INDIAN PRIVATE SECTOR BANKS IN TRANSITION: A STUDY OF FINANCIAL PERFORMANCE OF BANKS

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Abstract: *The banking system occupies an important place in a nation's economy. The Indian Banking industry has come way from being passive business institution to a highly proactive and dynamic entity. Before liberalization, the Indian banking structure was largely controlled by parameters like branch size and location. On the recommendations of M. Narasimham Committee the reforms in the banking sector in India were initiated in 1991 and new private sector banks were allowed to be started. The new economic policy of liberalization, privatization and globalization has made a significant effect on the working of banks. The Indian banks have been able to absorb the shocks of global meltdown in the financial sector. The new private sector banks are targeted to achieve higher levels of productivity and profitability. In this paper the financial performance of new private sector banks has been measured through spread, burden and profitability ratios by considering eight parameters. Indices of profitability parameters have been calculated to know the efficiency of private sector banks.*

Keywords: *New Private Banks, Profitability, Productivity, Scheduled Banks, Spread Ratios*

INTRODUCTION

With the development of information technology, the world has become a global village and it has brought a revolution in the banking industry. Deregulation and liberalization in the financial sector have stimulated financial innovations. New Private Sector Banks came into existence as the aftermath of the reforms on the recommendations of M Narasimham Committee. The financial sector reforms were initiated to bring about a paradigm shift in the banking sector. With the introduction of new private sector banks and foreign banks today the Indian banking is operating in an increasingly deregulated and market driven, competitive environment. Alongside introduction of new players and instruments, there has been strengthening of prudential regulation and supervision. With greatly improved strength and financials, Indian banks are now well placed to capitalize

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on increasing global opportunities for further growth through diversification. The following figure shows the scheduled banking structure in India.

Scheduled Banking Structure in India
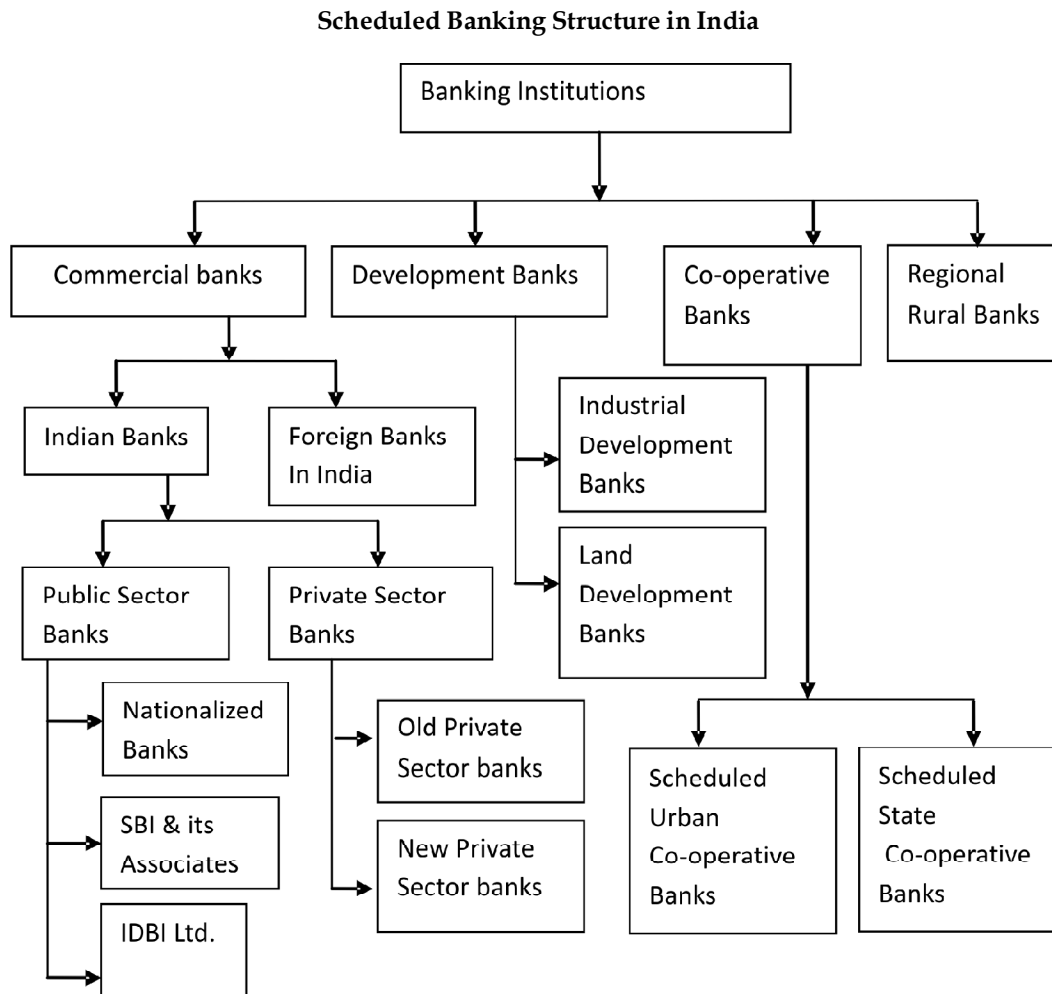
Performance of New Private Sector Banks has been measured through three set of pivotal ratios having eight parameters in total. Performance indices have been calculated to analyze new private sector banks into excellent, good, fair and poor category. The ratios are as under:

1. Spread ratios

   • Interest income as percentage to total assets

   • Interest expenditure as percentage to total assets

   • Spread as percentage to total assets

2. Burden ratios
   - Non Interest expenditure as percentage to total assets
   - Non Interest income as percentage to total assets
   - Burden as percentage to total assets

3. Profitability ratios
   - Operating Profit as percentage to total assets
   - Net Profit as percentage to total assets

REVIEW OF LITERATURE

As Banking System plays a vital role in the economic development of a nation, it has caught the eyes of many researchers, administrators, departments and committees. M. Gupta and S. Goswami (1986) in their study introduced some radical change in measuring profitability of commercial banks. They indicated the major cause tor declining profitability as the enormous increase in establishment costs. Arunava Bhattacharya, C.A.K. Lovell and Pankaj Sahay (1997) in their study revealed the impact of the limited liberalization initiated before the deregulation of the nineties on the performance of the different categories of banks, using Data Envelopment analysis. Their study covered 70 banks in the period 1986-91. They constructed one grand frontier for the entire period. P. C. Sarker and A. Das (1997) compare performance public, private and foreign banks for the year 1994-95 by using measures of profitability, productivity and financial management. They find PSBs comparing poorly with the other two categories. N.S. Vageesh (2000) highly appreciated the NPSBs which have adopted IT. The NPSBs, with their state-of-the-art technology and grandiose plans are making roads in e-banking. This is resulting in lower transaction costs for these banks. Sultan Singh (2001) made an attempt to assess the impact of the reforms on the operational performance and efficiency of the commercial banks in India. The study revealed that total income, interest earned other income, spread, total expenses, interest expended, operating expenses and establishment expenses are comparatively more consistent in the post-reform period. T T Ram Mohan and S. C. Ray (2004) in their paper documented and evaluated the performance of the public, private and foreign banks since deregulation in absolute and in relative terms. It was observed that the efficiency of the banking system as a whole measured by declining spreads has improved. Sathya Swaroop Debasish and Bishnupriya Mishra (2010) in their book on "Indian Banking System" analyzed the financial performance of nationalized banks and SBI from 1970 to 2000. They used correlation analysis, multiple regression analysis, factor analysis and concentration indices to study the overall profitability along with productivity.

OBJECTIVES OF THE STUDY

The study has been conceived with the following objectives:

1. To evaluate the financial performance of Private Sector Banks in India through spread, burden and profitability ratios.
2. To analyze the financial performance of Private Sector Banks in India through overall profitability indices.

HYPOTHESIS OF THE STUDY

Keeping in mind the survey of literature and objectives of the study, the following hypothesis emerge

H1 — The spread and profitability of Private Sector Banks have improved during the period of study.

H2 — Interest Income of Private Sector Banks is on the incremental trend during the period of study.

RESEARCH METHODOLOGY

Sample Size

It is the census study covering all New Private Sector Banks in India during the study period.

Data Collection

The study is primarily based on secondary data. A plethora of data has been collected from the following sources.

(1) IBA-Bulletins annual issues and monthly issues

(2) Statistical tables relating to banks in India

(3) Performance Highlights of New Private Sector Banks

Period of Study

The post-reform period of five years ending March 2001 - March 2010 has been taken to analyze the performance of Private Sector Banks in India.

Data Analysis

The following statistical tools have been used for analyzing data: -

1. **Mean** $(\bar{X})$ $\qquad = \Sigma X / N$

2. **Standard Deviation** (σ) $\qquad = \sqrt{(\Sigma x^2 / N)}$

3. **Co-efficient of variation** (C.V.)   = (s /'X) x 100

4. **Exponential Growth Rate** (E.G.R.) = $Y = AB^t$

   Where 'Y' is the variable for which compound rate of growth is calculated and t is time. Here A is the Y intercept and B is the slope of the curve. B=1+r

   Where 'r' is the compound growth rate and the growth rate in percentage form shall be equal to: r (%) = (B-1) x 100.

5. **Ratio Analysis:** While evaluating the performance of New Private Sector Banks the following ratios have been taken into account i.e. Spread Ratios, burden Ratios and Profitability Ratios.

6. **Trend Analysis:** Percentage growth rate over the base year has been calculated to analyze the trends on year to year basis. The percentage growth rate over the base year is given as:

$$G.R.\% = \frac{V_c - V_b}{V_b} \times 100$$

   Where: V_c = Value of the given parameter in the current year.

   V_b = Value of the given parameter in the previous year.

