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THE COMPARISON OF THE PRIVATE AND PUBLIC SECTOR OF BANKS PRESENT IN INDIA

Mrs. Battul S. N.
Associate Professor Head, Department Of History.

ABSTRACT

In India, there are currently 27 public area banks, 22 private area banks, and four neighborhood banks. With a total share of 72.9%, Public Area banks dominate the Indian financial system, followed by Confidential Area banks with 19.7%.The association or state government owns more than half of the stock in public area banks. The majority of the stock in confidential area banks is owned by private individuals or businesses. Open area banks are laid out using parliament demonstrations. India now has a total of 12 public area banks and 21 confidential area banks as a result of bank consolidation in 2019.The people who hold the majority of offers distinguish the confidential area banks from the public area banks, with the confidential individuals and organizations holding the majority of offers in the confidential area banks and the public authority holding the majority of offers in the public area banks.

In India, both confidential and public banks are adapting their plans and contributions more easily. However, private banks have established themselves as the best options for individuals. In terms of development level and functional effectiveness, Indian confidential banks are superior. They provide superior support because they prioritize benefits. Following the launch of the LPG strategy in the 1990s, the concept of confidential banks emerged. Pivot Bank and IndusInd Bank, two of India's most established and well-known private banks, began operations in 1993 and 1994, when the public authority granted permission for them to liquidate such banks.

KEYWORDS : *Non-Performing Assets, Public Sector Banks, and Credit Risk Management.*

INTRODUCTION

The financial sector has experienced rapid growth over the past few years and offers one of the best opportunities for professional development. However, working for a public area bank might not be quite the same as working for a private area bank in terms of working hours, the level of competition, and the professional expectation to learn and adapt. Pay and employer stability can also fluctuate greatly. It would

be ideal to investigate these points of view prior to making the best financial decision to build a successful career. Before going any further, it would be essential to take into consideration the differences between public banks and private banks. The Indian financial system has developed over time to greatness and simplicity in providing clients with financial assistance. It stores the financial assets of the country's various social classes.

The top bank and money-related power in India is the Hold Bank of India, which manages the country's finances. It is the investor's bank and oversees all of the country's banks, including development, business, and helpful banks. Public area banks, private area banks, unfamiliar banks, territorial rustic banks, neighborhood banks, and so on are all included in the business bank. With the exception of eight banks (SBI and seven partner banks), all Indian banks were private area banks prior to 1969. In July 1969, 14 business banks and six of the 80 banks were nationalized.

After conducting a comprehensive writing survey on CRM in banks, it was discovered that CRM has received numerous examinations in the Indian financial sector. In addition, extensive research on the relationship between CRM practices in private and public area banks has been completed. Nevertheless, the analyst discovered flaws in the evaluation of CRM's viability as a whole and in particular with regard to its applications in financial association. On numerous fronts, additional appraisal focuses exist, but there is no coordinated view. The current study aims to focus on following different CRM practices in Indian banks, such as Public and Confidential Plus, but it also reveals that none of the previous studies have produced a mixed result for CRM practices in the Indian financial sector because most of the studies were focused on separate factors.

The current project is one in which the client's perspective will be used to examine CRM practices in the Indian financial sector. However, none of them have specifically focused on CRM for the purpose of establishing a connection between the public and private areas of Indian banks. As a result, it is deemed necessary to initiate research along this path in order to evaluate and establish a connection between various boundaries that will reflect CRM's viability.

DEFINITION OF PUBLIC SECTOR BANK

Public Area Banks are financial institutions in which the central or state government owns more than half of the shares. The stock trade includes these banks. PSBs are the largest class of banks in the Indian Financial Framework and predate autonomy. The public sector banks control more than 70% of the Indian financial sector's market share. These banks are divided into two groups, including the Nationalized Bank and its partners and State Bank. In India, there are 27 public area banks of varying sizes. There are a total of 19 nationalized Indian banks, including 8 State Bank of India Partners.

