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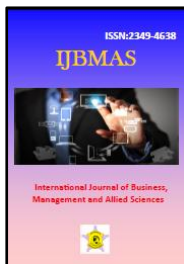
**FACTORS INFLUENCING THE ANNUAL GROWTH OF INDIAN  
BANKS OPERATING IN UAE**

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**ABSTRACT**

Banks play an indispensable part in the financial progress of any country. A substantial share of money supply is administered by the banks. The financial plan of a bank discloses its efficiency which is a critical indicator of the competence of banks. In this paper an endeavor has been made to study the fiscal factors of selected Indian banks operating in the UAE. Indian banks which are considered for this study are those which have a branch or delegate office in UAE. Efficiency is measured by using the yardsticks like Operating profit per share, Net operating profit per share, Return on investment, Return on total assets, Return on assets, Return on capital employed, Dividend payout ratio and Operating profit per share. The annual growth rate of selected banks has both positive and negative results that form the focus of the study. With the information gathered from selected fiscal data the effectiveness is measured and there is a positive growth in every bank.

**Keywords:** Deposit mobilization, Shareholders Fund, Capital Employed, EPS etc.

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**1. INTRODUCTION**

The financial sector, particularly banking sector is the important pillar for the economic development and the financial strength of the country. Bank is one of the important sector which deals with money and credit. Bank is an agent like; it handles people's money in term of deposits and savings and helps the other people in the form of loans and credit. Bank is considered as an engine of credit. Banks serve as a major source for economic development by changing the different risks of enhancing industrial and business sectors. The commercial banking sector plays a vital role in converting monetary procedure to the whole economic system of a country. The Finance Ministry constantly plans major policies in the field of financial sector of the country. The Government accepted the important role of regulators. The Reserve Bank of India (RBI) has become more independent. Securities and Exchange Board of India (SEBI) and the Insurance Regulatory and Development Authority (IRDA) are the essential institutions. Worldwide banks started expanding their boundaries across all countries. UAE has several Indian origin banks operating in their region.

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There is a rise in UAE-based non-resident Indians (NRIs) who are willing to open and send funds into non-resident external (NRE) accounts for tax free and deposits are 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 resource country for outflows to India is the UAE. In this approach it becomes important to study the financial performance of Indian origin banks which has their international presence in the form of Branch or Representative Office in UAE.

## 2. EVALUATION OF FINANCIAL PERFORMANCE

Financial performance can be evaluated by understanding the ways in which a firm can utilize its business and produce outcomes. From this study we can distinguish the financial performance of the selected banks and its outcome for the development of Indian economy. The financial performance of the bank is considered by utilizing number of profit ratios which incorporates Operating Profit Margin Ratio, Gross Profit Margin Ratio, Net Profit Margin Ratio, Return on Total Assets, and Return on Net worth and Earnings Per Share Ratio. There are other financial ratios too which will be used to scrutinize their cause and effect upon resources and current sample of selected banks.

## 3. SCOPE OF STUDY

The study is focused on the dimensions of financial performance on selected Indian banks which has its branches or representative offices at UAE. The present paper concentrates on the discoveries and examination of overall revenue proportions for the chose manages an account with extraordinary reference to Operating profit per share, Net operating profit per share, Return on investment, Return on total assets, Return on assets, return on capital employed and Dividend payout ratio

## 4. REVIEW OF LITERATURE

**Domar and Timbergen (1946)** measured the profitability of banks and concluded that the speculative structure is as fit as a fiddle which was earlier exhibited by Jorgenson and Nishimizudin for overall economic development and change.

