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RESEARCH ARTICLE

FINANCIAL PERFORMANCE OF SELECTED INDIAN ORIGIN BANKS OPERATING AT UAE

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ABSTRACT

Banks have an important role to play in the economic development of any nation. A large part of money supply is controlled by the banks. The financial performance of a bank indicates its profitability which is an important indicator of the efficiency of banks. In this paper an attempt has been made to study the financial performance of selected Indian origin banks operating at UAE. Those banks were selected who have branch or representative office in UAE. Profitability is measured by using the selected financial ratios which includes Operating profit per share, Net operating profit per share, Return on long term funds, Return on net worth, Return on assets, Total income/capital employed, Dividend payout ratio and Operating profit per share. Data was collected for ten years from PROWESS data base and analyzed Statistical tools which are compound annual growth rate, Mean covariance and standard deviation. The compound annual growth rate of selected banks have both positive and negative trend during the study period. With the help of selected financial ratios the performance is measured and almost all the banks are witnessing positive growth.

INTRODUCTION

Banking system is the backbone of county's economy and it is an important precondition for economic development and financial stability of the nation. A bank is an institution which deals in money and credit. Thus, bank is an intermediary which functions for the benefit of the investors as well as the benefit of the bank itself. Increasing number of UAE-based non-resident Indians (NRIs) are willing to open and send funds into non-resident external (NRE) accounts for tax free and deposits earning high interest rates. India remains the largest receiver of international remittances according to World Bank Reports, touching US$ 70 billion in the year 2013. The number one source country for outflows to India is the UAE (http://www.network.ae). In the light of these aspects, it is very vital to study the financial performance of Indian origin banks which has their international presence in the form of Branch or Representative Office in UAE. The financial performance is analysed in this study by measuring the profitability.

MEASUREMENT OF PROFITABILITY

Profitability of a firm can be measured by its financial variables and selected ratios. In the process of performance appraisal of a business, profitability ratios can be calculated to measure the operating efficiency. The profitability ratios can be determined on the basis of either investment or sales and for this purpose a quantitative relationship between the profit and the investment or the sales is established. In the words of James C. Van Horne, "Profitability ratios are of two types: those showing profitability in relation to sales, and those showing profitability in relation to investment(Financial Management and policy second edition James.C.Van Horne Standford university). He further added, with all of the profitability ratios, comparisons of a company with similar companies are extremely valuable. Only by comparison are we able to judge whether the profitability of a particular company is good or bad, and why. Absolute figures give some insight, but it is a relative performance which is most important. The profitability of the company should also be evaluated in terms of its investment in assets and in terms of capital contributed by creditors and owners, as such if a company is unable to earn a satisfactory return on investments, its survival is threatened. The present article is attempted to study the various ratios suggested for measuring the financial performance in relation to profitability of selected banks. The following profitability variable and ratios have been computed and analyzed for selected banks during the study period.

Operating profit per share, Net operating profit per share, Return on long term funds, Return on net worth, Return on assets, Total income/capital employed, Dividend payout ratio and Operating profit per share.

SIGNIFICANCE OF STUDY

The study is significant for the fact that it is carried out to find the determinants of profitability of selected Indian banks. Since the scheduled commercial banks play important role for the development of the Indian economy with branches or Representative office at UAE, Where many Indians are residing, it is important to study the determinants of the profitability of selected banks. The present paper primarily focus on the findings and analysis of profit margin ratios for the selected banks with special reference to Operating profit per share, Net operating profit per share, Return on long term funds , Return on net worth, Return on assets , Total income/capital employed and Dividend payout ratio . The study will be able shed light on the growth of the Indian banks and results would help the Non Resident Indians at UAE to know about the Indian Banks in UAE.

