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FINANCIAL PERFORMANCE OF ICICI BANK

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Abstract

The development of a country is integrally linked with the development of banking. The study mainly analyses the operational performance of ICICI Bank for the period from 2011 to 2019. The study covers the key responsibility areas of deposit mobilization, credit deployment, non-performing assets, profitability and productivity. The deposit mobilization has registered growth of 289 per cent and business per branch has almost quadrupled during the study period. ICICI bank intensify its efforts to effectively and efficiently manage the NPA in the years to come, it may have to lose precious capital resources and eventually end up in red.

Keywords: Credit-Deposit ratio, NPAs, Business per branch.

INTRODUCTION

Banking institutions play a very important role in the economic development of a country. In a modern world, banks are to be considered not as dealer in money, but as the leaders of development. The development of a country is integrally linked with the development of banking. Among the various financial institutions, commercial banks hold a special position because of their unique power of multiple credit creation. Banks broadly classified into two categories namely Public sector banks and Private sector banks. ICICI Bank is chosen for this study. It is a multinational financial services company established in 1994. ICICI financed large number of institutions that help to establish the financial structure in the Indian economy. ICICI bank having 4850 branches and 14404 ATMs in India. 84096 employees are working at present in this bank. It have 9.3 lakh crores of assets.

REVIEW OF LITERATURE

Alkhatib & Harasheh (2012) studied internal-based, market-based and economic based performance of five commercial banks in Palestinian. ROA, Tobin's Q and economic value add variables are used to measure the internal-based, market-based and economic based performance respectively. The period of study is 6 years from 2005 to 2010. The study is extended to capture the effect of bank size, credit risk, operational efficiency and asset management on three performance indicators. A regression model is developed to forecast the performance of these future in future. Bank size, credit risk and operation efficiency and asset management has a significant effect on the performance of commercial banks in Palestinian.

Paul (2015) analyzed the operational performance of Indian commercial banks. The study covers a period of 10 years from 2003 to 2013. Deposits mobilized, credit and investment, credit-deposits ratios, investment –deposits ratio and priority sector lending are the various chosen to study the operational activities. The credit of the commercial banks have been galloped to 625 percent and investments raised to 296 percent from 2005 to 2013. The credit distributed by the commercial banks is 4.78 times higher than the investment made. The credit-deposit ratio and investment-deposit ratio is similar and advances to priority sector lending exhibits an increasing trend during the study period. Priority sector lending touch the peak in the year 2008 and 2010. The operational performance of the scheduled commercial banks are satisfactory and contribute the growth of the national.

Abdullai and Nyaoga (2017) focused on usage of ATMs improve the operational performance of commercial bank in Kenya. The study adopted a cross sectional research design. The study population comprised 56 employees of the 28 commercial banks. Out of 31 branch, the researcher chosen 28 branch by adopting simple random sampling. Well-structured questionnaires were developed through pilot study and validity of the instruments assured by Cronbach's alpha coefficient. The correlation and regression is employed to establish the relationship between the usage of ATMs and operational performance of the banks.

Sivakumar (2019) stated the performance efficiency of a bank through quality and size of the loan assets. The bank earn income from performing loans, while non-performing loan assets remain barren without realizing the expected revenue, casting a dark shadow on the recovery of the loan itself. The paper examines the exact position of the SBI with respect to factors controlling NPAs. The attitude of top officials of SBI on factors controlling NPAs in SBI is measured by Likert's five point scale. This study would certainly be a basis for an understanding of factors controlling NPAs of the SBI.

STATEMENT OF THE PROBLEM

ICICI Bank is one of the leading banks in India, and its financial performance is closely watched by investors, analysts, and stakeholders. While the bank has reported strong financial results in the past, there are several challenges that it faces in maintaining its

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financial performance. The purpose of this study is to analyze the financial performance of ICICI Bank and identify the factors that impact its performance. The study will address the following research questions:

1. What are the key financial metrics used to assess the performance of ICICI Bank?
2. What has been the historical financial performance of ICICI Bank, and how does it compare to its peers in the banking industry?
3. What are the challenges faced by ICICI Bank in maintaining its financial performance, and how can they be addressed?
4. What are the strategies that ICICI Bank can implement to improve its financial performance?

