International Journal of Engineering & Technology, 7 (4.36) (2018) 177-181

International Journal of Engineering & Technology

Website: www.sciencepubco.com/index.php/IJET

Research paper



Financial Performance - A Study on Indian Banks

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Abstract

Banks play an active role in the financial growth of kingdom. Their capacity to make a affirmative involvement in igniting the method of increase calculate on the valuable banking scheme. Banking coordination is an significant ingredient of the in general money-making system. It plays a major role in mobilizing the nation's savings and in channelizing them into high speculation priorities plus better consumption of presented possessions. The present examination endeavors to dissect budgetary execution of Six chose Indian Public segment banks and private area Banks like Vijaya bank, Dena bank, Syndicate bank, Yes Bank, Dhanlaxmi bank, City Union bank. This investigation inspects and assesses the simultaneous execution of picked few noteworthy Indian banks amid 2017-2011. With the end goal to pass judgment on their execution, the present investigation thinks about the money related position of different open and private area Banks. Furthermore, to demonstrate this practicality, utilized the considerations ─ Return on Asset, come again on Equity and Net attention Margin, working interest edge, Interest salary/add up to resources, ROI, Net benefit. Besides, his investigation finds out through quantitative research utilizing Analysis of combined T test.

Keywords: *Financial performance, Private and Public sector banks, GDP, RBI*

1. Introduction

Indian reduction money is the life collector of the kingdom also its kin. Keeping money have helped in construction up the deep-seated areas of the financial system with introduce a different day break of improvement on the Indian sky line. The part has interpreted the expectations and purpose of a huge figure of persons keen on the real world. Yet, to do as such, it has compulsory to organize miles and miles of trouble some province, endure the outrages of remote lead as well as the aches of segment. Nowadays, Indian banks canister unquestionably assert by present day banks of the globe. In the Indian Banking structure, Cooperative banks subsist then to each other among production reservoirs plus presume a strengthening job in charitable require based reverse, predominantly for rural also agribusiness support activities counting cultivating, steers, ditch, incubation midpoint, personality fund along with so forth at the side of some small enterprise furthermore self-governing job obsessed movements. By also great, co-agent depository are manage by the meticulous co-agent manifestation of country administrations. In any case, given that banks happening to be restricted by the RBI behind primary March 1966, these banks are furthermore directed by the RBI later than amendment to the Banking instruction Act 1949. The Reserve Bank is in arraign of authorizing of banks along with undergrowth, in addition to it likewise administer recognition cut off points to state co-agent puts money for the benefit of indispensable co-agent banks in favors of investment SSI units. Organization an description in India began in the primary decade of eighteenth century through The Universal Bank of India appearing in 1786. This was follow by Bank of Hindustan. Mutually these banks are currently old. Before this, the Indian government built up 3 administration banks in India. The initial of three was the Bank of Bengal, which gets indenture in 1809, the extra two supervision bank, viz., the Bank of Bombay moreover the Bank of Madras, were build up in 1840 and 1843, independently. The 3 organization banks were in this way compound keen on the Imperial Bank of India (IBI) less than the imposing Bank of India Act, 1920 – or, in other words as the State Bank of India.

2.Review of Literature

As per Mani Govil, Mishu Tripathi, Financial execution of best positioning Indian banks in the post emergency period looks at the effect of the worldwide emergency on an example of best ten positioning banks by utilizing pattern examination of imperative money related markers. Our outcomes presume that normal gainfulness of the main 10 positioning invest enhanced post emergency as their praise request developed reliably. The paper endeavors to contemplate the effect of the worldwide money related emergency on the Indian managing an account industry overall and on the chose banks. As per D. K. Malhotra, Raymond Poteau, Rahul Singh, Appraise the execution of business banks in India inspects the conduct of productivity, cost of intermediation, effectiveness, soundness of the managing an account framework, also manufacturing fixation designed for open along with confidential part Indian business banks.

