STUDY

ON

"PERFORMANCE OF BANKING SECTOR IN INDIA -A COMPARATIVE STUDY

With reference to

SBI AND ICICI BANK

Submitted to

SATAVAHANA UNIVERSITY KARIMNAGAR

In Partial Fulfillment of the requirement for the award of the degree of

BACHELOR OF COMMERCE

Submited

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(2020-2023)

DECLARATION

I hereby, declare that this project entitled "**PERFORMANCE OF BANKING SECTOR IN INDIA -A COMPARATIVE STUDY OF SBI & ICICI BANK**" have completed successfully towards the partial fulfillment for the award of the degree "**BACHULAR OF COMMERCE**" from "**TELANGANA TRIBAL WELFARE RESIDENTIAL DEGREE COLLEGE FOR WOMEN, RAJANNA SIRICILLA** .This is the bonafide work undertaken by me which is not submitted to any other university or institution for the award of any degree / diploma.

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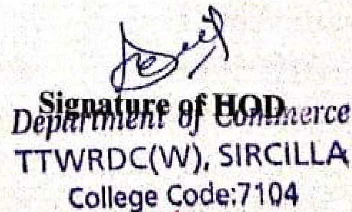
CERTIFICATE

This is to certify that the project report title **"PERFORMANCE OF BANKING SECTOR IN INDIA -A COMPARATIVE STUDY"** submitted in partial fulfillment for the award of degree of B.COM programmed of Department of Commerce was carried out by **G.REKHA-(20077104401008), J.SWATHI-(20077104402013), K.POOJITHA-(20077104402015), U.SHIRISHA-(20077104401017).** This has not been submitted to any other Institute or University for the award of any degree.

Signature of the guide



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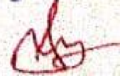

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PERFORMANCE OF BANKING SECTOR IN INDIA -A COMPARATIVE STUDY OF SBI & ICICI BANKS

INTRODUCTION

Banking sector plays an important role in the economic development of a country. In India, banking sector diversified into many sub sectors on the basis of ownership and control i.e. Public Sector Banks, Private Sector (New and old) Banks, Foreign Sector Banks, Cooperative Banks, Regional Rural Banks, Local Area Banks etc. but the commercial banks both public and private sector having a wide network of branches. The major business share of banking in India in the total banking operations is within the Public Sector banks. India is the largest country with a broader financial system and network in the sub-continent. The banking sector in India was developed before independence. The major phase of nationalization of banks in India took place in 1969. And the second phase in 1980. There was also a reasonable existence of public, private and foreign sector banks in India. The major transformation process was seen in banking sector in India after introducing the new economic policy, 1991 with the implementation of liberalization aspect of various business operations.

With the introduction of Basel Norms I in 1988, banks should also concentrate the fulfillment of capital adequacy norms also. Later Basel II norms introduced in 2005 and stressed upon the banks more and more capital adequacy ratio to meet the credit and operational risks of banks in near future. Basel III which is still to be implemented has also prescribed norms for the smooth functioning of banks. All the Basel norms are suggested to maintain the reasonable capital base of each bank to meet contingencies.

Performance and efficiency of commercial banks are the key elements of each bank. After the liberalization era, Public sector banks in India have also diversified its operation throughout the country as well as outside India but they have been to the some extent at present under bureaucratic mode. The private sector banks also divided into new and old private sector banks and foreign banks also maintain the lead in terms of their different aspects of banking operations. Some of the public sector banks' performance has been very weak. So privatization process in this sector is also the need at present to tackle this type of situation. There is a reason for poor perlormance of some of the public sector banks in India because they have carry their

operations not for the sole purpose of earning profit but also to run some welfare schemes on behalf of the Government of India.

REVIEW OF LITERATURE:

Several researches have been conducted to analyses the different aspects of performance of commercial banks in India and abroad. Some of the review concerned with the topic discussed in below:

Virendar Koundal (2012) in his paper titled 'Performance of Indian Banks in Indian Financial System concludes that concludes that although various reforms have produced favorable effects on commercial banks in India and because of this transformation is taking place almost in all categories of the banks. It has also realized that the profitability of the public sector banks appears to have started improving but despite this, the foreign and private sector banks take a big share of cake. Our public sector banks are still lagging behind regarding the various financial parameters in comparison with other banks. It is also true that presently, they are facing many internal and external challenges, which are hindering their performance. Hence, there is a need to consider the above listed challenges for another reform to improve the perlormance of the banks particularly of public sector banks to meet the requirement of new and open competitive environment.

