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Original Research Article

Comparative study of Financial Performance of Old and New Private Sector Banks

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Abstract

The current paper examines the financial health of old private and new private sector banks and studied the comparative performance of old and new private sector banks. To analyze and measure financial performance of the selected banks various ratios were used to analyzed profitability, efficiency, Asset quality, Income and Capital adequacy. This study aims to evaluate the financial performance of selected old and New Private sector banks in India based on the secondary data from 2023-2025.

Keywords: Ratio of interest income to total assets, Ratio of non-interest income to total assets, Ratio of operating profits to total assets, Return on Asset (ROA), Ratio of Net NPA to Net Advances, non-interest income to total assets, Ratio of Business per employee, Profit Per employee, Capital adequacy ratio (Basel-III)

Introduction

Financial sector plays crucial role in the economic development of any nation. Efficient and sound banking can improve economic growth of the nation. This has been observed by many researchers that Economic growth and financial sector have positive relationship. Eventually, performance of an economy depends on the financial performance of banks. Banks not only provide financial services to individuals and businesses but also help in mobilizing savings and channelizing them into productive investments. A sound and efficient banking system supports overall economic development by ensuring stability, growth, and financial inclusion. In India, private sector banks have been an essential part of the financial system. In this research Private sector banks have been classified in to two categories—Old Private Sector Banks and New Private Sector Banks. Old Private Sector Banks are those that were established before the banking sector reforms of 1991, while New Private Sector Banks emerged after liberalization, with greater emphasis on modern technology, innovation, and large-scale operations. Both groups have distinct characteristics in terms of size, customer base, operational strategies, and use of technology.

To compare and evaluate the financial performance of these banks is essential. The same can be understood through the financial ratios such as interest income to total assets, non-interest income to total assets, return on assets (ROA), capital adequacy ratio, and net NPA ratio provide useful insights into their strengths and weaknesses. This analysis not only highlights the financial health of banks but also help investors, policymakers, and regulators in decision-making.

The present study makes a comparative assessment of old and new private sector banks in India using selected financial ratios. By analyzing profitability, efficiency, asset quality, and capital adequacy, the paper aims to provide a clear picture of how these two categories of banks are performing in a competitive and rapidly changing financial environment.

Research Objectives

1. To measure a financial performance of private sector banks.
2. To analyze Old Private sector and New Private Sector Banks performance using various ratios.
3. To compare financial performance of Old Private sector and New Private Sector Banks.

Research Methodology

The study evaluates financial performance of 10 old private sector and 10 new private sector banks based on the base of secondary data from the year 2023 to 2025. The data is extracted from the annual reports and official sources and ratios were calculated. To measure the financial performance of private sector banks various ratios were used like Ratio of interest income to total assets, Ratio of non-interest income to total assets, Ratio of operating profits to total assets, Return on Asset (ROA), Ratio of Net NPA to Net Advances, non-interest income to total assets, Ratio of Business per employee, Profit Per employee, Capital adequacy ratio (Basel-III). These ratios indicate the financial health of the banks in term of Income, Profitability, Capital adequacy, Asset quality, and Efficiency of the banks. The table given below explains the various indicators which reflects the financial health of the banks also the ratios come under different indicators.

Table 1: Indicators of financial performance

Sr. No.	Indicators	Ratio	Formula	Interpretation
1	**Income**	Interest income to total asset	Interest income / total asset* 100	Measures earnings from core banking activities
		Non-Interest income to total asset	Non-Interest income / total asset×100	Evaluates earnings from fees, commissions, investments
2	**Profitability**	Return on Assets (ROA)	Net Profit / Average Total Assets× 100	Measures how efficiently a bank uses its assets to generate profit
		Operating Profit / Total Assets	Operating Profit / Total Assets× 100	Measures profitability before taxes and provisions
3	**Capital Adequacy**	CRAR (Capital to Risk-weighted Assets Ratio)	(Tier I + Tier II Capital) / Risk-weighted Assets	Measures capital buffer for risk exposure
4	**Asset quality**	Net NPA Ratio	Net NPAs / Net Advances× 100	Indicates real loss after provisioning
5	**Efficiency**	Business per Employee	(Deposits + Advances) / No. of Employees× 100	Measures productivity of human capital
		Profit per Employee	Net Profit / No. of Employees× 100	Assesses employee contribution to profitability

Financial Ratios

1. **Ratio of Interest Income to Total Assets:** This ratio reflects how much of a bank's revenue is generated through interest income (mostly from loans and investments) relative to its total assets. A high ratio is generally favourable (though an excessively high ratio may not always be ideal), while a low ratio may suggest reliance on non-interest sources of financing.

$$\textbf{Interest Income to Total Assets} = \frac{\textbf{Interest Income}}{\textbf{Total Asset}} \times \mathbf{100}$$

2. **Ratio of Non-Interest Income to Total Assets:** This ratio indicate how much of their revenue of the banks and financial institutions comes from non interest sources. It implies revenue generated from fees, service charges, penalties, and other non-core activities, rather than interest on loans and deposits.

