Research Paper Management

Analysis of Profitability Performance of Selected Private Sector Banks Based In South And North Region : A Comparative Study

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ABSTRACT

For ensuring a vigorous, solid and stable banking sector, the evaluation and analysis of bank profitability is essential so that possible weak points and vulnerabilities can be corrected and disposed. In recent times the Indian economy has witnessed the emergence of many banks in the private sector. This study is just a small step in considerate the relative performance of selected Private Sector Banks based in north and south in India. Today's competitive business environment. The banking industry like many other financial service industries is facing a hastily changing Market, new technologies, economic fears, ferocious competition, and especially more Demanding customers; and the changing climate has presented an unparalleled set of Challenges. Major changes took place in the functioning of Banks in India only after liberalization, globalization and privatization. It has turn out to be very obligatory to study and to make a comparative analysis of Private Sector banks among themselves to face competition and improve their performance.

KEYWORDS Coefficient, defunct, resurgent, Descriptive.NPM, DPS, EPS.

Introduction

The first regular institution like what we call a Bank was established at venices, just about seven hundred years back.

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, which started in 1786, and Bank of Hindustan, which started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal after independence the government of India adopted, planed economics development for country. Accordingly five year plans came into existence since 1951. Thus, the government decided to nationalized 14 major commercial banks on 19th July, 1969. The second dose of nationalization came in April 1980.

Indian banking system has emerged as a vibrant sector in the Indian economy. Many of the private sector banks had significant exposure to global financial world. In the current decade, this has emerged as a resurgent sector in the Indian economy.

Today, banks have diversified their activities and are getting into new products and services that include opportunities in credit cards, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, custodian services, private equity, etc. Further, most of the leading Indian banks are going global, setting up offices in foreign countries, by themselves or through their subsidiaries. currently, India has 82 Regional Rural Banks- 26 public sector banks (that is with the Government of India holding a stake), 32 private sector banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 44 foreign banks. Hence, in the present paper an attempt has been made to analyze the profitability performance of selected private sector banks with the help of profitability ratios.

Objective of the Study

1. To review the performance of the selected private sector banks individually.
2. To compare the profit earning of the selected private sector banks from the year 2010 to 2013.

Research Methodology

Research Design: This present study is conducted by following a Descriptive Design.

Sample Unit: Any private sector bank operating in India

Sample Size

For the in-depth analysis of the profitability, three major private sector bank based on south and three private sector banks based on north has been selected.

	SOUTH			NORTH		
S.no	Name of the Bank	Head-quarters	Year of start-ing	Name of the Bank	Headquarters	Year of starting
1	Karur Vysya Bank	Tamilnadu	1916	Yes Bank	Maharashtra	2004
2	ING Vysya Bank	Karnataka	2002	Axis Bank	Maharashtra	1994 (as UTI Bank)
3	South Indian Bank	Kerala	1929	Kotak Mahindra Bank	Maharashtra	1985 (as Kotak Mahindra Finance Ltd

Data collection: Secondary data

Data Analysis: Suitable techniques are used for data analysis like Profitability ratios and coefficient correlation.

Literature Review

Petya Koeva (July 2003), in his study on The Performance of Indian Banks. During Financial Liberalization states that new empirical evidence on the impact of financial liberalization on the performance of Indian commercial banks. The analysis focuses on examining the behavior and determinants of bank intermediation costs and profitability during the liberalization period. The empirical results suggest that ownership type has a significant effect on some performance indicators and that the observed increase in competition during financial liberalization has been associated with lower intermediation costs and profitability of the Indian banks.

B.Satish Kumar (2008), in his article on an evaluation of the financial performance of Indian private sector banks wrote Private sector banks play an important role in development of Indian economy. After liberalization the banking indus-

try underwent major changes. The economic reforms totally have changed the banking sector. RBI permitted new banks to be started in the private sector as per the recommendation of Narashiman committee. The Indian banking industry was dominated by public sector banks. But now the situations have changed new generation banks with used of technology and professional management has gained a reasonable position in the banking industry.

