ANALYSIS OF PERFORMANCE OF INDIA’S TOP TWO BANKS FOR 3 YEARS (2010-11 TO 2012-13)

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ABSTRACT
In this paper an attempt has been made to look into aspect of comparison of India’s top two banks for 3 years (from 2010-11 to 2012-13). The paper contemplates and compares the performance of top two banks on selected parameters. Comparison also gives an idea about performance of top two banks on selected parameters with performance of all scheduled banks put together. The paper uses secondary data from relevant sources, which has been acknowledged.

Keywords: Performance; Deposits; Advances; Investments; Return on Assets

INTRODUCTION
Banks play an important role of intermediation in the economy. Banks allows mobilization of savings from millions and make it available for trade, commerce and industry. Indian Banking after two tranche of nationalization and especially after entry of private sector banks have come long way in contributing to the cause of Indian economy as also enabling financial inclusion at nook and corner of country.

India’s banking and financial sector comprise mainly of banks, financial institutions, Non Banking Financial Institutions. Banks of various types and flavors such as Commercial Banks in Public Sector, Private Sector Banks, Urban Co operative Banks and very recently formed Mahila Bank, everybody is clamoring for space and business opportunities and endeavoring to make its own presence felt.

Here is an attempt to analyze the top 2 banks of India for last 3 years on the basis of number of parameters.

OBJECTIVES
To compare the performance of top two banks of India for three years (2010-11 to 2012-13) on select parameters so as to assess their performance vis a vis performance of all scheduled commercial banks put together.

Top Two Indian Banks for 3 Financial Years (2010 -11 to 2012-13)
Financial Year corresponds to period from 1st April to 31st March. Having taken into account deposit base, advance base, profits and size of balance sheet, the following two banks qualify to be top two Indian Banks for last 3 financial years

1. State Bank of India & ( SBI) & Associates
2. ICICI Bank Ltd (ICICI)

Attempt has also been made for reviewing their (SBI & ICICI) performance vis a vis performance of all Scheduled Commercial Banks put together to get an idea about how these two banks (SBI &
ICICI) have contributed in last 3 years among performance of all scheduled commercial banks put together.

Here it is pertinent to mention that as the comparison between SBI & ICICI Bank is based on 10 identified parameters the comparisons could potentially suffer selection bias. The analysis uses secondary data and sources of same are acknowledged.

**Parameters Used**

Number of parameters could be used to analyze the performance of top 2 Indian Banks vis a vis performance of All Scheduled Commercial Banks put together. Here the following select 10 parameters describe performance in the perspective of each attribute of functioning of banking.

1. Deposit Base
2. Advance Base
3. Investments
4. Number of Employee
5. Business Per Employee
6. Profits Per Employee
7. Return on Assets (ROA)
8. Net Interest Margin (NIM)
9. Capital to Risk Weighted Assets Ratio (CRAR)
10. Net NPA Ratio

**Deposits - (Deposits –in INR and Billion)**


Deposit Activities of the Banks is core banking function which enables them to undertake Credit and Investment Activities and earn return which is essentially spread between operating-non operating costs and returns earned on credits, investments and from non interest income.

During the last 3 years, deposits of all scheduled commercial banks put together increased by 14.9% in 2011-12 and 15.1% in 2012-13. Growth for SBI in 2011-12 and 2012-13 was 11.7% and 15.2% and for the same period it was 8.8% and 11.6% for ICICI Bank.

SBI’s share in total deposits of all scheduled commercial banks in 2010-11,2011-12 and 2012-13 was 16.6%, 16.2% and 16.2% respectively.

ICICI Bank’s share in total deposits of all scheduled commercial banks in 2010-11,2011-12 and 2012-13 was 4.6%, 4.4% and 4.2%.
Thus these two banks have been maintaining their deposit base vis a vis deposits of all scheduled commercial banks put together at consistent level with minor variations.

