
A STUDY ON FINANCIAL PERFORMANCE OF PRIVATE SECTOR BANKS IN INDIA USING EAGLE MODEL

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ABSTRACT

The banking sector plays a crucial role in the economic development of a country by acting as a financial intermediary between depositors and borrowers. In India, private sector banks have significantly contributed to modernization and efficiency in the financial system through improved customer services, innovative financial products, and adoption of advanced technology. Over the years, private sector banks have strengthened their position in the banking industry by providing faster and more reliable financial services. Due to increasing competition, it becomes important to analyse the financial performance of banks in order to understand their operational efficiency, profitability, and financial stability.

Financial performance analysis helps in measuring how effectively banks utilize their financial resources to generate income and maintain stability. It also helps investors, researchers, management, and policymakers to evaluate the strengths and weaknesses of banking institutions. Various financial models are used to evaluate bank performance, among which the EAGLE model is considered a comprehensive approach. The EAGLE model evaluates financial performance using five major components namely Earnings, Asset Quality, Growth, Liquidity, and Equity. These components represent important financial indicators which determine the stability and profitability of banks.

Earnings represent the profitability position of banks and show how efficiently banks generate income from their operations. Profitability ratios such as Return on Assets and Return on Equity are commonly used to measure the earning capacity of banks. Asset quality

indicates the quality of loans and advances provided by banks and helps in understanding credit risk. Lower non-performing assets indicate better asset quality and strong financial management practices.

Growth represents the expansion of banking activities such as deposits, advances, and profits over time. Continuous growth indicates increasing market share and customer confidence. Liquidity indicates the ability of banks to meet short-term financial obligations and customer withdrawal requirements. Maintaining adequate liquidity is essential for smooth functioning of banking operations. Equity represents the capital strength of banks and their ability to absorb financial losses and maintain long-term stability.

The study analyses the financial performance of selected private sector banks using the EAGLE model based on secondary data collected from annual reports, financial statements, and reliable sources. The analysis helps in understanding the financial health of banks and provides useful insights for improving efficiency and decision-making. The results are beneficial for investors, researchers, policymakers, and bank management in evaluating the financial performance of private sector banks.

KEYWORDS: Financial Performance, Private Sector Banks, EAGLE Model, Profitability, Asset Quality, Liquidity.

INTRODUCTION

The banking sector is an essential part of the financial system and contributes to economic development by providing financial services such as accepting deposits and granting loans. Private sector banks in India have shown significant growth due to adoption of modern technology, improved customer services, and innovative banking products. The development of digital banking has further improved the efficiency and performance of banks.

Financial performance analysis is important to evaluate profitability, growth, liquidity, and stability of banks. It helps in understanding how efficiently banks manage their financial resources. Different financial models are used to analyse bank performance, among which the EAGLE model is considered a reliable and comprehensive approach. The EAGLE model evaluates financial performance based on Earnings, Asset Quality, Growth, Liquidity, and Equity.

Earnings show the ability of banks to generate profits from operations. Asset quality indicates the quality of loans and the level of risk involved in lending activities. Growth represents the expansion of banking activities over time. Liquidity indicates the ability of banks to meet short-term financial obligations. Equity represents the capital strength of banks and their ability to manage financial risks.

The study focuses on analysing financial performance of selected private sector banks using the EAGLE model. The analysis provides useful information for understanding strengths and weaknesses of banks and helps in improving financial decision-making in the banking sector.

Review of Literature

1. Joshi Mathew and Regi Kumar explained that the EAGLES model provides a comprehensive framework for evaluating bank performance by analysing earnings, asset quality, growth, liquidity, equity, and strategic factors. The study highlights that financial models help in understanding strengths and weaknesses of banks.
2. P. Thanigaivalen and M. Vidya analysed financial performance of private sector banks using profitability ratios such as Return on Assets and Return on Equity. The study concluded that private sector banks show strong operational efficiency and consistent financial growth.
3. Dr. Chandramouli explained the importance of financial models in evaluating performance of banks. The study shows that financial performance analysis helps in understanding capital adequacy, profitability, and overall financial stability of banks.

Objectives of the Study

1. To evaluate earning performance of selected private sector banks using EAGLE model.
2. To analyse asset quality and growth position of selected private sector banks.
3. To examine liquidity and equity position of selected private sector banks.

Data Analysis and Interpretation

1. Earnings capacity
2. Return on Assets

Year	HDFC	ICICI	AXIS	KOTAK
2021	1.76	1.16	0.71	2.08
2022	1.79	1.43	1.18	2.21
2023	1.81	1.73	0.80	2.40
2024	1.58	1.87	1.73	2.37
2025	1.61	1.93	1.69	2.51

Source: Compilations from Annual Reports

Interpretation:

Kotak Bank consistently has the highest ROA, indicating the most efficient use of assets among the four. HDFC Bank remains stable with minor fluctuations, showing consistent performance. ICICI Bank shows a clear upward trend, reflecting improving efficiency over the years. Axis Bank is more volatile, with a dip in 2023 but strong recovery by 2024 and 2025.

