PERFORMANCE OF SELECT PRIVATE SECTOR BANKS-A COMPARATIVE ANALYSIS M.NAGAMANI AND K.ABIRAMI

Dr. (Mrs.) M.Nagamani*

K.Abirami**

ABSTRACT

The study is an effort to analyse the performance among private sector banks in India from 2010 to 2014 on the basis of monetary parameters. In the current scenario the activities of banks had included number of other functions by introducing new products and services. The performance and growth of select private sector banks are measured taking into consideration the return on equity, return on assets, net interest margin and net profit margin of the banks. The study covers top five private sector banks in India. The data were collected from the capitaline plus database and statistical tool of Tukey HSD test was applied to compare the performance of the select private banks.

Keywords: Performance, equity, assets, interest, profit.

*Associate Professor of Commerce, PSGR Krishnammal College for Women,Coimbatore

**Research Scholar, Dept of Commerce

INTRODUCTION

Banking is the heart of India's financial services sector. The main business of banks are accepting deposits and lending loans to the customers. In the present trend banking industry had adopted numerous changes over the past few years due to financial sector reforms in world economy. Apart from the traditional functions, banks had innovated new products and services according to the customers need. The present study is an analysis on the performance of the select private sector banks. The paper evaluates the performance of top five private sector banks and states the comparative analysis on performance of the select private sector banks in India.

LITERATURE REVIEW

CheenuGoel, etal (2013) focused the performance of select banks from the year 2009-2012.A set of financial and efficiency ratios were used in the study to analyse performance of the select banks. Correlation co-efficient matrix was used as a statistical tool to find the association between ratios. The select banks showed positive growth in the performance.**AvneetKaur** (2012) had conducted a study on performance evaluation of the public sector banks in India during 2001-2010.Financial parameters-total income, total expenses, profit, advances, interest rate spread, credit deposit ratio, cost of deposit, non-performing assets were taken into account for the analysis and significantly proved with statistical measure of correlation and median test.**GarimaChaudhary** (2014) had compared performance of select private and public banks in India for the period of five years from 2009-2013.The factors like network, productivity, capital adequacy ratio, asset quality, efficiency of management, earnings, liquidity have been taken for comparison. Finally proved private sector banks are leading than public sector banks.**RamachandranAzhagaiah (2012)** had conducted a study to analyze the financial performance of banking sector in India by classifying the banks based on their financial characteristics. A total of 17 private and 19 public sector banks were considered for analysis, and simple regression model was used to estimate the impact of asset management, operational efficiency and bank size on the financial performance. The study reveals that public sector banks performed remarkably well during the period than that of the private sector banks. The overall regression analysis shows that the financial performance of the banking industry is strongly and positively influenced by the operational efficiency, asset management and interest income size.**Sanjeev Kumar Srivastaw (2013)** investigated the performance of select foreign and new private sector banks using certain financial performance indicators. Descriptive statistics and paired t-test have been used. The study was based on secondary data. Performance has been compared by dividing total study period into two parts viz. Supra and Umbra periods. The study reveals that asset qualities of the banks showed improving trends throughout the study period both in respect of Foreign Banks as well as in respect of New Private Sector Banks. It was also been found that both Foreign Banks and New Private Sector Banks improved quantum of priority sector lending in the Supra period by taking advantages of the existing provisions.

K. SaralaRao(2013) examined productivity,cost and profitability performance of Traditional banks Vis a Vis Modern banks for the period from 2005-2011. A total number of 12 variables/ratios have been selected with a minimum of three and maximum of five in each category to examine the extent of Gap between the modern and traditional banks. The study reveals that the gap between the modern and traditional banks significantly reduced during the study period.

ShobhnaGupta, etal (2014) had examined performance of selected banks in India from 2008 to 2012, on the basis of certain criteria. The study had analysed growth performance and services provided by both public and private sector banks in terms of loans, cash credits, advances outside India, NPAs, and net profits through statistical Tukey test.

METHODOLOGY AND DATA

The objective has been to analyse the performance of the five private sector banks selected for the period 2010-2014(ICICI Bank, HDFC Bank, Axis Bank, Yes Bank and Kotak Mahindra Bank). The financial indicators taken into consideration were return on equity, return on assets,net interest margin and net profit margin. Tukey HSD test was used to find the significant difference in the performance of select banks. The study was based on the secondary data collected from the capitaline plus database and the annual reports of the banks.

