

AN ANALYSIS OF FINANACIAL PERFORMANCE OF COMMERCIAL BANKS IN INDIA – WITH SPECIAL REFERENCE TO SELECTED OLD & NEW PRIVATE SECTOR BANKS

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Abstract

Banks are the arteries of any financial systems. Their performance generally reflects the economic scene of the nation. The consistent performance analysis of these banks given an overview of the current economic circumstances. This study to compare major private sector banks operating in India. Top 6 banks, based on their net profits in financial year 2017-2018, have been taken up for study. Parameters like business indicators such have been considered for performance analysis. Simple average and compound annual growth rate have been used to evaluate these 6 banks and accordingly they have been evaluated their overall performance.

Keywords: Simple Average, Compound Annual Growth Rate, Deposits, Advances, Investments, Total Assets, Net profits.

1. INTRODUCTION

Saving money in India has been overwhelmed by open segment banks (since the 1969) when every single real bank were nationalised by the Indian government. Notwithstanding, since progression in government keeping money strategy during the 1990s, old and new private banks have re – developed. They have quicker and greater over two decades since advancement utilizing the most recent innovation, giving contemporary developments and money related devices and methods. The private sector banks are part into two gatherings by money related controllers in India, the old private sector banks existed before the nationalization in 1968 and kept their freedom since they were either too little or expert to be incorporated in to nationalisation. The new private sector banks are those that have picked up their managing an account permit since the progression during 1990s.

In 1969 all most important banks have been nationalised by the Indian governments. But, seeing that an alternate in authorities' coverage in the 1990s, antique and new private sector banks have re-emerged. The private sector banks are break up into two organizations through economic regulators in India, The old non-public sector banks existed previous to nationalisation in 1968 and stored their independence due to the fact they had been both too small and expert to be included in nationalisation. The new private sector banks are those that have gained their banking license for the reason that exchange of policy in the 1990s.

2. REVIEW OF LITERATURE

1. Shobana V.K(2010) in her paper entitled “Operational Efficiency of Public Sector Banks in India- a Non-Parametric Model” centres around the operational efficiency of open segment banks in India utilizing a non-parametric model, which measures the efficiency as a proportion of yield file to a record of information

utilized. The findings uncover that, out of 27 open division banks in India, just nine banks had accomplished abnormal state of efficiency in its tasks, with Oriental Bank of Business at the best.

2. Jha and Hui (2012) looked at the monetary execution of distinctive organized banks in Nepal utilizing camel structure. The examination secured the years 2005-2010 to survey the money related execution of the eighteen business banks in Nepal. The investigation depended for the most part on the unmistakable money related examination to depict, measure, think about, and order the money related circumstances. The creators at that point utilized multivariate relapse model to test the criticalness of the factors utilized. They found that arrival on resources (ROA) of open division banks were higher than those of joint endeavour and residential open banks. Also, the qualities decided for the money related proportions uncovered that joint endeavour and household open banks were likewise not all that solid in Nepal to oversee the conceivable huge scale stun to their asset report.

3. Singh, B. A. and Tandon, P. (2012) confirmed that saving money Segment assumes a vital job in financial advancement of a nation. The managing an account arrangement of India is highlighted by a vast system of bank offices, serving numerous sorts of monetary administrations of the general population. The State Bank of India, prevalently known as SBI is one of the main bank of open part in India. ICICI Bank is second biggest and driving bank of private area in India. The present examination is led to look at the money related execution of SBI and ICICI Rely upon the premise of proportions, for example, credit store, net overall revenue and so forth. The time of concentrate taken is from the year 2007-08 to 2011-12. The examination discovered that SBI is performing admirably and fiscally solid than ICICI Bank yet in setting of stores and consumption ICICI bank has preferred overseeing effectiveness over SBI.

