



COMPARATIVE STUDY OF FINANCIAL MANAGEMENT OF PNB & ICICI BANKS

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Abstract: *The little story of Bob Burg and John David Mann, the story follows the character of Mr. Joe, an in successful businessman. Once he met a mysterious and successful ponder who introduces Joe to the power and the importance to become a go-giver is the theme of success building personal relationship that last for a life time, is a crucial message within the fable. A person gives and shares with others, friendship are created and nurtured leading to a more enrich and happier life.*

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INTRODUCTION

Mr. Joe speaks about five principles of success which are as:-

- i) **The Law of Value:** Your true worth is determined by how much more you give in value than you take in payment.
- ii) **The Law of Compensation:** Your income is determined by how many people you serve and how well you serve them.
- iii) **The Law of Influence:** Your influence is determined by how abundantly you place other people's interests first.
- iv) **The Law of Authenticity:** The most valuable gift you have to offer is yourself.
- v) **The Law of Receptivity:** The key to effective giving is to stay open to receiving.

ANALYSIS

Joe discovers that helping others is the key to a successful life. This story is no doubt help to all who want success. The PNB and ICICI Bank is the living example.

The ICICI Bank from the #2 spot in Indian banking in terms of total Business, PNB has driven past the former No. 2, ICICI Bank – at least on the total banking business front. PNB leads the ICICI Bank by Rs. 52,000 crore in the total business. PNB, second place is a place it enjoyed for last 30 years of its existence. This continued till October 24, 2001, when ICICI Bank merged with ICICI Ltd. and became a gigantic Development Financial Institution. For the next two years (2002 and 2003), PNB managed to keep a nose length ahead on the business front, but by 2005, ICICI Bank extended its business to Rs. 1.91 lakh crore against PNB's business of Rs. 1.63 lakh crore. The gap kept growing and was the widest in 2008, when ICICI Bank had a book value of Rs. 4.7 lakh crore against PNB's Rs. 2.9 lakh crore. However, by March 31st, 2010, PNB managed to get back its second position.

The following are the main findings in this respect:



**ICICI Bank Over PNB on the
following parameters as shown below:**

Rs. Crore

		FY '10	Q4'10	FY '10	Q4 '10
1	Total Assets	363400		296633	
2	Credit Deposits Ratio %	89.7		74.8	
3	Revenue	25706		21466	
4	Operating Profit	9732	2399	7326	2332
5	Net Profit	4025		3905	
6	Growth in Net Profit %		35.2		31.1
7	Interest income	25707	5827	21467	5608
8	Growth in Interest Expenses %	-22.6	-29.7	5.3	-6.8
9	Est. Expenditure	1926	583	3121	653
10	Growth in Est. Expenditure &	-2.3		6.7	
11	Growth in other opt. Exp.%	-22.5	-21.3	28.0	19.9
12	Growth in total opt. Exp%	-16.8	-7.9	13.2	-6.3
13	Growth in Gross NPA%	-1.7		28.2	
14	Growth in Net NPA%	-15.7		272.1	
15	CAR% Base-II	19.41		14.16	
16	CASA %	41.70		40.85	
17	Other Opert. Expenses	1641	447	3934	944
18	Growth in Opert. Expenses%		18.5		27.4
19	Total Operating Expenses	4762	1100	5860	1527
20	Gross NPAs	3214		9481	
21	Net NPAs	982		3841	
22	% of Gross Adv.	1.71		5.06	
23	% to Net Adv.	0.53		2.12	
24	NIM (%)	3.57		2.5	
25	Return on Assets (%)	1.44	1.58	1.13	1.15
26	Earning Per Share (Rs.)	123.86		36.14	

PNB has overtaken ICICI Bank not only in terms of total business but also in terms of growth in various parameters. PNB had the largest advance portfolio amongst the nationalized banks. In terms of total CASA, PNB has outperformed ICICI Bank by Rs. 17,634 crore. PNB has an impressive Net Interest Margin of 3.57% as against 2.5% of ICICI Bank. In terms of growth in profitability front, PNB has overtaken ICICI Bank. PNB registered YoY growth of 26.4% and 28.8% in net profit and operating profit, respectively, for the FY'10 as against 7.1% and 9.0% for ICICI Bank. On the efficiency front too, PNB emerges a winner with one of



the lowest cost to income ratios of 39.39% as against the corresponding figure for ICICI Bank is 42%.

PNB scores are ICICI Bank on the following parameters as shown in the table

Rs. Crore

Sr.No.	Parameters	PNB		ICICI	
1	Total Deposits	249330		202017	
2	Total CASA	101850		84216	
3	Growth in Total Advances %	20.6		-17.0	
4	Growth in Total Business%	19.6		-12.2	
5	Growth in Operating Profit%	28.8	51.6	9.0	11.3
6	Q4 Net Profit		1135		1006
7	Interest Expenses	12944	3110	17598	3792
8	Growth in NII %	24.8	40.3	-3.0	-4.9

It is clear from the above that ICICI Bank is focusing on 4Cs which are as:

- (i) **CASA improvement:** In terms of total CASA, PNB outperformed ICICI Bank. However, CASA ratio to total deposits of ICICI Banks stood at 41.7% as compared to PNB's 40.8% at March 31, 2010.
- (ii) **The Second C – Cost Control:** ICICI Bank has registered a great fall in total operating expenses of 16.8% as compared to an increase in PNB's total operating expenses of 13.2% for the FY '10. However the increase in staff expenses of ICICI Bank in Q4 was due to payment of bonus for the whole of the financial year in Q4-2010.
- (iii) **The Third C- Credit Monitoring and Control:** ICICI's Gross NPAs declined in absolute terms by 1.7% as compared to an increase of 28.2% for PNB. Similarly, their Net NPAs in absolute terms declined by 15.7% while that of PNB grew by 272.1% this shows that ICICI is working upon lowering/ reducing the number of NPAs.
- (iv) **The Final – C on Capital Conservation:** The Capital adequacy of the ICICI Bank at March 31, 2010 was 19.4% as compared to PNB's 14.6% as per RBI's Basel-II framework.

Number 2 position means a lot to ICICI bank too – which is why it refuses to accept that it's been relegated to third spot.



TABLE OF TWO PNB & ICICI BANK

ICICI BANK	PNB
A private sector bank that gained scale after a reverse merger with a development financial institution	A public sector bank with a history that dates back 1895
A universal bank with interests in life insurance, non life insurance, mutual funds, private equity and securities.	A pure banking play with a large presence in corporate banking.
A urban centric bank with a strong brand image.	A semi urban and rural focused bank with a focus on agri and lower income groups.
A branch network of ICICI Bank stood at 1741 as on April 24, 2010	Branches network of 4670 second only to SBI.
In consolidation mode after the financial meltdown.	In growth mode with focus on retail and corporation clients
A young workforce, with some 26% of the staff being women	HR profile similar to that of most PSBs.

CONCLUSION:

The comparison between the two can go and on, but may be bit futile after a point. That's because at a fundamental level, ICICI Bank and PNB are two very different banks. ICICI Bank is a universal bank that includes insurance (life and non life), mutual funds, private equity and securities. PNB, on the other hand is predominantly a pure banking player. ICICI Bank has the urban focus while PNB, like a true PSB, has had a semi urban and rural focus, with farmers and lower income groups being key customer bases. ICICI Banks foundation is based on inorganic growth while PNB's is a virtual pure organic player.

It is difficult to say who occupied the second place. Taking into consideration the different parameters, the ranking would be difficult. However, the beauty about ranking is that it is rarely permanent.

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