**Sharma (1974)** stated, "The augmentation of managing an account workplaces was uneven and lopsided and banks were hoarding their operations in metropolitan urban territories and towns. A truly broad number of provincial and semi urban concentration with sensible potential outcomes of improvement fail to attract the thought of business banks. To the degree the store arrangement in the nation domains is concerned, much remains to be done." This gives highlight on the provincial and semi urban improvement of banks"

**Gopal Karkal (1977)** said, "A few areas have done well in spreading the banking offices, while a few locales are still in reverse. Moreover, our customers are bigger dealers and huge industrialists. They approach with their interest for bigger loans and advances, and consequently give substantial business. Hence, we exchange our restricted assets to little industry, agribusiness. We get income to banks in other forms such as deposits and savings.

**Bourke (1989)** had reported that capital ratios are positively related to profitability. Bourke explained this by assuming that well capitalized banks may be benefited by utilizing cheaper and less risky sources of funds and enhanced quality asset markets. On the other hand, the cautiousness implied by high capital ratios may also be maintained in their asset portfolio decisions with consequent development in loan loss provision and hence profitability.

**Amandeep (1993)** conducted a study on profitability of commercial banks has taken effort to observe the trends in profits and profitability of 20 nationalized commercial banks, with the aid of trend analysis, ratio analysis and concentration indices of the selected factors. The study concentrated on recognizing the various factors and empirical testing to identify the factors which have an considerable contribution towards bank profitability in both direction. Using the multivariate analysis, the study accomplished that it is the management burden (as against the widely believed 'spread' element), which plays a major role in determining the profitability of commercial banks. Even though there is a lack of control on few determinants, it is inferred that judicious management can considerably enhance bank profitability.

## 5. RESEARCH GAP

This study focuses on the financial performance of Indian origin banks having branches or representative offices in UAE which is unique in nature. The objective is to analyze the annual growth of selected banks. Hence the sample selection of banks based on their origin and international presence made this study unique.

## 6. OBJECTIVES OF THE STUDY

The objective of the study is to analyze the performance of the selected Indian origin banks which are having branches or representative offices in UAE.

## 7. FACTOR ANALYSIS

Factor analysis is a factual technique used to portray fluctuation among observed, associated factors and as far as a possible to bring down the number of unobserved variables called factors. The data about the interdependencies between observed factors can be utilized later to diminish the arrangement of factors in a dataset. Computationally this procedure is proportional to low rank guess of the grid of observed factors. Factor analysis started in psychometrics, and is utilized as a part of behavioral sciences, sociologies, advertising, administration, operations information search, and other connected sciences that depend on extensive amounts of information. Factor analysis is identified with central segment analysis (PCA), dormant variable models, including factor analysis, utilize relapse displaying systems to test speculations delivering error terms. In the present investigation factor analysis is utilized to gather related financial factors of chose banking sector.

The following are the ratios used for analyzing the financial performance of selected banks of Indian origin in the UAE:

X1-Advances to Assets

X2-Debt - Equity Ratio

X3-Investments to Total Assets

X4-Current Ratio

X5-Quick Ratio

X6-Investments Deposit Ratio

X7-Credit + Investments Deposit Ratio

X8-Fixed Assets to Total Assets

X9-Return on Advances

X10-Interest Income to Total Assets

X11-Other Liabilities to Total Assets

X12-Return on Net worth

X13-Operating Expenses to Total Income

X14-Interest Expended to Total Expenses

X15-Interest expended to interest earned

X16-Spread to Working Fund

X17-Burden to Working Fund

X18-Interest Income to Total Income

X19-Non-Interest Income to Working Fund

X20-Non Operating Expenses to Total Assets

X21-Deposits to Total Assets

X22-Liquid Assets to Total Assets

X23-Provision & Contingencies to Total Assets

X24-Cash Deposit Ratio

X25-Investments to Advances

X26-Interest cover

**FACTOR LOADING OF CANB BANK  
MEASUREMENT SCALE ITEMS ON EXTRACTED FACTORS**

Variables	Factor I	Factor II	Factor III	Factor IV	Factor V	C <sup>2</sup>
x7	<b>.989</b>	.002	-.127	-.021	-.031	0.996
x21	<b>-.979</b>	.141	-.016	-.054	-.110	0.994
x5	<b>.939</b>	-.313	-.111	-.006	-.028	0.993
x2	<b>.937</b>	.132	.087	.108	-.267	0.986
x6	<b>.919</b>	.377	-.130	-.037	-.030	0.995
x16	<b>-.838</b>	-.139	.006	-.071	.491	0.968
x11	<b>.698</b>	-.043	.417	.279	-.452	0.944
X1	-.070	<b>-.987</b>	.115	-.022	.017	0.993
x3	.020	<b>.986</b>	.042	-.015	.068	0.979
x25	-.086	<b>.984</b>	-.106	.003	-.032	0.988
x8	.439	<b>.755</b>	-.001	-.059	-.461	0.979
x22	-.282	<b>.715</b>	-.555	-.174	-.110	0.941
x13	.108	<b>.715</b>	-.268	-.485	-.403	0.987
x4	.405	<b>-.509</b>	.461	.466	.275	0.928
x17	-.249	.247	<b>-.883</b>	-.049	.094	0.914
x12	-.254	.115	<b>.860</b>	.358	-.197	0.984
Y	-.463	-.268	<b>.726</b>	.215	.368	0.995
x9	-.537	.203	<b>.682</b>	.258	.369	0.997
x18	-.329	.617	<b>-.671</b>	.109	.092	0.960
x19	-.195	-.481	<b>.577</b>	.525	.337	0.992
x14	.171	.222	.122	<b>.920</b>	.049	0.942
x15	.401	-.138	.255	<b>.862</b>	.000	0.988
x20	-.300	-.307	.225	<b>.755</b>	.427	0.987
x26	-.260	-.123	.642	<b>-.702</b>	-.049	0.990
x10	-.479	-.234	.237	<b>.650</b>	.472	0.986
x23	-.261	-.512	.046	<b>.588</b>	.459	0.889
x24	-.111	-.043	-.065	.329	<b>.826</b>	0.809
Eigan values	10.180	7.628	4.014	3.246	1.041	
Variance (in %)	37.703	28.253	14.866	12.022	3.854	
Cumulative Eigan values (in %)	37.703	65.956	80.823	92.844	96.699	

Extraction Method: Principal Component Analysis;

Rotation Method: Varimax with Kaiser Normalization.

Table shows the factor loadings of CANB Bank Ltd for the period from 2000-01 to 2009-10. It can be observed from table 4.75 that 97.81 per cent of total variation in  $X_7$  is accounted by Factor I. Similarly, it is seen that nearly 95.84 per cent, 88.17 per cent, 88.15 per cent, 83.36 per cent, 70.22 per cent and 48.58 per cent variations in  $X_{21}$  (Deposits to Total Assets),  $X_5$  (Quick ratio),  $X_2$  (Debt - Equity Ratio),  $X_6$  (Investments Deposit Ratio),  $X_{16}$  (Spread to Working Fund) and  $X_{11}$  (Other Liabilities to Total Assets) respectively are explained by Factor I. This shows that though Factor I is an important factor as far as explaining the variations in variables namely  $X_7$ ,  $X_{21}$ ,  $X_5$ ,  $X_2$ ,  $X_6$ ,  $X_{16}$  and  $X_{11}$  are concerned but in terms of profitability, its explanation is quite moderate. But all the four derived factors taken together explain 99.5 per cent variations in the profitability of CANB bank. This shows that no individual factor can be solely responsible for the variations in the profitability of CANB bank; it is the combination of different factors which are associated with the profitability. Similarly, it is seen that the first factor accounts for only 37.7 per cent of variation in the variable set, while second factor's contribution is 28.25 per cent. All the five factors taken together could explain as much as 96.7 per cent of variations in the variables associated with profitability. Similarly,  $X_1$  (Advances to Assets) has relatively high factor loading with Factor II and all the five factors together could explain nearly 99.3 per cent of the variation in  $X_1$ . Similarly,  $X_{17}$  (Burden to Working Fund) has relatively high factor loading with Factor III and all the five factors together could explain nearly 91.4 per cent of the variation in  $X_{17}$ . The variable  $X_{14}$  (Interest Expended to Total Expenses) is the dominant variable in fourth factor as its factor loading is as high i.e., 84.64 per cent variations in  $X_{14}$  is associated with Factor IV. Finally, the variable  $X_{24}$  (Cash Deposit Ratio) is the dominant variable in fifth factor as its factor loading is as high i.e., 68.23 per cent variations in  $X_{24}$  is associated with Factor V