DEFINITION OF PRIVATE SECTOR BANK

The term "confidential area banks" refers to financial institutions whose majority stake is held by private investors and entities rather than the government. After a large number of banks were nationalized in the two tranches, those banks that were not nationalized continued to operate as Old Age Private Area Banks. In addition, when the growth strategy was initiated in India, banks that received authorization—such as HDFC bank, ICICI bank, Hub bank, and others—were regarded as New Age Private Area Banks. After liberalization, the financial sector in India has undergone a significant transformation as a result of the rise of private sector banks, whose presence has been steadily growing and they now offer a wide range of products and services to their customers. In the economy, they represented a potent opposition.

OBJECTIVES OF RESEARCH

In the context of India, this comprehensive study examines both public and private banks. This study aims to determine which CRM practices in private and public banks are more effective in determining customer satisfaction. It will be helpful in determining which CRM practices factors are more discriminating in measuring customer satisfaction in both sector banks.

Punjab National Bank, Bank of Baroda, Bank of India, Central Bank of India, Canara Bank, Union Bank of India, Indian Overseas Bank, Punjab, Sind Bank, Indian Bank, UCO Bank, and Bank of Maharashtra, State Bank of India are the 12 nationalized banks in India at the present time. Public area banks are those wherein the association or state government possesses over half of the stock. Private firms or individuals hold the majority of the stock in private sector banks. Public sector banks are established by parliamentary acts. India has twelve public sector banks. State Bank of India, Union Bank of India, UCO Bank, Punjab National Bank, Punjab and Sind Bank, Indian Overseas Bank, Indian Bank, Central Bank of India, Canara Bank, Bank of Maharashtra, Bank of India, and Bank of Baroda are all included in this group.

Following the recent mergers of government banks, India will have a total of 12 nationalized banks as of July 2020.The following is a list of nationalized banks: Indian State Bank. With the merger of Oriental Bank of Commerce and United Bank of India, Punjab National Bank entered the banking industry to establish and maintain long-term relationships with customers and provide value to both banks and customers. With this idea, the bank can individually identify, segment, communicate, and establish long-term relationships with customers. In today's business environment, banks aim to increase profits by recognizing customers and tailoring offers to meet their needs.CRM is becoming a tool for maintaining an existing structure and growing a high-quality customer base through the use of new technologies. It involves developing marketing strategies based on a deeper comprehension of the bank's entire customer base, including their wants, needs, and attitudes, as well as a more effective focus on profitability and the value that each customer brings to the company.

Most people think that capital misallocation is a big reason why there are differences in income and productivity between developed and developing nations. The effectiveness with which Indian banks allocate capital among businesses with varying levels of productivity is the subject of this study. Firms with significant ties to public sector banks have a weaker connection to bank credit growth, according to the analysis, particularly in years when public sector banks account for a large share of new credit. Significant missed growth opportunities for more productive businesses are represented by significant credit flows to unproductive businesses. Based on these findings, it appears that measures to enhance the governance of public sector banks—possibly through privatization—would aid in reducing capital misallocation.

POLICY ENVIRONMENT

The policy environment during the reform period increased competition and opened up more opportunities for banks to use their "true corporate element," or the coordinated actions of all entities as a "joint family," to meet predetermined Plan priorities. The actions taken so far can be summed up as follows: First, allowing private sector banks to enter the banking system (nine licenses have been granted since 1993) and allowing more foreign banks to open branches and establish new ones has created more competition. In the financial industry, the development of a multi-institutional structure has placed an emphasis on efficiency through competition regardless of ownership. In order for banks to survive, they have needed to boost efficiency as non-bank intermediation has grown. Second, the reforms gave the banking system more freedom to control resources' prices and quantities. Currently, statutory preemptions account for less than a third of the resources available to commercial banks. Market financing has become less necessary for government borrowing. Currently, directed credit is offered at close to commercial terms. Bank investments are also valued in accordance with international best practices to appropriately

capture market risks. Thirdly, the RBI has shifted its focus away from micro regulation and toward macro management. The RBI has switched from specific individual guidelines to general ones, leaving it up to the boards of individual banks to decide how credit decisions should be made.RBI established a Regulation Review Authority, under which any bank could challenge the necessity of any regulation or guideline, and the department was required to justify the necessity and usefulness of the guideline in relation to the costs of compliance and regulation. Fourth, prudential standards have been imposed gradually to strengthen the banking system so that it can adapt to the changing environment. Thus, prudential norms establishing capital adequacy norms, asset classification, income recognition and provisioning rules, exposure norms, and asset liability management systems have helped to identify and contain risks, thereby contributing to greater financial stability, despite banks' greater freedom to make credit decisions.