1. Return on Equity

Year	HDFC	ICICI	AXIS	KOTAK
2021	15.17	11.90	6.94	11.84
2022	15.38	14.04	11.93	12.50
2023	15.89	16.10	8.33	13.34
2024	14.03	17.49	16.80	14.01
2025	13.56	16.45	14.98	14.04

Source: Compilations from Annual Reports

Interpretation

ICICI Bank demonstrates a strong upward trend, becoming the top performer from 2023 onward, indicating improved profitability for shareholders. HDFC Bank remains relatively stable but shows a slight decline after 2023. Axis Bank records significant improvement, especially after 2023, though with some fluctuations. Kotak Bank shows steady but moderate growth compared to others.

3. Asset Quality

4. Gross NPA

Year	HDFC	ICICI	AXIS	KOTAK
2021	1.00	8.00	4.00	3.25
2022	1.00	4.00	2.82	2.34
2023	1.12	2.87	2.02	1.80
2024	1.24	2.26	1.43	1.39
2025	1.33	1.73	1.28	1.40

Source: Compilations from Annual Reports

Interpretation:

The data shows a consistent decline in Gross NPA ratios for all banks, indicating improving asset quality over the years. ICICI Bank records the sharpest improvement, significantly reducing its NPAs from a high level in 2021. Axis Bank and Kotak Bank also show steady

reductions, reflecting better credit management. However, HDFC Bank shows a slight increasing trend, though its NPA levels remain relatively low compared to others. Overall, the banking sector demonstrates stronger risk control and improved loan recovery.

1. Net NPA

Year	HDFC	ICICI	AXIS	KOTAK
2021	0.40	2.10	1.05	1.21
2022	0.32	0.81	0.73	0.64
2023	0.27	0.51	0.39	0.40
2024	0.33	0.45	0.31	0.34
2025	0.43	0.42	0.33	0.04

Source: Compilation from Annual Reports

Interpretation:

The data indicates an overall declining trend in Net NPA ratios for all banks, reflecting improved asset quality and better recovery mechanisms. ICICI Bank shows a significant reduction, especially after 2021, highlighting strong improvement in managing bad loans. Axis and Kotak Banks also demonstrate consistent declines, indicating effective credit risk control. HDFC Bank shows slight fluctuations with a rise toward 2025, but its NPA levels remain low. Overall, the banking sector shows enhanced financial stability and reduced credit risk.

5. Growth Position

6. Deposit Growth Rate

Year	HDFC	ICICI	AXIS	KOTAK
2021	16.36	19.88	10.19	7.09
2022	16.82	13.69	16.01	11.19
2023	20.84	10.95	15.22	16.51
2024	26.25	19.22	12.82	23.25
2025	14.05	13.72	9.73	11.10

Source: compilations from Annual reports

Interpretation

The deposit growth rates of HDFC, ICICI, Axis, and Kotak banks from 2021 to 2025. HDFC shows steady growth over the years, reaching its highest rate in 2024 (26.25%) before declining in 2025. ICICI experienced fluctuations, with strong performance in 2021 and 2024 but comparatively lower growth in other years. Axis Bank maintained moderate but inconsistent growth, showing a decline in 2025. Kotak recorded noticeable improvement,

especially in 2024 (23.25%), but also faced a drop in 2025. Overall, 2024 was the strongest year for most banks, while 2025 indicates a general slowdown in deposit growth.

1. Advance Growth Rate

Year	HDFC	ICICI	AXIS	KOTAK
2021	13.57	12.11	8.94	0.92
2022	19.88	16.23	14.18	20.73
2023	16.96	17.77	19.76	17.94
2024	54.39	16.32	15.08	19.84
2025	6.20	12.68	8.20	12.97

Source: Compilation from Annual Report

Interpretation:

The data indicates varying performance trends among the banks over the period. HDFC Bank shows significant volatility, with a sharp spike in 2024 followed by a steep decline in 2025, suggesting possible exceptional or non-recurring factors. In contrast, ICICI Bank maintains a relatively stable and consistent trend with moderate fluctuations throughout the years. Axis Bank demonstrates steady growth up to 2023 but experiences a gradual decline thereafter, indicating a slight weakening in performance. Meanwhile, Kotak Mahindra Bank shows a strong increase in 2022, followed by moderate stability and a mild decline towards 2025. Overall, ICICI Bank appears the most consistent, while HDFC Bank exhibits the highest level of fluctuation.

7. Liquidity Position

8. Credit Deposit ratio

Year	HDFC	ICICI	AXIS	KOTAK
2021	88.87	82.48	89.75	90.43
2022	91.20	84.33	88.33	98.19
2023	88.28	89.51	91.81	99.40
2024	107.95	87.34	93.65	96.65
2025	100.52	86.54	92.34	98.27

Source: Compilation from Annual Reports

Interpretation:

The Credit-Deposit ratio shows moderate variation across the selected banks over the period. HDFC Bank exhibits a sharp rise, peaking in 2024 (107.95) before slightly declining in 2025, indicating aggressive lending followed by stabilization. ICICI Bank shows a gradual improvement up to 2023, but a slight decline thereafter, reflecting cautious credit expansion. Axis Bank maintains a relatively stable and balanced trend with minor fluctuations.