Financial Performance of Commercial banks are normally evaluated for several reasons with specific objectives. Financial performance analysis is also mandate for banks, as entities like bank regulators can caution the banks that experience chronic financial problems and ensure proper and effective functioning. It is imperative for the share holders to know the financial performance of banks to initiate individual financial investments. Unsurprisingly, commercial banks evaluate their financial performance for specific periods, in order to determine the efficacy and long term viability of management decisions through which they can alter the course and make changes whenever it is appropriate.

LITERATURE REVIEW

Sapp (1978) investigated the relationship between long-range planning and bank performance. The purpose of this study was to examine the extent of long-range planning by commercial banks and to study the relationship between such planning efforts and bank performance. Eight testable hypotheses were derived from the general hypothesis that banks, which engage in long-range planning, will perform better than banks that do not. The analysis of variance procedure (ANOVA) was used to determine the significance of the variance in the performance measure that could be “explained” by the levels of long range planning.

Mukhergee (2003), the presence of large NPAs in the SCBs can affect a bank's profit in a number of ways namely through reduced interest income, and through the creation of reserves and provisions at the expense of profits. This decline in profit has a bearing on variables like the capital adequacy ratio (CAR). When profit decline, it becomes difficult for the banks to raise Tier-I capital and hence the capital base is affected. In the face of declining profit, in order to maintain the stipulated CAR, the bank may have to raise Tier-II capital through bond-issues. The interest cost then will be higher, pushing the cost ratio of the bank up and thereby resulting in a further shrinkage of profit. Thus the presence of large NPAs may lead to a vicious circle, making the financial health of a bank deteriorate over time.

Aman and Zaman (2009) owned banks in Pakistan and found that the private sector banks were performing better with regards to the credit risk compared to the state owned banks. The study by analyzing studied the credit risk performance of private and state data for a fifteen year period from 1990 to 2005 reported that the private sector banks were efficient in managing their credit risk and suggested that the public sector banks need to improve their efficiency of credit risk management.

Ali and Daly (2010) investigated the interaction between the cyclical implications of loan defaults (credit risk) in an economy and the capital stock of a bank. The approach used a macroeconomic credit model that through a comparative analysis of two countries, namely Australia (a relatively immune economy from the recent crisis) and the United States of America (the worst affected economy from the recent crisis). The results indicated that the same set of macroeconomic variables display different default rates for the two counties. Additionally the study finds that compared to Australia, the US economy is much more susceptible to adverse macroeconomic shocks.

Anupam Mehta (2012) stated that Prior to the outbreak of recent global economic crisis, the banking sector of UAE had enjoyed double digit growth, but the global crisis restricted the massive growth of UAE banks. This paper contributed to emerging body of research by examining the financial performance indicators of the banks and identifying whether the financial performance indicators of UAE banks have been impacted by the Global economic crisis. This paper studies all banks listed on Abu Dhabi Stock Exchange. The study also covered a period of 2005 to 2010, which has been classified into pre-crisis, crisis and post crisis period. The performances of the banks have been measured by financial ratios including Leverage, Liquidity and Profitability ratios of UAE banks have been calculated and analyzed to draw interpretations. The results of the study concluded that the recent global crisis has impacted the UAE bank's financial performance especially the profitability measured by Return on Assets and Return on Equity. All profitability ratios of bank have decreased during the crisis period. Liquidity of banks has also decreased during the crisis period especially in terms of cash & portfolio Investments to deposits. On the contrary the Leverage ratios of UAE's baking sector have increased during the crisis period as compared to the pre crisis period.

Manoj (2013) did an empirical study on the determinants of profitability and efficiency of Old Private Sector Banks in India with a focus on banks in Karnataka State and reported that the banks in Karnataka had shown enhanced profitability, operational efficiency and risk management capability, particularly credit risk management. The study also found that non-interest income was a significant determinant of the profitability of old private sector banks in Karnataka.

