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"A Study of Financial Performance Analysis of Private Sector Banks in India- Ratio Analysis"

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Abstract: *The central part of a private bank's equity is owned by either a group of individuals or private companies. The main purpose of this research work is to financial performance analysis private sector banking institutions. Only 10 Indian private sector banks from the last 5 year are included in the analysis. The full explanation of ratio analysis is the focus of this subject. The ratios that are employed are ROCE, net profit margin, interest income, ROA and operating profit. The only source of data for study is secondary.*

Key Words: *Private sector banks, India, Ratio analysis*

INTRODUCTION:

The central part of a private bank's equity is owned by either a group of individuals or private companies. The vast majority of private sector banks run effectively and provides excellent, cutting-edge service. However, their excellent service comes at an additional cost because they are for – profit banking institutions. By offering a wide range of financial and banking service and going up against other commercial and public sector, banks in the private sector are well – positioned. Private sector banks in the India included Yes bank, Axis bank, Kotak Mahindra bank, ICICI bank and HDFC bank. Banks in the private sector are crucial to the growth of the Indian economy.

LITERATURE REVIEW:

Sathish Kumar (2007) discussed the assessment of the financial performance of Indian private sector banks. Evaluating the financial performance of Indian private sector banks is the primary goal of the research. For analysis the following metrics were collected: operating profit, capital sufficiency, profit per employee, or the operating profit and the proportion of net non-performing assets to net advance.
Janki Ganpatbhai Kathiriya and Prof. (Dr.) Paresh Shah (2018) analyzed the main goal of this study is to gauge the profitability of a few prominent Indian private banks. The financial performance of banks in the private sector has been summarized using the financial ratio analysis method. The purpose of this study was to examine how the banking industry has been affected by financial reform.
Mrs. S. Janeefa Priya & Dr. Moorthy (2018) examined the financial results of Indian private sector banks using HDFC and Federal bank as examples. This research work demonstrated how well HDFC and Federal bank used their assets, as well as their relative financial standing and solvency. The entire work as a whole has focused on ratio analysis, a management technique with a wider range of applications now days.

OBJECTIVE OF THE STUDY:

- To assess the bank's strength and weakness in terms of finances.
- To research the private sector banks' financial analysis.

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DATA COLLECTION:

The study should be done with the secondary source of data. The main source for this secondary data is websites, journals and annual reports.

SAMPLE SELECTION:

For the study, data from private sector banks covering the last five fiscal year – from 2018-19 to 2022-23 was gathered.

DATA COLLECTION & INTERPRETATION:

Table-1 Return on Capital Employed (%)

Private Sector Banks										
Year	**HDFC**	**ICICI**	**Axis**	**Kotak Mahindra**	**Induslan d**	**Yes**	**IDBI**	**Federal**	**IDFC First Bank**	**Bandhan**
2018-19	3.34	2.52	2.47	3.15	3.00	2.24	1.30	1.77	-1.10	6.82
2019-20	3.33	2.67	2.68	2.93	3.62	4.95	1.74	1.80	1.40	6.14
2020-21	3.42	3.10	2.70	3.32	3.34	1.91	2.50	1.91	1.66	6.10
2021-22	3.22	2.92	2.20	2.86	3.30	0.96	2.59	1.74	1.82	5.99
2022-23	2.97	3.27	1.57	2.77	3.26	0.94	2.78	1.88	2.16	4.65
Mean	**3.256**	**2.896**	**2.324**	**3.006**	**3.304**	**2.2**	**2.182**	**1.82**	**1.188**	**5.94**

As can be seen in the above table, over the first 5 years of the research work period, all 10 of banks under investigation maintains high return on capital employed ratios, over the past five years, all banks have been operating at maximum efficiency. In terms of mean return on capital employed, Industrial Bank leads the pack followed by HDFC and ICICI banks.

