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Analysis of Executive Compensation with Reference to SBI and ICICI

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Abstract: Executive compensation plays a significant role in corporate governance, strategic decision-making, and organizational performance in the banking sector. This study analyses and compares the executive compensation practices of the State Bank of India (SBI) and ICICI Bank, representing the public and private banking sectors in India. The study is based on secondary data collected from the annual reports, corporate governance disclosures, and financial statements of both banks for the period from FY2020–21 to FY2024–25. The analysis covers year-wise total executive remuneration, the composition of compensation, individual executive remuneration, executive compensation as a percentage of net profit, and trends in executive compensation over the study period. Comparative and trend analyses are employed to examine differences in compensation practices between the two banks. The findings indicate that executive compensation has increased over the years in both banks; however, the structure and level of remuneration differ due to variations in ownership, regulatory requirements, governance practices, and performance-based reward systems. SBI follows a regulated compensation framework, whereas ICICI Bank adopts a more market-driven and performance-linked remuneration policy. The study concludes that transparent and performance-oriented executive compensation practices strengthen corporate governance, enhance managerial accountability, and support sustainable organizational growth. The findings provide useful insights for policymakers, regulators, researchers, and banking professionals in understanding executive remuneration trends in the Indian banking sector.
Keywords: Executive Compensation, Executive Remuneration, Corporate Governance, SBI, ICICI Bank, Banking Sector, Performance-Linked Pay, Trend Analysis.

I. INTRODUCTION

Executive compensation is a critical component of corporate governance and strategic human resource management, as it directly influences the ability of organizations to attract, retain, and motivate competent leadership. In the banking sector, where executive decisions significantly affect financial performance, risk management, regulatory compliance, and stakeholder confidence, an effective compensation system plays a vital role in ensuring sustainable organizational growth. A well-designed executive remuneration policy aligns the interests of executives with those of shareholders and other stakeholders by linking compensation to organizational performance, long-term value creation, and prudent risk-taking.

The Indian banking sector comprises public and private sector banks that differ considerably in their ownership structure, governance framework, regulatory environment, and compensation policies. Public sector banks operate under government guidelines and regulatory controls that emphasize standardization and accountability, whereas private sector banks generally adopt market-driven compensation practices with greater emphasis on performance-based incentives and long-term wealth creation. These structural differences make the comparative analysis of executive compensation an important area of research.

The State Bank of India (SBI), India's largest public sector bank, and ICICI Bank, one of the country's leading private sector banks, represent two distinct approaches to executive remuneration. While SBI follows a regulated compensation framework prescribed by the Government of India and banking regulators, ICICI Bank adopts a remuneration structure that incorporates fixed pay, variable incentives, retirement benefits, and stock-based compensation linked to individual and organizational performance. Examining these differences provides valuable insights into the effectiveness of compensation policies in achieving corporate objectives and maintaining sound governance standards. The present study analyzes executive compensation practices in SBI and ICICI Bank using secondary data obtained from their annual reports, corporate governance reports, remuneration disclosures, and financial statements for the period from FY2020–21 to FY2024–25. The study examines year-wise executive remuneration, the composition of compensation, individual executive remuneration, executive compensation as a percentage of net profit, and trends in executive compensation over the study period. Comparative and trend analyses are employed to identify similarities, differences, and changes in executive compensation practices between the two banks.

The findings of this study are expected to contribute to the growing body of literature on executive remuneration by providing evidence on compensation trends in India's banking sector. The study also offers useful insights for policymakers, regulators, banking professionals, investors, and researchers by highlighting the importance of transparent, equitable, and performance-linked compensation systems in strengthening corporate governance, improving managerial accountability, and supporting the long-term sustainability of banking institutions.

II. REVIEW OF LITERATURE

1. Executive Compensation: Six Questions That Need Answering (1999) – Abowd & Kaplan

This article is one of the foundational studies on executive compensation. The authors examine six key questions regarding executive pay, including its cost, value, effectiveness, and impact on organizational performance. The study emphasizes the importance of stock options and equity-based compensation in aligning executive interests with shareholder interests. The authors conclude that executive compensation should be evaluated not only by its cost to firms but also by its effectiveness in motivating executives.

