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A STUDY ON FINANCIAL ANALYSIS OF ICICI BANK (2019-2023)

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ABSTRACT

ICICI became the first Indian corporation, as well as the first non-Japanese Asian bank or financial institution, to be listed on the New York Stock Exchange. This study is descriptive in character. The primary goal of this research is to investigate the financial performance of ICICI Bank utilizing camel analysis. This study is descriptive in character. Secondary the data is gathered from yearly reports, books, journals, and publications. The gathered data was examined using ratio analysis. According to the report, ICICI Bank is on the rise, with liquidity being the most important factor.

Keywords: bank, growing, institution, financial, camel, analytical, liquidity, growing, trend, etc.,

INTRODUCTION

A financial statement analysis consists of the application of analytical tools and techniques to the data in financial statements in order to derive from them measurements and relationships that are significant and useful for decision making. The term Financial Analysis is also known as 'analysis and interpretation of financial statements' refers to the process of determining financial strength and weakness of the firm by establishing strategic relationship between the items of the Balance Sheet, Profit and Loss account and other operative data.

The first task of financial analysis is to select the information relevant to the decision under consideration to the total information contained in the financial statement.

The second step is to arrange the information in a way to highlight significant relationship.

The final step is interpretation and drawing of inference and conclusions.

OBJECTIVES OF THE STUDY

Following are the objectives of the study

- To study the financial position of ICICI Bank
- To find the financial performance with the help of ratio analysis
- To measure the cash flow statement of ICICI Bank
- To analysis the compare the balance sheet of ICICI Bank

SCOPE OF THE STUDY

- The financial performance of ICICI Bank is examined in this study.
- The scope of the study is wide and it includes the analysis of annual results, Profit & loss account and balance sheet of the bank for the last 5 years (2019-2023)
- The goal of this study is to offer a thorough examination with an emphasis on possible enhancements.

REVIEW OF LITERATURE

- **Wirnkar and Tanko (2016),:** examined the adequacy of CAMEL in evaluating the overall performance of bank. To discover the significance of every aspect in CAMEL analysis and to appear out for nice ratios that financial institution regulators can undertake in assessing the effectivity of banks. The evaluation used to be carried out from a pattern of eleven industrial banks running in Nigeria. The evaluation disclosed the incapacity of every factor in CAMEL to congregate the full overall performance of a bank.
- **Brar (2002):** evaluated the relative productivity effectiveness and overall performance of US industrial banks between 1984 and 1998. It detailed the CAMELS ranking system, which is utilised by bank examiners and regulators, and discovered that institutions with high-

efficiency ratings also had high CAMEL ratings. It was revealed that the various relationships were recognised, and it is recommended that DEA be used to assist analysts and policymakers in better recognizing companies, regulators and examiners in improving monitoring equipment, and banks in bench-marking their procedures. While evaluating the operational and monetary overall performance of Indian Factoring Companies.

- **Bansal (2010):** studied the effect of liberalization on productiveness and profitability of public zone banks in India. The study concluded that the capacity of banks to face opposition used to be structured on their decided efforts at technological up gradation and enhancement in operational and managerial efficiency, enhancement in purchaser service, inside manage and augmenting productiveness and profitability. The author found that located public zone banks have to pay super interest to strategic management, strategic planning and to larger specialization in the technical issue of lending and deposit evaluation. In order to increase their productiveness and profitability, public quarter banks need to spell turnover strategies, income-oriented and price-oriented techniques from time to time.
- **Saluja & Kaur (2010):** documented the monetary fitness of joint venture banks in the CAMEL parameters in Nepal. His study concluded that economic fitness of joint venture is extra high-quality than that of industrial banks. Moreover, the aspects of CAMEL confirmed that the economic fitness of joint challenge banks used to be no longer hard to manipulate the feasible influence to their balance sheet on a large-scale foundation barring any constraints inflicted to the economic health.
- **E.K. Sivasakthivel (2020):** 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.

