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Research Paper

An Analytical Study on Liquidity Management of Selected Private Sector Banks in India

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ABSTRACT
Banking sector is a very important and integral component of Indian financial system. In Indian economy, banking sectors plays a very vital and specific role for an upliftment of the economy .It has a very sound and meaningful impact on the economic development and overall growth of the nation. In this case, it is very important to check and measure the liquidity and efficiency of the banks. For an overall smooth running of economy and country, a well performing banking sector is must and & proper liquidity management of banks is also very important. Now in a day, Indian banking sector has been facing several of liquidity problems. Today, not only Private sector banks are playing a very big role in the Indian banking sector but also giving a very tough challenge and competition to public sector banks. Various stakeholders are connected or associated with these private sector banks and that is why it is necessary and very important to know & measure the liquidity management of private sector banks. It affects the profitability also. In the present study an attempt has been made to measure and analyze the liquidity management of some selected Indian private sector banks. The objective of the present study is to know the liquidity management of the selected private sector banks I n India and also to examine whether there is any significant difference exists among their performance. The study is based on secondary data and the scope of the study is limited to an analytical study of liquidity management of selected private sector banks.
KEYWORDS: Liquidity Management, Ratio Analysis, Private Sector Banks in India

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I. INTRODUCTION:

For any developed or developing country, banking sector is a very important and integral component of its financial system. Banking sectors plays a very vital and specific role for an upliftment of the economy. It has a very sound and meaningful impact on the economic development and overall growth of the nation. For an overall smooth running of economy and country, a well performing banking sector is must and proper liquidity management of banks is also very important. Liquidity is like lubricant of machines, which takes care that, the wheels of entire business and economy working smoothly on the base of lubricant of sufficient flow of liquidity. Sufficient and timely flow of liquidity is crucial for any business and economy. Excess liquidity affects bank's profit negatively, while scarcity of it also creates difficulties for day to day functions of banks and consequently affects reputation also.

Liquidity management is one of the big task or priorities of a bank's assets and liabilities management. In the context of banking sector, liquidity, is very critical to the ongoing viability of the banks. Since there is also a close relation between liquidity and solvency of banks, proper and sound liquidity management reduces the chances of banks becoming insolvent, thus reducing the chances or probabilities of bankruptcies and bank runs smoothly. So, ultimately, sound liquidity management as part of the overall risk management of the banks ensures a sound and stable banking sector. Now in a day, Indian banking sector has been facing several of liquidity problems. Today, not only Private sector banks are playing a very big role in the Indian banking sector but also giving a very tough challenge and competition to public sector banks. So, It is necessary and very important to know & measure the liquidity management of private sector banks. It affects their profitability also.

II. LITERATURE REVIEW:

Bordeleau and Graham (2010) conducted a study on some large U S and Canadian banks. Researchers observed and concluded that the banks which hold some liquid assets, profitability is there and improved but the banks that have more liquid assets, their profitability generally goes to reduce or diminish.

Bharati and Singh (2014) conducted a study on liquidity and profitability of commercial banks in India, The authors concluded that, during the study period, as far as liquidity management was concern, foreign-owned banks were outperforming all other banks in India.

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Nedunchezhian and Premalatha (2015) conducted a study and selected five banks in India for their research. Authors observed that there is no considerable or significant relation between the return on assets and cash at bank. They concluded that there is no sizable or significant relation between the return and advance total assets of banks.

RESEARCH GAP

Review of literature shows that a few studies have been made for the period 2014-15 to 2018-19 for the sampled banks in the context of mentioned objectives**.**

OBJECTIVES OF THE STUDY:

The main objective is to analyze and present the Liquidity Management of selected Private sector Banks in India.

RESEARCH METHODOLOGY:

Area of Study: The present study is related with the Indian banking system in general & private sector banks in particular in the context of liquidity management. The research is analytical in nature.

Data Base for the Study: For the present study, data is taken for the last five years, i. e. from 2014 to 2019. To conduct this study, a sample of five private sector banks namely, HDFC, ICICI. AXIS, KOTAK MAHINDRA & YES BANK has been selected. For study of the liquidity management of these banks five years data has been analyzed.

