

Efficiency, Liquidity, and Profitability: Banking Performance Comparatistics

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Financial performance in terms of profitability, liquidity and efficiency in handling its operations determines the financial position of any bank. These three key indicators are influenced by various banking operations such as deposits received, borrowings, reserves maintained by the bank, innovative banking products made available for different categories of customers, its treasury operations, loans and advances extended to its customers, fixed financial expenses of that bank, non interest income etc... The composition of debt and equity of the bank determines the extent of influence of these factors. This study focuses on measuring the performance of selected banks with regard to their efficiency, liquidity and profitability.

Key Words : *Financial Performance, Liquidity, Profitability, Efficiency, Financial Products, and Treasury operations.*



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Financial Institutions play an important role in the functioning of any financial system of a country. Performance of Financial Institutions is continuously observed by its customers. Efficiency and competition determine the price of the financial products. Introduction of complex financial products has expanded the banking business beyond its traditional process. Banking industry plays an important role in stabilising the financial system of a country. Efficient operation of the bank determines better economy.

Banking is used as one of the main tools for financial inclusion. This initiative makes sure that every citizen has the opportunity to engage himself in the formal financial setup of the country. This would result in easy access of the various financial products available in the country and would enhance financial stability of the economy. Financial performance in terms of profitability, liquidity and efficiency in handling its operations determines the financial position of any bank. These three key indicators are influenced by

various banking operations such as deposits received, borrowings, reserves maintained by the bank, innovative banking products made available for different categories of customers, its treasury operations, loans and advances extended to its customers, fixed financial expenses of that bank, non interest income etc... The composition of debt and equity of the bank determines the extent of influence of these factors.

In this modern era, each bank has to involve itself in innovating new banking products suitable to different categories of customers. Innovation has become the order of the day. The bank which follows traditional method and lacks initiative in innovating new services may face a critical position in making their business. This study focuses on measuring the performance of selected banks with regard to efficiency, liquidity and profitability of the banks.

Objectives

Objectives of the study comprise:

- Study of the efficiency of the selected banks,
- Study of the liquidity position of the banks,
- Examining the profitability position of the banks, and
- Comparative Analysis of their performances.

Research Methodology

There are 27 public sector banks and 21 private sector banks in India. The market capitalisation of each bank was estimated as of 28 July, 2015 and the banks were ranked. Rank 1 is assigned to the bank with highest market capitalisation. The first 10 banks are selected for study systematically. Out of these 6 are private banks and 4 banks belong to public sector.

Data required for the study is taken from the last five years financial statements. Ratio Analysis is used to analyse the performance of the banks. The following sets of ratios are used for Analysis: Efficiency Ratios, Liquidity Ratios and Profitability Ratios.

Review of Past Studies

Recent studies undertaken with regard to the performance of Indian Banks are reviewed. The following are some of the main reviews:

Goyal and Kaur (2008) reported that liquidity and NPAs of new private sector banks were insignificant. They analyzed top five and bottom five banks according to their ranking status. They ranked 20 old banks and 10 new private sector banks on the basis of CAMEL model. They also considered the financial data for the period of five years from 2003 to 2007.

Singla (2008) examined the profitability position of the banks and found that the profitability position of the banks was reasonable and consistent. Return on networth and debt equity ratio was negatively coordinated. Negative correlation was found between non-performing Assets to net advances and interest coverage ratio.

Goel and Bajpai (2013) examined the impact of global recession on Indian banks. The study used Liquidity, Capital Adequacy, and Profitability ratios to measure the impact during 2006 to 2009.

Mohanraj and Gomathi (2013) found that higher funding costs, market-to-market requirements on investment portfolios, and asset quality pressures due to a slowing economy are some of the factors which influence the profitability position of the bank. Absence of complex financial products, continuous regulation of RBI, Monetary policy tools used to adjust the monetary position of the economy favoured Indian Banking Industry during the crisis.

Prasad and Chari (2011) analyzed the profitability performance of public sector banks and categorized them under four levels, i.e., excellent, good, fair, and poor in study.

