

Comparative Financial Performance Analysis of NIFTY Banks: Evidence from Profitability, Efficiency, Growth, Risk & Lending Dimensions

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ABSTRACT

The banking sector plays an indispensable role in fostering economic growth by efficiently channeling savings, facilitating the allocation of credit, supporting investments, and ensuring the stability of the financial system. Among the key indices representing Indian banks, the NIFTY Bank Index stands out, encompassing the leading financial institutions that have a profound influence on the country's financial ecosystem. This research delves into the comparative financial performance of selected banks within the NIFTY Bank Index over the period spanning 2018–2019 to 2024, examining five critical dimensions: profitability, operational efficiency, growth, risk and stability, and lending efficiency. The study's findings underscore significant variations in performance across these dimensions. Notably, the State Bank of India and ICICI Bank exhibited strong profitability metrics, reflecting their robust financial strategies and market positioning. YES Bank demonstrated marked improvements in operational efficiency, showcasing its efforts to streamline operations and enhance resource utilization. On the growth front, AU Small Finance Bank and IDFC First Bank achieved remarkable strides, demonstrating an ability to expand and capitalize on emerging opportunities. HDFC Bank, on the other hand, maintained its leadership in risk management and stability, highlighting its resilience in the face of financial volatility. Lastly, Bank of Baroda excelled in lending performance, standing out for its efficient credit allocation and management. In assumption, this study reveals that the financial performance of NIFTY Banks exhibits considerable variation across the key performance dimensions. These differences are indicative of the distinct managerial approaches, strategic priorities, and financial adaptability of each bank, underlining the importance of tailored strategies in achieving long-term financial success and resilience in a competitive banking environment.

Keywords: NIFTY Bank, Financial Performance, Profitability, Operational Efficiency, Growth Performance, Risk & Stability, Lending Performance.

1. INTRODUCTION

The Indian banking industry stands as a cornerstone of the nation's economy, playing a pivotal role in driving trade, investment, employment, and overall economic growth. By mobilizing public savings and efficiently directing them into productive investments, banks accelerate both industrial and social development. However, recent challenges—such as increasing competition, digital transformation, evolving regulatory frameworks, rising customer expectations, and macroeconomic uncertainties—have underscored the importance of assessing financial performance more critically than ever before. The NIFTY Bank Index serves as a key benchmark, representing 14 of the largest and most influential banks listed on the National Stock Exchange (NSE) of India. This index is composed of the banks' same-day liquidity in deposit amounts, which tracks the most significant players in India's banking sector. Given their substantial contributions to credit creation, deposits, market capitalization, and investor interest, these banks are crucial in determining the overall financial stability and soundness of the

economy. A comprehensive evaluation of the financial performance of these banks provides insights into their strengths and weaknesses, which is valuable for investors, regulators, policymakers, and academic scholars. It also serves as an important tool for improving transparency and guiding future decision-making processes. Financial performance is inherently multidimensional, and cannot be solely assessed through one indicator. Key metrics used to gauge the performance of banks include profitability measures such as Net Profit Margin, Return on Assets (ROA), and Earnings Per Share (EPS), which assess the banks' earning capacity. Additionally, Cost-to-Income Ratio serves as a critical operational efficiency indicator, revealing how effectively banks manage their operational costs relative to revenue. Growth indicators, such as deposits, advances, and assets, reflect the banks' capacity to scale and expand. Risk and stability indicators, meanwhile, provide insight into the banks' ability to manage direct, indirect, and contingent risks, including leverage, liquidity, and borrowings. Lastly, lending performance metrics evaluate how effectively deposits are converted into loans. The period from 2018–2019 to 2023–2024 is of particular significance, as it encompasses pre-pandemic, pandemic, and post-pandemic phases—each with distinct challenges and opportunities.