Mukdad Ibrahim (2014) analyzed the financial performance of two UAE based banks between the years 2004 and 2009. Quantitative analysis was undertaken by looking at various sets of ratios that are routinely used to measure bank performance. Conclusions were then drawn from the computation of the relevant ratios that allowed the author to make an effective comparison of said banks. The main ratios that were employed put a particular focus on the banks liquidity, profitability, management capacity, capital structure and share performance as reliable indicators of a bank performance. Subsequently, each bank performance was then ranked via the use of descriptive statistical analysis. The analysis summarized the performance of each bank based on two criteria, dispersion and the overall stability of each banks performance. The findings showed that both banks performed reasonably well during the period of study. Liquidity levels were lower for the commercial bank of Dubai, while the national bank of Abu Dhabi benefitted by having an overall higher degree of profitability. The commercial bank of Dubai took better control of its operations when compared with the national bank of Abu Dhabi. Among its other superior qualities was a strong and highly resilient capital structure. Calculation of the four ratios of share performance clearly showed that the national bank of Abu Dhabi is largely better off financially than the commercial bank of Dubai.

Mukdad Ibrahim (2015) conducted a study to compare the financial performance of two UAE based Islamic and conventional banks between the years 2002 and 2006. Quantitative analysis was undertaken by looking at various sets of financial ratios that are routinely used to measure bank performance. The main ratios that were employed were liquidity, profitability, management capacity, capital structure and share performance as reliable indicators of a bank performance. Descriptive statistical analysis was used by the researcher to rank the performance, measuring the dispersion and the stability-variability of the indicators. The research also measured the financial stability of the two banks. Subsequently, each bank's performance was then ranked via the use of descriptive statistical analysis and summarized the performance of each bank based on three criteria, mean, coefficient of variation and the overall stability of each banks performance. The findings showed that both banks performed reasonably well during the period studied. While the bank of Sharjah benefitted by having an overall higher degree of liquidity, profitability, management capacity and capital structure, Dubai Islamic bank was better off in relation to share indicators performance and in terms of overall stability.

RESEARCH GAP

From the literature review it can be observed that no study has been done to study the financial performance of Indian Origin Banks in UAE. This study focuses on the financial performance of Indian origin banks having branches or representative offices in UAE which is unique in nature. The primary objective is to analyze the annual growth of selected banks. So this sample selection of banks based on their origin and international presence made this study unique.

OBJECTIVES OF THE STUDY

The primary objective of the study is to analyse the profitability of the selected Indian origin banks which are having branches or representative offices in UAE. The following are the specific objectives of the research:

1. To analyse the profit margin ratio of selected Indian origin banks which includes operating profit per share, Net operating profit per share, return on long term funds and return on net worth.
2. To find the annual growth of selected profitability ratios which includes return on assets, total income/capital employed, dividend payout ratio and operating profit per share.

Hypothesis

H0: There is no positive growth in performance of selected ratios of selected Indian origin banks operating in UAE.

H1: There is a positive growth in performance of selected ratios of selected Indian origin banks operating in UAE.

RESEARCH METHODOLOGY

Secondary data was collected for the study. Prowess' corporate databases developed by CMIE (Centre for Monitoring Indian Economy) and CLP (Capital Line Plus) have been used as principal sources. The other relevant data are collected from

Journals and websites. There are 17 Indian Origin Banks in UAE out of which five have been selected for study. Those Indian origin Banks have been selected which either have a branch or representative office in UAE, and also had data for the entire period of study of ten years.

Sampling Method

By using the stratified random sampling methodology the 5 banks are taken as sample which has been considered for the present study. The banks selected for the study are Canara Bank, IDBI Bank, SBI Bank, Bank of Baroda and Bank of India. The data has been collected and compiled in tabular form.

PERIOD OF THE STUDY

The study covers a period of 10 financial years from 2005-06 to 2014-15. The financial year starts from 1st day of April of a year and ends on 31st day of March of the following year.

