

A STUDY ON PERFORMANCE OF PRIVATE SECTOR BANKS IN INDIA

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ABSTRACT

One of the crucial components of the nation's economic growth that ensures a regular flow of funds from one hand to another is the banking sector. A well-run and controlled financial system facilitates the socioeconomic sector's effective and considerable expansion of the nation's circumstances. One of the factors driving the U.S. economy is banking. It gives families and businesses the liquidity they need to make future investments. The performance of commercial banks in India is the main topic of the current papers including details about the public sector, the private sector, and foreign banks.

KEYWORDS: Foreign Banks, New Generation Banks, Public & Private Sector Banks, Banking Technology.

Introduction

Banks play a huge role in the economy by offering essential services to both consumers and companies. In their capacity as suppliers of financial services, they offer you a secure location to store your money. Banks are regarded as a source of the financial system of the nation that facilitates the acceleration of income and savings from one hand to the other the further hand Public sector banks and private sector banks are the two types of commercial banks in India foreign banks and banks. Private sector banks are crucial to the growth of the economy of India. The banking industry witnessed significant changes after liberalization. The Economic reforms have completely altered the banking industry. RBI gave the okay for new banks to start in the private sector in accordance with the Narashiman committee's advice.

Public sector banks predominated the Indian banking system. However, the situation has changed, and new generation banks have taken a respectable position in the financial sector thanks to the application of technology and professional management. With their branch expansion, revenue production, and innovative offerings, private sector banks demonstrated substantial performance. This essay attempted to provide a general overview of Indian private sector banks.

Banks in the old private sector The banks that operated in the private sector before the Great Depression were known as the "old private sector banks." The banks that have been in operation before 1991 are referred to as the "old private sector banks" because they have been there for a very long time.

The age of these banks exceeds 50 years. The banks are known as the old private sector banks. They were not nationalized during the period of bank nationalization, which occurred between 1969 and 1980.

Fresh Private Sector Banks The most recent private sector banks to open for business is considered new. The banks that started operating after 1991 along with economic and financial sector reforms are referred to as new private sector banks. The Banking Regulation Act was later revised in 1993, allowing new private sector banks to enter the Indian banking industry. For the creation of the new private sector banks, however, there were several requirements specified.

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The bank should be at least 100 crores in net value. At least 25% of the paid-up capital should be held by the promoters. The bank must make shares of stock available to the public within three years of operations beginning. The new private sector banks that were founded in the post-second world war private sector actually survived the nationalization circumstances. In India, there are seven new-generation private banks.

They are Kotak Mahindra Bank, HDFC Bank, ICICI Bank, Indusind Bank, Axis Bank, Development Credit Bank, and Yes Bank.

Review of Literature

In their investigation, Kaplan and Norton (1992) came to the conclusion that no one measure can provide focused attention on crucial business areas with a defined performance target. Both financial and non-financial measures must be presented to managers in a fair and balanced manner.

Research of the performance of the three bank sectors—public, private, and foreign—for the years 1995–1996 was undertaken by Sarkar and Das in 1997. The profitability, productivity, and financial management of these banks are contrasted. They discover that the public sector banks perform much worse than the other two sectors as a result of a lack of technology and creative thinking.

The balanced scorecard offers executives a thorough framework that may translate a company's vision and strategy into a coherent and integrated collection of performance metrics, according to Kaplan and Norton (1996). Both the performance drivers and the outcomes for those performance metrics should be included.

The new private sector banks in India, according to Gaganjot Singh (1998) in his study "New innovations in the banking business - a study of new private sector banks," are adopting better technology and providing their consumers with improved services. The public sector banks are sluggish to become client-friendly since they already have a sizable customer base, which causes them to become complacent.

According to Tapanya (2004), many firms use performance assessment methods that incorporate both financial and non-financial metrics. In order to assess and manage performance in the current environment, the author also emphasized the need for multiple performance metrics.

Analyzing the impact of information technology on new generation banks was the subject of research done by N. S. Varghese and P. Verma in 2000. He came to the conclusion that modern public sector banks are substantially superior. He notes that the business generated per employee by India's major public sector banks is negligibly less than that of next-generation banks.

