

ANALYZING FINANCIAL PERFORMANCE (2011-2018) OF PUBLIC SECTOR BANKS (PNB) AND PRIVATE SECTOR BANKS (ICICI) IN INDIA

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Abstract:

The banking sector is that the principal constituent of the financial system, that is directly connected to the country's economy. In the present day, commercial Indian banking industry is split into following categories-(a) public sector banks (b) private sector banks. The public sector banks take over private sector in commercial Indian banking system. It's become necessary to study and to form a comparative analysis of services of public sector Bank and private Sector bank in India. The Punjab national bank (PNB) is one of the second largest public sector banks after SBI (state bank of India) and ICICI (Industrial Credit and Investment Corporation of India) is one of the largest private sector banks in India. In this paper, an effort has been created to assess and compare the financial performances of one of the major public sector Bank (PNB) and Private Sector bank (ICICI) in India for operating period 2011-2018. The data used for this study was entirely secondary in nature and was taken from the annual financial reports of the respective banks for the period 2011-12 to 2017-18. As interest expenses to total expenses are comparable for both the PNB and ICICI bank, individuals preferred both the bank to invest their savings similarly. The proportion of interest income to total income in PNB is higher than that of ICICI, which shows that individuals well-liked PNB, to require loans and advances. However, other income to total income of ICICI bank is sounder than PNB bank. The average of net profit margin ratio of PNB bank is lower than ICICI bank and this shows that its lower operational efficiency comparatively than ICICI bank. In case of dividend pay-out ratio, debt-equity ratio and Interest expended to interest earned, ICICI bank has performed sounder as compare to PNB bank. Based on the findings, the study reveals that bank customers have a lot of trust in public sector banks compared to private sector banks. Individuals well-liked PNB bank to require loans and advances as compare to ICICI bank. However, PNB bank has lower operational efficiency comparatively than ICICI bank. In case of dividend pay-out ratio, debt-equity ratio and Interest expended to interest earned, ICICI bank has performed sounder as compare to PNB bank.

Keywords:

Public Sector Banks, Private Sector Bank, Punjab National Bank (PNB), ICICI Bank, Indian Sector Bank

1. INTRODUCTION

Banks play a very important role within the economic development of a country. A bank may be a financial intermediary that accepts deposits and channels them into lending activities. It plays a dynamic role in the marketing of recent sort of deposits and advances schemes. Banking sector plays an essential role within the financial health of a nation. The banking sector is that the principal constituent of the financial system, that is directly connected to the country's economy. The banking system of India options a large network of bank branches, providing several kinds of financial services to the people.

In the present day, Indian commercial banking industry is split into following categories-(a) Public sector banks (b) Private sector banks. Public sector banks are the ones in which the government features a major holding. These can be further classified into: a) State Bank of India b) Nationalized banks c) Co-operative sector banks. The State bank of India, (SBI) is that the leading bank of public sector in India whereas the Punjab National Bank (PNB) is that the second largest public sector banks in India and plays an important role within the development of Indian economic system. Private sector banks originated into existence to supplement the performance of public sector banks and serve the needs of the economy better. Private sector banks are the banks that are controlled by the private lenders with the approval from the reserve bank of India (RBI). Their interest rates are slightly expensive as compared to Public sector banks. The ICICI (Industrial Credit and Investment Corporation of India) is one among the biggest and leading banks of private sector banks in India.

The financial performance of a bank is often measured as the achievement of the bank in terms of profitability position, service quality, customer satisfaction and other relevant aspects. In recent times, Public sector banks dominate commercial banking in India and therefore the study reveals that bank customers have a lot of trust in public sector banks as compared to private sector banks [7]. However, things have transformed; at present, banks are known for technical and financial changes. Private bank in India are performing very well and more and more private banks are coming up with topmost quality standards since globalization [2]. People are more satisfied from the private sector banks because of their better services provided by them in terms of speedy transactions, totally computerized facilities, more operating hours, smart investment consultative services, efficient and co-operative employees, and better approach to client relationship management [10]. Public sector banks are facing stiff challenges from the private sector banks and are underneath terrific pressure to cope up with the facilities provided by the multinational banks [5]. Public sector banks should concentrate on their functioning to private sector banks. Banks should be well versed in proper selection of borrower/project and in analysing the financial plan [3]. In this paper, an effort has been made to assess and compare the financial performances of one of the major public sector Bank (PNB) and Private Sector bank (ICICI) in India for operating period 2011-2018.

2. METHOD

The study is an exploratory and analytical in nature and compares the financial performance of PNB and ICICI bank.