Anurag B. Singh, Priyanka Tandon (2012) in their paper titled 'A Study of financial Performance- Comparative Analysis of SBI and ICICI Bank concludes that SBI is performing well and financially sound than ICICI Bank but in context of deposits and expenditure ICICI bank has better managing efficiency than SBI.

Sankara Roy, Biplab Markup De (2013), in their research paper titled 'An analysis of Financial Performance of Indian Commercial Banks' studied the various financial aspects of banks in India. The present study was done to examine the importance of financial performance of the commercial banks during the period of 2000 to 2011. The study applied key profitability ratios for assessing the financial performance of the commercial banks. Financial stability of the banks plays a crucial role in the growth of the banks. To accomplish this objective a regression analysis between Earnings before interest and tax and different factors affecting banks profitability was done. The study reveals that the during the pe1iod Return on Assets which indicates how efficiently the company is using its total assets shows an increasing trends in the last five year from 2007 to 201l. Return on Net Worth shows an increasing trend from 2007 onwards with very

poor performance in 2006. The Capital adequacy ratio has strong negative relation with Net Assets to RONW ratio and NPA to net assets ratios.

OBJECTIVE OF THE STUDY:

1. To study the financial performance of SBI, ICICI Bank
2. To compare the financial performance of SBI, ICICI Bank

Period of Study

The study analyses the data of banks selected from 2017-22

CHAPTER - II

INDUSTRY AND COMPANY PROFILE

COMPANY PROFILE

State Bank of India is an Indian multinational government owned public sector banking and financial services company. Its headquarters in Mumbai. SBI is the leading bank in India when it comes to number of branches, ATM's, net profits, total assets managed, etc. With an employee base of close to 3 lakh people SBI commands 20% (approx) of the Indian banking sector. The bank has over 17,000 branches including 191 foreign offices spread across 36 countries, making it the largest banking and financial services company **in** India by assets and with more than 27,000 ATM's. The bank manages assets worth more than 390 billion USD. In 2001, the SBI Life Insurance Company was started by the bank. They are the only bank that have been permitted 74% stake in the insurance business. SBI also introduced 'SBI e-tax' an online tax payments facility for direct and indirect tax payments.

Mumbai.l As of December 31, 2016, the Bank's distribution network was at 4,715 branches and 12,260 ATM across 2,597 cities/ towns. It has 84,325 employees and has a presence in Bahrain, Hong Kong and Dubai. HDFC Bank is India's second- largest private sector lender by assets. It is the largest bank in India by market capitalization as of February 2016

CHAPTER - III

THEORETICAL FRAMEWRK

Ratio is an arithmetical expression of relationship between two interdependent or related items. Ratios when calculated on the basis of accounting information are called accounting Ratios.

OBJECTIVES OF RATIO ANALYSIS

1. To Simplify the accounting information.
2. To Assess the operating efficiency of the business.
3. To help in comparative analysis ..
4. To Analyse the profitability of the business

ADVANTAGES OF RATIO ANALYSIS

1. Useful for fore costing
2. Useful for analysis of financial statements
3. Useful in locating the web areas

TYPES OF RATIOS

1. **LIQUIDITY RATIO:** TO meet its commitments business needs liquid funds the ability of the business to pay the amount is due is knows as liquidity.

2. **SOLVENCY RATIO:**Solvency of business is determine by it ability to meet its contractual obligation towards stakeholders and ratios calculated to measure solvency position known as solvency ratio.

3. **ACTIVITYOR (TURN OVER RATIO):**This refers to the ratio that are calculated for measure the efficiency of operations of the resources there are also knows as efficiency ratio.

4. **PROFITABILITY RATIO:**It refers to the analysis of profits in relations to revenue from operations or funds or assets employer calculated to meet this objective are knows profitability ratio.

Liquidity Ratios: First we look at the liquidity ratios of a company. These ratios focus on the availability of cash to manage the day to day operations of the company. In particular, we define the

current ratio as.

