

CAPSTONE PROJECT: STUDY OF FINANCIAL SERVICES INSTITUTIONS

December 2022



भारतीय प्रौद्योगिकी संस्थान दिल्ली
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UNDER GUIDANCE OF **PROF. SANJAY DHIR**

OVERVIEW

1. Project Background and Description

i *As part of this project study, we studied 3 large banking financial institutions of the world. For this study we chose State Bank of India (SBI) from India, The Industrial and Commercial Banking of China (ICBC) and JP Morgan Chase (JPMC) from the USA. These institutes were chosen because of the scale of their operations.*

This project report is a comparative conclusion of independent studies that we performed through 2022 as part of SIDTBA program.

The team members who actively participated in creation of this project report are Amit Ahuja, Ankit Asthana, Rajiv Kumar, Sachin Jhamb, Saikat Biswas.

We would like to thank our course instructor Prof. Sanjay Dhir for guiding us through the course of the project and past duration of 11 months.

2. Project Scope

i *In this project we emphasized on comparison of large banking institutions in 3 wide geographies across the globe which apparently are at different stages of economic growth. As mentioned above we chose State Bank of India (SBI) from India, The Industrial and Commercial Banking of China (ICBC) and JP Morgan Chase (JPMC) from the USA.*

*This project report performs an extensive comparison of various financial parameters including Capital Adequacy Ratio, Non-Performing Assets (**NPA**), Return in Assets (**ROA**), Return on Equity (**ROE**) and draws conclusion on which how these institutes are positioned/ placed to face new/ upcoming economic scenarios.*

Alongside in this report of also present demographics in which these institutions operate as these could be critical in survival/ growth in their future.

3. Executive Summary

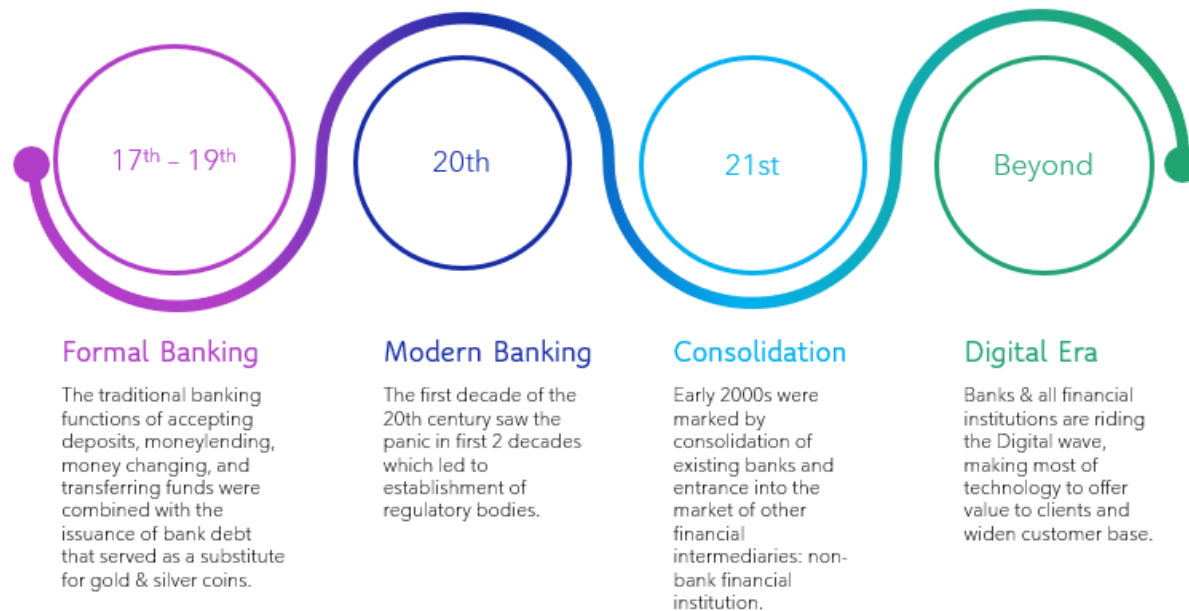
i *For us to perform this study we explored various sources available on the internet including financial reports published by identified banks, some independent analysis done by extensively reading blogs and other students, academia, Wikipedia and collated relevant material from these sources in form of this report.*

For this study we explored:

- History & credentials of banks
- Financial reports of past few years to be able to get trending reports
- Based upon the reference material we applied what we learnt in the course duration performed **SWOT** (Strengths, Weaknesses, Opportunities, Threat) and **PESTEL** (Political, Economic, Social, Technological, Legal & Environmental Factors) analysis. While there are many more means of comparisons, we tried to restrict our scope to fundamental analysis that we learnt in duration of this course.

4. Evolution of Banking Financial Industry

i *This section shows the high-level evolution of Financial Industry one of its specialized branches being banking.*

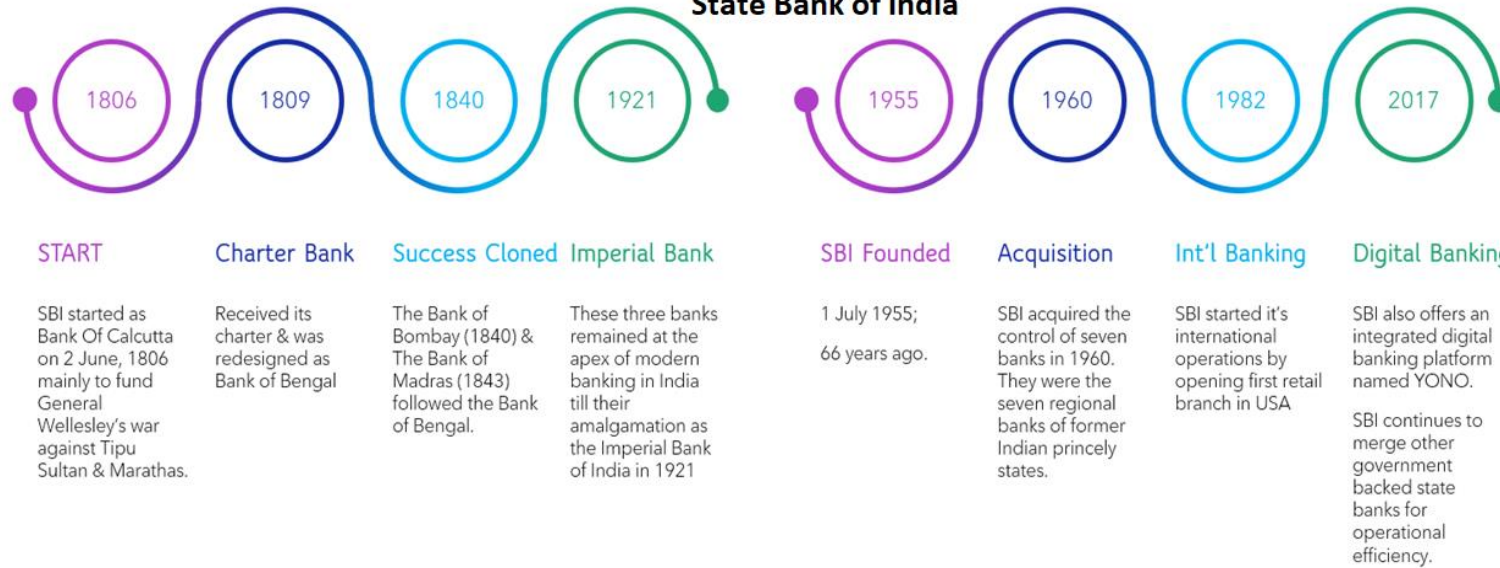


Like many other industries banking has hugely benefitted with each stage of modernization of industry. The biggest booster is happening with Industry 3.0 and Industry 4.0 era that we are living in today.

