

A STUDY OF FINANCIAL ASSESSMENT OF SELECTED BANKS IN INDIA

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ABSTRACT

The banking sector has shown a remarkable responsiveness to the needs of planned economy. It has brought about a considerable progress in its efforts at deposit mobilization and has taken a number of measures in the recent past for accelerating the rate of growth of deposits. Banks play a positive role in economic development of a country as repositories of community's savings and as purveyors of credit. The main objective of study is to examine the financial position of selected Indian banks. This study analyses that UBOI has the highest return on Total Shareholder's Fund (mean) which is a sign that management of UBOI is using leverage to increase profits and profit margins. Canara Bank has the highest return on capital employed (mean) which indicates that Canara Bank is realizing highest returns from its capital employed. It is also suggested that HDFC has to be increased its Dividend Yield by increasing its current level of income according to market value per share.

Key Words: *Deposit mobilization, Dividend Yield, Market value, Shareholder's Fund etc.*

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1. INTRODUCTION

Banks play a positive role in economic development of a country as repositories of community's savings and as purveyors of credit. Indian Banking has aided the economic development during the last Sixty three years in an effective way. The banking sector has shown a remarkable responsiveness to the needs of planned economy. It has brought about a considerable progress in its efforts at deposit mobilization and has taken a number of measures in the recent past for accelerating the rate of growth of deposits. As recourse to this, the commercial banks opened branches in urban, semi-urban and rural areas and have introduced a number of attractive schemes to foster economic development. The activities of commercial banking have growth in multi-directional ways as well as multi-dimensional manner. Banks have been playing a catalytic role in area development, backward area development, extended assistance to rural development all along helping agriculture, industry, international trade in a significant manner. In a way, commercial banks have emerged as key financial agencies for rapid economic development. By pooling the savings together, banks can make available funds to specialized institutions which finance different sectors of the economy, needing capital for various purposes, risks and durations. By contributing to government securities, bonds and debentures of term-lending institutions in the fields of agriculture, industries and now housing, banks are also providing these institutions with an access to the common pool of savings mobilized by them, to that extent relieving them of the responsibility of directly approaching the saver. This intermediation role of banks is particularly important in the early stages of economic development and financial specification. A country like India, with different regions at different stages of development, presents an interesting spectrum of the evolving role of banks, in the matter of inter-mediation and beyond.

2. REVIEW OF LITERATURE

Chakrabarthy (1986) has made an empirical study of the relative performance of different groups of banks (public, private and foreign) based on three basic parameters viz.(i) profit, (ii) earnings, and (iii) expenses. **Shah (1986)** has attempted an empirical study of the relationship between costs of banks at branch level. **Amandeep (1991)** attempted to estimate profit and profitability of Indian Nationalized banks. **Galagedera, Don U A, Edirisuriya, Piyadasa (1995-2002)**, in his article on Performance of Indian Commercial Banks investigates the

efficiency and productivity in a sample of Indian commercial banks over the period 1995-2002. **Sarkar and Das (1997)** have compared the performance of public, private and foreign banks. **Sarkar, Sarkar and Bhaumik (1998)** compared performance across the three categories of banks, public, private and foreign, in India. **Subash C.Ray (2000)**, India's public sector banks (PSBs) are compared unfavourably with their private sector counterparts, domestic and foreign. This comparison rests, for the most part, on financial measures of performance, and such a comparison provides much of the rationale for privatization of PSBs. **Milind Sathya (2005)** examined the effect of privatization of banks on performance and efficiency. **Ved Pal and Malik (2007)** in their empirical paper examined the difference in financial characteristics of public, private and foreign sector banks based on factors such as profitability, liquidity, risk and efficiency. **Aggarwal, A.K., Singh, D. and Chaturvedi, N. (2007-08)** analyzed the performance of the banking sector and considered as a proxy for the economy as a whole, due to banks wide spectrum of exposures. **Ram Pratap Sinha (2008)**, in his study abstract that after the onset of banking sector reform in India, the Reserve Bank of India initiated a system of Prompt Corrective Action with various trigger points and mandatory and discretionary responses by the supervising authority on a real time basis.

3. OBJECTIVES OF THE STUDY :

The main objectives of study are as follow:

1. To know about selected Indian banks and their profitability position.
2. To examine the financial position of selected Indian banks.
3. To suggest various measures for improving the performance of banks.

4. RESEARCH METHODOLOGY

4.1 RESEARCH DESIGN: The present study adopts an analytical and descriptive research design. The data of the sample banks (for a period of six years from 2005-2010) has been collected by using a software Prowess software. The sample size of selected Indian banks has been selected for the purpose of the study. They are:

1. State Bank of India (SBI)
2. H D F C Bank Ltd.(HDFC)
3. Axis Bank Ltd.
4. Bank of India (BOI)

5. Punjab National Bank (PNB)
6. Bank of Baroda (BOB)
7. ICICI Bank Ltd. (ICICI)
8. Union Bank of India (UBOI)
9. Canara Bank
10. Oriental Bank of Commerce (OBOC)

4.2 SAMPLE DESIGN:

Sampling Technique: The study is done with special reference to top Indian banks.

Sample Size: Top Ten Indian Banks are chosen as sample size for the study.

4.3 SOURCES OF DATA:

Secondary data has been used to accomplish the objectives of study. It includes

- The relevant secondary data has been collected from a financial database of centre for monitoring economy (CMIE) called “Prowess Software”
- Websites
- Bank’s financial reports etc.

4.4 TIME PERIOD OF STUDY:

The study has been conducted during Jan 2005 to Dec 2010.

4.5 TOOLS USED FOR ANALYSIS:

1. Ratio Analysis: Profitability Ratios have been calculated for the past ten years for the purpose of analysis. Ratios being designed are named as:

- ✓ Return on Total Shareholder’s Fund(RONW)
- ✓ Return on Capital Employed
- ✓ Price Earning Ratio
- ✓ Dividend Yield
- ✓ Earning Per Share (EPS)
- ✓ Dividend Per Share (DPS)
- ✓ Return on Equity Shareholder’s Fund
- ✓ Dividend Payout Ratio

2. Mean

3. Standard Deviation

5. ANALYSIS AND INTERPRETATIONS OF PROFITABILITY POSITION

This study embodies the calculation and analysis of selected variables taken into reflection for the study purpose. The ratios are being calculated by the aid of raw data available on PROWESS software. The raw data encompasses yearly results and balance sheet of the sample banks. After calculation of ratios, analysis of individual ratio is being done. The statistical tool used for analysis is Mean and Standard Deviation. Analysis is performed by using MS-Excel.

5.1 RETURN ON TOTAL SHAREHOLDER'S FUND:

It is the ratio of net profit to total shareholder's fund. Return on Net Worth measures how much a bank earns within a specific period in relation to the amount that's invested in its common stock. If the Return on Net Worth is higher than the bank's return on assets, it may be a sign that management is using leverage to increase profits and profit margins. In general, it's considered a sign of good management when a bank's performance over time is at least as good as the average return on equity for other companies in the same industry.

