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A COMPORATIVE STUDY OF WORKING CAPITAL OF PUBLIC SECTOR AND PRIVATE SECTOR BANKS

Ms. R. Swetha[1], Ms. S. Sathiya[2], Dr. R. Kavitha [3]
[1]Student, [2]Assistant Professor ,[3]Associate Professor
Sakthi Institute of Information and Management Studies, Pollachi

ABSTRACT
This study aims to identify and compare operating capital management practices in the public and private sectors of India. Operating capital management is essential to assuring the liquidity and operational efficiency of banking institutions, particularly in a dynamic financial environment. The study assesses key components such as current assets, current liabilities, liquidity relationships, and overall efficiency of the assets amounts of selected banks from both sectors. Using a combination of financial analysis and comparison methods, this study identifies patterns, strengths, and weaknesses in short-term financial resources treatment. The results show significant differences in the approaches pursued by public and private banks, influenced by factors such as ownership structure, regulatory restrictions, risk appetite, and surgical flexibility. This paper concludes with recommendations to improve the efficiency and financial performance of operating capital in both sectors.
KEYWORDS: *Working Capital, Current Assets, Current Liabilities, Net Working Capital, Short-term Financing, Working Capital Efficiency*

INTRODUCTION

Working capital management is an important aspect of financial management that affects the liquidity, profitability and general operational efficiency of companies, including banks. In the banking sector, operating capital refers to short-term assets and liabilities, ensuring the smooth functioning of everyday business activities such as lending, borrowing and investing activities. Effective management of operating capital can meet short-term obligations, maintain customer trust and remain competitive in a dynamic financial environment.

In India, the banking sector is primarily divided into public sector and private sector banks and operates under a variety of management frameworks, regulatory oversight, strategic priorities and strategic priorities. Public sector banks, which belong to and run by governments, often emphasize social wells and financial integration, whereas private sector banks usually focus on profitability, efficiency and innovation. These differences influence the approach to capital management operations. The aim is to analyze and compare liquidity locations, liquid assets, and short-term financial strategies. Through the identification of sector-specific trends and challenges, this study contributes to a deeper understanding of how operating capital management affects banks' financial health and performance. This test is particularly relevant in relation to ongoing reforms, digital transformation and increased competition in the Indian banking industry.

OBJECTIVE

- To analyses the short-term financial position of public and private sector banks.
- To compare the working capital between public and private sector banks.

REVIEW OF LITERATURE

Dr. N. Ramya, Ms. N Swathi (May 2023) An analysis of working capital management is the process of evaluating the relationship between components parts of financial statement to gain better knowledge. The investigation of Canara Bank's working capital management was the study's main goal. The study's sample size is five years of Canara Bank annual reports.

Chitra, M.M (2017) indicate a better balancing of capital structure and working capital management by the Canara Bank during the last six years. Wang, et. al (2020) found that overall WCM is negatively associated with firm

performance. They suggested that firms required customized WCM policies and WCS to attain sustainable financial performance at each stage of firm life cycle.

Arunkumar and Ramanan (2013) in their paper inspected the effect of WC on the profitability of Indian manufacturing companies and the results validated a significant positive linkage between return on assets and debtors' holding period and inventory holding period. Creditors' conversion period, however, was found to have negative connection with return on assets. Sensitivity analysis was also conducted to with respect to return on assets and explanatory variables.

Taani, K. (2012) this study focuses on examining how the working capital management policy and financial leverage of Jordanian companies affect their financial performance, specifically in terms of net income, return on equity (ROE), and return on assets (ROA). The findings suggest that the working capital management policy, financial leverage, and company size all have a significant relationship with net income. However, the working capital management policy does not have a significant impact on ROE and ROA.

Agchi and Khamrui (2012) investigated the relation between WCM and profitability by studying some select FMCG companies in India. The study concluded that there is a robust negative connection between components of the WC decisions and profitability of the firm**.** With an increase in the CCC, the decline in the profitability of the firm is evident. There is also a weak negative connection between debt employed by the firm and its profitability.

RESEARCH METHODOLOGY

The study aims to describe and analyze the working capital management practices in public and private sector banks in India. It will focus on comparing the financial performance, strategies, and effectiveness of working capital management in both sectors.

The study is confined to a period of 10 financial years ranging from (2015-2024). The present study is based on secondary data. For the secondary data, published annual reports of the selected companies for the relevant periods have been used extensively. The annual reports contain the results of past performances and are considered the most reliable sources of financial data of business enterprise.

This study is based on descriptive analysis which uses the process of using current and historical data to identify trends and relationships.

DATA COLLECTION

This study is based entirely on secondary data. The required information has been derived from the annual report and balance sheet of the banks. The basic data for the study has been collected from various sources, including Wikipedia, The Economic Times, and business websites such as www.nseindia.com and www.bseindia.com.

