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Ranking of New Private Sector Banks in India on the Basis of Selected Performance Indicators

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Abstract:

A number of new private sector banks have been established in India in the post-reform period. These banks have brought with them state-of-the-art technology and lean structures. They have built a wide network of branches, set superior standards in productivity, introduced global best practices and more importantly, they have built durable competencies by attracting the best manpower and creating strong brand image in the financial market within a short span of time. Almost all these banks are performing equally well. This has created an intense competition among these banks in the sector. The present research paper ranks these banks on the basis of growth rates recorded in various financial parameters extracted from their annual reports during the period from 2004-05 to 2014-15.

Keywords: *New Private Sector Banks, Old Private Sector Banks, NPAs, CAR.*

1. Introduction

The financial reforms launched during the early 1990s have dramatically changed the banking scenario in the country in the areas of prudential, regulatory, disclosure and supervisory norms. New prudential norms, capital adequacy prescriptions, identification of bad debts, provision requirements etc. were enforced and interest rates were deregulated.

A number of new private sector banks have been established in India in the post-reform period. Many of these private sector banks have brought with them state-of-the-art technology and lean structures. They have built a wide network of branches, set superior standards in productivity, introduced global best practices and more importantly, they have built durable competencies by attracting the best manpower and creating strong brand image in the financial market within a short span of time. Almost all these banks are performing equally well. This has created an intense competition among these banks in the sector.

Against the above background, it is worthwhile to study, analyse, compare and contrast the role and performance of the newly established private sector banks in India.

2. Indian Banking System

As of March 31, 2013, the Indian banking system comprised 27 public sector banks, 7 new private sector banks, 13 old private sector banks, 40 foreign banks, 196 Regional Rural Banks (RRBs), 4 Local Area Banks (LABs), 1,721 urban cooperative banks, 31 state cooperative banks and 371 district central cooperative banks. This shows that India has a well-developed structure of banks and financial institutions to cater to the needs of the diverse geographical areas and equally diverse population and people with varied needs in the country.

The banks which were not nationalised at the time of bank nationalisation in the year 1969 and 1980 are known to be the old private-sector banks. These banks were not nationalised, because of their small size and regional focus. On the other hand, the banks, which were established after 1991 in the post-reform period are called "new private-sector banks".

Sr. No.	Old Private Sector Bank	Sr. No.	New Private Sector Bank	Year of Establishment
1.	Bank of Rajasthan	1.	Axis Bank (earlier UTI Bank)	1994
2.	Catholic Syrian Bank	2.	Development Credit Bank	1995
3.	City Union Bank	3.	ICICI Bank	1996
4.	Dhanlaxmi Bank	4.	IndusInd Bank	1994
5.	Federal Bank	5.	Kotak Mahindra Bank	2003
6.	ING Vysya Bank	6.	Yes Bank	2005
7.	Jammu & Kashmir Bank	7.	HDFC Bank	1994
8.	Karnataka Bank			
9.	Karur Vysya Bank			
10.	Lakshmi Vilas Bank			
11.	Lord Krishna Bank			
12.	Nainital Bank			
13.	Ratnakar Bank			
14.	Sangli Bank			
15.	SBI Comm & Intl Bank Ltd			
16.	South Indian Bank			
17.	Tamilnadu Mercantile Bank Ltd			
18.	Lakshmi Vilas Bank			

Table 1: List of Old Private Sector Banks and New Private Sector Banks as on 31st March 2013

Source: Statistical Tables Relating to Banks in India, 2012-13, RBI

3. Ranking of New Private Sector Banks on the Basis of Quantitative Parameters

3.1. Parameter 1 – Number of Branches

	2004-05	2014-15	% (↑ ↓)	Rank*
Axis Bank	339	2402	609	4
DCB Bank	67	130	94	7
HDFC Bank	467	3403	629	3
ICICI Bank	562	3753	568	5
IndusInd Bank	115	602	423	6
Kotak Mahindra Bank	38	605	1492	2
Yes Bank	30	560	1767	1

Table 2: Ranking of Banks on the Basis of Number of Branches at the End of the Research Period (Figures in Number)

Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

It can be seen from the adjoining table that there has been the highest increase in the number of branches of Yes Bank and the lowest in the number of branches of DCB Bank during the research period.