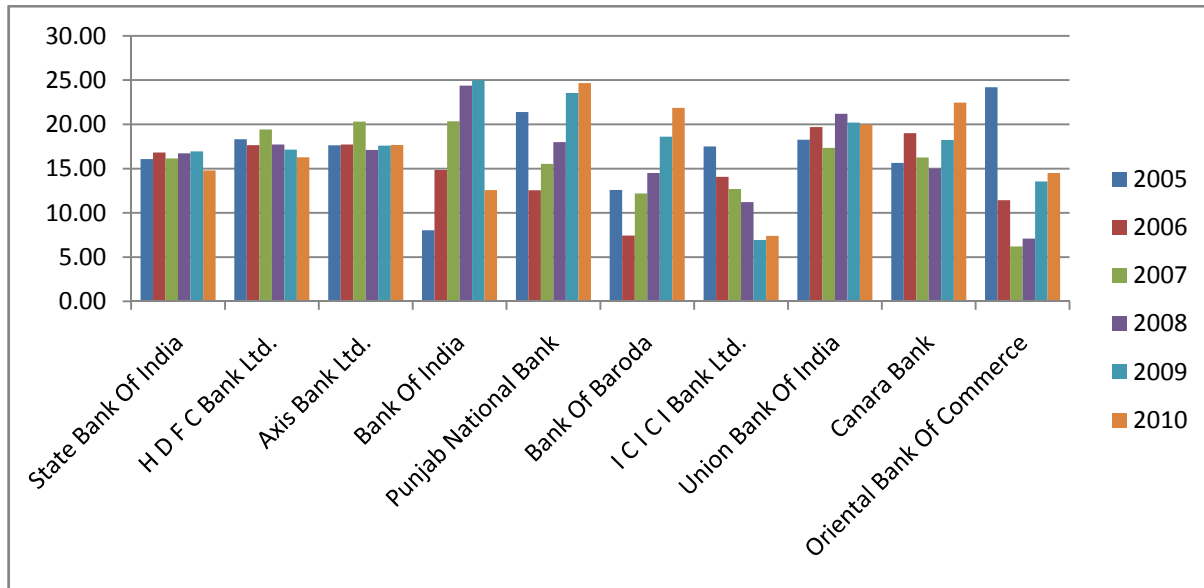
Return on Total Shareholder's Fund=[{Net profit (after tax & interest)/ Total shareholder's fund}*100]

TABLE 5.1: RETURN ON TOTAL SHAREHOLDER'S FUNDS (In Percentage)

COMPANY NAME/YEAR	2005	2006	2007	2008	2009	2010	MEAN	S.D
State Bank Of India	16.07	16.81	16.14	16.72	16.95	14.80	16.25	0.80
H D F C Bank Ltd.	18.31	17.65	19.43	17.73	17.14	16.28	17.76	1.07
Axis Bank Ltd.	17.63	17.73	20.30	17.11	17.60	17.66	18.01	1.15
Bank Of India	8.02	14.84	20.35	24.38	24.97	12.56	17.52	6.82
Punjab National Bank	21.40	12.55	15.54	18.00	23.54	24.67	19.28	4.75
Bank Of Baroda	12.58	7.44	12.19	14.50	18.60	21.86	14.53	5.10
I C I C I Bank Ltd.	17.51	14.06	12.69	11.21	6.93	7.40	11.63	4.04
Union Bank Of India	18.27	19.70	17.35	21.19	20.19	19.98	19.45	1.39
Canara Bank	15.64	19.00	16.25	15.00	18.22	22.46	17.76	2.77
Oriental Bank Of Commerce	24.19	11.42	6.20	7.08	13.55	14.50	12.82	6.50
MEAN	16.96	15.12	15.64	16.29	17.77	17.22		
S.D	4.22	3.64	4.14	4.59	4.78	4.95		

SOURCE: The data has been collected from Prowess Software

CHART 5.1: RETURN ON TOTAL SHAREHOLDER'S FUNDS (In Percentage)



INTERPRETATION:

As per table-5.1 Return on Total Shareholder's Funds of SBI and UBOI are showing fluctuating trend. HDFC and Canara Bank are showing fluctuations from 2005-07 and it is starting increasing from 2008. Axis Bank is showing increasing trend till 2007 but after that it is starting fluctuates. Bank of India is showing increasing trend from 2005-09 but suddenly it decreases in year 2010. ICICI Bank is showing decreasing trend. BOB is showing increasing trend. Canara Bank is also showing fluctuating trend. Return on Total Shareholder's Funds of PNB and OBC Bank is sloping down steadily after 2005 but it is starting recovery in 2009-10. **UBOI** has the **highest return on Net Worth (mean)** which is a sign that management of UBOI is using leverage to increase profits and profit margins. It is also indicating a sign of good management. Variations in Mean and S.D according to year mean and S.D are highest in 2009 and 2010 respectively. Mean and S.D are both lowest in 2006. Variations in Mean and S.D according to position of banks mean and S.D are highest of UBOI and BOI respectively. Mean and S.D are lowest of ICICI and SBI respectively.

5.2 RETURN ON CAPITAL EMPLOYED:

Return on Capital Employed (ROCE) is used in finance as a measure of the returns that a bank is realizing from its capital employed. It is commonly used as a measure for comparing the performance between businesses and for assessing whether a business generates enough returns to pay for its cost of capital.

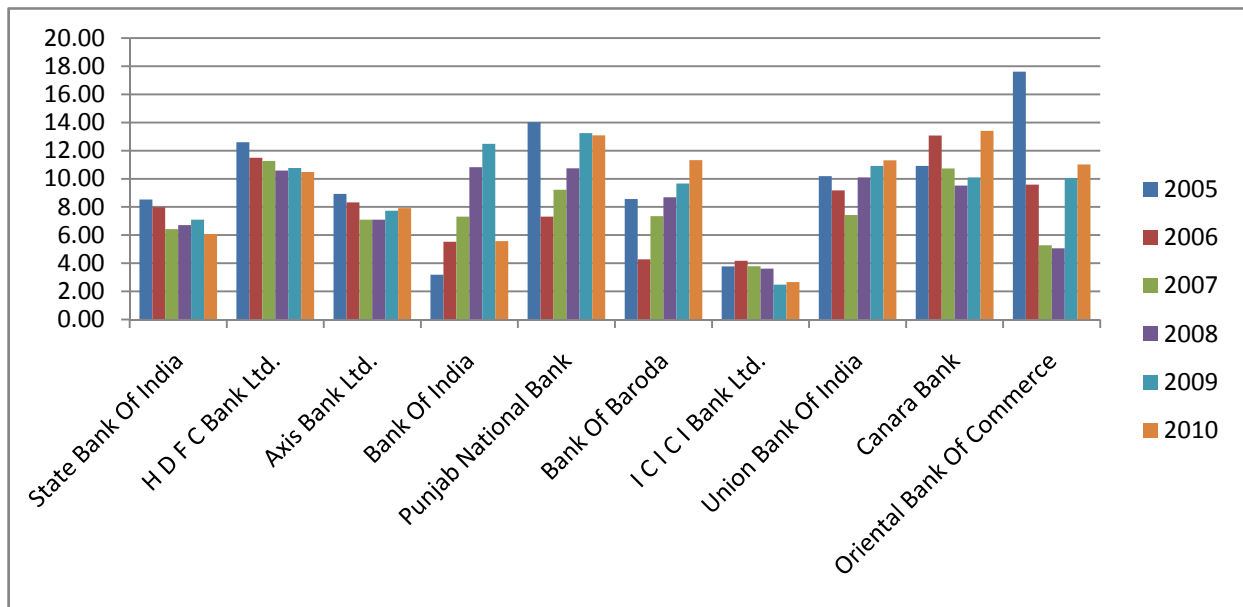
Return on Capital Employed = [(Profit before interest, tax & dividend/Capital employed)*100]