2. REVIEW OF LITERATURE

The financial performance of banks has been a subject of considerable academic interest across various dimensions such as profitability, operational efficiency, growth, risk management, and lending. Many international scholars have investigated these dimensions to understand how banks achieve sustainable success. For instance, in their comprehensive study on the profitability of banks, Brealey (2021) suggest that key profitability indicators, including Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), are critical in assessing banks' long-term sustainability and the trust placed in them by shareholders. These indicators reflect the ability of banks to generate consistent returns and are crucial for maintaining market value and investor confidence. Humphrey (2023), in their research on operational efficiency in banking, found that the Cost-to-Income Ratio is one of the most reliable indicators of efficiency in financial institutions. They argue that minimizing operational costs relative to income is essential for maintaining competitiveness and long-term profitability. Their study highlights the impact of effective cost management on improving overall bank performance in competitive markets. In their study on bank growth, Molyneux (2022) discuss how growth in deposits, advances, and assets directly correlates with the overall market success of banks. Prasadula, N. (2021). Mergers in India: A Response to Regulatory Stocks. Emerging Markets Finance and Traderesearch indicates that robust growth in these areas is a clear sign of customer confidence and stronger market positioning. Their findings emphasize the significance of strategic expansion in driving bank performance in global markets. On the topic of risk and stability, Altman (2021) and Modigliani & Miller (1958) highlight the importance of capital structure, leverage, and liquidity as measures of a bank's resilience during financial crises. They note that banks with optimal capital structures and low leverage are better positioned to withstand market shocks and uncertain economic conditions. Finally, Kosowski & Nuno (2020) explored lending efficiency by examining the Credit-Deposit Ratio (CDR), a widely used indicator of how effectively banks convert deposits into income-generating loans. Their findings show that banks with higher CDRs tend to be more efficient in their lending activities, resulting in better overall profitability and financial performance.

3. NEED OF THE STUDY

The need for this study arises from the growing importance of the banking sector in India and the need to understand the comparative performance of leading banks. Since NIFTY Banks represent major institutions in the financial system, their financial strength directly influences economic growth, investor confidence, and financial stability. A multidimensional study helps identify strong and weak areas among banks and provides useful insights for management, investors, policymakers, and academicians. It is also necessary to evaluate how banks performed during the pre-pandemic, pandemic, and post-pandemic periods.

4. OBJECTIVES OF THE STUDY

The study has been undertaken with the objective of examining the comparative financial performance of NIFTY Banks during the study period. The specific objectives are as follows:

1. To evaluate the profitability and operational efficiency performance of selected NIFTY Banks.
2. To measure the growth performance and assess the risk & stability position of selected NIFTY Banks.

- 3. To examine the lending performance and compare the overall financial performance of selected NIFTY Banks during the study period.

5. Hypotheses of the Study

The study is based on the following five null hypotheses corresponding to the five dimensions of financial performance:

- 1. H₀₁: There is no significant improvement in the profitability performance of NIFTY Banks during the study period.
- 2. H₀₂: There is no significant change in the operational efficiency performance of NIFTY Banks during the study period.
- 3. H₀₃: There is no significant improvement in the growth performance of NIFTY Banks during the study period.
- 4. H₀₄: There is no significant variation in the risk & stability performance of NIFTY Banks during the study period.
- 5. H₀₅: There is no significant improvement in the lending performance of NIFTY Banks during the study period.

5. METHODOLOGY

This study adopts a descriptive and analytical approach, relying solely on secondary data sourced from various reports, including annual bank reports, publications from the National Stock Exchange, reports from the Reserve Bank of India, and financial databases. The sample for this study consists of fourteen banks listed in the NIFTY Bank Index. The analysis spans across seven financial years, from 2018–19 to 2023–24. To evaluate performance, several statistical methods are applied, such as the Compound Annual Growth Rate (CAGR), ranking methodology, comparative analysis, and the Mann–Kendall trend test. These statistical tools are instrumental in assessing growth, comparing the banks, and identifying significant long-term trends.

6. SCOPE OF THE STUDY

The scope of the study is limited to selected NIFTY Banks operating in India. It covers five dimensions of financial performance: profitability, operational efficiency, growth, risk and stability, and lending performance. The analysis is confined to the period from 2018–19 to 2024–25 and is based on published financial data.

7. LIMITATIONS OF THE STUDY

The study has certain limitations. It is based only on secondary data and depends on the accuracy of published financial statements. The sample includes only selected NIFTY Banks and does not cover all Indian banks. External factors such as inflation, interest rate changes, policy reforms, and global economic shocks may affect performance results. Non-financial aspects such as customer satisfaction, service quality, and employee productivity are not included in the analysis.

