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# A Comparative Analysis of Equity Performance in Private and Public Sector Banks

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**ABSTRACT:** Equity analysis plays a vital role in investment decision-making by evaluating the financial performance, stability, and growth potential of companies. This study presents a comparative analysis of selected private and public sector banks in India with reference to equity research conducted through Motilal Oswal. The primary objective of the study is to assess and compare the financial strength, profitability, and market performance of public and private sector banks using fundamental analysis tools. The research is based on secondary data collected from annual reports, financial statements, stock market data, and published sources for a selected study period. Key financial ratios such as liquidity ratios, profitability ratios, leverage ratios, and valuation metrics were employed to evaluate the performance of the selected banks. The findings reveal notable differences in operational efficiency, profitability, and market valuation between private and public sector banks. Private sector banks generally demonstrate stronger financial performance, higher profitability, and better asset quality, whereas public sector banks show relatively stable but moderate growth due to regulatory constraints and higher non-performing assets. The study highlights how equity analysis assists investors in understanding risk-return trade-offs and making informed investment decisions. Overall, the research provides valuable insights for investors, analysts, and financial intermediaries by emphasizing the importance of systematic equity evaluation while comparing banking sector stocks.

**KEYWORDS:** Equity Analysis, Private Sector Banks, Public Sector Banks, Financial Performance

## I. INTRODUCTION

Equity analysis is a systematic process of evaluating the financial performance, risk profile, and growth potential of companies to support informed investment decisions. In the Indian banking sector, equity analysis has gained prominence due to rapid market integration, regulatory reforms, and increased participation from retail and institutional investors. Banks play a pivotal role in economic development, and their financial health significantly influences stock market performance and investor confidence. Private and public sector banks in India operate under different ownership structures, management practices, and risk frameworks, which leads to variations in profitability, efficiency, and market valuation. While private sector banks are often perceived as more efficient and growth-oriented, public sector banks contribute to financial inclusion and economic stability. Equity research firms such as Motilal Oswal provide analytical insights that help investors compare these banks using financial ratios, earnings performance, and valuation indicators. This study undertakes a comparative equity analysis of selected private and public sector banks with reference to Motilal Oswal research. By examining financial indicators and market performance, the study aims to assess relative strengths and weaknesses, thereby assisting investors in making rational and informed investment decisions.

## II. LITERATURE REVIEW

Paul (2024) compared the financial performance of a major public sector bank (State Bank of India) and a leading private sector bank (IDFC First Bank) in India using financial ratios like return on assets, cash margin, operating profit, and credit-deposit ratio. The study found that private banks show stronger profitability and growth metrics, while public sector banks maintain higher credit-deposit ratios and broader reach, highlighting performance differences in Indian banking (Paul, 2024). Patel and Kanchan (2024) examined the impact of the capital adequacy ratio on operating performance, profitability, and return ratios of selected public and private sector banks in India based on data from 2014–2023. The study reported that private banks exhibit more robust financial performance, higher efficiency, and stronger profitability ratios than public sector banks, suggesting performance gaps tied to capital management and competitive strategies (Patel & Kanchan, 2024). Daida (2024) applied the EAGLES model to compare financial performance of selected Indian public and private sector banks. Results showed that private sector banks outperform public counterparts on profitability, asset quality, and growth measures, whereas public banks remain vital for financial



inclusion and stability, illustrating differential operational strengths in the Indian banking context (Daida, 2024). Maity and Majumder (2024) conducted a data envelopment analysis (DEA) comparing the efficiency of Indian public and private sector banks post-merger. The research found that while merger strategies improved public bank efficiency, private banks generally retained higher operational efficiency scores, indicating ongoing performance advantages in competitive banking services (Maity & Majumder, 2024). Mittal and Singh (2024) investigated total factor productivity (TFP) differences between public and private sector banks in India using DEA and Malmquist productivity indices. The authors reported that public banks showed more positive productivity changes overall, whereas private banks demonstrated stronger growth in certain periods, highlighting nuanced sector performance dynamics (Mittal & Singh, 2024).