5. History

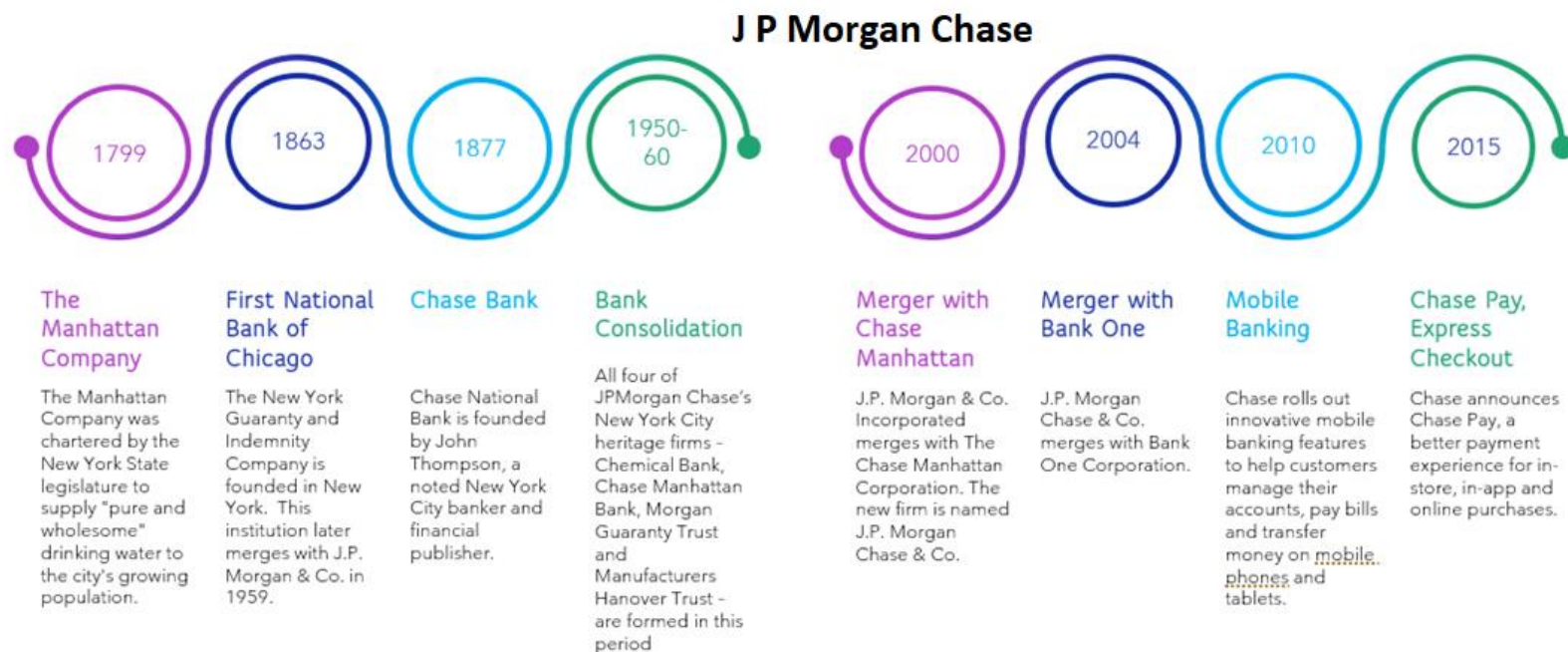
i This section depicts the evolution of banks with timeline at a highest level

State Bank of India



ICBC - Industrial and Commercial Banking of China





It is noteworthy that while ICBC is the newest bank in the ranks it still clearly stands out w.r.t Assets, Income and Net Profit.

6. Credentials

i This section depicts the common parameters such as # of customers, AUM, Fortune 500 rank, # of Branches, # of ATMs of selected banks.

The last few parameters help us gauge the spread of these institutions

J P Morgan Chase



of customers

Total number of customers

Fortune 500

Ranked 24th on Fortune 500 by total revenue

Branches

Bank has 4700 branches across 60 countries

ATMs

JPMC has 17K ATMs nationwide

Net worth

JPMorgan Chase net worth as of October 28, 2022 is \$363.96B.

Workforce

The bank operates in over 60 countries with more than 240,000 employees worldwide.

Revenue

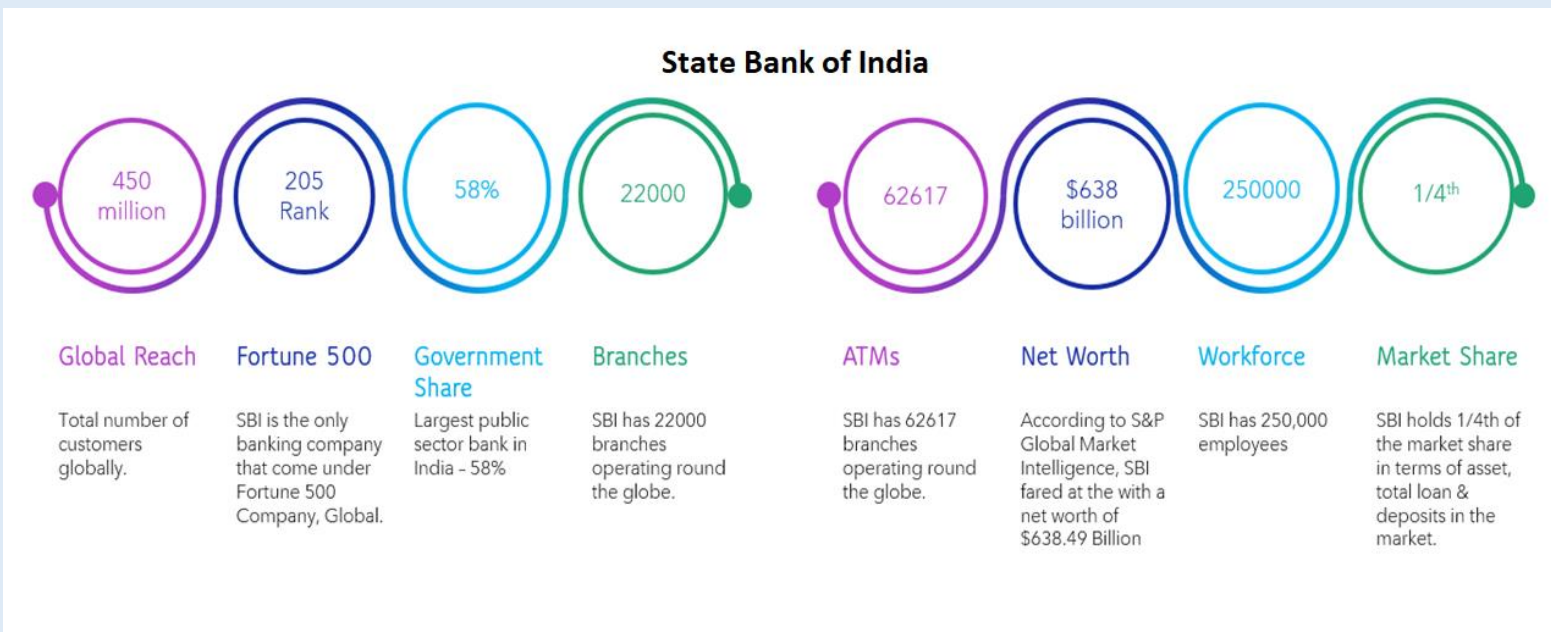
The bank had a revenue of \$127.2 million for YE 2021