FORMULA FOR CALCULATION

Return on equity= (Net profit after taxes / equity capital)*100

Return on equity (ROE) is also defined as return on net worth as the amount of net income returned as a percentage of shareholder’s equity. It measures profitability of the bank by revealing how much profit a bank generates with the money that shareholders have invested. Higher the ratio, higher is the return for the shareholders.

Return on assets= (Net profit after taxes / assets)*100

The return on assets (ROA) provides information on how efficiently a bank is being run, because it indicates how much profits are generated by each rupee of assets.

Net interest margin= (Interest income - Interest expenses) / Assets*100

Net interest margin is a measure of the difference between interest income generated by banks and the amount of interest paid out to their lenders, relative to the amount of their assets.Net interest margin is gross margin on a bank's lending and investment activities. It tells the average interest margin that bank is receiving by borrowings and lending funds.

Net Profit Margin Ratio = (Net Profit/Total Revenue)*100

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

RESULTS AND DISCUSSION

Return on Equity

It is observed from Table 1, HDFC Bank is the best performer among all other select banks regarding return on equity.Next to HDFC Bank the best performers are Axis bank, Kotak Bank and Yes Bank. From the analysis ICICI Bank is found to be the lowest performer among the select banks.

Table 1: Return on Equity of select banks during the period 2010-2014.

(in per cent)

Banks	2014	2013	2012	2011	2010	Average
HDFC	4087.15	3178.52	2416.44	1818.28	1398.90	2579.86
AXIS	3457.97	2673.12	2229.42	1660.19	1200.14	2244.17
YES	1097.01	825.13	592.68	403.30	260.11	635.64
KOTAK	1173.31	943.88	696.54	484.23	348.15	729.22
ICICI	841.07	719.43	560.95	444.79	352.56	583.76
Combined average						**1354.53**

Source: Capitalineplus Database

Source: Capitalineplus Database

Null Hypothesis H_o:There is no significant difference in return on equity between the select banks.

Table 1.1Multiple Comparisons

ROE	(I) Banks	(J) Banks	Mean Difference (I-J)	Std. Error	Sig.
Tukey HSD	HDFC	AXIS	335.69000	4.19	0.927
		YES	1944.21200*	4.19	0.001
		KOTAK	1850.63600*	4.19	0.002
		ICICI	1996.09800*	4.19	0.001
	AXIS	HDFC	-335.69000	4.19	0.927
		YES	1608.52200*	4.19	0.008
		KOTAK	1514.94600*	4.19	0.013
		ICICI	1660.40800*	4.19	0.006
	YES	HDFC	-1944.21200*	4.19	0.001
		AXIS	-1608.52200*	4.19	0.008
		KOTAK	-93.57600	4.19	0.999
		ICICI	51.88600	4.19	1.000
	KOT	HDF	-	4.19	0.0

	AK	C	1850.63600*		02
		AXIS	-1514.94600*	4.19	0.013
		YES	93.57600	4.19	0.999
		ICICI	145.46200	4.19	0.997
	ICICI	HDFC	-1996.09800*	4.19	0.001
		AXIS	-1660.40800*	4.19	0.006
		YES	-51.88600	4.19	1.000
		KOTAK	-145.46200	4.19	0.997

*The mean difference is significant at the 0.05 level.

- **HDFC Bank**

  There is significant difference in return on equity of Yes Bank, Kotak Bank and ICICI Bank when compared with HDFC Bank.Hence, the null hypothesis is rejected at 5% level of significance for Yes Bank, Kotak Bank and ICICI Bank.The null hypothesis is accepted for Axis Bank as there is no significant difference in ROE of HDFC Bank and Axis Bank.

- **Axis Bank**

  The three banks, namely Yes Bank, Kotak Bank and ICICI Bank have significant difference in return on equity when compared with ROE of Axis Bank during the study period and null hypothesis is rejected for the above mentioned three banks.In case of HDFC Bank, null hypothesis is accepted since there is no significant difference between Axis Bank and HDFC Bank as far as ROE is concerned.

- **Yes Bank**

The null hypothesis is accepted for Kotak Bank and ICICI Bank,as the results reveal no significant difference in return on equity compared with Yes Bank.Null Hypothesis is rejected for HDFC Bank and Axis Bank since the analysis reveals significant variations in ROE of Yes Bank and HDFC Bank & Axis Bank.

- **Kotak Bank**

  It could be inferred from the multiple comparison table, HDFC Bank and Axis Bank exhibit significant difference in return on equity compared to Kotak Bank in the study.So the null hypothesis is accepted for Yes Bank and ICICI Bank where as null hypothesis is rejected for HDFC Bank and Axis Bank as there is no significant difference in their ROE when compared with Kotak Bank.

