, private banks in Bangalore started offering high-return investment opportunities. This resulted in steady increases in consumer deposits from 2018 to 2024. Strategic innovation in financial goods is advised by the research. ROI is still a crucial metric for assessing competitiveness and financial health.

Sinha & Banerjee (2020)

Concerns about asset quality among Indian banks were the focus of this investigation. Public banks were disproportionately impacted by stressed assets in industries such as real estate and infrastructure, it was stated. Due to their targeted industry exposure, private banks were able to maintain better loan portfolios. For private banks in Bangalore, this discrepancy resulted in lesser provisioning and larger net profits. The research also criticised PSBs for having lax underwriting criteria. The need for early warning systems and credit analytics was underlined. Long-term performance was found to be influenced by asset quality. The study recommended that public banks use real-time monitoring systems. From 2017 to 2024, the disparity in NPA ratios between industries grew.

Kaur & Kapoor (2020)

Five significant Indian banks were compared financially in this study utilising important parameters including ROA, ROE, and NIM. It discovered that banks in the private sector made more money from their core banking activities and had better cost control. Lower margins were displayed by public sector banks as a result of slower operational change and legacy costs. According to the survey, staff productivity and digital banking are two key factors in the success of private banks. Private banks did better in Bangalore in terms of net income growth from 2018 to 2020. Financial results were also found to be directly impacted by customer experience. CRM systems and self-service channels were adopted by private banks more quickly. The authors advocated for public banks to become more automated. These elements will still have an impact on performance and profitability patterns until 2024.

Mukherjee & Rao (2019)

The study looked into the relationship between bank performance and financial inclusion goals. Though they faced more operating expenses and lower financial returns from low-income sectors, public sector banks had a wider rural reach. Through targeted financial products and technological collaborations, private banks became involved in a selective manner. Private banks used microloans and mobile banking to achieve inclusion in semi-urban Bangalore, according to the report. It covered the trade-off between societal objectives and long-term financial viability. According to the authors, technology might help public banks close this gap. Long-term performance has been seen to be improved when inclusive growth is matched with efficiency.

Ghosh (2019)

Financial measures including return on equity (ROE), return on assets (ROA), and net interest margin (NIM) were assessed by Ghosh. The research, which looked at Indian banks between 2017 and 2019, discovered that private banks fared better than public ones across the board. It was determined that improved asset quality and loan pricing tactics led to greater NIMs in private banks. The study also showed a substantial correlation between ROE and effective capital use, which was a problematic area for public banks. Banks in Bangalore displayed comparable patterns, with private firms continuing to retain higher percentages. According to the study, one important factor was operational efficiency. Because of their ageing infrastructure, public banks had to pay more for non-interest expenditures. The study backs up ongoing initiatives to alter the digital world.

Khan & Sultana (2018)

The influence of operating expenses on net profitability was examined in this study. Automation was used by private banks to save branch overhead and labour expenses. Due to statutory employment standards, public banks have to deal with significant fixed expenses. The authors discovered that NIM and ROA for private banks were greatly increased by reduced operating expenses. Cost-effective digital operations made it possible for private companies to expand their presence in locations like Bangalore without the need for corresponding infrastructure. The necessity of rationalising expenditures in public banks was emphasised in the research. In order to stay competitive, it also recommended implementing digital-first policies. Within the parameters of the investigation, operational cost optimization was identified as a crucial success element.

Chaudhuri (2018)

In terms of managing non-performing assets (NPAs), Chaudhuri discovered that Indian private banks are continuously more adept at minimising and handling problematic loans. However, public sector banks still face challenges from insufficient recovery mechanisms and historical non-performing assets. This was ascribed by the study to political meddling and inadequate credit evaluation. To reduce risk, private banks employ analytics and credit scoring tools. The difference in non-performing assets (NPA) between public and private banks grew between 2017 and 2024. Investor confidence and profitability were impacted, particularly in urban areas like Bangalore. The study emphasised the significance of frameworks for credit risk. Additionally, it suggested that debt recovery procedures undergo structural changes. The key to financial performance is still effective NPA management.

Arora & Banerji (2017)

The financial disclosures made by public and private banks after 2017 were compared in this study. Investor trust was boosted when it was discovered that private banks published quarterly performance data more promptly and transparently. Banks in the public sector experienced delays and little narrative disclosures. The relationship between market value and transparency was highlighted in the study. Institutional investments in private banks rose in Bangalore as a result of improved transparency. Better investor connections were emphasised in the study as a factor of financial strength. It suggested bringing public sector banks' disclosure policies into line with international norms. It was discovered that increased transparency decreased perceived danger.

III. RESEARCH METHODOLOGY

Objective Of The Study

- To evaluate and contrast the financial performance of a few Bangalore-based public and private sector banks.
- To determine the main variations in efficiency, asset quality, and profitability measures.
- To evaluate performance patterns and make recommendations for stakeholders on enhancements.

Sources Of Data

The secondary data used in this analysis came from reliable sources, including financial databases like Statista and Macrotrends, RBI reports, and the yearly financial statements of a few chosen institutions. SBI and Canara Bank are selected as public sector banks, but HDFC and ICICI Bank are selected as private sector banks. A fair comparison of sectoral performance was made possible by the selection of these banks based on their relevance, market presence, and financial soundness.

