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Solvency and Performance Evaluation of Three Major Public and Private Sector Banks – An Indian Case

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Abstract:
The banking is one of the industry which affects economy of any nation and its development. As an economic institution the bank is expected directly and positively related to the performance of the economy than most non-economic institutions.[1] *Banks are considered to be the mart of the world, the nerve centre of the economies and finance of a nation and the barometer of its economic perspective.*[2]
The role of banks in accelerating the economic growth of an India has been recognized following the nationalization of fourteen major commercial banks in July 1969 and six more banks in April 1980. The concept of banking has significantly changed with nationalization as bank are no longer viewed as a mere lending institution, They are specifically called to use their resources to attain social and economic development of the nation. Hence it is important to make a comparative evaluation of Indian Public and Private sector bank. The study has revealed that average debt is higher in case of public sector bank, profitability is highest in case of private sector banks and aggressive plans to lending funds are in private sector banks as against banks under study.

Keywords: *Public sector bank, private sector bank, capital gearing, interest coverage, solvency and capital structure*

1. Introduction

Capital structure refers to the company's financial framework which consists of the debt and equity used to finance the operations. The crucial issue in terms of deciding the right capital structure for a company is to identify the combination of equity and debt that maximizes the market value of a company. Capital structure affects leverage, which, in turn, affects the expected return and risk facing by owners and creditors of the firm. The amount of debt that a company uses to finance its assets is called leverage. The combination of a company's long-term debt, specific short-term debt, equity share and preference share is called capital structure. The capital structure is the company's various sources of funds used to finance its overall operations and growth. Debt comes in the form of bond issues or long-term loans, whereas equity is classified as equity shares or common stock, preference shares and retained earnings.
There are different method of analyzing capital structure are ratios, trend analysis, common size statements, comparative statements. In this study the analysis of capital structure of the banks under study is done through ratios analysis.

2. Review of Literature

Verma et al (2013) in their research named "Profitability of Commercial Banks after the reforms: A study of selected banks", concluded that the profitability and efficiency of Private sector banks are comparatively higher to other banks. Private sector banks are performing better so far as financial parameters of Interest income, non-interest income and wage bill are concerned. Public sector banks are competitive enough so far as the financial parameters like operating expenses, Priority sector advances to total Advances are concerned. It is clear from the fact that public sector banks (Punjab National bank & State bank of India) have considerable growth in net profits. Operating expenses of these banks have shown a declining trend over the period of time. It seems that old private bank (Federal bank) is also in the race.
Anurag B Singh and Priyanka Tandon (2012), in their paper, "Comparative analysis of capital structure of Banking companies with special reference to State Bank of India and ICICI Bank", and revealed form the above study the dependence of State Bank of India on outsider fund but the dependence of ICICI Bank on owned fund is increasing continuously. Earnings per share of the firm are also showing an increasing trend. As per the solvency ratio, which is showing an increasing trend in SBI, which depicts the favourable device on Trading on Equity whereas in ICICI Bank showing a decreasing but stable. From the above study it can be concluded that SBI is using more debt fund as compared to equity fund, which decreases the weighted average cost of capital, thereby increasing the return of shareholders while ICICI Bank is using less debt fund as compared to equity fund which increases the weighted average cost of capital.

3. Objective of the Study
The objective of the study is to comparatively analysis of pattern of financing or capital structure and solvency position of three major Indian Public sector bank i.e. State Bank of India (SBI), Punjab National Bank (PNB) and Bank of Baroda (BOB) and three major Indian Private sector bank i.e. ICICI Bank, HDFC Bank and Axis Bank. To achieve the inherent objective of this study debt to debt plus equity, Advance to Total Assets Ratio, Advance to Total Deposit Ratio, Interest Coverage Ratio, Capital Gearing Ratio, Profit per employee, proprietary ratio is used.

4. Research Methodology

4.1. Period of Study
For this study period of five years from financial year 2010 to 2014 is selected.

4.2. Sources of the Data
This study is based on secondary data. The data for this study is collected from financial statement, official websites of respective banks and also refer various websites which related to finance and commerce e.g. indiabulls.com, moneycontrol.com, bseindia.com, nseindia.com etc.

4.3. Nature of the Data
The data requires for the purpose of this study will be information relating to debt, equity, total application, total sources, operating profit, finance cost and net profit of the banks under study from Financial Year 2010 to 2014 needs to be collected.

4.4. Sample Size
For this study we have taken three major public sector bank i.e. SBI, PNB and BOB and three major private sector bank i.e. ICICI, HDFC and Axis. The criterion for selection these banks is highest net profit in chronological order for the period under study.

4.5. Procedures of Analysis
To analyse the data and get the desired outcome, the following ratios are to be used:
1. Debt to Total Debt plus Equity
2. Advance to Total Assets Ratio
3. Advance to Total Deposit Ratio
4. Interest Coverage Ratio
5. Capital Gearing Ratio
6. Profit per employee

5. Data Analysis and Interpretation
This section is being show analysis of data and interpretation of the analysis.

5.1. Debt to Debt plus Equity
The debt of any bank included deposit and borrowings made by the bank. In case of rate of return is higher on investments of borrowed funds than cost of borrowed fund, the surplus belongs to equity shareholders hence consequently the wealth of shareholders increased. But beyond certain limit debt management have to give proper attention to the degree of indebtedness to serve the commitments towards its lenders.
This ratio is calculated to divide total debt from debt and equity. Debt includes deposit and borrowings of the banks. This is also one of the important ratios that explain the capital structure position. There is no standard prescribed for this ratio but normally the smaller the ratio the better it will be

