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A comparative study of selected public, private and foreign banks in India

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Abstract
The banking sector is considered to be an important source of financing for most businesses. They play a very important role in the effort to attain stable prices, high level of employment and sound economic growth. They make funds available to meet the needs of individuals, businesses and the government. Banking system occupies an important place in a nation's economy and is indispensable in a modern society. The overwhelming role of finance in the economic development of a country is well recognized and forms the core of the money market in economy. In this backdrop an attempt has been undertaken in this paper to examine the comparative performance of selected public, private and foreign banks in India during the period 2003-04 to 2013-14 under the different parameters. For this purpose nine leading Indian banks from each of the public, private and foreign banks have been taken into consideration. The findings of this paper revealed that in terms of different ratio selected for measuring the bank's performance foreign banks are performing better as compare to public and private banks.

Keywords: Banking Sector, Finance, Economic Growth, Comparative Performance, Public Sector Banks, Private Sector Banks, Foreign Banks.

1. Introduction

There is no unanimity among the economists about the origin of the word 'Bank'. According to some authors, the word 'bank' is derived from the French word 'bancus' or 'banque' which means a 'bench'. Banking is as old as is the authentic history and origins of modern commercial banking are traceable in ancient time. The New Testament mentions about the activities of the money changers in the temples of Jerusalem. In ancient Greece, around 2000 B.C., the famous temples of Ephesus, Delphi and Olympia were used as depositories of surplus funds of citizens and these temples were the centers of money-lending transactions. The priests of these great temples acted as financial agents until public confidence was destroyed by the spread of disbelief in the religion. Traces of credit by compensation and by transfer orders are found in Assyria, Phoenicia and Egypt before the system attained full development in Greece and Rome. In India, the Banking Regulation Act, 1949 defines bank as a banking company and a banking company is a company which transact the business of banking in India [Section 5(c)]. Section 5(b) defines banking as accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, and order or otherwise.

Banking Sector reforms were initiated to upgrade the operating standard health and financial soundness of the banks. The Government of India setup the Narasimham Committee in 1991, to examine all aspects relating to structure, organization and functioning of the Indian banking system the recommendations of the committee aimed at creating at competitive and efficient banking system. Another committee (Khan Committee), was instituted by RBI in December, 1997 to examine the harmonization of the role and operations of development financial institutions and banks. It submitted its report in 1998. The major recommendations were a gradual more towards universal banking, exploring the possibility of gain full merger as between banks, banks and financial institutions. Then the Verma Committee was established (1998) this committee recommended the need for greater use of IT even in the weak public sector banks, restructuring of weak banks but not merging them with strong banks, VRS for at least 25% of the staff. The Banking Sector reforms aimed at improving the policy frame work, financial health and institutional infrastructure, there two phase of the banking reforms.

Narasimham Committee provided the blue print for the initial reforms in banking sector following the balance of payment crisis in 1991**.**

Phase I: Narasimham Committee (1991)
Deregulation of the interest rate structure. - Progressive reduction in pre-emptive reserves. - Liberalization of the branch expansion policy. - Introduction of prudential norms. - Decline the emphasis laid on directed credit and phasing out the confessional rate of interest to priority sector. - Deregulation of the entry norms for private sector banks and foreign banks. - Permitting public and private sector banks to access the capital market. - Setting up to asset reconstruction fund. - Constituting the special debt recovery tribunals. - Freedom to appoint chief executive and officers of the banks. - Changes in the institutions of the board. - Bringing NBFC, under the ambit of regulatory framework.

