A COMPARATIVE SYSTEMATIC STUDY OF CASH FLOW STATEMENTS BETWEEN STATE BANK OF INDIA AND ICICI BANK

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ABSTRACT:

A STATEMENT OF CASH FLOW provides vital information about the cash flow of an entity during a particular accounting period. It provides information about an entity, liquidity, flexibility and ability to generate future cash flow .cash flow statement is governed by the "AS-3" which is issued by the institute of chartered accountants of India .AS-3 is of chartered Accountants of India .AS-3 is mandatory for the organization in respect of Accounting period commencing on or after 1ˢᵗ April, 2004. The Standard requires that three separate categories of cash flow should normally be shown in cash flow statement (i.e. operating activities, investing activities and The Financing Activities) .AS-3 identifies separately the main activities resulting in cash flow or outflow .This paper is concerned with a systematic study between two banks: SBI (State bank of India) and ICICI (Industrial credit and investment corporation of India)

Key words- Cash, Cash equivalents, Cash flows, Operating Activities and Financing Activities and Financing Activities.

INTRODUCTION:

Statement of principles financial of reporting developed by the Accounting standard Board (ASB) in the U.K. recognizes that 'users of financial statements need information on liquidity, viability and financial adaptability of the entity concerned'. Cash flow statement (CFS) suggests cash generating or cash absorption mechanism and provides a basis of future cash flows. Although cash flow statement (CFS) doesn't reflect cash flows where accrued income and expenses are involved. But it is an important financial statement for decision making purpose CFS is provided with the other financial statement in the annual report of the companies. The information provided in this statement helps the user:-

I.   To assess the reliability of the amount of net profit.

II.   To know about information about cash, and non cash financing and investing transaction during an accounting period.

III. To compare of the reporting of operating performance by different enterprises.

IV.   To enables why assets and liabilities are increased and decreased during accounting period.

In this study, a systematic analysis has been undertaken about CFS between two leading bank of India namely – SBI (a public sector bank) and ICICI (a private sector bank)

OBJECTIVES:-

The systematic study of the above three activities is considered with the followings objectives-

a) To overview the trend of Operating Activities.

b) To overview the trend of Financing Activities.

c) To overview the trend of Investing Activities.

d) To explain the variation among Operating Activities, Financing Activities and Investing Activities.

e) To provide suggestion for improvement in cash management.

RESEARCH METHODOLOGY:-

For the purpose of systematic study two banks, SBI and ICICI have been selected.

State bank of India (SBI) is a multinational, public sector banking and financial services company. It is government owned corporation with its headquarters in Mumbai. With the mergers, SBI will enter the league of top 50 global banks with Balance Sheet size of Rs 41 trillion, 277000 employees, 500 million customers and more than 22500 branches and 500 ATM.SBI market shares increases 22% from 17%.

Industrial credit and Investment Corporation of India (ICICI) bank was originally promoted in 1994 by ICICI limited, an Indian financial institution and was its wholly owned subsidiary. It headquarter is in Mumbai. In the year 2014, it was the second largest bank in India in terms of assets and third in terms of market capitalization. The bank has a network of 4450 branches and 14404 ATM in India and has presence in 19 countries including India.

- **Period of study:-**

The detail analysis on two leading banks (SBI and ICICI) is considered for period of five (5) years .It starts from the financial year 2009-10 and ends on the financial year 2013-14.

- **Data collection:-**This research paper is based on mainly secondary data which has been collected from the following sources:-

   1. Annual reports of SBI.
   2. Annual reports of ICICI bank.
   3. Website of the selected companies.
   4. Journal released from NSE, BSE and SEBI
   5. Other journal and related websites.

- **Hypothesis**:-

Keeping in mind the objectives of the study following hypothesis were constructed for the purpose if investigation-

   I.   There is no significant difference between trends and means of operating activities of the selected bank.
   II.   There is no significant difference between trends and means of investing activities of SBI and ICICI bank.
   III. There is no significant difference between trends and means of financing activities of the two banks under study.

- **Statistical Tools and Techniques:-**

The statistical analysis technique is selected to analyze the cash flow statement of companies under study. For this purpose following technique are being used:-

   a) *Mean: -* Average is statistical contents which enables us to comprehend in a single effort the significance of the whole.
   b) S.D:- It is the positive square root of the arithmetic mean of the squares of the deviation of the given observation from their arithmetic mean.
   c) C.V:- Co-efficient of variation is the percentage variation in mean, standard deviation being considered as the total variation in the mean.

d) t test :- If x1 , x2 …….xn in a random sample size "n" from a normal population with mean mue(μ)

and variance (σ)^2, then student " t" statistic is defined as-

$$t = \frac{\bar{x} - \mu_0}{S_x / \sqrt{n}}$$ σ Unknown

DATA ANALYSIS   AND FINDINGS:

Table-1: Statistical analysis of Operating Activities, Investing Activities and Financing Activities

