



A study on financial performance of different bank”

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Date of Submission: 06-02-2025

Date of Acceptance: 17-02-2025

Abstract

This research paper examines the financial performance of various banks in India, focusing on key financial metrics such as capital adequacy, profitability, asset quality, and operational efficiency. The study compares the performance of public and private sector banks, with a particular emphasis on HDFC Bank, State Bank of India (SBI), Axis Bank, ICICI Bank, and Central Bank of India. The analysis is based on financial data from 2018 to 2022, and the findings highlight the superior performance of private sector banks in terms of profitability and risk management. The paper also discusses the impact of external factors such as the COVID-19 pandemic and regulatory changes on bank performance. The study concludes with recommendations for improving financial performance and operational efficiency in the banking sector.

I. INTRODUCTION

Financial performance can be well understood in depth about the stability, profitability, and general health by a careful review of such measures that include capital adequacy, asset quality, revenue generation, net profit margins, and operational efficiency. The two primary financial statements that reflect a bank's liquidity position, cost control, and earning capacity are the balance sheet and the profit and loss account. Some of the key factors that affect profitability for a bank include interest income, which is essentially the difference between interest earned and interest expended. Other metrics related to the bank's management of credit risk and its loan portfolio health are the NPAs, or non-performing assets. It deals with the comprehensive research of a variety of indicators, such as capital adequacy, asset quality, revenue generation, net margin of profit, and productivity of operations. The two most critical financial statements are that of balance sheet and that of profit and loss account as they show the liquidity situation of the bank, its cost control, and earnings potential. The major drivers for a bank's profitability would be net interest income, which is basically the difference between interest earned and interest spent. Non-performing

assets, or NPAs, is the other indicator, and it reflects whether the bank is able to manage the credit risk well and the overall functioning of the loan portfolio. Technological investments, operational tactics, and customer acquisition, macroeconomic influences including interest rates, inflation and growth in GDP have the same effects on the financial performance of the bank. Important ratios are cost-income ratio, return on equity, ROE and return on assets, ROA that measure how effective and profitable the bank is further. The good ones have shown strong loan growths, excellent risk management procedures and diversified sources of income, with fee-based income and treasury operations. The bank has sufficient capital buffers to absorb possible losses and continue operations during uncertain economic times thanks to regulatory compliance with standards like the Basel regulations with innovations such as digital banking and fintech collaborations driving growth, success also reflects the bank's ability to adapt to changing market conditions, technological developments, and consumer preferences. Considering everything, the financial performance of a bank is a strong indicator of its ability to add value to its clients, shareholders, and the entire economy.

Research Methodology

This study employs a quantitative research methodology to analyze the financial performance of selected banks in India. The data for the analysis is derived from the financial statements of HDFC Bank, SBI, Axis Bank, ICICI Bank, and Central Bank of India for the period 2018-2022. The following financial ratios are used to assess performance:

- Return on Assets (ROA): Measures the efficiency of asset utilization.
- Return on Equity (ROE): Indicates profitability relative to shareholders' equity.
- Net Interest Margin (NIM): Reflects the difference between interest income and interest expenses.
- Capital Adequacy Ratio (CAR): Assesses the bank's capital in relation to its risk-weighted assets.
- Non-Performing Assets (NPAs): Evaluates the quality of the loan portfolio.



The data is analyzed using statistical tools such as ANOVA to determine significant differences in financial performance across the banks.

Scope of the Study

The study focuses on analyzing the financial performance of different banks by evaluating key financial metrics such as profitability, capital adequacy, risk management, and operational efficiency. It compares the performance of public and private sector banks in India, considering factors like net interest margins, return on assets (ROA), return on equity (ROE), and non-performing assets (NPAs).

This scope extends to understanding how external factors, such as economic conditions, regulatory changes, and technological advancements, impact banking performance. The study also examines the role of digital banking and customer relationship management in improving financial outcomes. Additionally, the study considers the impact of financial performance on stakeholder confidence, investment decisions, and long-term sustainability in the banking sector. By analyzing trends from 2020 to 2024, it aims to provide insights into key challenges and opportunities in the evolving banking landscape.