3.2. Parameter 2 – Number of ATMs

	2004-05	2014-15	% (↑↓)	Rank*
Axis Bank	1599	12922	708	5
DCB Bank	98	272**	178	7
HDFC Bank	1147	11256	881	3
ICICI Bank	1910	11315	492	6
IndusInd Bank	80	1110	1288	2
Kotak Mahindra Bank	135*	1103	717	4
Yes Bank	75*	1139	1419	1

Table 3: Ranking of Banks on the Basis of Total Number of ATMs at the End of the Research Period (Figures in Number)

*Data pertain to 2006-07

**Data pertain to 2012-13

Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

It can be seen from the adjoining table that there has been the highest increase in the number of ATMs of Yes Bank and the lowest in the number of ATMs of DCB Bank during the research period.

3.3. Parameter 3 – Reserves and Surplus

	2004-05	2014-15	% (↑↓)	Rank*
Axis Bank	2134	37751	1669	3
DCB Bank	134	901	573	6
HDFC Bank	4210	42999	921	5
ICICI Bank	11813	72052	510	7
IndusInd Bank	539	8506	1479	4
Kotak Mahindra Bank	628	11890	1793	2
Yes Bank	17	6761	39671	1

It can be seen from the adjoining table that there has been the highest increase in the reserves and surplus of Yes Bank and the lowest in the reserves and surplus of ICICI Bank during the research period.

Table 4: Ranking of Banks on the Basis of Reserves and Surpluses at the End of the Research Period (Figures in Rs. Crore)
Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

3.4. Parameter 4 – Fixed Assets

	2004-05	2014-15	% (↑↓)	Rank*
Axis Bank	518	2410	365	3
DCB Bank	116	239	106	6
HDFC Bank	708	2940	315	4
ICICI Bank	4038	4678	16	7
IndusInd Bank	325	1016	213	5
Kotak Mahindra Bank	97	1107	1041	2
Yes Bank	20	294	1370	1

It can be seen from the adjoining table that there has been the highest increase in the fixed assets of Yes Bank and the lowest in the fixed assets of the ICICI Bank during the research period.

Table 5: Ranking of Banks on the Basis of Fixed Assets at the End of the Research Period (Figures in Rs. Crore)
Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

3.5. Parameter 5 – Deposits

	2004-05	2014-15	% (↑↓)	Rank*
Axis Bank	31712	280945	786	4
DCB Bank	3895	10325	165	7
HDFC Bank	36354	367337	910	3
ICICI Bank	99819	331914	233	6
IndusInd Bank	13114	60502	361	5
Kotak Mahindra Bank	4300	59072	1274	2
Yes Bank	663	74192	11090	1

It can be seen from the adjoining table that there has been the highest increase in the deposits of Yes Bank and the lowest in the deposits of DCB Bank during the research period.

Table 6: Ranking of Banks on the Basis of Deposits at the End of the Research Period (Figures in Rs. Crore)
Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

3.6. Parameter 6 – Investments

	2004-05	2014-15	% (↑↓)	Rank*
Axis Bank	14275	113548	695	3
DCB Bank	1834	3634	98	7
HDFC Bank	19350	120951	525	4
ICICI Bank	50487	177022	251	6
IndusInd Bank	4069	21563	430	5
Kotak Mahindra Bank	1827	25485	1295	2
Yes Bank	395	40950	10267	1

It can be seen from the adjoining table that there has been the highest increase in the investment of Yes Bank and the lowest in the investment of DCB Bank during the research period.

Table 7: Ranking of Banks on the Basis of Investment at the End of the Research Period (Figures in Rs. Crore)
Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

3.7. Parameter 7 – Advances

	2004-05	2014-15	% (↑↓)	Rank*
Axis Bank	15603	230067	1375	2
DCB Bank	2156	8140	278	6
HDFC Bank	25566	303000	1085	4
ICICI Bank	91405	338703	271	7
IndusInd Bank	9000	55102	512	5
Kotak Mahindra Bank	4017	53028	1220	3
Yes Bank	761	55633	7211	1

It can be seen from the adjoining table that there has been the highest increase in the advances of Yes Bank and the lowest in the advances of ICICI Bank during the research period.