Analysis and Inferences

The banks selected for the study were analysed and inferred as following.

1. HDFC Bank

HDFC Bank is the largest bank in India in terms of its market capitalisation. Its market Capitalisation is Rs. 277,917.06 crore. The bank has a strong network of 3,659 branches in 2,287 cities. It also has overseas branches in Bahrain, Hong Kong, Abu Dhabi, Kenya and Dubai. HDFC Bank has over 11,633 ATMs and a customer base of over 28 million. It is ranked 45th among the top 50 banks of the world. HDFC Bank is one of the strongest Banks in the private sector.

Table:1 Efficiency, Liquidity and Profitability of HDFC Bank Ltd.

RATIOS/YEAR	2015	2014	2013	2012	2011	Average
A. Efficiency Ratios:						
1. Operating Efficiency	0.04	0.04	0.04	0.04	0.04	0.04
2. Cost of Funds	0.05	0.06	0.06	0.06	0.04	0.05
3. Income Efficiency	0.16	0.16	0.17	0.18	0.19	0.17
4. Burden Ratio	0.43	0.45	0.43	0.43	0.41	0.43
B. Liquidity Ratios:						
1. Deposits Ratio	0.74	0.73	0.73	0.72	0.75	0.73
2. Non Deposits Ratio	0.10	0.10	0.10	0.08	0.05	0.09
3. Credit Assets	0.63	0.63	0.61	0.58	0.58	0.61
4.Short Term Investment	0.01	0.03	0.03	0.02	0.02	0.02
5. Cash to Total Assets	0.06	0.08	0.07	0.06	0.11	0.08
C. Profitability Ratios:						
1. ROE	21.34	18.27	14.50	11.24	8.64	14.8
2. ROA	0.02	0.02	0.02	0.02	0.01	0.02
3. Profit Margin	0.18	0.17	0.16	0.15	0.16	0.16
4. Asset Utilisation	0.10	0.10	0.11	0.10	0.09	0.10
5.Interest Expenses	0.04	0.05	0.05	0.04	0.03	0.04

Data Source: CMIE Prowess Database

The table depicts that the bank is able to maintain a stable level with regard to its operations. It also shows that it is efficient in reducing the interest expenses. The income efficiency ratio is comparatively low during 2014 and 2015. This depicts low income during this period. The deposits of the bank are increased and the non deposits are maintained at similar level from 2013 to 2015. Credit assets ratio shows an increasing trend. This is due to increase in the borrowings. Short term investment and cash are low during 2015.

Return on Equity shows an increasing trend. Profit Margin has increased and the interest expenses are low during 2015. Efficiency ratios show that Net interest income and income from other sources has to be increased to increase the

efficiency of the bank. With regard to liquidity position, the bank has to increase its short term investment and cash. Profitability ratios show that decrease in interest expenses and better utilisation of assets have increased the profitability position of the bank.

2. State Bank of India

SBI is the second most valued bank in India with a market capitalization of about Rs. 196,342.89crore. The bank has a strong network of 13,000 branches spread across the nation and has about 190 foreign offices in 36 countries. It is also featured in top 50 global banks in terms of its market capitalisation. It is also one of the largest employers in the country and provides employment to over 220,000 personnel.

Table:2 Efficiency, Liquidity and Profitability of State Bank of India

RATIOS	2015	2014	2013	2012	2011	Average
EFFICIENCY RATIOS						
1. Operating Efficiency	0.04	0.04	0.04	0.04	0.04	0.04
2. Cost of Funds	0.06	0.06	0.06	0.06	0.05	0.06
3. Income Efficiency	0.19	0.17	0.16	0.17	0.23	0.18
4. Burden Ratio	0.37	0.31	0.31	0.33	0.5	0.36
LIQUIDITY RATIOS						
1. Deposits Ratio	0.76	0.77	0.76	0.77	0.76	0.76
2. Non Deposits Ratio	0.09	0.09	0.1	0.09	0.09	0.09
3. Credit Assets	0.63	0.66	0.65	0.64	0.61	0.64
4.Short Term Investment	0.02	0.02	0.02	0.02	0.02	0.02
5. Cash to Total Assets	0.08	0.07	0.07	0.07	0.1	0.08
PROFITABILITY RATIOS						
1. ROE	23.46	19.41	26.77	23.59	17.62	22.17
2. ROA	0.01	0.01	0.01	0.01	0.01	0.01
3. Profit Margin	0.07	0.07	0.09	0.09	0.08	0.08
4. Asset Utilisation	0.1	0.1	0.1	0.1	0.09	0.10
5.Interest Expenses	0.05	0.05	0.05	0.05	0.04	0.05

