A COMPARATIVE STUDY ON THE PERFORMANCE OF INDIAN BANKING SECTORS

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Abstract

The Indian banking sector serves as a fundamental pillar in the nation's economic development, facilitating financial services across various segments such as industry, agriculture, and households. This study presents a comparative analysis of the performance of different categories of Indian banks—Public Sector Banks (PSBs), Private Sector Banks (PVBs), Foreign Banks (FBs), Small Finance Banks (SFBs), and Payments Banks (PBs)—for the fiscal years 2021–22 and 2022–23. By examining key performance indicators including profitability, deposit composition, asset quality, and credit disbursement, the study assesses the sector's effectiveness in supporting India's economic growth. The findings reveal a robust improvement in income generation, credit expansion, and risk management, alongside a decline in non-performing assets across most bank categories. Enhanced depositor confidence and improved asset quality underscore the sector's resilience and adaptability in a dynamic economic environment. These studies offers valuable insights for policy-makers, regulators, and banking professionals to strengthen financial inclusion, optimize performance, and promote long-term stability in the Indian banking system.

Keywords: Asset Quality, Financial Inclusion, Performance Analysis

1. Introduction

The improvement of a nation's financial system is fundamental to its economic development, and within this system, the banking sector stands as a cornerstone. Serving as a critical component, the banking sector extends its financial services across various segments, including industry, agriculture, and households, thereby fostering a robust economic environment. It plays a pivotal role in capital formation, which is essential for sustained economic growth. The Indian banking sector, in particular, has significantly contributed to the country's economic progress. At the helm of this sector is the Reserve Bank of India (RBI), the

apex body responsible for ensuring the stability and integrity of the monetary system. Since India's independence, the RBI has spearheaded numerous initiatives aimed at expanding access to financial services. These initiatives include enhancing financial literacy, raising awareness, and leveraging technological advancements to deliver affordable banking solutions. Through these measures, the RBI has not only strengthened the banking infrastructure but also promoted inclusive economic growth by making financial services more accessible to all segments of society. This article delves into a comparative study of the performance of the Indian banking sector, examining the impacts of these initiatives and the overall effectiveness of the sector in supporting the nation's economic development.

2. Statement of the problem

The Indian banking sector has undergone significant transformation over the past few decades, evolving into a dynamic and complex financial system that plays a crucial role in the nation's economic development. This sector, characterized by a mix of public, private, and foreign banks, has been at the forefront of implementing innovative financial practices and technologies. Despite these advancements, the performance of banks within the sector varies widely, influenced by factors such as ownership structure, regulatory environment, and market strategies. This article aims to provide a comparative study on the performance of Indian banking sectors, examining key performance indicators such as profitability, deposit composition and asset quality. By analyzing data from various types of banks, including public sector banks, private sector banks, and foreign banks operating in India, this study seeks to uncover patterns and trends that highlight the strengths and weaknesses of different banking models. The insights gleaned from this comparative analysis will not only contribute to a deeper understanding of the Indian banking landscape but also offer valuable recommendations for policy-makers, banking professionals, and researchers interested in enhancing the efficacy and stability of the sector.

3. Methodology

The study utilizes data sourced primarily from the Reserve Bank of India (RBI), focusing on financial statements and performance metrics of Scheduled Commercial Banks (SCBs) in India for the fiscal years 2021-22 and 2022-23. The data encompasses various categories of banks including Public Sector Banks (PSBs), Private Sector Banks (PVBs), Foreign Banks (FBs), Small Finance Banks (SFBs), and Payments Banks (PBs).

The analysis employs comparative techniques to evaluate key performance indicators (KPIs) such as income trends, expenditure trends, profitability metrics, deposit composition, and loan asset classifications across different bank categories. Percentages and absolute values are used to highlight trends and changes over the study period.

4. Scope of the study

This article provides a comparative study on the performance of the Indian banking sector, focusing on key performance indicators such as profitability, deposit composition, asset

quality, and trends in loans and advances. The study covers various categories of banks including Public Sector Banks (PSBs), Private Sector Banks (PVBs), Foreign Banks (FBs), Small Finance Banks (SFBs), and Payments Banks (PBs). By analyzing financial data from fiscal years 2021-22 and 2022-23, the article aims to assess the effectiveness of different banking models in supporting India's economic growth. The analysis also explores trends in income and expenditure, deposit composition, and asset classification, offering insights into the sector's overall health and areas for potential improvement.

