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LONG READS

How We Did It

The Fortune India-Grant Thornton Bharat study of India's Best Financiers incorporates India's best banks and NBFCs.

By **FORTUNE INDIA**, Jul 5, 2024 | 12 min read



THE FORTUNE INDIA-Grant Thornton Bharat study of India's Best Financiers incorporates India's best banks and NBFCs. It covers 78 banks operating in the country, each with a standalone balance sheet size of more than ₹10,000 crore as on March 31, FY23. This included public sector banks (PSBs), private sector banks, small finance banks, regional rural banks and foreign banks.

Selection Criteria

The banks were divided into the following six categories:

- **Large domestic banks:** Those with standalone balance sheet above ₹5,00,000 crore. The category comprised 10 banks, including 3 private banks and 7 PSBs.
- **Medium sized domestic banks:** Having standalone balance sheet greater than ₹1,00,000 crore and less than or equal to ₹5,00,000 crore. This category consisted of 15 banks, including 10

private banks and 5 PSBs.

- **Emerging domestic banks:** Those with standalone balance sheet greater than ₹10,000 crore and less than or equal to ₹1,00,000 crore. This category included 7 banks, all of which are in the private sector.

- **Small finance banks (SFBs):** Seven SFBs were considered with standalone balance sheet exceeding ₹10,000 crore.

- **Foreign banks:** A total of 15 foreign banks were taken into account with standalone balance sheet of over ₹10,000 crore.

- **Regional rural banks (RRBs):** 24 RRBs who with annual reports available on their websites for both FY22 and FY23, with standalone balance sheet of over ₹10,000 crores in these years, were considered.

Also Read [Banking On Asset Quality](#)

IN CASE OF SFBs, INVESTOR PERCEPTION WAS NOT CONSIDERED. THE WEIGHT ASSIGNED TO IT WAS DISTRIBUTED BETWEEN PROFITABILITY AND EFFICIENCY.

78

TOTAL NO. OF BANKS

covered in the Fortune India-Grant Thornton Bharat study. The number excludes NBFCs

Also Read [Banks' gross NPA ratio hits multi-year low of 2.8%](#)

Ranking Process For Banks (Excluding RRBs)

The banks were evaluated on six areas:

- Business Growth
- Asset Quality
- Efficiency
- Profitability
- Capital Adequacy
- Investor Perception (Business focus for Foreign Banks)

The above were bifurcated into 33 sub parameters. Data on sub-parameters were collected from annual reports, quarterly financial results, and statistical tables from the RBI and IBA and EASE scores.

For large, medium and emerging domestic banks, data for FY23 and 9M FY24 on all parameters were considered. For SFBs and foreign banks only FY23 data has been considered, due to unavailability of published data for 9M FY24 uniformly across all banks in these categories.

- **Business Growth:** There were six parameters under this criteria which included Revenue, Deposits, Loans, Other Income, Operating

Profit and Net Profit (all in %). This criteria was assigned the following weightage for the five categories:

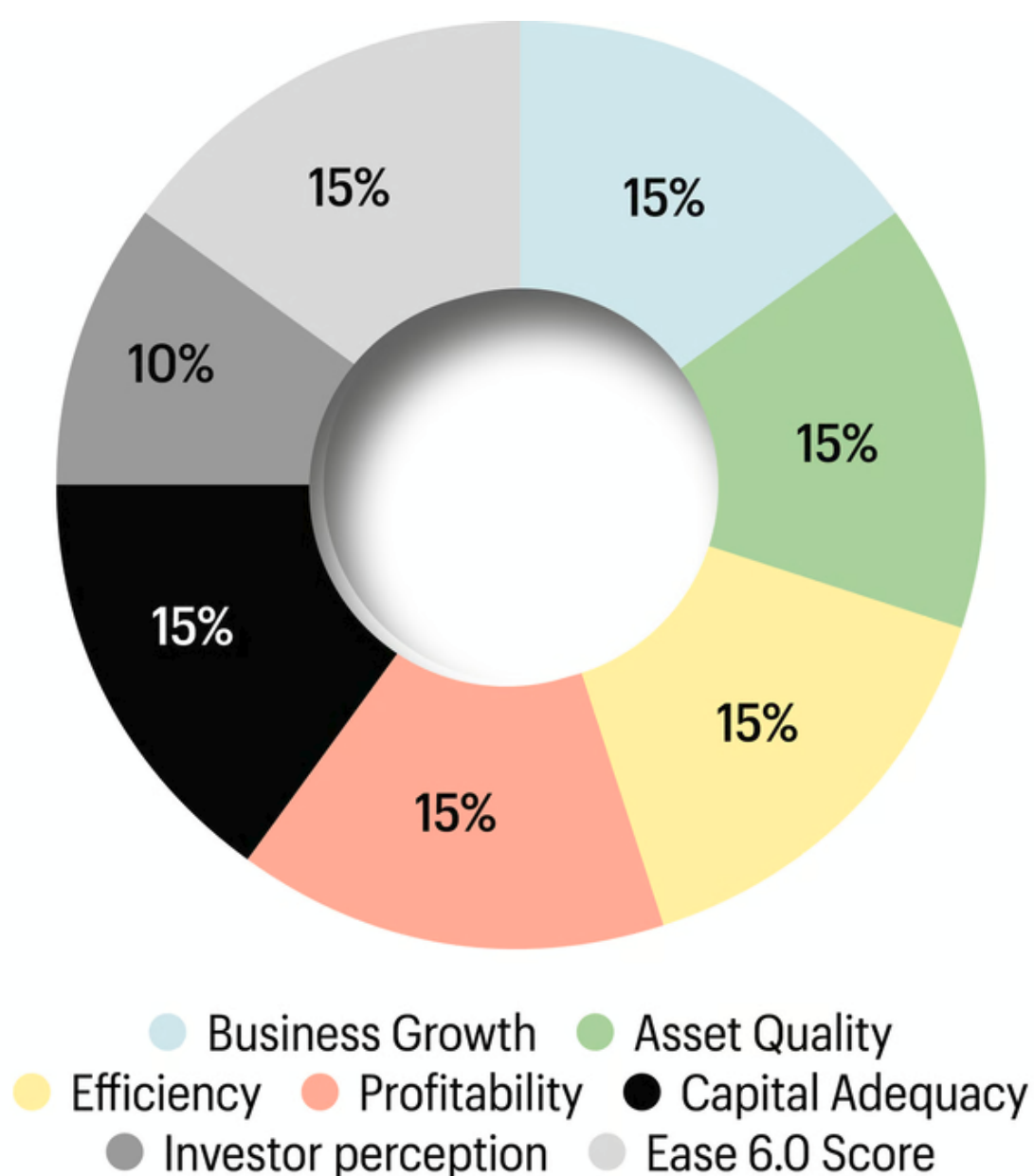
- a. Large, medium, and emerging domestic banks: 20%
- b. Foreign banks: 25%
- c. SFBs: 20%

• **Asset Quality:** There were four parameters under this criteria which included- Gross NPA, Movement in Gross NPA, Net NPA and Movement of Net NPA (all in %). This criteria was assigned the below weightage for the five categories:

- a. Large, medium, and emerging domestic banks: 25%
- b. Foreign banks: 15%
- c. SFBs: 25%

• **Efficiency:** There were 10 parameters under this criteria which included Cost to Net Income (C2NI) Ratio, Movement in C2NI Ratio, Cost to Average Assets (C2AA) ratio, Movement in C2AA Ratio, Absolute Increase in RoA, Credit to Deposit Ratio, Revenue Per Branch, Revenue Per Employee, Profit Per Branch and Profit Per Employee.

Also Read [HDFC Bank Bets On Cross-selling](#)



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This criteria was assigned the below weightage for the five categories:

- a. Large, medium, and emerging domestic banks: 15%

b. Foreign banks: 15%

c. SFBs: 20%

• **Profitability:** There were four parameters under this criteria which included Return on Assets, Return on Equity, Net Profit Margin and Net Interest Margin (all in %). This area was assigned the below weightage for the five categories:

a. Large, medium, and emerging domestic banks: 15%

b. Foreign banks: 20%

c. SFBs: 25%

• **Capital Adequacy:** There were four parameters under this criteria which included CAR(%), Movement in CAR (%), Tier 1 Capital and Movement in Tier 1 Capital. This area was assigned the below weightage for the five categories:

a. Large, medium, and emerging domestic banks: 10%

b. Foreign banks: 10%

c. SFBs: 10%

• **Investor Perception:** There were five parameters in this criteria which included- Price to Book Value Ratio, Movement in PB Ratio, Price to Earnings Ratio, Movement in PE Ratio and Market Cap Growth. This criteria was assigned the below weightage for the five categories:

a. Large, medium, and emerging domestic banks: 15%

b. Foreign banks: 0%

c. SFBs: 0%

In the ranking of SFBs and foreign banks, the investor perception parameter was not considered since many are not listed in India and data may not be available at a standalone level. The weight assigned to investor perception for SFBs was distributed among Profitability and Efficiency for the computation of scores. In the case of foreign banks a different parameter — Business Focus — was considered. There were two parameters in this area which included — Domestic Advances to Total Assets and Total Assets. The weightage assigned was 15%.