ANALYSIS AND INTERPRETATION

TaEble 1: Findings and analysis of profit margin ratio of selected banking sectors in uae–operating profit per share

Year	**CAN**	**IDBI**	**SBI**	**BOB**	**BOI**
2005-06	27.6	12.94	124.77	22.1	16.48
2006-07	33.15	11.37	147.72	42.41	28.74
2007-08	33.29	20.16	173.61	57.48	44.53
2008-09	47.02	18.7	230.04	82.98	73.29
2009-10	73.99	39.1	229.63	106.39	43.27
2010-11	77.46	42.73	165.38	112.77	52.76
2011-12	71.61	32.67	271.65	132.2	61.69
2012-13	66.07	42.41	236.63	134.58	65.05
2013-14	67.03	36.73	199.45	120.47	67.79
2014-15	59.49	37.43	23.38	26.47	53.19
Mean	55.671	29.424	180.226	83.785	50.679
S.D	18.81806	12.31898	71.35853	43.60885	17.9073
CV	0.338023	0.418671	0.395939	0.520485	0.353348
CAGR	0.079825	0.112061	-0.15419	0.018207	0.124313

Source: cmie and computed

From the above table it can be observed that the mean of operating profit per share varies from bank to bank, the highest mean was 180.226 per cent in **SBI** Followed by **BOB** i.e., 83.785 per cent, **CAN** 55.671 per cent, **BOI** 50.679 per cent, **IDBI** 29.424 during the study period.

The higher mean value of profit margin ratio the profit of particular bank exceeds in financial performance and SBI is performing best with the value of 180.226. Among the selected banking sectors **CAN** has lowest variation (0.338023) in operating profit per share while **BOB** and **IDBI** suffered from largest variation in operating profit per share during the study period. It is also observed from the Table 1, that the Compound Annual Growth Rate of operating profit per share ratio was negative in the case of **SBI** and positive for **CAN, IDBI, BOB, BOI** during the study period 2005-2006 to2014-2015. Hypothesis is not accepted for all the banks except SBI.

Table 2: Findings and analysis of profit margin ratio of selected banking sectors in uae– net operating profit per share.

Rs in crores

Year	**CAN**	**IDBI**	**SBI**	**BOB**	**BOI**
2005-06	221.93	90.5	719.54	200.24	159.09
2006-07	282.24	98.18	833.38	262.13	209.46
2007-08	378.64	134.97	899.83	360.56	261.51
2008-09	441.97	182.36	1179.45	455.85	349.31
2009-10	508.62	242.34	1353.15	524.75	375.4
2010-11	517.83	189.08	1281.8	558.96	398.03
2011-12	696.4	182.96	1587.4	721.77	496.37
2012-13	769.25	188.15	1749.29	835.52	535.47
2013-14	857.38	165.89	1826.36	906.81	589.58
2014-15	920.67	175.59	204.13	194.27	652.44
Mean	559.493	165.002	1163.433	502.086	402.666
S.D	241.198	45.64486	506.451	256.6011	164.6329
CV	0.431101	0.276632	0.435307	0.51107	0.408857
CAGR	0.152892	0.068526	-0.11837	-0.00302	0.151568

Source: cmie and computed

The Table No. 2 shows the analysis of Net operating profit per share of selected banks during the study period. The mean of Net operating profit varied from bank to bank, the highest mean was 1163.433 per cent in **SBI** Followed by **CAN** i.e., 559.493 per cent, **BOB** 502.086 per cent, **BOI** 402.666 per cent, **IDBI** 165.002 during the study period. The highest net operating profit indicates the financial stability and profitability of the bank.

Among the selected banking sectors **IDBI** has lowest variation (0.338023) in Net operating profit ratio while **SBI** and **BOB** suffered from largest variation in Net operating profit ratio during the study period. It is also observed from the Table 2, that the Compound Annual Growth Rate of Net operating profit ratio was negative in the case of **SBI**, **BOB** and positive for **CAN, IDBI, BOI** during the study period 2005-2006 to 2014-2015. Hypothesis is accepted for SBI and BOB.

