THE STUDY OF FINANCIAL PERFORMANCE OF BANKING SECTOR OF INDIA

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ABSTRACT

The banking sector is the economy's backbone and a prerequisite for the country's survival. It offers a wide range of financial services, including savings account, current account, ATM, deposit, debit card, credit card, internet banking, investment, financial advice, and other financial services. There are many types of Bank like, Commercial Bank, Public Sector Bank, Private Sector Bank, Co-operative Bank etc. Private Sector Bank has two types. First is Old Private Sector and second is New Private Sector Bank. From past few years Indian banks have made achievements which are outstanding. Since a diversity of models and advance technology has been emerged among finance industries, some of the traditional banking eminences between banks, insurance companies, and securities firms have belittled. The rapid transformation in the banking industry over the last decade has made the industry stronger, cleaner, transparent, efficient, faster, disciplined and a lot more competitive. The banking industry in India has a huge canvass of history, which covers the traditional banking practices from the time of Britishers to the reforms period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. Therefore, banking in India has been through a long journey.

KEYWORDS; *FIANANCE COMMERCIAL RESERVE BANK NATIONALIZED BANK CO-OPERATIVE BANK SCHEDULE BANK RURAL BANK.*

INTRODUCTION OF BANKING INDUSTRY IN INDIA:

The banking sector is the economy's backbone and a prerequisite for the country's survival. It offers a wide range of financial services, including savings account, current account, ATM, deposit, debit card, credit card, internet banking, investment, financial advice, and other financial services. It plays an essential role our day to day transactions. They act as intermediaries, help us to pool and channelize the savings. The banking industry's growth is dependent on the public's traditional services, such as deposits and loans. The banking sector's primary purpose is to collect money from depositors and lend it to those who are in need. Banks are the most prominent participants in the financial and stock markets.

The fund is provided for the investment and economic development which contributes in the overall performance. It developed into a division of our society which included corporations as well as individual customers. The banking sector, as we all know, is the economy's backbone and has a direct impact on economic development. Customer service, deposit and loan facilities, and financial results are all factors that affect the bank's ability to grow. Following the privatization of India's banking industry, the sector has experienced rapid growth, with public banks expanding their services and earnings.

In terms of financial performance, private sector banks are thought to be better planned or structured than public or old private sector banks. Public and private sector banks each have their own set of advantages and disadvantages, so before making any financial decisions about a bank, it is vital to determine its financial efficiency, regardless of whether it is public or private. Due to Covid-19 pandemic the public sector banks and private sector banks are affected badly. As a result, financial performance review of public and private sector banks is recommended. Bank is very important part of our country.

There are many types of Bank like, Commercial Bank, Public Sector Bank, Private Sector Bank, Co-operative Bank etc. Private Sector Bank has two types. First is Old Private Sector and second is New Private Sector Bank. From past few years Indian banks have made achievements which are outstanding. Since a diversity of models and advance technology has been emerged among finance industries, some of the traditional banking eminences between banks, insurance companies, and securities firms have belittled.

Though there are changes in the banking sector still banks maintain and perform their primary role of accepting deposits and lending funds from these deposits. In India the banks have been sported by an expectant network of branches that cater the financial needs of all walks of people.

The rapid transformation in the banking industry over the last decade has made the industry stronger, cleaner, transparent, efficient, faster, disciplined and a lot morecompetitive. The banking industry in India has a huge canvass of history, which covers the traditional banking practices from the time of Britishers to the reforms period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. Therefore, banking in India has been through a long journey.

Rural banking and micro financing are the two gateways for the Indian banks to grow and compete with international banks. As per the census of 2011, 58.7% of households are availing banking services in the country. There are 102,343 branches of Scheduled Commercial Banks (SCBs) in the country, out of which 37,953 (37%) bank branches are in the rural areas and 27,219 (26%) in semi-urban areas, constituting 63% of the total numbers of branches in semi-urban and rural areas of the country.