8. ANALYSIS

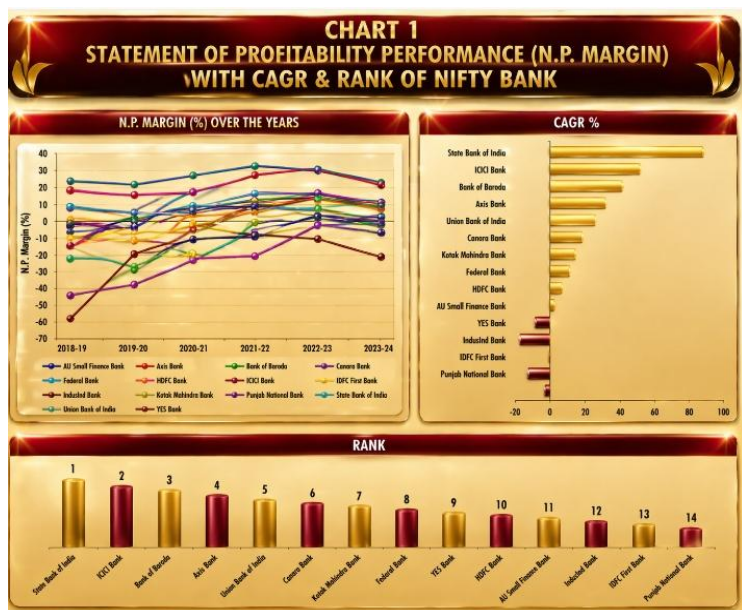
(i) **Profitability Performance:** Profitability performance shows the financial strength, sustainability, and long-term success of a bank. Banks use deposits for loans and investments, and their profits reflect managerial efficiency and sound operations. Higher profitability increases investor confidence, supports growth, strengthens capital, and helps compare the performance of NIFTY Banks.

Table 1 Statement of Profitability Performance (N.P. Margin) with CAGR & Rank of Nifty Bank

Bank Name	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR %	Rank
AU Small Finance	12.95	15.74	23.65	19.08	17.4	14.54	0.2	11

Bank								
Axis Bank	8.5	2.6	10.35	19.33	11.25	22.73	16.75	4
Bank of Baroda	5.77	7.2	11.76	10.41	14.79	15.89	18.71	3
Canara Bank	7.42	-45.69	14.78	16.96	18.1	15.75	11.48	6
Federal Bank	10.89	11.68	11.56	13.83	17.92	16.77	5.9	8
HDFC Bank	21.3	22.87	25.75	28.93	27.3	23.54	0.85	10
ICICI Bank	5.3	10.6	20.47	27.02	29.2	28.61	32.71	2
IDFC First Bank	-16.27	-18.05	2.83	0.85	10.72	9.75	NA	13
IndusInd Bank	14.83	15.35	9.78	14.96	20.32	19.56	-15.77	12
Kotak Mahindra Bank	20.32	22.08	25.95	31.71	31.94	30.09	7.35	7
Punjab National Bank	-19.44	0.62	2.5	4.62	2.94	7.71	NA	14
State Bank of India	0.36	5.63	7.7	11.5	15.13	14.71	86.77	1
Union Bank of India	8.53	-7.78	4.22	7.7	10.45	13.68	11.84	5
YES Bank	5.81	-62.98	-17.28	5.6	3.16	4.53	-3.34	9

Source: Annual Reports of NIFTY 14 Banks



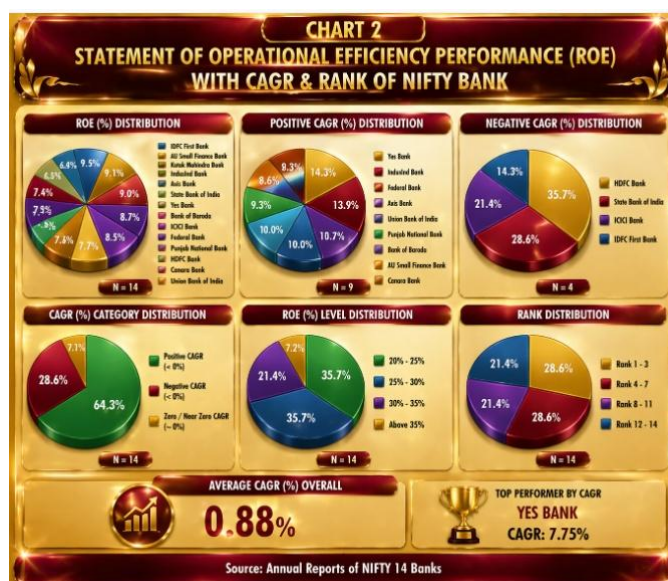
The table-1 shows that State Bank of India ranked first with the highest CAGR, followed by ICICI Bank and Bank of Baroda, indicating strong profitability growth. Axis Bank, Union Bank of India, and Canara Bank also showed good improvement during the study period. On the other hand, IndusInd Bank, AU Small Finance Bank, and some banks with NA CAGR showed weaker or unstable profitability performance.

