INTRODUCTION

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 the banking sector, the financial analysis is very much essential as they deal with public money. Ratio analysis is one that methodically classifies 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. So in the present study the statement of the problem is undertaken as FINANCIAL ANALYSIS OF COMMERCIAL BANKS – A COMPARATIVE STUDY.
REVIEW OF LITERATURE

**Xuezhi Qin, Dickson Pastory,** (July 2012), Commercial Banks Profitability Position:
The case of Tanzania, examine commercial banks profitability in Tanzania for the period of ten years (2000-2009). The study used National Microfinance Bank (NMB), National Bank of Commerce (NBC) and CRDB as the case study. The study employed the profitability measures of commercial banks, and the evidence of performance in terms of profitability was established based on return on average asset, net interest income to average bearing assets and non-interest expenses to average assets. The paper utilized panel secondary data from National bank of commerce, CRDB and National Microfinance bank in Tanzania for the period of ten years, and the hypothesis was tested to know whether there is a significant difference in terms of profitability by using ANOVA test. Finally the regression model was run to see the effects of capital adequacy, liquidity and asset quality on the profitability of commercial banks. The findings revealed that there is no significant difference on profitability among the commercial banks, in the context of regression model it has been noted that liquidity and asset quality has positive impact in profitability with exception to the level of nonperforming loans which has a negative influence on profitability. Also capital adequacy has shown negative impact on profitability. The study confirmed the profitability of commercial banks to stable and meeting the regulatory requirement of the Bank of Tanzania (BOT).

**Maitah, Mansoor, Zedan, khaled, Shibani, Bashir,** (May 2012), Factors Affecting the Usage level of Financial Analysis by Credit Officers in the Credit Decision in Libyan Commercial Banks, aim to give an idea about the usage level of financial analysis in Libyan state-owned commercial banks, and the factors affecting the process in the credit
decision, since these banks owns almost 90% of Libyan banking sector assets. To collect the data a questionnaire were distributed to credit officers and analysts in all state-owned commercial banks operate in Tripoli. The data was analyzed using SPSS program. The analysis results show that there is a weak usage level of financial analysis in the decision making process of evaluating the eligibility of the credit applicants for accredits facility. These results caused for two major reasons, first poor qualification and professional credit officers and analysts, second the low confidence level of the financial information presented by credit applicants. The major recommendation is increase more attention to reform the whole process in this field.

Almazari, Ahmed Arif,(Apr 2012), Financial Performance of Jordanian Arab Bank by using the Du Pont system of Financial Analysis, attempts basically to measure the financial performance of the Jordanian Arab commercial bank for the period 2000-2009 by using the DuPont system of financial analysis which is based on analysis of return on equity model. The return on equity model disaggregates performance into three components: net profit margin, total asset turnover, and the equity multiplier. Arab bank is one of the largest financial institutions in the Middle East and is ranked amongst the largest international facial institutions. The bank witnessed a continuation of challenges brought on by the global financial crisis. It was found that the financial performance of Arab Bank is relatively steady and reflects minimal volatility in the return on equity. Net profit margin and total asset turnover exhibit relative stability for the period from 2001 to 2009. The equity multiplier also show almost stable indicators for the period from 2001-2005 and the ratios declined from 2006-2009 which indicates that the Arab bank had less
facial leverage in the recent years, which means the bank is relying less on debt to finance its assets.

**Zenith,(March 2012),** Relative Performance Of Commercial Banks In India Using Camel Approach states that it is due to the nature of banking and the important role of banks in the economy in capital formation, banks should be more closely watched than any other type of economic unit in the economy. The CAMEL supervisory system in banking sector is a substantial improvement over the earlier systems in terms of frequency, coverage and focus. In the present study an attempt is made to evaluate relative performance of banks in India using CAMEL approach. It is found that public sector banks have significantly improved indicating positive impact of the reforms in liberalizing interest rates, rationalizing directed credit and Investments and increasing competition.

**Amitava Mandal, Santanu Kumar Ghosh,(2012),** Intellectual Capital and Financial Performance of Indian Banks, made an attempt to investigate empirically the relationship between intellectual capital and financial performance of 65 Indian banks for a period of ten years from 1999 to 2008. The analysis indicates that the relationships between the performance of a bank's intellectual capital, and financial performance indicators, namely profitability and productivity, are varied. The study results suggest that banks’ intellectual capital is vital for their competitive advantage.

