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FINANCIAL PERFORMANCE OF NEW PRIVATE SECTOR BANKS IN INDIA:A POST-PANDEMIC ANALYSIS (2020-21 TO 2025-26)

Dr. M. Parameshwari[1], A.Gokilamani[2]

[1] Assistant Professor, PG & Research Department of Commerce, Gobi Arts & Science College, Gobichettipalayam, Tamilnadu, India – 638 453.
[2] Ph.D Research Scholar, PG & Research Department of Commerce, Gobi Arts and Science College, Gobichettipalayam, Tamilnadu, India – 638 453.

ABSTRACT :

The liberalisation of the Indian banking sector in the 1990s created a distinct cohort of technology-driven new private sector banks that has since become central to the intermediation of credit and deposits in the Indian economy. This study revisits the relative financial performance of five leading new private sector banks - ICICI Bank, HDFC Bank, Axis Bank, Yes Bank and Kotak Mahindra Bank - over a six-year period from 2020-21 to 2025-26, a period that spans the COVID-19 shock, the subsequent credit-cycle recovery, the merger of HDFC Limited with HDFC Bank, and Yes Bank's continuing post-reconstruction turnaround. Using secondary data drawn from the audited annual reports and investor disclosures of the sample banks, the study computes six profitability ratios - spread, burden and operating profit (each as a percentage of working funds), and net profit, interest income and non-interest income (each as a percentage of total income) - and constructs a composite overall profitability index following the Bhayani (2006) framework used in earlier Indian banking literature. Banks are classified into Excellent, Good, Fair and Poor performance categories using the normal distribution cut-offs of the composite index (X plus or minus 0.6745 standard deviations). The results show that Kotak Mahindra Bank emerges as the excellent performer on account of its distinctly lower burden ratio and superior operating profitability, HDFC Bank and ICICI Bank are fair performers with strong and stable net profit margins, while Axis Bank and Yes Bank are classified as poor performers, the latter continuing to carry the legacy effects of its 2020 reconstruction. The study offers updated evidence for regulators, investors and bank management on the comparative efficiency of India's leading private banks in the post-pandemic period and outlines specific recommendations to strengthen fee-based income and cost efficiency.

Keywords: Financial Performance, Private Sector Banks, Profitability Index, Spread, Burden, Net Interest Margin, Indian Banking

1. INTRODUCTION

The Indian banking industry has undergone a profound structural transformation since the economic liberalisation of 1991. The policy of liberalisation, globalisation and privatisation opened the sector to a small number of privately promoted, technology-oriented banks that came to be described as the 'new generation' private sector banks. Entities such as ICICI Bank, HDFC Bank, Axis Bank and later Kotak Mahindra Bank and Yes Bank introduced competitive pressure into a market that had been dominated for decades by public sector institutions, and in doing so reshaped customer expectations around service quality, digital delivery and product innovation.

Since the original wave of studies on this cohort of banks was published, the operating environment has changed markedly. The five-year period examined here, 2020-21 to 2025-26, captures several developments that make a fresh assessment of comparative financial performance both timely and necessary. First, the COVID-19 pandemic subjected Indian banks to an unprecedented asset-quality and provisioning shock in 2020-21, the effects of which varied considerably across institutions depending on their loan-book composition and provisioning discipline. Second, Yes Bank's 2020 reconstruction scheme initiated a multi-year balance-sheet repair process whose progress is only now becoming visible in reported ratios. Third, the amalgamation of Housing Development Finance Corporation Limited with HDFC Bank, effective July 2023, materially altered the scale and composition of HDFC Bank's balance sheet from 2023-24 onward, with consequences for every ratio expressed as a percentage of working funds. These developments motivate a re-examination of the relative profitability rankings established in the earlier literature using the most recent available financial data.

Profitability remains the most widely used lens through which the performance of a banking firm is judged, since it is the residual outcome of a bank's interest-rate management, cost control, fee-generation capacity and risk management, taken together. This paper follows the well-established methodology of decomposing profitability into interest-spread, operating-cost ('burden') and income-mix components, and aggregating these into a

single profitability index that permits banks to be ranked and classified into performance categories.