This ratio measures the efficient use of inventories. A firm should have a high turnover ratio, which is managed through a small amount of inventories. This means that a firm should have a small inventory and try to sell it as quickly as possible. Unfortunately, a small inventory also means lower sales. Closely related to the inventory management is the management of receivables. A company should have a small amount invested in the receivables. That is, the company should try to sell the goods for cash. To measure the efficiency of this operation, we define the Days Sales Outstanding as Days sales outstanding = Receivables Sales per day. A broader measure of the efficiency of use of assets is the fixed assets turnover. This ratio is defined as follows.

Asset Management Ratios: The asset management ratios evaluate the efficiency of use of the principal assets of a company, such as its inventory. Inventory Turnover = Cost of goods sold Inventories (average)

Fixed assets turnover = Annual sales Net fixed assets (average). Some corporations have a huge investment in fixed assets, plant and equipment. This is the case of electric utilities or real estate investment trusts, for instance. Other corporations, such as software development companies, may have a rather small investment in equipment. It is proper to compare firms with one another that are in the same line of business. A broader measure of asset utilization is the following ratio Total assets turnover = Annual sales Total assets (average). This ratio looks at the aggregate assets of a company and measures the way the company utilizes them. neatly, a small inventory also means lower sales. Closely related to the inventory management is the management of receivables. A company should have a small amount invested in the receivables. That is, the company should try to sell the goods for cash. To measure the efficiency of this operation, we define the Days Sales Outstanding as Days sales outstanding = Receivables Sales per day. A broader measure of the efficiency of use of assets is the fixed assets turnover. This ratio is defined as follows. Fixed assets turnover = Annual sales Net fixed assets (average) . Some corporations have a huge investment in fixed assets, plant and equipment. This is the case of electric utilities or real estate investment trusts, for instance. Other corporations, such as software development companies, may have a rather small investment in equipment. It is proper to compare firms with one another that are in the same line of business. A broader measure of asset utilization is the following ratio Total assets turnover = Annual sales Total assets (average). This ratio looks at the aggregate assets of a company and measures the way the company

Debt Management Ratios: The corporations borrow money to do their business because capital is cheaper the.

an the equity capital. On the other hand, excessive amount of debt can create problems for the company. To see the debt level of a company, we define its debt ratio, or leverage ratio as follows Debt ratio = Total debt Total assets. Of course, the companies must maintain their debt at an optimal level. Another ratio that looks at the ability of a company to pay its interest when due is its interest coverage ratio, or times interest earned. This is defined as.

Interest coverage = EBIT Interest charges.If this ratio is 4, then for each dollar of interest due, the company has $4 available. This is a fairly safe ratio, and the probability of default is quite low. **Profitability Ratios:** The next set of ratios measure the ability of a company to generate profits. These ratios are of interest to investors who would like to invest in the most profitable companies around. The first ratio is the net profit margin, defined as Net profit margin = Net income Total operating revenue. In this ratio, net income is defined to be the income after taxes, available to the stockholders of the company. The next ratio looks at the profitability from the point of view of the management of a firm. In this case the denominator is EBIT, meaning earnings before interest and taxes. If the EBIT is too small, then the financial managers at a corporation will have difficulty in paying the interest on time. We define gross profit margin as follows: Gross profit margin = EBIT Total operating revenue.

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Another ratio that the investors like to review is net return on assets. We may define it as Net return on assets = Net income Total average assets. The similar ratio that the management wants to review is gross return on assets, defined as follows Gross return on assets = EBIT Total average assets. The stockholders are particularly interested in the following three ratios. First, return on common equity, that measures the return to the stockholders on stockholders' investment in the company. This is defined as Return on common equity = Net income to stockholders Average common equity. Second, is the dividend payout ratio. This represents the fraction of money paid to the stockholders out of the income after taxed. We may define it as.

Dividend payout ratio = Total cash dividends Net income. The dividend payout ratio is important to the management as well. They cannot afford to pay large dividends when the company needs the money to finance new profitable projects. The growth of a company depends upon the retention rate, that is, the money that is not paid out as dividends. So, we define the third quantity, the sustainable growth rate as Sustainable growth rate = ROE Retention ratio. where ROE stands for the return on equity for a firm. **Market Value:** From an investor's point of view, it is important to see the difference between the market value of the stock of a company, and its accounting value, or book value. To get a perspective on this difference, we define the Market/Book ratio as Market/Book ratio = Market price/share Book value/share. The investors hunting for bargains like to see this ratio as small as possible. We complete our list by including two more ratios, defined as follows: P-E ratio = Market price/share Earnings/share. and Dividend yield = Dividend per share Market price per share.

