

An Analytical Study of Growth of Public and Private Sector Bank with special reference to Punjab National Bank and HDFC Bank

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ARTICLE DETAILS

Article History

Published Online: 15 July 2019

Keywords

ROA (Return on assets), NPA (nonperforming Assets) and annual growth rate.

ABSTRACT

Indian banking system has been developed present days. Banks have large and strong network of branches. In banking sector the public sector and private sector industry are growing today with a rapid speed and competition. In public sector (PNB) has 70801 employees and 7001 branches and in private sector (HDFC) has 98061 employee and 4963 branches. The net worth of banks is increases day by day. Bank has very important role in our Indian economy. Banking sectors growth rate shows the efficiency level of the organization the larger the profit higher the growth rate. For higher growth rate and earning more profit depends on proper utilization of funds. The present research paper is an effort to make an analytical study between the growth rate in PNB and HDFC bank. This study is based on the bank growth data of both the banks for last five years i.e. from 2014 to 2018. The main parameters of bank growth are net profit growth, net assets growth, return on Assets (ROA) and NPA.

1. Introduction

In India banking sector has multiple business scope such investment banking, industrial development banking, finance banking, small entrepreneur banking, capital market, retail banking and so on. Every bank has large number of account holders which is divided in many categories. Some are recurring deposit account, saving account and current account and so on. Banks pass so many transactions in a day. Bank has large number of products and they depend on high level technology. Today banks use different kinds of products and marketing strategies. Banks are using funds and doing optimum utilization of sources. In this research paper I define the growth of banks and bank will help to develop successful strategies to compete with large banks and this competition will be beneficial for the customers. The amount of profit indicates the growth of rate.

As regards to PNB, it was formed in 1894 as of 31st march 2019 this bank has over 80 million customers and it has 7001 branches and 764 ATMs cities. PNB has the distinction of the being the first Indian capital that has been survived to the present. PNB had privilege of maintaining account of national leader's Mahatma Gandhi, Jawaharlal Nehru, Lal Bahadur Shastri and Indira Gandhi as well on the account of famous Jaliyawala Bagh committee 1919. PNB establish first branch out side of India Lahore and later on Karachi and Peshawar followed the next major events occurred in 1940 observed.

As Regards to HDFC (housing development Finance Corporation limited) a company was registered under the company act 1956 and having its registered office in Mumbai India 1994. HDFC is an Indian bank and it has 98061 employees and 4963 branches. It also has some branches in foreign, Bahrain, Dubai and Hong Kong. In India HDFC is one of the largest private sector and any bank lead itself by its assets. It's the largest bank of the Indian market. Capitalised

February 2016, it was ranked 69th in 2016 and it is in top 100 global brands. HDFC bank has provides a large number of products and services including wholesale banking , treasure auto loan, two wheeler loan, personal loans, loan agents and property loans, credit card and area of the business of guarantee loan and purchase of property, expansion of business and renovation of the dwelling units non residency premises. HDFC availing of the service various associated both individual and corporate to source and the service customer for housing loan and other products. This research paper puts an effort to make an analytical study of public sector and private sector growth of the bank.

2. Objectives of the study

- To analyse banking profit and loss of public sector and private sector bank
- To observe the personal return on assets in both the banks
- To know the review the growth between the private sector bank (HDFC) and Public sector bank (PNB)

3. Research methodology

The present study is based on secondary data, collected from various journals, reports of RBI and moneycontrol.com. The study period is limited (five years) i.e. 2014-2015 to 2017-2018. Growth of bank is concept of banking sector to know profitability manner, in assets, in number of branch and network in number of ATMs. In capital adequacy ratio is not less in percentage of NPA. Every year bank has fixed targets to achieve. In banks various type of schemes are launched and interest rates on deposits and loans are adjusted.

4. Analysis of net Assets

An analytical way of doing something involves the use of logical process. In analysis of net assets analyse the elements of net assets. Net Assets is the sum of the balance sheet

excluding any provision for depreciation fund. This total of the assets side exclude the fictitious assets if there is any shown in the assets side of the balance sheet like preliminary expenses, discount on issue of debentures, interest paid out of the capital etc. Net assets include both type of assets i.e. fixed assets as

well current assets. The capital fund concern i.e. owners fund and borrowed fund (Assets of bank – outside liabilities) the internal resources of business created out of the profit. As regarding net assets of PNB and HDFC bank ltd. It has been computed by deducting all liabilities.

Table 1 Net Assets

Year	PNB			HDFC		
	Net assets (in cr)	Total assets (in cr)	% of Net Assets	Net assets (in cr)	Total assets (in cr)	% of Net Assets
2013-2014	35895.32	549,011.74	6.5	43478.63	491,599.50	8.84
2014-2015	39079.52	603,333.60	6.47	62009.42	590,503.07	10.5
2015-2016	38310.14	667,390.45	5.74	72677.77	708,845.57	10.25
2016-2017	41846.98	720,330.55	5.8	89462.35	863,840.20	10.35
2017-2018	41074.30	765830.10	5.36	106295.00	1,063,934.31	9.99

