



# Financial Indicators And performance of Private Banks and Public Banks of India: A Comparative Analysis

Dr. Deval G. Vyas <sup>1\*</sup>

1. M.com., M.Phil., Ph.D, Associate Professor, Swami Vivekanand University, Sagar, Madhya Pradesh, India  
devalv@yahoo.in

**Abstract:** Since its foundation, a company's only purpose has been to generate profits for its shareholders. The basic goal of every company, no matter how big or little, is to make more money than it spends. The profitability measurements of the banks that were part of this research were their Return on Equity, Gross Profit Margin ratio, and Return on Assets ratio. When comparing profitability indicators, it is advisable to do so with those of comparable firms or with indicators from the same company's past. The t-test is used to compare these indicators, which are computed using data obtained from the financial statements of SBI and ICICI bank. The results show that ICICI Bank is doing better than SBI. The results of this study will be useful for academics and scholars who want to delve more into the topic.

**Keywords:** Financial Indicators, Performance, Private Banks, Public Banks, India

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## INTRODUCTION

When evaluating the financial health of financial institutions, the selection of suitable parameters is of utmost importance. There is a plethora of literature on the topic of bank financial performance, and several experts have offered their thoughts on various metrics for gauging this kind of success. Regarding the financial performance of banks, I would like to add one more point about financial performance measures: the selection of financial performance parameters is heavily influenced by the time period in question (Kaseasbah, 2018).

Since autonomous Indian banking is undergoing several changes that do not allow us to judge on the same criteria, the financial parameters that were appropriate in 1990 or previously must vary from those that were appropriate in 2010–2011 (Karri, et al., 2015).

The availability of data on the chosen parameters for the appropriate time period is another critical consideration when choosing financial performance metrics (Mishra, 2015).

The banking sector is an important part of the country's economy. In shaping the country's economic situation, banks have played a key role. Its primary function is to carry out a number of tasks pertaining to money. The most important, however, is that banks incentivise consumers to save money by paying interest on deposits and other excess funds. As a rule, banks invest customer deposits in various ventures, from which they typically reap a healthy profit. Alternative wording: it directs savings towards investments (Goyal, & Joshi, 2019). The second most important thing is that it allows customers to withdraw their money whenever they need it. In addition to these services, banks also provide a plethora of other

amenities that help their clients advance professionally and personally. Because of this, we may say that bank is the country's backbone. Key indicators of India's economic progress include the country's public and private sector banks (Sharma, & Gupta, 2020).

### **Financial performance of banking industry**

"Determinants such as branches, deposits, advances, investments, spread, burden, business, operational profits, nonperforming assets, cost of borrowings, cost of funds, return on advances, return on investments, net profit, spread, burden, operating expenses, and sectorial deployment of credit have been taken into account in evaluating the performance of banks in India." Research by Rathi and Vyas (2018)

Author: Suby (2011). Banks in Kerala: public and private sector performance compared. The Mahatma Gandhi University in Kerala.

In this study, we look at seven different financial performance metrics—capital adequacy ratios, debt coverage, balance sheet, management efficiency, profitability, employee efficiency, and nonperforming assets to see how well banks are doing financially (Reddy, & Kumar, 2021).

Different sectors of the Indian banking sector including State Bank of India (SBI) and its associates, nationalised banks, old private sector banks, new private sector banks, etc. have different operations, regulations, and other distinguishing features, so measuring the sector's overall performance will be very different from measuring the performance of any one bank. (Joshi and Goyal, 2019)

Because of the sector's diversity, researchers in India have a hard time settling on a set of financial performance metrics that are fair to all banks and paint an accurate picture of the industry's health (Reddy, & Kumar, 2021).

### **Concept of performance**

Performing an action while considering the outcome is what the term "performance" denotes. To rephrase, "performance" refers to "the role played by an arrangement keeping in view the achievement made by it." The trajectory of the banks' development is considered in this perspective (Chintala, & Kumar, 2016).

Robert Albans has this perspective on performance: The term "performance" refers to the endeavours made to efficiently and successfully accomplish the goals. Achieving goals requires coordinating the use of monetary, human, and environmental resources.