2.REVIEW OF LITERATURE

A substantial body of work has examined the financial performance of Indian private sector banks using ratio-based and index-based methodologies. Bodla and Verma (2006) examined the earnings quality of scheduled commercial banks in India and highlighted spread and burden as the two central determinants of bank profitability. Sathya and Mishra (2005) documented the structural evolution of the Indian banking system following liberalisation. Sangmi and Nazir (2010) applied the CAMEL framework to assess the soundness of commercial banks in India, underscoring the importance of capital adequacy and earnings quality as joint determinants of bank health. Prasad and Chari (2011) analysed the comparative performance of public and private sector banks and found that private banks generally outperformed their public sector counterparts on efficiency and profitability metrics during the 2000s.

More recent studies have extended this line of enquiry into the post-pandemic period. Several researchers have documented that Indian banks, both public and private, entered the COVID-19 shock with materially stronger capital buffers and provisioning cover than in earlier stress episodes, a legacy of the RBI's asset-quality-review-driven clean-up of bank balance sheets between 2015 and 2019. This is reflected in the comparatively muted deterioration of net profitability among large private banks during 2020-21 relative to the scale of the pandemic shock, followed by a strong normalisation of profitability from 2021-22 onward as credit costs declined. Studies examining net interest margins of Indian banks in the post-pandemic rate-hiking cycle of 2022-23 have similarly found that banks with a higher proportion of floating-rate retail and MSME advances, such as ICICI Bank and Kotak Mahindra Bank, were able to reprice assets faster than liabilities, producing a temporary widening of spreads that has since normalised as deposit costs caught up.

The specific case of Yes Bank has attracted separate scholarly attention following its March 2020 reconstruction under a scheme administered by the Reserve Bank of India, with State Bank of India and other financial institutions infusing fresh capital. Literature tracking Yes Bank's subsequent recovery trajectory has generally found a slow but steady improvement in asset quality and profitability, with net profit turning positive from 2021-22 onward but remaining well below the levels achieved by other new private sector banks, a pattern that this study's results corroborate. On the merger front, early assessments of the HDFC-HDFC Bank amalgamation have noted that the transaction altered the composition of the combined entity's loan book toward long-tenure mortgage assets and increased its leverage-adjusted balance sheet size substantially, complicating like-for-like comparison with pre-merger years and with peer banks that have not undergone comparable structural change.

Taken together, the literature establishes both the enduring relevance of ratio-based profitability indices for comparative bank assessment and the need to periodically update such indices to reflect structural discontinuities such as mergers, regulatory reconstructions and macro-financial shocks. This study contributes to that literature by extending the profitability-index methodology of the earlier 2007-08 to 2011-12 study of new private sector banks to the most recent six-year period for which complete annual financial statements are available.

3. RESEARCH GAP AND OBJECTIVES OF THE STUDY

While the profitability of Indian private sector banks has been studied extensively for the pre-2015 period, comparatively little published work re-applies a consistent, multi-ratio profitability-index methodology to the post-pandemic period covering 2020-21 through 2025-26 for this specific set of five leading new private sector banks. In particular, no study to date has jointly incorporated the balance-sheet effects of the HDFC-HDFC Bank merger and the ongoing Yes Bank reconstruction into a comparative profitability index of this kind. This creates a gap in the literature that the present study seeks to address.

1. To examine the trend in spread, burden and operating profit (as a percentage of working funds) of the selected new private sector banks during the period 2020-21 to 2025-26.
2. To examine the trend in net profit, interest income and non-interest income (as a percentage of total income) of the selected banks over the same period.
3. To construct a composite overall profitability index for each bank and classify the banks into Excellent, Good, Fair and Poor performance categories.
4. To offer recommendations for improving the financial performance of new private sector banks in India in light of the post-pandemic operating environment.

4. METHODOLOGY

The study is descriptive and analytical in nature and is based entirely on secondary data. Financial data for the sample banks were compiled from the audited standalone annual reports, investor presentations and regulatory (BSE/NSE) filings of ICICI Bank, HDFC Bank, Axis Bank, Yes Bank

and Kotak Mahindra Bank, cross-checked against consolidated financial databases (Screener, Value Research, Equitymaster and company investor-relations disclosures). Data for the financial year 2025-26 reflect the most recently published full-year results available at the time of writing and, where the audited annual report had not yet been released, are based on unaudited full-year results announced by the banks; these figures should therefore be treated as provisional and subject to revision once audited accounts are published.

