AN OBSERVATION ON THE PERFORMANCE OF PRIVATE BANKS IN INDIA

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Abstract: **Banking is an intermediate source which is enhancing the economic growth and also standardizing the financial status of our country. An Efficient and managed banking framework empowers financial conditions in the country and helps in critical development of our country. Banks are the institutional bodies that acknowledge deposits and grant credit to the elements and play a major role in maintaining the economic stature of a country. An Indian financial system is one of the efficient and regulated with suitable authorities throughout some stretched of time. There is an historical landmark for the Indian financial systems from private hands to nationalization and presently it transformed into empowering more private investment in the financial sector. Banking is one of the clarification drivers of the economy of the country. It gives the liquidity fundamental for families and organizations to put resources for a better outcome. With this view point's the current papers predominantly examine the present working of business banks in India with perspectives to public area, private area and unfamiliar banks.**

Keywords: **Banking Technology, Liberalization, New Generation Banks, Economic Reforms, Public Sector Banks, Private Sector Banks and Foreign Banks.**

Introduction

Banks are an important part of the economy because they provide basic services to consumers and businesses. As a financial service provider, they provide you with a safe place to accumulate your cash. Banks are regarded as the income of the country's financial system, helping to accelerate income and savings from one side to the other. Commercial banks in India are divided into public sector banks, private sector banks and foreign banks. Private sector banks play an important role in India's economic development. Significant changes have taken place in the banking industry after the opening up. Economic reforms have completely changed the banking industry. On the recommendation of the Narashiman Committee, the Reserve Bank of India allowed the opening of new banks in the private sector. The Indian banking industry is dominated by public sector banks.But now the situation has changed, and the new generation of banks has gained a reasonable position in the banking industry with technical and professional management. Private sector banks have performed well in branch expansion, revenue generation and innovative services. This article attempts to discuss the profile of Indian private sector banks.

Private Sector Banks - Old:

The old private sector banks were banks that worked in the private sector before the Great Depression. The old private banks have been in business for a long time, and can refer to those banks that have been in business before 1991. These banks have a history of more than 50 years. These banks were not nationalized during bank nationalization in 1969 and 1980, and they were called old private sector banks.

New Private Sector Banks:

The new private sector bank is a bank that has only recently begun operations. Banks that started operating with economic reforms and financial sector reforms after 1991 are called the new private sector banks. The Banking Supervision Law was amended in 1993 to allow new private banks to enter the Indian banking industry. However, there are certain standards for establishing new private sector banks.

The bank's minimum net assets should be 1 billion rupees. The promoter's shareholding should be at least 25% of the paid-in capital. Banks should publicly issue shares to the public within 3 years after opening. The new private banks established in the private sector after World War II actually got rid of the conditions of nationalization. There are seven new generation private banks in India. They are Axis Bank, Development Credit Bank, HDFC Bank, ICICI Bank, Indusind Bank, Kotak Mahindra Bank and Yes Bank.

Review of Literature

Mohammad Ibrahim (2015) explored the use of Balanced Score card as technique for assessing the performance of the Nigerian bank industry. The author finally concluded that Nigerian banks largely rely on financial measures followed by

Garimachaudhary(2014) conducted a study on "Performance comparison of private sector banks with public sector banks in India" . He concluded that the major area of concern for any bank is the customer service and customer satisfaction, thus just like the private sector banks, it is high time that the public sector banks also start concentrating more on the customers and the services provided to them.

Elif& Ali (2014) and the findings showed that Balanced Scorecard is a strategic performance management system that brought a holistic approach to the performance measurement. The study also revealed that it is more advantageous to report the non-financial performance along with the financial performance of the bank in terms of evaluating performance with an all-inclusive approach.

Sunita&Vinitha (2013) developed and applied BSC for evaluating the performance of Standard Chartered Bank (SCB), a foreign bank in India. Using the concepts of Kaplan and Norton a BSC was developed for the bank to measure the performance during 2009-2012.The study revealed that the performance of Standard Chartered Bank was average in the study period.

Sagar (2008) using Balanced Scorecard. The significance of intangible indicators as a tool for measuring the performance of Bank of Baroda was evaluated for a panel data spread over ten years period i.e, 1997-2006. The author concluded that execution of the BSC is difficult due to the problems in measurement of the features related with the intangible assets.

