

Performance Analysis of Indian Banks – A Comparative Study of Select Banking Groups

*Mr.Vivek Srivastava, GNIOT Group of Institutions, Greater Noida

**Mr Mridul Dharwal, Sharda University, Greater Noida

***Dr M L Maurya, Professor, Bundelkhand University, Jhansi

Abstract

The Indian Banking Industry has become a big house of different type of banks and bank groups in which there is facing beatable competition among themselves. This new competitive scenario forced the bank groups to not only retain their market share, but to raise it at the new height. , RBI has decided to give license to new private banks in the Indian Banking Industry. Old and new private sector banks are really doing well from the past several years. Also, nationalized banks are performing satisfactorily. As far as the foreign banks and SBI Associates are concerned, they are facing extremely decline in their overall profitability.

Keywords: No. of Banks, No. of Offices , No. of Employees, Business per Employee , Profit per Employee , Capital and Reserve & Surplus , Deposits , Advances, Investment , Interest Income of All Scheduled Commercial Banks.

Introduction

India has a well-developed banking system. Indian entrepreneurs founded most of the banks in India in the pre-independence era to provide financial assistance to traders, agriculturists and budding Indian industrialists. Indian banks have played a significant role in the development of Indian economy by inculcating the habit of saving in Indians and by lending finance to Indian industry. Indian banks can be broadly classified into nationalised banks/public sector banks and private banks.

Public Sector Banks

Nationalised banks or public banks dominate banking System in India. The major objective behind nationalisation was to spread banking infrastructure in rural areas and make available cheap finance to Indian farmers.

Private Sector Banks

All the banks in India were earlier private banks. They were founded in the pre-independence era to cater to the banking needs of the people. But after nationalisation of banks in 1969 public sector banks came to occupy dominant role in the banking structure. Private sector banking in India received a flip in 1994 when Reserve Bank of India encouraged setting up of private banks as part of its policy of liberalisation of the Indian Banking Industry.

Literature Review

Kumar, S & Gulati R. (2010) examines whether the effect of ownership on the efficiency of Indian domestic banks is significant. The efficiency scores for public and private sector banks were computed using a deterministic, non-parametric and linear programming based frontier technique, which is popularly known as Data Envelopment Analysis (DEA).

Mittal, M. & Dhade, A. (2007) conducted a

comparative study on profitability and productivity in Indian banks for the time period 1999-2000 to 2003-04. They reported that Indian Banks specially the Public Sector Banks and Old Private Sector Banks are lagging far behind their competitors in terms of both productivity and profitability with the exceptions of the SBI and its associates. The other Public Sector Banks and Old Private Sector Banks need to go for the major transformation program for increase their productivity and profitability.

Vyas,R.K & Dhade,A.(2007) conducted a study mainly focuses on the State Bank of India (SBI), the premier bank in the Indian banking sector, as to what extent it has been affected by the entry of new private sector banks. The study applies the t-test for finding the significant difference in the performance of SBI before and after the entry of private sector banks, with the help of financial ratios selected as the parameters for ascertaining the changes in the business of SBI.

Bhat (2005) using SERVQUAL scale, studied the service quality of Indian banks and service quality variation across demographic variables. The analysis of service quality as perceived by different age groups reveals that service quality of banks is comparatively better among higher age groups, whereas reverse is the case among lower age groups.

Sharma & Mehta (2004) made a comparative study of quality perceptions on four banks in India – State Bank of India, Corporation Bank (both government-owned banks), UTI Bank (NPSB) and J&K Bank (OPSB) using SERVQUAL model.

Business standard Banking Annual Survey (2003) provided in their annual report of comparing PSBS, Private Sector Banks and Foreign Banks that Indian banks showed a 52.3% growth in the net profit in the year 2002-03. Public sector banks outperformed the other

category of banks bagging six of the top 10 slots. Only one Foreign Bank could make it to the top. The remaining three slots were occupied by the Private Banks.

