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A STUDY OF FINANCIAL PERFORMANCE: A COMPARATIVE ANALYSIS OF SBI AND ICICI BANK

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ABSTRACT
This article presents a comparative analysis of the financial performance of State Bank of India (SBI) and ICICI Bank, based specifically on three key financial ratios: Net Profit Margin Ratio (profitability), Current Ratio (liquidity), and Asset Turnover Ratio (efficiency). The study aims to evaluate and contrast the banks' ability to generate profit, maintain short-term liquidity, and efficiently utilize assets. By focusing on these specific ratios, the analysis provides targeted insights into the operational and financial effectiveness of a leading public sector bank versus a private sector counterpart.
KEYWORDS: *Net Profit Margin Ratio, Current Ratio, Asset Turnover Ratio, SBI, ICICI Bank, Financial Performance, Comparative Analysis*

INTRODUCTION

The banking sector plays a crucial role in the economic development of a country by mobilizing savings and channeling them into productive investments. In India, both public and private sector banks contribute significantly to the financial system. Among them, the State Bank of India (SBI) and ICICI Bank stand out as leading institutions representing the public and private sectors respectively. Analysing and comparing their financial performance helps in understanding their operational effectiveness and strategic approaches. This study focuses on a comparative evaluation of SBI and ICICI Bank using specific financial ratios that measure profitability, liquidity, and efficiency namely, the Net Profit Margin Ratio, Current Ratio, and Asset Turnover Ratio. These indicators provide insights into how well each bank generates profit, manages short-term obligations, and utilizes its assets. The objective is to assess their financial health and draw meaningful conclusions about their performance in the competitive Indian banking landscape.

REVIEW OF LITERATURE

The comparative financial performance of banks has been a widely researched area in the field of finance and banking, especially when analyzing public and private sector banks like State Bank of India (SBI) and ICICI Bank.

Gupta and Kaur (2008) conducted a comparative study of private and public sector banks and observed that private banks like ICICI demonstrated better operational efficiency due to technological adoption and aggressive marketing strategies, while public sector banks maintained stability and customer trust. Singh and Tandon (2012) analyzed the financial performance of SBI and ICICI Bank using CAMEL model and found that SBI outperformed ICICI in asset quality and management efficiency.

Kaur (2010) highlighted that while ICICI Bank had better net profit margins, SBI maintained stronger capital adequacy ratios and higher provisioning, ensuring long-term financial soundness. Similarly, Malhotra and Singh (2009) concluded that ICICI Bank showed better returns on equity and assets during high-growth periods, but SBI demonstrated more resilience during financial downturns.

Srinivasan (2011) employed ratio analysis to compare liquidity and profitability of both banks and found that SBI had better liquidity ratios, indicating stronger financial stability. In contrast, Sharma and Mehta (2013) emphasized that ICICI Bank had higher operational income growth, reflecting better utilization of resources and efficiency in managing non-interest income.

Joshi and Patel (2015) observed that though ICICI Bank had a competitive edge in terms of digital banking and service innovation, SBI's large network and rural outreach gave it an upper hand in deposit mobilization. Reddy and Prasad (2011) examined NPAs and found that SBI had lower non-performing asset ratios compared to ICICI, suggesting superior credit risk management in the public sector bank.

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Choudhary and Gupta (2019) utilized trend analysis and revealed that SBI's consistent growth in net interest income and net profits indicated its dominance in the Indian banking sector despite market competition from private banks. Finally, Verma and Saxena (2020) employed a DuPont analysis and concluded that both banks had distinct financial strategies—ICICI focusing on aggressive credit growth and SBI on sustainable asset expansion.

OBJECTIVE OF THE STUDY

1. To compare the profitability of SBI and ICICI Bank using the Net Profit Margin Ratio.
2. To assess the liquidity position of both banks through the Current Ratio
3. To evaluate the operational efficiency of the banks using the Asset Turnover Ratio

RESEARCH METHODOLOGY

Secondary data is collected from Annual reports of the banks for the period 2019-20 to 2023-24. The following ratios are used for analysis.

