



A COMPARATIVE STUDY OF ONLINE BANKS IN INDIA

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ABSTRACT

The purpose of this research is to identify the development of private sector banking in inclination to public sector banking in India. The first phase revolves around the detailed screening of structure of banking system in India continued with functions and issue of shares of private sector banks. The second phase shows the importance of private sector banking and additionally a comparison between private sector and public sector on some standard parameters. The paper will provide the detailed overlook of private sector banking with par to public sector banking.

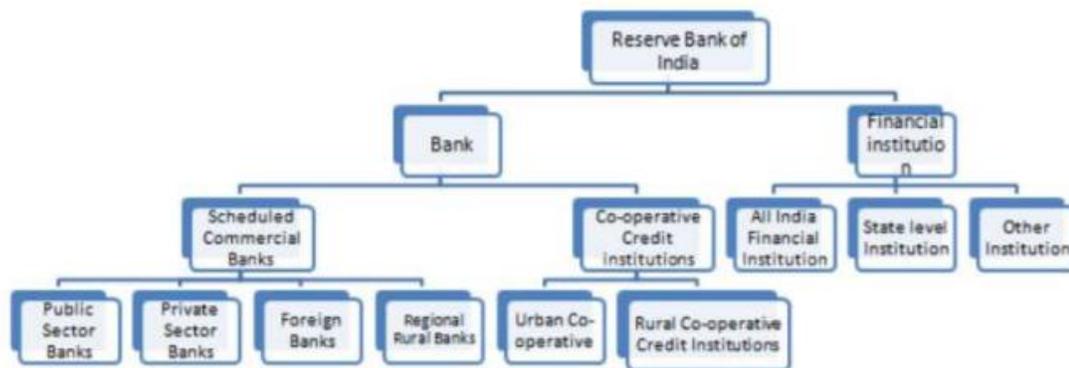
INTRODUCTION

The Indian banking can be broadly characterized as nationalized (government owned), privet banks and specialized banking institutions. The reserve bank of India performed a centralized body monitoring any discrepancies and shortcoming in the system. Nationalization of banks took place in 1969, the public sector banks or the nationalized banks have attained a prominent place and has since then seen tremendous progress. The Indian banking has finally taken up challenges under competitive dynamics scenario in India. Banking sector is successfully addressing the relevant issues to take on the multifarious challenges of globalization. More number of Banks employ IT solutions and they are perceived to be 'futuristic' and proactive players, capable of meeting the multifarious requirements of the large customer base. As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. In league of this India has potential to become the fifth largest banking industry in the world by 2020 and third largest by 2025 according to KPMG-CII report, India's banking and financial sector is expanding rapidly. The Indian Banking industry is currently worth Rs.81 trillion (US \$ 1.31 trillion) and banks are now utilizing the latest technologies like internet and mobile devices to carry out transactions and communicate with the masses. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. The central bank granted in-principle approval to 11 payments banks and 10 small finance banks in FY 2015-16. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry. The market size of Indian

banking system consists of 26 public sector banks, 25 private sector banks, 43 foreign banks, 56 regional rural banks, 1,589 urban cooperative banks and 93,550 rural cooperative banks, in addition to cooperative credit institutions.

Structure of Indian Banking Industry

All banking industry working in India has to follow the rules and regulation provided by Reserve Bank of India. As RBI is the regulatory authority in India. According to RBI, Banking industry mainly consists of: (1) Commercial Banks (2) Co-operative Banks The commercial banks in India divided in to 2 parts (1) Scheduled Commercial Banks (2) Unscheduled Bank. Scheduled commercial Banks constitute those banks which have been included in the Second Schedule of Reserve Bank of India Act, 1934. For the purpose of assessment of performance of banks, the Reserve Bank of India categories them into 3 main parts are (1) Private Sector banks (2) Public sector banks (3) Foreign banks. The co-operative Banks in India divided in to 3 parts (1) Regional Rural Banks (2) Urban Co-operative Banks (3) Rural co-operative credit institutions.



