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A STUDY ON PROFITABILITY POSITION OF ICICI BANK IN INDIA

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ABSTRACT

The present study attempts to analyze the profitability position of ICICI bank. During 2014-2015 to 2018-2019. based on the core business activity of banks, study has considered six ratios. Such as operating ratio, operating profit ratio, net profit ratio, earning per share, payout ratio, and interest cover ratio for profitability analysis. Spread is the real indicator of profitability which was better in case of private sector banks. Therefore in the light of six indicators especially study concludes that profitability position of private sector banks was better than public sector banks. Therefore indicators especially spread study concludes that profitability position of the private sector banks was better than public sector banks.

KEY WORDS: ICICI bank, profitability position, operating ratio, operating profit ratio, expenses ratio, net profit ratio, earning per share, payout ratio, interest cover ratio.

INTRODUCTION

ICICI bank was originally promoted in 1994 by the **Industrial credit and Investment Corporation of India (ICICI)**. This is a financial institution of India, this is wholly owned subsidiary, ICICI was initially formed subsidiary, ICICI was initially formed of the word bank in 1995. In the very beginning the bank was known as the **Industrial credit and Investment Corporation of India (ICICI)** and bank were merged later. Internet banking operation had launched in 1998 in as ICICI bank. This is second largest bank in India and by the market capitalization this is largest bank in private sector. ICICI is the major banking and financial organization. The bank has the wide network of more than 5520 ATMs in India and other 19 countries in the world.

STATEMENT OF PROBLEM

This study makes an attempt to find out the impact profitability position of the ICICI Bank. The study examines the financing pattern of different ICICI Bank for finding out answers to some basic records like profitability position of the bank. ICICI Bank required large amount of investment, to getting this requirement credit worthiness and profitability of the Bank playing a crucial role in the process of decision making of the shareholders.

SCOPE OF THE STUDY

- ❖ The present study was highlights profitability position of the ICICI Bank in India through facts of published financial data.
- ❖ The profitability position of the ICICI Bank was evaluated through various Ratios.
- ❖ The profitability position of the ICICI Bank was evaluated on the parameter like profitability, utilization of assets, growth of performance, financial strength and financial health.

OBJECTIVES OF THE STUDY

- ◆ To brief the profile of the ICICI Bank.
- ◆ To evaluate the profitability position of ICICI Bank.
- ◆ To suggest ways of improve the ICICI Bank.

RESEARCH METHODOLOGY

The evaluation period of profitability position of ICICI bank is ranging from 2014-2015 to 2018-2019 for five years secondary data is collected from the ICICI bank .in this study the standard tool ratio analysis has been applied to analyze the data. For the better profitability position and control the activities of ICICI bank has been evaluated the ideal structure are industry average ratio.

IMPORTANCE OF THE STUDY

- Quantitative analysis of information enclosed in company's financial statements. Ratio analysis's is used to estimate various factors of a company operating & financial performance such as its profitability, liquidity, effectiveness and wealth.
- By showing the financial performance to various lenders and creditors it is possible to get credit in easy term if good financial condition is maintained in the company with assets outweighing the liabilities.
- Protecting the property of the business.
- Compliances with legal requirement.
- Financial ratios are mathematical assessments of financial statements accounts or groups. These relationships between the financial statement accounts helps investors, creditors, and internal company management recognize how well a business is execution and areas of requiring development.

LIMITATION OF THE STUDY

- ❖ Difficulty in data collection.
- ❖ Limited knowledge about the bank in the initial stages.
- ❖ Branch manager was reluctant for giving financial data of the bank.
- ❖ The analysis and inter predation are based on secondary data contained in the published annual reports of ICICI Bank for the study period.
- ❖ Due to the limited time available at the disposable, the study has been confined for a period of 5 year (2014- 2015to 2018-2019).
- ❖ Ratio itself will not completely show the company's good or bad financial position.
- ❖ Inter firm comparison was not possible due to the non availability of competitors data. The study of financial performance can be only a means to know about the financial condition of the company and cannot show a through picture of the activities of the company.

REVIEW OF LITERATURE

Man dell (1977): Discusses ATM adoption in the USA the first ATM was installed in the USA in 1969 and, according to Man dell, only 10% of all national banks had adopted even one ATM after eight years. Man dell states that a bank's adoption of innovation depends, for example on its size, branching status and competitive position. According to Man dell, in those days adoption of new technology was related more closely to competition than to cost savings.