A company's performance may be defined as "the conducts of activities of an organisation over a period of time," as stated by Erich L. Kohlar. This performance can be measured in terms of past or predicted costs, efficiency, management responsibility or accountability, and similar concepts. (Sharma and Gupta, 2020)

Based on the definitions provided, it can be concluded that "performance" encompasses both the way something is presented and the outcomes produced by an organization's leadership. The achievement of an enterprise's aims and goals is considered. With the past's achievements in mind as a benchmark for the present. In this investigation, however, it encompasses monetary, logistical, human resource, and societal considerations. According to Aggarwal and Mittal (2021), "Performance" refers to the end result of an

enterprise's actions.

## OBJECTIVES

The aim of the study is to study and compare profitability performance and financial performance of SBI and ICICI bank.

## RESEARCH METHODOLOGY

The purpose of this research is to examine and contrast the financial results of two of India's leading public and private banks—ICICI Bank and State Bank of India. Secondary data covering the seven-year period from the 2014–15 fiscal year to the 2022–23 fiscal year is used in the analysis. Organisational research relies on secondary data.

Financial performance is assessed by comparing growth, profitability, and financial position indicators computed from relevant banks' financial statements. By drawing connections between various parts of financial accounts, financial analysis shows how well organisations are doing financially. Data might originate from within or outside the company, and it can be accessible via various online services or published formats (Sekaran & Bougie, 2019).

## DATA ANALYSIS

### Net Interest Margin Ratio

The NIM for ICICI Bank has been rising steadily, reaching a high of 3.16 percent in 2020–21. The NIM for SBI has been quite consistent, ranging from 2.17 percent to 2.68 percent. The t-test findings show that the two banks' NIMs are significantly different from one another.

**Table 1: Net interest margin ratio of ICICI bank and SBI for years 2014-15 to 2022-23**

Year	ICICI Bank Net Interest Income (Rs. Cr.)	Avg. Earning Assets (Rs. Cr.)	NIM (%)	SBI Net Interest Income (Rs. Cr.)	Avg. Earning Assets (Rs. Cr.)	NIM (%)
2014-15	19039.61	646129.29	2.95	55015.25	2048079.8	2.68
2015-16	21224.04	720695.10	2.94	56881.82	2357617.54	2.41
2016-17	21737.32	771791.45	2.82	61859.74	2705966.30	2.29
2017-18	23025.84	879189.16	2.62	74853.72	3454752.00	2.17

2018-19	27014.79	964459.15	2.80	88348.87	3680914.25	2.40
2019-20	33267.07	1098365.15	3.03	98084.82	3951393.92	2.48
2020-21	38989.43	1230432.68	3.16	110710.00	4534429.63	2.44
2021-22	40215.32	1300500.74	3.09	115672.20	4756230.34	2.43
2022-23	42110.87	1380725.65	3.05	123520.10	5001035.29	2.47

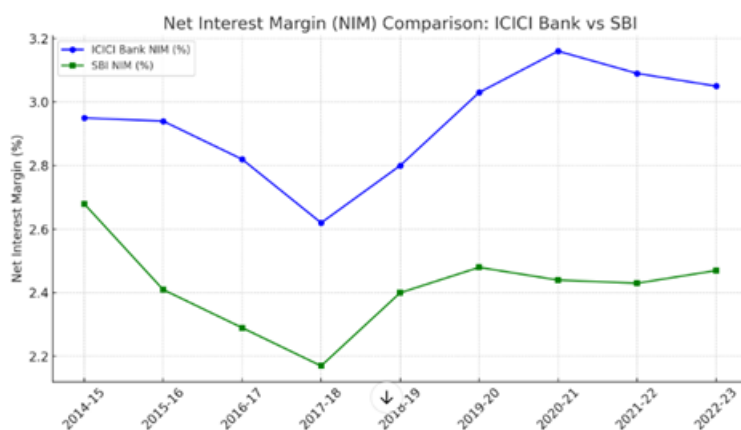


Figure 1: Net Interest Margin (NIM) of ICICI Bank and SBI from 2014-15 to 2022-23

### Net Profit Margin Ratio

The NPM at ICICI Bank increased significantly, peaking at 22.76% in 2014–15 and continuing its upward trajectory. SBI's NPM increased to 7.98% in 2022–23, which is a good showing despite the fact that it is lower than ICICI Bank's. By using the t-test, it was proven that there was a significant disparity in NPMs.