Financial Year	SBI			PNB			BOB		
	Debt (Rs.)	Debt plus Equity (Rs.)	Ratio	Debt (Rs.)	Debt plus Equity (Rs.)	Ratio	Debt (Rs.)	Debt plus Equity (Rs.)	Ratio
2009-10	9,07,128	9,73,077	0.93	2,68,592	2,84,823	0.94	2,54,394	2,69,501	0.94
2010-11	10,53,502	11,18,488	0.94	3,44,488	3,64,526	0.95	3,27,747	3,48,791	0.94
2011-12	11,70,653	12,54,604	0.93	4,16,853	4,43,220	0.94	4,08,444	4,35,921	0.94
2012-13	13,71,922	14,70,806	0.93	4,31,181	4,63,858	0.93	5,00,463	5,32,432	0.94
2013-14	15,77,539	16,95,822	0.93	4,99,431	5,35,326	0.93	6,05,707	6,41,693	0.94
Average Rate			0.934			0.938			0.941
Standard Deviation			0.005			0.007			0.003
Coefficient of Variation			0.005			0.007			0.003
Growth Rate	73.90	74.27		85.94	87.95		138.10	138.10	

Table 1: Analysis of Debt to Debt plus Equity Ratio of SBI, PNB and BOB (Rs. in crore)
Source: Author's Compilation

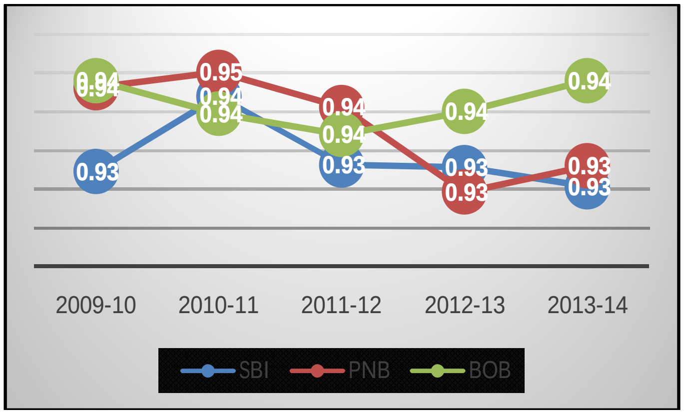

Figure 1: Debt to Total Debt plus Equity

Financial Year	ICICI			HDFC			Axis		
	Debt (Rs.)	Debt plus Equity (Rs.)	Ratio	Debt (Rs.)	Debt plus Equity (Rs.)	Ratio	Debt (Rs.)	Debt plus Equity (Rs.)	Ratio
2009-10	2,96,280	3,47,899	0.85	1,80,320	2,01,843	0.89	1,58,470	1,74,514	0.91
2010-11	3,35,156	3,90,247	0.86	2,22,980	2,48,360	0.90	2,15,506	2,34,505	0.92
2011-12	3,95,665	4,56,070	0.87	2,70,553	3,00,478	0.90	2,54,176	2,76,985	0.92
2012-13	4,37,955	5,04,661	0.87	3,29,254	3,65,468	0.90	2,96,565	3,29,673	0.90
2013-14	4,86,673	5,59,886	0.87	4,06,776	4,50,255	0.90	3,31,236	3,69,456	0.90
Average Rate			0.863			0.899			0.908
Standard Deviation			0.008			0.004			0.010
Coefficient of Variation			0.009			0.004			0.011
Growth Rate	64.26	60.93		125.59	123.07		109.02	111.71	

Table 2: Analysis of Debt to Debt plus Equity Ratio of ICICI, HDFC and Axis (Rs. in crore)
Source: Author's Compilation

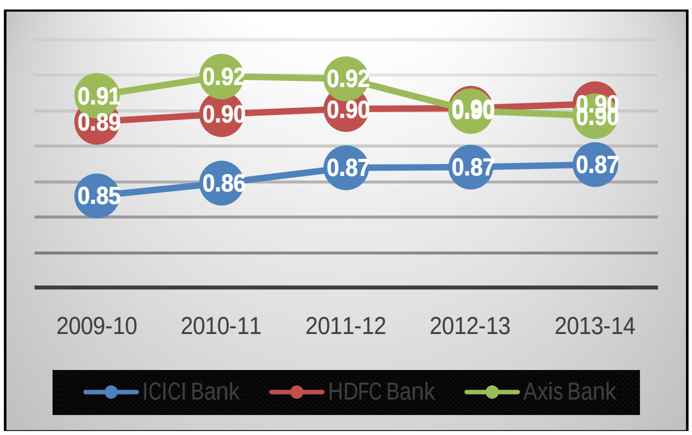

Figure 2: Debt to Total Debt plus Equity

As presented in Table '1 & Figure-1 above, average debt to debt plus equity ratio of SBI, PNB and BOB is 0.934, 0.938 and 0.941 respectively. Standard deviation with co-efficient of variance in SBI, PNB and BOB is 0.005 & 0.005, 0.007 & 0.007 and 0.003 & 0.003 respectively, which shows absolute and relative measure of deviation or distribution. It is clear from it that in case of BOB deviation or fluctuation in average debt to debt plus equity ratio is small and in case of PNB it is large. From the above table it is indicated that compounded growth rate of debt in FY 2014 from FY 2010 is 73.90 % in SBI, 85.94% in PNB and 138.10% in BOB hence BOB is uses more borrowed fund among the banks under study. The compounded growth rate of debt plus equity in FY 2014 from FY 2010 is 74.27 % in SBI, 97.95% in PNB and 138.10% in BOB hence in case of BOB it is higher. It is concluded that BOB is highly levered bank among the banks under study.