Hancock et.al. (1999): Discusses the consolidation of Fed wire and find that consolidation reduced costs. They investigate the gains from electronic payments with Norwegian data and conclude that electronic payments lead to social benefits.

Hester et.al. (1999): Study decisions on ATM in Italian banks. According to their results, the number of ATMs is positively related to the bank's number of branches and deposit accounts. There are studies on ATM pricing and fees.

Moletji (1998): Internet Banking is fast becoming popular in India. However, it is still in its evolutionary stage. By the year 2005. Large sophisticated and highly competitive internet banking markets will develop. Almost all the banks operating in India and having their websites but only a few banks provide transactional internet banking.

Daniel (1999): Customer's value features in internet banking such as convenience, increased choice of access to the ICICI bank, improved control over their banking activities and finances, ease of use, speed and security. From the banks prospective the main benefits and electronic banking is cost savings, reaching new segments and the population, efficiency, cross selling. Third party integration and customer satisfaction.

PROFITABILITY RATIO

Profitability ratios measure a bank ability to generate earnings relative to its expenses and other costs. For most bank profitability ratios, larger values relative to its industry or to the same ratio from a previous period are better.

OPERATING RATIO:

Operating ratio indicates the relationship between total operating expenses and sales.

$$\text{Operating ratio} = \frac{\text{cost of sales} + \text{operating expenses}}{\text{Net sales}} \times 100$$

OPERATING RATIO

(In cores)

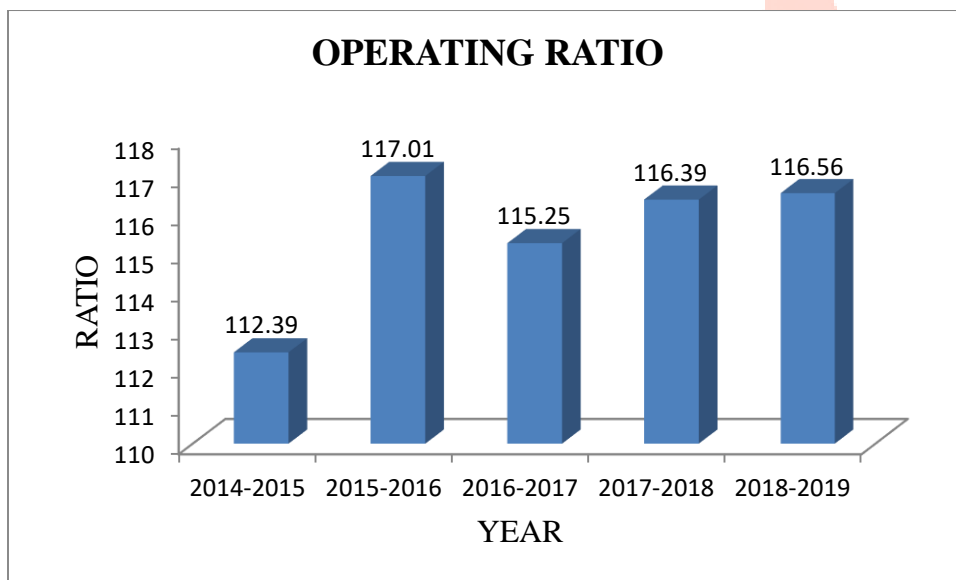
Source: calculation from ICICI Bank Annual report

YEAR	COST OF SALES+ OPERATING EXPENSES	NET SALES	OPERATING RATIO
2014-2015	55178.15	49091.14	112.39
2015-2016	61711.78	52739.43	117.01
2016-2017	62419.98	54156.28	115.25
2017-2018	63975.14	54965.89	116.39
2018-2019	73905.11	63401.19	116.56

The

Operating ratio of ICICI Bank from the study period 2014-2019. The highest ratio of 117.01 was registered in the year 2015-2016. The lowest ratio of 112.39 was registered in the year 2014-2015.

The Operating ratio has decreasing trend in the study period.