4. Khan, (2012) done a relative investigation of the pre and post-merger money related execution of obtaining banks by taking an example of two instances of mergers happened in the year 2004 in the Indian managing an account part. With the end goal to break down the information, Proportions and t-test have been utilized. It was discovered that the post M & A's have not made distinction in the monetary execution of the procuring banks

5. Dr. Rao Madhusudhana K. (2014) Concluded that - with respect to the banking activities the Performance of HDFC is better than the SBI and for the investor who are intended for long term investment & risk takers HDFC is better but with respect to the growth in the market for the company price SBI is better. SBI shares value market more than HDFC.

3. OBJECTIVES OF THE STUDY

1. To find the financial performance of selected old and new private sector banks in India.
2. To compare the financial performance of selected old and new private sector banks in India.
3. To give recommendations and suggestions for improvement of performance and final position of selected old and new private sector banks in India.

4. STATEMENT OF THE PROBLEM

Benefit of banks and their execution in contrast with the contenders has turned into a critical theme of research, numerous banks don't locate the correct measure to assess the execution, since there are numerous factors that choose the productivity and viability of banks, there emerges an issue of what are the criteria's to be estimated.

5. RESEARCH METHODOLOGY

The research is an analytical one. The report based on secondary data. The secondary data is collected from various journals, annual reports, newspapers and reports have been collected from various website of reserve bank of India and individual banks website.

5.1 PERIOD OF THE STUDY

The study will cover a period of only Seven financial years from 2011-12 to 2017-18.

5.2 SAMPLE SIZE

The study covers major private sector banks operating in India. The research selected six banks. Out of which 3 for banks each selected in old and new private sector banks, based on their net profits in 2017 – 2018.

OLD Private sector banks	New Private sector Banks
Federal Bank	AXIS Bank
Jammu and Kashmir Bank	HDFC Bank
Karur Vysya Bank	ICICI Bank

5.3 DATA COLLECTION

The data were collected from the annual reports of selected old and new private sector banks. In addition to the records of the bank, data were collected from banking bulletin, websites and annual reports (2011 – 2012 to 2017 – 2018).

5.4 DATA ANALYSIS

The following accounting and statistical techniques are used.

1. The arithmetic mean of each parameter for bank has been calculated for the period of study.
2. Compound Annual Growth Rate in Percentage was calculated for measuring the performance of each bank.

6. ANALYSIS AND DISCUSSION

Various parameters are used in identifying the strengths and weaknesses of banks and suggesting improvement measures in its future working. In present study, following data and parameters are used for the analysis of Financial Performance.

1	Deposits
2	Advances
3	Total Assets
4	Investments
5	Net profits

DEPOSITS

Deposit is the amount accepted by bank from the savers in the form of current deposits, savings deposits and fixed deposits and interest is paid to them. In general terms money deposits in banks are known as bank deposits. Deposits mobilization gets added attention in a developing country like India where resources mobilization acts as a prime mover of the development process. Expansion of Public Sector Banks deposits has been an important feature in recent years. Planned economic development, deficit financing and increase in currency issue have led to increase in Public Sector Banks deposits. At the same time Public Sector Banks have contributed greatly to the development of banking habit among the people.

Total Deposits for all the selected Indian Private Sector Banks from 2011-12 to 2017-18 and also reveal Compound annual growth rate thereof based on 2011-12 as base year. Table – 1 shows the deposits of selected old and new private sector banks.

Table – 1 Deposits of Selected Old & New Private Sector banks (Rs. in Crores)

Banks	OLD Private sector banks			New Private sector Banks		
Year	Federal Bank	Jammu and Kashmir Bank	Karur Vysya Bank	AXIS Bank	HDFC Bank	ICICI Bank
2011-12	48937.12	53346.90	32111.59	220104.30	246706.45	255499.96
2012-13	57614.86	64220.62	38652.98	252613.59	296246.98	292613.63
2013-14	59731.28	69335.86	43757.68	280944.56	367337.48	331913.66
2014-15	70824.99	65756.19	44690.27	322441.94	450795.64	361562.73
2015-16	79171.71	69390.25	50078.90	357967.56	546424.19	421425.71
2016-17	97664.56	72463.09	53669.81	414378.79	643639.66	490039.06
2017-18	111992.49	80006.50	56890.09	453622.72	788770.64	56097521
Average	75133.85	67788.48	45693.04	328867.64	477131.57	8321510.80
CAGR	15%	7%	10%	13%	21%	146%