Data Source: CMIE Prowess Database

Efficiency ratios show that the income has reduced drastically during 2012 and the income earned is better during 2015. Burden ratio shows a declining trend from 2012. This depicts that the bank is performing better in increasing its non interest income. Liquidity ratios depict that the credit extended, total assets and the cash maintained by the bank has been increased gradually during the period. The profits during 2014 and 2015 are lowered.

3. ICICI Bank

ICICI Bank is the third largest Indian bank with a market capitalization of Rs.169,642.36 crore. ICICI Bank has a customer base of over 2.5 million and has a network of 4050 branches across the country. ICICI was formed as a World Bank initiative in 1955. It has an international presence in 19 countries. The bank's employee strength was estimated at over 72,000.

Table: 3 Efficiency, Liquidity and Profitability of ICICI Bank Ltd.

RATIOS	2015	2014	2013	2012	2011	Average
EFFICIENCY RATIOS						
1. Operating Efficiency	0.05	0.05	0.05	0.06	0.07	0.06
2. Cost of Funds	0.05	0.05	0.06	0.06	0.05	0.05
3. Income Efficiency	0.04	0.04	0.04	0.43	0.51	0.21
4. Burden Ratio	0.78	0.79	0.82	0.85	0.88	0.82

LIQUIDITY RATIOS						
1. Deposits Ratio	0.47	0.48	0.47	0.47	0.49	0.48
2. Non Deposits Ratio	0.26	0.25	0.26	0.27	0.24	0.26
3. Credit Assets	0.53	0.52	0.49	0.49	0.48	0.50
4.Short Term Investment	0.03	0.03	0.04	0.03	0.03	0.03
5. Cash to Total Assets	0.03	0.03	0.03	0.03	0.04	0.03
PROFITABILITY RATIOS						
1. ROE	11.2	10.1	8.78	6.89	5.49	8.49
2. ROA	0.02	0.02	0.02	0.02	0.02	0.02
3. Profit Margin	0.14	0.15	0.14	0.12	0.1	0.13
4. Asset Utilisation	0.12	0.12	0.12	0.11	0.12	0.12
5.Interest Expenses	0.04	0.04	0.04	0.04	0.04	0.04

Data Source: CMIE Prowess Database

Operating efficiency is low during the last three years and interest income is low during the same period, this leads to low efficiency. The deposits ratio shows a fluctuating trend and the credit extended shows an increasing trend. The profit during 2015 is low but better than the average.

4. Axis Bank

It has a market capitalization of Rs.132, 451.58 crore. Founded in 1994 as UTI Bank, Axis Bank now has a network of 2402 domestic branches. The bank also has international branches in Hong Kong, Singapore, Colombo, Dubai, Abu Dhabi, and Shanghai. It employs over 37,901 employees. Axis Bank also operates in NRI Services, Investment banking and treasury operations and corporate banking.

