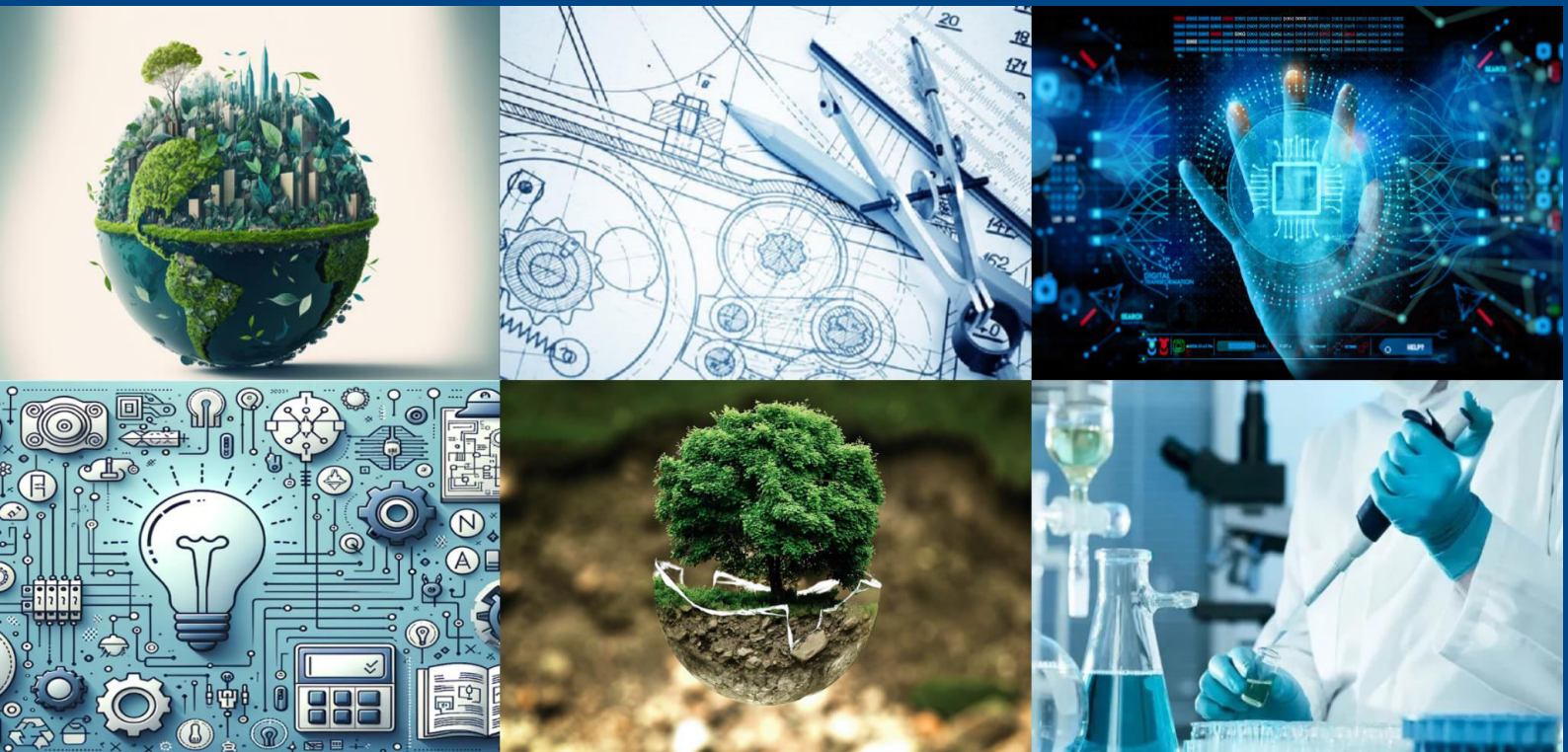




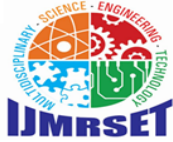
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Comparative Study of Profitability of Public and Private Sector Banks in India (2019–2024)

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ABSTRACT: Secondary data was gathered from RBI publications and annual reports. Ratio analysis, descriptive statistics, trend analysis, and independent sample t-tests were among the analytical techniques employed. The results show that the profitability of private sector banks is consistently higher than that of public sector banks. Public sector banks have, nevertheless, improved recently. The study comes to the conclusion that variations in profitability are largely caused by efficiency, creativity, and financial management.