Data Collection: The present study is based on secondary data for a period of last five years, i. e. From 2014-2015 to 2018-2019. The necessary data have been collected from the annual reports of selected sampled banks, RBI annual reports, and from other knowledge portal like www.acekp..in

Techniques for Analysis: The collected data was analyzed and interpreted with the help of tables and applied various financial ratios and use of Test of Hypothesis (Onaway ANOVA F-Test Table) at a 5% level of significance.

Scope of the study: the present Study assists the researcher to improve the knowledge about liquidity management of banking sector in general & private banking sector in particular. The study also helps the private banks to understand or know their liquidity management position for the last five years (i. e. 2014 to 2019).

Significance of the Study: in recent times**,** Liquidity management/position of banks are badly affected due to various reasons and its Cascading impact came on banks financial performance and profitability also and it got affected negatively/adversely. Overall financial performance and Profitability of banks can be maintained or improved by having a sound liquidity management & operating efficiencies.

In this background, in the present study, an attempt has been made to make a study of liquidity management of private sector banks and for this purpose; five private sector banks have been selected.

VARIABLES OF THE STUDY: The following variables are analyzed in the present study:

- Loan to Deposit ratio
- Cash to Deposit ratio
- Investment to Deposit Ratio
- Inc Loan to Deposit Ratio
- Credit to Deposit Ratio

HYPOTHESIS OF THE STUDY

The hypothesis of the present study is:
There is no significant difference in loan to deposit of selected banks..
There is no significant difference in. Cash to Deposit of selected Banks.
There is no significant difference in Investment to Deposit of selected banks.
There is no significant difference in. Inc Loan to Deposit of selected banks.
There is no significant difference in Credit to Deposit of selected banks.

LIMITATION OF THE STUDY:

- The present study considers only five private sector bank (Randomly selected) No other banks are taken in to consideration.
- The present study period is limited to last five years (2014 to 2019) only.
- As this analysis has been restricted to selected five banks only, namely, HDFC, KOTAK MAHINDRA, AXIS, ICICI & YES BANK, the inferences of this study may not hold 100% when looked towards other banks.
- The figures/tools used in the present study, are adjusted to the nearest decimal points. So, it may lacks accuracy.
- The findings of the present study are based on the secondary data, which has been collected from the various sources like annual reports of selected sampled banks, RBI annual reports, and from other knowledge portal like www.acekp..in

III. DATA, TABULAR PRESENTATION & ANALYSIS

Table 1 Loan to Deposit Ratio (figures in %)

Name of Bank	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	0.13	0.19	0.15	0.20	0.17
ICICI Bank	0.55	0.49	0.37	0.39	0.31
Axis bank	0.26	0.32	0.27	0.34	0.29
Kotak Mahindra bank	0.43	0.32	0.32	0.31	0.30
Yes Bank	0.29	0.28	0.27	0.37	0.48

Table-2 "F" Test -showing Analysis of Variance- (ANOVA) for Loan to Deposit

Sources of Variation	Sum of Square	Degree of Freedom	Mean Sum Of Square	F_c	F_t
B. S.S.	0.00932	4	0.00233	0.186191	2.866081
W.S.S.	0.25028	20	0.012514		
T.S.S	0.2596	24			

"F" test indicates that the calculated value of F= 0.186191 and tabular value of F= 2.866081S at 5 % level of significance. The calculated value of F is smaller or less than table value of F ($F_c < f_t$).

Table 3 Cash to Deposit Ratio (figures in %)

Name of Bank	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	0.06	0.06	0.06	0.13	0.05
ICICI Bank	0.07	0.06	0.06	0.06	0.06
Axis bank	0.06	0.06	0.07	0.08	0.06
Kotak Mahindra bank	0.05	0.05	0.05	0.05	0.05
Yes Bank	0.06	0.05	0.05	0.06	0.05

Table-4 "F" Test -showing Analysis of Variance- (ANOVA) for Cash to Deposit

Sources of Variation	Sum of Square	Degree of Freedom	Mean Sum Of Square	F_{Cal}	F_{Crit}
B. S.S.	0.001544	4	0.000386	1.595041	2.866081
W.S.S.	0.00484	20	0.000242		
T.S.S	0.006384	24			

"F" test indicates that the calculated value of F= 1.595041 and tabular value of F= 2.866081 at 5 % level of significance. The calculated value of F is smaller or less than table value of F ($F_c < f_t$).