The study will use a mixed-methods approach, combining both quantitative and qualitative data analysis. The financial metrics to be analyzed include profitability ratios, liquidity ratios, asset quality ratios, and capital adequacy ratios. The study will also review ICICI Bank's financial statements and reports to gain insights into its financial performance over the past few years. The study will identify the challenges faced by ICICI Bank in maintaining its financial performance, such as increasing competition, regulatory changes, and economic conditions. The strategies to improve financial performance may include exploring new revenue streams, optimizing costs, expanding the customer base, improving operational efficiency, enhancing the customer experience, strengthening risk management, leveraging technology, and fostering innovation.

OBJECTIVE OF THE STUDY

To analyse the financial performance of ICICI Bank using trend analysis.

SCOPE OF THE STUDY

The present intends to explore only the operational performance in order to understand the overall profitability position, liquidity position and long term financial performance of the ICICI Bank.

RESEARCH METHODOLOGY

This study is analytical in nature. In this study, one has to inevitably use secondary data available and analyse it to make critical evaluation of the material. Secondary data used in this study were collected from Annual reports of the bank, bulletins, periodicals and news letter.

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PERIOD OF THE STUDY

The period of the study covers 9 years from 2011 to 2019.

DEPOSITS MOBILIZATION OF ICICI

Deposits mobilization is a main function as well as primary source of funds of a commercial bank, but also an instrument for encouraging savings habits among people. Commercial banks try to mobilize savings in from rural and urban areas in the form of deposits, ultimately benefit the bank as well as country. The ICICI has been showing prominent performance in the deposit mobilization. The incredible growth of deposit is evident from the table 1. In other words, the deposit has registered growth of 289 per cent between 2011 to 2019 in terms of absolute figures. It clearly points to exemplary performance of ICICI in the sphere of deposit mobilization. Thereby contributing to economic development of our country. The new product development, progressive automation, e-banking, internet banking facility and expansion of ATM networks have helped the bank achieve a spectacular growth of deposit mobilization in the most competitive financial capital market.

CREDIT DEPLOYMENT OF ICICI

It is common knowledge that the success of any banking institution hinges on profitable and effective credit deployment. If there is any lapse in credit deployment it would get reflected in the bottom line of the bank. The bank has observed cardinal principles of lending in the matter of credit deployment. The performance of ICICI in credit deployment hasbeen shown in the table 1. The credit dispensed by the ICICI stood at Rs. 216365.90 crores during 2011. It has risen to Rs. 586646.58 during 2019 registering a growth of 271 per cent during the study period. The tremendous growth achieved by ICICI in credit portfolio speaks volumes of its marvelous contribution to economic growth story of our country. The progressive growth of credit points unmistakably to the growing confidence of the public in ICICI even in the midst multiple loaning agencies.

CREDIT DEPOSIT RATIO OF ICICI

The proportion of the credit deployed to the deposit mobilized, popularly known as C/D Ratio. It is one of the indicators of operational efficiency of banks. It unmistakably points to effective deployment of deposit resources in different kinds of loans. Table 1

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presents the figures relating to deposits, advances and C/D ratio for a period of 9 years from 2011 to 2019.