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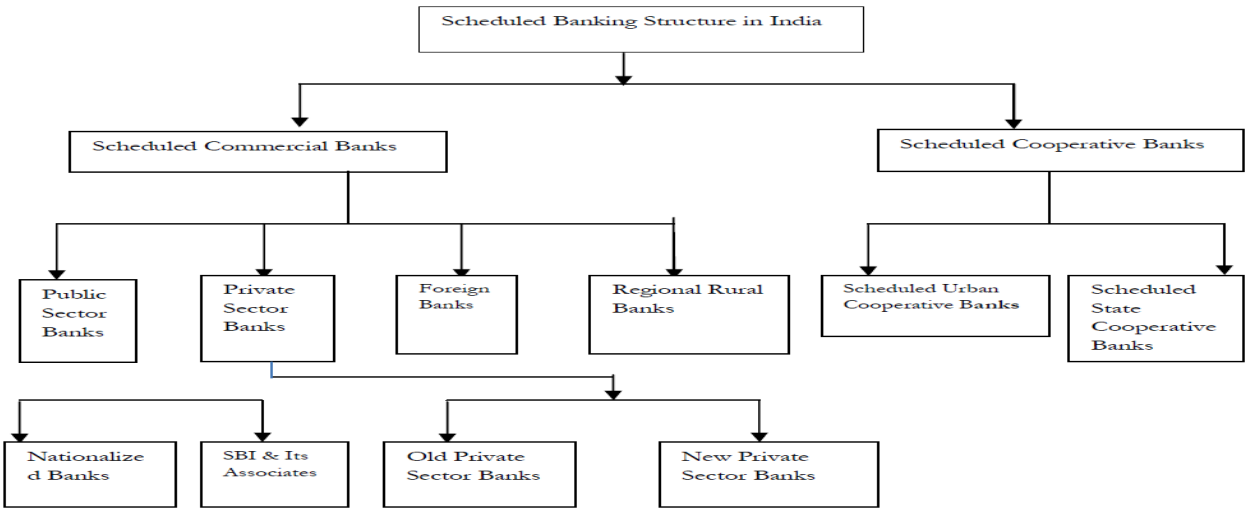


Figure 1: The Figure shows the Scheduled banking structure in India

The investigation centers around the effect of the current monetary emergency on wellbeing and soundness of the general population and private division banks in India. Dr. Ansarul Haque, said that he inspects and assesses the simultaneous execution of picked few noteworthy Indian banks amid 2009-2013 after the worldwide money related droop of 2008. Profit for benefit, homecoming on impartiality and Net Interest boundary is the parameters utilized in this examination. Study finds out through quantitative research utilizing Analysis of Variance (ANOVA). In this examination optional information is utilized. The present investigation proposes to pass judgment on the money related execution and accomplishments of the Indian business managing an account area over a time of five years (2009-2013). Avneet kaur his investigation covers a time of ten years from 2000 - 01 to 2009 – 10. In this analyst has utilized development Rate, Composite Increase Rate, Coproductive of relationship, Ratio examination, Median Test devices for dissecting the benefit execution of open segment business banks in India. Connection strategy is utilized by the scientist in this examination to discover the connection between Interest earned and benefits and other wage and benefits. The analyst broke down and looked at the benefit of PSCBs working in India. Jeevan Jayanth Nagarkar, Investigation of Economic Performance of Banks in India, endeavor to break down execution of five noteworthy open, private and outside segment manages an account with guideline part investigation on the money related parameters. Auxiliary information was taken in this examination. The present investigation has 15 banks (SBI, PNB, BOB, BOI, Canara Bank, ICICI, HDFC, AXIS, DCB, IndusInd Bank, CITI, SCB, HSBC, DBS and Deutsche bank) which are looked over all revealing banks to RBI.