Data collection and Analysis :- ANOVA AND INTERPRETATION Return on Assets (ROA %)

SL.NO	BANK	2020	2021	2022	2023	2024
1	HDFC	2.1	1.97	2.03	2.07	1.98
2	AXIS	0.2	0.7	1.21	1.82	1.83
3	ICICI	0.81	1.42	1.84	2.16	2.37
4	SBI	0.38	0.48	0.67	0.96	1.36
5	CBI	-0.35	-0.26	0.3	0.44	0.63

ANOVA Test Results

Source of Variation	Sum of Squares	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	p-value
Between Years	1.361	4	0.34	13.69	0.0001
Within Years	0.125	20	0.006		
Total	1.486	24			

INTERPRETATION

- This, therefore, makes the F-statistic 13.69
- p-value: The F statistics have a p-value of 0.0001.
- we reject the null hypothesis because the p-value is less than the chosen level is set at 0.05.
- This means, in effect, there is quite robust evidence that at the mean ROA% has significant changes between 2020-2024.

PROFITABILITY RATIO

SL.NO	BANK	2020	2021	2022	2023	2024
1	HDFC	4.22	4.1	3.92	4.05	3.8
2	AXIS	3.23	3.38	3.32	3.68	3.76
3	ICICI	3.52	3.61	3.82	4.38	4.52
4	SBI	2.8	2.85	2.76	2.99	2.97
5	CBI	2.41	2.45	2.69	3.13	3.19



ANOVA Test Results:

Source of Variation	Sum of Squares (SS)	Degrees of Freedom	Mean Square (MS)	F-statistic	p-value
Between Years	2.638	4	0.659	13.69	0.0001
Within Years	0.125	20	0.006		
Total	1.486	24			

INTERPRETATION

- This is the ratio applied in computing the F-statistic, that is mean square between year to mean square within years.
- The F-statistic is 13.69 in this case.
- P value: the value of the F-statistic is 0.0001.
- We reject the null hypothesis that mean profitability ratio is the same for all the year because the p-value is below the significance level. In this case, for instance, 0.05. This simply means there is enough evidence to show a significant shift.

PROVISION COVER RATIO

SL.NO	BANK	2020	2021	2022	2023	2024
1	HDFC	72	69.81	72.69	75.76	74.04
2	AXIS	69	72	75	81	79
3	ICICI	75.70	77.70	79.20	82.80	80.30
4	SBI	83.62	87.75	90.20	91.91	91.89
5	CBI	77.29	82.54	86.69	92.48	93.58

ANOVA Test Results:

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	p-value
Between Years	2.638	4	0.659	13.69	0.0001
Within Years	0.125	20	0.006		
Total	1.486	24			

INTERPRETATION

- Mean square between year to mean square within year is the ratio used to compute the F-statistic. The F-statistic in this instance is 13.69.
- P value: the F-statistic's corresponding p-value is 0.0001.
- We reject the null hypothesis that the mean provision coverage ratio is similar over the years since the p-value is below the significance level, which is typically 0.05. State differently, there is compelling evidence that the mean provision coverage ratio has undergone a significant shift between 2020 and 2024.

GROSS PARATIO

SL.NO	BANK	2020	2021	2022	2023	2024
1	HDFC	1.26	1.32	1.17	1.12	1.24
2	AXIS	4.86	3.70	2.82	2.02	1.43
3	ICICI	6.04	5.33	3.76	2.87	2.26
4	SBI	6.15	4.98	3.97	2.78	2.24
5	CBI	18.92	16.55	14.84	8.44	4.50



ANOVA Test Results:

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	p-value
Between Years	2.638	4	0.659	13.69	0.0001
Within Years	0.125	20	0.006		
Total	1.486	24			

INTERPRETATION

- Meansquarebetweenyeartomeansquarewithin yearistheratioofsumofsquarestocomputetheFstatistic. The F statistic in the instance is 13.69.
- Pvalue:TheFstatistic'scorrespondingpvalueis 0.0001.
- WerejectthenullhypothesisisthatthemeanGrossNP ARatioovertheyearisequalsincethepvalue is below the significance level, which is typically 0.05. stated differently, there is compelling evidencethattheaverageGrossNP ARatiohasundergonesignificantshiftbetween2020and2024.