The Table No. 3 shows the analysis of return on long term funds of selected banking sectors during the study period. The mean of return on long term funds varied from banking to banking, the highest mean was 129.884 per cent in **CAN** Followed by **IDBI** i.e., 126.742 per cent, **BOI** 114.837 per cent , **SBI** 94.933 per cent, **BOB** 89.243 during the study period. The highest return on long term funds of CANB indicates that the annual percentage return based on the yields of all underlying securities in the the portfolio but is weighted to account for each security's market value and maturity of the bank is comparatively better than others.

Table 3: Findings and analysis of profit margin ratio of selected banking sectors in uae–return on long term funds

Year	**CAN**	**IDBI**	**SBI**	**BOB**	**BOI**
2003-06	95.07	88.76	97.89	66.45	109.76
2006-07	111.05	100.06	99.2	81.71	126.61
2007-08	151.48	120.38	86.83	91.52	122.57
2008-09	149.13	149.13	100.35	103.7	127.39
2009-10	134.69	172.61	95.02	99.27	114.17
2010-11	112.95	142.46	98.2	89.02	109.17
2011-12	132.09	131.31	97.36	92.37	120.37
2012-13	130.75	128.17	96.35	89.81	108.25
2013-14	139.56	113.31	87.28	90.23	102.34
2014-15	142.07	121.23	90.85	88.35	107.74
Mean	129.884	126.742	94.933	89.243	114.837
S.D	18.13875	24.22325	4.896393	10.0162	8.786741
CV	0.139653	0.191123	0.051577	0.112235	0.076515
CAGR	0.040988	0.031666	-0.00744	0.028895	-0.00186

Source: cmie and computed

Among the selected banking sectors **SBI** has lowest variation (0.338023) in return on long term funds while **IDBI** and **CAN** suffered from largest variation in return on long term funds during the study period. It is also observed from the Table 3, that the Compound Annual Growth Rate of return on long term funds was negative in the case of **SBI, BOI** and positive for **CAN, IDBI, BOB** during the study period 2005-2006to2014-2015. Hypothesis is not accepted for CANB, IDBI and BOB.

The Table No. 4 shows the analysis of return on net worth of selected banking sectors during the study period. The mean of return on net worth varied from banking to banking, the highest mean was 17.424 per cent in **CAN** Followed by **BOI** i.e., 15.284 per cent, **BOB** 14.65 per cent , **SBI** 13.273 per cent, **IDBI** 9.301 during the study period. This indicator for profitability which divides net income of the past year by common stock holder equity proves that all the banks are showing negative growth percentage in this aspect but BOI has the highest mean of 15.284 per cent.

Among the selected banking sectors **SBI** has lowest variation (0.171203) in return on net worth while **BOI** and **IDBI** suffered from largest variation in return on net worth during the study period. It is also observed from the Table 4, that the Compound Annual Growth Rate of return on net worth was

Table 4: Findings and analysis of profit margin ratio of selected banking sectors in uae–return on net worth

(Rs in crores)

Year	CAN	IDBI	SBI	BOB	BOI
2003-06	20.65	8.16	15.94	10.54	14.53
2006-07	18.78	9.1	14.5	11.86	21.25
2007-08	18.86	10.6	13.72	12.99	22.76
2008-09	20.64	10.1	15.74	17.35	25.51
2009-10	24.09	12.21	13.89	20.24	13.6
2010-11	22.43	12.33	11.34	20.15	15.58
2011-12	15.91	11.41	13.94	18.22	13.57
2012-13	12.57	9.71	14.26	14.01	11.49
2013-14	10.1	5.25	9.2	12.61	9.12
2014-15	10.21	4.14	10.2	8.53	5.43
Mean	17.424	9.301	13.273	14.65	15.284
S.D	5.007577	2.76821	2.272375	4.095938	6.253668
CV	0.287395	0.297625	0.171203	0.279586	0.409164
CAGR	-0.06801	-0.0656	-0.04366	-0.02094	-0.09374