**TABLE : FACTOR LOADING OF IDBI  
MEASUREMENT SCALE ITEMS ON EXTRACTED FACTORS**

Variables	Factor I	Factor II	Factor III	Factor IV	Factor V	C <sup>2</sup>
x25	<b>.946</b>	.055	.247	.055	-.013	0.962
X1	<b>-.940</b>	-.063	-.297	-.045	.027	0.979
x3	<b>.927</b>	-.164	.223	-.214	-.034	0.983
x5	<b>-.927</b>	-.196	-.285	-.026	.017	0.980
x16	<b>-.921</b>	.276	.096	-.112	.186	0.981
x6	<b>.906</b>	-.279	.224	-.188	-.029	0.985
x9	<b>.866</b>	.151	.342	.288	-.014	0.973
x23	<b>-.859</b>	.223	-.247	-.323	.130	0.970
x17	<b>-.842</b>	.011	.165	-.429	.023	0.921
x14	<b>.813</b>	.360	.147	.307	.270	0.979
x15	<b>.763</b>	.491	.009	.270	.274	0.971
x4	<b>.688</b>	.510	.241	.239	-.093	0.857
x19	<b>-.622</b>	.538	-.540	-.093	-.003	0.977
x8	.053	<b>-.936</b>	.146	-.036	-.025	0.902
x21	-.290	<b>.898</b>	-.122	-.119	.043	0.921
x20	-.103	<b>.846</b>	-.015	.090	.473	0.958

x7	-.326	<b>-.824</b>	-.188	-.350	-.015	0.943
x10	-.139	<b>.814</b>	.159	.187	.469	0.962
x26	-.363	<b>-.799</b>	-.043	-.080	-.449	0.980
x12	.388	.073	<b>.839</b>	.013	-.178	0.892
x2	.522	-.244	<b>.689</b>	.320	-.219	0.957
x18	.503	.127	<b>.661</b>	.229	.452	0.963
Y	.071	-.013	.283	<b>.939</b>	.011	0.967
x11	-.106	-.442	.318	<b>-.668</b>	-.202	0.795
x22	.414	.461	.296	<b>.586</b>	.058	0.818
x24	-.211	.202	-.036	-.073	<b>.789</b>	0.714
x13	-.125	-.457	.297	-.304	<b>-.741</b>	0.954
Eigan values	12.662	7.641	1.889	1.682	1.373	
Variance (in %)	46.895	28.298	6.997	6.230	5.083	
Cumulative Eigan values (in %)	46.895	75.193	82.191	88.421	93.504	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

