

A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE BETWEEN SBI AND ICICI BANK WITH SPECIAL REFERENCE TO INNOVATIVE BANKING SERVICES IN INDIA

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ABSTRACT

Indian banking industry has modernized and restructured after banking liberalization. A competent banking structure has gratifying the necessities of the customers and for economic development. Now a day, the nationalized and other private sector banks have been adopting more innovative and technologies based services for their customer's conveniences. Now a day, the nationalized and other private sector banks have been adopting more innovative and technologies based services for their customer's conveniences. The bank customer's had faced more problems by traditional banking services due to improved desires and universal challenges in past two decades. So, the investigator has tried to analyze financial performance of the SBI and ICICI by more tools and techniques in the present study. The secondary data has used for the examination and the financial reports of banks collected from 2012-2017 in this study. The study has taken as descriptive and exploratory manner and important financial ratios with ANOVA test were analyzed in E-views software. For the comparative analysis, the study assists the effects of technology based innovative banking services by examining financial performance of SBI and ICICI banks.

Keywords: C40, E58, D92, O31

1. INTRODUCTION

Indian banking industry has modernized and restructured after banking liberalization. A competent banking structure has gratifying the necessities of the customers and for economic development. Now a day, the nationalized and other private sector banks have been adopting more innovative and technologies based services for their customer's conveniences. The bank customer's had faced more problems by traditional banking services due to improved desires and

universal challenges in past two decades. The State Bank of India (SBI) is the leading nationalized bank and started as an imperial bank in India. The SBI has around 9,000 branches have functioning and containing more network offices approximately 4,600 branches in India. The ICICI bank is second leading private bank and innovatively providing services with more branches and more ATMs. These are the two banks providing more technology based services like online banking, mobile banking, amount withdrawing equipments and IVRS services by SBI bank branches with more associate banks. These are the banking amenities providing more revenues and increasing financial efficiency of SBI India. The profitability of the institution as outcome of a determined policies and function in financial terms. The financial performance of

SBI illustrates that the liquidity, solvency and profitability position of it. Hence, the investigator has tried to analyze financial performance of the State Bank of India by more tools and techniques in the present study.

2. REVIEW OF LITERATURE

The earlier literature studies were given below:

Anurag & Priyanka (2012) has examined the financial position of SBI and ICICI Bank and the researcher analyzed the secondary data with descriptive nature. The study has calculated some ratios from 2007 to 2011. The researcher concluded that SBI was better than ICICI bank and ICICI bank accurately administrating their deposit and overheads in their banks.

Cheenu and Rekhi (2013) had compared the 3 public sector and 3 private sector banks from 2009 to 2012 for find out the financial position by ratios and correlation analysis. The study concluded that SBI have provided better association with deposits and profitability was also positive in the present study.

Aspal and Malhotra (2013) had evaluated the financial recital of public sector banks for the period of 2007-11 except State Bank Group. The study resulted that Bank of Baroda was in first place followed by Andhra Bank efficiently maintaining capital and asset quality in their banks.

Muiruri & Ngari (2014) has premeditated about the effects of inventive products on the financial position of banking institutions in Kenya. This study has taken 16 foreign commercial banks from 44 banks functioning in Kenya. The primary data has utilized and the annual financial reports have utilized as secondary data for the analysis. The study concluded that commercial banks have tough contest and providing aggressive banking products in Kenya.

3. RESEARCH PROBLEM

In India, banking industry has been developed and enlarged through their technology based services. The bank customers are mostly utilizing different innovative banking products for their

transactions in public sector bank and private sector banks in India. The customers are facing more problems on these innovative services and confusion on selecting the different sector banks in India. The commercial banks growth and expansion depends on the customer deposits and more transactions by the technology based products. It determines the financial position and internal management of the banks. So, the investigator has interested to check the impact of innovative banking services and analyse the SBI and ICICI banks performance comparatively in India.

4. OBJECTIVES

The aims of the present study are:

1. To examine the comparative financial position of the SBI and ICICI banks in India.
2. To analyse the changes in the financial determinants of commercial banks in the study period.
3. To check the association between financial ratios of the SBI and ICICI banks in India.

5. SCOPE OF THE STUDY

The research work determines the commercial banks financial strength, profitability and liquidity position of SBI and ICICI banks relatively in India. It facilitates that to understand the comparative financial recital and escalation by examining the financial statements. Hence, this study assist to differentiate the technology based services of SBI and ICICI banks. It provides an idea to open new account in either public sector or private sector banks in India.

6. METHODOLOGY

The secondary data has used for the examination and the financial reports of banks collected from 2012-2017 in this study. The study has taken as descriptive and exploratory manner and regression analysis with ANOVA test were analyzed with SPSS software. For the comparative analysis, the innovative banking service providing NSE rated top ranked public sector bank (SBI) and private sector bank (ICICI) were chosen by the researcher.

7. ANALYSIS AND INFERENCES

The researcher has compared the financial performance of SBI and ICICI banks in India. The required ratios and analytical tools used for the present study.