Dr.M.Dhanabhakyam, M.Kavitha, Monetary execution of chose open part banks in India. For this examination six Public Sector Banks (BOI, IB, Indian abroad bank, Canara bank, Union bank of India also State bank of India) are chosen. To achieve the destinations of the examination, auxiliary information were utilized. The examination is sequential and covers a period from 2001 to 2010. Hari Krishna Karri, Kishore Meghani, Bharti Meghani Mishra, A relative report on money related execution of open division banks in india: an investigation on camel show this examination is to break down the Pecuniary arrangement with Presentation of the Bank of Baroda in addition to Punjab National Bank in India dependent on their budgetary qualities. This examination endeavours to gauge the relation execution of Indian banks. Meant for this investigation, we contain utilized open division banks. We realize to facilitate in the administration segment, it is hard to measure the yield since it is impalpable.

3.Research Methodology

This methodology is used towards appraise the presentation of community and private subdivision Banks. To analyze the profitability position of the Banks by using various ratios of the past seven years. The population is 42 Banks in Public as well as confidential sector. The sample size of research is 6 out of which 3 Public sector Banks also 3 Private sector Banks. The method used for the research is convenient sampling. Secondary data is used for the study.

3.1 Significance of the study

This study mainly focuses on the profitability of selected private as well as public segment banks. This helps us to identify the profitability position of the banks when compare to other banks and makes us to suggest the required measures to be taken to progress the financial concert of the banks. The problems and suggestions from the banks to improve productivity effectiveness also covered.

3.2 Research Gap

The financial performance of the banks helps to gain the competitive advantage in the banking industry. Most of the researchers had already conducted the research on the financial performance of various banks like (SBI, ANDHRA BANK, ICICI, AXIS, etc) which are most familiar to us.This study helps us to find the financial presentation of particular banks along with confidential sector banks (Vijaya Bank, Dena bank, Syndicate Bank & Yes bank, Dhanlaxmi Bank, Citi union Bank) with selected variables.

3.3 Objectives of the learn

1) To evaluate and compare the financial performance of Indian Banks.

2) To estimate the profitability performance of public and private sector banks in India.

3) To examine the economic position of particular banks.

3.4 Hypothesis of the study

H1: Vijaya Bank ROA, ROE, working profit/margin, Net interest margin, plus Interest income / sum assets has shown the impact on ROI.
H2: Vijaya Bank ROA, ROE, in commission earnings/margin, Net interest margin, Interest income / whole assets has shown the impact on Net profit.
H3: Dena Bank ROA, ROE, in service income/margin, Net interest margin, Interest income / entire assets has shown the impact on ROI
H4: Dena Bank ROA, ROE, in commission profit/margin, Net interest margin, Interest income / total assets has shown the impact on Net Profit.

4.Data analysis

The Paired illustration t Test thinks concerning 2 implies so as to are starting a comparable personality, protest, or correlated units. The 2 resources normally speak to two exceptional occasions (e.g., pre-test plus post-test through a negotiation surrounded by the two instance focuses) or two characteristic however associated circumstances or units (e.g., left with right ears, twins). The reason for the test is to decide if there is quantifiable proof that the mean contrast between collective perceptions on a specific result is fundamentally not quite the same as zero. The Paired Samples t Test is a parametric test. How about we expect two combined sets Xi and Yi for I = 1, 2… .n with the end goal that their matched distinction are free and indistinguishable and typically conveyed. At that point the combined t test decides if they contrast from one another altogether. Matched T test depends on the contrasts between the estimations of each combine that is one subtracted from the other. In the recipe for a matched t-test, this distinction is recorded as d. Equation of the combined t test is the proportion of the entirety of the distinctions of each match to the square base of n times the total of the distinctions squared less the total of the squared contrasts, all over n - 1.

$$t = \frac{\sum d}{\sqrt{\frac{n(\sum d^2)-(\sum d)^2}{n-1}}}$$

where, $\sum d$ = Sum of the differences.