Meanwhile, Kotak Mahindra Bank consistently records high ratios, indicating strong credit deployment compared to deposits. Overall, the trend suggests improved credit growth with some banks adopting a more aggressive lending approach than others do.

1. Liquid Assets to Total Assets

Year	HDFC	ICICI	AXIS	KOTAK
2021	30.46	43.47	27.80	25.48
2022	28.32	42.81	26.25	24.98
2023	27.36	39.62	26.08	24.98
2024	19.76	41.87	25.65	23.45
2025	19.30	41.65	25.40	23.30

Source: Compilation from Annual Reports

Interpretation:

HDFC Bank shows a consistent decline from 30.46% in 2021 to around 19% in 2025, suggesting a shift from liquid holdings toward higher lending or investment activities. ICICI Bank maintains relatively high liquidity levels throughout, with only slight fluctuations, indicating a more cautious and stable approach. Axis Bank and Kotak Mahindra Bank exhibit gradual declines, reflecting moderate optimization of liquid assets while still maintaining adequate liquidity. Overall, the trend suggests that most banks are reducing excess liquidity to improve profitability, while still ensuring sufficient financial stability.

9. Equity Adequacy

10. Capital Adequacy Ratio

Year	HDFC	ICICI	AXIS	KOTAK
2021	17.00	18.57	17.65	20.00
2022	17.64	19.58	18.50	19.23
2023	18.29	20.69	19.60	18.00
2024	20.11	21.69	20.65	16.79
2025	21.36	21.50	20.46	16.53

Source: Compilation from Annual Reports

Interpretation:

The data shows a consistent improvement in the Capital Adequacy Ratio (CAR) of HDFC, ICICI, and Axis Bank from 2021 to 2025, indicating stronger capital positions and better ability to absorb financial risks. ICICI Bank records the highest CAR throughout the period, reflecting robust capital management. HDFC Bank also shows steady growth, especially after 2023. Axis Bank maintains stable performance with gradual improvement. In contrast, Kotak Bank shows a declining trend in CAR over the years, suggesting relatively reduced capital

buffer, although it still remains within regulatory limits. Overall, most banks demonstrate strengthening financial stability except Kotak, which shows a slight weakening trend.

1. Debt-Equity Ratio

Year	HDFC	ICICI	AXIS	KOTAK
2021	0.73	0.86	1.52	1.23
2022	0.91	0.87	1.48	1.18
2023	1.12	0.85	1.44	1.11
2024	1.84	0.76	1.42	1.09
2025	1.46	0.63	1.36	1.01

Source: Compilation from Annual Reports

Interpretation:

The debt-equity ratio shows mixed trends among the banks over the period 2021–2025. HDFC Bank exhibits a significant increase, peaking in 2024, indicating higher reliance on debt financing before slightly reducing in 2025. ICICI Bank shows a consistent decline, reflecting improved financial stability and lower dependence on debt. Axis Bank maintains a relatively high but gradually declining ratio, suggesting controlled leverage. Kotak Bank also shows a steady decrease, indicating a strengthening equity base and conservative financial structure. Overall, ICICI and Kotak demonstrate improving solvency positions, while HDFC shows higher leverage in recent years.

SUGGESTIONS

Private sector banks should improve asset quality by reducing non-performing assets through effective credit risk management techniques.

Banks should adopt modern digital technology to improve efficiency and provide better customer service.

Financial performance should be evaluated regularly using models like the EAGLE model for better decision making.

Banks should maintain proper liquidity balance to meet short-term financial obligations without affecting profitability.

Strong capital adequacy should be maintained to ensure financial stability and reduce financial risks.

Banks should focus on expanding online and mobile banking facilities to improve customer convenience.

Training and development programs should be provided to employees to improve service quality.

Banks should introduce innovative financial products to attract new customers and increase market share.

Effective cost control measures should be adopted to improve profitability and operational efficiency.

Banks should strictly follow RBI guidelines to maintain transparency and financial discipline.

CONCLUSION

The study analysed the financial performance of selected private sector banks using the EAGLE model, which focuses on earnings, asset quality, growth, liquidity, and equity. The results show that private sector banks maintain good profitability and financial stability due to effective management practices. Strong earnings indicate efficient utilization of financial resources. Good asset quality shows proper credit risk management and reduced non-performing assets. Continuous growth in deposits and advances reflects increasing customer confidence. Adequate liquidity position helps banks meet short-term obligations smoothly. Strong equity position ensures long-term financial stability and ability to manage financial risks. Overall, the EAGLE model provides a systematic framework to understand the financial performance of banks. The study concludes that private sector banks play an important role in economic development and maintain a stable financial position.

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