7. **Performance Indices:** To analyze the performance of ten New Private Sector Banks eight profitability indices have been calculated and banks wise averaged.

$$Index = \frac{Average\ ratio\ for\ concerned\ bank}{Average\ ratio\ for\ the\ aggregate\ of\ all\ New\ Pvt.Sec.Banks}$$

On the basis of above indices, the study seeks to classify the New Private Sector Banks into four levels viz., 'Excellent Performance' covers banks lying at the top 25% area of the normal distribution where growth index value is greater than ($\bar{X}$ + 0.6745 σ), 'Good Performance' includes those banks whose growth index score lies between 50% to 75% area of the normal distribution where growth index value is between $\bar{X}$ to ($\bar{X}$ + 0.6745 σ), 'Fair Performance' includes those banks whose growth index score lies between 25% to 50% area of the normal distribution where growth index value is between ($\bar{X}$ - 0.6745 s) to $\bar{X}$ and 'Poor Performance' includes those banks whose growth index score lies at the bottom 25% area of the normal distribution where growth index value lies below ($\bar{X}$ - 0.6745 σ).

ANALYSIS AND DISCUSSION

The study seeks to assess the relative performance of various banks with respect to the above said eight indicators of spread, burden and profitability with the help of following tables.

Table 1 deals with Interest Income as percentage to Total Assets which has shown a declining trend from (7.68%) in 2001 to (5.76%) in 2010 which shows a downfall of 25% in the growth rate during the period of study. In the year 2001 IDBI Bank (9.99%) has the maximum I.I.T.A. while in 2010 Centurion Bank Ltd. tops the list with (7.50%). The trend wise growth rate is highest in Centurion Bank Ltd. (25.91%) and lowest in ICICI Bank (-65.11%) in the year 2002 while in the year 2010 it is highest in Kotak Mohindra Bank (30.25%) and lowest in UTI Bank (-23.01%). Bank wise statistical analysis reveals that eight banks are having higher average than national average (6.56%). E.G.R. is negative in all the banks except ICICI Bank. E.G.R. is highest in ICICI Bank (12.06%) and lowest in Global Trust Bank Ltd. (-18.65%). Eight Banks are having higher E.G.R. than national E.G.R. (-1.79%). I.I.T.A. in terms of dispersion is less consistent with ICICI Bank (37.57%) and more consistent with IndusInd Bank (6.11%) during the period of study.

Table 2 deals with Interest Expenditure as percentage to Total Assets which has shown a declining trend from (5.68%) in 2001 to (3.58%) in 2010 which shows a downfall of 36.97% in the growth rate during the period of study. In the year 2001 IDBI Bank (8.12%) has the maximum I.Ex.T.A. while in 2010 IndusInd Bank tops the list with (4.60%). The trend wise growth rate is highest in Global Trust Bank Ltd. (28.33%) and lowest in ICICI Bank (-62.54%) in the year 2002 while in the year 2010 it is highest in Kotak Mahindra Bank (48.86%) and lowest in Centurion Bank (-36.63%). Bank wise statistical analysis reveals that six banks are having higher average than national average (4.74%). E.G.R. is negative in all the banks except ICICI Bank. E.G.R. is highest in ICICI Bank (13.66%) and lowest in IDBI Bank (-25.64%). Only one Bank is having higher E.G.R. than national E.G.R. (-5.67%). I.Ex.T.A. in terms of dispersion is less consistent with ICICI Bank (43.92%) and more consistent with IndusInd Bank (11.98%) during the period of study.

Table 3 deals with Spread as percentage to Total Assets which has shown an incremental trend from (2.01%) in 2001 to (2.18%) in 2010 which shows an increase of 3.81% in the growth rate during the period of study. In the year 2001 HDFC Bank (3.01%) and Bank of Punjab Ltd. (3.01%) have the maximum S.T.A. while in 2010 Centurion Bank Ltd. tops the list with (3.86%). The trend wise growth rate is highest in UTI Bank (60.88%) and lowest in ICICI Bank (-70.44%) in the year 2002 while in the year 2010 it is highest in IndusInd Bank (26.73%) and lowest in UTI Bank (-18.94%). Bank wise statistical analysis reveals that six banks are having higher average than national average (1.82%). E.G.R. is highest in UTI Bank (24.23%) and lowest in Kotak Mahindra Bank (-12.12%). Five Banks are having higher E.G.R. than national E.G.R. (7.33%). S.T.A. in terms of dispersion is less consistent with Global Trust Bank Ltd. (198.10%) and more consistent with HDFC Bank (10.02%) during the period of study.

Table 4 deals with Non Interest Expenditure as percentage to Total Assets which has shown a declining trend from (2.51%) in 2001 to (2.79%) in 2010 which

shows a downfall of 11.16% in the growth rate during the period of study. In the year 2001 Centurion Bank Ltd. (3.24%) has the maximum N.I.Ex.T.A. while in 2010 Bank of Punjab Ltd. tops the list with (5.40%). The trend wise growth rate is highest in UTI Bank (116.08%) and lowest in ICICI Bank (-60.46%) in the year 2002 while in the year 2010 it is highest in Kotak Mahindra Bank (29.91%) and lowest in ICICI Bank (-7.04%). Bank wise statistical analysis reveals that eight banks are having higher average than national average (2.78%). E.G.R. is highest in Global Trust Bank Ltd. (65.02%) and lowest in Kotak Mahindra Bank (-12.50%). Four Banks are having higher E.G.R. than national E.G.R. (7.86 %). N.I.Ex.T.A. in terms of dispersion is less consistent with Global Trust Bank Ltd. (59.08%) and more consistent with HDFC Bank (7.37%) during the period of study.

