A Comparative Study on Profitability of Selected Indian Private Sector Banks

Virenkumar M. Chavda
Research scholar
Gujarat University,
Navrangpura, Ahmadabad
India

Amit S. Mehta
Research Guide
N.C.Bodiwala and
Prin. M.C. Desai
Commerce College.
Tankshal, Kalupur,
Ahmadabad, India

Abstract

The financial part in India has an extremely enormous history. Private banking was begun since beginning of banking framework in India. Another private division bank is one of the quickest rising parts in India. They energized a world class organization in India having most recent innovation, new framework, new norms of administration and productivity. The PSB have been the prevailing job in the nation's fiscal framework. Effectiveness and benefit of the financial segment in India has accepted basic significance because of solid challenge, more client requests and changing financial changes. This examination endeavours principally to dissect the gainfulness of chose driving private banks of India. Benefit execution of these banks have been dissected for the period 2009-10 TO 2018-19. Money related proportion examination (FRA) strategy has been utilized to draw a diagram about monetary execution of private division banks. This paper gives significant seed of information and is exceptionally valuable for brokers, professionals and new specialists.

Keywords: Profitability, Private sector, ratio analysis, ANOVA, Comparision.

Introduction

Bank is characterized from multiple points of view by several of writers in the books on financial matters and trade. It is hard to characterize a bank; on the grounds that a bank performs diverse capacities from various perspectives as per their capacities. The advancement of various sorts of banks, each represent considerable authority in a specific field, gives accentuation on every single sort of bank. A general and extensive definition to cover a wide range of banking associations would be informal and perhaps unthinkable. Each kind of bank ought to have its very own definition, clarifying its particular capacities. Administrators have comprehended this trouble and that is the reason the bill of trade Act 1882 (England) characterizes. "A bank incorporates an assortment of people, regardless of whether consolidated or not, who carry on the matter of banking"

Literature Review

Farmer's Mayuri (2011) study was essentially founded on the optional information identifying with the money related execution of 27 nationalized banks of India during 1989 to 1998. A relapse investigation has been endeavoured to recognize the quantifiable factors and to pass judgment on how far the adjustments in benefit are impacted by every one of these factors. An itemized examination has likewise been attempted by choosing an entirely productive bank and an exceptionally misfortune making bank to distinguish the factors influencing the gainfulness of every one of them. The use of the idea of Break Even Analysis has been endeavoured to separate between a benefit acquiring bank and a losing bank and to help in recommendations how edge of wellbeing can be improved.

Gulati Rachita and Kumar Sunil (2011) attempt to examine the association among profitability and advantage in 51 Indian neighbourhood banks working in the cash related year 2008-2009.The exploratory results show that once more private division banks rule in the plan of the capable wild for Indian family unit banking industry. The capable efficiency organize reveals that the benefit use process in 22 banks that fall in the "Question Mark" and "Sleeper quadrants isn't working incredible and including the proximity of noteworthy wastage of data sources. Further, Tamil Nadu Mercantile Bank and Yes Bank may be considered as an ideal seat mark

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for the poor performing banks on the profitability and advantage estimations of execution evaluation.

Mitra Roma, Ravi Shankar (2010), A consistent and capable financial part is a fundamental precondition to construct the money related level of a country. This paper endeavours to exhibit and survey the adequacy of 50 Indian banks. The Inefficiency can be researched and estimated for each evaluated unit. The purpose of this paper is to check and break down profitability of the financial zone in India. The examination should check or reject the theory whether the financial division fulfills its intermediation work enough to fight with the overall players. The results are smart to the cash related methodology coordinator as it perceives need districts for different banks, which can improve the introduction. This paper assesses the introduction of Banking Sectors in India.

Kumar Satish (2010), in his article on an evaluation of the cash related execution of Indian private region banks made Private division banks accept a huge activity being created of Indian economy. After progression the financial business experienced critical changes. The financial changes altogether have changed the financial division. RBI enabled new banks to be started in the private fragment as per the proposal of Narashiman leading body of trustees. The Indian financial industry was overpowered by open section banks. Nevertheless, by and by the conditions have changed new age manages an account with used of development and master organization has expanded a reasonable circumstance in the financial business.

Vradi, Vijay, Mauluri, Nagarjuna (2008), in his assessment on' Measurement of adequacy of bank in India assumed that in current world execution of banking is continuously basic to stable the economy .to see the profitability of Indian banks we have seen the fore pointers for instance advantage, effectiveness, assets, quality and money related organization for all banks consolidates open fragment, private territory banks in India for the period 2000 and 1999 to 2002-2003. For assessing efficiency of banks the researchers have gotten improvement

envelopment examination and found that open parts banks are more successful than various banks in India.

