

# An Empirical Study of Financial Performance of ICICI Bank

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## ABSTRACT

Investment and banking organization plays an important role for the economic development of the country. India's banking system is featured by a huge network of bank branches, and it serves many sort of financial services of the people. The Bank is working with the foundation of Industrial Credit Investment and Corporation of India (ICICI) across diverse sectors and programs. ICICI Bank is the second largest bank in India in terms of Assets and Market capitalization. ICICI Bank has emerged as the pioneer venture on the horizon of offering an expended range of financial services and banking products for the retail and corporate customers through its diverse delivery channels and specialized subsidiaries in the areas of investment banking asset management, venture capital and insurance. It is crucial to analyze the financial services of ICICI Bank in terms of strategic importance and nation interest. The aim of this research paper is to analyze and evaluate the financial services and customer perception on the behalf of financial performance of ICICI Bank.

**Keywords--** Advances, Solvency, Investment Banking, Capitalization, Leverage Ratio

## I. INTRODUCTION

The transactions done with a bank and the services it offers to its customers is collectively known as banking. Banking can be done online, offline, or both ways. A bank is a financial institution licensed to receive deposits and offer loans. Banks also provide financial services, such as safe deposit boxes, currency exchange, and wealth management.

ICICI Bank Ltd is a major banking and financial services organization in India. The Bank is the second largest bank in India and the largest private sector bank in India by market capitalization.

### **Why is Banking Important?**

While you can make banking transactions both in a brick-and-mortar location and an online presence, a new breed of banking only maintains an online presence.

Online-only banks often offer consumers higher interest rates and lower fees. Convenience, interest rates, and fees are the driving factors in consumers' decisions of which bank to do business with.

## *Company's Vision*

The vision of ICICI Bank is to be a leader in providing financial services in India and a major global bank. In other words its vision is to be the preferred bank for total financial and banking solutions for corporate and individuals both for over five decades, the ICICI Group has the partnership in Indian economic growth and development. Promoting inclusive growth has been a priority area for the group from both the perspective social as well as business. Through the products and services ICICI Bank strives to make a difference to its customers, to the society and the nations development. ICICI Foundation for excellent growth was founded by group in the year 2008 for carry forwarding and build upon its legacy. The foundation of ICICI is working within public systems and specialized grassroots organizations to support developmental work in four identified focus areas.

## II. REVIEW OF LITERATURE

Reddy K. Sriharsha (2012) analysed relative performance of products and services of Bank in India by using the approach of CAMEL. In his study he found that public sector banks have appreciable improved indicating positive impact on the reforms in liberalizing rate of interest, rationalizing directed credit and Investment and to increase competition.

Vertivel and Joseph jelsy in 2012 have studied and concluded the better cost predictions and they have also identified loss making products for the cost reduction the ABC can be used, DSS (Design Support System) budgeting measure the better performance in terms of improving the financial services of the company.

Aggrawal Nisha, Gupta Neeti ICICI provides full support to the creations and modernization as well as expansion to industrial enterprises within the private sector in India and also encourages the private capital in both internal and external in such enterprises.

Khan M.Y. recently ICICI Ltd (along with to of its subsidiaries ICICI personal finance service ltd and ICICI capital services ltd) has been merged with ICICI Bank ltd effective since May,03,2002 the erstwhile DFI has thus ceased to exist.

### III. STATEMENT OF PROBLEM

The Covid-19 pandemic has impacted most economies and banking systems globally, including India. It is to find out the financial position of ICICI Bank Ltd. Nothing is completed until it finds a specific problem.

### IV. OBJECTIVES OF STUDY

- To find the profit
- To study liquidity and solvency position
- To study the impact of the pandemic on the banking sector
- To find out the company's growth in terms of net assets, investments etc.

### V. RESEARCH METHODOLOGY

The period of evaluating financial performance of ICICI Bank for (2017-2021) five years. Items required for each ratio are taken from the financial statements and compiled into tabular form for ease of calculation. Once the ratios are computed, they are put into a table so as to observe trends and make deductions.

#### Tools

Ratio analysis is used to ascertain the financial situation of the company from 2017-2021. Microsoft Excel was used to compute the ratios.

### VI. ANALYSIS & INTERPRETATION

The following table shows the ratios of Indian Overseas Bank from 2017-21.

