A Comparative Study of Growth Analysis of Union Bank of India and ICICI bank limited

HARSHIT SHARMA
Email: harshitsharmadse@gmail.com

Abstract:
The Banking industry occupies a unique place in a nation's economy. A well-developed banking system is a necessary precondition for economic development in a modern economy. The major role of banks is to collect money from the public in the form of deposits and then along with its own funds to serve the demands of the customers quickly, plying interest for the deposits and to meet out the expenses to carry out its activities. For this purpose, bank maintain adequate liquidity and earn profits from its activities. Profit is the ma9in reason for the continued existence of every commercial organization and profitability depicts the relationship of the absolute amount of profit with various other factors. In any case, compared to other business concern, banks in general have to pay much more attention for balancing profitability and liquidity. Liquidity is required to meet out the prompt demands of customers and profitability is required to meet out the expenses of banks. Hence the research paper is an effort to study the growth rate in Union Bank of Indiaof India and ICICI Bank limited as both the bank are giant banks in public and private sector, so a study of growth analyses of both the banks for a period of 10 years, i.e. from 2010 to 2020 is made. The main parameters of growth is banks are Net profit growth, Net assets growth, EPS growth and reserve Surplus growth and the results reveal that in terms of the parameters defined ICICI Bank has performed much better than UBI Bank.

Keywords: *Net Assets, EPS, Reserves, Surplus, Growth.*

1. Introduction

The Banking industry occupies a unique place in a nation's economy. A well-developed banking system is a necessary precondition for economic development in a modern economy. The amount of earning indicates the efficiency of the organization. The larger the profits, the more efficient and profitable the organization becomes. That is why profitability is concerned, to a large extent, one of the main criteria to adjudge the extent to which the management has been successful in the effective utilization of the funds available with the enterprise. As regards Union Bank of India, it was established in 1895 and it holds the distinction of being the first Indian bank to have been started exclusively with Indian capital. Bank has a strong capital base with capital adequacy ratio of 12.42%. The Bank has over 6 million customers through 5286 offices including 421 extension counters. The bank has a paid-up capital of 316.81 crore. As regards ICICI Bank, it was established by Reserve Bank of India in 1994. It was the first bank to get approval from RBI to set up in private sector. Bank has a nationwide network of 2000 Branches and 5,998 ATMs in 996 Indian towns and cities. The authorized share capital of the bank is 550 crore. The paid-up capital of the bank is 459, 69, 07,030. Hence the research paper is an effort to study the Growth rate is Union Bank of Indiaand ICICI Bank. As both the banks are giant banks in public and private sector, so a study of Growth analysis of both the banks for a period of 10 years, i.e. from 2010 to 2020 is made. The main parameters of growth in banks are Net profit growth, Net assets growth, EPS growth and Reserve and Surplus growth. The statistical analysis is made on the bases of growth rate based upon correlation technique.

2. Objectives of the Study
  1. To study the growth rate of both the banks under study.
  2. To compare the growth of the banks in private and public sector.

3. Hypothesis
  1. The growth rate of net profits of both the banks under study is same.
  2. The Growth rate of net assets of both the banks under study is same.

4. Review of Literature
Nag and Das (2002) studied the impact of imposition of capital requirement norms on flow of credit to the business sector by public sector banks of India and the results showed that in the post reform period. Public sector banks did shift their portfolio in a way that reduced their capital requirements. Snajay. I. Bhayani (2006) in his study, "performance of the New Indian Private Banks: A Comparative study''. The study covered 4 leading private sector banks- ICICI. ICICI Banks. UTI and IDBI. The result showed that the aggregate performance of IDBI Bank is the best among all the banks. Chidambaram R.M and Alamilu (1994). The study "profitability in Banks, a matter of survival", revealed that the profitability of public sector banks is low as compared to private sector banks.