Table: 4 Efficiency, Liquidity and Profitability of Axis Bank

RATIOS	2015	2014	2013	2012	2011	Average
EFFICIENCY RATIOS						
1. Operating Efficiency	0.03	0.03	0.03	0.03	0.03	0.03
2. Cost of Funds	0.05	0.06	0.06	0.05	0.04	0.05
3. Income Efficiency	0.19	0.2	0.2	0.2	0.24	0.21
4. Burden Ratio	0.56	0.58	0.61	0.59	0.59	0.59
LIQUIDITY RATIOS						
1. Deposits Ratio	0.69	0.73	0.74	0.77	0.78	0.74
2. Non Deposits Ratio	0.18	0.14	0.13	0.12	0.11	0.14
3. Credit Assets	0.61	0.6	0.58	0.59	0.59	0.59
4.Short Term Investment	0.04	0.03	0.02	0.01	0.03	0.03
5. Cash to Total Assets	0.04	0.04	0.04	0.04	0.06	0.04
PROFITABILITY RATIOS						
1. ROE	15.71	13.4	11.18	10.21	8.15	11.73
2. ROA	0.02	0.02	0.02	0.02	0.01	0.02
3. Profit Margin	0.17	0.17	0.15	0.15	0.17	0.16
4. Asset Utilisation	0.1	0.1	0.1	0.1	0.08	0.10
5.Interest Expenses	0.05	0.05	0.05	0.05	0.04	0.05

Data Source: CMIE Prowess Database

The cost of funds is low during 2015 and net interest income is reduced during the same year. The burden ratio is high during 2013 and low during 2015. The percentage of increase in total assets during the above period is higher than the percentage of increase in the deposits. This shows that the bank can concentrate on increasing its deposits. The bank has increased its investment in money market by 120%. The cash maintained by the bank shows a gradual increase during the above period. The net profit and the total assets shows

an increasing trend. The amount spent on interest is high during 2015.

5. Kotak Mahindra Bank

Kotak Mahindra Bank has a market capitalisation of Rs. 132,218.09 crores. Kotak Mahindra Bank was merged with ING Vysya Bank. It has 1,214 branches across the country. The bank has an employee strength of about 30,000 after the merger. The combined market capitalisation is about Rs. 1.25 lakh crore.

Table: 5 Efficiency, Liquidity and Profitability of Kotak Mahindra Bank.

RATIOS	2015	2014	2013	2012	2011	Average
EFFICIENCY RATIOS						
1. Operating Efficiency	0.08	0.07	0.07	0.07	0.09	0.08
2. Cost of Funds	0.07	0.07	0.07	0.07	0.06	0.07
3. Income Efficiency	0.38	0.31	0.32	0.35	0.46	0.36
4. Burden Ratio	0.71	0.63	0.66	0.69	0.75	0.69
LIQUIDITY RATIOS						
1. Deposits Ratio	0.49	0.47	0.43	0.39	0.37	0.43
2. Non Deposits Ratio	0.21	0.24	0.31	0.32	0.3	0.28
3. Credit Assets	0.6	0.59	0.57	0.58	0.56	0.58
4. Short Term Investment	0.02	0.03	0.02	0.02	0.02	0.02
5. Cash to Total Assets	0.03	0.02	0.02	0.02	0.03	0.02
PROFITABILITY RATIOS						
1. ROE	7.94	6.52	5.91	4.99	4.25	5.92
2. ROA	0.05	0.05	0.05	0.05	0.05	0.05
3. Profit Margin	0.17	0.17	0.15	0.15	0.17	0.16
4. Asset Utilisation	0.15	0.14	0.14	0.14	0.15	0.14
5. Interest Expenses	0.05	0.05	0.05	0.05	0.04	0.05

Data Source: CMIE Prowess Database

The operating efficiency of the bank has decreased from 2012 and it has slightly improved during 2015. The total deposits and non deposit borrowing have increased drastically during 2015. Interest expenses have also increased. This led to increase in cost of funds. Non-interest income has increased by 54% during the last year. Burden

ratio shows a higher value because of increase in non-interest expenses.

Investment in money market shows an increasing trend from 2011 and it has decreased during 2015. This has led to increase in the volume of cash with the bank. There is no

great change in the interest spent by the bank. Net profit of the bank shows an increasing trend.

6. IndusInd Bank

Founded in 1994, Hinduja Group owned IndusInd Bank has a market capitalisation of about Rs. 54,873.47 crore. The

bank employs over 15,500 employees and has a network of 638 branches and 1238 ATMs across the country. With international offices in London and Dubai, IndusInd Bank is known for its strong remittances business. The bank has an exceptionally strong business base in Mumbai, Delhi, and Chennai.