Data Collection: The study is based on secondary data that has been collected from annual reports of the respective bank's

website through internet. The present study covers seven years period ranging from 2011-12 to 2017-18.

Statistical Analysis: The present research work deals about comparative performance of SBI and ICICI BANK with reference to Ratio analysis and Percentage analysis. Data are expressed as mean \pm standard deviation (SD). All data were analyzed with the SPSS for windows statistical package (version 20.0, SPSS Institute Inc., Cary, North Carolina. We have used Independent student “t” test to determine the relative importance (significant) of each variable in affecting the performance of bank among them and the significance level were fixed at $p < 0.05$.

3. FINDINGS AND INTERPRETATION

The comparative data for operative period 2011-2018 (among PNB and ICICI) with percentage change in credit deposit, interest expenses to total expenses, interest income to total income, and other income to total income:

The data are summarized in Table.1 with Mean \pm SD. We observed that credit deposit ratio, and other income to total income was significantly higher with ICICI bank when compared to PNB bank. Though, interest income to total income was significantly lower with ICICI bank when compared to PNB bank. However, we didn't find any significant difference in interest expense to total expenses among ICICI bank and SBI bank for operative period 2011-2018. It is clearly indication that ICICI bank maintain higher rate of credit deposit ratio as compare to PNB during the entire study period indicating ICICI Bank has created more loan assets from its deposits as compared to PNB. It means ICICI bank may not have enough liquidity to cover any unforeseen fund requirements. As interest expenses to total expenses is comparable for both the PNB and ICICI bank, which shows that people preferred both the bank to invest their savings similarly. The proportion of interest income to total income in PNB is higher than that of ICICI, which shows that people preferred PNB to take loans and advances. However, other income to total income of ICICI bank is sounder than PNB bank.

Table.1. The comparative data for operative period 2011-2018 (among PNB and ICICI) with percentage change in credit deposit, interest expenses to total expenses, interest income to total income, and other income to total income

Year	PNB	ICICI
Credit deposit ratio (%)		
2011-2012	77.39	99.30
2012-2013	78.84	99.19
2013-2014	77.38	102.04
2014-2015	75.90	107.17
2015-2016	74.55	103.28
2016-2017	67.47	94.73
2017-2018	67.53	91.34
Mean \pm SD	74.15 \pm 4.73	99.57 \pm 5.30*
Interest expenses to total expenses (%)		

2011-2012	64.43	65.95
2012-2013	65.37	65.36
2013-2014	60.91	61.84
2014-2015	60.56	59.99
2015-2016	55.10	54.02
2016-2017	58.80	50.76
2017-2018	47.82	48.68
Mean \pm SD	58.99 \pm 6.00	58.08 \pm 6.90
Interest income to total income (%)		
2011-2012	89.67	81.72
2012-2013	90.86	82.76
2013-2014	90.43	80.90
2014-2015	88.71	80.12
2015-2016	88.77	77.48
2016-2017	84.08	73.52
2017-2018	84.39	75.93
Mean \pm SD	88.13 \pm 2.77	78.91 \pm 3.36*
Other income to total income (%)		
2011-2012	10.33	18.28
2012-2013	09.14	17.23
2013-2014	09.57	19.09
2014-2015	11.28	19.87
2015-2016	11.23	22.51
2016-2017	15.92	26.48
2017-2018	15.61	24.06
Mean \pm SD	11.86 \pm 2.77	21.07 \pm 3.37*

Source: Annual Reports of PNB and ICICI Bank from 2011-12 to 2017-18, *Significant changes compared with PNB

The comparative data for operative period 2011-2018 (among PNB and ICICI) with percentage change in growth of net profit, growth in total income, total expenditure, and total deposits:

The data are summarized in Table.2 with Mean \pm SD: we observed that there was not any significant difference for growth in net profit, total income, total expenditure, total advances, and total deposits among ICICI bank and PNB bank for operative period 2011-2018. The annual mean growth rate of profit is not much differing among both PNB and ICICI bank. The higher value of total income represents the efficiency and good performance, which is also similar for both the banks. The total expenditure reveals the proportionate share of total expenditure spent on the development of staff, interest expended and other overheads. Hence it is clear that both PNB and ICICI bank are equally efficient in terms of managing expenditure. In case of growth in total mean advances and total mean deposit, this is also comparable for the both banks.