**P. K. Mishra,(Jan-June 2011),** Economic Growth and the performance of Public and Private Sector Banks in India, attempts to analyze the impact of growth of Indian
economy on the performance of public and private sector banks of the country. The results suggest that the growth of Indian economy is significant in explaining the performance of public and private sector banks. This result is in line with the “Demand – following” hypothesis. Thus, the outlook is that the planners and policy makers should architect prudential norms in line with international standards and best practices to ensure sustainable development of the Indian Banking System.

Verma, Richa,(Apr 2011), Performance of Scheduled Commercial Banks in India, attempt to evaluate the productive efficiency of Scheduled Commercial Banks (SCBs) operating in India. To judge the efficiency of banks, interest expenses and non-interest expenses (operating expenses) are considered as input variables and deposits, advances, investments and spread as outputs. The paper analyzed the efficiency of 88 SCBs with the dataset ranging from the year 1998-99 to 2007-08. The results of the study indicate that the scheduled commercial banks need a lot of improvement in their efficiency level, as at the most only 42.9 percent public sector banks, 40 percent private sector banks and 42.9 percent foreign banks were found efficient in a year during the study period. The results indicate that the public sector and foreign banks need to take steps to reduce the expenses and improve the output at the given input level because they have failed to acquire full efficiency score in six and five years, respectively, out of the ten years under study.

Thiagarajan, Somanadevi, Ramachandran,(2011), an Empirical Analysis and Comparative Study of Credit Risk Ratios between Public and Private Sector Commercial Banks in India, carried out a study to measure the credit risk component of the Indian Scheduled Commercial Banking sector by using data from the past ten years (2001 -
Our study illustrates how certain key credit risk ratios can be used to measure the credit risk in the banking sector. The results indicate that there is a consistent increase in the total loans to total assets ratio and total loans to total deposits ratio for both public and private sector during the period of study.

Husni Ali Khrawish,(2011), Determinants Of Commercial Banks Performance, deals with the Determinants of commercial banks performance. There are two categories, namely internal and external factors that effects on commercial banks performance, internal determinants of statement variables and non-financial statement variables. While financial statement variables relate to the profitability, which are within the control of bank management, can be broadly classified into two categories, i.e. financial decisions which directly involve items in the balance sheet and income statement; nonfinancial statement variables involve factors that have no direct relation to the financial statements. External factors are those factors that are considered to be beyond the control of the management of a bank.

Bodha B. S. Bajaj, Richa Verma,(Feb 2010), an Analysis of Efficiency of Private Sector Banks in India, aim to examine the efficiency, benchmarks and targets for private sector banks operating in India. Keeping in view the limitations of ratio analysis techniques, production approach of Data Envelopment Analysis (DEA) was applied to judge the efficiency of private sector banks. In this model, banks are considered as service providers, and while interest expenses, non-interest expenses and the Non-Performing Asset (NPA) ratio, i.e., net NPAs to net advances, are considered as input variables, deposits, advances and investments are considered as the output variables. The paper analyzes the efficiency of 29 private sector banks with the dataset ranging from the period 1998-99 to 2005-06. The results of the study
indicate that there is a lot of scope for the private sector banks to improve their efficiency level, as, at the most, only 31.25% private sector banks were found efficient during the entire study period. The results indicate that a majority of private sector banks in India need to take steps to decrease the NPA level and improve their output parameters, such as deposits, advances and investments, because they have failed to acquire full efficiency score in all the years under study.

**Kumar, Sunil, Gulati, Rachita,(2010),** Measuring Efficiency, Effectiveness, and Performance of Indian Public Sector Banks, compare the efficiency, effectiveness, and performance of 27 public sector banks (PSBs) operating in India by using a two-stage performance evaluation model. Using the cross-sectional data for the financial year 2006/2007, the technique of data envelopment analysis has been used for computing the efficiency and effectiveness scores for individual PSBs. The overall performance scores have been derived by taking the product of efficiency and effectiveness scores. The empirical results reveal that high efficiency does not stand for high effectiveness in the Indian PSB industry. A positive and strong correlation between effectiveness and performance measures has been noted. Further, on the efficiency front, State Bank of Travancore appears as an ideal benchmark, while State Bank of Bikaner and Jaipur, and State Bank of Mysore emerge as ideal benchmarks on the effectiveness front. The practical implication of the research findings is that in their drive to improve overall performance, Indian PSBs should pay more attention to their income-generating capabilities (i.e. effectiveness) relative to their ability to produce traditional outputs.

