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"A Comparative Study of Financial Report of SBI and ICICI Bank"

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Abstract

This research paper conducts a comprehensive comparative analysis of the financial reports of two prominent banks in India, namely the State Bank of India (SBI) and ICICI Bank. The study aims to provide insights into the financial performance, stability, and strategic positions of these banks, shedding light on their respective strengths and weaknesses.

The research methodology involves an in-depth examination of the annual financial reports, including balance sheets, income statements, and cash flow statements, over a specific period. Various financial ratios, such as liquidity ratios, solvency ratios, and profitability ratios, are employed to evaluate the financial health of both SBI and ICICI Bank.

The paper delves into the historical context and evolution of both banks, highlighting their distinct roles in shaping India's banking landscape. It explores how SBI, being a public sector bank, differs from ICICI Bank, which operates in the private sector, in terms of governance, policies, and market strategies.

Furthermore, the study analyzes the impact of economic and regulatory changes on the financial performance of SBI and ICICI Bank. This includes an examination of their responses to challenges such as economic downturns, changes in interest rates, and regulatory reforms.

The comparative study extends beyond financial metrics, considering the banks' technological advancements, customer service initiatives, and overall market positioning. Additionally, the paper discusses the banks' contributions to the socio-economic development of India and their roles in promoting financial inclusion.

In conclusion, the research provides a nuanced understanding of the financial landscapes of SBI and ICICI Bank, offering valuable insights for investors, policymakers, and banking professionals. This comparative analysis contributes to the existing body of knowledge on banking in India and serves as a foundation for further research in the field of financial analysis and banking studies.

Keywords: FinancialAnalysis,ComparativeStudy,Banking Sector,State Bank of India (SBI),ICICI Bank,Profitability Ratios,Liquidity Analysis,Asset Quality,Capital Adequacy,Efficiency Ratios.

INTRODUCTION

The banking industry serves as a vital cog in the economic machinery of any nation, channeling financial resources to fuel growth across various sectors. It acts as a barometer, reflecting the economic trajectory based on factors like the proliferation of bank branches, deposit trends, and credit activities. Within this landscape, the Indian banking sector, boasting 88 commercial banks, assumes significance, with 31 private banks, 27 public sector banks, and 38 foreign banks collectively operating 53,000 branches and 17,000 ATMs. Public sector banks, constituting 75% of the industry's total assets, are prominently led by the State Bank of India (SBI) and ICICI Bank in the public and private sectors, respectively.

STATE BANK OF INDIA (SBI): Established in 1806, SBI stands as the oldest and largest commercial bank in India. As a government-owned entity, it operates a vast network of 18,266 branches, including those of its five Associate Banks, and controls a significant share of India's loans. With a presence in 18 countries and 8,500 ATMs nationwide, SBI is a banking powerhouse with a rich history and a diverse range of offerings.

ICICI BANK: As the second-largest private sector bank in India, ICICI Bank operates 2,552 branches and 7,440 ATMs across the country. Beyond traditional banking services, ICICI plays a pivotal role in investment banking, venture capital, asset management, and insurance. It has expanded its global footprint to 18 countries, including the UK, Canada, and Russia, providing a comprehensive suite of financial services.

STATEMENT OF THE PROBLEM:

Efficiency and performance are critical elements in determining the robustness of a country's financial system, with banking sector reforms aiming to enhance the effectiveness and profitability of banks. The transition from a near-monopoly scenario dominated by public sector banks to a diversified market has been a significant outcome of banking reforms. This study addresses the operational efficiency of banks, specifically focusing on SBI and ICICI Bank, employing key financial ratios to assess and compare their efficiency and solvency positions.

OBJECTIVES OF THE STUDY:

i. Comparative Financial Performance: To compare the financial performance of State Bank of India and ICICI Bank.

ii. Profitability Analysis: To understand and compare the profitability position of both banks.

iii. Managerial Efficiency: To assess and compare the managerial efficiency of State Bank of India and ICICI Bank.

iv. Findings and Suggestions: To offer insights and suggestions aimed at enhancing the financial performance of both banks.

SCOPE OF THE STUDY:

i. Academic and Public Insight: The study provides insights for both academic and general audiences, shedding light on the overall efficiency of the largest commercial banks.

ii. Understanding Public and Private Sectors: By comparing the financial performance of public and private sectors, the study contributes to understanding the dynamics of both segments.

iii. Balancing Activities for Optimal Performance: The study explores areas where State Bank of India and ICICI Bank excel, offering opportunities for balancing activities to achieve optimal performance.

2. Body of Paper

Risk Management at ICICI Bank:

Risk is an integral part of banking, and ICICI Bank is committed to delivering superior shareholder value by achieving a balanced trade-off between risk and returns. The bank is exposed to various risks, including credit risk, market risk, and operational risk. ICICI Bank's risk management strategy is built on a clear understanding of different risks, disciplined risk-assessment and measurement procedures, and continuous monitoring. Policies and procedures established for risk management are consistently benchmarked with international best practices.