24

NO. OF RRBs
or regional rural banks covered
in the study

Additionally, to identify the best among public sector banks, in addition to the above parameters, EASE 6.0 score was also taken into account. PSBs identified during the selection criteria were considered and scored. The following weightage was considered to score PSBs:

The scores were standardised for each parameter using a min-max scale. The standardised scores for each parameter were then multiplied by their respective weights to obtain area-wise scores. The area-wise scores were multiplied by their respective area weights to arrive at scores for FY23.

A similar process was applied to calculate the scores for 9M FY24. Overall scores were determined by assigning a weight of 60% to FY23 scores and 40% to 9M FY24 scores. The banks in each category were ranked based on the final scores. Min-max scaling was conducted separately for domestic SCBs, SFBs and Foreign banks. The scores obtained reflect a bank's relative performance within its specific scoring group and are not directly comparable across different groups.

Process Of Ranking RRBs

The study covered 24 of the largest regional rural banks who have annual reports available on their websites for both FY22 and FY23 and have standalone balance sheet size of more than ₹10,000 crore in these years.

The banks were evaluated based on five broad areas: Business Growth, Asset Quality, Efficiency, Profitability and Capital Adequacy, encompassing 28 sub parameters. Data on the sub parameters were collected from annual reports and annual publications on RRBs by the National Bank for Agriculture and Rural Development.

- **Business Growth:** There were six parameters under this criteria which included Revenue, Deposits, Loans, Other Income, Operating Profit and Net Profit (all in %). This was assigned a weightage of 20%.

- **Asset Quality:** There were four parameters which included Gross NPA, Movement in Gross NPA, Net NPA and Movement of Net NPA (all in %). This criteria was assigned a weightage of 25%.

BANKS WERE EVALUATED ON — DISTRIBUTION AND REACH, PRIORITY SECTOR LENDING AND PERFORMANCE ON GOVT SCHEMES — FOR FINANCIAL INCLUSION.

- **Efficiency:** There were 10 parameters which included Cost to Net Income (C2NI) Ratio, Movement in C2NI Ratio, Cost to Average Assets (C2AA) Ratio, Movement in C2AA Ratio, Movement in Return on Assets, Credit to Deposit Ratio, Revenue Per Branch, Revenue Per Employee, Profit Per Branch and Profit Per Employee. This criteria was assigned a weightage of 20%.

- **Profitability:** There were four parameters which included Return on Assets, Return on Equity, Net Profit Margin and Net Interest Margin (all in %). This criteria was assigned a weightage of 20%.

- **Capital Adequacy:** There were four parameters under this which included Average CRAR, Movement in CRAR, Average Tier 1 Capital Adequacy Ratio and Movement in Average Tier 1 Capital Adequacy Ratio (all in %). This criteria was assigned a weightage of 15%.

When ranking Regional rural banks (RRBs), the investor perception

parameter was not considered since RRBs are not listed. The weight assigned to investor perception for other banks was evenly distributed among Business Growth, Profitability, and Efficiency for the computation of scores in case of RRBs.

The scores were standardised for each parameter using a min-max scale. The standardised scores for each parameter were then multiplied by their respective weights to obtain area-wise scores. Area-wise scores (e.g., Asset Quality) were multiplied by their respective area weights to arrive at scores for FY23. Banks in each category were ranked based on final scores.

FOR UNLISTED NBFCs, THE MARKET PERCEPTION PARAMETER WAS EXCLUDED AND THE WEIGHT ASSIGNED TO IT WAS EVENLY REDISTRIBUTED AMONG ASSET QUALITY, EFFICIENCY AND PROFITABILITY.

Financial Inclusion: Ranking Methodology

Financial inclusion encompassed a comprehensive evaluation of banks based on three fundamental areas: Distribution and Reach, Priority Sector Lending and Performance on Government Schemes. This process involved the assessment of 24 sub-parameters specifically related to the three major areas, which were sourced from both banks and RBI data. To determine the rankings, the min-max methodology was employed similar to category-based ranks.

Digital: Ranking Methodology

To find out the bank with a consistent performance on all parameters, a rank-based scoring methodology was used. Banks were ranked on each parameter on a scale of 1-7. A score was assigned to each bank proportionate to the rank. This score was further scaled to 300-1,000 range. Cumulative scores were arrived at by multiplying individual parameter scores to respective weights. A score out of 800 was assigned to each bank based on this method. Jury members evaluated banks on the response to qualitative questions and provided a score between 0 and 200. Both were used to determine the best in digital engagement.

