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Financial Performance Analysis of Indian Banking Sector

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Abstract- The banking sector plays a vital role in the economic growth and financial stability of a country. This study analyzes the financial performance of the top 10 banks in India over a five-year period (2021–2025). The main objective is to compare the financial performance of these banks using key financial indicators and ratio analysis. The study evaluates profitability, liquidity, solvency, operational efficiency, and capital adequacy to assess the overall financial health of the selected banks. The research is based on secondary data collected from the annual reports and published financial statements of the selected banks. Statistical tools such as ratio analysis and ANOVA are used to analyze and compare the financial performance of the banks. The findings help identify the strengths and weaknesses of each bank and provide insights into their financial stability and operational efficiency. The study is useful for investors, bank management, policymakers, researchers, and customers in understanding the financial position and performance of leading Indian banks. It also offers suggestions for improving financial performance and supports informed decision-making in the banking sector.

Keywords- Financial Performance, Banking Sector, Ratio Analysis, Profitability, ANOVA, Top 10 Banks in India

I. INTRODUCTION

The banking sector is one of the most important pillars of the Indian economy. Banks mobilize savings, provide loans, facilitate investments, and support trade and business activities. They play a significant role in promoting economic growth by ensuring the efficient flow of funds across different sectors. With rapid technological advancements, increasing competition, and changing customer expectations, banks are required to maintain strong financial performance to remain competitive and financially stable.

Financial performance analysis is the process of evaluating a bank's financial health by examining its financial statements and key financial ratios. It helps measure profitability, liquidity, solvency, operational efficiency, and overall financial stability. Common financial indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Capital Adequacy Ratio (CAR), and Non-Performing Assets (NPA) are widely used to assess bank performance.

This study focuses on the financial performance analysis of the top 10 banks in India during the period 2021–2025. The analysis is based on secondary data collected from annual reports and published financial statements. Ratio analysis and ANOVA are used to compare the performance of the selected banks and identify their strengths and weaknesses.

The findings of this study will be useful for investors, bank management, policymakers, researchers, and customers in understanding the financial position of leading banks and supporting better financial decision-making.

II. STATEMENT OF THE PROBLEM

The banking sector plays a vital role in the economic development of India by mobilizing savings, providing credit, and supporting business and industrial growth. In recent years, banks have faced increasing competition, rapid technological advancements, changing customer expectations, and stricter regulatory requirements. These factors have made it essential for banks to maintain strong financial performance and operational efficiency.

Although the top 10 banks in India have shown growth in terms of deposits, advances, and profitability, their financial performance differs significantly due to variations in profitability, liquidity, solvency, asset quality, and operational efficiency. Therefore, it is necessary to compare the financial performance of these banks using appropriate financial ratios and statistical tools.

This study aims to analyze and compare the financial performance of the top 10 banks in India during the period 2021–2025. The findings will help identify the

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strengths and weaknesses of each bank and provide useful insights for investors, bank management, policymakers, researchers, and customers in making informed financial decisions.

III. NEED OF THE STUDY

The banking sector is one of the most important contributors to the economic development of India. Evaluating the financial performance of banks is essential to understand their profitability, liquidity, solvency, operational efficiency, and overall financial health. With increasing competition, technological advancements, changing customer expectations, and strict regulatory requirements, banks must continuously improve their financial performance to remain competitive.

This study is undertaken to compare the financial performance of the top 10 banks in India using key financial ratios and statistical analysis. It helps identify the strengths and weaknesses of the selected banks, evaluate their resource utilization, risk management, and profitability, and assess their overall financial stability.

The findings of this study will be useful to investors, bank management, policymakers, researchers, and customers in making informed financial decisions. It also provides valuable insights that can help banks improve their operational efficiency and achieve sustainable growth in the future.

IV. OBJECTIVES OF THE STUDY

To analyze and compare the financial performance of the top 10 banks in India using key financial indicators.
To evaluate the profitability of the selected banks through profitability ratios.
To assess the liquidity position of the selected banks.
To analyze the solvency and capital adequacy of the selected banks.
To compare the operational efficiency and asset quality of the top 10 banks.
To provide suggestions for improving the financial performance of the selected banks based on the study findings

V. LITERATURE REVIEW

The literature on financial performance analysis highlights the importance of evaluating the profitability, liquidity, solvency, and operational efficiency of organizations through financial statements and ratio analysis. Several researchers have examined financial performance across different industries, particularly the banking sector.

Abdul Talib Bon (2021) stated that financial performance reflects an organization's ability to generate revenue, profitability, and sustainable growth. The study emphasized the importance of financial indicators in measuring organizational success.

B. Saranya (2020) explained that finance is the lifeblood of every business and that financial performance analysis helps assess profitability, stability, and efficient utilization of financial resources.

Bismark Maka (2018) reviewed existing research on financial performance evaluation and highlighted the importance of financial information for stakeholders in making informed decisions.

Dang Thi Thuy (2023) emphasized that financial performance should be evaluated using profitability, liquidity, solvency, and efficiency indicators to understand a firm's overall financial health.