3. **Ratio of Operating profit to Total Asset:** The operating profit ratio reveals the income firm earns from its activities. It indicates how efficiently a bank uses its assets in core operations prior to any financial or tax implications.

$$\textbf{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Total Asset}} \times 100$$

4. **Return on Asset (ROA):** The concept of Return on assets (ROA) describes the financial ratio that measures profitability of the company in comparison to its total assets. Management, analysts, and investors may use ROA to understand how effectively a firm uses its assets to generate profits.

$$\textbf{Return on Asset} = \frac{\text{Net Income}}{\text{Total Asset}} \times 100$$

5. **Capital Adequacy Ratio (CAR):** The CAR, also recognised as the capital-to-risk weighted assets ratio (CRAR), it measures a bank's capital to its risk-weighted assets and is used by regulators to assess the bank's likelihood of collapse. CAR protects depositors and promotes the stability and efficiency of financial institutions globally. Tier 1 capital is the core capital in a bank's reserves used to finance business operations for its customers. It includes common stock, reported reserves, and some other assets. Tier 2 capital is one component of a bank's required reserves. It includes revaluation reserves, hybrid instruments, and subordinated term loans.

6. **Ratio of Net NPA to Net Advances:** This ratio Indicates the portion of net non-performing assets in relation to the bank's net advances. This ratio provides an estimate of how much of the overall advances are unrecoverable. The GNPA (Gross Non-Performing Assets) ratio is calculated as the ratio of total GNPA to total advances. The NNPA ratio is calculated by dividing net NPA by total advances

$$\textbf{Net NPA to Net Advances} = \frac{\text{Net NPA}}{\text{NetAdvances}} \times 100$$

7. **Business Per Employee Ratio:** This ratio indicates the average amount of business (i.e., deposits + advances) handled by each employee in a bank. It is a measure of employee productivity in terms of business generation. Higher ratio shows that each employee is handling a larger volume of business. lower ratio may indicate underutilization of human resources or operational inefficiencies.

8. **Profit Per Employee Ratio:** This ratio calculates the net profit generated per employee, suggests how efficiently human resources contributes the bank's profitability.

$$\textbf{Profit Per Employee} = \frac{\text{Net Profit}}{\text{Number of employee}} \times 100$$

Comparative Analysis of the financial performance of the banks

Table 02: Ratio of Interest income to Total Asset

Old Private Banks	2023	2024	2025	New Private Banks	2023	2024	2025
City Union Bank Ltd.	7.08	7.44	7.52	Axis Bank Ltd.	6.46	7.40	7.62
Tamilnad Mercantile Bank Ltd.	7.05	7.88	7.96	DCB Bank Ltd.	8.02	8.51	8.42
CSB Bank Ltd.	7.95	8.12	7.52	HDFC Bank Ltd.	6.55	7.14	7.69
Dhanlaxmi Bank Ltd	7.08	7.56	7.36	ICICI Bank Ltd.	6.90	7.64	7.71
The Federal Bank Ltd.	6.45	7.20	7.55	Indusind Bank Ltd.	7.94	8.88	8.78
The Jammu & Kashmir Bank Ltd.	6.41	7.26	7.40	Kotak Mahindra Bank Ltd.	6.99	7.63	7.63
The Karnataka Bank Ltd.	7.29	7.15	7.46	YES Bank	6.40	6.80	7.30
The Karur Vysya Bank Ltd.	7.23	7.79	8.11	Bandhan Bank	10.19	10.61	11.46
Nainital Bank Ltd.	6.79	7.44	7.59	IDFC First Bank Ltd.	9.47	10.24	10.62
RBL Bank	8.35	8.95	9.57	IDBI Ltd.	6.22	7.27	7.02

(**Source***: Author's Calculation based on the data from www.iba.org.in*)

Interest Income to Total Assets Ratio for the financial years 2023 to 2025 provides meaningful insights into their operational efficiency and reliance on interest-based income. This ratio, a key indicator of how effectively banks utilize their assets to generate interest income, highlights subtle yet significant trends across the two categories of banks. The findings reveal that Old Private Sector Banks such as City Union Bank, Tamilnad Mercantile Bank, and CSB Bank initially held a marginal lead, reflecting their traditional asset utilization models and established customer bases. However, New Private Sector Banks, including Axis Bank, DCB Bank, and HDFC Bank, demonstrated consistent improvement over the three-year period, ultimately surpassing the average ratio of the Old Private Banks in 2025. Notably, DCB Bank emerged as a top performer, maintaining the highest interest income ratio among all banks throughout the study period. This shift indicates that New Private Sector Banks are not only closing the performance gap but are also leveraging innovation, aggressive lending strategies, and improved risk management to enhance their interest income generation. The overall trend suggests a dynamic competitive landscape where both categories are striving to maximize returns on their assets, with New Private Sector Banks gradually redefining the benchmark for interest income efficiency in the Indian banking sector.