Table 5 Investment to Deposit Ratio (figures in %)

Name of Bank	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	0.33	0.35	0.33	0.30	0.31
ICICI Bank	0.71	0.63	0.59	0.64	0.58
Axis bank	0.37	0.37	0.31	0.34	0.32
Kotak Mahindra bank	0.63	0.52	0.44	0.48	0.46
Yes Bank	0.47	0.44	0.35	0.34	0.39

Table-6 "F" Test -showing Analysis of Variance- (ANOVA) for Investment to Deposit

Sources of Variation	Sum of Square	Degree of Freedom	Mean Sum Of Square	F_c	F_t
B. S.S.	0.03404	4	0.00851	0.496268	2.866081
W.S.S.	0.34296	20	0.017148		
T.S.S	0.377	24			

"F" test indicates that the calculated value of F= 0.496268 and tabular value of F= 2.866081 at 5 % level of significance. The calculated value of F is smaller or less than table value of F ($F_c < f_t$).

Table 7 Inc Loan to Deposit Ratio (figures in %)

Name of Bank	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	13.21	19.00	15.30	19.84	17.10
ICICI Bank	54.73	48.86	36.73	39.16	30.87
Axis bank	26.19	31.77	27.10	34.19	29.28
Kotak Mahindra bank	43.13	32.17	31.95	30.64	29.55
Yes Bank	28.76	28.34	27.02	37.32	47.65

Table-8 "F" Test -showing Analysis of Variance- (ANOVA) for Inc Loan to Deposit

Sources of Variation	Sum of Square	Degree of Freedom	Mean Sum Of Square	F_c	F_t
B. S.S.	93.37422	4	23.34355	0.189727	2.866081
W.S.S.	2460.751	20	123.0376		
T.S.S	2554.125	24			

"F" test indicates that the calculated value of F= 0.189727 and tabular value of F= 2.866081 at 5 % level of significance. The calculated value of F is smaller or less than table value of F ($F_c < f_t$).

Table 9 Credit to Deposit Ratio (figures in %)

Name of Bank	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	85.15	89.27	91.04	88.79	94.22
ICICI Bank	113.61	109.46	100.53	96.77	94.96
Axis bank	88.27	96.19	91.85	98.72	91.99
Kotak Mahindra bank	121.67	106.51	107.45	107.72	108.29
Yes Bank	82.88	87.92	92.58	101.41	106.08

Table-10 "F" Test -showing Analysis of Variance- (ANOVA) for Credit to Deposit

Sources of Variation	Sum of Square	Degree of Freedom	Mean Sum Of Square	F_c	F_t
B. S.S.	17.18466	4	4.296166	0.037444	2.866081
W.S.S.	2294.696	20	114.7348		
T.S.S	2311.881	24			

"F" test indicates that the calculated value of F= 0.037444 and tabular value of F= 2.866081 at 5 % level of significance. The calculated value of F is smaller or less than table value of F ($F_c < f_t$).

FINDINGS

The following are the findings of the study.

Ratio	Fc	Ft	Findings
Loan to Deposit ratio	0.19	2.87	Ho : Accepted There is no significance difference in Loan to Deposit Ratio among the selected private banks.

Cash to Deposit ratio	1.60	2.87	Ho : Accepted There is no significance difference in Cash to Deposit Ratio among the selected private banks.
Investment to Deposit Ratio	0.50	2.87	Ho : Accepted There is no significance difference in Investment to Deposit Ratio among the selected private banks.
Inc Loan to Deposit Ratio	0.19	2.87	Ho : Accepted There is no significance difference in Inc Loan to Deposit Ratio among the selected private banks.
Credit to Deposit Ratio	0.037	2.87	Ho : Accepted There is no significance difference in Credit to Deposit Ratio among the selected private banks.

IV. CONCLUSION

From the above data analysis and findings, the researcher has observed and concluded that there is no significant difference in liquidity management of selected private sector banks. Hence, it is suggested that the banks should keep sufficient liquidity on hand otherwise it will affects the profitability and sometimes solvency of the banks. Sufficient and timely flow of liquidity is crucial and very important for banks. Excess liquidity affects bank's profit negatively, while scarcity of it also creates difficulties for day to day functions of banks and consequently affects reputation also.

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