Dr. Dilip Kumar Sharma (2023) observed that financial performance analysis assists management, investors, and policymakers in evaluating business performance and identifying areas for improvement.

Dr. R. Suresh (2020) concluded that ratio analysis is an effective tool for assessing the financial position, liquidity, and profitability of organizations and supports better managerial decisions.

K. Keerthi (2020) studied the financial performance of a bank using ratio analysis and found that profitability, liquidity, and solvency ratios are useful in comparing financial performance over time.

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Nilambari Moholkar (2024) highlighted that traditional financial ratios such as Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), and Net Profit Margin (NPM) are important measures for evaluating financial performance and long-term sustainability.

Overall, the reviewed studies indicate that financial performance analysis is essential for measuring the financial health, efficiency, and profitability of banks. These studies provide a strong theoretical foundation for analyzing and comparing the financial performance of the top 10 banks in India using financial ratios and statistical tools.

VI. RESEARCH METHODOLOGY

Research methodology refers to the systematic process used to collect, analyze, and interpret data to achieve the objectives of the study. This study focuses on the financial performance analysis of the top 10 banks in India.

Research Design:
The study is descriptive and comparative in nature, as it compares the financial performance of the selected banks over a five-year period.

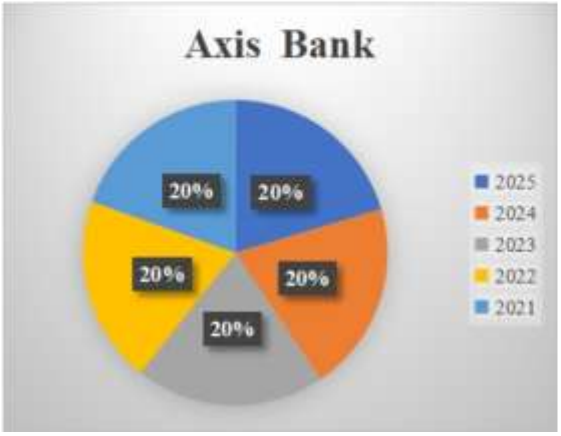
Sources of Data:
The study is based entirely on secondary data collected from:

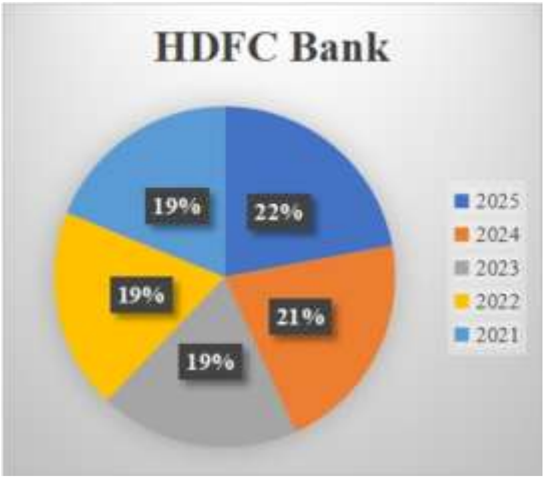
Annual reports of the selected banks.
Published financial statements (Balance Sheet, Profit and Loss Account, and Cash Flow Statement).

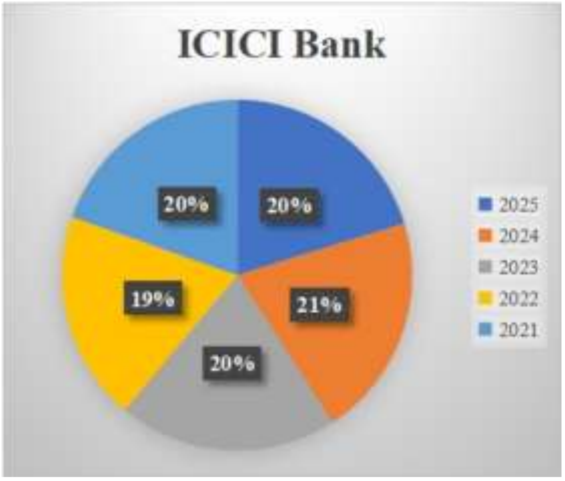
Reserve Bank of India (RBI) publications.

Financial websites and other reliable published sources.

1. Credit-Deposit Ratio (%)







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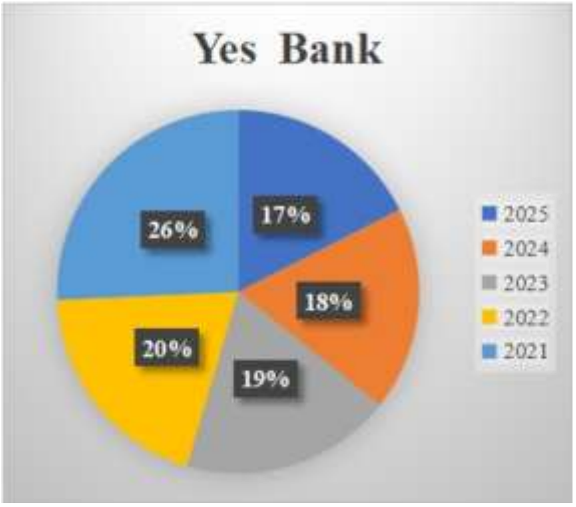

