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# ANALYSIS OF FINANCIAL PERFORMANCE IN BANKING SECTOR (Study of Private Banks in India)

**Biharee Lal Sharma**
Research Scholar
Department of Accountancy and Business Statistics
University of Rajasthan, Jaipur, Rajasthan
Email - Sharmabiharee991@gmail.com

***Abstract:*** *Financial performance Measuring the results of a firm's policies and operations performance results are reflected in the firm's return on investment, return on assets, value and performance..Private Sector Banks refer to those banks where most of the capital is in private hands. In India, there are two types of private sector banks viz. Old Private Sector Banks and New Private Sector Banks. Old private sector banks are those which existed in India at the time of nationalization of major banks but were not nationalized due to their small size or some other reason. After the banking reforms, these banks got license to continue and have existed in India along with new private banks and government banks.*

***Key Words:*** *Performance, Profitability and Significance*

## 1. INTRODUCTION:

Financial Performance is many different mathematical measures to evaluate how well a company is using its resources to make a profit. Common examples of financial performance include operating income, earnings before interest and taxes, and net asset value. It is important to note that no one measure of financial performance should be taken on its own. Rather, a thorough assessment of a company's performance should take into account many different measures. imost important to decide appropriate parameter at the time of measuring financial performance of banks. Till today many experts have given their opinion on parameters of financial performance of banks, even enormous numbers of research are avafinancial financial performance of banks which has used different parameters for measuring financial performance. In terms of financial performance of banks I would like to add one more point financial parameters of financial performance that time period also play a vital role infinancial selection of financiaofparameters. The Indian banking financial system comprises of 27 public sector banks, 26 private sector banks, 46 outside banks, 56 regional rural banks, 1,574 urban helpful banks and 93,913 rural cooperative banks, notwithstanding agreeable credit organizations. Public sector banks control more than 70 % of the banking financial system resources, in this manner leaving a similarly littler offer for its private associates. According to the Reserve Bank of India (RBI), India's banking financial sector has adequate capital and very much managed. The financial and monetary conditions in the nation are far better than some other nation on the planet. Credit, market and liquidity hazard ponders recommend that Indian banks are for the most part flexible and have withstood the worldwide downturn well. Indian banking financial industry has as of late seen the take off of imaginative Banking system models like installments and little back banks. RBI's new measures may go far in helping the rebuilding of the residential saving financial industry. A banks performance depends on many factors such as their financial performance or its profit earned or their profitability etc. Profit earned and profitability both are completely two different aspects, profit earned is a short term view where the profit earned for the current or previous financial year of a bank is measured. While profitability is more of a long term prospective in the view of a bank as it not just considering the profit earned by the banks but it also see how well they are doing in terms of performance, interest spread, their customer satisfaction etc., everything affects profitability. Definition of Financial per has been assessed by considering variables, viz.branches, deposits, advances, investments, spread,burden, business, operating profits, non-performing assets, cost of deposits, cost of borrowings, cost of funds, return on advances, return on investments, return on funds, net profit, spread, burden and.operating expenses and sartorial deployment of private sector banks in Kerala - A comparatiof study. Kerala: Mahatma Gandhi University). Heof in this paper the efficiency of private sector banks can be understood by measuring differeof parameters such as Capital adequacy, Asset quality, Management efficiency, Earning quality aof Liquidity using ratio so Indian banking sector has grown largely in siz

## 2. LITERATURES REVIEW:

Pathak, compared the financial performance of private sector banks in terms of financial parameters like deposits, advances, profits, return on assets and productivity. Mittal and Dhade ,made a comparative study on profitability and productivity in Indian Banks. They found that the improved profitability is the only key parameter for evaluating performance from the shareholders point of view. They found that the public sector banks are less profitable than the private sector and foreign banks in terms of overall profitability. They suggested that public sector banks should introduce more services to the customer to have an advantage of competitive over private and foreign banks. Singh et al., Financial consideration implies the conveyance of budgetary. Administrations, including Banking system administrations and credit, at a moderate cost to the huge sectors of hindered and low-wage bunches who have a tendency to prohibit Chhabra): Budgetary consideration considers the investment of helpless gatherings, for example, weaker sectors of the general public and low pay gatherings, in light of the degree of their entrance to financial administrations, for example, reserve funds and installment account, credit protection, annuities and so forth.. Suby, B. For this research work financial performance of banks is measured by selected financial performance parameters which are divided into seven heads such as capital adequacy ratios,debt coverage parameters, balance sheet parameters, management efficiency parameters,profitability parameters, employee's efficiency parameters and non performing assets parameters.