Research Objectives

Following are the research objective of this study

1. To investigate profitability of selected Indian private banks of India
2. To investigate the effect of financial change on banking industry

Research Hypothesis

Ho: "There is no significant difference in profitability of selected Indian private sector banks."

H1: "There is significant difference in profitability of selected Indian private sector banks"

Research Methodology

Sources Of Data

Secondary data information has been gathered from Banks' Annual Reports, books, research paper and web side.

Universe

Five private banks selected in this research study.

Period Of Data Collection

Five years of financial statements has been analysed for private banks taken under study for the year 2014-15 TO 2018-19

Data Analysis

The financial ratio and Anova analysis are used for the purpose of this study

Data Analysis

Net Profit Margin Ratio

Net revenue is the proportion of net benefits to incomes for bank. Commonly communicated as a rate, net overall revenues show the amount of cash gathered by a bank as income converts into benefit.

Ho: "There is no significant difference in profitability of selected private sector banks in Net Profit Margin ratio." ($\mu1 = \mu2 = \dots \mu5$)

H1: "There is significant difference in profitability of selected private sector banks Net Profit Margin ratio" ($\mu1 \neq \mu2 \neq \dots \mu5$)

Net profit Margin Ratio					
Year	Yes Bank	Federal Bank	Axis Bank	Karur Vysya Bank	HDFC Bank
2014-15	17.32	13.55	20.73	8.06	21.07
2015-16	18.76	6.14	20.06	10.42	20.47
2016-17	20.27	9.57	8.26	10.77	20.99
2017-18	20.84	9.01	0.60	6.06	21.79
2018-19	5.80	10.89	8.50	3.62	21.29
AVG.	16.60	9.83	11.63	7.79	21.12
ST.D.	5.54	2.42	7.70	2.69	0.43
C.V.	33.36	24.63	66.23	34.58	2.03

SUMMARY				
Groups	Count	Sum	Average	Variance
Yes Bank	5	82.99	16.598	38.3176
Federal Bank	5	49.16	9.832	7.32952
Axis Bank	5	58.15	11.63	74.1724
Karur Vysya Bank	5	38.93	7.786	9.06298
HDFC Bank	5	105.61	21.122	0.22992

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit

						2.86608
Between Groups	586.184	4	146.546	5.67513	0.0032094	
Within Groups	516.4498	20	25.82249			
Total	1102.634	24				

From the above calculation F value (5.67513) is higher than F critical value (2.86608) and it indicate that null hypothesis is rejected so there is significant difference in profitability of selected private sector banks in Net Profit Margin ratio.

Return on Long Term Fund Ratio

This proportion found the connection between net benefit and the long haul reserves. The term long haul reserves allude to the all out venture made in business for future. It's determined by partitioning Earnings before Interest and Tax (EBIT) by the entire long haul reserves. It is determined by isolating Earnings before Interest and Tax (EBIT) by the all out long haul reserves.

Ho: "There is no significant difference in profitability of selected private sector banks in Return on Long Term ratio." ($\mu1 = \mu2=… \mu5$)

H1: "There is significant difference in profitability of selected private sector banks Return on Long Term ratio" ($\mu1 \neq \mu2\neq… \mu5$)

Return on Long Term Fund					
Year	Yes Bank	Federal Bank	Axis Bank	Karur Vysya Bank	HDFC Bank
2014-15	94.12	84.77	72.32	103.45	66.77
2015-16	92.35	73.66	68.74	100.01	70.54
2016-17	71.05	77.55	57.23	88.01	65.17
2017-18	72.69	61.56	43.00	62.34	62.88
2018-19	82.41	68.96	60.36	58.77	55.57
AVG.	82.52	73.30	60.33	82.52	64.19
ST.D.	9.59	7.83	10.24	18.68	4.98
C.V.	11.62	10.68	16.98	22.64	7.76

SUMMARY				
Groups	Count	Sum	Average	Variance
Yes Bank	5	412.62	82.524	114.848
Federal Bank	5	366.5	73.3	76.604
Axis Bank	5	301.65	60.33	131.107
Karur Vysya Bank	5	412.58	82.516	436.35
HDFC Bank	5	320.93	64.186	30.9899

ANOVA						
Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	2093.235	4	523.3087	3.31251	0.030906	2.86608
Within Groups	3159.595	20	157.9797			
Total	5252.829	24				

From the above calculation F value (3.31251) is higher than F critical value (2.86608) and it indicate that null hypothesis is rejected so there is significant difference in profitability of selected private sector banks in Return on Long Term ratio.

