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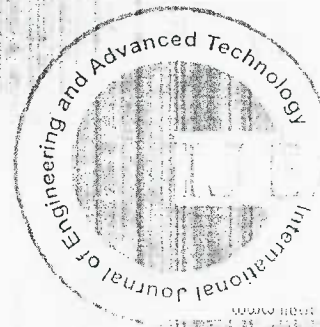
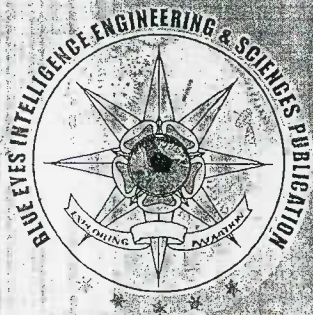
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# Performance of the Indian Banking Sector – An Empirical Examination

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*Abstract:-A fundamental role of the banking sector in India is observed with regards to the social as well as economic development of the country. Sustainable economic growth can be achieved only if a healthy and robust banking system exists within the country. The banking sector's performance is a closer link to the economy than perchance that of other segments. After nationalization of banks in 1969, a remarkable level of prominence as well as expansion of nationalized and public sector banks were witnessed and today the banking sector in India is well regulated and adequately capitalized. In recent years, there has also been tremendous growth and expansion in private banks in India. The current research aims at mapping the performance and financial health of banks based on basic parameters like income, expenditure, profit, loans, deposits and interest. Ratio analysis is used to scrutinize performance of the banks considered for the purpose of this study. T-Test has been used to establish the existence of any noteworthy difference between financial ratios of the considered Indian private and public sector banks.*

**Keywords:** Performance, Financial Ratios, Public Sector Banks, Private Sector Banks

## I. INTRODUCTION

In India, the banking sector is considered as the central financial pillar that occupies a key position in the functioning of the country's economy. Banks have undoubtedly played a pivotal role in the country's socio-economic progress especially post independence. The banking sector is an undeniable element in the progress of the Indian economy. Since banks were nationalized in 1969, the public sector banks have attained prominence and seen tremendous expansion in India. Over the preceding decade, the Indian banking system has gone through a complete transformation. Reform measures taken in the Indian economy are principally designed to improve the functioning of banking since it is the key segment of the financial sector of the country. Prominent positive externalities result from an efficient system of banking and these further increases the efficiency of economic transactions in general.

## II. LITERATURE REVIEW

Mumupilly (1980) scrutinized the outlay and how profitable commercial banks are in India. The study

analytically examines the trends since nationalization in the constituents of earnings and the costs of the same for various clusters of commercial banks in India. Instead of individual banks, the chief focus is on profitability and costs of the banking industry in its entirety.

Karkal (1982) observed the conception of profitability as well as profit, the characteristics that constitute the areas or volume of profit and methods used to plan profit. The study recommended ways to improve bank profitability by improving staff efficiency, raising the difference between lending and borrowing rates and applying standardized maximum service charges. The areas of costs involved in banking services as well as exercises of costing executed within the industry of banking are not covered by this study.

## III. OBJECTIVES

1. To examine the dynamics of the Indian banking sector.
2. To evaluate and compare financial statement parameters of select private and public sector banks in India.

## IV. HYPOTHESIS

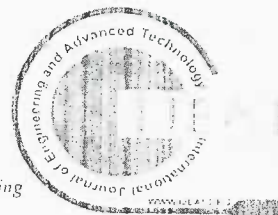
1. **H<sub>0</sub>:** There exists no noteworthy difference between IITI Ratio of select private and public sector banks in India.  
**H<sub>1</sub>:** There exists noteworthy difference between IITI Ratio of select private and public sector banks in India.
2. **H<sub>0</sub>:** There exists no noteworthy difference between IETE Ratio of select private and public sector banks in India.  
**H<sub>1</sub>:** There exists noteworthy difference between IETE Ratio of select private and public sector banks in India.
3. **H<sub>0</sub>:** There exists no noteworthy difference between NPM Ratio of select private and public sector banks in India.  
**H<sub>1</sub>:** There exists noteworthy difference between NPM Ratio of select private and public sector banks in India.
4. **H<sub>0</sub>:** There exists no noteworthy difference between ROA Ratio of select private and public sector banks in India.  
**H<sub>1</sub>:** There exists noteworthy difference between ROA Ratio of select private and public sector banks in India.
5. **H<sub>0</sub>:** There exists no noteworthy difference between ROE Ratio of select private and public sector banks in India.

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