It can be observed from the above table that five distinct factors have emerged and these given factors explain 93.5 per cent of variations in the selected variables and 89.49 per cent of total variation in  $X_{25}$  are accounted by Factor I. Similarly, it is seen that nearly 88.36 per cent, 85.93 per cent, 85.9 per cent, 84.82 per cent, 82.08 per cent, 75 per cent, 73.79 per cent, 70.9 per cent, 66.1 per cent, 58.22 per cent, 47.33 per cent and 38.69 per cent variations in  $X_1$  (Advances to Assets),  $X_3$  (Investments to Total Assets),  $X_5$  (Quick ratio),  $X_{16}$  (Spread to Working Fund),  $X_6$  (Investments Deposit Ratio),  $X_9$  (Return on Advances),  $X_{23}$  (Provision & Contingencies to Total Assets),  $X_{17}$  (Burden to Working Fund),  $X_{14}$  (Interest Expended to Total Expenses),  $X_{15}$  (Interest expended to interest earned),  $X_4$  (current ratio) and  $X_{19}$  (Non-Interest Income to Working Fund) respectively are explained by Factor I. Similarly,  $X_8$  has relatively high factor loading with Factor II and all the five factors together could explain nearly 90.2 per cent of the variation in  $X_8$ . Next,  $X_{12}$  (Return on Networth) has relatively high factor loading with Factor III and all the five factors together could explain nearly 89.2 per cent of the variation in  $X_{12}$ . The variable  $X_{13}$  (Operating Expenses to Total Income) is the dominant variable in fourth factor as its factor loading is as high i.e., 47.33 per cent variations in  $X_{11}$  is associated with Factor IV, while all the five factors together account 79.5 per cent of the variations in  $X_{11}$ . Similarly,  $X_{24}$  (Cash Deposit Ratio) are accounted predominant place in factor V.

#### FACTOR LOADING OF SBI MEASUREMENT SCALE ITEMS ON EXTRACTED FACTORS

Variables	Factor I	Factor II	Factor III	Factor IV	$C^2$
x5	<b>-.984</b>	.135	-.051	.053	0.992
X1	<b>-.969</b>	.142	-.147	-.009	0.981
x2	<b>-.960</b>	.049	.166	.140	0.971

x25	<b>.959</b>	.077	.214	.021	0.972
x3	<b>.895</b>	.283	.292	.004	0.966
x20	<b>.887</b>	-.304	-.124	.285	0.976
x10	<b>.881</b>	-.352	-.167	.231	0.981
x21	<b>.881</b>	-.164	-.310	-.229	0.952
x6	<b>.817</b>	.355	.392	.043	0.949
x13	<b>-.801</b>	.054	.043	-.557	0.957
x7	<b>-.792</b>	.519	.266	.120	0.982
x16	<b>.767</b>	-.183	.598	.050	0.982
x4	<b>.658</b>	-.532	.301	.340	0.922
x9	.106	<b>.957</b>	-.084	-.091	0.942
x12	-.161	<b>.952</b>	-.075	-.169	0.966
x18	.117	<b>-.930</b>	-.248	-.166	0.968
Y	-.260	<b>.913</b>	-.194	-.101	0.949
x19	.364	<b>.844</b>	.163	.307	0.966
x22	.450	<b>-.807</b>	-.252	-.132	0.935
x26	-.496	<b>.799</b>	.077	-.252	0.954
x14	-.089	-.117	<b>-.976</b>	.023	0.975
x15	.165	-.152	<b>-.945</b>	.233	0.998
x23	.198	.196	<b>.934</b>	.016	0.950
x8	-.050	.209	<b>-.909</b>	-.288	0.955
x11	-.124	.097	<b>.805</b>	.521	0.944
x17	-.115	-.518	<b>.761</b>	-.280	0.939
x24	-.373	-.518	.380	<b>-.526</b>	0.829
Eigan values	11.788	7.322	5.307	1.430	
Variance (in %)	43.658	27.120	19.657	5.298	
Cumulative Eigan values (in %)	43.658	70.778	90.434	95.732	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

It can be observed from the above table that five distinct factors have emerged and these given factors explain 95.73 per cent of variations in the selected variables and 96.83 per cent of total variation in  $X_5$  are accounted by Factor I. Similarly, it is seen that nearly 93.9 per cent, 92.16 per cent, 91.97 per cent, 80.1 per cent, 78.68 per cent, 77.62 per cent, 66.75 per cent, 64.16 per cent, 62.73 per cent, 58.83 per cent and 43.3 per cent variations in  $X_1$  (Advances to Assets),  $X_2$  (Debt - Equity Ratio),  $X_{25}$  (Investments to Advances),  $X_3$  (Investments to Total Assets),  $X_{20}$  (Non Operating Expenses to Total Assets),  $X_{10}$  (Interest Income to Total Assets),  $X_{21}$  (Deposits to Total Assets),  $X_6$  (Investments Deposit Ratio),  $X_{13}$

