

COMPARATIVE STUDY OF PROFITABILITY OF NATIONALISED BANKS AND PRIVATE SECTOR BANKS

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ABSTRACT

This paper is aimed at examining the profitability and productivity of Indian banks in relation to each other. The objective is to study the profitability of nationalised banks and private sector banks with special reference to selected three banks in India during the period 2010-2011 to 2014-2015. The samples are selected through random sampling technique and data collected from secondary sources. This study examines the relationship among the profitability of Indian commercial banks both public and private sector banks. Analysing the banks overall profitability reveal that both nationalised and private sector banks are profitable. With the increasing competition in the banking sector, profitability has become a greatest challenge to Indian commercial banks. Banks should explore every possibility for improvement and increase the profitability.

KEYWORDS: *Banking, Profitability, Nationalised banks, Private Banks.*

INTRODUCTION

Banking sector in India is broadly classified into three categories namely Nationalized Banks and SBI and associates, Private Sector Banks and Foreign Banks. All these banks and bank groups are doing banking operations for different objectives to achieve. These banks always compete with each other on different grounds and parameters. Their competition has two fold advantages to the economy and to these banks themselves. As it is a well known fact that only with competition, productivity and efficiency increases which is also true in case of the banking industry which is considered as the backbone of the economy. We have seen in the era of nationalized banks dominated banking industry where all the banking operations are done by the nationalized banks only with the sole objective of social banking where people's welfare occupies the major place. But it was also true that at that time efficiency of the banks in their operations was also not so appreciable than in today. In modern era of cut throat competition, every bank and banking group is striving to attract more and more customers towards itself, so that it can make its name in the banking industry and gets fame by their operations and working, so that their customer's loyalty can be increased towards them and they are able to utilize this in their future policies. Competition among them has also make them quality oriented. Now a day, they are not only concerned about providing their customers with lots of facilities, but the quality of those services are also their major concern issue.

STATEMENT OF THE PROBLEM

Profitability is a key performance parameter in banking sector, which reflects efficient utilization of all resources in an organization. The banks are now facing a number of challenges such as frequent changes in technology required for modern banking, stringent prudential norms, increasing competition, worrying level of nonperforming assets, raising customer expectations, increasing pressure on profitability, asset-liability management, liquidity and credit risk management, raising operating expenditure, shrinking size of spread and so on. The present study attempts to analyze the overall profitability of selected nationalised and private sector banks in India.

REVIEW OF LITERATURE

1. Mishra, B.S. (2003) conducted a study at the state level basis on allocative efficiency of the Indian Banking System in the Post-Reform Period for a time period of 1981-92 and 1993-2001. In this study the credit output dynamics has been studied for three broad sectors of each state viz. agriculture, industry and services. The results reveal that there is improvement in overall allocative efficiency in the post reform period for the majority of states.
2. Bansal (2010) attempted to find out the impact of liberalization on productivity and profitability of public sector banks in India. While measuring profitability of all the PSBs, the trend analysis results showed that net profits in absolute terms have increased for majority of the PSBs but profitability has witnessed a decline. But a few banks have improved their profitability over the period of study.
3. Guruswamy (2012) on the basis of analysis of profitability ratio it is printout that the profit in relation to

working funds shows fluctuating trend during the study period in all the banks. The analysis reveals that associate banks has outstanding performance in respect of earning profits in relation to working fund compared to SBI. Further, there is no significant difference in profit after tax in relation to working fund ratio between the years and banks as per the ANOVA.

4. Uppal, R. K., & Juneja, A. (2012) study and examine the trends on selected parameters and their impact on the performance of all the bank groups and compare the relative position of various bank groups in Indian banking industry.
5. pandia, T. D., & Vellingirib, P. (2014) Study identify the financial performance of PSBs with respect to CRAMEL and factors determining the profitability and present the findings and offer suitable suggestions to improve the profitability of the Public Sector Banks.
6. D.Mahila Vasanthi, PSalini. K. T (2016) on the basis of the profitability of commercial banks with special reference to selected five banks in India and evaluate the productivity of selected commercial banks in India. They measure and compare the relative profitability of selected banks with respect to selected parameters during the study period 2010-2011 to 2014-2015.