Tapanya (2004) ,revealed that many organizations are practicing performance measurement systems that includes financial and non-financial measures. The author also highlighted the need for multiple measures of performance in the current environment for measuring and managing the performance.

Kochhar and Anand (2004), opined that BSC will help the organizations in operationalizing the strategy, bring into line employee‟s goals to that of organization, confirming a focus across multiple perspectives and allowing flexibility.She also highlighted how BSC has helped ICICI Bank in achieving rapid growth, strategic steadiness in spite of scale and diversity and meticulous and objective performance evaluation.

N. S. Varghese and P Verma (2000) conducted study on " Analyzing the impact of information technology on new generation banks". He concluded that new generation banks are far ahead of traditional public sector banks. He observes that the business per employee of major public sector banks in India is a mere fraction of the business per employee of new generation banks.

Gaganjot Singh (1998) in his study "New innovations in banking industry – a study of new private sector banks" views that the new private sector banks in India are using better technology and are offering better services to the customers. As the public sector banks have already established a huge customer base, they become complacent and are slow to become customer friendly.

Sarkar and Das (1997) conducted "A study on comparison of the performance of the three bank sectors -public, private and foreign" - for the year 1995-1996. These banks are compared in terms of profitability, productivity and financial management. They find that the public sector banks are very poor in performance than the other two sectors due to lack of technology and innovative ideas.

Kaplan and Norton (1996) revealed that the balanced score card provides executives with a comprehensive framework that can convert a company‟s vision and strategy into a coherent and linked set of performance measures. These performance measures should include both outcome measures and performance drivers of those outcome measures.

Kaplan and Norton (1992) in their study realized that there is no single measure that can provide a focused attention on critical areas of the business with a clear performance target. Managers need a balanced presentation of both financial and non-financial measures.

D Mishra (1997) conducted a study on the performance of commercial banks in India by choosing relevant parameters like quality of service, risk management, profitability etc. He concluded that the banks

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Table 1: Private-Sector Banks in India

S. No	Bank Name	Established	Headquarters	Branches	Revenues	Total Assets
1	Bandhan Bank	2015	Kolkata, West Bengal	1000	43.20 billion (US$610 million)	302.36 billion (US$4.2 billion)
2	IDFC First Bank	2015	Mumbai, Maharashtra	301	85.327 billion (US$1.2 billion)	1,121.6 billion (US$16 billion)
3	Yes Bank	2004	Mumbai, Maharashtra	1050	3.6 billion (US$50 million)	2,150 billion (US$30 billion)
4	Kotak MahindraBank	2003	Mumbai, Maharashtra	1,369	211.76 billion (US$3.0 billion)	2,146 billion (US$30 billion)
5	HDFC Bank	1994	Mumbai, Maharashtra	4,787	816.02 billion (US$11 billion)	8,638 billion (US$120 billion)

6	ICICI Bank	1994	Mumbai, Maharashtra	4,882	736.60 billion (US$10 billion)	12,720 billion (US$180 billion)
7	IndusInd Bank	1994	Mumbai, Maharashtra	1,004	185.77 billion (US$2.6 billion)	1,786 billion (US$25 billion)
8	Axis Bank	1993	Mumbai, Maharashtra	4094	414.093 billion (US$5.8 billion)	10,600 billion (US$150 billion)

Source: RBI.org

As on March 2020, there are 22 private banks in the nation of which 15 banks are considered as old private banks and seven banks are new private banks. City union bank is the most seasoned private sector bank which set up in 1904. As respects, there are number of branches ICICI bank with 4,885 branches followed by Axis bank (4094) and HDFC bank (4787).

