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A STUDY ON FINANCIAL PERFORMANCE PRIVATE SECTOR BANKS

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Abstract:

In the financial management process, the initial stage of the process is a financial analysis or review of the firm financial analysis is essentially the first step towards gaining a sound understanding ofa business regarding once own or competitors financial strengthens and weakness., its financial opportunities and risk etc. The purpose of financial analysis is to diagnose the information contained in the financial statements so as to judge the profitability and the financial soundness of the firm.

I.INTRODUCTION

Banking system is an important constituent of overall economic system. It plays an important role in mobilizing the nation's savings and in channelizing them into high investment priorities and better utilization of available resources. Banks play an important role in the economic development of a country. Their ability to make a positive contribution in igniting the process of growth depends on the effective banking system. These banks mostly deal with money collected in the form of deposits along with their own funds in the form of share capital. So the banks have the obligation of meeting the demand of the customers promptly, paying interest for the amount and meeting the expenses to carry out its activities.

Maintenance of liquidity and profitability are contradictory in nature. The maintenance of liquidity is necessary to prove the fact that the bank is able to meet its commitments without fail and is paying the day to day expenses. Thus liquidity refers to the ability of the concern to fulfill its obligations promptly. Whereas, profitability is primarily the measure of the overall success of business and so, it is the ability to earn profit. Profitability is the most powerful motivational factor in any business. The larger the profit, the more efficient and profitable a business is deemed to be. It is the engine that drives a business concern. It also enables a concern to discharge its obligations to the various segments of the society.

II. REVIEW OF LITERATURE

Anil Kumar Soni and Abhay Kapre (2005) had analysed the performance of Regional Rural Banks in India. The study is based on secondary data and the period of study was from 2006 – 2007 to 2010 – 2011. Statistical tool like growth rate was considered for the analysis purposes. The study has concluded that Regional Rural Banks have to concentrate on speedy, qualitative and secure banking services to retain existing customers and to attract potential customers.

Mohi – ud – Din Sangmi and Tabassum Nazir (2005) have analysed the financial performance of commercial banks in India by applying CAMEL model. The study is based on secondary data and the period of study was from 2000 – 2001 to 2004 – 2005. 2 banks form the sample. Statistical tools like mean and standard deviation were used. The study revealed that the position of banks was sound and satisfactory as far as their capital adequacy, asset quality, management, capabilityand liquidity was concerned.

III. STATEMENT OF THE PROBLEM

The private sector banks are lacking in branch network and market coverage, they have competitive strengths in regular innovations. They are providing better services to customers. Theyare under effective management and control. The other good points towards private sector banks are low cost of operation, higher profitability ratio, low accumulation of un-remunerative and lowyielding assets, smaller in size leading to effective supervision etc.

IV. OBJECTIVES OF THE STUDY

1. To analyse the profitability of selected private sector banks in India.
2. To evaluate the financial measures.
3. To predict the future trend values through the selected private sector banks in India.
4. To offer suitable suggestion based on the findings of the study.

V. METHODOLOGY OF THE STUDY

To achieve the above mentioned objectives of the study, the following methodology have been adopted.

Tools

- Ratio Analysis
- Trend Analysis
- Mean
- Standard deviation (S.D)
- Coefficient of Variation (CV)

