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# An Economic Analysis of Performance Evaluation of SBI Bank And ICICI Bank FROM 2007-08 TO 2012-13

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## ABSTRACT

*Banking Sector plays an important role in economic development of a country. The Banking system is featured by a large network of Bank branches, serving many kinds of financial services. The main objective of the study is to examine the financial performance of Public Sector Bank SBI and Private Sector Bank ICICI. This study is descriptive and analytical in nature. The data is secondary in nature. The present study is to compare the financial performance of SBI and ICICI on the basis of Credit Deposit Ratio, Net Profit Margin Ratio. The study is from F.Y. 2007-08 to 2012-13. The Findings of the study show that SBI is performing well & financially sound than ICICI, but in context of Total deposits & expenditure ICICI has better performing efficiency. On the other hand, the ICICI is a relatively smaller clientele base. It is major banks in India but much smaller than the SBI.*

## KEYWORDS :

### SBI BANK-PROFILE

**The State Bank of India, popularly known as SBI Bank is one of the leading Bank of public sector in India. SBI Bank has 14 Local Head Offices and 57 Zonal Offices located at important cities throughout the country.SBI stands for St**ate Bank of India. State Bank of India (SBI) is a multinational banking and financial services company based in India. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. As of December 2013, it had assets of US$388 billion and 16,000 branches, including 190 foreign offices, making it the largest banking and financial services company in India by assets State Bank of India is one of the Big Four banks of India, along with ICICI Bank, Punjab National Bank and Bank of Baroda. with a huge customer base all over India. It has seven associate banks operating under its SBI name. It has over sixteen thousand branches across India and in some selected international countries and a 56,000 ATM network across India. The Standard Bank of India "inherited" the Bank of Calcutta, which was founded in 1806, and has been in existence for over two hundred years. While the State Bank pays 4.7 percent on deposits, and earns less on advances,the ICICI pays 0.7 less (4 percent), while earning more on advances, and thus earns 0.4 percent more on assets than the SBI. This is no surprise, as there's seemingly limitless access to funds from the government for the state owned SBI.

### ICICI BANK-PROFILE

ICICI Bank is second largest and leading Bank of private sector in India. It's headquarter is in Mumbai, India. According to Forbes State Bank of India is the 29th most reputed company in the world. The ICICI Bank has 2,533 branches and 6,800 ATMs in India. In 1998 ICICI Bank launched internet Banking operations. The Bank offers a wide range of Banking products and financial services to the corporate and retail customers. It also provides services in the areas of venture capital investment Banking, asset management and life and non-life insurances. ICICI Bank's equity shares are listed in India on Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) and its American Depositary Receipts (ADRs) are also listed on the New York Stock Exchange (NYSE).

### OBJECTIVES OF THE STUDY

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

### RESEARCH METHODOLOGY

In the present study, an attempt has been made to measure, evaluate and compare the financial performance of SBI Bank and ICICI Bank which is related to the public sector and private sector Bank respectively. This study is based on secondary data that has been collected from annual reports of the respective Banks, Magazines, Journals, Documents and other Published Information. This study covers the period of 6 years i.e. from the financial year 2007-08 to year 2012-13.We have also applied Ratio Analysis technique to compare the trends in Banking business and financial performance. We have also deployed Mean and Compound Growth Rate (CGR) Method to analyze the trends in Banking business profitability.

### FOR THIS PURPOSE THE FOLLOWING PARAMETERS HAVE BEEN STUDIED

| | |
|---|---|
| 1 | Credit Deposit Ratio |
| 2 | Interest Expenses to Total Expenses |
| 3 | Interest Income to Total Income |
| 4 | Other Income to Total Income |
| 5 | Net Profit Margin |
| 6 | Net worth Ratio |
| 7 | Percentage Change in Net Profits |
| 8 | Percentage Change in Total Income |
| 9 | Percentage Change in Total Expenditure |
| 10 | Percentage Change in Deposits |
| 11 | Percentage Change in Advances |

### TERMINOLOGY OF PARAMATERS

#### 1. CREDIT DEPOSIT RATIO:-

Credit-Deposit Ratio is the proportion of loan-assets created by a Bank from the deposits received. Credits are the loans and advances granted by the Bank. In other words it is the amount lent by the Bank to a person or an organization which is recovered later on. Interest is charged from the borrower. Deposit is the amount accepted by Bank from the saving makers and interest is paid to them.

#### 2. INTEREST EXPENSES TO TOTAL EXPENSES

Interest Expenses to Total Expenses reveals the expenses incurred on interest in proportion to total expenses. Banks accepts deposits from saving makers and pay interest on these accounts. This payment of interest is known as interest expenses. Total expenses include the amount spent in the form of staff expenses, interest expenses, overhead expenses and other operating expenses etc.