(Operating Expenses to Total Income),  $X_7$  (Credit + Investments Deposit Ratio),  $X_{16}$  (Spread to Working Fund) and  $X_4$  (current ratio) respectively are explained by Factor I. Similarly,  $X_9$  (Return on Advances) has relatively high factor loading with Factor II and all the four factors together could explain nearly 94.2 per cent of the variation in  $X_9$ . Next,  $X_{14}$  (Interest Expended to Total Expenses) has relatively high factor loading with Factor III and all the four factors together could explain nearly 97.5 per cent of the variation in  $X_{14}$ . The variable  $X_{24}$  (Cash Deposit Ratio) is the dominant variable in fourth factor as its factor loading is as high i.e., 27.67 per cent variations in  $X_{24}$  is associated with Factor IV, while all the four factors together account 82.9 per cent of the variations in  $X_{24}$ .

**FACTOR LOADING OF BOB  
MEASUREMENT SCALE ITEMS ON EXTRACTED FACTORS**

Variables	Factor I	Factor II	Factor III	Factor IV	Factor V	C <sup>2</sup>
x6	<b>.970</b>	.109	.139	.125	.042	0.989
x3	<b>.936</b>	.235	.194	.142	.049	0.992
x25	<b>.935</b>	.285	.195	.031	.041	0.994
X1	<b>-.904</b>	-.276	-.237	.213	.038	0.996
x5	<b>-.855</b>	-.390	-.298	.152	.033	0.998
x11	<b>.788</b>	-.330	.049	.034	-.440	0.927
x19	<b>.783</b>	-.207	.234	.181	.445	0.938
x10	.283	<b>.935</b>	.084	.150	.078	0.990
x26	-.197	<b>-.934</b>	-.092	-.053	.257	0.987
x20	.336	<b>.888</b>	.178	.165	.100	0.970
x21	.120	<b>.859</b>	.429	.240	.025	0.979
x15	-.198	<b>.835</b>	-.412	.263	.016	0.976
x4	.532	<b>.784</b>	.126	-.137	-.157	0.954
x13	-.030	<b>-.715</b>	.260	-.481	-.408	0.978
x14	-.483	<b>.689</b>	-.478	.225	.016	0.986
x18	-.585	<b>.683</b>	-.150	-.058	-.335	0.947
x7	-.185	<b>-.675</b>	-.414	.556	.146	0.986
x17	.089	.134	<b>.899</b>	-.265	-.226	0.934
x23	.591	-.075	<b>.767</b>	-.040	.176	0.967
x16	.624	.037	<b>.725</b>	-.112	.163	0.951
x2	-.503	-.052	<b>-.608</b>	-.282	.404	0.868
x8	-.538	-.223	<b>-.591</b>	.246	.162	0.785



x24	-.034	-.247	.065	<b>-.939</b>	-.169	0.977
x22	-.070	-.213	.154	<b>-.930</b>	-.169	0.975
x12	.037	.120	-.068	.346	<b>.921</b>	0.988
x9	.419	-.556	-.073	.100	<b>.656</b>	0.979
Y	-.393	-.592	-.278	.223	<b>.598</b>	0.990
Eigan values	11.106	7.318	4.587	1.603	1.384	
Variance (in %)	41.133	27.102	16.987	5.937	5.125	
Cumulative Eigan values (in %)	41.133	68.235	85.223	91.160	96.285	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

