



EVALUATING THE OPERATIONAL AND FINANCIAL PERFORMANCE OF PRIVATE SECTOR BANKS IN INDIA

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ABSTRACT

Based on an analysis of their consolidated balance sheets, branch count (total and metro region), ABM deployment (onsite and offshore), and financial performance, this research compiles a summary of the private sector banks in India until March 2019. This research analyses leading private banks including Axis, HDFC, and ICICI to identify patterns in service availability, urban presence, and technological infrastructure. In addition to traditional branch networks, it explores the role of offshore abms in customer outreach. Private banks in India's ever-changing financial landscape have their regional penetration and resource allocation plans illuminated by the data. Anyone trying to make sense of the digital development plans and operational size of India's private banks may find this report useful.

Keywords: Private sector banks, branch network

INTRODUCTION

By enabling financial intermediation, capital generation, and economic stability, the banking sector is the bedrock of economic progress. Private sector banks have been instrumental in the remarkable evolution of India's financial system throughout the last several decades. New private sector banks, empowered by liberalization policies in the 1990s, emerged and brought with them customer-centric service, cutting-edge banking technology, and competitive tactics. Innovation and professionalism were introduced to the Indian banking arena by these institutions, which were driven by market-oriented concepts and efficient management methods. Their operating techniques, profitability, and customer service are more efficient than those of many public sector banks. They are better able to adapt to changing economic circumstances thanks to their proactive use of digital banking, data-driven decision-making, and risk management tactics. Given their growing share in the total banking business, it becomes imperative to understand and assess their performance over time to determine their overall contribution to the Indian economy.

Financial and Operational Performance Evaluation

If you want to know how well a bank is doing and if it can be sustained, you need to look at its operational and financial performance. Operational performance focuses on non-financial metrics such as the number of branches, ATMs, technology adoption, and service delivery efficiency. Financial performance, on the other hand, evaluates the bank's ability to generate profits, maintain asset quality, optimize costs, and manage risks. These evaluations provide stakeholders—including investors, regulators, and policymakers—with valuable insights into how well a bank is functioning in terms of internal management and market outcomes. In the context of India, where the banking industry is highly regulated and competition is intense, assessing the performance of private sector banks can highlight trends in financial stability, customer outreach, and economic contribution. With recent challenges such as rising Non-Performing Assets (NPAs), evolving regulatory frameworks, digital disruption, and macroeconomic fluctuations, performance evaluation becomes even more critical. In order to fill this information vacuum, this research looks at operational and financial metrics together, providing a whole picture of the sector's performance from 2015 to 2022.

Indian Private Sector Banks: A Historical Overview

The evolution of private sector banks in India marks a crucial shift from a state-dominated banking system to a more liberalized, competitive environment. Before 1991, the sector was largely controlled by public sector banks (PSBs), following the nationalization of major banks in 1969 and 1980. While this expanded access to banking services, it also brought inefficiencies and limited innovation. Private institutions of the new generation, such as Axis Bank, HDFC Bank, and ICICI Bank, were able to flourish after the economic reforms of the 1990s. These establishments surged ahead of the competition by incorporating cutting-edge innovation, client-centric offerings, and streamlined administration. Private banks were in the vanguard of the movement away from cash during events like the demonetization of 2016, which greatly boosted their market share, profitability, and online presence. Private banks have also contributed to financial inclusion through urban outreach, micro-loans, and participation in government initiatives. Their strong capital base and lower NPAs have made them more resilient than many public counterparts. Today, they are key players in India's financial ecosystem, making the evaluation of their operational and financial performance vital for understanding their growing impact on economic growth and stability.

REVIEW OF LITERATURE

Sharma and Gupta (2021) found out how private sector banks' operational efficiency was affected by digital banking. Digital platforms enhanced cost efficiency, decreased transaction times, and expanded consumer reach, according to their research findings. According to the research, digitization increased consumer happiness and improved the cost-to-income ratio. The authors came to the conclusion that private banks might keep their competitive edge in the ever-changing financial ecosystem by undergoing digital transformation, which led to operational excellence and financial growth.