(ii) Operational Efficiency Performance: Operational efficiency performance shows how effectively banks manage their costs while generating income. It reflects the proper use of resources, technology, and management practices to improve productivity and profitability. Better operational efficiency increases competitiveness, customer service quality, and long-term growth.

Table 2 Statement of Operational Efficiency Performance (ROE) with CAGR & Rank of Nifty Bank

Bank Name	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR %	Rank
AU Small Finance Bank	31.69	28.43	25.86	34.93	37.20	36.31	0.14	9
Axis Bank	23.20	22.17	23.40	28.53	38.93	26.80	1.49	4
Bank of Baroda	23.74	24.46	24.83	26.75	24.86	23.92	0.44	8
Canara Bank	19.66	20.41	22.88	23.70	21.80	20.48	0.10	10
Federal Bank	21.67	22.34	23.52	27.31	24.91	24.48	1.53	3
HDFC Bank	22.36	22.24	22.44	23.84	24.73	20.59	-2.11	14
ICICI Bank	23.20	23.65	21.94	25.54	25.48	23.57	-0.79	11
IDFC First Bank	45.73	30.75	38.94	47.21	44.87	44.61	-0.84	12
IndusInd Bank	22.94	23.07	23.54	25.08	25.56	25.86	3.69	2
Kotak Mahindra Bank	26.35	27.43	26.65	33.32	33.36	29.72	0.81	7
Punjab National Bank	19.66	19.00	21.90	23.23	24.78	23.72	2.87	5
State Bank of India	24.89	24.87	26.75	29.66	26.52	26.74	-1.64	13
Union Bank of India	18.64	17.73	20.93	22.93	23.01	21.09	1.47	6
YES Bank	18.34	17.79	24.76	30.69	32.56	29.97	7.75	1

Source: Annual Reports of NIFTY 14 Banks



The table illustrates that YES Bank achieved the highest CAGR, securing the top rank, followed by IndusInd Bank and Federal Bank, which demonstrated substantial improvement in operational efficiency. Other banks such as Punjab National Bank, Axis Bank, and Union Bank of India also exhibited solid performance over the study period. In contrast, HDFC Bank, State Bank of India, and IDFC First Bank showed weaker or even negative efficiency growth, indicating challenges in enhancing operational effectiveness during the analyzed period.

(iii) Growth Performance: Growth performance shows how well banks expand their business and strengthen their operations over time. It reflects increases in deposits and customer base. Strong growth improves market share, profitability, and future opportunities for banks.

Table 3 Statement of Growth Performance (Deposits) with CAGR & Rank of Nifty Bank

Bank Name	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR %	Rank
AU Small Finance Bank	34.71	37.52	46.15	31.91	25.68	42.54	1
Axis Bank	16.71	10.50	16.18	15.24	12.85	13.50	10
Bank of Baroda	48.12	2.22	8.16	15.08	10.24	14.94	8
Canara Bank	4.39	61.65	7.47	8.54	11.29	16.02	6
Federal Bank	12.85	13.36	5.25	17.44	18.34	13.20	11
HDFC Bank	24.30	16.34	16.79	20.79	26.36	19.68	4
ICICI Bank	18.08	20.95	14.16	10.92	19.65	16.19	5
IDFC First Bank	-7.62	36.22	19.11	36.92	38.67	23.68	2
IndusInd Bank	3.68	26.81	14.63	14.56	14.37	11.32	12
Kotak Mahindra Bank	16.35	6.57	11.28	16.49	23.64	14.13	9
Punjab National Bank	4.11	57.18	3.61	11.77	6.91	15.04	7
State Bank of India	11.34	13.56	10.06	9.19	11.13	10.78	13
Union Bank of India	8.35	104.99	11.75	8.27	9.29	21.10	3
YES Bank	-53.71	54.65	21.02	10.30	22.47	3.80	14

Source: Annual Reports of NIFTY 14 Banks



The table shows that AU Small Finance Bank ranked first with the highest CAGR, followed by IDFC First Bank and Union Bank of India, indicating strong growth performance. HDFC Bank, ICICI Bank, and Canara Bank also showed good expansion during the study period. On the other hand, YES Bank, State Bank of India, and IndusInd Bank recorded lower growth performance.

