

Analysing the Growth and Development of Indian Private Banking Sector: A Study

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Abstract: For an economy to be robust and growing, it is absolutely necessary to have a reliable financial system. The banking sector is by far the most important subfield within the financial services business. The Indian banking sector is an essential component of the country's overall monetary and financial system. Throughout the course of the past two decades, India's banking sector has been subject to policies with varying degrees of responsiveness. The health of every given economy is, to a significant degree, inextricably linked to that of its financial system, particularly its banking sector. The performance of the banking sector is considered as a replica of the economic activities of the nation. This is because a strong banking system functions as the base of the social, economic, and industrial progress of a nation. The Indian banking industry is comprised of both private and public sector banks, hence the private sector banks in India are a component of the larger Indian banking sector. The main aim of the study is to analyze the growth and development of Indian private sector banks and Assessing the Online services and transfer of Money. For this, secondary data prioritized than primary data which is collected from various private banks websites and annual reports, using the financial data for the years 2018 to 2023.

Keywords: Banking, Private Banks, Performance, Growth and Profitable

1. Introduction

The term "private - sector banks" refers to financial institutions in which the private shareholders own the majority of the stakes or stock, rather than the government. Since 1969, when the Indian government nationalized all of the country's major banks, the majority of the banking industry in India has been controlled by the public sector. However, ever since the government began to adopt a more permissive stance toward the banking industry in the 1990s, both established and new private sector banks have established themselves. Over the last two decades, since liberalization, they have expanded more quickly and significantly by utilizing the most recent technology, which has provided modern innovations as well as monetary instruments and strategies. The former private sector banks survived the nationalization of the banking industry in 1969 because they were either too tiny or too specialized to be included in the nationalization. This allowed them to maintain their independence. The banks that were able to obtain their banking licenses as a result of the liberalization that occurred in the 1990s are now considered to be part of the new private sector.

2. Literature Review

According to **Kandpal (2020)**, A robust and reliable financial system is indispensable for the sustained growth and stability of any economy. **Rawan Abu Zarqa & Tibor Tarnóczy (2021)**, Within the realm of financial services, the banking sector holds paramount importance, serving as the cornerstone of economic activities. **Vohra et al. (2012)** explained that in the context of India, the banking sector occupies a central position within the nation's monetary and financial framework. **Channaveere Gowda et al., (2013)** observed Over the past two decades, the private banking sector has undergone significant transformations driven by evolving policies and regulatory measures. **Apoorva Trivedi et al., (2015)**, in their observation the health and performance of India's private banking sector are intricately intertwined

with the overall economic landscape, reflecting the pulse of the nation's economic activities. According to **Ahmed (2014)** the performance of the banking sector serves as a barometer for gauging the economic health and vitality of a nation. **Dhanapal & Ganesan (2012)** observed a robust banking system not only facilitates financial intermediation but also fosters social, economic, and industrial progress.

Objectives of the Study

- 1) To analyse the growth and development of Indian private banking sector since establishment.
- 2) Assessing the online transfer of money from one customer to another using different mode of payment.
- 3) Reasons for essentials of establishing private banking sector.

3. Research Methodology

As secondary data, we have used the financial data for the years 2018 - 19 to 2022 - 23 that was published in the annual reports of private sector banks. This was done with the intention of achieving the goal stated above. For the purpose of this study, a representative sample was taken from the banking sector in India. Technology enables a greater number of people to have access to the financial system, boosts the efficiency of the system, and facilitates transactions with a lower value. Technology makes it possible for transactions to take place at a quicker rate and provides unprecedented convenience by means of a variety of delivery routes. Technology broadens consumers' options, launches entirely new markets, and boosts businesses' productive capacity and operational effectiveness.

4. Data analysis and Interpretation

Here I have taken four private sector banks which have rapid growth and played great role in Indian economy. The four banks' details as under,

- 1) ICICI Bank

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The headquarters of ICICI Bank, an Indian multinational banking and financial services corporation, is situated in Vadodara, India. Established in 1994, The inaugural public offering of shares in India, which occurred in 1998, was subsequently succeeded by several subsequent offerings, resulting in a reduction of ICICI's ownership in ICICI Bank to 46 percent. ICICI (The Parent Company) was established in 1955 through a collaborative effort between the World Bank, the Government of India, and representatives of Indian Industry. Its primary objective was to provide long - term project finance to the Indian industry. Subsequently, the bank

and the parent company merged into a single entity. Currently, it holds the position of the second largest bank in India in terms of both market capitalization and assets, ranking second. In 1999, ICICI achieved the distinction of being the inaugural Indian company and the first bank or financial institution from an Asian country other than Japan to be publicly traded on the New York Stock Exchange. The demand for the bank's issuance of five million American depository shares exceeded the amount of the offering by a factor of thirteen.

