A Comparative Study on Public & Private Sector Banks : A Special Reference to Financial Performance , Non-Performing Assets and Employee Morale

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Abstract-**This paper explains 20 review papers for comparative study of NPAs, financial performance and employee morale of public & private sector banks. Comparative study of public & private sector banks have done through camel model, t test, chi-square test and correlation**

methodology. The NPA of the private sector banks is lower than that of public sector banks. It was found that private sector banks make more profit as compared to the public sector banks as NPAs of public sector banks are having less CAR. Public & private sector banks reflect the financial performance of NPA. The problem of NPA is not only affecting the banks but gradually affecting the entire economy. 10 reasons for rising NPAs in public sector banks have been explored. The impact of employee morale has been found through questionnaires after merger in public sector banks. Our study aims to reduce the rising NPAs of public sector banks and improve financial performance.

Key words: Bank, Public Sector Bank, Private Sector Banks, SBI, Financial Position, NPA

I. INTRODUCTION

A strong banking sector has been always important factor for economy to flourish. Banking system is an important system. The Indian banking sector has played a commendable role by increasing the economy and sustained growth in the economy. There are two types of banks in India's banking system includes commercial banks and cooperative banks. Public sector banks have fared very well in private sector banks in relation to financial functions. Public sector banks show good results in their financial performance. The only problem at present is public sector banks, increasing level of non performing assets. This NPA is increasing day by day. The Banks in India are divided into two sectors. 1. Private sector banks, 2. Public sector banks. Both types of banks provide advances to customers as per RBI regulations.

Definition of Bank - A bank is a financial institution that accepts the deposits of the public and provides loans. The bank deposits pubic deposits in debt through the capital market. Financial services are provided by the bank. All banks are regulated by the RBI. The bank provides an important role for an economy. Different types of accounts are opened by the bank and can be transacted in many ways. The bank is an important part of the public.

RBI (RESERVE BANK OF INDIA)

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1. ***Schedule Bank*** **:** Scheduled banks are those banks which have been included in the second schedule as per the Reserve Bank Act 1934.They are called scheduled banks. The RBI has included those banks in the second schedule that meet the prescribe rules of section 42(6)(a) of the act.

2. ***Non-schedule bank:*** Non-scheduled banks are those banks which are not included in the second schedule to the RBI Act 1934. They are called Non-scheduled banks. Those whose capital is less than 500000 rupees are non-scheduled banks.

Schedule Bank

Commercial Bank ***Co-operative Bank***

1. Public Sector Bank ***1. State Co-operative***

2. Private Sector Bank ***2. District Co-operative***

3. Foreign Bank ***3. Other Co-operative***

4. Regional Rural Bank

Public Sector Bank **:**.Public sector banks are those banks where the majority of the stake is held by the government. 51% of the shares are listed on the stock exchange. Share holders of private sector banks hold a majority. As per the banking companies act, 14 banks were nationalized in July 1969 and 6 banks were nationalized in 1980.These are called public sector banks. Public sector banks are divided into two categories. Nationalized banks provide public control and control of their functioning to public sector banks. This work is done in nationalized banks. ***Private Sector Bank*** **:** Private sector banks are those banks where the majority of the equity is held by private share holder, the government does not have it. Since the liberalization of 1990, old and new private sector banks have evolved in government banking policy. According to the Reserve Bank of India Act and the banking regulation Act, the minimum paid up capital will be Rs. 100 crore with promoters contribution 25% or 20% in case of paid up capital is more than Rs. 100 crore. The private sector bank will be licensed from the existing policy for opening branches. Then the private sector banks are completely free to open a satisfactory branch without the prior permission of RBI. These are called private sector banks.