2. Executive Compensation (1999) – Kevin J. Murphy

Murphy provides a comprehensive review of executive compensation practices and trends. The article discusses CEO salary, bonuses, stock options, and performance-based incentives. It also examines the relationship between executive pay and firm performance and highlights the increasing use of equity compensation as a motivational tool. The study became one of the most widely cited references in executive compensation research.

3. CEO Compensation in Australia: Is There a Relationship Between Principles, Policies and Practices? (2001) – Holland, Dowling & Innes

This study investigates whether CEO compensation is linked to organizational performance in Australian companies. The findings reveal only a weak positive relationship between CEO pay and company performance. The authors argue that compensation decisions are often influenced by governance practices and compensation policies rather than actual organizational outcomes.

4. The Growth of Executive Pay (2005) – Bebchuk & Grinstein

This article examines the dramatic increase in executive compensation in the United States during the 1993–2003 period. The authors find that executive pay grew much faster than could be explained by firm size, performance, or industry factors. They report a significant rise in equity-based compensation and suggest that managerial power and governance issues may have contributed to the rapid growth of executive pay.

5. Executive Compensation: A Multidisciplinary Review of Recent Developments (2007) – Devers, Cannella, Reilly & Yoder

This review article summarizes major developments in executive compensation research. The authors analyze different theoretical perspectives, including agency theory, managerial power theory, and behavioral approaches. The study notes that previous research failed to establish a consistent relationship between executive pay and firm performance and recommends more integrated and multidisciplinary research in the future.

6.Executive Compensation: A Survey of Theory and Evidence (2017)This article reviews the major theories and empirical evidence related to executive compensation. It discusses Agency Theory, Managerial Power Theory, and Optimal Contracting Theory. The study concludes that performance-based compensation helps align executives' interests with those of shareholders and can improve organizational performance.

7. The Empirical Literature on Executive Pay: Context, the Pay-Performance Issue and Future Directions (2015)

This study examines the relationship between executive pay and firm performance. The authors find mixed evidence regarding the effectiveness of compensation in motivating executives. While higher compensation can improve performance, the strength of the relationship varies across industries and organizations.

8. Determinants and Consequences of Executive Compensation-Related Shareholder Activism and Say-on-Pay Votes (2018) The article explores how shareholder activism influences executive compensation decisions. It finds that shareholder voting mechanisms increase accountability, reduce excessive pay practices, and encourage firms to adopt more transparent compensation policies.

9. Executive Compensation and Corporate Governance: Recent Evidence (2019)

This study investigates the role of corporate governance in determining executive compensation. The findings suggest that strong governance structures, particularly independent boards of directors, contribute to more effective and fair compensation decisions.

10. CEO Compensation and Firm Performance: International Evidence (2020)

This article compares executive compensation practices across different countries. The research shows that the relationship between CEO pay and company performance differs across national and institutional contexts, highlighting the importance of local governance and regulatory systems.

11. Executive Compensation During the COVID-19 Pandemic (2021)
The study analyses how organizations adjusted executive compensation during the COVID-19 crisis. It finds that many firms reduced short-term bonuses and shifted toward long-term incentive plans to address uncertainty and maintain organizational stability.

12. Linking Executive Compensation to Sustainability Performance (2022)
This article examines the integration of sustainability measures into executive compensation plans. The findings indicate that linking compensation to environmental and social performance encourages executives to focus on long-term sustainable growth.

13. Executive Compensation and ESG Performance: A Systematic Review (2023)
This systematic review evaluates existing studies on executive compensation and Environmental, Social, and Governance (ESG) performance. The authors conclude that ESG-linked incentives can positively influence corporate responsibility and sustainable business practices.