Sample size

Five Public Sector and Five Private sector banks were chosen for the study they are

Public Sector Banks: State Bank of India, Canara Bank, Punjab National bank, Bank of Baroda and Union bank of India.

Private Sector Banks: AXIS Bank, HDFC Bank, ICICI, IndusInd Bank, Kotak Mahindra Bank

Period of Study

The analysis is done for a period of ten years 2015 to 2024

TOOS FOR ANALYSIS

The tools for analysis used in the study are mainly analytical and partly descriptive. The following techniques have been adopted:

- Working capital analysis
- Ratio analysis

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LIMITATION OF THE STUDY

The following limitations were experienced during the study:

- The study is limited to 5 public and 5 private sector banks only.
- The period of study is limited to 10 years only.
- The data related to the study are mostly secondary data, and the accuracy and authenticity of the same depends upon the reliability of sources

ANALYSIS & INTERPRETATIONS

Data analysis involves examining raw data to discover patterns and trends while data interpretation assigns meaning to those findings and draws conclusions.

Working capital

Working capital management refers to managing the working capital of an enterprise. By calculating the current assets and current liabilities, net working capital can be overseen which is needed for working capital management. This ensures the availability of ample funds at the time of need.

WORKING CAPITAL= CURRENT ASSET - CURRENT LIABILITIES

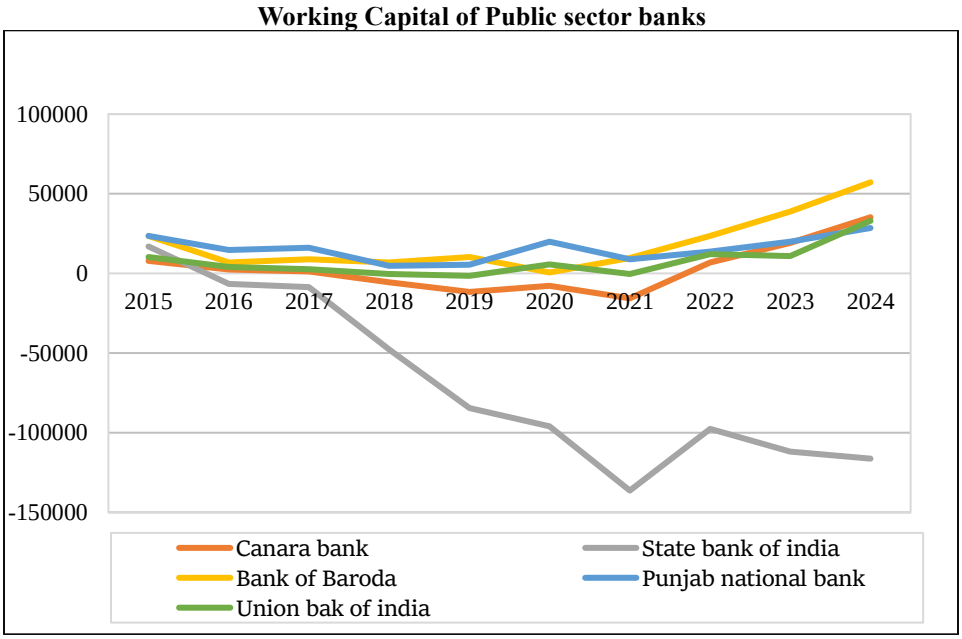
Here 5 public and 5 private sector banks are compared to know the effectiveness of working capital management.
Public Sector Banks: State Bank of India, Canara Bank, Punjab National bank, Bank of Baroda and Union bank of India.

Private Sector Banks: AXIS Bank, HDFC Bank, ICICI, IndusInd Bank, Kotak Mahindra Bank
Period of study ten years:

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PUBLIC SECTOR BANK												
Years		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Banks											
Canara Bank	Current Asset	524,022.78	523,757.78	551,100.11	575,668.99	646,865.26	676,691.61	1,079,147.41	1,167,669.02	1,291,134.20	1,439,826.97
	Current Liability	516,141.33	521,357.58	549,833.90	581,281.27	658,589.45	684,581.78	1,094,790.10	1,160,868.36	1,272,125.07	1,404,586.13
	Working Capital	7,881.45	2,400.20	1,266.21	-5,612.28	-11,724.19	-7,890.17	-15,642.69	6,800.66	19,009.13	35,240.84
State Bank of India	Current Asset	1,936,540.92	2,206,819.86	2,509,039.66	3,187,765.55	3,375,388.98	3,623,341.09	4,144,241.71	4,609,964.38	5,077,535.15	5,686,112.50
	Current Liability	1,919,641.58	2,213,343.11	2,517,680.24	3,235,623.44	3,460,000.43	3,719,386.48	4,280,554.44	4,707,509.34	5,189,370.09	5,802,447.41
	Working Capital	16,899.34	-6,523.25	-8,640.58	-47,857.89	-84,611.45	-96,045.39	-136,312.73	-97,544.96	-111,834.94	-116,334.91
Bank of Baroda	Current Asset	698,738.01	638,121.05	663,359.67	683,513.74	740,346.44	1,086,636.46	1,087,933.60	1,215,605.57	1,399,186.87	1,530,722.69
	Current Liability	675,153.20	631,177.49	654,572.17	676,605.00	730,004.31	1,086,059.30	1,078,319.05	1,192,090.12	1,360,338.65	1,473,573.50
	Working Capital	23,584.81	6,943.56	8,787.50	6,908.74	10,342.13	577.16	9,614.55	23,515.45	38,848.22	57,149.19
Punjab National Bank	Current Asset	587,750.93	643,794.78	694,550.24	729,502.70	735,665.46	788,286.39	1,178,563.04	1,233,000.22	1,381,939.51	1,483,853.38
	Current Liability	564,254.08	629,080.31	678,483.57	724,755.80	730,162.33	768,308.43	1,169,695.30	1,219,318.13	1,361,975.70	1,455,358.43
	Working Capital	23,496.85	14,714.47	16,066.67	4,746.90	5,503.13	19,977.96	8,867.74	13,682.09	19,963.81	28,494.95
Union Bank of India	Current Asset	372,125.57	385,838.57	431,438.04	461,981.90	466,024.76	522,569.53	1,006,905.02	1,129,012.41	1,213,294.96	1,327,982.49
	Current Liability	361,855.05	381,804.69	428,728.24	462,309.23	467,551.83	516,897.62	1,007,229.11	1,117,014.92	1,202,418.24	1,294,988.65
	Working Capital	10,270.52	4,033.88	2,709.80	-327.33	-1,527.07	5,671.91	-324.09	11,997.49	10,876.72	32,993.84

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Interpretation

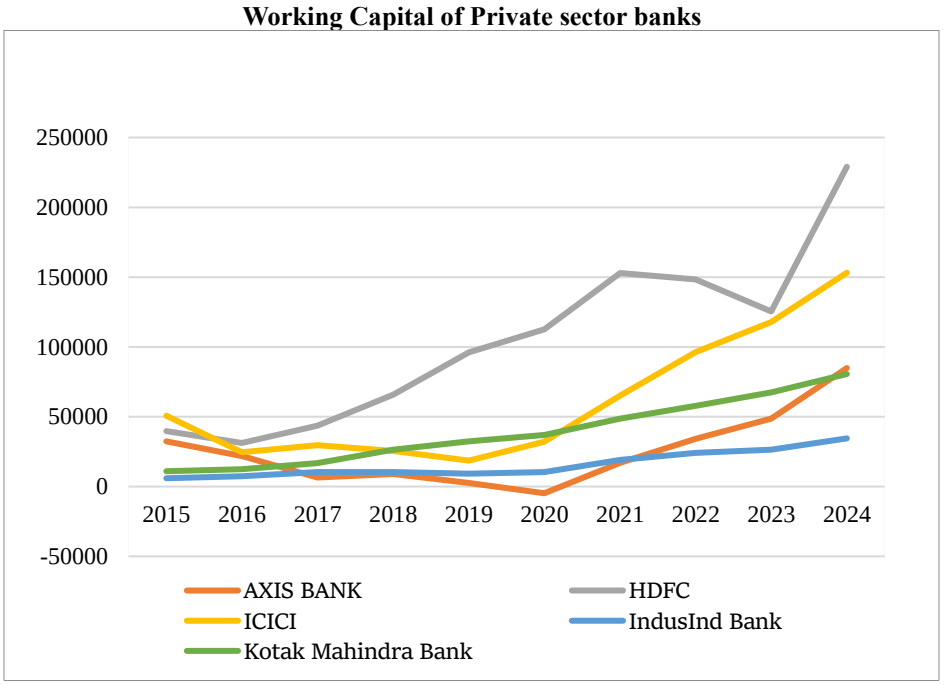
This table shows the working capital (current assets minus current liabilities) of five major Indian banks from 2015 to 2024. Canara Bank experienced fluctuating working capital, going negative from 2018 to 2020 but improving significantly afterward. State Bank of India (SBI) consistently had negative working capital, which worsened over the years, indicating it has been relying more on short-term liabilities than assets. Bank of Baroda maintained mostly positive working capital, showing gradual improvement, especially after 2020. Punjab National Bank (PNB) kept a steady and positive working capital throughout the period, showing consistent liquidity. Union Bank of India also showed overall positive working capital but had minor negative figures in 2018 and 2021, recovering well by 2024. Overall, most banks show improvement in working capital in recent years, except SBI, which remains consistently negative.