TABLE 5.2: RETURN ON CAPITAL EMPLOYED

(In Percentage)

COMPANY NAME/YEAR	2005	2006	2007	2008	2009	2010	MEAN	S.D
State Bank Of India	8.53	7.98	6.42	6.71	7.10	6.07	7.14	0.95
H D F C Bank Ltd.	12.60	11.50	11.27	10.58	10.77	10.48	11.20	0.79
Axis Bank Ltd.	8.93	8.32	7.10	7.10	7.73	7.91	7.85	0.71
Bank Of India	3.18	5.53	7.31	10.83	12.48	5.57	7.48	3.53
Punjab National Bank	14.02	7.31	9.22	10.74	13.25	13.09	11.27	2.64
Bank Of Baroda	8.56	4.28	7.34	8.69	9.67	11.33	8.31	2.38
I C I C I Bank Ltd.	3.77	4.17	3.79	3.62	2.48	2.66	3.42	0.68
Union Bank Of India	10.19	9.18	7.42	10.10	10.92	11.31	9.85	1.40
Canara Bank	10.92	13.08	10.73	9.52	10.10	13.41	11.29	1.59
Oriental Bank Of Commerce	17.61	9.58	5.28	5.06	10.04	11.02	9.77	4.59
MEAN	9.83	8.09	7.59	8.30	9.45	9.29		
S.D	4.37	2.93	2.30	2.56	3.08	3.56		

SOURCE: the data has been collected from Prowess Software

CHART5.2: RETURN ON CAPITAL EMPLOYED (In Percentage)**INTERPRETATION:**

As per table-5.2 RETURN ON CAPITAL EMPLOYED of SBI is showing decreasing trend of return on capital employed from 2005-08 and after that it increases .HDFC is showing decreasing trend. Axis Bank is showing decreasing trend in 2005-06 , remains constant from 2007-08 and after that it increases from 2009-10..Bank of India and Canara Bank ,both are showing fluctuating trend .while in the year 2006 but increase after that. PNB, BOB, OBC and UBOI are showing decreasing trend but Return on Capital Employed is showing recovery from year 2008. ICICI is showing increasing trend from 2005-08 and then it is showing decline period. And Canara Bank has the highest return on capital employed (mean) which indicates that Canara Bank is realizing highest returns from its capital employed in comparison to other banks taken under study. Variations in Mean and S.D according to year, mean and S.D are both highest in 2005. Mean and S.D are both lowest in 2007. Variations in Mean and S.D according to position of banks mean and S.D are highest of Canara Bank and OBOC respectively. Mean and S.D are both lowest of ICICI.

5.3 PRICE-EARNINGS RATIO:

This ratio shows how much is to be invested in the market in bank's shares to get each rupee of earning on its shares. The ratio is used to measure whether the market price of a share is high or low.

Price-Earnings Ratio = (Market price of share / Earning per share)

TABLE5.3: PRICE-EARNINGS RATIO

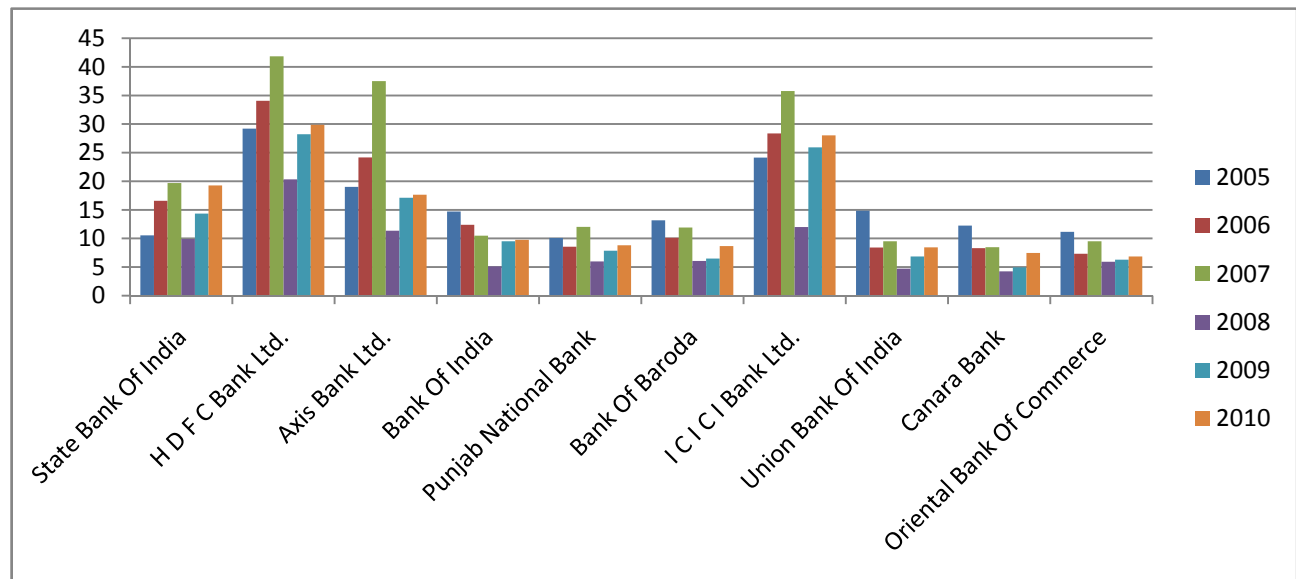
(In Times)

COMPANY NAME/YEAR	2005	2006	2007	2008	2009	2010	MEAN	S.D
State Bank Of India	10.53	16.59	19.69	9.90	14.35	19.27	15.06	4.22
H D F C Bank Ltd.	29.20	34.06	41.83	20.34	28.22	29.86	30.59	7.09
Axis Bank Ltd.	19.02	24.16	37.50	11.36	17.12	17.65	21.14	9.00
Bank Of India	14.71	12.38	10.48	5.11	9.52	9.75	10.33	3.21
Punjab National Bank	10.11	8.55	12.02	5.99	7.86	8.82	8.89	2.04
Bank Of Baroda	13.16	10.13	11.92	6.07	6.50	8.66	9.41	2.87
I C I C I Bank Ltd.	24.13	28.37	35.77	11.99	25.93	28.01	25.70	7.80
Union Bank Of India	14.86	8.43	9.52	4.74	6.85	8.45	8.81	3.40
Canara Bank	12.26	8.31	8.48	4.24	4.95	7.46	7.62	2.87
Oriental Bank Of Commerce	11.16	7.33	9.51	5.92	6.28	6.84	7.84	2.06
MEAN	15.91	15.83	19.67	8.57	12.76	14.48		
S.D	6.35	9.66	13.34	5.00	8.47	8.72		