Table: 6 Efficiency, Liquidity and Profitability of IndusInd Bank

RATIOS	2015	2014	2013	2012	2011	Average
EFFICIENCY RATIOS						
1. Operating Efficiency	0.03	0.03	0.03	0.03	0.03	0.03
2. Cost of Funds	0.07	0.07	0.09	0.09	0.07	0.08
3. Income Efficiency	0.17	0.19	0.16	0.16	0.17	0.17
4. Burden Ratio	0.86	0.87	0.54	0.53	0.47	0.65
LIQUIDITY RATIOS						
1. Deposits Ratio	0.7	0.7	0.74	0.74	0.76	0.73
2. Non Deposits Ratio	0.16	0.17	0.13	0.15	0.12	0.15
3. Credit Assets	0.62	0.63	0.61	0.61	0.58	0.61
4. Short Term Investment	0.03	0.03	0.05	0.05	0.03	0.04
5. Cash to Total Assets	0.05	0.05	0.04	0.05	0.05	0.05
PROFITABILITY RATIOS						
1. ROE	2.66	2.68	2.84	2.17	1.57	2.38
2. ROA	0.02	0.02	0.01	0.01	0.01	0.01
3. Profit Margin	0.14	0.14	0.13	0.13	0.13	0.13
4. Asset Utilisation	0.11	0.12	0.11	0.11	0.09	0.11
5. Interest Expenses	0.06	0.06	0.07	0.06	0.05	0.06

Data Source: CMIE Prowess Database

Non- interest income and net total income have increased during the period. This has lowered the income efficiency ratio. On the other hand, non- interest expenses has also increased significantly which led to the increase in the Burden Ratio. Investment in money market shows a fluctuating trend. The increase in the amount of borrowing is lesser than the increase in the total assets. Net profit and total assets show an increasing trend and the equity capital are increased during 2014.

7. Bank of Baroda

Bank of Baroda is the largest Public Sector Banking Company in India with a market capitalization of about Rs.34176.54 crore. The bank is estimated to have over 5193 branches. It has a significant presence in about 25 countries. The Bank of Baroda balances out NRI services with rural and agricultural finance.

Table: 7 Efficiency, Liquidity and Profitability of Bank of Baroda

RATIOS	2015	2014	2013	2012	2011	Average
EFFICIENCY RATIOS						
1. Operating Efficiency	0.02	0.02	0.02	0.02	0.02	0.02
2. Cost of Funds	0.07	0.07	0.07	0.07	0.07	0.07
3. Income Efficiency	0.12	0.11	0.12	0.13	0.15	0.13
4. Burden Ratio	0.41	0.39	0.43	0.41	0.49	0.43
LIQUIDITY RATIOS						
1. Deposits Ratio	0.86	0.86	0.86	0.85	0.87	0.86
2. Non Deposits Ratio	0.05	0.05	0.05	0.06	0.05	0.05
3. Credit Assets	0.6	0.6	0.64	0.63	0.63	0.62
4.Short Term Investment	0.17	0.13	0.1	0.08	0.08	0.11
5. Cash to Total Assets	0.03	0.03	0.05	0.06	0.05	0.04
PROFITABILITY RATIOS						
1. ROE	11.45	11.24	12.64	11.25	8.62	11.04
2. ROA	0.01	0.01	0.01	0.01	0.01	0.01
3. Profit Margin	0.11	0.12	0.15	0.16	0.16	0.14
4. Asset Utilisation	0.07	0.07	0.08	0.07	0.07	0.07
5.Interest Expenses	0.04	0.04	0.04	0.04	0.04	0.04

Data Source: CMIE Prowess Database

Income Efficiency shows a decreasing trend and it has slightly increased during 2015. Burden ratio has faced a dip in 2014. Percentage increase in interest expenses is not met with the percentage increase in total assets. Investment in money market has increased from Rs. 73550.88 lakh to Rs. 114910.94 lakh during 2015. This has increased the short term investment ratio. Cash to total assets ratio is highest during 2014. Return on Equity, Asset Utilisation and Profit margin ratios shows higher numbers in 2013. The bank has

performed better during 2013 when compared with other years.