TABLE 1

CREDIT DEPOSIT RATIO OF ICICI

Year	Deposits (Rs. in Crores)	Advances (Rs. in Crores)	C/D Ratio
March 2011	225602.11	216365.90	95.91%
March 2012	255499.96	253727.66	99.31%
March 2013	292613.63	290249.44	99.19%
March 2014	331913.66	338702.65	102.05%
March 2015	361562.73	387522.07	107.18%
March 2016	421425.71	435263.94	103.28%
March 2017	490039.06	464232.08	94.73%
March 2018	560975.21	512395.29	91.34%
March 2019	652919.67	586646.58	89.85%

Source: ICICI Annual Reports, 2011 to 2019

The table 1 represents the Credit Deposit Ratio (C/D Ratio) of ICICI bank from March 2011 to March 2019. The C/D ratio is a financial metric that indicates the proportion of deposits held by a bank that are being used for lending activities such as loans and advances. In other words, it is the ratio of a bank's total loans and advances to its total deposits. Looking at the table, we can see that ICICI's C/D ratio has varied over the years. In March 2011, the C/D ratio was 95.91%, which means that the bank was using almost all of its deposits for lending purposes. This ratio increased to 99.31% in March 2012, indicating that the bank had increased its lending activities. The C/D ratio further increased to 107.18% in March 2015, indicating that the bank had significantly increased its lending activities compared to its deposit base. However, from March 2015 to March 2019, the C/D ratio started declining gradually. In March 2019, the C/D ratio stood at 89.85%, which indicates that the bank was using a lower proportion of its deposits for lending purposes. This decline in the C/D ratio could be due to various factors, such as changes in the bank's lending policies or a shift in customer behavior towards other financial products. In summary, the table shows how the C/D ratio of ICICI bank has changed over the years and provides insight into the bank's lending activities and deposit base.

MANAGEMENT OF NPAs IN ICICI

The loan assets quality is most significant element for the survival in the system. The mounting of overdue advance give rise to NPAs, which ultimately effects the survival. It not only consume the profitability of the bank but also prevent the rotation of funds for productive uses. Banks are taking all out steps to their level best to avoid loan assets slipping into non-performing category. Though a complete eradication of NPAs from their balance sheet proves to be a herculean task, every bank seeks to contain it to the atleast permitted minimum. Till borrowing public realizes that non-payment of loan instalment is a sin or offence, evolution of NPAs is inevitable in India. Yet the banks have to take all proactive measures like close scrutiny of loan projects, project viability analysis, three C analysis and intensive interview of prospective borrowers etc., to prevent the evolution of bad loan assets altogether.

TABLE 2

STATUS OF GROSS NPA AND NET NPA IN ICICI

Year	Gross NPA (Rs. in Crores)	Gross NPA to Advances	Net NPA (Rs. in Crores)	Net NPA to Advances
March 2011	10034.26	4.64%	2407.36	1.11%
March 2012	9475.33	3.73%	1860.84	0.73%
March 2013	9607.75	3.31%	2230.56	0.77%
March 2014	10505.84	3.10%	3297.96	0.97%
March 2015	15094.69	3.90%	6255.53	1.61%
March 2016	26221.25	6.02%	12963.08	2.98%
March 2017	42159.39	9.08%	25216.81	5.43%
March 2018	53240.18	10.39%	27823.56	5.43%
March 2019	45676.04	7.79%	13449.72	2.29%

Source: ICICI Annual Reports, 2011 to 2019

The table 2 represents the status of Gross Non-Performing Assets (NPA) and Net NPA of ICICI bank from March 2011 to March 2019. Gross NPA is the total amount of non-performing loans that a bank has on its books, while net NPA is the amount of non-performing loans that a bank has after deducting the provisions made for bad loans. Looking at the table, we can see that ICICI's Gross NPA has varied over the years. In March 2011, the Gross NPA was 10034.26 crores, which constituted 4.64% of its advances. This means that 4.64% of the bank's total loans and advances were non-performing. The Gross NPA percentage declined in the following years until March 2015, where it reached its lowest at 3.90%. However, from March 2016 onwards, the Gross NPA percentage increased significantly, reaching 10.39% in March 2018. The increase in Gross NPA percentage indicates that the bank was experiencing a higher proportion of non-performing loans. This

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increase could be due to various factors such as economic downturns, changes in lending policies or borrower's inability to pay back loans.