NBFCs

The Fortune India-Grant Thornton Bharat study of India's Best NBFCs covered 30 of the country's largest non-banking financial companies (NBFCs).

Selection Criteria

• *Upper Layer NBFCs*

All NBFCs classified in the upper layer under the RBI's scale-based Framework were included.

• *Middle Layer NBFCs*

We reviewed the standalone balance sheets of all middle layer NBFCs as of March 31, 2023 to identify those with highest asset sizes. NBFCs with highest asset sizes as on March 31, 2023 were considered for

inclusion.

• **Final Selection**

The final selection consists of all 9 upper layer NBFCs and the 21 largest middle-layer NBFCs. Core investment companies (CICs) and Non-Operating Holding Companies (NoHCs) were excluded.

30

NO. OF NBFCs
covered in the Fortune India-Grant Thornton
Bharat study of India's best non-banking
financial services companies

Process of Ranking NBFCs

NBFCs were classified into two buckets and ranked separately for each:

- a. Unlisted NBFCs
- b. Listed NBFC.

All unlisted NBFCs were evaluated on the following five parameters and 19 sub-parameters. Data on the sub parameters were collected from annual reports of firms and market data was collected from the NSE.

• **Business Growth:** There were five parameters which included Revenue, Loans, Other Income, Operating Profit and Net Profit (all in %). This parameter was assigned a weightage of 20%.

• **Asset Quality:** There were four parameters under this criteria which included Gross NPA, Movement in Gross NPA, Net NPA and Movement of net NPA (all in %). This criteria was assigned a 25% weightage.

• **Efficiency:** There were five parameters which included Cost to Net Income (C2NI) Ratio, Movement in C2NI Ratio, Cost to Average Assets (C2AA) Ratio, Movement in C2AA Ratio and Movement in Return on Assets. The criteria was assigned a 20% weightage.

• **Profitability:** There were three parameters under this which included Return on Assets, Return on Equity and Net Profit Margin (all in %). This criteria was assigned a weightage of 20%.

• **Capital Adequacy:** There were two parameters which included Average CRAR and Movement in CRAR (both in %). This criteria was assigned a weightage of 15%.

All listed NBFCs were evaluated on the below six parameters and 24 sub-parameters. Data on sub parameters were collected from annual reports of firms and market data was collected from the NSE.

• **Business Growth:** There were five parameters under this which included Revenue, Loans, Other Income, Operating Profit and Net Profit (all in %). This parameter was assigned a weightage of 20%.

- **Asset Quality:** There were four parameters under this which included Gross NPA, Movement in Gross NPA, Net NPA and Movement of Net NPA (all in %). This criteria was assigned a weightage of 20%.

- **Efficiency:** There were five parameters which included Cost to Net Income (C2NI) Ratio, Movement in C2NI Ratio, Cost to Average Assets (C2AA) Ratio, Movement in C2AA Ratio and Movement in Return on Assets. This criteria was assigned a weightage of 15%.

- **Profitability:** There were three parameters under this which included Return on Assets, Return on Equity and Net Profit Margin (all in %). This criteria was assigned a weightage of 15%.

- **Capital Adequacy:** There were two parameters which included Average CRAR and Movement in CRAR (both in %). This criteria was assigned a weightage of 15%.

- **Market Perception:** There were five parameters under this which included- Growth in Market Cap, PE Ratio, Movement in PE Ratio, PB Ratio and Movement in PB Ratio (all in %). This criteria was assigned a weightage of 15%.

In the first ranking list comprising unlisted NBFCs, the Market Perception parameter was excluded and to maintain balance, the weight assigned to Market perception was evenly redistributed among Asset Quality, Efficiency and Profitability for scores.

The scores for each sub-parameter were standardised using a min-max scale. The standardised scores for each sub-parameter were then multiplied by their respective weights to calculate the parameter-wise scores. Each parameter-wise score (e.g., Asset Quality) was further adjusted using respective parameter weights to compute the final scores for FY23. NBFCs were then ranked within their respective categories based on these final scores.

A five-member jury comprising justice B.N. Srikrishna; former Comptroller and Auditor General of India Vinod Rai; Salesforce India CEO Arundhati Bhattacharya; former Bank of Baroda CMD and author A.K. Khandelwal & First Global co-founder Devina Mehra deliberated on the findings to identify the winners across categories.