The study period covers six financial years, 2020-21 to 2025-26 (year ending 31 March), on the same five-bank sample used in the earlier 2007-08 to 2011-12 study of new private sector banks, thereby preserving comparability with the prior literature. All figures are on a standalone (bank-only) basis unless otherwise stated.

Ratios Employed

Consistent with the earlier literature on Indian bank profitability, six financial ratios are computed for each bank and year:

- Spread (% of working funds) = (Interest Earned - Interest Expended) / Working Funds x 100
- Burden (% of working funds) = (Operating Expenses - Other Income) / Working Funds x 100
- Operating Profit (% of working funds) = Spread - Burden
- Net Profit (% of total income) = Net Profit / Total Income x 100
- Interest Income (% of total income) = Interest Earned / Total Income x 100
- Non-Interest Income (% of total income) = Other Income / Total Income x 100

Working funds are proxied by total assets (balance-sheet size) as reported at each financial year-end. Total income is defined as the sum of interest earned and other (non-interest) income.

Overall Profitability Index

Following Bhayani (2006) and the methodology adopted in the earlier study of new private sector banks, a profitability index is computed for each ratio and bank as:

Profitability Index = Average ratio for the concerned bank / Average ratio for the aggregate of all sample banks

A composite overall profitability index for each bank is then obtained as the simple average of its six individual ratio indices. Because a lower burden ratio represents superior (not inferior) performance, the burden index is inverted (aggregate average divided by the bank's average, rather than the reverse) before it is combined with the other five indices, consistent with the treatment of expenditure-type ratios in the earlier literature.

Once the composite index (X) and its standard deviation (sigma) across the five banks are computed, banks are classified into four performance categories using the normal-distribution cut-offs conventionally employed in this literature:

- Excellent: composite index greater than (X + 0.6745 sigma)
- Good: composite index between X and (X + 0.6745 sigma)
- Fair: composite index between (X - 0.6745 sigma) and X
- Poor: composite index below (X - 0.6745 sigma)

Descriptive statistics - arithmetic mean, standard deviation and coefficient of variation - are used throughout to summarise trend and dispersion, both bank-wise (across the six years) and year-wise (across the five banks). All computations were carried out in Python.

5. DATA ANALYSIS AND INTERPRETATION

This section presents the year-wise and bank-wise behaviour of the six profitability ratios for the five sample banks over 2020-21 to 2025-26, followed by the composite profitability index and the resulting performance classification.

Table 1: Spread as a Percentage of Working Funds (%)

Bank	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Avg.	S.D.	C.V.(%)
ICICI Bank	3.17	3.36	3.92	3.97	3.83	4.07	3.72	0.33	8.98
HDFC Bank	3.71	3.48	3.52	3.00	3.13	2.87	3.29	0.30	9.27
Axis Bank	3.02	2.89	3.34	3.48	3.50	3.00	3.20	0.24	7.62
Yes Bank	2.59	2.04	2.23	1.99	2.11	2.08	2.17	0.20	9.19
Kotak Mahindra Bank	4.00	3.91	4.40	4.33	4.08	3.51	4.04	0.29	7.22
Year Average	3.30	3.14	3.48	3.35	3.33	3.11	-	-	-
Year S.D.	0.50	0.64	0.72	0.82	0.69	0.67	-	-	-
Year C.V.(%)	15.24	20.37	20.79	24.33	20.69	21.42	-	-	-

Note: Spread = (Interest Earned - Interest Expended) / Working Funds x 100. Source: Compiled and computed by the author from annual reports and

financial databases of the sample banks.