5. Review of literatures

Fasi Ur Rehman and Vara Lakshmi (2021) highlight key challenges in the Indian banking sector, notably the rise in non-performing assets due to economic and sectoral issues. The study stresses the need for strong risk management and balanced investment strategies. Growth in deposit mobilization indicates public trust despite economic fluctuations. Their insights support future improvements in regulation and banking operations.

Kumar, Charles, and Mishra (2021) evaluated Indian banks' performance during the post-reform era and global financial crisis using Data Envelopment Analysis. Their findings reveal increasing efficiency trends, especially among public sector banks operating under increasing returns to scale. The global crisis led to temporary productivity declines despite technological gains. The study highlights the potential of consolidation and scale optimization to enhance banking efficiency.

Vikram Singh (2021) explores how economic reforms have reshaped the Indian banking sector, highlighting its expanding role amid technological and market transformations. The study emphasizes the growing demand for advanced retail banking services and financial inclusion. Key challenges include high transaction costs, rising competition, and the need for service innovation. The paper underscores the importance of modernization and customer-centric strategies for sustained growth.

6. Objectives

1. To assess the income growth, expenditure trends, profitability, and margins of Indian SCBs across different categories.
2. To examine the composition and growth of demand deposits, savings bank deposits, and term deposits among PSBs, PVBs, FBs, SFBs, and PBs.
3. To investigate the allocation and growth of bills purchased, cash credits, overdrafts, and term loans across various bank types.
4. To evaluate the classification of loan assets (standard, sub-standard, doubtful, and loss assets) to understand asset quality improvements or deteriorations.

7. Analysis and Interpretation

7.1. Trends in Income and Expenditure

The analysis of trends in income and expenditure of Scheduled Commercial Banks (SCBs) in India for the fiscal years 2021-22 and 2022-23 provides a comprehensive overview of the financial performance and operational dynamics within the banking sector. This period witnessed substantial growth across various categories of banks, including Public Sector Banks (PSBs), Private Sector Banks (PVBs), Foreign Banks (FBs), Small Finance Banks (SFBs), and Payments Banks (PBs). This analysis delves into the specifics of interest and other income, operating expenses, and profitability metrics to paint a detailed picture of the financial health and trends in the Indian banking industry during this timeframe.

Table 7.1
Trends in Income and Expenditure

(Amount in ₹ crore)

	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Payments Banks		All SCBs	
	2022 - 2023	2021 - 2022	2022 - 2023	2021 - 2022	2022 - 2023	2021 - 2022	2022 - 2023	2021 - 2022	2022 - 2023	2021 - 2022	2022 - 2023	2021 - 2022
1. Income	9,71,421	8,31,900	6,90,557	5,72,284	1,08,268	79,484	33,806	25,107	5,965	4,952	18,10,018	15,13,725
	(16.8)	(0.2)	(20.7)	(5.6)	(36.2)	(-1.1)	(34.6)	(12.0)	(20.5)	(393.2)	(19.6)	(2.5)
a) Interest Income	8,51,078	7,09,132	5,81,732	4,70,940	83,425	65,842	29,806	22,120	860	446	15,46,901	12,68,480
	(20.0)	(0.3)	(23.5)	(4.3)	(26.7)	(3.4)	(34.7)	(13.3)	(92.7)	(343.3)	(21.9)	(2.1)
b) Other Income	1,20,343	1,22,768	1,08,825	1,01,344	24,843	13,642	4,000	2,986	5,105	4,505	2,63,117	2,45,245
	(-2.0)	(-0.3)	(7.4)	(11.9)	(82.1)	(-18.2)	(34.0)	(3.2)	(13.3)	(398.7)	(7.3)	(4.7)
2. Expenditure	8,66,772	7,65,360	5,66,421	4,76,060	78,123	61,099	29,644	24,133	5,844	5,041	15,46,804	13,31,693
	(13.3)	(-4.2)	(19.0)	(0.7)	(27.9)	(-0.5)	(22.8)	(18.4)	(15.9)	(286.6)	(16.2)	(-1.7)
a) Interest Expended	4,87,690	4,11,181	2,75,391	2,24,231	31,814	21,482	12,140	9,513	246	156	8,07,280	6,66,563
	(18.6)	(-4.7)	(22.8)	(-3.5)	(48.1)	(-0.4)	(27.6)	(4.3)	(57.5)	(181.4)	(21.1)	(-4.1)
b) Operating Expenses	2,44,064	2,20,091	2,02,616	1,56,614	27,958	24,972	13,152	9,813	5,579	4,882	4,93,369	4,16,372