SOURCE: the data has been collected from Prowess Software

CHART5.3: PRICE-EARNINGS RATIO

(In Times)



INTERPRETATION

As per table-5.3 **Price Earning Ratio** of SBI and OBOC are showing fluctuating trend till 2008 after that it is showing increasing trend .HDFC ,Axis Bank and ICICI Bank are showing increasing trend up to 2005-07 but decrease in 2008 & after that it is starting recovery trend from 2009-10. Bank of India is also showing decreasing trend till 2008 but after that it increase .Canara Bank is showing decreasing trend from 2005-09 & a huge hike in Price Earning Ratio in the year 2010. UBOI and PNB, both are showing fluctuating trend in all years.BOB is showing fluctuating trend till 2007 after that it is starting recovery.SBI is showing a huge hike in the year 2005-06 & huge decline in the year 2008-09. **HDFC** has the **highest Price Earning Ratio (mean)** which means that investors are expecting higher earnings growth in the future from HDFC as compared to other 9 banks with a lower Price Earning Ratio. Variations in Mean and S.D according to year, mean and S.D are both highest in 2007. Mean and S.D are both lowest in 2008. Variations in Mean and S.D according to position of banks mean and S.D are highest of HDFC and Axis Bank respectively. Mean and S.D are lowest of Canara Bank and PNB respectively.

5.4 DIVIDEND YIELD:

This ratio is closely related to Dividend per share .While the DPS is calculated on basis of the book value of shares, this ratio is calculated on the basis of market value of shares.

Dividend Yield = [(Dividend per share /Market value per share)*100]

TABLE5.4: DIVIDEND YIELD

(In Percentage)

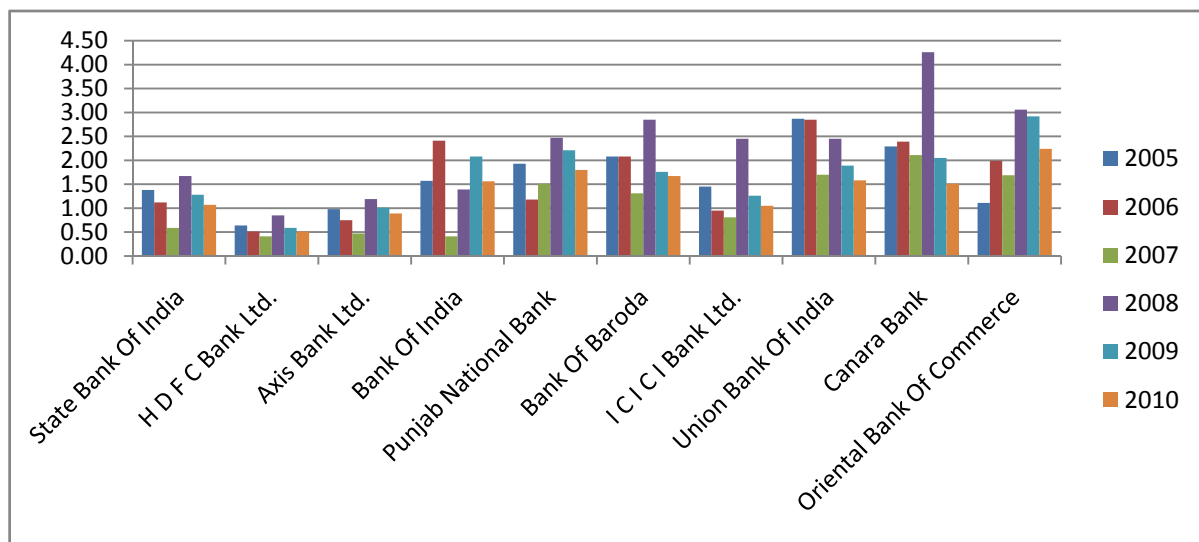
COMPANY NAME/YEAR	2005	2006	2007	2008	2009	2010	MEAN	S.D
State Bank Of India	1.38	1.12	0.59	1.67	1.28	1.07	1.19	0.36
H D F C Bank Ltd.	0.64	0.51	0.41	0.85	0.59	0.51	0.59	0.15
Axis Bank Ltd.	0.98	0.75	0.47	1.19	1.01	0.89	0.88	0.25
Bank Of India	1.57	2.41	0.41	1.39	2.08	.56	1.57	0.68
Punjab National Bank	1.93	1.18	1.51	2.47	2.21	1.80	1.85	0.47
Bank Of Baroda	2.08	2.08	1.31	2.85	1.76	1.67	1.96	0.52
I C I C I Bank Ltd.	1.45	0.95	0.81	2.45	1.26	1.05	1.33	0.59

Union Bank Of India	2.87	2.85	1.70	2.45	1.89	1.58	2.22	0.58
Canara Bank	2.29	2.39	2.11	4.26	2.05	1.51	2.44	0.94
Oriental Bank Of Commerce	1.11	1.99	1.69	3.06	2.92	2.24	2.17	0.74
MEAN	1.63	1.62	1.10	2.26	1.71	1.39		
S.D	0.67	0.81	0.64	1.02	0.68	0.50		

SOURCE:The data has been collected from Prowess Software

CHART 5.4 : DIVIDEND YIELD

(In Percentage)



INTERPRETATION:

As per table-5.4 **DIVIDEND YIELD** of Axis Bank and Bank of Baroda are showing decreasing trend from 2005-09 but increase in 2010. Bank of India and HDFC are also showing a increase in Dividend Yield from 2005-07 after that it is fluctuating till 2010. Canara Bank, PNB and UBOI are showing decreasing trend up to 2007 but after 2007 it is showing recovery. ICICI Bank is showing decreasing trend. Dividend Yield of OBOC Bank is sloping down steadily after 2005 and increase after 2008. SBI is showing decreasing trend but a huge hike in year 2008. **Canara Bank** has the **highest Dividend Yield (mean)** which is a sign that Canara Bank has given higher dividend to investor who buys its shares from open market at market value per share. And it is also show that current level of income from a share of Canara Bank is higher in comparison to other 9 banks. Variations in Mean and S.D according to year mean and S.D are both highest in

2008. Mean and S.D are lowest in 2007 and in 2010 respectively. Variations in Mean and S.D according to position of banks mean and S.D are both highest of Canara Bank. Mean and S.D are both lowest of HDFC.

5.5 EARNING PER SHARE (EPS):

This ratio measures the profit available to the equity shareholders on a per share basis. All profits left after payment of the tax and preference dividend are available to equity shareholders.