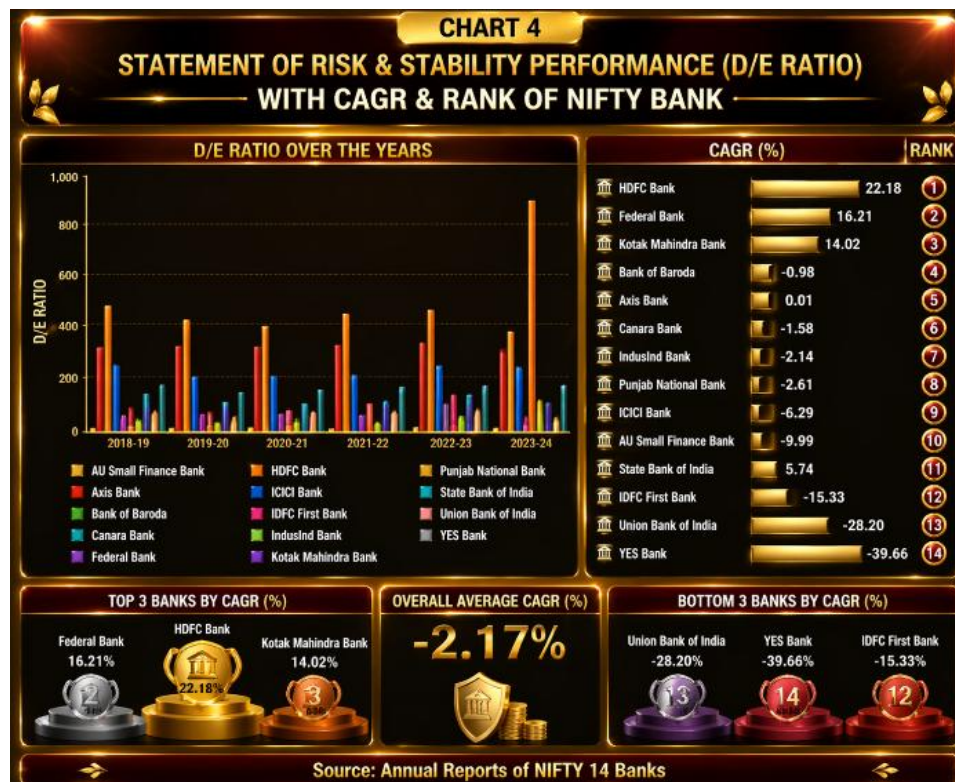
(iv) Risk & Stability Performance: Risk & stability performance shows the financial soundness and resilience of banks. It reflects how well banks manage leverage, liquidity, and funding through indicators such as Debt Equity Ratio. Strong stability builds depositor confidence, ensures safety, and supports long-term growth.

Table 4

Statement of Risk & Stability Performance (D/E Ratio) with CAGR & Rank of Nifty Bank

Bank Name	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR %	Rank
AU Small Finance Bank	29.46	33.98	22.52	19.03	9.45	8.19	-9.99	10
Axis Bank	297.04	262.18	233.16	301.55	302.75	318.82	0.01	5
Bank of Baroda	12.67	10.06	6.45	10.03	9.84	9.12	-0.98	4
Canara Bank	5.44	4.15	3.04	2.55	3.20	3.17	-1.58	6
Federal Bank	19.60	26.03	22.72	36.61	45.65	37.01	16.21	2
HDFC Bank	215.05	263.76	245.77	333.27	370.57	871.62	22.18	1
ICICI Bank	128.21	125.81	66.24	77.15	85.43	88.97	-6.29	9
IDFC First Bank	14.64	11.93	8.07	8.52	8.64	7.20	-15.33	12
IndusInd Bank	7.85	8.76	6.64	6.11	6.32	6.12	-2.14	7
Kotak Mahindra Bank	22.17	26.09	15.86	17.40	15.68	28.54	14.02	3
Punjab National Bank	42.71	37.28	20.44	20.74	23.29	22.90	-2.61	8
State Bank of India	45.16	35.26	46.76	47.74	55.26	66.96	5.74	11
Union Bank of India	2.43	1.53	0.81	0.75	0.63	0.35	-28.20	13
YES Bank	234.17	45.33	12.76	14.41	13.47	13.89	-39.66	14