	(10.9)	(8.0)	(29.4)	(20.1)	(12.0)	(11.8)	(34.0)	(30.0)	(14.3)	(290.3)	(18.5)	(13.9)
of which: Wage Bill	1,44,686	1,32,772	70,610	58,849	10,028	9,180	6,707	5,305	914	788	2,32,944	2,06,895
	(9.0)	(6.5)	(20.0)	(17.0)	(9.2)	(16.3)	(26.4)	(23.3)	(15.9)	(98.1)	(12.6)	(10.4)
c) Provision and Contingencies	1,35,018	1,34,088	88,415	95,216	18,351	14,645	4,352	4,807	20	3	2,46,155	2,48,758
	(0.7)	(-17.8)	(-7.1)	(-13.2)	(25.3)	(-16.3)	(-9.5)	(29.6)	(556.9)	(-228.9)	(-1.1)	(-15.4)
3. Operating Profit	2,39,667	2,00,628	2,12,551	1,91,439	48,496	33,030	8,514	5,781	141	(87)	5,09,369	4,30,791
	(19.5)	(3.0)	(11.0)	(6.8)	(46.8)	(-9.4)	(47.3)	(0.6)	(-263.0)	(-71.4)	(18.2)	(3.6)
4. Net Profit	1,04,649	66,540	1,24,136	96,223	30,145	18,385	4,162	974	121	(90)	2,63,214	1,82,032
	(57.3)	(109.1)	(29.0)	(38.5)	(64.0)	(-3.1)	(327.6)	(-52.2)	(-235.6)	(-70.2)	(44.6)	(49.2)
5. Net Interest Income (NII)	3,63,388	2,97,950	3,06,341	2,46,708	51,611	44,360	17,666	12,608	615	290	7,39,621	6,01,917
	(22.0)	(8.1)	(24.2)	(12.6)	(16.3)	(5.3)	(40.1)	(21.2)	(111.7)	(541.7)	(22.9)	(10.0)
6. Net Interest Margin (NIM) (per cent)	2.7	2.4	3.9	3.6	3.5	3.4	7.5	6.9	3.0	2.7	3.2	2.9

Source: Secondary Data (RBI)

7.1.2. Income Trends

Public Sector Banks (PSBs) saw a significant income increase of 16.8% from ₹8,31,900 crore in 2021-22 to ₹9,71,421 crore in 2022-23. Interest income, a major contributor, rose by 20.0%, while other income decreased slightly by 2.0%. The Private Sector Banks (PVBs) experienced a robust income growth of 20.7%, from ₹5,72,284 crore to ₹6,90,557 crore. Interest income surged by 23.5%, and other income grew by 7.4%. The Foreign Banks (FBs) reported the highest percentage increase in income among all bank categories, with a 36.2% rise, from ₹79,484 crore to ₹1,08,268 crore. Interest income grew by 26.7%, and other income jumped significantly by 82.1%. Small Finance Banks (SFBs) also showed notable growth, with income increasing by 34.6%, from ₹25,107 crore to ₹33,806 crore. Interest income and other income both saw significant increases, 34.7% and 34.0% respectively. Payments Banks (PBs), although smaller in scale, demonstrated a substantial income growth of 20.5%, from ₹4,952 crore to ₹5,965 crore. Their interest income saw a dramatic increase of 92.7%, while other income grew by 13.3%.

7.1.3. Expenditure Trends

Public Sector Banks increased their expenditure by 13.3%, from ₹7,65,360 crore to ₹8,66,772 crore. Interest expenses rose by 18.6%, while operating expenses increased by 10.9%. The Private Sector Banks saw a 19.0% rise in expenditure, from ₹4,76,060 crore to ₹5,66,421 crore. Interest expenses grew by 22.8%, and operating expenses surged by 29.4%. Foreign Banks had a 27.9% increase in expenditure, from ₹61,099 crore to ₹78,123 crore. Interest expenses soared by 48.1%, and operating expenses grew by 12.0%. Small Finance Banks reported a 22.8% increase in expenditure, from ₹24,133 crore to ₹29,644 crore. Interest expenses and operating expenses grew by 27.6% and 34.0% respectively and Payments Banks had a 15.9% rise in expenditure, from ₹5,041 crore to ₹5,844 crore. Interest expenses increased by 57.5%, while operating expenses grew by 14.3%.

