

## Financial Analysis of Private Banks in India

Ch. Jeevitha<sup>1</sup>, Dr. T. Nagendra Kumar<sup>2</sup>

<sup>1</sup>3rd BBA student, Department of Management Studies, VFSTR, Deemed to be University, Vadlamudi, Guntur, Andhra Pradesh, India.

<sup>2</sup>Assistant Professor, Department of Management Studies, VFSTR, Deemed to be University, Vadlamudi, Guntur, Andhra Pradesh, India.

### Abstract

Introduction of financial analysis of private banks is a critical area of research in the field of finance. The present study is to conduct a comprehensive financial analysis of private banks in order to evaluate their financial performance and identify factors that contribute to their success. The study will involve analyzing various financial ratios and metrics, such as return on assets, return on equity, net profit, and non-performing assets. This will also examine the impact of macroeconomic factors on the financial performance of private banks, such as interest rates, inflation, and GDP growth. This is use both qualitative and quantitative methods to analyze the financial data. This paper will conclude with recommendations for private banks to improve their financial performance and maintain their competitive advantage in the market.

**Keywords:** Financial analysis, financial performance, Private Banks, macroeconomic factors

### 1. INTRODUCTION

Introduction of financial analysis of private banks is a critical area of research in the field of finance. This is to conduct a comprehensive financial analysis of private banks in order to evaluate their financial performance. Private Banks in India have become a significant force in the country's financial industry, providing a wide range of services to customers, including retail banking, corporate banking, and investment banking. The main objective is to conduct a comprehensive financial analysis of private banks, with a specific focus on their performance in the Indian banking industry. Financial analysis is an important tool in evaluating the performance of private banks in India. Financial ratios and metrics are used to measure the bank's financial health and performance. Compound annual growth rate, gross NPA ratio, net NPA ratio, return on asset, net profit. Private banks in India have become major players in the Indian banking sector by providing a wide range of financial services to customers. By analyzing various financial ratios and metrics, we can determine the financial health and performance of private banks in India.

### Objectives

- To conduct a comprehensive financial analysis of private banks.
- To identify and analyze the key financial performance indicators.
- To evaluate the impact of regulatory and economic factors on the financial.

### 2. LITERATURE REVIEW

“NS Nataraja, Nagaraja Rao chilale, L Ganesh” present study elaborately examines the performance of banks in three ways, first one is internal based performance, second is market-based performance, thirdly by a banks income that is returned as shareholder equity.

“Srinivasan Palamalai and John britto” The present study attempts to evaluate the financial performance of selected Indian commercial banks for the period from 2012/17. The study comprises 16 commercial banks, 11 representing the public sector and 5 from the private sector, and the financial performances of these banks are analyzed using the financial ratios.

“Jeevan Jayant Nagarkar” commercial banks depend on deposits received from all types of depositors. Achieving and maintaining the faith of depositors is key to a bank’s success.

“Satyakama Mishra and Bibhuti B Pradhan” the trade-off between liquidity-profitability is one of the serious and burning issues discussed by practitioners, researchers and analysts because both liquidity and profitability are significant aspects of any business.

“Vinod Kumar and Bhawna Malhotra” by considering all of the parameters of camel, it is seen that the axis bank has strong is at the top position as assessed by a camel model compared to other banks under the study.

“Cheenu Goel and Chitwan Bhutani Rekhi” the foregoing analysis for SBI has revealed that the overall profitability is not that high because they there NIM is less and need to gear up the NIM i.e. spread.

“Kajal Chaudhary and Monika Sharma” It is the right time to take suitable and stringent measures to get rid of the NPA problem. An efficient management information system should be developed.

“BS Bodha and Richa Verma Bajaj” The private sector performed their best in the year 1998-99.

“Varadi Vijay Kumar, Mavaluri Pradeep and Boppana Nagarjuna” From the analysis it is clear that public sector banks are having high efficiency in terms of productivity, financial management and asset quality, whereas the private banks are having a very high inefficiency level during the sample period in the different indicators but foreign banks seem to more efficient than the private banks.