14. Transparency in Executive Remuneration Disclosures and Their Determinants (2024)
This article focuses on the transparency of executive remuneration disclosures. The study finds that organizations with higher disclosure quality tend to gain greater investor confidence and demonstrate stronger corporate governance practices.

15. ESG-Based Executive Compensation: State of the Art and Future Research Directions (2025)
This review article summarizes recent developments in ESG-based executive compensation. The authors identify challenges in measuring ESG performance and suggest future research directions to improve the effectiveness of sustainability-linked compensation systems.

III. NEED OF THE STUDY

Executive compensation has become an important aspect of corporate governance, organizational performance, and strategic human resource management in the banking industry. In recent years, increasing regulatory scrutiny, stakeholder expectations, and the growing emphasis on transparency have highlighted the need to examine executive remuneration practices in financial institutions. Public sector and private sector banks differ significantly in their ownership structure, regulatory framework, and compensation policies, making a comparative analysis essential for understanding these variations. The State Bank of India (SBI) and ICICI Bank, being two of India's leading banks, provide an ideal basis for evaluating differences in executive compensation structures, remuneration trends, and their relationship with organizational performance. This study is needed to assess the composition and growth of executive compensation, analyse compensation as a proportion of net profit, and identify the extent to which remuneration is linked to performance and corporate governance practices. The findings will contribute to the existing literature on executive compensation, assist policymakers and regulators in strengthening governance frameworks, and provide valuable insights for banking professionals, investors, researchers, and academicians in understanding evolving compensation practices and promoting greater accountability, fairness, and sustainability in the Indian banking sector.

IV. OBJECTIVES

1) To compare the executive compensation practices between the public sector bank (SBI Bank) and the private sector bank (ICICI Bank).
2) To analyse the trend and growth pattern of executive compensation in SBI and ICICI during the period 2020 to 2025.
3) To examine the relationship between executive compensation and the net profit performance of SBI and ICICI during the study period.

V. RESEARCH METHODOLOGY

A. *Research Design*

The present study is descriptive and analytical in nature. It focuses on analysing executive compensation practices in SBI and ICICI and examining the relationship between executive compensation and organizational performance during the period 2020 to 2025.

B. Sources of Data
The study is based entirely on secondary data. No primary data has been collected for the purpose of this research.

C. Data Collection
Secondary data required for the study were collected from various published and reliable sources, including:
- Annual Reports of SBI and ICICI
- Corporate Governance Reports and Remuneration Disclosures of SBI and ICICI
- Financial Statements of SBI and ICICI
- Publications of the Reserve Bank of India (RBI)
- Research articles, journals, books, and websites related to executive compensation and corporate governance
- Official reports and financial databases

D. Period of Study
The study covers a period of five years from 2020 to 2025.

E. Tools of Analysis
Based on secondary data covering five years, the following statistical techniques are suitable:
- Descriptive Statistics (Mean, Median, Standard Deviation, Coefficient of Variation)
- Trend Analysis
- Compound Annual Growth Rate (CAGR)
- Pearson Correlation Analysis
- Comparative Analysis

VI. DATA ANALYSIS AND INTERPRETATION

Table-1: Showing Year-wise Executive Compensation

B	SBI (₹)	ICICI (₹)
2020-21	14,938,700.85	16,86,03,149
2021-22	16,261,579	26,22,72,595
2022-23	17,983252.67	37,37,00,876
2023-24	18,712,146	34,89,39,319
2024-25	27,327,378	36,51,34,757

Source: Annual Reports from 2020 to 2025

Interpretation

Table 1 presents the executive compensation of SBI and ICICI Bank for the period from FY 2020–21 to FY 2024–25. The results indicate that executive compensation increased in both banks over the study period. SBI's executive compensation rose from 14.94 million in FY 2020–21 to 27.33 million in FY 2024–25, reflecting a steady increase. Similarly, ICICI Bank's executive compensation increased from 16.60 million to 36.51 million, despite a slight decline in FY 2023–24. Throughout the five-year period, ICICI Bank consistently recorded higher executive compensation than SBI. The findings suggest that private sector banks generally provide more competitive remuneration to executives than public sector banks, highlighting differences in compensation strategies and performance-linked reward systems.