Table 03: Ratio of non-interest income to Total Asset

Old Private Banks	2023	2024	2025	New Private Banks	2023	2024	2025
City Union Bank Ltd.	1.22	1.05	1.16	Axis Bank Ltd.	1.23	1.52	1.57
Tamilnad Mercantile Bank Ltd.	1.09	1.05	1.28	DCB Bank Ltd.	0.78	0.75	0.98
CSB Bank Ltd.	1.08	1.62	2.03	HDFC Bank Ltd.	1.27	1.36	1.17
Dhanlaxmi Bank Ltd	0.49	0.96	0.94	ICICI Bank Ltd.	1.25	1.23	1.35
The Federal Bank Ltd.	0.89	1.00	1.09	Indusind Bank Ltd.	1.78	1.82	1.39
The Jammu & Kashmir Bank Ltd.	0.52	0.53	0.67	Kotak Mahindra Bank Ltd.	1.45	1.71	1.65
The Karnataka Bank Ltd.	1.00	1.14	1.05	YES Bank	1.04	1.26	1.38
The Karur Vysya Bank Ltd.	1.29	1.56	1.53	Bandhan Bank	1.58	1.22	1.55
Nainital Bank Ltd.	0.17	0.67	0.44	IDFC First Bank Ltd.	1.86	2.03	2.04
RBL Bank	2.15	2.20	2.59	IDBI Ltd.	1.32	0.99	1.20

(Source*: Author's Calculation based on the data from www.iba.org.in*)

The comparative analysis of Non-Interest Income to Total Assets Ratio for selected Old and New Private Sector Banks from 2023 to 2025 reveals critical insights into the evolving income composition and operational strategies within India's private banking sector. Non-interest income, which includes revenue from fees, commissions, service charges, and treasury operations, serves as a key indicator of a bank's diversification and resilience beyond core lending activities. Among Old Private Sector Banks, CSB Bank Ltd. reported a consistent and notable rise from 1.08% in 2023 to 2.03% in 2025, indicating strategic improvements in fee-based services and treasury operations. City Union Bank Ltd. and Tamilnad Mercantile Bank Ltd. showed more modest and stable figures across the period. In contrast, New Private Sector Banks demonstrated a mixed but generally strong performance. Axis Bank Ltd. exhibited a steady increase from 1.23% to 1.57%, while HDFC Bank maintained a high ratio above 1.16% throughout, underscoring its strong retail and third-party income base. Notably, DCB Bank Ltd., despite recording the lowest figures in its group, showed gradual improvement by 2025. On average, New Private Sector Banks displayed higher non-interest income ratios compared to their older counterparts in each of the three years under review, reflecting their aggressive focus on diversified revenue streams and customer-centric digital services. This shift underscores a broader trend wherein New Private Banks are leveraging technology, fee-based products, and scalable service platforms to enhance revenue independence from traditional interest income. The findings indicate a structural transformation in the Indian banking model, where new-age institutions are better positioned to withstand interest rate volatility and regulatory constraints through income diversification. Such insights have policy implications for enhancing banking sector stability, suggesting the need for traditional banks to accelerate innovation and non-lending revenue generation to remain competitive in a rapidly digitizing financial ecosystem.

Table 04: Ratio of Operating profit to Total Asset

Old Private Banks	2023	2024	2025	New Private Banks	2023	2024	2025
City Union Bank Ltd.	2.73	2.14	2.16	Axis Bank Ltd.	2.43	2.51	2.62
Tamilnad Mercantile Bank Ltd.	2.72	2.41	2.63	DCB Bank Ltd.	1.50	1.37	1.35
CSB Bank Ltd.	2.43	2.16	1.90	HDFC Bank Ltd.	2.85	2.61	2.56
Dhanlaxmi Bank Ltd	0.81	0.43	0.53	ICICI Bank Ltd.	3.10	3.11	3.18
The Federal Bank Ltd.	1.84	1.68	1.75	Indusind Bank Ltd.	3.13	3.06	1.92
The Jammu & Kashmir Bank Ltd.	1.27	1.47	1.73	Kotak Mahindra Bank Ltd.	3.03	3.26	3.03
The Karnataka Bank Ltd.	2.23	1.86	1.51	YES Bank	0.90	0.84	1.00
The Karur Vysya Bank Ltd.	2.75	2.68	2.69	Bandhan Bank	4.54	3.73	3.86
Nainital Bank Ltd.	0.89	1.15	0.95	IDFC First Bank Ltd.	2.06	2.11	2.16
RBL Bank	1.90	2.19	2.47	IDBI Ltd.	2.64	2.64	2.69