Private Banking Sector

Historically, the private sector banks played a crucial role in the growth of joint stock banking in India. The first half of the 20th century witnessed phenomenal growth of private sector banks. At present, there are 32 private banks comprising of 24 old banks, which existed prior to 1993-94 and eight new private banks, which were established during 1993-94 and onwards after the RBI announced guidelines in January 1993 for establishment of new banks in private sector following the recommendations of Narasimham Committee-I (1991).

Current Scenario of Private Sector Banks

New private sector banks are the fastest growing sector in India. Performance and efficiency of these banks have increased manifold. Evaluation of this sector is not an easy



task. After the banks nationalization process done in the year 1969, the number of private sector banks increased. And due to presence of the new private sector banks and foreign banks has made the market competitive and it also improve the quality of services during the last two decade in India. These banks have established themselves in new and latest system and standard with good quality of service and good efficiency. In the year 1993, RBI announced guidelines for the establishment of 7 new private sector banks as per the recommendations of Narsimham committee-1 (1991)

Public Sector Bank

Public Sector Banks (PSBs) are banks where a majority stake (i.e. more than 50%) is held by a government. The shares of these banks are listed on stock exchanges. There are a total of 27 PSBs in India that includes 21 nationalized banks and 6 State bank group (SBI + 5 associates). In 2011, IDBI bank and in 2014 Bharatiya Mahila Bank were nationalized with a minimum capital of Rs 500 crores. Thus at present all the nationalized banks are Public Sector banks. In addition to these, we can also say that IDBI Bank Ltd, BMB and SBI are too Public Sector Bank (though not nationalized bank) as GoI has over 50% stake in these bank too.

Objective of the Study

1. To know the details of the private sector banks such as functions, policy framework for ownership and governance, issue of shares.
2. To know about some of the leading private banks in India with current share and market price.
3. A comparison between private sector bank (HDFC) and public sector bank (PNB).

Research Methodology

The present study is secondary data based collected from various journals, reports of RBI and annual reports of banks, money control. com. The study period is limited, from 2004-05 to 2013-14. The information about private banks is taken from their respective website and net current information from economic times. Many books and articles have been referred to mention the functions, share issue and other information.

Functions of Private Sector Bank-

(A) Primary functions



Acceptance deposits Time Deposits deposit repayable after a certain fixed period. Deposits are not withdrawn able by cheque, draft or by other means. It includes the following.

Fixed Deposit: The deposit can be withdrawn only after expiry of certain period, say 3 years, 5 years or 10 years. The banker allows a higher rate of interest depending upon the amount and period of time. Previously the rates of interest payable on fixed deposit were determined by RBI.

Presently banks are permitted to offer interest as determined by each bank. However, banks are not permitted to offer different interest rates to different customers for deposits of same maturity period, except in the case of deposit of RS. 15 lakhs and above. Fixed deposit receipt cannot be transferred to other persons.

Recurring Deposit:The customer opens an account & deposit a certain sum of money every month after a certain period say 1 year or 3 years or 5 years. The accumulated amount along with interest is paid to the customer. It is very helpful to the middle & poor sections of the people. This deposit system is useful mechanism for regular savers of money. Interest paid on such deposits is generally on cumulative basic.

Cash certificates: Cash certificates are issued to the public for a longer period of time. It attracts the people because its maturity value is in multiples of the sum invested. it is an attractive and high yielding investment for those who can keep the funds for a long time . It is very useful account for meeting future financial requirement at the occasion of marriage, education of children etc. cash certificates are generally issued at discount to face value. It means a cash certificate of RS.1 00 000 payable after 10 years can be purchased now, say for RS. 20000. **Demand deposit:** These are the deposit which may be withdrawn by the depositor at any time without previous notice. It is withdraw able by cheque and draft.

Saving deposits: Saving deposit can only be held by individuals and non-profit institutions. The rate of interest paid on saving deposit is lower than that of time deposits. These account holders gets the advantage of liquidity and small income in the form of interest but there are some restrictions on withdrawals presently interest on saving bank account is determined by RBI.