Phase II: Narasimham Commitee II (April 1998)

i. **Capital Adequacy:** Minimum capital to risk asset ratio be increased from the existing 8 percent to 10 percent by 2002. - 100 percent of fixed income portfolio marked to market by 2001. - 5 percent market risk weight for fixed income securities and open foreign exchange position limits. - Commercial risk weight (100%) to government guaranteed.
ii. **Asset Quality:** Banks should aim to reduce gross NPAs to 3% and net NPA to zero percent by 2002. - Directed credit obligations to be decline from 40 percent to 10 percent. - Government guaranteed irregular accounts to be classified as NPAs and provide for. - 90 day overdue norms to be applied for cash based income recognition.
iii. **Systems and Methods:** Banks to start recruitment from market. - Overstaffing to be dealt with by redeployment and right sizing via VRS. - Public sector banks to be given flexibility in remuneration structure. - Introduce a new technology.
iv. **Industry Structure:** Only two categories of financial sector players to emerge. Banks and non Bank finance companies. - Mergers to be driven by market and business considerations. - Feeble banks should be converted into narrow banks. - Entry of new private sector banks and foreign banks to continue. - Banks to be given greater functional autonomy & minimum government Shareholding 33 percent for State Bank of India, 51 percent for other Public Sector Banks.
v. **Regulation and Supervision:** Board for financial regulation and supervision to be constituted with statutory Powers. - Greater emphasis on public disclosure as opposed to disclosure to regulators. - Banking regulation and supervision to be progressively linked from monetary policy.
vi. **Legal Amendments:** Broad range of legal reforms to facilitate recovery of problem loans. - Introduction of laws governing electronic fund transfer. - Many of the important recommendations of Narasimham Committee II have been accepted and are under implementation the second generation banking reforms concentrate on strengthening the foundation of the banking system by structure technological up graduation and human resource development.

One of the major objectives of banking sector reforms had been to enhance efficiency and productivity through competition. So this Committee recommended that RBI should permit the setting-up capital and other requirements as may be prescribed by the RBI and the maintenance of prudential norms with regard to accounting, provisioning and other aspects of operations. These guidelines are aimed at to ensure that new banks made themselves financially viable and technologically up-to-date from the start.
Indian banking system had been over-regulated and over administered. It was thus recommended that a strong system of supervision was essential for a sound banking system.
The supervision should be based on an alert mechanism for monitoring compliance with prudential regulations and directives of the Reserve Bank and other regulatory agencies. RBI set up a Board for Financial Supervision (BFS) in November 1994, as the apex supervisory authority with an Advisory Council under the chairmanship of the Governor to strengthen the supervisory and surveillance system of banks, financial institutions and non-banking financial companies. The CAMEL model is introduced which evaluated banks' Capital Adequacy, Asset Quality, Management, Earnings and Liquidity. This system covered the mandated aspects of solvency, liquidity and financial/operational health of banks. With the passage of time, financial sector supervision was expected to be based on risk-oriented. So, it was expected that the risk-based supervision (RBS) approach would be more efficient than the traditional approach. By adopting these powers of RBI, the operations and the operating environment of the banking sector would be regulated and supervised.

Types of Banks
In 1935, 'The State Bank of India Act, was passed, accordingly, 'The Imperial Bank of India' was nationalized and State Bank of India emerged with the objective of extension of banking facilities on a large scale, specifically rural and semi – urban area and for various of the public purposes. In 1969, fourteen major Indian Commercial Banks were nationalized and in 1980, six more were added on to constitute the public sector banks. Commercial Banks in India are classified in Scheduled Bank and Non Scheduled Banks. Scheduled Banks are including nationalized Bank, SBI and its subsidiaries, private sector banks and foreign banks. Non Scheduled Banks are those included in the second Scheduled of the RBI Act, 1934.

i. **Scheduled Banks:** The second scheduled of RBI act, create a list of banks which are described as "Scheduled Banks" In the terms of section 42 (6) of RBI act, 1934, the required amount is only Rs. 5 Lakh. The Scheduled Banks enjoy several privileges. It means that scheduled banks carries safety and prestige value compared to non scheduled banks. It is entailed to receive refinance facility as applicable.
ii. **Nationalized Banks:** The nationalized banks include 14 banks nationalized on 19th July, 1969 and the 6 more nationalized on 15th April, 1980. They are also scheduled banks, after this nationalization the governments try to implement various welfare schemes.
iii. **Non Scheduled Banks:** The commercial banks not included in the 2nd schedule of the RBI act are known as non scheduled banks. They are not entitled to facilities like refinance and rediscounting of bills etc, from RBI. They are engaged in lending money discounting and collection bills and various agency services. They insist higher security for loans.

