

Performance of Banking Sector in India -A comparative study of SBI, ICICI & CITI Bank

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Abstract: *Banking sector plays very important role in every country's economy. In India, no doubt banking sector plays significant role. After the new economic policy, banking sector growth rate is very high. Despite of 2008 recession almost every sector (Public, Private & Foreign) shows drastically change. The merger of weaker banks into larger banks and establishment of new banks have opened the competition level in this sector. Due to highly competitive environment, performance of banks also affected. The Present paper highlights the performance of selected banks i.e. SBI, ICICI & CITI Bank in India from 2013-14 to 2015-16 with the help of Capital Adequacy Ratio, Net Profit, Total Income & Total Expenditure. The study covers the bank from Public, Private and Foreign sector.*

Key Words: *Performance, Banking Sector, CAR, Public, Private, Foreign Banks.*

1. INTRODUCTION:

Banking sector plays an important role in the economic development of a country. In India, banking sector diversified into many sub sectors on the basis of ownership and control i.e. Public Sector Banks, Private Sector (New and old) Banks, Foreign Sector Banks, Cooperative Banks, Regional Rural Banks, Local Area Banks etc. but the commercial banks both public and private sector having a wide network of branches. The major business share of banking in India in the total banking operations is within the Public Sector banks. India is the largest country with a broader financial system and network in the sub-continent. The banking sector in India was developed before independence. The major phase of nationalization of banks in India took place in 1969. And the second phase in 1980. There was also a reasonable existence of public, private and foreign sector banks in India. The major transformation process was seen in banking sector in India after introducing the new economic policy, 1991 with the implementation of liberalization aspect of various business operations.

With the introduction of Basel Norms I in 1988, banks should also concentrate the fulfillment of capital adequacy norms also. Later Basel II norms introduced in 2005 and stressed upon the banks more and more capital adequacy ratio to meet the credit and operational risks of banks in near future. Basel III which is still to be implemented has also prescribed norms for the smooth functioning of banks. All the Basel norms are suggested to maintain the reasonable capital base of each bank to meet contingencies.

Performance and efficiency of commercial banks are the key elements of each bank. After the liberalization era, Public sector banks in India have also diversified its operation throughout the country as well as outside India but they have been to the some extent at present under bureaucratic mode. The private sector banks also divided into new and old private sector banks and foreign banks also maintain the lead in terms of their different aspects of banking operations. Some of the public sector banks' performance has been very weak. So privatization process in this sector is also the need at present to tackle this type of situation. There is a reason for poor performance of some of the public sector banks in India because they have carry their operations not for the sole purpose of earning profit but also to run some welfare schemes on behalf of the Government of India.

2. REVIEW OF LITERATURE:

Several researches have been conducted to analyses the different aspects of performance of commercial banks in India and abroad. Some of the review concerned with the topic discussed in below:

Virendar Koundal (2012) in his paper titled 'Performance of Indian Banks in Indian Financial System concludes that although various reforms have produced favorable effects on commercial banks in India and because of this transformation is taking place almost in all categories of the banks. It has also realized that the profitability of the public sector banks appears to have started improving but despite this, the foreign and private sector banks take a big share of cake. Our public sector banks are still lagging behind regarding the various financial parameters in comparison with other banks. It is also true that presently, they are facing many internal and external challenges, which are hindering their performance. Hence, there is a need to consider the above listed challenges for another reform to improve the performance of the banks particularly of public sector banks to meet the requirement of new and open competitive environment.

Anurag B. Singh, Priyanka Tandon (2012) in their paper titled 'A Study of financial Performance-Comparative Analysis of SBI and ICICI Bank concludes that SBI is performing well and financially sound than ICICI Bank but in context of deposits and expenditure ICICI bank has better managing efficiency than SBI.

Sankharaj Roy, Biplab Kumar De (2013), in their research paper titled 'An analysis of Financial Performance of Indian Commercial Banks' studied the various financial aspects of banks in India. The present study was done to examine the importance of financial performance of the commercial banks during the period of 2000 to 2011. The study applied key profitability ratios for assessing the financial performance of the commercial banks. Financial stability of the banks plays a crucial role in the growth of the banks. To accomplish this objective a regression analysis between Earnings before interest and tax and different factors affecting banks profitability was done. The study reveals that the during the period Return on Assets which indicates how efficiently the company is using its total assets shows an increasing trends in the last five year from 2007 to 2011. Return on Net Worth shows an increasing trend from 2007 onwards with very poor performance in 2006. The Capital adequacy ratio has strong negative relation with Net Assets to RONW ratio and NPA to net assets ratios.

3. OBJECTIVE OF THE STUDY:

1. To study the financial performance of SBI, ICICI & CITI Bank
2. To compare the financial performance of SBI, ICICI & CITI Bank

Period of Study

The study analyses the data of banks selected from 2013-14 to 2015-16.

4. PROFILE OF BANKS SELECTED FOR STUDY:

State Bank of India is an Indian multinational government owned public sector banking and financial services company. Its headquarters in Mumbai. SBI is the leading bank in India when it comes to number of branches, ATM's, net profits, total assets managed, etc. With an employee base of close to 3 lakh people SBI commands 20% (approx) of the Indian banking sector. The bank has over 17,000 branches including 191 foreign offices spread across 36 countries, making it the largest banking and financial services company in India by assets and with more than 27,000 ATM's. The bank manages assets worth more than 390 billion USD. In 2001, the SBI Life Insurance Company was started by the bank. They are the only bank that have been permitted 74% stake in the insurance business. SBI also introduced 'SBI e-tax' an online tax payments facility for direct and indirect tax payments.