Table 1 shows the spread ratio (interest earned less interest expended, as a percentage of working funds). Kotak Mahindra Bank recorded the highest average spread (4.04%) over the period, consistent with its relatively higher-yielding unsecured retail and consumer-finance book, followed by ICICI Bank (3.72%) and HDFC Bank (3.29%). Yes Bank recorded the lowest average spread (2.17%), reflecting both a higher cost of deposits during its post-reconstruction rebuilding of its liability franchise and a relatively larger proportion of lower-yielding corporate exposures on its post-2020 balance sheet. Spread for HDFC Bank declined noticeably from 2022-23 onward, a pattern attributable to the enlarged, lower-yielding mortgage book acquired through the 2023 merger with HDFC Limited diluting the bank's blended asset yield relative to its pre-merger, retail-and-corporate-led book.

Table 2: Burden as a Percentage of Working Funds (%)

Bank	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Avg.	S.D.	C.V.(%)
ICICI Bank	0.35	0.58	0.82	0.86	0.65	0.65	0.65	0.17	25.90
HDFC Bank	0.43	0.38	0.67	0.39	0.58	0.23	0.45	0.14	31.88
Axis Bank	0.57	0.64	1.70	0.81	0.71	0.64	0.85	0.39	46.29
Yes Bank	0.18	0.24	0.30	0.08	-0.02	1.02	0.30	0.34	114.01
Kotak Mahindra Bank	0.54	0.34	0.47	0.12	-0.25	-0.21	0.17	0.31	186.28
Year Average	0.41	0.44	0.79	0.45	0.33	0.47	-	-	-
Year S.D.	0.14	0.15	0.49	0.33	0.39	0.42	-	-	-
Year C.V.(%)	34.08	34.44	61.91	73.84	117.74	90.97	-	-	-

Note: Burden = (Operating Expenses - Other Income) / Working Funds x 100. A lower value indicates better cost efficiency. Source: Compiled and computed by the author.

Table 2 reports the burden ratio (operating expenses net of other income, as a percentage of working funds), where a lower value denotes superior cost efficiency. Kotak Mahindra Bank recorded by far the lowest (best) average burden ratio (0.17%), and even recorded a small negative burden in 2024-25 and 2025-26, indicating that its non-interest income more than covered its operating expenses in those years - aided in 2024-25 by a one-off gain on the divestment of its general insurance stake. Axis Bank recorded the highest average burden (0.85%), driven substantially by the elevated integration and technology costs associated with the 2023 acquisition and integration of Citibank India's consumer businesses, which is clearly visible in the sharp spike in the ratio in 2022-23.

Table 3: Operating Profit as a Percentage of Working Funds (%)

Bank	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Avg.	S.D.	C.V.(%)
ICICI Bank	2.82	2.78	3.10	3.11	3.18	3.42	3.07	0.22	7.08
HDFC Bank	3.28	3.10	2.85	2.61	2.56	2.65	2.84	0.27	9.50
Axis Bank	2.45	2.24	1.64	2.67	2.79	2.36	2.36	0.37	15.70
Yes Bank	2.41	1.80	1.93	1.92	2.13	1.05	1.87	0.42	22.17
Kotak Mahindra Bank	3.46	3.58	3.93	4.21	4.33	3.72	3.87	0.32	8.23
Year Average	2.88	2.70	2.69	2.90	3.00	2.64	-	-	-
Year S.D.	0.43	0.63	0.83	0.76	0.75	0.94	-	-	-
Year C.V.(%)	14.76	23.17	30.68	26.10	24.93	35.43	-	-	-

Note: Operating Profit = Spread - Burden. Source: Compiled and computed by the author.

Table 3 shows operating profit as a percentage of working funds, calculated as spread less burden. Kotak Mahindra Bank again leads with the highest average operating profit ratio (3.87%), the direct consequence of its combination of a high spread and a very low burden. Yes Bank recorded the lowest average operating profit ratio (1.87%), and its ratio fell sharply in 2025-26 as a comparatively larger increase in the burden ratio offset a broadly stable spread.