Whereas as shown in Table '2 & Figure-2 above, average debt to debt plus equity ratio of ICICI, HDFC and Axis is 0.863, 0.899 and 0.908 respectively. Standard deviation with co-efficient of variance in ICICI, HDFC and Axis is 0.008 & 0.009, 0.004 & 0.004 and 0.010 & 0.011 respectively which shows absolute and relative measure of deviation. It is clear that in case of HDFC deviation or fluctuation in average debt to debt plus equity ratio is small and in case of Axis it is large. From the above table it is indicated that compounded growth rate of debt in

FY 2014 from FY 2010 is 64.26 % in ICICI, 125.59% in HDFC and 109.02% in Axis hence HDFC is uses more borrowed fund among the banks under study. The compounded growth rate of debt plus equity in FY 2014 from FY 2010 is 60.93 % in ICICI, 123.07% in HDFC and 111.71% in Axis hence in case of HDFC it is higher. It is concluded that Axis is highly levered bank among the banks under study.

5.2. Advances to Total Assets Ratio

This ratio is the proportion of total advances to total application of funds. This ratio reflects the aggressiveness in lending, which is the major source of income of any bank. The advance to total assets ratio is presented in Table given below:

Financial Year	**SBI**			**PNB**			**BOB**		
	Advance (Rs.)	Total Assets (Rs.)	Ratio	Advance (Rs.)	Total Assets (Rs.)	Ratio	Advance (Rs.)	Total Assets (Rs.)	Ratio
2009-10	6,31,914	10,53,414	0.600	1,86,601	2,95,141	0.632	1,75,035	2,78,317	0.629
2010-11	7,56,719	12,23,736	0.618	2,42,107	3,76,854	0.642	2,28,676	3,58,397	0.638
2011-12	8,67,579	13,35,519	0.650	2,93,775	4,56,744	0.643	2,87,377	4,47,321	0.642
2012-13	10,45,617	15,66,261	0.668	3,08,725	4,78,877	0.645	3,28,186	5,47,135	0.600
2013-14	12,09,829	17,92,235	0.675	3,49,269	5,50,420	0.635	3,97,006	6,59,505	0.602
Average Rate			0.642			0.639			0.622
Standard Deviation			0.032			0.006			0.020
Coefficient of Variation			0.050			0.009			0.032
Growth Rate	91.45	70.14		87.17	86.49		126.81	136.96	

Table 3: Analysis of Advance to Total Assets Ratio of SBI, PNB and BOB (Rs. in crore)
Source: Author's Compilation

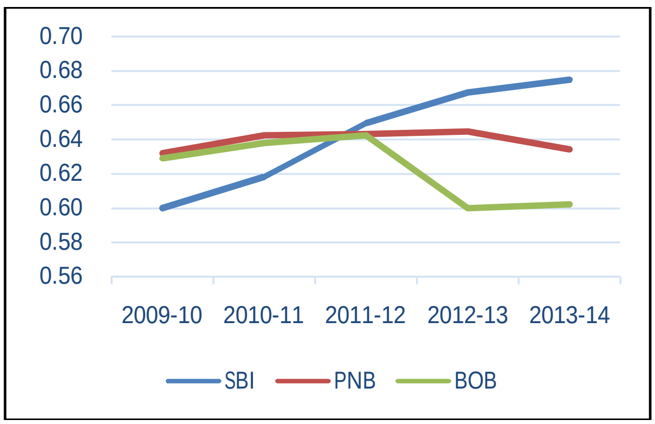

Figure 3: Advances to Total Assets

Financial Year	**ICICI**			**HDFC**			**Axis**		
	Advance (Rs.)	Total Assets (Rs.)	Ratio	Advance (Rs.)	Total Assets (Rs.)	Ratio	Advance (Rs.)	Total Assets (Rs.)	Ratio
2009-10	1,70,423	3,63,400	0.469	1,25,831	2,22,459	0.566	1,04,343	1,80,648	0.578
2010-11	2,16,366	4,06,234	0.533	1,59,983	2,77,353	0.577	1,42,408	2,42,713	0.587
2011-12	2,53,728	4,89,069	0.519	1,95,420	3,37,910	0.578	1,69,760	2,85,628	0.594
2012-13	2,90,249	5,36,795	0.541	2,39,721	4,00,332	0.599	1,96,966	3,40,561	0.578
2013-14	3,38,703	5,94,642	0.570	3,03,000	4,91,600	0.616	2,30,067	3,83,245	0.600
Average Rate			0.526			0.587			0.587
Standard Deviation			0.037			0.020			0.010
Coefficient of Variation			0.070			0.034			0.017
Growth Rate	98.74	63.63		140.80	120.98		120.49	112.15	

Table 4: Analysis of Advance to Total Assets Ratio of ICICI, HDFC and Axis (Rs. in crore)
Source: Author's Compilation