“Jyotirmoy Koley” The capital and capital adequacy ratio for both banks is more than Basel norms for banks. So, they are satisfactory for both SBI and HDFC banks.

### 3. RESEARCH METHODOLOGY

Primary data: Data that has been generated by the researcher himself/herself, surveys, interviews, and experiments, specially designed for understanding and solving the research problem at hand

Secondary data: Data is research data that has previously been gathered and can be accessed by researchers. The term contrasts with the primary data, which is data collected from its source.

This research was based on secondary data i.e. data derived and modified from primary data from “journals and articles”.

#### Need of the study:

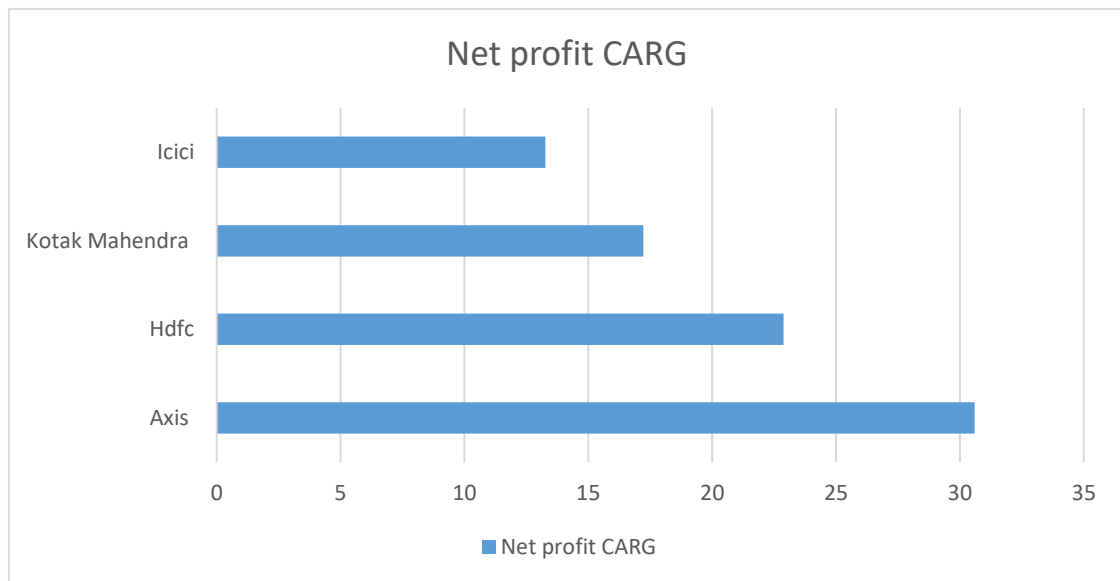
This research paper is included information which is needed by people for useful to private banks, investors, regulators and stakeholders. There will be able to decide whether or not to step into the private banking sector. Private Banks need to know how to boost their earning and grasp how their field is currently operating.