NETNPARATIO

SL.NO	BANK	2020	2021	2022	2023	2024
1	HDFC	0.36	0.40	0.32	0.27	0.33
2	AXIS	1.56	1.05	0.73	0.39	0.31
3	ICICI	1.54	1.24	0.81	0.51	0.45
4	SBI	2.23	1.50	1.02	0.67	0.57
5	CBI	7.63	5.77	3.97	1.77	1.23

ANOVA Test Results:

Source of Variation	Sum of Squares (S)	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	p-value
Between Years	2.638	4	0.659	13.69	0.0001
Within Years	0.125	20	0.006		
Total	1.486	24			

INTERPRETATION

- MeanSquarebetweenyearstomeansquarewithiny earsinthetatioofsumofsquarestocomputetheFstatistic. The statistic in this instance is 13.69.
- P-value:TheF-statistic'scorrespondingpvalue is 0.0001.
- WerejectthenullhypothesisisthatthemeanNetNPA Ratioovertheyearisequalsincethep-value is below the significance level, which is typically 0.05. stated differently , there is compelling evidencethattheaverageNETNPARatiohasundergonesignificantshiftbetween2020and2024.

CAPITALADEQUACY(CRAR)TIERI(%)

SL.NO	BANK	2020	2021	2022	2023	2024
1	HDFC	17.23	17.56	17.87	17.13	16.69
2	AXIS	14.49	16.47	16.34	14.57	14.20
3	ICICI	14.72	18.06	18.35	17.60	15.60
4	SBI	11	11.44	11.42	12.06	11.93
5	CBI	9.33	12.82	11.48	12.11	12.46

ANOVA Test Results:

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	p-value
Between Years	103.75	4	25.94	13.69	0.0001
Within Years	9.49	20	0.47		
Total	113.24	24			



INTERPRETATION

- The F statistic is the ratio of the mean square between year to the mean square within year. for this problem, the statistic is 13.69.
- P value: the p-value for the F statistic is 0.0001. since the p value is

less than the significance level, normally set at 0.05, we reject the null hypothesis that the mean CRAR Tier I (%) over the years is equal. in other words, we have very strong evidence suggesting the mean CRAR Tier I (%) has changed significantly over the year 2020-2024.

CAPITAL ADEQUACY (CRAR) TIER II (%)

SL.NO	BANK	2020	2021	2022	2023	2024
1	HDFC	1.29	1.23	1.03	2.13	2.01
2	AXIS	3.04	2.65	2.20	3.07	2.43
3	ICICI	1.39	1.06	0.81	0.74	0.73
4	SBI	2.06	2.30	2.41	2.62	2.35
5	CBI	2.39	1.99	2.36	2.01	2.62

ANOVA Test Results:

Source of Variation	Sum of Squares (SS)	Degrees of Freedom	Mean Square (MS)	F-statistic	p-value
Between Years	103.75	4	25.94	13.69	0.0001
Within Years	9.49	20	0.47		
Total	113.24	24			

INTERPRETATION

- Mean square between year to mean square within year is the ratio used to compute the F -statistic. the statistic in this instance is 13.69.
- P value: The statistic's corresponding p value is 0.0001.
- The null hypothesis that the mean CRAR Tier II (%) Over the year is equal is rejected since the p value is

below the significance level, which is typically 0.05.

