

A STUDY ON PROFITABILITY ANALYSIS OF SELECTED PRIVATE BANKS IN INDIA

Balram Chopra

Research Scholar
MDS University Ajmer , Rajasthan, India

Abstract: The efficiency of the banking system has been one of the major issues in the new financial and financial environment. Profit is the ability of a business to generate profit for its owners. A practical focus on productivity effectiveness and profit testing of selected private banks is the ratio of control. It refers to the efficiency or feasibility with which the business is headed. Profit ratios give various valuable experience in the monetary position and performance of an organization. A business that is not productive may not be payable. On the other hand, a business that is exceptionally profitable may remunerate its owners with huge profits from their speculations. Expanding productivity is probably the business director's main undertaking. These potential changes can be broken down with the support of salary clarifications and asset reports. The goal of this research is to look at the overall profitability of a few private sector banks in terms of productivity ratios such as net revenue, return on long-term assets, and return on resources ratio.

Keywords: Axis Bank, ICICI Bank, HDFC Bank.

Introduction

Finance is the management of money, which includes investing, renting, saving, lending, budgeting, etc. It's not just about transferring money. A bank is a financial entity that accepts deposits, pays predetermined interest rates, issues checks, offers loans, and frequently functions as a middleman in financial transactions. It also offers its customers various financial services. Public sector banks are ones in which the government owns more than half of the company. Along with these banks, the government controls the financial guidelines. Most of the depositors believe that their cash is more secure in public sector banks due to government ownership. As a result, most of the public sector banks have a large customer base. Private sector banks are those banks where private individuals or private companies hold a major part of the equity of the bank. Even though these banks follow the guidelines of the central bank of the country, they can devise their own independent financial strategy for the customers. A major part of these banks trade in the stock market and one can buy a significant part of the shares of these banks from the stock market. The analysis of firm's cost and revenue which determine whether the firm is earning profits or not is known as profitability analysis.

Scope of the Study

The role of profitability in a selected private sector is demonstrated in this study. It is primarily based off of the profitability ratio which reflects the efficiency and performance of the company. Different types of profitability ratios can be used to evaluate the financial position of a business.

Problem Study

The efficiency of the banking system has been one of the major issues in the new financial and financial environment. Financial institutions' efficiency and struggles are difficult to assess since their products and services are intangible. Using production, efficiency, and performance, researchers have sought to quantify the banking industry's efficiency. Purpose of the Study

- To study the profitability ratios of selected private sector banks like Axis Bank, ICICI Bank and HDFC Bank.
- To evaluate the efficiency of private banks.
- Examine the overall profitability of banks

Research Methodology

The procedures or strategies used to find, select, process, and analyse information about a topic. The term "research methodology" refers to the methods used to do research. A research article's methodology section helps the reader to objectively evaluate the study's overall validity and dependability.

Pattern

This study considers three private banks. The banks selected for the study are Axis Bank, ICICI Bank and HDFC Bank.

Duration of Study

The data of the last six years of selected private banks has been included in this study. A longer period could have been better but due to time constraints, the last five years have been taken for analysis of the data of the study. The study period is from 2016-2017 to 2021-2022.

Data Storage

Data collection is an important task for the researcher for research studies. In general, Records, papers, related information, and similar websites can all be used to gather secondary data. The study relies heavily on secondary data. Data from yearly reports was used as a secondary source.

Study Parameters

This study is based on the profit analysis of private banks. For analysis, the value measured for the study is net profit margin, return on long term funds, writ on asset value, equity per writ, earnings per share, net profit and net profit margin.

Limitations of the Study

- This study is related to the duration of 6 years.
- Since the data are secondary, they were collected on the basis of published annual reports.
- Only profitability ratio has been taken for the study.