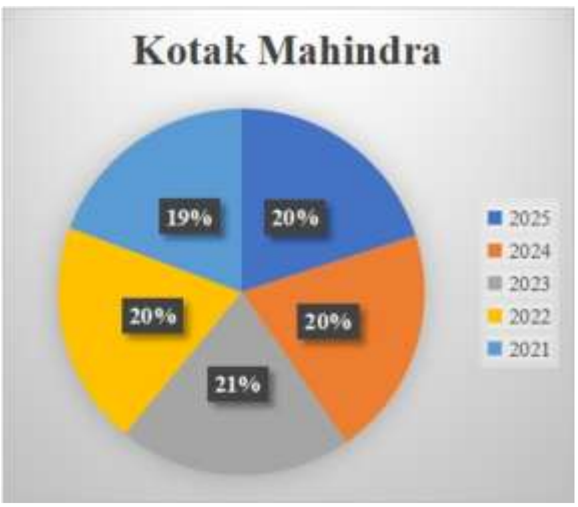

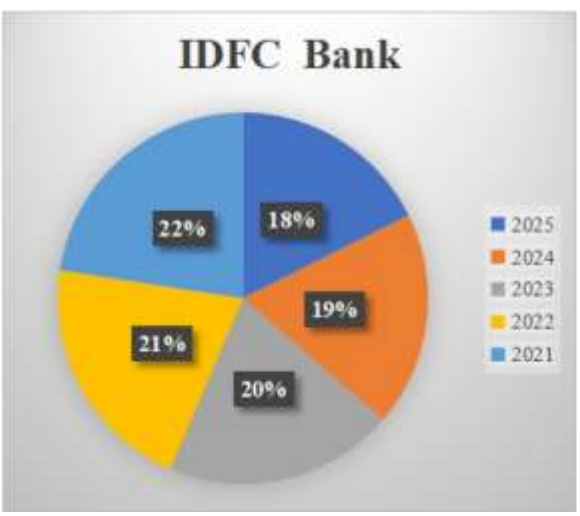

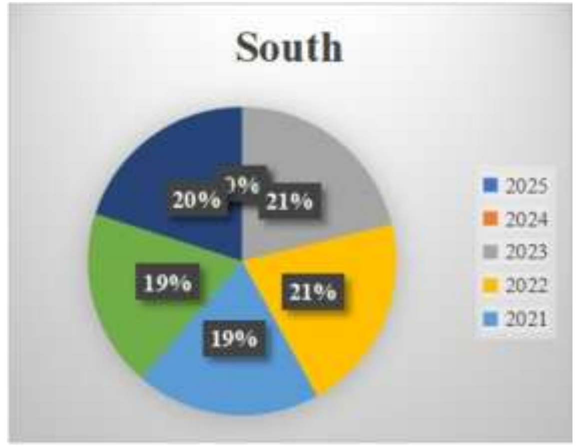

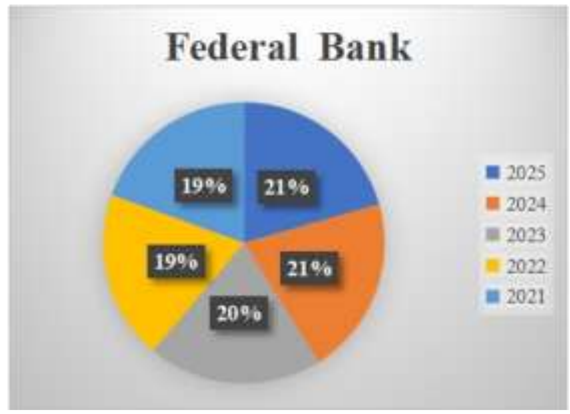

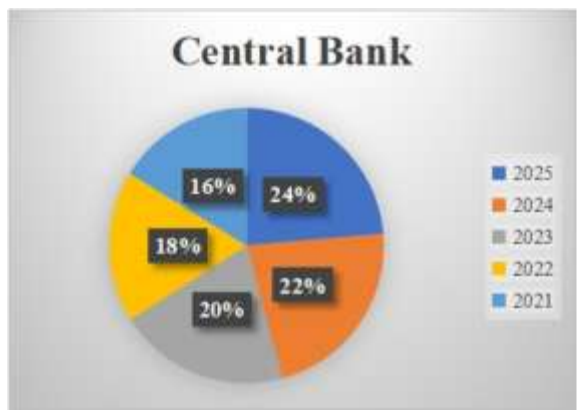

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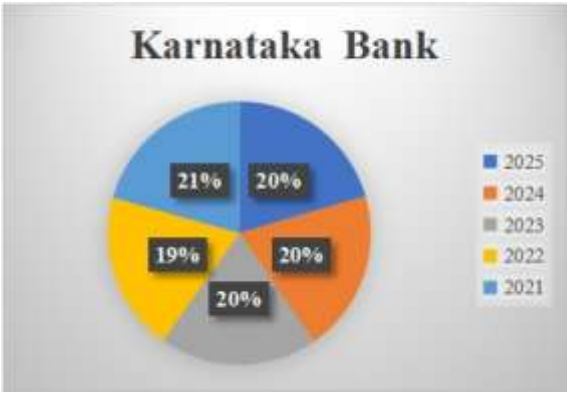