KEYWORDS: Profitability, Public Sector Banks, Private Sector Banks, ROA, NIM, India

I. INTRODUCTION

Globalization, technology developments, and regulatory changes have all significantly changed the Indian banking industry. Based on ownership structure, banks can be broadly divided into public and private sectors. While private sector banks prioritize efficiency, innovation, and customer-centric services, public sector banks are essential to government objectives and financial inclusion.

The COVID-19 pandemic, digital transformation, and structural reforms like bank mergers make the years 2019–2024 especially important. These elements have affected banks' operational effectiveness and profitability.

The purpose of this study is to examine and contrast the profitability of Indian banks in the public and private sectors during this exciting time.

Research Objectives

1. To analyse the profitability of selected public and private sector banks from 2019–2024
2. To compare profitability using ROA and NIM
3. To examine whether there is a significant difference between the two sectors

II. FRAMING OF RESEARCH HYPOTHESES

Hypothesis 1

H0: There is no significant difference in profitability between public and private sector banks

H1: There is a significant difference in profitability between public and private sector banks

Hypothesis 2

H0: There is no significant difference in profitability based on ROA and NIM

H1: There is a significant difference based on ROA and NIM

III. REVIEW OF LITERATURE

Islam, M. S. (2021). What drives bank profitability? A panel data analysis of commercial banks in Bangladesh. *International Journal of Finance & Banking Studies*, 10(2), 96-110. The study examines the effects of industry structure, economic conditions, and bank-specific factors on the profitability of commercial banks in Bangladesh from 2007 to 2017. It makes use of metrics derived from panel regression analysis and secondary data, such as return on equity, return on assets, and net interest margin. The findings demonstrate that while improved fund



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management and credit risk might increase profitability, factors like cost efficiency and larger bank size can decrease it. Additionally, it concludes that economic variables like bank spread and inflation have a significant impact on bank earnings.

Isayas, Y. N. (2022). Determinants of banks' profitability: Empirical evidence from banks in Ethiopia. *Cogent economics & finance*, 10(1), 2031433. The study examines how macroeconomic conditions and firm-specific factors affect Ethiopian commercial banks' profitability between 2008 and 2019. The study examines financial data from 14 banks using secondary data and a dynamic panel approach using GMM estimation. The results indicate that while business age and inflation have a negative but negligible impact on profitability, factors including firm size, liquidity, capital adequacy, and GDP growth have a favorable impact. According to the study, more variables and a broader spectrum of financial institutions should be taken into account in future research.

Magallón González, H. B., Galeana Figueroa, E., & Prado-Roman, C. (2022). Banking innovations and their effect on profitability. *Mercados y negocios*, 23(47), 25-56. By examining numerous empirical publications conducted at various times, in various nations, and with varied advances, this study aims to provide answers to these concerns. The study is broken up into three sections: the first gives a timeline of the development of banks, their key innovations, and the occasions that changed the banking business model to make it suitable for modern banking. The second uses bibliometric tools to display the main references of the papers that examine the conceptual framework and relationship between innovation and bank profitability. Lastly, the idea of branchless banking and its components are examined in the third section. Three conclusions stand out: 1) The empirical research reviewed concludes that innovation has an impact on profitability.