Table 2: Branches of Private Sector Banks

Sr. No.	**Name of the Bank**	**Branches**				
		Rural	**Semi - Urban**	**Urban**	**Metro- politan**	**Total**
	Private Sector Banks	6,836	10,306	6,760	8,473	32,375
1	Axis Bank Ltd.	668	1,257	939	1,209	4,073
2	Bandhan Bank Ltd.	1,442	1,403	752	403	4,000
3	City Union Bank Ltd.	86	254	124	165	629
4	HDFC Bank Ltd.	998	1,573	966	1,430	4,967
5	ICICI Bank Ltd.	991	1,453	992	1,437	4,873
6	IDBI Bank Ltd.	412	585	504	495	1,996
7	IndusInd Bank Ltd.	281	375	429	517	1,602
8	Kotak Mahindra Bank Ltd.	228	292	323	657	1,500
9	RBL Bank Ltd.	55	77	52	140	324
10	Yes Bank Ltd.	196	305	241	379	1,121

Source: RBI.org

There are 32,375 branches of private banks as on March, 2020 of which 6,836 branches in rural, 10306 branches in semi - urban, and 6,760 branches in urban and 8,473 branches in metropolitan areas. ICICI banks, HDFC bank and Axis banks are the most important branches is composed private banks with in the country. National banks have best 136 branches in the country accompanied by RBL bank with 324 branches.

Table 3: Private Sector Banks Group-wise Maturity Profile of Select Liabilities/Assets as of March, 2020
(Per cent to total under each item)

Liabilities/Assets	**Private Sector Banks 2020**	**All SCBs 2020**
I. Deposits		
a) Up to 1 year	42.9	44.4
b) Over 1 year and up to 3 years	26.8	24.0
c) Over 3 years and up to 5 years	9.5	10.2
d) Over 5 years	20.9	21.5

II. Borrowings		
a) Up to 1 year	47.9	57.4
b) Over 1 year and up to 3 years	19.8	16.5
c) Over 3 years and up to 5 years	14.0	10.3
d) Over 5 years	18.3	15.7
III. Loans and advances		
a) Up to 1 year	31.3	29.2
b) Over 1 year and up to 3 years	34.1	37.9
c) Over 3 years and up to 5 years	12.9	12.4
d) Over 5 years	21.7	20.4
IV. Investment		
a) Up to 1 year	49.6	32.7
b) Over 1 year and up to 3 years	16.1	14.1
c) Over 3 years and up to 5 years	8.2	11.0
d) Over 5 years	26.1	42.2

Source: Annual accounts of banks

As regards deposits with upto one year amounted to 42.9 percent as against 44.4 percent in all schedule commercial banks, deposits over one year and upto 3 year amountedto 26.8 percent (24.0 %), over 3 years and upto 5 years amounted to 9.5 percent (10.0 %),over 5 years amounted to 20.9 percent (21.5 %).

As regards borrowings with upto one year amounted to 47.9 percent as against 57.4 percent in all schedule commercial banks, borrowings over one year and upto 3 year amounted to 19.8 percent (16.5 %), over 3 years and upto 5 years amounted to 14.0 percent (10.3 %), over 5 years amounted to 18.3 percent (15.7 %).

As regards loan and advance with upto one year amounted to 31.3 percent as againstpercent in all schedule commercial banks, loan and advance over one year and upto 3 year amounted to 34.1 percent (37.9 %), over 3 years and upto 5 years amounted to 12.9 percent (12.4 %), over 5 years amounted to 21.7 percent (20.4%).
As regards investment with upto one year amounted to 49.6 percent as against 32.7 percent in all schedule commercial banks, investment over one year and upto 3 year amounted to 16.1 percent (14.1 %), over 3 years and upto 5 years amounted to 8.2 percent (11.0 %), over 5 years amounted to 26.1 percent (42.2%).

Conclusion

The financial business institutions handles money in a nation including cash and credit. Banks are the institutional bodies that acknowledge deposits and award credit to the elements and assume a significant part in keeping up with the economic stature of a country. Indian financial systems is one of the efficient and controlled with proper specialists authorities over a period of time. There is a verifiable land mark for the Indian banking frameworks from private hands to nationalization and presently it transform into empowering more private cooperation in the financial areas. After the globalization Indian financial sector widespread extent its successes with technological development and up gradation. Presently banking is completely technology based with enhance and modern services. Public bank, private bank and foreign banks are rivalry each other with its functional presentation through bank development quality assistance and innovation empowered exercises. With the impact of consolidation of public banks, State Bank of India, Union Bank of India, Punjab National Bank, become a biggest banks on the world and able to competed the worldwide financial business. Hence it sis concluded that Indian Banking Sectors needs to strengthen its presentation to meet the worldwide Competition.

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