Table 1: Principal Indicators of ICICI Bank (in millions of Indian Rupees)

| Items | 2018 - 19 | 2019 - 20 | 2020 - 21 | 2021 - 22 | 2022 - 23 |
|------------------|-----------|-----------|-----------|-----------|-----------|
| Deposits (Rs.) | 2444311 | 2183478 | 2020166 | 2256021 | 2555000 |
| Advances (Rs.) | 2256161 | 2183108 | 1812056 | 2163659 | 2537277 |
| Net NPA (%) | 1.55 | 2.09 | 2.12 | 1.11 | 0.73 |
| No. of Branches | 1271 | 1432 | 1719 | 2565 | 2780 |
| No. of Employees | 40686 | 34596 | 35256 | 26929 | 25253 |

Source: A Profile of Bank: 2022 - 23, RBI Report)

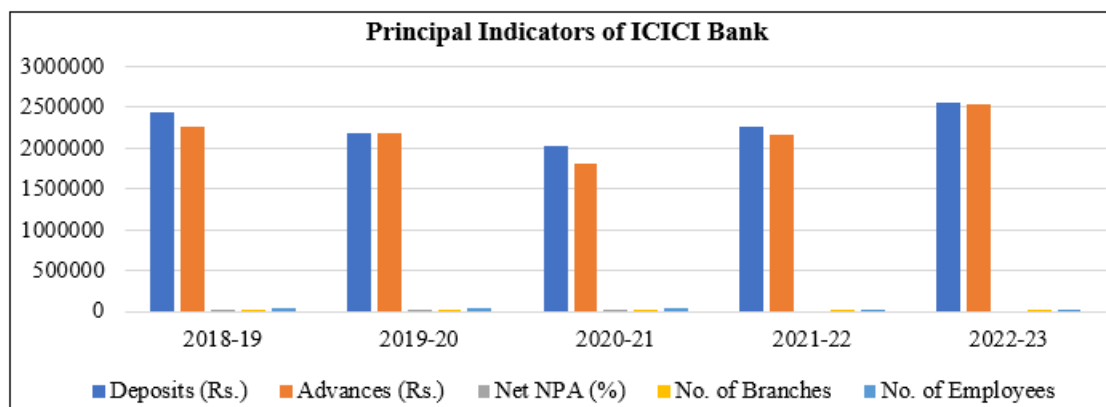


Figure 1

The key indicators of ICICI Bank from 2018–2019 to 2022–2023, presented in Table No.3.10, reveal important insights into the bank's performance and operational dynamics:

- **Deposits Fluctuations:** ICICI Bank's deposit trends displayed a mixed pattern over the period under review. Starting at Rs.2, 444, 311 million in 2018 - 19, deposits declined until 2020 - 21, reaching Rs.2, 020, 166 million, before rising again to Rs.2, 555, 000 million in 2022 - 23. This fluctuation may reflect changing market conditions and the bank's strategic initiatives to attract and retain depositors.
- **Advances Variability:** Similarly, ICICI Bank's advances demonstrated a mixed tendency, decreasing until 2020 - 21 before rebounding in 2022 - 23. Advances fell from Rs.2, 256, 161 million in 2018 - 19 to Rs.1, 812, 056 million in 2020 - 21 but rose to Rs.2, 537, 277 million in 2022 - 23. These fluctuations could be influenced by factors such as credit demand, risk appetite, and economic conditions.
- **Net NPA Ratio Dynamics:** The net non - performing assets (NPA) ratio of ICICI Bank exhibited fluctuations during the period. Starting at 1.55% in 2018 - 19, it increased to 2.12% in 2020 - 21 before declining to 0.73% in 2022 - 23. This pattern suggests efforts by the bank to manage asset quality and reduce non - performing loans over time.
- **Branch Network Expansion:** ICICI Bank witnessed a

steady increase in the total number of branches, reflecting its efforts to expand its presence and improve accessibility. Branches grew from 1, 271 in 2018 - 19 to 2, 780 in 2022 - 23, indicating strategic expansion and focus on customer outreach.