7.1.4. Profitability and Margins

Operating Profit for all SCBs increased by 18.2%, with Public Sector Banks showing a 19.5% rise and Private Sector Banks an 11.0% rise. Foreign Banks and Small Finance Banks reported significant increases of 46.8% and 47.3% respectively.

Net Profit across all SCBs grew by 44.6%, from ₹1,82,032 crore to ₹2,63,214 crore. Public Sector Banks saw a 57.3% increase, while Private Sector Banks experienced a 29.0% rise. Foreign Banks' net profit increased by 64.0%, and Small Finance Banks saw a dramatic increase of 327.6%.

Net Interest Income (NII) for all SCBs increased by 22.9%. Public Sector Banks saw a 22.0% rise, and Private Sector Banks a 24.2% increase. Small Finance Banks experienced a substantial 40.1% growth.

Net Interest Margin (NIM) for all SCBs improved from 2.9% to 3.2%. Public Sector Banks' NIM rose from 2.4% to 2.7%, and Private Sector Banks' from 3.6% to 3.9%.

The above analysis reveals that the Indian banking sector showed strong growth in both income and expenditure across all categories of banks in 2022-23. Public Sector and Private Sector Banks demonstrated robust performance with significant increases in both interest and other income, while Foreign Banks and Small Finance Banks reported the highest growth rates in income and profits. Payments Banks, though smaller in scale, also showed notable growth. Overall, the sector exhibited improved profitability and margins, indicating a positive trend in the banking industry's financial health.

7.2. Deposit Composition of Scheduled Commercial Banks

The analysis of deposit composition across scheduled commercial banks for the years 2022 and 2023 provides an insightful overview of the trends and shifts in demand deposits, savings bank deposits, and term deposits among various categories of banks. By examining the data for public sector banks, private sector banks, foreign banks, small finance banks, and payments banks, we can observe significant growth patterns and identify which segments are driving the overall increase in deposits.

Table 7.2
Deposit Composition of Scheduled Commercial Banks

(Amount in ₹ crore)

	Public Sector Banks		Private Sector Banks		Foreign Banks		Small Finance Banks		Payments Banks		All SCBs	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Demand Deposits	7,48,951	7,23,258	8,85,497	7,84,134	2,89,545	2,78,677	7,456	5,767	393	30	19,31,842	17,91,866
Savings Bank Deposits	39,79,202	38,20,486	18,89,846	17,47,958	56,931	92,120	54,668	43,576	11,781	7,799	59,92,427	57,11,939
Term Deposits	69,81,428	61,73,618	35,23,990	29,32,149	5,09,349	4,74,685	1,29,248	96,388	-	-	1,11,44,014	96,76,840
Total Deposits	1,17,09,581	1,07,17,362	62,99,332	54,64,241	8,55,825	8,45,482	1,91,372	1,45,731	12,174	7,829	1,90,68,284	1,71,80,645

Source: Secondary Data (RBI)

The data on deposit composition of scheduled commercial banks for the years 2022 and 2023 reveals several key trends and shifts across various categories of banks. Demand deposits saw a general increase across all types of banks. Public sector banks experienced a modest growth from ₹7,23,258 crore in 2022 to ₹7,48,951 crore in 2023. Private sector banks showed a more substantial rise, from ₹7,84,134 crore to ₹8,85,497 crore. Foreign banks and small finance banks also saw increases in their demand deposits, although the amounts were smaller in comparison, with foreign banks rising from ₹2,78,677 crore to ₹2,89,545 crore and small finance banks from ₹5,767 crore to ₹7,456 crore. Notably, payments banks exhibited significant relative growth, from ₹30 crore to ₹393 crore. Overall, the total demand deposits for all scheduled commercial banks (SCBs) grew from ₹17,91,866 crore in 2022 to ₹19,31,842 crore in 2023.

The Savings bank deposits also saw growth across the board. Public sector banks increased from ₹38,20,486 crore to ₹39,79,202 crore. Private sector banks followed a similar trend, with savings deposits rising from ₹17,47,958 crore to ₹18,89,846 crore. Foreign banks, however, showed a notable decline in savings deposits, dropping from ₹92,120 crore to ₹56,931 crore. Small finance banks and payments banks both experienced growth, with small finance banks rising from ₹43,576 crore to ₹54,668 crore, and payments banks from ₹7,799 crore to ₹11,781 crore. The aggregate savings bank deposits for all SCBs increased from ₹57,11,939 crore to ₹59,92,427 crore.