8. YES Bank

Yes Bank has a market Capitalisation of Rs. 33260.47 crores. It has 630 branches. It is present in 375 cities and has about 12000 employees. It is one of the fastest growing banks in India.

Table: 8 Efficiency, Liquidity and Profitability of Yes Bank

RATIOS	2015	2014	2013	2012	2011	Average
EFFICIENCY RATIOS						
1. Operating Efficiency	0.03	0.03	0.02	0.02	0.02	0.02
2. Cost of Funds	0.07	0.07	0.07	0.07	0.07	0.07
3. Income Efficiency	0.15	0.15	0.13	0.12	0.13	0.14
4. Burden Ratio	1.57	1.6	1.88	2.2	2.6	1.97
LIQUIDITY RATIOS						
1. Deposits Ratio	0.67	0.68	0.68	0.67	0.78	0.70
2. Non Deposits Ratio	0.19	0.2	0.21	0.19	0.11	0.18
3. Credit Assets	0.55	0.51	0.47	0.52	0.58	0.53
4. Short Term Investment	0.02	0.01	0.01	0.01	0.01	0.01
5. Cash to Total Assets	0.04	0.04	0.04	0.03	0.05	0.04
PROFITABILITY RATIOS						
1. ROE	4.8	4.5	3.62	2.77	2.1	3.56
2. ROA	0.01	0.02	0.01	0.01	0.01	0.01
3. Profit Margin	0.15	0.14	0.14	0.14	0.16	0.15
4. Asset Utilisation	0.1	0.11	0.1	0.1	0.08	0.10
5. Interest Expenses	0.08	0.09	0.08	0.09	0.07	0.08

Data Source: CMIE Prowess Database

The operating efficiency ratio and income efficiency ratio have increased during 2014 and 2015. The burden ratio has decreased during the same period. This is because of increase in the total income. Increase in total deposits and borrowing was not met with increase in total assets. Return on equity showed an increasing trend throughout the period. Return on assets was high during 2014. Profit Margin and Asset utilisation are high during 2011. Interest expenses ratio was high during 2014.

The table shows that the bank is efficient enough to reduce its burden ratio. Its Liquidity position is gradually increased during the study period.

9. Punjab National Bank

Punjab National bank is one of the oldest banks found in 1894. Its market capitalisation is Rs. 24823.24 crores. It focuses on agricultural and rural financing. It has 6081 branches in India and abroad.

Table: 9 Efficiency, Liquidity and Profitability of Punjab National Bank

RATIOS	2015	2014	2013	2012	2011	Average
EFFICIENCY RATIOS						
1. Operating Efficiency	0.03	0.03	0.03	0.03	0.03	0.03
2. Cost of Funds	0.05	0.05	0.06	0.06	0.04	0.05
3. Income Efficiency	0.13	0.12	0.12	0.16	0.18	0.14
4. Burden Ratio	0.31	0.26	0.29	0.33	0.33	0.30
LIQUIDITY RATIOS						
1. Deposits Ratio	0.81	0.8	0.8	0.82	0.82	0.81
2. Non Deposits Ratio	0.09	0.1	0.09	0.09	0.09	0.09
3. Credit Assets	0.64	0.64	0.64	0.64	0.64	0.64
4. Short Term Investment	0.05	0.04	0.02	0.02	0.02	0.03
5. Cash to Total Assets	0.04	0.04	0.04	0.04	0.06	0.04
PROFITABILITY RATIOS						
1. ROE	9.01	9.76	13.94	14.67	14.25	12.33
2. ROA	0.01	0.01	0.01	0.01	0.01	0.01
3. Profit Margin	0.06	0.07	0.1	0.12	0.15	0.10
4. Asset Utilisation	0.09	0.09	0.1	0.09	0.08	0.09
5. Interest Expenses	0.05	0.05	0.06	0.06	0.04	0.05

Data Source: CMIE Prowess Database

The above table depicts that the bank is efficient enough to reduce its cost of funds and is efficient in generating income. Liquidity position shows that the bank has increased its investments in money market and the cash ratio has lowered gradually. Profitability ratio reveals that the profit margin has reduced throughout the study period. Interest expenses ratio has reduced which is a positive sign.