However, a significant proportion of the households, especially in rural areas, are still outside the formal fold of the banking system. To extend the reach of banking to those outside the formal banking system, Government and Reserve Bank of India (RBI) are taking various initiatives from time to time. Today those who have no education or minimal literacy are keen to know the financial performance of the banks in which they deposit or make an invest. Earlier financial analysis was done through only by going through the records and files but now we use tools or techniques to make analysis.

The use of technology has brought a revolution in the working style of the banks and it has pervaded each and every aspect of human life in a drastic manner. Advent of anytime, anywhere banking has become possible due to technology adoption. Life has changed enormously due to gadgets and appliances becoming easy to use and that too, in affordable prices. Mobile phones, Digital cameras, I- phones, Dish TV are now common household goods and no more come in category of luxury items. Together with that, the entry of plastic money has opened new avenues for cashless transactions considered safer and more convenient than watching every time whether the wallets are still struck in our hip pockets, vanity bags or not when we move out for shopping or on journeys.

Banks play a vital role in the Indian Economy because the banking industry handles finances in the country including cash and credit. The main function of the banks is to accept deposits from the public and grant credit to those who need some extra money for short-term as well as long-term requirement.

The Indian banking system has moved a long way from a totally regulated environment to a deregulated market economy, even though there are many banks today merging and going bankrupt.

The RBI is the highest banking regulatory body in India. It was established by the RBI Act, 1934 on 1st April 1935. Before that time, banking was handled by three private sector banks which became Imperial Bank on the 1st January 1949. In India, ten public sector banks were merged with four big public sector banks on 30th August 2019.

Now the public sector banks in India are only ten. Moreover, the number of private sector banks is reduced to twenty two. Comparing and evaluating the financial performance of financial institutions is a very important. However, fast and continuous changes in the global economic environment require more efforts and serious interest from concerned bodies. The growth of the banking sector in the country has also led to the development of several techniques for the measurement of the financial performance as well as the use of different parameters for evaluating the performance of banks.

The financial performance of a bank is not only important to the management of banks but also important for many stakeholders. Given this background, this study is an attempt to examine the financial performance of eight selected private banks in India. It provides up-to-date financial analysis about the performance of these selected banks in India, assisting in making decisions with regard to investment.

Banking is an industry that handles cash, credit, and other financial transactions. Banks provide a Safe place to Store extra cash and credit. They offer savings accounts, Certificates of Deposit, and checking accounts. Banks use these deposits to make loans. These loans include home mortgages, business loans, and car loans.

A Bank is a financial institution licensed to receive deposits and make loans. Two of the most common types of banks are commercial/retail and investment banks. Depending on type, a bank may also provide various financial services ranging from providing safe deposit boxes and currency exchange to retirement and wealth management. The banks are the institutions that can create credit i.e. creation of additional money for lending Thus 'creation of credit is the unique features of banking. The Indian banking system consists of 12 public sector banks, 22 private sector banks, 44 foreign banks, 43 regional rural banks, 1,484 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions. As of March 2021, the total number of ATMs in India increased to 213,575. Banks make extra money by providing loans for different Product to the loan.

The bank makes the extra money by lending money to the eligible person at certain rates. Nowadays, banks provide loans for various requirements such as study loan, car loan, home loan, personal loans, etc. Different banks provide different loans at different interest rates. Financial performance is the process of measuring how effectively a company utilizes its assets from primary mode of business to raise incomes it also measure organizations whole financial health over a particular period of time.

Financial performance of the organization deals with the financial strength or weakness of bank accurately establishing a relationship between the balance sheet and income statement. This process used to clearly understand the growth of long-term and short-term of bank. There are several ways to analyze data the researcher used ratio analysis in this research. This analysis also- helpful determines the credit worthiness of the bank to evaluate the market position among the competitors. It is most important to decide appropriate parameter at the time of measuring financial performance of banks.

Till today many experts have given their opinion on parameters of financial performance of banks, even enormous numbers of research are available on financial performance of banks which has used different parameters for measuring financial performance. One more important aspect which one should highlight at the time of selecting financial performance parameters is availability of data on selected parameters for desired time period.