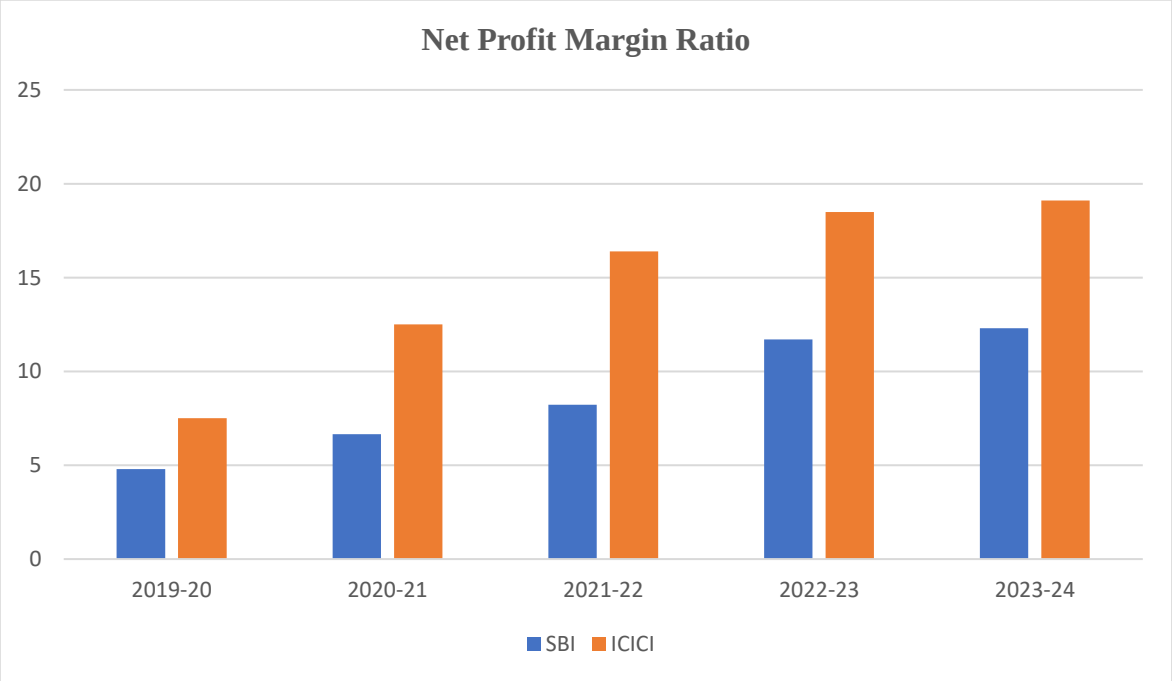
Net Profit Margin Ratio
Formula: Net Profit Margin Ratio = (Net Profit / Total Revenue) × 100
Current Ratio
Formula: Current Ratio = Current Assets / Current Liabilities
Asset Turnover Ratio
Formula: Asset Turnover Ratio = Total Revenue / Total Assets

DATA ANALYSIS AND INTERPRETATION

PROFITABILITY RATIO

Net Profit Margin Ratio

Year	SBI (%)	ICICI (%)
2019-20	4.79	7.5
2020-21	6.65	12.5
2021-22	8.22	16.4
2022-23	11.71	18.5
2023-24	12.30	19.1



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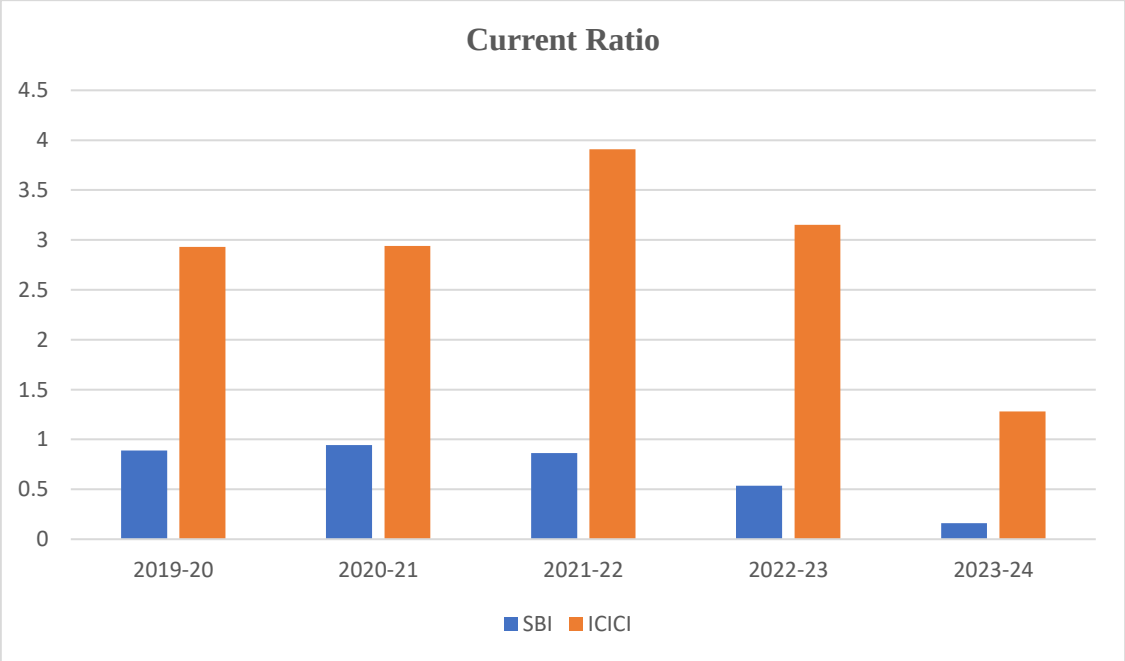
Interpretation