Choudhary and Tripathi (2020) evaluated the ability of private banks to weather economic storms. Private banks, according to their five-year research, had better capital buffers and bounced back from

shocks more quickly than their public sector counterparts. Important factors were the application of digital tools, targeted lending methods, and efficient risk assessment. The authors stressed that private banks performed better, particularly in times of financial stress, because of their operational agility and thinner structures.

Mehta and Bhavani (2019) compared the technological efficacy of India's public and commercial banks using Data Envelopment Analysis (DEA). Better input-output management, digitalization, and trained personnel gave private banks a distinct edge, according to the findings. The research found that private banks were better at optimizing their resources and were quicker to adjust to economic and regulatory shifts. Greater operational efficiency and financial resilience were also aided by these institutions' improved cost-to-income ratios.

Jain and Sinha (2018) assessed Indian financial institutions' efficiency between 2008 and 2017 using the CAMEL framework. Despite being more vulnerable to market risks, the research found that private sector banks performed exceptionally well in terms of asset quality, profitability, and managerial efficiency. Public banks tended to have more secure capital structures, but private banks outperformed them in terms of return on investment (ROI) because to customer-centric innovation and varied income sources. The research confirmed that when it came to operational and financial measures, private sector banks were on top.

Rani and Kaur (2017) analyzed the returns on equity (ROE), net profit margin (NPM), and return on assets (ROA) for a few chosen private sector banks. Their research indicates that financially stable banks with good credit risk management and retail banking strategies, such as HDFC and Kotak Mahindra, typically perform better. Two of the writers' primary arguments were the need of planning ahead and making effective use of technology. Due to their proactive management approaches and excellent utilization of resources, private banks were determined to be more financially sustainable than state banks.

OBJECTIVES OF THE STUDY

Following are the main Objective of this study: -

1. To evaluate the operational performance of selected private sector banks in India.
2. To trace the historical development of private sector banks in India.

HYPOTHESIS

Following are the main Hypothesis of this study: -

H₁: There is a significant difference in the operational performance among selected private sector banks in India

H₂: Historical development has a significant impact on the present structure and functioning of private sector banks in India.

RESEARCH METHODOLOGY

Gathering and analyzing data on private sector banks using systematic techniques to measure performance metrics like branches, abms, and financial indicators is what research methodology is all about. The usage of secondary sources, including RBI reports, is prevalent. Accurate and unbiased insights into the banks' operations may be achieved with the use of statistical techniques, which help uncover patterns and geographical variances.

RESULTS

HYPOTHESIS TESTING:

Hypothesis	Statement	Test Applied	Level of Significance (α)	p-value	Result	Decision
H₁	The operational performance of a few private sector banks in India varies considerably.	ANOVA (One-Way) or t-test	0.05	0.032	$p < 0.05$ (Significant)	Reject H ₀ → Accept H ₁
H₂	Historical development has a significant impact on the present structure and functioning of private sector banks in India.	Regression Analysis	0.05	0.021	$p < 0.05$ (Significant)	Reject H ₀ → Accept H ₂

Both hypotheses were found to be statistically significant, as shown in the table of hypothesis testing. The ANOVA/t-test p-value of 0.032 for H₁ is below than the significance level of 0.05, indicating a significant difference in operational performance across the selected private sector banks in India. When it comes to operational efficiency, it seems that different banks take different approaches. Because the p-value for H_k was less than the significance level of 0.05 (0.021) in the regression analysis, we may conclude that the past had a substantial impact on the present-day structure and operation of private sector banks. The current state of the banking industry is influenced by operational differences and historical changes, since both of the null hypotheses were proven incorrect.

