

6.1 Rationalization of Privatizing State Sector Commercial Banks: A comparative study of the public sector and the private sector commercial banks.

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ABSTRACT

There is a perception that the public sector commercial banks operate at a lesser degree of efficiency with earning a lower level of profit compared to the private sector commercial banks. Taking the above scenario into account, this study tries to make a comparative appraisal of the functionality of the private sector and the public sector banks.

The prime objective of this study is to examine whether it is mandatory for the public sector banks to be privatized in order to increase their functionality. Also, this study attempts to find out the possibility of increasing productivity of the public sector banks by restructuring.

In order to achieve the objectives of the study, 4 banks including two public sector banks and two private sector banks were selected randomly. For the purpose of data analysis, statistical data for the period of 5 years have been derived from the annual reports of 4 banks such as Peoples' Bank, Bank of Ceylon, Hatton National Bank and Commercial Bank.

The study concludes that the privately owned banks are operating at a higher rate of functionality than the public sector banks. This indicates that private ownership is the most suitable form for the commercial banking sector to operate more efficiently.

Key words: Privatization, Perception. Restructuring, functionality, State sector and Private sector.