State Bank of India: Banking in India started in the 18th century.The first bank of India was the Bank of Hindustan which was established in 1770. State Bank of India is the largest and oldest bank. It originated as Kolkata in June 1806 and was renamed Bank of Bengal in 1809. The three banks were merged in 1921, renamed Imperial Bank of India, which was renamed as State Bank of India in 1955 on the independence of India. The organization that protects customer’s money is the deciding organization. Money can be borrowed from banks. Can be kept safe and exchange can be done. It helps in the creation of capital. The Indian banking system was sometimes considered stronger than the US. Although the financial sector is currently facing many challenges, finance Minister NIRMALA SITHARAMAN or has announced the inclusion of 10 Public Sector Banks in to four big banks. The total number of Banks in the Public Sector has been reduced from 27 to 12. State

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Bank of India was subsequently merged with the associate Banks State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Patiala and State Bank of Hyderabad on 1 April 2017. Bank merger is the major strategy among the various strategies devised by State Bank of India. It includes several financial powers of the Bank and is related to the financial performance of previous and subsequently mergers. Such as gross income, net profit, return on operating profit capital and debt ratio. Mergers and acquisitions not only strengthen the firm's balance sheets. Rather they also unify the human resources of various Banks in to one unit. The purpose of the merger was better rationalization of Public bank resources, lower cost of funds, improved interest rate productivity for the Public, improved customer service cost reduction. Indian banks Initiated and recommended mergers and acquisitions in these areas by the committee at Narasimha. SBI was running in deficit soon after the merger. Controlling your NPAs has been a difficult task. Lack of liquidity has worsened the situation.

Meaning of Financial Performance **:** Financial performance is a performance in which the firm is used by generating assets and revenue from its primary business, this is called financial performance. Financial statement analysis studies the relationship between various financial factors in business. The term financial performance is also used as a measure of a firm's financial health over a given period of time. This financial performance is used to compare similar firms across industries and sectors. There are many ways to measure financial performance is also known as annual report. Financial performance reflects true reports.The purpose of a correct report is to know the reliability.

Meaning of Non-performing Assets**:**Non performing assets are a bad debt. It is the property of the bank in which the principal and interest of the loan takes the amount. Each bank provide advances to its customers, private and public. Non performing assets is an asset and loan in which the principal and interest amount does not accumulate till more than 90 days. The Reserve Bank of India has expressed non performing assets as loans on which the installment of the principal amount remains overdue for more than 90 days. They are called Non-performing assets. Further, the RBI has issued the guidelines in the master circular on income recognition,asset classification and other related matters to reduce the NPA. All banks should follow these guidelines. According to, it an account can be declared as a non- performing a set under the following.

1. An account stops to generating principal amount and interest for the bank.

2. Bank overdraft or cash credit remains overdue continuously for 90 days.

3. The bill purchased and/or discounted remains overdue for 90 days.

4. The securitization bill remains outstanding for 90 days.

5. The derivative transaction remains unpaid for 90 days.

6. For agricultural loans, the principal or interest amount remains overdue. (a). for cases of short term crop loans, (b). for one crop season in case of long duration crop loans.

In all the above situations, The Account of Borrower can be considered as Non-Performing Asset based on the asset classification.

Types of NPA

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Gross NPAs- Gross NPAs are NPAs that are classified as RBI guidelines. It is the sum total of all loan assets expressed as per the balance sheet. Gross NPAs refers to the quality of banks. This is called gross NPAs.It includes all Non-Standard assets, like doubtful and loss assets, sub standard assets.

Gross NPAs = Gross NPAs / Gross Advance

Net NPAs - Net NPAs the NPA in which the bank has cut the provision of NPA. There is a huge amount of NPA in the Bank's balance sheet in India as the loan recovery and writing process takes a lot of time. NPAs reflect the real burden of Banks. All Banks have to make provisions against NPA as per guidelines, which is very important. There is considerable difference between Gross NPA and Net NPA hence they are called as per RBI guidelines. They are called Net NPA.