Table 8: Ranking of Banks on the Basis of Advance at the End of the Research Period (Figures in Rs. Crore)

Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

3.8. Parameter 8 – Net Profit

	2004-05	2014-15	% (↑↓)	Rank*
Axis Bank	335	6218	1756	3
DCB Bank**	(85)	151	2057	2
HDFC Bank	666	8478	1173	5
ICICI Bank	2005	9811	389	7
IndusInd Bank	210	1408	570	6
Kotak Mahindra Bank	85	1503	1668	4
Yes Bank**	(4)	1617	2840	1

It can be seen from the adjoining table that there has been the highest increase in the net profit of Yes Bank and the lowest in the net profit of ICICI Bank during the research period.

Table 9: Ranking of Banks on the Basis of Net Profits at the End of the Research Period (Figures in Rs. Crore)

+Figure in the bracket show negative value

**Percentage increase of the net profits of banks having negative profits during the F.Y. 2004-05 has been calculated taking the base year of first positive performance during the research period

Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

3.9. Parameter 9 – Capital Adequacy Ratio (CAR)

	2004-05	2014-15	% (↑↓)	Rank*
Axis Bank	13	16	23	5
DCB Bank	10	14	40	3
HDFC Bank	12	16	33	4
ICICI Bank	12	19	58	1
IndusInd Bank	12	14	17	6
Ko ak Mahindra Bank	13	19	46	2
Yes Bank	19	14	(26)	7

It can be seen from the adjoining table that there has been the highest increase in the CAR of ICICI Bank and the lowest in the CAR of Yes Bank during the research period.

Table 10: Ranking of Banks on the Basis of Capital Adequacy Ratio (CAR) at the End of the Research Period (Figures in %)

+Figure in the bracket show negative value

Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

3.10. Parameter 10 – Net Non-Performing Assets (As a % of Net Advances)

	2004-05	2014-15	% (↑↓)	Rank*
Axis Bank	1.07	0.44	(59)	3
DCB Bank	6.30	0.91	(86)	2
HDFC Bank	0.24	0.27	13	6
ICICI Bank	1.65	0.97	(41)	5
IndusInd Bank	2.71	0.33	(88)	1
Kotak Mahindra Bank	0.24	1.08	350	7
Yes Bank	0.09*	0.05	(44)	4

It can be seen from the adjoining table that there has been the highest increase in the NPAs of Kotak Mahindra Bank and the lowest in the NPAs of IndusInd Bank during the research period.

Table 11: Ranking of Banks on the Basis of NPAs as a Percentage of Advances at the End of the Research Period (Figures in %) +Figure in the bracket show negative value

*Figure pertains to 2007-08

Source: Annual Reports of the Various Banks, 2004-2005 to 2012-2014

Bank	Parameters										Σ	\bar{x}	Ranks
	1	2	3	4	5	6	7	8	9	10			
Axis Bank	4	5	3	3	4	3	2	3	5	3	35	3.5	3
DCB Bank	7	7	6	6	7	7	6	2	3	2	53	5.5	6
HDFC Bank	3	3	5	4	3	4	4	5	4	6	41	4.1	4
ICICI Bank	5	6	7	7	6	6	7	7	1	5	57	5.7	7
IndusInd Bank	6	2	4	5	5	5	5	6	6	1	45	4.5	5
Kotak Mahindra Bank	2	4	2	2	2	2	3	4	2	7	30	3.0	2
Yes Bank	1	1	1	1	1	1	1	1	7	4	19	1.9	1

Table 12: Consolidation of the Ranking of New Private Sector Banks on the Basis of Quantitative Parameters

4. Conclusion

It can be concluded from the above table that Yes Bank has shown the highest growth, followed by Kotak Mahindra Bank, Axis Bank, HDFC Bank, IndusInd Bank, DCB Bank and the ICICI Bank in the descending order during the research period. However, these ranking do not reflect the strongest and the weakest new private sector bank as these ranks are based on growth rates and not on the financial records at the end of the research period.

5. References

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