Research Paper Management

Recent Trend in Key Banking Ratios of New Private Sector Banks in India

NISHIT V. DAVDA	PhD Scholar School of Management R.K.COLLEGE RAJKOT
DR. ASHVIN H. SOLANKI	Ass. Professor Department of Business Management Saurashtra University RAJKOT

ABSTRACT

In India during the last 2 decade the growth of private sector banks is very fast. New private sector banks come up with new ideology and advance technology in the Indian market. They give healthy competition to public sector banks. All banks working in India has to follows norms provided by RBI. They also require to manage their capital adequacy ratio and the level of NPA. It is very much crucial for the bank to maintain depositors' confidence on bank. So they have to be very careful in maintaining the level of NPA and financial stability. In this study we have taken some key banking ratio for the study of capital adequacy management, Assets quality management and credit worthiness of selected new private sector banks. We have used one way ANOVA test as a statistical tool.

KEYWORDS Financial Stability, Competition, Ideology, Technology

INTRODUCTION:
For the development of any country there should be sound financial system. In India after nationalization process the growth of banking sector is at the high level. Reserve bank of India is the supervisory and controlling authority. In India there are mainly three types of banks exist (1) public sector banks (2) private sector banks (3) foreign banks. Private sector and foreign banks have come up with latest technology modern method gave healthy competition to public sector.

Private sector banks can be divided in to two part old and new private sector. There are total 25 private sector banks present in India. In this study we have taken all 7 new private sector banks working in India for the research purpose. In this article we have tried to find out credit worthiness and soundness of new PSB by applying various parameters. This study is for the duration of 5 years starting from 2010 to 2014.

REVIEW OF LITERATURE:
Chaudhary kajal in her article "Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative Study" tried to analyze the efficiency of public and private sector banks. And also try to find out trend in NPA level. In this paper she also suggested various measures for the management of NPA.

Sumeet Gupta and Renu Verma in their article, "Comparative Analysis of Financial Performance of Private Sector Banks in India: Application of CAMEL Model", they used secondary data for the comparative analysis for the 5 years In this study they have taken ten major private sector banks. And they have used CAMEL Model to study the overall performance of major private Sector banks in India.

Mishra Aswini Kumar, G. Sri Harsha, in their article, "Analyzing Soundness in Indian Banking: A CAMEL Approach" The main objective of this paper is to analyze the performance of 12 public and private sector banks for the period of eleven years. For this purpose the authors attempt to analyzing soundness in Indian banking with a camel approach. And it is established that private sector banks are at the top, with their performance in terms of soundness with the comparisons with public sector banks.

OBJECTIVES OF THE STUDY:
The some of the main objectives of the study are as under.

(1) To study capital adequacy management of selected new PSB in India.

(2) To study Assets quality management of selected new PSB in India.

(3) To study the creditworthiness of the selected new PSB in India

HYPOTHESIS:
Below hypotheses are tested while analyzing and interpreting the results.

H0: There would be no significant difference in Capital Adequacy Ratio (CAR) of all the sampled banks.

H1: There would be significant difference in Capital Adequacy Ratio (CAR) of all the sampled banks.

H0: There would be no significant difference in Credit Deposit Ratio (CDR) of all the sampled banks.

H1: There would be significant difference in Credit Deposit Ratio (CDR) of all the sampled banks.

H0: There would be no significant difference in Return on Assets Ratio (ROAR) of all the sampled banks.

H1: There would be significant difference in Return on Assets Ratio (ROAR) of all the sampled banks.

H0: There would be no significant difference in Net Non performing Assets Ratio (NNPA) of all the sampled banks.

H1: There would be significant difference in Net Non performing Assets Ratio (NNPA) of all the sampled banks.

METHODOLOGY:
The present research article is secondary type in nature.

Sample Design And Period Of The Study:
In this study we have taken 7 new private sector banks out of total **25** private sector banks in India. The study has been conducted from ***2009-10 to 2013-14***

HDFC

AXIS BANK

IC ICI

YES BANK

KOTAK MAHINDRA BANK

INDUSIND BANK

DEVELOPMENT CREDIT BANK

Data Collection & Tools:
We have collected raw data from various websites such as www.capitaline.com, www.moneycontrol.com and other Banks websites.