OBJECTIVES OF THE STUDY

- To study the profitability of nationalised banks and private banks with special reference to selected three banks in India.
- To offer suggestions to improve its profitability.

RESEARCH METHODOLOGY

“Research design is the arrangement of activities for the collection and analysis of the data in a manner that aims to combine relevance to the purpose with economy in procedure. The study carried out here is an Analytical Research. The data has been collected from secondary sources. This study was conducted for a period of five years from 2010-2011 to 2014-2015.

SBI					
Parameters	2014-15	2013-14	2012-13	2011-12	2010-11
ROA(%)	0.68	0.65	0.97	0.91	0.73
ROE(%)	10.62	10.03	15.43	15.72	12.62
ROCE(%)	8.68	8.82	11.61	13.18	11.65
Loans / Deposits(x)	0.13	0.13	0.14	0.12	0.13
Total Debt / Equity(x)	0.07	0.06	0.05	0.05	0.1
Source: www.sbi.com, www.moneycontrol.com					

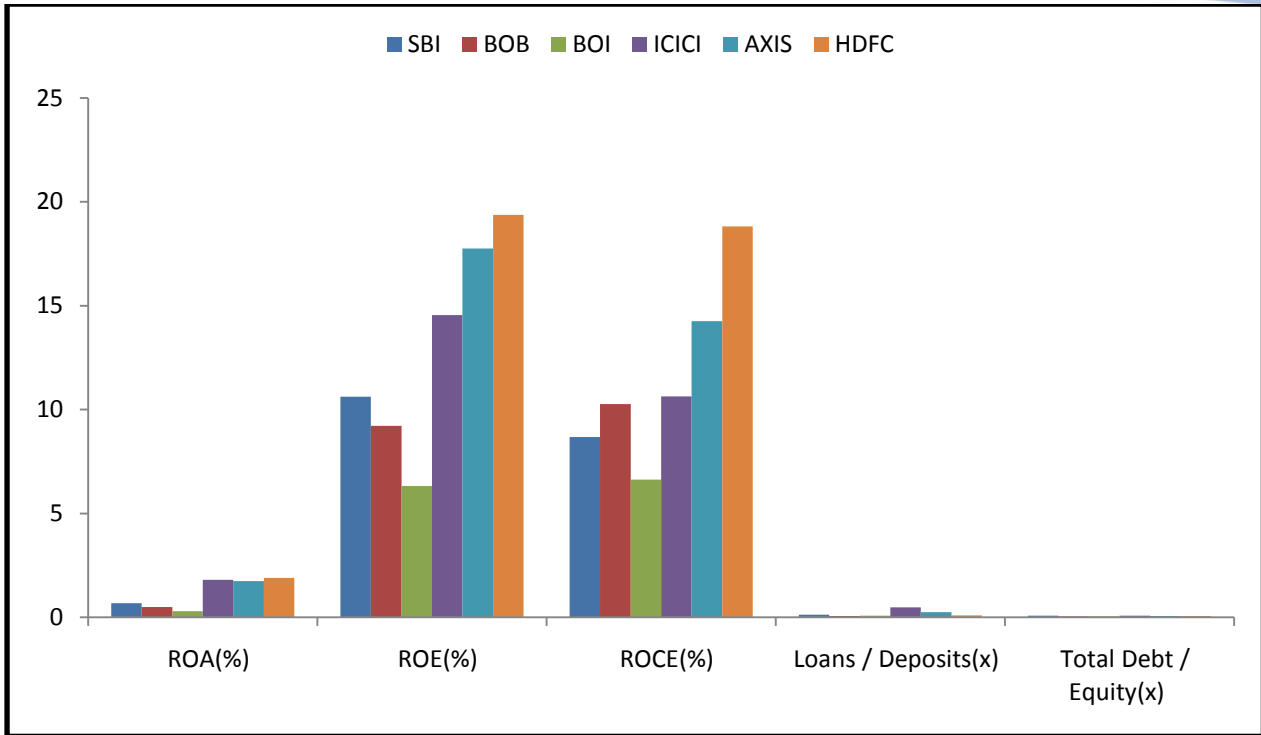
Bank of Baroda					
Parameters	2014-15	2013-14	2012-13	2011-12	2010-11
ROA(%)	0.49	0.75	0.9	1.24	1.33
ROE(%)	9.21	13.8	15.68	21.72	24.3
ROCE(%)	10.27	11.04	11.44	16.13	19.14
Loans / Deposits(x)	0.06	0.06	0.06	0.06	0.07
Total Debt / Equity(x)	0.04	0.03	0.03	0.06	0.07
Source: www.bob.com,www.moneycontrol.com					