10. Canara Bank

Canara Bank is one of the Public Sector Units with a market Capitalisation of Rs. 17246.04 crore. It was Nationalised in 1976. The bank has 3600 branches across the country. It is the first bank among PSU to emphasise on e-banking and online services. Along with commercial banking Canara bank has also become a strong provider of corporate banking services in India.

Table: 10 Efficiency, Liquidity and Profitability of Canara Bank

RATIOS	2015	2014	2013	2012	2011	Average
EFFICIENCY RATIOS						
1. Operating Efficiency	0.03	0.03	0.03	0.03	0.03	0.03
2. Cost of Funds	0.05	0.05	0.06	0.06	0.04	0.05
3. Income Efficiency	0.13	0.12	0.12	0.16	0.18	0.14
4. Burden Ratio	0.31	0.26	0.29	0.33	0.33	0.30
LIQUIDITY RATIOS						
1. Deposits Ratio	0.81	0.8	0.8	0.82	0.82	0.81
2. Non Deposits Ratio	0.09	0.1	0.09	0.09	0.09	0.09
3. Credit Assets	0.64	0.64	0.64	0.64	0.64	0.64
4. Short Term Investment	0.05	0.04	0.02	0.02	0.02	0.03
5. Cash to Total Assets	0.04	0.04	0.04	0.04	0.06	0.04
PROFITABILITY RATIOS						
1. ROE	9.01	9.76	13.94	14.67	14.25	12.33
2. ROA	0.01	0.01	0.01	0.01	0.01	0.01
3. Profit Margin	0.06	0.07	0.1	0.12	0.15	0.10
4. Asset Utilisation	0.09	0.09	0.1	0.09	0.08	0.09
5. Interest Expenses	0.05	0.05	0.06	0.06	0.04	0.05

Data Source: CMIE Prowess Database

The bank is efficient enough to reduce the cost of funds but burden ratio has increased. This is due to increase in operating expenses and it is not met by increase in non-interest income. Liquidity position of the bank reveals that the bank has increased its investment in money market and

there is no great change in the cash maintained by the bank to its total assets owned by the bank. Return on Equity is low during 2014 and 2015 and its profit margin also faces a downward trend.

Table: 11 Overall Ratios – Efficiency, Liquidity and Profitability

RATIOS/BANKS	HDFC	SBI	ICICI	Axis	Kotak	IndusInd	BOB	YES	PNB	Canara	AVG
EFFICIENCY RATIOS											
1. Operating Efficiency	0.04	0.04	0.06	0.03	0.08	0.03	0.02	0.02	0.03	0.02	0.04
2. Cost of Funds	0.05	0.06	0.05	0.05	0.07	0.08	0.07	0.07	0.05	0.06	0.06
3. Income Efficiency	0.17	0.18	0.21	0.21	0.36	0.17	0.13	0.14	0.14	0.09	0.18
4. Burden Ratio	0.43	0.36	0.82	0.59	0.69	0.65	0.43	1.97	0.3	0.41	0.67
LIQUIDITY RATIOS											
1. Deposits Ratio	0.73	0.76	0.48	0.74	0.43	0.73	0.86	0.7	0.81	0.86	0.71
2. Non Deposits Ratio	0.09	0.09	0.26	0.14	0.28	0.15	0.05	0.18	0.09	0.05	0.14
3. Credit Assets	0.61	0.64	0.5	0.59	0.58	0.61	0.62	0.53	0.64	0.61	0.59
4. Short Term Investment	0.02	0.02	0.03	0.03	0.02	0.04	0.11	0.01	0.03	0.04	0.04
5. Cash to Total Assets	0.08	0.08	0.03	0.04	0.02	0.05	0.04	0.04	0.04	0.05	0.05
PROFITABILITY RATIOS											
1. ROE	14.8	22.17	8.49	11.73	5.92	2.38	11.04	3.56	12.33	6.87	9.93
2. ROA	0.02	0.01	0.02	0.02	0.05	0.01	0.01	0.01	0.01	0.01	0.02
3. Profit Margin	0.16	0.08	0.13	0.16	0.16	0.13	0.14	0.15	0.1	0.09	0.13
4. Asset Utilisation	0.1	0.1	0.12	0.1	0.14	0.11	0.07	0.1	0.09	0.09	0.10
5. Interest Expenses	0.04	0.05	0.04	0.05	0.05	0.06	0.04	0.03	0.05	0.06	0.05