Thanh, B. D., Thach, N. N., & Tuan, T. A. (2022, January). Determinants of bank profitability in Vietnam. In *International Econometric Conference of Vietnam* (pp. 517-529). Cham: Springer International Publishing. The study looks at how internal and external factors affected the profitability of 24 Vietnamese joint stock commercial banks between 2009 and 2019. Return on equity and return on assets are used to calculate profitability, while Bayesian regression is used for analysis. The results demonstrate that while internal factors like credit risk, operating expenses, and revenue diversification have a negative impact on profitability, external factors like GDP and inflation have a favorable impact. Furthermore, factors including bank size, loans, capital, and liquidity have conflicting effects on various profitability metrics.

Tavakoli, A. (2023). Exploring the relationship between interest rates and bank profitability in financial institutions. *Indonesia Accounting Research Journal*, 11(2), 128-137. In order to understand the dynamics, causes, and ramifications of this crucial link, this study explores the complex relationship between interest rates and bank profitability. The paper examines how changes in interest rates affect banks' net interest margins, loan demand, credit quality, and non-interest revenue streams using empirical data, theoretical frameworks, and practical insights. We clarify the variation in banks' sensitivity to interest rate changes by methodically examining data sources, analytical methods, and theoretical frameworks, taking into account elements like business models, market niches, and regulatory frameworks. The results of this study have important ramifications for decision-making, risk management, and strategic planning in response to interest rate dynamics for regulators, financial institutions, investors, and legislators.

Singh, D., & Kohli, G. (2006). Evaluation of private sector banks in India: A SWOT analysis. *Journal of Management Research*, 6(2), 84. The impact of banking sector reforms in India after liberalization in the early 1990s—which enhanced competition and allowed private sector banks to enter the market—is covered in the study. It emphasizes how private banks provided cutting-edge products and new technologies while public sector banks continued to enjoy greater client trust. The study uses the CAMEL model to assess the performance of both new and established private sector banks and does a SWOT analysis. The conclusions, which offer insights into the advantages and disadvantages of private sector banks, are based on financial data from 2003 to 2005.

Gupta, S. L., & Mittal, A. (2008). Comparative study of promotional strategies adopted by public and private sector Banks in India. *Asia Pacific Business Review*, 4(3), 87-93.

The study looks at the marketing tactics employed by Indian banks in the public and private sectors and identifies the main distinctions between them. It emphasizes on comprehending client thoughts and impressions and is descriptive in nature. The results show that consumers react differently to the different marketing strategies employed by each



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industry. Banks can use the study's insightful findings to create more successful marketing campaigns to advertise their services.

Chaudhary, K., & Sharma, M. (2011). Performance of Indian public sector banks and private sector banks: A comparative study. *International journal of innovation, management and technology*, 2(3), 249. The study emphasizes how economic reforms like globalization, privatization, and liberalization affect how Indian banks operate. Because of increased competition and technological improvements, it highlights the growing necessity to compare the performance of banks in the public and private sectors. The study focuses on how well both industries employ trend analysis and statistical methods to handle underperforming assets. The results highlight the need for public sector banks to perform better in a cutthroat banking market.

Kaur, A. (2012). An empirical study on the performance evaluation of public sector banks in India. *International Journal of Marketing, Financial Services & Management Research*, 1(11), 117-131. The study highlights the important role of banks in economic development, particularly in mobilizing savings and supporting investment activities. It explains how the Indian banking system has evolved through nationalization and financial sector reforms, strengthening its contribution to growth and development. Public sector banks continue to dominate the banking industry due to their wide reach and strong deposit base. The study focuses on analyzing the profitability of public sector banks in India within this evolving financial landscape.

Singh, S., & Arora, R. (2011). A comparative study of banking services and customer satisfaction in public, private and foreign banks. *Journal of Economics*, 2(1), 45-56. With an emphasis on both traditional and IT-enabled services, the study investigates how customers view the quality of services provided by public, private, and international banks. It examines the variables affecting customer satisfaction and is carried out using random sampling in various parts of Delhi. Customers of public sector banks are less satisfied with staff conduct and infrastructure, according to the data. Customers of foreign and private banks, on the other hand, are worried about communication problems, exorbitant fees, and accessibility.