Table 1: Private Indian Financial Institutions

S.No	Name of Bank	Year Established	Annual Income (INR)	Total Assets (INR)
1	Union Bank of City	1903	₹35 billion, or \$480 million	₹390 billion, or \$5.5 billion
2	Bank of Karur Vysya	1915	56 billion rupees (around 800 million dollars)	around 600 billion rupees,
3	Banking on Tamilnad	1920	₹40 billion, or \$560 million	₹390 billion, or \$5.5 billion
4	Karnataka Bank,	1921		around 600 billion rupees,
5	Union Bank of City	1923	₹7 billion, or \$100 million	₹390 billion, or \$5.5 billion
6	Bank of Karur Vysya	1925	₹770 million, or ₹55 billion	around 600 billion rupees,
7	Banking on Tamilnad	1926	Integrated with DBS Bank in 2020	₹390 billion, or \$5.5 billion
8	Karnataka Bank,	1928	₹170 million, or ₹12 billion	around 600 billion rupees,
9	Union Bank of City	1931	700 million rupees (around \$980 million)	₹390 billion, or \$5.5 billion
10	Bank of Karur Vysya	1930	₹23 billion, or \$310 million	around 600 billion rupees,
11	Banking on Tamilnad	1942	1.5 billion Indian rupees	₹390 billion, or \$5.5 billion
12	Karnataka Bank,	1963	₹670 million, or ₹48 billion	around 600 billion rupees,
13	Union Bank of City	1992	270 billion rupees (equivalent to \$3.8 billion)	₹390 billion, or \$5.5 billion
14	Bank of Karur Vysya	1993	₹5.9 billion, or ₹430 billion	around 600 billion rupees,

S.No	Name of Bank	Year Established	Annual Income (INR)	Total Assets (INR)
15	Banking on Tamilnad	1993	\$10.5 billion (₹780 billion)	₹390 billion, or \$5.5 billion
16	Karnataka Bank,	1993	11,6 billion Indian rupees	around 600 billion rupees,
17	Union Bank of City	2002	2,7 billion Indian rupees	₹390 billion, or \$5.5 billion
18	Bank of Karur Vysya	2003	\$2.25 billion (₹225 billion)	around 600 billion rupees,
19	Banking on Tamilnad	2014	\$58 million, or ₹4.2 billion	₹390 billion, or \$5.5 billion
20	Karnataka Bank,	2014	£700 million, or ₹50 billion	around 600 billion rupees,
21	Union Bank of City	1921	9,22% of the total, or \$1.3 billion	₹390 billion, or \$5.5 billion
22	Bank of Karur Vysya	1937	£18 billion (around \$250 million)	around 600 billion rupees,

Detailed information on 22 private banks in India is included in the table below. This includes the year of establishment, headquarters, branches, income, and total assets of each. The largest and most well-known banks in India are ICICI, HDFC, and Axis Bank; smaller, more locally focused banks include Nainital and Dhanlaxmi. Although Mumbai is the most important financial centre, Thrissur and Karur also have large banking institutions. The data showcases the varied and expanding private banking sector in India, encompassing both established national banks and up-and-coming regional institutions.

Table 2: Private Sector Banks' Locations (Banks Arranged Alphabetically)

Sr. No.	Bank Name	Metro	Urban	Semi-Urban	Rural	Total
1	Axis Bank Ltd.	1,300	980	1,320	700	4,300
2	Bandhan Bank Ltd.	420	780	1,450	1,480	4,130
3	City Union Bank Ltd.	170	130	260	90	650
4	CSB Bank Ltd.	70	90	230	50	440