The **Risk, Compliance & Audit Group (RCAG)**is responsible for the assessment, management, and mitigation of risk at ICICI Bank. This group, forming part of the Corporate Centre, operates independently of all business operations and is accountable to the Risk and Audit Committees of the Board of Directors. RCAG comprises six subgroups: Credit Risk Management Group, Market Risk Group, Credit Policies Group, Internet Audit Group, Retail Risk Group, and Risk Analytics Group.

Credit Risk Management:

Credit risk is the risk that a borrower may fail to meet financial obligations to the lender. ICICI Bank employs a standardized credit approval process, including a well-established procedure for comprehensive credit appraisal and rating. Internal credit rating methodologies are developed for both obligors and product facilities. Ratings factor in quantitative and qualitative issues and credit enhancement features specific to each transaction. Credit ratings are reviewed annually, with more frequent reviews for higher-risk credits and large exposures.

Market Risk Management:

Market risk arises from changes in interest rates, foreign currency exchange rates, equity prices, and commodity prices. ICICI Bank's exposure to market risk is a result of trading, asset and liability management, and its role as a financial intermediary. The objective of market risk management is to minimize the impact of losses due to market risks on earnings and equity capital. Policies include Asset-Liability Management (ALM) policies and policies for the trading portfolio.

Operational Risk Management:

Operational risk can result from various factors, including failure to obtain proper internal authorization, improperly documented transactions, failures in operational and information security procedures, computer system issues, fraud, inadequate training, and employee errors. ICICI Bank manages operational risk through comprehensive internal controls, system and procedure establishment, transaction monitoring, key backup procedures, and contingency planning. The bank pioneers a risk-based audit methodology, allocating audit resources based on an assessment of operational risks in various businesses. The International Audit Group ensures adherence to credit procedures and implements improved systems of internal controls to minimize operational risk.

Research Methodology:

Types of Research:

My research incorporates descriptive, qualitative, and quantitative research.

1. Descriptive Research:

Descriptive research involves surveys and fact-finding inquiries. The primary purpose is to describe the current state of affairs. In this type, the researcher has no control over the variables. It includes surveys and fact-finding inquiries of different kinds.

2. Qualitative Research:

Qualitative research is essential for comparing similarities between different banks. It involves a qualitative analysis of various factors motivating people's behavior. This type of research is crucial in understanding underlying motives.

3. Quantitative Research:

Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena expressed in numerical terms. This approach is used for collecting numeric data in the research.

Sample Area:

Chandigarh and Mohali

Sample Size:

The sample size for the research is 177 to understand customer satisfaction and perception about the banks.

Statistical Tools:

Statistical tools applied in the project include the weighted average method, bank correlation method, and Chi-square test.

Sources of Data Collection:

Two types of data are considered: Primary and Secondary.

1. Primary Data: Collected fresh and first-hand through questionnaires.

2. Secondary Data:Already available, including annual reports, magazines, and internet sources.

Sampling Technique:

The sampling technique involves the use of a questionnaire, a series of questions asked to individuals to obtain statistically useful information about a given topic.

Limitations of the Study:

1. Limited Coverage Area: The study is confined to Chandigarh and Mohali, limiting the coverage area.

2. Insubstantial Size: The research size may not be substantial.

3. Bias: Information may be biased due to customer preferences.

4. Data Availability: Complete data may not be available due to company privacy and secrecy.

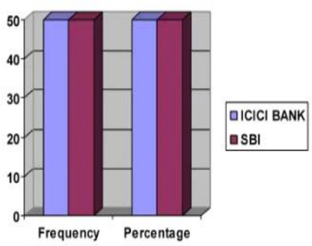
5. Time Constraints:There was a lack of time on the part of respondents.

6. Sector Dynamics:The banking sector is vast, and it's not possible to cover every customer.

7. Branch Limitation:The study is limited to a particular branch of SBI and ICICI bank.

Q.1- ACCOUNTS ON WHICH BANK

	Frequency	Percentage
ICICI BANK	50	50
SBI	50	50

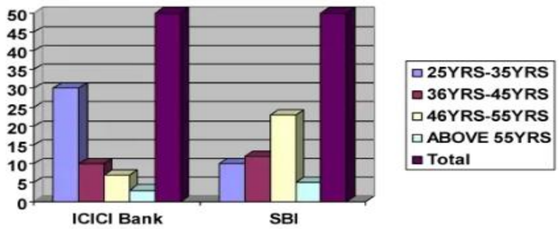


Interpretation

From the above table 50% have accounts in ICICI bank and 50% in SBI bank.