Table.2. The comparative data for operative period 2011-2018 (among PNB and ICICI) with percentage change, in growth of profit, growth in total income, total expenditure, and total deposits

Year	PNB		ICICI	
	Profit (Crores)	% Change	Profit (Crores)	% Change
Growth in net profit				
2011-2012	4884	-	6465	-
2012-2013	4747	(-02.80)	8325	28.77
2013-2014	3342	(-29.60)	9810	17.84
2014-2015	3061	(-08.40)	11175	13.91
2015-2016	(-3974)	(-229.83)	9726	(-12.97)
2016-2017				
2017-2018				
Mean ± SD	1324 (-12282)	133.31 (-1027.64) 19.04±50.38	9801 6777	0.77 (-30.85) 8.75±11.57
Growth in total income				
	Income (Crores)	% Change	Income (Crores)	% Change
2011-2012	40678	-	41045	-
2012-2013	46109	13.35	48421	17.97
2013-2014	47799	03.67	54606	12.77
2014-2015	52206	09.23	61267	12.20
2015-2016	53424	02.33	68062	11.09
2016-2017				
2017-2018				
Mean ± SD	56227 56876	05.25 01.15 4.99±4.76	73660 72385	08.22 (-1.73) 8.89±6.73
Growth in total expenditure				
	Expenditure (Crores)	% Change	Expenditure (Crores)	% Change
2011-2012	35794	-	34580	-
2012-2013	41361	15.55	40095	15.95
2013-2014	44457	07.49	44795	11.72
2014-2015	49144	10.54	50091	11.82
2015-2016	58275	18.58	58336	16.46
2016-2017	54902	(-05.79)	63859	09.47
2017-2018	69159	25.97	65608	02.74
Mean ± SD		11.16±9.63		9.73±6.27

	Growth in total advances			
	Expenditure (Crores)	% Change	Expenditure (Crores)	% Change
2011-2012	293774	-	253727	-
2012-2013	308725	05.09	290249	14.39
2013-2014	349269	13.13	338703	16.69
2014-2015	380534	08.95	387522	14.41
2015-2016	412325	08.35	435264	12.32
2016-2017	419493	01.74	464232	06.66
2017-2018	433734	03.39	312395	10.37
Mean ± SD		5.80±4.59		10.69±5.72
Growth in total deposits				
	Deposits % Change		Deposits % Change	
	Expenditure (Crores)	% Change	Expenditure (Crores)	% Change
2011-2012	379588	-	255499	-
2012-2013	391560	03.15	292614	14.53
2013-2014	451396	15.28	331914	13.43
2014-2015	501378	11.07	361563	08.93
2015-2016	553051	10.31	421426	16.56
2016-2017	621704	12.41	490039	16.28
2017-2018	642226	03.30	560975	14.48
Mean ± SD		7.93±5.72		12.03±5.87

Source: Annual Reports of PNB and ICICI Bank from 2011-12 to 2017-18

The comparative data for operative period 2011-2018 (among PNB and ICICI) with percentage change in net profit margin, net worth ratio, earnings per share, total assets turnover ratio, dividend pay-out ratio, debt-equity ratio and interest expended to interest earned ratio:

The data are summarized in Table.3 with Mean ± SD: we observed that net profit margin and dividend pay-out ratio was significantly higher with ICICI bank when compared with PNB bank. Whereas debt-equity ratio and interest expended to interest earned ratio was significantly lower with ICICI bank when compared with PNB bank. However, we didn't find any significant difference in net worth ratio, earning per share and total assets turnover ratio with ICICI bank when compared to PNB bank for operative period 2011-2018. During this period of study, the average of net profit margin ratio of PNB bank is lower than ICICI bank and this shows that its lower operational efficiency comparatively than ICICI and the expenses are too high and need to cut expenses. As higher the net worth ratio will be better for any bank; in this study, it was not significantly differ among PNB and ICICI bank; however, for PNB bank it was lower as compare to ICICI bank, which revealed that ICICI bank has

utilized its resources more efficiently as compared to PNB bank.
In case of dividend pay-out ratio, debt-equity ratio and Interest

expended to interest earned, ICICI bank has performed sounder
as compare to PNB bank.

