

# An Analytical Study on Financial Performance of the ICICI Bank

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**Abstract:** *The ICICI bank had been established in 1955 and was incorporated in 1994. The bank is a leading private sector bank with its total assets stood at rupees 14.76 trillion in 2020. In the study the financial performance of the ICICI bank has been analysed with the help of profitability ratios (Net Interest margin and efficiency ratio). The analysis of the study is based on published secondary data in the financial report of the financial year 2014-15 to 2019-2020 of ICICI bank. The study found that the profit of the entity is continuously growing or improving. The study also found with the help of efficiency ratio that the bank is efficiently performing its operating activities and maximise its wealth.*

**Keywords:** Financial Statements (Financial Reports 2014-15 to 2019-20), Efficiency ratios, trend and comparative analysis

## 1. Introduction

ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. ICICI Bank was incorporated in 1994 as a part of the ICICI group. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE. The main purpose of this study is to study the financial performance of ICICI bank with the help of trend analysis. This study is analytical in nature. Secondary Data is collected from web side, annual reports of ICICI Bank. The Data is collected from 2015 to 2020. The collected data has been analysed using ratio analysis.

The liberalized policy of the government of India permitted entry to the ICICI in banking; the industry has witnessed a generation of private players. The focus of these banks has always been centered on the customer. But to satisfy the customers and to operate other activities, the bank must have sufficient funds in its accounts. That's why, in the present paper special emphasis has been laid down on the financial analysis of the bank by using different research and statistical tools.

The growth in the Indian Banking Industry has been more qualitative than quantitative and it is expected to remain the same in the coming years. Based on the projections made in the "India Vision 2020" prepared by the Planning Commission and the Draft 10th Plan, the report forecasts that the pace of expansion in the balance-sheets of banks is likely to decelerate. The total assets of all scheduled commercial banks by end-March 2010 is estimated at Rs. 40,90,000Cr. That will comprise about 65 per cent of GDP at current market prices as compared to 67 per cent in 2002-03. Bank assets are expected to grow at an annual composite rate of 13.4 per cent during the rest of the decade as against the growth rate of 16.7 per cent that existed between 1994-95 and 2002-03. It is expected that there will be large additions to the capital base and reserves on the liability side. ICICI BANK LTD. ICICI Bank is India's second-largest bank with total assets of Rs. 3,634.00 billion (US\$ 81

billion) at March 31, 2010 and profit after tax Rs. 40.25 billion (US\$ 896 million) for the year ended March 31, 2010. The Bank has a network of 2,035 branches and about 5,518 ATMs in India and presence in 18 countries. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia. Our UK subsidiary has established branches in Belgium and Germany. ICICI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited and its American Depository Receipts (ADRs) are listed on the New York Stock Exchange (NYSE).

## 2. Review Literature

**Gupta Shashi K.** The establishment of ICICI aimed at filling certain gaps in the institutional facilities for the provision of finance to industrial undertakings in the private sector. It is also to act as a channel for providing development finance to industry. **Aggarwal Nisha, Gupta Neeti** ICICI provides full assistance to the creation, expansion and modernization of industrial enterprises within the private sector in India and encourages the participation of private capital, both internal and external, in such enterprises. **Khan M. Y.** Recently ICICI Ltd. (along with two of its subsidiaries, ICICI Personal Finance Services Ltd. and ICICI Capital Services Ltd.) has been merged with ICICI bank Ltd; effective from May3, 2002. The erstwhile DFI has thus ceased to exist. Its main objective is to encourage and promote private ownership of industrial investment and expansion of investment markets. **Bhole L. M.** ICICI bank is the largest bank in the private sector in India. It offers diversified financial services at both the corporate and retail level. Since the mid1990s, the ICICI has

been developing the necessary subsidiaries and growing the services that will allow it to be a “universal bank”. In 1999-2000, corporate finance rose to 47 % of ICICI’s total lending portfolio from 36% in 1998-99.

**Objectives of the Study**

As finance is working as a blood for any business entity and without it no firm can survive in the market. The present study is needed just to formulate the current status of the bank specially the financially status.

- To analyse the profit and loss account as well as balance sheet of the bank.
- To formulate and analyse the ratios of the bank.
- To analyse the financial position of the bank.

**Research Methodology**

The study focuses on the analysis of annual reports, Profit & loss account and balance sheet of the ICICI bank for the last five financial years.

**Sources of Data**

The secondary data of 2014-2015 to 2019-20 have been taken into consideration to solve the research problem. The analysis of the data has been done by using trend analysis, comparative statement and accounting ratios net interest margin and efficiency ratios.

In the study, for assessing the performance of ICICI Bank since the financial year 2014-15 to 2019-20, some important ratios have been determined or calculated by using the accounting quantitative information, available in the financial statement (Income statement and Balance Sheet). These accounting ratios are related to profitability and efficiency. The following accounting ratios have been calculated and analysed in the study.