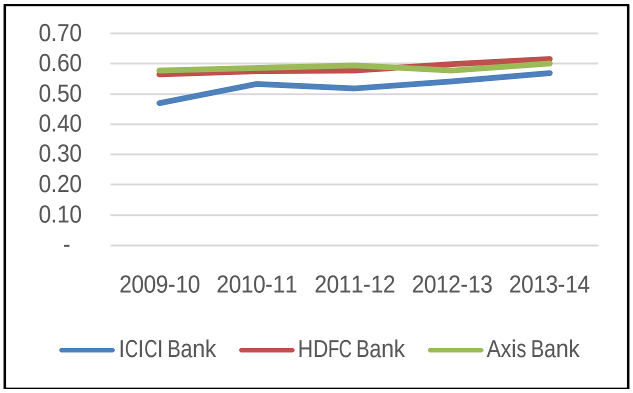

Figure 4: Advances to Total Assets

As presented in Table '3' & Figure-3 above, average advances to total assets ratio of SBI, PNB and BOB is 0.642, 0.639 and 0.622 respectively. Standard deviation with co-efficient of variance in SBI, PNB and BOB is 0.032 & 0.050, 0.006 & 0.009 and 0.020 & 0.032 respectively which shows absolute and relative measure of deviation. It is clear from it that in case of PNB deviation in average advances to total assets ratio is small and in case of SBI it is large. From the above table it is indicated that compounded growth rate of advances in FY 2014 from FY 2010 is 91.45 % in SBI, 87.17% in PNB and 126.81% in BOB hence BOB has aggressive plans to lending funds among the banks under study. The compounded growth rate of total assets in FY 2014 from FY 2010 is 70.14 % in SBI, 86.49% in PNB and 136.96% in BOB hence in case of BOB it is higher. It is concluded that BOB have highest growth in total assets among the banks under study.
Whereas as exhibited in Table '4' & Figure-4 above, average advances to total assets ratio of ICICI, HDFC and Axis is 0.526, 0.587 and 0.587 respectively. Standard deviation with co-efficient of variance in ICICI, HDFC and Axis is 0.037 & 0.070, 0.020 & 0.034 and 0.010 & 0.017 respectively which shows absolute and relative measure of deviation or distribution. It is clear from it that in case of Axis deviation or fluctuation in advances to total assets ratio is small and in case of SBI it is large. From the above table it is indicated that compounded growth rate of advances in FY 2014 from FY 2010 is 98.74 % in ICICI, 140.80% in HDFC and 120.49% in Axis hence HDFC is lending more funds among the banks under study. The compounded growth rate of total assets in FY 2014 from FY 2010 is 63.63 % in ICICI, 120.98% in HDFC and 112.15% in Axis hence in case of HDFC it is higher. It is concluded that HDFC have highest growth in total assets among the banks under study.

5.3. Advances to Total Deposit Ratio

This ratio is used to evaluate the performance of the management in converting deposit available into profitable advances. Total deposits include demand deposit, saving deposit, term deposit and deposit of other banks. Total advance includes cash credits, overdrafts, loans repayable on demand and Term loans.

Financial Year	**SBI**			**PNB**			**BOB**		
	Advance (Rs.)	Deposit (Rs.)	Ratio	Advance (Rs.)	Deposit (Rs.)	Ratio	Advance (Rs.)	Deposit (Rs.)	Ratio
2009-10	6,31,914	8,04,116	0.786	1,86,601	2,49,330	0.748	1,75,035	2,41,044	0.726
2010-11	7,56,719	9,33,933	0.810	2,42,107	3,12,899	0.774	2,28,676	3,05,439	0.749
2011-12	8,67,579	10,43,647	0.831	2,93,775	3,79,588	0.774	2,87,377	3,84,871	0.747
2012-13	10,45,617	12,02,740	0.869	3,08,725	3,91,560	0.788	3,28,186	4,73,883	0.693
2013-14	12,09,829	13,94,409	0.868	3,49,269	4,51,397	0.774	3,97,006	5,68,894	0.698
Average Rate			0.833			0.772			0.722
Standard Deviation			0.036			0.014			0.026
Coefficient of Variation			0.044			0.019			0.037
Growth Rate	91.45	73.41		87.17	81.04		126.81	136.01	

Table 5: Analysis of Advance to Total Deposit Ratio of SBI, PNB and BOB (Rs. in crore)
Source: Author's Compilation

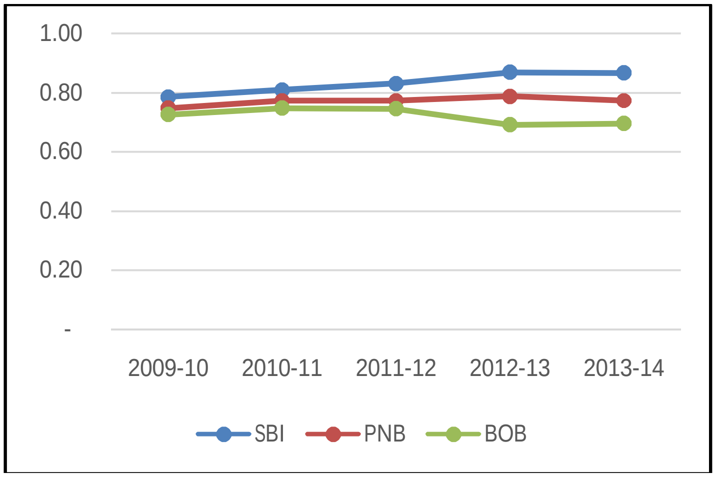

Figure 5: Advances to Total Deposit

Financial Year	ICICI			HDFC			Axis		
	Advance (Rs.)	Deposit (Rs.)	Ratio	Advance (Rs.)	Deposit (Rs.)	Ratio	Advance (Rs.)	Deposit (Rs.)	Ratio
2009-10	1,70,423	2,02,017	0.844	1,25,831	1,67,404	0.752	1,04,343	1,41,300	0.738
2010-11	2,16,366	2,25,602	0.959	1,59,983	2,08,586	0.767	1,42,408	1,89,238	0.753
2011-12	2,53,728	2,55,500	0.993	1,95,420	2,46,706	0.792	1,69,760	2,20,104	0.771
2012-13	2,90,249	2,92,614	0.992	2,39,721	2,96,247	0.809	1,96,966	2,52,614	0.780
2013-14	3,38,703	3,31,914	1.020	3,03,000	3,67,337	0.825	2,30,067	2,80,945	0.819
Average Rate			0.962			0.789			0.772
Standard Deviation			0.069			0.030			0.031
Coefficient of Variation			0.072			0.038			0.040
Growth Rate	98.742	64.300		140.800	119.431		120.491	98.828	