HDFC Bank Limited is an Indian banking and financial services company headquartered in Mumbai. As of December 31, 2016, the Bank's distribution network was at 4,715 branches and 12,260 ATMs across 2,597 cities / towns. It has 84,325 employees and has a presence in Bahrain, Hong Kong and Dubai. HDFC Bank is India's second-largest private sector lender by assets. It is the largest bank in India by market capitalization as of February 2016

CITI Bank has a long history in India. Currently, the owner of Citibank India, Citigroup is the largest foreign direct investor in financial services in India with a total capital investment of approximately US\$4 Billion in its onshore banking and financial services business and its principal and alternate investment programmes. It operates 44 full-service Citibank branches in 31 cities and over 700 ATMs across the country. Citibank is an employer of about 7,500 people

5. PARAMETERS STUDIED FOR COMPARISON OF PERFORMANCE:

1. Total Income
2. Total Expenditure
3. Net Profit
4. Capital Adequacy Ratio

6. DATA ANALYSIS AND INTERPRETATION:

Total Income

The total income indicates the rupee value of the income earned during a period. The higher value of total income represents the efficiency and good performance. The table mentioned below highlights the total income of selected banks for the study period:

Table 1: Total Income of Banks for the period 2013-14 to 2015-16 (Amount in crores)

Year	SBI	ICICI	CITI Bank
2013-14	1,54,904	54,606	12,199
2014-15	1,74,973	61,267	13,542
2015-16	1,91,844	68,062	13,863

(Source: Annual Reports of Banks, IBA database)

The figure in the table shows that the total income increase 23.84% in case of SBI, 24.64% increase in case of ICICI & 13.64% in case of CITI Bank. It clearly indicates that the total income of Public sector bank and private sector banks increase is more than as compare to foreign sector bank selected for study.

Total Expenditure

The total expenditure reveals the proportionate share of total expenditure spent on the development of staff, interest expended and other overheads. The table mentioned below highlights the total expenditure of selected banks for the study period:

Table 2: Total Expenditure of Banks for the period 2013-14 to 2015-16 (Amount in crores)

Year	SBI	ICICI	CITI Bank
2013-14	1,22,794	38,011	6,595
2014-15	1,35,436	41,547	7,509
2015-16	1,48,586	44,199	7,701

(Source: Annual Reports of Banks, IBA database)

The figures in the table reveals that the ratio of rise in the expenditure is 21% in case of SBI and almost upto 17% increase in expenditure seen in case of ICICI and CITI Bank. It clearly indicates that the total expenditure of Public sector bank increase rapidly and in higher ratio as compare to other sector bank selected for study.

Net Profit

Net Profit reveals the financial results of the business activity and efficiency of management in operations. It is calculated by deducting provisions and contingencies from operating profit. The table mentioned below highlights the Net Profit of selected banks for the study period:

Table 3: Net Profit of Banks for the period 2013-14 to 2015-16 (Amount in crores)

Year	SBI	ICICI	CITI Bank
2013-14	10,891	9,810	2,893
2014-15	13,102	11,175	3,423
2015-16	9,951	9,726	3,233

(Source: Annual Reports of Banks, IBA database)

Net Profit of the banks selected for study reveals that the all sector bank's net profit shows high variations in the period of study. During the period 2015-16, the net profit of all the banks shows decreasing trends.

Capital Adequacy Ratio

The *capital adequacy ratio* (CAR) is a measure of a bank's *capital* to cover the future risk. It is expressed as a percentage of a bank's risk weighted credit exposures. Also known as *capital-to-risk weighted assets ratio* (CRAR), it is used to protect depositors and promote the stability and efficiency of financial systems around the world. The table mentioned below highlights Capital Adequacy Ratio of selected banks for the study period:

Table 4: Capital Adequacy Ratio of Banks for the period 2013-14 to 2015-16 (in %age)

Year	SBI	ICICI	CITI Bank
2013-14	12.44	17.70	16.49
2014-15	12.00	17.02	15.30
2015-16	13.12	16.64	14.85

(Source: Annual Reports of Banks, IBA database)

The CAR shows of the period selected for study of each banks is above the level prescribed under Basel norms. SO it clearly indicates that all the banks have greater exposure regarding their risk. All the banks have a policy to secure their future risk by maintaining higher CAR.

7. CONCLUSION:

The performance of bank is not dependent on some limited parameters. But in this paper the performance of banks to be analyzed by taking into account the four parameters. The data related with all the parameters have clearly indicates that the performance of banks during 2013-14 to 2015-16 in the entire sector is almost satisfactory. In term of expenditure, it can be suggested that the SBI can adopt the proper policy of maintaining their expenditure in near future to increase its profitability. Despite of increase the expenditure rate, SBI also maintains the leads in terms of earning total income as compare to other sector banks selected for study. Hover in 2015-16, the net profit of all the banks selected for study is showing decreasing terns if we compare to with past year figure. All the banks have maintained the optimum CAR i.e. all are adopting the practices of securing them in near future regarding various types of risks.

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