- **ICICI Bank**

  The HSD Tukey test reveals statistically insignificant difference in return on equity of Yes Bank and Kotak Bank compared to ICICI Bank.Hence the null hypothesis is accepted for Yes Bank and Kotak Bank. But the null hypothesis is rejected for HDFC Bank and Axis Bank as there is no significant difference between them and ICICI Bank.

Return on Assets

Table 2, shows that Kotak Bank has performed the best in terms of return on assets among the select banks. Next to Kotak Bank the best performance is achieved by HDFC Bank followed by Axis Bank, Yes Bank and ICICIBank.

Table 2: Return on Assets of select banks during the period 2010-2014.

(in per cent)

Banks	2014	2013	2012	2011	2010	Average
HDFC	3.99	3.78	3.36	3.05	2.88	3.41
AXIS	4.24	3.67	3.22	2.81	2.69	3.33
YES	3.63	2.98	2.84	2.37	2.43	2.85
KOTAK	5.16	4.21	3.93	3.51	3.24	4.01
ICICI	1.63	1.54	1.32	1.26	1.08	1.37
Combined average						**2.99**

Source: Capitalineplus Database

Null Hypothesis H_o:There is no significant difference in return on assets between the select banks.

Table 2.1Multiple Comparisons

ROA	(I) Banks	(J) Banks	Mean Difference (I-J)	Std. Error	Sig.
Tukey HSD	HDFC	AXIS	0.08600	0.34	0.999
		YES	0.56200	0.34	0.498
		KOTAK	-0.59800	0.34	0.438
		ICICI	2.04600*	0.34	0.000
	AXIS	HDFC	-0.08600	0.34	0.999
		YES	0.47600	0.34	0.648
		KOTAK	-0.68400	0.34	0.310
		ICICI	1.96000*	0.34	0.000
	YES	HDFC	-0.56200	0.34	0.498
		AXIS	-0.47600	0.34	0.648
		KOTAK	-1.16000*	0.34	0.023
		ICICI	1.48400*	0.34	0.003
	KOTAK	HDFC	0.59800	0.34	0.438
		AXIS	0.68400	0.34	0.310
		YES	1.16000*	0.34	0.023
		ICICI	2.64400*	0.34	0.000
	ICICI	HDF	-2.04600*	0.34	0.000

		C			
		AXIS	-1.96000*	0.34	0.000
		YES	-1.48400*	0.34	0.003
		KOTAK	-2.64400*	0.34	0.000

* The mean difference is significant at the 0.05 level.

- **HDFC Bank**

  It is evident from table 2.1, the null hypothesis is accepted for Axis Bank, Kotak Bank and Yes Bank as there is no significant difference in return on assets compared to HDFC Bank and the null hypothesis is rejected in case of ICICI Bank as there is significant difference in return on assets.

- **Axis Bank**

  The null hypothesis is accepted in case of HDFC Bank, Kotak Bank and Yes Bank since the analysis reveals no significant difference in return on assets and null hypothesis is rejected for ICICI Bank as there is significant difference in return on assets as compared with Axis Bank.

- **Yes Bank**

  It is concluded from the above table, there is no significant difference in return on assets of HDFC Bank and Axis Bank.Hence the null hypothesis is accepted for HDFC Bank and Axis Bank where as the null hypothesis is rejected for ICICI Bank and Kotak Bank.

- **Kotak Bank**

  The multiple comparison table reveals significant difference in return on assets of ICICI Bank and Yes Bank compared with Kotak Bank and null hypothesis is rejected. In case of HDFC Bank and Axis Bank, there is no significant variations found between them & Kotak Bank and null hypothesis is accepted.

- **ICICI Bank**

  There is significant difference in return on assets between ICICI Bank and other select banks. Hence null hypothesis is rejected at 5% level of significance for HDFC Bank, Axis Bank, Yes Bank and Kotak Bank.

Net Interest Margin

It is determined from Table 3, Kotak Bank performed the best among other select banks as far as net interest margin is concerned during the study period. Next to Kotak Bank, HDFC Bank performed better in net interest margin followed by Axis bank and ICICI Bank. However, the performance of Yes Bank was less than other select banks.

Table 3: Net interest margin of select banks during the period 2010-2014.

(in per cent)

Banks	**2014**	**2013**	**2012**	**2011**	**2010**	**Average**
HDFC	3.76	3.95	3.64	3.80	3.77	3.78
AXIS	3.12	2.84	2.81	2.70	2.77	2.85
YES	2.49	2.24	2.19	2.11	2.16	2.24
KOTAK	4.25	3.83	3.83	4.12	4.96	4.20
ICICI	2.76	2.58	2.19	2.22	2.23	2.40
Combined average						**3.09**

Source: Capitalineplus Database

Null Hypothesis H_o:There is no significant difference in net interest margin between the select banks.