On the other hand, the net NPA percentage, which considers the provisions made for bad loans, shows a different picture. In March 2011, the net NPA was 2407.36 crores, constituting 1.11% of the advances. This percentage decreased to 0.73% in March 2012 and then increased to 2.98% in March 2016. The net NPA percentage continued to increase to reach its highest at 5.43% in March 2018, and then it decreased to 2.29% in March 2019. The increase in the net NPA percentage indicates that the bank was experiencing a higher proportion of bad loans after considering the provisions made for them. This could imply that the bank may have made higher provisions to cover potential losses due to non-performing loans. In summary, the table shows the status of ICICI's Gross NPA and Net NPA over the years, providing insight into the bank's performance in managing bad loans and the impact of its provisions on the bottom line.

PRODUCTIVITY IN ICICI

The productivity ratios shows the utilization of manpower, efficiency of branches and the extent to which the resources are exploited. In other words, a measure of an output of an activity to an input of a resource. The productivity in ICICI has been shown in table 3. One aspect of productivity is the measurement of Business (Deposit + Advances) Per Branch and the other aspects in Business level Per Employee.

TABLE 3

PRODUCTIVITY OF ICICI

Year	Deposits (Rs. in Crores)	Advances (Rs. in Crores)	Number of Branches	Number of Employees	Business per Branch	Business per Employee
March 2011	225,602.11	216365.9	2,529	56,969.00	174.76	7.76
March 2012	255,499.96	253,727.66	2,752	58,276.00	185.04	8.74
March 2013	292,613.63	290,249.44	3,100	62,065.00	188.02	9.39
March 2014	331,913.66	338,702.65	3,753	72,226.00	178.69	9.28
March 2015	361,562.73	387,522.07	4,050	66,327.00	184.96	11.29
March 2016	421,425.71	435,263.94	4,450	72,175.00	192.51	11.87
March 2017	490,039.06	464,232.08	4,850	82,841.00	196.76	11.52
March 2018	560,975.21	512,395.29	4,867	81,548.00	220.54	13.16

March 2019	652,919.67	586,646.58	4,874	86,763.00	254.32	14.29

Note: Volume of Business = Deposits + Advances.
Source: ICICI Annual Reports, 2011 to 2019

The table 3 shows the productivity of ICICI Bank in terms of business per branch and business per employee for the period of March 2011 to March 2019. Over the years, ICICI Bank has increased its volume of business as well as the number of its branches and employees. However, the productivity measures, business per branch and business per employee, show mixed trends over the period. In terms of business per branch, ICICI Bank started with 174.76 crore rupees in March 2011 and reached its peak of 254.32 crore rupees in March 2019. This indicates that the bank was able to generate more business per branch over the period, which could be due to the expansion of its product and service offerings, as well as an increase in its customer base.

In terms of business per employee, ICICI Bank started with 7.76 crore rupees in March 2011 and reached its peak of 14.29 crore rupees in March 2019. This indicates that the bank was able to generate more business per employee over the period, which could be due to the bank's efforts in improving the efficiency and productivity of its workforce. Overall, the table shows that ICICI Bank was able to increase its volume of business, expand its network of branches and employees, and improve its productivity measures over the period from March 2011 to March 2019.

PROFITABILITY OF ICICI

Profit earning is the primary motive and important function for continues and stable operation of an organizations. Banks are basically a commercial organization and in order to fulfill the social obligation, they cannot compromise on profitability. In fact, profit is an index of their operational efficiency and, therefore, it becomes necessary to prepare a budget to achieve profit both at the branch as well as macro levels.