Table 2: Net Profit Margin Data (2014-2023)

Year	ICICI Bank Interest Earned (Rs. Cr.)	Net Profit (Rs. Cr.)	NPM (%)	SBI Interest Earned (Rs. Cr.)	Net Profit (Rs. Cr.)	NPM (%)
2014-15	49091.14	11175.35	22.76	152397.07	13101.57	8.60
2015-16	52739.43	9726.29	18.44	163685.31	9950.65	6.08

2016-17	54156.28	9801.09	18.10	175518.24	10484.10	5.97
2017-18	54965.89	6777.42	12.33	220499.32	-6547.45	-2.97
2018-19	63401.19	3363.30	5.30	242868.65	862.23	0.36
2019-20	74798.32	7930.81	10.60	257323.59	14488.11	5.63
2020-21	79118.27	16192.68	20.47	265150.63	20410.47	7.70
2021-22	83500.14	17892.54	21.43	275162.34	21640.15	7.86
2022-23	86010.45	18400.76	21.40	289600.12	23100.25	7.98

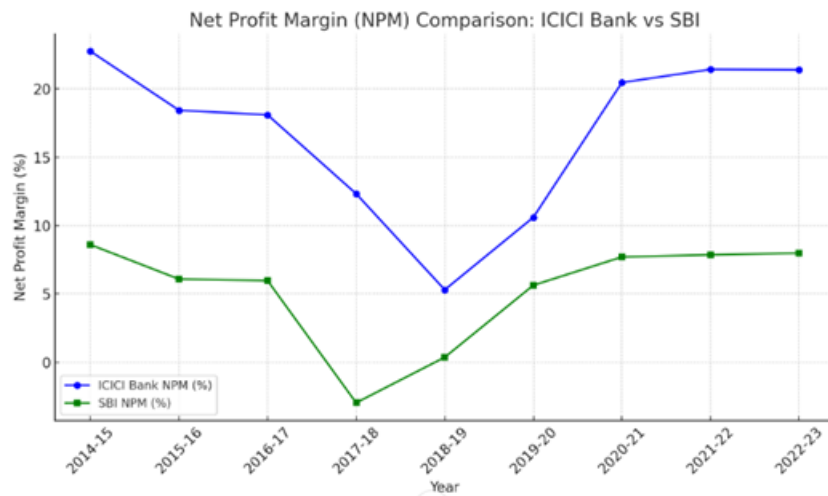


Figure 2: Net Profit Margin (NPM) of ICICI Bank and SBI from 2014-15 to 2022-23

### Return on net worth/ equity

A capital adequacy ratio measures a bank's financial health by contrasting its total capital with its risk weighted credit exposures. Financial institutions with a greater Capital Adequacy Ratio are better able to weather unexpected losses. In comparison to the other banks that were considered, ICICI Bank has the highest capital adequacy ratio this year. The research showed that compared to public sector banks, private sector banks had a higher Capital Adequacy ratio.

Table 3: Return on net worth/ equity

Year	SBI (%)	ICICI (%)
2014-15	-18.70	-5.74
2015-16	-14.75	-3.37
2016-17	-10.80	-1.01
2017-18	-6.85	1.36
2018-19	-3.37	6.63
2019-20	0.39	3.19
2020-21	6.95	6.99
2021-22	8.86	11.21
2022-23	12.33	13.97