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PRIVATE SECTOR BANK												
Years		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Banks											
AXIS BANK	Current Asset	449,524.89	494,105.36	552,118.90	636,981.27	736,971.88	825,426.76	911,569.63	1,094,280.28	1,240,528.48	1,411,050.01
	Current Liability	417,255.88	472,302.71	545,705.13	627,884.31	734,320.24	830,216.97	894,515.41	1,060,004.05	1,191,908.88	1,326,147.02
	Working Capital	32,269.01	21,802.65	6,413.77	9,096.96	2,651.64	-4,790.21	17,054.22	34,276.23	48,619.60	84,902.99
HDFC	Current Asset	568,286.43	667,398.57	817,983.64	1,023,448.41	1,191,336.74	1,472,148.26	1,696,035.32	1,976,683.55	2,311,352.41	3,406,423.90
	Current Liability	528,493.66	636,167.79	774,377.85	957,639.33	1,095,334.34	1,359,525.23	1,543,149.69	1,828,442.11	2,185,882.47	3,177,377.29
	Working Capital	39,792.77	31,230.78	43,605.79	65,809.08	96,002.40	112,623.03	152,885.63	148,241.44	125,469.94	229,046.61
ICICI	Current Asset	616,406.72	655,544.48	701,451.70	799,558.85	874,675.54	1,013,977.19	1,148,143.88	1,337,083.80	1,501,406.32	1,786,274.67
	Current Liability	565,699.94	630,959.53	671,840.37	774,030.23	856,091.10	981,860.74	1,082,923.49	1,240,785.76	1,383,491.27	1,633,115.26
	Working Capital	50,706.78	24,584.95	29,611.33	25,528.62	18,584.44	32,116.45	65,220.39	96,298.04	117,915.05	153,159.41
IndusInd Bank	Current Asset	104,426.71	129,745.52	168,410.91	208,246.26	260,443.06	282,766.76	338,617.31	378,296.80	429,551.03	486,626.59
	Current Liability	98,471.38	122,361.02	158,002.29	197,784.52	251,133.45	272,351.06	319,607.34	354,277.36	403,182.38	452,138.04
	Working Capital	5,955.33	7,384.50	10,408.62	10,461.74	9,309.61	10,415.70	19,009.97	24,019.44	26,368.65	34,488.55
Kotak Mahindra Bank	Current Asset	102,844.16	180,805.23	203,728.33	253,900.38	301,559.44	348,092.04	368,414.34	414,757.76	473,807.25	584,267.43
	Current Liability	91,867.99	168,297.32	186,972.02	227,449.57	269,271.63	311,233.51	319,759.50	356,940.62	406,342.23	503,638.30
	Working Capital	10,976.17	12,507.91	16,756.31	26,450.81	32,287.81	36,858.53	48,654.84	57,817.14	67,465.02	80,629.13

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Interpretation

This table shows the working capital (difference between current assets and current liabilities) for five major Indian banks from 2015 to 2024. Positive working capital means the bank has more short-term assets than liabilities, which indicates good liquidity. All banks generally show an increasing trend in working capital over the years, reflecting improved short-term financial health and better working capital management. HDFC and ICICI consistently maintain high working capital, showing strong liquidity positions. Axis Bank had negative working capital in 2020, suggesting a temporary liquidity crunch, but recovered significantly afterward. IndusInd Bank and Kotak Mahindra Bank, while smaller in scale, also show steady improvement, highlighting careful and stable financial planning. Overall, the data suggests these banks are effectively managing their short-term assets and liabilities over time.

FINDINGS

From 2015 to 2024, the working capital trends of major Indian public sector banks reveal varying degrees of liquidity management and financial stability. Canara Bank showed a significant improvement in recent years, moving from negative to strong positive working capital by 2024, indicating better asset-liability alignment. State Bank of India, despite its large scale, consistently maintained negative working capital, suggesting that it relied heavily on short-term liabilities to finance operations—common in banking but potentially risky in volatile markets. Bank of Baroda, Punjab National Bank, and Union Bank of India generally maintained positive working capital, with noticeable growth from 2020 onward, especially for Bank of Baroda, reflecting strengthened financial health post-consolidation and reforms. Overall, these banks appear to have enhanced their liquidity positions over time, especially post-2020.

SUGGESTION: Banks with persistent negative working capital should review their short-term funding strategies to avoid liquidity crunches, while others should continue optimizing current asset utilization.

CONCLUSION: In conclusion, from 2015 to 2024, public sector banks in India have shown improvements in managing their working capital, especially after 2020. Canara Bank made strong progress, moving from a weak to a much better financial position. Other banks like Bank of Baroda, Punjab National Bank, and Union Bank of India also improved, showing better control over their short-term finances. However, State Bank of India continued to rely more on short-term borrowings, which could be risky during uncertain times. Overall, most public banks have become more financially stable and better at managing their day-to-day funds in recent years.

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