STRUCTURAL ENVIRONMENT OF BANKING

After the Banking Companies (Acquisition & Transfer of Undertakings) Acts were amended in 1994, nationalized banks were permitted to reduce their equity in the Government of India to 51%, bringing the minimum shareholding of the Government in PSBs down to 51%.SBI's shareholding held by the RBI must be at least 55%.Ten banks have already obtained market capital. The Public authority proposed, in the Association Spending plan for the monetary year 2000-01 to decrease its holding in nationalized banks to at least 33%, while keeping up with the public area character of these banks. The introduction of private shareholding has resulted in issues of shareholder value, as evidenced by the market cap, representation on the board, and the interests of minority shareholders. As a result, the functioning of PSBs has been significantly altered as a result of the diversification of ownership. When banks raise capital from the market, private shareholders are represented. The board of directors is in charge of running banks. The board of directors' role has grown in importance as a result of interest rate deregulation and increased operational autonomy for banks. Over the course of time, Boards have been required to establish policies in crucial areas like asset-liability management, asset-liability management, loan management, and NPA management and recovery. Banks are required to appoint a number of committees at the Board level, including the Management Committee, as part of this procedure.

LITERATURE REVIEW

Rancher (2009) research, the monetary exhibition of 27 nationalized banks in India from 1989 to 1998 was generally reliant upon optional information. The quantifiable variables and their respective impacts on profitability have been the subject of research. In order to discover the characteristics that determine their profitability, a detailed analysis was carried out on a select group of banks that made a lot of money but also made a lot of losses. Break-Even Analysis has been used to come up with ideas for ways to increase the safety margin and to differentiate between banks that make a profit and those that lose money.

Gulati and Kumar (2009) attempted to investigate the relationship between profitability and efficiency in domestic Indian banks. De novo private sector banks dominate the efficient frontier of the Indian domestic banking industry, according to empirical evidence. The resource utilization processes of 22 banks in the "Question Mark" and "Sleeper" quadrants of the efficient-profitability matrix are inefficient and waste a lot of inputs. The ineffective and unprofitable banks can use Yes Bank and Tamil Nadu Mercantile Bank as examples of how well they ought to be doing.

According to Mitra & Shankar (2008), a country's economic standing can be improved by having a robust and efficient banking system. This paper aims to model and examine the efficiency of fifty Indian banks. Each analysed unit's inefficiency can be evaluated and quantified. The ultimate objective of this article is to evaluate and compare the efficiency of Indian banking. This study ought to support or refute the

premise that the banking sector's function as an intermediary enables it to compete with global players. The data are instructive for financial policymakers because they highlight areas where various institutions should focus on improving performance. This study examines the performance of the Indian banking industry.

In his study of the financial performance of Indian private sector banks, Kumar (2008) discovered that these banks play a crucial role in the growth of the Indian economy. Following financial deregulation, significant changes occurred in the banking industry. The banking sector has been profoundly affected by economic reforms. The RBI granted permission for the establishment of brand-new private sector banks, as suggested by the Narashiman committee. Indian banking was dominated by public sector banks. In the past, the banking sector was dominated by old-fashioned businesses that used out-of-date technology and didn't have good management.