AUM

\$3,743 billion AUM by YE 2021

ICBC - Industrial and commercial bank of China





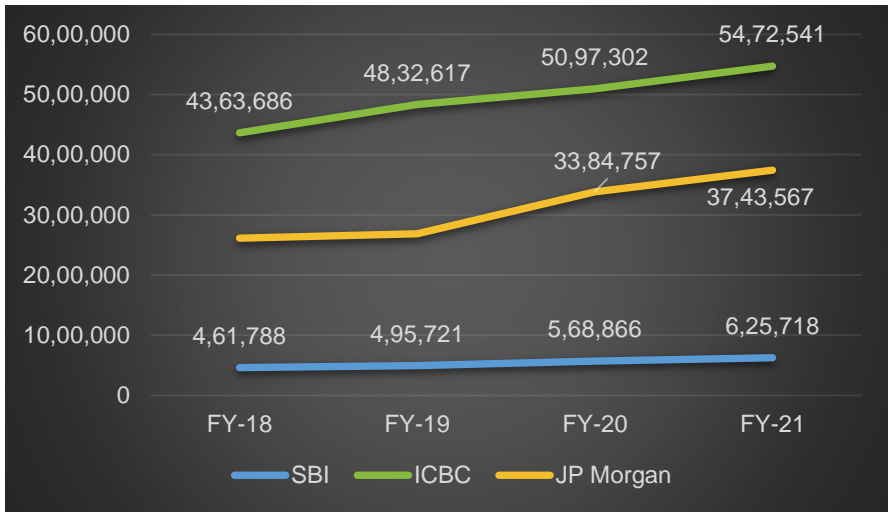
7. Financial Analysis (Side-by-Side)

i In this section we have picked 10 key metrics to assess the health of our identified financial institutions. We did a trending depiction for each metric from 2018 to 2021 and more importantly based on the study conducted did our own analysis and drew inference based at a metric level.

The following section picked up the individual inferences drawn and draws conclusion on financial health assessment of these banks.

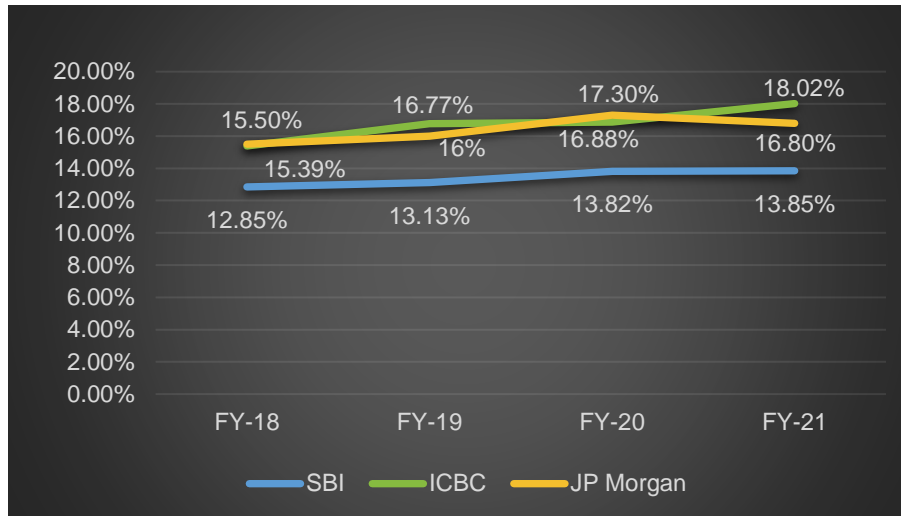
This extensive analysis was performed primarily by **Rajiv Kumar**.

