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A Study of Comparative Financial Analysis of State Bank of India & ICICI Bank

Nitin Ramchandra Wadhvinde
Asst. Prof. Department of Accountancy
VPM's Joshi Bedekar College, Thane

Abstract:

As per Reserve Bank of India, the Banking Sector in India is well organised and regulated properly. The financial and the economic performances of the banks are much superior to other banks in different countries in the whole world. There are different sectors who contribute to the economic development of a country, amongst them Banking Sector is the leading one. The GDP of India in 2015 was $18,224,800 million. India's growth rate is 7.6% in 2015-16, which is fasted in the last five years. Banking sector is one of the most important contributors in the development of the country. In India the Banking Sector is basically divided into different categories like Public Sector Banks, Private Sector Banks, Regional Rural Banks, etc. State Bank of India is one of the largest public sector banks in India, and ICICI Bank is the popular private sector bank in India. As on 31st March, 2015 State Bank of India had 16,333 branches and 54,560 ATMs, this indicates that State Bank of India is the leading public sector bank which has the largest number of branches and ATMs all over India. Similarly ICICI Bank which is top most private sector bank has 4,450 branches and 13,900 ATMs at national level. These leading banks contribute to the growth and development of the country. The current paper is going to study the financial performance of the leading Public Sector Bank i.e SBI and Private Sector Bank i.e ICICI. For the purpose of the study, researcher has studied the data for the year 2011-12 to 2015-16 in that the different ratios will be studied comparatively between these two leading banks in India.

Keywords: RBI, Banking Sector, GDP, State Bank of India, ICICI, Financial Performance, Growth, etc.

Introduction:

Financial Analysis of any entity helps to see whether the financial condition of that particular entity is strong or weak. In financial ratio analysis different ratios are used to see the financial condition of the entity. In ratio analysis different ratios such as current ratio, liquid ratio, debt equity ratio, etc are calculated and compared with the industry standard ratios. Working capital is the life blood of the entity. Using different ratios helps the entity to check the financial condition. Organisations whether it is manufacturing or service requires capital for running the business. Once capital is introduced in the business it requires roll over that capital in the form of working capital. A good banking system plays very important role for the growth and development of country. Banking industry uses and mobilize funds for the productivity. Banks utilises funds through its branches and ATMs to the people. State Bank of India is the leading Public Sector bank which has more 16,333 branches and 54,560 ATMs all over India. With such huge networking State Bank of India mobilises funds through its customers. Similarly ICICI bank is also the leading private sector bank in India. ICICI bank is having 4,450 branches and 13,900 ATMs all over India. As these two banks are currently the top financial institutes in India.

Objectives of the study:

1. To study the different parameters of financial ratio analysis
2. To compare selected financial ratios of SBI and ICICI for the years 2011-12 to 2015-16.

Literature Review:

Mustafa Hassan Mohammad Adam (2014) written a paper titled as 'Evaluating the Financial Performance of Banks Using Financial Ratios-A Case Study of Erbil Bank for Investment and Finance' studied different ratios for studying the financial performance of the Erbil Bank.

Loriya Chirag Thakarshibhai (2014) has written a paper titled as 'A Profitability Analysis of Banks in India' studied different profitability ratios of the select banks, the researcher has studied the comparison of public and private sector banks operating expenses.

Jeevan Jayant Nagarkar (2015) has written a research paper on 'Analysis of Financial Performance of Banks in India', observed that customers satisfaction and their faith are the most vital part in banks success.

As for the study purpose the researcher has studied the review of literature to find out the gap in earlier research.

Research Methodology:

The study is purely based on Secondary Sources. For achieving the objectives of the study researcher has compiled the annual reports of SBI & ICICI for the period 2011-12 to 2015-16. Researcher has also collected required data from books, journals, published and unpublished research articles, books, etc.

Period of the study:

For meeting the objectives of the study researcher has collected data from the financial year 2011-12 to 2015-16.