Table 3.1Multiple Comparisons

NIM	(I) Banks	(J) Banks	Mean Difference (I-J)	Std. Error	Sig.
Tukey HSD	HDFC	AXIS	.93600*	0.17	0.000
		YES	1.54600*	0.17	0.000
		KOTAK	-.41400	0.17	0.130
		ICICI	1.38800*	0.17	0.000
	AXIS	HDFC	-.93600*	0.17	0.000

		YES	.61000*	0.17	0.011
		KOTAK	-1.35000*	0.17	0.000
		ICICI	.45200	0.17	0.084
	YES	HDFC	-1.54600*	0.17	0.000
		AXIS	-.61000*	0.17	0.011
		KOTAK	-1.96000*	0.17	0.000
		ICICI	-.15800	0.17	0.872
	KOTAK	HDFC	.41400	0.17	0.130
		AXIS	1.35000*	0.17	0.000
		YES	1.96000*	0.17	0.000
		ICICI	1.80200*	0.17	0.000
	ICICI	HDFC	-1.38800*	0.17	0.000
		AXIS	-.45200	0.17	0.084
		YES	.15800	0.17	0.872
		KOTAK	-1.80200*	0.17	0.000

*The mean difference is significant at the 0.05 level.

- **HDFC Bank**

  There is significant difference in net interest margin of Axis Bank, Yes Bank and ICICI Bank compared with HDFC Bank. Hence, the null hypothesis is rejected at 5% level of significance for Axis Bank, Yes Bank and ICICI Bank. The null hypothesis is accepted for Kotak Bank as there is no significant difference found during the comparison in net interest margin of HDFC Bank and Kotak Bank.

- **Axis Bank**

The null hypothesis is accepted for ICICI Bank, as the results reveal no significant difference in net interest margin compared with Axis Bank.Null Hypothesis is rejected for HDFC Bank, Yes Bank and Kotak Bank since the analysis reveals significant variations in net interest margin between them and Axis Bank.

- **Yes Bank**

  It is concluded from the above table, that there is no significant difference in net interest margin of ICICI Bank compared with Yes Bank.Hence the null hypothesis is accepted for the ICICI Bank whereas null hypothesis is rejected for HDFC Bank, Axis Bank and Kotak Bank as there is significant difference found when compared with Yes Bank.

- **Kotak Bank**

  The multiple comparison table reveals significant difference in net interest margin of Axis Bank, Yes Bank and ICICI Bank compared with Kotak Bank and null hypothesis is rejected. In case of HDFC Bank there is no significant variations found and null hypothesis is accepted.

- **ICICI Bank**

  The HSD Tukey test reveal statistically insignificant difference in net interest margin of Yes Bank and Axis Bank compared to ICICI Bank. Hence the null hypothesis is accepted for Yes Bank and Axis Bank. But null hypothesis is rejected for HDFC Bank and Kotak Bank.

Net Profit Margin

The performance in terms of net profit margin is presented in Table 4.It is evident, that performance of Kotak Bank is better among all other select banks, followed by Axis Bank, HDFC Bank and Yes Bank. The performance of ICICI bank is found to be less satisfactory among the others.

Table 4: Net profit margin of select banks during the period 2010-2014.

(in per cent)

Banks	2014	2013	2012	2011	2010	Average
HDFC	39.98	36.08	34.86	34.86	32.04	35.57
AXIS	42.70	37.08	33.60	34.45	31.20	35.81
YES	33.80	30.98	29.20	30.01	29.99	30.80

KOTAK	44.45	38.28	36.04	35.89	32.97	37.53
ICICI	17.79	17.14	15.75	15.70	11.84	15.65
Combined average						**31.07**

Source: Capitalineplus Database

Null Hypothesis H_o:There is no significant difference in net profit margin between the select banks.

