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A COMPARATIVE STUDY OF PROFITABILITY OF SELECTED INDIAN PRIVATE BANKS

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ABSTRACT

The banking sector in India has a major canvas of history. Private banking was begun since beginning of banking system in India. New private part banks are one of the quickest developing divisions in India. They advanced a world class organization in India having most recent innovation, new framework, new models of administration and proficiency. The PSB have been the prevailing part in the nation's monetary framework. Productivity and gainfulness of the managing an account part in India has accepted primal significance because of exceptional rivalry, more noteworthy client requests and changing banking changes. This study endeavours essentially to quantify the productivity of chose driving private banks of India. Productivity execution of these banks has been broke down for the period 2012-13 to 2016-17. Dissect the proportion here utilized monetary proportion examination (FRA) technique which helps to draw a diagram about money related execution of private part banks. This article gives critical seed of information and is extremely helpful for financiers and new researchers.

Keywords : Private Sector Banks, Profitability, Ratio Analysis

INTRODUCTION

The significance of private segment in Indian economy throughout the most recent 15 years has been colossal. The opening up of Indian economy has prompted free inflow of foreign direct investment (FDI) alongside present day bleeding edge innovation, which expanded the significance of private division in Indian economy impressively.

Beforehand, the Indian markets were led by the administration ventures yet the scene in Indian market changed when the business sectors were opened for speculations. This saw the ascent of the Indian private area organizations, which organized client's need and rapid administration. This further filled rivalry among same industry players and even in government associations.

The post 1990 period saw add up to interest for Indian private part. The speculation quantum developed from 56% in the main portion of 1990 to 71 % in the second 50% of 1990. This pattern of speculation proceeded for over an extensive timeframe. These ventures were particularly made in area like money related administrations, transport and social services.

The late 1990s and the period from that point saw interests in segment like assembling, framework, horticulture items and above all in Information innovation and media transmission. The present pattern demonstrates a checked increment in interest in ranges covering pharmaceutical, biotechnology, semiconductor, contract research and item innovative work.

The importance of private sector in Indian economy has been very commendable in generating employment and thus eliminating poverty. Further, it also effected the following -

- Increased quality of life
- Increased access to essential items
- Increased production opportunities
- Lowered prices of essential items
- Increased value of human capital
- Improved social life of the middle class Indian
- Decreased the percentage of people living below the poverty line in India
- Changed the age old perception of poor agriculture based country to a rising manufacturing based country
- Effected increased research and development activity and spending
- Effected better higher education facilities especially in technical fields
- Ensured fair competition amongst market players

- Dissolved the concept of monopoly and thus neutralized market manipulation practices

LITERATURE REVIEW

B. Satish Kumar (2008), in his article on an assessment of the budgetary execution of Indian private segment banks composed Private sector banks assume an imperative part being developed of Indian economy. After advancement the managing an account industry experienced significant changes. The financial changes absolutely have changed the banking area. RBI allowed new banks to be begun in the private area according to the proposal of Narashiman council. The Indian banking industry was overwhelmed by open segment banks. Be that as it may, now the circumstances have changed new age keeps money with utilized of innovation and expert administration has picked up a sensible position in the banking industry.

Petya Koeva (July 2003) in his study on The Performance of Indian Banks. Amid Financial Liberalization expresses that new exact confirmation on the effect of money related progression on the execution of Indian business banks. The examination concentrates on analyzing the conduct and determinants of bank intermediation expenses and productivity amid the progression time frame. The exact outcomes recommend that proprietorship sort significantly affects some execution markers and that the watched increment in rivalry amid budgetary progression has been related with bring down intermediation expenses and benefit of the Indian banks.

Rachita Gulati and Sunil Kumar (2009) attempt to investigate the connection amongst productivity and gainfulness in 51 Indian domestic banks working in the money related year 2006-2007.The exact outcomes demonstrate that once more private part banks rule in the arrangement of the proficient boondocks for Indian household managing an account industry. The proficient gainfulness network uncovers that the asset use process in 22 banks that fall in the "Question Mark" and "Sleeper quadrants isn't working great and highlighting the nearness of significant wastage of sources of info. Further, Tamil Nadu Mercantile Bank and Yes Bank might be considered as a perfect seat check for the poor performing banks on the productivity and profitability measurements of execution assessment.

Roma Mitra, Shankar Ravi (2008), A steady and productive banking segment is a fundamental precondition to build the financial level of a nation. This paper tries to show and assess the productivity of 50 Indian banks. The Inefficiency can be broke down and measured for each assessed unit. The point of this paper is to gauge and analyze productivity of the banking segment in India. The examination should check or reject the speculation whether the managing an account division satisfies its intermediation work adequately to contend with the worldwide players. The outcomes are astute to the monetary arrangement organizer as it recognizes need zones for various banks, which can enhance the execution. This paper assesses the execution of Banking Sectors in India.

RESEARCH OBJECTIVE

1. To analyse profitability of selected private sector of India
2. To identify any relationship in-between banking companies in the various measures of profitability

RESEARCH METHODOLOGY

SOURCES OF DATA

Secondary sources of data will be utilised for this proposed research study

Secondary data have been collected from Company Annual Reports.

SAMPLE SIZE

In the research study, researcher has selected 5private banks.

PERIOD OF DATA COVERAGE

Five years of financial statements will be analysed for private banks taken under study.

ANALYSIS OF DATA

The proposed statistical tools for the analysis of data are ratio analysis and ANOVA test.

