ABSTRACT

The Economic reforms in India started in 1991, but their outcomes are visible now. Major changes took place in functioning of bank nowadays. So, it has become necessary to study and make a comparative analysis of investment of public sector and private sector banks. Increased competition, new information technology, wider scope of banking service increase income of banks. This paper attempts to analyse how efficiently banks manage their investments which are increases because of increase in revenue.

Keywords: Public Sector Banks; Private Sector Banks; Investments

INTRODUCTION

Banking system has a very important place in the nation. A banking institute is a inseparable in a modern society. It is comparable to heart of the nation which pumping in savings and pumping out the investible funds in diverse channel. It forms the core of financial system of a country. Commercial banks play a vital role in the economic development of a country. The bank encourages people for saving and mobilise it for invested in various projects.

The Indian banking system had made significant progress in 1950 and 1960 but the benefits of this did not flow down to the general public in terms of access to credit. In fact, till 1968, commercial banks were not involved to any significant extent in providing direct finance to agriculture.

Recently RBI is keeping two windows open for the liquidity Adjustment Facility (LAF) to ease the liquidity crunch. It has also allowed additional liquidity support under LAF – up to 2% of banks’ deposits. Banks are required to invest at least 25% of their deposits in Government bonds and if such investment known as Statutory Liquidity Ratio (SLR) – falls below 25%, RBI penalizes them.

Indian Banking Structure

In the earlier times, there are three main banks were in existence i.e. Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras(1843). They were amalgamated into one and formed a new bank called “Imperial Bank of India”. It was nationalised in the year 1955.

Nationalisation of banks was started in the year 1955 and it was carried on up to the year 1980. In the year 1969, 14 major banks were nationalised with the deposits of at least Rs. 50 crore. After that in 1980, another 6 banks were nationalised with the deposits of at least Rs. 200 crore. After applying Banking sector reforms, gates for private banks and foreign banks were opened in the year of 1992.

Public Sector Banks

Public sector banks are those in which government has a major stake. They are mainly divided into two groups i.e. Nationalised banks and State Bank of India and its associates. Among them there are...
19 nationalised banks and 8 SBI & its associates. Public sector banks dominate 75% of deposits and 71% of advances in the banking industry. Public sector banks dominate commercial banking in India. It can be further divided into three parts:

1. State Bank of India
2. Nationalised Banks
3. Regional Rural banks (RRB)

**Private Sector Banks**

Private Banks came into existence to compete and support the performance of public banks and serve the needs of the economy better. Private sector banks are the banks which are controlled by private lenders. With the approval from RBI, their interest rates are slightly costly as compared to public sector banks.

**LITERATURE REVIEW**

Roma Mitra, Shankar Ravi (2008), A stable banking sector is an essential precondition to increase the economic level of a country. This paper analyzes the efficiency of 50 Indian Banks. The aim of this paper is to compare efficiency of banking sector in India. The analysis is supposed to verify or reject the hypothesis whether the banking sector fulfils its intermediation function sufficiently to compete with the global players. This paper evaluates the performance of Banking Sectors in India.

B. Satish Kumar (2008), in his article on an evaluation of the financial performance of Indian private sector banks wrote Private sector banks play an important role in development of Indian economy. The economic reforms totally have changed the banking sector. RBI permitted new banks to be started in the private sector as per the recommendation of Narsimhan committee. Nowadays, Private sector banks with the use of latest information technology have grown very rapidly.

Petya Koeva (2003), in his study on The Performance of Indian Banks During liberalisation states that new empirical evidence on the impact of financial liberalisation on the performance of Indian commercial banks. The analysis focuses on examining the behaviour and determinants of bank intermediation costs and profitability during the liberalisation period. The result suggest that ownership type has a significant effect on some performance indicators and therefore increase in competition which has been associated with lower intermediation cost and profitability of banks.

Saha, Gurudas (2001) in his study analyses that public sector banks have a better competitive edge that is lost because of poor governance leading to human resource mismanagement and loss of profitability. This paper analyses the major financial parameters of Public and Private sector banks and importance of banking cost determination.

Anantha Swamy, B.N. (2001) in his study covers the performance of specific bank groups over the period 1995-96 to 1999-2000 shows the impact of deregulation and competition in a liberalised economy.

**OBJECTIVES OF THE STUDY**

1. To compare investment of public and private sector banks of India.
2. To examine trends prevailed in investment of banks.
3. To measure performance of public sector and private sector banks with special reference to investment.
4. To impart necessary suggestions to improve performance as well as investment trend in Indian Banks.
RESEARCH METHODOLOGY

Universe of the study: For the present study, the universe of study is some selected public and private sector banks of India.

Sampling Procedure: A random sampling technique is used.

Sample size: Total size of sample would be eight banks. From which four banks are of Public sector and four banks are from Private sector are taken.

Public sector banks:
  i. State Bank of India
  ii. Dena Bank
  iii. Bank of India
  iv. Punjab National Bank

Private sector banks:
  i. Axis Bank
  ii. HDFC Bank
  iii. ICICI Bank
  iv. Kotak Mahindra Bank

Tools of Data Collection: Data are collected totally through secondary sources. Annual reports of selected banks are taken into consideration.

Statistical technique: The present study is a comparison of investment between public and private sector banks of India. Hence for comparison T-test is used. Percentage and Rank analysis is also done to check which year is more profitable for banks.

Period of study: from the year 2012 -2015, four years have been considered.

Hypothesis
The present study aims at testing following hypothesis with the help of sample data. The hypothesis is:

H0 (Null Hypothesis): There is no significant difference between investment of public and private sector banks in India.

H1 (Alternate Hypothesis): There is significant difference between investment of public and private sector banks in India.