Table 4: Net Profit as a Percentage of Total Income (%)

Bank	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Avg.	S.D.	C.V.(%)
ICICI Bank	16.51	22.25	24.71	24.65	24.63	24.72	22.91	3.00	13.09
HDFC Bank	21.30	23.50	22.88	19.77	19.46	20.18	21.18	1.54	7.28
Axis Bank	9.23	16.40	10.23	19.12	17.99	16.27	14.87	3.78	25.39
Yes Bank	-15.02	4.78	2.72	3.83	6.55	9.41	2.04	7.92	387.55
Kotak Mahindra Bank	21.87	25.96	26.47	24.34	24.23	20.85	23.95	2.02	8.44
Year Average	10.78	18.58	17.40	18.34	18.57	18.29	-	-	-

Bank	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Avg.	S.D.	C.V.(%)
Year S.D.	13.67	7.58	9.30	7.60	6.55	5.18	-	-	-
Year C.V.(%)	126.84	40.80	53.46	41.46	35.26	28.36	-	-	-

Note: Total Income = Interest Earned + Other Income. Source: Compiled and computed by the author.

Table 4 presents net profit as a percentage of total income, an indicator of overall income-generating capacity. Kotak Mahindra Bank (23.95%) and ICICI Bank (22.91%) recorded the highest average net profit margins, while Yes Bank's average of only 2.04% - and a negative margin of -15.02% in 2020-21, the year of its reconstruction - illustrates the scale of the balance-sheet clean-up the bank has had to absorb. Axis Bank's net profit ratio dipped sharply in 2022-23 (10.23%, against 16.40% the year before) on account of the one-off Citibank-integration costs referred to above, before recovering to the mid-to-high teens in subsequent years.

Table 5: Interest Income as a Percentage of Total Income (%)

Bank	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Avg.	S.D.	C.V.(%)
ICICI Bank	80.66	82.35	84.63	86.16	85.13	85.47	84.07	1.93	2.30
HDFC Bank	82.74	81.24	83.81	83.99	86.82	83.10	83.62	1.69	2.02
Axis Bank	82.59	79.95	82.66	81.72	81.69	81.71	81.72	0.89	1.09
Yes Bank	86.94	85.36	86.03	84.36	84.06	81.70	84.74	1.67	1.97
Kotak Mahindra Bank	84.28	81.87	82.86	80.87	77.96	77.96	80.97	2.36	2.92
Year Average	83.44	82.15	84.00	83.42	83.13	81.99	-	-	-
Year S.D.	2.09	1.80	1.24	1.90	3.08	2.44	-	-	-
Year C.V.(%)	2.51	2.19	1.47	2.28	3.70	2.97	-	-	-

Source: Compiled and computed by the author.

Table 5 shows interest income as a percentage of total income. All five banks derive between roughly 78% and 87% of total income from interest sources, with Yes Bank (84.74%) and ICICI Bank (84.07%) at the upper end and Kotak Mahindra Bank (80.97%) at the lower end, the last reflecting Kotak's comparatively larger and growing share of fee, wealth-management and (until its divestment) insurance-related income.

Table 6: Non-Interest Income as a Percentage of Total Income (%)

Bank	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Avg.	S.D.	C.V.(%)
ICICI Bank	19.34	17.65	15.37	13.84	14.87	14.53	15.93	1.93	12.11
HDFC Bank	17.26	18.76	16.19	16.01	13.18	16.90	16.38	1.69	10.31
Axis Bank	17.41	20.05	17.34	18.28	18.31	18.29	18.28	0.89	4.88
Yes Bank	13.06	14.64	13.97	15.64	15.94	18.30	15.26	1.67	10.95
Kotak Mahindra Bank	15.72	18.13	17.14	19.13	22.04	22.04	19.03	2.36	12.41
Year Average	16.56	17.85	16.00	16.58	16.87	18.01	-	-	-
Year S.D.	2.09	1.80	1.24	1.90	3.08	2.44	-	-	-
Year C.V.(%)	12.63	10.06	7.74	11.48	18.23	13.54	-	-	-

Source: Compiled and computed by the author.

Table 6, the mirror image of Table 5, shows non-interest income as a percentage of total income. Kotak Mahindra Bank recorded the highest average share (19.03%), rising further in 2024-25 on the back of the insurance-stake divestment gain, while ICICI Bank recorded the lowest (15.93%), a share that has in fact declined steadily over the period as ICICI Bank's interest income has grown faster than its fee income base.

PROFITABILITY INDEX AND BANK CLASSIFICATION

Table 7 presents the ratio-wise profitability indices for each bank, computed as the bank's average ratio divided by the corresponding aggregate average across the five sample banks (the burden index, marked with an asterisk, is inverted so that a higher value uniformly denotes better performance across all six indices). The last column reports the composite overall profitability index for each bank, obtained as the simple average of the six ratio-wise indices.

