ABSTRACT

The study focuses on measuring the banks' efficiency by framing a methodology based on which the few financial ratios such as Core capital ratio, Equity asset ratio, Total asset ratio, Cost to income ratio and Capital adequacy ratio are used to evaluate their individual impact on the profitability ratios such as ROA and ROE of banks by keeping Interest rate spread, Size of the bank, Aggregate growth, Assets by liabilities and Business per employee as fixed variables. Also another important part of analysis was to determine the impact of Capital Adequacy Ratio (CAR) and Cost Income Ratio (CIR) on the banks' profitability ratios – ROA and ROE. The study identifies ways in which the ratio reflects the various structures of the banks rather than just their performance. Also the latter part of the paper explores conceptual relationship between Cost-Income ratios and profitability and comparing the public, private and foreign sector banks in relevance with their operational efficiency and profitability. The outcomes of the result show that the public banks have performed poorly in this period of study (2000-13) as compared to that of other groups. The global financial crisis affected the productivity of foreign banks but their performance remained relatively higher than the public banks.