We have used one way analysis variance in this study as a statistical tool.

Financial Analysis:
In this study we have taken the following key banking ratio for the purpose of analysis.

Capital Adequacy Ratio.

Credit Deposit Ratio.

Return on Assets Ratio.

Net Non performing Assets Ratio.

1) CAPITAL ADEQUACY RATIO:
Capital adequacy ratio (CAR) is also known as capital to risk assets ratio. Capital adequacy ratio is the ratio which determined the bank's capacity to meet the time liability and other risk such as credit risk, operational risk etc.

$$CAR = \frac{\text{Tier 1 Capital + Tier 2 Capital}}{\text{Risk weighted Assets}}$$

TIER 1 CAPITAL = Paid up capital + statutory reserve + free reserve – (intangible assets + current losses + investment in subsidiary)

TIER 2 CAPITAL = Undisclosed reserve + general loss reserves + cap. Investment

RISK WEIGHTED ASSETS = Fund based assets such as cash, loans, investments and other assets and also it include non fund based assets.

Table no. 1
CAR in % for selected new PSB in India

YEARS	ICICI	AXIS	HDFC	INDUSIND	DCB	YES	KOTAK
2010	19.41	15.80	16.45	13.40	14.85	20.60	18.35
2011	17.63	12.65	15.32	14.39	13.25	16.50	19.92
2012	16.26	13.66	15.71	11.87	15.41	17.90	17.52
2013	18.74	17.00	16.80	15.36	13.61	18.30	16.05
2014	17.70	16.07	16.07	13.83	13.84	14.40	19.01
AVG.	17.94	15.03	16.07	13.77	14.19	17.54	18.17

As shown in the above table, the average CAR of KOTAK banks is substantially higher than that of remaining all. And the lowest among the seven banks is INDUSIND (13.77). Generally capital adequacy ratio is maintained as specified by RBI from time to time but now-a-days mostly banks maintained it more than it is specified. The analysis reveals that KOTAK Bank ensures high safety and INDUSIND bank ensures low safety against bankruptcy.

ANOVA TEST

ANOVA TEST

Source of Variation	SS	df	Mf	F	F crit
Between Groups	99.879	6	16.64	7.781	2.445
Within Groups	59.901	28	2.139		
Total	**159.78**	**34**			

Since the calculated value of F is **7.781** which is greater than the table value of **2.246** at 5% significance level, the null hypothesis is rejected and the alternative hypothesis is accepted hence, it is concluded that the Capital Adequacy Ratio position of sample banks differ significantly.

2) CREDIT DEPOSIT RATIO:
This ratio states that how much advances that banks have given to third party out of their deposits. It is the proportion of loan created by banks from its deposits. Higher ratio indicates higher loan created from its deposits. This ratio reflects the ability of the bank to make optimal use of available resources.

Table no. 2
CDR in % for selected new PSB in India

YEARS	ICICI	AXIS	HDFC	INDUSIND	DCB	YES	KOTAK
2010	90.04	71.87	72.44	74.40	71.38	80.52	94.61
2011	90.45	74.65	76.02	76.49	74.36	77.75	94.27
2012	97.71	76.26	78.06	79.80	79.99	76.09	100.90
2013	-	77.58	-	36.34	80.76	32.72	97.75
2014	54.23	80.03	45.66	48.07	78.80	-	92.18
AVG.	66.486	76.078	54.436	63.02	77.058	53.416	95.942

The above table shows that kotak bank on an average is having high credit deposit ratio ie. 95.94 and yes bank is having the lowest credit deposit ratio ie. 53.41. Table shows that from the last five year it seems to have decreasing rate. That means that they try to maintain proper proportion between loan and advances.

ANOVA TEST

Source of Variation	SS	df	Mf	F	F crit
Between Groups	6681.33	6	1113.55	1.745	2.445
Within Groups	17862.40	28	637.94		
Total	**24543.73**	**34**			

Since the calculated value of F is 1.**745** which is not greater than the table value of **2.245** at 5% significance level, the null hypothesis is accepted and the alternative hypothesis is rejected hence, it is concluded that the Credit deposit Ratio position of sample banks do not differ significantly.