Table 6: Analysis of Advance to Total Deposit Ratio of ICICI, HDFC and Axis (Rs. in crore)
Source: Author's Compilation

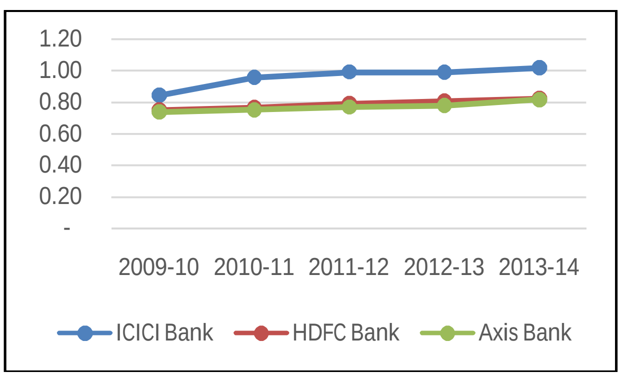

Figure 6: Advances to Total Deposit

As given in Table '5' & Figure-5 above, average advances to total deposit ratio of SBI, PNB and BOB is 0.833, 0.772 and 0.722 respectively. Standard deviation with co-efficient of variance in SBI, PNB and BOB is 0.036 & 0.044, 0.014 & 0.019 and 0.026 & 0.037 respectively which shows absolute and relative measure of deviation or distribution. It is clear from it that in case of PNB deviation or fluctuation in average advances to total deposit ratio is small and in case of SBI it is large. The compounded growth rate of advances in FY 2014 from FY 2010 is 91.45 % in SBI, 87.17% in PNB and 126.81% in BOB hence BOB has aggressive plans to lending funds among the banks under study. The compounded growth rate of total deposit in FY 2014 from FY 2010 is 73.41 % in SBI, 81.04% in PNB and 136.01% in BOB hence in case of BOB it is higher. It is concluded that BOB have highest growth in total deposit among the banks under study.

Whereas as indicated in Table '6' & Figure-6 above, average advances to total deposit ratio of ICICI, HDFC and Axis is 0.962, 0.789 and 0.772 respectively. Standard deviation with co-efficient of variance in ICICI, HDFC and Axis is 0.069 & 0.072, 0.030 & 0.038 and 0.031 & 0.040 respectively which shows absolute and relative measure of deviation or distribution. It is clear from it that in case of HDFC deviation or fluctuation in advances to total deposit ratio is small and in case of ICICI it is large. It is indicated that compounded growth rate of advances in FY 2014 from FY 2010 is 98.74 % in ICICI, 140.80% in HDFC and 120.49% in Axis hence HDFC is lending more funds among the banks under study. The compounded growth rate of total deposit in FY 2014 from FY 2010 is 64.30 % in ICICI, 119.43% in HDFC and 98.82% in Axis hence in case of HDFC it is higher. It is concluded that in HDFC growth rate of total deposit is highest.

5.4. Profit per Employee

This ratio exhibit the surplus earned per employee. It is arrived at dividing profit after tax earned by a total number of employees. The higher the ratio, the higher the efficiency of the management.

Financial Year	SBI	PNB	BOB
2009-10	4,58,141	6,85,593	8,03,309
2010-11	3,70,718	7,77,533	10,76,978
2011-12	5,43,310	7,86,165	11,87,186
2012-13	6,17,838	7,50,122	10,39,417
2013-14	4,90,520	5,09,998	9,87,171
Average	4,96,105	701,882	10,18,812
Standard Deviation	92,522	114,279	141,068
Coefficient of Variation	0.186	0.163	0.138
Growth Rate	7.07	-25.61	22.89

Table 7: Analysis of Net Profit per Employee of SBI, PNB and BOB (in Rs.)
Source: Author's Compilation

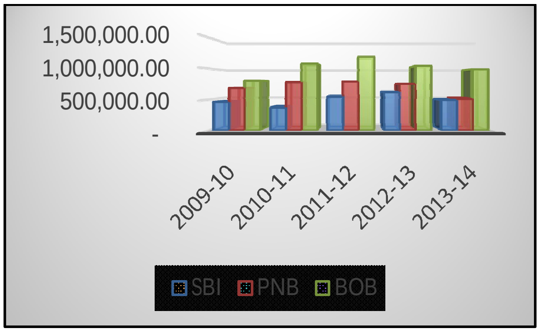

Figure 7: Profit per Employee

Financial Year	ICICI	HDFC	Axis
2009-10	9,47,323	5,67,506	11,63,773
2010-11	9,04,242	7,04,262	12,81,820
2011-12	11,09,420	7,81,992	13,36,633
2012-13	13,41,412	9,73,906	13,66,569
2013-14	13,58,303	12,43,802	14,65,739
Average	11,32,140	854,294	13,22,907
Standard Deviation	213,047	262,682	111,252
Coefficient of Variation	0.188	0.307	0.084
Growth Rate	43.38	119.17	25.95

Table 8: Analysis of Net Profit per Employee of ICICI, HDFC and Axis (in Rs.)
Source: Author's Compilation

