

## AN EXAMINATION ON THE DEVELOPMENT OF PRIVATE AND PUBLIC SECTOR BANKING SYSTEMS

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**Abstract:** Banking sector plays an important role in economic development of a country. The banking system of India is featured by a large system of bank branches, helping much type of economical services of the people. The Bank of Baroda, popularly known as BOB is one of the foremost banks of public sector in India. BOB has 14 local Head offices and 57 zonal offices owed at significant cities all through the country. ICICI Bank Ltd is a chief Indian financial services company based in Mumbai. The Bank is a widely held banking company occupied in giving a broad range of banking and financial services counting commercial banking and treasury operations. The bank at current has a desirable network of 2201 branches and 7110 ATMs extend in 996 cities across India. The reason of the research is to observe the economical achievement of BOB and ICICI Bank, public sector and private sector correspondingly. The research is explanatory and logical in nature. The data used for the study was completely secondary in nature. The current study is conducted to contrast the financial performance of BOB and ICICI Bank on the foundation of ratios such as credit deposit; net profit margin etc. the stage for study taken is from the year 2008-2009 to 2012-2013. The study found that ICICI Bank is achieving well and economically sound than BOB but in circumstance of deposits and expenditure both are BOB & ICICI bank has better managing competence.

In the era of globalization the consumption of economics is measured as the most significant function of an organization. The firms are facing a stiff opposition from the whole market, so the inflow and outflow of funds will be managed well. Finance is one of the most important aspects of business management. Without proper financial planning an enterprise is unlikely to be successful.

Financial analysis is the procedure of identifying the financial strengths and weakness of a firm by correctly establishing relationships between the items of Balance sheet and profit and loss account. Examination is the procedure of significantly examining in feature accounting in data given in the financial statements. Analyzing financial statement is a procedure of evaluating relationship between constituent parts of financial statements to obtain an enhanced consideration of firm's position and performance. The study is descriptive in nature and this attempt is prepare to calculate the performance of the bank through the economical information which is put forward in accounting policies. This research is based on the published accounts and annual reports of BOB and ICICI Bank. The periods cover from 2008-09 to 2012-13.

### I. NEED OF STUDY

1. Rationale of the current research is to access the economical growth of the banks.
2. Incomes are very important for the endurance of every company unit.
3. Not only the endurance but the long term advancement of the company is also resolute by the gain. Research of productivity of banks is a very complex mission because the major reason of advancement of Indian banks is to provide the society.
4. In the concern of this reason banks had not given much significance to earn income.
5. In the current research, I manage to evaluate the meaning of productivity of Indian banks and make assessment of profitability of Indian banks.

### II. OBJECTIVES OF THE STUDY

The major objective of the study is to assess proportional study on financial performance of BOB (Public Sector Bank) and ICICI (Private Sector Bank).

1. To evaluate and examination of the effectiveness of banks.
2. To make an evaluation of abundance between BOB (Public Sector Bank) and ICICI (Private Sector Bank).
3. To facilitate the investors to take reserves resolution on the basis of possibility & output.
4. To examine the economical statements to search out the bank's financial status
5. To find the solvency, liquidity, productivity status of the bank for 5 years.
6. To emphasize the nature of change enhancing financial status and advancement of the bank with aid of proportional balance sheet and proportional income statement for 5 years.
7. To emphasize the Financial Growth of BOB and ICICI Bank.
8. To find out the proportional share value achievement of BOB and ICICI Bank.

### III. SCOPE OF THE RESEARCH

The economical fund administration is the important purpose in every association for the effectual consumption of funds for making gains. The economical fund administration persuades the executive ideas concerning the investment policies. Scope of the research is depended on the financial statements for the accounting years 2008-09 to 2012-13. This covers only few two banks one from private sector Bank and another is from public sector Bank. This research is

concerned on the obtainable data provided by the respective banks. This research concerns few accounting ratios and some of the types of analysis (Trend and comparative analysis).

#### IV. LIMITATIONS OF THE RESEARCH

Thus the following are the major limitations of the study.

The research is based on the secondary data and the limitation of using secondary data may influence the outcome.

1. The secondary data was taken from the annual reports of the BOB and ICICI Bank. It may be probable that the data shown in the annual reports may be window dressed which does not show the actual status of the banks.
2. The company employees do not disclose the trade secrets and some classified economic data.
3. The research report limited to a period of 5 years.
4. Ratio analysis has its own boundaries.
5. Although the time period of the scheme is not up to the extent, the collection of full-fledged information could not be accomplished.