Source:CMIE and COMPUTED

Table 5: Findings and analysis of profit margin ratio of selected banking sectors in uae–return on assets

(Rs in crores)

Year	CAN	IDBI	SBI	BOB	BOI
2003-06	173.96	92	525.25	215.35	102.25
2006-07	252.54	117.71	594.69	237.46	120.96
2007-08	256.11	125	776.48	303.18	201.64
2008-09	297.75	131.93	912.73	352.37	256.96
2009-10	357.85	141.97	1038.76	414.71	270.96
2010-11	452.37	147.97	1023.4	537.45	316.4
2011-12	512.19	151.68	1251.05	668.34	365.33
2012-13	561.58	159.08	1445.6	758.91	401.38
2013-14	642.16	147.34	1584.34	838.02	465.37
2014-15	670.44	151.97	172.04	180.13	472.42
Mean	417.695	136.665	932.434	450.592	297.367
S.D	175.0746	20.39819	433.6147	237.2758	131.3825
CV	0.419145	0.149257	0.465035	0.526587	0.441819
CAGR	0.144435	0.05147	-0.10561	-0.0177	0.165377

Source: CMIE and COMPUTED

negative in all selected banking sectors during the study period 2005-2006to2014-2015. Hypothesis is accepted in all the banks.

The Table No. 5 shows the analysis of return on assets of selected banking sectors during the study period. The mean of return on assets varied from banking to banking, the highest mean was 932.434 per cent in **SBI** Followed by **BOB** i.e., 450.592 per cent, **CAN** 417.695 per cent, **BOI** 297.367 per cent, **IDBI** 136.665 during the study period. This measure indicates the percentage of profit the selected banks earned in relation to its overall resources and the highest mean was 932.434 per cent in **SBI.**

Among the selected banking sectors **IDBI** has lowest variation (0.149257) in return on assets while **BOB** and **SBI** suffered from largest variation in return on assets during the study period. It is also observed from the Table 5, that the Compound Annual Growth Rate of return on assets was negative in the case of **SBI, BOB** and positive for **CAN, IDBI, and BOI** during the study period 2005-2006to2014-2015.Hypotheis Is Accepted For SBI and BOB.

The Table No. 6 shows the analysis of total income/capital employed of selected banking sectors during the study period. The mean of total income to capital employed varied from bank to bank, the highest mean was 9.134 per cent in **CAN** which has got good total income out of its invested capital than other banks Followed by **SBI** i.e., 8.894 per cent, **IDBI** 8.756 per cent , **BOI** 8.419 per cent, **BOB** 7.802 during the study period.

Among the selected banking sectors **SBI** has lowest variation (0.045902) in total income/capital employed while **BOB** and **IDBI** suffered from largest variation in total income/capital employed during the study period. It is also observed from the Table 6 that the Compound Annual Growth Rate of total income/capital employed was negative in the case of BOB **and** positive for **SBI, CAN, IDBI, and BOI** during the study period 2005-2006to2014. Hypothesis is accepted for BOB.

The Table No. 7 shows the analysis of dividend payout ratio of selected banking sectors during the study period. The mean of dividend payout ratio varied from bank to bank, the highest mean was 23.489 per cent in **IDBI** Followed by **SBI** i.e., 20.274 per cent, **BOB** 19.964 per cent, **BOI** 18.26 per cent, **CAN** 18.078 during the study period. This is the fraction of net income a bank pays to its stock holders in dividends and IDBI offers more when compare with the rest.

Among the selected banking sectors **SBI** has lowest variation (0.137877) in dividend payout ratio while **BOI** and **IDBI** suffered from largest variation in dividend payout ratio during the study period. It is also observed from the Table 7, that the Compound Annual Growth Rate of dividend payout ratio was negative in the case of SBI and **BOB, CAN, IDBI** and positive for **BOI** during the study period 2005-2006 to 2014-2015.Alternative hypothesis is accepted for SBI.