According to Kochhar and Anand (2004), BSC will aid firms in operationalizing their strategies, align employee goals with organizational goals, confirm a focus from a variety of angles, and permit flexibility. Additionally, she emphasized how BSC has aided ICICI Bank in attaining quick development, strategic stability despite size and diversity, and careful and impartial performance review.

A study on the "Performance comparison of private sector banks with public sector banks in India" was carried out in 2014 by Garima Chaudhary. He came to the conclusion that customer service and happiness are any bank's top priorities. As with private sector banks, it is therefore past due for public sector banks to begin focusing more on their clients and the services they receive.

According to Elif & Ali (2014) and their research, the Balanced Scorecard is a strategic performance management tool that adopts a comprehensive approach to performance evaluation. In terms of analyzing performance using an all-inclusive approach, the study also showed that it is more favorable to report the non-financial performance of the bank alongside the financial performance.

D Mishra (1997) did a study on the effectiveness of Indian commercial banks using pertinent metrics like service quality, risk management, profitability, etc. The banks, he determined

Using a balanced scorecard is Sagar (2008). For a panel data set spanning ten years, from 1997 to 2006, the significance of intangible indicators as a tool for assessing the Bank of Baroda's performance was assessed. The author came to the conclusion that the challenges in measuring the qualities associated with intangible assets make it impossible to implement the BSC.

For the purpose of assessing the performance of Standard Chartered Bank (SCB), a foreign bank in India, Sunita & Vinitha (2013) designed and used BSC. For the bank, a BSC was created using the Kaplan and Norton ideas to gauge performance from 2009 to 2012.

Private sector banks are ones where the majority of the equity is held by private persons or businesses. Although these banks follow the country's central bank's rules, they are permitted to come up with their own financial plans for their clients. A sizeable number of the shares of these banks are traded on the stock market, and a sizeable portion of the shares of these banks are available for purchase by anyone.

Private sector banks are those in which the majority of shares or equity are owned and maintained by private individuals.

The Indian banking industry was initially controlled by public sector banks, but after the 1990s, private sector banks appeared and quickly grew.

Their employment of cutting-edge ideas, new financial tools, and technology contributed to their quick rise.

Private sector banks in India are split into two categories.

Old Banks in the Private Sector (emerged before 1968)

New Banks in the Private Sector (emerged after the 1990s)

Old private sector banks are ones that were in operation before nationalization.

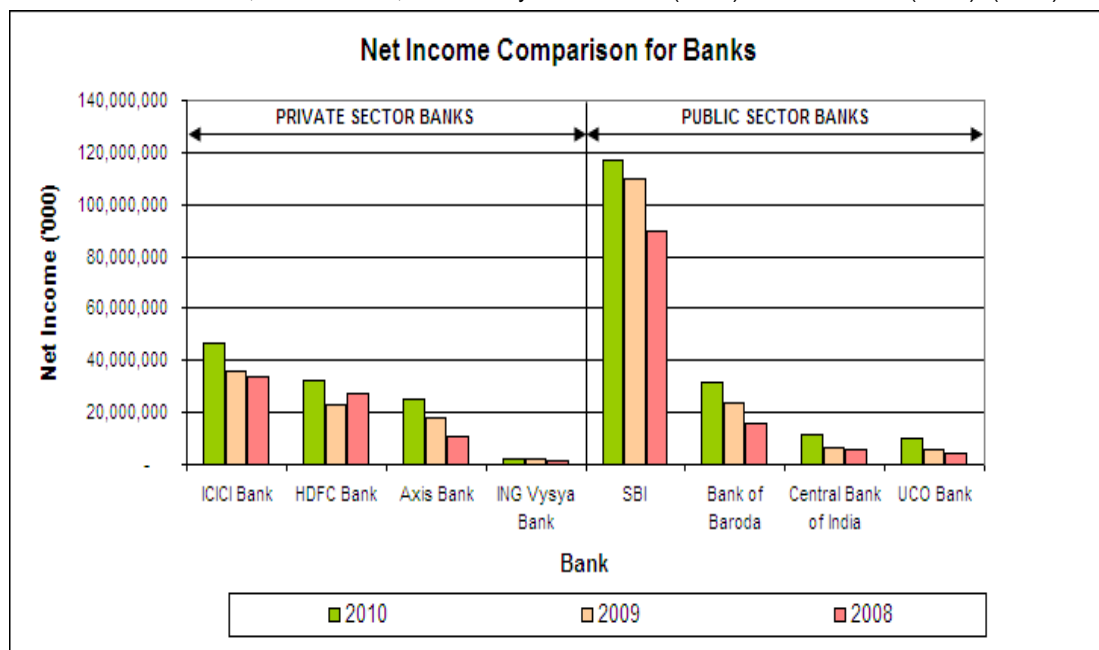
Guidelines for the creation of new private sector banks in India were released by the Reserve Bank of India in 1993.