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Current account deposits :These accounts are maintained by the people who need to have a liquid balance. Current account offers high liquidity. No interest is paid on current deposits and there are no restrictions on withdrawals from the current account. These accounts are generally in the case of business firms, institutions and cooperative bodies. These schemes vary from bank to bank.

Advancing of loans:

Cash credit:-Cash credit is a form of working capital facility. The customer can operate that account within the sanctioned limit as and when required. It is made against security of goods personal security etc. On the basis of operation. The period of credit facility may be extended further one advantage under this method is that bank charges interest only on account utilized and not on total amount sanctioned or credited to the account

Discounting of bills: -It may be another form of bank credit. The bank may purchase inland and foreign bills before they are due for payment by the drawer. Debtors at discounted value. The banker's discount is generally the interest on the full amount for the unexpired period of the bill, the account of the customer in case the bill is ultimately not paid i.e. dishonoured. The bill passes to the banker after endorsement. Banks will not disaccommodate bills.

Loans and advances:-It includes both demand and term loans, direct loans and given to all types of customers mainly to businessmen and investors against personal security or goods of movable nature. The loan amount is paid in cash or by credit to the customer's account which the customer can draw at any time

Educational loan scheme: The RBI from August 1999 introduced a new educational loan scheme for students of full time graduate / post graduate / professional courses in private professional colleges. Under the scheme all public sector banks have been directed to provide educational loans up to RS. 15,000 for free seat and RS. 50,000 for payment seat student at interest not more than 12% p.a. This loan is available only for students whose annual family income does not exceed RS. 1,00,000. The loan has to be repaid together with interest within five years from the date of completion of course. Students in respect of the following subjects/ areas are covered Medical or dental course, Engineering or law studies, Chemical technology or, Management course like MBA, Computer Science

Housing Finance :-Nowadays the commercial banks are competing among themselves in providing housing finance facilities to their customers. It is mainly to increase the housing facilities in the country. State bank of India, Indian bank, Canara bank, Punjab national bank have formed housing subsidiaries to provide housing finance. The other banks are also providing housing finance. Housing finance up to RS. 5 lakhs is treated as



priority sector advances for banks. The limit has been raised to RS. 10 lakhs per borrower in cities

Consumer loans and advances:-One of the important areas for bank financing in recent years is towards purchase of consumer durables like TV sets, Washing Machines, Micro Oven ,etc. Banks also provide liberal Car finance. These days banks are competing with one another to lend money for these purposes as default of payment is not high in these areas as the borrowers are usually salaried persons having regular income. Bank rate is also higher.

Loans against shares / securities :-Commercial banks provide loans against the security of shares / debentures of reputed companies. Loans are usually given only up to 50 % value (market value) of the shares subject to a maximum amount permissible as per RBI directives. Presently one can obtain a loan up to Rs. 20 lakhs against the physical shares and up to RS. 20 lakhs against dematerialized shares.

Credit Creation Credit Creation is one of the primary function of commercial banking when a bank sanction a loan to the customer, it does not give cash to him, but a deposit account is opened in his name and the amount is credited to his account he can withdraw the money whenever he needs. A bank sanction loan it creates a deposit. In this way the bank increase the money supply of the economy such functions is known as credit creation.

(B) Secondary functions

Agency functions

Collection of cheques dividends interest: As an agent the banks collects cheque, draft, promissory notes, interest, dividend etc. on behalf of its customer and credit the amounts to their account. Customer may furnish their bank details to corporate where investment is made in shares; debentures etc. as and when dividend, interest is due the companies directly send the warrants / cheques to the bank for credit to customer account.

Payment of rent ,insurance premiums :- The bank makes the payments such as rent, insurance premiums, subscription on standing instructions until further notice till the order is revoked the bank will continue to make such payment regularly by debiting the customer account.

Dealing in foreign exchange :-As an agent the commercial bank purchase and sell foreign exchange as well for customers as per RBI exchange control regulations.