Table 5 deals with Non Interest Income as percentage to Total Assets which has shown an incremental trend from (1.27%) in 2001 to (1.73%) in 2010 which shows an increase of 36.22% in the growth rate during the period of study. In the year 2001 Centurion Bank Ltd. (1.65%) has the maximum N.I.I.T.A. while in 2010 ICICI Bank tops the list with (2.04%). The trend wise growth rate is highest in Bank of Punjab Ltd. (163.19%) and lowest in HDFC Bank (-47.37%) in the year 2002 while in the year 2010 it is highest in Kotak Mahindra Bank (24.10%) and lowest in UTI Bank (-50.71%). Bank wise statistical analysis reveals that six banks are having higher average than national average (1.78%). E.G.R. is highest in ICICI Bank (32.52%) and lowest in Kotak Mahindra Bank (-26.49%). Only one Bank is having higher E.G.R. than national E.G.R. (12.67%). N.I.I.T.A. in terms of dispersion is less consistent with ICICI Bank (49.05%) and more consistent with HDFC Bank (12.36%) during the period of study.

Table 6 deals with Burden as percentage to Total Assets which has shown a declining trend from (1.25%) in 2001 to (1.05%) in 2010 which shows a downfall of 16% in the growth rate during the period of study. In the year 2001 Bank of Punjab Ltd. (2.08%) has the maximum B.T.A. while in 2010 Bank of Punjab Ltd. tops the list with (4.00%). The trend wise growth rate is highest in UTI Bank (290.05%) and lowest in ICICI Bank (-72.32%) in the year 2002 while in the year 2010 it is highest in IndusInd Bank (259.94%) and lowest in Centurion Bank Ltd. (-50.23%). Bank wise statistical analysis reveals that eight banks are having higher average than national average (1.00%). E.G.R. is highest in Global Trust Bank Ltd. (128.48%) and lowest in ICICI Bank (-16.72%). Seven Banks are having higher E.G.R. than national E.G.R. (1.88%). B.T.A. in terms of dispersion is less consistent with Global Trust Bank Ltd. (95.44%) and more consistent with IDBI Bank (6.25%) during the period of study.

Table 7 deals with Operating Profit/Loss as percentage to Total Assets which has shown an incremental trend from (1.63%) in 2001 to (1.88%) in 2010 which shows an increase of 15.34% in the growth rate during the period of study. In the

Table 1
Interest Income as % to Total Assets

Sr. No.	Banks	I.I.T.A.%					Trend Base Growth Rate (%)				Statistical and Financial Analysis			
		2001	2002	2003	2004	2010	2002	2003	2009	2011	Mean	S.D.	C.V.	E.G.R.
1	ICICI Bank	5.92	2.07	8.77	7.19	5.61	-65.11	324.30	-18.04	-21.92	5.91	2.22	37.57	12.06
2	HDFC Bank	7.50	7.16	6.62	6.03	6.01	-4.56	-7.54	-8.98	-0.18	6.66	0.60	8.95	-5.96
3	Indus Bank	7.81	6.96	7.50	6.54	7.26	-10.95	7.86	-12.91	11.06	7.21	0.44	6.11	-2.07
4	GTBL	8.73	9.91	7.04	4.91	*	13.52	-28.90	-30.23	*	7.65	1.88	24.55	-18.65
5	UTI Bank	7.81	8.20	7.47	6.62	5.10	4.96	-8.89	-11.36	-23.01	7.04	1.10	15.65	-10.12
6	CentBL	9.19	11.57	10.96	9.41	7.50	25.91	-5.27	-14.13	-20.28	9.73	1.43	14.73	-5.94
7	IDBI Bank	9.99	7.66	7.54	5.67	*	-23.28	-1.60	-24.84	*	7.72	1.53	19.87	-15.77
8	BoP Ltd	9.05	9.35	8.23	7.03	6.71	3.27	-11.92	-14.67	-4.54	8.07	1.06	13.08	-8.47
9	KMB Ltd.	*	8.36	8.41	4.95	6.45	*	0.61	-41.11	30.25	7.04	1.44	20.48	-12.25
10	Yes Bank	*	*	*	*	2.35	*	*	*	*	2.35	*	*	*
	Total	7.68	4.52	8.13	6.71	5.76	-41.24	80.17	-17.49	-14.21	6.56	1.31	19.98	-1.79

