International Journal of Research in Finance and Management

P-ISSN: 2617-5754
E-ISSN: 2617-5762
IJRFM 2024; 7(1): 148-150
www.allfinancejournal.com
Received: 06-02-2024
Accepted: 07-03-2024

Dr. Shashimala Kumari
Ph.D., Department of Commerce and Business Administration, T.M.B.U., Bhagalpur, Bihar, India

Correspondence
Dr. Shashimala Kumari
Ph.D., Department of Commerce and Business Administration, T.M.B.U., Bhagalpur, Bihar, India

A comparative study on financial performance of SBI and ICICI bank in India

Dr. Shashimala Kumari

DOI: https://doi.org/10.33545/26175754.2024.v7.i1b.294

Abstract
Banking company plays a crucial role in economic development of any country. The banking structure of India is featured by a large network of bank branches, serving many kinds of financial services of the Indian people. The State Bank of India, popularly known as SBI is one of the largest bank of public sector in India. ICICI Bank is second largest and leading bank of private sector in India. The purpose of the study is to examine the financial performance of SBI and ICICI Bank, public sector and private sector respectively. The research is descriptive and analytical in nature. The data used for the study was entirely secondary in nature. The present study is conducted to compare the financial performance of SBI and ICICI Bank on the basis of ratios such as cost to income, net profit margin etc. The time period of the study taken is from the year 2016-2017 to 2020-2021. The study found that SBI is performing well and financially sound than ICICI Ltd. Bank but in context of deposits and expenditure of ICICI bank has better managing efficiency than SBI Bank.

Keywords: Cost to income ratio, interest income to total income ratio, other income to total income ratio, net profit margin

Introduction
The banking sector are the life blood of an economies of any country. The economy shall freeze without a sound banking system. The nation's banking system aids in its progress and development.
Therefore, a strong financial system is crucial to boosting an economy. Financial soundness is a prerequisite for a healthy banking system.
This study compares the financial soundness of State Bank of India and ICICI Bank, two significant players in the Indian banking industry. In India, ICICI Bank is the largest private sector bank while State Bank of India (SBI) is the biggest public sector bank.

Objectives of the study
1 To study the financial performance of SBI Bank and ICICI Bank.
2. To study and know profitability of SBI Bank and ICICI Bank.
3. To understand the efficiency of SBI and ICICI Bank.
4. To study interest income of SBI and ICICI Bank.

Statement of problem
Financial performance and efficiency of the commercial Banks are the key elements of efficiency and efficacy of the countries' financial system. Increasing the banks' productivity and profitability has been the main goal of India's banking sector reforms. Public sector banks controlled a near-monopoly in the sector before banking reforms. But thanks to the financial reforms, a number of foreign and private banks are expanding their market share and gaining more autonomy. In order to compare the performance of SBI and ICICI Bank, this study aims to use their profitability ratios.

Need and scope of the study
Financial analysis is mainly done to compare the growth, profitability and financial soundness of the respective bank by diagnosing the information contained in the financial statements.

Financial analysis is done to identify the financial strengths and weaknesses of the two banks by properly establishing relationship between the items of Balance Sheet and Profit & Loss A/C. It helps in better understanding of banks financial position, growth and performance by examining the financial statements with various tools and evaluating the relationship between various elements of financial statements.

Methodology

Period of the study and sources of data

This study undertakes the comparative financial performance analysis of State Bank of India and ICICI Bank for the period of 5 years i.e., from 2016-2017 to 2020-2021. The data for this study are taken from the annual reports of State Bank of India and ICICI Bank. Since the information is based on the annual reports published by the company, the study is said to be based on the secondary data.

Sampling method: Banking sector in India is considered one of the fastest growing financial institutions in the world. Using purposive sample, State Bank of India and ICICI Bank were selected as the sample units for the study. The sample units selected were considered one of the successful units in the banking sector.

Tools of the Study

Ratio analysis technique has been used in the course of analysis.

Cost to Income Ratio

It displays the expenses of a business compared to its revenue. To calculate the ratio, divide the operating expenditures by operational income (which includes fixed and administrative costs like salaries and property expenses but excludes written-off bad debts).

