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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
The present study is based on selected studies conducted by different scholars during 2014 to 2020 that compare nonperforming assets (NPAs), financial performance, and staff morale at public and private sector banks. The camel model, t test, chi-square test, and correlation have all been used in a comparison of public and private sector banks. Private sector banks have a lower nonperforming asset ratio than their public sector counterparts. Since public sector banks' nonperforming assets (NPAs) have lower CAR, it was discovered that private sector banks generate more profits. The financial health of the public and private banking sectors is mirrored by the level of nonperforming assets (NPA). The issue of nonperforming assets (NPA) is having a ripple effect throughout the economy, not just the banking system. Causes of public sector banks' increasing non-performing loans have been investigated in this study. The study also reveals that merger in the public sector banking industry has a negative effect on employee morale. The primary objective of this research is to help public sector banks better manage their increasing nonperforming assets (NPAs).
Key Words: *Bank, Public Sector Bank, Private Sector Banks, SBI, Financial Position, NPA*

I. INTRODUCTION

A healthy banking system has historically been crucial to economic growth. The Indian banking industry deserves praise for its contributions to the country's rapid and sustained economic expansion. Banking institutions in India can be classified into two broad categories: commercial banks and cooperative banks. When compared to their private sector counterparts, public sector banks have excelled in several financial areas. Financially, public sector banks have fared well. The rising amount of nonperforming assets in the public sector banking system is the only issue at hand. This non-profit organization's NPA continues to rise.

A bank is a financial institution that accepts deposits from the general public and lends money to individuals and businesses. The money people deposit at the bank is invested in debt via the capital market. Banks offer a variety of financial services. The Reserve Bank of India controls all of the banks. For a country's economy to function, the bank plays a crucial role. The bank offers a wide variety of account opening options and services. As a public institution, the bank plays a vital role in the community.

BANKING STRUCTURE IN INDIA
1. **Scheduled 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-scheduled 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.
Scheduled 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: The term "public sector banks" refers to financial institutions in which the government owns a sizable portion of the company. The majority of the stock (51%) is traded publicly. The bulk of private bank shareholders control the banks' management. There were a total of 14 banks nationalised in July 1969 and 6 more nationalised in 1980, both in accordance with the Banking Companies Act. Financial institutions that are owned and operated by the public are known as public sector banks. There are two types of public sector banks. When a bank is nationalised, it becomes part of the public sector and is subject to public oversight and management. Government-owned banks perform this service.

Private Sector Bank: When it comes to banking, "private sector" refers to financial institutions where private shareholders hold the majority of equity rather than the government. Banking policy in governments around the world has changed significantly since the 1990s, when it was liberalised. The minimum paid up capital will be Rs. 100 crores, with promoters contributing 25% or 20% if paid up capital is larger over Rs. 100 crores, in accordance with the Reserve Bank of India Act and the banking regulation Act.

State Bank of India: In the early modern period, India established its first bank and it was The Bank of Hindustan opened in 1770. The Bank of Calcutta was established in June 1806, later named Bank of Bengal 1809. In 1840, the Bank of Bombay and in 1843, the Bank of Madras were also established. In 1921, these three banks were combined to form the Imperial Bank of India, which in 1955, after India's independence, became the State Bank of India. The State Bank of India originally had seven subsidiaries which were ultimately merged with State Bank of India in April 01, 2017.
It was formerly thought that the Indian banking system was even more robust than the USA's. Even though the banking sector is experiencing a number of difficulties at the moment, Finance Minister NIRMALA SITHARAMAN has announced the consolidation of ten public sector banks into four major banking institutions. Previously there were 27 public sector banks, but now there are just 12.

Meaning of Financial Performance

As a performance metric, financial performance measures how effectively a company is able to generate assets and income from its core operations. The purpose of analysing financial statements is to gain a deeper understanding of the interplay between a number of crucial business variables. The phrase "financial performance" can also refer to a company's financial well-being over a specified time frame. This is the metric by which businesses in different markets and industries are compared in terms of financial performance. The term "annual report" can refer to either a summary or a detailed analysis of a company's financial performance. The results of the financial statements are consistent with the truthful information provided. A proper report serves one overarching purpose: establishing trustworthiness.

Meaning of Non-performing Assets:

Bad debts, or nonperforming assets, are investments that aren't generating income. Amounts paid to a bank as loan principal or interest are the banks' property. Both private and public clients can apply for advances from banks. Assets and loans that have not accrued their full principal and interest payment after more than 90 days are considered nonperforming assets. NPAs are defined by the Reserve Bank of India as loans when payment on the principal is more than 90 days late. Non-performing assets are those that are not producing a return. To further aid in the reduction of NPA, the RBI has released recommendations in the form of a master circular covering revenue recognition, asset categorization, and associated topics. These standards ought to be adhered to by all financial institutions. If any of the following conditions apply, the account in question can be classified as non-performing.