**3. Financial Performance Analysis:**

Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial analyst program provides vital methodologies of financial analysis. Financial analysts often assess the firm's production and productivity performance (total business performance), profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance. Various financial ratios analysis includes

- Working capital Analysis
- Financial structure Analysis
- Activity Analysis
- Profitability Analysis

**4. Banking Sector performs:**

- Banks are one of the most established financial go-betweens in the budgetary system. They assume a urgent part in the assembly of stores from the dispensing of credit to different sectors of the economy. The Banking system mirrors the monetary strength of the nation. The quality of the economy of any nation essentially relies on the quality and proficiency of its monetary system, which thusly relies upon a sound and dissolvable Banking system.
- A Banking Sector performs three essential capacities in economy, the activity of the installment system, the assembly of reserve funds and the allotment of sparing to speculation items. Financial Performance of the banks are dissected through different Financial Performance Indicators of banks, for example, Capital, Reserves and Surplus, Deposits, Advances, Net Interest Income, Provisions for NPA, Provision Coverage Ratio, Operating Profit, Net Profit, Return on Average Assets, Return on Equity, Profit per Employee, Business per Employee, EPS, Dividend Per Share, Capital Adequacy Ratio, CASA proportion and so on.
- Monetary Performance is an imperative apparatus to evaluate the execution of different banks as far as productivity, working effectiveness, solidness and so on. All the partners are keen on the financial execution of the banks to think about budgetary strength of the banks. It is obligatory for all banks to submit different financial articulations according to recommended banking norms quarterly to RBI according to Banking Regulation Act and RBI Act and to distribute it in daily papers, magazines, sites and so forth for the advantages and data for all partners i.e. bank's best administration, center administration, bank's officers and representatives, governments, financial specialists, investors, institutional speculators, different contenders and so on.
- The execution of the firm can be estimated by its financial outcomes, i.e., by its size of income. Peril and benefit are two main considerations which mutually decide the estimation of the worry. Monetary choices which increment dangers will diminish the estimation of the firm and then again, budgetary choices which increment the benefit will build estimation of the firm. Hazard and benefit are two basic elements of a business concern.

**5. Significance of Financial Performance Measurement:**

- The present examination endeavors to assess the budgetary exhibition of chose Indian private banks for the period from 2012/13 to 2016/17. The examination includes 5 private banks, and the monetary exhibitions of these banks are broke down utilizing the money related proportions. As for productivity proportion, it is seen that the private banks have a superior ROA, ROE, P/E proportion and EPS than the open banks. Be that as it may, the private banks experienced a wide margin in its overall revenues and the open division banks have kept up an unfaltering resource turnover proportion all through the examination time frame. The private banks are observed to be moderately superior to anything the open segment manages an account as for dissolvability proportion and capital ampleness proportion.The performance of banks in India has been assessed by considering variables,

- vizvibranches, deposits, advances, investments, spread, burden, business, operating profits, NPA,cost of deposits, cost of borrowings, cost of funds, return on advances, return on investments,return on funds, net profit, spread, burden and operating expenses and sectorial deployment of credit There will be a vast difference in terms of selecting parameters for financial performance,performance of banking sector, as Indian banking sector is divided into different sectors such
- as SBI and its associates banks, nationalized banks, old private sector banks, new private sector banks etc…which has some distinct characteristics in terms of its operations, rules etc regulations etcThe diversity of Indian banking sector makes it more difficult for researcher to determine and and come up with a final list of parameters for financial performance of banking sector which which give equal representation to all banks and also depict true picture about financial performance of Indian banking

✓ Debt coverage parameters
✓ Balance sheet parameters
✓ Management efficiency parameters