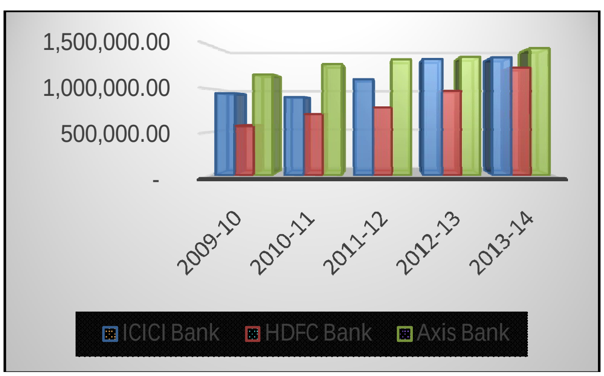

Figure 8: Profit per Employee

As disclosed in Table '7' & Figure-7 above, average profit per employee of SBI, PNB and BOB is Rs.4,96,105, Rs.7,01,882 and Rs.10,18,812 respectively. Standard deviation with co-efficient of variance in SBI, PNB and BOB is Rs.92,522 & 0.186, Rs.1,14,279 & 0.163 and Rs.1,41,068 & 0.138 respectively which shows absolute and relative measure of deviation or distribution. It is clear from it that in case of BOB deviation in average profit per employee is small and in case of SBI it is large. It is indicated that compounded growth rate of profit per employee in FY 2014 from FY 2010 is 7.07 % in SBI, -25.61% in PNB and 22.89% in BOB hence BOB has highest profit per employee among the banks under study..

Whereas as indicated in Table '8' & Figure-8 above, average profit per employee of ICICI, HDFC and Axis is Rs.11,32,140, Rs.8,54,294 and Rs.13,22,907 respectively. Standard deviation with co-efficient of variance in ICICI, HDFC and Axis Bank is Rs.213,047 & 0.188, Rs.262,682 & 0.307 and Rs.111,252 & 0.084 respectively which shows absolute and relative measure of deviation. It is clear from it that in case of Axis fluctuation in profit per employee is small and in case of HDFC it is large. From the above table it is indicated that compounded growth rate of profit per employee in FY 2014 from FY 2010 is 43.38 % in ICICI, 119.17% in HDFC and 25.95% in Axis hence HDFC has highest profit per employee among the banks under study.

5.5. Interest Coverage Ratio

As per investopedia.com, "this is a ratio used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing an earnings before interest and taxes of one period by the interest expenses of the same period. The lower the ratio, the more the company is burdened by debt expense. An interest coverage ratio below 1 indicates the company is not generating sufficient revenues to satisfy interest expenses.

Financial Year	SBI			PNB			BOB		
	EBIT (Rs.)	Finance charges (Rs.)	Ratio	EBIT (Rs.)	Finance charges (Rs.)	Ratio	EBIT (Rs.)	Finance charges (Rs.)	Ratio
2009-10	62,666	47,322	1.32	18,846	12,944	1.46	14,997	10,759	1.39
2010-11	63,822	48,868	1.31	21,743	15,179	1.43	18,734	13,084	1.43
2011-12	81,735	63,230	1.29	30,051	23,014	1.31	25,383	19,357	1.31
2012-13	95,277	75,326	1.26	31,785	27,037	1.18	28,713	23,881	1.20
2013-14	1,03,243	87,069	1.19	31,768	27,077	1.17	32,472	26,974	1.20
Average Rate			1.275			1.309			1.309
Standard Deviation			0.054			0.135			0.106
Coefficient of Variation			0.043			0.103			0.081
Growth Rate	64.75	83.99		68.56	109.19		116.52	150.72	

Table 9: Analysis of Interest Coverage Ratio of SBI, PNB and BOB (Rs. in crore)
Source: Author's Compilation

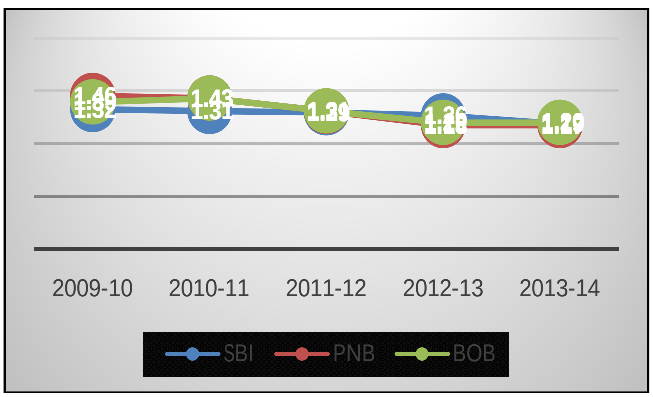

Figure 9: Interest Coverage Ratio

Financial Year	ICICI			HDFC			Axis		
	EBIT (Rs.)	Finance charges (Rs.)	Ratio	EBIT (Rs.)	Finance charges (Rs.)	Ratio	EBIT (Rs.)	Finance charges (Rs.)	Ratio
2009-10	23,084	17,593	1.31	12,072	7,786	1.55	10,644	6,634	1.60
2010-11	23,718	16,957	1.40	15,204	9,385	1.62	13,728	8,592	1.60
2011-12	31,612	22,809	1.39	22,503	14,990	1.50	20,265	13,977	1.45
2012-13	37,606	26,209	1.43	29,005	19,254	1.51	25,069	17,516	1.43
2013-14	41,353	27,703	1.49	35,426	22,653	1.56	28,039	18,690	1.50
Average Rate			1.405			1.548			1.517
Standard Deviation			0.066			0.048			0.081
Coefficient of Variation			0.047			0.031			0.054
Growth Rate	79.14	57.47		193.45	190.93		163.41	181.74	

