



## A STUDY ON FUNDS MANAGEMENT OF SELECT NEW GENERATION PRIVATE SECTOR BANKS IN INDIA

Dr. A. Santhanakannan

Assistant Professor and Head of the Department of Commerce,  
King Nandhivarman College of Arts and Science , Tellar, Vandavasi, Tamilnadu.

### ABSTRACT

The study was undertaken to analyse deposits and advances management of three major new generation private sector banks namely, Axis Bank, HDFC Bank and ICICI Bank. The study used simple percentage, Mean, Standard Deviation, Co-efficient of Variation and Compound Annual Growth Rate as statistical tools. The period of the study was ten years from 2006-07 to 2015-16. The study found that total deposits of HDFC Bank increased drastically during the study period compared to other selected banks followed by Axis Bank, on the other hand growth rate total deposits of ICICI bank was lower than other banks, but volume of total deposits was high in case of ICICI bank. Growth of term deposits was high in case of HDFC Bank followed by Axis Bank, but the rate was very low in case of ICICI bank. Growth rate of demand deposits was high in case Axis bank followed by HDFC bank, the rate was also at considerable level in case of ICICI bank. Growth of savings bank was high in case of all the selected banks. Total advances of HDFC bank were higher than other selected banks followed by Axis bank. Growth rates of all type of advances of ICICI bank were lower than other selected banks. On the other hand, growth rates of short term and medium term advances were very high in case of HDFC bank. Growth rates of long term advances were identical for Axis and HDFC Banks.

**KEYWORDS:** Private sector banks, deposits, advances, demand deposits, term deposits.

### INTRODUCTION

The term bank is defined as "an establishment for custody of money, which it pays out on customer's order." by the Oxford Dictionary. From the definition it could be understand that banks are handling people money. Banking sector is playing vital role in the development of the economy of a country. Banks provide benefits to the economy in several ways such as increase in national gross domestic products, helps in generating employment opportunity to the people, make way for capital formation, channelizing funds from the people who have surplus money to the deficit one and so on. In recent decades private sector banks are developing and it gives financial services to the people more than what the public sector banks provides to the people. They often introduce new technologies in banking sector and they have been introducing innovative services to its customers. Private sector banks have become big competitors to the public sector banks because of providing various technologies and innovative services to the customers. Hence private sector banks are able to attract many customers and they have been establishing new branches and ATM centers throughout the country. Private banks do their business to earn profit and they will continue business only when they earn continuous profit.

The major source of fund of a bank is collecting deposits from the people. Major amount of funds of a bank is provided as advances to the needy people and industrialists to meet out their financial



requirements. Generally banks charge higher interest rate to its advances than the rate of interest which provided to its deposit holders and the difference will be utilized to meet out their administrative expenditure and the residual will be profit of the bank. Hence an efficient management of deposits and advances of a bank will lead for earning more profit. So the present research has included an aspect of analyzing funds management in terms of deposits and advances of the selected private sector banks.

### LITERATURE REVIEW

Mohi-ud-Din Sangmi and Tabassum Nazir (2010) in their study found that both the selected banks were financially viable. The selected banks managed their capital adequacy ratio more than the standard, assets quality of the banks also was good, business of the banks had attained considerable growth in terms of deposits and advances. Tanmaya Kumar Pradhan and Srikanta Kumar Mohapatra (2012) evidenced that there was constant increase in total deposits of both Public and Private Sector Banks in Odisha, but the rate of increase was found to be more in urban areas. Anurag G Sing and Priyanka Tandon (2012) evidenced that State Bank of India was performing well and financially sound than ICICI bank during the study period, where as ICICI bank performed better than SBI in terms of deposits and expenditure management. Kandasamy C and Indirani C (2013) found that deposits and advances of Axis Bank increased substantially than other selected banks followed by HDFC bank. Seema Mishra Upadhyay (2016) found that ICICI bank had good association with deposits, which was great sign for increase in profitability.

### METHODOLOGY

The study has been undertaken to analyse deposits and advances management of three major new generation private sector banks namely, Axis Bank, HDFC Bank and ICICI Bank. The study used simple percentage, Mean, Standard Deviation, Co-efficient of Variation and Compound Annual Growth Rate as statistical tools. The period of the study was ten years from 2006-07 to 2015-16. The study used secondary data for analysis, they were collected from financial reports of the selected banks which were extracted from concerned annual reports collected from their official websites.

### RESULTS AND DISCUSSION

This part of the paper presents the results based on the above analysis and discussion. Table 1 gives the results of total deposits of the selected banks, their growth rate, mean, SD, CV and CAGR during the study period.