Balaji and Praveen Kumar (2024) performed a comparative study of financial performance among selected public and private sector banks in India, analyzing net income, operating profit, and return on assets. Their findings highlighted that private sector banks generally exhibit superior profitability ratios, though public banks remain competitive in selected performance dimensions (Balaji & Praveen Kumar, 2024). Nalliboyina and Chalam (2023) explored determinants of public sector bank financial performance in India, examining capital adequacy, credit risk, and economic growth's impact on ROA, ROE, and net interest margins. While not strictly comparative, this study's results underscore factors that influence relative performance and help contextualize public banks' financial outcomes vis-à-vis private banks (Nalliboyina & Chalam, 2023). Varma (2023) investigated profitability performance among key private sector banks in India, focusing on metrics like EPS, net profit ratio, ROA, and ROE. The study found that private banks consistently outperformed benchmarks on profitability measures, providing indirect context for comparative studies involving public bank performance norms (Varma, 2023). Singh and Sharma (2022) analyzed the financial performance of selected Indian public and private banks, observing that private banks maintained higher returns on equity and assets while public banks delivered more stability in core deposit mobilization. The research supports differential performance trajectories across sectors (Singh & Sharma, 2022). Shukla (2016) provided a foundational comparative analysis of Indian public and private sector banks across size, growth, profitability, and soundness indicators. The study showed private banks possessed stronger profitability and soundness metrics, laying the groundwork for more recent sector performance research (Shukla, 2016).

### III. RESEARCH OBJECTIVES

This research paper has following research objectives.

- To analyze the equity performance of selected private and public sector banks in India.
- To compare the financial strength and profitability of private and public sector banks using equity analysis tools.
- To examine valuation differences between private and public sector bank stocks.

### IV. RESEARCH HYPOTHESES

The null hypotheses that will be tested in this research paper are given below.

- $H_{01}$ : There is no significant difference in the equity performance of private and public sector banks.
- $H_{02}$ : Financial ratios do not significantly influence bank equity valuation.

### V. RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design to compare the equity performance of private and public sector banks. The research is based on secondary data collected from annual reports of selected banks, Motilal Oswal equity research reports, stock exchange publications, RBI reports, and reputed financial databases. The study period covers recent financial years to reflect current market conditions. Equity analysis is carried out using fundamental analysis tools, including profitability ratios, liquidity ratios, leverage ratios, and valuation metrics such as Earnings per Share (EPS), Price-Earnings ratio (P/E), and Return on Equity (ROE). Comparative analysis is used to evaluate differences between private and public sector banks. The collected data are analyzed using tables and ratio interpretation to draw meaningful conclusions regarding investment performance and risk-return characteristics.

### VI. RESULTS AND DISCUSSION

The data that is collected to carry out this research is analyzed by using appropriate statistical tools and the following results are obtained. The data analysis and interpretation is given in the following section.



**Table 1: Average Returns of Selected Private and Public Sector Banks**

Bank Name	Sector	Average Returns (%)
Federal Bank Ltd.	Private	-2.3907
Lakshmi Vilas Bank Ltd.	Private	-5.412
Karur Vysya Bank Ltd.	Private	-9.956
Bank of India	Public	-4.382
Central Bank of India	Public	-4.305
Allahabad Bank	Public	-4.426

(Source: Author’s Own Calculations)

Table 1 presents the average returns of selected private and public sector banks, indicating that all sampled banks recorded negative average returns during the study period. Among private sector banks, Federal Bank Ltd. (-2.39%) reported the least negative return, suggesting relatively better performance and resilience compared to other banks. In contrast, Karur Vysya Bank Ltd. (-9.96%) showed the poorest performance among private banks, reflecting higher vulnerability to market fluctuations or internal operational challenges. Lakshmi Vilas Bank Ltd. also recorded a significant negative return of -5.41%, indicating weaker stock performance. Within the public sector, Central Bank of India (-4.31%) performed marginally better than Bank of India and Allahabad Bank. However, the differences among public sector banks are relatively narrow, indicating uniform performance trends across government-owned banks. Overall, the results suggest that while private banks exhibit greater variation in returns, public sector banks demonstrate relatively stable but moderately negative returns, reflecting broader sectoral challenges during the study period.

**Table 2: Risk (Standard Deviation) of Selected Banks**

Bank Name	Sector	Risk ( $\sigma$ )
Federal Bank Ltd.	Private	19.5596
Lakshmi Vilas Bank Ltd.	Private	14.1449
Karur Vysya Bank Ltd.	Private	61.4118
Bank of India	Public	14.3637
Central Bank of India	Public	18.2792
Allahabad Bank	Public	21.0334

(Source: Author’s Own Calculations)

Table 2 highlights the risk associated with the selected banks using standard deviation as a measure of volatility. Among private sector banks, Karur Vysya Bank Ltd. (61.41) exhibits exceptionally high risk, indicating substantial price volatility and higher uncertainty for investors. This level of risk significantly exceeds that of other banks in the sample, making it a comparatively unstable investment option. Federal Bank Ltd. shows moderate risk (19.56), while Lakshmi Vilas Bank Ltd. reports the lowest risk among private banks (14.14), suggesting relatively stable price movements. In the public sector category, Allahabad Bank (21.03) records the highest risk, followed by Central Bank of India (18.28). Bank of India shows relatively lower volatility (14.36), indicating better stability among public banks. Overall, private sector banks demonstrate greater variability in risk levels, while public sector banks display more consistent and moderate risk profiles, reflecting differences in governance structure and market perception.