Parameter Name	Trending Depiction	Inference																				
Net Profit (USD Mn) (Higher the better)	<table><thead><tr><th>Bank</th><th>FY-18</th><th>FY-19</th><th>FY-20</th><th>FY-21</th></tr></thead><tbody><tr><td>ICBC</td><td>43,293</td><td>45,415</td><td>46,041</td><td>50,756</td></tr><tr><td>JP Morgan</td><td>30,709</td><td>34,642</td><td>27,410</td><td>46,503</td></tr><tr><td>SBI</td><td>-1,784</td><td>-93</td><td>1,244</td><td>3,522</td></tr></tbody></table>	Bank	FY-18	FY-19	FY-20	FY-21	ICBC	43,293	45,415	46,041	50,756	JP Morgan	30,709	34,642	27,410	46,503	SBI	-1,784	-93	1,244	3,522	<p>ICBC remains highly profitable among 3 banks by controlling their expenses well and low NPAs.</p> <p>JP Morgan remains second w.r.t profitability considering higher revenue but despite high expenses.</p> <p>SBI profitability has been lowest among 3 due to high expenses w.r.t the revenue being generated. More focus needed on credit quality to minimize NPAs.</p>
Bank	FY-18	FY-19	FY-20	FY-21																		
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NIM (%) (Higher the better)	<table><thead><tr><th>Bank</th><th>FY-18</th><th>FY-19</th><th>FY-20</th><th>FY-21</th></tr></thead><tbody><tr><td>JP Morgan</td><td>3.19%</td><td>3.05%</td><td>2.67%</td><td>2.32%</td></tr><tr><td>SBI</td><td>2.78%</td><td>2.97%</td><td>3.04%</td><td>3.12%</td></tr><tr><td>ICBC</td><td>2.36%</td><td>2.30%</td><td>2.15%</td><td>2.11%</td></tr></tbody></table>	Bank	FY-18	FY-19	FY-20	FY-21	JP Morgan	3.19%	3.05%	2.67%	2.32%	SBI	2.78%	2.97%	3.04%	3.12%	ICBC	2.36%	2.30%	2.15%	2.11%	<p>All 3 banks have positive NIM and are profitable.</p> <p>SBI is comparatively better placed w.r.t NIM which is increasing YOY.</p> <p>JP Morgan NIM has declined in the recent years and same is the case with ICBC where it has lower NIMs as its primarily dependent on the Interest Rate Spread a bank can maintain.</p> <p>The decline in average interest rate on interest-earning assets was much higher than the decline in average interest rates on interest-bearing liabilities. As a result, the interest rate</p>
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		spread has fallen which is the main reason behind drop in net interest margin.																				
Total Assets (USD Mn) (Higher the better)	 <table><thead><tr><th>Bank</th><th>FY-18</th><th>FY-19</th><th>FY-20</th><th>FY-21</th></tr></thead><tbody><tr><td>ICBC</td><td>43,63,686</td><td>48,32,617</td><td>50,97,302</td><td>54,72,541</td></tr><tr><td>JP Morgan</td><td>26,00,000</td><td>27,00,000</td><td>33,84,757</td><td>37,43,567</td></tr><tr><td>SBI</td><td>4,61,788</td><td>4,95,721</td><td>5,68,866</td><td>6,25,718</td></tr></tbody></table>	Bank	FY-18	FY-19	FY-20	FY-21	ICBC	43,63,686	48,32,617	50,97,302	54,72,541	JP Morgan	26,00,000	27,00,000	33,84,757	37,43,567	SBI	4,61,788	4,95,721	5,68,866	6,25,718	<p>The Industrial and Commercial Bank of China is once again the biggest bank on the planet, with \$5.5 trillion in assets.</p> <p>Three more Chinese banks were among the top five biggest: China Construction Bank (\$4.7 trillion in assets), Agricultural Bank of China (\$4.6 trillion) and the Bank of China (\$4.2 trillion).</p> <p>The biggest American bank, JPMorgan Chase is now the world's fourth-largest public company with nearly \$4 trillion in assets, falling from second last year.</p> <p>SBI is far behind in terms of Total Assets.</p>
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<p>Total Liabilities (USD Mn)</p> <p>(Lessor than the Assets)</p>	 <table><thead><tr><th>Bank</th><th>FY-18</th><th>FY-19</th><th>FY-20</th><th>FY-21</th></tr></thead><tbody><tr><td>SBI</td><td>4,61,788</td><td>4,95,721</td><td>5,68,866</td><td>6,25,718</td></tr><tr><td>ICBC</td><td>38,31,089</td><td>39,67,303</td><td>44,10,110</td><td>49,83,497</td></tr><tr><td>JP Morgan</td><td>23,66,017</td><td>24,26,049</td><td>31,05,403</td><td>34,49,440</td></tr></tbody></table>	Bank	FY-18	FY-19	FY-20	FY-21	SBI	4,61,788	4,95,721	5,68,866	6,25,718	ICBC	38,31,089	39,67,303	44,10,110	49,83,497	JP Morgan	23,66,017	24,26,049	31,05,403	34,49,440	<p>ICBC has higher liabilities among all three banks.</p> <p>Liabilities for all 3 banks are moving in tandem with assets YOY.</p>
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<p>NPA Ratio (%)</p> <p>(Lower the better)</p>	 <table><thead><tr><th>Bank</th><th>FY-18</th><th>FY-19</th><th>FY-20</th><th>FY-21</th></tr></thead><tbody><tr><td>SBI</td><td>3.01%</td><td>2.23%</td><td>1.50%</td><td>1.02%</td></tr><tr><td>ICBC</td><td>1.52%</td><td>1.43%</td><td>1.58%</td><td>1.42%</td></tr><tr><td>JP Morgan</td><td>1.39%</td><td>1.39%</td><td>2.95%</td><td>1.62%</td></tr></tbody></table>	Bank	FY-18	FY-19	FY-20	FY-21	SBI	3.01%	2.23%	1.50%	1.02%	ICBC	1.52%	1.43%	1.58%	1.42%	JP Morgan	1.39%	1.39%	2.95%	1.62%	<p>NPA depicts the overall quality of Loans and credit quality.</p> <p>SBI had High NPAs but have reduced the same drastically in last few years.</p> <p>NPAs at JP Morgan is comparatively higher among all three banks.</p> <p>ICBC focus has also increased on NPAs where it has touched the lowest level in last 4 years.</p>
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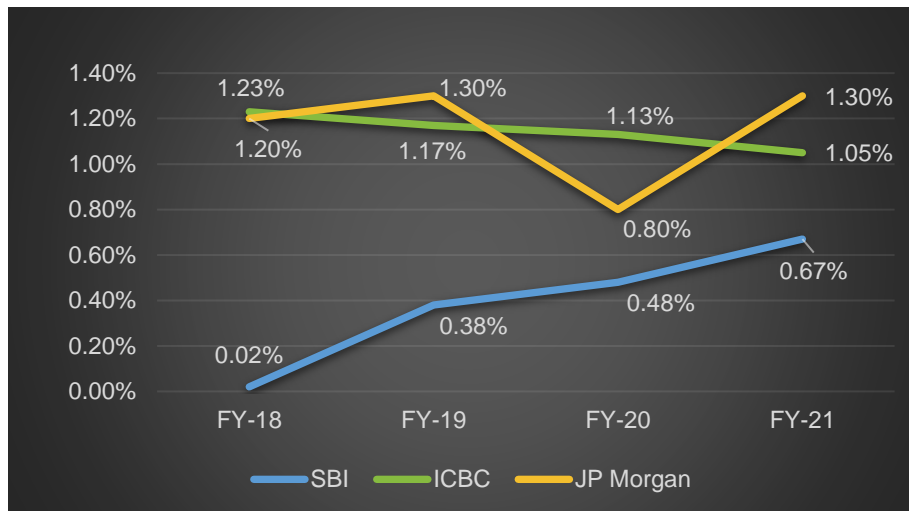
Capital Adequacy Ratio (%)
(Higher the better)



The capital adequacy ratio is important from the point of view of solvency of the banks and their protection from untoward events which arise as a result of liquidity risk as well as the credit risk that banks are exposed to in the normal course of their business.

ICBC is better placed than JP Morgan and JP Morgan is better placed than SBI in terms of Capital adequacy.

Return in Assets (ROA %)
(Higher the better)



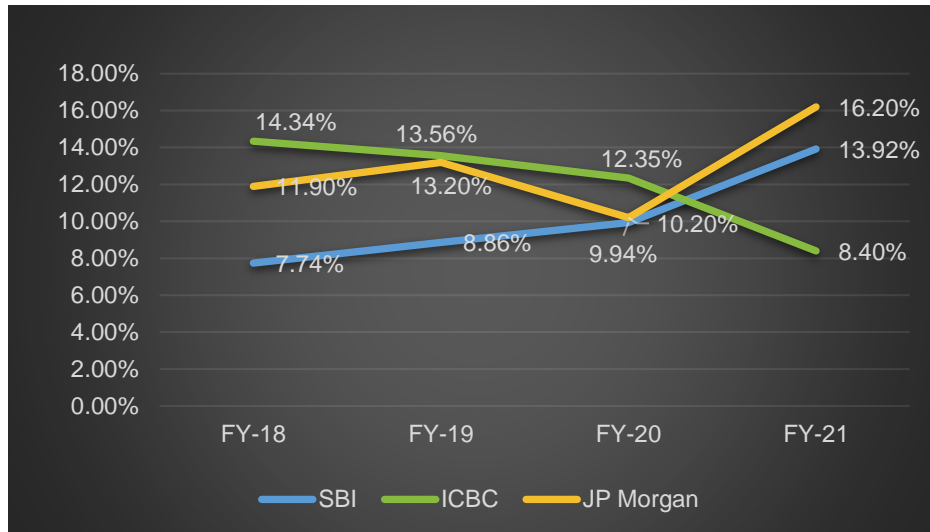
The Return on Assets Ratio is calculated by dividing a company's earnings after tax by its total assets. Total assets are equal to the sum of the shareholders' equity and the company's debt.

The ratio is considered an important profitability ratio, indicating the per-dollar profit a company earns on its assets.

JP Morgan has a higher ROA than ICBC and SBI.

SBI ROA is also moving in upward and inward direction.

Return on Equity (ROE %)
(Higher the better: 15-20% is considered excellent)



Return on equity (ROE) is a financial ratio that shows how well a company is managing the capital that shareholders have invested in it.

While average ratios, as well as those considered “good” and “bad”, can vary substantially from sector to sector, a return on equity ratio of 15% to 20% is usually considered good. At 5%, the ratio would be considered low.

JP Morgan’s ROE is excellent where SBI ROE is Comparatively good.

ICBC’s ROE is comparatively low and have declined since last few years,

8. Conclusion of financial metrics comparison

i Despite a tumultuous year for the global economy, American and Chinese banks once again dominate the 2022 Forbes Global 2000 list, which measures the world’s largest and most successful companies. Nearly half of the top ten largest companies on the list are banks based in the United States or China.