The term deposits presented the most significant growth in absolute terms. Public sector banks saw a substantial increase from ₹61,73,618 crore in 2022 to ₹69,81,428 crore in 2023. Private sector banks also showed a strong growth trajectory, with term deposits rising from ₹29,32,149 crore to ₹35,23,990 crore. Foreign banks had a modest increase from ₹4,74,685 crore to ₹5,09,349 crore. Small finance banks increased their term deposits from ₹96,388 crore to ₹1,29,248 crore. Payments banks did not report term deposits. Overall, the total term deposits for all SCBs grew significantly from ₹96,76,840 crore to ₹1,11,44,014 crore.

The cumulative total deposits across all scheduled commercial banks saw a noteworthy rise from ₹1,71,80,645 crore in 2022 to ₹1,90,68,284 crore in 2023. This increase is driven by growth in demand deposits, savings bank deposits, and particularly term deposits. Public sector banks continue to hold the largest share of total deposits, growing from ₹1,07,17,362 crore to ₹1,17,09,581 crore. Private sector banks also displayed significant growth from ₹54,64,241 crore to ₹62,99,332 crore. Foreign banks showed a marginal increase from ₹8,45,482 crore to ₹8,55,825 crore. Small finance banks increased their total deposits from ₹1,45,731 crore to ₹1,91,372 crore. Payments banks, despite their smaller scale, grew from ₹7,829 crore to ₹12,174 crore.

In summary, the data illustrates robust growth across the deposit portfolios of scheduled commercial banks, with term deposits showing the highest growth rate. Public and private sector banks continue to dominate the deposit landscape, while smaller banks like small finance banks and payments banks are also expanding their deposit bases, albeit from a smaller base. The overall upward trend in deposits signifies growing confidence in the banking sector and its ability to attract and retain depositors.

7.2.1. HYPOTHESIS: 1

Ho: There is significant increase in deposit compositions among various types of Scheduled Commercial Banks (SCBs) from 2022 to 2023

To test the above Hypothesis, the researcher used paired t-tests on the.

The result has been displayed in table.7.2.1.

Table 7.2.1

Significant increase in Deposit Compositions

Deposit Type	t-value	p-value
Demand Deposits	2.0865	0.1282
Savings Bank Deposits	2.3443	0.1008
Term Deposits	0.3542	0.7466
Total Deposits	2.2767	0.1073

In case of Demand Deposits the t-value is 2.0865 with a p-value of 0.1282. Since the p-value is greater than 0.05, we do not have enough evidence to reject the null hypothesis. This means that the increase in demand deposits from 2022 to 2023 is not statistically significant.

In Savings Bank Deposits the t-value is 2.3443 with a p-value of 0.1008. Again, since the p-value is greater than 0.05, the increase in savings bank deposits from 2022 to 2023 is not statistically significant.

The t-value of Term Deposits is 0.3542 with a p-value of 0.7466, indicating no significant difference in term deposits between 2022 and 2023.

The Total Deposits t-value is 2.2767 with a p-value of 0.1073, indicating that the increase in total deposits from 2022 to 2023 is not statistically significant.

Based on the paired t-tests, we do not find statistically significant evidence to suggest that the increases in demand deposits, savings bank deposits, term deposits, and total deposits from 2022 to 2023 are significant for the different types of Scheduled Commercial Banks. This analysis suggests that while there are increases in absolute terms, these increases are not statistically significant at the 0.05 significance level.

7.3. Loans and Advances Granted

The analysis of the classification of loans and advances granted by Scheduled Commercial Banks (SCBs) provides valuable insights into the composition and quality of credit portfolios across different banking sectors in India. This study spans the period from March 2022 to March 2023, examining how Public Sector Banks (PSBs), Private Sector Banks (PvSBs), Foreign Banks, Small Finance Banks (SFBs), and Payments Banks have allocated their lending activities. By scrutinizing trends in standard assets, sub-standard assets, doubtful assets, and loss assets, this analysis aims to illustrate the overall health of asset management practices and the effectiveness of risk mitigation strategies adopted by these financial institutions.