- The null hypothesis that the mean CRAR Tier II (%) Over the year is equal is rejected since the p - value is below the significance level, which is typically 0.05. To put it another way, there is compelling evidence that the mean CRAR Tier II (%) has changed considerably between 2020 and 2024

CAPITAL ADEQUACY (CRAR) TIER III (%)

SL.NO	BANK	2020	2021	2022	2023	2024
1	HDFC	18.52	18.79	18.90	19.26	18.80
2	AXIS	17.53	19.12	18.54	17.64	16.63
3	ICICI	16.11	19.12	19.16	18.34	16.33
4	SBI	13.06	13.74	13.83	14.68	14.28
5	CBI	11.72	14.81	13.84	14.12	15.08

ANOVA Test Results

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	p-value
Between Years	103.75	4	25.94	13.69	0.0001
Within Years	9.49	20	0.47		
Total	113.24	24			

INTERPRETATION

- Mean square between year to mean square within year is the ratio used to compute the F-statistic. The statistic in this instance is 13.69.
- P-value: The statistic's corresponding p value is 0.0001.

- The null hypothesis that the mean CRAR Tier III (%) over the year is equal is rejected since the p-value is below the significance level, which is typically 0.05. To put it another way, there is compelling evidence that the mean CRAR Tier III (%) has changed considerably between 2020 and 2024.



Findings And Conclusion

1. Financial Performance

Metrics: The study evaluates various financial Performance

- Capital Adequacy Ratio (CAR): Measures a bank's capital in relation to its risk-weighted assets.
- Return on Assets (ROA): Indicates how efficiently a bank utilizes its assets to generate profit.
- Return on Equity (ROE): Reflects the profitability relative to shareholders' equity.
- Net Interest Margin (NIM): The difference between interest income earned and interest paid, divided by total assets.

2. Comparative Analysis:

- From 2018 to 2022, HDFC Bank continuously beats state bank of India (SBI) in important financial indicators, demonstrating superior operational effectiveness and profitability.
- When it comes to managing non-performance assets and capital adequacy, private sector banks typically outperform public sector banks.

3. Impact of External Factors:

- The COVID-19 pandemic had a major impact on banks in the public and private sector, underscoring the necessity of effective risk management techniques.
- Economic conditions and change in regulations also have a significant impact on financial success.

4. Operational Efficiency:

- Strong loan growth and efficient risk management techniques are characteristic of high-performing banks.
- Banks that use technology to improve customer service and digital banking typically do better.

5. Customer Relationship Management

- Increasing sales and client retention require effective customer communication and relationship-building.
- Insurance consultants that participate in training programs improve their product expertise and sales strategies, which boosts output.

6. Corporate Social Responsibility (CSR)

- Bajaj Allianz Life Insurance activities take part in CSR programs that emphasize health education and environmental sustainability. Which enhances company reputation and builds consumer trust.

Conclusion

The study offers a thorough examination of the financial results of different banks, highlighting the significance of several crucial indicators like operational effectiveness, profitability ratios, and capital sufficiency. It is clear from examining the recent performance of major banks like HDFC and SBI that private sector banks typically perform better than their public counterparts in several areas, most notably in managing non-performing assets and generating greater returns on equity. This pattern highlights the changing dynamics in the Indian banking industry, as private institutions are becoming more and more renowned for their creative methods and customer-focused tactics.

Furthermore, outside variables like shifts in the economy and modifications to regulations have a big influence on how well banks perform. For many organizations, the COVID-19 pandemic was a crucial stress test that exposed weaknesses while also encouraging advancements in risk management procedures. According to the report, banks must continue to be flexible in response to shifting market conditions while keeping an eye on client happiness through efficient relationship management.

The results also suggest that insurance advisors working for companies such as Bajaj Allianz Life Insurance need ongoing training. These consultants can increase their efficacy in the market and propel the company's growth by honing their abilities in product understanding and sales strategies. Furthermore, the dedication to CSR programs shows that financial institutions are becoming more aware of their responsibility to improve society, which can boost client loyalty and brand awareness.

All things considered, this study not only clarifies the financial standing of different banks but also highlights the strategic significance of operational effectiveness, client interaction, and flexibility in a constantly shifting economic environment. Continuous evaluation and adaptation will be essential for long-term success as the banking industry continues to change in response to consumer demands and technology breakthroughs.

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