Chaudhary and Sharma (2011) performed comparative analysis of services of public sector banks and private sector banks and stated that the increased competition and information technologies reduce processing costs, the erosion of product and geographic boundaries, and less restrictive governmental regulations have all played a major role for public sector banks in India to forcefully compete with private and foreign banks.

Jha, D.K., and D.S. Sarangi (2011) "Performance of New Generation Banks in India: A Comparative Study", International Journal of Research in Commerce and Management, Vol. 2, No. 1, pp. 85-89

Dhanabhakyam and Kavitha (2012) stated that the Indian banking system faces several difficult challenges. The selected public sector banks have performed well on the sources of growth rate and financial efficiency during the study period. The old private sector banks and new private sector banks play a vital role in marketing of new type of deposits and advances schemes.

Data analysis and Interpretation
1. Operating Profit Margin Ratio
Table-1

YEAR	KVB	ING VYSYA	SIB	YES	AXIS	KOTAK MAHINDRA
2010	23.10	21.42	19.15	29.31	33.63	35.28
2011	24.20	18.97	19.88	25.52	32.42	26.65
2012	20.04	16.96	17.01	21.50	27.11	23.12
2013	18.08	17.76	17.79	22.42	27.58	23.43
Mean	21.36	18.78	18.46	24.69	30.18	27.12
SD	2.80	1.95	1.29	3.53	3.32	5.67
CV	13.13	10.36	7.01	14.30	11.01	20.89

As shown in table No.1 Operating Margin of AXIS is maximum of 30.18 followed by KOTAK MAHINDRA is at 27.12%. SIB is least variable and KOTAK MAHINDRA is most variable which states that SIB profitability doesn't change much

2. Net Profit Margin Ratio
Table-2

YEAR	KVB	ING VYSYA	SIB	YES	AXIS	KOTAK MAHINDRA
2010	16.82	8.48	10.69	16.3	16.1	15.23
2011	16.87	9.56	11.1	15.56	17.12	16.46
2012	14.01	10.08	10.52	13.66	15.47	15.15
2013	11.72	10.96	10.53	13.61	15.35	14.78
Mean	14.86	9.77	10.71	14.78	16.01	15.41
SD	2.48	1.04	0.27	1.36	0.81	0.73
CV	8.86	3.70	0.97	4.85	2.89	2.61

From the above table No.2 it's clear that AXIS bank earned more net profit of 16.01 % followed by KOTAK MAHINDRA earned net profit of 15.41 % and KVB in the third place with 14.86 %.

3. Return on asset
Table -3

YEAR	KVB	ING VYSYA	SIB	YES	AXIS	KOTAK MAHINDRA
2010	1.71	0.89	1.05	1.5	1.68	1.77
2011	1.56	1.09	1.12	1.5	1.68	1.83
2012	1.35	1.26	1.17	1.5	1.7	1.81
2013	0.93	1.2	1	1.6	1.78	1.8
Mean	5.55	4.44	4.34	6.1	6.84	7.21
SD	0.34	0.16	0.08	0.05	0.05	0.03
CV	6.11	3.66	1.73	0.82	0.70	0.35

As shown in table No.3 ROA is top in case of KOTAK MAHINDRA bank followed by AXIS bank6.84% and YES bank 6.1% respectively and variation is more in case of KVB and ING VYSYA bank

4. Return on Equity
Table-4

YEAR	KVB	ING VYSYA	SIB	YES	AXIS	KOTAK MAHINDRA
2010	10.23	8.71	9.53	9.89	9.51	11.13
2011	9.81	9.17	9.06	9.8	9.35	11.26
2012	10.87	10.55	10.47	10.78	10.38	12.29
2013	11.13	10.99	10.6	11.06	10.77	2.32
Mean	10.51	9.85	9.91	10.38	10.00	9.25
SD	0.60	1.09	0.74	0.63	0.68	4.65
CV	5.72	11.04	7.49	6.09	6.83	50.26

As shown in table No.4 ROE is highest in case of YES bank and lowest in case of KOTAK MAHINDRA. Variation is also high in KOTAK MAHINDRA and least in case of KVB. It states that KVB bank's Return on Equity doesn't change much.