Interpretation:
The Deposit Ratio analysis of the selected banks for the period 2021–2025 reveals variations in their lending and deposit management performance. Among all the banks, Yes Bank recorded the highest Deposit Ratio of 126.10% in 2021, indicating a very high level of loans in relation to deposits during that year, although the ratio gradually declined to 86.04% in 2025. IDFC First Bank also maintained a high Deposit Ratio throughout the study period, with ratios consistently above 94%, reflecting aggressive credit deployment. HDFC Bank showed a steady upward trend, increasing from 85.66% in 2021 to 100.20% in 2025, the highest ratio among the selected banks in 2025. Axis Bank, ICICI Bank, Kotak Mahindra Bank, and Federal Bank maintained stable Deposit Ratios, indicating efficient utilization of deposits and balanced lending practices. South Indian Bank and Karnataka Bank also recorded gradual improvements over the five years. In contrast, Central Bank recorded the lowest Deposit Ratio of 48.28% in 2021, although it improved considerably to 70.34% in 2025. Overall, the analysis indicates that most of the selected banks maintained healthy Deposit Ratios during the study period, demonstrating effective deposit mobilization and prudent credit management.

2. Long Term Debt Equity Ratio (%)

Year	Ratio									
	HDFC Bank	ICICI Bank	Axis Bank	Kotak Mahindra	IDFC Bank	Yes Bank	Federal Bank	South Indian Bank	Karnataka Bank	Central Bank
2025	30.2	31.98	33.53	35.58	34.34	31.83	23.71	21.85	24.08	33.93
2024	28.6	31.78	32.46	34.09	39.35	34.54	23.58	25.12	25.7	35.77
2023	28.25	29.95	30.78	32.9	42.86	31.06	22.31	25.49	27.04	37.69
2022	31.07	29.62	31.91	34.76	47.12	26.44	21.55	24.3	27.99	39.51
2021	33.66	31.16	33.01	33.18	59.05	32.51	22.49	24.7	26.57	43.02

Interpretation
The Long-Term Debt Equity Ratio analysis of the selected banks for the period 2021–2025 indicates variations in their long-term financing structures. Among all the banks, IDFC First Bank recorded the highest Long-Term Debt Equity Ratio of 59.05% in 2021, reflecting a greater reliance on long-term debt financing, although the ratio declined steadily to 34.34% in 2025, indicating improved financial stability. Central Bank also maintained relatively high debt-equity ratios during the study period, though it decreased from 43.02% in 2021 to 33.93% in 2025. Kotak Mahindra Bank, Axis Bank, ICICI Bank, HDFC Bank, and Yes Bank maintained moderate and relatively stable ratios, suggesting balanced use of long-term debt and shareholders' equity. Federal Bank consistently recorded lower ratios, ranging from 21.55% to 23.71%, indicating lower dependence on long-term borrowings. South Indian Bank and Karnataka Bank also maintained comparatively low and stable debt-equity ratios throughout the period. Overall, IDFC First Bank recorded the highest Long-Term Debt Equity Ratio (59.05% in 2021), while Federal Bank recorded the lowest ratio (21.55% in 2022), indicating significant differences in long-term capital structures among the selected banks.

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3. Interest Cover Ratio (%)

Year	Ratio									
	HDFC Bank	ICICI Bank	Axis Bank	Kotak Mahindra	IDFC Bank	Yes Bank	Federal Bank	South Indian Bank	Karnataka Bank	Central Bank
2025	30.2	31.98	33.53	35.58	34.34	31.83	23.71	21.85	24.08	33.93
2024	28.6	31.78	32.46	34.09	39.35	34.54	23.58	25.12	25.7	35.77
2023	28.25	29.95	30.78	32.9	42.86	31.06	22.31	25.49	27.04	37.69
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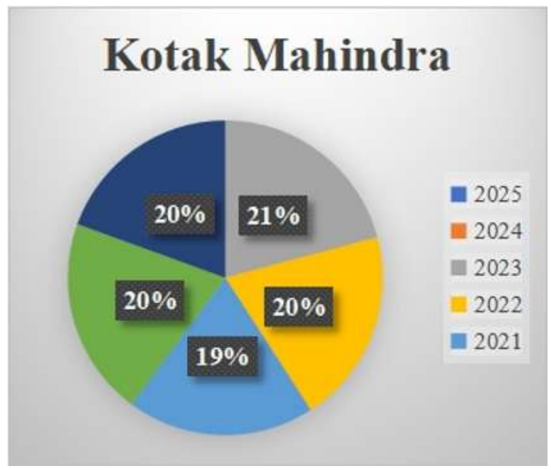