1. To have an overdraft or cash credit from a bank that is 90 days past due.
2. After 90 days, the bill that was bought and/or discounted is still past due.
3. It has been four months since the securitization bill was issued.
4. Five months have passed with no payment on the derivative transaction.
5. The principal or interest on farm loans is still past due. 6. (a) in the event of a short-term crop loan, and (b) for the duration of a single harvest season in the case of long-term crop loans.

According to the asset classification, the Account of Borrower fits the bill for a Non-Performing Asset in all the aforementioned cases.

Types of NPA

Gross NPAs- Gross NPAs are NPAs that are classified as RBI guidelines. Gross NPA is the amount of all loans defaulted on by people who have received loans from the banking institution. It means that all the defaulted loans are added together to form gross NPA.It includes all Non-Standard assets, like doubtful and loss assets, sub standard assets.

Gross NPAs = $(A_1 + A_2 + \dots A_n)$/ Gross Advance

Net NPAs - The net NPA is the sum that is realized after the amount of the provision has been deducted from the overall NPAs.

Net NPA = (Total Gross NPA) - (Provision for Unpaid Debts)/Gross Advances

Assets Classification of NPA

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. If the standard assets fail for more than 90 days any amount over 90 days is considered NPA.

Sub -Standard Assets - A substandard asset is any asset that remains NPA for a period of less than or equal to 12 months**.**

Doubtful Assets - A doubtful asset is an asset that has been nonperforming for more than 12 months.

Loss assets- Loss assets are loans with losses identified by the bank, auditor, or inspector that need to be fully written off. They typically have an extended period of non-payment, and it can be reasonably assumed that it will not be repaid.

Objectives of the study–

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.

II. Review Of Literature

Obtaining 20 papers comparing public and private sector banks in terms of nonperforming assets, financial performance, and staff morale. Financial performance of selected Public and Private Sector Banks in India has been analysed using the CAMEL model technique [Balaji and kumar, 2017]. It has been noted that private banks have accumulated larger assets than their public counterparts. When comparing New Private Sector banks to Public Sector banks, a large gap can be seen in terms of capital sufficiency. Using the T test, the mean, and correlation, [Gaytri, arun. 2020] analyses the effects of numerous factors on staff morale and merger in the specific setting of SBI. At SBI, we discovered a robust correlation between employees' workloads and their levels of autonomy, advancement, and respect in the workplace. With the merger complete. Using the Chi-Square test, [Ganapathy, S.thangam. 2019] explains why SBI's nonperforming loans have been growing. Seven of the leading causes of non-performing assets (NPAs) in SBI may be traced back to changes in educational attainment, monthly income, or other socioeconomic factors. Below are the seven most common reasons why borrowers default on their loans. To a large extent, this is to blame for SBI's NPA problem. After the merger, SBI examined the present scenario using secondary data from a variety of books, journals, and websites etc. [Yadav,M. 2019] as per. The bank's net profit is extremely low, and its stability is also under question. The SBI, according to [Mariam,a. Thomas.2020], has been analysing the correlation between rising NPAs and pre and post financial performance. The CAMEL evaluation framework is used for this purpose. It was concluded that capital adequacy has improved after the merger, But assets quality got declined due to rising NPAs.

III. Research Methodology

Twenty previous studies on nonperforming assets (NPA), financial performance, and staff morale in public and private sector banks have been reviewed for this study. The empirical studies published between 2014 and 2020 form the basis of this study. The study paper relied on secondary sources of information including published articles and online databases. Three aims were approached with varying degrees of methodology. The first goal made use of a camel model methodology. The second goal made use of the T test, the mean, and the correlation. The chi-square test was utilised for the final purpose. All three of our goals have been achieved, as seen below. ….

Based on my initial, unbiased analysis, new private sector banks have better financial performance than public sector banks. the above data collection has been done in accordance with A total of six banks were chosen at random, three from the private sector (HDFC Banks, ICICI Bank, and Karur Vysya Bank) and three from the public sector (SBI, BANK OF BARODA, and PUNJAB NATIONAL bank). Banks' market capitalisation and the outcomes of decisions are used to choose representative samples. The camel model is being used to make this comparison. Capital adequacy, asset quality, management quality, earnings quality, and liquidity are the five pillars of the Camel model. The information is gathered from secondary resources. It has become clear that private banks generate higher profits than their public sector counterparts. Reason being, NPAs are higher in the public sector, while CAR is lower.

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
All Public Sector Banks		**12.53**
1.	HDFC Bank	16.342
2.	ICICI Bank	18
3.	Karur Vysya Bank	17.182
All Private Sector Banks		**17.17**

Using this data, we can see that the private sector has a capital adequacy ratio of 17.17, while the public sector has a ratio of 12.53. It was found that the CAR for public sector banks was lower than that of private sector banks. Furthermore, among private sector financial institutions, ICICI Bank had the highest CAR at 18%, followed by Karur Vysya Bank at 17.18% and HDFC Bank at 16.34%. With only 12.6% CAR, State Bank of India and Bank of Baroda are the public sector banks with the lowest CAR. CAR at Punjab National Bank is 12.4%. It was discovered that private banks generate higher returns on assets than government banks do.

