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A Study on Financial Performance of ICICI Bank

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ABSTRACT –

India's rapidly growing e-commerce market is one of the largest globally. This study examines customer satisfaction with India's e-commerce system, a crucial aspect for both clients and organizations. Satisfaction is subjective and influenced by various factors, including individual preferences and product differences. Enhancing customer satisfaction is now a priority for organizations. The study finds that e-commerce customers are generally satisfied with factors such as price, delivery safety, returns, product quality, brand authenticity, customer support, and service quality. Additionally, perceived value is influenced by customer expectations and service quality, while service quality is also affected by customer expectations.

1.INTRODUCTION

Finance is the field where the focus is completely on management of money, credit, banking and investments at the personal, corporate and at the public levels. It is a branch of economics that studies how money, goods, assets, and services are produced, distributed, and consumed in the business environment. Finance also involves the use of credit, debit, securities and investments to fund current projects using future incomes.

ICICI BANK:

Industrial Credit and Investment Corporation of India (ICICI Bank) is one of the largest private sector banks in India, established in 1994 by the Reserve bank of India (RBI) to liberalize the Indian banking industry. ICICI bank has a network of over 6,523 branches and 17,190 ATMs across India, and has a presence in 17 countries.

ICICI Bank, one of India's leading financial institutions, has demonstrated strong financial performance in recent years. Key indicators include robust revenue growth, consistent profitability, and effective management of assets and liabilities. Factors contributing to its success include a diversified portfolio, focus on digital banking, and prudent risk management practices. Analyzing metrics like net interest margin, return on assets, and non-performing assets provides insights into the bank's financial health. Stay updated on quarterly reports and economic trends for a comprehensive understanding of ICICI Bank's financial performance.

STATEMENT OF PROBLEM:

Banking is a vast subject many economic researchers have studied and focused various sectors in banking. The studies on the financial performance of the commercial banks are less in number. In this context “Financial performance of ICICI Bank” is selected for the present study. The purpose of making financial statement is to know the company’s financial activities, cash flows and the liquidity position of the organization. If the financial analysis is not prepared the organization will face problems like risk management, rise in bad debts, unprofitable interest rates in loan offering, decrease in stock price etc... will acquire. So, it is important to make financial statements to know the financial position of the organisation and helps the organization in a better growth and development.

3.OBJECTIVES:

- To ascertain the profitability ratios of ICICI bank.
- To compute the liquidity position and the solvency of ICICI bank.
- To examine the trend analysis and predict the future plans.
- To access the operating efficiency of the ICICI bank.

4.SCOPE OF STUDY:

The scope of this study on the financial performance of ICICI is limited to a specific period of time, with a focus on analyzing the bank's financial metrics and ratios from the years 2020 to 2024.

5. REVIEW OF LITERATURE

- **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.
- **Dr. R. Mayilsamy (2021)** conducted a study on financial performance of ICICI bank. The tool used to make research is profitability ratios. The study examined that the financial position of the ICICI bank is good. Bank's liquidity position is fair but not good because the bank invested more in current assets than liquidity assets. Bank's position is stable.
- **Dr. B. Rajani (2023)** conducted a study on financial performance of ICICI bank. The tool used to make research is CAMEL grading. The study analyzed that the bank's performance was improved until 2018-19 but after it began to experience significant fluctuation in several ratios. At the author's point of view, cost reduction for income maximization is one of the options used to better the financial performance.
- **Dr. K.M. Sabitha (2023)** made a study on profitability position of ICICI bank in India. The tool used to analyze is ratio analysis. The study concludes analysis the profitability position is strong. So, the overall position of the profitability ratio is in high level. Statistics imply a bright future for the ICICI bank. It can be said that in near future, the bank will become a boom in the banking industry.
- **Khan M. Y. (2023)** 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.

6.ANALYSIS AND INTERPRETATION OF DATA

TABLE SHOWING CASH FLOW STATEMENT FOR THE YEAR (2020 – 2024)

CASH FLOW OF ICICI BANK (in Rs. Cr.)	**MAR 24**	**MAR 23**	**MAR 22**	**MAR 21**	**MAR 20**
	12 months	12 months	12 months	12 months	12 months
NET PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS AND TAX	**59,684.00**	**45,830.08**	**33,567.54**	**24,048.68**	**26,800.00**
Net Cash Flow From Operating Activities	157,284.48	-3,771.19	58,111.43	138,015.30	79,564.75
Net Cash Used In Investing Activities	-145,931.09	-68,005.32	-39,321.44	-62,986.91	-42,308.43
Net Cash Used From Financing Activities	13,764.51	24,790.72	17,451.00	-54,666.77	2,992.18
Foreign Exchange Gains / Losses	1,194.51	316.31	-685.54	-644.01	213.52
NET INC/DEC IN CASH AND CASH EQUIVALENTS	**26,312.41**	**-46,669.49**	**35,555.45**	**19,717.61**	**40,462.03**
Cash And Cash Equivalents Begin of Year	136,456.49	183,125.98	147,570.53	127,852.92	87,390.90

