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A COMPARATIVE ANALYSIS OF THE EFFICIENCY OF PRIVATE SECTOR BANKS OF INDIA

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Abstract
This paper aims in analyzing a comparative analysis of ICICI bank and Kotak Mahindra bank from the year 2015-2020. The analysis is based on the basis of some significant parameters of evaluating efficiency like, cash deposit ratio, return on asset and return on equity. The selected banks belong to the most important and top banking institutions of India, thus, providing an insight between the differences and adaptability of the banks in the last years in the economy of the country. The data is collected via various websites and the annual reports of the banks, the entire analysis is based on secondary data and the analysis is compared on the basis of descriptive analysis to ascertain the various parameters studied for the research. Banking industry is one of the paramount industries anywhere in the world. Its growth and decline impacts the overall economy of the country and owing to its popularity and significance it becomes imperative to study and learn about the banking regularly to keep a check on the harmony of the country and its economy.
Keywords:banking industry, ICICI bank, descriptive analysis. Kotak Mahindra bank, ratio analysis

Introduction

The banking system is very significant service industry in the country and despite its importance the banking system faces many challenges due to ongoing pandemic, natural causes, dynamic nature of the industry or the competitive world of the banking system which reigns over and the most important factor the foreign banking system and the adaptation of the latest technology in the banking world, all these factors continuously impact the banks over and over again in every country especially a country like India which has myriad number of banks from different sectors and aiming to please different customers that analysis becomes essential. The banking industry serves its customers and keeping the customers content after facing all the above ordeals doesn't come easily, therefore in today's scenario the recent conflict and obstacle is to adapt latest technology and adapt customers to its essence. The ongoing pandemic has brought technology and the people a lot closer than before but adapting and accepting the technology is still a long journey in our country. People are a little intimidated about the online security of their funds and online banking system due to hackers, improper networks, non-availability of gadgets, lack of proper knowledge and other numerous factors keeps many people still away from the most effortless banking system via smartphones, computers or laptops. However regardless the popular public opinion on whether to trust blindly on the online banking system, the banks still are working day and night by the virtue of millions of people who trust online banking and use it every day. Hence it becomes vital to analyse the banking system to avoid any decline in the country's economy later. So after many considerations and regular analysis of the banking structures there are many ways to analyse the current and future state of the banks. But any natural disaster or causes could overpower any or every futuristic plans of the banks which makes it imperative to study every aspect of the banking industry form the profitability analysis to efficiency analysis and ratio analysis; all these descriptive study has helped banks to analyse the data in such a better method that the banks are ready to face any hindrance the future could bring. The operational efficiency is such an analysis which helps bank to make authentic and genuine managerial plans for a deceptive future. It enhances cost efficiency and regulates irregular expenses providing banks with a more prominent profit making industry.

Review Of Literature

Reviewing various research papers helps in moving the correct direction for analysis and research. Therefore following are the research papers studied for collaborating and studying more efficient parameters for the analysis of operating efficiency of the private sector banks in India.

Kanghwa Choi assessed the conceptual relationship between the operational efficiency and financial performance and through his paper derived that the operational industry will be closer to the market and vice versa which states that both the efficiency is equally derivative in growth of any industry. Hamid Mohsin Jadah, Noor Hashim Mohammed through an empirical study assessed the efficiency scores of various parameters about banks in the five year to study the relationship between the return on asset and asset management. The study showed a significant relationship between the asset management and ROA. Amritpal Singh Dhillon and Hardik Vachhrajani in their paper studies the impact of operational efficiency on the profitability, with analysis on various activity ratios and profitability ratios the study was conducted by t-test and the conclusion therefore derived was there existed some insignificant positive relationship between the operational efficiency and the profitability of the company; there were certain circumstances where the null hypothesis were accepted as well as rejected. Shradha H. Budhedeo through her assessment in efficiency and profitability studied through various ratio analysis and their descriptive analysis analyzed that the foreign sector banks had much better response from the customers and were helping in the growth of the economy comparatively more than any other banking sectors.

Objectives

- To analyse and compare the cash deposit ratio of the two selected banks in India for the period of 6 years.

- To analyse and compare the return on assets of the two selected banks in India for the period of 6 years.
- To analyse and compare the return on equity of the two selected banks in India for the period of 6 years.

Hypothesis

Ho1: There is no significant difference between the cash deposit ratio for the two selected banks in India

Ho2: There is no significant difference between the return on assets of the two selected banks in India.

Ho3: There is no significant difference between the return on equity of the two selected banks in India.

Scope Of The Study

- The study analyses the few ratios for the comparison analysis of the private sector banks in India.
- The selected banks of the study are ICICI bank and Kotak Mahindra bank.
- The banks are selected on the basis of highest profit earning banks in the last five years.
- The analysis is conducted form the year 2015-2020, i.e., a period of 6 years.