#### Data analysis and interpretation:

1. CAGR (Compound Annual Growth Rate) (%)

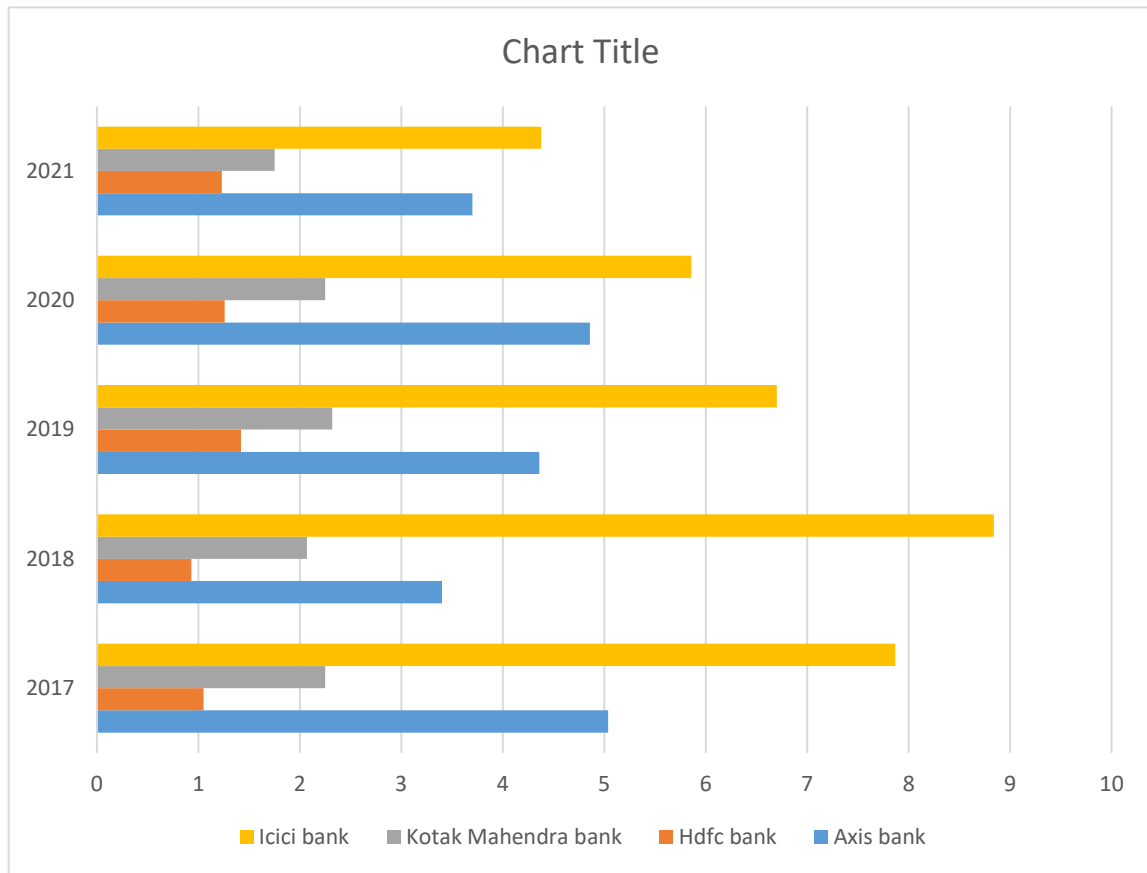
BANK’S NAME	NET PROFIT CAGR
AXIS	30.6%

HDFC	22.88%
KOTAK MAHENDRA	17.22%
ICICI	13.27%



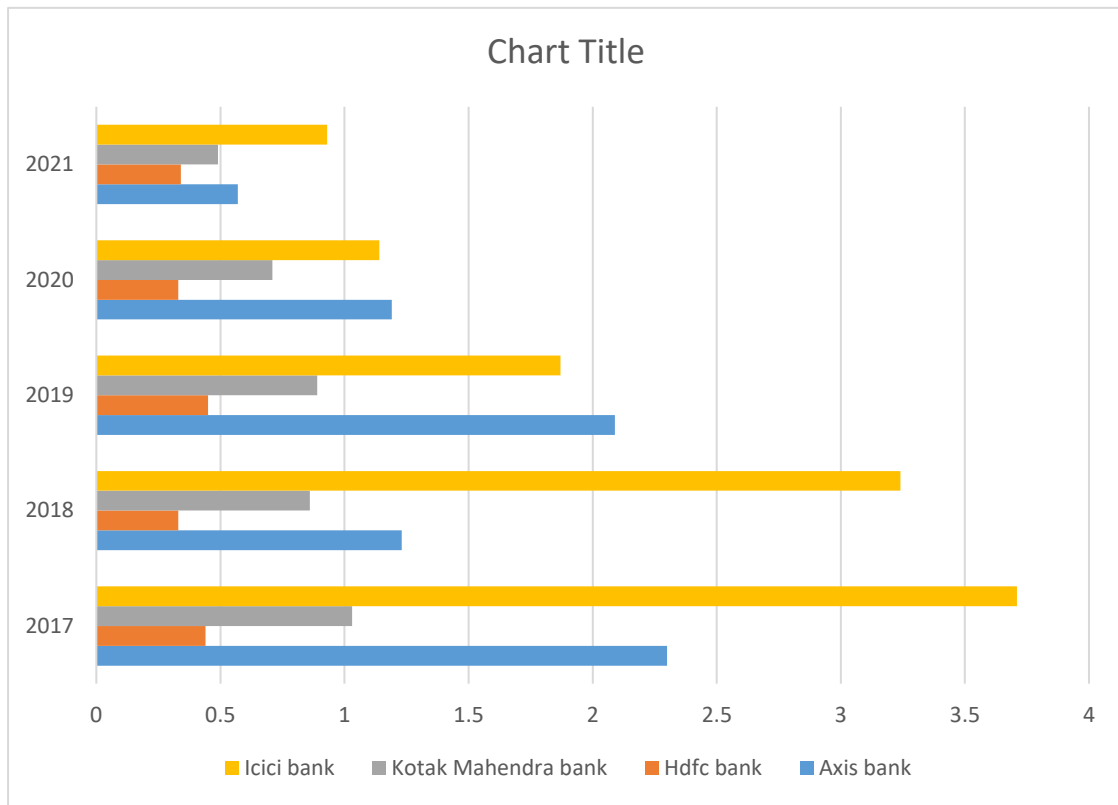
2. GROSS NPA RATIO (%)