Identification of Research Gaps

1. Lack of recent studies covering 2019–2024
2. Limited use of multiple profitability indicators
3. Need to re-examine the performance gap between sectors

IV. RESEARCH METHODOLOGY

- **Research Design:** Quantitative and comparative
- **Data Source:** Secondary data (annual reports, RBI data)
- **Sample:** 5 public and 5 private sector banks
- **Period:** 2019–2024

Variables

- Dependent: ROA, NIM
- Independent: Bank Type

Tools Used

- Descriptive statistics
- Trend analysis
- Independent sample t-test

V. DATA ANALYSIS AND HYPOTHESIS TESTING

A.	Indicator	Private Banks	Public Banks
	ROA (%)	1.44	0.30
	NIM (%)	3.54	2.42



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Descriptive Statistics

Interpretation:

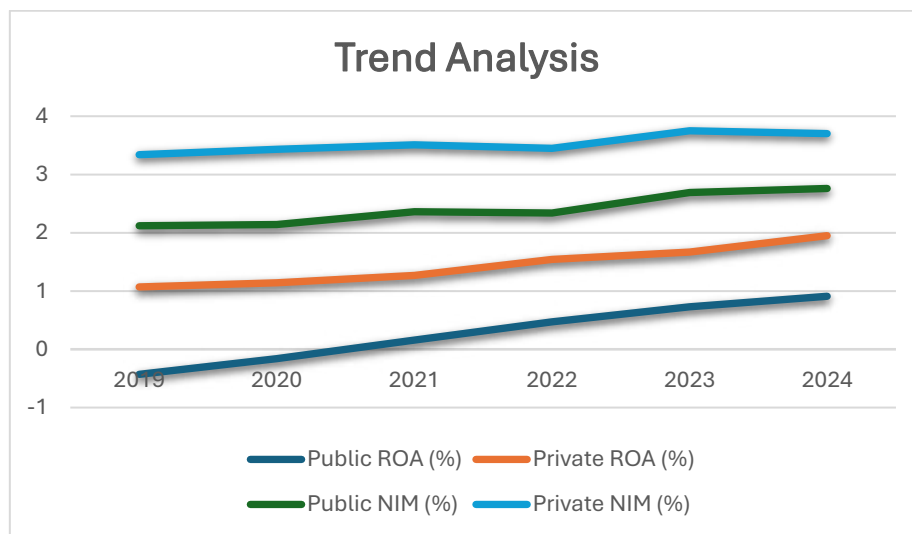
Private sector banks show significantly higher profitability and efficiency compared to public sector banks.

B. Trend Analysis

- Public banks show recovery from negative profitability to positive growth
- Private banks maintain consistent upward performance

Interpretation:

Public sector banks are improving, but private banks maintain a stable lead.



C. Hypothesis Testing

Indicator	P Value	Result
ROA	<0.001	SIGNIFICANT
NIM	<0.001	SIGNIFICANT

Interpretation:

Since p-value < 0.05, the null hypothesis is rejected. There is a significant difference between the two sectors.

VI. FINDINGS AND RECOMMENDATIONS

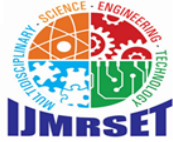
Findings

- Private sector banks outperform public sector banks
- Public banks show improvement post-pandemic
- Efficiency and innovation drive profitability

Recommendations

- 1.Improve operational efficiency in public banks
- 2.Enhance digital adoption
- 3.Strengthen risk management

VII. CONCLUSION



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According to the study's findings, private sector banks are clearly more profitable because of their superior efficiency, inventiveness, and managerial techniques. However, because of reforms and restructuring, public sector banks have significantly improved in recent years. Policymakers, investors, and researchers can utilize the information to better understand how the Indian banking industry is changing.

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