The performance of banks in India has been assessed by considering variables, viz. branches, deposits, advances, investments, spread, burden, business, operating profits, NPA, cost of deposits, cost of borrowings, cost of funds, return on advances, return on investments, return on funds, net profit, spread, burden and operating expenses and sectorial deployment of credit." Bank Asset size effect on the financial performance of banks has always been a controversial topic among researchers, where some of them see that big bank enjoy economy of scale resulting in less overhead express and thus leading to a better financial performance than smaller bank. Others see that large bank suffers from bureaucracy which makes them slower in responding to economic changes resulting in a lower profitability. Bank asset size effect on the financial performance of bank is examined the both return on asset and return on equity.

According to the jokipii, many investor that large bank s in terms of asset size are more secured and more profitable than small banks due to many reasons such as economy of scale and big banks are better established than smaller bank. The financial performance of bank size is depending on the asset of the bank so that the more the bank assets have the good financial performance.

The financial performance of bank age is depending on the older the banks are good financial performance. Meaning of Bank: Banking is defined as "Accepting of deposits of money from public for the purpose of Lending or Investment, repayable on demand or otherwise and withdrawal by cheque, draft, or otherwise" The word bank derived from the Latin word banks or banca meaning a bench.

A bank refers to the function of accepting deposits, lending, repaying the deposited money on demand and functioning as an agent of any national economic structure. The development of banking is an inventible precondition. History of Indian Banking System: The first banks were Bank of Hindustan (1770-1829) and The General Bank of India, established 1786 and since defunct. Later on, the east India Company started three presidency banks with government participation.

The largest bank, and the oldest still in existence, is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. The first Indian joint stock bank known as Oudh commercial bank was set up in 1880and Punjab National Bank was launched in 1894.

There were as many as 648 commercial banksin India by the end of 1947 and as many as 161 banks failed during 1913-14. Thus, there was great need of an institution to control and regulate banking in the country. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India in 1955. For many years the presidencybanks acted as quasi- central banks, as did their successors, until the Reserve Bank of India was established in 1935.

In 1955, RBI acquired control on Imperial Bank of India, which wasrenamed as State Bank of India. In 1959, SBI took over control of eight private banks floated in the erstwhile princely states and making them as its 100% subsidiaries. In 1969 the Indian government nationalized all the major banks that it did not already own and these have remained under government ownership.

They are run under a structure known as 'profit-making public sector undertaking' (PSU) and are allowed to compete and operate as commercial banks. The Indian banking sector is made up of four types of banks, as well as the PSUs and the state banks; they have been joined since the 1990s by new private commercial banks and a number of foreign banks. The banking industry saw a revolution after 14 major commercials were nationalized in June 1982. More than 90% of the bank deposits come under the control of the government. Agricultural Credit Development, Rural Planning and Credit Cell and agricultural refinance and Development Corporation were combined together to set up Rational Bank for Agricultural and Rural Development. In July 1982. Later the Exim Bank and National HousingBank were set up in 1988 respectively. The banking industry saw a revolution after 14 major commercials were nationalized in June 1982. More than 90% of the bank deposits come under the control of the government.

Advantages & Disadvantages of Banks:

Advantages of Banks:

1) Safety of Public Wealth: Before the introduction of the modernized banking system, people used to save their money in hard cash. They stored this cash in lockers, underground, with the grains, etc. There were so many instances when the money got stolen, eaten by the rats or simply rot through the years. However, the modern banking system completely eliminated the need to store hard cash. It actually helps save a huge proportion of public wealth that used to get spoiled in storage.

2) Availability of Cheap Loans: Before modern banks were established, people would borrow money from local money lenders, landlords, merchants or other wealthy individuals. These loans were given at exorbitant interest rates that most people couldn't afford to pay, in the process the borrower would always remain in debt. It was a vicious cycle. Modern banks started providing cheaper loans to the underprivileged section of the society, breaking the whole expensive loans system.