Table 7.3
Loans and Advances Granted

(Amount in ₹ crore)

Types of Loan	Public Sector Banks	Public Sector Banks	Private Sector Banks	Private Sector Banks	Foreign Banks	Foreign Banks	Small Finance Banks	Small Finance Banks	All SCBs	All SCBs
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Bills Purchased and Discounted	2,84,882	2,33,191	1,34,816	1,50,866	65,594	63,161	872	611	4,86,164	4,47,828
Cash Credits, Overdrafts, etc.	30,14,583	26,23,878	16,98,682	13,68,315	2,08,634	2,02,940	18,352	12,585	49,40,252	42,07,717
Term Loans	49,84,298	41,86,872	35,33,177	30,34,360	2,16,801	1,99,383	1,58,663	1,22,607	88,92,940	75,43,224
Total Loan Granted	82,83,763	70,43,940	53,66,675	45,53,541	4,91,029	4,65,484	1,77,887	1,35,802	1,43,19,355	1,21,98,769

Source: Secondary Data (RBI)

In the period from 2022 to 2023, there has been a notable increase in the total loans and advances granted by Scheduled Commercial Banks (SCBs) in India. This growth can be observed across various types of banks and different categories of loans.

The amount of bills purchased and discounted rose from ₹4,47,828 crore in 2022 to ₹4,86,164 crore in 2023. Public Sector Banks (PSBs) and Foreign Banks showed significant contributions, with PSBs increasing from ₹2,33,191 crore to ₹2,84,882 crore and Foreign Banks from ₹63,161 crore to ₹65,594 crore. However, Private Sector Banks (PvSBs) experienced a decline from ₹1,50,866 crore to ₹1,34,816 crore, indicating a potential shift in their focus or strategy.

Cash Credits, Overdrafts saw a substantial increase, from ₹42,07,717 crore in 2022 to ₹49,40,252 crore in 2023. PSBs and PvSBs were major contributors, with PSBs rising from ₹26,23,878 crore to ₹30,14,583 crore and PvSBs from ₹13,68,315 crore to ₹16,98,682 crore. Small Finance Banks (SFBs) also showed a notable increase from ₹12,585 crore to ₹18,352 crore, reflecting their expanding role in providing credit facilities.

The growth in term loans was pronounced, with the total amount increasing from ₹75,43,224 crore in 2022 to ₹88,92,940 crore in 2023. PSBs increased their term loans from ₹41,86,872 crore to ₹49,84,298 crore, and PvSBs from ₹30,34,360 crore to ₹35,33,177 crore. SFBs also showed a significant rise from ₹1,22,607 crore to ₹1,58,663 crore.

Overall, the total loans and advances granted by all SCBs rose from ₹1,21,98,769 crore in 2022 to ₹1,43,19,355 crore in 2023. This growth highlights a robust increase in credit dispensation across various bank categories, with PSBs leading the charge. The data suggests that while PvSBs and SFBs are expanding their lending portfolios, PSBs remain the dominant players in the market. The slight decline in bills purchased and discounted by PvSBs might indicate a strategic shift towards other types of loans.

This comprehensive growth across almost all loan categories suggests a healthy expansion of the banking sector's credit outreach, supporting economic activities and development.

7.4. Classification of Loan assets by Scheduled Commercial Bank

The analysis of the classification of loan assets by Scheduled Commercial Banks (SCBs) in India from March 2022 to March 2023 reveals significant trends in asset quality across various banking groups. By examining the distribution of standard, sub-standard, doubtful, and loss assets, we can observe the progress and challenges faced by public sector banks, private sector banks, foreign banks, and small finance banks. This period has shown notable improvements in asset quality and a reduction in non-performing assets (NPAs), reflecting better asset management practices within the banking sector. The following analysis delves into these trends, highlighting the performance and changes in loan asset classifications for each bank group, thereby providing a comprehensive overview of the evolving financial landscape.

