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## A STUDY ON PROFITABILITY ANALYSIS OF NATIONALISED AND PRIVATE SECTOR BANKS IN INDIA

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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 two banks in India during the period 2011 to 2015. The samples are selected through random sampling and collected data 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, Nationalised banks, Private Banks*

### INTRODUCTION

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 non-performing 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. 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.

### REVIEW OF LITERATURE

1. Jaimin P. & Kishor B. (2017), 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. Analyzing the banks overall profitability reveal that both nationalised and private sector banks are profitable.

2. Samuel E., Joseph A. & Matey J., (2016), The main objective of the study was to compare the profitability of local and foreign banks in Ghana. Data from financial statements of six selected banks were used. Ratio analysis was used and we find wide fluctuations in the performance of both foreign and local banks in all the ratios. We also find that, the foreign banks performed such better than the local banks in terms of ROA, CA, and ROE. However, the local banks did better than the foreign banks in ROA and ROE in 2013 and 2014. On the other hand, the local banks outperformed the foreign banks in ME.
3. Ahmad, R., Koh, E. H., & Shaharuddin, S. S. (2016), this paper identifies the determinants of profitability using an unbalanced panel of 78 East Asian and 89 Latin American banks for the period 2003-2014. We regress profitability against bank-specific variables (capital adequacy, cost-income ratio, liquidity ratio, loan loss reserve ratio, and bank size) and macroeconomic variables (gross domestic product, inflation and bank concentration). Our dynamic panel regression model suggests that bank profitability in East Asia is determined by more bank-specific variables than macroeconomic variables; the reverse, however, applies to Latin America. We contribute to current literature by: 1) using a more robust profitability measure (risk-adjusted returns); 2) employing both bank-specific and macroeconomic variables; 3) studying two large and fast-developing

regions of East Asia and Latin America. Our findings enhance our theoretical and practical knowledge of bank-specific profitability determinants.

4. B. Bodla & Richa V. (2006), an efficient management of banking operations aimed at ensuring growth in profits and efficiency requires up-to-date knowledge of all those factors on which the bank’s profit depends. Accordingly, in this paper we have made an attempt to identify the key determinants of profitability of Public Sector Banks in India. The analysis is based on step-wise multivariate regression model used on temporal data from 1991-92 to 2003-04. The study has brought out that the variables non-interest income, operating expenses, provision and contingencies and spread have significant relationship with net profits.

**OBJECTIVES**

The following broad objectives are laid down for the purpose of the study:

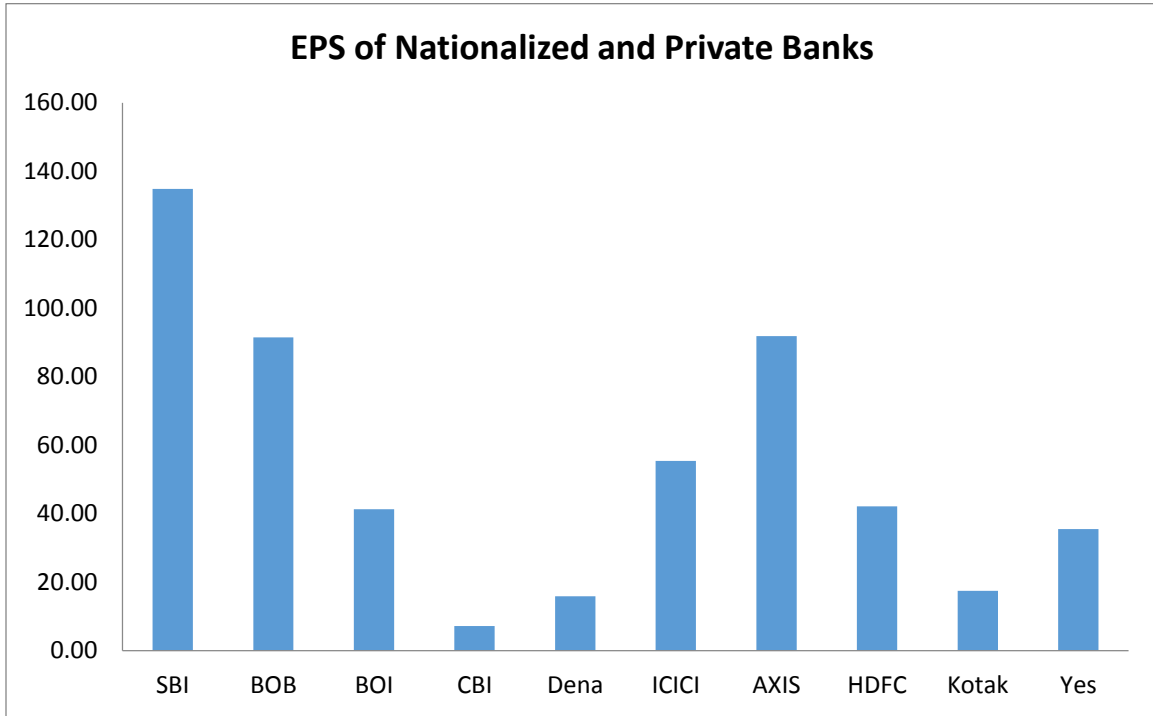
- To study Profitability trend in last 5 years of private and public sector banks.
- To make a comparative study of profitability of public sector and private sector banks.
- To offer suggestions to improve its profitability.