Purchase and sale of securities:-Commercial banks undertake the purchase and sale of different securities such as shares, debentures, bonds etc. on behalf of their customers. They run a separate “Portfolio management scheme” for their big customers.

Act as correspondent: Commercial banks act as a correspondent of their customer. Small banks even get travel tickets, book vehicles; receive letters etc. on behalf of the customers.

Preparation of income tax returns: They provide income tax returns and provide advice on tax matters for their customers. For those purposes they employ tax experts and make their services available to their customers.

General utility services:

Safety Locker Facility:Safe keeping of important document valuables like jewels is one of the oldest services provided by commercial banks. Lockers are small receptacles which are fitted in steel racks and kept inside strong rooms known as “vaults”. These lockers are available on half yearly or annual rental basis. The bank merely provided lockers and the key but the valuable are always under the control of its users. Any customer of safety lockers after entering into a register his name account number and time can enter into the vault.

Payment Mechanism or Money transfer:Transfer of funds is one of the important functions performed by commercial banks. Cheques and credit cards are two important payment mechanisms through banks. Despite an increase in financial transactions, banks are managing the transfer of funds process very efficiently. Cheques are also cleared through the banking system. Correspondent banking is another method of transferring funds over long distance, usually from one country to another. Banks, these days employ computers to speed up money transfer and to reduce cost of transferring funds. Electronic transfer of funds is also known as“ Cheque less banking” where funds are transferred through computers and sophisticated electronic system by using code words. They offer Mail Transfer, Telegraphic Transfer Facility also.

Letters of credit:It is payment document provided by the buyer’s bankers in favour of seller. This document guarantees payment to the seller upon production of document mentioned in the letter of credit evidencing dispatch of goods to the buyer. The letter of credit is an assurance of payment upon fulfilling conditions mentioned in the letter of credit. The letter of credit is an important method of payment in international trade. There are primarily 4 parties to letter of credit. The buyer or importer, the bank which issues the letter of credit ,known as opening bank, the person in whose favour the letter of credit is issued or opened, and the credit receiving/advising bank. The letter of credit is generally advised / sent through the seller’s bank known as Negotiating or advising bank



Provide trade information:The commercial banks collect information on business and financial conditions etc. and make it available to their customers to help plan their strategy. Trade information service is very useful for those customers going for cross – border business. It will help traders to know the exact business conditions , payment rules and buyers financial status in other countries.

ATM facilities: The banks .today has ATM facilities. Under this system the customers can withdraw their money easily and quickly and 24 hours a day. This is also known as Any Time Money .Customers under this system can withdraw funds i.e. Currency notes with a help of certain magnetic card issued by the bank and similarly deposit cash / cheque for credit to account.

Factoring service:Today, the commercial banks provide factoring service to their customers. It is very much helpful in the development of industry as immediate cash flow and administration of debtors accounts are taken care of by factors.

Credit cards:Banks have introduced credit card system. Credit cards enables a customers to purchase goods and services from certain specified retail and service establishments up to a limit without making immediate payment ,in others words purchases can be made on credit basic on the strength of the credit card, visa card, BOB card are example of credit cards.

Minimum capital The capital requirement of existing private sector banks should be on par with the entry capital requirement for new private sector banks prescribed in RBI guidelines of January 3, 2002, which is initially Rs.200 crore, with a commitment to increase to Rs.300 crore within three years. In order to meet with this requirement, all banks in private sector should have a net worth of Rs 300 crore at all times. Where the net worth declines to level below Rs 300 crore, it should be restored within reasonable time.

Foreign investment in private sector banks In terms of the recent GOI press note of March 5, 2004, the aggregate foreign investment in private banks from all sources (FDI, FII, and NRI) cannot exceed 74 per cent. The limit of 74 will be reckoned by taking the direct and indirect holding. At all times, at least 26 per cent of the paid up capital of the private sector bank will have to be held by residents.