iv. **Old Private Banks:** These banks all registered under Companies Act, 1956. Basic difference between Co-operative bank and Private Banks is its aim. Co-operative banks work for its member and private banks are work for own profit.
v. **New Private Banks:** These banks lead the market of Indian banking business in very short period because of its variety of services and approach to handle customer and also because of long working hours and speed of services. This is also registered under the Company Act 1956. Between old and new private banks there is wide difference.
vi. **Foreign Banks:** Foreign Banks mean multi-countries bank. In case of Indian foreign banks are such banks which open its branch office in India and their head office are outside of India. E.g. HSBC Bank, City Bank, Standard Chartered Bank etc.
vii. **Co-Operative Banks:** Co-operative Banks another component of the Indian bank with the enactment of the Co-operative Credit Societies were sated owing to the increasing demand of Co-operative Credit, a new Act of the 1994, which provide for the increasing demand of Co-operative Central banks by a union of primary credit societies or by a union of primary credit socialites and individuals.

Basel Committee
The Basel Committee is the primary global standard-setter for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability. The Committee reports to the Group of Governors and Heads of Supervision (GHOS). The Committee seeks the endorsement of GHOS for its major decisions and its work programmer. The Committee's Secretariat is located at the Bank for International Settlements in Basel, Switzerland, and is staffed mainly by professional supervisors on temporary settlement from member institutions. In addition to undertaking the secretarial work for the Committee and its many expert sub-committees, it stands ready to give advice to supervisory authorities in all countries. Mr William Coen is the Secretary General of the Basel Committee.

Methodology
The paper is the comparative performance of selected Public Sector Banks, Private Sector Bank and Foreign Banks using CAMEL technique. To evaluate efficiency of each group, fourteen (14) ratios have been observed for the period of 10 years. Each group is having the bunch of banks, an overall performance of each banking sector have been discussed in this paper. The purpose of this analysis is to know the performance of each group and to observe as to which one is the best group under CAMEL Analysis. (CAMEL evaluates five key components which are Capital adequacy, Asset quality, Management, Earning quality and Liquidity).

Objective of the study
The main objective of the study is to analysis the relative performance of public, private and foreign banks in India applying CAMEL method. (CAMEL evaluates five key components which are Capital adequacy, Asset quality, Management, Earning quality and Liquidity).

Hypothesis of the Study
In this paper an attempt has been made to test the following hypotheses:
1. The Comparative performance of Public Sector Banks is better than Private Sector Banks.
2. The Comparative performance of Foreign Sector Banks is better than Public Sector Banks.
3. The Comparative performance of Private Sector Banks is better than Public Sector Banks.
4. The Comparative performance of Foreign Sector Banks is better than Private and Public Sector Banks.

Sample of the Study
Nine banks comprises of three foreign, three private and three public banks on the basis of stratified random sampling has been selected which are as follow:

Table 1: The Selected Banks for the Study

Public Sector Banks	Private Sector Banks	Foreign Banks
Canara Bank	HDFC Bank	CITI Bank
Punjab National Bank	Karnataka Bank	Bank of America
Bank of India	Laxmi Vilas Bank	Abu Dhbi Bank

Analysis
In analysis of variance, an F-test is used to test group variance against a null hypothesis, and is often used to determine whether any group of trials differs significantly from an expected value. F-value is found to make comparison between our three sample sectors. (If probability value i.e. p-value is less than 0.05 than that makes our f-value significant and there exist difference between mean of all the three sector of banks that we have selected as sample and if p-value is more than 0.05 than f- value is not significant and there does not exist difference between mean of all the three sector of banks which have been selected as sample). It assumes that Hypothesis (Ho) of average of all the Ratios of Private, Public and Foreign banks is alike i.e.
Ho= Private Bank = Public Bank = Foreign Bank

