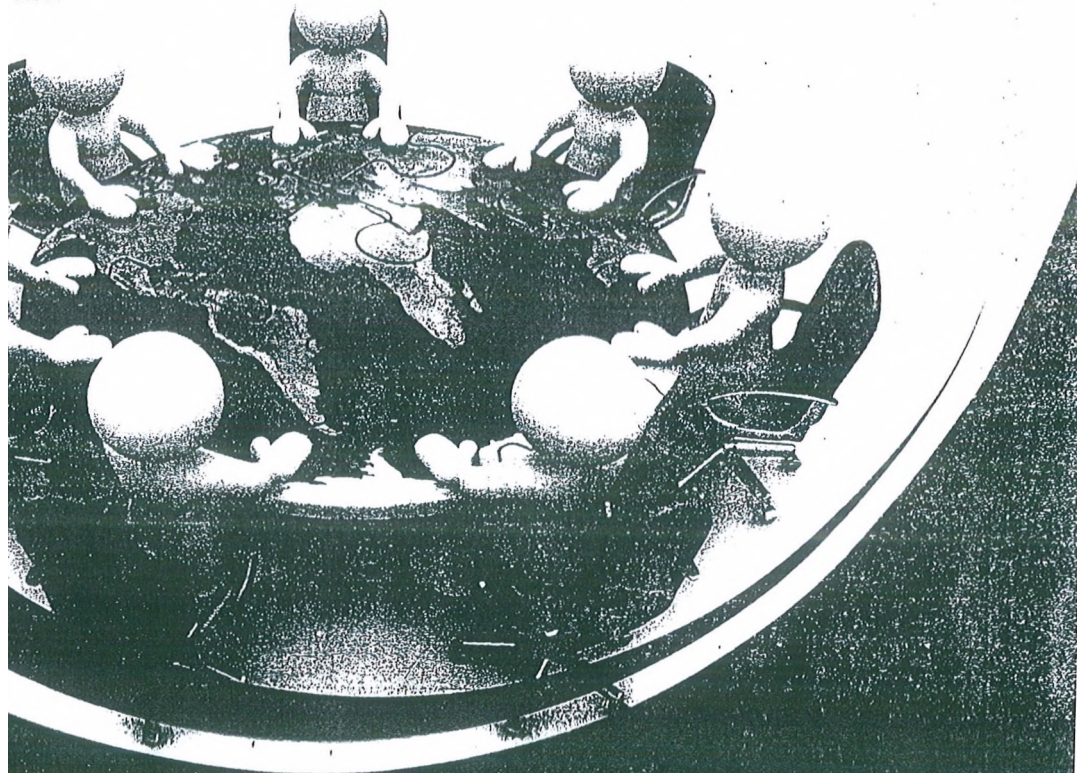


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FINANCIAL PERFORMANCE OF SELECT BANKS - SBI AND ICICI BANK

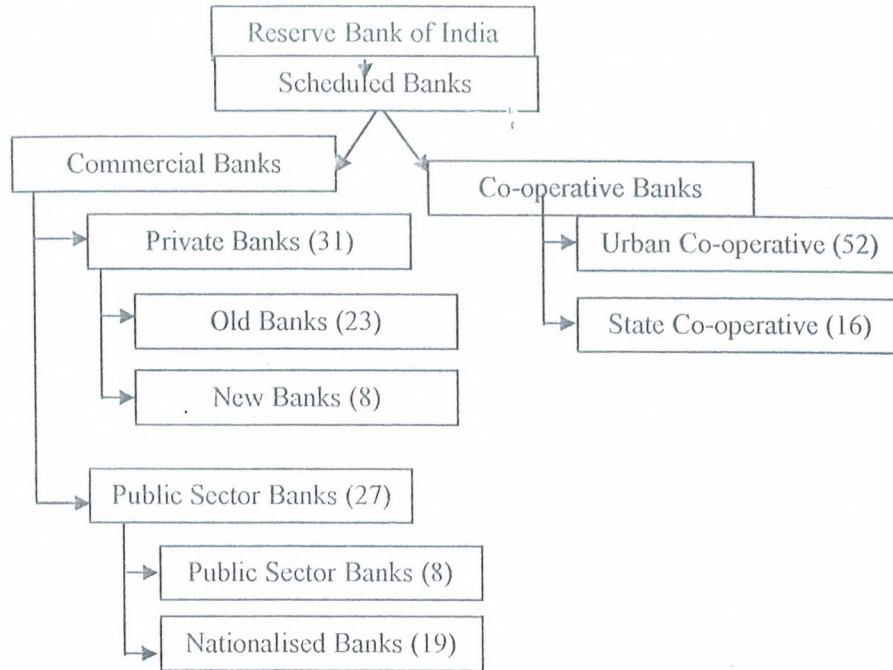
INTRODUCTION

The world of banking has assumed a new dimension at dawn of the 21st century with the advent of tech banking, thereby lending the industry a stamp of universality. Retail banking, which is designed to meet the requirement of individual customers and encourage their savings, includes payment of utility bills, etc. caters to the need of corporate customers like bills discounting, opening letters of credit, managing cash, etc.

Metamorphic changes took place in the Indian financial system during the eighties and nineties consequent upon deregulation and liberalization of economic policies of the government. India began shaping up its economy and earmarked ambitious plan for economic growth. Consequently, a sea change in money and capital markets took place. Application of marketing concept in the banking sector was introduced to enhance the customer satisfaction. The policy of privatization of banking services aims at encouraging the competition in banking sector and introduction of financial services. Consequently, services such as Demat, Internet banking, Portfolio Management, Venture capital, etc. came into existence to cater to the needs of public. An important agenda for every banker today is greater operational efficiency and customer satisfaction. The new watchword for the bank is pretty ambitious: customer delight.

FINANCIAL PERFORMANCE
OF SELECT BANKS
- SBI AND ICICI BANK

BANKING STRUCTURE IN INDIA



List of Public Sector Banks

State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Saurashtra, State Bank of Travancore.

Other Nationalised Banks

Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab National Bank, Syndicate Bank, UCO Bank, Union Bank of India, Vijaya Bank.

List of Private Sector Bank

Bank of Punjab, Bank of Rajasthan, Catholic Syrian Bank, Centurion Bank, City Union Bank, Dhanalakshmi Bank, Development Credit Bank, Federal Bank, HDFC Bank, ICICI Bank, IDBI Bank, IndusInd Bank, ING Vysya Bank, Jammu & Kashmir Bank, Karnataka Bank, Karur Vysya Bank, Laxmi Vilas Bank, South Indian Bank, United Western Bank, UTI Bank