CHAPTER - IV

DATA ANALYSIS & INTERPRETATION

PARAMETERS STUDIED FOR COMPARISON OF PERFORMANCE:

Total Income

1. Total Expenditure
2. Net Profit
3. Capital Adequacy Ratio

5. DATA ANALYSIS AND INTERPRETATION:

Total Income

The total income indicates the rupee value of the income earned doing a period. The higher value of total income represents the efficiency and good performance. The table mentioned below highlights the total income of selected banks for the study period:

Table 1: Total Income of Banks for the period 2017-2022to(Amount in crores}

Years	SBI	ICICI
2017-2018	34,54,752	72,358.52
2018-2019	36,80,914	77,913.36
2019-2020	39,51,394	91246.94
2020-2021	45,34,430	98086.80
2021-2022	49,87,597	104892.08

The figure in the table shows that the total income increase 23.84% in case of SBI, 24.64% increase in case of ICICI & 13.64% in case of Bank. It clearly indicates that the total income of Public sector bank and private sector banks increase is more than as compare to foreign sector bank selected for study.

Total Expenditure

The total expenditure reveals the proportionate share of total expenditure spent on the development of staff, interest expended and other overheads. The table mentioned below highlights the total expenditure of selected banks for the study period:

Table 2: Total Expenditure of Banks for the period 2017-2022 to(Amount in crores)

years	SBI	ICICI
2017-2018	5018	65,608.10
2018-2019	55.70	74,550.05
2019-2020	52.46	83,316.13
2020-2021	53.60	81,894.11
2021-2022	53.31	81,552.58

The figures in the table reveals that the ratio of rise in the expenditure is 21% in case of SBI and almost up to 17% increase in expenditure seen in case of ICICI . It clearly indicates that the total expenditure of Public sector bank increase rapidly and in higher ratio as compare to other sector bank selected for study.

Net profit

Net Profit reveals the financial results of the business activity and efficiency of management in operations. **It** is calculated by deducting provisions and contingencies from operating profit. The table mentioned below highlights the Net Profit of selected banks for the study period:

Table 3: Net Profit of Banks for the period 2017-2022to (Amount in crores)

years	SBI	ICICI
2017-2018	-6,547	24,742
2018-2019	862	23,438
2019-2020	14,488	28,101
2020-2021	20,410	161,926

Net Profit of the banks selected for study reveals that the all sector bank's net profit shows high variations in the period of study. During the period 2017-2022 the net profit of all the banks shows decreasing trends.

Capital Adequacy Ratio

The *capital adequacy ratio* (CAR) is a measure of a bank's *capital* to cover the future risk. It is expressed as a percentage of a bank's risk weighted credit exposures. Also known as *capital-to-risk* weighted assets *ratio* (CRAR), it is used to protect depositors and promote the stability and efficiency of financial systems around the world. The table mentioned below highlights Capital Adequacy Ratio of selected banks for the study period:

Table 4: Ca,ital Adequacy Ratio of Banks for the period 2017-2022

YEARS	SBI	ICICI
2017	13.56%	17.39%
2018	12.60%	18.45%
2019	12.72%	16.89%
2020	13.06%	16.11%
2021	13.74%	19.12%
2022	13.83%	19.16%

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Capital Adequacy Ratio

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The CAR shows of the period selected for study of each banks is above the level prescribed under Basel norms. SO it clearly indicates that all the banks have greater exposure regarding their risk. All the banks have a policy to secure their future risk by maintaining higher CAR.

6. CONCLUSION:

The performance of bank is not dependent on some limited parameters. But in this paper the performance of banks to be analyzed by taking into account the four parameters. The data related with all the parameters have clearly indicates that the performance of banks during 2017-2022 in the entire sector is almost satisfactory. In term of expenditure, it can be suggested that the SBI can adopt the proper policy of maintaining their expenditure in near future to increase its profitability. Despite of increase the expenditure rate, SBI also maintains the leads in terms of earning total income as compare to other sector banks selected for study. Hover in 2017-2022, the net profit of all the banks selected for study is showing decreasing terns if we compare to with past year figure. All the banks have maintained the optimum CAR i.e. all are adopting the practices of securing them in near future regarding various types of risks.

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