Source: Annual reports of respective banks

Table 1 Depicts that ICICI Bank has the highest growth rate (146 %) followed by HDFC (21%). In terms of volume, ICICI Bank has the highest average total credits of Rs.83, 21,510.80 crores.

ADVANCES

Advances are the credit facility granted by the bank. In other words it is the amount borrowed by a person from the Bank. It is also known as Credit granted where the money is disbursed and recovery of which is made later on. Bank credit means the loan (Advances) made by the banks to the customers. Credit deployment is the major force through which banks helps in the transformation of saving into capital. This is considered to be the single most important causal factor in the process of economic development with the expansion of bank deposits. There has been continued expansion of bank credit reflecting the rapid expansion of agricultural and industrial output.

Table – 2 Advances of Selected Old & New Private Sector banks (Rs. in Crores)

Banks	OLD Private sector banks			New Private sector Banks		
Year	Federal Bank	Jammu and Kashmir Bank	Karur Vysya Bank	AXIS Bank	HDFC Bank	ICICI Bank
2011-12	37755.99	33077.42	23949.19	169759.54	195420.03	253727.66
2012-13	44096.70	39200.41	29480.13	196965.96	239720.64	290249.44
2013-14	43436.10	46384.60	33992.13	230066.76	303000.27	338702.65
2014-15	51284.99	44585.82	36108.94	281083.03	365495.03	387522.07
2015-16	58090.14	50193.29	39084.38	338773.72	464593.96	435263.94
2016-17	73336.27	49816.11	40907.72	373069.35	554568.20	464232.08
2017-18	91957.47	56912.74	44800.15	439650.30	658333.09	512395.29
Average	57136.80	45738.62	35474.66	289909.81	397304.46	383156.16
CAGR	16%	9%	11%	17%	22%	12%

Source: Annual reports of respective banks

Table 2 Depicts that HDFC Bank has the highest growth rate (22%) followed by Federal bank (16%). HDFC Bank has the highest average total credits of Rs.3, 97.304.46 crores. The least rate showed at Jammu and Kashmir Bank stood at (9%) during the study period.

TOTAL ASSETS

The fundamental book keeping condition expresses that **assets = liabilities + stockholders' equity**. In the bookkeeping business, resources are characterized as whatever a business claims, has esteem, and can be changed over to money. Resources are separated into two primary classes. These two classifications are present resources and noncurrent resources. Every one of these classifications is additionally separated into subcategories. Add up to resources are the aggregate of all current and noncurrent resources and must equivalent the whole of aggregate liabilities and investors' value joined.

Table – 3 Total Assets of Selected Old & New Private Sector banks (Rs. in Crores)

BANKS	OLD Private sector banks			New Private sector Banks		
YEAR	Federal Bank	Jammu and Kashmir Bank	Karur Vysya Bank	AXIS Bank	HDFC Bank	ICICI Bank
2011-12	60626.78	60269.21	37634.90	285627.80	337909.49	473647.09
2012-13	71049.56	71743.32	46733.35	340560.67	400331.90	536794.69
2013-14	74594.14	78619.73	51543.15	383244.89	491599.50	594641.60
2014-15	82850.47	76085.46	53152.49	461932.39	590503.07	646129.29
2015-16	94130.03	80268.08	57663.72	525467.61	708845.57	720695.10
2016-17	114976.93	82018.66	61807.61	601467.66	863840.2	771791.46
2017-18	138313.95	89687.61	66929.12	691329.57	1063934.31	879189.16
Average	90934.55	76956.01	53637.76	469947.23	636709.14	660412.63
CAGR	15%	7%	10%	16%	21%	11%