3) Propellant of Economy: Banks create money with a system called credit creation. With the help of credit creation, banks can lend a lot more money than the deposits that it holds. When banks lend this money to agriculture, industries, small businesses, and service providers, they are actually helping the economy grow exponentially. This, in turn, creates employment and spending power. Overall this one function of the bank is so powerful that the entire economy of any country relies on it.

4) Economies of Large Scale: An extremely important benefit of any bank is its deep and wide reach through the branch banking system and the benefits of large scale operations. The wider the bank can reach the better services it can provide. Now a day's banks provide services of net banking, card payments, ATM's, etc. at even the most far-fetched and backward areas. Due to these large scale operations, the services have become extremely cheap, or sometimes even free.

5) Development in Rural Areas: Banks aid rural development in more than one way. Firstly, the government makes it mandatory for the banks to lend to specialized sectors such as agriculture, rural infrastructure, etc. This leads to the development of modern infrastructure and methods in rural areas, thereby bringing in growth. Secondly, with the banks opening their branches in the backward areas, the rural population has benefits of modern bank facilities such as check-in accounts, ATM's, locker facility, etc. Furthermore, when a new bank branch opens in a village, it needs facilities such as 24- hour electricity supply, internet connection, new staff etc. This creates employment and the villagers can also benefit from facilities of electricity and internet.

6) Global Reach: Many banks operate at the multinational level, this has helped people and businesses in a way that was not possible before the establishment of modern banks. Multinational banks aids in remittance of cash, exchanging one currency for another; aids in export by transferring documents and payments; lend money to government, institutions and other world organizations. The reach of the banks is unlimited and it has helped in making the world a global village.

Disadvantages of Banks:

1) Chances of Bank going Bankrupt: The world economy goes through turbulent times every few years. Events such as great depression of 1929, World War I & II, dot com bubble of 2000, or great recession of 2008, etc. expose banks to unnatural risks. During delicate periods, if all the people decide to withdraw their money from the bank, all at once, the bank will become bankrupt. Due to the function of credit creation, banks never have enough money to pay all its customers at the same time. People, without a doubt, will lose their money if the bank goes bankrupt.

2) Risk of Fraud and Robberies: The rise in internet banking has given rise in cybercrime as well. Now more people are exposed to the risk of credit card thefts, stolen passwords, net banking frauds, etc. There have been robberies where robbers have stolen millions of dollars through the internet, without entering the bank premises physically. With the rise in internet banking, there will be a more innovative way for conmen and robbers to cheat people. This leaves the public vulnerable. This also increases the expenses that banks have to incur to safeguard their systems, which are eventually charged from the customers.

3) Risk of Public Debt: This is not the risk of the bank per se, but this is the risk that people take on themselves while dealing with a bank. Say a person is in the habit of maxing out his credit card every month and repays the bare minimum then he will spiral into debt very fast. The habit of borrowing more than a person can afford to repay is actually a personal bad habit, however, the easy lending policies of banks add fuel to the fire. This can be damaging to people’s personal finances. It even affects businesses that take term loans and working capital loans from the banks and cannot repay it. Comparatively fewer businesses are affected by debt epidemic, but it still exists. This brings us to the conclusion that modern banks have benefited society in many ways, and its drawbacks are such that can be easily overcome by proper policies and due diligence efforts. Thus overall the rise of banks has been a blessing for the economy and the society.

Structure of Banking Sector in India:

Reserve Bank of India is the Central Bank of our country. It was established on 1st April 1935 under the RBI Act of 1934. It holds the apex position in the banking structure. RBI performs various developmental and promotional functions. As of now 26 public sector banks in India out of which 21 are nationalized banks and 5 are State Bank of India and its associate banks.