Table.3. The comparative data for operative period 2011-2018 (among PNB and ICICI) with percentage change in, net profit margin, net worth ratio, earnings per share, total assets turnover ratio, dividend pay-out ratio, debt-equity ratio, and interest expended to interest earned ratio

Year	PNB			ICICI		
	Net profit margin (%)					
	Net Profit (Crores)	Total Income (Crores)	Net Profit Ratio	Net Profit (Crores)	Total Income (Crores)	Net Profit Ratio
2011-2012	4884	40678	12.00	6465	41045	15.75
2012-2013	4747	46109	10.30	8325	48421	17.19
2013-2014	3342	47799	07.00	9810	54606	17.97
2014-2015	3061	52206	05.86	11175	61267	18.24
2015-2016	(-3974)	53424	(-07.44)	9726	68062	14.29
2016-2017	1324	56227	02.35	9801	73660	13.31
2017-2018	(-12282)	56876	(-21.59)	6777	72385	9.36
Mean ± SD			5.35±4.79			15.15±3.15*
	Net worth ratio (Return on Shareholder's Investment) (%)					
	Net Profit (Crores)	Share holder's Fund (Crores)	Return on net Worth ratio	Net Profit (Crores)	Share holder's Fund (Crores)	Return on net Worth Ratio
2011-2012	4884	27817	17.56	6465	60405	10.70
2012-2013	4747	32676	14.53	8325	66705	12.48
2013-2014	3342	35895	09.31	9810	73213	13.40
2014-2015	3061	39079	07.83	11175	80429	13.90
2015-2016	(-3974)	38310	(-10.37)	9726	89735	10.84
2016-2017	1324	41846	03.16	9801	99951	9.81
2017-2018	(-12282)	41074	(-29.90)	6777	105158	6.44
Mean ± SD			7.48±6.89			11.08±2.58
	Earnings per share [EPS]					
			PNB			ICICI
2011-2012			154.02			10.20
2012-2013			139.52			13.13
2013-2014			93.91			15.45
2014-2015			16.91			17.56
2015-2016			(-20.82)			15.23
2016-2017			06.45			15.31
2017-2018			(-55.39)			10.56
Mean ± SD			58.68±68.58			13.92±2.73
	Total assets turnover ratio (%)					
	Total Income (Crores)	Total Assets (Crores)	Total Assets Turnover Ratio	Total Income	Total Assets	Total Assets Turnover Ratio
2011-2012	40678	458194	08.88	41045	4890	08.39
2012-2013	46109	478948	09.63	48421	5367	09.02
2013-2014	47799	550419	08.68	54606	5946	09.18
2014-2015	52206	603333	08.65	61267	6461	09.48

2015-2016	53424	667390	08.00	68062	7206	09.44
2016-2017	56227	720330	07.80	73660	7717	09.54
2017-2018	56876	765830	07.42	72385	8791	08.23
Mean ± SD			8.43±0.74			9.04±0.53*
Dividend Pay-Out Ratio (%)						
	Dividend Per Equity Share	Earnings Per Share	Dividend Pay-Out Ratio	Dividend Per Equity Share	Earnings Per Share	Dividend Pay-Out Ratio
2011-2012	22.00	154.02	14.28	3.30	10.20	32.35
2012-2013	27.00	139.52	19.35	4.00	13.13	30.46
2013-2014	10.00	93.91	10.65	4.60	15.45	29.77
2014-2015	03.30	16.91	19.52	5.00	17.56	28.47
2015-2016	0.00	(-20.82)	0.00	5.00	15.23	32.83
2016-2017	0.00	06.45	0.00	2.50	15.31	16.33
2017-2018	0.00	(55.39)	0.00	1.50	10.46	14.34
Mean ± SD			9.11±9.04			26.36±7.69*
Debt-Equity Ratio						
	Outsider's Fund (Crores)	Share-Holder's Fund (Crores)	Debt-Equity Ratio	Outsider's Fund (Crores)	Share-Holder's Fund (Crores)	Debt-Equity Ratio
2011-2012	379588	27817	13.64	255499	60405	4.22
2012-2013	391560	32676	11.98	292613	66705	4.38
2013-2014	451396	35895	12.57	331913	73213	4.54
2014-2015	501378	39079	12.83	361562	80429	4.50
2015-2016	553051	38310	14.44	421425	89735	4.70
2016-2017	621704	41846	14.86	490039	99951	4.90
2017-2018	642226	41074	15.64	560975	105158	5.33
Mean ± SD			13.70±1.33			4.65±0.36*
Interest Expended to Interest Earned Ratio (%)						
	Interest Expended (Crores)	Interest Earned (Crores)	Ratio	Interest Expended (Crores)	Interest Earned (Crores)	Ratio
2011-2012	23061	36476	63.22	22808	33542	68.00
2012-2013	27036	41893	64.54	26209	40075	65.40
2013-2014	27077	43223	62.64	27702	44178	62.70
2014-2015	29759	46315	64.25	30051	49091	61.21
2015-2016	32112	47424	67.71	31515	52739	56.76
2016-2017	32282	47275	68.29	32418	54156	59.86
2017-2018	33073	47995	68.90	31940	54965	58.11
Mean ± SD			65.65±2.57			61.72±3.98*

Source: Annual Reports of PNB and ICICI Bank from 2011-12 to 2017-18, *Significant changes compared with PNB

4. DISCUSSION

The banking sector is considered to be an important source of funding for many businesses. They play a really necessary role within the effort to achieve stable costs, high level of employment and sound economic growth. They create funds offered to satisfy the needs of persons, businesses and therefore the government. In doing this, they facilitate the flow of goods and services and therefore the activities of governments. In spite of similar social

obligations; most of the private sector banks are registering both high profits and high growth rate with respect to deposits, advances and reserves as compared to the public sector banks.