Source: Annual Reports of NIFTY 14 Banks

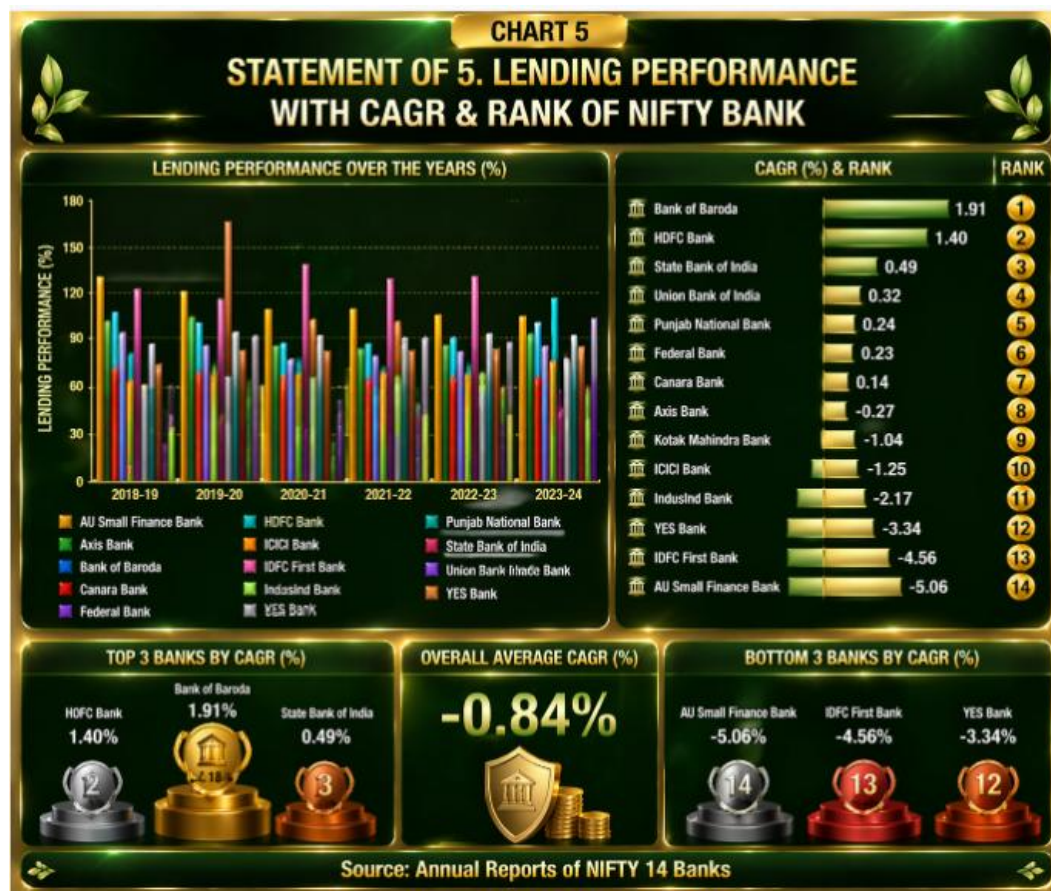


(v) **Lending Performance:** Lending performance is important to assess how effectively banks convert deposits into income-earning loans and advances. It reflects efficient use of funds, income generation, and support for economic activity. Indicators such as the Credit Deposit Ratio help measure balanced credit growth, liquidity management, and overall business efficiency of banks.

Table 5 Statement of 5. Lending Performance with CAGR & Rank of Nifty Bank

Bank Name	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR %	Rank
AU Small Finance Bank	117.49	103.17	96.19	87.66	84.22	83.92	-5.06	14
Axis Bank	90.21	89.27	88.18	86.12	89.27	90.31	-0.27	8
Bank of Baroda	73.40	72.95	73.04	74.30	78.18	80.32	1.91	1
Canara Bank	71.40	69.11	63.22	64.77	70.44	70.99	0.14	7
Federal Bank	81.67	80.29	76.39	79.76	81.75	82.92	0.23	6
HDFC Bank	88.76	86.60	84.85	87.79	84.98	104.41	1.40	2
ICICI Bank	89.85	83.70	78.68	80.69	86.35	83.83	-1.25	10
IDFC First Bank	122.45	131.47	113.37	111.57	104.95	97.02	-4.56	13
IndusInd Bank	95.65	102.35	82.98	81.40	86.17	89.22	-2.17	11
Kotak Mahindra Bank	91.06	83.61	79.86	87.03	88.09	83.77	-1.04	9
Punjab National Bank	67.79	67.03	60.95	63.53	64.85	68.22	0.24	5
State Bank of India	75.08	71.74	66.54	67.48	72.52	75.35	0.49	3
Union Bank of India	71.39	69.91	63.97	64.03	68.16	71.29	0.32	4
YES Bank	106.10	162.71	102.42	91.82	93.46	85.52	-3.34	12