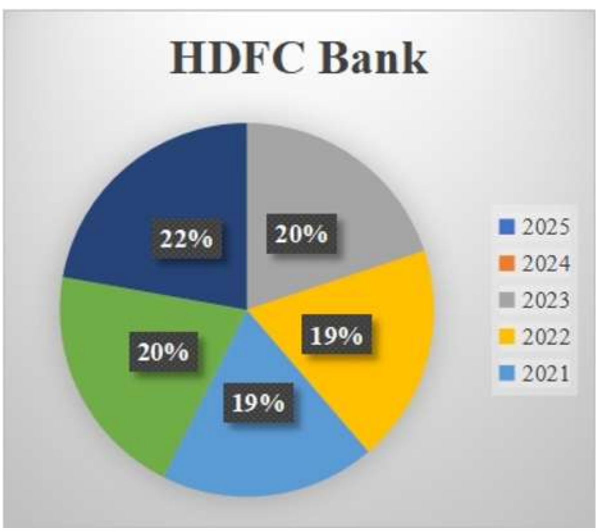

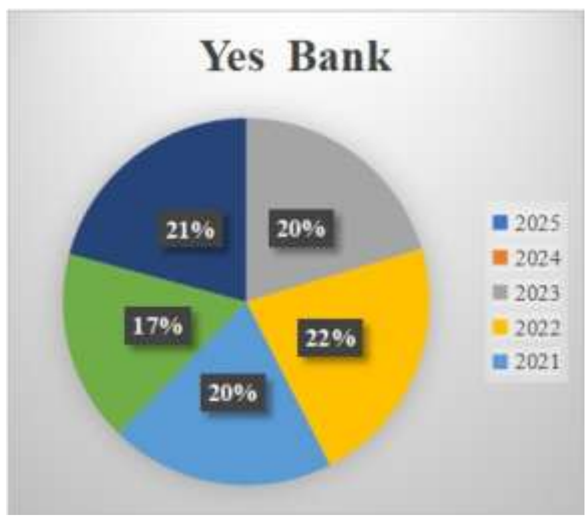

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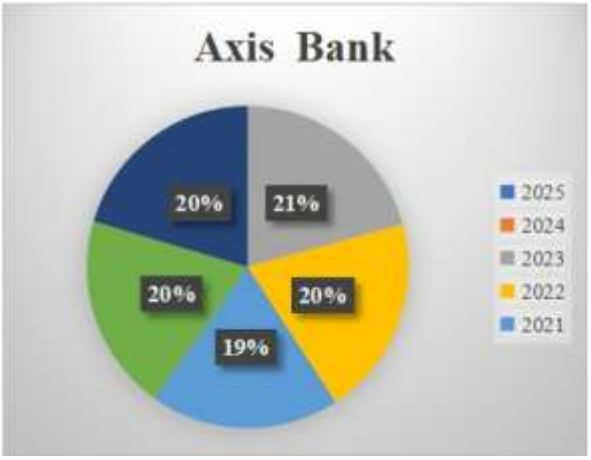