3) RETURN ON ASSETS RATIO:
Return on assets ratio is the ratio is the ratio which shows the net income generated by the bank on its total assets. In simple word we can say that return earned by the bank on its total net worth is return on assets ratio. Following is the formula of return on assets ratio.

ROA = Net profit / Avg. Total Assets

Table no. 3
ROA Ratio in % for selected new PSB in India

YEARS	ICICI	AXIS	HDFC	INDUSIND	DCB	YES	KOTAK
2010	463.01	395.99	470.19	58.35	29.95	90.96	130.40
2011	478.31	462.77	545.46	86.79	30.91	109.29	92.23
2012	524.01	551.99	127.52	101.19	35.67	132.49	107.28
2013	578.21	707.50	152.20	145.78	39.98	161.94	126.53
2014	633.92	813.47	181.23	171.89	45.98	197.48	159.35
AVG.	535.49	586.34	295.32	112.80	36.49	138.43	123.16

The above table state that AXIS bank is having the highest ROA (586.34) and DCB is having the lowest ROA (36.49). High ratio indicates that bank can earn high return out of its total assets. ICICI and AXIS Banks show good return out of its total assets. DCB bank has to take care in generating good return out of its assets.

ANOVA TEST

Source of Variation	SS	df	Mf	F	F crit
Between Groups	1443800	6	240633.3	21.58	2.445
Within Groups	312216.8	28	11150.6		
Total	**1756017**	**34**			

Since the calculated value of F is **21.58** which is greater than the table value of **2.245** at 5% significance level, the null hypothesis is rejected and the alternative hypothesis is accepted hence, it is concluded that the Return on Assets Ratio position of sample banks differ significantly.

4) NET NON PERFORMING ASSETS RATIO:
The NPA Ratio is one of the most important ratio for banking sector. NPA are the kind of assets for which interest is overdue for more than 90 days. This ratio helps to identify the quality of assets of the bank. Higher ratio is not good sign for any banks. It states rising bad quality of loans.

Table no. 4
Net NPA Ratio in crore for selected new PSB in India

YEARS	ICICI	AXIS	HDFC	INDUSIND	DCB	YES	KOTAK
2010	3841.11	419.00	392.05	101.83	107.62	12.99	360.25
2011	2407.36	410.35	296.41	72.82	41.23	9.15	211.16
2012	1860.84	472.64	352.33	94.67	30.24	17.46	237.38
2013	2230.56	704.13	468.95	136.76	49.13	6.99	311.41
2014	3297.96	1024.62	820.03	184.05	74.02	26.07	573.59
AVG.	2727.56	606.148	465.95	118.03	60.45	14.53	338.76

As shown in the above table of net NPAR of sample banks, Yes bank have the lowest NPAs in crore while ICICI Bank have the highest (2727.56) on an average among all seven banks. This shows that YES Bank has very good quality of assets and ICICI Bank need to take very good care about the management of NPAs. Higher ratio does not have good sign for any bank. So we can say that ICICI bank has to take good care in maintaining NPA ratio.

ANOVA TEST

Source of Variation	SS	df	Mf	F	F crit
Between Groups	27382554.52	6	4563759.08	39.82	2.445
Within Groups	3209016.87	28	114607.74		
Total	**30591571.39**	**34**			

Since the calculated value of F is **39.82** which is greater than the table value of **2.245** at 5% significance level, the null hypothesis is rejected and the alternative hypothesis is accepted hence, it is concluded that the Net NPA Ratio position of sample banks differ significantly.

CONCLUSION:
In this articles to we try to find out the significant difference between sample banks by using different parameter for the period of 5 years. We can conclude that except credit deposit ratio position of sample banks differ significantly. And ICICI Bank needs to take good care in maintaining their NPA Ratio. Axis bank is the bank which generates high return on its total assets. All the banks generally have to maintain capital adequacy ratio as per the guidelines of the RBI. With the data of CDR, we can say that kotak bank make optimal use of its available resources.

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