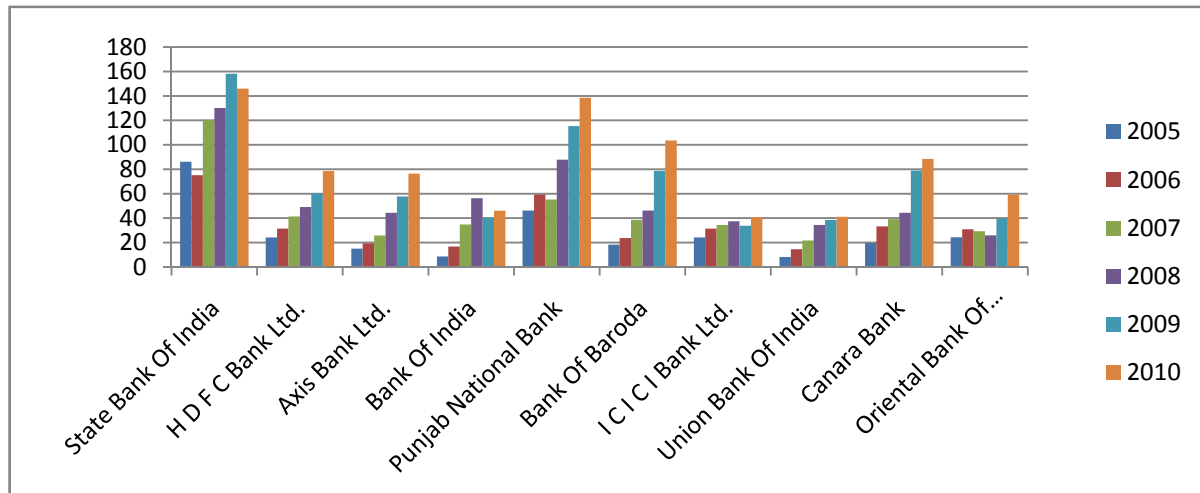
EARNING PER SHARE (EPS) = [(Net profit after tax – Preference Dividend) / No. Of Equity Share (common share)]

TABLE 5.5 : EARNING PER SHARE

(In Rs. Per share)

COMPANY NAME/YEAR	2005	2006	2007	2008	2009	2010	MEA N	S.D
State Bank Of India	86.19	75.08	120.4 5	130.1 4	158.1 7	145.9 1	119.32	32.83
H D F C Bank Ltd.	24.23	31.41	41.31	49.05	60.25	78.57	47.47	19.84
Axis Bank Ltd.	15.05	19.42	25.79	44.44	57.75	76.44	39.82	24.13
Bank Of India	8.67	16.79	34.87	56.25	40.43	46.14	33.86	18.01
Punjab National Bank	46.15	59.26	55.27	87.82	115.3 1	138.5 2	83.72	36.98
Bank Of Baroda	18.30	23.68	38.56	46.17	78.67	103.5 6	51.49	33.23
I C I C I Bank Ltd.	24.23	31.38	34.45	37.41	33.78	40.86	33.69	5.67
Union Bank Of India	8.22	14.54	21.67	34.40	38.54	41.14	26.42	13.58
Canara Bank	19.63	33.23	39.17	44.33	78.96	88.54	50.64	27.11
Oriental Bank Of Commerce	24.30	30.89	29.31	25.92	39.85	59.32	34.93	13.12
MEAN	27.50	33.57	44.09	55.59	70.17	81.90		
S.D	23.22	19.27	28.39	30.98	39.88	37.99		

SOURCE: the data has been collected from Prowess Software

CHART 5.5 : EARNING PER SHARE (In Rs. Per share)**INTERPRETATION:**

As per table-5.5 **Earning per share** of SBI is showing increasing trend from 2005-09 but suddenly decrease in 2010. HDFC and Axis Bank are showing increasing trend. However Bank of India is showing increasing trend from 2005-08 but after that it fluctuates. PNB, UBOI, Canara Bank and BOB are showing increasing trend of Earning per share in all 6 years. ICICI is showing increasing trend of Earning per share however it fluctuates in the year 2009-10. OBOC is showing fluctuating trend. **SBI has the highest Earning per share (mean)** which means that SBI has the highest EPS which means that it has highest profits available to equity shareholders on per share basis in comparison to other 9 banks. Variations in Mean and S.D according to year mean and S.D are highest in 2010 and 2009 respectively. Mean and S.D are lowest in 2005 and 2006 respectively. Variations in Mean and S.D according to position of banks mean and S.D are highest of SBI and PNB respectively. Mean and S.D are lowest of UBOI and ICICI respectively.

5.6. DIVIDEND PER SHARE (DPS):

Out of all profits left after payment of the tax and preference dividend, a portion of this profit is retained in business and remaining is distributed among equity shareholders as dividend.

Dividend Per Share = (Dividend paid to equity shareholders/No. Of equity shares)

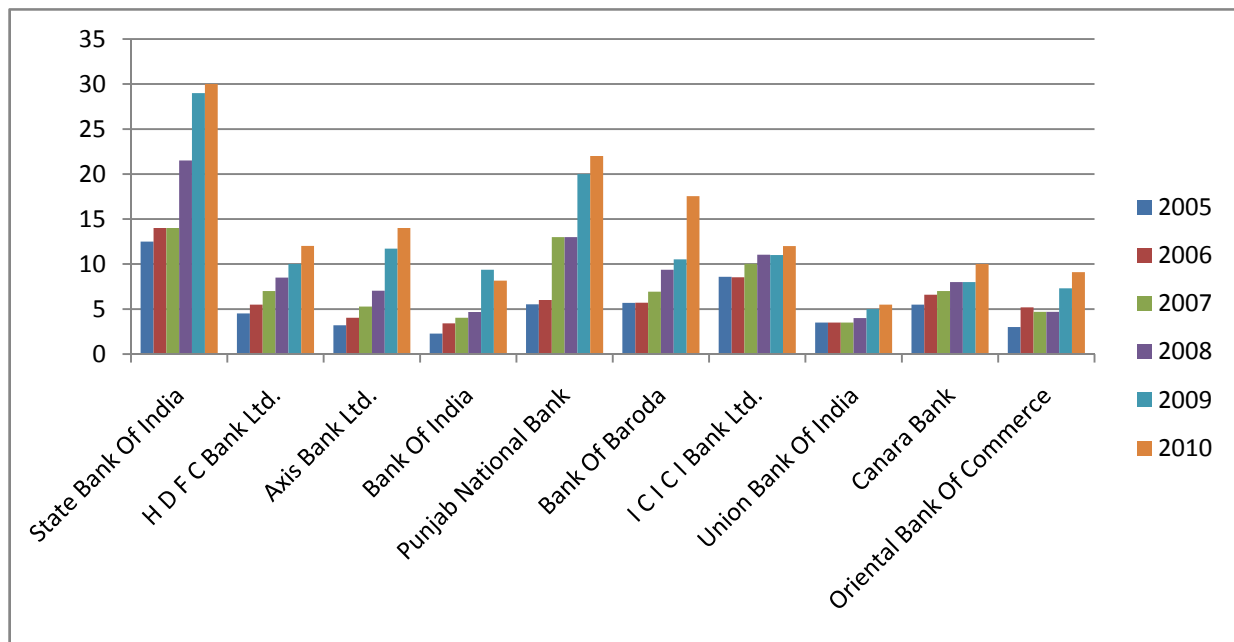
TABLE 5.6 : DIVIDEND PER SHARE

(In Rs. Per share)