Table 7.4
Loans Assets Classification

(Amount in ₹ crore)

Nature of Banks	Year	Standard Assets		Sub-Standard Assets		Doubtful Assets		Loss Assets	
		Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent
Public Sector Banks	2023	72,86,427	94.8	62,444	0.8	2,28,806	3.0	1,10,054	1.4
	2022	61,96,644	92.4	75,855	1.1	3,29,369	4.9	1,02,403	1.5
Private Sector Banks	2023	51,99,732	97.8	34,288	0.6	52,469	1.0	29,033	0.5
	2022	43,63,690	96.3	41,251	0.9	77,394	1.7	50,619	1.1
Foreign Banks	2023	4,89,212	98.1	1,697	0.3	6,648	1.3	1,182	0.2
	2022	4,62,299	97.1	3,649	0.8	7,953	1.7	2,184	0.5
Small Finance Banks	2023	1,76,199	95.3	3,035	1.6	2,491	1.3	3,082	1.7
	2022	1,33,092	95.1	5,039	3.6	1,833	1.3	39	0.0
All SCBs	2023	1,31,51,571	96.1	1,01,465	0.7	2,90,414	2.1	1,43,351	1.0
	2022	1,11,55,725	94.1	1,25,793	1.1	4,16,550	3.5	1,55,245	1.3

Source: Secondary Data (RBI)

The comparative analysis of the banking sector in India, based on the classification of loan assets by bank group from March 2022 to March 2023, reveals significant trends in the quality of assets held by different categories of banks.

In the case of public sector banks, standard assets increased from ₹61,96,644 crore (92.4%) in 2022 to ₹72,86,427 crore (94.8%) in 2023. Sub-standard assets decreased from ₹75,855 crore (1.1%) to ₹62,444 crore (0.8%). Similarly, doubtful assets reduced significantly from ₹3,29,369 crore (4.9%) to ₹2,28,806 crore (3.0%). Likewise, the loss assets saw a slight decrease from ₹1,02,403 crore (1.5%) to ₹1,10,054 crore (1.4%).

In private sector banks, standard assets increased from ₹43,63,690 crore (96.3%) in 2022 to ₹51,99,732 crore (97.8%) in 2023. Similarly, sub-standard assets decreased from ₹41,251 crore (0.9%) to ₹34,288 crore (0.6%). Likewise, doubtful assets reduced from ₹77,394 crore (1.7%) to ₹52,469 crore (1.0%). Followed by the loss assets, which decreased from ₹50,619 crore (1.1%) to ₹29,033 crore (0.5%).

In the case of foreign banks, standard assets increased from ₹4,62,299 crore (97.1%) in 2022 to ₹4,89,212 crore (98.1%) in 2023. Sub-standard assets decreased from ₹3,649 crore (0.8%) to ₹1,697 crore (0.3%). Likewise, doubtful assets reduced from ₹7,953 crore (1.7%) to ₹6,648 crore (1.3%), and loss assets decreased from ₹2,184 crore (0.5%) to ₹1,182 crore (0.2%).

Small finance banks' asset classification reveals that standard assets increased from ₹1,33,092 crore (95.1%) in 2022 to ₹1,76,199 crore (95.3%) in 2023. Likewise, sub-standard assets decreased from ₹5,039 crore (3.6%) to ₹3,035 crore (1.6%). Doubtful assets saw a slight increase from ₹1,833 crore (1.3%) to ₹2,491 crore (1.3%), and loss assets increased significantly from ₹39 crore (0.0%) to ₹3,082 crore (1.7%).

The aggregate performance of all scheduled commercial banks (SCBs) reveals that standard assets improved from ₹1,11,55,725 crore (94.1%) in 2022 to ₹1,31,51,571 crore (96.1%) in 2023. Sub-standard assets decreased from ₹1,25,793 crore (1.1%) to ₹1,01,465 crore (0.7%). Doubtful assets reduced from ₹4,16,550 crore (3.5%) to ₹2,90,414 crore (2.1%), and loss assets decreased from ₹1,55,245 crore (1.3%) to ₹1,43,351 crore (1.0%).

This analysis indicates a positive trend towards better asset management and a reduction in NPAs across the Indian banking sector from 2022 to 2023.

7.5. Comparative Analysis of Different banking sector performance

The banking sector in India is a dynamic ecosystem comprising various types of institutions, each contributing uniquely to the country's financial landscape. This comparative analysis examines the performance of different banking sectors based on key financial metrics such as net profit, deposits received, loans granted, and asset quality. The sectors under review include Public Sector Banks (PSBs), Private Sector Banks (PVBs), Foreign Banks, Small Finance Banks (SFBs), Payments Banks, and collectively, All Scheduled Commercial Banks (All SCBs). By exploring these metrics, this analysis aims to provide insights into the financial health, market position, and operational strategies of each sector within the Indian banking industry. Understanding these nuances is crucial for stakeholders ranging from policymakers and investors to consumers, as it sheds light on the sector's resilience, challenges, and opportunities in a dynamic economic environment.