Credit Deposit Ratio

Table 2: Mean comparison of average Credit Deposit Ratio for the period 2003-04 to 2013-14 across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	78.6037	5.86874	5.250	0.010
Public	61.6148	5.16178		
Foreign	67.0934	18.25532		
Pairs having significant difference: Private Bank and Public Bank				

Source: Computed from Secondary Data

Ho1: Average Credit Deposit Ratio across all three Bank Categories is alike.
Table indicates the comparison of average Credit Deposit Ratio of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the result average Credit Deposit Ratio of Private Bank is 78.6037, Public Bank is 61.6148 and Foreign Bank is 67.0934. Looking to the Analysis of Variance result F-value (5.250) found to be significant as P-value is 0.010 (≤ 0.05) and there exist a real difference between average Credit Deposit Ratio of Private Bank category and Public Bank category as Mean in case of Private Bank is higher and in case of Public Bank is lower in this ratio. So there is difference between the Mean of these two Bank categories. It means that our assumption of Ho does not prevail. Ho is rejected.

Table 3: Interest Income as Percentage to Total Income Mean comparison of average Interest Income As %To Total Income for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	80.8664	2.08903	29.631	0.000
Public	87.3035	3.29735		
Foreign	64.8544	5.5924		
Pairs having significant difference: Public Bank and Foreign Bank and Private Bank and Foreign Bank				

Source: Computed from Secondary Data

Ho2: Average Interest Income as % to total income across all three Bank Categories is alike.
Table indicates the comparison of Average Interest Income as % to Total Income of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the result calculated in above table the Average Interest Income as % to Total Income of Private Bank is 80.8664, Public Bank 87.3035 and Foreign Bank 64.8544. Looking to the analysis of variance result F-value (29.631) found to be significant as P-value is 0.000 (≤ 0.05) and there exist a real difference between Average Interest Income as % to Total Income of Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.
Here also our assumption of Ho is not fulfilled. So Ho is rejected. As p-value is less than 5% that means there is real difference. Here the difference is between two pairs i.e. between Public Bank and Foreign Bank and between Private Bank and Foreign Bank.

Non – Interest Income as Percentage to Total Income

Table 4: Mean comparison of average Non-Interest Income As % To Total Income for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	19.1336	2.08905	29.630	0.000
Public	5.6965	3.29735		
Foreign	35.1458	5.5942		
Pairs having significant difference: Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.				

Source: Computed from Secondary Data

Ho3: Average Non-Interest Income as % to total income across all three Bank Categories is alike.
Table indicates the comparison of average Non-Interest Income as % to Total Income of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the result average Non-Interest Income as % to Total Income of Private Bank is 19.1336, Public Bank is 5.6965 and Foreign Bank is 35.1458. Looking to the analysis of variance result F-value (29.630) found to be significant as P-value is 0.000 (≤ 0.05) and there exist a real difference between average Non-Interest Income as % to Total Income of Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.
Here also just like previous table as F-value is significant there is difference between banks. Even in this table the difference between the Mean of Public Bank and Foreign Bank and that of Private Bank and Foreign Bank is more but there is not much difference between Private Bank and Public Bank. Our assumption Ho is rejected.

Interest Expenses as Percentage to Total Expenses

Table 5: Mean comparison of average Interest Expense As % To Total Expenses for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	59.5967	3.20404	116.644	0.000
Public	62.6917	6.13908		
Foreign	34.2870	5.19534		
Pairs having significant difference: Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.				

Source: Computed from Secondary Data

Ho4: Average Interest Expense as % to total expenses across all three Bank Categories is alike.
Table indicates the comparison of average Interest Expense as % to Total Expenses of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the outcome calculated, the average Interest Expense as % to Total Expenses of Private Bank is 59.5967, Public Bank is 62.6917 and Foreign Bank is 34.2870. Looking to the study of variance result F-value (116.644) found to be significant as P-value is 0.000 (≤ 0.05) and there exist a real difference between average Interest Expense as % to Total Expenses of Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.
The Mean in case of Public Bank is higher and Mean in case of Foreign Bank is lower, so it can be said that there is real difference between these two categories of banks. Comparison the Mean in case of Private Bank and Foreign Bank, it can be seen that there is also difference between Private Bank and Foreign Bank so there is real difference between these two categories of banks therefore, Ho stands rejected.

