

FINANCIAL PERFORMANCE OF NEW GENERATION BANKS IN INDIA: AN INTERBANK ANALYSIS

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Abstract: This paper examined the performance of new generation banks in India using certain financial performance parameters during the period 2008-2009 to 2012-2013. The banking sector reform in India; strive to increase the efficiency and profitability of new generation banks. They help economy grow faster, and attract more foreign direct investment in the economy. The important parameter used the study are Deposit base, Advance base, Investment, Profit per Employee, Return on Asset, Return on Equity etc. The new generation banks are ICICI Bank, HDFC Bank, AXIS Bank, INDUSIND Bank, Development Credit Bank, Kodak Mahindra Bank, and Yes Bank. The study shows that ICICI Bank has the first largest new generation banks in India and followed by HDFC bank, Axis bank etc.

Keywords: Advances, Deposit base, Investment, profit.

Introduction: The economic and financial sector reforms introduced in the country since early 1990's the operating environment for banks in India has also under gone rapid change. The process of deregulation and reform in the banking system resulted in the creation of an efficient and competitive banking system. Deregulation has opened up new vistas for banks to increase their revenues by diversifying in to Universal banking, investment banking, bank assurance, mortgage financing, depository services, securitization personal banking etc. As a part of reforms Indian banking was opened for private sector by which old and new private sector came in to time light. The Government constituted a committee under the chairman ship of M.Narasimham, former Governor of RBI to examine the structure and functioning of the existing Indian Financial system. On basis of this committees report, the Government has permitted individuals, corporation, foreign non-resident Indians to open private banks in India. The Reserve Bank of India has issued on 22nd January 1993 specific guidelines for the establishment of new private banks in the country. This is in recognition of the need to introduce greater competition which can lead to higher productivity and efficiency in the banking system. These bank came in to existence after March, 1995 and are called New Private Sector Banks (NPSB) or popularly New Generation Banks (NGB). Currently there are 25 private sector banks in India which are categorized by the RBI as an Old private sector banks and New private sector banks. Presently there are 18 old private sector banks and 7 new generation banks in India. The leading new private sector banks are AXIS Banks established in

1994, HDFC Bank in 1994, ICICI Bank in 1996, Development Credit Bank in 1995, IndusInd bank in 1994, Kodak Mahindra Bank in 2003, Yes Bank in 2005.

Objective of the study: To study and analyze the financial performance of new generation banks in India.

Methodology: The new generation banks in India are selected to the study the performance of the banking sector for the period of 2008-09 to 2012-13. The performance indicators like investment, advance, profit per employees, Return on asset, return on equity, Advances etc are used to evaluate the result of the study. The relevant data for the study was collected from secondary sources for the period of five years. The major source of data were statistical tables relating to banks in India for various years published by the RBI; The annual reports of the banks data base on Indian banks published by the Indian Banks Association and the Annual reports of the individual banks.

Performance Analysis of New Generation Banks in India: This study analyses the performance of new generation bank in India in terms of deposit base, advance base, investment profit per employee, return on asset and return on equity. The deposit base indicate that total deposit of a bank on a period of time and advance base is the total advances of a bank. Investment means total investment of a bank during the period of time. Return on assets (in %) for a group is obtained as weighted Average of return on assets of individual banks in the group, weights being the proportion of total assets of the bank as percentage to total assets of the group.

Table.1: New Generation Banks in India (Amount in Million)

Items	2008-09	2009-10	2010-11	2011-12	2012-13
Number of Bank	7	7	7	7	7
Number of Offices	4336	5243	7007	8297	9718
Number of Employees	142237	133280	162573	185695	203733
Business per Employee	69.18	80.38	83.13	85.89	93.03
Profit per Employee	0.59	0.81	0.91	1.01	1.18
Capital and Reserves & Surplus	821921	998133	1147682	1313989	1599334
Deposits	5371041	5371041	5371041	5371041	5371041
Investments	2341385	2706176	3294031	4166489	4916070
Advances	4468237	4783556	6128967	7363235	8733113
Interest Income	662816	623090	734142	1019752	1265589
Other Income	150781	172713	178447	216532	256475
Interest Expended	441234	371296	423810	642787	792733
Operating Expenses	178401	181357	220064	274898	327392
Net Interest Margin	2.88	3.00	3.15	3.13	3.30
Cost Of Fund(COF)	6.15	4.42	4.27	5.45	5.77
Return on Advances adjusted to COF	5.36	5.14	5.14	5.32	5.57
Wages as % to total expenses	10.17	12.10	13.83	11.97	11.40
Return on Equity	10.69	11.87	13.62	15.27	16.51
Return on asset	1.12	1.38	1.51	1.63	1.74
CRAR	15.33	18.03	16.87	16.66	17.52
Net NPA Ratio	1.40	1.09	0.56	0.42	0.45

Source: A profile of banks 2012-2013, RBI.

The Table 1 shows the overall performance of new generation banks in India during the period of 2008-09 to 2012 -13. The new generation bank has improved their performance indicators in the last five years in the economy.

Table.2: Provides a snapshot of financial performance measured by total deposits, total advances and total investment etc. for the five years (2008-2013).

Banks	Total Deposits	Total advances	Total Investment
ICICI Bank	1,19,40801	1,15,98594	68,95907
HDFC Bank	83,97,558	81,98369	39,74510
AXIS Bank	92,06300	69,50310	38,12264
INDUSIND Bank	17,96641	14,18714	6,62621
DCB Bank	2,97,438	2,23869	1,28111
Kodak Mahindra Bank	15,83,568	15,42779	8,91843
YES Bank	20,43,241	15,39880	10,68890

The table.2 represent that the total deposits, total advances and total investment of new generation banks in the year 2008 to 2013 are calculated together to analyze their performance level and identify their ranks in the banking sector. ICICI Bank, the biggest

private sector banks in India and followed by HDFC bank and Axis bank etc. Kodak Mahindra bank despite being quite new to banking business in India. When we combine all the rank and re-rank the banks, we get a clear picture of the best performing new generation banks in India.

Table.3: Ranking of Banks in terms of Total deposit .Total Advance and Total Investment.

Total Deposit	Total Advance	Total Investment
ICICI Bank	ICICI Bank	ICICI Bank
AXIS Bank	HDFC Bank	HDFC Bank
HDFC Bank	AXIS Bank	AXIS Bank
YES Bank	Kotak Mahindra Bank	YES Bank
INDUSIND Bank	YES Bank	Kotak Mahindra Bank
Kotak Mahindra Bank	INDUSIND Bank	INDUSIND Bank
Development Credit Bank	Development Credit Bank	Development Credit Bank

The table 3. Gives a clear picture of best performing new generation banks in India. ICICI Bank, the largest new private sector banks, Rank 1st in terms of total deposit, total advances and total investment. HDFC Bank, the 2nd largest new private sector banks in India, Rank 2nd in terms of total advances and total investment, Rank 3rd in terms of total deposit. AXIS Bank, the 3rd largest new private sector banks, Rank 2nd interms of total deposit, rank 3rd in terms of total advances and total investment. YES Bank, rank

4th interms of total deposit and total investment and 5th rank in terms of total advances. In the case of INDUSIND Bank, rank 5th interms of total deposit. Rank 6th in terms of total advances and total investment. Kotak Mahindra, rank 6 thin terms of total deposit, rank 4th in terms of total advances and 5th interms total investment. Development Credit Bank, ranks 7th in terms of total deposit, total advance, total investment.

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