The analysis found that Standard Chartered Bank's performance during the study period was ordinary.

A bank's share capital is mostly held by private persons. These banks have limited liability company structures.

India currently has 21 private sector banks.

There are 22 private sector banks in the nation as of March 2019, with 15 of them being regarded as old private sector banks and seven being new private sector banks. The oldest private sector bank is City Union Bank, which opened its doors in 1904. Regarding the number of locations, ICICI Bank leads with 4,885 locations, followed by HDFC Bank (4787) and Axis Bank (4782). (4094).



IndusInd Bank was the first private bank in India. Currently, the bank is among the fastest-growing Bank Private Banks in the country. IDBI which is ranked as the tenth largest global development bank is counted as one of the finest financial institutions in the subcontinent.

List of Private Sector Banks in India

Private Sector Banks - Indian Banks	
S. No.	Bank
1	Axis Bank Limited
2	Bandhan Bank Limited
3	Catholic Syrian Bank Limited
4	City Union Bank Limited
5	DCB Bank Limited
6	Dhanlaxmi Bank Limited
7	Federal Bank Limited
8	HDFC Bank Limited
9	ICICI Bank Limited
10	IndusInd Bank Limited
11	IDFC Bank Limited
12	Jammu & Kashmir Bank Limited
13	Karnataka Bank Limited
14	Karur Vysya Bank Limited
15	Kotak Mahindra Bank Limited
16	Lakshmi Vilas Bank Limited
17	Nainital Bank Limited
18	RBL Bank Limited
19	South Indian Bank Limited
20	Tamilnad Mercantile Bank Limited
21	YES Bank Limited

Private Sector Banks - Foreign Banks

S. No.	Bank	S. No.	Bank
1	Abu Dhabi Commercial Bank Ltd.	23	Industrial & Commercial Bank of China
2	American Express Banking Corp.	24	JP Morgan Chase Bank N.A.
3	Arab Bangladesh Bank Ltd.	25	JSC VTB Bank
4	Australia & New Zealand Banking Group Ltd.	26	Krung Thai Bank Plc
5	Antwerp Diamond Bank NV	27	Mizuho Bank Ltd.
6	Bank Internasional Indonesia	28	Mashreqbank
7	Bank of America	29	National Australia Bank
8	Bank of Bahrain and Kuwait B.S.C.	30	Oman International Bank SAOG
9	Bank of Ceylon	31	Rabobank International
10	Bank of Nova Scotia	32	Shinhan Bank
11	Bank of Tokyo Mitsubishi -UFJ Ltd.	33	Societe Generale
12	Barclays Bank Plc.	34	Sonali Bank
13	BNP Paribas	35	Standard Chartered Bank
14	Citibank N.A.	36	SBM Bank (Mauritius) Ltd
15	Credit Agricole Corporate & Investment Bank	37	Sberbank
16	Chinatrust Commercial Bank	38	Sumitomo Mitsui Banking Corporation
17	Credit Suisse A.G	39	The Royal Bank of Scotland N.V.
18	Commonwealth Bank of Australia	40	UBS AG
19	DBS Bank Ltd.	41	United Overseas Bank Ltd
20	Deutsche Bank	42	Westpac Banking Corporation
21	First Rand Bank Ltd	43	Woori Bank
22	Hong Kong and Shanghai Banking Corporation Ltd.		