BANK'S NAME	2017	2018	2019	2020	2021
AXIS	5.04	3.40	4.36	4.86	3.70
HDFC	1.05	0.93	1.42	1.26	1.23
KOTAK MAHENDRA	2.25	2.07	2.32	2.25	1.75
ICICI	7.87	8.84	6.70	5.86	4.38



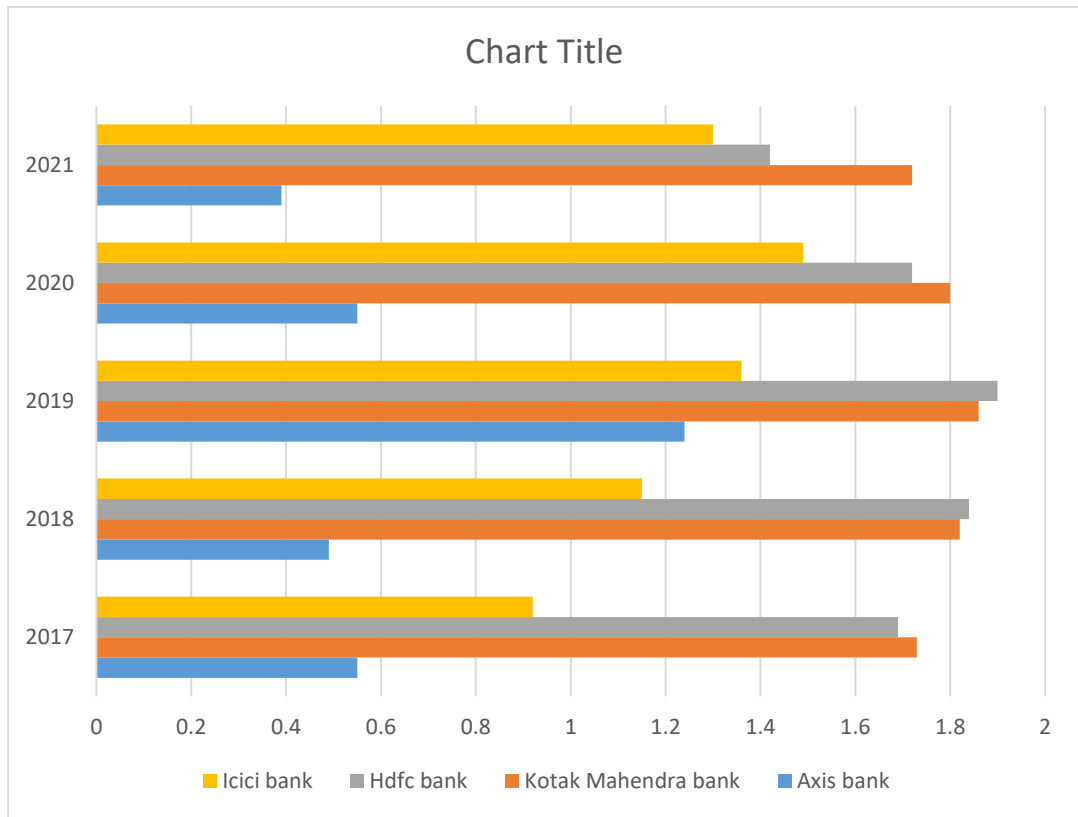
3. NET NPA RATIO (%)