STATEMENT OF PROBLEM:

Performance and efficiency of commercial banks are the key elements of efficiency and efficacy of countries' financial system. The broad objective of the banking sector reforms in India has been to increase efficiency and profitability of the banks. Prior to banking reforms, the industry was a near monopoly dominated by public sector banks. However, the banking reforms a number of private and foreign banks extend the market armed with greater autonomy. Operational efficiency is an indicator, which will help not only the public but to the management, regulators, and supervisors to understand and judge the relative efficiency of the players competing in the banking sector. Therefore, this study attempts to apply Profitability ratios, Solvency ratios, and Management efficiency ratios on ICICI Bank in order to compare their efficiency and solvency position.

BANK PROFILE:

ICICI Bank was established by the
Industrial Credit and Investment Corporation of India (ICICI), an Indian financial institution, as a wholly owned subsidiary in 1994 in Vadodara. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry.

The main goal was to establish a development finance organization that would offer Indian companies long- and medium-term project funding. Prioritizing project finance up to the late 1980s, ICICI provided long-term funding for a range of industrial projects.

ICICI took use of the new opportunities presented by India's economy's increasing market-orientedness and integration with the global economy to offer a greater variety of financial goods and services to a wider range of customers.

In the late 1990s, there was much discussion on the topic of universal banking, which in the Indian context meant turning long-term lending organizations like ICICI into commercial banks.

ICICI's transformation into a bank allowed them to provide a greater array of services and accept inexpensive demand deposits.

LIMITATION OF THE STUDY:

- Since the study is dependent on secondary data, its limitations may have an impact on its findings.
- The secondary data came from the ICICI Bank's annual report. Some of the statistics are taken to the closest zero number (i.e., not in decimals), for the purpose of making computations easier. It is likely that the data given in the annual report is window dressing, which does not indicate the true status of the banks.
- Analysing financial performance is limited to providing information about the company's financial situation; it is unable to provide a complete picture of the operations of the business.

TOOLS OF FINANCIAL ANALYSIS

In the analysis of financial statements, the analyst has a variety of tools available to choose the best that suits his specific purpose. In this report we will confine ourselves to **Ratio Analysis** based on information provided from financial statements such as Balance Sheet and Profit & Loss Account.

RATIO ANALYSIS

Ratio analysis is the study of different financial data points seen in a company's financial statements. They are mostly utilized by outside analysts to assess a company's profitability, liquidity, and solvency, among other factors.

TYPES OF RATIO ANALYSIS

- Liquidity Ratio
- Solvency Ratio

LIQUIDITY RATIO

Liquidity ratios assess a company's capacity to use its fast or current assets to settle its short-term debts when they fall due.

Liquidity ratios include

- Current ratio,
- Net Working capital ratio.
- Cash Ratio or Absolute Liquidity Ratio

CURRENT RATIO

One of the most significant kinds of liquidity ratios is the current ratio. It is not only an essential financial indicator, but it also helps investors and companies make wise investment decisions.