Data Analysis and Interpretation: Following is the year wise presentation of Investment of all sample banks.

<table>
<thead>
<tr>
<th>Public Sector Banks</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India</td>
<td>312197.67</td>
<td>350927.27</td>
<td>398308.19</td>
<td>495027.40</td>
</tr>
<tr>
<td>Bank of India</td>
<td>86753.59</td>
<td>94613.43</td>
<td>114152.44</td>
<td>119792.04</td>
</tr>
<tr>
<td>Dena Bank</td>
<td>23027.65</td>
<td>34343.10</td>
<td>36612.07</td>
<td>36499.13</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>122629.47</td>
<td>129896.19</td>
<td>143785.50</td>
<td>151282.36</td>
</tr>
<tr>
<td>Total</td>
<td>544608.32</td>
<td>609779.99</td>
<td>692858.20</td>
<td>802600.93</td>
</tr>
</tbody>
</table>

Source: Annual report of respective banks
Private Sector Banks

<table>
<thead>
<tr>
<th>Banks</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis Bank</td>
<td>93192.09</td>
<td>113737.54</td>
<td>113548.43</td>
<td>132342.83</td>
</tr>
<tr>
<td>HDFC Bank</td>
<td>97482.91</td>
<td>111613.60</td>
<td>120951.07</td>
<td>166459.95</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>159560.04</td>
<td>171393.60</td>
<td>177021.82</td>
<td>186580.03</td>
</tr>
<tr>
<td>Kotak Mahindra Bank</td>
<td>21566.81</td>
<td>28873.43</td>
<td>25484.55</td>
<td>30421.09</td>
</tr>
<tr>
<td>Total</td>
<td>371801.85</td>
<td>425618.17</td>
<td>437055.87</td>
<td>515803.90</td>
</tr>
</tbody>
</table>

Source: Annual report of respective Banks

T-Test: (Rs. In Lacs – Approx.)

<table>
<thead>
<tr>
<th>Year</th>
<th>X1</th>
<th>(X1−X1)</th>
<th>(X1−X1)2</th>
<th>X2</th>
<th>(X2−X2)</th>
<th>(X2−X2)2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5.45</td>
<td>-1.18</td>
<td>1.3924</td>
<td>3.72</td>
<td>-0.66</td>
<td>0.4356</td>
</tr>
<tr>
<td>2013</td>
<td>6.10</td>
<td>-0.53</td>
<td>0.2809</td>
<td>4.26</td>
<td>-0.12</td>
<td>0.0144</td>
</tr>
<tr>
<td>2014</td>
<td>6.93</td>
<td>0.3</td>
<td>0.0900</td>
<td>4.37</td>
<td>-0.01</td>
<td>0.0001</td>
</tr>
<tr>
<td>2015</td>
<td>8.03</td>
<td>1.4</td>
<td>1.9600</td>
<td>5.16</td>
<td>0.78</td>
<td>0.6084</td>
</tr>
<tr>
<td>Total</td>
<td>26.51</td>
<td>3.7233</td>
<td>17.51</td>
<td>1.0585</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mean Value = \( \bar{X}_1 = \frac{26.51}{4} = 6.63 \)

Mean Value = \( \bar{X}_2 = \frac{17.51}{4} = 4.38 \)

Standard Deviation (S) = 0.3645

\[
T = \frac{6.63 - 4.38}{0.3645} \sqrt{\frac{1}{4} + \frac{1}{4}}
\]

\[
= \frac{2.25}{0.3645(1)}
\]

\[
= 6.1728
\]

Degree of freedom = (4-1) + (4-1) = 3+3 =6

Level of Significance = 5%

The table value of ‘t’ at 5% Level of Significance and where Degree of freedom is 6 is 2.447

Hence, calculated value is more than table value (6.1728 > 2.447)

Thus, Alternate Hypothesis (H1) is accepted.

We can say that there is significant difference between investment of public and private sector banks in India.

Percentage and Rank Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Public sector banks</th>
<th>Ranks</th>
<th>Private sector banks</th>
<th>Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5.45/26.51*100 =20.56%</td>
<td>4</td>
<td>3.72/17.51*100 =21.25%</td>
<td>4</td>
</tr>
<tr>
<td>2013</td>
<td>6.10/26.51*100 =23.01%</td>
<td>3</td>
<td>4.26/17.51*100 =24.33%</td>
<td>3</td>
</tr>
<tr>
<td>2014</td>
<td>6.93/26.51*100 =26.14%</td>
<td>2</td>
<td>4.37/17.51*100 =24.96%</td>
<td>2</td>
</tr>
<tr>
<td>2015</td>
<td>8.03/26.51*100 =30.29%</td>
<td>1</td>
<td>5.16/17.51*100 =29.47%</td>
<td>1</td>
</tr>
</tbody>
</table>
SUGGESTIONS

1. We can find from results that in both sector banks, there is positive trend of investment prevailed but in private sector banks there is comparative low investment than public sector banks. Thus, private banks should try to increase their investment by increasing their revenues.

2. Both public and private sector banks should try to maintain their increasing trend of investment in future also.

LIMITATIONS OF THE STUDY

1. In the present study, limited banks are taken as sample size.

2. Period of study is taken as four years.

3. Here only public and private sector banks are taken into consideration.

4. Here only investment aspect is taken in the study.

CONCLUSION

Since 1991, India has undertaken banking sector reforms, which aimed to increase the efficiency and profitability of public sector banks which can control about 90% of all deposits and credit. The fruits of banking sector reforms truly get after the year 1999-2000. Public sector and private sector banking are growing very well and contribution of service sector in overall GDP increases very rapidly. As income of banks increase, remaining cash they have to invest in various securities to avoid risk of idle cash issues.

REFERENCES