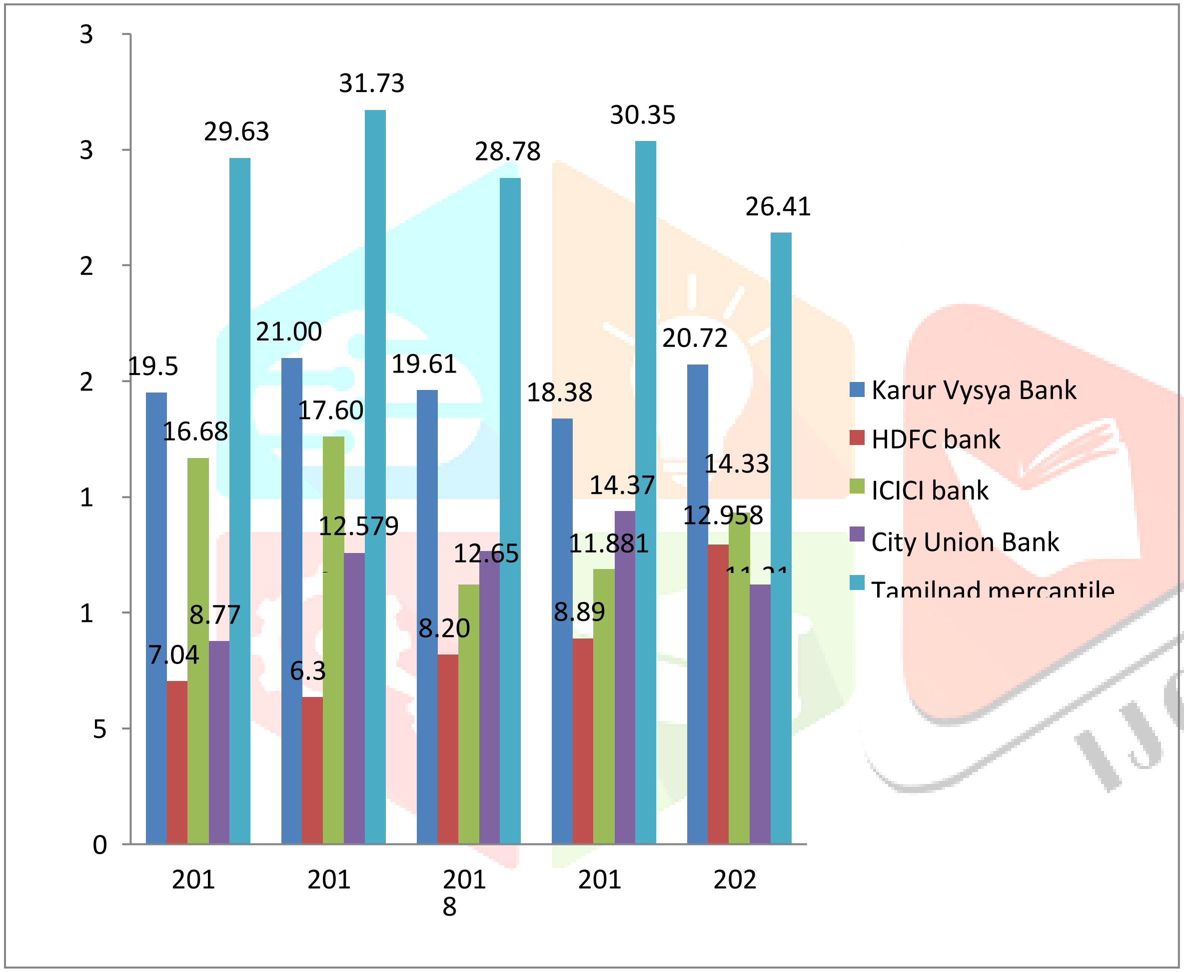
TABLE – 4.1

CURRENT RATIO

Banks / Year	2016	2017	2018	2019	2020	Mean	SD	CV
Karur Vysya Bank	19.520	21.003	19.616	18.384	20.724	19.850	1.05	5.287
HDFC bank	7.045	6.360	8.204	8.894	12.958	8.692	2.58	29.681
ICICI bank	16.689	17.607	11.227	11.881	14.339	14.349	2.83	19.690
City Union Bank	8.773	12.579	12.659	14.375	11.211	11.919	2.09	17.504
Tamilnad mercantile bank	29.637	31.733	28.789	30.354	26.413	29.385	1.98	6.743
Mean	16.333	17.856	16.099	16.778	17.129			
SD	9.09	9.52	8.24	8.35	6.31			
CV	55.670	53.315	51.157	49.761	36.846			

CHART – 4.1

CURRENT RATIO


3
3
2
2
1
1
5
0
29.63
31.73
28.78
30.35
26.41
19.5
21.00
19.61
18.38
20.72
16.68
17.60
12.579
12.65
14.37
11.881
14.33
12.958
8.77
7.04
6.3
8.20
8.89
201
201
201
8
201
202
Karur Vysya Bank
HDFC bank
ICICI bank
City Union Bank
Tamilnad mercantile

INTERPRETATION

In the above table 4.1.1 the Current Ratio of the Infosys Company is above the standard norms(2:1). The Current Ratio was highest in the year 2010-2011 and lowest in the year 2019-2020.