Cost to income ratio = Total Cost + Total Income

Table 1: Cost to income ratio of SBI bank from 2016-2017 to 2020-2021

SBI Bank			
Year	**Total Cost**	**Total Income**	**Cost to Income Ratio**
2016-2017	1818930125	1918436662	9.49
2017-2018	16187139225	21097917525	47.53
2018-2019	20049507332	27964354125	44.68
2019-2020	27164746035	30254507225	42.58
2020-2021	27878131256	30864701231	43.35

Table 2: Cost to income ratio of ICICI bank from 2016-2017 to 2020-2021.

ICICI Bank			
year	**Total Cost**	**Total Income**	**Cost to Income Ratio**
2016-2017	583361991	680624864	8.57
2017-2018	683362992	6825641234	10.15
2018-2019	6753262392	7150025821	9.51
2019-2020	6883352495	7251234582	9.49
2020-2021	6953453496	7501245621	9.23

The lower the ratio, the more efficient the bank is performing. Though the ratio has increased to a greater extent in ICICI in the current year when compared to last year, the ratios signifies that ICICI outperforms SBI in terms of efficiency, i.e. by maintaining its Cost to Income ratio in a much lower level when compared with SBI.

Interest Income to Total Income

Interest income refers to the major part of income generated from assets of the bank (amount lent by the bank). And total income refers to both interest earned and other income through fee charged for various other services provided by the bank. To calculate the ratio of interest income to total income, divide interest income by total income. The higher the ratio signifies that the interest forms major part of total income of the bank.

Net Profit Margin

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

Net Profit Margin = ((Total Revenue - Total Expenses) ÷ Total Revenue) × 100

Net Profit Margin is in an increasing trend in ICICI, while it keeps decreasing in SBI. This is because, Interest income have decreased in the years. Though interest income has not increased measurably in ICICI too, they have taken proper steps to cut down costs and other expenditures. They have also raised their sources of income through other fees, charges and penalties, thereby increasing the net profits. But SBI has failed to increase both interests and other incomes, and also no steps have been taken to bring down the costs.

Findings

- Interest Income to Total Income ratio has drastically reduced in both the banks.
- Other Income to Total Income ratio has increased in both the banks. The ICICI bank has a higher increase when compared to SBI which must be immediately taken into consideration by ICICI.
- Net Profit Margin is in an increasing trend in ICICI while it is decreasing drastically in SBI.

Suggestions

After analysing the above data the following suggestion are given to improve the financial performance of the company.

- As the operating cost of both the banks has led to the reduced profits, they have to be reduced in order to increase the profits.
- The NPAs should be controlled in case of SBI to increase the profits and realize the actual returns of the loans it has lent.
- ICICI should cut down the charges it has imposed on customers so as to attract more number of customers thereby increasing the operations.

Conclusion

The analysis of both the banks using the various tools reveals that both the banks have performed well over the last 5 years from financial year 2016-2017 to 2021-2022. The banks‟ profits were highly satisfactory during the years. The solvency positions of the banks are fairly safe and they are fully equipped to handle all the debts. Thus the banks are in a good position and fully armed to handle all the future contingencies.

Reference

1. Dhade A. Impact of New Private Sector Banks on State Bank of India Special reference to Madhya Pradesh State [abstract]. Finance India. 2009 Dec;23(4):1357-1363.
2. Gopinath S. Special Features of Financial Sector Reforms in India. In: Proceedings of the 18th Annual National Conference for Forex Association, Bangkok; c2007 Apr 6;
3. Kapoor S. Reforms in Indian Banking Sector: Agenda for Future. In: Uppal RK, Kaur R, editors. Banking in the New Millennium: Issues, Challenges and Strategies. New Delhi: Mahamaya Publishing House; c2007. p. 379-394.
4. Monterio MNJ, Ananthan BR. NPA in Public Sector Banks: Causes and Cures. Indian J Commerce. 2007 Apr-Jun;60(2):1-11.
5. Rangarajan C. The Indian Banking System – Challenges Ahead. First R.K. Talwar Memorial Lecture. Indian Institute of Banking and Finance; c2007 Jul 31.