Source: RBI Website

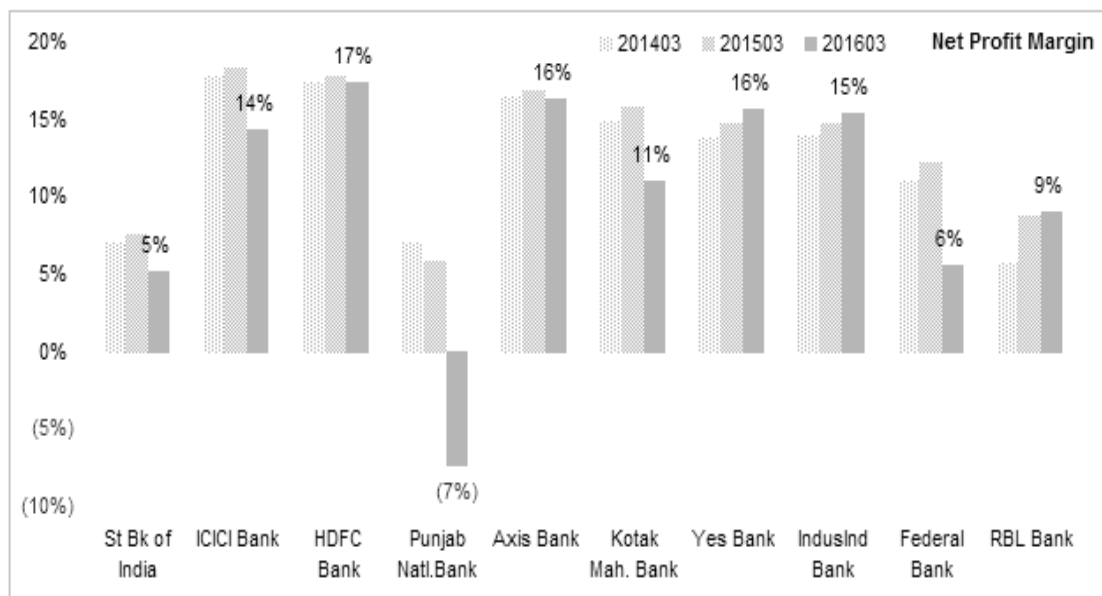
Private sector banks have 63,340 ATMs, of which 26,197 are located on-site and 37,143 are located off-site. Most ATMs are located at ICICI Bank Limited (14,987), followed by HDFC Bank Limited (13,160), and Axis Bank Limited (11,801). The IDFC First Bank, Ltd. just 113 ATMs exist nationwide. Private sector banks had Rs. 21,344 crore in capital compared to Rs. 1,54,427 crore held by all scheduled commercial banks in 2019. Private sector banks have 5,27,665 crore in reserves and surplus compared to all scheduled commercial banks' 11,76,531 crore in 2019. Private sector banks had 37,70,013 crores in deposits compared to Rs. 1,28,87,262 crore held by all scheduled commercial banks in 2019. When it comes to demand deposits, compared to all scheduled banks, private sector banks have 5,17,356 crore (\$12.43.679 billion) 2019 commercial banks. Specifically speaking, private sector banks have.

All scheduled commercial banks' combined 2019 revenue was Rs. 10,45,648 crore as opposed to Rs. 39,11,797 crore. Private sector banks had Rs. 10,45,648 crore in savings bank deposits compared to Rs. 39,11,797 crore held by all scheduled commercial banks in 2019. Private sector banks have 22,07,008 crores in term deposits, compared to 77,31,786 crores held by all scheduled commercial banks in 2019. Private sector banks have 7,75,324 crores in borrowings, compared to all scheduled commercial banks' Rs. 17,09,670 crores in 2019. Private sector banks have 2,03,591 crores in Other Liabilities and Provisions, compared to 6,73,335 crores by all scheduled commercial banks in 2019. Private sector banks hold Rs. 2,06,654 crore in cash and balances with the RBI, compared to Rs. 6,98,613 crore held by all scheduled commercial banks in 2019.

Private sector banks have 9,48,803 crores in government securities compared to all scheduled commercial banks' 34,78,051 crores in 2019. Private sector banks have Rs. 2,70,714 crore in non-approved securities compared to Rs. 8,42,062 crore held by all scheduled commercial banks in 2019. Private sector banks have 33,27,328 crore in loans and advances compared to all scheduled commercial banks' 97,09,829 crore in 2019. Private sector banks have 9,45,461 crores in Bills Purchased and Discounted compared to all scheduled commercial banks' 36,06,719 crores in 2019. Private sector banks have 22,64,633 crores in term loans, compared to 57,42,934 crores from all scheduled commercial banks in 2019. Private sector banks have 36,142 crores in fixed assets, compared to 1,49,137 crore by all scheduled 2019 commercial banks. Private sector banks had Rs. 3,33,221 crore in Other Assets compared to Rs. 10,93,641 crore held by all scheduled commercial banks in 2019.

