A Comparative Study of Financial Performance of SBI and ICICI Banks in India

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Abstract— The banking sector is very important for the economic development of a country. Traditionally the banks worked as finance depositor and finance provider only but presently as the scenario have changed and many policies and other technical changes have become the part of economies therefore now banks also play many roles in the development of economy. The study is an attempt to analyze the financial performance of SBI and ICICI banks. The State Bank of India, popularly known as SBI is one of the leading bank of public sector in India. SBI has 14 Local Head Offices and 57 Zonal Offices located at important cities throughout the country. ICICI bank is the second largest, leading bank of private sector in India The Bank has 2,533 branches and 6,800 ATMs in India. The study is descriptive and analytical in nature. The collected data was secondary in nature and collected from various reports issued by these banks through internet. The comparison of financial performance of these two banks was made on the basis of ratio analysis. The results indicated that the SBI is performing well and financially sound than ICICI Bank. Also the market position of SBI is better than ICICI in terms to earning per share, price ratio per share and dividend payout ratio, but on the other hand ICICI bank is performing well in terms of NPA and provision for NPA in comparison of SBI bank.

Keywords- Dividend Payout Ratio, EPS , ICICI, NPA, Price Ratio per Share, SBI

I. INTRODUCTION

Banking sector is backbone of economy in the country. The finance collected from this sector works in economy as blood works in the body. The banking sector is characterized by various services such as account facility, ATM facility, loan facility, mutual fund facility and many other financial services. These services help a citizen to facilitate his/her work life and private life in many ways. In India the banking sector is witnessed various changes after liberalization and globalization. These changes mould and change the structure of banking system. After globalization many banks has entered in India and has gave tough competition to the existing banks in India. In India few public and few private sector banks were operating since conceptualization of this sector but now they have to face severe competition from the foreign banks to sustain in the market and consequently many amendments were made by these domestic players to attract customers. Though the 'own country bank' factor has played important role in the sustainment of these domestic banks because customers can easily rely on these banks and undoubtedly want to transact and make relations with domestic banks. Due to this reason, presently as well many foreign banks has stepped into our country but still not well established. The new generation is open minded in terms of new change and want to avail new

facilities offered by foreign banks therefore preferring the foreign banks over domestic banks and now gradually the way of foreign banks is becoming easier in India. But the present study is focusing on the domestic banks and tries to study the financial performance of domestic banks to present the picture before the masses by comparing the public and private sector banks so that the investors, bankers, customers and government can see the insight of domestic banks to make the relation with these banks in future.

For this purpose one private bank i.e. ICICI and one public sector bank i.e. SBI have been taken to study the financial performance on the basis of ratio analysis. As SBI is one of the leading public sector banks in India and ICICI is the second largest and leading bank of private sector in India. Apart from this the NPA to advance comparison between these two banks was also made to depict the picture of debtors which has turned to bad debts for these banks. The total income depiction of both banks was also made through graph to show the income earning position of the banks. In addition to this, market test ration was also calculated to present the market position of banks in terms of earning per share, price earning ration and dividend payout ratio.

II. REVIEW OF LITERATURE

*Singh, B. A. and Tandon, P. (2012) affirmed that b*anking Sector plays an important role in economic development of a country. The banking system of India is featured by a large network of bank branches, serving many kinds of financial services of the people. The State Bank of India, popularly known as SBI is one of the leading bank of public sector in India. ICICI Bank is second largest and leading bank of private sector in India. The present study is conducted to compare the financial performance of SBI and ICICI Bank on the basis of ratios such as credit deposit, net profit margin etc. The period of study taken is from the year 2007-08 to 2011-12. The study found that SBI is performing well and financially sound than ICICI Bank but in context of deposits and expenditure ICICI bank has better managing efficiency than SBI.

Kumbirai, M. and Webb, R. (2010) investigates the performance of South Africa's commercial banking sector for the period 2005- 2009. Financial ratios are employed to measure the profitability, liquidity and credit quality performance of five large South African based commercial banks. The study found that overall bank performance increased considerably in the first two years of the analysis. A significant change in trend is noticed at the onset of the global financial crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector.