Foreign Direct Investment (FDI) The policy already articulated in the February 3, 2004 guidelines for determining fit and proper status of shareholding of 5 per cent and above will be equally applicable for FDI. Hence any FDI in private banks where shareholding reaches and exceeds 5 percent either individually or as a group will have to comply with the criteria indicated in the aforesaid guidelines. In the interest of diversified ownership,



the percentage of FDI by single entity or group of related entities may not exceed 10 percent agencies as considered appropriate.

Foreign Institutional Investors (FIIs) Currently there is a limit of 10 per cent for individual FII investment with the aggregate limit for all FIIs restricted to 24 per cent which can be raised to 49 per cent with the approval of Board / General Body. This dispensation will continue. The present policy of RBI's acknowledgement for acquisition/ transfer of shares of 5 percent and more of a private sector bank by FIIs will continue and will now be based upon the policy guidelines on acknowledgement of acquisition/transfer for shares issued on February 3, 2004. For this purpose RBI may seek certification from the concerned FII of all beneficial interest

Non Resident Indians (NRIs) Currently there is a limit of 5 per cent for individual NRI portfolio investment with the aggregate limit for all NRIs restricted to 10 per cent but can be raised to 24 per cent with the approval of Board / General Body. This dispensation will continue. But, the policy guidelines of February 3, 2004 on acknowledgement for acquisition/transfer will be applied.

Transition arrangements The current minimum capital requirements for entry of new banks is Rs. 200 crore to be increased to Rs. 300 crore within three years of commencement of business. A few private sector banks which have been in existence before these capital requirements are prescribed are having less than Rs.200 crore net worth. In the interest of having sufficient minimum size for financial stability, all the existing private banks should also be able to fulfill the minimum net worth requirement of Rs. 300 crore required for new entry. Hence any bank falling below this level will be required to submit a time bound programme for capital augmentation to RBI for approval.

Continuous monitoring arrangements Where RBI acknowledgment has already been obtained for transfer of shares of 5 per cent and above, it will be the bank's responsibility to ensure continuing compliance of the fit and proper criteria and provide an annual certificate to the RBI of having undertaken such continuing due diligence, Similar continuing due diligence on compliance with the fit and proper criteria for directors/CEO of the bank will have to be undertaken by the bank and certified to RBI annually, RBI may, when considered necessary, undertake independent verification of fit and proper test conducted by banks through a process of due diligence.

Issue and pricing of shares by private sector banks In terms of which guidelines on issue and pricing of shares had been prescribed. In terms of extant instructions, banks in private sector, whose shares are not listed on the stock exchanges, are required to obtain prior approval of Reserve Bank of India (RBI) for issue of all types of shares, viz., public, preferential, rights / special allotment to employees and bonus shares. However, banks



whose shares are listed on the stock exchanges need not seek prior approval of RBI for issue of shares except bonus shares, which is to be linked with rights / public issues by all the banks in private sector. The matter has since been reviewed and issue and pricing of shares by private sector banks would be governed by the following guidelines:

Initial Public Offers (IPOs): All banks should obtain RBI approval for IPOs. After listing on the stock exchanges, banks are free to price their subsequent issues. Issue price should be based on merchant banker's recommendation. There need be no reference to the CCI formula for deciding on the pricing of such issues.

Bonus issues: Private sector banks, both listed and unlisted, need not seek RBI's approval for bonus issues. The issues would, however, be subject to SEBI's requirements on issue of bonus shares, viz. bonus issues (a) should be made from free reserves built out of genuine profits or share premium, (b) should not dilute the value or rights of partly or fully convertible debentures, (c) should not be in lieu of dividend and (d) should not be made unless all partly paid-up shares are fully paid-up. Further, bonus issues may be issued without linkage to rights issues.

Preferential issue: All preferential issues would require prior approval of RBI. Pricing of preferential issues by listed banks may be as per SEBI formula, while for unlisted banks the fair value may be determined by a chartered accountant or a merchant banker. In case of pricing of issues where RBI approval is not required, pricing of issues should be as per SEBI guidelines; in cases where prior approval of RBI is required, pricing should take into account both SEBI and RBI guidelines. These instructions come into force with immediate effect.