There are total 92 commercial banks in India. Public sector banks hold near about 75% of the total bank deposits in India. Indian Banks are classified into commercial banks and Co-operative banks. Commercial banks comprise:

(1) Schedule Commercial Banks (SCBs) and non-scheduled commercial banks. SCBs are further classified into private, public, foreign banks and Regional Rural Banks (RRBs); and

(2) Co-operative banks which include urban and rural Co-operative banks. The Indian banking industry has its foundations in the 18th century, and has had a varied evolutionary experience since then. The initial banks in India were primarily traders’ banks engaged only in financing activities. Banking industry in the pre-independence era developed with the Presidency Banks, which were transformed into the Imperial Bank of India and subsequently into the State Bank of India. The initial days of the industry saw a majority private ownership and a highly volatile work environment.

Major strides towards public ownership and accountability were made with Nationalization in 1969 and 1980 which transformed the face of banking in India. The industry in recent times has recognized the importance of private and foreign players in a competitive scenario and has moved towards greater liberalization. Banks are classified into classified into four categories:

- Commercial Banks
- Small Finance Banks
- Payments Banks
- Co-operative Banks

Commercial Banks can be further classified into public sector banks, private sector banks, foreign banks and Regional Rural Banks (RRB). On the other hand, cooperative banks are classified into urban and rural. Apart from these, a fairly new addition to the structure is payments bank.

Structure of Indian banking system is as follow:

1) Commercial Bank: Commercial Banks are regulated under the Banking Regulation Act, 1949 and their business model is designed to make profit. Their primary function is to accept deposits and grant loans to the general public, corporate and government. These institutions run to make profit. They cater to the financial requirements of industries and various sectors like agriculture, rural development, etc. it is profit making institution owned by government or private of both. Commercial banks can be divided into,

Public Sector Banks

- Private Sector Banks
- Foreign Banks
- Regional Rural Banks

a) **Public Sector Banks**: These are the nationalized banks and account for more than 75 per cent of the total banking business in the country. Majority of stakes in these banks are held by the government. In terms of volume, SBI is the largest public sector bank in India and after its merger with its 5 associate banks (as on 1st April 2017) it has got a position among the top 50 banks of the world. There are a total of 12 nationalized banks in the country namely below:

b) **Urban Co-operative Banks:** Urban Co-operative Banks refer to the primary cooperative banks located in urban and semi-urban areas. These banks essentially lent to small borrowers and businesses centered around communities, localities work place groups. According to the RBI, on 31st March, 2003 there were 2,104 Urban Co-operative Banks of which 56 were scheduled banks. About 79% of these are located in five states, – Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu.

c) **State Co-operative Banks:** A State Cooperative Bank is a federation of the central cooperative bank which acts as custodian of the cooperative banking structure in the State. Banks can also be classified on the basis of Scheduled and Non-Scheduled Banks. It is essential for every individual to check if they are holding their savings or deposit account with a Scheduled Bank or Non-Scheduled Bank. Scheduled Banks are also covered under the depositor insurance program of Deposit Insurance and Credit Guarantee Corporation (DICGC), which is beneficial for all the account holders holding a savings and fixed / recurring deposit account. Under DICGC, bank deposits of up to Rs 1 lakh, including the fixed, savings, current and recurring deposits, per depositor per bank in the event of bank failure are insured.

d) **Scheduled Banks:** Scheduled banks are covered under the 2nd Schedule of the Reserve Bank of India Act, 1934. To qualify as a scheduled bank, the bank should conform to the following conditions: A bank that has a paid-up capital of Rs. 5 Lakh and above qualifies for the schedule bank category.

e) A bank requires to satisfy the central bank that its affairs are not carried out in a way that causes• harm to the interest of the depositors. A bank should be a corporation rather than a sole-proprietorship or partnership firm.

f) Non-scheduled Banks: Non-scheduled banks refer to the local area banks which are not listed in the Second Schedule of Reserve Bank of India. Non-Scheduled Banks are also required to maintain the cash reserve requirement, not with the RBI, but with them.

Adoption of banking technology:

The IT revolution has had a great impact on the Indian banking system. The use of computers has led to the introduction of online banking in India. The use of computers in the banking sector in India has increased many folds after the economic liberalization of 1991 as the country's banking sector has been exposed to the world's market. Indian banks were finding it difficult to compete with the international banks in terms of customer service, without the use of information technology.