Source: Annual reports of respective banks

Table – 3 explain that HDFC Bank has the highest compound growth rate (21%) followed by Axis bank. On the other hand, ICICI Bank has highest average total assets Rs.660412.63 crores during the study period. In Jammu and Kashmir Bank showed lowest CAGR at (7%) during the study period from 2011 – 2012 to 2017-2018

INVESTMENT

An investment is that the purchase of products that aren't consumed these days however are employed in the longer term to form wealth. In finance, associate investment may be a financial quality purchased with the concept that the quality can offer financial gain within the future or can later be sold out at a better worth for a profit investment.

Investment is made in assets. Assets in all are of two types - real assets (land, building etc,) and financial assets (stock, bonds, etc.)

Table – 4 Investment of Selected Old & New Private Sector banks (Rs. in Crores)

BANKS	OLD Private sector banks			New Private sector Banks		
YEAR	Federal Bank	Jammu and	Karur Vysya Bank	AXIS Bank	HDFC Bank	ICICI Bank

		Kashmir Bank				
2011-12	17402.49	21624.32	10506.1	93192.09	97482.91	159560.04
2012-13	21154.59	25741.07	13837.26	113737.54	111613.60	171393.60
2013-14	24117.85	26195.07	13247.00	113548.43	120951.07	177021.82
2014-15	24409.19	25124.30	12773.01	132342.83	166459.95	186580.03
2015-16	22217.49	20353.62	13221.67	122006.20	163885.77	160411.80
2016-17	28196.09	21290.89	14857.48	128793.37	214463.34	161506.55
2017-18	30781.07	18880.03	15803.21	153876.08	242200.24	202994.18
Average	24039.82	22744.18	13463.67	122499.51	159579.55	174209.72
CAGR	10%	-2%	7%	9%	16%	4%

Source: Annual reports of respective banks

Table- 4 from the table HDFC Bank has the highest growth rate (16%) followed by Federal bank (10%). ICICI Bank has highest average investments (Rs.174209.72 crores) during the study period. Jammu and Kashmir Bank showed lowest average Investment (Rs.22744.18 crores) and CAGR at (2%) during the study period.

NET PROFIT

The profit of an organization once in operation expenses and every one different charges together with taxes, interest and depreciation are subtracted from total revenue. Additionally known as internet earnings or lucre.

Net profit = total income –total expenses

Net profit mainly depends upon productivity of the bank and growth of profit per employee. The Net profit pattern of banks under study as shown in Table – 5.

Table – 5 Net profit of Selected Old & New Private Sector banks (Rs. in Crores)

BANKS	OLD Private sector banks			New Private sector Banks		
YEAR	Federal Bank	Jammu and Kashmir Bank	Karur Vysya Bank	AXIS Bank	HDFC Bank	ICICI Bank
2011-12	776.80	803.25	501.72	4242.21	5167.09	6465.26
2012-13	838.17	1055.1	550.32	5179.43	6726.28	8325.47
2013-14	838.89	1182.47	429.60	6217.67	8478.38	9810.48
2014-15	1005.75	508.60	464.28	7357.82	10215.92	11175.35
2015-16	475.65	416.03	567.63	8223.66	12296.21	9726.29
2016-17	830.79	-1632.29	605.98	3679.28	14549.64	9801.09
2017-18	878.85	202.72	345.67	275.68	17486.73	6777.42
Average	806.41	362.26	495.02	5025.10	10702.89	8868.76

CAGR	2%	-21%	-6%	-37%	23%	1%
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Source: Annual reports of respective banks

Table – 5 Depicts that HDFC Bank has the highest Compound annual growth rate (23%) followed by federal bank (2%). The net profit showed, the highest average (10702.89 crores) also found in HDFC bank during the study period. The CAGR showed negative trend in Axis Bank and Jammu and Kashmir Bank at (-37%) and (-21%) respectively.