Mohi-ud-Din Sangmi; Nazir, T. (2010) stated that sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. In this paper, an effort has been made to evaluate the financial performance of the two major banks operating in northern India .This evaluation has been done by using CAMEL Parameters, the latest model of financial analysis. Through this model, it is highlighted that the position of the banks under study is sound and satisfactory so far as their capital adequacy, asset quality, Management capability and liquidity is concerned.

Mitra, R. and Shankar, R. (2008) said that a stable and efficient banking sector is an essential precondition to increase the economic level of a country. This paper tries to model and evaluate the efficiency of 50 Indian banks by using Data Envelopment Analysis (DEA). DEA is capable of handling multiple inputs and outputs and the sources of inefficiency can be analysed and quantified for every evaluated unit. The aim of this paper is to estimate and compare efficiency of the banking sector in India. The analysis is supposed to verify or reject the hypothesis whether the banking sector fulfils its intermediation function sufficiently to compete with the global players. The results are insightful to the financial policy planner as it identifies priority areas for different banks, which can

improve the performance. This paper evaluates the performance of Banking Sectors in India.

III. OBJECTIVE OF THE STUDY

The primary objective of the study was:
- To study the financial performance of SBI and ICICI banks.
- To find the percentage of debtors turns in to NPA (Bad debts).
- To explore the relationship between Total Income and PAT (Profit after tax).
- To study the market position of both the banks.

IV. RESEARCH METHODOLOGY

The study has been conducted with reference to the data related to SBI and ICICI bank. These banks have been studies with the belief that they hold the largest market share of banking business in India, in their respective sector.

The study examines the financial performance of Indian banks based on the CAMEL variables and compares the performance of SBI and ICICI banks for the period of 2010-11 to 2014-15. For evaluating the performance of banks, the world renowned CAMEL Model is adopted. CAMEL stands for Capital Adequacy, Asset Quality, Management Quality, earnings Quality and Liquidity. It is considered the best method for evaluating performance and health of the banks since it considers all areas of banking operations.

A. The Study

The study is an exploratory and analytical in nature with an attempt to explore the financial performance of public sector and private sector banks with reference to SBI and ICICI banks. In this study we basically study the impact of home loan interest rates on the attitude of people towards buying their dream home.

B. The Sampling plan

For this study, data covers Profit and Loss A/C, Balance Sheets, Financial Highlights for a period of five years from 2010-11 to 2014-15 of SBI and ICICI Banks.

C. Source of Data Collection

For this research proposal secondary source of data collection was used in the form of reports through internet.

D. Tools for Data Collection

The data required for the study will be collected from-
- Annual reports of respective banks
- Journals and reports on trends
- Newspapers, magazines
- Progress of Banking of India
- Government publications

- Books and websites.

E. Tools for Data Analysis

For the analysis of collected secondary data following tools were used to know financial performance and business model of SBI and ICICI Banks.

- .Various financial ratios (like profitability, leverage, activity, risk management etc.).
- Graphs (like bar charts and trend line diagrams)
- Different comparative tables
- Correlation
- Regression

F. Sampling Variables

For applying regression technique following variables taken as independent and dependent variables:

- Independent Variables- Total income, total expenditure, advances, capital, assets
- Dependent Variables – Profit before tax, profit after tax, NPA.

G. Expected Contribution

- The analysis made a part of this study may contribute in a way analysis of strength and weakness of the banking sector as whole with regard to
- Various banks from different categories together may make efforts to overcome limitations for lending money to different sectors like agricultural, SSI, Priority- non-priority sector, public sector & others.

H. Benifitiaries of Research Study

- *Bank*: This research will very helpful for both the banks to take necessary measures for improve their financial performance in terms of increase profit, reduction in expenses.
- *Investors*: Investors of the whose called shareholders are also get benefitted from this research to know that how much return they are earning in terms of return on investment, return on assets, and profits.
- *Customers*: These are those people who also called account holders, they only will deposit their funds when they will get maximum interest in comparison of other banks, so the bank only give more interest when they will have surplus profits, for measure such profit this study will help them.
- *Further Researchers*: The major beneficiaries from the project would be the researchers themselves as this study would enhance their knowledge about the topic. They get an insight of the present scenario of this industry as this is the emerging industry in the financial sector of the economy.
- *Student*: To get the understanding of financial performance.

