



## Profitability Analysis of Selected Private Sector Banks

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### Abstract

The fundamental objective of this study is to acquire an understanding of the profitability of the many private sector banks that were selected for the purpose of investigation. A lottery was used as the fundamental method of random sampling for the purpose of this inquiry. The sample unit for this investigation will consist of five banks that were chosen by the researcher. The investigation will take place over the course of a period of five calendar years, commencing in 2017 and concluding in 2021. The researcher made use of a variety of accounting techniques, such as profitability ratios, as well as statistical methods, such as one-way analysis of variance; the findings are discussed further down in this section.

## Introduction

Banking sector is governed under the banking regulation act 1949. This sector is the backbone of Indian economy (Haralayya, 2021; Hacking, 2019). If banking sector doesn't perform well then industrial and agriculture activities are also affect. Well-organized banking activities are reflecting sound intermediation process and contribution towards the growth of economy. Today the private sector banks are achieved twenty percent in deposit and advances, as a growing market growth in Indian economy. Profitability analysis is helpful to know the banking business life (Rajan, 2019). Increasing the profit is normally attract to the investor and it is also helpful to long term survival in the market (Schoenmaker & Schramade 2019; Jung et al., 2019).

Agarwal (2019) analyze the Public and Private sector banks. Researcher had taken four profitability ratios and made a comparative analysis of public and private sector banks. Furthermore researcher have done compound annual growth rate to observe the growth in profitability. For proven the hypothesis researcher used independent t-test. Researcher found that significance difference in only Net Interest margin ratio.

Priya (2014) analyzed profitability of Axis bank, ICICI bank, Karur vysya bank and South India Bank. They have taken 10 years for the period of the study and 5 financial ratios (Majeed et al., 2020). Researcher used Chi- square test and she was found that no significant in net profit margin ratio and interest spread ratio (Singh & Das, 2018).

The main aim of this study is to evaluate liquidity and profitability analysis with reference to pre and post merger. Researcher analyzed a CAMEL model and data envelopment analysis. The pre and post phase during 1986 to 2016 and 17 sample size includes public and private banks (Sing & Das 2018). Researcher found that ICICI bank was performing well after the merger years.

## Methods

An analytical technique is used during the course of this inquiry by means of the examination of secondary data obtained from moneycontrol.com. The following research explores and assesses five distinct private banks functioning inside the economy of India. Throughout the entirety of the process of gathering the necessary information for this study, a method known as simple random sampling was utilized. The investigation looked at information that was recorded between the years 2017 and 2021 so that they could do the analysis. During the process of carrying out the analysis of the data, the one-way analysis of variance and the ratio analysis were used.

## Results and Discussion

### Net profit Margin Ratio (%)

Table 1. Net profit of selected banks

Years	ICICI	Axis Bank	Kotak Mahindra bank	HDFC	IndusInd Bank
2016-17	18.09	8.26	19.27	20.99	19.90
2017-18	12.33	0.60	20.68	21.79	20.86
2018-19	5.30	8.50	20.32	21.29	14.82
2019-20	10.60	2.59	22.08	22.86	15.34
2020-21	20.46	10.35	25.94	25.74	9.78
Min	5.30	0.60	19.27	20.99	9.78
Max	20.46	10.35	25.94	25.74	20.86
Average	13.356	6.06	21.658	22.534	19.812

Sources: moneycontrol.com

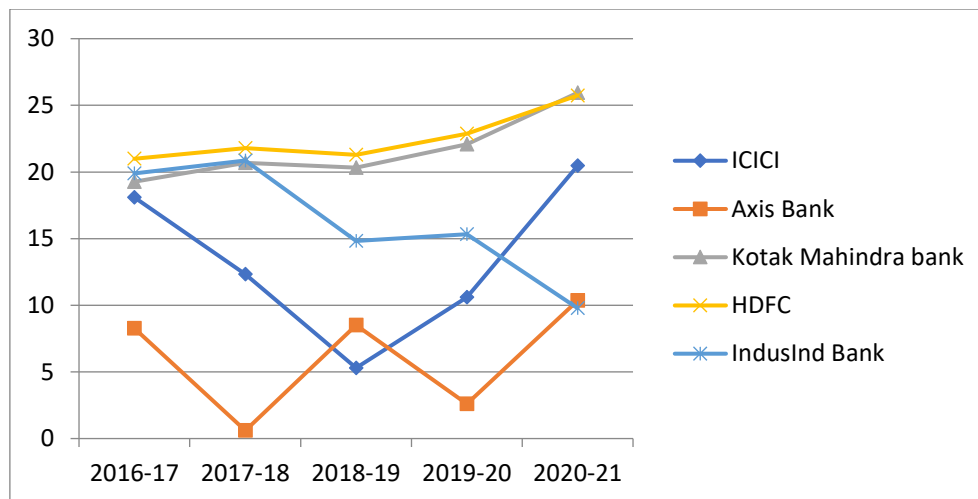


Figure 1. Net Profit Margin Ratio

The above table and graph shows net profit margin ratio of selected five private sector banks. In the year 2016-17 the net profit margin ratio of ICICI bank was 18.09% and that was decrease in the year 2017-18 up to 12.33% and also decrease in the next year up to 5.30% than after it was continuous increase in next two years. In ICICI bank the highest ratio was in the year 2020-21 that is 20.46%. The performance of Axis bank swas comparatively poor, because the net profit margin ratio of the Axis bank was lower. We can see in table the data of Axis bank are

also in fluctuating trend. The higher net profit margin ratio of Axis bank in the year 2020-21 that is 10.35% and lower in the year 0.60%. The highest net profit margin ratio of Kotak Mahindra bank in the year 2020-21 25.94% and lower in the year 2016-17 that was 19.27%. The ratio of Kotak Mahindra bank was continuous increasing trend. That was decrease only 2018-19 as compared to previous year. The lower net profit margin ratio of HDFC bank was 20.99% in the year 2017-18 and highest in the year 2020-21 25.74%. HDFC is highly profitable bank as compare to other. Higher Net profit margin ratios of IndusInd Bank was in the year 2017-18, 20.86% and after that year it was in decreasing trend.

### Summary of One-Way Analysis of Variance

Table 2. One-way analysis of variance

Groups	Count	Sum	Average	Variance
Column 1	5	66.78	13.356	36.60623
Column 2	5	30.3	6.06	17.76255
Column 3	5	108.29	21.658	6.74072
Column 4	5	112.67	22.534	3.71743
Column 5	5	80.7	16.14	19.812

Table 3. Analysis of Variance

Source of Variation	SS	df	MS	F	F crit
Between Groups	902.5368	4	225.6342	13.32922	2.866081
Within Groups	338.5557	20	16.92779		
Total	1241.092	24			

From the above table of one way ANOVA it can be said that the f-critical value is 2.866 that is lower than F calculated value. It means null hypothesis is rejected. So that we can say that there is a significant difference in Net profit margin ratio between selected units.

### Conclusion

In this study researcher analyzed Net profit margin ratio of five selected private sector banks. Here researcher analyzed only one ratio and it differ from other research in time perspective. As per this research highly profitable bank was HDFC bank. The average net profit margin ratio was higher than other selected banks. Than after highest profitable bank was Kotak Mahindra bank and Axis bank was lower profitable bank and need to improve their performance. The major findings of the study were all selected banks are profitable high or more. No one was a loss making bank and there were significant difference between each other.

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