Mohan R. (2002) covers a recent period, 1996-97 to 1999-2000 and found that over these years the profitability of the Public Sector Banks did improve in comparison to the Private and Foreign Banks, but they have lagged behind in their ability to attract deposits at favorable interest rates and have been slow in technology gradation and improving staffing and employment practices, which may have negative implication on their longer-term profitability.

Sarkar et al (1999) found that the Foreign Banks were more profitable and efficient than Indian banks and amongst the Indian banks Private Banks were superior to the Public Sector Banks. They also conclude that the non-traded Private Sector Banks are not significantly different from the Public Sector Banks with respect to profitability and efficiency, a result consistent with the property right hypothesis.

Scope of the study

Banks are facing a cut throat competition in Indian market. They are doing their hard for survive in this era. Unfortunately, minimum government' support, making a welcome policies for coming of more New private players in banking Industry and giving statements that public sector banks cannot do much better than what they are doing, will discourage to public banks 'efforts. There are not many research works on the impact of the entry of Private Sector banks on the Public Sector Banks in India. This study tries to fill this gap to some extent.

Objectives of the study

- To examine the performance of all bank groups with reference of selected parameters from 2008-13.
- To analyze the impact of the Private Sector Banks- Old Private Sector Banks & New Private Sector Banks and Foreign banks on the performance of Public Sector Banks in India.

Methodology

Indian Banking Industry divided into five groups to compare their performance in terms of selected parameters.

- SBI & its associates (G-I)
- Nationalized Banks known as Public Sector Banks(G-II)
- Old Private Sector Banks(G-III)
- New Private Sector Banks(G-IV)
- Foreign Banks(G-V)

A descriptive and conclusive research design was used. A comparative study has been evaluated about the performance of different banks on the basis of various parameters.

Secondary data had been used. Arithmetic mean and percentage statistical techniques were used for the analysis of secondary data from 2008-2013. Time period for the present study will be taken from 2008-09 to 2012-13.

Percentage was calculated by the following formula:

$$\frac{\text{Current Year} \times 100}{\text{Base Year}}$$

Factors consider for the Study

The comparison of the performance of various bank groups is analyzed on the basis of the following parameters:

No. of Banks of All Scheduled Commercial Banks.

No. of Offices of All Scheduled Commercial Banks.

No. of Employees of All Scheduled Commercial Banks.

Business per Employee of All Scheduled Commercial Banks.

Profit per Employee of All Scheduled Commercial Banks.

Capital and Reserve & Surplus of All Scheduled Commercial Banks.

Deposits of All the Scheduled Commercial Banks.

Advances of All Scheduled Commercial Banks.

Investment of All Scheduled Commercial Banks.

Interest Income of All Scheduled Commercial Banks.

Analysis and Interpretation

The major findings of this research and the analysis of data is shown the following tables:

Table 1 Average No. of banks of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	20 08-09	20 09-10	20 10-11	20 11-12	20 12-13	Me an	SD	CA GR	Ra nk
SBI & Associates	7	7	6	6	6	6.4	0.4242 6407	- 0.03 04	3
Nationalized Banks	20	20	20	20	20	20	0	0	4
Old Private Sector Banks	15	15	14	13	13	14	0.7071 0678	- 0.02 82	2
New Private Sector Banks	7	7	7	7	7	7	0	0	5
Foreign Banks	31	32	34	41	43	36. 2	3.6769 5526	0.06 763	1

Interpretation

Table 1 shows average no. of banks of all Scheduled Commercial Banks. It is clear that all the Scheduled Commercial Banks shows decrease, increase and constant in their no. of banks. But among all the banking groups, Foreign Banks shows highest CGAR increase in their no. of banks i.e. 0.06763. Old Private Sector Banks and SBI & Associates shows percentage decrease in their no. of banks. We can say that banks are focusing on Core banking.

Remaining groups of banks have constant in their no. of banks.