**Net Interest Margin**

The Net Interest Margin can be measured by subtracting the interest expenses from its interest incomes. This ratios represents the mathematical relationship between the differences of interest income generated and interest expenses and total assets. This ratio is calculated by using the following formula-

$$\text{Net Interest Margin} = \frac{\text{Interest Income} - \text{Interest Expenses}}{\text{Total Assets}}$$

**Efficiency Ratio**

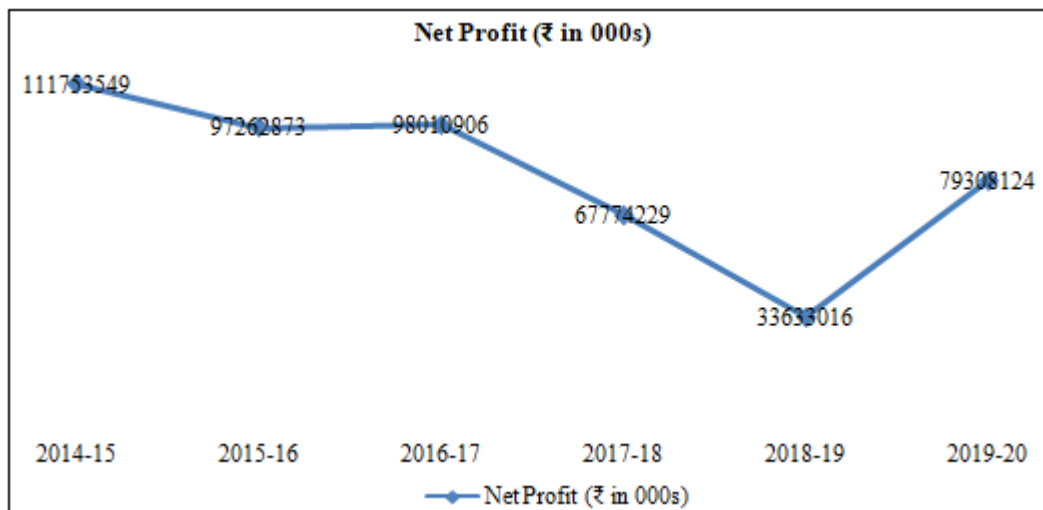
The assessment of the efficiency of a bank calculated with the arithmetical relationship between non-interest expenses and revenue. This ratio is calculated with the help of following formula-

$$\text{Efficiency Ratio} = \frac{\text{Non-Interest Expenses}}{\text{Revenue}}$$

**Table 1**

Financial Year	Net Profit (₹ in 000s)
2014-15	111753549
2015-16	97262873
2016-17	98010906
2017-18	67774229
2018-19	33633016
2019-20	79308124

Table no.1 and Fig.no.1 represents the earnings after tax of the organisation since the financial year 2014-15 to 2019-20. The figure shows the decreasing trend in the net profit ration since 2014-15 to 2018-19 but in 2019-20 net profit of the bank jump to 79308124000 from 33633016000 and it was approx. 14% jump in the return on investment during the financial year 2019-20.



**Figure 1**

**Table 2: Performance of ICICI Bank in Profit & Loss Account of Last Six Years**

Financial Year	Current Year (₹ in 000s)	Previous Year (₹ in 000s)	Absolute Change	% Change P1-P0/P0 × 100
2014-15	111753549	98104770	13648779	13.91
2015-16	97262873	111753549	-14490676	-12.96
2016-17	98010906	97262873	748033	0.77
2017-18	67774229	98010906	-30236677	-30.85
2018-19	33633016	67774229	-34141213	-50.37
2019-20	79308124	33633016	45675108	135.80

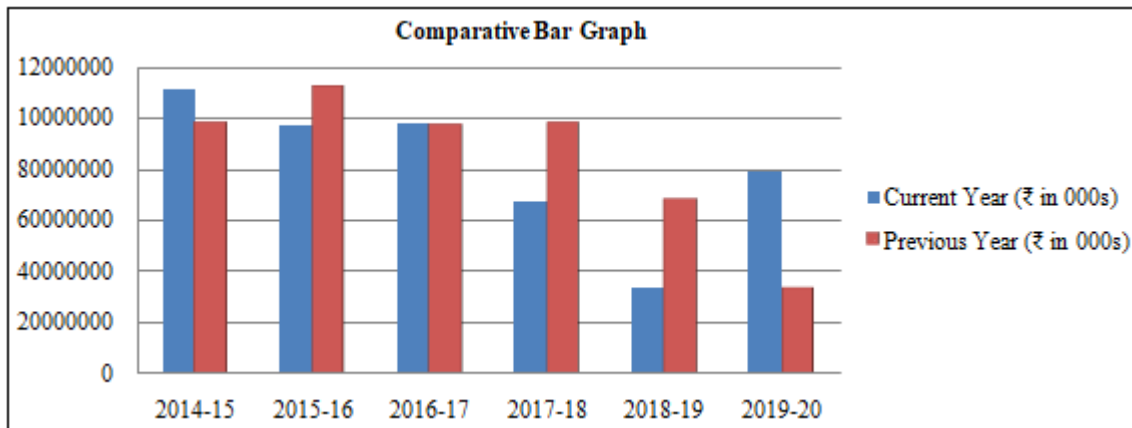


Figure 2

**Some Important Ratios Analysis of ICICI Bank (2014-15 to 2019-20)**

**Financial Year 2014-15**

$$\text{Net Interest Margin} = \frac{(\text{Interest Income} - \text{Interest Expenses})}{\text{Total Assets}} = \frac{(490911399 - 300515294)}{190396105} = 2.95\%$$