COMPANY NAME/ YEAR	2005	2006	2007	2008	2009	2010	MEAN	S.D
State Bank Of India	12.50	14.00	14.00	21.50	29.00	30.00	18.20	7.89
H D F C Bank Ltd.	4.52	5.50	7.01	8.50	10.01	12.02	7.11	2.82
Axis Bank Ltd.	3.20	4.04	5.28	7.03	11.71	14.01	6.25	4.37
Bank Of India	2.27	3.42	4.04	4.68	9.36	8.16	4.75	2.81
Punjab National Bank	5.52	6.00	13.00	13.00	20.00	22.00	11.50	6.85
Bank Of Baroda	5.69	5.70	6.93	9.36	10.53	17.55	7.64	4.50
I C I C I Bank Ltd.	8.59	8.53	10.02	11.04	11.01	12.00	9.84	1.41
Union Bank Of India	3.50	3.50	3.50	4.00	5.00	5.50	3.90	0.88
Canara Bank	5.50	6.60	7.00	8.00	8.00	10.00	7.02	1.54
Oriental Bank Of Commerce	3.00	5.19	4.70	4.70	7.30	9.10	4.98	2.18
MEAN	5.43	6.25	7.55	9.18	12.19	14.03		
S.D	3.08	3.13	3.66	5.20	7.10	7.35		

SOURCE: The data has been collected from Prowess Software**CHART 5.6: DIVIDEND PER SHARE**

(In Rs. Per share)



INTERPRETATION:

As per table-5.6 Dividend Per Share of SBI, HDFC, BOB and Axis Bank are showing increasing trend from 2005-10. Bank of India is also showing a increase in Dividend Per Share from 2005-09 but it decreases in 2010. PNB and OBOC are showing increasing trend and remains constant from 2007-08. ICICI Bank is showing fluctuating trend. Dividend Per Share of Canara Bank is showing increasing trend and remains constant from 2008-09. UBOI is remaining constant from 2005-07 and increase it after 2008. **SBI has the highest Dividend Per Share (mean)** which means that it has highest dividend available to equity shareholders on per share basis in comparison to other 9 banks. Variations in Mean and S.D according to year mean and S.D are both highest in 2010. Mean and S.D are both lowest in 2005. Variations in Mean and S.D according to position of banks mean and S.D are both highest of SBI. Mean and S.D are lowest of UBOI.

5.7 RETURN ON EQUITY SHAREHOLDER'S FUND:

Equity shareholders of a bank are more interested in knowing the earning capacity of their funds in the bank. As such, this ratio measures the profitability of funds belonging to equity shareholders. Since the profit available to equity shareholders will be the profit left after taxes, interest etc.

Return On Equity Shareholder's Fund = [(Net profit (After tax ,interest etc.)/Equity shareholder's fund]*100]

TABLE 5.7: RETURN ON EQUITY SHAREHOLDER'S FUND

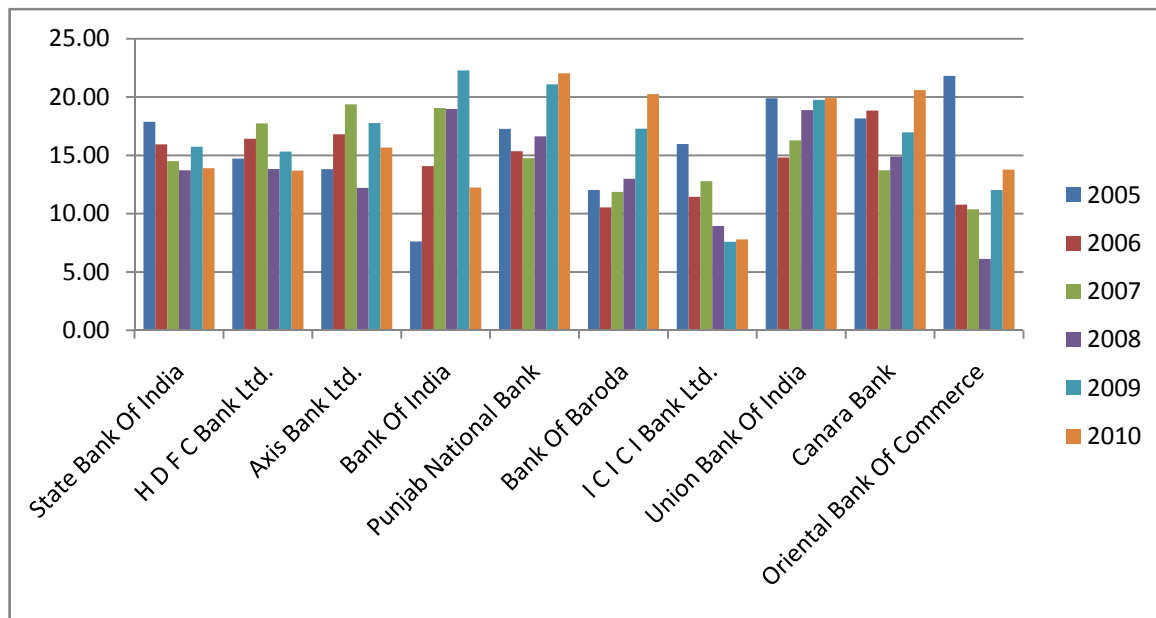
(In Percentage)

COMPANY NAME/ YEAR	2005	2006	2007	2008	2009	2010	MEAN	S.D
State Bank Of India	17.88	15.94	14.51	13.72	15.74	13.90	15.28	1.57
H D F C Bank Ltd.	14.72	16.43	17.74	13.83	15.32	13.70	15.29	1.57
Axis Bank Ltd.	13.82	16.81	19.37	12.21	17.77	15.67	15.94	2.62
Bank Of India	7.62	14.08	19.05	18.98	22.29	12.24	15.71	5.39
Punjab National Bank	17.28	15.35	14.76	16.63	21.09	22.04	17.86	3.02
Bank Of Baroda	12.03	10.54	11.87	13.00	17.29	20.25	14.16	3.77

I C I C I Bank Ltd.	15.98	11.44	12.79	8.95	7.59	7.80	10.76	3.28
Union Bank Of India	19.89	14.81	16.29	18.88	19.75	19.91	18.26	2.18
Canara Bank	18.16	18.83	13.72	14.90	16.98	20.59	17.20	2.55
Oriental Bank Of Commerce	21.82	10.78	10.37	6.12	12.03	13.77	12.48	5.24
MEAN	15.92	14.50	15.05	13.72	16.59	15.99		
S.D	4.10	2.79	3.03	4.05	4.33	4.56		

SOURCE:The data has been collected from Prowess Software

CHART5.7: RETURN ON EQUITY SHAREHOLDER FUND (In Percentage)



INTERPRETATION:

As per table-5.7 **RETURN ON EQUITY SHAREHOLDER'S FUND** of HDFC, Bank of India and Axis Bank are showing increasing trend from 2005-07 and after 2007 fluctuations in it. PNB, Canara Bank and UBOI are showing decreasing trend in starting while from the year 2007 it is showing recovery. SBI is also showing a decrease in Return On Equity Shareholder's Fund from 2005-08 after 2008 it fluctuates .BOB is showing increasing trend. ICICI Bank is showing decreasing trend. Return On Equity Shareholder's Fund of OBOC is showing decreasing trend in starting while from the year 2008 it is showing recovery. **PNB** has the **highest Return On Equity Shareholder's Fund (mean)** which is a sign that management of PNB is using equity shareholder's fund more efficiently to increase earning capacity in comparison to other 9 banks.