Net Profit Margin

This is the amount left after all costs are paid and provisions are made. Private sector banks are a clear standout with HDFC topping the chart. Yes, and IndusInd is close. Axis has seen its profitability decline this year (2016-17). PNB has posted a loss due to surging NPAs.

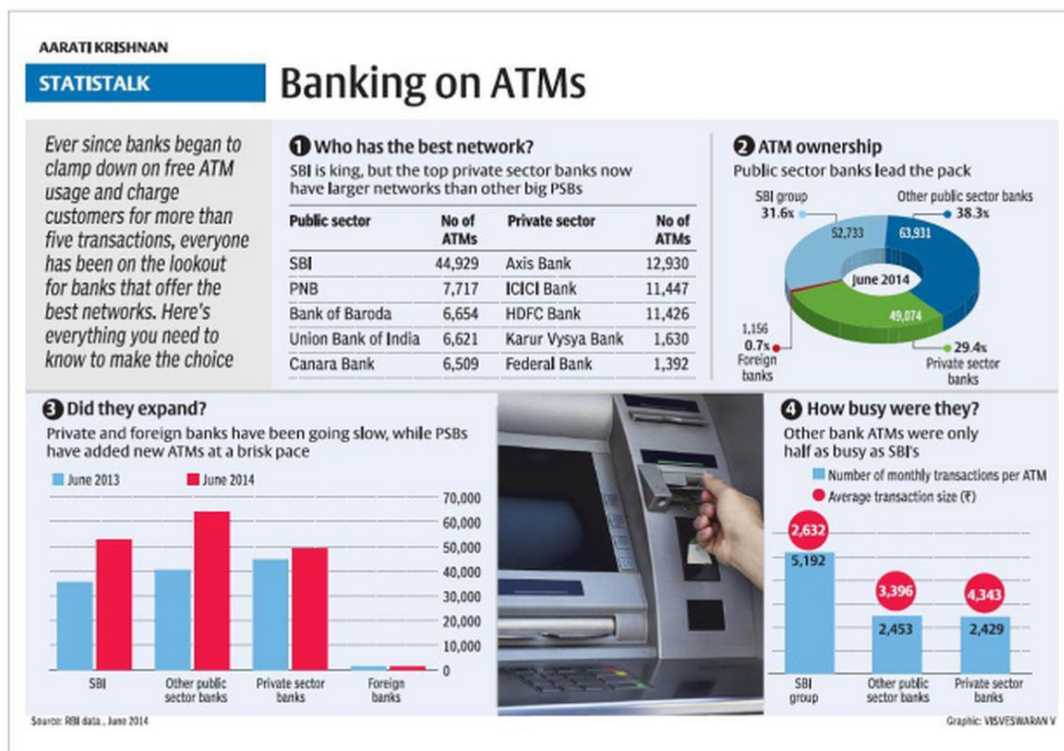


Conclusion

Cash and credit are handled by the banking sector of a nation. In order to sustain a nation's economic standing, banks, which are institutional structures that accept deposits and issue a credit to entities, are crucial. Over time, the Indian financial sector has developed into one of the most well-organized and regulated with suitable authorities. The Indian banking system had a historical turning point where it went from being privately owned to being nationalized, and it is now encouraging more private engagement in the banking sectors. The Indian banking sector has benefited greatly from technical advancement and innovation since globalization.

Nowadays, banking is entirely focused on technology and offers cutting-edge services.

The operational performance of public, private, and international banks is being competed with by bank expansion, high-quality services, and technology-enabled operations. State Bank of India, Union Bank of India, and Punjab National Bank became the largest banks in the world and were able to participate in the global banking industry as a result of the merger of public sector banks. Thus, it can be said that in order to compete in the global market, the Indian banking sector needs to improve its performance.



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