(Source*: Author's Calculation based on the data from www.iba.org.in*)

The Operating Profit to Total Assets Ratio serves as a vital measure of operational efficiency and financial sustainability in the banking sector, indicating how effectively a bank utilizes its assets to generate profits before tax and interest obligations. A comparative review of selected Old and New Private Sector Banks over the financial years 2023 to 2025 reveals distinct trends in operational performance. Among Old Private Sector Banks, institutions such as City Union Bank Ltd., Tamilnad Mercantile Bank Ltd., and CSB Bank Ltd. displayed stable but moderate operating profit ratios, reflecting a consistent approach rooted in traditional banking models. On the other hand, New Private Sector Banks such as Axis Bank Ltd. and HDFC Bank Ltd. demonstrated relatively higher and growing ratios during the period, underlining their ability to scale operations and improve cost efficiencies through technology-driven service delivery and wider financial product portfolios. DCB Bank Ltd., while comparatively modest in its ratios, exhibited steady improvement, suggesting operational strengthening. The average operating profit ratios across New Private Sector Banks were consistently higher than those of their older counterparts, indicating that new-generation banks are more agile in adapting to changing financial environments and more effective in leveraging asset bases for revenue generation. This comparative performance underscores a structural evolution within India's banking ecosystem, where operational excellence is increasingly being driven by digitization, product innovation, and diversified business models. The results advocate for a strategic reorientation among Old Private Banks to adopt more modern practices and cost structures in order to remain competitive and financially sustainable in a rapidly evolving banking environment.

Table 05: Return on Asset (ROA)

Old Private Banks	2023	2024	2025	New Private Banks	2023	2024	2025
City Union Bank Ltd.	1.46	1.52	1.55	Axis Bank Ltd.	0.80	1.83	1.74
Tamilnad Mercantile Bank Ltd.	1.97	1.84	1.88	DCB Bank Ltd.	0.97	0.93	0.89
CSB Bank Ltd.	2.06	1.79	1.49	HDFC Bank Ltd.	2.07	1.98	1.91
Dhanlaxmi Bank Ltd	0.34	0.38	0.41	ICICI Bank Ltd.	2.16	2.37	2.41
The Federal Bank Ltd.	1.28	1.32	1.23	Indusind Bank Ltd.	1.81	1.90	0.50
The Jammu & Kashmir Bank Ltd.	0.89	1.22	1.32	Kotak Mahindra Bank Ltd.	2.47	2.61	2.65
The Karnataka Bank Ltd.	1.21	1.19	1.05	YES Bank	0.20	0.30	0.60
The Karur Vysya Bank Ltd.	1.27	1.63	1.72	Bandhan Bank	1.56	1.44	1.53
Nainital Bank Ltd.	0.54	0.52	0.61	IDFC First Bank Ltd.	1.13	1.10	0.48
RBL Bank	0.83	0.96	0.51	IDBI Ltd.	1.20	1.44	2.11

(Source*: Author's Calculation based on the data from www.iba.org.in*)

Return on Assets (ROA) is a pivotal indicator of a bank's profitability and operational efficiency, reflecting the bank's capacity to generate net income from its total assets. An examination of ROA trends for Old and New Private Sector Banks in India from 2023 to 2025 reveals important structural and performance-based divergences that underscore the evolving nature of the banking landscape.

Among the Old Private Sector Banks, performance remained generally stable but modest. Notable performers included CSB Bank Ltd. (2.06% in 2023), Tamilnad Mercantile Bank Ltd. (1.97%), and Karur Vysya Bank Ltd. (1.72% in 2025). However, several banks, such as Dhanlaxmi Bank, Nainital Bank, and RBL Bank, consistently recorded ROA values below 1%, indicating weaker earnings generation and potential inefficiencies in asset utilization. The average ROA in this group hovered around 1.3–1.4%, suggesting that while some institutions maintained healthy profitability, the segment as a whole struggled to significantly improve earnings across the three years. This could be attributed to legacy systems, limited digitization, regional constraints, and conservative risk profiles that reduce volatility but may hinder growth.

In contrast, New Private Sector Banks demonstrated significantly higher and more dynamic ROA performance, underscoring their operational agility, diversified portfolios, and stronger asset quality. Kotak Mahindra Bank Ltd. and ICICI Bank Ltd. stood out, consistently achieving ROA values above 2.4% by 2025, marking them as leaders in asset profitability. HDFC Bank Ltd., IndusInd Bank, and IDBI Ltd. also maintained ROA ratios exceeding 1.5% for most of the observed period. Conversely, YES Bank and IDFC First Bank showed lower ROAs, with IDFC's sharp drop to 0.48% in 2025 suggesting stress in asset quality or higher provisioning. Overall, the average ROA of New Private Banks not only exceeded that of Old Private Banks but also demonstrated a clear upward trend, despite macroeconomic uncertainties.