Net NPAs = Gross NPAs Provision / Gross Advance - Provision x 100

Assets Classification of NPA

- *Standard Assets*
- *Sub-standard Assets*
- *Doubtful Assets*
- *Loss Assets*

Standard Assets - Standard assets are asset in which the bank receives the principal amount of loan regularly from customers along with interest. In this standard, it is very important that in this case the balance of interest and the principal amount of loan does not exceed 90 days at the end of the financial year. The standard assets fails for more than 90 days any amount over 90 days is considered NPA. They are called standard assets.

Sub -Standard Assets - A sub standard asset in any asset that remains NPA for a period of loss than or equal to 12 months**.** Some properties are stated by standard property: the current net worth of the borrowers/ guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full and the assets has weakened credit which endangered the debit liquidation. Due to this possibility some short comings of the bank will remain. If the deficiencies are not rectified.

Doubtful Assets - Doubtful assets include all weakness, which is expressed as sub standard. With the added characteristic that the weaknesses make collection or liquidation in full, It is currently highly questionable and impossible based on conditions and values. It would be classified as suspected to be in the sub standard category for months. They are called doubtful assets.

Loss assets- Loss assets is the asset that is considered unacceptable, and so infrequent that its continuation as a bankable asset is not warranted. There may also be some recovery values. These assets are recognized as loss assets by a bank auditor or RBI inspection,but this loss amount is not fully written off. They are called loss assets.

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Objectives ---

1. Comparison of financial Performance of New Private sector and Public Sector Banks.

2. Impact of various factors on employee morale Post merger with special ref. of SBI.

3. To Find out the causes of increased NPA .

Review of literature–

Received 20 papers related to the comparative study of NPA, financial performance and employee morale of Public and Private Sector Banks. [Balaji,ch.kumar,p. 2017] as per the compare financial performance of selected Public and Private Sector Banks in India has been evaluated through the CAMEL model methodology. It was observed that Private Sector Banks have earned make more assets than the Public Sector Banks. There is a significant difference in capital adequacy of New Private Sector and Public Sector banks. [Gaytri, arun. 2020] as per the impact of various factors on employee morality and merger in special context of SBI by using the T test,mean and correlation methodology. It was found that there is a strong association between work load in relationship autonomy and has built a growth relationship and respect with employment ethics at SBI Post merger. [Ganapathy, S.thangam. 2019] has stated the reason for the increasing of NPA in SBI has identified using Chi Square Test methodology. It was found that the top ten causes of NPA in SBI, Seven causes are associated with education monthly income of demographic variables. These are seven causes the borrowers unable to repay the loan. This is major cause NPA in SBI. [Yadav,M. 2019] as per After the merger, SBI analyzed the current situation with secondary data from various books, journals and web site etc….It was found that net profit and the questionable stability of the bank are very low.[Mariam,a. Thomas.2020] as per the SBI has been evaluating rising NPAs and pre and post financial performance. This evaluation is done by the CAMEL model methodology. It was concluded that capital adequacy has improved after the merger, But assets quality got declined due to rising NPAs.

Research Methodology

The present study consists the review of 20 research papers on NPA, financial performance and employee morale of public and private sector banks. Study focuses on empirical papers that were published during the period (2014-

2020).The research paper was based on the secondary data (news papers, journals and website etc. Different methodology was used in three objectives.camel model methodology was used in first objective. T test, mean and correlation methodology was used in second objective. And chi-square test methodology was used in third objective. From the above 3 objective has been proved in the following…….

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[1] According to my first objective comparison the financial performance of new Private Sector & Public sector banks. from the above research data has been collected as per Three private sector Banks- HDFC Banks, ICICI Bank, Karur Vysya Bank and three public sector Banks- SBI, BANK OF BARODA, PUNJAB NATIONAL bank have been taken as sample. Samples are chosen based on the decision and market capitalization of banks.This comparison has been made through the camel model. Camel model stands for capital adequacy, assets quality, management quality, earnings quality and liquidity. Data are collected from secondary sources. Now it was seen that private sector banks earn make more profit as compared to the public sector banks. Because public sector banks have higher NPA and having less CAR.