2021 was largely a good year for the banking sector as firms posted strong earnings and robust deposit growth thanks to trillions of dollars in pandemic stimulus spending from governments. This year, however, banks are facing more challenging economic environments as surging inflation and Russia’s invasion of Ukraine both raise concerns about a possible recession, causing markets to fall. First-quarter earnings recently showed that bank profits took a major hit compared to a year ago as deal-making and trading activity slowed amid ongoing uncertainty in markets.

Chinese banks also continued to grow at a fast clip from last year despite the ongoing crisis in China’s real estate sector, as well as mass lockdowns in several major cities from the country’s zero-Covid strategy,

weighing on economic growth. China's economy still grew more than expected during the first quarter of 2022, with GDP rising 4.8% compared to a year ago.

The Industrial and Commercial Bank of China is once again the biggest bank on the planet, with \$5.5 trillion in assets. Three more Chinese banks were among the top five biggest: China Construction Bank (\$4.7 trillion in assets), Agricultural Bank of China (\$4.6 trillion) and the Bank of China (\$4.2 trillion).

The biggest American bank, JPMorgan Chase, is now the world's fourth-largest public company with nearly \$4 trillion in assets, falling from second last year.

In another survey by Forbes, in conjunction with market research firm Statista. Instead of looking at balance sheets and profit and loss statements, as Forbes does for its annual list America's Best Banks, Statista surveyed more than 45,000 customers in 14 languages around the globe for their opinions on their current and former banking relationships.

Banks were rated on general satisfaction as well as key metrics such as trust, fees, digital services and financial advice. SBI stands at 7th Rank, ICBC at 6th and JP Morgan Chase at 47th Rank.

ICBC clearly stand out w.r.t Assets, Income and Net Profit, however their ROE (how well capital of shareholders is being managed) and ROA (Per dollar profitability from its assets) is on declining trend where JP Morgan has shown stronger upward movement in ROE and ROA. SBI also shown consistent improvement in ROE and ROA in onward and upward direction.

9. PEST analysis of the Banking Industry

- i** *PEST analysis of the banking industry by comparing China, India and USA. The banking industry is affected by several factors such as economic and social trends, and policies and regulations from the government or other entities. This study identifies where the challenges and opportunities lie within the global banking context.*

*This extensive analysis was performed primarily by **Ankith Asthana**.*

i. Political factors influence on banking industry

The political environment is one of the most important factors that directly or indirectly influences the banking industry. Political system or political leadership might cause a disruption in the delivery of services that may result in financial losses for the banks. Risks from political risk include coups, civil unrest, government regulations and limitations on foreign exchange, and change in government policies.

Governments have various policies concerning the banking industry. The regulations and policies of most countries around the world are constantly evolving and are often not well understood by the banks or the public. This can lead to complications in the banking industry during times of political instability such as civil unrest, changes in government policies, or a crisis.

Country	China	India	USA
Assessment	<ul style="list-style-type: none"> ➤ Deterioration in US-China relations accompanied by mutual financial sanctions and military tensions could also hamper the global rise of Chinese finance, impacting western expansion of ICBC ➤ The prospects of further opening of the banking sector under the WTO agreement suggest that foreign banks are likely to play an increasingly important role in China – ICBC can possibly kill some of the competition thru M&A and diversify its offering ➤ Chinese policy makers in effect will be forced to prioritize zero covid over economic growth – leading to slower growth 	<ul style="list-style-type: none"> ➤ Russia's invasion of Ukraine is a risk to India's budget math, as it could upset the government's plan to raise funds from assets sales while possibly forgoing some revenue to spare consumers the burden of costlier crude ➤ SBI is subject to the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements, set by the RBI. This reduces SBI's ability to further lend funds to borrowers or invest in other funds ➤ The government decision to lift high interest rates or paybacks of loan amounts etc. affects the NPA holding impacting profitability ➤ It is important for SBI to follow all political factors to continue increasing its top and bottom line. 	<ul style="list-style-type: none"> ➤ Growing geopolitical tensions and uncertainty around American global leadership will impact global economy especially the financial sector ➤ Corporate influence over public policy making – protects banks interest
Impact	High	High	Medium

ii. Economic factors that influence the banking industry

Economic environment is a key part of this PEST analysis of the banking industry. Banking industry plays a very important role in the global economy. It enables consumers and businesses to invest, borrow, save, and make transactions when desired and required. This industry is dominated by some global names.

Financial crisis, recessions, and high levels of unemployment have a significant impact on the banking industry. During periods of economic uncertainty, banks may be reluctant to offer new financial products, such as mortgages or credit cards, or may tighten lending standards to protect their own profitability.

The financial landscape is ever-changing, and that is especially true in today's uncertain climate. With interest rates on the rise, banks are forced to look for new ways to generate revenue. However, while they are in the business of making money, they also have a social responsibility to their customers.

Country	China	India	USA
Findings	<ul style="list-style-type: none"> ➤ China is the 2nd largest economy in the world faces the risk of weaker growth and needs more sustainable model ➤ Severe economic imbalances, mounting environmental issues, rising economic inequality and an aging population are the key questions that the new administration lead by President Xi Jinping will have to tackle soon to ensure the country's sustainability. ➤ Banking industry is facing an increasingly difficult year, with its largest lenders cutting loan rates while bad debt is piling up amid a property crisis. Authorities in Beijing are expecting them to help economic growth at the cost of earnings as they contend with falling home prices, stalled developments, and a nationwide consumer mortgage boycott 	<ul style="list-style-type: none"> ➤ The surge in edible and crude oil prices are bound to feed into headline inflation, higher prices will nevertheless eat into disposable incomes of consumers, the backbone of the economy that has yet to fully start spending after the pandemic ➤ Costlier crude could also widen the deficit in the nation's current account, the broadest measure of trade, and weigh on the local currency, which already declined to a record low ➤ Inflation can also impact the FX rate causing losses especially in overseas branches 	<ul style="list-style-type: none"> ➤ USA is the largest economy in the world faces the risk of weaker growth and needs more sustainable model ➤ Runaway inflation, big interest rates hikes, the Russian invasion of Ukraine and the unknown effects of the Federal Reserve's quantitative easing policy are among the indicators of a potential recession
Impact	High	Medium	Medium

iii. Social factors that influence the banking industry

The increasing demand for banking services driven by the lifestyle of the public is shaping the industry. One of the most significant social changes that the banking industry must acknowledge is the increasing number of remote workers across the globe.

Demand for banking services varies from one country to another. For example, around 5.4% of U.S. households (approximately 7.1 million) homes do not have a bank account (Leonhardt, 2020). On the other hand, 20% of the Chinese population (approximately 287 million people) are unbanked

As the global economy is recovering from the lockdown challenges, many people will be entering the workforce and opening bank accounts for the first time in many both developed and developing countries. They will be heavily influenced by the social media content they consume and the people they interact with. When opening a bank account, buying a home, starting a family, or thinking about retirement, people naturally look to their social networks for advice and recommendations. This has the potential to influence the banking industry.