Data Analysis & Interpretation:

As for achieving the objectives of the study, researcher has analysed the following parameters for studying the financial ratios

1. Credit Deposit Ratio
2. Interest Expenses to Total Expenses
3. Interest Income to Total Income
4. Net Profit Margin
5. Net Worth Ratio (Return on Shareholders Fund)
6. Earnings Per Share

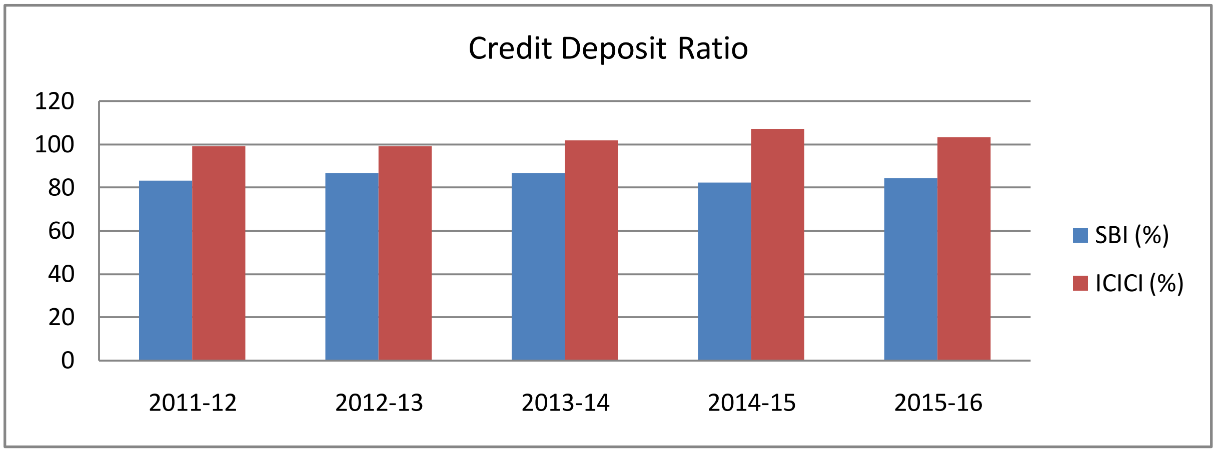
1. **Credit Deposit Ratio:** It is the proportion of loan to deposit. This is very popularly known as CD ratio. The purpose of this ratio is to find out the liquidity position of the concern bank. Here loans are nothing but the money lend to the public which is basically asset to the bank whereas Deposit means money received from public which is liability to the bank. So one can say CD ratio is the proportion of assets to liabilities. Generally 80% to 90% is the ideal CD ratio.

Formula: Loans / Deposits *100

Financial Year	SBI (%)	ICICI (%)
2011-12	83.12	99.30
2012-13	86.93	99.19
2013-14	86.76	102.04
2014-15	82.44	107.17
2015-16	84.57	103.28

Source: Annual Reports

As from above table it shows that SBI has moderate CD ratio whereas ICICI bank has loan assets more than deposits from public.



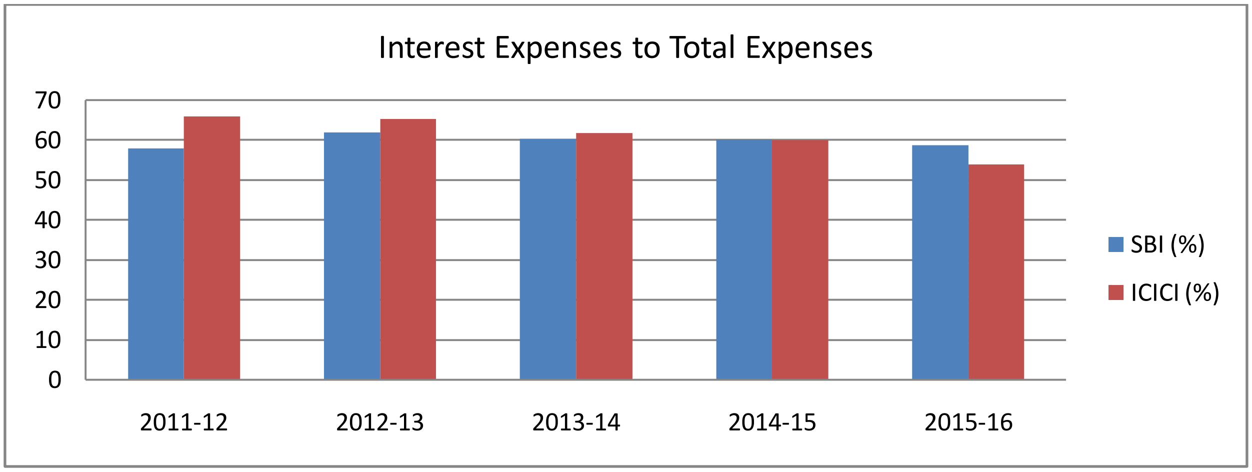
2. **<u>Interest Expenses to Total Expenses:</u>** This ratio is nothing but proportion of Interest Expenses to Total Expenses. Interest Expenses is actually interest paid on receipt of deposits from the customers. Interest Expenses are generally the major component in the total expenses.