- **Employee Dynamics:** The bank experienced fluctuations in employee count over the years, reflecting changes in organizational strategies, technology adoption, and workforce optimization efforts. Employee numbers decreased from 40, 686 in 2018 - 19 to 25, 253 in 2022 - 23, indicating potential restructuring or efficiency measures undertaken by the bank.

ICICI Bank demonstrated resilience and adaptability in navigating through dynamic market conditions, as evidenced by its strategies to manage deposits, advances, asset quality, branch network expansion, and workforce optimization over the period under review.

2) HDFC Bank

One of the prominent banking and financial services institutions in the Indian subcontinent is HDFC Bank Ltd., which is headquartered in Mumbai. In August 1994, it was officially established. HDFC Bank ranks as the sixth largest bank in India based on its total assets. The establishment of the bank was facilitated by the Housing Development Financing Corporation, which has been India's foremost

housing financing corporation since its inception in 1977. Following the liberalisation of the Indian Banking Industry by the Reserve Bank of India (RBI) in 1994, the Housing Development Finance Corporation (HDFC) emerged as one of the pioneering entities to obtain preliminary approval for the establishment of a private sector bank. This clearance facilitated HDFC's ability to engage in competition with other local banks. The establishment of the bank as a legal entity took place in August 1994, followed by its commencement of operations as a scheduled commercial bank in January 1995.

HDFC Bank aspires to establish itself as a globally renowned financial institution within the Indian market. The bank has

expressed its commitment to maintaining the utmost levels of ethical standards, professional integrity, corporate governance, and regulatory compliance consistently. The Bank's corporate philosophy is grounded in five fundamental principles: operational excellence, customer focus, product leadership, people, and sustainability.

The United States Bank's American Depository shares (ADS) are listed on the New York Stock Exchange (NYSE) with the ticker symbol "HDB," while the Bank's Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange. Both exchanges are situated within the geographical boundaries of the United States.

Table 2: Principal Indicators of HDFC Bank (in millions of Indian Rupees)

| Items | 2018 - 19 | 2019 - 20 | 2020 - 21 | 2021 - 22 | 2022 - 23 |
|------------------|-----------|-----------|-----------|-----------|-----------|
| Deposits (Rs.) | 1007686 | 1428116 | 1674044 | 2085864 | 2467064 |
| Advances (Rs.) | 634269 | 988830 | 1258306 | 1599827 | 1954200 |
| Net NPA (%) | 0.47 | 0.63 | 0.31 | 0.19 | 0.18 |
| No. of Branches | 745 | 1422 | 1729 | 1980 | 2186 |
| No. of Employees | 37386 | 52687 | 51888 | 55752 | 66076 |

(Source: A Profile of Bank: 2022 - 23, RBI Report)

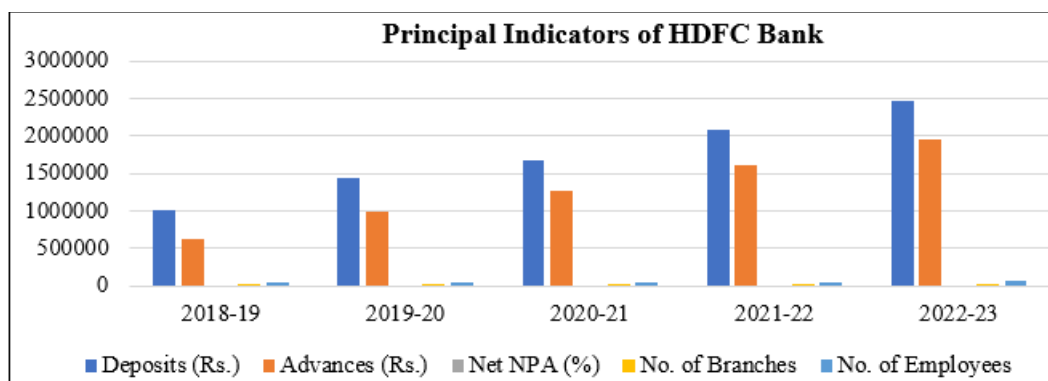


Figure 2

Table No.2 presents HDFC Bank's key performance indicators from 2018–2019 to 2022–2023, providing valuable insights into the bank's operational and financial dynamics:

- **Deposits Growth:** HDFC Bank witnessed consistent growth in its deposit base throughout the period under review. Starting at Rs.1, 007, 686 million in 2018 - 19, deposits increased steadily to Rs.2, 467, 064 million by the end of 2022 - 23. This upward trajectory reflects the bank's ability to attract and retain customer deposits over time.
- **Advances Expansion:** The bank's total advances also showed a robust upward trend, indicating its proactive lending activities and support for economic growth. Advances grew from Rs.634, 269 million in 2018 - 19 to Rs.1, 954, 200 million in 2022 - 23, showcasing a significant expansion in lending operations.
- **Net NPA Ratio Fluctuations:** HDFC Bank's net non-performing assets (NPA) ratio displayed a mixed pattern over the years. While starting relatively low at 0.47% in 2018 - 19, it increased slightly to 0.63% in 2019 - 20 before gradually declining to 0.18% by 2022 - 23. This trend suggests effective risk management practices and asset quality improvement efforts by the bank.
- **Branch Network Expansion:** HDFC Bank consistently expanded its branch network to enhance accessibility and customer reach. Branches grew from 745 in 2018 - 19 to

2, 186 in 2022 - 23, reflecting the bank's strategic focus on geographic expansion and customer convenience.

- **Employee Dynamics:** The bank experienced fluctuations in its workforce during the period, likely influenced by organizational restructuring, technology adoption, and operational efficiency measures. Employee count increased from 37, 386 in 2018 - 19 to 52, 687 in 2019 - 20, before declining in 2020 - 21. However, it rebounded in the subsequent years, reaching 66, 076 by 2022 - 23.

HDFC Bank demonstrated strong performance and resilience over the years, as evidenced by its consistent growth in deposits and advances, effective management of asset quality, strategic branch network expansion, and dynamic workforce management strategies. These indicators underscore HDFC Bank's position as a leading player in the Indian banking sector

3) AXIS Bank

AXIS Bank, previously referred to as UTI Bank, is the third largest PSB in India. Following the authorization of new private banks by the government of India in 1994, Axis Bank emerged as one of the pioneering new generation private sector banks to commence its operations. The establishment of the bank in 1993 involved a collaborative effort among the

specified undertaking of Unit Trust of India (UTI), the Life Insurance Corporation of India (LIC), the General Insurance Corporation of India (GIC), the National Insurance Company Ltd., The New India Insurance Company Ltd., The Oriental Insurance Company Ltd., and the United India Insurance Company Ltd. Subsequently, the ownership of Unit Trust of India was transferred to SUUTI, a 2006 - founded corporation. Axis Bank relocated its corporate headquarters to Mumbai in December 1993, alongside its registered office in Ahmedabad. Dr. Manmohan Singh, the Finance Minister of India at the time, conducted the ceremony to officially inaugurate the first branch in Ahmedabad on April 2, 1994. Axis Bank has demonstrated consistent growth and robust asset quality, exhibiting a compound annual growth rate (CAGR) of 21 percent in Total Assets, 19 percent in Total

Deposits, 23 percent in Total Advances, and 28 percent in Net Profit over the period of 2010 - 2014. As of March 31, 2014, the bank's balance sheet size amounted to Rs.3, 83, 245 Crores. The London Stock Exchange (LSE) is the trading platform for the Global Depository Receipts (GDRs) issued by the bank. The international operations of the bank are distributed across its seven global locations. The aforementioned locations encompass branches situated in Singapore, Hong Kong, Dubai (specifically at the DIFC), Colombo, and Shanghai, alongside representative offices located in Dubai and Abu Dhabi. Furthermore, the financial institution conducts its operations in the United Kingdom by means of its wholly owned subsidiary, Axis Bank UK Limited.