7. FINDINGS

Total deposits of ICICI Bank has the highest growth rate (146 %) followed by HDFC (21%). On the other hand ICICI Bank has the highest average total credits of Rs.83, 21,510.80 crores.

Advances of HDFC Bank has the highest growth rate (22%) followed by Federal bank (16%). Interest of advances HDFC Bank has the highest average total credits of Rs.3, 97,304.46 crores.

Total assets explain that HDFC Bank has the highest compound growth rate (21%) followed by Axis bank. On the other hand, ICICI Bank has highest average total assets Rs.660412.63 crores during the study period.

Investment of HDFC Bank has the highest growth rate (16%) followed by Federal bank (10%). On the other hand, ICICI Bank has highest average investments Rs.174209.72 crores) during the study period.

Depicts that HDFC Bank has the highest Compound annual growth rate (23%) followed by federal bank (2%). The net profit showed, the highest average (10702.89 crores) also found in HDFC bank during the study period.

8. SUGGESTIONS

The forgoing analysis reveals that though there is a phenomenal development in the performance, still Old private sector banks lagging behind some major thrust areas. Some recommendations to improve the performance of old private sector banks are given below

1. Technology - Our Old Private sector Banks are lagging behind in technology when we compare them with New Private sector banks.

2. Due to LPG, the banks are confronting an extreme rivalry. To remain ahead in the race, along these lines, banks should use innovation improvement and in addition creating advanced money related items. Old Private sector Banks in particular will have to develop new tech – savvy products to beat the competition.

3. NPAs there is an earnest need that Old Private sector banks ought to enhance the nature of their examination for credit proposition.

4. Human resources development is a crucial factor which can play a vital role in increasing profit per employee. Training, development and retraining is a noteworthy rising test before the Old Private sector banks. Old Private sector banks should make appropriate approaches for preparing, creating and retraining to the new and old representatives.

5. High operating cost is a major hurdle impacting the profitability of Old Private sector banks. The financial position of Old private sector banks can be enhanced by keeping a control on operating cost through higher labour productivity, updated technology, low cost funds and restructuring of remunerating branches.

9. CONCLUSION

The study concludes HDFC Bank shows good performance followed by ICICI Bank under new private sector banks on other hand Federal Bank, Karur Vysya Bank showed good performance and Jammu and Kashmir Bank showed low performance during the study period. This study may encourage the choice creators of Indian Public sector banks and different classifications of banks in Indian Banking part to focus on keeping money exercises and consequently to build the bank positioning and monetary execution of the banks. It might help the administration in defining proper methodologies for accomplishment of goals.

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The list of old private sector banks and new private sector banks annexed in appendix.1

LIST OF THE OLD PRIVATE SECTOR BANKS IN INDIA		
S.NO	NAME	ESTABLISHED YEAR
1	City Union Bank	1904
2	Karur Vysya Bank	1916
3	Catholic Syrian Bank	1920
4	Tamilnadu Menchante Bank	1921
5	Naintial Bank (Wholly owned subsidiary of Bank of Baroda)	1922
6	Karnataka Bank	1924
7	Lakshmi Vilas Bank	1926
8	Dhanlaxmi Bank	1927
9	South Indian Bank	1929
10	Federal Bank	1931
11	Jammu and Kashmir Bank	1938
12	RBL Bank	1943

Appendix – I

LIST OF THE NEW PRIVATE SECTOR BANKS IN INDIA		
S.NO	NAME	ESTABLISHED YEAR
1	DCB Bank	1930
2	ICICI Bank	1990
3	Axis Bank	1993

4	HDFC Bank	1994
5	IndusIndBank	1994
6	Kotak Mahindra Bank	2001
7	Yes Bank	2004
8	IDFC Bank	2015
9	Bandhan Bank	2015