Source: Annual Reports of NIFTY 14 Banks



The table shows that Bank of Baroda ranked first with the highest CAGR, followed by HDFC Bank and State Bank of India, indicating strong lending performance. Union Bank of India, Punjab National Bank, and Federal Bank also performed well during the study period. On the other hand, AU Small Finance Bank, IDFC First Bank, and YES Bank showed weaker or negative lending growth.

9. HYPOTHESES ANALYSIS

In this section, the financial performance of NIFTY Banks is examined through five major dimensions covering profitability performance, operational efficiency performance, growth performance, risk & stability performance, and lending performance. The hypotheses are framed to assess whether there is any significant improvement or variation in the comparative financial performance of NIFTY Banks during the study period from 2018-19 to 2024-25. The hypotheses

Table 5.2(i) Sub-hypotheses for Measuring Financial Performance of NIFTY Banks

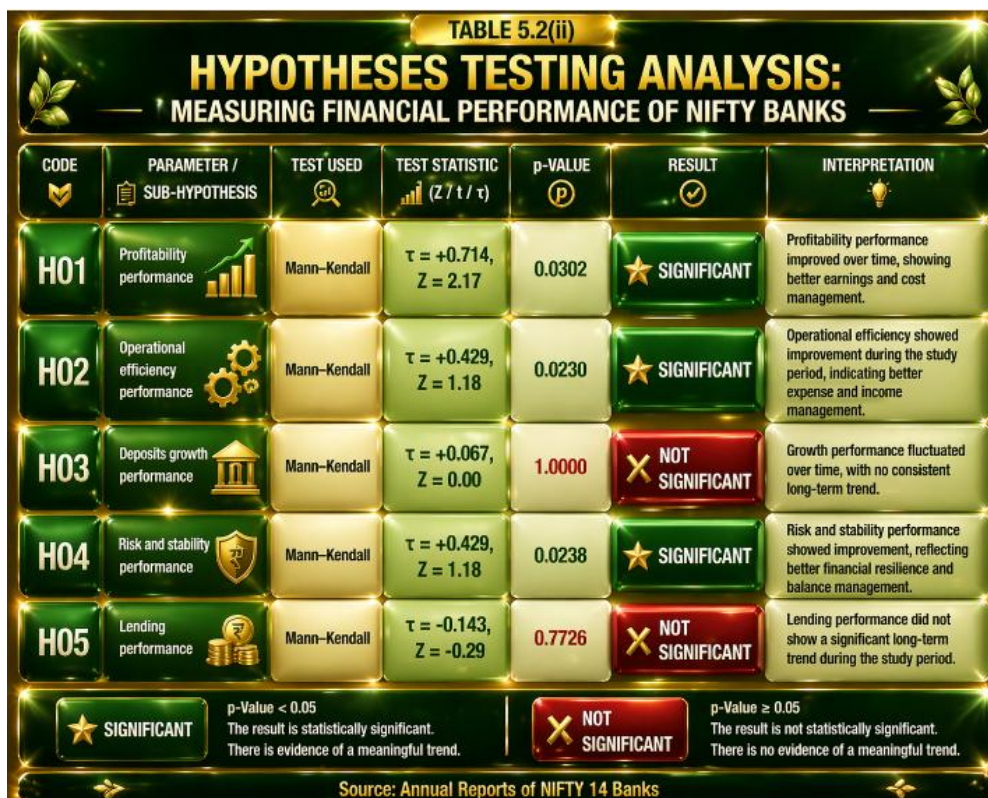
S.No.	Sub-Hypothesis
H01	There is no significant improvement in the profitability performance of NIFTY Banks during the study period.
H02	There is no significant change in the operational efficiency performance of NIFTY Banks during the study period.
H03	There is no significant improvement in the deposits growth performance of NIFTY Banks during the study period.
H04	There is no significant variation in the risk and stability performance of NIFTY Banks during the study period.
H05	There is no significant improvement in the lending performance of NIFTY Banks in during the study period.