5. Dividend Per share
Table -5

YEAR	KVB	ING VYSYA	SIB	YES	AXIS	KOTAK MAHINDRA
2010	12	2.5	4	1.5	12	0.85
2011	12	3	0.5	2.5	14	0.5
2012	12	4	0.6	4	16	0.6
2013	14	5.5	0.7	6	18	0.7
Mean	50	15	5.8	14	60	2.65
SD	1.00	1.32	1.70	1.96	2.58	0.15
CV	2.00	8.82	29.34	13.98	4.30	5.63

From the above table No.5 it is inferred that AXIS bank payed highest amount of dividend per share i.e. 60 % the lowest percentage is South Indian bank. The variation also high in SIB and lower in case of KVB.

6. Earnings per share
Table-6

YEAR	KVB	ING VYSYA	SIB	YES	AXIS	KOTAK MAHINDRA
2010	43.71	20.19	20.69	14.06	62.06	16.12
2011	61.73	26.34	2.59	20.95	82.54	11.1
2012	38.96	30.4	3.54	27.68	102.67	14.65
2013	46.81	39.58	3.75	36.27	110.68	18.23
Mean	47.80	29.13	7.64	24.74	89.49	15.03
SD	9.83	8.13	8.71	9.49	21.78	3.00
CV	20.56	27.93	114.01	38.35	24.34	19.97

It is clear from the above table No.6 the EPS is higher in case of AXIS bank and lower in case of KOTAH MAHINDRA. The variation is higher in (114.01) SIB bank and lower (19.97) in KOTAK MAHINDRA.

7. Return on long term fund
Table- 7

YEAR	KVB	ING VYSYA	SIB	YES	AXIS	KOTAK MAHINDRA
2010	101.19	79.93	118.87	74.73	66.34	48.71
2011	99.9	85.63	123.92	102.46	72.25	48.25
2012	95.12	85.21	155.98	131.35	88.84	66.29
2013	110.47	91.32	126.82	137.76	75.72	72.07
Mean	406.68	342.09	525.59	446.30	303.15	235.32
SD	6.42	4.65	16.71	28.97	9.52	12.18
CV	1.58	1.36	3.18	6.49	3.14	5.18

From the above table No.7 it is clear that Return on long term fund is higher in case of SIB bank and lower in KOTAK MAHINDRA. The variation is higher in YES bank and lower in ING VYSYA

Correlation Co-Efficient Matrix
1. Correlation Co-Efficient Matrix-KVB

	OM	NPM	ROA	ROE	DPS	EPS	RLF
OM	1.00						
NPM	0.98*	1.00					
ROA	0.91	0.97*	1.00				
ROE	-0.99**	-0.94	-0.83	1.00			
DPS	-0.78	-0.84	-0.90	0.69	1.00		
EPS	0.57	0.42	0.19	-0.70	-0.07	1.00	
RLF	-0.48	-0.56	-0.65	0.39	0.91	0.14	1.00

***Correlation is significant at.05 level (2 tailed)**
****Correlation is significant at.01 level (2 tailed)**

The table shows that the operating Margin ratio and Net profit margin ratio have high degree of positive association it also shows that there is a positive association between NPM and ROA and also positive association between DPS and RLF. The OM and NPM negatively associated with ROE.

2. Correlation Co-Efficient Matrix-ING VYSYA

	OM	NPM	ROA	ROE	DPS	EPS	RLF
OM	1.00						
NPM	-0.86	1.00					
ROA	-1.00	0.87	1.00				
ROE	-0.88	0.94	0.89	1.00			
DPS	-0.74	0.96*	0.75	0.95*	1.00		
EPS	-0.78	0.99**	0.79	0.94*	0.99**	1.00	
RLF	-0.74	0.97*	0.75	0.84	0.92	0.97*	1.00

***Correlation is significant at.05 level (2 tailed)**
****Correlation is significant at.01 level (2 tailed)**

The Correlation Co-Efficient Matrix of ING VYSYA bank shows that its positive association between NPM with ROE, DPS, EPS and RLF it also refers that there is a high degree of positive association between DPS with EPS and RLF.