#### V. REVIEW OF LITERATURE

A Assessment of the Performance of Commercial Banks: DEA Evidence for India – Ram Pratap Sinha (2013) The present paper makes an attempt to fill this gap and appraise the appearance of 49 Indian commercial banks for the period 2006-07 to 2010-11 using Seiford and Joe Zhu (2002) approach, which is essentially an alternative of the popular Banker-Charnes-cooper (BCC) Model. The current paper makes a challenge to fill this gap and evaluates the performance of 49 Indian commercial banks for the period 2006-07 to 2010-11. The analysis of outcome indicate that the new private sector commercial banks performed the best, followed by the old private sector banks, nationalized banks and the SBI Group.

Financial performance of Banks in India-Harish Kumar Singla (2008) it is worried with investigative productivity position of the preferred sixteen banks (BANKEX-based) for a period of five years (2000-01 to 2006-2007). The studies disclose that the productivity position was sensible during the phase of study when compared with the prior years. Return on Investment proved that the in general productivity and the position of preferred banks were continued at a sensible rate. From the study of the economic performance analysis of selected banks, it can be completed that the economical positions of banks is reasonable. Debt equity ratio is maintained at a sufficient level throughout and NPAs also witnessed a decline during the study period. The ROI remains at a very low position, which is a worrying factor. We can finish off that the banking sector, which is going through major reforms, is one of the budding sectors and will grow at a sustained rate over a period of time Profitability, competence and liquidity of the co-operative banks.

Dr. Dimitrios p. Pertropoulos1 – (2010) in his study he assess the profitability, the efficiency and the liquidity of the co-operative bank for the time period. The examination of the financial magnitudes of the co-operative banks the groups of

indexes such as: of productivity, of competence and of liquidity is being implementing. From the investigation is exposed that productivity and competence for the co-operative banks turn out to be very satisfactory. The reason is current, to approximate and analyse the basic economical indexes of the co-operative banks that become lively at the present time. Also to make a proportional analysis of the financial indexes of the co-operative banks with the subsequent ones for the whole banking sector. The assessment of the profitability and competence of the co-operative banks reaches reasonable stage. Purposely, the corresponding indexes achieved enhanced levels than the ones for the total of the banks. The liquidity indexes for the co-operative banks lack to size when they are compared with the consequent ones for the total of the banks.

#### VI. RESEARCH METHODOLOGY

The study is expressive in nature and this effort is made to estimate the achievement of the bank through the economical information which is disclosed in accounting policies. Thus the research is depending on the available accounts and annual reports of BOB and ICICI Bank. The phase cover from 2008-09 to 2012-13 Being a proportional study, the blueprint of the research article is expressive. It describe the different range concerned to research the productivity of study, the layout of the paper is expressive. It gives details the different range concerned to study the productivity of two banks. The raw information is gathered from the secondary sources and the following productivity range is calculated consequently. The general denominator used for mounting the different productivity ratios is business volume (deposits + advances). The research is made on the information gathered from the yearly reports of the banks and ace equity. Tabular examination procedure employed is: range and percentages. Various Camel ratios are considered for the two banks. Then each bank is given a standing on the source of regular of the percentages scored in each parameter.

Data collection

Secondary Data: the secondary data is gathered from the economical statements and yearly report from website of the banks. The economical statements of the company are obtained from 2008-09 to 2012-13.

Findings

Depending on the examination and explanation of the economical statements of BOB & ICICI Bank, likes to offer the following findings are given below:

The Liquidity ratios calculated the capability of a firm to assemble its short-term responsibility with the help of Demand deposits ratio, Credit-asset ratio, Cash to demand deposits ratio, cash to total deposits, cash to total assets.

- The deposits of BOB are more than the deposits of ICICI Bank. There is a lot of difference among the deposits of BOB and ICICI Bank. But both are managing uniform Deposits every year concerned on their section of deposits.
- Credit merit of ICICI is improved than BOB as exterior debt is more for the all years in 2012 & 2013. ICICI also reached nearer to the BOB. So

kindness of BOB moderately more by the next years.

- Cash & Bank balances ratios to Demand Deposits disclose the liquidity position of the association in the short phase. It is further in the case BOB in first 2 years and ICICI conquered in the last 3 years. So liquidity of ICICI is enhanced evaluate to BOB in the last 3 years.
- Cash status of total resources ratio is more. In the case of BOB for the first 2 years and invalidate in last 3 years. Where ICICI has more cash status. Liquidity status of ICICI is moderately better than BOB in the last 3 years. In the period of 2008-2009 BOB managed appropriate cash to total assets ratio better than ICICI. Subsequently the ratio goes on declining which is less than ICICI. Last year ICICI is enhanced than BOB.

The risk ratios calculated the risks faced by the dense using Capital adequacy ratio; Net NPA total assets ration Net NPAs to equity ratio.

- Capital sufficiency Ratio in BOB is faintly growing (Bank is well-capitalized) and ICICI is reliable.
- There are no NPA's in ICICI for the first two years whereas NPA's are more in BOB & enlarged in last two years in a radical way. Here we can appreciate public sector bank are very leniency in gathering policy whereas private sector banks are very severe in compilation strategy.
- There are no NPA's ICICI's for the first two years where NPA's are more in BOB and enlarged in last two years. Here the graph illustrate ICICI is improved than BOB.