**Suganthi J, Santhi,(2010),** a Study on Operational Efficiency and Profitability of Banks, view that the global economy has begun to recover from the deep recession set off by the
financial crisis. This recovery is underpinned by output expansion in emerging market economies (EMEs), particularly those in Asia. In India, GDP growth in the first quarter of 2009-10 at 6.1 per cent represents a modest recovery over the 5.8 per cent growth recorded during the preceding two quarters in the second half of 2008-09. As per the International Monetary Fund (IMF) estimates, world economy has expanded by 3 per cent in the second quarter. The pace of recovery is uncertain. Though Indian Banking is above the global meltdown, there have been significant shift in the Indian Banks which could affect in a slowdown of India's aggressive growth plans. This situation requires an in depth study of efficiency of the banks and factors responsible for success and failure of banks. The present study aims at analyzing the efficiency among the Top three India's Best Bank in India. This study has evaluated the various factors influencing the efficiency of three banks using ratios and statistical tools. The study has indicated that the variable Return on Assets have significant relationship with Net Profit.

**Khanna, Ashu,(Oct 2009),** A Study to investigate the reasons for Bank frauds and the implementation of preventive security controls in Indian Banking System, seek to evaluate the various causes that are responsible for banks frauds. It aims to examine the extent to which bank employees follow the various fraud prevention measures including the ones prescribed by Reserve Bank of India. It aims to give an insight on the perception of bank employees towards preventive mechanism and their awareness towards various frauds. The study signifies the importance of training in prevention of bank frauds. A strong system of internal control and good employment practices prevent frauds and mitigate losses. The research reveals that implementation of various internal control mechanisms are not up to the mark. The results indicate that lack of training, overburdened staff, competition, low compliance
level (the degree to which procedures and prudential practices framed by Reserve bank of India to prevent frauds are followed) are the main reasons for bank frauds. The banks should take the rising graph of bank frauds seriously and need to ensure that there is no laxity in internal control mechanism.

Mahesh, H. P Rajeev,(Mar 2009), Producing Financial Services: An Efficiency Analysis of Indian Commercial Banks, attempt to examine the changes in the productive efficiency of Indian commercial banks after the financial sector reforms initiated in 1992. Using stochastic frontier technique we estimate bank specific deposit, advance and investment efficiencies for the period 1985-2004. Our results show that deregulation has significant impacts on all three types of efficiency measures. While deposit and investment efficiencies have improved, advance efficiency has declined marginally. Public sector banks as a group ranks first in all the three efficiency measures showing that, as opposed to the general perception, these banks are doing better than their private counterparts. Private Banks however have shown marked improvement during the post-liberalization period in terms of all three types of efficiency measures.

Pai V. S,(2009), a Study of Profitability and Efficiency of Banks in India, compares profitability and efficiency of banks operating in India. Four categories of banks (based on RBI classification) were considered for the study. These were SBI and Associated Banks, Nationalized Banks, Scheduled Commercial Banks and Foreign Banks. The period of study was 2006-08. First, ANOVA was used to determine whether there existed variability among the bank groups with regard to Return on Assets (ROA) and Profit per Employee (PPE). The tests revealed significant variation in profitability and efficiency with regard to the bank groups being studied. It was then decided to use discriminant analysis to classify the groups as
'high profitable cum high efficient banks' and 'low profitable cum low efficient banks' relative to each other. The discriminant analysis revealed foreign banks as high performing banks where as the remaining three groups as low performing banks.

Valentina Flamini, Calvin Mcdonald, And Liliana Schumacher,(2009), The Determinants Of Commercial Bank Profitability In Sub-Saharan Africa, use a sample of 389 banks in 41 SSA countries to study the determinants of bank profitability. We find that apart from credit risk, higher returns on assets are associated with larger bank size, activity diversification, and private ownership. Bank returns are affected by macroeconomic variables, suggesting that macroeconomic policies that promote low inflation and stable output growth does boost credit expansion. The results also indicate moderate persistence in profitability. Causation in the Granger sense from returns on assets to capital occurs with a considerable lag, implying that high returns are not immediately retained in the form of equity increases. Thus, the paper gives some support to a policy of imposing higher capital requirements in the region in order to strengthen financial stability.