Data Analysis & Interpretation

Capital Adequacy Ratio of Selected Public & Private Banks.

Bank's Name	CAR [Average]
1. SBI	12.6
2.BOB	12.6
3. PNB	12.4
Public Sector Banks	**12.53**
1.HDFC Bank	16.342
2.ICICI Bank	18
3.Karur Vysya Bank	17.182
Private Sector Banks	**17.17**

It is seen from this table it was observed that the capital adequacy ratio of private sector banks are 17.17 and the capital adequacy ratio of public sector banks are 12.53. from this, it was observed that the public sector banks as compared to private sector banks CAR is less. It was also observed that in private sector banks, ICICI bank is having highest CAR with 18% followed by Karur Vysya bank with 17.18% and HDFC bank with 16.34%. Public sector banks are having less CAR in State Bank of India and Bank of Baroda with 12.6% of CAR. Punjab National Bank is having 12.4% of CAR. It was seen that private sector banks make earn more profit assets as compared to the public sector banks.

Net NPA of Selected Public & Private Sector

Bank's Name	NPA [Average]
1.State Bank of India	2.6

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2.Bank of Baroda	2.6
3.Punjab National Bank	4
Public Sector Banks	**3.066667**
1.HDFC Bank	0.248181
2.ICICI Bank	1.6
3.Karur Vysya Bank	1
Private Sector Banks	**0.94**

It was observed from this table that the NPA of private sector banks are 0.94 and that of public sector banks are NPA 3.066667. It was seen from this data the NPAs of private sector banks are lower than those of public sector banks. It was also observed that in private sector banks, HDFC bank was having less Net NPA/NA with 0.24% fallowed by Karur Vysya bank with 1% and ICICI bank with 1.6%. Public sector banks are having higher Net NPA/NA in state bank of India and Bank of Baroda with 2.6% of Net NPA/NA. Punjab National Bank is having 4% of Net NPA/ NA. It was analysis that private sector banks NPA having less but after the merger public sector banks NPA's increasing.

[2] According to my second objective the impact of various factors on employee morale post merger with a special reference of SBI. From the above research papers data has been collected from as per both primary and secondary data source. The primary data is gathered using questionnaire from 75 Assistant managers of SBI and convenience sampling technique is adopted in addition 10 voluntary retired employees were interviewed face to face. Secondary data was collected through existing literature in order to get deep insight of the study. The study was focused on five dimension such as workload, working relationship, autonomy and decision making, professional development and recognition, regard and respect have significant association with the employee morale at SBI post merger. In order to test the hypothesis statistical tools such as mean, one sample, T test and correlation was used. Analysis five dimension…..

[A] It was analysis that from the workload dimension such as that: Amount of work given is reasonable is supported having mean of 3.8267,Work shared fairly among colleagues having a mean of 3.8667, Are you able to manage your workload effectively having mean of 3.9600,Level of responsibility given to you is reasonable having mean of

3.9467 and Do you find your work efficient having mean of

4.3600. All the items have examine that positive and significant association with work load as the (p value .000) is less than 0.05. Therefore, it can be stated that null hypotheses is rejected and alternative hypotheses is accepted that is work load have an impact on Employee Morale after Merger in SBI.

[B] It was analysis that from Working Relationship dimension such as that: is Do you get well with your colleagues is most significant factor as it supported having a mean of 4.3200. The other factors includes: Do

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you feel part of a team having a mean of 4.2933, do you get well with your boss having mean of 4.1467, do you find easy access with your manager having mean of 4.0933 and do you find time to build relationship with customers having mean of 3.9200. All the items have examine that positive and significant association with working relationship as the (p value .000) is less than 0.05. Therefore, it can be stated that null hypotheses is rejected and alternative hypotheses is accepted that is working relationship have an impact on Employee Morale after Merger in SBI.