5. Concept of Growth
Growth in relation to a banking organization relates to increase in the business over a period of time. Year to year growth is calculated and targets are fixed to evaluate the performance and standing of the bank in relation to industry, in relation to competitors, in relation to branch. Growth means the increase in advances and deposits of a bank in current year in comparison to previous year, Growth also means the increase in revenue profits, earning of the Bank in comparison to previous years. Operating Profits, net profits, earnings per share, dividend per share, return on capital employed, return on equity. Interest coverage ratios are the other yardsticks to measure the growth of a business entity over a period of time. Profit maximization and wealth maximization are the ultimate goals of an organization because it leads to the growth of the organization to a large extent. As regard Growth, it can be studied from various angles like in terms of sales, net profit, reserve and surplus, earning per share, internal growth & sustainable growth. As a matter of fact, the desired growth rate and the debt financing both are interrelated. The higher the growth rate, the greater would be the need for external financing if other things remaining the same or vice-versa. Balanced Debt equity mix and its relationship with growth may better be studied in terms of net assets growth, fixed assets growth, net profit growth, revenue growth, reserve & surplus growth and earnings per share growth.

6. Net Assets Growth
Net assets are the sum total of asset side of the balance sheet excluding any provision for depreciation fund or the assets shown at book value less depreciation charges or if the market value of the asset is to be disposed off less any expected loss or provision against that asset. This total of the asset side excludes the fictitious assets if there is any shown in the asset side of the balance sheet like preliminary expenses, discounts on issue of shares or debenture, interest paid out of capital etc. Net assets include both types of assets i.e., fixed asset as well as the current asset possessed by the business entity owned by the concerned. This asset provides the base for making the concern capable for carrying out its business activities for earning revenue and consolidate its position in the years to come. These assets are possessed by the business from various sources shown in the liability side of the concern i.e. owners funds and borrowed funds or the internal resources of the business created out of profits. As regards Net Asset of Union Bank of India& ICICI Bank Limited, It has been computed by deducting all liabilities from total assets and shown in Table 1.

Table 1: Net Assets

Year	Union Bank of India			ICICI Bank		
	Net Assets in Lac	Total Assets in Lac	% of Net Assets to Total Asset	Net Assets in Lac	Total Assets in Lac	% of Net Assets to Total Asset
2010-2011	266920	6351922	4.20	92376	1561733	7.20
2011-2012	338068	7291466	4.64	195133	2378738	9.04
2012-2013	403299	8822180	4.57	225174	3042408	8.06
2013-2014	501181	10233174	4.90	269333	4230699	7.78
2014-2015	816130	12624128	6.46	452028	5142900	9.76
2015-2016	937636	14526738	6.45	529960	7350639	9.53
2016-2017	1043546	10256035	6.40	239845	4879856	6.25
2017-2018	1231835	19902036	6.19	1149724	13317661	8.63
2018-2019	1465363	24691862	5.93	1505273	18327077	8.21
2019-2020	1772292	29663277	5.97	2152249	22245857	9.67

(Source: Union Bank of India and ICICI Bank: Annual Report- Various Issues.)

Table 1 reveals that Net Asset of Union Bank of Indiaindicated an annual compound growth rate of 20.50 percent: whereas that of ICICI bank indicated an annual compound growth rate of 37 percent. All this indicated that net assets of ICICI Bank Limited increased quicker than that of Union Bank of IndiaLimited. Growth rate of net Asset of Union Bank of Indiaand ICICI Bank has been computed by why of annual compound growth rate with the help of the following formula:

7. Growth Rate of Fixed Assets

Any business entity needs for its smooth functioning two types of assets as well as current assets. Fixed assets are those which are purchased once for the business and remains with it for a long time to come. They are also known as dead investment as once the money invested in these assets cannot be used for any other purpose very easily. As for example land, building, plant and machinery, patents, trade mark, furniture, vehicle etc. the building once constructed for the business cannot be constructed or carried to any other place. Such assets help the organization to carry on its production related operations. These are generally shown in the assets side of the balance sheet as follows:

Gross Block-----------------------------------
Less Depreciation -------------------------------
Net Block---

Gross Block refers to the total cost of acquisition of all the, fixed assets. Out of this actual acquisition cost, accumulated depreciation up to date is deducted. The resultant net block indicated the net fixed assets. Intangible assets of the organization are also of permanent nature. Growth Rate of Net Block can be worked out by dividing the net block assets of the current year by the net fixed assets of the base year as shown below:

Growth Index of Net Fixed Assets = Net Fixed assets at the end of current year / Net Fixed Assets at the end of base Year

As regards Net Block of Union Bank of India& ICICI Bank Limited. It has been worked out and shown in Table 2.