Table 3: Principal Indicators of AXIS Bank (in millions of Indian Rupees)

| Items | 2018 - 19 | 2019 - 20 | 2020 - 21 | 2021 - 22 | 2022 - 23 |
|------------------|-----------|-----------|-----------|-----------|-----------|
| Deposits (Rs.) | 876262 | 1173741 | 1413002 | 1892378 | 2201043 |
| Advances (Rs.) | 596611 | 815568 | 1043409 | 1424078 | 1697595 |
| Net NPA (%) | 0.42 | 0.40 | 0.40 | 0.29 | 0.27 |
| No. of Branches | 651 | 831 | 1035 | 1460 | 1657 |
| No. of Employees | 14739 | 20624 | 21640 | 26341 | 31738 |

(Source: A Profile of Bank: 2022 - 23, RBI Report)

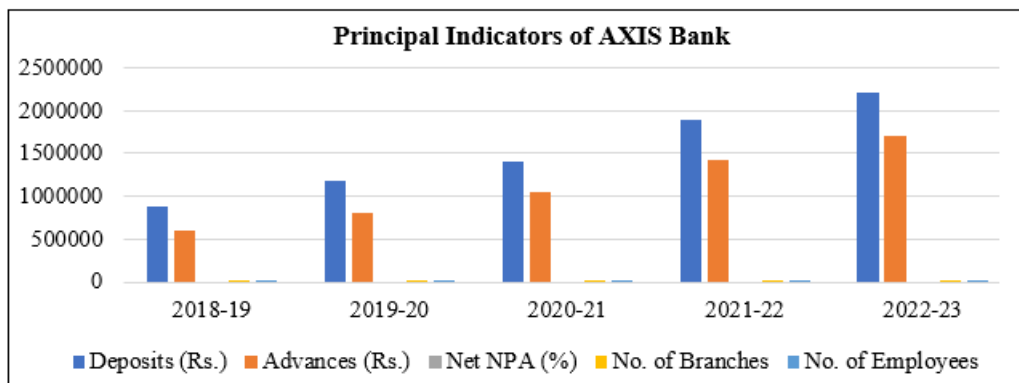


Figure 3

Table 3 presents the primary performance metrics of Axis Bank from the fiscal years 2018 - 19 to 2022 - 23, offering insights into the bank's operational and financial performance:

- **Deposits Growth:** Axis Bank demonstrated a consistent increase in its deposit base over the examined period. Starting at Rs.876, 262 million in 2018 - 19, deposits surged significantly to Rs.2, 201, 043 million by 2022 - 23. This upward trajectory reflects the bank's success in attracting and retaining customer deposits.
- **Advances Expansion:** The bank's total advances also exhibited steady growth, indicating its proactive lending activities and support for economic expansion. Advances grew from Rs.596, 611 million in 2018 - 19 to Rs.1, 697, 595 million in 2022 - 23, reflecting a substantial increase in lending operations.
- **Net NPA Ratio Stability and Improvement:** Axis Bank maintained a relatively stable or declining trend in its net non - performing assets (NPA) ratio throughout the period. The NPA ratio started at 0.42% in 2018 - 19, remained constant at 0.40% for the subsequent two years, and then decreased to 0.27% by 2022 - 23. This trend suggests effective risk management practices and improved asset quality over time.

- **Branch Network Expansion:** Axis Bank consistently expanded its branch network to enhance customer reach and accessibility. The number of branches increased from 651 in 2018 - 19 to 1, 657 in 2022 - 23, indicating the bank's strategic focus on geographic expansion and customer service.
- **Employee Growth:** The bank witnessed a steady increase in its workforce size, likely driven by business growth and operational needs. The number of employees grew from 14, 739 in 2018 - 19 to 31, 738 in 2022 - 23, reflecting the bank's emphasis on talent acquisition and organizational development.

Axis Bank demonstrated robust performance across key metrics, including deposit and loan growth, asset quality management, branch network expansion, and employee growth. These indicators underscore Axis Bank's position as a leading player in the Indian banking sector, capable of driving sustained growth and delivering value to stakeholders.