2. **Advances (Advances in INR and Billion)**

![Graph of Advances]

**Source:** Annual Reports – SBI & ICICI Bank – 2010-11 to 2012-13 & Trends & Progress – 2010-11 to 2012-13

Advances which constitute major income source in terms of interest earning for the banks. Advances all scheduled commercial banks increased in 2011-12 and 2012-13 by 18.0% and 15.8% respectively. During the same period it was 14.7% and 20.5% for SBI and 14.1% and 12.9% for ICICI Bank. Advances also denotes pulse of economy, if there is consistent growth in advances which depicts the state of economy as stable with growth intent.

SBI’s share in total advances of all scheduled commercial banks for the year 2010-11, 2011-12 and 2012-13 was 17.6%, 17.0% and 17.8% respectively. ICICI Bank’s share in total advances of all scheduled commercial banks for the same period was 5.9%, 5.7% and 5.6% respectively.

CD Ratio for all scheduled commercial banks for 2010-11, 2011-12 and 2012-13 was 76.5%, 78.6% and 79.1% respectively. CD Ratio for SBI for the same period was 81.0%, 83.1% and 86.9% respectively. While for ICICI Bank for the domestic balance sheet it was 75%, 76.1% and 78.9% respectively.

3. **Investments**

![Graph of Investments]

**Source:** Annual Reports – SBI & ICICI Bank – 2010-11 to 2012-13 & Trends & Progress – 2010-11 to 2012-13

Investment Book of Commercial Banks constitutes another major source of income. It also serves the purpose of maintaining liquidity. In India banks are required to maintain Statutory Liquidity Ratio (SLR) around 25% of Net Demand and Time Liabilities (at present it is 22%) that means, investment book of banks comprise mainly of Government Securities and other approved SLR securities.

Investments of all scheduled commercial banks increased in 2011-12 by 16.1% and by 16.9% in 2012-13. For the same period for SBI it was 8.2% and 13.3% and for ICICI for the same period it was 14.4% and 6.6%.
SBI’s share in total investments for all scheduled commercial banks for the period 2010-11, 2011-12 and 2012-13 was 20.1%, 18.7% and 18.1% respectively. For the same period for ICICI Bank it was 10.9%, 10.8% and 9.8% respectively.

4. Number of Employees


Staff strength indicates manpower resources available at the disposal which could be gainfully utilized to fuel business growth. Increase in staff Strength also indicates that economy is on right path and there is room for absorbing skill levels which in turn may propel business activities.

Increase in number of employees for all scheduled commercial banks for the year 2011-12 and 2012-13 was 4.7% and 4.6% respectively. For SBI for the same period it was negative 3.3% and 5.9%. The main reason for reduction in workforce in SBI in the year 2011-12 was on account of retirements and 15% attrition among new hires. SBI however undertook recruitment drive on account of which it has registered increase in manpower in the year 2012-13 by 5.9% over the levels in the year 2011-12. Growth in number of employees for ICICI Bank in the year 2011-12 and 2012-13 was 2.3% and 6.5% respectively.

Of the total workforce of all scheduled commercial banks SBI’s share constituted 22.3%, 20.6% and 20.9% in the year 2010-11, 2011-12 and 2012-13 respectively. For ICICI Bank it was 5.7%, 5.6% and 5.7% for the same period.

Performance on this parameter is to be seen in tandem with the following variables namely business per employee and profit per employee as merely adding employee strength would not be justifiable if there is no commensurate growth in bank’s business.

5. Business per Employee


Business per employee denotes growth in business taken on a scale of per employee. It could then be compared with industry average to assess whether the bank has more number of employees as compared to peers in the industry or lesser number of employees but business growth is not in commensurate with peers.

While business per employee in all scheduled commercial banks is within the range of 99.03 per employee to 121.33 per employee in the last 3 years the same is not visible case with SBI and ICICI
Bank during the period to indicate there is scope to increase business or to automate processes to bring down employee level so as to be comparable with business per employee for all scheduled commercial banks put together.

6. **Profit per Employee**

![Graph showing profit per employee for different years and banks](image)

**Source:** Annual Reports – SBI & ICICI Bank – 2010-11 to 2012-13 & Trends & Progress – 2010-11 to 2012-13

This parameter is also need to be seen in tandem with business per employee. While ICICI Bank’s business per employee as compared to business per employee for scheduled commercial banks has been on lower side, its profit per employee has been remarkably on higher side which denotes among possible reasons margins are high and or operational costs is to the lesser extent as compared to peers.