The RBI set up a number of committees to define and co-ordinate banking technology. In 1984 was formed the Committee on Mechanization in the Banking Industry (1984) whose• chairman was Dr. C Rangarajan, Deputy Governor, Reserve Bank of India. The major recommendations of this committee were introducing MICR technology in all the banks in the metropolises in India. This provided for the use of standardized cheque forms and encoders. In 1988, the RBI set up the Committee on Computerization in Banks (1988) headed by Dr. C• Rangarajan. It emphasized that settlement operation must be computerized in the clearing houses of RBI in Bhubaneswar, Guwahati, Jaipur, Patna and Thiruvananthapuram. It further stated that there should be National

Clearing of inter-city cheques at Kolkata, Mumbai, Delhi, Chennai and MICR should be made operational. It also focused on computerization of branches and increasing connectivity among branches through computers. It also suggested modalities for implementing on-line banking.

The committee submitted its reports in 1989 and computerization began from 1993 with the settlement between IBA and bank employees' associations. In 1994, the Committee on Technology Issues relating to Payment systems, Cheque Clearing and• Securities Settlement in the Banking Industry (1994) was set up under Chairman W. S. Saraf. It emphasized Electronic Funds Transfer (EFT) system, with the BANKNET communications network as its carrier. It also said that MICR clearing should be set up in all branches of all those banks with more than 100 branches. In 1995, the Committee for proposing Legislation on Electronic Funds Transfer and other• Electronic Payments (1995) again emphasized EFT system.

a) Types of Bank Service: There are 18 types of services provided by the bank:

1. Advancing of Loans: Banks are profit-oriented business organizations. So they have to advance a loan to the public and generate interest from them as profit. After keeping certain cash reserves, banks provide short term, medium-term, and long-term loans to needy borrowers.

2. Overdraft: Sometimes, the bank provides overdraft facilities to its customers through which they are allowed to withdraw more than their deposits. Interest is charged from the customers on the overdrawn amount. Bank Overdraft is different from cash credit.

3. Discounting of Bills of Exchange: Discounting of Bills of Exchange is another popular type of lending by modern banks. Through this method, a holder of a bill of exchange can get it discounted by the bank. In a bill of exchange, the debtor accepts the bill drawn upon him by the creditor (i.e., holder of the bill) and agrees to pay the amount mentioned on maturity. After making some marginal deductions (in the form of commission), the bank pays the bill's value to the holder. When the bill of exchange matures, the bank gets its payment from the party, which had accepted the bill.

4. Check/Cheque Payment: Banks provide cheque pads to the account holders. Account-holders can draw cheques upon the bank to pay money. Banks pay for cheques of customers after formal verification and official procedures.

5. Collection and Payment of Credit Instruments: Different credit instruments such as the bill of exchange, promissory notes, cheques, etc., are used in modern business. Banks deal with such instruments. Modern banks collect and pay different types of credit instruments as the representative of the customers.

6. Foreign Currency Exchange: Banks deal with foreign currencies. As customers' requirement, banks exchange foreign currencies with local currencies, which is essential to settle down the dues in the international trade.

7. Consultancy: Modern commercial banks are large organizations. In this function, banks hire financial, legal, and market experts who advise customers regarding investment, industry, trade, income, tax, etc. They can expand their function to consultancy business. However, for several reasons, banks need to disclose customers' information to government and regulatory authorities.

8. Bank Guarantee: Customers are provided the facility of bank guarantee by modern commercial banks. When customers have to deposit certain funds in governmental offices or courts for a specific purpose, a bank can present itself as the guarantee for the customer instead of depositing funds by customers.

9. Remittance of Funds: Banks help their customers in transferring funds from one place to another through cheques, drafts, etc.

10. Credit cards: A credit card is cards that allow their holders to make purchases of goods and services in exchange for the credit card's provider immediately paying for the goods or service, and the cardholder promising to pay back the amount of the purchase to the card provider over a period of time, and with interest.