3. Correlation Co-Efficient Matrix- SIB

	OM	NPM	ROA	ROE	DPS	EPS	RLF
OM	1.00						
NPM	0.89	1.00					
ROA	-0.14	0.22	1.00				
ROE	-0.95*	-0.92	-0.16	1.00			
DPS	0.32	-0.09	-0.34	-0.30	1.00		
EPS	0.31	-0.11	-0.33	-0.29	1.00**	1.00	
RLF	-0.80	-0.48	0.71	0.58	-0.50	-0.48	1.00

***Correlation is significant at.05 level (2 tailed)**
****Correlation is significant at.01 level (2 tailed)**

The above table shows that high degree of negative association between OM and ROE and also NPM with ROE. It is clear that there is a positive association at 1% significant level between DPS and EPS.

4. Correlation Co-Efficient Matrix- YES BANK

	OM	NPM	ROA	ROE	DPS	EPS	RLF
OM	1.00						
NPM	0.97*	1.00					
ROA	-0.43	-0.58	1.00				
ROE	-0.83	-0.95*	0.71	1.00			

DPS	-0.84	-0.92	0.85	0.93*	1.00		
EPS	-0.88	-0.93	0.81	0.91*	0.99**	1.00	
RLF	-0.98*	-0.98*	0.60	0.89	0.93	0.96*	1.00

***Correlation is significant at.05 level (2 tailed)**
****Correlation is significant at.01 level (2 tailed)**

The Correlation Co-Efficient Matrix of YES bank shows that positive association of OM with NPM and RLF. DPS also positively correlated at 0.99 level and EPS also positively correlated at 0.96 level.

5. Correlation Co-Efficient Matrix- AXIS BANK

	OM	**NPM**	**ROA**	**ROE**	**DPS**	**EPS**	**RLF**
OM	1.00						
NPM	0.77	1.00					
ROA	-0.68	-0.66	1.00				
ROE	-0.93	-0.89	0.86	1.00			
DPS	-0.91	-0.62	0.87	0.91	1.00		
EPS	-0.95*	-0.59	0.77	0.88	0.98*	1.00	
RLF	-0.85	-0.51	0.19	0.61	0.61	0.73	1.00

***Correlation is significant at.05 level (2 tailed)**
****Correlation is significant at.01 level (2 tailed)**

For AXIX bank it is clear that there is a negative association between operating profit margin and earnings per share. The table also shows that there is a high positive association between DPS and EPS

6. Correlation Co-Efficient Matrix- KOTAK MAHINDRA BANK

	OM	**NPM**	**ROA**	**ROE**	**DPS**	**EPS**	**RLF**
OM	1.00						
NPM	0.11	1.00					
ROA	-0.70	0.63	1.00				
ROE	0.35	0.53	0.10	1.00			
DPS	0.68	-0.65	-0.99*	-0.20	1.00		
EPS	0.01	-0.95*	-0.69	-0.70	0.73	1.00	
RLF	-0.75	-0.73	0.07	-0.64	-0.03	0.64	1.00

***Correlation is significant at.05 level (2 tailed)**
****Correlation is significant at.01 level (2 tailed)**

For KOTAK MAHINDRA bank Net Profit Margin negatively correlated with EPS at -0.95 level. The table also shows that there is higher degree of negative association between ROE and DPS at -0.99 levels.

Conclusion and findings

Through the present analysis it can be concluded that during the study period 2010 to 2013 the AXIS bank performed well in terms of Operating profit, Net profit and Dividend per share so on compare to YES bank and KOTAK MAHINDRA bank. In case of banks based on south KVB's performance better than the ING VYSYA bank and SOUTH INDIAN bank in different aspects like Operating profit, Net profit and Dividend per share etc. If we look in to overall the banks based in north performed well compare with banks based in south, particularly AXIS bank stands in the first place.

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