7. **Return on Assets (ROA)**

![Graph showing return on assets for different years and banks](image)

**Source:** Annual Reports – SBI & ICICI Bank – 2010-11 to 2012-13 & Trends & Progress – 2010-11 to 2012-13

Return on Assets denotes net profits after tax divided by average total assets. How much returns the bank is able to extract from its assets is denoted by ROA. A lower ROA signifies poor return on assets or high operating expenses or losses in loan or investment portfolios.

ROA of ICICI Bank has been better than averages of SBI and all scheduled commercial banks put together for last 3 years.

8. **Net Interest Margin**

![Graph showing net interest margin for different years and banks](image)

**Source:** Annual Reports – SBI & ICICI Bank – 2010-11 to 2012-13 & Trends & Progress – 2010-11 to 2012-13
Net Interest Margin denotes difference / gap between interest income and interest expenses. More the gap it is better for the bank however in the long run it is not sustainable if the competing banks are ready to offer better interest rates more favorable in favour of customers.

High Interest Margin is only sustainable to limited extent if the bank has got anything to offer either in terms of quality customer service or state of art technology which is enabling customers to get accounts update and operations in accounts at ease on an ongoing basis.

Having seen Net Interest Margin as above for SBI, ICICI Bank and for all scheduled commercial banks as whole it has been fairly consistent for last 3 years with marginal deviations.

9. Capital to Risk Weighted Asset Ratio (CRAR)


CRAR is an important ratio to denote capital adequacy of the bank commensurate with risk weighted assets of the bank. More the risk weighted assets, the bank would be required to maintain CRAR on higher side. With the Basel III implementation on the cards, Reserve Bank has decided to implement Basel III Capital requirements in phased manner from April 1, 2013 to March 31, 2018. At present CRAR for SBI, ICICI Bank and for all scheduled commercial banks put together has been more than prescribed levels.

10. Net NPA Ratio


The net NPA to loans (advances) ratio is used as a measure of the overall quality of the bank’s loan book. Net NPAs are calculated by reducing cumulative balance of provisions outstanding at a period end from gross NPAs. Higher ratio reflects rising bad quality of loans. The NPA ratio is one of the most important ratios. It helps identify the quality of assets that a bank possesses.

It also speaks about quality of credit administration in the bank. As from the point of scrutiny of loan proposal to the sanction and post sanction supervision, quality of credit administration has strong bearings on the NPAs of the banks. Although external factors too have bearing on growth of NPAs.

CONCLUSIONS

Having assessed SBI and ICICI Bank on the above 10 parameters along with performance of all scheduled banks put together, SBI has been frontrunner in terms of deposit and advance and
investment book vis a vis ICICI Bank. However the fact that SBI has been in business since long (since the year 1956) as compared to ICICI Bank which started its functioning only in the year 1994. Despite that on some of the important parameters such as profit per employee, ICICI Bank is ahead of SBI denoting cost of operations to the lower side with higher margins and low employee base. In terms of CRAR both SBI and ICICI Bank have been at comfortable positions as of now however with the rolling out of Basel III prescriptions in phased manner and which is to be achieved by March 31, 2018, there would be pressure on both banks to reduce risky assets or to have higher amount of capital cushion which in turn would pressure on its profits and ROA and ROE.

However if one takes into account the world’s largest banks as at April 30, 2013 only two banks SBI and ICICI Bank are positioned at 55th and 60th the level respectively. And the size of 1st largest bank in the world as at April 30, 2013 is almost 8 times that of State Bank of India.

Thus Indian Banks especially SBI and ICICI Bank have lot of ground to cover in terms of increase in global footprint and increase in business in order to compete with top banks in the world. However efficacy of stretching global footprint by Indian Banks could also be considered more specifically in terms of lecture delivered by then RBI Governor Dr Subba Rao in the Year 2010 ‘Five Frontier Issues in Indian Banking’ in which he advocated to adopt path of consolidation within the country for deeper financial penetration and looking outwards towards increasing global presence.

Thus in order to increase in terms of size to take on top 50 banks in world, Indian banks should be adopting process of consolidation within the country and also adopting path of increasing global footprints.

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