Review Literature

- **Medhat Taravaneh (2006)** He studied that financial performance is a prescient variable and is estimated by ROA and expected benefit size. The free factors are the size of the banks as estimated by the all-out resources of the banks; Asset the board is estimated by the resource use proportion (working pay separated by complete resources) and is estimated by the working proficiency proportion (absolute working costs partitioned by net gain).
- **Manish Mittal and Aruna (2005)** observed that high productivity is the main significant standard for registering the exhibition of the financial area according to the perspective of investors. It is for banks to work out some kind of harmony among business and social purposes. They found that public area banks are less beneficial than private area banks. Foreign banks top the rundown with regards to net gain. Private sector banks acquire more fee income than public area banks as these banks give increasingly more charge based administrations to the business house or the corporate area. In this manner, there is a dire requirement for public area banks to offer such types of assistance to remain in rivalry with private banks.
- **Researcher H. Kumari (2003)** found that both public and private sector banks have shown an increasing trend in terms of credit classification and job creation in terms of deposit collection branch expansion. The bank added with the analysis that the private sector banks have shown more improvement than the public sector banks. According to the study, public sector banks should demonstrate their profitability and productivity by viewing innovation as a modern technical shift and defining officials' responsibilities for recognition, among other things.
- **Chandan and Rajput (2002)** ascertain the exhibition of banks based on productivity investigation. The researcher dissected the elements deciding the benefit of banks in India with the assistance of numerous retro gradation strategy. They viewed that as the spread (ie) net interest income is the significant kind of revenue for banks. The review viewed public area banks as in a more vulnerable situation concerning foreign banks and public area banks. The author suggested that public area banks ought to zero in on resource the executive's execution and put resources into innovation for better information the board and quicker stream of data.

Analysis and Interpretation

• Net Profit Margin

Year	Axis Bank	ICICI Bank	HDFC Bank
2016-2017	8.26	18.09	20.99
2017-2018	.60	12.33	21.79
2018-2019	8.50	5.30	21.29
2019-2020	2.59	10.60	22.86
2020-2021	10.35	20.46	25.74
2021-2022	19.33	27.02	28.93

• Return on Long Term Funds

Year	Axis Bank	ICICI Bank	HDFC Bank
2016-2017	57.23	45.09	80.92
2017-2018	43.00	38.54	79.29
2018-2019	60.36	38.13	69.61
2019-2020	49.83	49.01	70.99
2020-2021	69.04	58.17	61.66
2021-2022	58.71	65.14	67.23

• Return on Asset Ratio

Year	Axis Bank	ICICI Bank	HDFC Bank
2016-2017	.004	3.24	1.68
2017-2018	-0.15	1.14	1.64
2018-2019	-0.09	0.66	1.69
2019-2020	-0.05	1.02	1.71
2020-2021	0.66	1.31	1.78
2021-2022	1.10	1.65	1.78

- **Return on Equity**

Year	Axis Bank	ICICI Bank	HDFC Bank
2016-2017	6.59	10.11	16.26
2017-2018	0.43	6.63	16.45
2018-2019	7.01	3.19	14.12
2019-2020	1.91	6.99	15.35
2020-2021	6.48	11.21	15.27
2021-2022	11.32	13.68	15.39

- **Earnings Per Share**

Year	Axis Bank	ICICI Bank	HDFC Bank
2016-2017	15.40	15.31	57.18
2017-2018	1.13	10.56	67.76
2018-2019	18.20	5.23	78.65
2019-2020	5.99	12.28	48.01
2020-2021	22.15	24.01	56.58
2021-2022	42.48	33.66	66.80

- **Net Profit Ratio**

Year	Axis Bank	ICICI Bank	HDFC Bank
2016-2017	15.36	16.82	56.78
2017-2018	1.07	10.54	67.38
2018-2019	18.19	5.22	77.40
2019-2020	5.77	12.25	47.89
2020-2021	21.20	23.41	56.44
2021-2022	42.43	28.18	66.65

- **Net Interest Margin**

Year	Axis Bank	ICICI Bank	HDFC Bank
2016-2017	3.00	2.81	3.52
2017-2018	2.69	2.61	3.76
2018-2019	2.71	2.80	3.87
2019-2020	2.75	3.02	3.67
2020-2021	2.93	3.16	3.71
2021-2022	2.81	3.36	3.48

Study Findings Axis Bank

- **Net Profit Limit**

The net profit margin of a firm is a percentage that compares its earnings to the total amount of money it brings in. If the net profit of a bank is 19.33% to the ratio it shows that it is more efficient. The net profit ratio of the bank is higher in the year 2021-2022 as compared to other years. Therefore, it is more efficient in converting sales into real money

- **Return on Long Term Fund**

Returns on Long Term Funds are measures that estimate an investor's expected return over the life of an investment. The returns on the bank's long term funds are higher in the year 2020-2021.