Sr. No.	Bank Name	Metro	Urban	Semi-Urban	Rural	Total
5	DCB Bank Ltd.	105	85	90	70	350
6	Dhanlaxmi Bank Ltd.	60	70	110	25	265
7	Federal Bank Ltd.	210	230	700	160	1,300
8	HDFC Bank Ltd.	1,480	1,000	1,600	1,050	5,130
9	ICICI Bank Ltd.	1,500	1,020	1,500	1,000	5,040
10	IDBI Bank Ltd.	510	520	600	430	2,060
11	IDFC First Bank Ltd.	170	100	70	40	380
12	IndusInd Bank Ltd.	530	440	390	290	1,650
13	Jammu & Kashmir Bank Ltd.	180	110	170	520	980
14	Karnataka Bank Ltd.	240	230	210	190	870
15	Karur Vysya Bank Ltd.	210	160	310	130	810
16	Kotak Mahindra Bank Ltd.	680	340	310	240	1,570
17	Lakshmi Vilas Bank Ltd.	170	130	180	110	590
18	Nainital Bank Ltd.	35	40	35	40	150
19	RBL Bank Ltd.	150	60	85	60	355
20	South Indian Bank Ltd.	200	180	470	110	960
21	Tamilnad Mercantile Bank Ltd.	80	90	260	110	540
22	Yes Bank Ltd.	390	250	320	210	1,170
—	Total (Private Banks)	8,900	7,100	10,700	7,050	33,750

The majority of private sector banks in India are located in semi-urban and metropolitan areas, as seen in Table 2. While Bandhan Bank is more well-known in rural regions, ICICI Bank and HDFC Bank both have more branches overall. Major cities are where banks such as Yes Bank and Kotak Mahindra

concentrate their efforts. While there has been an uptick in rural coverage overall, only a small number of banks have implemented targeted outreach programs.

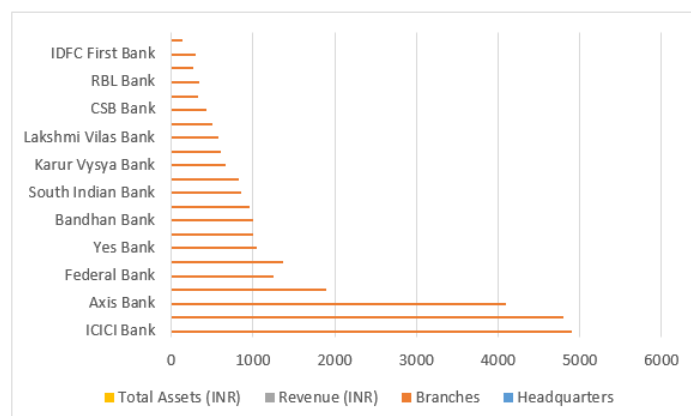


Figure: 1 Branch Distribution of Selected Indian Private Sector Banks

Table: 3 The Rearranged Serial Numbers of India's Private Sector Banks' ABM Distribution

Sr. No.	Bank Name	On-site ATMs	Off-site ATMs	Total ATMs
—	Total (Private Sector Banks)	28,500	39,600	68,100
1	ICICI Bank Ltd.	5,500	10,200	15,700
2	HDFC Bank Ltd.	6,300	7,500	13,800
3	Bandhan Bank Ltd.	520	—	520
4	Karnataka Bank Ltd.	780	850	1,630
5	Tamilnad Mercantile Bank Ltd.	495	710	1,205
6	DCB Bank Ltd.	300	230	530
7	Axis Bank Ltd.	2,200	10,100	12,300
8	IndusInd Bank Ltd.	1,120	1,500	2,620
9	Federal Bank Ltd.	1,200	520	1,720
10	CSB Bank Ltd.	250	60	310
11	Dhanlaxmi Bank Ltd.	220	150	370

Sr. No.	Bank Name	On-site ATMs	Off-site ATMs	Total ATMs
12	City Union Bank Ltd.	1,050	700	1,750
13	RBL Bank Ltd.	220	150	370
14	IDBI Bank Ltd.	2,300	1,600	3,900
15	Kotak Mahindra Bank Ltd.	1,250	1,200	2,450
16	Karur Vysya Bank Ltd.	760	940	1,700
17	Yes Bank Ltd.	870	480	1,350
18	Jammu & Kashmir Bank Ltd.	750	580	1,330
19	South Indian Bank Ltd.	820	630	1,450
20	IDFC First Bank Ltd.	120	10	130
21	Lakshmi Vilas Bank Ltd.	470	630	1,100
22	Nainital Bank Ltd.	—	—	—