Source: IBA Bulletin

Table 2
Interest Expenditure as % to Total Assets

Sr. No.	Banks	I.Ex.T.A.%					Trend Base Growth Rate (%)				Statistical and Financial Analysis			
		2001	2002	2003	2004	2010	2002	2003	2004	2010	Mean	S.D.	C.V.	E.G.R.
1	ICICI Bank	4.00	1.50	7.44	5.60	3.92	-62.54	396.67	-24.68	-30.03	4.49	1.97	43.92	13.66
2	HDFC Bank	4.49	4.52	3.92	2.86	2.56	0.50	-13.22	-26.94	-10.60	3.67	0.82	22.27	-14.63
3	Indus Bank	6.10	5.36	5.64	4.43	4.60	-12.10	5.14	-21.31	3.79	5.23	0.63	11.98	-7.25
4	GTBL	6.78	8.70	6.74	6.04	*	28.33	-22.51	-10.45	*	7.07	0.99	14.00	-5.85
5	UTI Bank	6.94	6.81	5.82	4.23	3.16	-1.84	-14.56	-27.39	-25.24	5.39	1.48	27.43	-18.54
6	CentBL	7.48	9.10	7.95	5.75	3.64	21.70	-12.65	-27.67	-36.63	6.78	1.90	28.07	-17.28
7	IDBI Bank	8.12	5.50	4.99	3.12	*	-32.30	-9.13	-37.48	*	5.43	1.79	32.86	-25.64
8	BoP Ltd	6.04	7.03	5.95	4.38	3.96	16.33	-15.40	-26.35	-9.72	5.47	1.14	20.80	-12.37
9	KMB Ltd.	*	3.70	4.04	2.01	2.99	*	9.25	-50.22	48.86	3.19	0.78	24.36	-12.47
10	Yes Bank	*	*	*	*	0.94	*	*	*	*	0.94	*	*	*
	Total	5.68	3.33	6.43	4.68	3.58	-41.24	92.88	-27.22	-23.56	4.74	1.19	25.08	-5.67

Source: IBA Bulletin

Table 3
Spread as % to Total Assets

Sr. No.	Banks	S.T.A.%					Trend Base Growth Rate (%)				Statistical and Financial Analysis			
		2001	2002	2003	2004	2010	2002	2003	2004	2010	Mean	S.D.	C.V.	E.G.R.
1	ICICI Bank	1.93	0.57	1.33	1.59	1.69	-70.44	134.06	19.02	6.72	1.42	0.47	32.84	7.96
2	HDFC Bank	3.01	2.64	2.70	3.16	3.46	-12.29	2.17	17.05	9.32	3.00	0.30	10.02	4.63
3	Indus Bank	1.70	1.60	1.86	2.10	2.66	-6.26	16.35	13.07	26.73	1.98	0.38	19.10	12.38
4	GTBL	1.95	1.20	0.29	-1.12	*	-38.12	-76.17	-491.85	*	0.58	1.15	198.10	*
5	UTI Bank	0.86	1.38	1.64	2.39	1.94	60.88	18.64	45.53	-18.94	1.64	0.51	31.32	24.23
6	CentBL	1.71	2.47	3.01	3.66	3.86	44.30	21.88	21.56	5.36	2.94	0.79	26.73	22.35
7	IDBI Bank	1.89	2.17	2.55	2.55	*	14.69	17.49	-0.07	*	2.29	0.28	12.09	11.11
8	BoP Ltd	3.01	2.32	2.31	2.65	2.75	-22.96	-0.37	14.54	4.05	2.61	0.27	10.24	-0.46
9	KMB Ltd.	*	4.66	4.37	2.94	3.45	*	-6.26	-32.67	17.52	3.85	0.69	17.90	-12.12
10	Yes Bank	*	*	*	*	1.41	*	*	*	*	1.41	*	*	*
	Total	2.01	1.18	1.70	2.03	2.18	-41.22	44.19	19.31	7.40	1.82	0.36	19.55	7.33

Source: IBA Bulletin

Table 4
Non Interest Expenditure as % to Total Assets

Sr. No.	Banks	N.I.Ex.T.A.%					Trend Base Growth Rate (%)				Statistical and Financial Analysis			
		2001	2002	2003	2004	2010	2002	2003	2004	2010	Mean	S.D.	C.V.	E.G.R.
1	ICICI Bank	2.21	0.87	3.16	2.73	2.53	-60.46	262.11	-13.75	-7.04	2.30	0.78	33.80	15.20
2	HDFC Bank	2.87	2.80	2.96	3.09	3.43	-2.45	5.81	4.51	10.88	3.03	0.22	7.37	4.69
3	Indus Bank	2.53	2.91	3.57	2.65	2.92	15.07	22.50	-25.63	10.09	2.92	0.36	12.28	1.95
4	GTBL	2.77	3.79	6.35	12.40	*	36.69	67.60	95.15	*	6.33	3.74	59.08	65.02
5	UTI Bank	1.54	3.34	2.76	3.47	2.15	116.08	-17.36	25.95	-38.08	2.65	0.73	27.36	7.28
6	CentBL	3.24	6.43	6.09	8.40	4.71	98.42	-5.40	37.98	-43.96	5.77	1.73	29.97	10.64
7	IDBI Bank	2.80	3.22	3.73	3.15	*	15.13	15.85	-15.74	*	3.23	0.33	10.35	5.10
8	BoP Ltd	3.22	4.43	4.69	4.61	5.40	37.50	5.85	-1.71	17.24	4.47	0.71	15.81	11.33
9	KMB Ltd.	*	5.41	5.62	3.21	4.18	*	3.86	-42.80	29.91	4.61	0.97	21.15	-12.50
10	Yes Bank	*	*	*	*	3.13	*	*	*	*	3.13	*	*	*
	Total	2.51	1.91	3.37	3.31	2.79	-23.94	76.57	-2.01	-15.69	2.78	0.54	19.43	7.86