**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.

EPS of Banks						
Banks	2011	2012	2013	2014	2015	Average
SBI	130.15	174.46	206.2	145.88	17.55	134.85
BOB	108.33	121.79	106.37	105.75	15.37	91.52
BOI	45.54	46.66	46.14	42.49	25.7	41.31
CBI	28.15	5.49	8.28	-9.35	3.66	7.25
Dena	18.35	22.94	23.15	10.26	4.73	15.89
ICICI	44.73	56.09	72.17	84.94	19.28	55.44
AXIS	82.54	102.67	110.68	132.34	31.04	91.85
HDFC	84.4	22.02	28.27	35.34	40.76	42.16
Kotak	11.1	14.65	18.23	19.51	24.16	17.53
Yes	20.95	27.68	36.27	44.86	48.01	35.55

Source: Annual Reports

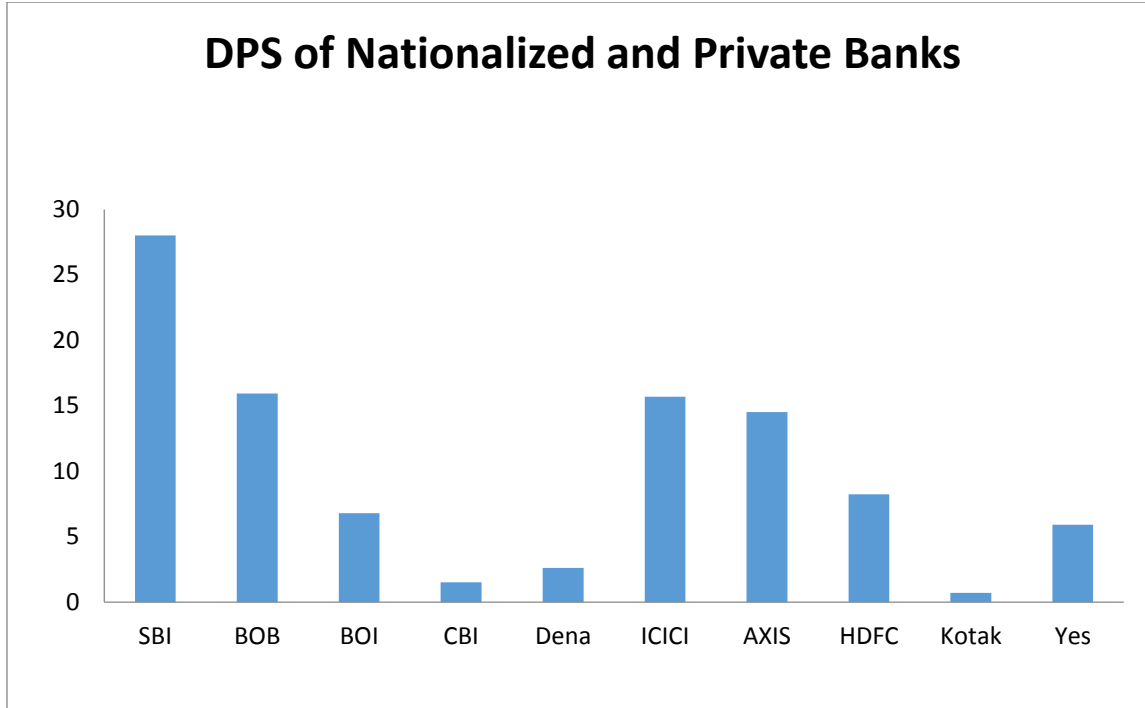


From the above information we can suggest that in the year 2015 Earning per Share of Private Banks is higher in comparison to the Nationalised Banks. In the year 2015 the earning per share of HDFC

bank is higher which is 40.76. In nationalised bank earning per share of SBI is higher which is 17.55. So, we can say that earning of private banks is higher than nationalised bank.

Banks	DPS					Average
	2011	2012	2013	2014	2015	
SBI	30	35	41.5	30	3.5	28
Bank of Baroda	16.5	17	21.5	21.5	3.2	15.94
Bank of India	7	7	10	5	5	6.8
Central Bank of India	2.5	2	2.5	0	0.5	1.5
Dena bank	2.2	3	4.7	2.2	0.9	2.6
ICICI	14	16.5	20	23	5	15.7
AXIS	14	16	18	20	4.6	14.52
HDFC	16.5	4.3	5.5	6.85	8	8.23
Kotak Mahindra Bank	0.5	0.6	0.7	0.8	0.9	0.7
Yes Bank	2.5	4	6	8	9	5.9

**Source: Annual Reports**



Dividend per share in nationalised banks is lower in connection to private banks. In nationalised bank highest dividend per share is 5 from Bank of India and lower is 0.5 of central Bank of India. In private banks highest dividend per share is 9 of Yes Bank and lower is 0.9 of Kotak Mahindra Bank. Dividend per share of private banks is higher than the nationalised bank.

### CONCLUSION

This study examines the relationship among the profitability of Indian public banks and private sector banks. With the increasing competition in the banking sector, liquidity has become a greatest challenge to Indian commercial banks which will affect the profitability of banks. Banks should explore every possibility for improvement in their profitability. From the above data we can say that the EPS and DPS of private banks is higher in comparison to nationalized banks.

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