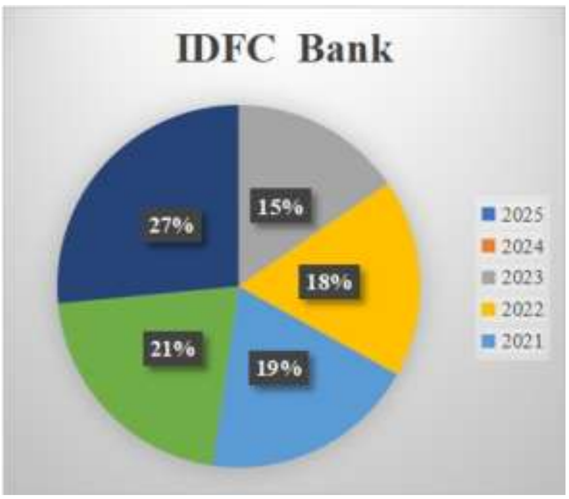

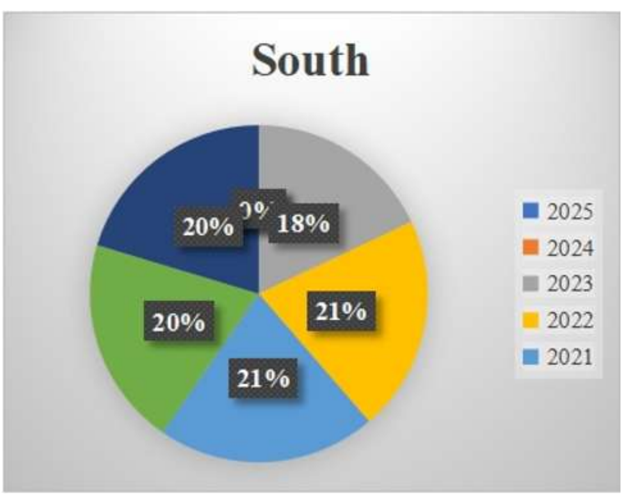

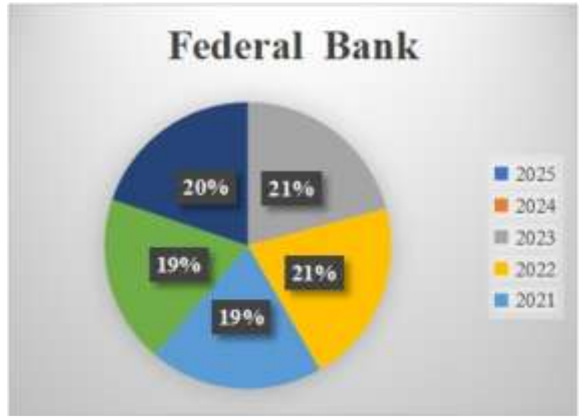

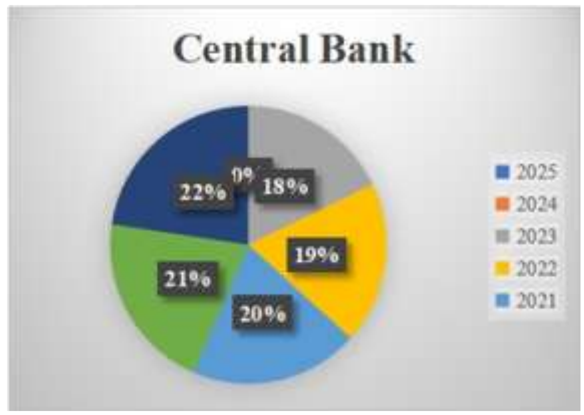

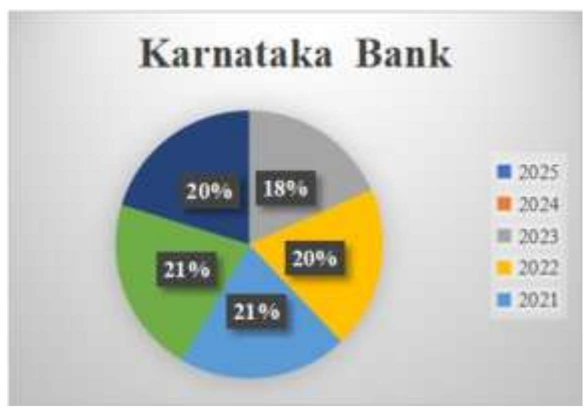

Interpretation

The Interest Cover Ratio analysis of the selected banks during the period 2021–2025 indicates differences in their ability to meet interest obligations from operating earnings. Among the selected banks, IDFC First Bank recorded the highest Interest Cover Ratio of 59.05% in 2021, demonstrating a strong capacity to cover its interest expenses, although the ratio declined steadily to 34.34% in 2025. Central Bank also maintained comparatively higher ratios during the study period, though it decreased from 43.02% in 2021 to 33.93% in

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2025. Kotak Mahindra Bank, Axis Bank, ICICI Bank, HDFC Bank, and Yes Bank maintained relatively stable Interest Cover Ratios, indicating consistent earnings available to meet interest obligations. Federal Bank recorded the lowest Interest Cover Ratio of 21.55% in 2022, while South Indian Bank and Karnataka Bank also maintained comparatively lower but stable ratios throughout the study period. Overall, the analysis indicates that IDFC First Bank recorded the highest Interest Cover Ratio (59.05% in 2021), whereas Federal Bank recorded the lowest ratio (21.55% in 2022), reflecting considerable variation in the banks' ability to cover interest expenses.

4. Interest Cover Ratio (%)

Year	Ratio									
	HDFC Bank	ICICI Bank	Axis Bank	Kotak Mahindra	IDFC Bank	Yes Bank	Federal Bank	South Indian Bank	Karnataka Bank	Central Bank
2025	30.2	31.98	33.53	35.58	34.34	31.83	23.71	21.85	24.08	33.93
2024	28.6	31.78	32.46	34.09	39.35	34.54	23.58	25.12	25.7	35.77
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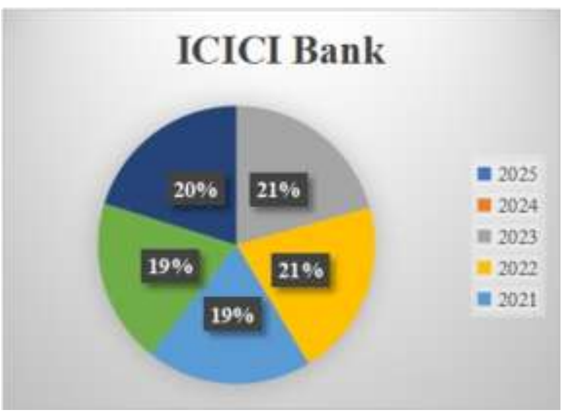