Table 1: Leverage and Debt Coverage Ratio (in Ratios)

Year	Leverage Ratio				Debt Coverage Ratio						Capital Adequacy Ratio (CRAR)	
	Current Ratio		Liquid Ratio		Debt Equity Ratio		Credit Deposit Ratio		Investment Deposit Ratio			
	SBI	ICICI	SBI	ICICI	SBI	ICICI	SBI	ICICI	SBI	ICICI	SBI	ICICI
2013-14	0.03	0.09	13.88	11.31	13.34	6.65	86.84	100.71	28.85	55.79	12.96	17.70
2014-15	0.04	0.06	10.78	13.81	13.87	6.64	84.47	104.72	30.07	52.43	12.00	17.02
2015-16	0.07	0.13	10.84	14.97	13.55	6.86	83.56	105.08	29.39	44.32	13.12	16.64
2016-17	0.07	0.12	11.94	16.31	15.06	6.58	80.38	98.69	32.93	35.32	13.11	17.39
2017-18	0.08	0.12	13.83	20.44	15.79	7.28	73.79	92.92	38.45	34.68	12.60	18.42
Mean	0.06	0.10	12.28	15.51	14.39	6.84	81.38	100.02	32.43	44.72	12.70	17.46
SD	0.02	0.03	1.42	3.54	1.04	0.29	5.21	5.02	4.02	9.22	0.47	0.70
CAGR %	27.79	7.46	-0.09	15.95	4.31	2.29	-3.99	-1.99	7.45	-11.21	-0.70	1.00

Source: CMIE Data

The table-1 revealed that leverage and debt coverage ratio of the SBI and ICICI banks in India. The current ratio of banks has not maintained and the liquidity position of ICICI is comparatively good better than SBI. The growth rate of liquidity and solvency position is slightly increased during the period of study. The debt coverage ratio of ICICI is better than SBI and highly maintaining the Capital Adequacy Ratio (CAR) as per the Reserve Bank of India norms.

Table 2: Profitability and Management Efficiency Ratio (in Ratios)

Year	Profitability Ratio						Management Efficiency Ratio						Dividend Per Share	
	Net Profit Margin		Return on Net worth		Return on Long term Funds		Interest Income to Total Funds		Loans Turnover Ratio		Total Asset Turnover Ratio			
	SBI	ICICI	SBI	ICICI	SBI	ICICI	SBI	ICICI	SBI	ICICI	SBI	ICICI	SBI	ICICI
2013-14	7.96	22.20	9.20	13.40	100.85	56.92	8.12	7.81	0.12	0.14	0.07	0.08	30.00	23.00
2014-15	8.59	22.76	10.20	13.89	105.75	57.03	7.94	7.91	0.12	0.14	0.08	0.08	3.50	5.00
2015-16	6.07	18.44	6.89	11.19	83.57	50.29	7.60	7.73	0.12	0.13	0.08	0.08	2.60	5.00
2016-17	5.97	18.09	6.69	10.11	82.01	46.54	7.12	7.29	0.12	0.12	0.07	0.07	2.60	2.50
2017-18	-2.96	12.33	-3.37	6.63	66.97	38.54	7.22	6.68	0.13	0.11	0.07	0.07	2.60	1.50
Mean	4.47	18.42	5.21	10.82	87.41	49.27	7.61	7.43	0.12	0.13	0.07	0.08	9.81	8.79
SD	4.80	4.25	5.58	2.96	15.73	7.72	0.42	0.51	0.00	0.01	0.00	0.00	12.83	9.09
CAGR %	-5.45	-13.67	-8.45	-16.13	-9.73	-9.29	-2.89	-3.83	2.02	-5.85	0.00	-3.28	-100.00	-49.47

Source: CMIE Data

The net profit of private sector and public sector banks had been decreased from the beginning period. The ICICI bank has maintaining their profitability and SBI bank depressingly falling down and negative growth by the market fluctuations. The SBI bank has utilizing the interest and other turnover properly and it has maintaining their financial efficiency compared to ICICI bank. The dividend of the SBI is highly provided to their shareholders compares to ICICI bank dividend in the study period.

Table 3: Mobile Banking & Other Technology Based Services in 2017-18

Banks	Market Share (In %)	
	No. of Transaction	Value of Transaction
SBI Bank	19.50	16.84
ICICI Bank	9.73	17.10

Source: SBI Annual Report 2017-18

The mobile banking and other technology based banking services have measured in the above table 3. The SBI bank has holding marker share of 19.50 percent and ICICI bank has 9.73 percent on mobile banking transactions in the banks. The values of transactions of banks are 16.84 and 17.10 percent market share respectively. The SBI bank customers have frequently transacting their amount by the innovative banking services compared to the ICICI banks in India.

Table 4: ANOVA Test – Changes in Profitability of SBI and ICICI Bank in India

	Source of Variation	SS	df	MS	F	P-value	Significance
SBI	Between Company	352.84	4	88.21	1.90	0.050	S
	Between Years	28722.80	4	7180.70	154.71	0.043	S
	Error	742.63	16	46.41			
	Total	29818.28	24				
ICICI	Between Company	99.89	4	24.97	2.27	0.016	S
	Between Years	8616.69	4	2154.17	196.09	0.025	S
	Error	175.77	16	10.98			
	Total	8892.36	24				

The ANOVA table-3 result specifies that there are significant changes have significant changes in the study. The SBI and ICICI banks have the significant changes and null hypothesis has rejected. The P-value is less than the 0.05 significant levels and it determines that there were significant changes in between the years and the banking institutions.

8. FINDINGS AND CONCLUSION

The present study has tremendous result about the SBI and ICICI banks comparatively from 2012-2017. The researcher has compared the diverse solvency ratios and the liquidity position of ICICI is comparatively good than SBI and solvency position is somewhat increased during the period of study. The net profit of banks had been decreased from the beginning period and ICICI bank has maintaining their profitability than SBI bank by innovative banking products. The mobile banking and other technology based banking services have measured and the SBI bank has holding market share of 19.50 and 9.73 percent (ICICI) on mobile banking transactions in the banks. The ANOVA result specifies that there are significant changes have significant changes in the study. So, the private sector banks (ICICI) have sustaining the liquidity and debt coverage ratio compared to public sector banks. The SBI banks long term turnover has increased by innovative banking services and the banking industry has facing downward trend due to market fluctuations during the study period.

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