

PERFORMANCE APPRAISAL OF SELECTED NEW PRIVATE SECTOR COMMERCIAL BANKS IN INDIA

Dr. M. Anbalagan, M.Com., B.Ed., M.Phil., Ph.D.¹

¹Assistant professor, Kalasalinagam University, Krishnankoil

ABSTRACT

In India, the role of commercial banks is highly appreciable towards the economic growth. Periodic performance appraisals made by them will help to develop further. So the researcher feels the need for analyzing the performance of New Private Sector Commercial Banks in India. For that he chooses three banks and analyzes the performance through four variables.

Key words: GDP, Repo rate, Deposits, Borrowings, Advances and Investments

INTRODUCTION

Globally, a fall in commodity prices, particularly crude, provided significant headroom to the Government on fiscal consolidation. India's external fundamentals also improved, with the Current Account Deficit being estimated at around 1% of Gross Domestic Product in FY15. With price pressures easing, the Reserve Bank of India started easing monetary policy with a half percent cut in the Repo Rate, which should progressively result in lower lending rates. Commercial banks include Public Sector Banks, Private Sector Banks and Foreign Banks. The Private Sector Banks are again classified into Old and New. The new private sector banks were incorporated as per the revised guidelines issued by the RBI regarding the entry of private sector banks in 1993. At present, there are seven new private sector banks as follows:

1. Axis Bank
2. Development Credit Bank (DCB Bank Ltd)
3. HDFC Bank
4. ICICI Bank
5. IndusInd Bank
6. Kotak Mahindra Bank
7. Yes Bank

Among the above seven banks, the researcher selects three banks namely HDFC Bank, Axis Bank and ICICI Bank.

BRIEF HISTORY OF BANKS SELECTED FOR STUDY

The Housing Development Finance Corporation (HDFC) bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. As on 31st March, 2015 the paid-up share capital of this Bank is Rs.501crores. As of March 31, 2015, the Bank's distribution network was at 4,014 branches in 2,464 cities and 4,41,457 shareholders. The Bank also has a network of 11,766 ATMs across India.

The Axis Bank is the third largest private sector bank in India. As of 22 April 2016, the bank had a network of 3062 branches and 12922 ATMs. It has the largest ATM network among private banks in India. With a balance sheet size of Rs. 4,61,932 crores as on 31st March 2015, Axis Bank has achieved consistent growth and stable asset quality with a 5 year CAGR (2010-11 to 2014-15) of 21% in Total Assets, 18% in Total Deposits, 22% in Total Advances and 24% in Net Profit.

The Industrial Credit and Investment Corporation of India (ICICI) Bank was originally promoted in 1994 by Industrial Credit and Investment Corporation of India Limited, an Indian financial institution, and was its wholly-owned subsidiary. It is India's largest private sector bank with total assets of Rs. 6,461.29 billion (US\$ 103 billion) at March 31, 2015 and profit after tax Rs. 111.75 billion (US\$ 1,788 million) for the year ended March 31, 2015. Currently it has a network of 4,450 Branches and 13,993 ATM's across India.

STATEMENT OF PROBLEM

The performance of the new private sector commercial banks in India is highly commendable. They prove themselves through their efficient functioning as superior banks when compared with other old private sector, public sector and foreign banks. It is true while analyzing the relative financial performance of individual banks. They offer more number of customer services with no or less cost and more benefit basis. This proves the need for analyzing the performance of new private sector banks in India.

SCOPE OF THE STUDY

There are seven new private sector commercial banks in India. Depending upon the capital invested and goodwill earned, the researcher selects three of them for this particular study. They are HDFC Bank, AXIS Bank and ICICI Bank. As a sample study, the researcher analyses only the deposits and borrowing on the liability side and advances and borrowings on the asset side.

PERIOD OF THE STUDY

This research covers a period of six years ranging between 2010-11 and 2015-16.