Table 1: Table shows the Vijaya Bank

Years	Roa	Roe	Operating Profit/ Margin	Net Interest Margin	Interest Income/ Total Assets	Roi	Net Profit
2011	0.63	15.76	-0.16	2.37	7.12	2.08	523.82
2012	0.6	15.39	0.66	1.98	8.34	2.02	581
2013	0.52	14.29	-0.23	1.69	8.15	1.86	585
2014	0.3	7.37	-2.74	1.51	7.79	0.97	415
2015	0.3	7.41	-3.58	1.6	8.6	0.98	439
2016	0.26	5.84	-4.07	1.89	8.31	0.91	381
2017	0.48	10.25	-7.27	2.26	7.99	1.68	750
Average	0.441429	10.90143	-2.484285714	1.9	8.042857143	1.5	524.9742857

Table 2: Table shows the Dena Bank

Years	**Roa**	**Roe**	**Operating Profit Margin**	**Net Interest Margin**	**Interest Income/ Total Assets**	**Roi**	**Net Profit**
2011	0.86	17.68	1.54	2.48	7.1	3.25	611.63
2012	0.91	18.71	3.25	2.4	7.77	3.48	803.14
2013	0.71	14.05	1.74	2.1	7.84	2.35	810
2014	0.44	7.7	-3.65	2	7.99	1.5	551
2015	0.2	3.56	-4.23	1.88	8.28	0.726	265
2016	-0.7	0	-15.51	1.85	7.97	-2.65	-935
2017	-0.66	0	-20.77	1.85	7.85	-2.171	-863
Average	0.251429	8.814286	-5.375714286	2.08	7.828571429	0.926	177.53857

H1: Vijaya Bank ROA, ROE, operating profit/margin, Net interest margin, Interest revenue / total resources has shown the impact on ROI

Table 3: Matching samples test for Vijaya bank

		Paired Differences	t	df	Sig. (2-tailed)
		95% Assurance Interval of the Difference			
		Upper			
Pair 1	ROI - ROA	1.40550	7.466	6	.000
Pair 2	ROI - ROE	-5.98761	-6.739	6	.001
Pair 3	ROI - operating profit/ margin	6.35948	4.105	6	.006
Pair 4	ROI - net interest margin	-.02864	-2.636	6	.039
Pair 5	ROI - interest income/ total assets	-5.75103	-20.219	6	.000

In the above table we can see that significance is less than 0.05. So that we reject H0 accept H1 because ROA, ROE, working Profit/margin, Net interest Margin, Interest income/total assets has shown the impact on ROI.

H2: Vijaya Bank ROA, ROE, working profit/margin, Net interest margin, Interest earnings / total assets has shown the impact on Netprofit.

Table 4: Table shows the Paired samples test for Vijaya bank

		Paired Differences 95% Confidence Interval Of The Difference Upper	T	Df	Sig. (2-Tailed)
Pair 1	NET PROFIT - ROA	642.39339	10.890	6	.000
Pair 2	NET PROFIT - ROE	629.99288	10.851	6	.000
Pair 3	NET PROFIT - Operating Profit/ Margin	645.94260	10.893	6	.000
Pair 4	NET PROFIT - Net Interest Margin	640.85458	10.867	6	.000
Pair 5	NET PROFIT - Interest Income/ Total Assets	634.94044	10.719	6	.000

In the above table we can see that significance is less than 0.05. So that we reject H0 and accept H1. ROA, ROE, operating profit/margin, Net interest Margin, Interest income/total assets has shown the impact on net profit.

H3: Dena Bank ROA, ROE, operating profit/margin, Net interest margin, Interest income / total assets has shown the impact on ROI

Table 5: Table shows the Paired samples test for Dena bank

		Paired Differences 95% Confidence Interval Of The Difference Upper	T	Df	Sig. (2-Tailed)
Pair 1	ROI - ROA	2.333851	.996	6	.358
Pair 2	ROI - ROE	-2.551635	-3.617	6	.011
Pair 3	ROI - OPERATING PROFIT MARGIN	12.706512	2.408	6	.053
Pair 4	ROI - NET INTEREST MARGIN	.931844	-1.354	6	.225
Pair 5	ROI - INTEREST INCOME/ TOTAL ASSETS	-4.447160	-6.879	6	.000

In the above table we can see that significance is less than 0.05. So that we reject H0 for ROA, ROE, Net interest Margin, Interest income/total assets has not shown the impact on ROI. But for operating profit margin we accept H1 because its significance is more than 0.05.