Table 2: Fixed Assets to Total Assets

Year	Union Bank of India			ICICI Bank		
	Fixed Assets in lac	Total Assets in lac	% of Fixed Assets to Total Asset	Fixed Assets in lac	Total Assets in Lac	% of Fixed Assets to Total Asset
2010-2011	72392	6351922	1.14	28974	1561733	1.86
2011-2012	75854	7291466	1.04	37110	2378738	1.56
2012-2013	88470	8822180	1.00	52858	3042408	1.74
2013-2014	89984	10233174	0.88	61691	4230699	1.46
2014-2015	96523	12624128	0.76	70832	5142900	1.38
2015-2016	103023	14526738	0.71	85508	7350639	1.16
2016-2017	100983	16242249	0.62	96667	9123561	1.06
2017-2018	231552	19902036	1.16	117513	13317661	0.88
2018-2019	239711	24691862	0.97	170673	18327077	0.93
2019-2020	*251347*	*29663277*	*0.85*	*212281*	*22245857*	*0.95*

(Source: Union Bank of Indiaand ICICI Bank: Annual Report- Various Issues.)

Table 2 reveals that fixed assets of Union Bank of Indiaincreased from 72392 lac in 2010-11 to 251347 lac in 2019-20 indicating an increase of 2.47 times; whereas that of ICICI Bank Limited increased from 28974 lac in 2019-20 to 212281 lac in 2019-20 certifying an increase of 6.33 times over the corresponding period. All this indicated that fixed assets of ICICI Bank Limited more as compared to that of Union Bank of India.

8. Net Profit / (Loss) Growth

In Order to study whether the net profit of an organization has been witnessing growth or not, net profit growth is calculated with the help of Growth rate

Growth rate of Union Bank of India23.7 % ICICI Bank 30.2 %

Relevant formulas have been explained in Chapter II: Techniques of Analysis. Net Profit Growth in respect of Union Bank of Indiaand ICICI Bank has been calculated by taking Net Profit after Tax so as to adjudge the absolute growth of net profit after tax as shown in Table 3.

Table 3: Net Profit (Loss) Growth

Year	Union Bank of India		ICICI Bank	
	Net Profits in Lac	% Increase over previous Years	Net Profits in Lac	% Increase over previous Years
2010-2011	46364	------	21012	------
2011-2012	56239	21.30	29704	41.36
2012-2013	84220	49.75	38760	30.48
2013-2014	110869	31.64	50950	31.44
2014-2015	141012	27.18	66556	30.63
2015-2016	143931	2.07	87078	30.83
2016-2017	154008	7.00	114145	31.08
2017-2018	204876	33.03	159018	39.31
2018-2019	309088	50.86	224494	41.17
2019-2020	390536	26.35	294870	31.34

(Source: Union Bank of Indiaand ICICI Bank: Annual Report- Various Issues.)

Table 3 reveals that the Net Profit of Union Bank of Indiaincreased from 46364 lac in 2011-12 to 390536 lac in 2019-20 indicating an increase of 7.42 times whereas that of ICICI bank increased from 21012 lac in 2010-11 to 294870 lac in 2019-20 indicating an increase of 13.03 times over the corresponding period. Net profit growth rate of Union Bank of Indiais 23.7% and the ICICI Bank is 30.2%, all this certify that ICICI Bank stands better than in view of stability and profitability.

9. Earnings Per Share Growth

It is the profits before tax but after interest divided by the number of shares issued by the business house. Higher earnings per share show the effectiveness of the management and their policies and decision making. Earnings per share when high increases the goodwill, overall confidence of the investor to remain with the company and the potential of future growth of the business house. This depends upon the fundamental s of the business-like competition, environment, and nature of the product. Technology used and applied and long-standing history of the enterprise.

EPS = Net Income – Preference Dividend / No. of equity Shares

More the earning per share better are the performance and prospectus of the company. This higher EPS has a favorable impact on the market price of share. As regards EPS of Union Bank of Indiaand ICICI Bank. It has been calculated as shown in Table 4.