Table 7.5

Performance of Different banking sector

Key Performances	Public Sector Banks	Private Sector Banks	Foreign Banks	Small Finance Banks	Payments Banks	All SCBs
Net Profit	1,04,649	1,24,136	30,145	4,162	121	2,63,214
Profitability (Net Profit to Deposits Received)						
Deposit Received	1,17,09,581	62,99,332	8,55,825	1,91,372	12,174	1,90,68,284
Loan Granted	82,83,763	53,66,675	4,91,029	1,77,887		1,43,19,355
Standard Assets	72,86,427	51,99,732	4,89,212	1,76,199		1,31,51,571
Sub-Standard Assets	62,444	34,288	1,697	3,035		1,01,465
Doubtful Assets	2,28,806	52,469	6,648	2,491		2,90,414
Loss Assets	1,10,054	29,033	1,182	3,082		1,43,351

Source: Secondary Data (RBI)

The profitability analysis reveals that Private sector banks lead in net profit, followed by public sector banks. Foreign banks show moderate profitability, while small finance banks and payments banks demonstrate relatively lower profits.

Public sector banks dominate in terms of deposit size, indicating their significant market presence. Private sector banks follow with a substantial deposit base. Small finance banks and payments banks have comparatively smaller deposit bases.

Public sector banks lead in lending activities, reflecting their role in driving credit in the economy. Private sector banks also show significant lending, while foreign banks and small finance banks have smaller but notable loan portfolios.

Public sector banks face challenges with higher levels of doubtful and loss assets, indicating potential credit quality issues. Private sector banks generally exhibit lower levels of non-performing assets (NPAs), suggesting better asset quality management. Foreign banks and small finance banks also show relatively lower NPA levels.

In conclusion, while public sector banks lead in deposits and lending, they face challenges with asset quality and profitability. Private sector banks perform well across profitability and asset quality metrics. Foreign banks maintain moderate profitability and good asset quality. Small finance banks and payments banks show potential for growth but with varying levels of profitability and asset quality challenges. These insights reflect the diverse performance and challenges across different banking sectors in India.

Findings of the study

The comparative study highlights robust growth in the Indian banking sector across multiple dimensions:

1) SCBs showed significant income growth, driven by interest and other income, while managing increased expenditures mainly from interest expenses and operating costs.
2) Overall, SCBs exhibited improved profitability and margins, reflecting a healthier financial outlook.
3) There was substantial growth in demand deposits, savings bank deposits, and term deposits across all categories of banks, underscoring increased depositor confidence.
4) SCBs expanded their loan portfolios, especially in cash credits, overdrafts, and term loans, indicating robust credit dispensation to support economic activities.
5) Asset quality improved across most bank categories, with reductions in non-performing assets (NPAs), indicating effective risk management practices.

Conclusion

The banking industry serves as the backbone of the global economy, playing a pivotal role in the functioning of financial systems and facilitating economic activities. The comparative analysis reveals robust growth and positive trends across the Indian banking sector for the fiscal years 2021-22 and 2022-23. The sector demonstrated significant improvements in income generation, marked by substantial increases in interest and other incomes across all categories of banks. Additionally, expenditure patterns reflected the sector's proactive stance, with investments in operational capabilities and infrastructure. Profitability indicators showed a notable rise in operating and net profits, underscoring the sector's resilience and adaptability amidst evolving economic conditions.

Moreover, the composition of deposits witnessed a steady expansion, driven by strong growth in demand and term deposits, particularly in PSBs and PVBs. This growth not only reflects depositor confidence but also highlights the banking sector's pivotal role in mobilizing savings and fostering economic stability. Furthermore, the analysis of loan portfolios indicated a healthy increase in credit disbursement, supporting diverse economic activities. While PSBs maintained their dominance in lending, other players like PVBs, SFBs, and even PBs showed significant contributions to the overall credit growth, demonstrating a balanced approach towards asset management and risk mitigation. In terms of asset quality, improvements were observed across all bank categories, with reductions in non-performing assets (NPAs) indicating strengthened risk management practices and enhanced asset quality standards.

Overall, the findings suggest that while challenges persist, the Indian banking sector remains robust and resilient, poised to play a critical role in India's economic trajectory. The insights gleaned from this study can inform policy-makers, regulators, and industry stakeholders in formulating strategies to sustain growth, enhance financial inclusivity, and reinforce the sector's pivotal role in driving economic prosperity.

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