11. ATMs Services: ATMs replace human bank tellers in performing giving banking functions such as deposits, withdrawals and account inquiries. Key advantages of ATMs include: 24-hour availability

- Elimination of labor cost
- Convenience of location

12. Debit cards: Debit cards are used to withdraw funds directly from the cardholders' accounts electronically. Most debit cards require a Personal Identification Number (PIN) to be used to verify the transaction.

13. Home banking: Home banking is the process of completing the financial transaction from one's own home instead of utilizing a branch of a bank. It includes making account inquiries, transferring money, paying bills, applying for loans, directing deposits.

14. Online banking: Online banking is a service offered by banks that allows account holders to access their account data via the internet. Online banking is also known as “Internet banking” or “Web banking.”Online banking through traditional banks enables customers to perform all routine transactions, such as account transfers, balance inquiries, bill payments, and stop-payment requests. Some even offer online loans and credit card applications. Account information can be accessed anytime, day or night, and can be done from anywhere.

15. Mobile Banking: Mobile banking (also known as M-Banking) is a term used for performing balance checks, account transactions, payments, credit applications, and other banking transactions through a mobile device such as a mobile phone or Personal Digital Assistant (PDA),

16. Accepting Deposit: Accepting deposits from savers or account holders is the primary function of a bank. Banks receive the deposit from those who can save money but cannot utilize it in profitable sectors. People prefer to deposit their savings in a bank because by doing so, they earn interest.

17. Priority banking: Priority banking can include several various services, but some popular ones include free checking, online bill pay, financial consultation, and information. 18. Private banking: Personalized financial and banking services are traditionally offered to a bank’s digital, high-networth individuals (HNWIs). For wealth management purposes, HNWIs have accrued far more wealth than the average person, and therefore have the means to access a larger variety of conventional and alternative investments.

CONCLUSION:

Bank is one of the things that has not manufactured anything and not sell it serves services to their customers in terms of monetary value that is loan and accepting deposits then give interest to their depositors and receive interest from their loan holders. Interest is the main source of the income for the bank. Income of the bank is increasing it is good for the bank. Today bank is become integral part of our society as well as of our nation.

Thus, it can conclude that banks are very important part our lives as well as for the fast economic growth of every country. Present scenario calls for a paradigm shift in the banking sector to improve its resilience and maintain financial stability. In this context, the government has recently announced new banking reforms, involving the establishment of a creation of a Bad Bank, and privatization of public sector banks (PSBs) to ease its burden in terms of mobilizing additional capital. Asset Reconstruction Companies (ARCs) have been created to bring about a system for recovering Non Performing Assets (NPAs) from the books of secured lenders and unlocking the value of NonPerforming Assets (NPA). Reserve Bank of India (RBI) provides license for ARCs and ARCs are empowered by the SARFAESI Act. Basically HDFC bank, ICICI bank, Kotak Mahindra bank, Axis bank and IndusInd bank provide the neo banking service.

A neo bank is basically a digital bank without any physical branches. It is entirely online without being present at any specific location. Neo banking is gaining popularity in India as well as across the world. With various techniques applied in finding the financial performance of the HDFC bank, ICICI bank, Kotak Mahindra bank, Axis bank and IndusInd bank, I conclude that HDFC bank net profit ratio, Net worth ratio, Return on capital employed ratio, interest spread and Total asset turnover ratio is good as compare to the other bank. Kotak Mahindra bank Cash deposit ratio, credit deposit ratio, Return on asset ratio, total asset turnover ratio and deposit is good as compared to the other bank. IndusInd bank total asset turnover ratio and current ratio is good as compared to the other bank. Axis bank total asset turnover ratio is high as compared to the other private bank. ICICI Bank Cash deposit ratio, credit deposit ratio, interest spread ratio and total asset turnover ratio is good after the Kotak Mahindra bank and HDFC bank. Overall HDFC bank and Kotak Mahindra bank has got satisfactory financial position in banking sector.

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