Source: IBA Bulletin

Table 5
Non Interest Income as % to Total Assets

Sr. No.	Banks	N.I.I.T.A.%					Trend Base Growth Rate (%)				Statistical and Financial Analysis			
		2001	2002	2003	2004	2010	2002	2003	2004	2010	Mean	S.D.	C.V.	E.G.R.
1	ICICI Bank	1.05	0.55	2.96	2.45	2.04	-47.37	435.49	-17.24	-16.75	1.81	0.89	49.05	32.52
2	HDFC Bank	1.11	1.40	1.53	1.13	1.27	26.32	9.18	-25.77	11.74	1.29	0.16	12.36	0.59
3	Indus Bank	1.24	1.80	2.61	2.29	1.61	45.04	44.52	-12.24	-29.74	1.91	0.48	25.38	7.80
4	GTBL	1.61	3.13	2.49	2.24	*	95.19	-20.49	-10.29	*	2.37	0.55	23.15	7.94
5	UTI Bank	1.43	2.89	2.09	2.24	1.10	102.21	-27.73	6.96	-50.71	1.95	0.63	32.26	-7.50
6	CentBL	1.65	1.70	2.33	1.78	1.41	3.53	36.94	-23.94	-20.61	1.77	0.31	17.24	-2.66
7	IDBI Bank	1.30	1.84	2.08	1.62	*	41.59	13.28	-22.39	*	1.71	0.29	16.89	8.13
8	BoP Ltd	1.14	3.01	3.15	2.73	1.41	163.19	4.51	-13.38	-48.43	2.29	0.84	36.79	3.17
9	KMB Ltd.	*	4.45	3.34	1.63	2.03	*	-24.88	-51.16	24.10	2.86	1.11	38.91	-26.49
10	Yes Bank	*	*	*	*	1.41	*	*	*	*	1.41	*	*	*
	Total	1.27	1.20	2.57	2.11	1.73	-5.13	113.89	-17.79	-17.94	1.78	0.52	29.08	12.67

*Source:*IBA Bulletin

Table 6
Burden as % to Total Assets

Sr. No.	Banks	B.T.A.%					Trend Base Growth Rate (%)				Statistical and Financial Analysis			
		2001	2002	2003	2004	2010	2002	2003	2004	2010	Mean	S.D.	C.V.	E.G.R.
1	ICICI Bank	1.16	0.32	0.20	0.28	0.50	-72.32	-36.38	36.94	77.98	0.49	0.35	70.52	-16.72
2	HDFC Bank	1.76	1.40	1.43	1.96	2.16	-20.60	2.44	36.88	10.38	1.74	0.30	17.02	7.79
3	Indus Bank	1.29	1.11	0.96	0.36	1.31	-13.90	-13.35	-62.00	259.94	1.01	0.35	34.32	-10.15
4	GTBL	1.17	0.66	3.86	10.16	*	-43.74	487.87	163.19	*	3.96	3.78	95.44	128.48
5	UTI Bank	0.11	0.45	0.67	1.24	1.05	290.05	50.08	85.36	-15.26	0.70	0.41	57.64	72.64
6	CentBL	1.60	4.73	3.75	6.62	3.30	196.32	-20.66	76.49	-50.23	4.00	1.66	41.46	19.57
7	IDBI Bank	1.50	1.39	1.65	1.53	*	-7.73	19.26	-7.36	*	1.52	0.09	6.25	2.37
8	BoP Ltd	2.08	1.42	1.54	1.88	4.00	-31.79	8.69	22.15	112.49	2.18	0.94	42.95	17.26
9	KMB Ltd.	*	0.96	2.28	1.58	2.15	*	137.34	-30.51	35.91	1.74	0.52	29.98	22.85
10	Yes Bank	*	*	*	*	1.72	*	*	*	*	1.72	*	*	*
	Total	1.25	0.71	0.81	1.19	1.05	-43.03	13.47	48.29	-11.71	1.00	0.21	21.09	1.88

*Source:*IBA Bulletin March

year 2001 HDFC Bank (2.28%) has the maximum O.P.T.A. while in 2010 HDFC Bank tops the list with (2.61%). The trend wise growth rate is highest in UTI Bank (142.45%) and lowest in Centurion Bank Ltd. (-65.51%) in the year 2002 while in the year 2010 it is highest in HDFC Bank (9.68%) and lowest in Bank of Punjab Ltd. (-81.80%). Bank wise statistical analysis reveals that five banks are having higher average than national average (1.83%). E.G.R. is highest in ICICI Bank (19.92%) and lowest in Kodak Mahindra Bank (-31.56%). Three Banks are having higher E.G.R. than national E.G.R. (8.23%). O.P.T.A. in terms of dispersion is less consistent with Global Trust Bank Ltd. (152.48%) and more consistent with HDFC Bank (5.16%) during the period of study.