Particulars	2021	2020	2019	2018	2017
current ratio	17.46	19.25	21.95	24.59	19.62
Price earning ratio	0.17	0.077	0.09	0.104	0.095
Cash ratio	0.78	0.73	1	1.09	0.92
Efficiency ratio	15.23	1.82	2.32	2.15	1.61
Net profit ratio	-2.6	-5.56	-32.74	-1.006	0.74
Operating profit ratio	0.74	0.63	0.63	0.75	0.76
Return on total asset ratio	1.4	0.11	0.88	1.02	1.18
Return on investment ratio	0.61	0.66	0.80	0.81	0.75
Earnings per share ratio	47.1	45.6	40.3	36.7	38.8
Return on share holders fund	1.01	1	1	1.008	1.009
Interest coverage ratio	4.8	4.08	4.1	4.48	4.06
Debt equity ratio	0.99	0.998	0.997	0.997	0.997
Net interest margin ratio	0.39	0.33	0.25	0.23	0.02
Debt ratio	12.5	10.98	9.04	9.106	8.96
Operating ratio	0.47	0.47	0.59	0.3	0.27

- In the current ratio 2018 has the highest ratio and the ratio reduces to 2021 having the lowest.
- For the price earnings ratio every year save for 2020 and 2021 goes over the ideal ratio (i.e. 20). This indicates that 2020 and 2021 were the worst years for this ratio since the ideal ratio is anything below 20.
- Cash ratio 2018 has the highest as everything in 2020 and 2021 been digital the cash ratios are less
- Net profit ratio is negative from 2018-21 and 2017 has the highest net profit ratio
- 2021 has the highest efficiency ratio and the past 4 years have very low ratio.
- Operating profit ratio is almost close for each year 2017 has the highest ratio and 2020 and 2019 have the same ratios
- Since the pandemic striked the return on total asset ratio in 2020 was very low and it slowly increased in 2021. 2017 has the highest ratio
- 2020 and 2021 had seen a drop in investments than the previous year that they issued in the return on investment.
- Earnings per share ratio 2021 has the highest and 2107 has the lowest ,we can see the the eps is rising year by year
- Return on shareholders fund is almost similar to all the ratios of the year the year 2020 and 19 have the same ratios
- Interest coverage ratio this ratio is also similar in all years the highest is in the year 2021. None of the ratios reach anywhere nears the ideal ratio of 1.5.
- Debt equity ratio this ratio is also similar in all years There is barely any difference in the debt equity ratio of the bank for the five years. This indicates stability between the liabilities and shareholders' equity
- Net interest margin ratio the highest is in 2021 and the lowest is in 2017. all the years the income from interest exceeds the interest expense, which is a good sign
- There is steady decline in debt ratio for the first four years with a slight rise in 2021. This means the liabilities of the bank were decreasing until 2020 with it slightly increasing in 2021. The ratios for all five years are quite unfavourably much higher than the ideal ratio
- The operating ratio is the same in the year 2021 and 2020 the lowest Is in the year 2018 and there is improvement in the upcoming years. This is since operating expenses only measure up to a very small fraction of net sales

## VII. CONCLUSION

The bank has to take an appropriate measure to keep current ration on par with the norms. The NPAs of the ICICI bank is more than one per cent, hence should control NPAs otherwise it affects the asset quality in long run.the ratios like operating profit and debt equity ratio remain the same at all time . it is like that because the value of operating expenses takes the fraction upto the net sales .some of the ratios like net profit have negative values because the company is been running in lost for the past 5 years and the covid crisis put them down. The share price is always higher the earnings per share. Net Sales is considered as Loans and Advances since that is the business of the bank. The income interest always exceeds the interest expended. the return on total asset ratio is also increasing in the year 2021.the return on shareholders funds also remains the same for most of the year. The spread of the ICICI bank should control otherwise the income of the bank is eaten away by the interest expenses in the long-run. The worst attacked year was 2020. The debt equity ratio remains the same in almost all the years .operating profit was bad in 2018 and it had a good growth after that year.the net profit margin ratio is been increasing year by year.finally we can conclude that 2020 was a bad year for icici bank not only for this company many other companys has faced a lot of issues during the pandemic. Now we can see that the business is slightly been improved in many companys

## LIMITATIONS OF STUDY

- Only basis of reference is financial reports of IOB obtained from the BSE website.
- Limited knowledge of ratio analysis
- Limited ability to interpret data effectively

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