**Table 1: Deposits Management**

Year	Axis		HDFC		ICICI	
	Total Deposits	Growth %	Total Deposits	Growth %	Total Deposits	Growth %
2006-07	58785.60		68297.94		230510.19	
2007-08	87626.22	49.06	100768.60	47.54	244431.05	6.04
2008-09	117374.11	33.95	142811.58	41.72	218347.82	-10.67
2009-10	141300.22	20.38	167404.44	17.22	202016.60	-7.48
2010-11	189237.80	33.93	208586.41	24.60	225602.11	11.68
2011-12	220104.30	16.31	246706.45	18.28	255499.96	13.25
2012-13	252613.59	14.77	296246.98	20.08	292613.63	14.53
2013-14	280944.56	11.22	367337.48	24.00	331913.66	13.43
2014-15	322441.94	14.77	450795.64	22.72	361562.73	8.93
2015-16	357967.56	11.02	546424.19	21.21	421425.71	16.56
Mean	202839.59		259537.97		278392.34	

<b>SD</b>	101405.37		155815.52		71986.24	
<b>CV</b>	49.99		60.04		25.86	
<b>CAGR</b>	19.80		23.12		6.22	

Table 1 reveals that total deposits of Axis Bank Ltd. went up at high rate during the study period. It increased from Rs.58785.60 crore in 2006-07 to Rs.357967.56 crore in 2015-16, this increase accounted a compounded annual growth rate of 19.80 per cent. The results of mean, standard deviation and co-efficient of variation indicate moderate level of deviation in total deposits from its mean value. Total deposits of HDFC Bank Ltd. increased rapidly during the study period. It increased from Rs.68297.94 crore in 2006-07 to Rs.546424.19 crore in 2015-16, the calculated value of CAGR was 23.12 per cent, it supported the result. The results of mean, standard deviation and co-efficient of variation exhibited that there was moderate level of deviation in total deposits from its mean value. Total deposits of ICICI Bank Ltd. increased at a low rate during the study period. It increased from Rs.230510.19 crore in 2006-07 to Rs.421425.71 crore in 2015-16, this increase accounted less than 2 times over the study period and the calculated value of CAGR was also low at 6.22 per cent. Very low level of deviation was found in total deposits from its mean value.

Table 2 gives the results of Mean, SD, CV and CAGR of the components of total deposits of the selected private sector banks.

**Table 2: Deposits and their Components**

	Mean	SD	CV	CAGR
<b>Axis Bank</b>				
Total Deposits	202839.59	101405.37	49.99	19.80
Term Deposits	112666.85	54292.76	48.19	18.22
Demand Deposits	38177.80	16510.43	43.25	18.87
Savings Deposits	51994.94	31212.00	60.03	24.19
<b>HDFC Bank</b>				
Total Deposits	259538.00	155815.50	60.04	23.12
Term Deposits	138134.6	91894.58	66.53	26.78
Demand Deposits	48190.03	21499.87	44.61	16.14
Savings Deposits	73213.35	42906.10	58.60	22.41
<b>ICICI Bank</b>				
Total Deposits	278392.30	71986.24	25.86	6.22
Term Deposits	168794.40	34039.95	20.17	2.39
Demand Deposits	35700.73	12174.91	34.10	10.66
Savings Deposits	73897.19	34795.18	47.09	16.62

Source: Computed from Annual Reports

Table 2 shows that the volume of business in terms of amount of total and other types of deposits was high in case of ICICI Bank Ltd. than other selected banks; where as the volume of business was low in case of Yes Bank Ltd. The growth rate of total deposits of Yes bank was higher than other banks followed by HDFC Bank; it was low in case of ICICI bank. Term deposits of Yes bank HDFC bank increased at a higher rate than other banks followed by Yes bank, the growth rate of term deposits of ICICI bank was very poor. Demand deposits of Yes bank increased at a high rate than other banks, the rate of growth was low in case of ICICI bank. The growth rate of savings deposits of Yes bank was found to be very high during the study period, but the growth rate is low in case of ICICI bank. It was also observed that savings deposits of ICICI bank increased at a higher rate than other types of deposits during the study period.

Table 3 gives the results of total advances of the selected banks, their growth rate, mean, SD, CV and CAGR during the study period.

**Table 3: Advances Management**

Year	Axis		HDFC		ICICI	
	Total Advances	Growth %	Total Advances	Growth %	Total Advances	Growth %
2006-07	36876.48		46944.78		195865.60	
2007-08	59661.14	61.79	63426.90	35.11	225616.08	15.19
2008-09	81556.77	36.70	98883.05	55.90	218310.85	-3.24
2009-10	104343.12	27.94	125830.59	27.25	181205.60	-17.00
2010-11	142407.83	36.48	159982.67	27.14	216365.90	19.40
2011-12	169759.54	19.21	195420.03	22.15	253727.66	17.27
2012-13	196965.96	16.03	239720.64	22.67	290249.44	14.39
2013-14	230066.76	16.81	303000.27	26.40	338702.65	16.69
2014-15	281083.03	22.17	365495.03	20.63	387522.07	14.41
2015-16	338773.72	20.52	464593.96	27.11	435263.94	12.32
Mean	164149.43		206329.79		274282.98	
SD	98662.08		136874.19		86431.56	
CV	60.11		66.34		31.51	
CAGR	24.83		25.76		8.31	

Table 3 indicates that total advances of Axis Bank Ltd. increased rapidly during the study period, the computed value of CAGR of total advances of the bank was 24.83 per cent and deviation in total advances was found to be at moderate level as per the results of mean, SD and CV. Total advances of HDFC Bank Ltd. increased rapidly during the study period, the calculated value of CAGR of total advances of the bank was 25.76 per cent and deviation in total advances was at moderate level as per the results of mean, SD and CV. Total advances of ICICI Bank Ltd. increased during the study period, but the growth was comparatively low, the calculated value of CAGR was 8.31 per cent and deviation in total advances was at low level as per the results of mean, SD and CV.