Operating Expenses as Percentage to Total Expenditure

Table 6: Mean comparison of average Operating Expenses As % To Total Expenditure for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	25.8060	3.25181	32.327	0.000
Public	24.2952	4.65723		
Foreign	35.9081	3.48295		
Pairs having significant difference: Private Bank and Foreign Bank and also between Public Bank and Foreign Bank.				

Source: Computed from Secondary Data

Ho5: Average Operating Expenses as % to total expenditure across all three Bank Categories is alike.
Table indicates the comparison of average Operating Expenses as % to Total Expenditure of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the result average Operating Expenses as % to Total Expenditure of Private Bank is 25.8060, Public Bank is 24.2952 and Foreign Bank is 35.9081. Observing the examination of variance result F-value (32.327) is significant because P-value is 0.000 (≤ 0.05) and therefore there exist a real difference between the average Operating Expenses as % to Total Expenditure of Private Bank and Foreign Bank and also between Public Bank and Foreign Bank therefore, Ho stands rejected.
(P-value is less than 0.05 i.e. 5% this makes F-value major and that makes possible for existence of real difference between the banks).

Spread as Percentage to Total Assets

Table 7: Mean comparison of average Spread As % To Total Assets for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	2.5240	0.45595	15.225	0.000
Public	2.5694	0.37455		
Foreign	3.4233	0.50866		
Pairs having significant difference: Private Bank and Foreign Bank and also between Public Bank and Foreign Bank.				

Source: Computed from Secondary Data

Ho6: Average Spread as % to total assets across all three Bank Categories is alike.
Table indicates the comparison of average Spread as % to Total Assets of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
Average Spread as % to Total Assets of Private Bank is 2.5240, Public Bank is 2.5694 and Foreign Bank is 3.4233. From the analysis variance result F-value (15.225) found to be significant because P-value is 0.000 (≤ 0.05) and there occur a real difference between average Spread as % to Total Assets of Private Bank and Foreign Bank and also between Public Bank and Foreign Bank so, Ho is not alike therefore Ho stands rejected.

Interest Income as Percentage to Average Working Fund

Table 8: Mean comparison of average Interest Income As % To Average Working Fund for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	8.3478	0.76196	5.785	0.007
Public	8.3675	0.62080		
Foreign	7.3703	1.02802		
Pairs having significant difference: Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.				

Source: Computed from Secondary Data

Ho7: Average Interest Income as % to average working fund across all three Bank Categories is alike.
Table indicates the comparison of average Interest Income as % to Average Working Fund of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the result average Interest Income as % to Average Working Fund of Private Bank is 8.3478, Public Bank is 8.3675 and Foreign Bank is 7.3703. Observing the study of variance result F-value (5.785) is found to be significant as P-value is 0.007 (≤ 0.05) and there exist a actual difference between average Interest Income as % to Average Working Fund of Public Bank and Foreign Bank and also between Private Bank and Foreign Bank therefore, Ho stands rejected.

Non – Interest Income as Percentage to Average Working Fund

Table 9: Mean comparison of average Non-Interest Income As % To Total Average Working Fund for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	1.9469	0.21841	26.865	0.000
Public	1.2390	0.42875		
Foreign	4.9263	2.21346		
Pairs having significant difference: Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.				

Source: Computed from Secondary Data

Ho8: Average Non-Interest Income as % to total average working fund across all three Bank Categories is alike.
Table indicates the comparison of average Non-Interest Income as % to Total Average Working Fund of all three category bank that is Private Banks, Public Banks and Foreign Banks.
As per the result average Non-Interest Income as % to Total Average Working Fund of Private Bank is 1.9469, Public Bank is 1.2390 and Foreign Bank is 4.9263.
Looking to the analysis of variance result F-value (26.865) is found to be significant as P-value is 0.000 (≤ 0.05) and there exist a real difference between average Non-Interest Income as % to Total Average Working Fund of Public Bank and Foreign Bank and also between Private Bank and Foreign Bank therefore, Ho stands rejected.

