1. **INTRODUCTION:**

Financial analysis (also referred to as financial statement analysis or accounting analysis or Analysis of finance) refers to an assessment of the viability, stability and profitability of a business, sub-business or project.

It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions.

- Continue or discontinue its main operation or part of its business;
- Make or purchase certain materials in the manufacture of its product;
- Acquire or rent/lease certain machineries and equipment in the production of its goods;
- Issue stocks or negotiate for a bank loan to increase its working capital;
- Make decisions regarding investing or lending capital;
- Other decisions that allow management to make an informed selection on various alternatives in the conduct of its business.

**Introduction of banking sector:**

Banking sector plays an important role in the economic development of a country. Banks are the catalyst in creation of savings and investment. Economic growth of a country depends on volume of saving and investment. Higher the savings higher will be the investment and therefore higher economic growth of the country.

Indian companies act 1949 defines bank as “the accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdrawal by cheque draft order.” This definition implies that the main function of a bank is acceptance of deposit from the public and advancement of loan to business and public.

Commercial banks generally provide short term credit to business to meet working capital needs. Commercial banks do not provide long term credit because they depend on public deposits and there deposits can be withdrawn at any time. Therefore commercial banks cannot block public money for long time.

Commercial banks are different from industrial banks and non-banking financial institution. Industrial banks generally provide long term credit to industries for their fixed capital.
requirements on the other hand non-banking financial institutions provide short term credit to industries but these institutions do not acceptance deposits from the public.

Commercial banks play an important role in a developing economy as it is the backbone of any financial system. Commercial banks constitute money market of an economy. Commercial banks contribute to an economy in a variety of ways, these are

- Promote capital formation
- Provide short term finance
- Promote monetization of an economy
- Implementation of monetary policy
- Encourage business innovation
- Provide project consultancy and guidance
- Development of agriculture
- Promote regional development
- Promote industrialization
- Helps in social development

The main functions of commercial banks are:

- Accepting deposits
- Advancing loans
- Credit creation
- Perform agency function
- Helps international trade
- Acts as a lead bank
- Helps in implementing development programmer of a government
- Investment banking

The development of banking sector in India can be broadly divided into five different phases these are:

- Before 1950 Evolutionary phase
- 1950-1968 Foundation phases
- 1968-1984 Expansion phase
1985-1990 consolidation phase
1990 till date reforming phase

This banking sector witnessed various changes in the last 60-65 years of its existence. The period 1991 after witnessed series of reforms started by the government under its new economic policy or LPG policy. The government appointed narshimham committee to suggest reforms in this sector. The banking sector reforms were introduced in two stages i.e. first phase reforms in 1991 and second phases reform in 1998.

**Banking structure**

The banking structure in India consist of various types of bank which are classified as

- Scheduled banks
- Nonscheduled banks

Schedule banks are those banks which have a paid up share capital and reserves as per the nomes or guidance of RBI and such banks are included in the second schedule of RBI Act 1934. On the other hand non-scheduled banks not included in the second schedule of RBI Act 1934.

**Scheduled banks are further classified into**

- Commercial banks
- Co-operative banks

**COMMERCIAL BANKS**

Commercial banks are an institution which under take all banking activities like other banks but these banks operate manly for profit. Commercial bank consist of

- Public sector banks
- Private sector banks
- Foreign banks
- Regional rural banks

1. Public sector banks
Are those banks in which the majority of the shares named by the government. It includes state bank of Indi. Even associate of SBI, 19 nationalized banks and 27 other public sector banks. These banks represent largest share of banking network in India. It accounts for 90% of the total banking business in India. SBI is the largest commercial bank in India having highest number of bank branches.

2. Private Banks
In the case of private sector banks are majority of the share are held by private individuals and business houses. It includes old private sector banks as well as new private sector banks. Old private sector banks are those banks which are not nationalized by the government in 1969 and in 1980. New private sector banks are those banks setup after 1993. Government encouraged setting up of new private sector banks to create greater competition in the banking sector. As a result by March2007 about 7 new private sector banks were established.

3. Foreign banks
These are banks which are registered in foreign countries having their head office in other countries and set up branch in India. RBI allows foreign banks to set up branches in India or set up their own subsidiaries. In addition these banks can also invest up to 74% in domestic private sector banks in which 49% investment through portfolio investment. As on, June 2009 there were 32 foreign banks in India with 293 branches. These banks mainly focus on corporate business.

4. Regional rural banks
These are government sponsored. Regional rural banks which provide credit to agriculture, farmers and rural sector. These banks come under the direct control of NABARD.