OPERATING PROFIT RATIO

Operating profit ratio establishes the relationship between operating profits and sales it measures the cost of opening per rupee of sales. It is calculated by dividing operating profit by sales.

$$\text{Operating profit ratio} = \frac{\text{Operating profit}}{\text{Net Sales}} \times 100$$

Net Sales

OPERATING PROFIT RATIO

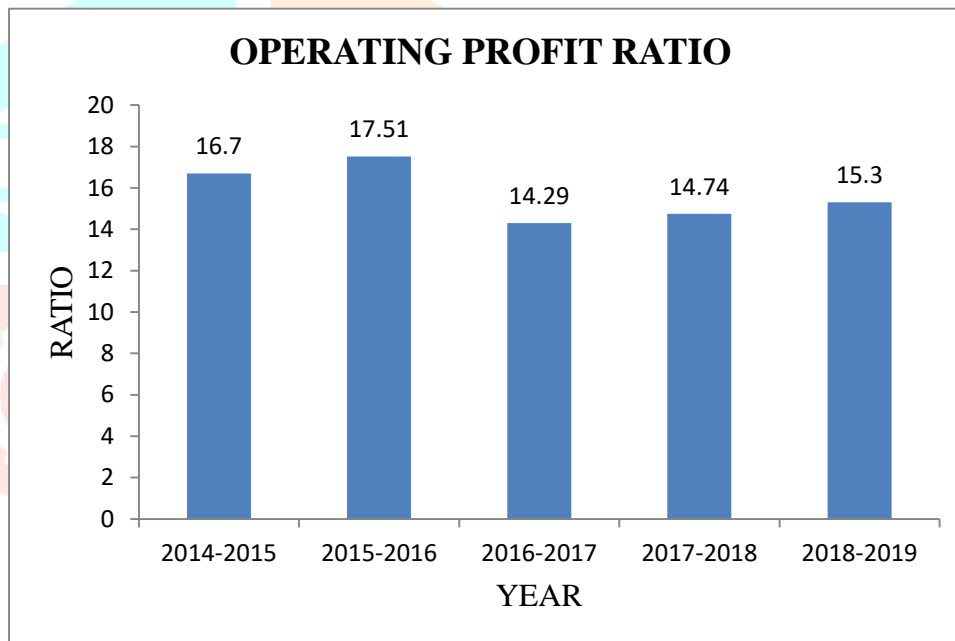
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YEAR	OPERATING PROFIT	NET SALES	OPERATING PROFIT RATIO
2014-2015	8202.73	49091.14	16.70
2015-2016	9238.99	52739.43	17.51
2016-2017	7739.91	54156.28	13.29
2017-2018	8102.65	54965.89	14.74
2018-2019	9702.65	63401.19	15.30

Source: calculation from ICICI Bank Annual report

The Operating Profit ratio of ICICI Bank from the study period 2014-2019. The highest ratio of 17.51 was registered in the year 2015-2016. The lowest ratio of 13.29 was registered in the year 2016-2017.

The Operating Profit ratio has increasing trend in the study period.



EXPENSES RATIO

Expenses ratios are known as supporting ratios to operating ratio. They indicate the efficiency with which business as a whole functions. Therefore each aspect of cost of sales and operating expenses are analyzed.

Expenses ratio = $\frac{\text{Non-operating expenses}}{\text{Net sales}} \times 100$

Net sales

EXPENSES RATIO

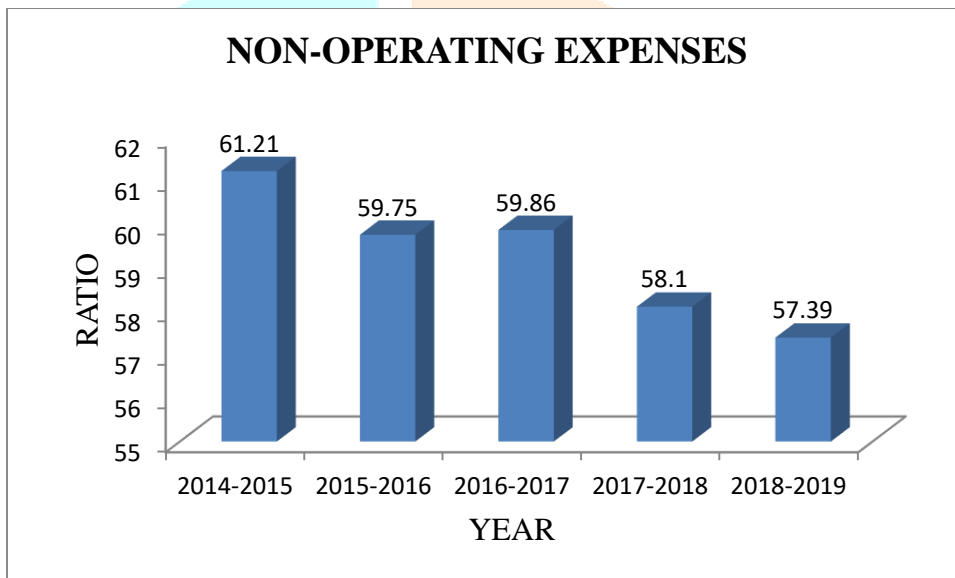
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YEAR	NON OPERATING EXPENSES	NET SALES	EXPENSES RATIO
2014-2015	30051.53	49091.14	61.21
2015-2016	31515.39	52739.43	59.75
2016-2017	32418.96	54156.28	59.86
2017-2018	31940.05	54965.89	58.10
2018-2019	36386.40	63401.19	57.39