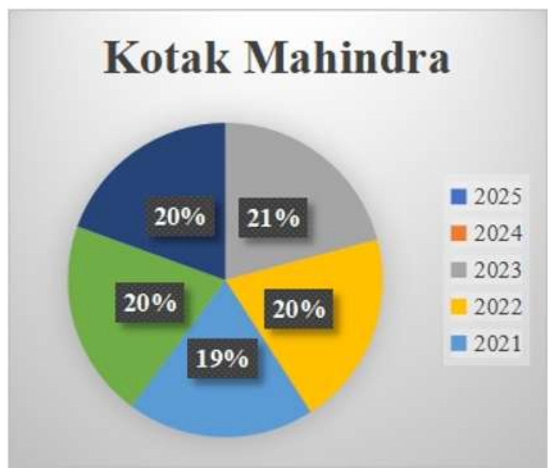

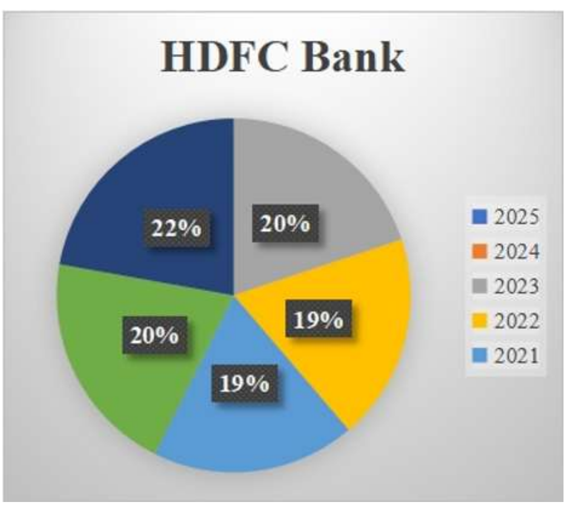

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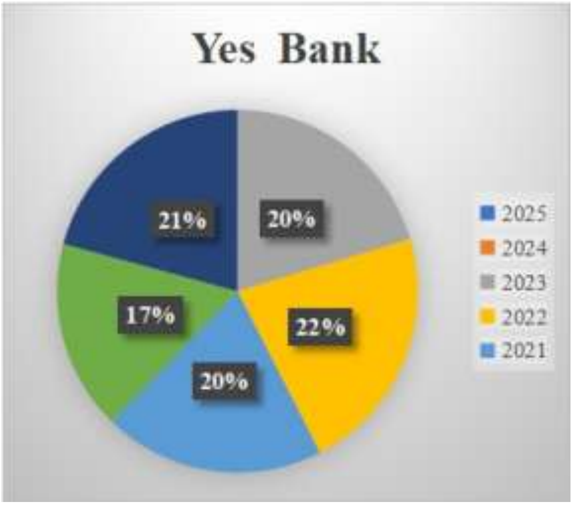