**CO-OPERATIVE BANKS.**
The banking structure in India also includes co-operative banks. These banks were established to provide financial assistance to rural sector at reasonable rate of interest. It provides short term as
well as long term finance, the structure of co-operative banks include central co-operative banks at a state level, central co-operative banks at the district level and primary agricultural credit societies at the village level. Further in order to provide long term capital there are state land development banks at the state level and primary land development bank at the village level.
HISTORY OF STATE BANK OF INDIA

The roots of the State Bank of India lie in the first decade of the 19th century, when the Bank of Calcutta, later renamed the Bank of Bengal, was established on 2 June 1806. The Bank of Bengal was one of three Presidency banks, the other two being the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies and were the result of royal charters. These three banks received the exclusive right to issue paper currency till 1861 when, with the Paper Currency Act, the right was taken over by the Government of India. The Presidency banks amalgamated on 27 January 1921, and the re-organised banking entity took as its name Imperial Bank of India. The Imperial Bank of India remained a joint stock company but without Government participation.

Pursuant to the provisions of the State Bank of India Act of 1955, the Reserve Bank of India, which is India's central bank, acquired a controlling interest in the Imperial Bank of India. On 1 July 1955, the imperial Bank of India became the State Bank of India. In 2008, the Government of India acquired the Reserve Bank of India's stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority.

In 1959, the government passed the State Bank of India (Subsidiary Banks) Act. This made SBI subsidiaries of eight that had belonged to princely states prior to their nationalization and operational take-over between September 1959 and October 1960, which made eight state banks associates of SBI. This acquisition was in tune with the first Five Year Plan, which prioritised the development of rural India. The government integrated these banks into the State Bank of India system to expand its rural outreach. In 1963 SBI merged State Bank of Jaipur (est. 1943) and State Bank of Bikaner (est.1944).

SBI has acquired local banks in rescues. The first was the Bank of Bihar (est. 1911), which SBI acquired in 1969, together with its 28 branches. The next year SBI acquired National Bank of Lahore (est. 1942), which had 24 branches. Five years later, in 1975, SBI acquired Krishnaram Baldeo Bank, which had been established in 1916 in Gwalior State, under the patronage of Maharaja Madho Rao Scindia. The bank had been the Dukan Pichadi, a small moneylender, owned by the Maharaja. The new bank's first manager was Jall N. Broacha, a Parsi. In 1985, SBI
acquired the Bank of Cochin in Kerala, which had 120 branches. SBI was the acquirer as its affiliate, the State Bank of Travancore, already had an extensive network in Kerala.

There has been a proposal to merge all the associate banks into SBI to create a "mega bank" and streamline the group's operations.

The first step towards unification occurred on 13 August 2008 when State Bank of Saurashtra merged with SBI, reducing the number of associate state banks from seven to six. Then on 19 June 2009 the SBI board approved the absorption of State Bank of Indore. SBI holds 98.3% in State Bank of Indore. (Individuals who held the shares prior to its takeover by the government hold the balance of 1.7%.)

The acquisition of State Bank of Indore added 470 branches to SBI's existing network of branches. Also, following the acquisition, SBI's total assets will inch very close to the 10 trillion marks (10 billion long scale). The total assets of SBI and the State Bank of Indore stood at 9,981,190 million as of March 2009. The process of merging of State Bank of Indore was completed by April 2010, and the SBI Indore branches started functioning as SBI branches on 26 August 2010.

On October 7, 2013, Arundhati Bhattacharya became the first woman to be appointed Chairperson of the bank.

HISTORY OF ICICI BANK

ICICI Bank was established by the Industrial Credit and Investment Corporation of India (ICICI), an Indian financial institution, as a wholly owned subsidiary in 1994. The parent company was formed in 1955 as a joint-venture of the World Bank, India's public-sector banks and public-sector insurance companies to provide project financing to Indian industry. The bank was initially known as the Industrial Credit and Investment Corporation of India Bank, before it changed its name to the abbreviated ICICI Bank. The parent company was later merged with the bank.

ICICI Bank launched internet banking operations in 1998.

ICICI's shareholding in ICICI Bank was reduced to 46 percent, through a public offering of shares in India in 1998, followed by an equity offering in the form of American Depositary
Receipts on the NYSE in 2000. ICICI Bank acquired the Bank of Madura Limited in an all-stock deal in 2001 and sold additional stakes to institutional investors during 2001-02.

In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group, offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI became the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

In 2000, ICICI Bank became the first Indian bank to list on the New York Stock Exchange with its five million American depository shares issue generating a demand book 13 times the offer size.

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002 and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002.

In 2008, following the 2008 financial crisis, customers rushed to ICICI ATMs and branches in some locations due to rumors of adverse financial position of ICICI Bank. The Reserve Bank of India issued a clarification on the financial strength of ICICI Bank to dispel the rumors.