



# A Study of Financial Performance of Selected Private Banks

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**Abstract.** Banking industry always plays a prominent role in the Indian financial system. Countries economic growth and development depend on the banking sector. The current study is made to analyse the financial performance of private banks, Axis Bank and Kotak Mahindra bank, ICICI bank in India. The present study is based on secondary data which has been collected from financial statements of selected banks for a period of four years from 2013-2014 to 2016-2017. Capital adequacy ratio to know stress on bank, earning quality has been used to measure the financial strength of the selected banks.

**Key Word:** Financial Performance, Private bank, Ratio

## 1. Introduction

Bank is most popular & old method for saving of money. Now days no one is unknown to bank and its functions. Bank is unavoidable aspect of our personal life as well as for the economic improvement & development of country. Development of bank plays significant role, which is considered as basic factor for financial system. Banks provides various financial services so; it is possible to perform commercial activities at higher levels for many business organisation, industries and also farmers to do agricultural activities. This result into overall positive situation of financial growth in capital economy of the country. Banks mainly classified as public and private banks also various other forms of banks like foreign bank, Co-operative banks, for rural development Regional rural bank etc. In our country 1969 was the year were many banks converted as nationalized banks. After adoption of new economic policy in the year 1991 banking business accepted and implemented many changes in actual banking activities, this change are also beneficial for common people along with corporate world. At present actual transformation took place due to use of internet, bank account holder can satisfy their financial requirement by using banking mobile application. So it possible for bank to open new accounts and this resulted into increase in yearly profit of each bank. Banks are ready to accept new technological changes to provide good services to its customer, along with this bank conducting financial literacy programme for creating financial awareness to local people. Banking sector divided into four categories such as Commercial Bank, Private Bank, Cooperative Bank and Development Bank. Private Banks are always owned by one person or small group of persons. In Private bank majority of shares held by private shareholders government does not supervise or control the daily activities. To start private bank minimum paid up capital should be Rs. One crore with promoter's contribution will be 20% or 25% in case paid up capital is more than Rs.100 crore. At present due to competition, NPA, new products launching by other banks, technical advancement banks also facing many problems and difficult maintain stability in their profitability, With the help of this research paper researcher tries to find out financial performance of private banks in India. For study purpose researcher selected ICICI bank, Axis Bank and Kotak Mahindra bank. In this paper researcher intend to study capital adequacy ratio to know stress on bank, earning quality.

## 2. Literature Review

A. KrishnaSudher (2020) in this study he analysed the financial performance of commercial bank and cooperate bank. The study was based on different activities such as income and expenditure, Loan and deposit etc by using different ratio. The study found out Net profit is much better than cooperative bank. Cooperative bank should adopt new technology for their growth and development. B Reghunatha Reddy (2015) in his paper on "Financial Performance Analysis of selected public sector Banks Using CAMEL Model" as paper was aiming to evaluate the financial performance of SBI and Punjab National Bank for a period of three years. CAMEL Model was used for the analysis. Aspect of financial performance was more concentrated in the study. Statistical tools such as standard deviation, correlation, averages, coefficient of variation were also used for the study. By taking the capital adequacy of SBI and Punjab National Bank, SBI was having more satisfying ratio than Punjab National Bank. The overall asset quality and management efficiency was also good. Malviya M. (2012) The study focused on comparison between public and private banks. Through the ratio analysis analysed the profitability, risk and growth of public sector banks from the financial year 2010 to 2011. For data analysis used the annual report of income statement and balance sheet of six banks. After found out the analysis of data public sector bank eared high level of profitability and private sector banks earned more revenue from investment in assets. Research work concluded that both the banks applied growth strategy for earing more profitability. Sukhmani Waraich and AnuDhawan( 2013) The study focused on the cooperative banks provides timely and low cost advances to farmers. In this study analysed financial performance of

the six selected banks with the help of CAMEL Model. For analysis of data used different statistical tools to calculate the data such as Mean, Ratio Analysis and t test etc.

### 3. Research Methodology

Objectives of the study to study the financial performance of AXIS BANK, Kotak Mahindra Bank and ICICI Bank Data collection and Sample size the current study is based on secondary data. For Comparative Analysis purpose the reliable data has been collected from the annual reports of Financial Years 2013- 2014 to 2016 -2017 of selected private banks. i.e, AXIS BANK, Kotak Mahindra Bank and ICICI Bank Analysis of data and Interpretation of data Capitalisation Ratio.