Table 10: Analysis of Interest Coverage Ratio of ICICI, HDFC and Axis (Rs. in crore)
Source: Author's Compilation

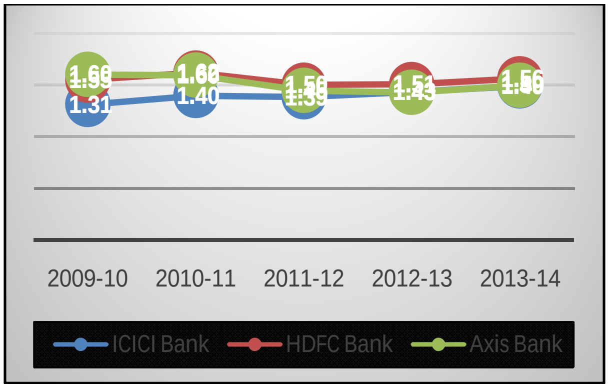

Figure 10: Interest Coverage Ratio

As disclosed in Table '9' & Figure-9 , average interest coverage ratio of SBI, PNB and BOB is 1.275, 1.309 and 1.309 respectively. Standard deviation with co-efficient of variance in SBI, PNB and BOB is 0.054 & 0.043, 0.135 & 0.103 and 0.106 & 0.081 respectively which shows absolute and relative measure of deviation or distribution. It is clear from it that in case of SBI deviation or fluctuation in average interest coverage ratio is small and in case of PNB it is large. It is indicated from the above table that compounded growth rate of operating profit (EBIT) in FY 2014 from FY 2010 is 64.75 % in SBI, 68.56% in PNB and 116.52% in BOB hence BOB has the highest growth in operating profit among the banks under study. The compounded increased rate of finance charges in FY 2014 from FY 2010 is 83.99 % in SBI, 109.19% in PNB and 150.72% in BOB hence BOB has highest increase in finance charges among the banks under study.

Whereas as indicated in Table '10' & Figure-10, average interest coverage ratio of ICICI, HDFC and Axis is 1.405, 1.548 and 1.517 respectively. Standard deviation with coefficient of variance in ICICI, HDFC and Axis is 0.066 & 0.047, 0.048 & 0.031 and 0.081 & 0.054 respectively which shows absolute and relative measure of deviation. Hence, in case of HDFC fluctuation in interest coverage ratio is small and in case of Axis it is large. It is indicated that compounded growth rate of EBIT in FY 2014 from FY 2010 is 79.14 % in ICICI, 193.93% in HDFC and 163.41% in Axis hence HDFC has highest growth in EBIT among the banks under study. The compounded increased rate of finance charges in FY 2014 from FY 2010 is 57.47 % in ICICI, 190.93% in HDFC and 181.74% in Axis hence HDFC has highest increase in finance charges.

5.6. Capital Gearing Ratio

This is the ratio which indicates the extent to which a company finance its business operations with long term or short term debt. The relationship between the funds provided by common stockholders and the funds provided by those who receive a periodic interest or dividend at a fixed rate is exhibited by this ratio.

Borrowing is a cheap source of funds for many companies but a highly geared company is considered a risky investment by the potential investors because such a company has to pay more interest on loans and dividend on preferred stock and, therefore, may have to face problems in maintaining a good level of dividend for common stockholders during the period of low profits.

Financial Year	**SBI**			**PNB**			**BOB**		
	Equity (Rs.)	Debt (Rs.)	Ratio	Equity (Rs.)	Debt (Rs.)	Ratio	Equity (Rs.)	Debt (Rs.)	Ratio
2009-10	65,949	9,07,128	0.073	16,231	2,68,592	0.060	15,106	2,54,394	0.059
2010-11	64,986	10,53,502	0.062	20,038	3,44,488	0.058	21,044	3,27,747	0.064
2011-12	83,951	11,70,653	0.072	26,368	4,16,853	0.063	27,477	4,08,444	0.067
2012-13	98,884	13,71,922	0.072	32,677	4,31,181	0.076	31,969	5,00,463	0.064
2013-14	1,18,282	15,77,539	0.075	35,895	4,99,431	0.072	35,986	6,05,707	0.059
Average Rate			0.071			0.066			0.063
Standard Deviation			0.005			0.008			0.003
Coefficient of Variation			0.073			0.115			0.054
Growth Rate	79.35	73.90		121.15	85.94		138.21	138.10	

Table 11: Analysis of Capital Gearing Ratio of SBI, PNB and BOB (Rs. in crore)
Source: Author's Compilation