BANK'S NAME	2017	2018	2019	2020	2021
AXIS	2.30	1.23	2.09	1.19	0.57
HDFC	0.44	0.33	0.45	0.33	0.34
KOTAK MAHENDRA	1.03	0.86	0.89	0.71	0.49
ICICI	3.71	3.24	1.87	1.14	0.93



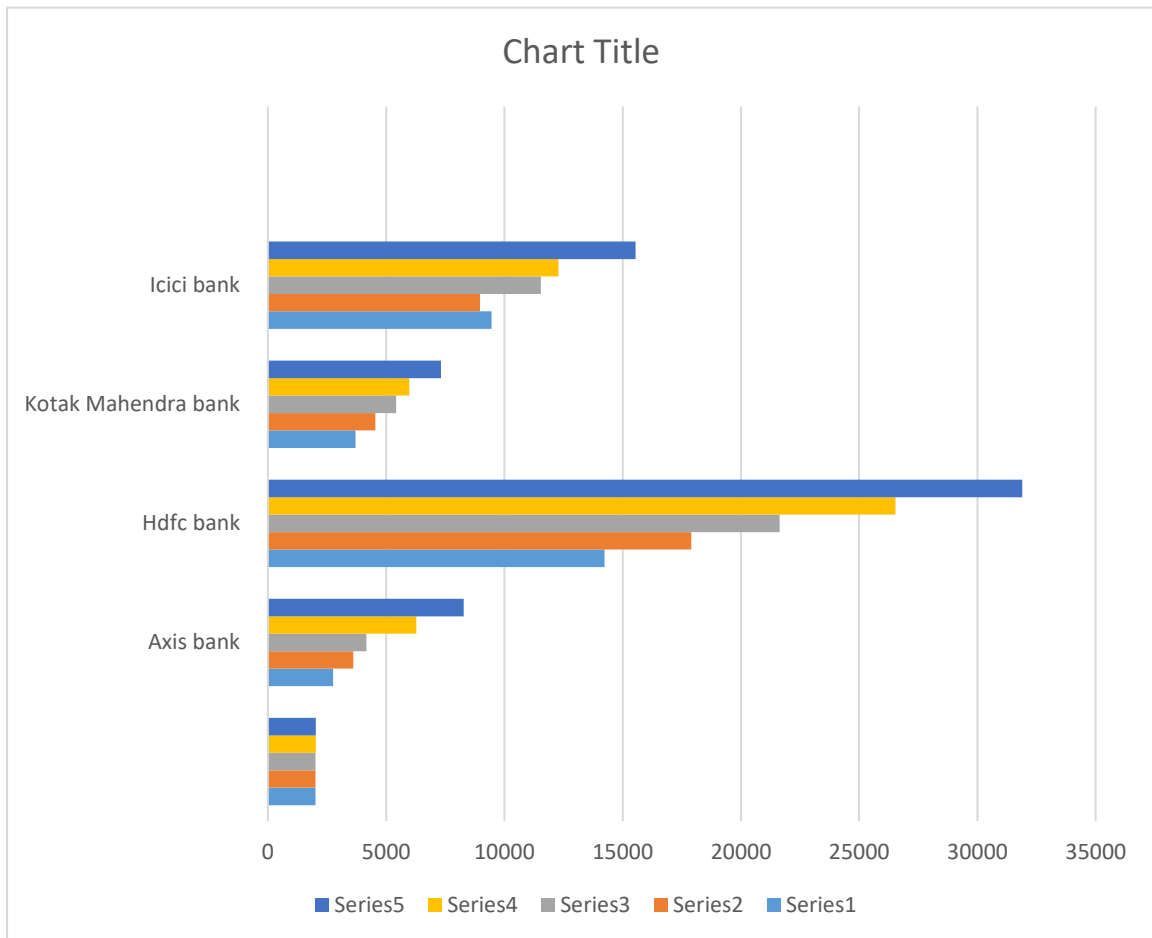
4. RETURN ON ASSET (%)