From 2019-20 to 2023-24, both SBI and ICICI Bank demonstrated a consistent enhancement in their Net Profit Margins, indicating improved profitability and operational effectiveness. SBI's margin rose from 4.79% to 12.30%, reflecting ongoing advancements in cost management and asset quality. In contrast, ICICI Bank consistently surpassed SBI during this timeframe, with its margin increasing from 7.5% to 19.1%, highlighting its superior earnings efficiency and robust financial governance. The expanding disparity between the margins of the two banks implies that ICICI Bank has been more adept at boosting profitability, whereas SBI, despite its progress, continues to fall short in overall profit conversion efficiency.

LIQUIDITY RATIO

Current Ratio

Year	SBI (%)	ICICI (%)
2019-20	0.888	2.93
2020-21	0.943	2.94
2021-22	0.864	3.91
2022-23	0.537	3.15
2023-24	0.162	1.28



Interpretation

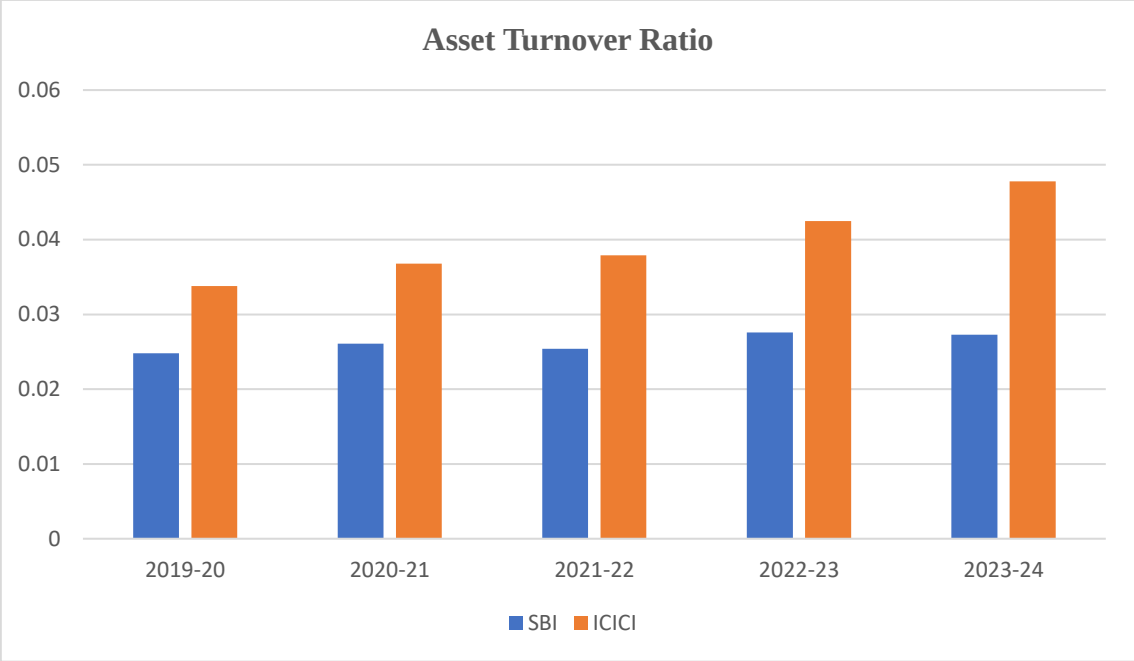
From 2019-20 to 2023-24, SBI's current ratio showed a continuous decline from 0.888 to 0.162, indicating a weakening short term liquidity position. This trend suggests that SBI is increasingly relying on current liabilities without maintaining a sufficient buffer of current assets, which could raise concerns about its ability to meet short-term obligations. In contrast, ICICI Bank maintained a relatively strong liquidity position during the same period, with its current ratio remaining consistently above one decreasing from 2.93 in 2019-20 to 1.28 in 2023-24. Despite the decline, ICICI's ratios reflect a better ability to manage short term liabilities, highlighting more effective liquidity and working capital management compared to SBI.