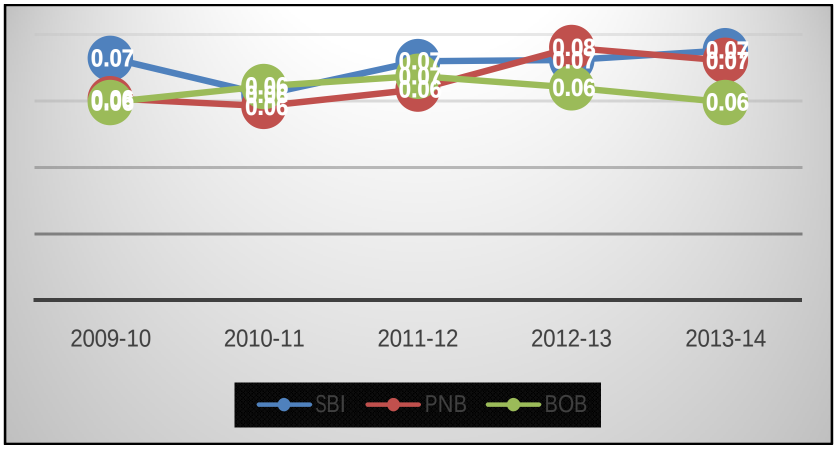

Figure 11: Capital Gearing Ratio

Financial Year	ICICI			HDFC			Axis		
	Equity (Rs.)	Debt (Rs.)	Ratio	Equity (Rs.)	Debt (Rs.)	Ratio	Equity (Rs.)	Debt (Rs.)	Ratio
2009-10	51,618	2,96,280	0.17	21,522	1,80,320	0.12	16,045	1,58,470	0.10
2010-11	55,091	3,35,156	0.16	25,379	2,22,980	0.11	18,999	2,15,506	0.09
2011-12	60,405	3,95,665	0.15	29,925	2,70,553	0.11	22,809	2,54,176	0.09
2012-13	66,706	4,37,955	0.15	36,214	3,29,254	0.11	33,108	2,96,565	0.11
2013-14	73,213	4,86,673	0.15	43,479	4,06,776	0.11	38,220	3,31,236	0.12
Average Rate			0.159			0.112			0.101
Standard Deviation			0.010			0.005			0.012
Coefficient of Variation			0.064			0.042			0.122
Growth Rate	41.84	64.26		102.01	125.59		138.21	109.02	

Table 12: Analysis of Capital Gearing Ratio of ICICI, HDFC and Axis (Rs. in crore)
Source: Author's Compilation

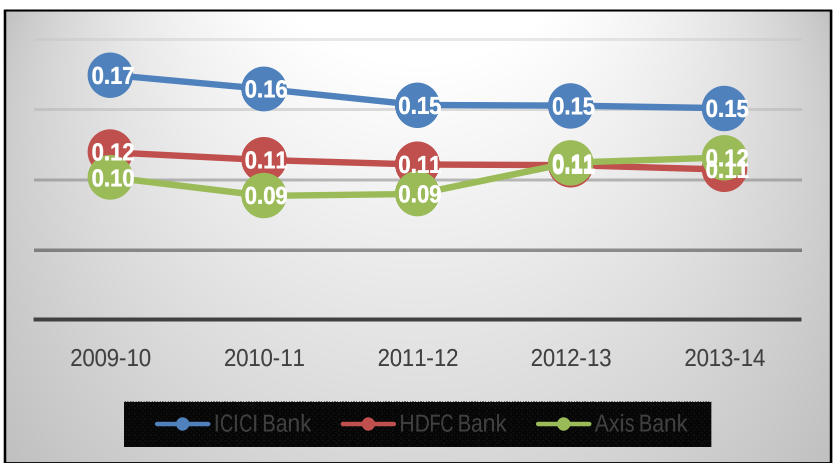

Figure 12: Capital Gearing Ratio

As depicted in Table '11' & Figure-11, above average capital gearing ratio of SBI, PNB and BOB is 0.071, 0.066 and 0.063 respectively. Standard deviation with co-efficient of variance in SBI, PNB and BOB is 0.005 & 0.073, 0.008 & 0.115 and 0.003 & 0.054 respectively which shows absolute and relative measure of deviation or distribution. It is clear from it that in case of BOB deviation or fluctuation in average capital gearing ratio is small and in case of PNB it is large. It is indicated that compounded growth rate of equity in FY 2014 from FY 2010 is 79.35 % in SBI, 121.15% in PNB and 138.21% in BOB hence BOB has highest growth in equity. The compounded growth rate of debt in FY 2014 from FY 2010 is 73.90 % in SBI, 85.94% in PNB and 138.10% in BOB hence BOB has highest growth of debt among the banks under study.

Whereas as indicated in Table '12' & Figure-12 above average capital gearing ratio of ICICI, HDFC and Axis is 0.159, 0.112 and 0.101 respectively. Standard deviation with co-efficient of variance in ICICI, HDFC and Axis is 0.010 & 0.064, 0.005 & 0.042 and 0.012 & 0.122

respectively which shows absolute and relative measure of deviation or distribution. It is clear from it that in case of HDFC deviation or fluctuation in capital gearing ratio is small and in case of Axis it is large. It is indicated that compounded growth rate of equity in FY 2014 from FY 2010 is 41.84 % in ICICI, 102.01% in HDFC and 138.21% in Axis hence Axis has highest growth in equity. The compounded growth rate of debt in FY 2014 from FY 2010 is 64.26 % in ICICI, 125.59% in HDFC and 109.02% in Axis hence HDFC has the highest growth rate of debt among the banks under study.

6. Conclusion

From the analysis, it can be concluded that BOB has the highest growth rate of debt in FY 2014 from FY 2010 among the banks under study, hence it is concluded that as far as use of debt is concerned public sector banks in India is using more debt. From advances to total assets ratio it is concluded that HDFC has aggressive lending plans among the bank under study as the growth rate of lending is highest, hence it is concluded that private sector banks in India is aggressive in lending. From advances to total deposit ratio it is clear that BOB has the highest growth rate of deposits, but ICICI has effective managerial team in converting deposit available into profitable advances as it has the highest average ratio among the banks under study. From the ratio profit per employee it is revealed that HDFC has highest profit per employee. From interest coverage ratio it is concluded that HDFC has more ability to pay interest on outstanding debt. From the capital gearing ratio it is clear that public sector banks in India in general is using more debt, hence has more burden to fulfil fixed obligations towards lenders. Overall it is concluded that private sector banks in India are growing fast as against public sector banks. In this study three major banks from each sector constitute population for the respective sector. This is the limitation of the study.

7. References

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