Return on Net Worth Ratio

Profit for Net worth (RONW) or Return on Equity (ROE) is the estimation illuminates the amount Profit organization creates to their investors from the Share Equity. The equation for ROE is: Net Income/Shareholders' Equity x 100.

Ho: "There is no significant difference in profitability of selected private sector banks in Return on Net Worth ratio." ($\mu1 = \mu2=… \mu5$)

H1: "There is significant difference in profitability of selected private sector banks Return on Net Worth ratio" ($\mu1 \neq \mu2\neq… \mu5$)

Return on Net Worth					
Year	Yes Bank	Federal Bank	Axis Bank	Karur Vysya Bank	HDFC Bank
2014-15	17.16	12.99	16.46	10.93	16.47
2015-16	18.41	5.87	15.46	12.41	16.91
2016-17	15.09	9.29	6.59	12.03	16.26
2017-18	16.40	7.20	0.43	5.51	16.45
2018-19	6.39	9.37	7.01	3.28	14.12

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AVG.	14.69	8.94	9.19	8.83	16.04
ST.D.	4.29	2.42	6.01	3.72	0.98
C.V.	29.19	27.00	65.36	42.15	6.14

SUMMARY				
Groups	Count	Sum	Average	Variance
Yes Bank	5	73.45	14.69	22.9784
Federal Bank	5	44.72	8.944	7.29058
Axis Bank	5	45.95	9.19	45.104
Karur Vysya Bank	5	44.16	8.832	17.3228
HDFC Bank	5	80.21	16.042	1.21117

ANOVA						
Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	248.9274	4	62.23185	3.31349	0.0308739	2.86608
Within Groups	375.6275	20	18.78137			
Total	624.5549	24				

From the above calculation F value (3.31349) is higher than F critical value (2.86608) and it indicate that null hypothesis is rejected so there is significant difference in profitability of selected private sector banks in Return on Net Worth ratio.

Return on Assets Ratio

To evaluate a bank's return on assets, you want to get two types of information. First, you need to find the net income, which can be found on the bank's income statement. Then, you need to find the bank's assets (loans, securities, cash, etc.), which can be found on the bank's financial statement. To calculate equation is: net income / total assets x 100

Ho: "There is no significant difference in profitability of selected private sector banks in Return on Assets ratio." ($\mu 1 = \mu 2 = \dots \mu 5$)

H1: "There is significant difference in profitability of selected private sector banks Return on Assets ratio" ($\mu 1 \neq \mu 2 \neq \dots \mu 5$)

Return on Assets ratio					
Year	Yes Bank	Federal Bank	Axis Bank	Karur Vysya Bank	HDFC Bank
2014-15	279.60	90.33	188.47	349.10	247.39
2015-16	327.84	47.07	223.12	375.97	287.47
2016-17	483.13	51.87	232.83	82.64	349.12
2017-18	111.85	61.91	247.20	86.21	409.60
2018-19	116.22	66.87	259.27	80.35	547.89
AVG	263.73	63.61	230.18	194.85	368.29
STD	139.52	15.09	24.22	137.19	105.34
CV	52.90	23.73	10.52	70.41	28.60

SUMMARY				
Groups	Count	Sum	Average	Variance
Yes Bank	5	1318.64	263.728	24331.3
Federal Bank	5	318.05	63.61	284.719
Axis Bank	5	1150.89	230.178	733.125
Karur Vysya Bank	5	974.27	194.854	23525.4
HDFC Bank	5	1841.47	368.294	13869.7

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	245058	4	61264.49	4.88208	0.0065317	2.86608
Within Groups	250976.8	20	12548.84			
Total	496034.7	24				

From the above calculation F value (4.88208) is higher than F critical value (2.86608) and it indicate that null hypothesis is rejected so there is significant difference in profitability of selected private sector banks in Return on Assets ratio.

Conclusion

Based on the data analysis it can be seen that, Net profit margin Ratio values explain that during study period banks doing their business more efficient way, as per above calculation it can be said that

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HDFC Bank is better than other bank. Return on Assets Ratio values explains that during study period banks have utilised their assets more efficient way to generate profit,as per above calculation it can be said that Axis Bank is better than other bank., Return on long term fund Ratio values explain that during study period banks have utilised their long term fund more efficient way to generate profit, as per as per above calculation it can be said that HDFC Bank is better than other bank. Return on net worth ratio values explain that study period banks have generated more profit from the money invested by shareholders compare, as per as per above calculation it can be said that HDFC Bank is better than other bank. During this study it is found that HDFC bank is good in profitability compare to other selected private sector bank.

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