6.1 SUMMARY OF FINDINGS AND CONCLUSIONS

1. Financial statements are prepared primarily for decision-making. They play a dominant role in setting the framework of management decisions. But the information provided in financial statements is not an end itself as no meaningful conclusions can be drawn from these statements alone. The information provided in the financial statements is of immense use in making decisions through financial analysis. Financial analysis is "the process of identifying the financial strengths and weakness of a firm by properly establishing relationship between the items of the balance sheet and the profit and loss account". There are various methods or techniques used in financial analysis such as comparative balance sheets statements, trend analysis, common size statements, schedule of changes in working capital, funds flow and cash flow analysis, cost volume-profit analysis, and particularly in banking sector, the financial analysis is very much essential as they deal with public money. Ratio analysis is one methodical way of classifying the data of banks income statement and Balance sheet by establishing the relationship among various items of those statements, wherefrom many performance indicators can be received by the managers and can understand well about the functioning and financial performance of a bank. It is very vivid that the financial performance of individual banks differ from one to another, however, the performance as discussed is also distinguishable between public sector banks and private sector banks.

2. The main objective of the study is to analyze and compare the financial performance of select banks in terms of Deposits mobilization, Lending and Recovery Performance and Investment, Management efficiency and
profitability of public and private sector banks through select financial ratios. Thus the present study focuses on a critical evaluation of financial performance of select public sector and private sector banks through financial, fiscal, Investment, Management efficiency and profitability ratios. It also compares the financial performance of SBI and HDFC over select parameters, namely, trends of Deposits, Lending, and Recovery Performance.

3. The study is a case method of Research and comparative analysis in nature. The study used only secondary data that was collected from research articles, books related and thesis works already done on the topic and particularly from annual reports of SBI and HDFC Bank. State Bank of India (SBI) and Housing Development Finance Corporation Limited (HDFC) are selected as sample banks for the study as they are top banks in the domain of public and private sectors. The total time period of the study is 5 years, i.e. 2008-2012. To prove the authenticity of the findings, t-Test and Test of difference between proportions are employed.

4. It is found that the deposits of SBI are superior to HDFC Bank. This is because of the confidence of the people in SBI as it is the largest public sector bank in India. The volumes of Demand Deposits of SBI and HDFC Bank are almost similar, but the volume of savings and term Deposits are significantly differing.

5. It is found that loans and advances, term loans, and short term loans of SBI are greater than HDFC Bank as SBI is having a greater network and customer base.

6. The recovery performance of SBI is almost averagely 22 percent over the study period and HDFC registered a highest recovery rate in 2008 and 2009.
and from 2010 onwards it reported a lower rate of recovery. It is inferred that there is no significant difference in Recovery Performance between SBI and HDFC Bank.

7. The dividend per share of SBI is highest in all the years to equity shareholders on a per share basis in comparison to HDFC.

8. The operating profit per share of SBI and HDFC reported a mixed trend. It is due to dynamics in the business profits of the individual banks.

9. The net operating profit per share of SBI is found declining whereas, HDFC Bank reported very least growth as the operating profits of SBI differed significantly from HDFC bank.

10. It is found that the Free Reserves per Share, the Net Profit Margin and Adjusted Cash Margin of both banks registered a low level of volatility.

11. The Return on net Worth (RNW) and Adjusted Return on Net worth (ARNW) of SBI and HDFC was found almost with similar trend. It is also proved through t-Test that the financial performance in terms of RNW of SBI does not differ significantly from HDFC Bank.

12. Interest Expended/Interest Earned of HDFC followed a declining trend, whereas, the SBI reported a gradual increase in the same over the study period.

13. It is found that the Operating Expense/Total Income of SBI & HDFC followed a mixed trend and has shown a significant impact on the financial performance of SBI, which does not differ significantly from HDFC bank.

14. It is found that Other Income over the Total Income of SBI is very high in percent when compared to HDFC. It can be concluded that the private banks
concentrate on real core bank activities for generating the income to the possible extent, whereas, the public sector banks are not.

15. Capital Adequacy Ratio (CAR) of SBI is very considerable, whereas, HDFC reports a significant level of ratio, which is higher than the rule of thumb as per the Banking Rules. It indicates that the private banks are very much concerned with the standards to be complied.