Variations in Mean and S.D according to year mean and S.D are highest in 2009 and 2010 respectively. Mean and S.D are lowest in 2008 and 2006 respectively. Variations in Mean and S.D according to position of banks mean and S.D are highest of PNB and ICICI respectively. Mean and S.D are lowest of BOI, HDFC and SBI respectively.

5.8 DIVIDEND PAYOUT RATIO:

These measures the relationship between the earning available to equity shareholders and the dividend distributed among them. In other words, it shows what percentage of profit is paid as dividend to equity shareholders.

Dividend Payout Ratio = [(Dividend per share / Earning per share) * 100]

TABLE 5.8 : DIVIDEND PAYOUT RATIO

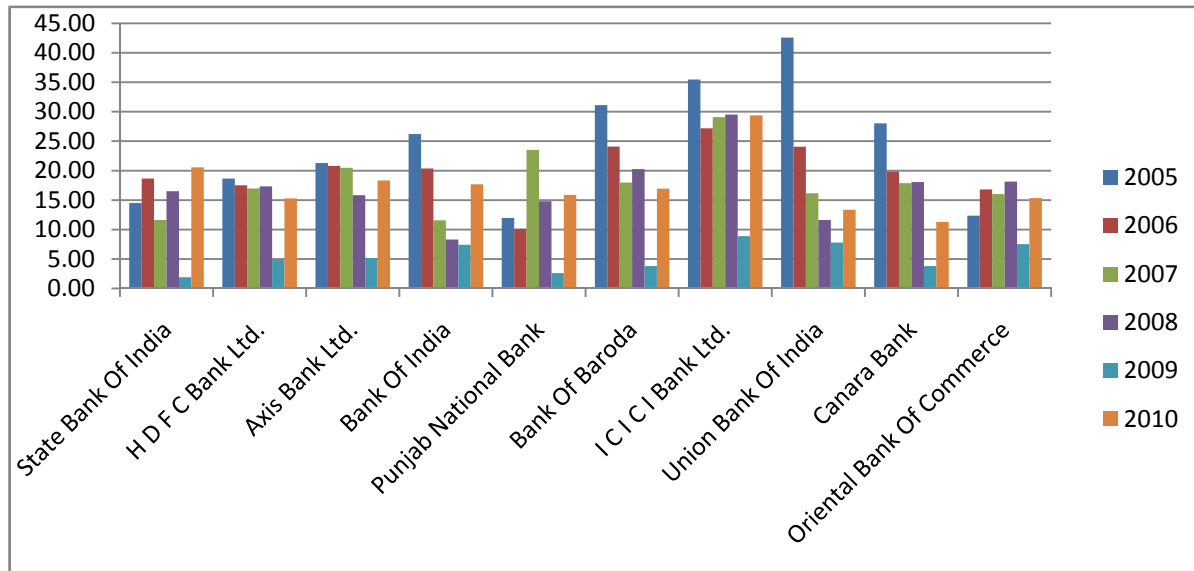
(In Percentage)

COMPANY NAME/YEAR	2005	2006	2007	2008	2009	2010	MEAN	S.D
State Bank Of India	14.50	18.65	11.62	16.52	1.90	20.56	13.96	10.04
H D F C Bank Ltd.	18.66	17.51	16.97	17.33	4.98	15.30	15.12	8.74
Axis Bank Ltd.	21.30	20.80	20.49	15.83	5.19	18.32	16.99	8.16
Bank Of India	26.19	20.37	11.57	8.32	7.42	17.69	15.26	8.38
Punjab National Bank	11.97	10.12	23.52	14.80	2.60	15.88	13.15	9.06
Bank Of Baroda	31.11	24.08	17.97	20.27	3.81	16.95	19.03	8.40
I C I C I Bank Ltd.	35.46	27.19	29.09	29.51	8.88	29.37	26.58	9.31
Union Bank Of India	42.58	24.07	16.15	11.63	7.78	13.37	19.26	12.66
Canara Bank	28.02	19.86	17.87	18.05	3.80	11.29	16.48	8.57
Oriental Bank Of Commerce	12.35	16.82	16.03	18.13	7.53	15.34	14.37	8.01
MEAN	24.21	19.95	18.13	17.04	5.39	17.41		
S.D	10.30	4.73	5.27	5.58	2.40	4.93		

SOURCE: the data has been collected from Prowess Software

CHART 5.8 : DIVIDEND PAYOUT RATIO

(In Percentage)

**INTERPRETATION:**

As per table-5.8 **DIVIDEND PAYOUT RATIO** of SBI, BOB, HDFC, PNB, OBOC and ICICI are showing fluctuating trend from 2005-10. Axis Bank and Bank of India are showing a decrease in Dividend Payout Ratio from 2005-09 after 2009 it is showing recovery. Canara Bank is showing a decreasing trend from 2005-07 and after year 2007 it is starting fluctuates. Dividend Payout Ratio of UBOI is showing decreasing trend in starting while from the year 2005-09 and it is starting recovery in 2010. **ICICI has highest Dividend Payout Ratio (Mean)** which means that it has highest percentage of profit distribute as dividend to equity shareholders and it is more efficient in comparison to other 9 banks. Variations in Mean and S.D according to year mean and S.D are both highest in 2010. Mean and S.D are both lowest in 2009. Variations in Mean and S.D according to position of banks mean and S.D are highest of ICICI and UBOI respectively. Mean and S.D are lowest of PNB and OBOC respectively.

FINDINGS

- 1. Total Shareholder's Funds** of SBI and UBOI are showing fluctuating trend . HDFC and Canara Bank are showing fluctuations from 2005-07 and it is starting increasing from 2008. Axis Bank is showing increasing trend till 2007 but after that it is starting

fluctuates. Bank of India is showing increasing trend from 2005-09 but suddenly it decreases in year 2010. ICICI Bank is showing decreasing trend. BOB is showing increasing trend. Canara Bank is also showing fluctuating trend. Return On Total Shareholder's Funds of PNB and OBC Bank are sloping down steadily after 2005 but it is starting recovery in 2009-10. **UBOI** has the **highest return on Net Worth (mean)** which is a sign that management of UBOI is using leverage to increase profits and profit margins. It is also indicating a sign of good management.