The productivity ratio measures the productivity of the firm using Return on equity, Earnings per share, Net profit Margin, Net Interest Margin.

- Compared to BOB, ICICI Returns are growing from year to year and yet current ICICI Returns are far absent more than BOB whose returns are reliable over a phase of time. It states that the presentation of ICICI is far improved than BOB in presenting returns to the impartiality holders.
- Returns of BOB are mounting day by day and far enhanced than ICICI.
- Presentation of ICICI in gaining profit margin is improved than BOB.
- Presentation of ICICI in gaining attention margin is enhanced than BOB

In the comparative balance sheet bank's

BOB	2008-2009	2012-2013
Fixed Assets	18.02%	18.55%
Reserves & Surplus	18.42%	17.92%
Borrowings	18.42%	33.22%
Advances	18.42%	20.53%

ICICI	2008-2009	2012-2013
Fixed Assets	214.33%	-30.17%
Reserves &	224.58%	-32.59%

Surplus		
Borrowings	782%	-78.93%
Advances	289.82%	21.6

In the comparative income statement total Income.

#### I. BOB

2008-2009 Expenses is more than income earned which specify in the year 2009 bank has more spending than profits earned.

2012-2013 Profits earned is somewhat more than spending which specify in the year 2013 bank has insignificant profits earned than expenditure.

	BOB	
	Total Income	Total Expenditure
2008	58349.74	51629.62
2009	113723.36	102544.45
2010	130829.84	136809.55
2011	147844.92	136664.98
2012	176889.97	161069.52
2013	200559.94	182237.84

#### II. ICICI

2008-2009 Expenses is more than income receive which specify in the year 2009 bank has more expenses than profits earned.

2012-2013 Profits earned is more than spending which specify in the year 2013 bank has more income earned than spending.

	ICICI	
	Total Income	Total Expenditure
2008	12321.38	10731.2
2009	19931.97	17679.85
2010	20271	17238.09
2011	24629.38	20611.68
2012	34186.72	28913.32
2013	42994.98	36094.71

1. Share value achievement of BOB & ICICI on the origin of possibility & return examination states that BOB has more return with less risk when correlated to ICICI whose returns are in unconstructive and proportion of risk is more. So, BOB is improved than ICICI for share value presentation.
2. Net profit of BOB & ICICI Bank is in growing tendency whereas the section of development in ICICI is far enhanced than BOB enlargement.
3. Total incomes of BOB & ICICI Bank are in growing trend whereas the section of enlargement in ICICI is far enhanced than BOB development.
4. Total outflow of BOB & ICICI Bank is in growing tendency whereas the section of development in ICICI is far enhanced than BOB development.
5. Total move forward of BOB & ICICI Bank are in growing tendency whereas the section of development in ICICI is improved than BOB development.
6. Total set down of BOB & ICICI Bank are in growing tendency while the section of development

in ICICI is enhanced than BOB development.

#### Suggestion

- Even though Deposits of BOB are additional. BOB doesn't have acclaim merit. So, it has to progress its acclaim merit.
- BOB have to sustain cash capital with high opinion to it's require deposits which assist in maintaining suitable liquidity ratio.
- BOB has to take appropriate examination & inspection in analyzing NPA & giving loans in organize to decrease its NPA's which is serious burden for the company.
- Even though BOB is public inadequate company it has to sustain specific group of deposits which gives more income. Thus, it assists to achieve an improved income periphery when correlate confidential limited company.
- Though BOB & ICICI originally went spending over profits, though their effectual approach accomplishment gained into income over spending which is an optimistic sign for improvement.
- ICICI Bank is improved profit, Income Advances, deposits than BOB; still it was establish that development of BOB in growing trend. This is because the observation of people towards nationalized bank or Public sector banks.

6. Examination of Financial Statements – Pamela P. Peterson, Frank J. Fabozzi, CFA.
7. Performance measurement in Finance – by John Knight.
8. Financial Performance – by Rory Knight, Marc Bertoneche.

#### VII. CONCLUSION

With admiration to the banking actions the presentation of ICICI is improved than the BOB and for the depositors who are planned for long term savings & possibility takers ICICI is improved but with admiration to the development in the marketplace for the corporation price BOB is enhanced. For the depositor who is prepared for short term investments & who take less possibility BOB is improved. In general examination states that economical presentation of ICICI is improved than BOB. From the examination as it has enhanced NPA's, Net profit edge, Net interest margin & return on impartiality which states that it is running its resources for superior than BOB but with concern to distribute significance presentation BOB share value is superior in the market when compared to ICICI.

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