**TABLE 1.** Debt Equity Ratio

Bank name	Debt equity ratio					
	2013-2014	2014-2015	2015- 2016	2016 - 2017	AVG	RANK
AXIS BANK	8.67	9.00	8.6	9.31	8.895	3
KOTAK MAHINDRA BANK	5.86	6.15	6.66	6.64	6.32	1
ICICI BANK	6.65	6.64	6.86	6.58	6.68	2

The debt to Equity ratio helps to know the actual percentage of financing through creditors and investors this indicated whether asset is more or liability of banks. If debt equity is more, it means bank loans i.e. Banks borrowed fund, creditors finance are high then shareholders fund if debt equity ratio is 1 this indicates that investors and creditors are equal in business. The table-1, shows that the average debt equity ratio of Kotak Mahindra Bank is lowest among 3 banks. It is observed that stability for finance of Kotak Mahindra bank is good In case of ICICI bank Debt equity is reducing from financial year 2013-2014 and also for the financial year 2016-2017 There is growth in financial stability In case of AXIS bank average is 8.895 is high Debt Equity Ratio is high so is scored 3<sup>rd</sup> rank in present table

**TABLE 2.** Capital Adequacy Ratio

BANK NAME	CAPITAL ADEQUACY RATIO					
	2013-2014	2014-2015	2015- 2016	2016 - 2017	AVG	RANK
AXIS BANK	16.67	15.09	15.29	14.95	15.50	3
KOTAK MAHINDRA BANK	18.83	17.17	16.34	16.77	17.27	1
ICICI BANK	17.7	17.02	16.64	17.39	17.18	2

In banking industry to check financial strength Capital adequacy Ratio is useful It is assumed that for good solvency and financial strength Capital adequacy ratio value should be high and if it less then it shows bad solvency and financial strength for any bank. Form the table no 2 it is observed that Capital adequacy ratio is not stable it is changing every year of all banks Form the table no 2 It is clear that Average Capital adequacy ratio of Kotak Mahindra Bank is more than other banks with 17.27, so we can say that Kotak Mahindra bank is financially strong then other 2 banks, So it can be inferred that financial performance of Kotak Mahindra bank is much better than other 2 selected banks

**TABLE 3.** Interest Income to Total Assets

BANK	INTEREST INCOME TO TOTAL ASSETS					
	2013-2014	2014-2015	2015 - 2016	2016 - 2017	AVG	RANK
AXIS BANK	7.99	7.68	7.8	7.4	7.71	2
KOTAK MAHINDRA BANK	10	9.16	8.52	8.24	8.98	1
ICICI BANK	7.42	7.59	7.31	7.01	7.33	3

To find actual growth of the bank interms of finance, it is necessary to know the actual earnings of the bank & it can be possible with the ratio interest income to Total assets. If investment strategy is correct then it shows positive net interest margin. i.e interest earning is more than investment cost, and vice versa. From the above table no 3 it is observed that the average interest income to total assets ratio of Kotak Mahindra bank is higher to other banks i.e 8.98. Performance of Kotak Mahindra bank is better than other bank. After Kotak Mahindra bank, Axis bank shown better performance for the financial year from 2013 to 2017.

TABLE 4. Return on Assets

BANK	RETURN ON ASSETS					
	2013-2014	2014-2015	2015 - 2016	2016 - 2017	AVG	RANK
AXIS BANK	1.62	1.59	1.56	0.61	1.34	3
KOTAK MAHINDRA BANK	1.71	1.76	1.08	1.58	1.53	1
ICICI BANK	1.64	1.72	1.34	1.26	1.49	2

As per guidelines given by Reserve Bank of India Return on Assets indicate efficiency of asset management of bank. This ratio helpful to calculate profit of any bank interns of earned profit per currency of each unit value of assts. to know the profitability as well as productivity of bank this ratio is calculated. If value of this ratio is higher it means the productivity and profitability of bank is better of particular financial year. if ratio value is lower than it is assumed that the productivity & profit of bank is less then as it is necessary of the year. From the above table no 4 it is observed that the average of return on asset ratio of Kotak Mahindra bank is higher than other banks, afterKotak Mahindra bank ICICI bank has shown good performance and productivity. Hence, Kotak Mahindra bank given a better productivity and earn profit for selected financial year of the samples.

#### 4. Conclusion

Due to change in technology and expectations of the customers all over the world banks has accepted many changes in their actual functions of day to day business operations. Now all banks are followings unique method to calculate, measure the performance and productivity. In this paper analyse the financial performance of private banks is done and found that while calculating Capital adequacy Ratio financial performance of Kotak Mahindra bank is much better than other 2 selected banks. Even for debt to Equity ratio of Kotoku Mahindra bank is much better. While calculation interest income to total assets it is found that Kotak Mahindra bank ratio is higher than other selected banks. And also for return on asset ratio again Kotak Mahindra bank scored high value.

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