Bank of India					
Parameters	2014-15	2013-14	2012-13	2011-12	2010-11
ROA(%)	0.29	0.53	0.66	0.73	0.79
ROE(%)	6.32	11.16	12.95	15	17.3
ROCE(%)	6.62	9.95	10.06	12.53	13.85
Loans / Deposits(x)	0.08	0.1	0.09	0.1	0.07
Total Debt / Equity(x)	0.05	0.04	0.06	0.05	0.07
Source: www.boi.com,www.moneycontrol.com					

ICICI					
Parameters	2014-15	2013-14	2012-13	2011-12	2010-11
ROA(%)	1.8	1.73	1.62	1.44	1.34
ROE(%)	14.55	14.02	13.1	11.2	9.66
ROCE(%)	10.64	10.82	10.04	9.48	8.79
Loans / Deposits(x)	0.48	0.47	0.5	0.55	0.49
Total Debt / Equity(x)	0.07	0.07	0.07	0.08	0.09
Source: www.icici.com,www.moneycontrol.com					

AXIS					
Parameters	2014-15	2013-14	2012-13	2011-12	2010-11
ROA(%)	1.74	1.72	1.65	1.61	1.6
ROE(%)	17.75	17.43	18.53	20.29	19.34
ROCE(%)	14.25	15.2	15.01	15.82	15.88
Loans / Deposits(x)	0.25	0.18	0.17	0.15	0.14
Total Debt / Equity(x)	0.06	0.06	0.06	0.05	0.07
Source: www.axis.com,www.moneycontrol.com					

HDFC					
Parameters	2014-15	2013-14	2012-13	2011-12	2010-11
ROA(%)	1.89	1.9	1.82	1.68	1.57
ROE(%)	19.37	21.28	20.34	18.69	16.75
ROCE(%)	18.82	21.53	20.63	20.98	19.34
Loans / Deposits(x)	0.1	0.11	0.11	0.1	0.07
Total Debt / Equity(x)	0.06	0.07	0.05	0.06	0.12
Source: www.hdfc.com,www.moneycontrol.com					



Above diagram show the data of Nationalised Banks and Private Banks of the year 2015.ROA of the HDFC bank is higher which is 1.89 and ROA of BOI is lower which is 0.29. In case of ROE HDFC has higher percentage which is 19.37 and BOI is lower at 6.32. Here Private banks return on equity is higher than Nationalised banks. Return on capital employed is also higher in private banks in comparison to Nationalised banks. Loans to deposit ratio and Debt to equity ratio there is no major difference between Nationalised banks and private sector banks. From the above information we can say that the position of private sector banks are better than Nationalised banks.

SCOPE OF THE STUDY

The present study is restricted to the analysis and interpretation of the published financial data through the use of commonly used tools and techniques.

CONCLUSION

This study examines the relationship among the profitability of Indian nationalised banks and private sector banks. Analysing the banks overall profitability reveal that both nationalised and private sector banks are profitable. With the increasing competition in the banking sector, profitability has become a greatest challenge to Indian commercial banks. Banks should explore every possibility for improvement and increase

the profitability. Attempts should be made to control over expenses and also the resources should be utilised in a more efficient manner.

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