

Profitability Ratio Analysis to Assess the Financial Performance

S. Sujitha

*Assistant Professor of Commerce (Banking and Insurance)
Erode Arts and Science College, Erode*

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Abstract

Indian economy witnessed for huge changes in all sector due to Introduction of New Economic policy. Like all other industries, Banking sector also changed dramatically. After liberalization Reserve Bank of India liberalize procedure for entry for private players into banking industry. Before liberalization, public sector banks dominate Indian banking industry. After entry of private banks in banking industry there is a huge changes in operations of banks. Private banks are more focused on operational efficiency and customer service. With help of technology banking sector are become highly competitive and Private banks are secure their position in this sector. This paper explore the revenue generating capacity of four important Indian private sector banks during 2013-14 to 2022-23 by using ratio analysis. This study reveals about banks that performing well during that period in different point of view. This study identify the factors that influencing performance of private sector bank that make difference from other competitor banks.

Keywords: Liberalization, Private Sector Bank, Profitability, Spread Ratio, Technology Adoption, Operational Efficiency.

Introduction

Industries are main reason for sustainable growth of the country. All industries and its stability is highly dependable on availability of capital. If there is gap between people with surplus capital and people need for capital then there is scarcity for capital. It will lead to stagnation in industries. A bank is act as a intermediary between these two kind of people and make availability of capital. Collecting deposits from customers and lending loan directly or indirectly to the people those need capital through capital market is the primary function of banking sector. Due to continues development, like all other industry, banking sector also in the urge of implementing technological development in this sector. Current scenario is totally differ from traditional banking system. Now days to meet competition and survive with competitive advantage banks are involved not only collecting deposit and lending loan. Apart from these primary function they try to satisfy their customers all other financial related needs such as source for financial requirement, safety needs etc., In any business, profitability is a measuring stick for efficiency of business. Profitability ratio used to measure financial wellness of a firm. It is very difficult to survive without profit at the same time profit is a reward for people those working and owner with large return on investment. So in all business, operational efficiency of

the business and efficiency of employees measured by profit they make during the period of time. People who occupy important position in banks always try to generate more and more revenue and their effort evaluated with financial statement of the firm.

Statement of the Problem

Like other industries, Banking sector is influenced by ability to make profit and it is impact of resource utilization of the bank. Due to various challenges like technological development, customer expectation, higher level of competition, growth in Non –performing asset, pressure to make profit , invest for modernization, prediction of risk factors, increasing expenditure for operations, it is mandatory to evaluate the financial performance of the industry. Among various perspective , this article explore on profitability of selected private

Methodology

21 Non-Government banks exist in last decade,. From the 21 banks only 4 banks were selected for this study namely.

1. Housing Development Financial Corporation
2. Industrial Credit Investment Corporation of India
3. Axis and
4. Kotak Mahindra

Apart from financial analysis, the following techniques are also used to analysis.

Results and Discussion

The following techniques used for analysis,

- NPMR
- RLTF
- RNWR
- S R

NPMR

Net income is the proportion of sales last in the end running expenses, interest, tax, and desired inventory dividends minus from general sales..

$$\text{Net Profit Margin Ratio} = (\text{Net Profit})/(\text{Revenue})$$
$$\text{T-1NPMR of the PSB (In\%)}$$

Year	HDFC	ICICI	AXIS	KMB
2013-14	15.30	13.09	7.02	11.43
2014-15	13.86	10.45	8.40	12.07
2015-16	12.82	10.37	9.35	12.24
2016-17	11.32	9.54	10.58	13.18
2017-18	14.62	11.84	12.50	14.15
2018-19	16.18	15.70	14.46	15.15
2019-20	15.35	15.75	15.15	15.43
2020-21	16.05	17.14	17.78	15.36
2021-22	17.28	17.79	19.77	16.37
2022-23	17.76	18.23	19.81	16.79

MEAN	15.05	13.99	12.85	14.82
SD	1.98	3.32	3.31	1.91
CV(%)	13.14	23.74	25.74	12.91
Skewness	-0.57	-0.07	-0.67	-0.36
Kurtosis	-0.04	-1.84	-1.38	-1.65
Range	6.44	14.20	18.16	5.08
Growth	3.09**	6.90	7.01*	3.58*

This is maximum essential symptoms of revenue generating capacity.. As it's far visible in table-2, the common earnings of HDFC Bank stood at 15.05% and this has skilled a high quality boom fee of 3.09%. In the case of ICICI Bank internet income recorded on common boom fee of 6.ninety in step with cent that's some distance better than the boom fee recorded with the aid of using HDFC Bank. The internet earnings of Axis Bank multiplied from 7.02 in step with cent in 2013-14 to 19.eighty one in step with cent in 2014-15. The earnings of Kotak Mahindra Bank turned into multiplied from 11.forty three in step with cent to 16.seventy nine in step with cent in The Kotak Mahindra Bank recorded a high quality boom of 3.fifty eight in step with cent.