Country Findings	China	India	USA
	<ul style="list-style-type: none"> ➤ Extremely low birth rate problem offers a window into China's demographic challenges, which threaten to weigh on economic productivity and burden the pension system ➤ China's factories are wrestling with labor shortages as people are opting for stable white-collar jobs as opposed to blue-collar. This could result in rising wages, inflation, and supply chain issues in the short term. In the long term, it could halt GDP growth, induce a recession ➤ In June 2022, the index for consumer confidence in China ranged at 88.9 points. The index performed a sideways movement during 2019, dropped in the first half of 2020 due to the coronavirus pandemic, and regained its 	<ul style="list-style-type: none"> ➤ COVID-19 has led to significant uptick for contactless banking and remote operability ➤ The country has the highest fintech adoption rate in the world and much of this is coming from tier 2 and tier 3 cities 	<ul style="list-style-type: none"> ➤ In Nov 2022, the CCI in US stands at 100.2 down from 102.2 in Oct'22. Consumers' expectations regarding the short-term outlook remained gloomy. ➤ Consumers' appraisal of the labor market was somewhat more favorable. 45.8% of consumers said jobs were "plentiful," up from 44.8%. ➤ A diverse workforce helps banks and companies attract new customers in the community, from all walks of life, as people want to do business with institutions that share their values.

	former level quickly in the second half of 2020. The index dropped considerably between March and April 2022 ➤ Expatriates often find it difficult to adopt culturally to life in China		
Impact	Medium	Low	Low

iv. Technological factors that influence the banking industry

Discussion on technology is a key element of this PEST analysis of the banking industry. As consumers have become more comfortable with technology, they have started preferring online banking and mobile apps over traditional methods. The convenience of a mobile banking app allows people to monitor their account balance and make transfers wherever they want. People are also turning to social media for financial advice and guidance.

Technological factors are related to the convergence of technologies and the ability of banks to exploit new technologies. They also include the ability to collect and analyze data, create new products and services, and manage operations. For instance, the introduction of big data analytics has challenged banks to offer more targeted services and products.

The rate of technological change in the banking industry is high and these changes have created new challenges for banks and will continue to do so in the future. Shilling and Celner (2022) state that banks should consider the tectonic shifts reconfiguring the global financial system. Remarkable growth in digitization, convergence of industries, fusion of technologies, and some other factors that must be considered.

Country	China	India	USA
Findings	<ul style="list-style-type: none"> ➤ China has made achievements in raising the public's digital literacy and skills, with several digital-related indicators ranking among the world's top ➤ China's netizen population, the world's largest, reached 1.03 billion by the end of 2021 ➤ By the end of 2021, 173 websites and mobile applications had upgraded their facilities for the convenience of senior citizens ➤ China still faces challenges in cultivating high-level digital 	<ul style="list-style-type: none"> ➤ Over the last few years, SBI has carried out several efforts to improve the stability and resilience of its digital offerings and increase the flexibility of its infrastructure and technology delivery capacity. However, with ever-increasing demand for new and accelerated dynamics and technology-driven innovations in financial services, remaining competitive and relevant in the market has been a challenge ➤ Implementing these changes in technology is not only leading to 	<ul style="list-style-type: none"> ➤ Use of social media has become common in a modern business environment. ➤ Banks are using AI to smooth customer identification and authentication, while also mimicking live employees through chatbots and voice assistants. ➤ 2020 Insider Intelligence survey of banking executives found that 66% believe new technologies like blockchain, artificial intelligence (AI), and

	professionals and narrowing the gap between urban and rural residents in digital literacy and skills	increased costs for SBI but also, they had been outages that could impact its reputation and decreased demand in the future ➤ SBI intends to nurture innovative start-up businesses in their pursuit to become scalable and sustainable enterprises on FINTECH domain. The overarching purpose of this program is to promote a culture of FINTECH innovation and entrepreneurship in India	the Internet of Things (IoT) will have the greatest impact on banking by 2025.
Impact	High	Low	Medium

10. Competitive Advantage of ICBC over SBI & JPMC

i How ICBC is maintaining it's ranking to the top of World's Bank's List for a decade now?

Exclusively done by **Saikat Biswas**

- **In this part of doing comparative advantage among these three banks –**

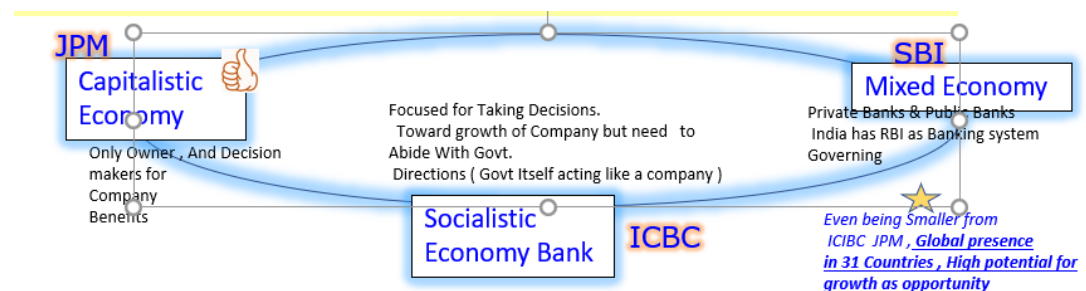
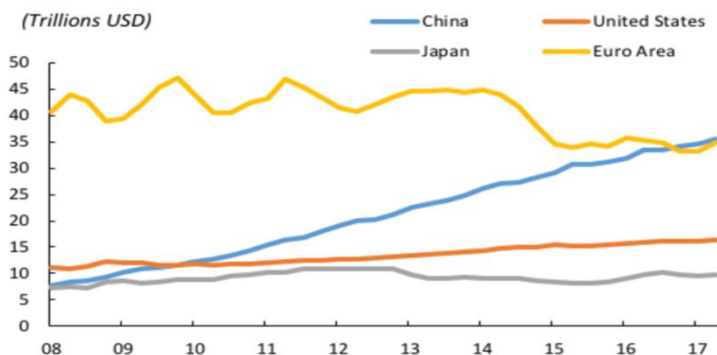
SBI, ICBC & JP Morgan Chase & Co, we found China's bank ICBC clearly holds the number one position as it has now spent over a decade at the top of the ranking and is the first bank to record Tier 1 capital of over \$500 billion (\$508.85 billion).

It increased Tier 1 by 15.7% in 2021, total assets by 8.1% and pre-tax profits by 11.1%. It now has more than double the Tier 1 capital of the largest US bank, JPMorgan (\$246.16 billion).

There are many such factors which has directly & indirectly effecting this outcome.

- **China's astounding pre-& post pandemic economic growth:** Underpinned by a strong domestic economy, which grew by 8.1% in 2021, China expanded its aggregate Tier 1 capital by 14.4% (versus 4.7% for the US) and total assets by 10.9% (versus 8.8% for the US).
- **China's asset build-up:** China now has more than double the Tier 1 capital (\$3.38 trillion) and almost double the assets (\$41.53 trillion) compared to the US, with 186 banks. Overall, China holds 32.5% of the world's Tier 1 capital, 26.9% of its assets and 28.7% of its pre-tax profits.
- **Extensive Loan:** China's banks built up their assets by lending like crazy over the last decade. Though if we trying to **compare the amount of loan that is provided** by the Chinese bank to the household, corporate or Govt. debt **compared to GDP is roughly equivalent to America, but all in a very short period of time.**
- **China's economic boom:** China's jump in productivity, originated in the economic reforms, begun in 1978. The growth in the country's stock of capital assets, such as new factories, manufacturing machinery, and communications systems--was important, as were the number of Chinese workers, a sharp, sustained increase in productivity (increased worker efficiency) was the driving force behind the economic boom. SEZ's, infrastructure, connectivity, cheap labor etc. attracted many foreign industries to jump in. Resulted lots FDI.
- **Political philosophy:** America's Federal Reserve system try to operate by "free market" principles. Whereas China's institutions are more inclined towards central planning. Most of the china banks are owned by the state. So, policies of banks are made for the interest of govt itself. Which prevents them from taking big risks.
- **Government backup:** Unlike US, Chinese govt can & does intervene to prevent banking crises. They even control the profitability, capital, bad-debt, cash reserve etc. Government make decisions for banks to give loan to whom & how much. They not just closely monitor their activity but prevent them to take any risky action, though the profit margin is high which indeed save banks like ICBC from many NPA & bad loans. In case of recession & crisis govt even support their state-owned banks by giving fund & low interest rate debts.