IMPORTANCE OF PRIVATE SECTOR BANK IN INDIA

The private sector bank plays a vital role in the Indian economy. They indirectly motivate the public sector banks by offering a healthy competition to them. The following are their importance:

Offering high degree of professional management :

The private sector bank helps in introducing a high degree of professional management and marketing concept into banking. It helps the public sector banks as well to develop similar skill and technology.

Creates healthy competition The private sector banks provide a healthy competition on general efficiency levels in the banking system.

Helps to access foreign capital markets



The foreign bank in the private sector helps the Indian companies and the government agencies to meet out their financial requirements from international capital markets. This service becomes easier for them because of the presence of their head offices / other branches in important foreign centres. In this way they help a large extent in the promotion of trade and industry in the country.

Helps to develop innovation and achieve experts

The private sector banks are always trying to innovate new products avenues (new schemes, services) and make the industries to achieve experts in their respective fields by offering quality service and guidance. They introduce Thus; they lead the other banks in various new fields. For example, introduction of computerized operations, credit cards business, ATM service, etc.

Leading Private Banks in India

ICICI Bank ICICI Bank (Industrial Credit and Investment Corporation of India) is India's largest private sector bank with total assets of Rs. 7,206.95 billion (US\$ 109 billion) at March 31, 2016 and profit after tax Rs. 97.26 billion (US\$ 1,468 million) for the year ended March 31, 2016. ICICI Bank currently has a network of 4,850 Branches and 13,882 ATM's across India. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its group companies.

HDFC Bank The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an „in principle“ approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. As on 31st March, 2015 the authorized share capital of the Bank is Rs. 550 crore. The paid-up share capital of the Bank as on the said date is Rs501,29,90,634/- (2506495317) equity shares of Rs. 2/- each). The HDFC Group holds 21.67 % of the Bank's equity and about 18.87 % of the equity is held by the ADS / GDR Depositories. The Bank's distribution network was at 4,014 branches in 2,464 cities.All branches are linked on an online real-time basis. Customers across India are also serviced through multiple delivery channels such as Phone Banking, Net Banking, Mobile Banking and SMS based banking.

Yes Bank YESBANK is India's fifth largest private sector Bank, founded in 2004. Yes Bank is the only Greenfield Bank licence awarded by the RBI in the last two decades. YES BANK is a “Full Service Commercial Bank”, and has steadily built a Corporate, Retail & SME Banking franchise, Financial Markets, Investment Banking, Corporate Finance, Branch Banking, Business and Transaction Banking, and Wealth Management business lines across the country. As on 31 Dec 2015, the bank had 630 branches and



2000 ATMs. It had a balance sheet size of ₹ 1,23,200 crore and Gross NPA of 0.42% fifth largest bank in private sector.

AXIS Bank Axis Bank Ltd is the third largest of the private-sector banks in India offering a comprehensive suite of financial products. The bank has its head office in Mumbai and Registered office in Ahmedabad. It has 3300 branches, 13,003 ATMs, and nine international offices. The bank employs over 50,000 people and had a market capitalization of ₹1.0583 trillion (US\$16 billion) (as on March 31, 2016).[4] It offers the entire spectrum of financial services large and mid-size corporates, SME, and retail businesses. As of 12 Aug 2016, the bank had a network of 3,120 branches and extension counters and 12,922 ATMs. Axis Bank has the largest ATM network among private banks in India and it operates an ATM at one of the world's highest sites at Thegu, Sikkim at a height of 4,023 meters (13,200 ft) above sea level.

