

# **A STUDY OF FINANCIAL PERFORMANCE: A COMPARATIVE ANALYSIS OF STATE BANK OF INDIA AND ICICI BANK**

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## **ABSTRACT**

*Exponential growth and development of a country's public and private sector banks are the major contributors towards the socio-economic development of a country. The major difference between the two sector banks is of their approach towards their contribution to growth. State bank of India (SBI) and Industrial Credit and Investment Corporation of India (ICICI) are the two leading banks of India in the public and private sector. A country's financial system is reflected by the efficiency in the financial operations of its commercial banks. This study sets out to apply various profitability ratios of the SBI and ICICI Bank so as to compare and analyze their financial performance. The study analyzes and reflects a difference of performance in the working of SBI and ICICI Banks. Data used for the study is secondary in nature. On the basis of the study, it can be said that SBI has large scale based operations than ICICI Banks.*

**Keywords:** ICICI, SBI, Profitability Ratios, Financial Performance.

## **INTRODUCTION:**

Banking sector plays a vital role in the development of Indian economy. Higher profits are the indicators of growth of the banking sector. Higher profits are dependent upon optimum procurement and utilization of resources. Banks are the lenders of the last resort, thus are helpful in satisfying the personal needs of the individual and play a significant role in the development of the economy. Banks are the lifeline of the modern economy. Development of banking contributes to the development of the economy. An efficient financial system is an indicator of the strength of the economy which in turn depends upon the sound banking policies and system. A sound banking system helps in productive utilization of resources and is able to timely set off its obligations towards the depositors. After independence, banking sector has made a major contribution towards the socio-economic progress of the country. Today banking sector has a large network of branches with wide range of financial instruments in operation.

Through its intermediary activities, the banking sector fosters the production, distribution, exchange and consumption processes in the economy. The efficiency of the banking system, thus determines the pace of development of the economy. Similar to any other business enterprise, the efficiency of the bank is evaluated based on profitability and quality of the assets it possess. In post- independence period, the banking sector has played a catalyst and commendable role in supporting the government to achieve its social and economic objectives through deposit mobilization, mass branch networking, Priority sector lending, employment generation etc. Achieving such social objectives resulted in imposing the extensive regulations by the government which in turn hampered the productivity of Indian banking during the pre-liberalization era. An evaluation of Indian banking industry during the pre-liberalization era revealed the presence of several shortcomings which crept into the financial system due to reduced productivity, deteriorated asset quality and increased cost structure.

Nationalization in the Indian Banking sector resulted in development of network of financial branches and instruments. Nationalized banks are the major lenders in the Indian economy. They occupy a dominant position because of their huge size and large scale networks. As by 2017, SBI has an employee base of 2,09,567 employees as against ICICI Of 84096 across India. At present, SBI has total assets Rs. 2,705,966.30 crores (US\$420 billion) and ICICI has total assets Rs. 771791 crores (US \$ 1.5 billion).

Increasing number of branches of the banks, deposits, credit facilities and banking operations are the indicators of the trend towards growing economy. Financial performance need to be assessed so as to know the improvement after the crisis. Today, India has about 27 Public Sector Banks, 20 Private Sector Banks and 43 Foreign Banks. Public Sector Banks holds near 75% of the total assets of the industry where SBI and ICICI are the two major players in the banking sector.

## **Profile of SBI:**

State Bank of India is one of the leading bank in the Public Sector with over 24000 branches offering a range of banking service through its wide spread network within and across India. Its Headquarter is in Mumbai with local head offices and zonal offices at important cities throughout India. It was constituted on 1<sup>st</sup> July, 1955 under the State Bank of India Act, 1955. It has large number of subsidiaries and joint ventures out of India including United States, Canada, Nigeria, Bhutan and Nepal. This bank has largest retail banking customer base in India.

## **Present Profile of SBI (2017):**

|                  |                    |
|------------------|--------------------|
| Total Assets     | Rs. 2705966 Crores |
| Total Equity     | Rs. 188286 Crores  |
| No. of Employees | 209567             |
| ATM's            | 43000              |

### Subsidiaries of SBI:

|                                |
|--------------------------------|
| State Bank of Bikaner & Jaipur |
| State Bank of Hyderabad        |
| State Bank of Mysore           |
| State Bank of Patiala          |
| State Bank of Travancore       |

### PROFILE OF ICICI BANK:

ICICI is also one of the leading Private Sector Bank in India with over 4850 branches and 13917 ATMs in India. It offers wide range of financial services and banking products for its customers. This bank is also serving in capital investment banking, asset management and life and non-life insurances too. Besides, other banking facilities include Tele-Banking, Net Banking, and Mobile Banking etc. This bank too has spread networks across India including Canada, Russia, U.K., U.S.A. This bank has its equity listed in India on Bombay Stock Exchange and National Stock Exchange. Moreover, its American Depository Receipts (ADRs) are also listed on Newyork Stock Exchange (NYSE). ICICI bank limited is major banking and financial services organization in India. The bank is the second largest bank in India and the largest private sector bank in India by Capitalization.