Table 4.1Multiple Comparisons

NET PROFIT	(I) Banks	(J) Banks	Mean Difference (I-J)	Std. Error	Sig.
Tukey HSD	HDFC	AXIS	-.24200	2.09	1.000
		YES	4.76800	2.09	0.192
		KOTAK	-1.96200	2.09	0.879
		ICICI	19.92000*	2.09	0.000
	AXIS	HDFC	0.24200	2.09	1.000
		YES	5.01000	2.09	0.157
		KOTAK	-1.72000	2.09	0.921
		ICICI	20.16200*	2.09	0.000
	YES	HDFC	-4.76800	2.09	0.192
		AXIS	-5.01000	2.09	0.157
		KOTAK	-6.73000*	2.09	0.031
		ICICI	15.15200*	2.09	0.000
	KOTAK	HDFC	1.96200	2.09	0.879
		AXIS	1.72000	2.09	0.921
		YES	6.73000*	2.09	0.031
		ICICI	21.88200*	2.09	0.000
	ICICI	HDFC	-19.92000*	2.09	0.000
		AXIS	-20.16200*	2.09	0.000
		YES	-15.15200*	2.09	0.000
		KOTAK	-21.88200*	2.09	0.000

* The mean difference is significant at the 0.05 level.

- **HDFC Bank**

  It is evident from table 4.1, that the null hypothesis is accepted for Axis Bank, Kotak Bank and Yes Bank as there is no significant difference in net profit margin compared to HDFC Bank and null hypothesis is rejected in case of ICICI Bank as there is significant difference in return on assets between HDFC Bank and ICICI Bank.

- **Axis Bank**

  There is significant difference in net profit margin between Axis Bank and ICICI Bank. Hence the null hypothesis is rejected at 5% level of significance for ICICI Bank. There is no significant difference in net profit margin of HDFC Bank, Yes Bank and Kotak Bank as compared to Axis Bank and the null hypothesis is accepted.

- **Yes Bank**

  The null hypothesis is accepted for Axis Bank and HDFC Bank,as the results reveal no significant difference in net profit margin compared with Yes Bank.Null Hypothesis is rejected for Kotak Bank and ICICI Bank since the analysis reveals significant variations in net profit margin when compared with Yes Bank.

- **Kotak Bank**

  It could be inferred from the multiple comparison table, Yes Bank and ICICI Bank exhibit significant difference in net profit margin compared to Kotak Bank in the study. The null hypothesis is accepted for Axis Bank and HDFC Bank since there is no significant difference between them and Kotak Bank as far as net profit margin is concerned. Hence, null hypothesis is rejected for ICICI Bank and Yes Bank.

- **ICICI Bank**

  There is significant difference in net profit margin between ICICI Bank and all other select banks in the study. Hence the null hypothesis is rejected at 5% level of significance for HDFC Bank, Axis Bank, Yes Bank and Kotak Bank.

CONCLUSION

Profitability is considered as one of the important measures of efficient management .The potential of banks in utilizing the resource effectively is reflected in their growth. The study is an effort to analyse the financial parameters of the select banks to identify the best performer in the banking industry. The results exhibit a steady increase in ROE,ROA,net interest margin and net profit margin for all the banks selected for the study.HDFC Bank has been found to be the best performer during 2010-2014.It has been proved that Axis Bank and Yes Bank are the average performers during the study period and the least performer is the ICICI Bank.

REFERENCE

1. CheenuGoel and ChitwanBhutaniRekhi (2013),**"A Comparative Study on the Performance of Selected Public**
   a. **Sector and Private Sector Banks in India"**, Journal of Business Management & Social Sciences Research,Vol 2, No.7, July 2013, ISSN No: 2319-5614.
2. KajalChaudhary and Monika Sharma(2011), **"Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative Study"**, International Journal of Innovation, Management and Technology, Vol. 2, No. 3, June 2011.
3. GarimaChaudhary (2014),**"Performance Comparison of Private Sector Banks with the Public Sector Banks in India"**, International Journal of Emerging Research in Management &Technology, Vol-3, Issue-2, ISSN: 2278-9359.
4. RamachandranAzhagaiah and SandanamGejalakshmi (2012), **"Financial Performance of Private Sector and Public Sector Banks in India: An Empirical Analysis"**, International Center for Business Research Issue: Volume 1 – Dec 2012.
5. AvneetKaur(2012),**"An EmpiricalStudyonthe Performance Evaluationof Public Sector Banksin India"**, International Journal of Marketing, Financial Services & Management Research Vol.1 Issue 11, Nov 2012, ISSN 2277 3622.
6. K. SaralaRao(2013), **"Productivity, Cost and Profitability Performance of Scheduled Commercial Banks in India- A Comparative Evaluation"**, International Monthly Refereed Journal of Research In Management & Technology, Vol II, Mar 2013, ISSN – 2320-0073.
7. Shobhna Gupta and JasminalKaur (2014), **"A Comparative Study of the Perfromance of Selected Indian Private and Public Sector Banks"**, The IUP Journal of Bank Management,Vol XIII,No.2.