16. In the case of Advances/Loan Funds ratio SBI reported a poor performance, whereas, HDFC Bank experienced an opposite trend.

17. It is found that Net Interest Income/Total Funds and Operating Expense/Total Funds, Total Income/Capital Employed and Loans Turnover Ratios of SBI and HDFC followed a mixed trend over the study period.

18. Total Assets Turnover Ratio and Asset Turnover Ratio of SBI and HDFC were completely volatile due to the dynamics in the volume of profits of both banks.

19. Interest Expended/Total Funds and Interest Expended/Capital Employed, Non Interest Income/Total Funds of SBI reported a significant increase from 2009 onwards, whereas, HDFC bank, reported completely a mixed trend.

20. It is found that Profit before Provisions to Total Funds ratio of SBI and HDFC Bank moved in negative direction over the study period.

21. Net Profit/Total Funds of SBI and HDFC registered a declining and in some years increasing trend. With the help of t-test, it is examined that the financial performance of SBI does not differ significantly from HDFC Bank in terms of Net Profit to Total Funds Ratio.

22. Investment Deposit Ratio of SBI is the least in the year 2008, then it is increased very significantly, whereas in the case if HDFC, a mixed trend was found.
23. It is found that Cash Deposit Ratio of SBI and HDFC followed a mixed trend.

24. The Credit Deposit Ratio of SBI and HDFC found at similar rate, i.e., 70 per cent averagely.

25. It can be concluded that SBI is very strong in generating the non interest income through various commercial activities, whereas the HDFC Bank could not significantly generate the income from other sources like SBI. On the other hand, SBI experienced a gradual increase in non-interest income over the years whereas HDFC registered a considerable decline in such income over the study period.

26. SBI and HDFC Banks witnessed a meager percentage of interest expenditure over total funds. All most all the average ratios of the both banks were found same and one. This ratio was found to grow in 2010 and 2011 very significantly and decline considerably in 2009 and 2012. It indicates that the total interest expenditure of the both banks was under control.

27. The volume of profits of SBI and HDFC Banks are very satisfactory as they are more than degree of 1. But comparatively, the profits before provisions are very significant in the case of HDFC bank.

28. Net Profit to Total Funds ratio of SBI declined initially then increased in 2010 and 2011 and again declined during the rest of the years, whereas HDFC, reported a considerable decrease in the growth of that ratio from 2009-2011 and finally in the year 2012 reported no growth.

29. It is also found from the analysis that the volume of net profits of HDFC is very significant over the study period when compared to SBI. It is due to the spread and encompassment of various commercial activities being extended by HDFC as per the demand of the market.
30. SBI and HDFC banks witnessed a lower turnover over the sales and also reported a negative growth rate in the loans turnover in 2009 and 2012 and there was a positive growth in the loans turnover in 2010 and 2011. It can be inferred that the turnover of the loans of the both banks is very considerable, hence, comparatively the loans turnover position of HDFC Bank is very significant.

31. SBI and HDFC experienced very lower rate of income over the capital employed. Particularly the income on capital employed of SBI is very minimum over the study period, whereas this ratio of HDFC is very considerable over the study period. Not only that, even the growth of this ratio was found to decline in 2009 and 2012 and increase in 2010 and 2011 respectively for both banks.

32. SBI and HDFC experienced a lower turnover of their total assets as the ratio is very poor. But comparatively, the performance of HDFC is very considerable in this regard. In the total assets turnover ratio of SBI it is found that there was a decline in growth in 2009 and then a gradual increase in 2010. However, a zero growth rate in 2011 and 2012 was also found, whereas, HDFC Bank reported a mixed trend in the growth of such ratio.
6.2 SUGGESTIONS

In order to improve their financial performance, the SBI and HDFC banks are advised the following based on the analysis.

- The minimum balance for Savings Account in HDFC Bank should be reduced from Rs. 10,000 to Rs. 1,000, so that people who are not financially strong enough can maintain their account properly.
- The banks should motivate and impart right knowledge about banking to their staff.
- The banks should bring new products/services based on the aspirations of customers.
- The banks have to fundamentally reorient its business models by moving from product centric silos to customer centric strategies.
- The banks must become more clients centric by leveraging sophisticated insights to improve risk management pricing, channel performance and client satisfaction.