I. Data Analysis and Interpretation

TABLE-1 COMPARATIVE STUDY OF SBI's INCOME ANALYSIS ON THE BASIS OF 2010-11 AS BASE 100%

(Increase / decrease in %)

Particulars	SBI				
	2010-11	2011-12	2012-13	2013-14	2014-15
Total Income	0	-18.2	-8.2	4.8	18.3
Total Expenses	0	-20.1	-11	5.4	18.4
Interest Income	0	30.9	47	67.5	87.2
Interest Expenses	0	29.4	54.1	78.2	99.3
Net Interest Income	0	33.1	36.3	51.5	69.1
Profit Before Tax	0	23.6	33.4	8.2	29.2
Profit After Tax	0	41.7	70.7	31.8	58.8

TABLE-2 COMPARATIVE STUDY OF ICICI's INCOME ANALYSIS ON THE BASIS OF 2010-11 AS BASE 100%

(Increase / decrease in %)

Particulars	ICICI				
	2010-11	2011-12	2012-13	2013-14	2014-15
Total Income	0	25.8	48.4	67.4	87.8
Total Expenses	0	25.9	46	63.1	82.3
Interest Income	0	29.1	54.3	70.1	89
Interest Expenses	0	34.5	54.6	63.4	77.2
Net Interest Income	0	19	53.8	82.7	111.2
Profit Before Tax	0	30.2	68.5	106.6	134
Profit After Tax	0	25.5	65.5	90.4	116.9

Source- Annual Report of Banks

GRAPH-1
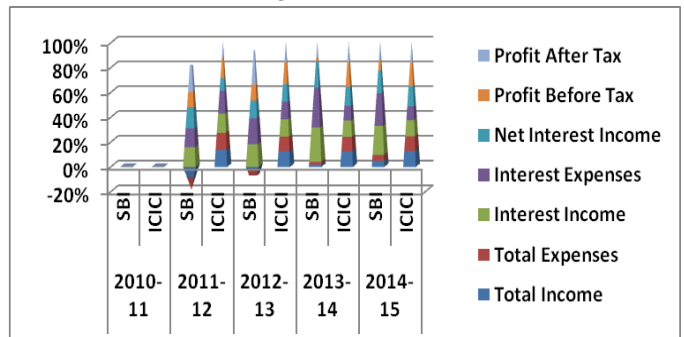
TABLE-3 COMPARATIVE STUDY OF NPA TO ADVANCES OF SBI BANK. *(Figures in billions except %)*

Years	SBI Bank				
	Adv.	NPA	Provision	% of Provision to Adv.	% of NPA to Adv.
2010-11	7567	123	87.9	1.16	1.63
2011-12	8675	158	115.4	1.33	1.82
2012-13	10456	219	113.6	1.09	2.09
2013-14	12098	310	142.2	1.18	2.57
2014-15	13000	275	172.8	1.33	2.12

TABLE-4 COMPARATIVE STUDY OF NPA TO ADVANCES OF ICICI BANK *(Figures in billions except %)*

Years	ICICI Bank				
	Adv.	NPA	Provision	% of Provision to Adv.	% of NPA to Adv.
2010-11	2163	24.58	19.76	0.91	0.94
2011-12	2537	27.06	9.93	0.39	0.95
2012-13	2902	30.6	13.94	0.48	0.96
2013-14	3387	32.97	22.52	0.66	0.97
2014-15	3875	62.55	31.41	0.81	1.67