DATA ANALYSIS

1. NET PROFIT MARGIN

NET PROFIT MARGIN					
COMPANY	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
HDFC Bank	14.76	16.18	15.88	16.04	17.28
ICICI Bank	12.17	15.79	15.75	17.19	17.96
Axis Bank	16.1	17.12	15.47	15.35	16.34
DCB Bank	-13.88	3.3	6.73	9.87	11.94
Kotak Mahindra Bank	15.23	16.46	15.15	14.78	14.77

From the above table it can be seen that, In latest 5 years sampled banks maintained high Net Profit Margin compare to earlier 5 years, which gives very positive sign for investor since Net Profit Margin is at its peak stage in latest 5 years, In earlier stage we can see value of this ratio was low compare to latest five years, which gives us direction that sampled banks doing their business more efficient way in current 5 years.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3206.33764	4	801.58441	10.93126622	2.80935E-06	2.578739184
Within Groups	3299.82801	45	73.32951133			
Total	6506.16565	49				

Fcal>Ftab and p-value is less than specified α of 0.05.

So, null hypothesis is rejected and it is concluded that the difference is seen in Net Profit Margin Ratio of five selected banking companies.

2. RETURN ON ASSETS

RETURN ON ASSETS					
COMPANY	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
HDFC Bank	470.19	545.46	127.52	152.2	181.23
ICICI Bank	463.01	478.31	524.01	578.21	633.92
Axis Bank	395.99	462.77	551.99	707.5	813.47
DCB Bank	27.02	28.1	33.39	37.83	43.88
Kotak Mahindra Bank	130.4	92.23	107.28	126.53	159.35

From the above table it can be concluded that it can see sampled banks are utilizing their asset in more profitable way in current years than earlier years. ICICI Bank has highest ratio value which is because of its consistence performance throughout the last 10 years. During latest 3 years Axis bank has utilizing its asset more efficient way than any other banks taken under study. DCB Bank not utilizing its asset that efficient way which its peer banks utilizing. Major hike in ratio value can be observed in latest 3 years.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1170139.845	4	292534.9612	13.15173681	3.56552E-07	2.578739184
Within Groups	1000938.009	45	22243.06686			
Total	2171077.854	49				

Fcal>Ftab and p-value is less than specified α of 0.05.

So, null hypothesis is rejected and it is concluded that the difference is seen in Return on Assets Ratio of five selected banking companies.

3. RETURN ON LONG TERM FUND

RETURN ON LONG TERM FUND					
COMPANY	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
HDFC Bank	56.08	59.91	75.2	80.09	81.47
ICICI Bank	44.72	43.05	52.33	56.37	56.48
Axis Bank	66.34	72.25	88.84	75.72	73.36
DCB Bank	45.32	66.9	67.74	77.54	83.12
Kotak Mahindra Bank	48.71	48.25	66.29	72.07	59.62

From the above tables and graphs it can be observed that there is no major up and down can be observed except sudden hike in ratio value of Axis bank in earlier years taken under study. On an average almost sampled banks' ratio value falls under range of 55 to 82.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4632.011172	4	1158.002793	6.89827214	0.000202885	2.578739184
Within Groups	7554.08378	45	167.8685284			
Total	12186.09495	49				

Fcal>Ftab and p-value is less than specified α of 0.05.

So, null hypothesis is rejected and it is concluded that the difference is seen in Return on Long Term Fund(%) Ratio of five selected banking companies.

4. RETURN ON NET WORTH

RETURN ON NET WORTH					
COMPANY	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
HDFC Bank	13.7	15.47	17.26	18.57	19.5
ICICI Bank	7.79	9.35	10.7	12.48	13.4
Axis Bank	15.67	17.83	18.59	15.64	16.26
DCB Bank	-14.51	3.8	6.85	10.2	13.15
Kotak Mahindra Bank	12.35	12.03	13.65	14.4	12.24

This ratio reveals how much profit a company generates with the money that the equity shareholders have invested.

There was good start in beginning years for almost sampled banks DCB bank and Kotak Mahindra bank. Due to loss in earlier years and middle age of latest 10 years we can see that ratio values of DCB bank fluctuate drastically year over year compare to any other banks taken under study. Except DCB bank no significant changes in ratio values in earlier and latest 5 years can be observed.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	5294.482092	4	1323.620523	8.753197767	2.57902E-05	2.578739184
Within Groups	6804.70442	45	151.2156538			
Total	12099.18651	49				

Fcal>Ftab and p-value is less than specified α of 0.05.

So, null hypothesis is rejected and it is concluded that the difference is seen in Return on Net Worth(%) Ratio of five selected banking companies.

CONCLUSION

In view of the proportion study of private sector banks, in most recent 5 years sampled banks kept up high Net Profit Margin contrast with prior 5 years, which gives exceptionally positive sign for financial specialist since Net Profit Margin is at its pinnacle organize in most recent 5 years, In prior stage we can see estimation of this proportion was low contrast with most recent five years, which gives us heading that sampled banks doing their business more proficient path in current 5 years. It can see sampled banks are using their benefit in more gainful path in current years than prior years. ICICI Bank has most astounding proportion esteem which is a direct result of its consistence execution all through the most recent 10 years. Difference is seen in Net Profit Margin Ratio of five selected banking companies. Difference is seen in Return on Assets Ratio of five selected banking companies. Difference is seen in Return on Long Term Fund (%) Ratio of five selected banking companies. Difference is seen in Return on Net Worth (%) Ratio of five selected banking companies.

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