Rao, Nageshwar, Tiwari, Shefali,(Oct 2008), A Study of Factors affecting Efficiency of Public Sector Banks, view that Banking industry in India is all poised for a major leap in coming years. The year 2004 witnessed some major positive changes in this industry. Falling interest rates, a pickup in demand for loans, chiefly in retail sector and good spreads in treasury transactions caused a substantial face lift to all players in the banking sector. All top rated banks have succeeded in reducing their NPA's by around 65% to 100%. The growth in business is also an impressive 24-41%. But, one thing that is sending alarm signals is that stronger banks are becoming stronger and weaker ones are in the process of being wiped off. This calls for an in depth study of efficiency in the public sector banks, the factors responsible
for success and failure of banks. The present study aims at finding answers to similar questions and reveal efficiency determinants amongst public sector banks in India. This study has evaluated the factors affecting the efficiency of public sector banks using twenty three variables, employing product moment correlation.

**Pratap Sinha, (July 2008), Profit Efficiency of Indian Commercial Bank,** seek to compare the Indian commercial banks (for the reform period) in respect of their ability to generate operating profit by using the data envelopment approach under both constant and variable returns to scale. The years of analysis are 1998-99, 2000-01, and 2002-03. The results show that the observed commercial banks have diverged in terms of technical and scale efficiency in 2000-01 as compared to 1998-99. However, the trend has been somewhat reversed in 2002-03. Further, most of the commercial banks exhibited decreasing returns to scale for the years of study. The observed private sector banks have higher mean technical efficiency scores as compared to their public sector counterparts. A comparison of the mean technical and scale efficiencies of the public sector commercial banks with regard to private sector commercial banks shows that for 1998-99 and 2002-03, the observed public sector commercial banks have higher mean scale efficiency scores than the observed private sector commercial banks.

**Selcuk Percin, Tuba Yakici Ayan, (2006), Measuring Efficiency of Commercial Banks in a Developing Economy,** conducted a survey to evaluate the efficiency of commercial banks in Turkey using a Data Envelopment Analysis (DEA) and Malmquist Productivity Index (MPI) methodologies. For this purpose, two outputs representing total loans and non-interest income, and four inputs representing the number of employees, physical capital, non-deposit funds and total deposits are selected for a two-year (2003-2004) period in the analysis. Using data for the year 2004, 11 of the 31 banks are found to be efficient under CRS, while 16 of them
efficient under VRS assumption. Also, for the year 2003, 16 of the 31 banks have been calculated efficient under CRS while 23 of them efficient under VRS assumption. In addition to efficiencies of banks, it has been found that there is an increase of bank’s efficiency changes over the time period of 2003-2004. In this paper, the DEA models are solved using a modeling system called LINDO (linear, interactive, discrete optimizer) 6.1 software package.

Jui-Chu Lin, Jin-Li Hu, Kang-Liang Sung,(Dec 2005), the Effect of Electronic Banking on Cost Efficiency of Commercial Banks: An Empirical Study, investigate the effect of electronic banking, as measured by the extent to which banks make use of automatic teller machine (ATM), on their cost efficiency, before and after the 1997 Asian financial crisis. They used stochastic frontier analysis (SFA) approach to investigate the cost efficiency of 35 commercial banks in Taiwan from 1995 to 2001 and compare their operating performance before and after the Asian financial crisis. A bank's efficiency cannot be improved by merely increasing its ATM numbers: It should perhaps be in coordination with other electronic businesses, such as interactive video terminal (IVT) system, automated clearing house (ACH) system point of sale (POS) system, remote banking system, financial electronic data exchange interchange, and even internet banking. The more bank branches there are, the more inefficient the banks. On average, a bank's cost inefficiency is significantly higher after the 1997 Asian financial crisis.

Prof. Dr. Mohi-Ud-Din Sangmi And Dr. Tabassum Nazir, Analyzing Financial Performance Of Commercial Banks, view that the sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively.
In this paper, an effort has been made to evaluate the financial performance of the two major banks operating in northern India. This evaluation has been done by using CAMEL Parameters, the latest model of financial analysis. Through this model, it is highlighted that the position of the banks under study is sound and satisfactory so far as their capital adequacy, asset quality, Management capability and liquidity is concerned.