EFFICIENCY RATIO

Asset Turnover Ratio

Year	SBI (%)	ICICI (%)
2019-20	0.0248	0.0338
2020-21	0.0261	0.0368
2021-22	0.0254	0.0379
2022-23	0.0276	0.0425
2023-24	0.0273	0.0478

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Interpretation

From 2019-20 to 2023-24, both SBI and ICICI Bank maintained identical Cash Reserve Ratio (CRR) levels, as mandated by the Reserve Bank of India (RBI). The CRR was 4.00% in 2019-20, but in response to the COVID-19 pandemic, the RBI reduced it to 3.00% in 2020-21 to ease liquidity pressures in the banking system. As economic conditions improved, the CRR was restored to 4.00% in 2021-22. In the following years, 2022-23 and 2023-24, the CRR was raised further to 4.50% as part of the RBI's efforts to control inflation and withdraw excess liquidity from the system. Both banks consistently complied with these regulatory changes, highlighting their alignment with RBI's monetary policy framework and the central bank's efforts to maintain macroeconomic and financial stability.

FINDINGS

Profitability Ratio - Net Profit Margin

- Both SBI and ICICI Bank showed consistent improvement in their Net Profit Margin from 2019-20 to 2023-24.
- SBI increased its margin from 4.79% to 12.30%, indicating progress in cost management and asset quality.
- ICICI Bank outperformed SBI, increasing its margin from 7.5% to 19.1%, showcasing superior earnings efficiency and better profit generation.
- The widening gap in margins indicates ICICI Bank's more effective profitability strategy, whereas SBI continues to lag behind in profit conversion efficiency.

Liquidity Ratio - Current Ratio

- SBI's current ratio declined significantly from 0.888 in 2019-20 to 0.162 in 2023-24, reflecting a weakening short-term liquidity position.
- ICICI Bank maintained a relatively strong liquidity position, though its ratio decreased from 2.93 in 2019-20 to 1.28 in 2023-24, suggesting better short-term financial management than SBI.
- Despite the decline, ICICI Bank's liquidity position remained strong, highlighting more effective management of working capital compared to SBI.

Efficiency Ratio - Asset Turnover Ratio

- Both SBI and ICICI Bank saw gradual improvement in their Asset Turnover Ratios, indicating better asset utilization.
- SBI's ratio increased from 0.0248 in 2019-20 to 0.0273 in 2023-24, reflecting moderate improvement in operational efficiency.
- ICICI Bank showed superior efficiency, with its ratio rising from 0.0338 to 0.0478, demonstrating more effective use of assets to generate revenue.

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- ICICI Bank consistently outperformed SBI in asset utilization, indicating a stronger focus on operational efficiency.

CONCLUSION

The financial performance analysis of SBI and ICICI Bank from 2019-20 to 2023-24 reveals that both banks showed improvements, but ICICI Bank consistently outperformed SBI in key financial ratios. ICICI Bank exhibited stronger growth in profitability, liquidity, and efficiency as reflected in its higher Net Profit Margin, Return on Assets (ROA), and Return on Equity (ROE).

In contrast, SBI made significant progress, especially in Net Profit Margin and ROE, but its liquidity position weakened over time, with its Current Ratio declining sharply. While SBI has improved in profitability, ICICI Bank continues to show better financial health, efficient asset utilization, and superior management of short-term obligations. Overall, ICICI Bank outshines SBI in terms of financial efficiency and profitability, though SBI has shown progress, especially in profitability areas. To sustain growth, SBI needs to address its liquidity challenges and focus on further improving operational efficiency.

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