BANK'S NAME	2018	2019	2020	2021	2022
AXIS	0.49	1.24	0.55	0.39	0.74
HDFC	1.84	1.90	1.72	1.42	1.80
KOTAK MAHENDRA	1.82	1.86	1.80	1.72	1.81
ICICI	1.15	1.36	1.49	1.30	1.68



5. NET PROFIT (amount is in Rs. Crore)

BANK'S NAME	2017	2018	2019	2020	2021
AXIS	2761	3610	4162	6271	8285
HDFC	14239	17905	21638	26543	31890
KOTAK MAHENDRA	3706	4544	5423	5979	7312
ICICI	9452	8976	11542	12289	15552



**Data Interpretation:**

CAR is a measure of the average annual growth rate of an investment over a specific period of time. The table shows the net profit CAGR of four banks: Axis, HDFC, Kotak Mahindra, and ICICI. Axis Bank has the highest net profit CAGR of 30.6%, followed by HDFC at 22.88%, Kotak Mahindra at 17.22%, and ICICI at 13.27%. The gross NPA ratio is the ratio of bad loans to total loans given out by a bank. A higher NPA ratio indicates that the bank is facing difficulties in recovering its loans. The table shows the gross NPA ratio for four banks for the years 2017 to 2021. Among the four banks, HDFC has consistently maintained the lowest gross NPA ratio, which is below 2% for all years. In contrast, ICICI Bank had the highest gross NPA ratio of 8.84% in 2018, which has consistently decreased since then and is 4.38% in 2021. Net NPA ratio is the ratio of bad loans to the total loan given out by a bank after deducting provisions made for bad loans. The table shows the net NPA ratio for four banks for the years 2017 to 2021. Similar to the gross NPA ratio, HDFC has maintained the lowest net NPA ratio, which is consistently below 1% for all years. In contrast, ICICI Bank had the highest net NPA ratio of 3.71% in 2017, which has consistently decreased since then and is 0.93% in 2021. ROA is a measure of a bank's profitability relative to its total assets. The table shows the ROA for four banks for the years 2018 to 2022. Among the four banks, HDFC has consistently maintained the highest ROA, which is above 1.4% for all years except in 2020. In contrast, Axis Bank had the lowest ROA of 0.39% in 2021, which is the lowest among the four banks for that year. The table shows the net profit of four banks for the years 2017 to 2021. Among the four banks, HDFC has

consistently reported the highest net profit, which is above Rs. 31,000Crore in 2021. In contrast, Axis Bank had the lowest net profit of Rs. 8,285 Crore in 2021, which is the lowest among the four banks for that year.

### Findings

1. Private Banks tend to have higher profitability compared to public-sector banks.
2. Private Banks tend to have better asset quality compared to public sector banks as they have more robust credit risk management.
3. Private Banks tend to have a higher capital adequacy ratio, indicating that they have a stronger capital base.
4. Private Banks tend to have a stronger focus on customer service and experience.
5. Private Banks tend to be more innovative in terms of their product offering and technology adoption.

### Suggestion

1. Private Banks generally have a lower non-performing assets (NPA) ratio compared to public sector banks indicating that private banks have better credit risk management.
2. Private Banks generally have a higher efficiency ratio compared to public sector banks.
3. Private Banks have a higher capital adequacy ratio compared to public sector banks. Indicates that private banks have a stronger capital base to absorb potential losses.
4. A significant portion of their income is from fee-based activities such as wealth management, investment banking, and other non- interest income source.

### 4. CONCLUSION

Based on the financial analysis of private banks in India, it can be concluded that these banks have generally performed well in terms of profitability, asset quality, capital adequacy, operational efficiency, customer stratification, and innovation. Compared to public sector banks have demonstrated a greater ability to manage risk, generated revenue, and adapt to changing market conditions. Overall, the financial analysis of private banks in India suggests that these banks have been able to successfully navigate the complex and dynamic banking environment, and have emerged as key players in the Indian banking industry.