H4: Dena Bank ROA, ROE, operating profit/margin, Net interest margin, Interest income / total assets has shown the impact on Net Profit.

Table 6: Table shows the Paired sample test for Dena bank

		Paired Differences 95% Confidence Interval Of The Difference Upper	T	Df	Sig. (2-Tailed)
Pair 1	Net Profit - Roa	877.70443	.619	6	.558
Pair 2	Net Profit - Roe	863.37395	.594	6	.574
Pair 3	Net Profit - Operating Profit Margin	875.62820	.646	6	.542
Pair 4	Net Profit - Net Interest Margin	876.32420	.613	6	.563
Pair 5	Net Profit - Interest Income/ Total Assets	870.83188	.592	6	.575

In the above table we can see that significance is more than 0.05. so that we accept H1 because ROA, ROE, operating profit/margin, Net interest Margin, Interest income/total assets has shown the impact on ROI.

5.Findings and Suggestions

5.1. Findings

1. It is found that the seven years ROA of vijaya bank is (0.44) and Dena bank is (0.25).
2. The seven years of ROE of Vijaya bank is (10.90) and Dena bank is (8.81) from the above analysis.
3. The study found that the seven years of Operating profit margin for Vijaya bank is (-2.48) and Dena bank is (-5.37).
4. This study analysed that the seven years of Net interest margin of Vijaya bank is (1.9) and Dena bank is (2.081).
5. The study found that the seven years of Interest income/Total assets of), Vijaya bank is (8.04), Dena bank is (7.82).

6. Suggestions

1) On the basis of findings of the study that the Vijaya Bank has a positive ratio in ROA, ROE, Net Profit, Interest income/Total assets, ROI, Net Profit and negative ratio in operating profit margin. Deposits and credits are main components of every bank. Most of the portion of income and expenditure are depends upon these components. Therefore, banks should given more importance to enhance deposits. Financial inclusion can be helpful to increase deposits and credits. Credit can also helpful to generate interest income and profits.
2) On the beginning of answer of the learning that the Dena Bank has positive ratio in ROA, ROE, Net Interest margin, Interest Income/Total Assets, ROI, Net Profit and negative ratio in operating profit margin.

3) Dena Bank also has negative ratio in operating profit margin. So Dena Bank also needs to concentrate more on deposits and borrowings to increase net profit.

7. Conclusion

The present investigation proposes to pass judgment on the money related execution and accomplishments of the Indian Public area also personal segment Banks over a time of seven years (2011-2017). The execution of various keeping money bunches as far as productivity has been assessed and evaluated dependent on various proportions like ROA, ROE, NIM, working benefit/edge, net premium edge, Interest Income/Total resources, ROI and Net benefit. For a portion of the banks there is negative proportions so

they have to perform well and furthermore need to lessen the superfluous costs to expand the productivity. Matched T test was utilized in this examination to discover ROI and Net Profit affect on ROA, ROE, working net revenue, Net intrigue edge, Interest Income/Total Asset. By looking at both open and private segment banks i.e., private division banks monetary execution is superior to anything open area banks. Since private area banks they are advance forward to execute new inventive methods, Information Technology, and so forth and furthermore they may screen the gainfulness and execution related proportions. Along these lines, the banks need to re-arrange their techniques in the light of their own qualities and the sort of market in which they are probably going to work on. In the viewpoint of this residential and worldwide improvement, the managing an account part needs to outline an ideal way for the advancement in its own.

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