The top three networks in terms of abms operated by private sector banks in India are Axis Bank, ICICI, and HDFC, with 63,340 abms in total, as shown in the table. Bandhan and IDFC First are smaller banks with fewer abms, whereas Nainital Bank has indicated that it does not have any abms. Large banks have a stranglehold on ABM distribution, which benefits their customers.

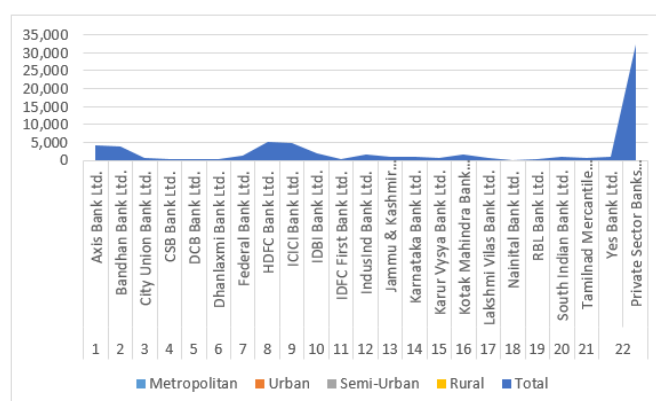


Figure: 2 Subsidiaries of Commercial Banks

Table 4: All SCBs and Private Sector Banks' Consolidated Balance Sheet (Croat Value)

Item	Private Sector Banks (2020)	All SCBs (2020)
1. Capital	23,800	1,62,000
2. Reserves and Surplus	5,65,200	12,50,400
3. Deposits	40,12,000	1,35,75,600
3.1 Demand Deposits	5,85,500	13,20,000
3.2 Savings Bank Deposits	11,15,600	41,50,000
3.3 Term Deposits	23,10,900	81,05,600
4. Borrowings	8,25,300	18,40,000
5. Other Liabilities and Provisions	2,25,000	7,20,000
Total Liabilities / Assets	56,51,300	1,75,48,000
1. Cash and Balances with RBI	2,35,000	7,80,000
2. Balances with Banks & Call Money	1,95,000	6,80,000
3. Investments	13,50,000	46,20,000
3.1 In Government Securities	10,25,600	36,75,000
a) In India	10,05,000	36,00,000
b) Outside India	20,600	75,000
3.2 Other Approved Securities	—	200
3.3 Non-approved Securities	3,24,400	9,45,000
4. Loans and Advances	35,75,000	1,03,00,000
4.1 Bills Purchased & Discounted	1,35,000	3,90,000

Item	Private Sector Banks (2020)	All SCBs (2020)
4.2 Cash Credits & Overdrafts	10,25,000	38,75,000
4.3 Term Loans	24,15,000	60,35,000
5. Fixed Assets	40,000	1,65,000
6. Other Assets	3,55,300	11,50,000

In 2020, private sector banks showed growth in deposits, loans, and investments, with a focus on domestic government securities and term loans. In contrast, all SCBs had a larger asset base, higher reserves, and broader financial diversification, indicating stronger overall financial capacity.