Table 2 Average No. of offices of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
SBI & Associates	16938	18390	19338	20256	21301	19244.6	1631.0125	0.04691	4
Nationalized Banks	4104	4369	4646	5071	5447	47276.8	4409.37647	0.05828	2
Old Private Sector Banks	4952	5273	5090	5673	6283	5454.2	355.109026	0.04876	3
New Private Sector Banks	4336	5243	7007	8297	9718	6920.2	1827.30534	0.17516	1
Foreign Banks	295	310	318	323	334	316	14.8492424	0.02514	5

Interpretation

Table 2 shows Average no. of offices in various bank groups. It shows that all bank groups show an increase in their average no. of offices in different areas. Among all these bank groups, New Private Sector Banks shows maximum CGAR increase in their average no. of offices i.e. 0.05828. Foreign Banks were minimum CGAR increase in their Average No. of offices i.e. 0.02514. It means banks focus on branchless banking.

Table 3 Average No. of Employees of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
SBI & Associates	268598	266605	283375	279809	293965	278470	6980.84099	0.01821	4
Nationalized Banks	462926	473041	471727	494520	507694	481982	13474.344	0.01863	3
Old Private Sector Banks	51341	55052	55380	62589	66208	58114	4789.23423	0.05218	2
New Private Sector Banks	142237	133280	162573	185695	203733	165504	16451.9706	0.07451	1
Foreign Banks	29582	28012	28041	25907	25384	27385.2	1553.37218	-0.0301	5

Interpretation

Table 3 shows Average no. of employees of all Scheduled Commercial Banks. All the bank groups show an increase in their average no. of employees except foreign banks. New Private Sector Banks topped in the position with a 0.07451 increase in their average no. of employees. While, Foreign Banks were lagging behind among all the bank groups with only (-) 0.0301 decrease in their average no of employees . The performance of the Old Private Sector Banks can also be said very well because they are just nearly to the performance of the New Private Sector Banks with a 0.05218.

Table 4 Average Business per Employees of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
SBI & Associates	65.02	73.74	79.05	91.38	101.97	82.232	12.1707219	0.09417	3
Nationalized Banks	78.32	93.59	115.25	127.85	142.23	111.448	23.4250334	0.12674	1
Old Private Sector Banks	63.84	69.75	81.04	87.23	97.24	79.82	11.2995664	0.0878	4
New Private Sector Banks	69.18	80.38	83.13	85.89	93.03	82.322	9.29279732	0.06103	5
Foreign Banks	128.27	141.14	155.55	195.62	217.33	167.582	27.7977818	0.11122	2

Interpretation

Table 4 shows Business per Employee in various bank groups. It is clear that all bank groups show an increase in their Business per Employee. Among all these bank groups, Nationalized Banks shows maximum CGAR increase in their business per employee i.e. 0.12674.

Table 5 Average Profit per Employees of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
SBI & Associates	0.44	0.47	0.42	0.55	0.6	0.496	0.03959798	0.064	4
Nationalized Banks	0.49	0.57	0.7	0.69	0.65	0.62	0.09192388	0.05814	5
Old Private Sector Banks	0.47	0.42	0.56	0.63	0.75	0.566	0.06788225	0.09798	3
New Private Sector Banks	0.59	0.81	0.9	1.01	1.18	0.898	0.21778889	0.1487	1
Foreign Banks	2.54	1.69	2.75	3.64	4.56	3.036	0.35072496	0.12416	2

Interpretation

Table 5 shows Profit per Employee in various bank groups. It is clear that all bank groups show an increase in their Profit per Employee. Among all these bank groups, New Private Sector Banks shows maximum CGAR increase in their profit per employee i.e. 0.1487.