It can be revealed from the above table that five distinct factors have emerged and these given factors explain 96.29 per cent of variations in the selected variables and 94.09 per cent of total variation in  $X_6$  (Investments Deposit Ratio) are accounted by Factor I and 15.44 per cent of the variations in the profitability (Y) are explained by Factor I and its explanation is high and all the five derived factors taken together explain 99 per cent variations in the profitability of Punjab national bank. This shows that individual factor can be solely responsible for the variations in the profitability of Punjab national bank; it is the combination of different factors which are associated with the profitability. Similarly,  $X_{10}$  (Interest Income to Total Assets) has relatively high factor loading with Factor II and all the four factors together could explain nearly 99 per cent of the variation in  $X_{10}$ . Next,  $X_{17}$  (Burden to Working Fund) has relatively high factor loading with Factor III and all the five factors together could explain nearly 93.4 per cent of the variation in  $X_{17}$ . The variable  $X_{24}$  (Cash Deposit Ratio) is the dominant variable in fourth factor as its factor loading is as high i.e., 88.17 per cent variations in  $X_{24}$  is associated with Factor IV, while all the five factors together account 97.7 per cent of the variations in  $X_{21}$ . Similarly,  $X_{12}$  (Return on Networth) are accounted predominant place in factor V.

#### FACTOR LOADING OF BOI MEASUREMENT SCALE ITEMS ON EXTRACTED FACTORS

Variables	Factor I	Factor II	Factor III	Factor IV	C <sup>2</sup>
X1	<b>-.992</b>	.036	.048	.013	0.988
x5	<b>-.985</b>	.021	.015	.105	0.980
x25	<b>.948</b>	.273	-.128	-.007	0.990
x3	<b>.917</b>	.338	-.207	-.030	0.990
x6	<b>.910</b>	.329	-.233	.025	0.991
x16	<b>.892</b>	-.167	-.341	.058	0.943
x4	<b>.867</b>	-.290	-.058	-.360	0.960
x20	<b>.792</b>	-.278	.490	-.059	0.948
x11	<b>.790</b>	-.345	.005	.106	0.754

x8	<b>-.752</b>	.238	.342	.400	0.908
x23	<b>.756</b>	.001	-.601	.184	0.967
x10	<b>.733</b>	-.313	.571	-.109	0.969
x2	<b>-.698</b>	.011	.183	.482	0.753
Y	-.213	<b>.966</b>	.085	-.037	0.987
x9	.376	<b>.917</b>	.017	-.051	0.985
x12	-.223	<b>.907</b>	.252	-.129	0.953
x18	-.328	<b>-.879</b>	.296	-.104	0.975
x22	-.028	<b>-.831</b>	.390	.160	0.869
x26	-.393	<b>.819</b>	-.334	.106	0.948
x19	.675	<b>.725</b>	-.003	.009	0.980
x7	-.294	<b>.721</b>	-.445	.282	0.884
x17	.267	<b>-.669</b>	-.628	.177	0.943
x13	-.018	-.080	<b>-.960</b>	.053	0.931
x15	-.189	-.092	<b>.935</b>	-.157	0.949
x14	-.471	-.151	<b>.841</b>	-.147	0.974
x24	-.131	-.426	<b>.766</b>	.197	0.821
x21	.098	.151	.317	<b>-.864</b>	0.876
Eigan values	11.406	7.795	4.718	1.300	
Variance (in %)	42.244	28.871	17.473	4.813	
Cumulative Eigan values (in %)	42.244	71.115	88.588	93.401	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

