

A Study On Financial Efficiency Of Selected Private Banks In India

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Abstract - The Indian banking sector movements have been changed after privatization period. Its operations mostly restructured and regulated after financial liberalization period under the recommendations of Narashiman Committee. The initialization of private banks has provided excellent performance compared to public sector banks in India. It has reduced some complexity of public sector banks to provide the more banking services to the people. Some technological developments have helped to the private banks for offering modernized services and increase the financial efficiency. There are some banks namely ICICI, HDFC and Axis banks have providing more services and competitively running their banking business in the market. The descriptive and exploratory research used in the study. The purposive sampling used for the selection of the top 3 private banks in the study with some financial ratios and ANOVA test was used by the researcher. The three top banks have selected in the study namely ICICI, HDFC and Axis for the evaluation. The banks efficiency have determined by the profitability of the concern. The study contains the secondary data which is collected from CMIE data from the year 2008-2018.

Keywords - Banks Efficiency, Indian Banking Sector, Liberalization, Technological Developments

1. INTRODUCTION

The Indian banking sector movements have been changed after privatization period. Its operations mostly restructured and regulated after financial liberalization period under the recommendations of Narashiman Committee. The initialization of private banks has provided excellent performance compared to public sector banks in India. It has reduced some complexity of public sector banks to provide the more banking services to the people. Some technological developments have helped to the private banks for offering modernized services and increase the financial efficiency. There are some banks namely ICICI, HDFC and Axis banks have providing more services and competitively running their banking business in the market. The banks efficiency have determined by the profitability and capital structure of the concern. The capital adequacy norms are also followed by the banks as per the Reserve Bank of India (RBI) norms in India. There are more financial services provided by those private banks and there are some perplexities to select the best bank. So, the research has evaluated the financial efficiency of the top three private sector banks in India.

2. LITERATURE REVIEW

The literature review process has providing more ideas and analysis techniques in the present study.

Sayuri & Shirai (2002) has assessed the impact of reforms by examining the changes within the performance of banking sector. It found that the performance of public sector banks improved within the last half of the 1990's. Gain measured by the come on assets of nationalized banks turned positive in 1997-2000 which of SBI cluster have steady improved their value potency over the reform period. despite the fact that foreign banks and personal sector banks performed higher than the general public sector banks in terms of gain, earning potency measured by magnitude relation of financial gain to assets, and cost potency within the initial stages, such variations have diminished as public sector banks have improved gain and price potency.

Chowdhury and Islam (2009) have studied regarding the rate sensitivity of loans and advances with the analysis of monetary performance of the banks. Moreover, the services of personal industrial banks during this country area unit currently higher than before. As a result, the purchasers area unit dashing to the personal banks. Consequently, the personal industrial banks area unit perpetually growing in several branches, making employment opportunities, increasing deposit, loan disbursement, profit and earnings per share over a amount of your time. As competition is rising within the banking system thanks to the emergence of latest banks within the market, it's become necessary to judge the performance of each personal banking concern.

Karim and Alam (2013) had supposed to live the performance of 5 selected personal banks. money ratios indicating the adequacy of the risk primarily based capital, credit growth, credit concentration, non-performing loan position, liquidity gap analysis, liquidity magnitude relation, come on assets (ROA), come on equity (ROE), internet interest margin (NIM), etc. are used. Internal- based mostly, Market-based and Economic-based performance indicators are measured by come on Assets, Tobin's letter of the alphabet model and amount add. Using multiple correlation analysis they additionally tried to apprehend the impact of bank size, credit risk, operational potency and plus management on money performance and located that the impact is critical. It additionally created a good-fit regression model to predict the long run money performance of the chosen banks. The analyzer used secondary knowledge for a amount of 2005 to 2009.

Ashish Kumar & Sriraman (2015) have evaluated in their article regarding comparative study of insurance systems in varied countries, a framework for discussing these dimensions so use this framework to check the insurance systems of India, Germany, Japan, Singapore and also the United States of America. The article shows the numbers ways that wherever Indian Health system

is insulate and it might be tremendous if there have been a ways of distinguishing the characteristics of the foremost effective systems and also the most evenhanded ones and imbibe them into the Indian promoting condition. Personal amount is calculable to grow by nearly 15 percent annually until 2020, therefore giving a expectant image in future just in case of Indian insurance.

3. NEED FOR THE STUDY

The banking institutions have attained tremendous growth due to the RBI regulations and the uniqueness of the financial services in India. There are more private banks are available in the competitive market. The investors should aware about the financial efficiency of the banks to deposit their money. So, the researcher has planned to evaluate the financial efficiency of the top three private sector banks in India.

4. OBJECTIVES

The objectives of the study are given below:

1. To show the financial efficiency of the three private sector banks in India.
2. To evaluate the changes in the financial changes in the private banks in India.

5. SCOPE OF THE STUDY

The present study provides clear idea about the financial position of private sector banks in India. It contains the short-term and long-term solvency and profitability position of the selected banks in India. The study indicates to the investor about top private sector banks based on their financial efficiency of the banks in India.

6. METHODOLOGY

The study contains the secondary data which is collected from CMIE data from 2008-2018 for 10 years. The descriptive and exploratory research used in the study. The purposive sampling used for the selection of the top 3 private banks in the study with some financial ratios and ANOVA test was used by the researcher. The three top banks have selected in the study namely ICICI, HDFC and Axis for the evaluation.

7. FINDINGS

The top three private banks financial efficiency ratios are given below:

Table 1- Financial Efficiency of Private Banks in India

Ratio		ICICI	HDFC	AXIS
Current Ratio	Mean	0.10	0.05	0.04
	CAGR	0.87	4.14	12.79
Liquid Ratio	Mean	12.64	8.51	19.28
	CAGR	9.77	8.63	11.97
Debt Equity Ratio	Mean	6.82	8.93	10.67
	CAGR	-4.89	-2.48	-6.89
Capital Adequacy Ratio	Mean	17.45	15.93	14.79
	CAGR	2.21	0.71	0.85
Return on Equity	Mean	11.51	18.49	18.71
	CAGR	-1.39	-0.63	-2.22

Source: CMIE Data

Table-1 showed that financial efficiency of the top 3 private sector banks in India. The current ratio is below the standard norms and the liquid ratio is higher than the norm. The Axis bank is maintaining more liquid assets compared to other 2 banks. The banks were mostly received external funds and capital adequacy ratio is increased in the ICICI bank during the study period. The return on equity shows the profitability from the business and the Axis banks ranked as first followed by the HDFC and ICICI bank in the present study.

Table-2: ANOVA Test – Changes in the Financial Efficiency of Private Banks in India

Source of Variation	SS	df	MS	F	P-value	Significance
Between Bank	33.768	2	3.752	22.828	0.000	Significant
Between Years	55.624	9	6.180	37.604	0.000	Significant
Error	13.313	81	0.164			
Total	102.705	99				

Table-2 evaluated that the changes in the financial position of the top 3 private sector banks in the study. The P-value is lower than the 5% significant level and it determines that there were significant changes in between the years and the private banking institutions.

8. CONCLUSION

The current research work provides an idea about the private sector bank in India. In the present study, the private banks have provided more opportunities and services to the people. The financial efficiency of the banks is also good during the study period. The profitability of the banks have also influenced by the other factors and there changes in the financial variables of the top three private banks. The banks were mostly received external funds and capital adequacy ratio is increased in the ICICI bank during the study period. The return on equity shows the profitability from the business and the Axis banks ranked as first followed by the HDFC and ICICI bank in the present study. Overall, the Axis bank performance is better than other two banks performance in India.

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