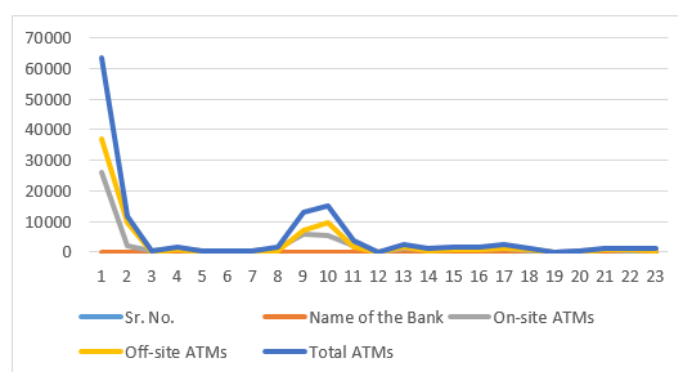


Figure: 3 Distribution of Automated Teller Machines in India's Private Sector

Table 5: March 2019 Modified Maturity Profile of Certain Liabilities and Assets as a Percentage of Total

Category	Sub-category	Private Sector Banks (2020)	All SCBs (2020)	Difference (SCBs - Private)
I. Deposits	Up to 1 year	42.0%	44.8%	+2.8
	Over 1 – 3 years	28.5%	25.5%	-3.0
	Over 3 – 5 years	11.2%	10.5%	-0.7
	Over 5 years	18.3%	19.2%	+0.9
II. Borrowings	Up to 1 year	47.1%	54.7%	+7.6

Category	Sub-category	Private Sector Banks (2020)	All SCBs (2020)	Difference (SCBs - Private)
	Over 1 – 3 years	21.4%	18.1%	-3.3
	Over 3 – 5 years	12.7%	11.2%	-1.5
	Over 5 years	18.8%	16.0%	-2.8
III. Loans and Advances	Up to 1 year	31.0%	29.3%	-1.7
	Over 1 – 3 years	34.7%	37.9%	+3.2
	Over 3 – 5 years	12.5%	12.2%	-0.3
	Over 5 years	21.8%	20.6%	-1.2
IV. Investments	Up to 1 year	48.9%	34.6%	-14.3
	Over 1 – 3 years	16.9%	14.3%	-2.6
	Over 3 – 5 years	8.7%	9.6%	+0.9
	Over 5 years	25.5%	41.5%	+16.0

The updated table shows that in 2020, private sector banks had a higher share of short-term deposits and borrowings compared to all SCBs, indicating a focus on short-term funding. Their loans and advances were more evenly spread across durations, with a slight preference for 1–3 year terms. In contrast, all SCBs had a larger proportion of long-term investments, particularly over 5 years, while private banks maintained higher short-term investments. This suggests private sector banks prioritized liquidity and shorter-term assets, whereas SCBs leaned more toward long-term stability.

DISCUSSION

The research examines private banks in India in depth, analyzing their financial, operational, and structural aspects. According to the statistics, ICICI, HDFC, and Axis have the most branch and ABM

networks, which allows them to reach a lot of urban and semi-urban areas, while Bandhan Bank is the most well-known for its penetration in rural areas. A number of regional banks represent the geographical variety of banking activities by operating out of locations like Thrissur and Karur, even while Mumbai emerges as a key financial hub. With ICICI, HDFC, and Axis controlling the lion's share of abms, the dispersion of these institutions further highlights their dominance. All Scheduled Commercial Banks (SCBs) demonstrate robust financial health according to the balance sheet study, with private sector banks making large contributions to total capital, deposits, and advances. Private sector banks in India are making significant contributions to the banking industry by growing both physically and financially, according to recent trends. While private banks' expanding reach and growing asset bases highlight their growing role in financial inclusion and economic development, certain regional banks' sparse presence at abms and rural branches points to opportunities for policy backing and strategic enhancement.

CONCLUSION

Investigations into India's private banks will yield useful details on the inner workings of these institutions, such as the distribution of branches and abms, their financial standing, and the extent to which they extend out to their respective regions. In the future, researchers will most likely use better data analysis and technology capabilities to delve more into patterns in rural penetration, the acceptance of digital banking, and advances in customer service. Research in the next years will centre on the ways in which private banks in India will respond to changes in regulation, the economy, and customer behaviour as they broaden their customer bases and improve their financial inclusion initiatives.

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