During performance of Indian Banks, ownership pattern had a major impact on performance indicators and therefore the observed increase in competition throughout financial liberalization that has been related to lower costs and profitability of the Indian banks [1]. The study revealed that Indian private sector banks play an important role in the development of Indian

economy. The economic progresses totally have changed the banking sector [6]. In context of deposits and expenditure ICICI bank had healthier managing efficiency than SBI bank in the year 2007-08 to 2011-12 [9]. In our study, we have also observed that ICICI bank has better managing efficiency than PNB bank for operating period 2011-2012 to 2017-18. Within the year, 2009-10, among the performance of seven public sector and private sector banks, Axis Bank took the first position, followed ICICI Bank, BOI, PNB, SBI, IDBI, and HDFC, in that order [4]. The PNB had performed well on the sources of growth rate and financial efficiency throughout the study period (2011-12 to 2015-16) and played a dynamic role in marketing of new type of deposits and advances schemes [8]. People preferred PNB bank to require loans and advances as compare to ICICI bank in our study also. However, the banks, by earning a minimum of a nominal profit, have to serve the economy through extension of advances and safeguard the interest of its investors by providing the expected come back on their investment in bank. The study targeted on the growth and performance analysis among PNB and HDFC banks for a period of ten years, i.e. from 2006-07 to 2015-16, has shown that PNB is more financially sound than HDFC Bank, however in context of deposits and expenditure HDFC bank has better managing efficiency than PNB [10]. However, we have observed PNB bank has lower operational efficiency comparatively than ICICI bank for operating period 2011-2012 to 2017-18. Globalization has given away to many foreign banks to line up their business unit in a developing country like India. Because of set up of private banks financial resources of the country are optimally used. Ratio Analysis is useful for any shareholder, investor, creditor, banker or the other party who is concerned with the financial performance of the company.

5. LIMITATION OF THE STUDY

The study suffers from certain limitations and a few of those are mentioned below in order that finding of the study can be understood in a very correct perspective. The constraints of the study are as follows: (a) This study is worries with one public sector and one private sector bank that cannot be represent the whole banking sector and results of the study are restricted to these two specific banks solely. (b) Hence, the results don't seem to be applicable to the entire banking sector. (c) This study is restricted to only seven-year time period (2006-11 to 2017-18). (d) The study is predicated solely on secondary data that has been collected from published annual reports of banks and numerous relevant internet sources. (e) The information obtained through reports is subject to window dressing and may not show the particular position of the banks.

6. SUGGESTIONS OF THE STUDY

From the analysis and interpretation, it's going to be advised that each of the banks should attempt to retain the proficient workforce and improve client services that contribute to the profitability goals of the banks to stay competitive during this quite surrounding. The management of the banks ought to more attempt to manage over their expenses and disbursement cost so as to extend the profits. The banks should to concentrate on the risk management while increasing their business internationally. The banks ought to offer the products to the clients consistent with

their needs and expectations. The banks should to produce a client friendly surrounding to satisfy and to retain them which are crucial in maintaining their profitability. It can be determined that the current study will help the decision makers of Indian public and private sector banks and other categories of banks in Indian Banking sector to focus on banking activities and thereby to increase the bank ranking and profitability performance.

7. CONCLUSION

Based on the findings, the study reveals that bank customers have high trust in public sector banks as compared to private sector banks. People preferred PNB bank to require loans and advances as compare to ICICI bank. However, PNB bank has lower operational efficiency comparatively than ICICI bank. In case of dividend pay-out ratio, debt-equity ratio and Interest expended to interest earned, ICICI bank has performed sounder as compare to PNB bank. The expected contributions of this study to the management within the field of banking can be said to be that: this study may help decision makers to pay more attention on the major banking activities that will facilitate in increasing the financial performance position and ranking of the bank as compared to other banks. The financial information of this study also will facilitate the management in setting up plans and financial strategies. From an academic point of view, this analysis provides a brand-new perspective in evaluating the financial performance of leading commercial banks.

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