A study on financial performance analysis of selected private sector banks in India

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Abstract

This study's main objective is to identify and explore the financial performance of a few Indian private sector banks. In the Indian setting, the banking industry has occasionally seen a number of dynamic developments. It is an essential part of every economic and financial system. Because it provides for the financial demands of the modern world, a robust banking system is necessary. A nation's financial system is an important part of its economy. As a result, the banking system and the nation's development are linked. They are essential for distributing loans to different economic sectors and mobilizing savings. The private sector banks in India are essential to the economic growth of the nation. So it has become essential to learn the financial performance of private sector banks. The study used secondary data for its evaluation. The data has been collected from Money Control and annual reports of respective banks over five years (from 2019-2025). Ratio analysis is used to analyse data and provide an interpretation for various ratios, including the debt-to-equity ratio, cash position ratio, fixed assets ratio, and proprietary ratio.

Keywords: Private Sector Banks, Financial Performance, Ratio Analysis.

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1. INTRODUCTION

Its true that Finance, which is always thought of as the contemporary economy's lifeblood. The only way to incorporate the base of the pyramid into the official financial system is through the banking sector. The practice of determining how well a bank generates money using its resources from its primary business is known as financial performance review. Additionally, it evaluates the organization's overall financial health over a given period of time. This process was employed to understand the bank's short- and long-term growth. The foundation for a robust and healthy banking sector was established by financial reforms after India gained independence.

The researcher employed ratio analysis in this study, one of several methods for data analysis. This analysis also helps to assess the bank's creditworthiness in order to assess its position in the market relative to its competitors. The financial sector is currently entering the second phase of the reforms, and considerable progress has been achieved in their implementation. However, a number of issues have plagued India's banking industry, forcing Indian banks to create new guidelines and tactics.

Examining the major determinants of the financial performance of a few Indian private sector banks is the aim of this study.

2. SCOPE OF THE STUDY

The scope of this research is to identify the service quality of selected private sector banks in India are HDFC, Axis, ICICI, Kotak Mahindra Banks,IDBI Bank. This research is based on secondary data. It compares the performance of private sector banks with each other to understand their relative competitive positing. It also offers a approach to evaluate performance of private sector banks in India providing insights for stakeholders such as policymakers, investors diversification and efficient lending practices. The banks' ability to meet short-term obligations. By comparing these aspects across banks, the research can help investors make informed decisions and identify potential leaders in the Indian private banking sector.

3. REVIEW OF LITERATUR

Hassan Abdi (2024) used the CAMEL framework, a proven method for assessing the health of financial institutions, to look at the financial performance of ten Kenyan commercial banks over a ten-year period. Return on Assets (ROA) was the main focus of the study, which examined the effects of a number of variables on Kenyan banks' profitability, including capital sufficiency, asset quality, managerial effectiveness, earning quality, liquidity, and operational cost efficiency.

Sundararajan, S., and Prakash P. (2023) The research is quantitative and includes both technical and fundamental examination. Ratio analysis, Beta analysis (β), Relative Strength Index (RSI), and Rate of Change (ROC) are the tools used for analysis in this study, which is based on secondary data.

Singh, A. K. (2023). The author has conducted study in analysis of profitability position of private bank in India like AXIS, ICICI, Karur Vysa bank (KVB), YesBank,and highlight the overall profitability of bank (i.e.) Interest spread, Net profit margin, return on long term fund, return on net worth & Return on assets, Adjusted cash margin.

Goswami, A., Kumar, P., and Sharma, R. (2022). The performance of Indian privatization has been assessed by the writers. India's banking system has undergone numerous reforms since liberalization. The most advanced technology, workforce, and efficiency are found in the most recent privatization. Professionals oversee it. The modern banking system has drawn clients and promoted financial goods as a result.

According to Mubarak (2021), there could be a significant and pervasive economic impact if the banking industry does not operate effectively. Examining the Indian banking system's financial stability and the factors that influence it is therefore essential. In this study, the selected institutions' financial stability was assessed using particular financial metrics and rated using the Eagles method. For this study, the researcher selected five Indian banks from the public and commercial sectors, and data was gathered between 2012 and 2020.

The factors influencing the performance of commercial banks in India between 2000 and 2017 are examined by Sarkar & Rakshit (2021), with a focus on macroeconomic issues. Based on performance metrics such as return on equity (ROE), return on assets (ROA), and net interest margin (NIM), we selected a panel of commercial banks from both the public and private sectors in our country.

4. OBJECTIVES OF THE STUDY

- To examine the quality of the assets and earnings.
- To determine the mean variance among a subset of private sector banks.
- To assess the organizations' growth.

5. METHODOLOGY

Research Design:

The study is empirical in character, and the research design is descriptive.

Sample Dimensions and Methodology:

India now has twenty-one private sector banks. Since we are concentrating on certain HDFC, Axis, ICICI, Kotak Mahindra, and IDBI banks, our sample size comprises of five private sector banks. Purposive sampling is the method used for sampling.

Data Collection: The study was conducted using secondary data, which was gathered from financial documents. The chosen banks' income statements, balance sheets, and annual reports. using reports from institutions such as the RBI.

