

## PROFITABILITY OF PRIVATE BANKS IN INDIA : AN OVERVIEW

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### Abstract

Indian banking sector being one of the most tremulous sector in terms of execution in financial market and erratic profitability due to non-performance assets, becomes point of interest for researchers. Profitability is a measure of efficiency and control it indicates the efficiency or effectiveness with which the operations of the business are carried on. Recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of the business. A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment. Present study attempts to throw light on the performance of selected Indian private banks listed in the National Stock Exchange in relation to profitability during 2005-06 to 2014-15. Paper further examines the financial performance of the selected Indian banks by applying CAMEL model, and appropriate parametric and non-parametric statistical tools. Paper investigates the profit performance, spreads, efficiency of management with respect to customer's satisfaction. Considering the sensitivity of the financial data of the banking companies, ten years panel data included for analysis.

*Keywords:* CAMEL Model, Profitability, Statistical Tools, Non-Parametric, Parametric.

### Introduction

Profit is a measure of success of business and the means of its survival and growth. Profitability is the ability of a business to earn profit for its owners. The objective of this study was profitability ratios show a company's overall efficiency and performance of different private sectors banks in India. The various profitability ratios like interest spread, net profit margin, return on long term loan, return on net worth, return on asset & adjusted cash margin. Profitability ratios provide different useful insights into the financial health and performance of a company. Without a sound and effective banking system in India it cannot have a healthy economy. The banking system in India should not only be hassle free but it should be able to meet new challenges posed by technology and any other external and internal factors. Private Banking is all about personal service and a relationship built around you. The new banks developed the concept of direct selling agents who reached out to customers with credit products, taking loans to the customer's doorstep. Not only did the private sector banks expand in this manner, their example forced public sector banks to also adopt similar strategies. It was banks like ours which made sure that housing loans and other kinds of loans were made available in hundreds of cities and towns in India.

### Review of Literature

The concerned literature reality to this research work previously done in India and abroad is presented as below conducted by various researchers.

**Barman R.B. and Samanta G.P.(2008) "Banking Services Price Index: An Exploratory Analysis for India"** In this study it is discussed that major part of earnings and profits of a bank comes from the services rendered through financial intermediation, which generally are not charged explicitly. Banks accept funds from the depositors and produce loans and advances out of mobilized deposits. In the process of intermediation, transactions take place between depositors, and banks and between borrowers

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