Operating Profit as Percentage to Average Working Funds

Table 10: Mean comparison of average Operating Profit As % To Average Working Funds for the period 2003-04 to 2013-14 across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	2.5378	0.38148	37.555	0.000
Public	2.2005	0.59236		
Foreign	5.5060	1.63554		
Pairs having significant difference: Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.				

Source: Computed from Secondary Data

Ho9: Average Operating Profit as % to average working funds across all three Bank Categories is alike.
Table indicates the comparison of average Operating Profit as % to Average Working Funds of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
According to the result, average Operating Profit as % to Average Working Funds of Private Bank is 2.5378, Public Bank is 2.2005 and Foreign Bank is 5.5060.
Looking to the analysis of variance result F-value (37.555) found to be significant as P-value is 0.000 (≤ 0.05) and there

exist a real difference between average Operating Profit as % to Average Working Funds of Public Bank and Foreign Bank and also between Private Bank and Foreign Bank therefore, Ho stands rejected.

Return to Assets

Table 11: Mean comparison of average Return on Assets (PAT /Total ASSETS) for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	1.2406	0.30972	27.373	0.000
Public	0.8113	0.17062		
Foreign	2.3597	0.84578		
Pairs having significant difference: Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.				

Source: Computed from Secondary Data

Ho10: Average Return on Assets (PAT /Total ASSETS) across all three Bank Categories is alike.
Table indicates the comparison of average Return on Assets (PAT/Total ASSETS) of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the result average Return on Assets (PAT /Total ASSETS) of Private Bank is 1.2406, Public Bank is 0.8113and Foreign Bank is 2.3597. Looking to the analysis of variance result F-value (27.373) found to be significant as P-value is 0.000 (≤ 0.05) and there exist a real difference between average Return On Assets (PAT /Total ASSETS) of Public Bank and Foreign Bank and also between Private Bank and Foreign Bank therefore, Ho stands rejected.

Gross NPA as Percentage to Net Advances

Table 12: Mean comparison of average Gross NPA As % To Net Advances for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	3.0767	1.62934	2.070	0.142
Public	5.5944	4.22223		
Foreign	9.8374	13.51132		
Pairs having significant difference: “No Real Difference”				

Source: Computed from Secondary Data

Ho11: Average Gross NPA as % to net advances across all three Bank Categories is alike.
Table indicates the comparison of average Gross NPA as % to Net Advances of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the result average Gross NPA as % to Net Advances of Private Bank is 3.0767, Public Bank is 5.5944 and Foreign Bank is 9.8374. Looking to the analysis of variance result F-value (2.070) not found to be significant as P-value is 0.142 (which is not ≤ 0.05) and there is no real difference in average Gross NPA as % to Net Advances of all the Banks therefore the hypothesis that all the banks are alike prevails.
Here P-value is not less than 5% i.e. 0.05 that means F-value is not significant this indicates no real difference between any categories of Banks. Also the assumption of Ho that all bank categories are alike proves right. Considering the Mean in case of all banks, it can be observed that there is almost no difference between Private Bank, Public Bank and Foreign. Therefore, the hypothesis is fulfilled and Ho stands accepted.

Net NPA as Percentage to Net Advances

Table 13: Mean comparison of average Net NPA As % To Net Advances for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	1.2179	0.58159	2.360	0.110
Public	2.5804	1.89914		
Foreign	1.4881	1.99856		
Pairs having significant difference: “No Real Difference”				

Source: Computed from Secondary Data

Ho5: Average Net NPA as % to net advances across all three Bank Categories is alike.
Table indicates the comparison of average Net NPA as % to Net Advances of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the result average Net NPA as % to Net Advances of Private Bank is 1.2179, Public Bank is 2.5804 and Foreign Bank is 1.4881. Looking to the analysis of variance result F-value (2.360) not found to be significant as P-value is 0.110 (which is not ≤ 0.05) and there is no real difference in average Net NPA as % to Net Advances of all the Banks therefore the hypothesis that all the banks are alike prevails.
The Mean in the above table reveals that there is not much difference between all the three bank categories. This is because P-value is greater than 0.05 and if P value is greater than 0.05 F-value cannot be significant this indicates no difference between Private Bank, Public Bank and Foreign therefore, Ho stands accepted.