Cash And Cash Equivalents End Of Year	162,768.90	136,456.49	183,125.98	147,570.53	127,852.92

Interpretation

The cash flow statement provides insights into ICICI Bank's financial strength and liquidity across five fiscal years (MAR 2020 to MAR 2024). Here's a breakdown of key observations:

1. Net Profit Before Tax

- ICICI Bank's profitability has been consistently rising, increasing from *₹26,800 Cr. (MAR 20)* to *₹59,684 Cr. (MAR 24)*.
- This indicates strong growth in core banking operations and efficiency improvements.

2. Cash Flow from Operating Activities (CFO)

- A *significant increase in operating cash flow in MAR 24* (₹1,57,284.48 Cr.), compared to previous years.
- MAR 23 showed a negative cash flow of *₹-3,771.19 Cr.*, likely due to higher working capital requirements or provisioning.
- The high CFO in MAR 24 suggests improved earnings quality and better cash generation from core operations.

3. Cash Flow from Investing Activities (CFI*)*

- The bank has consistently used cash in investing activities, with *the highest outflow in MAR 24 (₹-1,45,931.09 Cr.)*.
- This reflects *aggressive investment in assets, lending, or securities* to support business expansion.
- A sharp increase in MAR 24 compared to MAR 23 (₹-68,005.32 Cr.) suggests more investments in financial instruments or infrastructure.

4. Cash Flow from Financing Activities (CFF)

- Positive financing cash flow in MAR 24 (₹13,764.51 Cr.) indicates *fundraising, possibly through borrowings or share issuance*.
- MAR 21 had a significant *outflow of ₹-54,666.77 Cr.*, likely due to debt repayment.
- The consistent inflow in recent years suggests *capital raising efforts to support growth*.

5. Net Increase/Decrease in Cash & Cash Equivalents

- Cash reserves increased substantially in *MAR 24 (₹26,312.41 Cr.)*, reversing the massive outflow of MAR 23 (₹-46,669.49 Cr.).
- The large drop in MAR 23 could have been due to high lending activities, dividend payouts, or large investments.
- Overall, ICICI Bank has *managed to rebuild cash reserves, improving liquidity*.

6. Cash & Cash Equivalents (Opening & Closing Balances)

- The bank's cash reserves have grown steadily, reaching *₹1,62,768.90 Cr. in MAR 24*.
- The fluctuations reflect operational and investment decisions but show a *strong liquidity position in recent years*.

TABLE SHOWING COMPARATIVE BALANCE SHEET OF ICICI BANK FOR THE YEAR 2023 & 2024

PARTICULARS	**2023(A) (IN CR)**	**2024(B) (IN CR)**	**ABSOLUTE AMOUNT (C=B-A)**	**PERCENTAGE(D=C/A*100)**
Equity Share Capital	1,396.78	1,404.68	+7.9	+0.5655
Revaluation Reserve	3,062.46	3,083.35	+20.89	+0.6821
Reserves and Surplus	195,495.25	232,505.97	+37,010.72	+18.9317
Deposits	1,180,840.70	1,412,824.95	+231,984.25	+19.6456
Borrowings	119,325.49	124,967.58	+5,642.09	+4.7283
Other Liabilities	83,325.08	95,322.73	+11,997.65	+14.3986
Total Capital & Liabilities	1,584,206.65	1,871,514.58	+287.307.93	**+18.1357**
Cash Balance	68,526.17	89,711.70	21,185.53	+30.9159
Bank Balance	50,912.10	50,214.31	-697.79	-1.3705
Investments	362,329.74	461,942.27	+99,612.53	+27.4922
Advances	1,019,638.31	1,184,406.39	+164.769.08	+16.1594
Fixed Assets	9,599.84	10,859.84	+1,260	+13.1252

INTERPRETATION

- *Robust Financial Growth:* Strong expansion in *deposits (+19.65%)*, *reserves & surplus (+18.93%)*, and *advances (+16.16%)* suggests a well-performing business.
- *Improved Liquidity:* A *30.92% rise in cash balance* ensures better financial flexibility.
- *Strategic Investments:* A *27.49% increase in investments* signals a focus on long-term asset growth.
- *Moderate Borrowing:* Unlike previous years, borrowings have *only increased by 4.73%*, indicating reduced dependence on external debt.
- *Stable Capital Base:* Minor changes in *equity share capital* and *revaluation reserves* confirm stability in ownership and asset valuation.