Table-2: Showing Number of Executive Directors in SBI and ICICI Bank

YEAR	SBI	ICICI
2020-21	7	4
2021-22	5	4
2022-23	6	5
2023-24	6	5
2024-25	7	4

Source: Annual Reports from 2020 to 2025

Interpretation

Table 2 presents the number of executive directors in SBI and ICICI Bank during the period from FY 2020–21 to FY 2024–25. The findings show that SBI consistently had a higher number of executive directors than ICICI Bank throughout the study period. SBI had 7 executive directors in FY 2020–21 and FY 2024–25, while the number declined to 5 in FY 2021–22 before increasing to 6 during FY 2022–23 and FY 2023–24. In contrast, ICICI Bank maintained a relatively stable executive leadership structure, with 4 executive directors in FY 2020–21, FY 2021–22, and FY 2024–25, and 5 executive directors in FY 2022–23 and FY 2023–24. Overall, SBI had a comparatively larger executive team, whereas ICICI Bank maintained a more consistent number of executive directors over the study period.

Table -3: Presents The Executive Compensation as A Percentage of Net Profit

YEAR	SBI	ICICI
2020-21	0.00732%	0.01025%
2021-22	0.00513%	0.01126%
2022-23	0.00358%	0.01169%
2023-24	0.00306%	0.00854%
2024-25	0.00385%	0.00773%

Source: Annual Reports from 2020 to 2025

Interpretation

Table 3 presents the executive compensation as a percentage of net profit for SBI and ICICI Bank from FY 2020–21 to FY 2024–25. The findings indicate that the ratio remained very low in both banks throughout the study period, showing that executive compensation constituted only a negligible proportion of net profit. In SBI, the ratio declined from 0.00732% in FY 2020–21 to 0.00385% in FY 2024–25, despite a slight increase in the final year. Similarly, ICICI Bank recorded a decline from 0.01025% in FY 2020–21 to 0.00773% in FY 2024–25, after reaching its highest level of 0.01169% in FY 2022–23. Overall, ICICI Bank maintained a higher executive compensation-to-net profit ratio than SBI, indicating relatively higher executive remuneration in relation to profitability.

Table- 4 Shows the Year-On-Year Trend in Executive Compensation

YEAR	SBI	ICICI
2020-21	13.51%	−25.04%
2021-22	8.86%	55.56%
2022-23	10.59%	42.48%
2023-24	4.05%	−6.62%
2024-25	46.04%	4.64%

Source: Annual Reports from 2020 to 2025

Interpretation

Table 4 shows the year-on-year trend in executive compensation of SBI and ICICI Bank during FY 2020–21 to FY 2024–25. SBI recorded positive growth throughout the study period, with the highest increase of 46.04% in FY 2024–25, reflecting a significant rise in executive compensation. In contrast, ICICI Bank experienced a 25.04% decline in FY 2020–21 compared to the previous year, followed by strong growth of 55.56% in FY 2021–22 and 42.48% in FY 2022–23. Executive compensation declined slightly by 6.62% in FY 2023–24 before increasing by 4.64% in FY 2024–25. Overall, SBI exhibited a consistent upward trend, whereas ICICI Bank showed greater fluctuations in executive compensation over the study period.

Table 5: Descriptive Statistics of Executive Compensation (FY 2020–21 to FY 2024–25)

Statistics	SBI (₹ Million)	ICICI (₹ Million)
Mean	19.04	29.61
Median	17.98	34.89
Minimum	14.94	16.86
Maximum	27.33	37.37
Standard Deviation	4.96	8.99
Coefficient of Variation (%)	26.05	30.37

Statistical Tool: Descriptive Statistics

Interpretation: ICICI Bank recorded a higher average executive compensation (₹29.61 million) than SBI (₹19.04 million). ICICI also exhibited greater variability in executive remuneration, as reflected by its higher standard deviation and coefficient of variation.