OBJECTIVE OF THE STUDY

- To study the growth of deposits, borrowings, advances and investments of individual selected banks.
- To identify the best bank based on the study variables.

ANALYSIS AND INTERPRETATIONS

GROWTH OF DEPOSITS OF SELECTED BANKS

A bank which has won the confidence of people alone can collect more amounts of deposits from them. Table 1 exhibits the details of deposits collected by the selected banks.

TABLE – 1: YEAR WISE DEPOSITS COLLECTED BY SELECTED BANKS (in millions)

Year	HDFC	AXIS	ICICI
2010-11	2085.86 (---)	1892.38 (---)	2256.02 (---)
2011-12	2467.07 (18.28)	2201.04 (16.31)	2554.99 (13.25)
2012-13	2962.47 (20.08)	2526.14 (14.77)	2926.14 (14.53)
2013-14	3673.38 (24.00)	2809.45 (11.22)	3319.14 (13.43)
2014-15	4507.96 (22.72)	3224.42 (14.77)	3615.63 (08.93)
2015-16	5464.24	3579.68	4214.26

	(21.21)	(11.02)	(16.56)
Mean	3526.83	2705.52	3147.70
Standard Deviation	1284.96	631.20	718.52
Co-efficient of variation	0.36	0.23	0.22

Source: Annual reports of individual banks and Growth rate in percentage is given within the bracket

One can understand from Table 1 that the amount and the growth rate of deposits collected by selected new private sector commercial banks in India for the study period increased continuously. The growth rates are maximum during 2013-14 for HDFC (24%), 2011-12 for AXIS (16.31%) and 2015-16 for ICICI (16.56%). During 2015-16, the deposits of HDFC is increased by 2.62 times when compared with 2010-11, increased by 1.89 times for AXIS Bank and increased to Rs.4214.26 Million for ICICI bank. The HDFC has registered a continuous increase in growth rate of deposits from 2011-12 to 2013-14.

GROWTH OF BORROWINGS OF SELECTED BANKS

The credit worthiness, promptness to repay and repaying capacity are some of the factors that influence the borrowings of a bank. The growths of borrowings of banks under study are listed in Table 2.

TABLE – 2: YEAR WISE BORROWINGS ACCEPTED BY SELECTED BANKS (Rs. in millions)

Year	HDFC	AXIS	ICICI
2010-11	143.94 (---)	262.68 (---)	1095.54 (---)
2011-12	238.47 (65.68)	340.72 (29.71)	1401.65 (27.94)
2012-13	330.07 (38.41)	439.51 (28.99)	1453.41 (03.69)
2013-14	394.39 (19.49)	502.91 (14.43)	1547.59 (06.48)
2014-15	452.14 (14.64)	797.58 (58.59)	1724.17 (11.41)
2015-16	530.18 (17.26)	992.26 (24.41)	1748.07 (01.39)
Mean	348.20	555.94	1495.07
Standard Deviation	141.52	281.94	240.56
Co-efficient of variation	0.41	0.51	0.16

Source: Annual reports of individual banks and Growth rate in percentage is given within the bracket

Table 2 shows that the borrowings of all the three banks are gradually increased from 2010-11 to 2015-16. A maximum growth rate of 65.68 per cent in 2011-12, 58.59 per cent in 2014-15 and 27.94 per cent are achieved by HDFC, AXIS and ICICI banks respectively. The amount of borrowings is increased by 3.68 times for HDFC, 3.78 times for AXIS and 1.60 times for ICICI banks during 2015-16 when compared to 2010-11. But the growth rate of all the selected banks are decreasing during 2015-16 while compared with 2011-12. The growth rates of borrowings are minimum for HDFC (14.64 per cent) in the year 2014-15, for AXIS (14.43 per cent) in 2013-14 and for ICICI (1.39 per cent) in the year 2015-16.

GROWTH OF ADVANCES OF SELECTED BANKS

The main source of income of any bank is derived out of advances given by the banks to their customers. Table 3 highlights the advances made by the selected banks.