Table 7: Profitability Indices by Bank

Bank / Ratio	Spread	Burden*	Operating Profit	Net Profit	Interest Income	Non-Interest Income	Composite Index
ICICI Bank	1.133	0.738	1.095	1.348	1.013	0.938	**1.044**
HDFC Bank	1.000	1.082	1.014	1.247	1.007	0.965	**1.053**
Axis Bank	0.976	0.570	0.842	0.875	0.984	1.077	**0.887**
Yes Bank	0.662	1.611	0.669	0.120	1.021	0.899	**0.830**
Kotak Mahindra Bank	1.229	2.885	1.381	1.410	0.975	1.121	**1.500**
Average	-	-	-	-	-	-	**1.063**
S.D.	-	-	-	-	-	-	**0.235**

** The burden index is inverted (aggregate average / bank average) since a lower burden ratio represents superior performance.*

The composite index across the five banks has a mean (X) of 1.063 and a standard deviation (sigma) of 0.235, giving classification cut-offs of Excellent (index above 1.222), Good (between 1.063 and 1.222), Fair (between 0.904 and 1.063) and Poor (below 0.904). Table 8 applies these cut-offs to classify the sample banks.

Table 8: Classification of Banks by Overall Profitability

Bank	Composite Profitability Index	Performance Category
Kotak Mahindra Bank	1.500	**Excellent**
HDFC Bank	1.053	**Fair**
ICICI Bank	1.044	**Fair**
Axis Bank	0.887	**Poor**
Yes Bank	0.830	**Poor**

Kotak Mahindra Bank emerges as the Excellent performer, its composite index of 1.500 lying well above the upper cut-off, driven principally by its markedly superior burden ratio and the consequent strength of its operating profit and net profit margins. HDFC Bank and ICICI Bank are classified as Fair performers: both banks post strong, stable net profit margins and healthy spreads, but their composite indices are held below the sample mean, in HDFC Bank's case primarily by the dilution of its asset-yield-based ratios following the 2023 merger with HDFC Limited, and in ICICI Bank's case by a comparatively higher burden ratio than Kotak Mahindra Bank. Axis Bank and Yes Bank are classified as Poor performers. Axis Bank's composite index is weighed down by the elevated burden ratio associated with the Citibank India integration, while Yes Bank's index reflects the continuing legacy of its 2020 reconstruction, most visibly in its low and volatile net profit margin.

6. FINDINGS

1. Kotak Mahindra Bank recorded the highest average spread, the lowest (best) average burden, and consequently the highest average operating profit ratio among the five sample banks over 2020-21 to 2025-26.
2. Yes Bank recorded the lowest average spread and the lowest average net profit margin, reflecting the continuing effects of its March 2020 reconstruction; its net profit margin was negative in 2020-21 and has recovered only gradually since.
3. Axis Bank's burden ratio and net profit margin both deteriorated sharply in 2022-23 owing to one-off costs associated with the integration of Citibank India's consumer banking business, before recovering in subsequent years.
4. HDFC Bank's asset-yield-based ratios (spread and, to a lesser extent, operating profit) declined from 2023-24 onward following its merger with HDFC Limited, even as its absolute net profit continued to grow strongly in rupee terms.
5. On the composite overall profitability index, Kotak Mahindra Bank is classified as an Excellent performer; HDFC Bank and ICICI Bank as Fair performers; and Axis Bank and Yes Bank as Poor performers.
6. Interest income continues to account for the large majority (78-87%) of total income for all five banks, indicating that fee-based and other non-interest income, while growing, has not yet displaced interest income as the dominant revenue source for new private sector banks.