<u>Formula:</u> Interest Expenses / Total Expenses *100

Financial Year	SBI (%)	ICICI (%)
2011-12	57.92	65.95
2012-13	61.95	65.36
2013-14	60.45	61.84
2014-15	60.15	59.99
2015-16	58.71	54.02

Source: Annual Reports

From the above table it clearly shows that the interest expenses of the bank to the total expenses. In SBI there is slight increase in the % of interest expenses to total expenses, whereas in ICICI bank case there is reduction in the % of interest expenses.



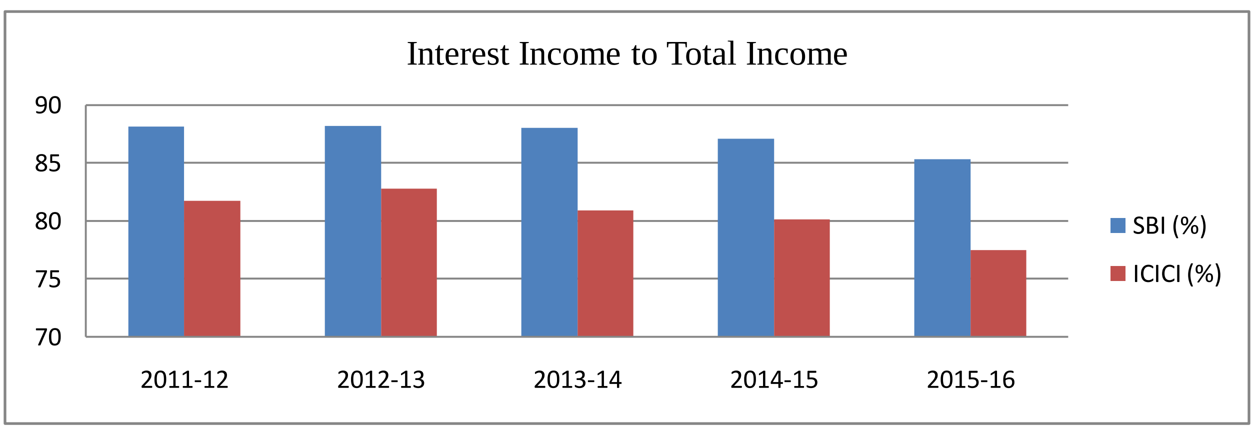
3. **Interest Income to Total Income:** It is the proportion of Interest Income to Total Income. Interest earned on Loans, is the major income of the bank. This ratio indicates the major share of Interest Income in the Total Income.

Formula: Interest Income / Total Income *100

Financial Year	SBI (%)	ICICI (%)
2011-12	88.12	81.72
2012-13	88.18	82.76
2013-14	88.02	80.90
2014-15	87.09	80.12
2015-16	85.32	77.48

Source: Annual Reports

As from the table it shows that the % of Interest Income to Total Income. There is reduction in the Interest Income of both the banks. In SBI the % of Interest Income is more than ICICI bank's Interest Expense.



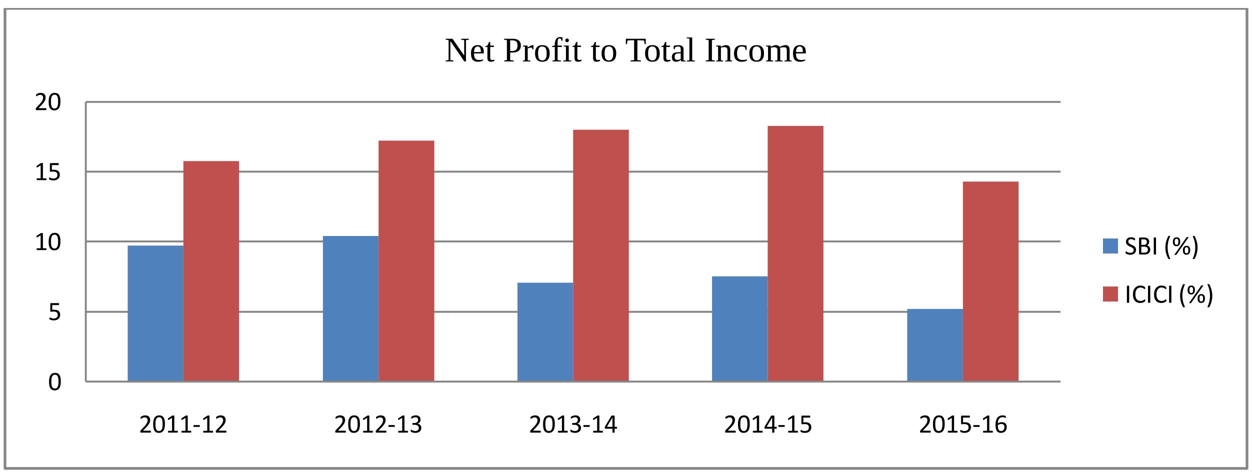
4. **Net Profit Margin:** This is popularly known as NP Ratio. This is a profitability ratio, which is the relationship of Net Profit to Total Revenue.