List of Foreign Banks in India

ABN-AMRO Bank, Abu Dhabi Commercial Bank, Bank of Ceylon, BNP Paribas Bank, Citi Bank, China Trust Commercial Bank, Deutsche Bank, HSBC, JPMorgan Chase Bank, Standard Chartered Bank, Scotia Bank, Taib Bank.

Need for the Study

After liberalization, privatization and globalization many reforms were implemented in the Indian banking sector. To improve the performance of the banking sector, it is imperative to conduct a research study on the performance of the select bank.

Indian Public sector banks are being challenged by the foreign banks and private sector banks. The State Bank of India is the largest of the Big Four banks of India, along with ICICI Bank, Punjab National Bank and HDFC Bank—its main competitors. To find out the major banks performance in Indian banking sector a specific research study is necessary. So this research study on the financial performance of banks (SBI and ICICI Bank) comparison was undertaken for a period of 10 years from 2002 to 2011.

Objective of the Study

1. To study the profitability of the banks (SBI AND ICICI Bank).
2. To evaluate the efficiency of management.
3. To understand the comparative position of SBI AND ICICI Bank

State Bank of India (SBI)

State Bank of India (SBI) is the largest banking and financial services company in India by revenue, assets and market capitalization. It's a state-owned corporation with its headquarters in Mumbai, Maharashtra. As of March 2011, it had assets of US\$ 370 billion with over 13,000 outlets including 150 overseas branches and agents globally. The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding in 1806 of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras merged into the other two presidency banks, Bank of Calcutta and Bank of Bombay to form Imperial Bank of India, which in turn became State Bank of India. The government of India nationalized the Imperial Bank of India in 1955, with the Reserve Bank of India taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India. SBI is ranked 292 globally in Fortune Global 500 list in 2011. SBI provides a range of banking products through its largest network of branches (16000) in India and overseas, including products aimed at non-resident Indians (NRIs).