Yansheng Zhang & Longyi Li, Study on Balanced Scorecard of Commercial Bank in Performance Management System, deal with the performance management of commercial banks is an important aspect of banking business management. this paper makes study about how to use the Balanced Scorecard as a tool, which is applied to commercial banks performance management system, and points out that it breakthrough the defects in the traditional single application of financial indicators which measures performance. And it raises the value of performance management appraisal system based on the introduction of customer factors, internal business processes, employee learning and growth and financial factors. This paper also makes study about the commercial banks in the performance of the Balanced Scorecard Management System mechanism, the strategy of application, application limitations, and outlook on the future of commercial banking services model based on the above points.

Smith Warren L,(Nov 59), Financial Intermediaries and Monetary Controls, analyzes the role of non-bank financial intermediaries in the financial structure of the economy, its relation to the commercial banking system and the impact of its growth on the monetary policy. The recent argument studies about the similarities of financial intermediaries on commercial banks is a considerable oversimplification which exaggerates the similarities between commercial banks and financial intermediaries. The role of intermediaries in the
process of credit expansion differs from that of commercial banks in three important respects. The analysis suggests that financial intermediaries have not contributed very much to instability of monetary policy.

**OBJECTIVES OF THE STUDY**

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. Hence, the specific objectives of the study are:

1. To find out various financial services and facilities offered by the public and private sector banks.
2. To compute and compare the financial performance of SBI and HDFC through select parameters, namely, trends of Deposits, Lending, and Recovery Performance.
3. To evaluate and compare financial and fiscal performance and Investment and Management efficiency as well as profitability of select Banks through ratios.

**HYPOTHESES OF THE STUDY**

1. Ho1: There is no significant difference in the volume of Demand Deposits, of SBI and HDFC Bank.
2. Ho2: There is no significant difference in the volume of Savings Deposits of SBI and HDFC Bank
3. Ho3: There is no significant difference in the volume of Term Deposits of
SBI and HDFC Bank

4. Ho4: There is no significant difference in the total volume of loans & advances.

5. Ho5: There is no significant difference in the total volume of term loans of SBI and HDFC bank.

6. Ho6: There is no significant difference in the total volume of short term loans of SBI and HDFC bank.

7. Ho7: There is no significant difference in Recovery Performance between SBI and HDFC Bank.

8. Ho8: The financial performance in terms of Investment Valuation Ratios of SBI and HDFC bank does not differ significantly.

9. Ho9: The financial performance in terms of Profitability Ratios of SBI and HDFC Bank does not differ significantly.


11. Ho11: The financial performance in terms of Profit and Loss Account Ratios of SBI and HDFC does not differ significantly.

12. Ho12: The financial performance in terms of Management Efficiency Ratios of SBI and HDFC bank does not differ significantly.

SCOPE AND LIMITATIONS OF THE STUDY

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. Though the study is very comprehensive in nature, it is subjected to the following limitations, they are:

- One of the major limitation of this study is all the banks in Hyderabad were not considered as the network of operation of all the banks is quite distinguishable.
- The banks considered are SBI from Public sector Banks and HDFC from private sector banks as they are the leading banks.
- Co-operative banks and foreign banks are kept out of the study as they follow different set of guidelines given by RBI.

**DATA SOURCES AND METHODOLOGY**

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.
CHAPTERISATION SCHEME OF THE STUDY

The study titled Financial Analysis of Commercial Banks – A comparative study is divided into six chapters and presented as follows:

Chapter I – Introduction

This chapter presents the conceptual framework and an overview of Banking sector as well as the Research Methodology including Review of Literature.

Chapter II – Financial Analysis-An Overview

This chapter presents the financial analysis and tools with specific reference to banking sector

Chapter III – Profile of SBI and HDFC

This chapter presents the brief profile and milestones of SBI and HDFC.

Chapter IV – Depository, Lending and Recovery Performance of select Banks – An Analysis

This chapter depicts the analysis of growth of deposits and lending performance of select banks in an analytical way. Also presents the trends over the performance in recovery of loans given and NPA analysis of select banks.

This chapter presents the Investment Valuation Ratios, Management Efficiency Ratios, Leverage Ratios and Profitability Ratios as well as a comparison of SBI to HDFC Bank.

Chapter VI – Summary of Findings & Conclusion and Suggestions

This chapter presents the findings of the study and suggestions and finally the summary of the study in terms of conclusion.

SUMMARY OF FINDINGS & CONCLUSIONS AND SUGGESTIONS

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 that methodically classifies 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.
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.

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 client centric by leveraging sophisticated insights to improve risk management pricing, channel performance and client satisfaction.
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