Year	OPERATING ACTIVITIES(Rs in crore)		INVESTMENT ACTIVITIES (Rs in crore)		FINANCING ACTIVITIES (Rs in crore)	
	SBI	ICICI	SBI	ICICI	SBI	ICICI
2009-10	-1804.99	1869.21	-1761.52	6150.73	-3359.67	1382.02
2010-11	34282.27	-6908.92	-1245.28	-2108.82	2057.11	3105.97
2011-12	-28468.59	9683.42	-1648.56	-12280.17	2147.66	3829.95
2012-13	21661.23	11102.01	-1999.41	-9431.56	-3259.72	2989.72
2019-14	14107.42	4668.6	-3105.67	-12246.48	3811.17	6838.37
TOTAL	39777.34	20414.32	-9760.44	-29916.3	1396.55	18146.03
MEAN	7955.468	4082.864	-1952.088	-5983.26	279.31	3629.206
RANK	1	2	1	2	2	1
SD	24190.77	7188.485659	700.1810053	7953.219031	3350.083895	2004.469687
RANK	2	1	1	2	2	1
CO-VAR	304.07727	176.0647834	-35.86831154	-132.9245099	1199.414233	55.23163158
RANK	2	1	2	1	2	1

Average indicates the representative value of sample under study. From the above information it can be concludes that SBI gets more priority over ICICI bank in case of operating activates and Investing activities. We know that higher will be rank and vice-versa. So SBI is given first rank and vice-versa. So SBI is given first rank and ICICI is given 2nd rank. But in case of Financing Activities ICICI bank posses 1st rank and SBI is given 2nd rank.

Standard deviation is the measurement of deviation from mean. So higher of SD will get lower rank and vice-versa. From the analysis, it is revealed that SBI has low SD in case investing Activities. So SBI gets rank1 in that case. But in case of operating activities and Financing Activities ICICI bank gets 1st rank.

Co-efficient of variation also measures of dispersion. Here also lower the values, higher will be the rank and higher the values of CV, lower will be the rank .The value of CV is lower in case of ICICI bank for all three activities. So ICICI assures 1st rank and SBI reserve 2nd Rank. These had been shown in the following table:-

Table-2: Level of performance of SBI And ICICI

| Level of Performance	Operating Activities	Investing Activities	Financing Activities
Superior	ICICI	ICICI	ICICI
Inferior	SBI	SBI	SBI

The trends of different activities of these two banks had also been shown in the following four charts:

Chart-1: Operating Activities
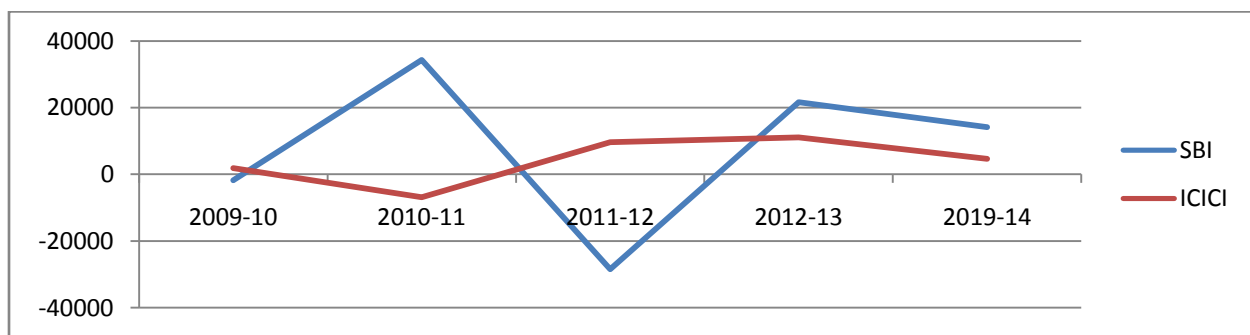
In case of operating activities it has been clear that there is much variance in performance of SBI whereas ICICI showed a stable performance over the years.

Chart-2: Investing Activities
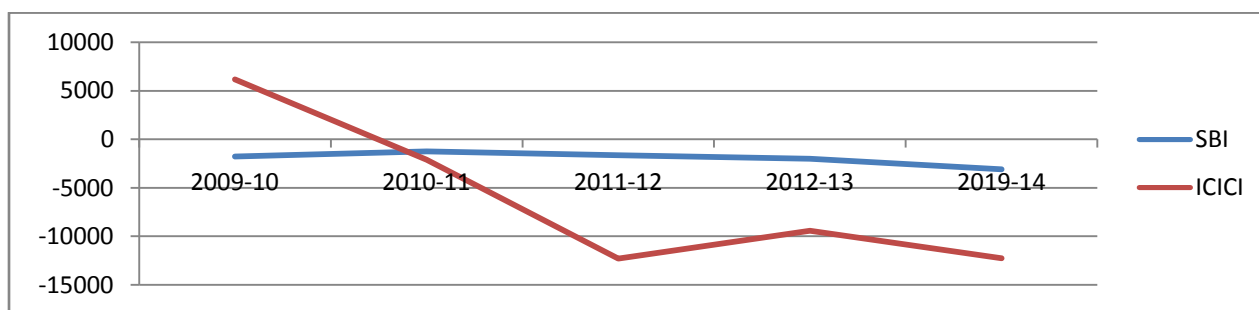
From the above chart it has been clear that both the banks had an negative trend in case of investing activities with very lower variance.