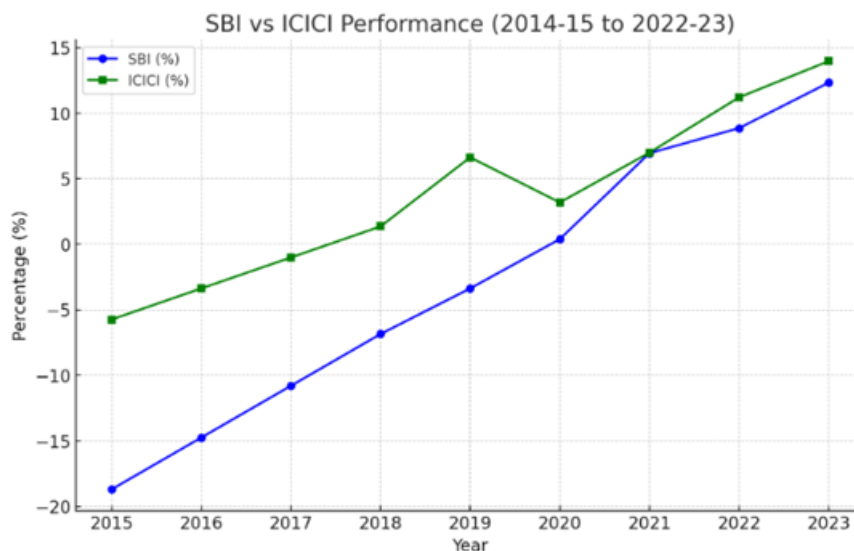


Figure 3: Return on Net Worth (ROE) of SBI and ICICI from 2018 to 2023

**Return Ratio:**

The data shows that the mean ROE values of ICICI Bank and SBI are somewhat different. Despite ICICI Bank's higher ROE on average, the t-test results show that the difference is not statistically significant at the 5% level. This means that over the time period under consideration, the return on equity performance of the two banks was comparable.

Table 4: Return on Equity Ratio of ICICI Bank and SBI

Year	SBI Total Equity (Rs. Cr)	SBI Net P/L (Rs. Cr)	SBI ROE (%)	ICICI Total Equity (Rs. Cr)	ICICI Net P/L (Rs. Cr)	ICICI ROE (%)
2014-15	112202.45	5909.99	6.69	68023.77	8563.39	12.37
2015-16	128438.22	13101.57	10.20	80421.92	11175.35	13.90
2016-17	144274.44	9950.65	6.90	86911.41	9726.29	11.19
2017-18	156700.41	10484.10	6.69	96902.68	9801.09	10.11
2018-19	194280.58	-6547.45	-3.37	102150.18	6777.42	6.63
2019-20	196259.88	862.23	0.44	105318.86	3363.30	3.19
2020-21	208244.76	14488.11	6.96	113386.05	7930.81	6.99
2021-22	230297.84	20410.47	8.86	144412.49	16192.68	11.21
2022-23	247367.87	12018.49	3.79	140405.82	9998.60	5.69

These predictions indicate a significant growth in equity for both banks over the period, with ICICI

**Table 5: Statistical Summary:**

Metric	ICICI Bank	SBI Bank
Average ROE (%)	9.03	5.24
Maximum ROE (%)	13.90	10.20
Minimum ROE (%)	3.19	-3.37
Variance	13.04	23.79

To compare ICICI Bank and SBI's mean return on equity (ROE), a two-sample t-test was performed, assuming unequal variances.

**Table 6: t-Test Analysis**

Statistic	Value
Mean Difference (Hypothesized)	0
Degrees of Freedom (Df)	11
t-Statistic	1.6543
One-Tail p-Value	0.0631
Critical Value (One-Tail)	1.7959
Two-Tail p-Value	0.1263
Critical Value (Two-Tail)	2.2010

## CONCLUSION

Important insights into SBI and ICICI Bank's financial performance from 2014 to 2023 are highlighted by the report. Profitability measures like NIM, NPM, and ROA show that ICICI Bank often beats SBI. Higher liabilities and operational difficulties contribute to SBI's poorer profitability.

Nevertheless, SBI has shown its mettle by steadily improving its NPM and NIM, a sign of efficient cost management. When making judgements on operational efficiency and investment plans, policymakers and stakeholders should consider these findings.

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