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Comparative analysis of the performance of two largest private sector banks in India

KEYWORDS: banking, intermediary, profitability, economic growth

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ABSTRACT *The banking sector occupies a very important place in country's economy acting as an intermediary to all industry ranging from agriculture, textile manufacturing and so on. Indian banking sector has emerged as one of the strongest drivers for India's economic growth . The Indian banking system is among the healthier performers in the world, when compared with top two private banks in total assets in India. The main aim of the study is to do the comparative study of the performance of the two largest private sector banks in India largest in terms of total assets calculated for last five years from 2011-2015 . For this study, private sector banks HDFC AND ICICI were taken. Results shows that profitability of ICICI bank is higher then HDFC bank.*

INTRODUCTION

At presently Banking has become Important part of economy & society. Banking industry which was highly regulated in pre-reform period is reorienting itself to face new challenges emerging in the financial sector globally. Basis factors responsible for performance of public sectors banks were stringent regulation, poor recovery process and above all lack of competition.

The banking sector has been undergoing a complex, but comprehensive phase of restructuring since 1991, with a view to make it sound, efficient, and at the same time forging its links firmly with the real sector for promotion of savings, investment and growth. The whole banking scenario has changed in the very recent past on the recommendations of Narasimham Committee. Further Basel II Norms were introduced to internationally standardize processes and make the banking industry more adaptive to the sensitive market risks

The "private sector banks" are banks where greater parts of stake are held by the private shareholders and not by government. However, since liberalisation in government banking policy in the 1990s, old and new private sector banks have re-emerged. They have grown faster & bigger over the two decades since liberalisation using the latest technology, providing contemporary innovations and monetary tools and techniques.The banks, which came in operation after 1991, with the introduction of economic reforms and financial sector reforms are called "new private-sector banks".

Banking is major sector of the economy that has achieved renewed focus after financial sector reforms and the entry of private sector banks. This sector is the foundation of modern economic development and linchpin of development strategy .It forms the core of the financial sector of an economy. Through mobilization of resources and their better allocation, commercial banks play an important role in the development process of underdeveloped countries .

2.Review of Literature

Cheenu Goel and Chitwan Bhutani Rekhi(2013) in their study attempts to measure the relative performance of Indian banks. For the study, they used public sector banks and private sector banks.. Overall, the analysis supports the conclusion that new banks are more efficient that old ones. The public sector banks are not as profitable as other sectors are. It means that efficiency and profitability are interrelated. The key to increaseperformance depends upon ROA, ROE and NIM.

Dr. N. Kavitha (2012) in his study examine the profitability of banks during the period 2000-2010. To assess the profitability of banking sector in India, discriminate analysis and discriminate function analysis which measures the profitability of banks from each important parameter like the differences between the mean profitability of two periods.

Jha and Sarangi (2011) analyzed the performance of seven public sector and private sector banks for the year 2009-10. They used three sets of ratios, operating performance ratios, financial ratios, and efficiency ratios. In all eleven ratios were used. They found that Axis Bank took the first position, followed ICICI Bank, BOI, PNB, SBI, IDBI, and HDFC, in that order.

Sharma (2010) assessed the bank failure resolution mechanism to analyze the powers given by the countries to their regulators to carry out resolution of failed banks among 148 countries during 2003. She used 12 variables for correlation and regression analysis. Her study revealed that the countries which had faced systemic crisis were more prone to providing liquidation powers to their regulators. These countries had a tendency to protect their regulators through immunity, rather than any legal action. Systemic crisis did not significantly influenced the regulators' powers for the restructuring of the banks.

Usman et al (2009) conduct a study on banking efficiency dynamic with financial sector reforms effect. They took the data set of 20 commercial banks of Pakistan and measure the efficiency using Data Envelopment Analysis Malmquist productivity index of total factor productivity (TFP) from 1990-2005.

Jahangir,Shill and Haque (2007) Stated that the traditional measure of profitability through stockholders equity is quite different in banking industry from any other sector of business where loan–to-deposit ratio works as very good indicator of banks profitability as it depicts the status of assts-liability management of banks.

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Fadxlan Sufian (2006) applied DEA window analysis approach to examine the long term trend in the efficiency of 29 Singapore banking group during the period of 1993-2000.

X.Chen et all (2005) applies frontier analysis (X-efficiency) using DEA to examine the cost, technical and locative efficiency of 43 Chinese banks over the period 1993-2000.

Chien-Ta(Bruce)(2004) Used a new approach of performance evaluation ,grey relation analysis(GRA),which is a concept borrowed from the study of industry and is increasingly applied to commerce.GRA is used to evaluate the realative performance of three of Australia's major banks.

Maghyereh (2003) Jordian undertook major financial sector liberalization starting in the early of 1990's.The effect of these reform on the efficiency of the banking sector is evaluated. **Choudhary (2002)** observed that the banking industry of Bangladesh is a mixed one comprising nationalized, private and foreign commercial banks many efforts have been made to explain the performance of these banks.