- **Loan preference:** American banks are privately owned, so they make lending decisions based on whatever they think will bring in a profit. But China's banks do a lot of lending based on the government's preferences and long-term plans for the Chinese economy.
- **Loan distribution:** In America and Britain, the corporate, household, and government sectors split the debt load roughly equally. But in China, about two-thirds of all debt is owed just by the corporations which are also largely state-owned. 97% of assets held by Chinese banks are domestic
- **China's economic expansion policy:** Apart from that china is giving direct & indirect loan to many third world countries, which is also circulating through their banks like ICBC. The interest generating through those loans are directly deposited to their banks. Again, failure of repaying those debt indirectly making the banks as well as the country richer.



|| Although, all these three banks are the top banks of this planet. There are some parameters which has positioned these banks in three different matrixes.

- Both **ICBC & SBI** are govt.-controlled banks, but their behavioural patterns are different, based on their country's economy, citizen's purchase power, export, GDP & GNP.
- But **SBI** is lacking cause of their NPAs, huge physical operating cost, technical adoption & fund rising w.r.t their foreign counter parts.
- Though, **future opportunities** are showing good for SBI.

|| ▪ *We collect some Points seems as suggestion for SBI that,*

- Operating cost can be focused & optimized by implementing more to automation techniques predicting the futuristic approach
- For SBI we suggest Mergers is one the way to do enhance the Spread of company (Bank), SBI mergers were the motive to decrease competition among PSU banks but, JP Morgan Pace was more & merged companies motives to Have more spread in Market.

11.The Comparative Case Study - at a glimpse

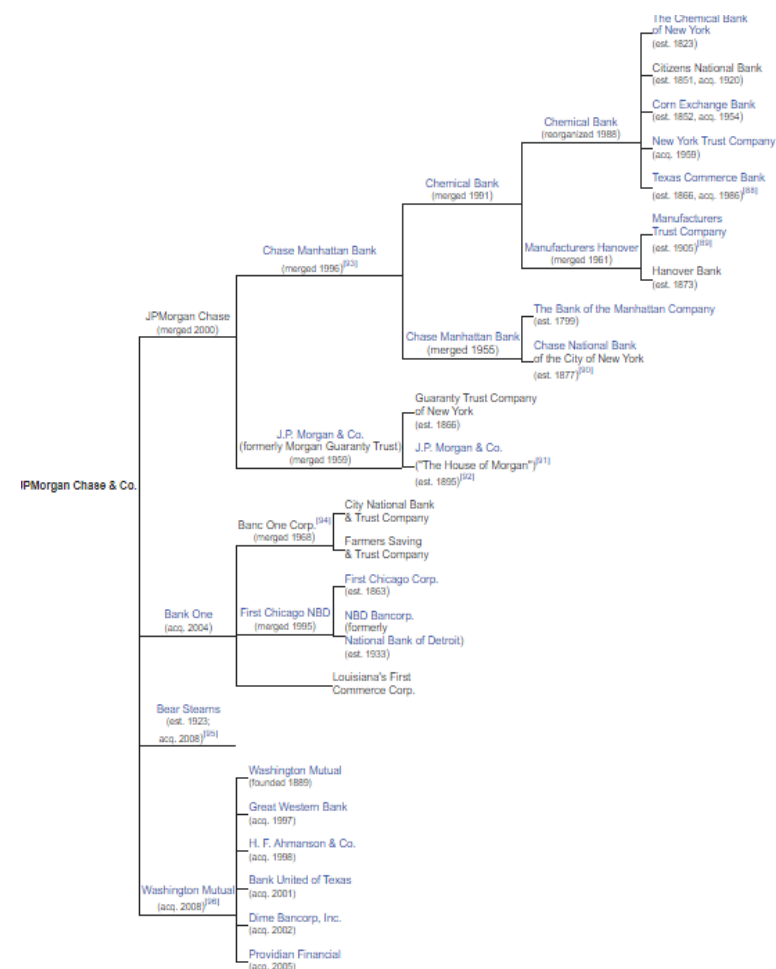
Feature	SBI	ICBC	JPMC
Mission	<p><i>"We will be prompt, polite and proactive with our customers.</i></p> <p><i>We will speak the language of Young India.</i></p> <p><i>We will create products and services that help our customers achieve their goals.</i></p> <p><i>We will go beyond the call of duty to make our customers feel valued.</i></p> <p><i>We will be of service even in the remotest part of our country.</i></p> <p><i>We will offer excellence in services to those abroad as much as we do to those in India.</i></p> <p><i>We will imbibe state-of-the-art technology to drive excellence."</i></p>	<p><i>"Excellence for You.</i></p> <p><i>Excellent services to clients.</i></p> <p><i>Maximum returns to shareholders.</i></p> <p><i>Real success for our people</i></p> <p><i>Great contribution to society."</i></p>	<p><i>"To be the best financial services company in the world."</i></p>
Vision	<p><i>"My SBI</i></p> <p><i>My Customer first.</i></p> <p><i>My SBI: First in customer satisfaction."</i></p>	<p><i>"Build a world-class and modern financial enterprise with global competitiveness by adhering to the principles of "delivering excellence, sticking to our founding mission, customers' favourite, leading in innovation, security and prudence, and people-oriented."</i></p>	<p><i>"Aspire to be the best; execute superbly; build a great team and a winning culture."</i></p>

Feature	SBI	ICBC	JPMC
History & Milestones	<ul style="list-style-type: none"> ✓ Started as Bank of Calcutta in 1806 ✓ In 1921, Bank of Bombay & Bank of Madras merged with Bank of Bengal and formed Imperial Bank of India. ✓ In 1955, SBI founded after independence. ✓ In 1960 SBI acquired 7 major banks belonged to the 7 princely states. ✓ 2017, the year when it continued to acquire more Indian banks also started its digital banking. 	<ul style="list-style-type: none"> ✓ Founded in 1984 as a limited company. ✓ In 2006 it has registered both in Saghai Stock Exchange & Stock Exchange of Hong Kong Ltd. ✓ IPO launched in 2006 as well. ✓ In 2008, got the federal approval to launch its international operations. ✓ In 2014, ranked top in the globe in terms of assets & tier 1 capital. ✓ In 2017 it started its robo-advisor into their wealth management system. 	<ul style="list-style-type: none"> ✓ In 1863, The New York Guaranty & The Idemnity Company has founded as Chicago's first national bank which later merged with JPMC. ✓ In 1877, The Chase National Bank was founded by J. Thompson. ✓ During 1950-1960 all the four heritage firms by JPMC has been built. ✓ In 2000, JP morgan & Co. & Chase Manhattan Co. merged to form JPMC.
Credentials	<ul style="list-style-type: none"> ✓ Customer Base – 450 million ✓ Net worth - \$650 billion ✓ Workforce – 250k ✓ Rank (assets)- 49th 	<ul style="list-style-type: none"> ✓ Customer Base – 704 million ✓ Net worth - \$5.54 trillion ✓ Workforce – 435k ✓ Rank (assets)- 1st 	<ul style="list-style-type: none"> ✓ Customer Base – 60 million ✓ Net worth - \$3.38 trillion ✓ Workforce – 288k ✓ Rank (assets)- 4th
Government intervention	<ul style="list-style-type: none"> ✓ PSU. ✓ Operations influenced by Mixed Economic culture. ✓ Govt. is interfere is high. 	<ul style="list-style-type: none"> ✓ China's state owned . ✓ Operations influenced by Socialistic Economic culture. ✓ Complete govt. controlled. 	<ul style="list-style-type: none"> ✓ Private. ✓ Operations influenced by Capitalistic Economic culture. ✓ Govt. is interfere is low.