The data highlights a broader transformation in India's banking sector, wherein New Private Sector Banks have effectively deployed technology-driven models, scalable retail banking, and superior risk management to enhance returns. Their capacity to adapt swiftly to regulatory changes, competitive pressures, and customer demands positions them favourably for sustained profitability. On the other hand, Old Private Sector Banks must pursue strategic modernization — including digital infrastructure upgrades, product innovation, and customer segmentation — to remain viable and competitive in an increasingly performance-driven environment.

The ROA trends from 2023 to 2025 clearly signal the superior profitability efficiency of New Private Sector Banks in India. These institutions have outperformed their older counterparts in maximizing returns on assets, thereby offering a model for financial sustainability in the evolving Indian banking ecosystem.

Table 06: Capital Adequacy Ratio (CAR)

Old Private Banks	2023	2024	2025	New Private Banks	2023	2024	2025
City Union Bank Ltd.	22.34	23.73	23.75	Axis Bank Ltd.	17.64	16.63	17.07
Tamilnad Mercantile Bank Ltd.	26.26	29.37	32.71	DCB Bank Ltd.	17.55	16.59	16.77
CSB Bank Ltd.	27.10	24.47	22.46	HDFC Bank Ltd.	19.26	18.80	19.55
Dhanlaxmi Bank Ltd	12.32	12.71	16.12	ICICI Bank Ltd.	18.34	16.33	16.55
The Federal Bank Ltd.	14.81	16.13	16.40	IndusInd Bank Ltd.	17.86	17.23	16.24
The Jammu & Kashmir Bank Ltd.	15.39	15.33	16.29	Kotak Mahindra Bank Ltd.	21.80	20.55	22.25
The Karnataka Bank Ltd.	17.45	18.00	19.85	YES Bank	17.90	15.40	15.60
The Karur Vysya Bank Ltd.	18.56	16.67	18.17	Bandhan Bank	19.76	14.69	18.71
Nainital Bank Ltd.	16.24	15.22	16.76	IDFC First Bank Ltd.	16.82	16.11	15.48
RBL Bank	16.92	16.18	15.54	IDBI Ltd.	20.44	22.26	25.05

(Source*: Author's Calculation based on the data from www.iba.org.in*)

The Capital Adequacy Ratio (CAR), as per Basel III norms, is a crucial indicator of a bank's financial stability and its ability to absorb potential losses, thereby protecting depositors and maintaining confidence in the banking system. Analyzing CAR trends from 2023 to 2025 for select Old and New Private Sector Banks reveals a noteworthy divergence in capital buffers maintained by these two categories.

Old Private Sector Banks, notably Tamilnad Mercantile Bank Ltd., City Union Bank Ltd., and CSB Bank Ltd., consistently reported higher CAR values over the three-year period. For instance, Tamilnad Mercantile Bank's CAR increased significantly from 26.26% in 2023 to 32.71% in 2025, far exceeding the regulatory minimum. This suggests a conservative capital strategy, prioritizing solvency and long-term resilience. CSB Bank, despite a slight drop in 2025, maintained CAR above 22%, reflecting adequate capital planning. These higher CAR figures indicate that Old Private Banks, though smaller in scale, have built strong capital cushions, possibly due to slower credit expansion, stringent asset quality norms, and conservative risk appetites.

Conversely, New Private Sector Banks such as Axis Bank, DCB Bank, and HDFC Bank demonstrated relatively lower CAR values, fluctuating between 16.5% and 19.5%. While these figures remain well above the regulatory thresholds, the narrower capital margins reflect more aggressive credit growth strategies and higher leverage, characteristic of larger, rapidly expanding banks. For example, Axis Bank's CAR declined from 17.64% in 2023 to 16.63% in 2024, before a modest recovery to 17.07% in 2025. Despite lower capital buffers, these banks are typically better diversified and more technologically agile, allowing them to manage risk more dynamically.

Overall, the analysis underscores that Old Private Sector Banks maintain higher capital adequacy ratios, signifying robust solvency and prudence. Meanwhile, New Private Sector Banks, while operating with thinner capital buffers, display higher risk-adjusted efficiency and growth orientation. These distinctions reflect contrasting business models — one focused on risk aversion and capital preservation, and the other on scalability and dynamic portfolio management. The findings imply that regulatory oversight and capital adequacy planning must remain adaptive to accommodate these divergent strategic frameworks in India's evolving banking ecosystem.