Formula: Net Profit / Total Revenue*100

Fin. Year	SBI			ICICI		
	Net Profit (In Crores)	Total Income (In Crores)	Net Profit (%)	Net Profit (In Crores)	Total Income (In Crores)	Net Profit (%)
2011-12	11,707	1,20,872	9.69	6,465	41,045	15.75
2012-13	14,105	1,35,691	10.39	8,325	48,421	17.19
2013-14	10,891	1,54,903	7.03	9,810	54,606	17.97
2014-15	13,102	1,74,972	7.49	11,175	61,267	18.24
2015-16	9,951	1,91,843	5.19	9,726	68,062	14.29

Source: Annual Reports

It is seen from the above table that the % of Net Profit to Total Revenue is less in SBI as compared to ICICI. In SBI it is reduced from 9.69% in 2011-12 to 5.19% in 2015-16, whereas in ICICI bank case there is slight reduction from 15.75% in 2011-12 to 14.29% in 2015-16.



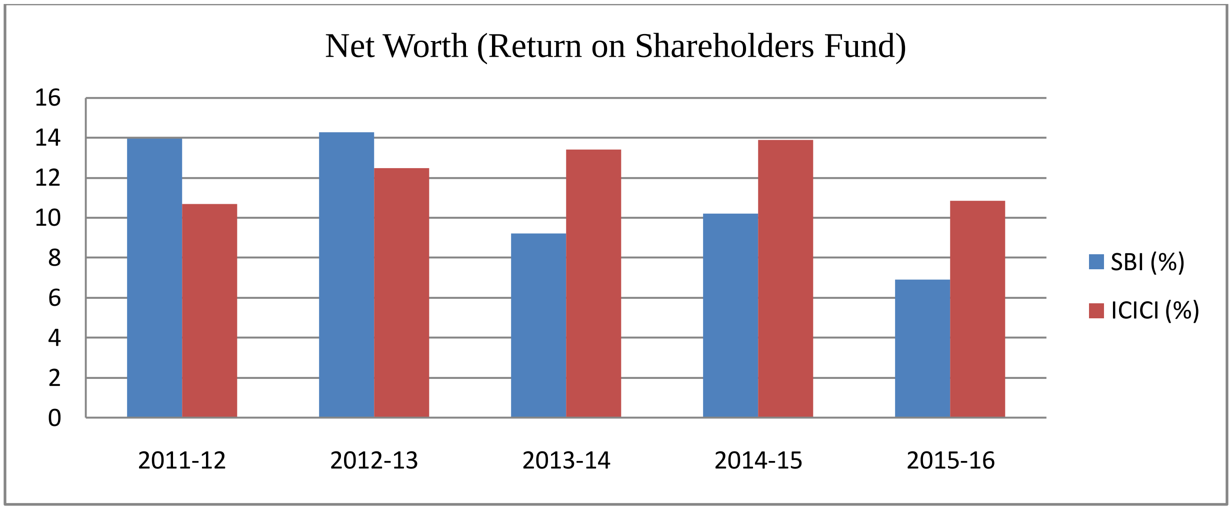
5. **Net Worth Ratio (Return on Shareholders Fund):** It is the proportion of Net Worth means Net Profit to Shareholders Fund. It shows the profit earning capacity to the owner's funds in the business.