Table 4 gives the results of Mean, SD, CV and CAGR of the components of total advances of the selected private sector banks.

**Table 4 : Advances and their Components**

	Mean	SD	CV	CAGR
<b>Axis Bank</b>				
Total Advances	164149.43	98662.08	60.11	24.83
Short-term Advances	3533.82	1384.83	39.19	13.97
Medium-term Advances	45601.60	29139.36	63.90	25.60
Long-term Advances	115014.02	68515.92	59.57	24.90
<b>HDFC Bank</b>				
Total Advances	206329.79	136874.19	66.34	25.76
Short-term Advances	9877.85	6306.84	63.85	36.83
Medium-term Advances	63504.34	44843.40	70.61	28.22
Long-term Advances	132947.60	90482.30	68.06	24.56

<b>ICICI Bank</b>				
Total Advances	274282.98	86431.56	31.51	8.31
Short-term Advances	6797.99	3265.82	48.04	10.85
Medium-term Advances	44225.77	19193.63	43.40	9.91
Long-term Advances	223259.22	64741.63	29.00	7.87

Source: Computed from Annual Reports

Table 4 reports that the growth rates of total advances of all the selected banks were high except ICICI bank. Deviation in total advances of the banks was at moderate level, but it was at low level in case of ICICI bank. The growth rate of short term advances was high in case of HDFC bank and Yes bank and it was low in case of ICICI bank. Deviation in short term advances was at moderate level. Growth rate of medium term advances of all the banks was at high level except ICICI bank and deviation in medium term advances from its mean value for all banks. Long term loans of all the banks went up during the study period rapidly except ICICI bank. The results of mean, SD and CV indicated moderate level of deviation in long term advances except ICICI bank, in such case the deviation was low.

## CONCLUSION

The study was undertaken to analyse the funds management of Axis Bank, HDFC Bank and ICICI Bank in terms of total deposits and their components and total advances and their components during the period of study from 2006-07 to 2015-16. The study found that total deposits of HDFC Bank increased drastically during the study period compared to other selected banks followed by Axis Bank, on the other hand growth rate total deposits of ICICI bank was lower than other banks, but volume of total deposits was high in case of ICICI bank. Growth of term deposits was high incase of HDFC Bank followed by Axis Bank, but the rate was very low in case of ICICI bank. Growth rate of demand deposits was high in case Axis bank followed by HDFC bank, the rate was also at considerable level in case of ICICI bank. Growth of savings bank was high in case of all the selected banks. Total advances of HDFC bank were higher than other selected banks followed by Axis bank. Growth rates of all type of advances of ICICI bank were lower than other selected banks. On the other hand, growth rates of short term and medium term advances were very high incase of HDFC bank. Growth rates of long term advances were identical for Axis and HDFC Banks.

## REFERENCES

1. Annual Reports of Axis Bank Ltd. from 2006-07 to 2015-16
2. Annual Reports of HDFC Bank Ltd. from 2006-07 to 2015-16
3. Annual Reports of ICICI Bank Ltd. from 2006-07 to 2015-16
4. Anurag G Sing and Priyanka Tandon (2012). A Study of Financial Performance: A Comparative Analysis of SBI and ICICI Bank. *International Journal of Marketing, Financial Services and Management Research*, Vol.1, No.11, pp.56-71.
5. Kandasamy C and Indirani C (2013), A Study on Financial Performance of New Generation Private Sector Commercial Banks in India, *International Journal of Science and Research*, Vol.4, No.2, pp.1758-1763.
6. Mohi-ud-Din Sangmi and Tabassum Nazir. 2010. Analyzing Financial Performance of Commercial Banks in India: Application of CAMEL Model. *Pak. Journal of Commerce and Social Sciences*, Vol.4, No.1, pp.40-55.
7. Seema Mishra Upadhyay (2016), Comparative Analysis of the Performance of Two Largest Private Sector Banks in India, *Indian Journal of Applied Research*, Vol.6, No.2, pp.81-83.
8. Tanmaya Kumar Pradhan and Srikanta Kumar Mohapatra (2012), "Performance of Odisha's Public Sector Banks and Private Sector Banks: A Comparative Study", *International Journal of Business Economics and Management Research*, Vol.3, No.5, pp.52-67.