### 5. BIBLIOGRAPHY

1. [https://scholar.google.com/scholar?hl=en&as\\_sdt=0%2C5&q=financial+analysis+of+private+banks+in+India+&oq=](https://scholar.google.com/scholar?hl=en&as_sdt=0%2C5&q=financial+analysis+of+private+banks+in+India+&oq=)
2. [https://scholar.google.com/scholar?hl=en&as\\_sdt=0%2C5&q=financial+analysis+of+private+banks+in+India+&oq=](https://scholar.google.com/scholar?hl=en&as_sdt=0%2C5&q=financial+analysis+of+private+banks+in+India+&oq=)
3. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3087063](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3087063)
4. <http://w.revistaespacios.com/a19v40n30/19403014.html>
5. [https://www.researchgate.net/profile/Bhawna-Malhotra/publication/349252185\\_A\\_CAMEL\\_MODEL\\_ANALYSIS\\_OF\\_PRIVATE\\_BANKS\\_IN\\_INDIA/links/602cf0204585158939adb8/A-CAMEL-MODEL-ANALYSIS-OF-PRIVATE-BANKS-IN-INDIA.pdf](https://www.researchgate.net/profile/Bhawna-Malhotra/publication/349252185_A_CAMEL_MODEL_ANALYSIS_OF_PRIVATE_BANKS_IN_INDIA/links/602cf0204585158939adb8/A-CAMEL-MODEL-ANALYSIS-OF-PRIVATE-BANKS-IN-INDIA.pdf)
6. <https://citeseerx.ist.psu.edu/document?repid=rep1&type=pdf&doi=73677da665958b7ad4e02af199986965943e4da7>
7. [http://www.wbnsou.ac.in/openjournals/Issue/1st-Issue/January2019/Jyotirmoy\\_2.pdf](http://www.wbnsou.ac.in/openjournals/Issue/1st-Issue/January2019/Jyotirmoy_2.pdf)
8. <https://mpra.ub.uni-muenchen.de/id/eprint/17350>

### 6. REFERENCES



1. 1.“NS Nataraja, Nagaraja Rao chilale, L Ganesh” present study elaborately examines the performance of banks in three ways, first one is internal based performance, second is market-based performance, thirdly by a banks income that is returned as shareholder equity.
2. “Srinivasan Palamalai and John Britto” The present study attempts to evaluate the financial performance of selected Indian commercial banks for the period from 2012/17. The study comprises 16 commercial banks, 11 representing the public sector and 5 from the private sector, and the financial performances of these banks are analyzed using the financial ratios.
3. “Jeevan Jayant Nagarkar” commercial banks depend on deposits received from all types of depositors. Achieving and maintaining the faith of depositors is key to a bank’s success.
4. 4.“Satyakama Mishra and Bibhuti B Pradhan” the trade-off between liquidity-profitability is one of the serious and burning issues discussed by practitioners, researchers and analysts because both liquidity and profitability are significant aspects of any business.
5. “Vinod Kumar and Bhawna Malhotra” by considering all of the parameters of camel, it is seen that the axis bank has strong is at the top position as assessed by a camel model compared to other banks under the study.
6. “Cheenu Goel and Chitwan Bhutani Rekhi” the foregoing analysis for SBI has revealed that the overall profitability is not that high because they there NIM is less and need to gear up the NIM i.e. spread.
7. “Kajal Chaudhary and Monika Sharma” It is the right time to take suitable and stringent measures to get rid of the NPA problem. An efficient management information system should be developed.
8. “BS Bodha and Richa Verma Bajaj” The private sector performed their best in the year 1998-99.
9. “Varadi Vijay Kumar, Mavaluri Pradeep and Boppana Nagarjuna” From the analysis it is clear that public sector banks are having high efficiency in terms of productivity, financial management and asset quality, whereas the private banks are having a very high inefficiency level during the sample period in the different indicators but foreign banks seem to more efficient than the private banks.
10. “Jyotirmoy Koley” The capital and capital adequacy ratio for both banks is more than Basel norms for banks. So, they are satisfactory for both SBI and HDFC banks