Federal Bank The Federal Bank Limited is a major private sector commercial bank headquartered at Aluva, Kochi, Kerala. As on 31 March 2016, Federal Bank has 1252 branches spread across 24 states and 1516 ATMs across the country. Its balance-sheet stood at Rs 1.37 trillion as of end March 2016 and its net profit stood at Rs 475 crore for the fiscal year. In April 2016, Federal Bank opened 'Launchpad',[7] exclusive outlets for startups. „Launchpad“ is a one stop facility providing a range of advisory services in addition to customized banking offerings to budding entrepreneurs who wish to set up start-up ventures in diverse sectors like Digital Financial Services, Biotechnology, Hi-Tech Farming, Healthcare, Logistics, e-Commerce/e-Markets etc

IndusInd Bank: IndusInd Bank Limited is a Mumbai based Indian new generation bank, established in 1994. The bank offers commercial, transactional and electronic banking products and services. As on June 30, 2016, IndusInd Bank has 1,004 branches, and 1885 ATMs spread across 625 geographical locations of the country. It also has representative offices in London, Dubai and Abu Dhabi.

Net Assets Growth Comparison

Net assets is the sum of asset side of the balance sheet excluding any provision for depreciation fund or the assets

Return on Assets Return on Assets (ROA) shows the rate of return (after tax) being earned on all of the firm's assets regardless of financing structure (debt vs. equity). It is a measure of how efficiently the company is using all stakeholders' assets to earn returns. Because ROA can differ significantly across firms, ROA is often used to compare a company over time or against companies that have similar financing structures



Net Profit/ loss growth rate Net income is what remains out of a company's revenue after subtracting all costs. It is also referred as net profit, earnings, or the bottom line. Net Income, that is not paid out in dividends is added to retained earnings. Increasing (decreasing) net income is a good (bad) sign for a company's profitability [8]. Companies with consistent and increasing net income over time are looked at very favorably by stockholders.

shown at book value less depreciation charges, or the market value of the asset to be disposed off less any expected loss or provision against that asset. This total of the asset side exclude the fictitious assets if there is any shown in the asset side of the balance sheet like preliminary expenses, discounts on issue of shares or debenture, interest paid out of capital etc. Net assets include both types of assets i.e., fixed asset, as well as, the current asset possessed by the business entity owned by the concerned. These assets provides the base for making the concern capable for carrying out its business activities for earning revenue and consolidate its position in the years to come. As regarding Net Assets of Punjab National Bank & HDFC Bank Limited, it has been computed by deducting

Types of NPA Gross NPA: Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on Balance Sheet date. Gross NPA reflects the quality of the loans made by banks. It consists of all the nonstandard assets like as sub-standard, doubtful, and loss assets. It can be calculated with the help of following ratio:

Net NPA: Net NPAs are those type of NPAs, in which the bank has deducted the provision regarding NPAs. Net NPA shows the actual burden of banks. Since in India, bank balance sheets contain a huge amount of NPAs and the process of recovery and write off of loans is very time consuming. The provisions the banks have to make against the NPAs according to the central bank guidelines are quite significant. That is why the difference between gross and net NPA is quite high. It can be calculated as per following

CONCLUSION

Conclusion To conclude, it can be said that the study was able to meet all the set objectives and get a detailed account on private sector banking in India and also could show an inclination of private bank over public bank. There are some basic observations that can be drawn:

- 1) Private Sector Banks profitability is much higher than that of Public Sector Banks.
- 2) The economic liberalization measures introduced by the Indian government coupled with trends towards globalization have substantially altered the banking sector and the



profitability of public sector banks has declined to a large extent. So Public Sector Banks will have to introduce new financial instruments and innovations in order to remain in business.

3) It is clear from the analysis that the public sector banks are less profitable than the private sector banks in terms of overall profitability.

4) All these developments in Indian banking are says that, the Indian banks are moving towards modern banking changing a face of traditional banking of Indian economy .It is grate change of banking industry. They having a installing an information technology for 191 banking business and they trying to provide technology based banking products and services to their customers.

5) Indian banks also trying to Universalization of banking products and services to one top banking shop for customer delight, but comparatively private and foreign banks existing in Indian economy are having a higher level of modernization and those providing numbers of modern services to their customers.

6) For a long term success of banking institution to require effective management of credit risk and diversified into fee based activities. Non-traditional activities of banks are more sophisticated and versatile instrument for risk assessment.

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