7.FINDINGS:

A. CURRENT RATIOS

 Declining Trend (2020-2024):

- In 2020, the current ratio was 1.5830, meaning the company had ₹1.58 of current assets for every ₹1 of liabilities—a strong liquidity position.
- By 2021, it dropped to 1.2491, indicating a shift towards lower liquidity.
- From 2022 onward, the ratio fell below 1, meaning the company had more short-term liabilities than current assets.
- 2024 saw a further drop to 0.7802, highlighting a liquidity crunch.

 Causes of Liquidity Deterioration:

- Rapid increase in current liabilities: From ₹47,994.99 Cr (2020) to ₹95,322.73 Cr (2024)—almost doubled in four years.
- Stagnant growth in current assets: Increased only marginally from ₹75,977.67 Cr (2020) to ₹74,380.07 Cr (2024).

Implications:

- The company **may struggle to pay short-term obligations**, leading to higher borrowing costs.
- Increased reliance on short-term funding **could impact profitability** due to higher interest expenses.
- The firm **might need to boost cash reserves, reduce short-term liabilities, or secure additional credit lines** to restore balance.

B. SHAREHOLDERS EQUITY RATIO

1.Gradual Increase in Shareholder's Equity Ratio (2020-2024):

- In **2020**, only **10.6% of total assets were funded by shareholder equity**, indicating high reliance on liabilities.
- By **2024, this improved to 12.73%**, reflecting stronger internal funding.

2.Key Drivers of Change:

- **Increase in Total Shareholder Equity**: Grew **104.6%** from **₹116,504.41 Cr (2020) to ₹238,399.32 Cr (2024)** due to profit retention and capital infusion.
- **Total Assets Grew Rapidly**: Increased **70.4%** over the same period, but the equity growth **slightly outpaced asset expansion**, improving the ratio.

3.Implications:

- A **low but improving shareholder equity ratio** means the company is still **highly leveraged**, but its reliance on equity is slowly increasing.
- While the ratio is **moving in a positive direction**, a **12.73% equity base is still low**, meaning **87.27% of assets are financed through liabilities**.
- The firm **needs to further increase retained earnings or issue more equity** to strengthen financial stability.

C. SOLVENCY RATIOS

1. **Steady Decline in Debt-to-Equity Ratio (2020-2024):**
    - In **2020**, the **D/E ratio was 9.42**, indicating **high financial risk** with a significant reliance on debt.
    - By **2024, the ratio improved to 7.85**, suggesting a gradual **shift towards equity financing** or better earnings retention.
2. **Key Drivers of Change:**
    - **Increase in Shareholder's Fund**: Grew **104.6%** from **₹116,504.41 Cr (2020) to ₹238,399.32 Cr (2024)** due to retained earnings and capital infusion.

- The company should focus on further strengthening equity through retained earnings or equity issuance.

8.SUGGESTIONS

ICICI Bank has demonstrated strong financial performance in recent years, driven by robust growth in net interest income (NII) and improved asset quality. The bank has consistently maintained a healthy net profit margin, supported by efficient cost management and a diversified revenue stream from both retail and corporate banking segments. Its return on assets (ROA) and return on equity (ROE) have shown steady improvement, reflecting effective utilization of resources and strong profitability. Additionally, ICICI Bank has made significant strides in reducing its gross non-performing assets (GNPA) and net non-performing assets (NNPA), aided by better risk management and higher provisioning coverage. The bank's focus on digital transformation and customer-centric services has further strengthened its market position. However, to sustain this growth, ICICI Bank should continue to prioritize asset quality, expand its retail loan portfolio, and leverage technology to enhance operational efficiency. Furthermore, exploring opportunities in underserved markets and increasing fee-based income could provide additional revenue streams and long-term stability.

9.CONCLUSION

ICICI Bank has demonstrated strong financial performance in recent years, driven by robust revenue growth, improved asset quality, and strategic digital transformation. The bank has shown steady growth in net interest income (NII) and profitability, supported by higher loan disbursements and an expanding customer base.

From 2020 to 2024, ICICI Bank showcased a resilient and adaptive financial performance marked by strategic recovery initiatives and digital innovation. The bank rebounded strongly from the pandemic's economic impact by boosting its net interest income and diversifying its revenue streams through enhanced fee-based services. A significant reduction in non-performing assets, achieved through stringent credit risk management, contributed to overall asset quality improvement and bolstered investor confidence. Additionally, the bank maintained a robust capital adequacy ratio, ensuring financial stability amidst market uncertainties. Accelerated digital transformation, including the expansion of online banking and fintech collaborations, not only streamlined operations but also broadened customer engagement and market reach. Overall, the period underscored ICICI Bank's commitment to sustainable growth, positioning it effectively to navigate evolving economic challenges and seize future opportunities.