DETERMINANTS OF PROFITABILITY OF PRIVATE SECTOR BANKS IN INDIA, A COMPARATIVE ANALYSIS

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ABSTRACT

Indian banking sector has undergone major change after the advent of Liberalization, Privatization and Globalization policies of Government of India, during early nineties. This has resulted in banking sector reforms recommended by the Narsimha committee on financial sector reforms in India. Reforms has rationalized banking system by opening of new generation commercial banks, entry of foreign banks, prudential norms for quality of asset, deregulation of interest rates. Major players in Indian banking sector are public sector banks (more than 75% market share in business), with their majority ownership held by Government of India, having business of government and government promoted institutions. As compared to public sector banks, private sector banks are depending on market for business. Private sector banks, not having any privileged government business, generate business from individuals, households and corporate. Hence the study is focused on private sector banks to find out their profitability, performance and determinants of profitability to make suggestions for improvement of performance of commercial banks in India. Study has analysed performance of select private sector bank group, old and new, with Bank wise comparison. The study has focused on select eight banks private sector (4 new, 4old) scheduled commercial banks in India for fifteen years, 2000- 2001 to 2014- 2015. The Global banking profitability measure of ROA, is considered as dependent variable and Bank specific five Independent variables are analyzed in the data analysis covering descriptive statistics and ANOVA to find out the significant difference in profitability and determinants of profitability among private commercial banks India.

KEY WORDS: Profitability, Private Sector Bank.

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