Source- Annual Report of Banks

GRAPH-2
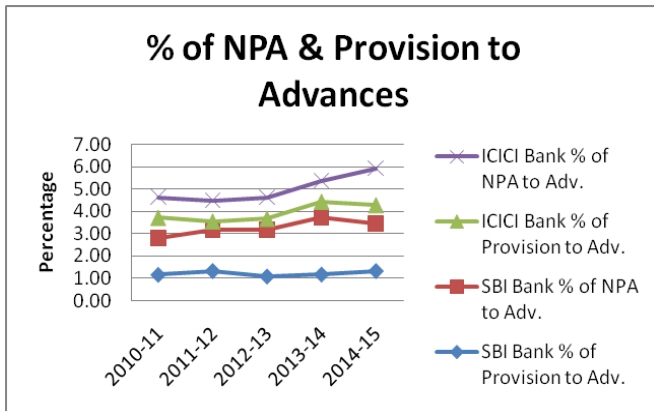
TABLE-5 STUDY OF MARKET TEST RATIO OF SBI BANKS

(Figures in Rs.)

Particulars	SBI				
	2010-11	2011-12	2012-13	2013-14	2014-15
Earning Per Share	130.16	184.31	210.06	156.76	17.55
Price Earning Ratio	21.24	11.37	9.86	12.23	15.21
Dividend Pay Out	23.05	20.06	20.12	20.56	20.21
Dividend Yield Ratio	0.008	0.01	0.01	0.01	0.075

TABLE-6 STUDY OF MARKET TEST RATIO OF ICICI BANKS

(Figures in Rs.)

Particulars	ICICI				
	2010-11	2011-12	2012-13	2013-14	2014-15
Earning Per Share	9.05	11.22	14.44	17	19.32
Price Earning Ratio	124.42	84.9376	78.8781	74.0588	18.0642
Dividend Pay Out	0.31	0.29	0.28	0.27	0.26
Dividend Yield Ratio	0.00027	0.00031	0.00024	0.00021	0.00074

Source- Annual Report of Banks.

GRAPH-3
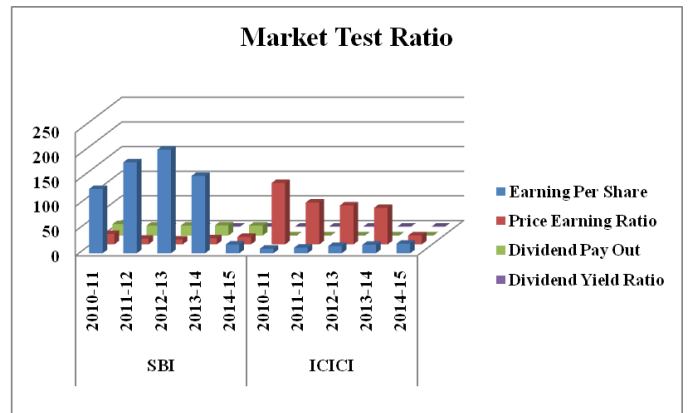
Establishing Correlation between Total Income and Profit after Tax (PAT)

Case-1st: (Correlation for SBI)
Null Hypothesis (H0): There is no positive correlation between Total Income and Profit after Tax of SBI bank.
Alternate Hypothesis (H1): There is positive correlation between Total Income and Profit After Tax of SBI bank.
To test the hypothesis calculation was done manually with the help of Microsoft Office Excel 2007 and with the help of formula the coefficient of correlation was calculated. It was:

r = 0.013

Hence, null hypothesis is rejected and it can be concluded that there is positive correlation (0.013) between Total Income and Profit After Tax of SBI Bank. Though value of "r" is positive
but very small hence it can be said that these two variables are weakly related to each other in case of SBI bank.

Case-2nd: (Correlation for ICICI)
Null Hypothesis (H0): There is no positive correlation between Total Income and Profit after Tax of ICICI bank.
Alternate Hypothesis (H1): There is positive correlation between Total Income and Profit After Tax of ICICI bank.
To test the hypothesis calculation was done manually with the help of Microsoft Office Excel 2007 and with the help

of formula the coefficient of correlation was calculated. It was:

$$r = +0.99$$

Therefore null hypothesis is rejected and results reported that there is positive correlation (0.99) between Total Income and Profit After Tax of SBI Bank. The coefficient value r is very and it is very near to 1 thus it can be said that these two variables have very high degree of correlation in case of ICICI bank.