#### 3. INTEREST INCOME TO TOTAL INCOME

Interest Income to Total Income shows the proportionate contribution of interest income in total income. Banks lend money in the form of loans and advances to the borrowers and receive interest on it. These receipts of interest are called interest income. Total income includes interest income, non-interest income and operating income.

#### 4. OTHER INCOMES TO TOTAL INCOME

Other incomes to total income reveal the proportionate share of other income in total income. Other income includes non-interest income and operating income. Total income includes interest income, non-interest income and operating income.

#### 5. NET PROFIT MARGIN

Net Profit Margin reveals the financial results of the business activity and efficiency of management in operations. The table 5.8 shows the net profit margin in SBI Bank and ICICI Bank during the Financial Year

2007-08 TO 2012-13.

**6. NET WORTH RATIO**
Net worth Ratio is used for measuring the overall efficiency of a firm. This ratio establishes the relationship between net profit and the proprietor's funds.

**7. GROWTH OF PROFIT**
Net profit Ratio is used for measuring the profitability of the firm. It is calculated by dividing net profit by net sales multiplied by 100. It establishes the relationship between the net profit and sales.

**8. TOTAL INCOME**
The total income indicates the rupee value of the income earned during a period. The higher value of total income represents the efficiency and good performance.

**9.TOTAL EXPENDITURE**
The Total Expenditure reveals the proportionate share of total expenditure spent on the development of staff, interest expended and other overheads. The higher value of total expenditure represents lower efficiency and bad performance.

**10. ADVANCES**
Advances are the credit facility granted by the Bank. In other words it is the amount borrowed by a person from the Bank. It is also known as "Credit" granted where the money is disbursed and recovery of which is made later on. Higher the Advances Higher the income. Lower the Advances lower the income. Thus there is direct relationship between Advances and Income.

**11. DEPOSITS**
Deposit is the amount accepted by Bank from the saving makers in the form of current deposits, savings deposits and fixed deposits and interest is paid to them. Higher the deposit Higher the efficiency and Lower the Deposits lower the efficiency. Thus there is direct relationship between Deposits and Efficiency.

**FINDINGS AND CONCLUSIONS**
The study found that the mean of Credit Deposit Ratio in ICICI Bank is higher (89.302 %) as compared to SBI Bank (76.184%). This shows that ICICI Bank has created more loan assets from its deposits as compared to SBI Bank. The share of interest expenses in total expenses is higher in ICICI Bank (63.36 %) as compared to SBI Bank (59.99 %) and the proportion of interest income to total income is higher in case of SBI Bank (84.49 % ) as compared to ICICI Bank (78.84%), which shows that people prefer ICICI Bank to invest their savings and SBI Bank to take Loans & Advances. The ratio of other income to total income is relatively higher in ICICI Bank (21.44 %) as compared to SBI Bank (15.22 %). The Net Profit Margin of ICICI Bank is higher (14.37 %) whereas in SBI Bank it is (10.99 %), which shows that ICICI Bank has shown comparatively better operational efficiency than SBI Bank. The growth rate of net profit is 73.97% in SBI Bank which is higher than ICICI Bank which is 55.49%. This shows that SBI Bank performed well as compared to ICICI Bank. The mean value of total income is higher in SBI Bank (87,598.58) as compared to that in ICICI Bank(37,282.114). Net worth ratio is also higher in SBI Bank (14.11 %) than ICICI Bank (8.87 %), which reveals that SBI Bank has utilized its resources more efficiently as compared to ICICI Bank. Moreover The mean value of total expenditure is higher in SBI Bank (Rs. 78,784.06 crores) as compared to that in ICICI Bank (Rs.32,570.61) and the combined growth rate of expenditure is negative (-1.47%) in the case of ICICI Bank whereas in SBI Bank it is 111.52%. Deposits in SBI Bank have continuously increased. However deposits in ICICI Bank have decreased (with a declining trend) till 2009-10 but these have increased in the subsequent years. In case of SBI Bank Advances have continuously increased (with a decreasing trend) with the combined growth rate of (108.16 %), However Advances in ICICI Bank have decreased (with a declining trend) till 2009-10 but these have increased thereafter with combined growth rate of (12.45 %). It shows that ICICI Bank has suffered with funds or avoid providing advances through 2007-08 to 2009-10. Hence, our findings of our analysis Banking customer has more trust on the public sector Bank i.e. SBI Bank as compared to private sector Bank i.e. ICICI Bank.

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