7. DISCUSSION

The results both confirm and depart from the ranking obtained in the earlier 2007-08 to 2011-12 study of the same five banks. Kotak Mahindra Bank and HDFC Bank were both classified as Excellent performers in the earlier period; in the present study, Kotak Mahindra Bank retains its Excellent classification, while HDFC Bank has moved to the Fair category, a shift explained principally by structural balance-sheet change (the HDFC Limited merger) rather than by any underlying deterioration in profitability, since HDFC Bank's absolute net profit and net profit margin both remain strong in rupee and percentage terms. ICICI Bank, which was classified as a Poor performer in the earlier period, has moved to the Fair category in the present study, consistent with the well-documented turnaround in ICICI Bank's asset quality and profitability since 2018-19 under its subsequent management. Yes Bank, which did not feature as a distinct entity in quite the same competitive position in the earlier study period, remains a Poor performer, underscoring how long the balance-sheet effects of a reconstruction event can persist in profitability ratios even several years after the event itself.

These findings are consistent with the broader literature's emphasis on cost efficiency (the burden ratio) as the single most discriminating driver of comparative bank profitability among otherwise similarly positioned private banks, more so than the spread ratio alone. Kotak Mahindra Bank's leadership position is attributable less to a uniquely high spread - ICICI Bank's spread is not far behind - than to its distinctly lower operating-cost burden relative to its non-interest income, a pattern that merits closer attention from the other sample banks, particularly Axis Bank, as they seek to improve comparative profitability going forward.

8. LIMITATIONS OF THE STUDY

1. The study relies on standalone (bank-only) financial statements; consolidated group-level performance, which for some banks (notably ICICI Bank and HDFC Bank, through their insurance, asset-management and broking subsidiaries) differs materially from standalone performance, is not examined.
2. Financial data for 2025-26 are based on the latest full-year results publicly available at the time of writing and, for line items not yet confirmed in audited annual reports, on reasonable estimates derived from quarterly disclosures; these figures are provisional and may be revised once audited financial statements are published.
3. Working funds are proxied by year-end total assets rather than average assets during the year, consistent with the approach of the earlier study on this sample, but this can introduce some distortion in years of rapid balance-sheet growth or, in HDFC Bank's case, merger-related step-changes.
4. The profitability-index methodology, while widely used in the literature, does not control for differences in business mix, risk appetite or accounting treatment across banks, and should be read alongside, rather than as a substitute for, more granular ratio and risk analysis.

9. CONCLUSION AND SUGGESTIONS

This study set out to re-examine the relative financial performance of five leading new private sector banks in India - ICICI Bank, HDFC Bank, Axis Bank, Yes Bank and Kotak Mahindra Bank - over the six-year period 2020-21 to 2025-26, using the same profitability-index methodology employed in the earlier literature on this cohort of banks but applied to markedly different post-pandemic operating conditions. The analysis finds that Kotak Mahindra Bank is the Excellent performer on the basis of the composite profitability index, driven principally by its superior cost efficiency; HDFC Bank and ICICI Bank are Fair performers, both posting strong and stable net profit margins even as structural balance-sheet change (in HDFC Bank's case) and improved but still moderate cost efficiency (in ICICI Bank's case) keep their composite indices below the sample mean; and Axis Bank and Yes Bank are Poor performers, weighed down respectively by one-off integration costs and the lingering legacy of balance-sheet reconstruction.

On the basis of these findings, the following recommendations are made to strengthen the financial performance of new private sector banks in India:

1. Banks with comparatively high burden ratios, particularly Axis Bank and Yes Bank, should prioritise the completion of technology and integration cost programmes and pursue further growth in fee-based, low-capital income streams such as wealth management, cross-selling and digital transaction banking to bring operating costs down relative to income.
2. Banks should continue to diversify income away from a near-exclusive reliance on interest income - which still accounts for 78-87% of total income across the sample - toward fee-based and other non-interest income, both to improve profitability and to reduce sensitivity to interest-rate cycles.
3. Yes Bank should continue to prioritise the strengthening of its liability franchise (current and savings account deposits) to reduce its cost of funds, which remains a key constraint on its spread relative to peer banks.
4. HDFC Bank should focus on optimising the yield and funding mix of its enlarged, merger-driven balance sheet so that its scale advantage translates more fully into margin and profitability metrics over the medium term.

Future research could usefully extend this analysis to a wider set of private and public sector banks, incorporate consolidated (group-level) financial statements, and examine the statistical significance of differences in profitability ratios across banks using panel-data regression techniques, complementing the descriptive index-based approach adopted here.

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