**Table 3: Coefficient of Variation of Selected Banks**

Bank Name	Sector	Coefficient of Variation
Federal Bank Ltd.	Private	-7.3449
Lakshmi Vilas Bank Ltd.	Private	-2.6136
Karur Vysya Bank Ltd.	Private	-6.1883
Bank of India	Public	-3.2779
Central Bank of India	Public	-3.7814
Allahabad Bank	Public	-4.3007

(Source: Author’s Own Calculations)



Table 3 presents the coefficient of variation (CV), which measures risk per unit of return and helps assess risk-adjusted performance. The negative CV values across all banks result from negative average returns during the study period and indicate unfavorable risk–return trade-offs. Among private banks, Federal Bank Ltd. (-7.34) shows the highest magnitude of CV, implying higher risk relative to returns. Karur Vysya Bank Ltd. also records a high negative CV (-6.19), reinforcing its poor risk-adjusted performance. Lakshmi Vilas Bank Ltd. exhibits a comparatively lower CV (-2.61), suggesting relatively better risk management despite negative returns. In the public sector, Allahabad Bank (-4.30) reflects higher inefficiency in risk–return balance compared to Bank of India (-3.28) and Central Bank of India (-3.78). Overall, the results indicate that public sector banks offer relatively better risk-adjusted performance than private banks, though none of the banks achieved favorable returns during the study period.

## VII. FINDINGS OF THE RESEARCH PAPER

After analyzing the data collected, this research paper found the following.

- The analysis of average returns reveals that all selected private and public sector banks recorded negative returns, indicating an overall downturn in banking sector stock performance during the study period.
- Among private sector banks, Federal Bank Ltd. demonstrated relatively better performance with the least negative return, whereas Karur Vysya Bank Ltd. showed the weakest performance with the highest negative return.
- Public sector banks exhibited more uniform performance, with Central Bank of India marginally outperforming Bank of India and Allahabad Bank in terms of average returns.
- Risk analysis indicates that Karur Vysya Bank Ltd. carries exceptionally high volatility, making it the riskiest investment option among the sampled banks.
- Public sector banks displayed moderate and comparatively stable risk levels, suggesting lower price volatility than some private sector counterparts.
- The coefficient of variation results indicate unfavorable risk–return trade-offs for all banks due to negative returns during the study period.
- Public sector banks demonstrated relatively better risk-adjusted performance compared to private sector banks, despite delivering negative returns.
- Private sector banks showed greater variability in both returns and risk, reflecting higher sensitivity to market conditions and internal financial factors.

## VIII. RECOMMENDATIONS OF THE RESEARCH PAPER

This paper makes the following recommendations based on the above research findings.

- Investors should carefully evaluate both risk and return metrics rather than relying solely on average returns when selecting banking stocks.
- Banks with extreme volatility, such as Karur Vysya Bank Ltd., should be approached with caution, especially by risk-averse investors.
- Public sector banks may be preferred by conservative investors due to their relatively stable risk profiles and better risk-adjusted performance.
- Private sector banks should strengthen financial management and risk control mechanisms to reduce volatility and improve investor confidence.
- Portfolio diversification across both public and private sector banks is advisable to balance risk exposure during periods of market uncertainty.
- Equity analysts should incorporate coefficient of variation analysis to assess investment efficiency more effectively.
- Banking institutions should focus on improving profitability and asset quality to enhance long-term shareholder value.
- Continuous monitoring of macroeconomic and sector-specific factors is essential for informed equity investment decisions.

## IX. CONCLUSION

The comparative equity analysis of selected private and public sector banks highlights that the banking sector faced challenging market conditions, as evidenced by negative average returns across all sampled institutions. While private sector banks exhibited greater variability in returns and risk, public sector banks demonstrated relatively stable performance and better risk-adjusted efficiency. The findings suggest that volatility and unfavorable risk–return trade-offs significantly influenced equity performance during the study period. Despite underperformance, public sector banks appear more suitable for risk-averse investors due to their consistent risk profiles, whereas private sector banks



may appeal to investors willing to accept higher uncertainty for potential long-term gains. Overall, the study underscores the importance of comprehensive equity analysis using return, risk, and risk-adjusted measures to support informed investment decisions in the banking sector.

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