Table 07: Ratio of Net NPA to Net Advances

Old Private Banks	2023	2024	2025	New Private Banks	2023	2024	2025
City Union Bank Ltd.	2.36	1.97	1.25	Axis Bank Ltd.	0.39	0.31	0.33
Tamilnad Mercantile Bank Ltd.	0.62	0.85	0.36	DCB Bank Ltd.	1.04	1.11	1.12
CSB Bank Ltd.	0.35	0.51	0.52	HDFC Bank Ltd.	0.27	0.33	0.43
Dhanlaxmi Bank Ltd	1.16	1.25	0.99	ICICI Bank Ltd.	0.48	0.42	0.39
The Federal Bank Ltd.	0.69	0.60	0.44	Indusind Bank Ltd.	0.59	0.57	0.95
The Jammu & Kashmir Bank Ltd.	1.62	0.79	0.79	Kotak Mahindra Bank Ltd.	0.37	0.34	0.31
The Karnataka Bank Ltd.	1.70	1.58	1.31	YES Bank	0.82	0.58	0.33
The Karur Vysya Bank Ltd.	0.74	0.40	0.20	Bandhan Bank	1.17	1.11	1.28
Nainital Bank Ltd.	1.84	0.94	0.56	IDFC First Bank Ltd.	0.86	0.60	0.53
RBL Bank	1.10	0.74	0.29	IDBI Ltd.	0.92	0.34	0.15

(Source*: Author's Calculation based on the data from www.iba.org.in*)

The Net NPA to Net Advances ratio is a critical indicator of a bank's asset quality and credit risk management, representing the proportion of non-performing assets remaining after provisioning relative to total advances. A lower ratio signifies better credit appraisal practices, effective recovery mechanisms, and sound risk governance. The comparative data for Old and New Private Sector Banks in India from 2023 to 2025 offers valuable insights into the evolving landscape of banking resilience.

Among the Old Private Sector Banks, a moderating trend in Net NPA ratios was observed across the three-year period. For example, City Union Bank Ltd. reported a significant improvement from 2.36% in 2023 to 1.25% in 2025, suggesting strengthened recovery efforts or better asset quality. Similarly, RBL Bank showed a remarkable decline in Net NPA from 1.10% to 0.29%, and Karur Vysya Bank improved its ratio to just 0.20% by 2025. However, some old private banks, such as The Karnataka Bank Ltd. and Nainital Bank Ltd., continued to report elevated ratios (1.31% and 0.56% respectively in 2025), indicating residual stress in certain credit portfolios, possibly due to regional exposure or legacy assets.

On the other hand, New Private Sector Banks exhibited relatively lower and more stable Net NPA levels across the same period, indicating a more proactive approach to credit risk management. Banks like HDFC Bank Ltd., Kotak Mahindra Bank Ltd., and ICICI Bank Ltd. consistently maintained their Net NPA ratios below 0.50%, reflecting superior asset quality and strong internal controls. Notably, IDBI Bank Ltd. achieved a steep decline from 0.92% in 2023 to 0.15% in 2025, a result of intensified resolution strategies and capital restructuring. Conversely, DCB Bank and Bandhan Bank reported higher figures in the range of 1.1–1.28%, suggesting selective exposure to riskier borrower segments or micro-lending portfolios that are more vulnerable to economic cycles.

Overall, the data reveal a clear distinction between the two categories. Old Private Sector Banks, while improving, still exhibit greater variability and higher average Net NPA ratios, likely stemming from their historical loan books and narrower capital bases. In contrast, New Private Sector Banks have demonstrated superior consistency in asset quality, aided by robust underwriting frameworks, better analytics-based lending models, and aggressive provisioning policies. The consistent performance of newer banks suggests a greater institutional capacity to identify and mitigate credit risk, essential for long-term financial stability.

This comparative analysis underscores the strategic need for Old Private Sector Banks to accelerate digital transformation, enhance credit monitoring tools, and revisit sectoral exposures. Meanwhile, New Private Sector Banks must sustain vigilance, particularly in high-risk segments like unsecured retail and MSME lending, where asset quality can deteriorate quickly during macroeconomic stress. The findings provide critical inputs for regulators and investors evaluating the systemic strength and sustainability of India's private banking sector.

Table 08: Business Per Employee Ratio

Old Private Banks	**2023**	**2024**	**2025**	**New Private Banks**	**2023**	**2024**	**2025**
City Union Bank Ltd.	15.98	14.21	15.32	Axis Bank Ltd.	20.00	20.19	20.88
Tamilnad Mercantile Bank Ltd.	19.10	19.44	20.67	DCB Bank Ltd.	7.80	8.37	8.97
CSB Bank Ltd.	6.47	6.56	8.38	HDFC Bank Ltd.	19.74	21.49	23.62
Dhanlaxmi Bank Ltd	13.13	14.64	16.07	ICICI Bank Ltd.	17.07	16.84	20.06
The Federal Bank Ltd.	29.55	32.23	32.41	Indusind Bank Ltd.	16.95	16.98	16.61
The Jammu & Kashmir Bank Ltd.	15.57	17.81	20.18	Kotak Mahindra Bank Ltd.	8.73	9.63	10.89
The Karnataka Bank Ltd.	17.03	19.21	20.89	YES Bank	15.67	17.42	18.40
The Karur Vysya Bank Ltd.	18.11	18.00	18.91	Bandhan Bank	3.02	3.19	3.35
Nainital Bank Ltd.	10.99	10.79	10.81	IDFC First Bank Ltd.	8.11	8.67	10.31
RBL Bank	13.11	14.03	13.38	IDBI Ltd.	22.31	23.50	25.65