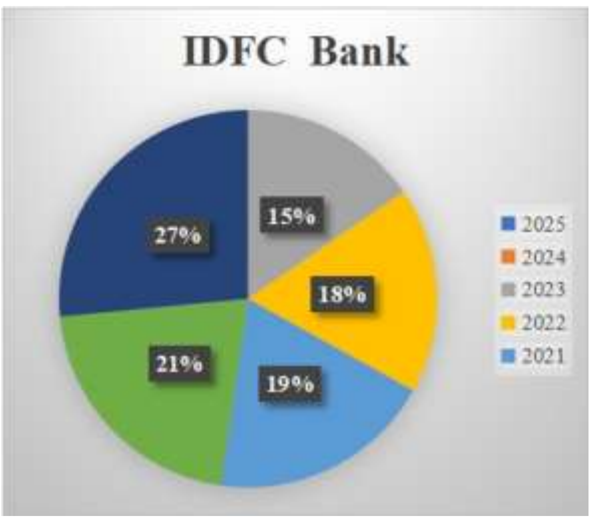

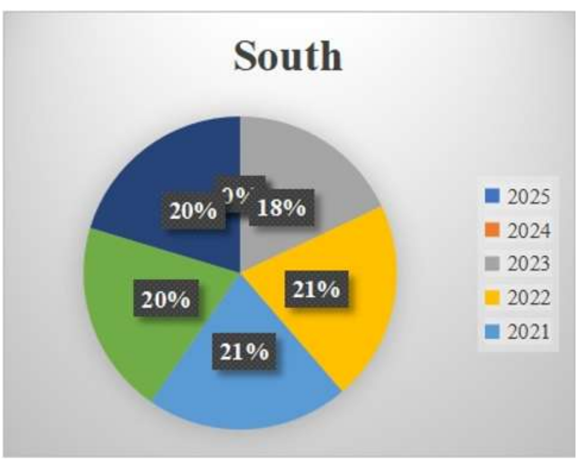

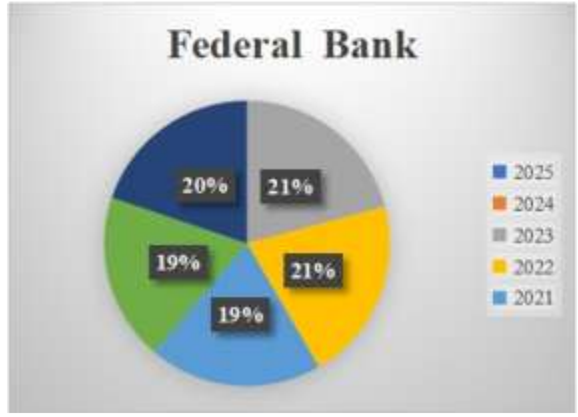

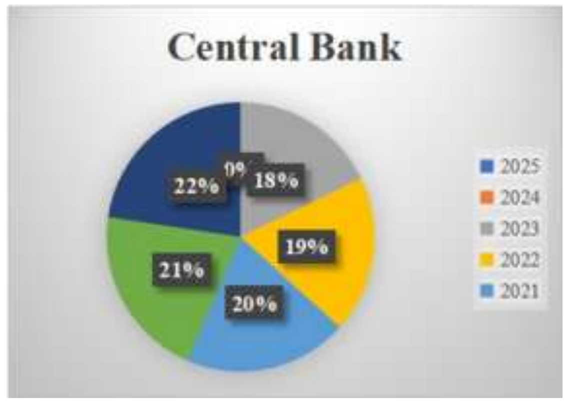

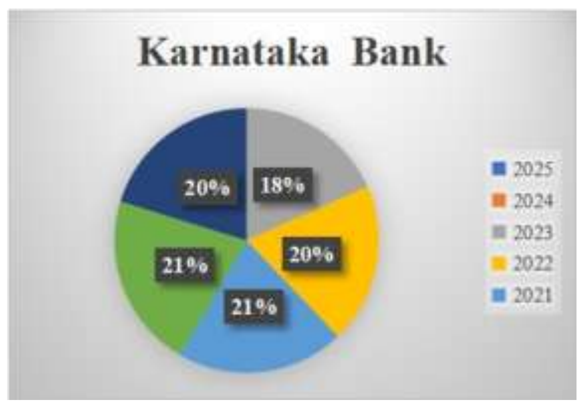

Interpretation

The Interest Cover Ratio of the selected banks during the period 2021–2025 shows differences in their financial performance and ability to meet interest obligations. Among the selected banks, IDFC First Bank recorded the highest Interest Cover Ratio of 59.05% in 2021, indicating a strong ability to cover interest expenses, although the ratio declined consistently to 34.34% in 2025. Central Bank also reported comparatively high ratios during the study period, decreasing from 43.02% in 2021 to 33.93% in

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2025. Kotak Mahindra Bank, Axis Bank, ICICI Bank, HDFC Bank, and Yes Bank maintained relatively stable ratios, reflecting consistent financial performance and effective management of interest obligations. Federal Bank recorded the lowest Interest Cover Ratio of 21.55% in 2022, while South Indian Bank and Karnataka Bank also maintained comparatively lower but stable ratios throughout the study period. Overall, the analysis indicates that IDFC First Bank recorded the highest Interest Cover Ratio (59.05% in 2021), whereas Federal Bank recorded the lowest ratio (21.55% in 2022), showing variations in the banks' ability to meet interest expenses

VII. FINDINGS

The financial performance of the selected top 10 banks showed noticeable differences during the period 2021–2025.

HDFC Bank and ICICI Bank recorded strong profitability and consistent growth throughout the study period.

Private sector banks generally performed better than many other selected banks in terms of profitability, operational efficiency, and return on net worth.

The liquidity position of most selected banks remained satisfactory, enabling them to meet their short-term financial obligations.

The credit-deposit ratio and investment-deposit ratio varied among the banks, indicating differences in lending and investment strategies.

Ratio analysis proved to be an effective tool for evaluating and comparing the financial performance of the selected banks.

ANOVA helped identify significant differences in the financial performance of the selected banks.

The study found that effective management of assets, capital, and operational costs contributed to better financial performance.

The overall financial condition of the selected banks remained stable during the study period despite increasing competition and technological changes.

The findings provide useful information for investors, bank management, policymakers, researchers, and customers in understanding the financial health of the selected banks

VIII. CONCLUSION

The study concludes that financial performance analysis is an essential tool for evaluating the overall financial health and operational efficiency of banks. By analyzing the financial performance of the top 10 banks in India during the period 2021–2025, the study identified significant differences in profitability, liquidity, solvency, and operational efficiency among the selected banks.

The analysis revealed that HDFC Bank and ICICI Bank consistently demonstrated strong financial performance, while the other selected banks showed varying levels of growth and efficiency. Ratio analysis and ANOVA proved to be effective methods for comparing the financial performance of the banks and identifying their strengths and weaknesses.

Overall, the selected banks maintained satisfactory financial stability despite increasing competition, technological advancements, and changing market conditions. The findings of this study will be useful for investors, bank management, policymakers, researchers, and customers in understanding the financial position of leading banks and supporting informed decision-making. Continuous monitoring of financial performance and the adoption of effective financial management practices will help banks achieve sustainable growth and long-term success.

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