Data Analysis

The analysis is descriptive in nature to find the difference between the two variables of the same nature in two different banks i.e., ICICI bank and Kotak Mahindra bank from the year 2015-2020. The parameters studied based on the review of research papers are cash deposit ratio, return on equity and return on asset

Cash Deposit Ratio

The cash deposit ratio for a bank implies the outcome of total cash over total deposits made in the bank. The bank has to make a standard liquidity in order to hold a percentage of amount of cash in the bank according to the rules and regulations of RBI. The following are the ratio collected from the annual reports of the two banks and the annova analysis showing the variations amongst them.

TABLE1: the table showing the cash deposit ratio of ICICI bank and Kotak Mahindra bank from 2015-2020

CD RATIO	**ICICI**	**KM**
YEAR		
2015	6.85	5.13
2016	6.74	5.07
2017	6.45	4.86

2018	6.17	4.69
2019	5.85	4.73
2020	5.14	4.17

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Column 1	6	37.2	6.2	0.40472
Column 2	6	28.65	4.775	0.11911

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	6.091875	1	6.091875	23.25898	0.000699	4.964603
Within Groups	2.61915	10	0.261915			
Total	8.711025	11				

The above analysis shows the cash deposit ratio of the ICICI bank was much higher than comparing it to Kotak Mahindra bank which was never more in the last six years of the study. The p – value which derived from the analysis is 0.000699 which is less than 0.05 therefore stating that the null hypothesis is rejected.

Return On Equity

Return on equity is a profitability standard to find the profit earning capacity of the company after paying of the equity to its shareholders. The return on equity is therefore the earnings of the company after deducting the taxes and all the debts. Therefore it is an essential parameter to understand the position of the bank and through the comparative study it could be analysed which bank was earning more profit in the favor of its shareholders.

TABLE 2: The ROE of the ICICI and Kotak Mahindra bank for the year from 2015-2020

RETURN ON EQUITY		
(IN %)		
YEAR	**ICICI**	**KM**
2015	**13.89**	**13.19**
2016	**11.19**	**8.72**
2017	**10.11**	**12.35**
2018	**6.63**	**10.89**
2019	**3.19**	**11.47**

2020	**6.99**	**12.25**

Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
Column 1	6	52	8.666667	14.53735
Column 2	6	68.87	11.47833	2.447937

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	23.71641	1	23.71641	2.792583	0.125654	4.964603
Within Groups	84.92642	10	8.492642			
Total	108.6428	11				

The above analysis through annova states that the p – value derived is 0.125654 which is more than the significant value of 0.05 this concludes that the alternative hypothesis for the return on equity is accepted. The return on equity shows a vast difference between the two banks, in case of ICICI bank the variation could be seen in declining stage from the year 2015 till 2019 by 7% but then by the year 2020 the value increased by 3 %. The Kotak Mahindra bank had a different image showing increasing and decreasing values in every year. In year 2020, however, the value of return on equity of Kotak Mahindra bank is much better comparatively to ICICI bank with a difference of 6% which is twice the rate.

RETURN ON ASSETS

The return on assets indicates the capability of a company to earn profit on the basis of the assets owned by them. This is a major factor indicating the study of profitability of an industry to understand its capability of profit earning.

TABLE 3: The ROA of the ICICI and Kotak Mahindra bank for the year from 2015-2020

RETURN ON ASSETS		
(IN %)		
YEAR	**ICICI**	**KM**
2015	1.72	1.76
2016	1.34	1.08
2017	1.26	1.58
2018	0.77	1.54
2019	0.34	1.55
2020	0.72	1.65

Anova: Single Factor						
SUMMARY						
Groups	*Count*	*Sum*	*Average*	*Variance*		
Column 1	6	6.15	1.025	0.25295		
Column 2	6	9.16	1.526667	0.054547		
ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.755008	1	0.755008	4.910677	0.051039	4.964603
Within Groups	1.537483	10	0.153748			
Total	2.292492	11				

The above analysis derived the p – value of 0.051039 which is almost equal to 0.05 significant values to rejecting the null hypothesis. The ROA showed declining values in the case of ICICI bank whereas the Kotak Mahindra bank declined with a smaller percentage and by the year showed an increase in the value of ROA. Though in comparison the ICICI bank showed a continuous decline of the values of the ROA and this implies that the Kotak Mahindra bank was in better advantage in increasing the profit earning capacity via assets owned by the bank.

Conclusion

The overall analysis showed that the cash deposit ratio was better in ICICI bank comparatively to Kotak Mahindra bank due to its popularity amongst its customers and the number of customers. the Kotak Mahindra can improve upon by increasing their technological and marketing aspects to stand ahead the other bank. However, the ICICI bank had more deposits over the cash the return on equity and return on assets which shows the profitability indicator of the two banks showed favorable values towards Kotak Mahindra bank instead of the ICICI bank. It means in the longer run the profit earning capacity and a more content shareholders will be in the favor of Kotak Mahindra than ICICI bank.

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