(Source*: Author's Calculation based on the data from www.iba.org.in*)

The metric under analysis, likely representing Business per Employee (BPE)—a critical productivity and operational efficiency indicator—measures the total business (deposits + advances) handled per employee, thereby reflecting the institution's labour productivity and scalability. An evaluation of BPE across selected Old and New Private Sector Banks over the period 2023 to 2025 highlights key structural and operational differences in human resource utilization and technological integration.

Among the Old Private Sector Banks, The Federal Bank Ltd. demonstrates the highest BPE values, rising from 29.55 lakh in 2023 to 32.41 lakh in 2025, indicating its consistent focus on enhancing branch-level productivity and digital augmentation. Similarly, Tamilnad Mercantile Bank Ltd. and The Karnataka Bank Ltd. show a positive trend, with BPE increasing from 19.10 to 20.67 and 17.03 to 20.89 respectively during the period. These gains suggest an institutional push toward improving employee efficiency and operational leverage. However, certain banks like CSB Bank Ltd. (6.47 to 8.38) and Nainital Bank Ltd. (10.99 to 10.81) display relatively lower BPE, which could be attributed to either their limited branch network or slower adoption of digital technologies.

Conversely, New Private Sector Banks, particularly HDFC Bank Ltd. and IDBI Ltd., exhibit a significantly higher and accelerating BPE trajectory, moving from 19.74 to 23.62 and 22.31 to 25.65 respectively. This upward trend underscores the scalability of larger banking institutions that leverage advanced technologies, streamlined operations, and data-driven workforce deployment. Axis Bank Ltd. also showcases robust productivity, increasing from 20.00 to 20.88, reflecting its expansive network and efficient human capital strategy. Meanwhile, banks like DCB Bank Ltd. (7.80 to 8.97) and Bandhan Bank (3.02 to 3.35) continue to record modest figures, which may reflect their operational focus on underserved segments or regional markets where BPE growth is constrained by structural challenges.

The overall comparison clearly reveals that New Private Sector Banks generally demonstrate higher productivity per employee, especially in banks with significant digital infrastructure and economies of scale. However, select Old Private Sector Banks, notably The Federal Bank, are narrowing this gap through targeted efficiency reforms and human capital optimization. These findings suggest that while digitalization and scale provide inherent advantages to new-generation banks, traditional players can remain competitive through strategic investments in technology, training, and branch rationalization.

From a policy and managerial standpoint, the analysis indicates the growing importance of labour productivity metrics in assessing institutional performance. Regulators and stakeholders may use such indicators to identify institutions with underutilized human capital or inefficiencies in service delivery. As Indian banking moves further into the era of digital-first models and automation, the ability to sustain and enhance Business per Employee will remain a key determinant of long-term competitiveness and financial sustainability across both segments of the private banking sector.

Table 09: Profit Per Employee Ratio

Old Private Banks	**2023**	**2024**	**2025**	**New Private Banks**	**2023**	**2024**	**2025**
City Union Bank Ltd.	15.58	14.13	14.77	Axis Bank Ltd.	10.94	25.29	25.45
Tamilnad Mercantile Bank Ltd.	23.04	23.29	24.93	DCB Bank Ltd.	5.08	5.25	5.31
CSB Bank Ltd.	8.01	7.21	7.80	HDFC Bank Ltd.	27.73	31.20	32.00
Dhanlaxmi Bank Ltd	2.79	3.43	3.80	ICICI Bank Ltd.	27.52	29.42	35.00
The Federal Bank Ltd.	22.94	25.96	26.12	Indusind Bank Ltd.	20.60	21.36	6.00
The Jammu & Kashmir Bank Ltd.	9.06	13.75	16.65	Kotak Mahindra Bank Ltd.	15.00	18.00	21.00
The Karnataka Bank Ltd.	13.64	14.67	14.54	YES Bank	2.80	4.51	8.49
The Karur Vysya Bank Ltd.	14.25	17.66	19.68	Bandhan Bank	3.36	3.00	3.53
Nainital Bank Ltd.	4.26	4.00	4.00	IDFC First Bank Ltd.	7.75	7.56	3.66
RBL Bank	8.00	9.00	5.00	IDBI Ltd.	20.42	29.63	38.09

(Source*: Author's Calculation based on the data from www.iba.org.in*)

Profit per employee (PPE) is a key metric used to evaluate the productivity and cost-efficiency of a bank's workforce. It reflects how effectively a bank is utilizing its human capital to generate profitability. A higher PPE ratio typically indicates better operational efficiency, stronger profit margins, and optimized staff deployment—factors increasingly critical in a technologically evolving banking landscape. The comparative evaluation of PPE between Old and New Private Sector Banks in India during 2023 to 2025 reveals distinct structural and strategic differences in performance, innovation, and growth orientation.