Associate Banks

SBI has five associate banks; all use the same logo of a blue circle and all the associates use the "State Bank of" name, followed by the regional headquarters' name; State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra and State Bank of Travancore. There has been a proposal to merge all the associate banks into SBI to create a "mega bank" and streamline operations. The acquisition of State Bank of Indore added 470 branches to SBI's existing network of 12,448 and over 21,000 ATMs. Total assets of SBI and the State Bank of Indore stood at Rs 998,119 crore as on March 2009.

Non-Banking Subsidiaries

1. SBI Capital Markets Ltd.,
2. SBI Funds Management Pvt Ltd.,
3. SBI Factors & Commercial Services Pvt. Ltd.,
4. SBI Cards & Payments Services Pvt. Ltd. (SBICPSL),
5. SBI DFHI Ltd.,

ICICI Bank Ltd - (Industrial Credit and Investment Corporation of India)

ICICI was formed in 1955 at the initiative of the World Bank, the government of India and Indian industry representatives. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. ICICI Bank was incorporated in 1994 as a part of the ICICI group. ICICI Bank's initial equity capital was contributed 75.0% by ICICI and 25.0% by SCICI Limited.

ICICI Bank is India's second-largest bank with total assets of Rs. 4,062.34 billion (US\$ 91 billion) at March 31, 2011 and profit after tax Rs. 51.51 billion (US\$ 1,155 million) for the year ended March 31, 2011. The Bank has a network of 2,621 branches and about 8,003 ATMs in India, and has a presence in 19 countries, including India. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Our UK subsidiary has established branches in Belgium and Germany.

ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

Subsidiaries - Domestic

- ICICI Lombard, ICICI Prudential Life Insurance Company Limited, ICICI Securities Limited, ICICI Prudential Asset Management Company Limited, ICICI Venture, ICICI Home Finance, ICICI direct.com, ICICI Foundation

International

- ICICI Bank UK PLC, ICICI Bank Canada, ICICI Bank Eurasia LLC, Acquisitions, 2005: Investitsionno-Kreditny Bank (IKB), a Russian bank, 2007: Sangli Bank, 2010: Bank of Rajasthan

Methodology

Research Design

The design adopted in the study is both descriptive and analytical done at national level.

Secondary Data

The comparison between the State Bank of India and ICICI Bank for last 10 years was made

from 2002 to 2011. The SBI, ICICI Banks books, publications, financial reports, websites were used as a source of secondary data. The manuals and leaflets of the SBI and ICICI Bank were used.

Period of Study

This research study covers a period of 10 years from 2002 to 2011.

Tools for Analysis

a) Ratio Analysis and b) Trend Analysis

Analysis and Interpretation

Profitability Ratios

Table No: 1
Operating Margin Ratio

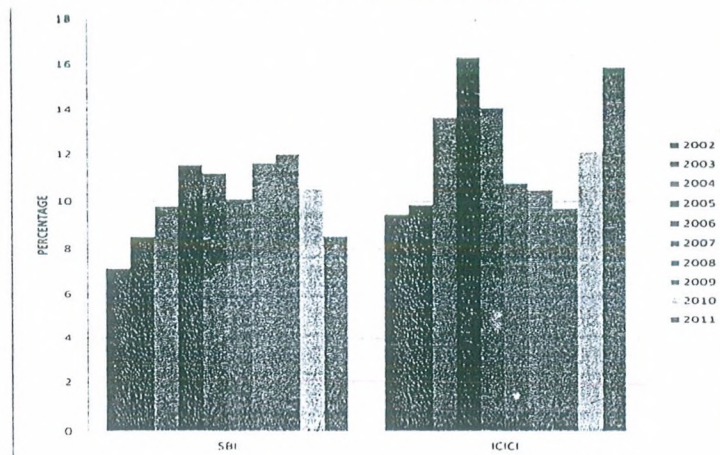
YEARS	Interest Spread (%)		Adjusted Cash Margin (%)		Operating Margin (%)	
	SBI	ICICI	SBI	ICICI	SBI	ICICI
2002	6.82	0.15	8.36	12.16	7.15	9.47
2003	5.71	2.77	9.88	14.05	8.52	9.86
2004	4.50	3.76	13.50	18.20	9.79	13.67
2005	4.28	3.56	14.54	21.14	11.56	16.32
2006	4.31	2.67	13.06	17.55	11.21	14.12
2007	4.20	3.43	11.43	12.30	10.12	10.81
2008	4.32	3.51	12.81	11.81	11.65	10.51
2009	4.34	3.66	13.04	11.45	12.03	9.74
2010	3.82	5.66	11.62	13.64	10.54	12.17
2011	4.12	4.01	9.60	17.52	8.55	15.91