$$\text{Efficiency Ratio} = \frac{\text{Non-Interest Expenses}}{\text{Revenue}} = \frac{114958307}{612672704} = 18.76\%$$

$$\text{Net Interest Margin} = \frac{(634011926 - 363863951)}{9644591478} = \frac{270147975}{9644591478} = 2.80\%$$

$$\text{Efficiency Ratio} = \frac{180890620}{779133562} = 23.22\%$$

**Financial Year 2019-20**

$$\text{Net Interest Margin} = \frac{(747983166 - 415312517)}{10983651492} = \frac{332670649}{10983651492} = 3.029\%$$

$$\text{Efficiency Ratio} = \frac{216144109}{912469386} = 23.69\%$$

**For Financial Year 2015-16**

$$\text{Net Interest Margin} = \frac{(527394348 - 315153949)}{7206951047} = \frac{212240399}{7206951047} = 2.94\%$$

$$\text{Efficiency Ratio} = \frac{126835582}{680624864} = 18.64\%$$

**Financial Year 2016-17**

$$\text{Net Interest Margin} = \frac{(541562793 - 324189585)}{7717914460} = \frac{217373208}{7717914460} = 2.82\%$$

$$\text{Efficiency Ratio} = \frac{147550576}{736607624} = 20.03\%$$

**Financial Year 2017-18**

$$\text{Net Interest Margin} = \frac{(549658922 - 319400463)}{8791891613} = \frac{230258459}{8791891613} = 2.61\%$$

$$\text{Efficiency Ratio} = \frac{157039463}{723855248} = 21.69\%$$

**Financial Year 2018-19**

**Table no. 3**

Financial Year	Net Interest Margin Ratio (in %)	Efficiency Ratio (in %)
2014-15	2.95	18.76
2015-16	2.94	18.64
2016-17	2.82	20.03
2017-18	2.61	21.69
2018-19	2.8	23.22
2019-20	3.029	23.69

Table no.3 shows the decreasing ration of net interest margin since the financial year 2014-15 to 2017-18 while this margin has started to increase since financial year 2018-19 and jump to approx. 3% (2019-20) from 2.8%. This table also shows the increasing trend in the efficiency ratio of the bank during study period.

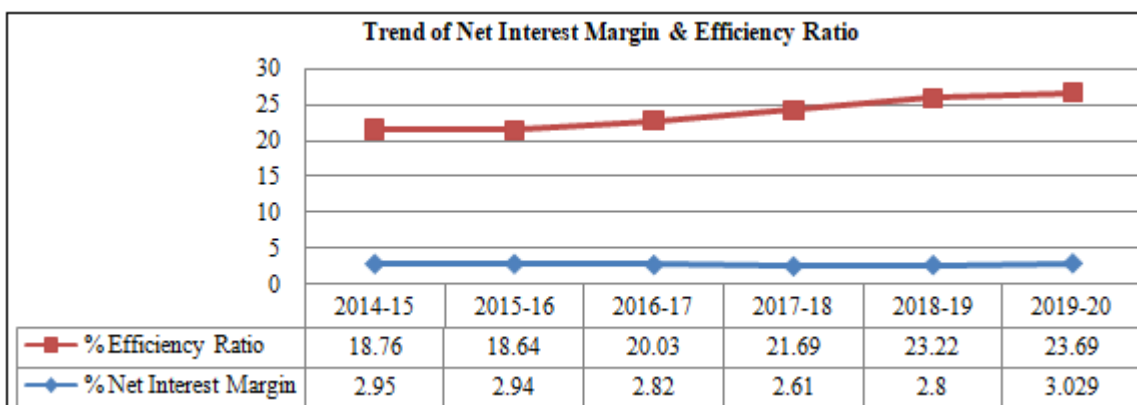


Figure 3

### 3. Conclusion / Findings

The primary motives for establishing an organization is the maximization of profit by performing economic operational activities. The ICICI bank is a joint stock company and financial institution, continuously working in the field of financial market. The bank is not only working as a commercial bank but a development bank also. It is also working in the field of underwriting as an underwriter or mediator in the capital market. The institution has been increasing its wealth since its establishment in 1955 by maximization of its earnings after tax.

The Study found by analysing the quantitative accounting information regarding financial performance of ICICI bank through the accounting ratios, that the net interest margin of this institution is continuously maintaining at a constant rate approximately while the efficiency of the bank is continuously improving during the study period. The study also shows growth in the profit of the bank during the study period.

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