Statistical tools:

Descriptive Statistics: Mean, median, standard deviation of key metrics.

ANOVA (Analysis of Variance): To compare performance across banks.

6. DATA ANALYSIS

The below table explains earnings of banks reflects business of a banks, profitability and growth of the bank .shows that return on assets of sample over the period from 2019 to 2024. All banks except Kotak Mahindra earned continues ROA 1.69 to 2.61 from the year 2019 to 2024 after that HDFC bank shows continues ROA 1.69 to 1.77 from the year 2019 to 2024. ICIC Bank shows 0.39 to 2.37 from the year 2019 to 2024. Axis bank shows ROA i.e,0.63 to 1.83 from the year 2019 to 2024 this is because of decrease in net profit of the bank.IDBI bank shows least in ROA (-4.1) to 1.55 from the year 2019 to 2024 and secured 5th rank in terms of ROA. Kotak Mahindra has secured first position in ROA parameter at last six years average (1.86%), followed by HDFC BANK (1.75%) , ICICI BANK(1.49%), AXIS BANK (0.96%), IDBI (-0.748%).

H_{01}: There is no significant difference between Return on asset among different selected private sector banks in India.

Table: I Return of Asset

Year	Kotak Mahindra Bank	HDFC	ICICI	Axis Bank	IDBI
2019	1.69	1.69	0.39	0.63	(4.1)
2020	1.87	1.71	0.81	0.2	(4.29)
2021	0.43	1.78	1.42	1.11	0.45
2022	2.13	1.78	1.84	1.21	0.80
2023	2.47	1.78	2.16	0.8	1.10
2024	2.61	1.77	2.37	1.83	1.55
AVERAGE	1.867	1.752	1.498	0.963	(0.748)
RANK	1	2	3	4	5

Source: Researcher compilation

Table: 2 ANOVA Test

Source of Variance	SS	df	MS	F	P- Value
Rows	4.18264	5	0.83652	3.5563	0.047
Columns	3.02243	4	0.75560	3.2123	0.039
Error	4.70452	20	0.23522		
Total	10.0095	29			

Interpretation: As per the table, the calculated value of F test (3.5563) is more than the tabulated value, hence reject null hypothesis and conclude that there is a significant difference between Return on asset among ICICI, HDFC, AXIS,IDBI and KOTAK Mahindra private sector banks in India.

Table: 3 Gross NPA (Non-Performing Asset)

The below table indicates that ICICI bank gross NPA from the period 2019 to 2024 .Highest percentage of gross NPA was registered by the IDBI BANK: 27.47% in 2019, AXIS BANK :5.26% in 2019 , ICICI BANK : 6.7 % in 2019 , HDFC BANK : 1.36% in 2019 , KOTAK MAHINDRA BANK : 3.25% in 2021 . IDBI bank (18.073%) registered first position in terms of gross NPA ratio followed by ICICI (4.293%), AXIS BANK (3.34833%), HDFC BANK (1.245), and KOTAK MAHINDRA BANK (2.19167%).

Table: 4 ANOVA Test

H_{02}: There is no significant difference between Non-performing assets among different selected private sector banks in India.

Interpretation: As per the table, the calculated value of F test (6.3914) is more than the tabulated value, hence reject null hypothesis and conclude that there is a significant difference between Non performing asset among ICICI, HDFC, AXIS,IDBI and KOTAK Mahindra private sector banks in India.

Table: 3 Gross NPA (Non-Performing Asset)

Year	Kotak Mahindra Bank	HDFC	ICICI	Axis Bank	IDBI
2019	2.14	1.36	6.7	5.26	27.47
2020	2.25	1.26	5.53	4.86	27.53
2021	3.25	1.32	4.96	3.7	22.37
2022	2.34	1.17	3.6	2.82	20.16
2023	1.78	1.12	2.81	2.02	6.38
2024	1.39	1.24	2.16	1.43	4.53
AVERAGE	2.191	1.245	4.293	3.3483	18.073
RANK	4	5	2	3	1

Source: Researcher compilation

Table: 4 ANOVA Test

Source of Variance	SS	df	MS	F	P- Value
Rows	17.1034	5	3.4207	6.3914	0.0482
Columns	33.2846	4	8.3211	15.547	0.0099
Error	10.7054	20	0.5352		
Total	61.0934	29			

7. CONCLUSIONS

With various techniques applied in finding the financial performance of the ICICI Bank, HDFC Bank, AXIS Bank ,Kotak Mahindra Bank and IDBI Bank, that AXIS Bank is not only leading private sector bank but it's has vast range of products and availability of options make it one of better bank in India. HDFC keeps its cost-to-income ratio low and maintains one of the lowest gross and net non-performing asset ratios among Indian banks. It must work to grow its current assets and keep a safety margin, which will improve its liquidity position, in order to attain the best financial position possible in all aspects. Focus on internal equities and other internal financing alternatives to lessen reliance on external equities for capital requirements. Introduce public plans that offer a shorter maturity time and a greater rate of interest. Banks must finance more projects in order to boost their reputation and inspire confidence. In order to facilitate speedy payout, banks should streamline the advances process.

Acknowledgement

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