

A Comparative Study of the Financial performances of SBI and ICICI Banks in India

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Abstract

This paper examined and compares the financial performance of State Bank of India and ICICI Bank in India by comparing various ratios. The data used for the study was entirely secondary and was taken from the financial reports of the respective banks for the period 2009-10 to 2013-14. The study found that SBI Bank performing better than ICICI Bank ,but when it comes to expenditure ,ICICI Bank spending more than SBI Bank. Based on the findings, the study reveals that bank customers have more trust in SBI Banks compared to ICICI Bank in India.

Key words: financial performances ,various ratio.

Introduction

The banking sector is the core segment of the Indian Financial system and has been assigned a significant role in financing the process of planned economic growth and the socio-economic life of the people. Banks play an important role in the mobilization and allocation of resources in an economy and act as intermediaries in channelising funds from surplus units to deficit units .The banking structure in India is broadly classified in to public sector bank, private sector bank and foreign sector banks. The total asset of SBI in 2014 is 23,95,981.61 and ICICI Bank has 7,47,525.68 in 2014. SBI is the first largest public sector banks in India and ICICI Bank has the second largest private sector bank in India .

Scope for the study

This study is significant and timely in the context that tremendous changes are taking place in the banking field especially in private sector banks. This study is more focused on the performance level of SBI and ICICI banks in India . After liberalization banks were directed to open branches in areas of un banked areas so that banking facilities would be available even to the poorest sections of the society .This has led to rapid expansion of branches .This has led to rapid expansion of branches. The increase in the number of branches after liberalization has also resulted in corresponding increase in deposit, credit and employee strength.

Objectives

- To study the performance of SBI and ICICI Bank in India.
- To compare the financial performance of SBI Bank and ICICI Banks in India.

Methodology

The study is based on the secondary data that has been collected from the annual reports and websites of the respective banks, journals ,documents and other published information .Ratio analysis was applied to analyse and compare the trends in banking business and financial performance . The following ratios have been used for comparing the financial performance of SBI and ICICI Banks in India

- Credit Deposit Ratio.
- Interest expenses to Total Expenses.
- Interest Income to Total Income.
- Other Income to Total Income.
- Net Profit Margin.
- Net Worth Ratio.
- Percentage change in Net Profits.
- Percentage change in Total Income.
- Percentage change in Total expenditure.
- Percentage change in Deposits.
- Percentage change in Advances.

Data Analysis and Discussion

Table .1 Credit Deposit Ratio

Year	SBI	ICICI
2009-2010	76.11	93.54
2010-2011	79.08	42.94
2011-2012	81.27	–
2012-2013	84.03	–
2013-2014	85.71	57.45
Mean	81.24	64.64

Note: Data represented in Table .1 to 11 is compiled from the annual reports of SBI and ICICI Bank for the period 2009-10 to 2013-14.

The table.1 shows that the financial year 2009-10 , credit deposit ratio was 76.11 for SBI and 93.54 for ICICI Bank .SBI performed better position than ICICI Bank. It is observed that over the course of five financial period of the study, the mean of credit deposit ratio for SBI was higher (81.24) than that of ICICI Bank (64.64).It can be concluded that SBI Bank is the most efficient bank in using the resources effectively.

Table.2 Interest Expenses to Total Expenses

Year	SBI	ICICI
2009-2010	61.62	60.71
2010-2011	54.93	60.70
2011-2012	57.90	65.19
2012-2013	58.00	66.94
2013-2014	58.20	67.87
Mean	55.20	64.28

Table.2 represents that the ratio of interest expenses to total expenses for SBI bank was 61.62 and it decreased in 2010-11 and kept on increasing till 2013-14. ICICI Bank had dramatic increase in 2011-12 with 65.19 and it continued to increase thereon.From this ,we can conclude that ICICI Bank paying high expenses ratio,i.e,inefficient in controlling their expenses. The ratio of SBI is very less compared to ICICI Bank in India.

Table.3 Interest Income to Total Income

Year	SBI	ICICI
2009-2010	76.49	50.92
2010-2011	76.86	48.83
2011-2012	83.21	56.99
2012-2013	83.75	60.48
2013-2014	83.30	62.18
Mean	80.72	55.88

This table.3 highlights that the ratio of interest income to total income of SBI was higher in 2009-10 (76.49) and it continuously increased till 2013-14. Where as ICICI the situation had changed .In the year 2009-10, the ratio of ICICI was 50.92 .There was a slight decrement in 2010-11 to 48.83.And again there was an increment during 2012-14 People preferred to invest more in SBI , where as people preferred ICICI for taking loans and Advances.

Table.4 Other Income to Total income

Year	SBI	ICICI
2009-2010	23.50	49.07
2010-2011	23.13	51.16
2011-2012	16.78	43.00
2012-2013	16.24	39.51
2013-2014	16.69	37.81
Mean	19.27	44.11

The ratio of other income to total income of SBI decreased from 23.13 in 2010-11 to 16.78 in 2011-12.The ratio is relatively high for ICICI (44.11).When compared SBI Bank in India.This indicate that ICICI Bank acquire more financial gains from other income.

Table.5 Net Profit Margin

Year	SBI	ICICI
2009-2010	8.67	7.85
2010-2011	7.22	9.89
2011-2012	8.67	11.46
2012-2013	8.93	12.94
2013-2014	6.24	13.87
Mean	7.95	11.20

Table.5 reveals that the net profit margin of ICICI Bank varied between 7.85 and 13.87, While the net profit margin of SBI is not stable .It shows that ICICI Bank has comparatively lower operational efficiency than SBI Bank.The results indicate that ICICI Bank with 11.20 has a better control over its cost than SBI (7.95) . From the results ,we can conclude that ICICI Bank is the most profitable bank compared to SBI.