Net NPA of Selected Public & Private Sector Banks

Bank's Name	**NPA [Average]**
1.State Bank of India	2.6
2.Bank of Baroda	2.6
3.Punjab National Bank	4.0
All Public Sector Banks	**3.066667**
1.HDFC Bank	0.248181
2.ICICI Bank	1.6
3.Karur Vysya Bank	1.0
All Private Sector Banks	**0.94**

Using this data, we can see that the average nonperforming asset (NPA) for private sector banks is 0.94 while the average NPA for public sector banks is 3.066667. From the numbers, we may deduce that private sector banks have smaller NPAs than their public sector counterparts. It was also discovered that among private sector financial institutions, HDFC Bank had the lowest Net NPA (0.24%), followed by Karur Vysya Bank (1.0%), and ICICI Bank (1.6%). State Bank of India and Bank of Baroda, both public sector bankshave Net NPA of 2.6 percent, the highest of any major Indian bank. The percentage of nonperforming assets at Punjab National Bank is 4%. After the merger, it was found that the public sector banks' NPA had increased, whilst private sector banks' NPA had decreased.

One of the studies selected for the present workanalyses the post-merger effects of various factors on employee morale, focusing on SBI and accordingly surveyed75 SBI Assistant managers using a questionnaire, and 10 SBI personnel who had voluntarily retired were questioned face-to-face. The study's authors drew on secondary data gleaned from previously published works. Employee morale at SBI has been found to be significantly correlated with five factors: workload, working relationship, autonomy and decision making, professional development, and recognition, esteem, and respect. The study used statistical methods of mean, one-sampleT test, and correlation were employed in order to examine the hypotheses. This study summarizes the big picture through a five-dimensional analysis as given below;

[A] Analysis of the workload dimension revealed the following: the amount of work given is reasonable and is supported by management and the amount of work shared fairly among colleagues. There is a positive and significant relationship between workload and all of the items tested. The study concluded that increased workload negatively affects employee morale after the SBI merger.

[B] The following examples were analysed as part of the Working Relationship dimension: As how well you get along with your coworkers, whether or not you feel like you belong on the team, whether or not you get along with your boss, whether or not you can easily approach your manager, and whether or not you have time to cultivate relationships with customers. Each component has been found to have a positive and significant link with the quality of the working relationship. Working relationships do affect employee morale at SBI following the merger.

[C] The results of an analysis of the Autonomy and Decision-Making dimension were as follows: "Are you involved in the decision-making process", "are you allowed to take initiative", "are you given considerable freedom to do your work" and "are you allowed to plan your work". The p-value for each item is smaller than 0.000, indicating a positive and significant relationship between Autonomy and decision making. Therefore, it follows that the alternative hypothesis that employees' morale has improved since the merger because of increased opportunities for autonomy and decision-making has been accepted. The p-values for all of the items examined are less than 0.000, indicating a positive and significant link betweenthe Autonomy and Decision-Makingwith the quality of the working relationship. Consequently, it follows that the working relationship does affect employee morale at SBI following the merger.

[D] According to the data on the professional development characteristics such as "are you encouraged increasing your abilities and knowledge",“Do you feel like you've accomplished enough”, “are you given enough training”, “are you encouraged to try new ideas, “did you adapt well to the recent changes”, and “do you feel a sense of accomplishment”, there is a positive and significant relationship between Professional Development and all of the items studied. Therefore, the alternative hypothesis that Professional Development affects Employee Morale after the Merger in SBI is accepted.

[E] It was determined by statistical analysis of the Recognition, Regard, and Respect dimension that "Do you feel respected at work" is the most important element among the three parameters. There are also important elements, such as whether or not you feel appreciated for your efforts, have a good prospect of advancement, have your ideas taken into account, and believe that non-monetary benefits boost morale. Therefore, it follows that the alternative hypothesis is supported, namely that the merger had an effect on employee morale in SBI.

In accordance withthe third objective, study examines how defaulting borrowers see nonperforming assets, with a focus on SBI and other public sector banks. In order to analyse the information from the defaulting borrowers' questionnaires used in the aforementioned studies, The chi-square test procedure was used. Seven of the top 10 reasons for NPA are linked to educational status and monthly income.Here are the top ten reasons;

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

IV. Conclusion

Twenty studies from 2014-2020 were analysed, with data gathered from online sources such as publications' websites and databases. The private sector generates more revenue from its assets than the governmental sector does. Due to a rise in capital after a consolidation of public sector banks, the quality of the assets deteriorated. Since private sector bank credit ratings are higher, their nonperforming assets (NPAs) are lower than those of public sector banks. After public sector bank mergers, financial performance did not improve. There are no hard and fast regulations about how or when a borrower must repay a loan from banking institution. Loans are going bad because borrowers can't keep up with payments.

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