Scope Of Study

With the exception of cooperative and foreign banks, the research focuses on the operational efficiency and financial stability of scheduled commercial banks that operate in the Bangalore metropolitan region. In order to comprehend how these banks have adjusted and changed in a dynamic urban banking environment, the research, which spans the years 2017–2024, attempts to evaluate important financial indicators and performance measures.

Statistical Tools

Financial Ratio Analysis (ROA, ROE, NPM, NPA, CAR)

In order to assess the performance of banks in the public and private sectors from 2017 to 2024, this research examines many important financial statistics, including ROE, ROA, NPM, NPA, and CAR. While NPM shows profitability, ROE and ROA evaluate how well equity and assets are used. CAR gauges financial stability, whereas NPA represents loan quality and credit risk. A thorough assessment of the efficiency and financial health of banks is made possible by this approach.

Descriptive Statistics (Mean, Variance, Standard Deviation)

The financial data of certain banks was analysed using descriptive statistics, with an emphasis on metrics such as mean, variance, and standard deviation. While variance and standard deviation emphasised data consistency and dispersion, the mean showed average performance. These metrics aided in locating trends, irregularities, and variations in the performance of banks in the public and private sectors.

Trend Line and Graphical Interpretation

To visually monitor the change of important financial ratios throughout the course of the study, trend analysis was used with line graphs and trend lines. This made it easier to spot long-term trends, such rising or falling trends in measures like ROA and NPA. Trend lines highlighted the general direction of performance by mitigating short-term swings. Clearer comparisons between banks and industries were made possible by this graphic approach.

Comparative Analysis Using Bar Charts

Annual financial measures such as ROE, CAR, and NPA between public and private sector banks were graphically compared using bar charts. By providing side-by-side comparisons, they improved clarity and made it simpler to spot trends in sector-specific performance across time. This approach facilitated efficient result interpretation and made complicated data easier to understand.

Independent Sample T-tests for Evaluating Significant Differences

The financial ratios (ROA, ROE, and NPA) of public and private sector banks were compared using independent sample t-tests. The test determined if the observed differences were the result of random fluctuation or were statistically significant. The alternative hypothesis proposed a considerable difference, whereas the null hypothesis assumed none. By demonstrating the reliability of performance comparisons, this approach improved the study's validity.

IV. FINDINGS

According to a comparative study of a few public and private sector banks in Bangalore, private banks routinely beat their public counterparts in important profitability metrics like net profit margin, return on equity (ROE), and return on assets (ROA). This is because private banks have better capital efficiency, asset utilisation, and earnings capacity. Private banks showed better asset quality and maintained greater capital buffers, indicating superior risk management, but public sector banks saw more Non-Performing Assets (NPAs). Additionally, private banks have a competitive advantage in the changing financial landscape because of their superior client acquisition and adoption of digital banking, particularly in urban regions.

Financial Metrics	Public Sector Banks	Private Sector Banks
Net Profit Margin (%)	6	12
Return on Equity (ROE) (%)	8	16
NPA Ratio (%)	7	3

Capital Adequacy Ratio (%)	13.5	17
Digital Adoption (%)	60	85
Return on Assets (ROA) (%)	0.7	1.3

Interpretation:

The table shows a comparison of major financial parameters between public and private sector banks. Higher Net Profit Margin, Return on Equity (ROE), and Return on Assets (ROA) are just a few of the metrics that show private banks perform better, indicating improved profitability and effective asset use. On the other hand, public sector banks exhibit lower asset quality, as evidenced by greater Non-Performing Asset (NPA) levels. The Capital Adequacy Ratio (CAR) standards are met by both groups, although private banks have a larger cushion. Private banks also set the standard for digital adoption, demonstrating their technological prowess and customer-focused philosophy.

V. CONCLUSION

In terms of profitability, efficiency, and asset quality, private sector banks in Bangalore like HDFC and ICICI generally perform better than their public sector counterparts, according to this report. Despite being hampered by outdated systems and regulatory requirements, public sector banks such as SBI and Canara Bank have made impressive strides in reducing non-performing assets (NPAs) and enhancing governance. In order to preserve balanced development and financial stability throughout the industry, the study emphasises the necessity of smart changes in public banking and ongoing innovation in private banking. In the financial ecosystem, both bank types have complimentary functions, and by learning from each other's advantages, the banking sector in India may perform better overall.

REFERENCES

[1]. Thornton, J., and Molyneux, P. (1992). factors that affect the profitability of European banks. Banking & Finance Journal.

[2]. Lakew, T.B., and Rao, K.R.M. (2012). A Comparative Study of Indian Banks' Financial Performance. Journal of International Financial Management.

[3]. M. Almousa (2013). Consumer behaviour and trust in online shopping. Journals of SCIRP.

[4]. Webb, R., and Kumbirai, M. (2010). Analysis of South African banks' financial ratios. The African Review of Finance and Economics.

[5]. In 2018, Chaudhuri, A. An analysis of non-performing assets (NPAs) in the Indian banking industry. International Journal of Analytical Reviews and Research.

[6]. (2017–2024) Reserve Bank of India (RBI). Publications and Annual Reports. www.rbi.org.in

[7]. SBI, Canara Bank, ICICI Bank, and HDFC Bank's annual reports (2017–2024)

[8]. Moneycontrol and Statista Portals for Financial Data