Chart-3: Financing Activities
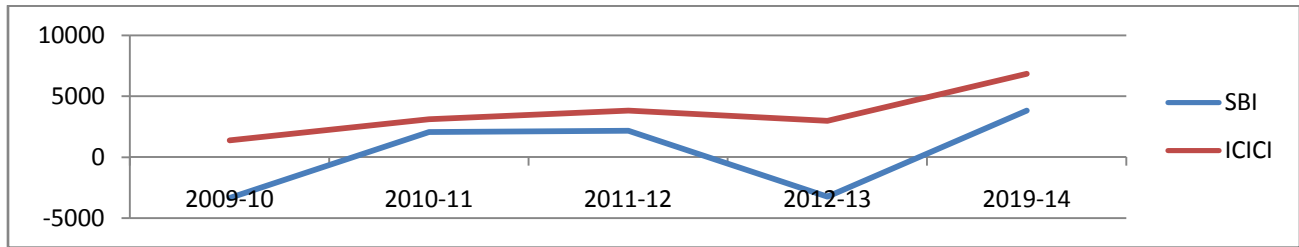
From the chart-3 it has been clear that both the banks show a positive trend in terms of financing activities. However SBI has more variance than ICICI.

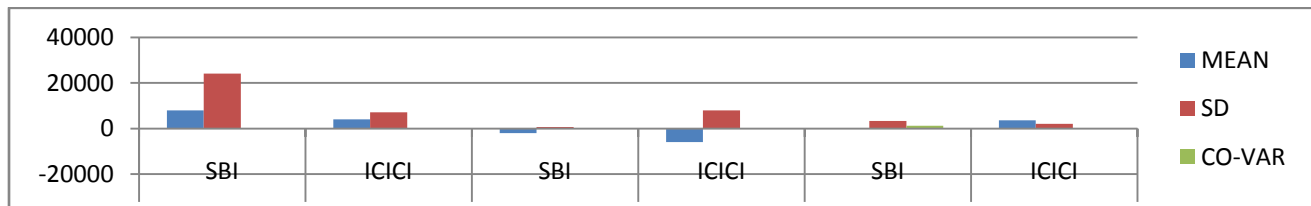**Chart-4: Trend Analysis of Mean, SD and Co-Variance**

Chart-4 clearly indicates the supremacy of performance of ICICI than SBI.

HYPOTHESIS TESTING:-

Table-3: t- Test: - Paired two samples for Mean for Operating Activities

NAME OF BANK	SBI	ICICI
Mean	Rs 7955.47 Cr	Rs 4082.86 Cr
SD	Rs24190.77 Cr	Rs7188.486Cr
Observation	5	
d.f.	4	
t-test	0.30	
t- Critical value	2.78	
Decision	Null hypothesis – Accepted	

For Operating activities, it is observed that the calculated Value of "t" (0.30) is less than the tabulated value (2.78) at degree of freedom (d.f.) 4, so it is concluded that there is no significant difference between mean of sample of Operating Activities of selected bank.

Table-4: t- Test: - Paired two samples for Mean for Investing Activities

NAME OF BANK	SBI	ICICI
Mean	Rs -1952.09 Cr	Rs-5983.26 Cr
SD	Rs700.18 Cr	Rs7953.219Cr
Observation	5	
d.f.	4	
t-test	1.13	
t- Critical	2.78	
Decision	Null hypothesis – Accepted	

It is also observed that the calculated value (1.13) of "t-Test" for Investing Activities is less than the tabulated value (2.78).Therefore, the null hypothesis is accepted and alternative hypothesis is rejected. So it means that there is no significant difference between the Mean of Investing Activities of two Banks namely SBI and ICICI bank.

Table-5: t- Test: - Paired two sample for Mean for Financing Activities

NAME OF BANK	SBI	ICICI
Mean	Rs 279.31 Cr	Rs3629.30 Cr
SD	R3350.08 Cr	Rs2004.47Cr
Observation	5	
d.f.	4	
t-test	1.92	
t- Critical	2.78	
Decision	Null hypothesis – Accepted	

In case of Financing Activities, calculated value (-1.92) of "t" is also less than the table value (2.78), so the null hypothesis is accepted. It concludes that there is no significant difference between the means of financing Activates of selected Bank.

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DRAWBACK OF THE STUDY:-

(1) The meaning of the word "cash " is not clearly and precisely expressed .Also cash balance of a firm is too easily influenced by post poning cash receipts and cash payments.

(2) This systematic study is based on secondary data which is not free from limitation.

(3) As the selected two banks maintain books of Accounts under accrual basis, so cash flow analysis fails to predict the actual results of the organization.

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