Regression Coefficient between Total Income and Total Expenditure

Independent Variable –Total Income (x)
Dependent Variable   – Total Expenditure (y)
r – Regression coefficient

Case 1st - For SBI Bank

Regression coefficient: X on Y:
b_{xy} = 0.94
Regression coefficient: Y on X
b_{yx} = 1.04

$$r = \sqrt{b_{xy} \cdot b_{yx}}$$

r   = 0.98 (Regression coefficient)

Case 2nd - For ICICI Bank

Regression coefficient: X on Y:
b_{xy} = 1.27
Regression coefficient: Y on X
b_{yx} = 0.78

$$r = \sqrt{b_{xy} \cdot b_{yx}}$$

r   = 0.99 (Regression coefficient)

V.   RESULTS AND FINDINGS

- In the year 2012-13 where SBI bank's Total Income were decreasing on the other hand ICICI bank's were increasing but in terms of figures SBI bank is leading
- NPA (Non Performing Assets) of SBI bank were gradually increasing for year 2010-11 to 2014-15 which shows assets converting in bad debts, on the other hand NPA of ICICI bank also increasing at diminishing rate
- Provision for NPA of SBI bank also increasing for year 2010-11 to 2014-15 but for ICICI bank's were decreasing which shows in SBI bank there are more chances to convert debtors in NPA to bad bets i.e., loss for bank..
- SBI bank has positive low degree of correlation between Total income and Profit after tax where on the other hand ICICI bank has positive high degree of correlation.

- SBI bank and ICICI bank both has nearly regression which shows increase/decrease in Total expenditure depends upon Total income and vice versa.

VI.   DISCUSSIONS

This study based on the secondary data like annual reports for last 5 years generated by the banks which explore the comparative financial position of India's two leading banks from private and public sector. Comparative tables, graphs, percentage analysis, correlation and regression techniques were applied through manual calculations. On the basis of income/expenditure, market test ratio, correlation, regression were the factors on which the conclusion had been drawn that SBI is a larger bank and it is growing with sound financial conditions on the basis of huge customers but on the other hand, ICICI bank growing rate is faster. The market position of SBI is much sound than ICICI bank.

VII.   CONCLUSIONS

State Bank of India is the largest bank in the public sector and ICICI is in the private sector. The market expansion of SBI is more as compare to ICICI bank. SBI enter into the rural market and making more and more customer. SBI also comes with the new services and attract to the customers.

By analysis of the financial performance of SBI and ICICI bank we can say that the SBI is financially sound as compare to the ICICI bank. SBI have more profitability because it enters into the industry as well as commercial market also and regularly it improving their service quality level. The ICICI bank also the leader in the private market and it is equal competitor of the SBI but SBI is performing better because the trustworthiness of people are more towards SBI as compare to ICICI bank.

On the part of NPA, again SBI has fewer bad debts as compare to ICICI; the reason may be the sound image of SBI in the eyes of customers. SBI is leading and has also many rural and urban branches, it also gives strength to SBI and makes it enable to cover the advance given which in turn reduce the bad debts of SBI whereas in case of ICICI, it needs to work hard to recover the amount given as advance. The data also reveals that ICICI has circulated more advances to the customers as compare to SBI, this also one reason which increases the bad debts of ICICI.

Market test ratio calculation and graph reveals that the again the market position of SBI is much better than the ICICI.

The one reason can be that SBI is public sector bank; and the second reason can be that the SBI is the oldest bank has captured the large market which again improve and increases its market position.

VIII. IMPLICATIONS

The implications of this study are as:
- It is very useful for the researchers. By using the reference of the study the researcher can make the research of the overall banking industry as well as the service level of the banking system.
- Customer, Investor, Bankers and Banking intermediaries (brokers) can get useful insight of these two banks with the help of present study.

IX. LIMITATIONS

- The present study is confined to secondary data only and limited to financial figures.
- The study is based on the secondary data and the restriction of using secondary data may affect the results.
- The secondary data was taken from the various annual reports of the SBI and ICICI Bank therefore it may be possible that the data shown in the annual reports may be window dressed which does not show the actual position of the banks.
- This study does not consider non-financial facts and figures.
- The study is time bound.

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