B. R L T F

Return on Long Term fund=(Net Profit)/(Long Term Fund) T-2RLTF in PSB (In %)

Year	HDFC	ICICI	AXIS	KMB
2013-14	4.78	5.67	5.53	5.55
2014-15	5.82	6.34	4.91	5.80
2015-16	5.83	7.76	6.56	5.88
2016-17	7.17	8.12	7.60	7.08
2017-18	5.82	6.91	6.46	6.11
2018-19	6.03	6.30	6.91	5.94
2019-20	7.34	7.15	8.51	7.44
2020-21	7.83	7.57	8.57	7.68
2021-22	7.79	7.58	8.86	7.64
2022-23	7.40	7.55	8.29	7.28
MEAN	6.58	7.09	7.22	6.64
SD	1.05	0.78	1.36	0.85
CV(%)	15.95	10.94	18.89	12.86
Skewness	-0.29	-0.63	-0.41	0.03
Kurtosis	-1.25	-0.57	-1.08	-2.15
Range	11.17	5.27	13.98	7.31
Growth	4.69*	-1.98	5.93**	-3.59

It is found from the over that the Return on long term finance all the private segment banks has fluctuating slant. The most extreme development in Axis at around 6%, HDFC at around 5%, Kotak Mahindra around at 4% and ICICI at 2%. It implies that the variety within the return on long term more reliable with consistency..

C. R N W R

Return on Net worth = (Net profit after tax)/(Equity shareholder fund)

T-3 R N W R of PSB (In %)

Year	HDFC	ICICI	AXIS	KMB
2013-14	4.78	5.67	5.53	5.55
2014-15	5.82	6.34	4.91	5.80
2015-16	5.83	7.76	6.56	5.88
2016-17	7.17	8.12	7.60	7.08
2017-18	5.82	6.91	6.46	6.11
2018-19	6.03	6.30	6.91	5.94
2019-20	7.34	7.15	8.51	7.44
2020-21	7.83	7.57	8.57	7.68
2021-22	7.79	7.58	8.86	7.64
2022-23	7.40	7.55	8.29	7.28
MEAN	6.58	7.09	7.22	6.64
SD	1.05	0.78	1.36	0.85
CV(%)	15.95	10.94	18.89	12.86
Skewness	-0.29	-0.63	-0.41	0.03
Kurtosis	-1.25	-0.57	-1.08	-2.15
Range	11.17	5.27	13.98	7.31
Growth	4.69*	-1.98	5.93**	-3.59

As revealed by the over tables Return on Net Worth Proportion of private division banks fluctuating drift over a period of ponder. The cruel esteem of Kotak Mahindra Bank 16.70 % taken after by HDFC Bank 16.39 %, Pivot Bank around 12 %, ICICI around 11% individually. This variety was steady and consistency. After analysis HDFC, ICICI and Hub are constructive noteworthy development.

D. S R

Spread Ratio=(Total Interest Income-Total Interest Expenses)/(Average Working Fund)

T -4 S R of the PSB (in %)

Year	HDFC	ICICI	AXIS	KMB
2013-14	3.46	1.87	3.73	2.17
2014-15	3.80	1.63	3.11	2.00
2015-16	3.92	1.82	4.33	2.36
2016-17	4.05	2.20	5.29	2.49
2017-18	3.77	2.23	4.96	2.77
2018-19	3.80	2.22	4.12	2.70
2019-20	3.81	2.19	3.83	2.81
2020-21	3.95	2.58	3.83	2.84
2021-22	3.76	2.76	4.25	3.12
2022-23	3.79	2.93	3.98	3.08

MEAN	3.81	2.24	4.14	2.63
SD	0.15	0.42	0.62	0.37
CV(%)	4.07	18.51	15.02	14.09
Skewness	0.98	0.29	0.47	0.43
Kurtosis	-2.81	-0.66	-0.54	-0.78
Range	0.61	16.88	11.91	12.09
Growth	0.37	5.90*	0.60	4.66*

It is obvious from the table 1 that the spread proportion of the all the private division banks has recorded a fluctuating drift over the period. The normal Spread Proportion of Hub Bank was 4.14% which is taken after by HDFC around 4%, K M Bank around 3% and ICICI around 2%. Be that as it may the development in spread ratio is found most noteworthy within the case of ICICI Bank and Kotak Mahindra Bank at 5.90% and 4.66% individually. The variety on the spread Proportion was more reliable with consistency.

Findings and Conclusion

This paper analyzed the productivity of chosen private segment banks in India amid the period 2013-14 to 2022-23. The keeping money sector's generally productivity measured by the net benefit edge to resource proportion and spread proportion. It can be concluded from the over investigation that the execution of Pivot Bank accomplished a most extreme development but spread proportion. Though within the case of HDFC and Kotak Mahindra Bank, net benefit proportion appears noteworthy positive development

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