[C] It was analysis that from Autonomy and Decision making dimension as: Are you involved in decision making process having mean of 3.6533, followed by do you have opportunity to take leadership role having mean of 3.5467, are you allowed to take initiative having mean of 3.7867, Are you given considerable freedom to do your work having mean of 3.9867, Are you allowed to plan your work having a mean of 4.0267. All the items have examine that positive and significant association with Autonomy and Decision making as the (p value .000) is less than 0.05. Therefore, it can be stated that null hypotheses is rejected and alternative hypotheses is accepted that is Autonomy and Decision making have an impact on Employee Morale after Merger in SBI.

[D] It was analysis that from Professional Development dimensions such as: Are you encouraged enhancing your skills and knowledge is most significant as it is supported having a mean of 4.1867. The other significant factors includes: do you receive enough training having mean of 3.7733, Are you encouraged to try new ideas having mean of 3.8800, did you adjust with new changes having mean of 3.8267, and do you get sense of accomplishment having mean of 3.7333. All items have examine that positive and significant association with Professional Development as the (p value .000) is less than 0.05. Therefore, it can be stated that null hypothesis is rejected and alternative hypothesis is accepted that is Professional Development have an impact on Employee Morale after Merger in SBI.

[E] It was analysis that from Recognition, regard and respect dimension as: Do you feel respected at workplace is most significant factor among Recognition, Regard and Respect parameters as it is supported having a mean of 4.2000. The other significant factors includes: are you recognized for your work having mean of 4.0933, Is your chances of promotion high having mean of 4.1200, are your opinions paid attention having mean of 3.7467 and do you think non monetary rewards increase employee morale having mean of 3.7200. all items have examine that positive and significant association with Recognition, Regard and Respect as the (p value .000) is less than 0.05. Therefore, it can be stated that null hypotheses is rejected and alternative hypotheses is accepted that is recognition, Regard and Respect have an impact on Employee Morale after Merger in SBI.

[3] According to my third objective to analysis the perception of non performing assets to the defaulting borrowers a special reference to SBI in public sector banks.From the above research papers data has been collected as per through questionnaires from the defaulting borrowers. It has been applied the chi-square test methodology. The chi-square test, the monthly income and purpose of loan of defaulting borrowers. As per the analysis among top ten causes, seven causes are associated with educational qualification and monthly income of the demographic variables. There are seven causes the borrowers unable to repay the loan. This is the major cause of NPA's in SBI. The following top ten causes…

Education qualification and perception on non performing assets ; (Top Ten Causes)

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S.no	causes	Chi-square value	D.f	Sig.	result
1.	Cost overrun	21.273	16	0.0168	accepted
2.	Repaying the leaders	90.030	16	0.000	rejected
3.	Time overrun	21.101	16	0.175	accepted
4.	Unexposed to marketing and products	50.245	16	0.000	rejected
5.	Misappropriation of funds	27.442	16	0.037	rejected
6.	Unemployment of the borrower	55.742	16	0.000	rejected
7.	Managerial deficiencies	34.852	16	0.004	accepted
8.	Investing in high risk assets	27.716	16	0.034	rejected
9.	Business failure/ market failure	58.986	16	0.000	rejected
10.	High rate of interest	48.454	16	0.000	rejected

Conclusion -

The present study reviewed 20 research papers published in various journals during the period 2014-2020 collected from various web sites and online databases. Private sector banks make earn more profit assets as compared to the public sector banks. The bank's capital adequacy has improved after the merger in public sector banks, the, But the assets quality got declined. The NPAs of Private Sector Banks have been found to be lower than those of public sector banks as credit rating of private sector bank is strong. The Financial performance has not improved after the merger in public sector banks. If a loan is provided by banks, no absolute restriction or rules are enforced to get it withdrawn by the person. The bank offers educational loan. People are unable to repay the loan, leading to increasing NPAs. In this paper I want to reduce the rising NPAs of public sector banks and improve financial performance. Now I can precise my research to explore this problem and make improvements.

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