Varadi and others According to their study, bank performance is becoming increasingly important in the modern world. In order to evaluate the effectiveness of India's financial system, it is necessary to examine important metrics like profitability, productivity, assets, quality, and financial management for both public and private Indian banks from 2000 to 2002-2003.We were able to determine which Indian banks were more effective with the assistance of development envelopment analysis: banks in the public sector

Over a period of six months, Tripathi & Chaubey (2020) observed the intensity of fall during the two time periods. Even though the overall decline during the preceding period was greater than that during the pandemic period, the outcome demonstrated that the pandemic phase experienced a sharp but respectable decline. They compared the performance of stock indices from various nations using One-way Anova, and they compared the two incidents using correlations and graphs.

According to the LOANS TURNOVER ratio table above, State Bank of India has the highest ratio value, followed by Bank of Baroda and Bank of India. State Bank of India has the highest sales and must repay its loans as a result. As indicated by the accompanying Net revenue proportion table, Bank of Baroda keeps most of its income as net benefit, trailed by Bank of India and State Bank of India. For the last five years of the study, the State Bank of India has the highest operating expense to total funds average ratio, as shown in the table above. It demonstrates that the State Bank of India has the greatest capacity to leverage its average total resources to increase its mainstream of operating expenses. By utilizing its average total resources, Bank of Baroda has the lowest potential to increase its mainstream operating expenses.

OVERVIEW OF INDIAN BANKING INDUSTRY

There are currently 84 scheduled commercial banks (SCBs) operating in India. These SCBs are made up of 21 public sector banks (PSBs), 20 private sector banks (PVBs), and 43 foreign banks (FBs).In India, these banks handle 98% of the banking business [2].After the reforms, the Indian banking industry saw significant expansion in terms of deposit mobilization, loan sanctions, and overall banking business. As a percentage of GDP, commercial bank credit increased steadily from 24% in 2001 to 55% in 2017 [2].During the same time frame, bank deposits also increased, rising from 44% to 68%.The majority of banks in the public and private sectors are listed on stock exchanges and actively trade there. Over the past three decades, the strength and performance of the banking structure have significantly improved. By offering a variety of banking products, it helped the economy's trade, industry, and personal sectors. Since financial reforms were implemented in the 1990s, the Indian economy and banking sector had undergone significant transformation. based on the recommendations made in the 1991 Narasimham Committee Report [3]The Reserve Bank of India (RBI) implemented a number of reforms, including the reduction of reserve requirements, the deregulation of interest rates, the introduction of prudential norms, the strengthening of bank supervision, and the expansion of private banking to make the system more

competitive. In its second report in 1998 [4], the Narasimham Committee emphasized two aspects of banking regulation: capital sufficiency, asset classification, and NPA resolution.

CONCLUSION

Using ratio analysis of public sector banks, it can be deduced that earlier years had a higher net profit margin ratio, indicating that banks kept a higher percentage of their revenue as net income. Public sector banks have a higher outstanding loan balance and a lower loan turnover ratio in relation to their revenue. The State Bank of India has the greatest potential to increase its mainstream of operating expenses using its average total resources. Public banks' primary source of operating interest income can be increased using their average total resources. The study comes to the conclusion that PSBs have adopted loose and lenient credit policies and have concentrated loans on specific borrowers and sectors, i.e., they have significant credit exposures to a small number of large corporate borrowers and to a small number of sectors, such as infrastructures, power, steel, mining, and telecom. Because they have more NPAs than their counterparts, evidence suggests that PSBs manage their credit and credit portfolio inefficiently. According to the study, PSB managements have performed poorly and were ineffective. In comparison to the total advances, the public trend of NPAs over the past five years has increased. PSBs have significantly higher NPAs extents and ratios than PVSBs. According to the study, PSBs' loose loan terms and conditions, insufficient credit sanctions, and loan disbursements are the primary factors contributing to higher NPAs. Because the RBI is not neutral toward the ownership structure of banks, the study also suggests that PSBs are subject to weak and mild regulatory environments and impacts in comparison to PVSBs. When compared to PVSBs and FBs, the RBI is unable to effectively regulate and control PSBs. As there are no rewards or penalties for PSBs' responsibilities, accountability, and performance, the managements of PSBs are ineffective and indifferent to their performance.

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