Table 8 deals with Net Profit/Loss as percentage to Total Assets which has shown an incremental trend from (0.76%) in 2001 to (1.13%) in 2010 which shows an increase of 48.68% in the growth rate during the period of study. In the year 2001 HDFC Bank (1.25%) has the maximum N.P.T.A. while in 2010 IndusInd Bank tops the list with (1.34%). The trend wise growth rate is highest in IDBI Bank (122.33%) and lowest in Centurion Bank Ltd. (-2018.87%) in the year 2002 while in the year 2010 it is highest in HDFC Bank (7.43%) and lowest in Bank of Punjab Ltd. (-262.65%). Bank wise statistical analysis reveals that five banks are having higher average than national average (0.82%). E.G.R. is highest in IndusInd Bank (41.65%) and lowest in Kodak Mahindra Bank (-30.31%). Three Banks are having higher E.G.R. than national E.G.R. (14.50%). N.P.T.A. in terms of dispersion is less consistent with Bank of Punjab Ltd. (197.07%) and more consistent with Global Trust Bank Ltd. (-144.34%) during the period of study.

The Table 9 presents the indices of selected spread, burden and profitability ratios and Table 10 reveals the overall profitability performance level of new private sector banks during the study period. Analyzing the banks on overall profitability indices revealed that In Spread as percentage to Total Assets Kotak Mahindra Bank, HDFC Bank and Centurion Bank obtained excellent level whereas Global Trust Bank Ltd., ICICI Bank and Yes Bank witnessed poor performance level. Two banks came in good category and two banks under fair performance level. In Burden as percentage to Total Assets ICICI Bank, UTI Bank and IndusInd Bank obtained excellent level whereas Centurion Bank and Global Trust Bank Ltd. witnessed poor performance level. Four banks came in good category and one bank i.e. Bank of Punjab Ltd. under fair performance level. In Operating Profit as percentage to Total Assets Kotak Mahindra Bank and IndusInd Bank obtained excellent level whereas Yes Bank, Centurion Bank and Global Trust Bank Ltd witnessed poor performance level. Three banks came in good category and two banks under fair performance level. In Net Profit as percentage to Total Assets only Kotak Mahindra Bank obtained excellent level whereas Global Trust Bank Ltd and Centurion Bank witnessed poor performance level. Six banks came in good category and only Yes bank under fair performance level.

Table 7
Operating Profit/Loss as % to Total Assets

Sr. No.	Banks	O.P.T.A.%					Trend Base Growth Rate (%)				Statistical and Financial Analysis			
		2001	2002	2003	2004	2010	2002	2003	2004	2010	Mean	S.D.	C.V.	E.G.R.
1	ICICI Bank	1.38	0.52	2.41	1.98	1.76	-62.15	359.81	-17.69	-11.01	1.61	0.64	39.52	19.92
2	HDFC Bank	2.28	2.29	2.33	2.38	2.61	0.66	1.86	2.10	9.68	2.38	0.12	5.16	3.20
3	Indus Bank	1.85	2.47	3.27	2.95	2.57	33.19	32.52	-9.86	-12.98	2.62	0.48	18.26	8.64
4	GTBL	1.96	2.03	0.47	-1.10	*	3.56	-76.81	-333.55	*	0.84	1.28	152.48	*
5	UTI Bank	1.17	2.83	2.09	2.89	1.50	142.45	-26.14	38.26	-48.12	2.10	0.69	32.98	5.36
6	CentBL	0.97	0.34	0.65	0.34	0.50	-65.51	93.40	-47.98	47.49	0.56	0.24	42.52	-12.48
7	IDBI Bank	1.28	1.85	1.34	2.19	*	44.82	-27.82	63.96	*	1.66	0.38	22.66	13.77
8	BoP Ltd	1.73	2.47	2.54	2.13	0.39	42.86	2.84	-16.28	-81.80	1.85	0.79	42.50	-26.97
9	KMB Ltd.	*	5.82	4.18	2.18	2.04	*	-28.20	-47.77	-6.47	3.56	1.56	43.78	-31.56
10	Yes Bank	*	*	*	*	-0.31	*	*	*	*	-0.31	*	*	*
	Total	1.63	1.26	2.28	2.11	1.88	-23.00	80.96	-7.55	-10.90	1.83	0.36	19.59	8.23

Source: IBA Bulletin March

Table 8
Net Profit/Loss as % to Total Assets

Sr. No.	Banks	N.P.T.A.%					Trend Base Growth Rate (%)				Statistical and Financial Analysis			
		2001	2002	2003	2004	2010	2002	2003	2004	2010	Mean	S.D.	C.V.	E.G.R.
1	ICICI Bank	0.77	0.25	1.13	1.31	1.20	-67.73	355.62	15.78	-8.52	0.93	0.39	41.50	29.03
2	HDFC Ba	1.25	1.25	1.28	1.21	1.29	-0.21	2.14	-5.48	7.43	1.26	0.03	2.40	0.34
3	InduS Ba	0.44	0.50	0.91	1.74	1.34	13.74	81.89	91.06	-22.60	0.99	0.50	50.37	41.65
4	GTBL	0.78	0.55	-3.56	-11.27	*	-29.68	-750.63	216.55	*	-3.38	4.87	-144.34	*
5	UTI Bank	0.75	0.93	0.98	1.15	0.89	23.45	5.06	17.59	-22.90	0.94	0.13	13.71	5.50
6	CentBL	0.12	-2.26	-0.74	-2.96	0.54	-2018.87	-67.27	300.59	-118.32	-1.06	1.35	-127.37	*
7	IDBI Bank	0.35	0.78	0.90	1.02	*	122.33	14.36	13.38	*	0.76	0.25	32.85	39.24
8	BoP Ltd	0.93	0.93	0.75	0.76	-1.24	-0.51	-19.49	2.44	-262.65	0.43	0.84	197.07	*
9	KMB Ltd.	*	3.77	2.09	1.36	1.31	*	-44.52	-35.02	-3.90	2.13	0.99	46.70	-30.31
10	Yes Bank	*	*	*	*	-0.31	*	*	*	*	-0.31	*	*	*
	Total	0.76	0.47	0.90	0.84	1.13	-38.17	90.62	-6.84	34.50	0.82	0.21	25.89	14.50