Formula: Net Profit / Shareholders Fund*100

Fin. Year	SBI			ICICI		
	Net Profit (In Crores)	Shareholders Fund (In Crores)	Net Worth (%)	Net Profit (In Crores)	Shareholders Fund (In Crores)	Net Worth (%)
2011-12	11,707	83,951	13.95	6,465	60,405	10.70
2012-13	14,105	98,883	14.26	8,325	66,705	12.48
2013-14	10,891	1,18,282	9.21	9,810	73,213	13.40
2014-15	13,102	1,28,438	10.20	11,175	80,429	13.89
2015-16	9,951	1,44,274	6.90	9,726	89,735	10.84

Source: Annual Reports

As it is seen in the above table there is good increase in Shareholders Fund of SBI compared to ICICI's Shareholders Fund. But there is reduction in the % of Return on Net Worth in SBI, whereas there is slight increase in Return on Net Worth in ICICI.

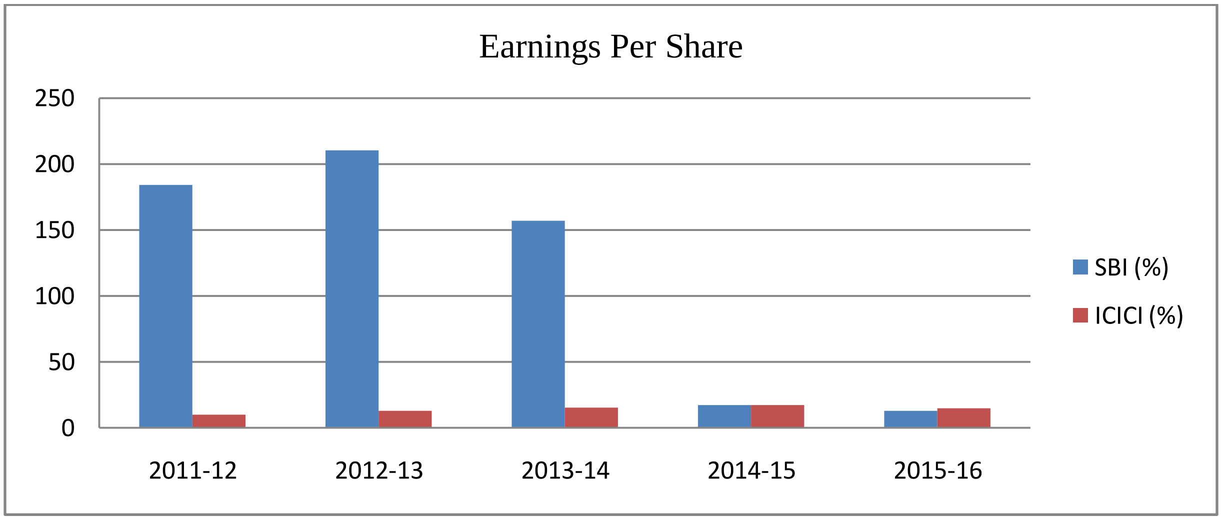


6. **Earnings Per Share:** It is the proportion of net profit of the concern to each share. As this is calculated from the investors' point of view, where the investors can find out which bank is earning good returns per share.

Financial Year	SBI (%)	ICICI (%)
2011-12	184.31	10.20
2012-13	210.06	13.13
2013-14	156.76	15.45
2014-15	17.55	17.56
2015-16	12.98	15.23

Source: Annual Reports

It is seen from the above table there is drastic reduction in earnings per share in SBI, whereas in ICICI Bank there is constant increase in earnings per share.



Findings and Conclusions:

In the above ratio analysis Credit Deposit Ratio of SBI is less than ICICI, it indicates that ICICI bank have more loans compares to their deposits and SBI bank have less loans compared to the deposits received from the public. As far as Interest Expenses to Total Expenses concern SBI has slight increase in the interest expenses, whereas ICICI bank case there is reduction in the interest expenses. There is reduction in the % of Interest Income to Total Income in both the banks. But comparatively SBI has quite good Interest Income than the ICICI bank. In Net Profit Margin Ratio ICICI has upper hand as their % of Net Profit to Total Income is more compared to SBI's Net Profit Margin Ratio. As regard to Net Worth (Return on Shareholders Fund) there is reduction in the % of Net worth in case of SBI, it almost drop to 50% in 2015-16 compared to 2011-12, similarly in ICICI bank case Net Worth (Return on Shareholders Fund) is quite constant around 10.50%. This indicates that ICICI bank has able to maintain this ratio throughout the study period. The Earnings Per Share of the SBI has come down as compared to ICICI bank, which is managed to increase the share value. Therefore from the above analysis one can see that ICICI bank has shown good performance in spite of the well established SBI, the leading public sector bank.

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