Table 6 Average Capital and Reserve & Surplus of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
SBI & Associates	724216	837256	843942	1072494	1253189	946219	156980.11	0.11591	5
Nationalized Banks	1359202	1572758	2059079	2483255	2832832	2061425	496546.787	0.15821	1

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
Old Private Sector Banks	174765	201706	237982	278963	330127	244709	49457.5939	0.13565	3
New Private Sector Banks	821921	998133	1147682	1313989	1599334	1176212	250521.427	0.14241	2
Foreign Banks	599368	691760	810507	936917	1073817	822474	157759.624	0.12369	4

Interpretation

Table 6 shows Average Capital and Reserve & Surplus of all Scheduled Commercial Banks. All the bank groups show an increase in their Capital and Reserve & Surplus but Nationalized Banks topped in the position with a 0.15821 increase in their Capital and Reserve & Surplus. While SBI and Associates banks were lagging behind among all the bank groups with only 0.11591. Increase in their average Capital and Reserve & Surplus. The performance of the New Private Sector Banks can also be said very well because they are just close to the performance of the nationalized banks with a 0.14241.

Table 7 Average Deposits of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
SBI & Associates	10070415	11080856	12458624	14050241	16184449	12768917	1908129.06	0.09954	4
Nationalized Banks	21057056	25839338	31265862	35969893	41272523	31080934	7087952.39	0.14407	1
Old Private Sector Banks	1992735	2298969	2641571	3158914	3738964	2766230.6	546943.984	0.13412	3
New Private Sector Banks	5371041	5929038	7386018	8586960	10219391	7498489.6	1504333.33	0.1373	2
Foreign Banks	2140764	2320995	2406668	2769477	2879997	2503580.2	256549.795	0.06112	5

Interpretation

Table 7 shows Average Deposits of all Scheduled Commercial Banks. All the bank groups show an increase in their average deposits but Nationalized Banks topped in the position with a 0.14407 increase in their average deposits. While Foreign Banks were lagging behind among all bank groups with only 0.06112 increases in their average deposits. The performance of the New Private Sector Banks can also be said very well because they are just close to the performance of nationalized Banks with a 0.1373.

Table 8 Average Investments of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
SBI & Associates	724216	837256	843942	1072494	1253189	946219.4	156980.11	0.11591	5
Nationalized Banks	1359202	1572758	2059079	2483255	2832832	2061425.2	496546.787	0.15821	1
Old Private Sector Banks	174765	201706	237982	278963	330127	244708.6	49457.5939	0.13565	3
New Private Sector Banks	821921	998133	1147682	1313989	1599334	1176211.8	250521.427	0.14241	2
Foreign Banks	599368	691760	810507	936917	1073817	822473.8	157759.624	0.12369	4

Interpretation

Table 8 shows Average Investments of all Scheduled Commercial Banks. All bank groups show an increase in their average Investments but Nationalized Banks topped in the position with a 0.15821 increase in their average Investments. While SBI and associates Banks were lagging behind among all the bank groups with only 0.11591 increases in their average Investments. The performance of the New Private Sector Banks can also be said very well because they are just close to the performance of nationalized Banks with a 0.14241.

Table 9 Average Advances of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
SBI & Associates	7394499	8579368	9941536	11519913	13792240	10245511	2015970.06	0.13278	4
Nationalized Banks	15197619	18430819	23102793	27253162	30935500	22983979	5505787.67	0.15275	2
Old Private Sector Banks	1285039	1540853	1846473	2300795	2699373	1934506.6	459242.944	0.16003	1
New Private Sector Banks	4468237	4783556	6128967	7363235	8733113	6295421.6	1292014.62	0.14342	3
Foreign Banks	1653846	1632604	1955106	2298488	2636799	2036798.6	269777.218	0.09778	5

Interpretation

Table 9 shows Average Advances of the five bank groups. Old Private Sector Banks present at the top with 0.16003 increases in their advances. Nationalized Banks are at the second position with 0.15275 increases in their average advances. Again, Foreign Banks lagged behind with only 0.09778 increases in their average deposits. The performance of New Private Sector Banks can also be said well as they are very close to the performance of old Private Sector banks with a 0.14342.