### Present Profile of ICICI (2017):

|                  |                   |
|------------------|-------------------|
| Total Assets     | Rs. 771791 Crores |
| Total Equity     | Rs. 99951 Crores  |
| No. of Employees | 84096             |
| ATM's            | 13917             |

### SUBSIDIARIES OF ICICI BANK:

| National                                          | International          |
|---------------------------------------------------|------------------------|
| ICICI Lombard                                     | ICICI Bank UK PLC      |
| ICICI Prudential Life Insurance Company Ltd       | ICICI Bank Canda       |
| ICICI Securities Limited                          | ICICI Bank Eurasia LLC |
| ICICI Prudential Asset Management Company Limited |                        |
| ICICI Venture                                     |                        |
| ICICI Foundation                                  |                        |

### LITERATURE REVIEW:

Samad (2007) in his paper entitled, "Comparative Analysis of Domestic and Foreign Bank Operations in Bangladesh" examines the operations of foreign and domestic banks in the process of industrialization and economic development of Bangladesh.

Shobana (2010) in his paper entitled, "Operational Efficiency of Public Sector Banks in India- a Non-Parametric Model" focuses on the operational efficiency of public sector banks in India using a non-parametric model, which measures the efficiency as a ratio of output index to input index. The study concluded that out of 27 public sector banks in India, only nine banks has achieved high level of efficiency in its operations.

Dr. Anurag. B. Singh and Priyanka Tandon (2012): in their research paper entitled, "A comparative Study on Financial Performance of State Bank of India and ICICI Bank" examined the financial performance of SBI bank and ICICI bank, Public sector and Private sector respectively. The data used for this study was secondary in nature. The study was conducted to

determine the financial performance of SBI and ICICI banks on the basis of ratios such as credit deposit, net profit margin etc. The study was undertaken from 2009 to 2014. In this study, it was found that SBI is performing well and financially sound than ICICI bank but in context of deposits and expenditures, ICICI bank has better managed than SBI bank.

Devi (2017): in their paper entitled “A Study on the Financial Comparison between SBI and ICICI with reference to Chennai Annanagar Branch” examined the performance of the banks from 2012-2017. Operating ratio, debt equity ratio were taken as the variables. It was examine that operating profit ratio of SBI was better than ICICI.

### **OBJECTIVES OF THE STUDY:**

- 1.To compare the financial performance of State Bank of India and ICICI Bank.
- 2.To compare the SBI and ICICI in terms of profitability and managerial efficiency.
- 3.To offer the suggestions in order to improve the financial performance of both banks selected for the purpose of the study.

### **SCOPE OF THE STUDY:**

The present study is undertaken to highlight the financial performance of SBI bank and ICICI bank. SBI and ICICI Banks, being the best bank in India have been selected for the purpose of the study. It rises to the level of 2<sup>nd</sup> largest bank in India in terms of net assets after merger of ICICI with ICICI bank. It has wide range of products and services. Ratio analysis is one of the major criteria to determine the financial performance of both banks and this study will help to understand the financial performance of State Bank of India and ICICI Bank.

### **RESEARCH METHODOLOGY:**

Research methodology describes the various methods to conduct the research study. It shows the sequence of the steps which are followed in research process from beginning of the study till the completion of the study. So, research methodology is a way to systematically solve the problem and get insights into phenomena.

### **DATA COLLECTION:**

Research is based on the secondary data. The required data for the study has been collected from published annual reports of the banks and other statements prepared by the SBI and ICICI Banks.

### **PERIOD OF THE STUDY:**

This study covers the period of 07 years from 2010-11 to 2016-17. The period of the study is large enough to know the performance of both banks.

### **TOOLS FOR ANALYSIS:**

#### **Ratio Analysis:**

For the purpose of the study, following parameters have been taken:

- 1.Net Profit Ratio
- 2.Operating Profit Ratio
- 3.Return on shareholder’s Investment or Net Worth Ratio
- 4.Earnings Per Share
- 5.Total Assets Turnover Ratio
- 6.Interest Expended to Interest Earned Ratio.