*Source:*IBA Bulletin March 2002 and The Indian Banker March 2009-10.

Table 9
Indicies of Profitability Parameters over the Period 2001-2010

S.N.	Banks	I.I.T.A.	I.Ex.T.A.	S.T.A.	N.I.I.T.A.	N.I.Ex.T.A.	B.T.A.	O.P.T.A.	N.P.T.A.
1	ICICI Bank	0.81	0.89	0.63	0.93	0.60	0.26	0.88	2.51
2	HDFC Bank	0.91	0.72	1.34	0.66	0.79	0.93	1.3	3.39
3	Indus Bank	0.98	1.03	0.89	0.98	0.77	0.54	1.43	2.66
4	GTBL	1.05	1.39	0.26	1.22	1.66	2.11	0.46	-9.13
5	UTI Bank	0.96	1.06	0.73	1.01	0.70	0.37	1.15	2.54
6	CentBL	1.33	1.34	1.31	0.91	1.52	2.13	0.31	-2.86
7	IDBI Bank	1.05	1.07	1.02	0.88	0.85	0.81	0.91	2.06
8	BoP Ltd	1.10	1.08	1.16	1.18	1.17	1.16	1.01	1.15
9	KMB Ltd.	0.96	0.63	1.72	1.48	1.21	0.93	1.94	5.76
10	Yes Bank	0.32	0.19	0.63	0.73	0.82	0.91	-0.17	-0.84

Source: Compiled on the basis of Secondary Data.

Table 10
Profitability Performance Levels of Public Sector Banks (2001-2010)

Index of Performance	I.I.T.A.	I.Ex.T.A.	S.T.A.	N.I.Ex.T.A.	N.I.I.T.A.	B.T.A.	O.P.T.A.	N.P.T.A.
Excellent	CentBL	Yes Bank KMB Ltd.	KMB Ltd. HDFC Bank CentBL	ICICI Bank UTI Bank InduS Bank	KMB Ltd. GTBL BoP Ltd	ICICI Bank UTI Bank InduS Bank	KMB Ltd. InduS Bank	KMB Ltd.
Good	BoP Ltd IDBI Bank GTBL InduS Bank UTI Bank KMB Ltd.	HDFC Bank ICICI Bank IDBI Bank BoP Ltd	BoP Ltd IDBI Bank	HDFC Bank Yes Bank IDBI Bank	UTI Bank	IDBI Bank Yes Bank HDFC Bank KMB Ltd.	HDFC Bank UTI Bank BoP Ltd	HDFC Bank Indu S Bank UTI Bank ICICI Bank IDBI Bank BoP Ltd
Fair	HDFC Bank ICICI Bank	InduS Bank UTI Bank IDBI Bank BoP Ltd	Indu S Bank UTI Bank	BoP Ltd KMB Ltd.	Indu S Bank ICICI Bank CentBL IDBI Bank	BoP Ltd	IDBI Bank ICICI Bank	Yes Bank
Poor	Yes Bank	GTBL CentBL	GTBL ICICI Bank Yes Bank	GTBL CentBL	Yes Bank HDFC Bank	CentBL GTBL	Yes Bank CentBL GTBL	GTBL CentBL

Source: Compiled on the basis of Secondary Data

CONCLUSION

A banking institution is indispensable in a modern society. The initial years of nineties, witnessed laying of the foundations for reforms in the banking system. This period saw the implementations of prudential norms pertaining to capital adequacy, income recognition, assets classification and provisioning exposure norms etc. Analyzing the banks on overall profitability indices reveals that Kotak Mahindra Bank and IndusInd Bank witnessed excellent performance while ICICI Bank, HDFC Bank and IDBI Bank Ltd. came in the good performance level. UTI Bank and Bank of Punjab Ltd. held fair performance level while Global Trust Bank Ltd. and Centurion Bank Ltd. Obtained poor performance level. Kotak Mahindra Bank has captured excellent performance level in the five parameters except Non Interest Expenditure as percentage to Total Assets, Burden as percentage to Total Assets and Interest Income as percentage to Total Assets.

In nutshell, the spread and profitability ratios have increased in New Private Sector Banks in India during the period of study which indicates that the performance of New Private Sector Banks is on the incremental trend. The interest income is showing the declining trend whereas the non interest income is on the incremental trend. On the basis of above analysis H1 is accepted and H2 is rejected.

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