Source: Predicted

Table 5.2(ii) Hypotheses Testing Analysis: Measuring Financial Performance of NIFTY Banks

Code	Parameter / Sub-Hypothesis	Test Used	Test Statistic (Z / t / τ)	p-Value	Result	Interpretation
H01	Profitability performance	Mann-Kendall	$\tau = +0.714$, Z = 2.17	0.0302	Significant	Profitability performance improved over time, showing better earnings and cost management.
H02	Operational efficiency performance	Mann-Kendall	$\tau = +0.429$, Z = 1.18	0.023	Significant	Operational efficiency showed improvement during the study period, indicating better expense and income management.
H03	Deposits growth performance	Mann-Kendall	$\tau = +0.067$, Z = 0.00	1.0000	Not Significant	Growth performance fluctuated over time, with no consistent long-term trend.
H04	Risk and stability performance	Mann-Kendall	$\tau = +0.429$, Z = 1.18	0.0238	Significant	Risk and stability performance showed improvement, reflecting better financial resilience and balance management.
H05	Lending performance	Mann-Kendall	$\tau = -0.143$, Z = -0.29	0.7726	Not Significant	Lending performance did not show a significant long-term trend during the study period.

Source: Computed from financial data of NIFTY Banks using Mann-Kendall Trend Test



The analysis of hypothesis testing reveals varied results concerning the financial performance of NIFTY Banks during the study period. Profitability performance showed substantial improvement over time, reflecting enhanced earnings, stronger profit margins, and more effective cost management across the banks. Similarly, operational efficiency demonstrated notable progress, indicating better expense management and more effective income generation. However, deposit growth performance did not follow a consistent long-term trajectory, with growth showing fluctuations throughout the study period. In contrast, risk and stability performance exhibited significant improvement, pointing to stronger financial resilience, improved liquidity, and better capital management. Conversely, lending performance did not display a consistent long-term trend, suggesting mixed outcomes in converting deposits into loans and advances.

10. FINDINGS

- Profitability Performance:** The State Bank of India achieved the highest Compound Annual Growth Rate (CAGR), securing the top position, followed by ICICI Bank, demonstrating robust earning capacity and enhanced financial strength.
- Operational Efficiency Performance:** YES Bank ranked first, with IndusInd Bank and Federal Bank following closely behind, indicating superior cost management and improved operational performance.
- Growth Performance:** AU Small Finance Bank took the top spot, with IDFC First Bank and Union Bank of India also showing significant business expansion during the study period.
- Risk & Stability Performance:** HDFC Bank led in this dimension, followed by Federal Bank and Kotak Mahindra Bank, showcasing strong resilience and sound financial management.
- Lending Performance:** Bank of Baroda ranked first, with HDFC Bank and State Bank of India also performing well, reflecting the effective utilization of deposits to generate loans.

11. SUGGESTIONS

- Banks with lower profitability should focus on reducing costs, diversifying income sources, and improving asset quality management to enhance their financial position.
- For banks with poor operational efficiency, adopting digital automation, reengineering processes, and integrating technology-driven services will be key to improving overall performance.
- Banks experiencing slow growth should strengthen their customer acquisition strategies, expand branch networks, and enhance retail credit portfolios to drive business expansion.
- Banks with weak risk and stability should improve their capital adequacy, reduce leverage, and maintain stronger liquidity buffers to enhance financial resilience.
- In cases where banks have poor lending performance, enhancing credit appraisal systems, improving recovery mechanisms, and ensuring the productive utilization of deposits will help optimize their lending efficiency.

12. CONCLUSION

The study concludes that the financial performance of NIFTY Banks exhibits significant variation across the dimensions of profitability, efficiency, growth, risk, and lending. No single bank excelled across all these areas, suggesting that each institution follows distinct business models and strategic priorities. The State Bank of India and ICICI Bank led in terms of profitability, while YES Bank showed strong improvement in operational efficiency. AU Small Finance Bank recorded the highest growth, HDFC Bank maintained its leadership in stability, and Bank of Baroda stood out for its excellence in lending efficiency. These findings underscore the necessity of evaluating banks on multiple performance dimensions, as opposed to relying on a single metric. Overall, while the Indian banking sector remains competitive, resilient, and poised for growth, continued innovation, effective risk management, and customer-centric strategies are crucial for ensuring long-term sustainability and success.

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