It can be observed from the above table that four distinct factors have emerged and these given factors explain 93.4 per cent of variations in the selected variables and 98.41 per cent of total variation in  $X_1$  (Advances to Assets) are accounted by Factor I and 4.54 per cent of the variations in the profitability (Y) are explained by Factor I and its explanation is high and all the four derived factors taken together explain 98.7 per cent variations in the profitability of Bank of Baroda. This shows that individual factor can be solely responsible for the variations in the profitability of Bank of Baroda; it is the combination of different factors which are associated with the profitability. Similarly,  $X_9$  (Return on Advances) has relatively high factor loading with Factor II and all the four factors together could explain nearly 98.5 per cent of the variation in  $X_9$ . Next,  $X_{13}$  (Operating Expenses to Total Income) has relatively high factor loading with Factor III and all the four factors together could explain nearly 93.1 per cent of the variation in  $X_{13}$ . The variable  $X_{21}$  (Deposits to Total Assets) is the dominant variable in

fourth factor as its factor loading is as high i.e., 74.3 per cent variations in  $X_{21}$  is associated with Factor IV, while all the four factors together account 87.6 per cent of the variations in  $X_{21}$ .

## 8. FINDINGS

- According to the analysis, all the four derived factors taken together explain 99.5 per cent variations in the profitability of CANB bank.
- Based on data, it shows that no individual factor can be solely responsible for the variations in the profitability of CANB bank. It is the combination of different factors which are associated with the profitability.
- It is found that all the five factors taken together could explain as much as 96.7 per cent of variations in the variables associated with profitability.
- It can be found from the above table that five distinct factors have emerged and these given factors explain 93.5 per cent of variations in the selected variables and 89.49 per cent of total variation in  $X_{25}$  are accounted
- It can be analyzed from the above table that five distinct factors have emerged and these given factors explain 96.29 per cent of variations in the selected variables and 94.09 per cent of total variation in  $X_6$  (Investments Deposit Ratio)
- Based on the data, it shows that individual factor can be solely responsible for the variations in the profitability of Bank of Baroda; it is the combination of different factors which are associated with the profitability.
- According to the analysis, the capital adequacy and Tier I capital ratio of Bank of Baroda and Punjab national Bank is more than the Basel Accord norms. We conclude that both the banks are good with respect capital adequacy because it is above the Basel norms.
- It is found that the loans to total assets of Punjab National Bank are more compared with Bank of Baroda. Hence, we can say that the risk is more in Punjab National Bank compared with Bank of Baroda.
- The total advances to customer deposit of Punjab National Bank are less compared with Bank of Baroda. Hence, Bank of Baroda is managing more efficiently for converting deposits to advances.

## 9. RECOMMENDATIONS

- The net profit ratio of Bank of Baroda is more compared with Punjab National Bank. The Average current assets and quick assets of Bank of Baroda is more compared with Punjab National Bank.
- We can conclude that the Bank of Baroda liquidity is stronger compared to Punjab National Bank. and the t-test has also proved the same in the case of all the liquidity ratios.
- The debt-equity ratio of Punjab National Bank is more compared with Bank of Baroda 5.00 %; hence long term solvency is well in Punjab National Bank.
- The spread ratio of Bank of Baroda is more compared with Punjab National Bank. Hence, we can say that the Punjab National Bank Interest income more compared with interest expenses.
- Hence Punjab National Bank earns more profits. From analysis it clears that there is no significance difference between the Bank of Baroda and Punjab National Bank's financial performance but we conclude that the Punjab National Bank performance is slightly less compared with Bank of Baroda.
- The banks should motivate and impart right knowledge about banking to their staff. The banks should bring new products/services based on the aspirations of customers.
- The banks have to fundamentally reorient its business models by moving from product centric silos to customer centric strategies.
- The banks must become more clients centric by leveraging sophisticated insights to improve risk management pricing, channel performance and client satisfaction.

## 10. CONCLUSION

As a result of revolution in banking sector, new banks have entered with pioneering ideas which attracts more customers and their changing needs. With the help technology advancement banking requirements can be easily done. The commercial banks would need to devise the imaginative ways to increase the income in order to gain more profits in the international competition. The reporting accounting standards, an improvement of accounting standards and disclosed practices would enhance for transparency in financial market which will lead Indian bank to succeed across multicultural environment.

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