Old Private Sector Banks show a mixed trend across the period. Tamilnad Mercantile Bank Ltd. and The Federal Bank Ltd. exhibit relatively strong PPE figures, increasing from 23.04 to 24.93 and 22.94 to 26.12 respectively. These trends suggest robust internal processes, disciplined cost control, and effective workforce productivity. Similarly, The Karur Vysya Bank Ltd. shows consistent improvement, rising from 14.25 in 2023 to 19.68 in 2025, reflecting operational enhancements and possibly a shift toward high-margin activities.

Conversely, banks like Dhanlaxmi Bank Ltd. and Nainital Bank Ltd. consistently reported low PPE, remaining below 5.00, indicating structural inefficiencies, smaller scale operations, or legacy operational constraints. The fluctuation in RBL Bank's PPE, which dropped from 9.00 to 5.00, may reflect provisioning pressures, fluctuating net profits, or workforce expansion without a commensurate increase in earnings.

In contrast, New Private Sector Banks especially HDFC Bank Ltd., ICICI Bank Ltd., and IDBI Bank Ltd.—exhibited significantly higher and accelerating profit per employee levels across the three-year period. HDFC Bank's PPE surged from 27.73 to 32.00, while ICICI Bank posted a sharp rise from 27.52 to 35.00. The most remarkable improvement is seen in IDBI Ltd., climbing from 20.42 to an impressive 38.09, indicating highly efficient resource utilization and likely strong post-recapitalization performance. These trends highlight the competitive advantage enjoyed by new-generation banks in leveraging technology, scale, and automation to drive profit generation without proportionately increasing staff headcount.

However, not all new private banks followed this trajectory. Bandhan Bank, DCB Bank, and IDFC First Bank Ltd. recorded consistently low PPE values, hovering between 3.00 to 8.00, suggesting possible drag from high operational costs, subdued profitability, or increased hiring for branch expansion without corresponding profit uplift. Interestingly, YES Bank showed a substantial rise in PPE from 2.80 in 2023 to 8.49 in 2025, which may be indicative of successful turnaround efforts following its restructuring phase.

Overall, the analysis underscores a clear divergence in efficiency and profit maximization strategies between the two categories. New Private Sector Banks, particularly the larger institutions, demonstrate a superior ability to translate workforce investment into financial returns, driven by strong digital infrastructure, diversified portfolios, and scalable business models. Old Private Sector Banks, while improving, still face challenges in achieving similar efficiency levels, although some are closing the gap through modernization and tighter performance management.

The findings emphasize the need for targeted HR strategies, digitization, and cost rationalization, particularly for banks with consistently low PPE. Furthermore, as human capital remains central to service quality and financial intermediation, improving profit per employee will continue to be a key metric for evaluating operational resilience, investor confidence, and long-term sustainability in India's private banking sector.

Conclusion: The comparative analysis of financial performance between Old Private Sector Banks and New Private Sector Banks in India highlights both similarities and differences in their operational efficiency and profitability. Old Private Sector Banks continue to rely on traditional practices, strong regional presence, and stable customer bases, which provide them with resilience but often limit their growth potential. In contrast, New Private Sector Banks have shown stronger performance in several key areas such as profitability, diversification of income, and efficiency. Their adoption of modern technology, innovative services, and wider customer reach has helped them to outperform older counterparts in terms of return on assets, operating profits, and non-interest income.

The study also reveals that while Old Private Banks maintain higher levels of capital adequacy, New Private Banks demonstrate better asset quality and productivity, particularly in business per employee and profit per employee ratios. This indicates that the newer banks are more efficient in utilizing both financial and human resources. At the same time, the higher capital adequacy maintained by Old Private Banks reflects their conservative approach and focus on financial stability.

The research findings indicates that New Private Sector Banks are gradually setting new benchmarks in the Indian banking industry through innovation, digitization, and aggressive expansion strategies. However, Old Private Sector Banks still play an important role, especially in maintaining stability and catering to traditional customer segments. For sustained growth, both categories must continue to adapt—Old Private Banks by modernizing operations and embracing technology, and New Private Banks by ensuring stronger risk management and balanced growth.

Thus, the study concludes that the future of the Indian private banking sector lies in combining the stability of traditional models with the dynamism of modern approaches. This balance will be crucial in strengthening the financial system and supporting the long-term growth of the Indian economy.

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