4) Kotak Mahindra Bank

Kotak Mahindra Bank is an Indian financial institution established in 1985, offering a range financial service. Kotak Mahindra Finance Limited was previously known as the firm

and functioned as a non - banking financial enterprise. In February 2003, Kotak Mahindra Finance Ltd. was granted the requisite licence by the Reserve Bank of India to engage in banking activities. This company serves as the primary representative of the Kotak Mahindra Group. Kotak Mahindra Finance Ltd. is notable in the history of Indian banking for being the pioneering entity to undergo a transformation into a

bank. The primary headquarters of the bank is in Mumbai. The establishment of Kotak Mahindra Finance Ltd. was initiated by Uday Kotak in 1985. The business successfully transitioned into a commercial banking operation in 2004, following the acquisition of a licence from the Reserve Bank of India

Table 4: Key Financial Indicators for Kotak Mahindra Bank (in millions of Rs.)

| Items | 2018 - 19 | 2019 - 20 | 2020 - 21 | 2021 - 22 | 2022 - 23 |
|------------------|-----------|-----------|-----------|-----------|-----------|
| Deposits (Rs.) | 164236 | 156440 | 238865 | 292610 | 385365 |
| Advances (Rs.) | 155522 | 166253 | 207751 | 293293 | 390792 |
| Net NPA (%) | 1.78 | 2.39 | 1.73 | 0.72 | 0.61 |
| No. of Branches | 182 | 225 | 257 | 329 | 363 |
| No. of Employees | 9058 | 8227 | 8804 | 10400 | 11207 |

Source: A Profile of Bank: 2022 - 23, RBI Report

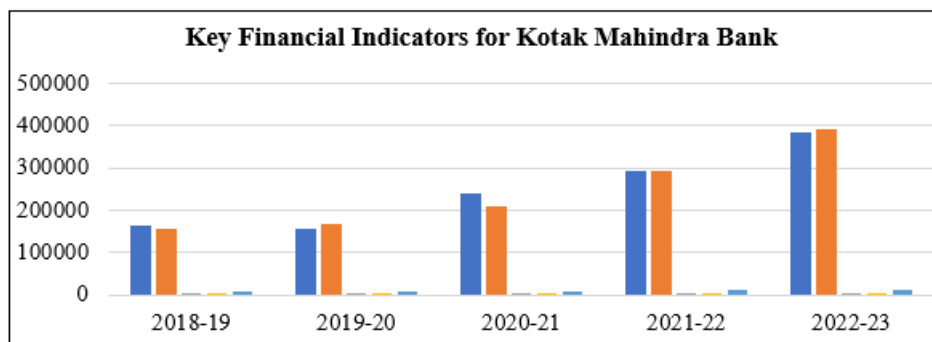


Figure 4

Table 4 presents the key financial metrics of Kotak Mahindra Bank from the fiscal years 2018 - 19 to 2022 - 23, providing insights into the bank's performance over the period:

- **Deposits Growth:** Kotak Mahindra Bank experienced steady deposit growth throughout the research period, except for a slight dip in 2019 - 20. Deposits started at Rs.164, 236 million in 2018 - 19, declined to Rs.156, 440 million in 2019 - 20, and then steadily increased to Rs.385, 365 million by 2022 - 23.
- **Advances Expansion:** The bank's advances demonstrated consistent and gradual growth, reflecting its proactive lending activities and support for economic development. Advances increased from Rs.155, 522 million in 2018 - 19 to Rs.390, 792 million in 2022 - 23, indicating robust lending operations.
- **Net NPA Ratio Improvement:** Kotak Mahindra Bank witnessed a declining trend in its net non - performing assets (NPA) ratio, except for a slight increase in 2019 - 20. The NPA ratio decreased from 1.78% in 2018 - 19 to 0.61% in 2022 - 23, underscoring effective risk management practices and enhanced asset quality over time.
- **Branch Network Expansion:** The bank consistently expanded its branch network to enhance customer reach and service delivery. The number of branches increased from 182 in 2018 - 19 to 363 in 2022 - 23, indicating strategic efforts to broaden its presence across regions.
- **Employee Dynamics:** The bank witnessed fluctuations in the number of employees over the research period. Employee count decreased from 9, 058 in 2018 - 19 to 8, 227 in 2019 - 20, followed by a gradual increase to 11, 207 by 2022 - 23. These fluctuations may reflect organizational restructuring initiatives or adjustments in

response to business needs.

Kotak Mahindra Bank demonstrated commendable performance across key metrics, including deposit and loan growth, asset quality management, branch network expansion, and workforce dynamics. These indicators highlight the bank's resilience, strategic focus, and commitment to driving sustainable growth in the banking sector.

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