In the above table 4.1.1 the Current Ratio of the Tech Mahindra Company is above the standard norms. The Current Ratio was highest in the year 2015-2016 and lowest in the year 2012-2013.

In the above table 4.1.1 the Current Ratio of the 3i InfoTech Company is below the standard norms. The Current Ratio was highest in the year 2019-2020and lowest in the year 2014-2015.

In the above table 4.1.1 the Current Ratio of the L&T Company is above the standard norms. The Current Ratio was highest in the year 2018-2019 and lowest in the year 2014-2015.

TABLE - 4.2

PREDICTION OF FUTURE TREND VALUES FOR CURRENT RATIO

Banks / Year	**2021**	**2022**	**2023**	**2024**	**2025**
Karur Vysya Bank	19.786	19.765	19.744	19.723	19.702
HDFC bank	13.000	14.436	15.872	17.308	18.744
ICICI bank	11.221	10.178	9.136	8.093	7.050
Kotak Mahindra	13.921	14.588	15.255	15.923	16.590
Tamilnad mercantile bank	27.037	26.254	25.472	24.689	23.906
Bank Wise	16.993	17.0442	17.0958	17.1472	17.1984

CHART - 4.2

PREDICTION OF FUTURE TREND VALUES FOR CURRENT RATIO

INTERPRETATION

The result of trend analysis in relation to Current Ratio is exhibited in the Table 4.2. The trend analysis for Current Ratio is computed based on the data for 5 years ranging from 2016 to 2020. The projection has been made for 5 years with an intention to know about its trend for a period ranging from 2021 to 2025.

The overall results of the trend analysis in relation to Current Ratio reveals that the volume of future amount towards Current Ratio may move from 7.050 to 27.037. The future amount of Current Ratio may increase continuously in the case of two banks namely HDFC bank and KotakMahindra. The volume of liquidity is at the fluctuating trend in the case of remaining three banks namely Karur Vysya Bank, ICICI bank and Tamilnad mercantile bank. The Bank wise combinedvolume of Current ratio is the increasing trend. The volume of current ratio is ranging from 16.993to 17.1984.

VI. FINDINGS

They have helped made Indian banking system more competitive and efficient. The important results of the study are prevented in the following paragraphs

VII. SUGGESTIONS

Since the banking sector reforms have been set in motion, the profitability became the buzzword, and the prime mover of the financial strength and performance of banks. Unlike in the past, all banking operations gradually came to be measured in terms of their ability to generate possibilities of social banking for their meaningful survival and growth. Therefore, there should be a shift in the banks objective from bank growth. The following important steps are taken by thesample banks for overall real growth.

VIII. CONCLUSION

Banking Sector Reforms have changed the face of Indian banking industry. The reforms have led to the increase in resource productivity, increasing level of deposits, credits and profitability. However, the profitability, which is an important criteria to measure the performanceof banks in addition to productivity, financial and operational efficiency has come under pressure because of changing environment of banking. An efficient management of banking operations aimed at ensuring growth in profits and efficiency requires up-to-date knowledge of all those factors on the bank's profit. In recent year, there have been considerable pressures on theprofitability of banks. A lower profitability may rise due to lack of control over the expenses. Banks are urged to generate sufficient revenue to meet the rising cost of fund. Profitability is a keyresult area where performance and results directly and virtually affect the survival. Therefore, every bank should aim at increasing their performance for earning profits by rendering best and quality products and services to the customers and for their survival as well.

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