**DATA ANALYSIS AND INTERPRETATION:**

**NET PROFIT RATIO:**

**Table 1**

| YEAR    | SBI<br>(RS. IN CRORES) |           |                  | ICICI<br>(RS. IN CRORES) |           |                  |
|---------|------------------------|-----------|------------------|--------------------------|-----------|------------------|
|         | NET PROFIT             | NET SALES | NET PROFIT RATIO | NET PROFIT               | NET SALES | NET PROFIT RATIO |
| 2010-11 | 7370                   | 96329     | 7.65             | 5149                     | 33082     | 15.56            |
| 2011-12 | 11707                  | 120872    | 9.68             | 6465                     | 41045     | 15.75            |
| 2012-13 | 14105                  | 135691    | 10.39            | 8325                     | 48421     | 17.19            |
| 2013-14 | 10891                  | 154903    | 7.03             | 9810                     | 54606     | 17.96            |
| 2014-15 | 13101                  | 174972    | 7.48             | 11175                    | 61267     | 18.24            |
| 2015-16 | 9950                   | 191843    | 5.18             | 9726                     | 68062     | 14.29            |
| 2016-17 | 10484                  | 210979    | 4.96             | 9801                     | 73661     | 13.30            |
|         | AVERAGE                |           | 7.48             | AVERAGE                  |           | 16.04            |

Table 1 displays that Net profit of both SBI and ICICI banks were fluctuating. The highest Net Profit ratio of SBI was 10.39% in 2012-13 and that of ICICI bank, it was 18.24% in 2014-15, where as the lowest Net Profit Ratio of SBI was 4.96% in 2016-17 and that of ICICI, it was 13.30 % in 2016-17.

The average Net Profit Ratio of SBI is 7.48% and ICICI bank is 16.04% which implies that the Net Profit Ratio of ICICI bank is 8.56, which is more than that of the SBI.

**OPERATING PROFIT RATIO:**

**Table 2**

| Year    | SBI<br>(Rs. In Crores) |           |                        | ICICI<br>(Rs. In Crores) |           |                        |
|---------|------------------------|-----------|------------------------|--------------------------|-----------|------------------------|
|         | Operating Profit       | Net Sales | Operating Profit Ratio | Operating Profit         | Net Sales | Operating Profit Ratio |
| 2010-11 | 16217                  | 96329     | 16.83                  | 7380                     | 33082     | 22.31                  |
| 2011-12 | 31574                  | 120872    | 26.12                  | 10089                    | 41045     | 24.58                  |
| 2012-13 | 31082                  | 135691    | 22.90                  | 13199                    | 48421     | 27.25                  |
| 2013-14 | 32109                  | 154903    | 20.72                  | 16594                    | 54606     | 30.38                  |
| 2014-15 | 39537                  | 174972    | 22.60                  | 19720                    | 61267     | 32.18                  |
| 2015-16 | 43257                  | 191843    | 22.55                  | 23863                    | 68062     | 35.06                  |
| 2016-17 | 50847                  | 210979    | 24.10                  | 26487                    | 73661     | 35.96                  |
|         | Average                |           | 22.26                  | Average                  |           | 29.67                  |

Table No 2 demonstrates that the Operating Profit Ratio of both SBI and ICICI banks were fluctuating during the period of the study. The highest Operating Profit Ratio of SBI in the year 2011-12 was 26.12% and that of ICICI bank was 35.96% in 2016-17. Where as, the lowest Operating Profit Ratio of SBI was 20.72% in the year 2013-14 and 22.31% in 2010-11 in ICICI bank respectively.

The average Operating Profit Ratio of SBI is 22.26% and that of ICICI bank is 29.61% which implies that the Operating Profit Ratio of ICICI 7.35% which is more than that of SBI bank.