Current ratio formula is given by

Current Ratio = Current Assets / Current Liabilities

TABLE SHOWING CURRENT RATIO

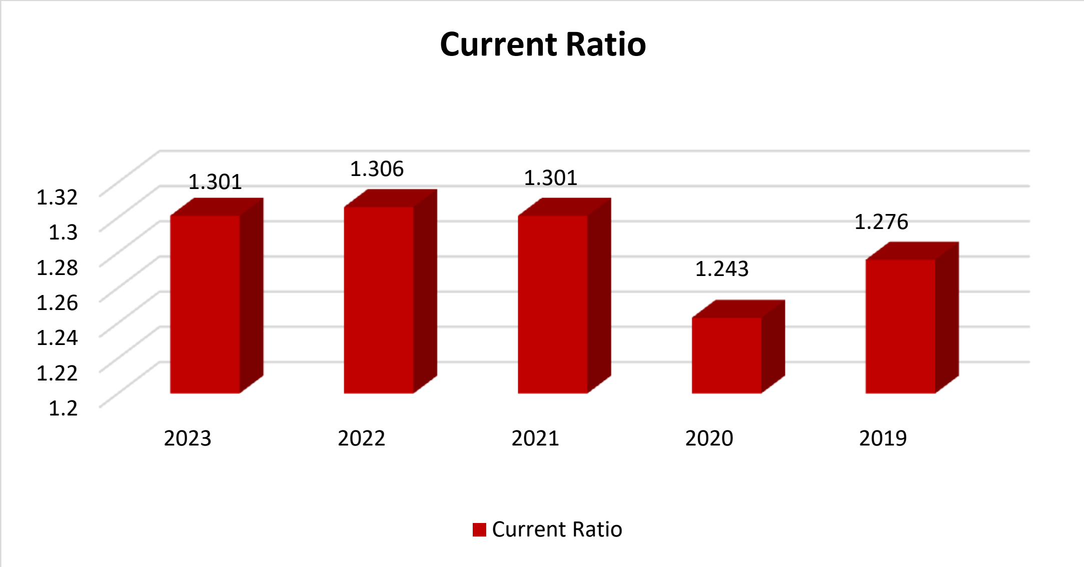
YEAR	------------------- IN RS. CR. -------------------		
	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2023	19,50,512	14,98,438.5	1.301
2022	17,45,159.15	13,35,776.8	1.306
2021	15,66,020.6	12,03,456.37	1.301
2020	13,70,026.93	11,02,051.15	1.243
2019	12,32,203.48	9,65,581.2	1.276

SOURCE: SECONDARY DATA

INTERPRETATION

- The current ratio in the following table is trending comparable for the fiscal years 2019–2023.
- The company's current ratio has grown throughout the course of the year, indicating that it has sufficient current assets to cover its current liabilities.
- A current ratio of 1.2 to 1 or higher is generally considered acceptable by banks. A current ratio of around 1.5x to 3.0x is considered to be healthy.
- It indicates that the bank has in the year 2019 the current ratio is 1.27 and the year 2023 is 1.30, it indicated a sufficient of the bank.
- In 2022, the current ratio would reach 1.306, representing a modest improvement from 2019 to 2023.

CHART SHOWING CURRENT RATIO



SOLVENCY RATIO

Solvency ratio, also known as financial leverage ratios, relate a firm's debt levels to its assets, equity, and profits to assess the chances of a company being afloat in the long run by paying down both long-term debt and debt interest.

Solvency ratios include:

- Debt to Equity Ratio,
- Debt-Assets Ratio,
- Interest Coverage Ratio
- Proprietary Ratio or Equity Ratio

PROPRIETARY RATIO

A sort of solvency ratio called a proprietary ratio can be used to calculate how much a shareholder or business owner contributes to the overall assets of the company.

It goes by the name's equity ratio, shareholder equity ratio, and net worth ratio as well. Determining the percentage of a company's total assets that are financed by the owners is the primary goal of this ratio.

To evaluate the soundness of capital structure of a business. Different business uses different capital structure, it could be 50% equity and 50% debt, while for some it might 30% equity and 70% debt.

The ratio is given as:

Proprietary Ratio = Shareholder's funds / Total Assets

TABLE SHOWING PROPRIETARY RATIO

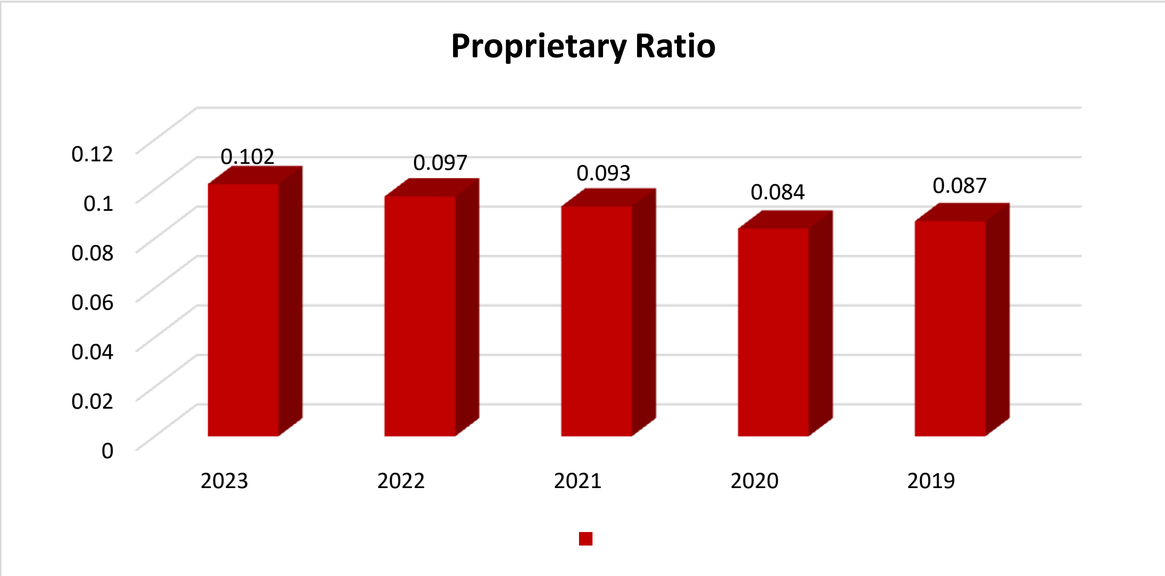
YEAR	------------------- IN RS. CR. -------------------		
	SHAREHOLDER'S FUNDS	TOTAL ASSETS	PROPRIETARY RATIO
2023	200,715.38	1,955,398.66	0.102
2022	170,511.97	1,749,408.89	0.097
2021	147,509.19	1,570,686.97	0.093
2020	116,504.41	1,374,148.87	0.084
2019	108,368.04	1,235,723.90	0.087

Source: Secondary Data

INTERPRETATION

- The Proprietary ratio in the following table is trending comparable for the fiscal years 2019–2023.
- A good proprietary ratio is 0.5 or higher, meaning that at least 50% of a company's assets are funded by its capital.
- As per the above table, from the year 2019-23 the proprietor ratio is very poor which is a major point of concern and thus limiting its ability to get a loan from its creditors.

CHART SHOWING PROPRIETARY RATIO



FINDINGS

LIQUIDITY RATIO

- The current ratio done for the fiscal years 2019–2023.
- The company's current ratio has grown throughout the course of the year, indicating that it has sufficient current assets to cover its current liabilities.
- A current ratio of 1.2 to 1 or higher is generally considered acceptable by banks. A current ratio of around 1.5 to 3.0 is considered to be healthy.
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SOLVENCY RATIO

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SUGGESTIONS

- Long term solvency ratio is considered as a key factor to determine the banks' ability to meet its long-term obligation and in long term solvency proprietary ratio place a vital role and it's should be 0.5 or more but the Proprietary level of the bank is not satisfactory so the bank has to take necessary step to increase the capital funds thus the bank would need to be more reliable on external financing.
- The ideal current ratio is 2:1, in case of banking institutions the availability of current assets 1.5 or higher is sufficient and obtainability of assets in ICICI Bank is fair enough, therefore if the bank wants to increase its assets in future the bank should reach the debt obligation. So that the bank can maintain the standard ideal ratio.

CONCLUSIONS

The second-biggest bank in India, ICICI Bank, is significant to investors and the economy. The analysis of financial performance aids in comprehending the bank's development. The bank's productivity showed a declining trend. Every year, the percentage of performing assets rises as well. The bank's performance increases until a later point when it experiences significant variances in several ratios. This research examined the ICICI banks' overall financial performance from 2019 to 2023.

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