TABLE 4

PROFITABILITY OF ICICI

Year	Total Income (Rs. in Crores)	% of Change	Total Expenditure (Rs. in Crores)	% of Change	Net Profit (Rs. in Crores)	% of Change
March 2011	32,621.95	-	27,470.57	-	5,151.38	-
March 2012	41,045.41	25.82%	34,580.15	25.88%	6,465.26	25.51%
March 2013	48,421.30	17.97%	40,095.83	15.95%	8,325.47	28.77%
March 2014	54,606.02	12.77%	44,795.55	11.72%	9,810.48	17.84%

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March 2015	61,267.27	12.20%	50,091.92	11.82%	11,175.35	13.91%
March 2016	68,062.49	11.09%	58,336.20	16.46%	9,726.29	-12.97%
March 2017	73,660.76	8.23%	63,859.67	9.47%	9,801.09	0.77%
March 2018	72,385.52	-1.73%	65,608.10	2.74%	6,777.42	-30.85%
March 2019	77,913.36	7.64%	74,550.05	13.63%	3,363.30	-50.37%

Note: The % change is calculated based on the previous results.

Source: ICICI Annual Reports, 2011 to 2019

Table 4 reveals that the net profit has recorded peak in the year 2013 with a growth rate of 28.77 percent. The transition period of financial sector reforms was over and therefore the bank got some relief from need to make provisions for contingencies. It is manifest from the table 4 showcasing the profitability dimension of ICICI, that the total income has been progressively increasing from Rs. 32621.95 crores during 2011 to Rs. 77913.36 crores during 2019. It is inferred that the higher volume of business made by the ICICI in the spite of tough competition in the financial market may be due to the benefits of computerization and consequent reduction in the operational cost of the bank and good recovery performance, all these might have helped ICICI raise its income performance significantly.

A cursory glance at total expenditure column manifests an increasing trend in the expenditure aspect. The expenditure figure has registered a gradual hike from Rs.27470.57 crores in 2011 to Rs. 74550.05 crores in 2019. Sustained branch expansion, ongoing computerization of branches, ever increasing advertisement budget to withstand the competition from different players in financial market and increasing staff salary might have driven the expenses to higher level. Another point worth noting is that the bank has recorded a negative growth rate of 12.97, 30.85 and 50.37 per cent during the year 2016, 2018 and 2019 respectively. In other words the net profit is at low with Rs. 3363.30 crores in 2019 in the terms of absolute figures. It is inferred that the ICICI has to incur a heavy expenditure in surviving the stiff competition in the Indian banking scenario. Therefore the intensity of competition may be the reason for significant increase in expenditure during the last 3 years of the study.

SUGGESTIONS

1. Diversify their revenue streams: ICICI Bank can explore opportunities to diversify their revenue streams beyond traditional banking products and services, such as exploring new digital financial products.
2. Focus on cost management: ICICI Bank can focus on optimizing their cost structure by identifying and eliminating unnecessary expenses.

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3. Expand their customer base: ICICI Bank can explore new markets and demographics to expand their customer base and increase market share.
4. Improve operational efficiency: ICICI Bank can implement process improvements to increase efficiency and reduce the time and cost associated with servicing customers.
5. Enhance customer experience: ICICI Bank can focus on enhancing the customer experience by improving service quality, developing innovative products, and leveraging technology to provide seamless and convenient banking services.
6. Strengthen risk management: ICICI Bank can further strengthen their risk management practices to ensure they are well positioned to manage potential risks and uncertainties.
7. Leverage technology: ICICI Bank can continue to leverage technology to improve operational efficiency, enhance customer experience, and develop innovative products and services.
8. Foster innovation: ICICI Bank can create an innovation-driven culture to encourage and empower employees to develop new ideas and solutions that can drive growth and enhance the bank's financial performance.

CONCLUSION

ICICI Bank can significantly improve its financial performance by implementing the above suggestions. Diversifying revenue streams, focusing on cost management, expanding the customer base, improving operational efficiency, enhancing the customer experience, strengthening risk management, leveraging technology, and fostering innovation can help the bank achieve sustainable growth and profitability. With the rapidly evolving banking landscape and changing customer needs, it is essential for ICICI Bank to stay competitive and innovative to maintain its position as a leading player in the industry. By adopting these strategies and continuously improving its operations, ICICI Bank can not only achieve its financial objectives but also create long-term value for its stakeholders.

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