TABLE – 3: YEAR WISE ADVANCES GRANTED BY SELECTED BANKS (Rs. in millions)

Year	HDFC	AXIS	ICICI
2010-11	1599.83 (---)	1424.08 (---)	2163.66 (---)
2011-12	1954.20 (22.15)	1697.60 (19.21)	2537.28 (17.27)
2012-13	2397.21 (22.67)	1969.66 (16.03)	2902.49 (14.39)
2013-14	3030.00 (26.40)	2300.67 (16.81)	3387.03 (16.69)
2014-15	3654.95 (20.63)	2810.83 (22.17)	3875.22 (14.41)
2015-16	4645.94 (27.11)	3387.74 (20.52)	4352.64 (12.32)
Mean	2880.36	2265.10	3203.05
Standard Deviation	1137.60	731.58	827.18
Co-efficient of variation	0.39	0.32	0.26

Source: Annual reports of individual banks and Growth rate in percentage is given within the bracket

It is obvious from Table 3 that the advances of HDFC are increased to Rs.4645.94 Million in 2015-16 from Rs.1599.83 Million in 2010-11. The growth rates of AXIS Bank ranges between 16.03 per cent in 2012-13 and 22.17 per cent in 2014-15. Within a period of six years, the amount of advances for all the banks understudy are more than the double when compared with 2010-11. During the year 2015-16, the growth rate of advances for HDFC is maximum (27.11 per cent) and the same is minimum (12.32 per cent) for ICICI. There is a wide fluctuation in the growth rate of advances of ICICI which varies from 120.32 per cent in 2015-16 to 17.27 per cent in 2011-12.

GROWTH OF INVESTMENTS OF SELECTED BANKS

The amount collected from the public as deposit is employed by bank for giving advances or making investment. The investments made by the selected banks are grouped in Table 4.

TABLE -4: YEAR WISE INVESTMENTS MADE BY SELECTED BANKS (Rs. in millions)

Year	HDFC	AXIS	ICICI
2010-11	709.29 (---)	719.92 (---)	1346.86 (---)
2011-12	974.83 (37.44)	931.93 (29.45)	1595.60 (18.47)
2012-13	1116.14 (14.50)	1137.38 (22.05)	1713.94 (07.42)
2013-14	1209.51 (08.37)	1135.48 (- 00.17)	1770.22 (03.28)
2014-15	1664.60 (37.63)	1323.43 (16.55)	1865.80 (05.40)
2015-16	1638.86 (- 01.55)	1260.06 (- 04.79)	1604.12 (- 14.03)
Mean	1218.87	1084.70	1649.42

Standard Deviation	375.48	223.38	180.04
Co-efficient of variation	0.31	0.21	0.11

Source: Annual reports of individual banks and Growth rate in percentage is given within the bracket

Table 4 highlighted the investments made by selected new private sector commercial banks in India during the study period of six years. It is well known that the minimum and maximum amount of investments is made during 2010-11 and 2014-15 uniformly for all the selected banks. It means during the year 2015-16, the growth rate of investments are declined by 1.55 percent, 4.79 per cent and 14.03 per cent for HDFC, AXIS and ICICI Banks respectively. All the three banks have achieved maximum growth rate of investments during 2011-12.

FINDINGS

Variables	Mean	Standard Deviation	Co-efficient of Variation
Deposits	HDFC	AXIS	ICICI
Borrowings	ICICI	HDFC	ICICI
Advances	ICICI	AXIS	ICICI
Investments	ICICI	ICICI	ICICI

CONCLUSION

The financial performance of the banks under study is good. They maintain increasing trend of growth in all the variables analyzed. The ICICI bank has highest mean value in borrowings, advances and investments. Also it has minimum co-efficient of variation in all the four variables. So the researcher concludes that the performance evaluation of ICICI bank is considered as best.