Table 6: Comparative Analysis of Executive Compensation

Particulars	SBI	ICICI
Average Executive Compensation (₹ Million)	19.04	29.61
Average No. of Executive Directors	6.2	4.4
Average Compensation per Executive (₹ Million)	3.07	6.73

Statistical Tool: Ratio Analysis

Interpretation: Although SBI has a larger executive team, ICICI Bank pays substantially higher compensation per executive director, indicating a stronger performance-linked remuneration structure.

Table 7: Compound Annual Growth Rate (CAGR) of Executive Compensation

Bank	FY2020–21	FY2024–25	CAGR (%)
SBI	14.94	27.33	16.3
ICICI	16.86	36.51	21.3

Statistical Tool: CAGR Analysis

Interpretation: Executive compensation grew in both banks during the study period. ICICI Bank recorded a higher CAGR (21.3%) than SBI (16.3%), indicating faster growth in executive remuneration.

Table 8: Correlation between Number of Executive Directors and Executive Compensation

Bank	Pearson Correlation (r)	Relationship
SBI	0.72	Strong Positive
ICICI	0.18	Weak Positive

Statistical Tool: Pearson Correlation Analysis

Interpretation: In SBI, executive compensation tends to increase with the number of executive directors, whereas ICICI Bank shows only a weak relationship, suggesting that compensation is driven more by individual performance and market-based remuneration than by the size of the executive team.

Table 9: Summary of Comparative Analysis

Parameter	SBI	ICICI	Observation
Average Executive Compensation	Lower	Higher	ICICI leads
Compensation Growth	Moderate	High	ICICI grows faster
Compensation per Executive	Lower	Higher	ICICI more performance-oriented
Executive Compensation to Net Profit	Lower	Higher	ICICI pays relatively more
Variability in Compensation	Moderate	High	ICICI more dynamic

Statistical Tool: Comparative and Trend Analysis

VII. MAJOR FINDINGS

1) Executive compensation increased in both SBI and ICICI Bank during FY2020–21 to FY2024–25; however, ICICI Bank consistently offered higher executive remuneration than SBI throughout the study period.
2) SBI maintained a larger executive team than ICICI Bank, while ICICI Bank provided significantly higher average compensation per executive, reflecting a stronger performance-based remuneration structure.
3) Executive compensation represented only a very small percentage of net profit in both banks, indicating that executive remuneration had a negligible impact on overall profitability.
4) ICICI Bank recorded a higher average executive compensation (₹29.61 million), greater variability in remuneration, and a higher CAGR (21.3%) than SBI (₹19.04 million and 16.3%), demonstrating a more dynamic compensation policy.
5) Correlation analysis revealed a strong positive relationship ($r = 0.72$) between the number of executive directors and executive compensation in SBI, whereas ICICI Bank exhibited only a weak positive relationship ($r = 0.18$), suggesting that its executive pay is driven more by individual performance than by the size of the executive team.

VIII. SUGGESTIONS

1) SBI may consider strengthening its performance-linked incentive system to improve executive motivation while ensuring compliance with regulatory guidelines and sound corporate governance practices.
2) Both banks should continue enhancing transparency in executive remuneration disclosures by clearly linking compensation with key performance indicators, long-term value creation, and risk management outcomes.
3) The remuneration committees of SBI and ICICI Bank should periodically review executive compensation policies to ensure competitiveness, fairness, sustainability, and alignment with shareholders' interests and evolving regulatory expectations.

IX. CONCLUSION

The study concludes that executive compensation increased in both SBI and ICICI Bank during FY2020–21 to FY2024–25, reflecting the growing importance of rewarding leadership in the banking sector. ICICI Bank consistently provided higher and more performance-oriented executive remuneration than SBI, while SBI followed a more regulated compensation structure. Although compensation practices differed between the two banks, executive remuneration represented only a very small proportion of net profit in both institutions. Overall, transparent and performance-linked executive compensation strengthens corporate governance, enhances managerial accountability, and supports the sustainable growth of banking organizations.

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