Table-2 Net Profit Margin (%)

Private Sector Banks										
Year	**HDFC**	**ICICI**	**Axis**	**Kotak Mahindra**	**Induslan d**	**Yes**	**IDBI**	**Federal**	**IDFC First Bank**	**Bandhan**
2018-19	21.29	5.30	8.50	20.32	14.82	5.80	-68.48	10.89	-16.27	29.37
2019-20	22.86	10.60	2.59	22.08	15.34	-62.98	-61.88	11.67	-18.05	27.77
2020-21	25.74	20.46	10.35	25.94	9.78	-17.27	6.82	11.55	2.83	17.60
2021-22	28.93	27.02	19.33	31.70	14.96	5.60	13.33	13.83	0.84	0.90

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2022-23	27.29	29.20	11.24	31.93	20.31	3.16	17.72	17.91	10.72	13.79
Mean	**25.222**	**18.516**	**10.40**	**26.394**	**15.042**	**-13.138**	**-18.498**	**13.17**	**-3.986**	**17.886**

The above table suggests that corporations have sustained a healthy level of profit over gross income since in comparison to the first 5 years of the study period, all 10 of the banks under investigation had excellent net profit margin ratios. Every banks has performed as efficiently as possible during the last 5 years. Kotak Mahindra, HDFC bank and ICICI have the greatest mean net profit margin ratios among banks.

Table-3 Return on Assets (%)

				Private Sector Banks						
Year	**HDFC**	**ICICI**	**Axis**	**Kotak Mahindra**	**Indusland**	**Yes**	**IDBI**	**Federal**	**IDFC First Bank**	**Bandhan**
2018-19	1.69	0.34	0.58	1.55	1.18	0.45	-4.71	0.78	-1.16	3.45
2019-20	1.71	0.72	0.17	1.65	1.43	-6.36	-4.29	0.85	-1.91	3.29
2020-21	1.78	1.31	0.66	1.81	0.78	-1.26	0.45	0.78	0.27	1.91
2021-22	1.78	1.65	1.10	1.99	1.14	0.33	0.80	0.85	0.07	0.09
2022-23	1.78	2.01	6.72	2.23	1.61	0.20	1.10	1.15	1.01	1.40
Mean	**1.748**	**1.206**	**1.846**	**1.846**	**1.228**	**-1.328**	**-1.33**	**0.882**	**-0.344**	**2.028**

Based on the observation that all 10 among the banks included in the study, with the exception of Bandhan Bank, maintains high return on assets ratios when compared to the first 5 years of the research work period, It is possible to draw the conclusion that banks have made the best use to their assets to be able to produce income and profit. The three banks that possess the greatest mean return on assets ratio values are Axis, Bandhan and Kotak Mahindra.

Table-4 Interest Income (%)

				Private Sector Banks						
Year	**HDFC**	**ICICI**	**Axis**	**Kotak Mahindra**	**Indusland**	**Yes**	**IDBI**	**Federal**	**IDFC First Bank**	**Bandhan**
2018-19	7.95	6.57	6.86	7.66	8.01	7.77	6.89	7.16	7.14	11.77
2019-20	7.50	6.80	6.84	7.47	9.37	10.11	6.94	7.31	10.63	11.86
2020-21	6.91	6.43	6.38	6.99	7.98	7.32	6.69	6.83	9.78	10.89
2021-22	6.17	6.12	5.73	6.29	7.66	5.97	6.06	6.18	9.02	9.98
2022-23	6.55	6.89	6.46	6.99	7.94	6.39	6.22	6.45	9.47	10.21

Mean	**7.016**	**6.562**	**6.454**	**7.08**	**8.192**	**7.512**	**6.56**	**6.786**	**9.208**	**10.942**

Because all to 10 of the banks that were part of the study were able to maintain their operating profit ratio when compared to the initial years of the study period, it can be concluded from the above table that businesses have been able to maintain an acceptable level of profit over gross income. Every bank has performed as efficiently as possible during the last 5 years. Bandhan bank has the greatest mean operating profit followed by Kotak Mahindra and HDFC bank.

CONCLUSION:

This research work was conducted in private sector banks to ascertain the financial analysis of the bank using ratios after looking over the financial records from the preceding 5 years. Based on research on bank ratios in the private sector. The net profit ratio for the precious year was lower than it had been for the preceding 5 years.

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Note:

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