2. **RETURN ON CAPITAL EMPLOYED** of SBI is showing decreasing trend of return on capital employed from 2005-08 and after that it increases. HDFC is showing decreasing trend. Axis Bank is showing decreasing trend in 2005-06, remains constant from 2007-08 and after that it increases from 2009-10. Bank of India and Canara Bank, both are showing fluctuating trend while in the year 2006 but increase after that. PNB, BOB, OBC and UBOI are showing decreasing trend but Return On Capital Employed is showing recovery from year 2008. ICICI is showing increasing trend from 2005-08 and then it is showing decline period. And **Canara Bank** has the **highest return on capital employed (mean)** which indicates that Canara Bank is realizing highest returns from its capital employed in comparison to other banks taken under study.
3. **Price Earning Ratio** of SBI and OBOC are showing fluctuating trend till 2008 after that it is showing increasing trend. HDFC, Axis Bank and ICICI Bank are showing increasing trend up to 2005-07 but decrease in 2008 & after that it is starting recovery trend from 2009-10. Bank of India is also showing decreasing trend till 2008 but after that it increase. Canara Bank is showing decreasing trend from 2005-09 & a huge hike in Price Earning Ratio in the year 2010. UBOI and PNB, both are showing fluctuating trend in all years. BOB is showing fluctuating trend till 2007 after that it is starting recovery. SBI is showing a huge hike in the year 2005-06 & huge decline in the year 2008-09. **HDFC** has the **highest Price Earning Ratio (mean)** which means that investors are expecting higher earnings growth in the future from HDFC as compared to other 9 banks with a lower Price Earnings Ratio.

4. **DIVIDEND YIELD** of Axis Bank and Bank of Baroda are showing decreasing trend from 2005-09 but increase in 2010. Bank of India and HDFC are also showing an increase in Dividend Yield from 2005-07 after that it is fluctuating till 2010. Canara Bank, PNB and UBOI are showing decreasing trend up to 2007 but after 2007 it is showing recovery. ICICI Bank is showing decreasing trend. Dividend Yield of OBOC Bank is sloping down steadily after 2005 and increase after 2008. SBI is showing decreasing trend but a huge hike in year 2008. **Canara Bank** has the **highest Dividend Yield (mean)** which is a sign that Canara Bank has given higher dividend to investor who buys its shares from open market at market value per share. And it is also show that current level of income from a share of Canara Bank is higher in comparison to other 9 banks.
5. **Earning per share** of SBI is showing increasing trend from 2005-09 but suddenly decreases in 2010. HDFC and Axis Bank are showing increasing trend. However Bank of India is showing increasing trend from 2005-08 but after that it fluctuates. PNB, UBOI, Canara Bank and BOB are showing increasing trend of Earning per share in all 6 years. ICICI is showing increasing trend of Earning per share however it fluctuates in the year 2009-10. OBOC is showing fluctuating trend. **SBI** has the **highest Earning per share (mean)** which means that SBI has the highest EPS which means that it has highest profits available to equity shareholders on per share basis in comparison to other 9 banks.
6. **Dividend per Share** of SBI, HDFC, BOB and Axis Bank are showing increasing trend from 2005-10. Bank of India is also showing a increase in Dividend Per Share from 2005-09 but it decreases in 2010. PNB and OBC are showing increasing trend and remains constant from 2007-08. ICICI Bank is showing fluctuating trend. Dividend Per Share of Canara Bank is showing increasing trend and remains constant from 2008-09. UBOI is remaining constant from 2005-07 and increase it after 2008. **SBI** has the **highest Dividend per Share (mean)** which means that it has highest dividend available to equity shareholders on per share basis in comparison to other 9 banks.

7. **RETURN ON EQUITY SHAREHOLDER'S FUND** of HDFC Bank of India and Axis Bank are showing increasing trend from 2005-07 and after 2007 fluctuations in it. PNB, Canara Bank and UBOI are showing decreasing trend in starting while from the year 2007 it is showing recovery. SBI is also showing a decrease in Return on Equity Shareholder's Fund from 2005-08 after 2008 it fluctuates .BOB is showing increasing trend. ICICI Bank is showing decreasing trend. Return On Equity Shareholder's Fund of OBOC is showing decreasing trend in starting while from the year 2008 it is showing recovery. **PNB has the highest Return On Equity Shareholder's Fund (mean)** which is a sign that management of PNB is using equity shareholder's fund more efficiently to increase earning capacity in comparison to other 9 banks.
8. **DIVIDEND PAYOUT RATIO** of SBI, BOB, HDFC, PNB, OBOC and ICICI are showing fluctuating trend from 2005-10. Axis Bank and Bank of India are showing a decrease in Dividend Payout Ratio from 2005-09 after 2009 it is showing recovery. Canara Bank is showing a decreasing trend from 2005-07 and after year 2007 it starts fluctuates. Dividend Payout Ratio of UBOI is showing decreasing trend in starting while from the year 2005-09 and it is starting recovery in 2010. **ICICI has highest Dividend Payout Ratio (Mean)** which means that it has highest percentage of profit distribute as dividend to equity shareholders and it is more efficient in comparison to other 9 banks.

CONCLUSION

1. UBOI has the highest return on Total Shareholder's Fund (mean) which is a sign that management of UBOI is using leverage to increase profits and profit margins. It is also indicating a sign of good management.
2. Canara Bank has the highest return on capital employed (mean) which indicates that Canara Bank is realizing highest returns from its capital employed in comparison to other banks taken under study.
3. HDFC has the highest Price Earnings Ratio (mean) which means that investors are expecting higher earnings growth in the future from HDFC as compared to other 9 banks with a lower Price Earnings Ratio.

4. Canara Bank has the highest dividend yield (mean) which is a sign that Canara Bank has given higher dividend to investor who buys its shares from open market at market value per share. And it is also show that current level of income from a share of Canara Bank is higher in comparison to other 9 banks.
5. SBI has the highest Earning per share (mean) which means that SBI has the highest EPS which means that it has highest profits available to equity shareholders on per share basis in comparison to other 9 banks.
6. SBI has the highest Dividend Per Share (mean) which means that it has highest dividend available to equity shareholders on per share basis in comparison to other 9 banks.
7. PNB has the highest return on equity shareholder's fund (mean) which is a sign that management of PNB is using equity shareholder's fund more efficiently to increase earning capacity in comparison to other 9 banks.
8. ICICI has highest dividend payout ratio (mean) which means that it has highest percentage of profit distribute as dividend to equity shareholders and it is more efficient in comparison to other 9 banks.

RECOMMENDATIONS:

After analysis of profitability position of the top players of the Indian Banking Industry, the following suggestions might be looked over:

1. ICICI has lowest return on capital employed and Return on Total Shareholder's Funds, so ICICI needs to improve these ratios by proper utilization of available funds.
2. Canara Bank has to improve price earning ratio by increase earning capacity on shares to attract more investors for making investment in Canara bank's shares.
3. UBOI has lowest Dividend Per Share & Earning Per Share so bank has improved its profit accordingly increase in its DPS and EPS.
4. HDFC has to be increased its Dividend Yield by increasing its current level of income according to market value per share.
5. BOI has needed to improve the efficient of its management then there is a proper utilization of its equity shareholder's fund ,so by this return on equity shareholder's fund of BOI has improved .
6. PNB has lowest Dividend Payout Ratio so it has to be improved its percentages of profit which distribute to equity shareholders as dividend.

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