Q.2.AGE OF THE RESPONDENTS

	ICICI Bank	SBI
25YRS-35YRS	30	10
36YRS-45YRS	10	12
46YRS-55YRS	7	23
ABOVE 55YRS	3	05
Total	50	50



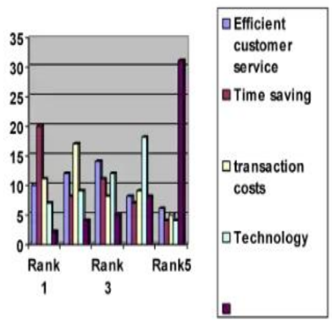
Interpretation

Above table shows,in case SBI maximum customers are of age group 46-55yrs i.e, 46%, whereas in case of ICICI bank maximum 60% customers are of age group between 25-35yrs.

Q.3. - REASON TO CHOOSE THE BANKS

SBI

SERVICES	Rank 1	Rank 2	Rank 3	Rank4	Rank5
Efficient customer service	10	12	14	8	6
Time saving	20	8	11	7	4
transaction costs	11	17	8	9	5
Technology	7	9	12	18	4
ATMs	2	4	5	8	31



Interpretation:

Above table shows that, Maximum respondents give rank 1 to time saving where as maximum respondents give lowest rank to ATMs.

Analysis: Applying weighted average method.

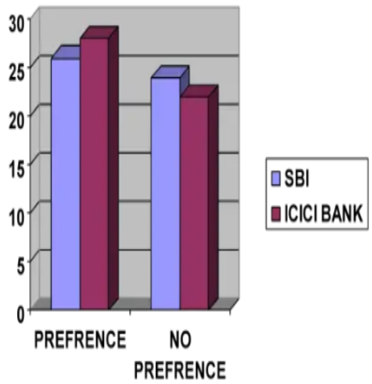
SERVICES	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Calculation	Weighted average	R1
Efficient customer service	10	12	14	8	6	138	2.76	3
Time saving	20	8	11	7	4	117	2.34	5
transaction costs	11	17	8	9	5	130	2.60	4
Technology	7	9	12	18	4	153	3.06	2
ATMs	2	4	5	8	31	212	4.24	1

Above calculations shows that the highest weighted average is of ATMs.

So, SBI is more preferable than ICICI bank.

Q.9-PREFRENCE OF LAON & ADVANCES SCHEMES OF SBI OVER ICICI.

	PREFRENCE	NO PREFRENCE
SBI	26	24
ICICI BANK	28	22



Interpretation

maximum customers prefer to take a look from their own bank.

CONCLUSION

In conclusion, the comparative study of the financial reports of State Bank of India (SBI) and ICICI Bank provides valuable insights into the dynamics of two major players in the Indian banking sector. The examination of various financial parameters, performance indicators, and risk management strategies has shed light on the distinct approaches these banks adopt in navigating the complex financial landscape.

Firstly, both SBI and ICICI Bank play pivotal roles in the economic development of India, contributing significantly to the nation's banking industry. The analysis of their financial reports reveals the diverse range of products and services they offer, reflecting their commitment to serving a broad spectrum of customers.

The financial performance of these banks has been scrutinized through key ratios such as Capital Adequacy Ratio (CAR), Return on Assets (ROA), and Return on Equity (ROE). SBI, as a public sector bank, emphasizes stability and widespread financial inclusion, while ICICI Bank, as a private sector entity, focuses on innovation and customer-centric services. The comparison of these ratios provides a nuanced understanding of their respective strengths and areas for improvement.

Risk management is a critical aspect of banking operations, and both SBI and ICICI Bank employ comprehensive strategies to mitigate various risks. Credit risk, market risk, and operational risk are diligently addressed through rigorous assessment, monitoring procedures, and adherence to international best practices. The establishment of Credit Risk Management Groups and adherence to standardized credit appraisal processes showcase their commitment to maintaining a robust risk management framework.

Furthermore, the study highlights the significance of technology and digital innovation in shaping the banking landscape. ICICI Bank, as a private player, has been at the forefront of adopting digital solutions, reflecting its agility and responsiveness to evolving customer preferences. SBI, with its extensive branch network, combines traditional and modern banking approaches to cater to a diverse customer base.

In the context of operational efficiency, SBI leverages its widespread network to ensure accessibility, while ICICI Bank emphasizes a centralized approach for product approval and policy implementation. The balance between centralized and decentralized operations is crucial for optimizing efficiency and customer satisfaction.

While the study provides valuable insights, it is essential to acknowledge certain limitations. The scope of the research is constrained to a specific time frame and may not capture long-term trends. Additionally, external factors such as economic conditions and regulatory changes can impact the financial performance of banks.

In conclusion, the comparative study of SBI and ICICI Bank's financial reports underscores the unique strategies employed by each institution to navigate the challenges and opportunities in the banking sector. Understanding these differences is vital for stakeholders, policymakers, and investors in making informed decisions that contribute to the sustained growth and stability of the Indian banking industry.

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