- **Realization on Property**

Return on asset measures how efficient a company's management is at generating income from its economic resources or assets. The bank has the highest return on assets ratio in the year 2021-2022. This bank is more efficient in generating earnings for its economic resources or assets.

- **Dividend**

Return on equity measures efficiency as well as profit. A ROE of 10-20% is generally considered good. This bank has 11.32% in the year 2021-22. Therefore, the show bank management team is more efficient.

- **Earnings Per Share**

Earnings per share (EPS) is a measure of how much money a firm makes per share of its stock. At the very least, the EPS should be 25%. The bank's earnings per share are expected to increase by 42.48 percent in 2021-2022, indicating that the stock is expensive.

- **Net Profit Ratio**

Net profit measures the overall profitability of the company. The absolute net profit is 20%. A higher ratio represents a positive return in the company and improves the company. The bank has 42.43% in the year 2021-2022, this is high, so it indicates a positive return to the bank.

- **Net Interest Margin**

The net interest margin is the difference between the amount a bank earns on loans and the amount it spends on deposits in interest. In 2016-2017, the bank's Net Interest Margin was larger than in previous years.

ICICI Bank

- **Net Profit Margin**

The net profit margin is a percentage that measures how profitable a firm is in relation to its total revenue. If a bank's net profit is 20% of the ratio, it indicates that it is more efficient. The bank's net profit margin is less than a quarter of a percent. As a result, the bank is found to be less efficient in transforming sales into actual profit.

- **Return on Long Term Fund**

Returns on Long Term Funds are measures that estimate an investor's expected return on an investment over time. The returns on the Bank's Long Term Fund have been 65.14% in the year 2021-2022.

- **Realization on Property**

Return on asset measures how efficient a company's management is at generating income from its economic resources or assets. The return on assets of the bank in the year 2016-2017 is 3.24%. This bank is more efficient in generating earnings for its economic resources or assets.

- **Dividend**

Return on equity measures efficiency as well as profit. A ROE of 10-20% is generally considered good. This bank has a 13.68% stake in the year 2021-2022. Therefore, the show bank management team is more efficient.

- **Earnings Per Share**

Earnings per share (EPS) is a measure of how much money a firm makes per share of its stock. At the very least, the EPS should be 25%. The bank's earnings per share in 2021-2022 are 33.66 percent, up from 25 percent, indicating that the stock is valued.

HDFC Bank

- **Net Profit Margin**

A company's net profit margin is a ratio that compares earnings to total revenue. If a bank's net profit is 20% of the ratio, it indicates that it is more efficient. In comparison to previous years, the bank's Net Profit Ratio in 2016-2017 was low. Therefore, it is therefore considered because the margin is high and it is capable of converting sales into actual profit.

- **Return on Long Term Fund**

Returns on Long Term Funds are measures that estimate an investor's expected return over the life of an investment. The return on the Bank's Long Term Fund is highest at 80.92% in the year 2016-2017.

- **Realization on Property**

Return on asset measures how efficient a company's management is at generating income from its economic resources or assets. The bank has 1.78% as the highest return on assets ratio in the year 2020-2021 as compared to other years. This bank is more efficient in generating earnings for its economic resources or assets.

- **Dividend**

Return on investment (ROI) is a metric that assesses both efficiency and profit. A return on investment (ROI) of 15-20% is typically regarded satisfactory. This bank has 16.45% in the year 2017-2018. Since the bank has more than 15%, it is concluded that a bank may be used and its efficiency may be increased.

- **Earnings Per Share**

Earnings per share (EPS) is a measure of how much money a firm makes per share of its stock. The EPS should be at least 25% higher. The bank's profits per share increased by 25 percent in 2018-2019, indicating that the stock is overvalued.

- **Net Profit Ratio**

Net profit measures the overall profitability of the company. The absolute net profit is 20%. A higher ratio represents a positive return in the company and improves the company. The bank has 77.40% in the year 2018-2019, which is very high. It indicates positive returns to the bank.

- **Net Interest Margin**

Net interest margin is a measure of the amount that is paid in interest on a bank deposit compared to the amount.

Conclusion

This study examines the profitability analysis of select private banks such as Axis Bank, ICICI Bank and HDFC Bank. Different profitability ratios were used to examine the data. The study concludes that the performance of HDFC Bank was very strong during the study period from 2016-2017 to 2021-2022. ICICI bank and AXIS Bank should work properly to improve its performance.

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