Source: Annual Reports of Punjab national bank and HDFC bank

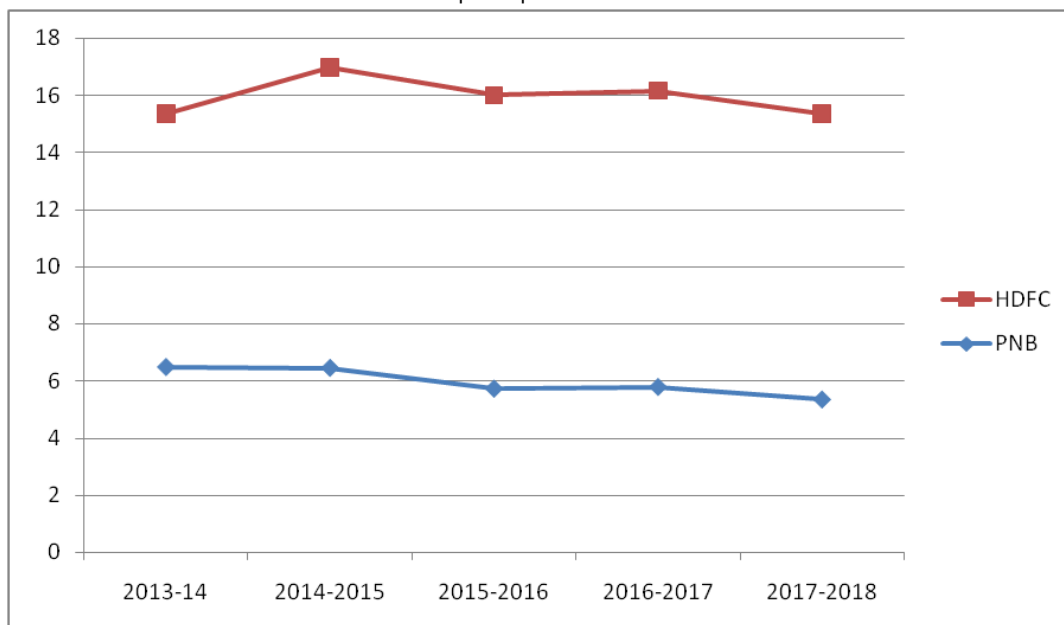
Table 1 reveals that net assets of PNB bank indicated a compound annual growth rate is 14.90 and HDFC bank indicated an annual compound growth rate of 33.65%. All this indicate that net assets on HDFC bank are increased quicker than that of Punjab national bank. Growth rate of PNB bank and HDFC bank has been computed by way of annual compound growth rate with the help of the following formula:

$$CAGR = \left(\frac{\text{ending value}}{\text{beginning value}} \right)^{1/n} - 1$$

Where CAGR = compound annual growth rate
 Where ending value future value
 And beginning value present value

As regarding net assets growth of Punjab national bank and HDFC bank limited, it has been calculated by compound growth rate formula and presented in line graph.

Graphical presentation :-



Profit and loss

Table 2

PNB			HDFC	
Year	Net profit (in cr)	% increase over previous year	Net profit (in cr)	% increase over previous year
2013-2014	3342.58	8478.38
2014-2015	3061.58	281	10215.92	1737.54
2015-2016	-3974.40	913	12296.21	2080.29
2016-2017	1324.80	-2649.6	14549.69	2253.48
2017-2018	-12282.82	-10958.02	17486.73	2937.04

Source: Annual Reports of Punjab national bank and HDFC bank

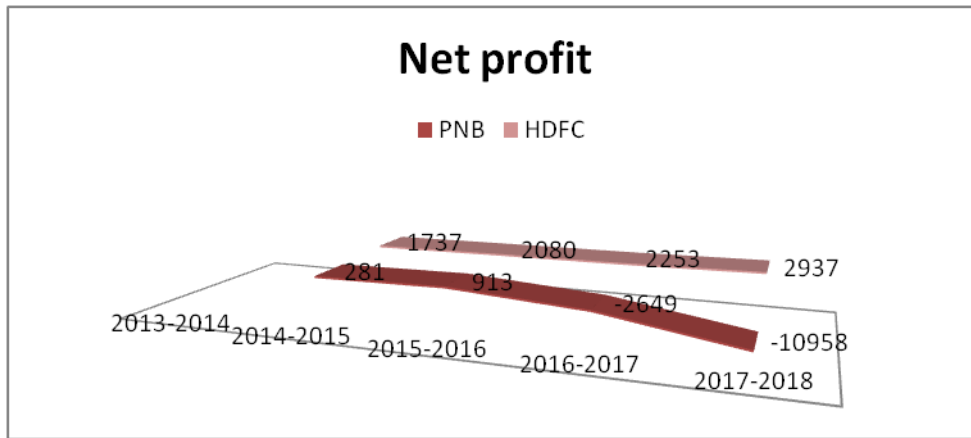


Table 2 as per the table to it can be observed that Net profit of PNB was 334258 lac in 2013-14 which is 1.37 times higher than HDFC bank but growth rate of HDFC bank is higher than PNB bank. Net profit growth rate of PNB bank is 9.01% and the HDFC is 28.98%. This implies that performance of HDFC bank is better times as PNB in the corresponding years.

5. Analysis and findings

Net assets of PNB bank indicated a compound annual growth rate is 14.90 and HDFC bank indicated an annual compound growth rate of 33.65%. All this indicates that net assets on HDFC bank are increased quicker than that of Punjab National Bank so there is a huge difference between profit

of these two banks as the net profit of PNB in year 2013-14 and

2017-18 indicates a negative growth rate from corresponding years. Looking at the next basis which is return on assets, HDFC grew from 1.29% to 1.72% but PNB went down, HDFC bank utilizes its funds more efficiently and gives better performance. The banks' NPAs tell the true story that how much loans are bad and how much is recovered, who is managing its NPA more efficiently to lower it down to maximize the true profits. So every basis of data establishes that HDFC, as compared to PNB. Therefore, it can easily be concluded that growth in private sectors (HDFC) banks is better than public sector (PNB) banks.

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