Source: Annual Reports

SBI: The operating margin shows increase in percentage from 2002 7.15% to 2005 11.56% showing earning efficiency of the bank had gone up higher the margin, the better. But there was a decrease in 2007 to 10.12%. In 2008 again it increased to 12.03% and in 2011 it decreased to 8.55%. The ratios fluctuated over a 10 period of years showing instability of the bank's performance.

ICICI: Here also the ratios fluctuated every year. From 2002 9.47% it increased to 16.32% in 2005 and decreased to 9.47% in 2010, and in 2011 it increased to 15.91%. ICICI bank shows better growth margin than SBI, though operating margin shows fluctuation over a period of time. Both banks have failed to maintain stability in their growth due to various factors.

**EXHIBIT NO: 1
OPERATING MARGIN RATIO**



**Table No: 2
Net Profit Margin Ratios**

YEARS	Net Profit Margin Ratios (%)	
	SBI	ICICI
2002	19.98	20.15
2003	27.58	23.12
2004	32.57	20.18
2005	27.34	21.06
2006	28.37	25.86
2007	28.19	28.87
2008	24.13	26.00
2009	22.91	26.22
2010	27.61	29.05
2011	31.51	24.81

Source: Annual Reports

SBI: From 2002 19.98% the percentage had increased to 31.51% in 2011 showing higher net profit ratio. It indicates better overall profitability and efficiency of the bank. In 2004 there was further increase to 32.57% and in 2009 there was decrease with 22.91% due to poor market conditions.

ICICI: From 2002 20.15% it had increased to 24.81% on 2011. But in between the years there was much fluctuation in the N/P percentage. In the year 2010 it was 29.05% but it had decreased to 24.8% in 2011. Though showing fluctuation in net profit margin, the bank has shown steady growth from 2004 to 2007.

Table No: 3
Capital Adequacy Ratio

YEARS	Capital Adequacy Ratio (%)	
	SBI	ICICI
2002	13.35	11.44
2003	13.50	11.10
2004	13.53	10.40
2005	12.45	11.78
2006	11.88	13.35
2007	12.34	11.69
2008	13.47	13.97
2009	14.25	15.53
2010	13.39	19.41
2011	11.98	19.54

Source: Annual Reports

SBI: The capital adequacy ratio shows decrease from 2002 13.35% to 11.98% in 2011. Till 2006 there was a fall to 11.88% and then increased to 14.25% in 2009. Capital adequacy ratio measures the amount of a bank's capital expressed as a percentage of its credit exposure. SBI had shown fluctuation though showing better capital adequacy ratio

ICICI: The capital adequacy ratio shows increase from 2002 11.44% to 19.54% in 2011. In 2004 there was fall to 10.40%. The higher the capital adequacy ratio, the higher is the level of protection available to depositors. The bank has shown higher adequacy ratio over the period of ten years indicating the level of protection of deposit. It act as an attractive venue for customers to invest money.

Trend Analysis

State Bank of India (SBI) and Industrial Credit Investment Corporation of India (ICICI) Bank 2002-2014

The trend analysis estimated for three years i.e. from 2002 to 2014 for net profit.

Table No: 4
Projected Net Profit

(Rs. in Crores)