Net Profit (PAT) on Owned Funds

Table 14: Mean comparison of average Net Profit (PAT) On Owned Funds for the period 2003-04 to 2013-14across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	13.8297	4.20958	0.333	0.719
Public	5.9822	2.58452		
Foreign	5.6611	3.86962		
Pairs having significant difference: “No Real Difference”				

Source: Computed from Secondary Data

Ho13: Average Net Profit (PAT) on owned funds across all three Bank Categories is alike.
Table indicates the comparison of average Net Profit (PAT) On Owned Funds of all three bank categories that is Private Banks, Public Banks and Foreign Banks.
As per the result average Net Profit (PAT) on Owned Funds of Private Bank is 13.8297, Public Bank is 5.9822 and Foreign Bank is 5.6611. Looking to the analysis of variance result F-value (0.333) not found to be significant as P-value is 0.719 (which is not ≤ 0.05) and there is no real difference in average Net Profit (PAT) on Owned Funds of all the Banks therefore the hypothesis that all the banks are alike prevails.
Again same as previous two tables P-value is more than 5% that means hypothesis assumption is correct. The Mean in case of Private Banks, Public Banks and Foreign Banks are almost same therefore, Ho stands accepted.

Capital Adequacy Ratio (Tier I plus Tier II) (Under Base II)

Table 15: Mean comparison of average Capital Adequacy Ratio (Tier I plus Tier II) (Under Basel I) for the period 2003-04 to 2013-14 across the Bank category using One Way Analysis of Variance Statistics

Category	Mean	SD	F-value	p-value
Private	5.7800	1.85735	7.192	0.003
Public	11.8092	1.1503		
Foreign	18.5182	7.81790		
Pairs having significant difference: Public Bank and Foreign Bank and also between Private Bank and Foreign Bank.				

Source: Computed from Secondary Data

Ho14: Average Capital Adequacy Ratio (Tier I plus Tier II) (Under Basel I) across all three Bank Categories is alike.
Table indicates the comparison of average Capital Adequacy Ratio (Tier I plus Tier II) (Under Basel I) of all three bank categories that are Private Banks, Public Banks and Foreign Banks.
As per the result average Capital Adequacy Ratio (Tier I plus Tier II) (Under Basel I) of Private Bank is 5.7800, Public Bank is 11.8092 and Foreign Bank is 18.5182. Looking to the analysis of variance result F-value (7.192) found to be significant as P-value is 0.003 (≤ 0.05) and there exist a real difference between average Capital Adequacy Ratio (Tier I Plus Tier II)(Under Basel I) of Public Bank and Foreign Bank and also between Private Bank and Foreign Bank therefore, Ho stands rejected.

Major Finding

It has been observed that performance of foreign bank is best among all the three categories of banks. On average position is private bank and public bank has poor performance.

Policy Suggestions

In conclusion it can be said that though there is a magnificent development in Public and Private and Foreign banks in India after the banking sector reforms yet the public sector banks are still lagging behind. It may be advised that the public sector banks in India should be more efficient in their overall asset management policy, employee performance, cost control and should have more customer-friendly banking operations to keep pace with the challenging performance of the private sector banks in India as well as to compete with the global players which have established their branches in India.
Further, it can be noticed that there are some factors responsible for the decrease in profits in banks especially private sector banks due to their sheer dependence on interest income, escalating operating cost, growing incidence of financial disintermediation, emphasis on social goals, rapid branch expansion particularly in the unbanked and under-banked areas. So it is highly recommended that different sectors of the bank especially private sector banks should consider factors affecting their profitability if they want to remain in the competitive edge.

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