Table.6 Net Worth Ratio

Year	SBI	ICICI
2009-2010	14.11	9.10
2010-2011	12.80	11.01
2011-2012	14.44	12.47
2012-2013	14.32	13.96
2013-2014	9.61	14.44
Mean	13.06	12.20

It is clear from table.6 that the net worth ratio of SBI decreased from 14.11 in 2009-2010 to 12.8 in 2010-11,and increased to 14.44 in 2011-12.In 2013-14 it again reduced to 9.6,it shows that SBI reduced its conversion of cash in to fixed assets. In the case of ICICI Bank ,there was an increase in the ratio in 2009-10 it was 9.10 to 14.44 in 2013-14.The study reveal that SBI has utilized their resources more efficiently compared to ICICI Bank.

Table.7 Growth of Profit

Year	SBI	% Change	ICICI	%Change
2009-2010	12,020.54	-	48,43.41	-
2010-2011	11,179.94	-7	6,318.19	30.44
2011-2012	15,829.45	41.58	7,937.63	25.63
2012-2013	18,322.98	15.75	10,129.88	27.61
2013-2014	14,489.47	-20.93	11,677.12	15.27
Mean	14,368.478	-	8,181.246	-

Table.7 highlights that the mean value of net profit was higher for SBI (14368.478 cr) compared to that of ICICI (8181.246 cr) during the period of study. The table also shows that the annual growth rate of profit for SBI was highest in the year 2011-12 and was negative(- 20.93) in the year 2013-14.The annual growth rate of profit for ICICI was highest in the year 2010-11 (30.44) and then on the rate decreased ,it did not show a negative sign when compared to SBI.Therefore, we can conclude that ICICI Banks is making huge profits compared to SBI.

Table -8 Total Income

Year	SBI	% Change	ICICI	% Change
2009-2010	1,30,828	-	59,207.43	-
2010-2011	1,47,843	13.00	61,594.70	4.03
2011-2012	1,76,888	19.64	66,658.28	8.22
2012-2013	2,00,559	13.38	74,204.40	11.32
2013-2014	2,26,944	13.15	79,563.86	7.22
Mean	1,76,612.4	-	68,254.73	-

Table.8, highlights that the mean value of total income was higher for SBI (1,76612.4) cr compared to that of ICICI (68245.73). In the case of SBI ,there was a huge increase in 2011-12 (19.64),but in the remaining consecutive years it had less total income, though it was better compared to 2011-12.The total income is high for SBI compared to ICICI Bank.

Table.9 Total Expenditure

Year	SBI	% Change	ICICI	% Change
2009-2010	118808	–	54364.01	–
2010-2011	136663	15.05	55276.51	1.67
2011-2012	161059	17.85	58720.65	6.23
2012-2013	182236	13.14	64074.52	9.11
2013-2014	212455	16.58	67886.74	5.94
Mean	162244.2	–	60064.49	–

Table-9, shows that the mean value of total expenditure was higher for SBI (162244.2 cr) as compared to that of ICICI (60064.49 cr). The status of total expenses of SBI was not stable over the years.It has minimized its expenditure in 2012-13(13.14) and again it has increased in 2013-14 (16.58).The table highlights that the annual growth rate expenditure for SBI was highest and for ICICI Bank was lowest . Hence ,it is clear that ICICI Bank is more efficient compared to SBI in terms of managing expenditure.

Table.10 Total Deposits

Year	SBI	% change	ICICI	%change
2009-2010	1116464	–	241572.3	–
2010-2011	1255562	12.45	259106.0	7.25
2011-2012	1414689	12.67	281950.5	8.81
2012-2013	1627402	15.03	314770.5	11.62
2013-2014	1838852	12.99	359512.7	14.21
Mean	1450593.8	–	291382.4	–

The table .10, represent that the mean deposit of SBI (1450593.8) is higher compared to 04.that of ICICI (291382.4).However, the growth rate of SBI was higher compared that of ICICI Bank during the period of study .In the case of ICICI, deposit were continuously fluctuating.There was a continuous increase in the deposits of ICICI when compared to SBI.

Table.11 Total Advances

Year	SBI	% change	ICICI	% change
2009-2010	869501	–	225778.1	–
2010-2011	1006401	15.74	256019.3	13.39
2011-2012	1163670	15.62	292125.4	14.10
2012-2013	1392608	19.67	329974.1	12.95
2013-2014	1578276	9.74	387341.8	11.75
Mean	1202091.2	–	298247.8	–

The mean advances of SBI were higher (1202091.2) compared to that of ICICI (298247.8).

Findings of the study

- SBI is the largest public sector banks in India and ICICI is the second largest private sector banks in India.
- In terms credit deposit ratio, interest expenses to total expenses, net profit margin, percentage change in net profits, percentage change in deposits, percentage change in advances are higher in SBI Bank compared to ICICI Bank
- In terms of interest income to total income, other income to total income, net worth ratio, percentage change in total income, percentage change in total expenditure are higher in ICICI Bank compared to SBI.
- The bank customer have more trust in SBI Banks compared to ICICI Bank in India.

Conclusion

The study reveals that ICICI bank is playing high expense ratio ie the bank is inefficient in controlling the expenditure. Therefore, they have to take some remedial measures in order to minimise the expenditure, its net profit margin is also higher. Therefore, from the overall results, we can conclude that SBI is the top most bank in terms of performance, followed by ICICI bank. The study concludes that customers are more interested in investing their savings in public sector banks like SBI and are likely to take advances from private sector banks.

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