**RETURN ON SHAREHOLDER’S INVESTMENT OR NET WORTH RATIO:**

**Table 3**

| Year    | SBI<br>(Rs. In Crores) |                     |                 | ICICI<br>(Rs. In Crores) |                     |                 |
|---------|------------------------|---------------------|-----------------|--------------------------|---------------------|-----------------|
|         | Net Profit             | Shareholder’s Funds | Net Worth Ratio | Net Profit               | Shareholder’s Funds | Net Worth Ratio |
| 2010-11 | 7370                   | 64986               | 11.34           | 5149                     | 55090               | 9.35            |
| 2011-12 | 11707                  | 83951               | 13.94           | 6465                     | 60405               | 10.70           |
| 2012-13 | 14105                  | 98884               | 14.26           | 8325                     | 66706               | 12.48           |
| 2013-14 | 10891                  | 118282              | 9.21            | 9810                     | 73213               | 13.40           |
| 2014-15 | 13101                  | 128438              | 10.20           | 11175                    | 80429               | 13.89           |
| 2015-16 | 9950                   | 144274              | 6.89            | 9726                     | 89735               | 10.84           |
| 2016-17 | 10484                  | 188286              | 5.57            | 9801                     | 99951               | 9.80            |
|         | AVERAGE                |                     | 10.20           | AVERAGE                  |                     | 8.046           |

Table No 2 demonstrates that the Return on Net worth Ratio of both SBI and ICICI banks were fluctuating during the period of the study. The highest Return on Net Worth Ratio of SBI in the year 2012-13 was 14.26% and that of ICICI bank in 2014-15 was 13.89% .Whereas, the lowest Return on Net Worth Ratio of SBI in the year 2016-17 was 5.57% and of ICICI bank, it was 9.35% inn 2010-11.

The average Net Worth Ratio of SBI is 10.20% and that of ICICI bank is 8.046% which implies that the average Net Worth Ratio of SBI i.e. 2.154% more than the ICICI bank.

**EARNING PER SHARE (EPS)**

**Table 4**

| Year    | SBI<br>(RS. In Crores) |                      |                    | ICICI<br>(RS. In Crores) |                      |                    |
|---------|------------------------|----------------------|--------------------|--------------------------|----------------------|--------------------|
|         | Net Profit             | No. Of Equity Shares | Earnings Per Share | Net Profit               | No. Of Equity Shares | Earnings Per Share |
| 2010-11 | 7370                   | 63.50                | 116.06             | 5149                     | 115.17               | 44.70              |
| 2011-12 | 11707                  | 67.10                | 174.47             | 6465                     | 115.27               | 56.08              |
| 2012-13 | 14105                  | 68.40                | 206.21             | 8325                     | 115.36               | 72.16              |
| 2013-14 | 10891                  | 74.65                | 145.90             | 9810                     | 115.50               | 84.93              |
| 2014-15 | 13101                  | 74.65                | 175.49             | 11175                    | 115.96               | 96.37              |
| 2015-16 | 9950                   | 77.62                | 128.18             | 9726                     | 116.31               | 83.62              |
| 2016-17 | 10484                  | 79.73                | 131.49             | 9801                     | 116.51               | 84.12              |
|         | AVERAGE                |                      | 153.97             | AVERAGE                  |                      | 74.56              |

Table No.4 reveals that the highest Earnings per Share was 206.21 in the year 2012-13 and that of ICICI bank was 96.37 in 2014-15. Whereas, the lowest Earnings per share of SBI in the year 2010-11 was 63.50 and that of ICICI bank in the year 2010-11 was 44.70.

The average Earnings per Share of SBI is 153.97 and ICICI bank is 74.56, which implies that the Average Earnings per share of SBI is 79.41, which is more than that of ICICI bank.

**TOTAL ASSETS TURNOVER RATIO:**

**Table 5**

| Year    | SBI<br>(RS. In Crores) |              |                             | ICICI<br>(RS. In Crores) |              |                             |
|---------|------------------------|--------------|-----------------------------|--------------------------|--------------|-----------------------------|
|         | Net Sales              | Total Assets | Total Assets Turnover Ratio | Net Sales                | Total Assets | Total Assets Turnover Ratio |
| 2010-11 | 96329                  | 1223736      | 0.07                        | 33082                    | 406234       | 0.08                        |
| 2011-12 | 120872                 | 1335519      | 0.09                        | 41045                    | 473647       | 0.08                        |
| 2012-13 | 135691                 | 1566211      | 0.08                        | 48421                    | 536794       | 0.09                        |
| 2013-14 | 154903                 | 1792748      | 0.08                        | 54606                    | 594641       | 0.09                        |
| 2014-15 | 174972                 | 2048079      | 0.08                        | 61267                    | 646129       | 0.09                        |
| 2015-16 | 191843                 | 2357617      | 0.08                        | 68062                    | 720695       | 0.09                        |
| 2016-17 | 210979                 | 2705966      | 0.07                        | 73661                    | 771791       | 0.09                        |
|         | AVERAGE                |              | 0.078                       | AVERAGE                  |              | 0.087                       |

Table No. 5 depicts that the Total Assets Turnover Ratio of both SBI and ICICI banks was stable. The highest Assets Turnover Ratio of SBI is 0.09 times in 2011-12 and that of ICICI bank was stable during the study period. The average Total Assets Turnover Ratio of SBI is 0.078 times and of ICICI bank is 0.087 times, which implies that the average Total Assets of SBI Bank is more than that of the ICICI bank.