Table 6: Findings and analysis of profit margin ratio of selected banking sectors in uae–total income/capital employed.

(Rs in crores)

Year	**CAN**	**IDBI**	**SBI**	**BOB**	**BOI**
2003-06	8	7.86	8.24	7.38	7.85
2006-07	8.26	7.56	8.46	7.83	8.45
2007-08	9.52	8.5	8.96	8.57	9.03
2008-09	9.61	8.81	8.99	8.51	9.44
2009-10	9.14	8.77	8.62	7.86	8.14
2010-11	8.63	8.58	8.54	7.76	7.83
2011-12	9.57	9.48	9.45	8.22	8.68
2012-13	9.52	9.33	9.35	7.81	8.54
2013-14	9.7	9.17	9.22	7.19	8.23
2014-15	9.39	9.5	9.11	6.89	8
Mean	9.134	8.756	8.894	7.802	8.419
S.D	0.615037	0.659245	0.408254	0.543258	0.522737
CV	0.067335	0.075291	0.045902	0.069631	0.06209
CAGR	0.016149	0.019131	0.010088	-0.00685	0.001895

Source: CMIE and COMPUTED

Table 7: Findings and analysis of profit margin ratio of selected banking sectors in uae–dividend payout ratio

(Rs in crores)

Year	CAN	IDBI	SBI	BOB	BOI
2003-06	20.14	23.64	16.72	25.11	23.76
2006-07	20.19	21.84	16.22	24.59	17.51
2007-08	20.95	24.58	20.17	23.75	12.23
2008-09	15.82	30.45	20.18	17.22	16.34
2009-10	15.88	24.94	23.36	17.92	24.61
2010-11	12.1	25.61	25.84	15.23	17.85
2011-12	14.84	22.71	20.06	13.86	17.4
2012-13	20.05	28.71	20.12	20.21	21.7
2013-14	20.8	16.63	20.56	20.33	11.77
2014-15	20.01	15.78	19.51	21.42	19.43
Mean	18.078	23.489	20.274	19.964	18.26
S.D	3.129472	4.634797	2.795318	3.885964	4.312934
CV	0.173109	0.197318	0.137877	0.194649	0.236196
CAGR	-0.00065	-0.03961	0.015552	-0.01577	-0.01992

Source: CMIE and COMPUTED

SUGGESTIONS

After the analysis of data it was observed that the compound annual growth rate of selected banks are positive with respect to selected financial variables except the case of return on net worth and dividend payout ratio. Based on this certain suggestions for the banks to improve the branch profitability are made as follows:

1. One means of increasing the profitability can be opening more branches. The banks should open more branches in areas where there are large number of Indian residents.

2. For deeper penetration strategic partnerships with regional rural banks can be useful for these banks. This would help them in covering a wider area which may include people uncovered under banking. .

4. Banking sector in India need to move towards a more market based system for to create the sound and condition for well functioning of a market based banking system. Since UAE is based on multinational citizens with diverse business background the Market based banking system will act as backbone in future.

5. Public sector banks required to set up modern IT infrastructure in place within a short time of period to compete globally with their private counter parts like ICICI who are excellent performers in

terms of technology up gradation and more timely response than public sector banks.

CONCLUSION

The compound annual growth rate of selected banks have both positive and negative trend during the study period. With the help of selected financial ratios the performance is measured and almost all the banks are witnessing positive growth .The banker should analyse the ratios where negative annual growth remains like Net operating profit per share of SBI/BOB, dividend payout ratio of BOB,CAN,IDBI, Return on assets of SBI and BOB to make banking industry more profitable. The common suggestion observed from the analysis is that the variables which are showing negative growth rate should be more focused to provide positive growth of the selected banks. The bankers must provide attention over these selected ratios and analyse the real fact behind.

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