Data Source: CMIE Prowess Database

Efficiency Ratios

The above table shows the overall performance of all the ten banks selected for the study. Operating efficiency ratios reveal that ICICI and Kotak Mahindra banks operate inefficiently compared to the overall average. Canara, BOB, and Yes Bank are operating efficiently, as their ratio is below the overall ratio. Punjab National Bank, ICICI and Kotak Mahindra are efficient enough in reducing their cost of funds. IndusInd Bank has the high cost of funds ratio.

ICICI, Axis, and Kotak Mahindra bank are efficient in generating income. Income efficiency of these banks are higher than the other banks taken for the study. The burden ratio is the highest for the YES Bank and ICICI. These banks have to increase their non interest income. Burden ratio is lowest for Punjab National Bank.

Liquidity Ratios

The deposits ratio is the highest for Canara Bank. This reveals that Canara Bank is efficient enough in increasing its deposits when compared with other banks. Kotak Mahindra is rated the lowest and the bank has to increase its deposits.

Non deposit ratio is the highest for Kotak Mahindra and ICICI. Punjab National Bank and Canara bank has the lower ratio than the overall average. SBI and Punjab National Bank have the highest credit assets ratio. This shows that the percentage of loans advanced to its customers, forms the major part of their total assets. The money invested in money market and call money is high in Bank of Baroda. Percentage of cash maintained as a part of total assets is high in SBI

and HDFC. But it is lower than the overall average in Kotak Mahindra Bank.

Profitability Ratios

SBI has the highest Return on Equity. ICICI, IndusInd, YES Bank, and Canara Bank have a lower value than that of the overall average. Kotak Mahindra Bank has got the highest return on assets. Axis and Kotak Mahindra show high profit margin when compared with the other banks. Profit margin is the lowest for Punjab National Bank. Kotak Mahindra utilises its assets better than the other banks. Bank of Baroda's Asset Utilisation ratio is the lowest. Yes Bank has the lowest interest expenses. IndusInd and Canara Bank have high interest expenses ratio than the overall average.

Conclusion

The study reveals the profitability, liquidity, and efficiency of the banks taken for the study. The burden ratio i.e., the difference between the expenses and non interest income has to be reduced. They should reduce the burden ratio by increasing the non interest income, by introducing new innovative services, by enhancing their treasury functions and by identifying the sources through which they can fetch loans at low costs. This would improve the non interest income and which in turn reduces the burden ratio. Lower the burden ratio, better is the operating efficiency of the banks.

And the overall results say that the level of deposits accepted by the banks have not increased significantly. Since the banks are concentrating on modern banking practices like concentrating on money market operations and banking services, the level of improvement in deposits has not increased. Therefore the banks have to concentrate more and adopt innovative practices to improve their business through their core banking activity. Except a few banks the return on equity shows a positive sign. Asset utilisation has to be improved, which in turn increases the operating

efficiency of the business. Periodical review should be undertaken to see that percentage change in expenses and income is fuelled by percentage change in assets. This would help the banks to ensure their liquidity position. This shows a comparison on the efficiency of the top banks.

Introduction of the 11 new payment banks as per RBI notification (20 August, 2015) is going to increase the competition in the banking sector. The main core business of the new banks is through non interest income. So it will be a tough competition to the existing banks to improve their business through non interest income. The existing banks should operate efficiently and review their key indicators periodically to withstand their position.

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