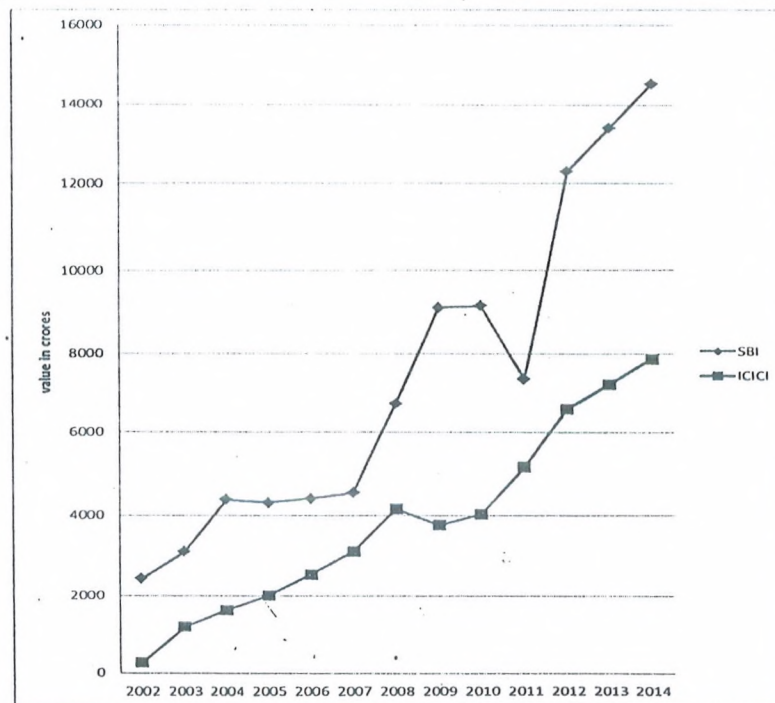
YEAR	SBI	ICICI BANK
2002	2431.62	267.45
2003	3105.00	1206.18
2004	4378.72	1637.11

2005	4304.52	2005.20
2006	4406.67	2540.07
2007	4541.31	3110.22
2008	6729.12	4157.73
2009	9121.23	3758.13
2010	9166.05	4024.98
2011	7370.35	5151.38
2012	12288.54	6601.48
2013	13410.72	7237.42
2014	14532.9	7873.36

SBI: The table 20 shows the net profit has been increasing from 2002 to 2011 i.e. Rs 2431.62 crores to Rs 7370.35 crores. By using the trend analysis, it is estimated that the projected net profit will increase to Rs 14532.9 crores in 2014.

ICICI: This table shows that the net profit growth has been increasing gradually from 2002 with Rs 267.45 crores to Rs 5151.38 crores in 2011. By using the trend analysis, the projected net profit will expected to increase in 2014, Rs 7873.36 crores.

Exhibit No: 2
Projected Net Profit



Findings and Suggestions

- In operating profit ICICI bank shows better growth margin than SBI, SBI Bank's profitability was increasing but not at high rate. But both the banks had fluctuation in their performance and failed to maintain stability in their growth and profitability.
- The ICICI bank shows high capital adequacy rate compared to SBI, as the bank has enough of capital on which depends the riskiness of the bank. SBI maintains a stable ratio over years. CAR is not good all the times as bank's large amount of money is stuck in provisions or risk management.

Trend Analysis

The projection of Net Profit for the year 2012 -2014

- SBI Projected Net Profit

Year	2012	2013	2014
Amount (Rs in crores)	12288.54	13410.72	14532.9

- ICICI Projected Net Profit

Year	2012	2013	2014
Amount (Rs in crores)	6601.48	7237.42	7873.36

The projected net profit for SBI and ICICI is expected to increase a growth in the future years.

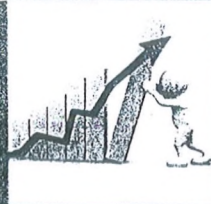
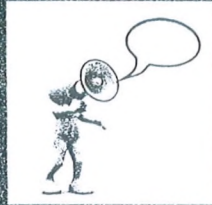
SUGGESTIONS

The suggestions given below are based on the finding of SBI and ICICI bank financial performance.

- ♦ The attention is required on the areas of growth, profitability, service level and building talent.
- ♦ Both banks should pay attention to increase their net interest margin ratio, The banks may increase this ratio either by increasing interest income by attracting more clients to invest or by decreasing interest expense. Optimum portfolio of investment will reduce the overall expenses on interest.
- ♦ Capital adequacy ratio is one of the main tools to measure bank's risk level. So it has to maintain a stable ratio otherwise they could harm whole financial system and economy.

Conclusion

Both banks have maintained its leadership across financial products and have aggressively expanded its deposit and advances in the recent years thus gaining market share. But it should pay attention on its profitability. ICICI banks have performed better as compared to the SBI in respect of certain aspects of financial performance and efficiency parameters. A study on financial performance of these banks shows that the overall performances are satisfactory and banks position is stable.



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