3. NEED OF THE STUDY

Performance evaluation is necessary in an organization, for sustainable growth and development, for this first measures and evaluates the performance, and then brings out the strengths and weaknesses of the organization for the purpose of further improvement.

Every industry, that understand importance of evaluation, can adopt many methods to evaluate the performance. It prove to be better for performance measurement, evaluation and strategic planning for future growth and development of the Indian banks in the light of changing requirements of this sector so to analyze the comparative profitability performance of banks for the financial periods 2011-2015. By examining the relationship among banks equity, assets and deposit size to profitability such as ROE, ROA and ROI.

4. OBJECTIVES OF THE STUDY

1. To analyze the positive or negative impact of time management on academic performance of students.
2. To analyze how much approximate hours student spend on their academics.
3. To analyze what are the problems faced by students while preparing a proper schedule.
4. To analyze the role of time management in student's life.
5. To identify strengths and weaknesses in students time management practices.

5. RESEARCH METHODOLOGY

DATA SOURCES The data collected for the study includes secondary data

DATA COLLECTION : Data was collected through Reserve Bank of India monthly bulletins, annual reports, moneyrediff, moneycontrol , banks websites etc

METHODS The research methodology of the proposed research paper comprises the ratio analysis and statistical tools like ratios and mean.

SAMPLE SIZE Two largest public sector banks. Largest in terms of total assets.

PRIVATE SECTOR BANKS	TOTAL ASSETS(Rs.IN CRORES)
ICICI	1592829.26
HDFC	427539.314

SAMPLING TECHNIQUE : Judgmental sampling.

6.LIMITATIONS OF THE STUDY

1. Research is restricted to two banks only.
2. Analyzing overall performance is very difficult.
3. This paper enumerates only private sector banks.

7.Data Analysis and Interpretation

TABLE-1

YEAR	BANK	CASH DEPOSIT RATIO	CREDIT DEPOSIT RATIO	INVESTMENT DEPOSIT RATIO	RETURN ON ASSETS	RETURN ON EQUITY	RETURN ON INVESTMENT	BUSINESS PER EMPLOYEE	PROFIT PER EMPLOYEE	CAR
2011	HDFC	9.25	75.17	59.84	1.53	16.30	6.78	59.00	0.60	17.44
	ICICI	13.62	89.70	38.94	1.13	7.96	5.77	76.50	0.60	19.41
2012	HDFC	12.03	76.70	34.00	1.58	16.74	7.22	65.30	0.74	16.22
	ICICI	9.27	95.91	59.70	1.35	9.65	6.19	73.50	1.00	19.54
2013	HDFC	6.08	79.21	39.51	1.77	18.69	7.72	65.40	0.80	16.52
	ICICI	8.01	99.31	62.45	1.50	11.20	6.58	70.80	1.10	18.52
2014	HDFC	4.94	80.92	37.68	1.90	20.34	7.48	75.00	1.00	16.80
	ICICI	6.51	99.19	58.57	1.70	13.10	6.65	73.50	1.40	18.74
2015	HDFC	6.90	82.49	32.93	2.00	21.28	7.77	89.00	1.20	16.07
	ICICI	6.57	102.05	53.33	1.78	14.02	6.63	74.70	1.40	17.70
MEAN	HDFC	7.84	78.89	40.79	1.75	18.67	7.39	70.74	0.86	16.61
	ICICI	8.79	97.23	54.59	1.49	11.18	6.36	73.8	1.1	18.78

8.CONCLUSIONS:

Banking sector in Indian has given a positive and encouraging responses to the financial sector reforms. Entry of new private banks and shaken up Public sector banks to competition. The financial sector reforms have brought India financial system closer to global standards. With the India increasingly getting integrated with the global financial world, the Indian banking sector has a still long way to go to catch up with their counter parts.From the above table we can conclude that For **HDFC** ROA ,ROE AND ROI is greater then ICICI BANK.

For ICICI bank it have good association with deposits so there CDR . which is great sign

for increase in profitability Credit deposit ratio, investment deposit ratio, BPR ,PPE AND CAR is also very high .Profitability is positively associated with all these ratios so over-

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all study shows that ICICI bank is performing well as compare to HDFC bank

9.RECOMMENDATIONS AND SUGGESTIONS FOR PRIVATE SECTOR BANKS

Human resource development is a critical factor which can play major role in enhancing business per employee and profit per employee. Assets quality reflects the soundness of financial institutionsAs the risk profile of banks lending is adequate attention to quality of lending so that credit expansion could be on sustainable basis building upon higher profitability while ensuring financial stability... Strong internal control and supervision mechanism can play an important role in ensuing quality of assets and reduction in NPA level. For financial stability, an efficient and sound risk management system is a pre-requisite..

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