Profitability parameters

✓ Employee efficiency parameters
✓ Nonperforming assets parameters

**5.1. Private Sector Banks in India:**

Private Sector Banks refer to those banks where most of the capital is in private hands. In India, there are two types of private sector banks viz. Old Private Sector Banks and New Private Sector Banks. Old private sector banks are those which existed in India at the time of nationalization of major banks but were not nationalized due to their small size or some other reason. After the banking reforms, these banks got license to continue and have existed in India along with new private banks and government banks. Some other old generation private sector banks in India have merged with other banks. For example, Lord Krishna Bank merged with Centurion Bank of Punjab in 2007; Sangli Bank merged with ICICI Bank in 2006; Centurion Bank of Punjab merged with HDFC in 2008.More recently, in 2016, the ING Vysya Bank merged with Kotak Mahindra Bank, creating the fourth largest private sector bank in India. The new private sector banks were incorporated as per the revised guidelines issued by the RBI regarding the entry of private sector banks in 1993. At present, there are nine new private sector banks as follows:

- Axis Bank
- Development Credit Bank (DCB Bank Ltd)
- HDFC Bank
- ICICI Bank
- IndusInd Bank
- Kotak Mahindra Bank
- Yes Bank
- IDFC

**5.2. HDFC Bank:**

No doubt that the Bank deserves to be in the first place. It was founded in 1994, and it was the Arun Puri, who had floated the random figure of '300 branches in the next 3 years' as his business plan. Because of long-term vision, the Bank generated a massive revenue of 1.17 lakh crores in 2019, and out of it, the bank secured a decent net profit of Rs 21,078 crores. It offers a wide range of products like credit cards, Debit cards, home loans, auto loans, and personal loans.

**Mumbai, Maharashtra:**

**5.3. Kotak Mahindra:**

Kotak Mahindra Finance Ltd. was an NBFC until it got a banking license from the RBI in 2003. It converted into a bank – Kotak Mahindra Bank Limited – and became the first NBFC to turn into a bank. Later in 2015, it acquired ING Vysya Bank at Rs 150 billion. In the year 2019, it generated revenue of Rs 28547 crores, out of which it managed to secure a profit of Rs. 5827 crores. The Bank has also entered in the neo banking services through its services called Kotak 811. The bank offers banking services, personal loans, car loans, home loans, and investment options.

**5.4. ICICI Bank:**

ICICI Bank was founded in 1994. And, by the year of 2010, the Bank had acquired 9 medium and small banks. In the year 1998, the Bank launched its net banking services. Today, it offers investment products, personal loans, car loans, and insurance policies. In the year 2019, it generated a revenue of Rs 73,913 and a net profit of Rs. 3,363 crores.

**Mumbai, Maharashtra:**

**5.5. Axis Bank:**

Earlier, the Bank was known as UTI Bank. It began its operation in 1993 and became the first Bank to launch its travel currency card. 2005 it was listed on the London Stock Exchange and opened its branches in the overseas country. In 2007, it became Axis Bank which now offers personal loans, car loans, home loans, and other banking services. In 2019, with the strength of 55000 employees, it recorded a revenue of 41,409.25 crores and the net income of Rs 857.59 crores.

**Mumbai, Maharashtra**

**5.6. Yes Bank:**

Yes Bank Limited was established in 2004 but from the past year the bank is under RBI’s scrutiny for an increased bad loan of Rs 42,000 crore. Now, contrary to focusing on corporate banking, the bank is planning to work as a retail bank. However, the SBI wants to rescue it by infusing capital raised from prominent banks like HDFC, ICICI, Kotak Mahindra, Axis Bank, and the local investors. Remember, Yes Bank used to lend syndicated loans to retail, medium-scale

## 6. CONCLUSION:

The quick ratio measures a company's ability to pay its short-term debt, without relying on the sale of its inventory. Here, ICICI bank quick ratio is more than HDFC bank so ability to pay its short-term, debt without relying on salr of its inventory is better than HDFC bank credit deposit ratio of ICICI bank is too high. .Private bank total assets turnover ratio when Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. So, HDFC Bank gets a high ratio about total assets ratio it means that ICICI bank have low profit margins compare to HDFC bank.The quick ratio measures a company's ability to pay its short-term debt, without relying on the sale of its inventory. Here, ICICI bank quick ratio is more than HDFC bank so ability to pay its short-term, debt without relying on salr of its inventory is better than HDFC bank credit deposit ratio of ICICI bank is too high.

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