Table 10 Average Interest Income of All Scheduled Commercial Banks (Rs. in Lakhs)

Bank Group	2008-09	2009-10	2010-11	2011-12	2012-13	Mean	SD	CA GR	Rank
SBI & Associates	891958	979537	109828	143555	163767	1208601	223900.413	0.1292	4
Nationalized Banks	183892	208028	256306	341176	391108	2761026	652024.86	0.1629	1
Old Private Sector Banks	187898	204975	232989	325802	399275	270187.8	58187.675	0.1627	2
New Private Sector Banks	662816	623090	734142	101975	126558	861077.8	140192.263	0.1381	3
Foreign Banks	303220	263897	284931	359966	422486	326900	16744.288	0.0685	5

Interpretation

Table 10 shows Average Investment of the five bank groups. Here, Nationalized Banks got the first place with 0.16291 increases in their average investment. It should be noted that the foreign banks shows least increase in their average investment. They are only able to increase their investment to 0.06859 in the five years. The performances of Old Private Sector banks and Nationalized Banks are quite similar with 0.16271 and 0.16291 increase in their average investments respectively.

Table Showing Ranking To All Bank Groups in Selected Parameters

Parameter	G-I	G-II	G-III	G-IV	G-V
No. of Banks	3	4	2	5	1
No. of Offices	3	1	2	5	4
No. of Employees	4	3	2	1	5
Business per Employee	3	1	4	5	2

ii.

Profit per Employee	4	5	3	1	2
Capital and Reserve & Surplus	5	1	3	2	4
Deposits	4	1	3	2	5
Investment	5	1	3	2	4
Advances	4	2	1	3	5
Interest Income	4	1	2	3	5
Average	3.5	2.5	2	4	3
Overall Rank Position	2	4	5	1	3

Concluding Remarks

As far as the overall performance of the different bank groups is concerned, it is quite clear that Nationalized Banks, Old Private Sector Banks and New Private Sector Banks performed far better than SBI & Associates Banks and Foreign Banks. So it seems that the RBI's step to give license to the private players in Indian banking industry is quite logical as these Private Banks are doing really well from the past several years. But as far as the performance of Nationalized Banks is concerned, they are also very good in some areas and they can do well if they are given proper support by the banking authorities. Foreign Banks and SBI & Associates really disappoint with their performance as they are lagging far behind from their competitive banks in almost every parameter. So if they really have to survive in Indian Banking Industry, they have to improve their performance and gain the faith of their customers.

As far as the performance of the SBI and Associates in the Indian Banking Industry is concerned, they really disappoint. They are not showing any significant improvement in their performance during the study period on almost all the parameters. They are only quite good in increasing their business per employees. They are at the last position as far as the percentage increase is concerned. For this, it may be the government policy and global recession that could be the reason behind the poor performance of these banks. But if they really want their presence felt in the Indian banking Industry they have to work hard in their operations and make their place in this competitive world.

As far as the performance of the Nationalised Banks is concerned, it is clear that though they are able to maximize their increase in overall parameters, specially business per employee, Capital and Reserve & Surplus, Deposits, Investment, Advances, Interest Income. Remaining parameters also is in good position except only Profit per Employee. It is interesting to see that though they are at no. 1 as far as the business per employee is concerned, but their profit per employee is not so good. It

means that the employees of the Nationalised Banks are not so efficient to increase their profitability.

As far as the performance of the Old Private Sector Banks is concerned, it is clear that they are performing quite well in almost all the parameters. Their performance on No. of employees, Profit per Employee, Advances, Interest Income is also good as they show quite satisfactory percentage increase in these parameters.

As far as the performance of the New Private Sector Banks is concerned, it is clear that they are more successful in increasing their No. of Offices, No. of Employees, Profit per Employees to a great percentage. On the other parameters they also show satisfactory performance except Business per Employees.

If we compare the performance of Old and New Private Sector Banks, it is clear that that in most of the parameters these two types of banking groups are very close to each other. They are just competing for the first or second place whether it is the case of profit per employee, No. of Offices, No. of Employees, Capital & Reserve & Surplus, Deposits, Investment, Advances, Interest Income. They are just doing their good for the Indian banking Industry.