Feature	SBI	ICBC	JPMC
Strength	<ul style="list-style-type: none"> ✓ Largest Bank in terms of market share in a strong domestic mkt. ✓ Wide network of branches and hence very high reach ✓ Operational in 36 countries, enabled multi-currency Txns ✓ With over 250,000 Employees it is backed by Govt. of India ✓ Has first mover advantage amongst other competitors 	<ul style="list-style-type: none"> ✓ #1 bank in the world over many years ✓ Multiple businesses (retail, commodity, forex, fixed income) ✓ Very strong customer base with Int'l presence ✓ Highly capitalized, has strong ability to survive adverse mkt ✓ High functional efficiency in int'l operations ✓ Strongest standalone credit profile in BRICS 	<ul style="list-style-type: none"> ✓ Good returns on capital expenditure, building new revenue streams ✓ Strong dealer network, reliable suppliers and strong free cash flow allows bank to expand in new projects ✓ Automation of activities brings consistency of quality to products and enables it to scale as per market demands
Weaknesses	<ul style="list-style-type: none"> ✓ Despite modernization the bank still has traditional mindset perception. ✓ Employees have sense of high job security due to govt. backing, resulting in lack on motivation & innovation. ✓ Bank struggles to attract large private corporate players in their portfolio. ✓ Lack of technology focus to improve customer satisfaction. 	<ul style="list-style-type: none"> ✓ Declining per capita revenue ✓ Lack of technology focus to improve customer satisfaction ✓ Less innovative products to continue customer retention ✓ Highly competitive market multiple int'l players 	<ul style="list-style-type: none"> ✓ Limited offerings in competitive markets puts bank on backfoot ✓ Losing market share in niche categories to smaller players ✓ The profitability ratio and Net Contribution % of the bank are below the industry average

Feature	SBI	ICBC	JPMC
Digitization	<ul style="list-style-type: none"> ✓ In 2017, SBI started its more integrated digital banking called YONO. ✓ SBI has launched SBI Insta Saving Bank Account through YONO. ✓ With the help of artificial intelligence (AI) and facial recognition technology SBI has launched e-KYC. ✓ It has the highest number of UPI transactions in terms of volume. ✓ Has a strong hold on SM like Facebook & Twitter. ✓ SBI offers technology backed agricultural solutions with YONO Krishi. ✓ A new AI-based model has been developed for SME new to Bank (NTB) customers. 	<ul style="list-style-type: none"> ✓ In 2017 it started its robo-advisor into their wealth management system. ✓ ICBC (Asia) will utilise 5G network slicing technology of China Mobile Hong Kong to develop more off branch financial services in the future. ✓ ICBC used the Ant's Alipay to offer mobile payment services to the bank's customers. ✓ The BoD of ICBC has recently approved a proposal to launch internet-based finance e-ICBC 2.0 to the smart banking strategy e-ICBC 3.0 which will focus innovation and application relating to big data, artificial intelligence, cloud computing and other emerging financial technologies. 	<ul style="list-style-type: none"> ✓ In 2010 JPMC introduced its Mobile Banking System to help their customers to manage their payment, wealth & transfers via mobile phones & tablets. ✓ In 2015 Chase rolled out Chase Pay, for better online & in app purchase experience. ✓ JPMorgan Chase built their entire strategy around this one basic tenet: "To deliver an end-to-end digital experience, with capabilities across the lifecycle through the clients' channel of choice."
International Presence	<ul style="list-style-type: none"> ✓ In 1982, SBI has started its international banking by opening its branch in USA. ✓ It is operational in India & 37 other countries. ✓ In Nepal SBI holds 55% share. ✓ SBI Sri Lanka is the oldest bank in Sri Lanka; it was founded in 1864. 	<ul style="list-style-type: none"> ✓ In 2008, ICBC became the 2nd Chinese bank since 1991 to get the federal approval to launch its international operations in NYC. ✓ ICBC has a global network comprising 203 overseas subsidiaries in 28 countries/regions and 1453 correspondent banks in 132 countries/regions spreading over five continents of Asia, Africa, Europe. 	<ul style="list-style-type: none"> ✓ On September 2021, JPMorgan Chase entered the UK retail banking market by launching an app-based current account and Deposit account under the Chase brand. This is the company's first retail banking operation outside of the United States. ✓ It has presence in over 100 countries now in 2022. ✓ Has been the leading global invest banking since its earlier days.

Feature	SBI	ICBC	JPMC
Acquisition , Merger & Amalgamation	<ul style="list-style-type: none"> ✓ The State Bank of India (Subsidiary Banks) Act was passed in 1959 and facilitated the bank to make the eight former State-associated banks as its subsidiaries. ✓ In 2008, when State Bank of Indore and State Bank of Saurashtra merged with SBI which actually incorporated in 2010. ✓ In 2017, SBI merged with 5 associate bank including State Bank of Mysore. 	<ul style="list-style-type: none"> ✓ In 2012, ICBC acquires a 80% stake (valued at \$600 million) of Standard Bank Argentina, the largest operation of a Chinese bank in Latin America. ✓ On July, '13 Standard Bank of South Africa' London market has sold to ICBC. ✓ ICBC has wholly owned 20 overseas subsidiaries & 8 domestic subsidiaries. 	<ul style="list-style-type: none"> ✓ JPMorgan Chase has made 14 acquisitions and 284 investments by spending over \$ 5.33B for the acquisitions. ✓ In 1995 it acquired Bear Stearns Company for whopping \$1.4 B. ✓ It has stack in companies like Bloomspot, Vastera, Instamed, ICBC etc.



12. Appendix



Various Internet Articles were refereed to create this project report:

- *Wikipedia - https://en.wikipedia.org/wiki/JPMorgan_Chase*
- *Wikipedia - https://en.wikipedia.org/wiki/State_Bank_of_India*
- *Wikipedia - https://en.wikipedia.org/wiki/Industrial_and_Commercial_Bank_of_China*
- *Financial Reports ICBC - <http://www.icbc-ltd.com/ICBCLtd/Investor%20Relations/Financial%20Information/Financial%20Reports/>*
- *Financial Reports SBI - <https://sbi.co.in/web/investor-relations/annual-report>*
- *Financial Reports JPMC <https://www.jpmorganchase.com/ir/annual-report>*
- *Macrotrends website <https://www.macrotrends.net/>*
 - ***JPMC** <https://www.macrotrends.net/stocks/charts/JPM/jpmorgan-chase/financial-statements>*
- *Forbes - <https://www.forbes.com/lists/worlds-best-banks/?sh=372357fa7ef6>*