**INTEREST EXPENDED TO INTEREST EARNED RATIO:**

**Table 6**

| Year    | SBI<br>(RS. In Crores) |                 |       | ICICI<br>(RS. In Crores) |                 |       |
|---------|------------------------|-----------------|-------|--------------------------|-----------------|-------|
|         | Interest Expended      | Interest Earned | Ratio | Interest Expended        | Interest Earned | Ratio |
| 2010-11 | 48868                  | 81394           | 60.03 | 16957                    | 25974           | 65.28 |
| 2011-12 | 63230                  | 106521          | 59.36 | 22808                    | 33542           | 68.00 |
| 2012-13 | 75325                  | 119657          | 62.95 | 26209                    | 40075           | 65.39 |
| 2013-14 | 87068                  | 136350          | 63.85 | 27702                    | 44178           | 62.70 |
| 2014-15 | 97382                  | 152397          | 63.90 | 30051                    | 49091           | 61.21 |
| 2015-16 | 106803                 | 163685          | 65.24 | 31515                    | 52739           | 59.75 |
| 2016-17 | 113658                 | 175518          | 64.75 | 32419                    | 54516           | 59.47 |
|         | AVERAGE                |                 | 62.86 | AVERAGE                  |                 | 63.11 |

Table no. 6 explain that during the study period, Interest expended to Interest Earned Ratio of both SBI bank and ICICI bank fluctuated. The highest Interest Expended to Interest Earned Ratio of SBI was 65.24% in the year 2015-16 and for ICICI bank; it was 68.00% in 2011-12. Whereas the lowest Interest Expended to Interest Earned Ratio of SBI was 59.36% in 2011-12 and for ICICI bank was 59.47 in 2016-17.

The average Interest Expended to Interest Earned Ratio of SBI is 62.86% and that of ICICI bank is 63.11%, which implies that the average interest Expended to Interest Earned Ratio of ICICI bank is more than that of the SBI bank with 0.25%.

**FINDINGS, SUGGESTIONS AND CONCLUSION:**

- The average Net Profit Ratio of SBI is 7.48% and ICICI bank is 16.04% which implies that the Net Profit Ratio of ICICI bank is 8.56, which is more than that of the SBI.

- The average Operating Profit Ratio of SBI is 22.26% and that of ICICI bank is 29.61% which implies that the Operating Profit Ratio of ICICI 7.35% which is more than that of SBI bank.
- The average Net Worth Ratio of SBI is 10.20% and that of ICICI bank is 8.046% which implies that the average Net Worth Ratio of SBI i.e. 2.154% more than the ICICI bank.
- The average Earnings per Share of SBI is 153.97 and ICICI bank is 74.56 , which implies that the Average Earnings per share of SBI is 79.41, which is more than that of ICICI bank.
- The average Total Assets Turnover Ratio of SBI is 0.078 times and of ICICI bank is 0.087 times, which implies that the average Total Assets of SBI Bank is more than that of the ICICI bank
- The average Interest Expended to Interest Earned Ratio of SBI is 62.86% and that of ICICI bank is 63.11%, which implies that the average interest Expended to Interest Earned Ratio of ICICI bank is more than that of the SBI bank with 0.25%.

#### **SUGGESTIONS:**

- As Earnings per share (EPS) of ICICI bank is low as comparative to SBI. Therefore, the ICICI bank needs to take some measures to increase its income over its expenditure.
- Interest expended to interest earned ratio of SBI is less as comparative to ICICI. So, SBI bank need to take some effectives steps in order to increase its more earning capacity.
- Average net worth ratio of ICICI bank is less. Therefore, ICICI should increase its net worth more as comparative to other banks.

#### **CONCLUSION:**

It is concluded that both the selected banks i.e. SBI and ICICI are maintaining the equitable standards and earning the profits. The position of the both the banks is satisfactory but by comparing the performance of the SBI and ICICI banks, it indicates that there are significant difference between SBI and ICICI in terms of Net profit, Operating profit and Net Worth. But it is observed that the overall performance of SBI bank is better than ICICI bank.

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