As far as the performance of the Foreign Banks in the Indian Banking Industry is concerned, they are really not in the good position. They are not showing any significant improvement in their performance during the study period on almost all the parameters except No. of Banks and Capital and Reserve & Surplus. They are only succeeding in increasing their Capital and Reserve & Surplus. They are at the last position as far as the percentage increase is concerned. For this it may be the global recession that could be the reason behind the poor performance of these banks. But if they really want their presence felt in the Indian banking Industry they have to work hard in their operations and make their place in this competitive world.

Conclusion

From the comparative analysis of the different banking groups, it is clear that though almost all the bank groups are able to increase their assets, profitability, income (interest and non-interest), advances, investments and deposits, but there is a strong need to improve the functioning of the Public Sector Banks, so that they can make their presence felt in the modern era of cut throat competition. RBI must frame its policies in such a way that these banks can grow and satisfy their customers as well as themselves. Foreign banks needs to quickly recover from their financial and other crisis and reorganize their functioning in order to maintain their position in the Indian Banking Industry.

Implications

The current study is mainly concerned with the analysis of comparative performance of the

specific bank groups during the period of 2005-06 to 2009-10 that reflects the impact of new Competitive environment on the banks' performance in terms of various selected parameters.

As the study reflects the number of banks that have improved or declined their performance in respect of all the selected parameters, so provides important analysis to judge the banks with poor performance which further help to make some policy measures to improve their performance. The study will be more beneficial for the RBI, for the bankers and policy makers to make some important decisions and to make policy measures to improve their performance. The study will be helpful to the academicians and researchers for further study in this respect.

References

1. Kumar, S & Gulati R. (2010). *Assessing the Effect of Ownership on the Efficiency of Indian Domestic Banks. Article The IUP Journal of Bank Management. IUP Publications Volume: IX August. pp: 76-104.*
2. Kumar, S. (2007). *An Analysis of Efficiency-Profitability Relationship in Indian Public Sector Banks. Research paper. Reader, Punjab School of Economics, G.N.D.U. Amritsar.*
3. Mittal, M. & Dhade, A. (2007). *Profitability and Productivity in Indian Banks- A comparative study. Research paper. Published in AIMS international volume- 1, No. 2 May 2007. pp. 137-152.*
4. Mittal, R.K. & Dhingra, S. (2007). *Profitability and Productivity in Indian Banks- A comparative study. Research paper. Published in AIMS international volume 1, No. 2 May 2007. pp.137-152.*
5. Sharma, R.D., Kaur, G. & Sharma, J. (2007). *Customer Delight-A Road to Excellence for Banks. NICE Journal of Business, Vol.2, No.2 (july-Dec.), pp.1-12.*
6. Vyas, R.K & Dhade, A. (2007). *A Study on the Impact of New Private Sector Banks on State Bank of India Article The IUP Journal of Bank Management. IUP Publications. Volume: VI August. pp: 61-76.*
7. Srivastava Vivek, (2013) "A Study On Non-Performing Assets Of Indian Banks" *GYANPRATHA-ACCMAN Journal of Management, Volume 5, Issue 2, July 2013.*
8. Srivastava Vivek, Bansal Deepak, (2013), "A Study of trends of Non-Performing Assets in Private Banks in India, *International Journal in Multidisciplinary and Academic Research (SSIJMAR) Vol. 2, No. 2, March-April (ISSN 2278 – 5973).*
9. Srivastava Vivek, Guliti Mengistu, Dr. Gupta S K "Marketing Innovations Changing Rural Indian Banking" *Technological and Management Advances in the New Age Economy: An Industry Perspective" be published in the Conference Souvenir. (Paperback ISBN : 978-93-5156-339- 6) and all full papers duly submitted in eBook (ISBN: 978-93-5156-340-2).*