Table 4: Earnings per Share

Year	Union Bank of India		ICICI Bank	
	Per Share	**% increase over previous Years**	**Per share**	**% increase over previous Years**
2010-2011	21.85	--------------	8.64	------------
2011-2012	26.50	21.28	11.01	27.43
2012-2013	32.08	21.05	13.75	24.88
2013-2014	41.79	30.26	17.95	30.54
2014-2015	52.93	26.65	22.92	27.68
2015-2016	45.65	- 13.75	27.92	21.81
2016-2017	49.84	9.17	36.29	29.97
2017-2018	64.98	30.37	46.22	27.36
2018-2019	98.03	- 49.13	52.85	12.54
2019-2020	123.86	26.34	67.60	27.90

(Source: Union Bank of Indiaand ICICI Bank: Annual Report- Various Issues.)

Table 4 reveals that the earning per share of Union Bank of Indiaincreased from 21.85 in 2011-12 to 123.86 in 2019-20 indicates an increase of 4.67 times whereas that of ICICI Bank increased from 8.64 in 2011-12 to 67.60 in 2019-20 indicating and increase of 7.82 times over the corresponding period. All this certify that ICICI Bank Limited stands better than Union Bank of Indiain view of earning per share.

10. Reserve and Surplus Growth

Various types of reserves and profits of the current year as well as the previous year balance of profits are shown under this head. This consist of; Capital reserve includes Capital Redemption Reserve, Securities Premium, Other reserve less debit balance of profit and loss accounts, appropriation account (if any). Surplus means credit balance of profit and loss account. Proposed addition to reserve, Sinking Fund when the reserves are invested outside the business in securities or tangible assets, are known as reserve fund. They may be for specific purpose or general purpose. As regards reserve and surplus Growth of Union Bank of Indiaand ICICI Bank, it has been calculated as shown in Table 5.

Table 5: Reserve and Surplus Growth

Year	Union Bank of India			ICICI Bank		
	Reserve and Surplus in Lac	Shareholder' Funds in Lac	% of Reserve and Surplus to shareholders Funds	Reserve and Surplus in Lac	Shareholders' Funds in Lac	% of Reserve and Surplus to shareholders Funds
2010-2011	245696	266920	92.05	66949	91309	73.32
2011-2012	300395	321619	93.40	166091	194228	85.51
2012-2013	376769	403299	93.42	196278	224483	87.44
2013-2014	474650	501180	94.71	240709	268888	89.52
2014-2015	784600	787752	99.60	420997	451985	93.14
2015-2016	906106	937636	96.64	498639	529953	94.09
2016-2017	1012016	1043546	96.98	611376	643315	95.04
2017-2018	1200304	1231834	97.44	1114280	1149723	96.92
2018-2019	1433833	1465363	97.84	1422095	1464633	97.10
2019-2020	*1740762*	*1772292*	*98.22*	*2106183*	*2151958*	*97.87*

(Source: Union Bank of Indiaand ICICI Bank: Annual Report- Various Issues.)

Table 5 reveals that the Reserve and Surplus of Union Bank of Indiaincreased from 245696 lac in 2011-12 to 1740762 lac in 2019-20 indicating an increase of 6.09 times whereas that of ICICI Bank increased from 66949 kacs in 2010-11 to 2106183 lac in 2019-20 indicating an increase of 30.46 times over the corresponding period. And if we compare the growth rate it is 21.6% of Union Bank of India and 41.1% of ICICI Bank. All this certify that ICICI Bank stands better than Union Bank of India.

11. Analysis and Findings

Net Assets of Union Bank of Indiaindicated an annual compound growth rate of 20.50 percent; whereas that of ICICI Bank indicated an annual compound growth rate of 37 percent. As regards fixed assets. There is an increase of 2.47 times in case of Union Bank of Indiawhereas that of ICICI Bank there is an increase of 6.33 times over the corresponding period. Net profit growth rate of Union Bank of Indiais 23.75 % and that of ICICI Bank is 30.2%. Earnings per share of Union Bank of Indiaindicates an increase of 4.67 times whereas that of ICICI Bank indicates an increase of 7.82 times over the corresponding period. Reserve and Surplus growth rate of Union Bank of Indiais 21.6% of Union Bank of Indiaand 41.1% of ICICI Bank. As regards Capital Adequacy. It is found that both the banks achieved capital adequacy greater than 9% in all the years under study. But in case of ICICI Bank the CAR 17.44% shows that the bank has made more than requirement. Resulting the insufficient utilization of resources.

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