Source: calculation from ICICI Bank Annual report

The Expenses ratio of ICICI Bank from the study period 2014-2019. The highest ratio of 61.21 was registered in the year 2014-2015. The lowest ratio of 57.39 was registered in the year 2018-2019.

The Expenses ratio has decreasing trend in the study period.



NET PROFIT RATIO

Net profit ratio establishes a relationship between a net profit for after taxes and sales, and indicates the efficiency of the management in manufacturing, selling, administrative and other activities of the firm.

Net profit ratio = $\frac{\text{Net profit after tax}}{\text{Net sales}} \times 100$

Net sales

NET PROFIT RATIO

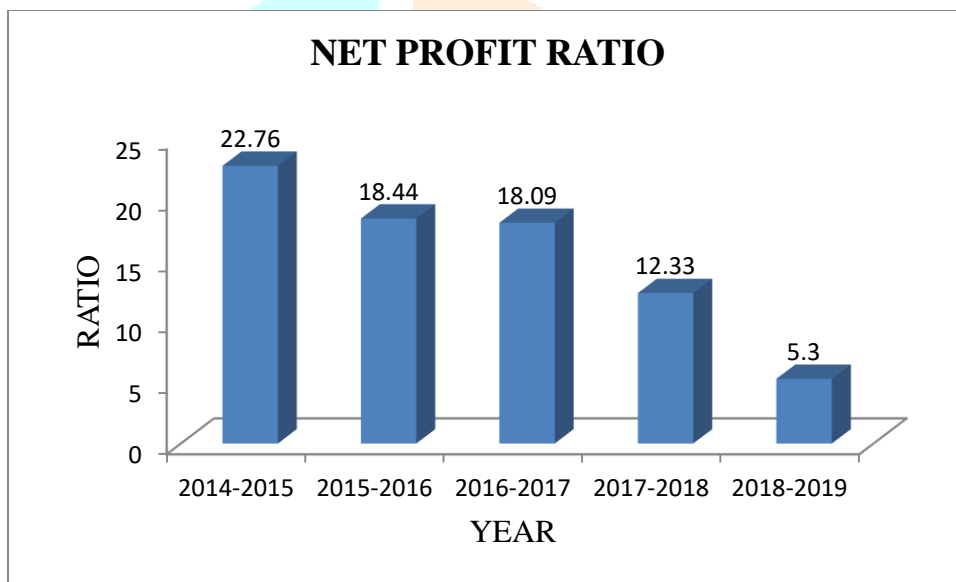
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YEAR	NET PROFIT AFTER TAX	NET SALES	NET SALES
2014-2015	11175.35	49091.14	22.76
2015-2016	9726.29	52739.43	18.44
2016-2017	9801.09	54156.28	18.09
2017-2018	6777.42	54965.89	12.33
2018-2019	3363.30	63401.19	5.30

Source: calculation from ICICI Bank Annual report

The Net profit ratio of ICICI Bank from the study period 2014-2019. The highest ratio of 22.76 was registered in the year 2014-2015. The lowest ratio of 5.30 was registered in the year 2018-2019.

The Net profit ratio has decreasing trend in the study period.



EARNING PER SHARE (EPS)

Earning per ratios highlights the overall success of the concern form owners point of view and it is helpful in determining market price of equity shares.

Earning per shares = $\frac{\text{Net profit after tax and preference dividend}}{\text{No. of equity shares}}$

No. of equity shares

EARNING PER SHARE

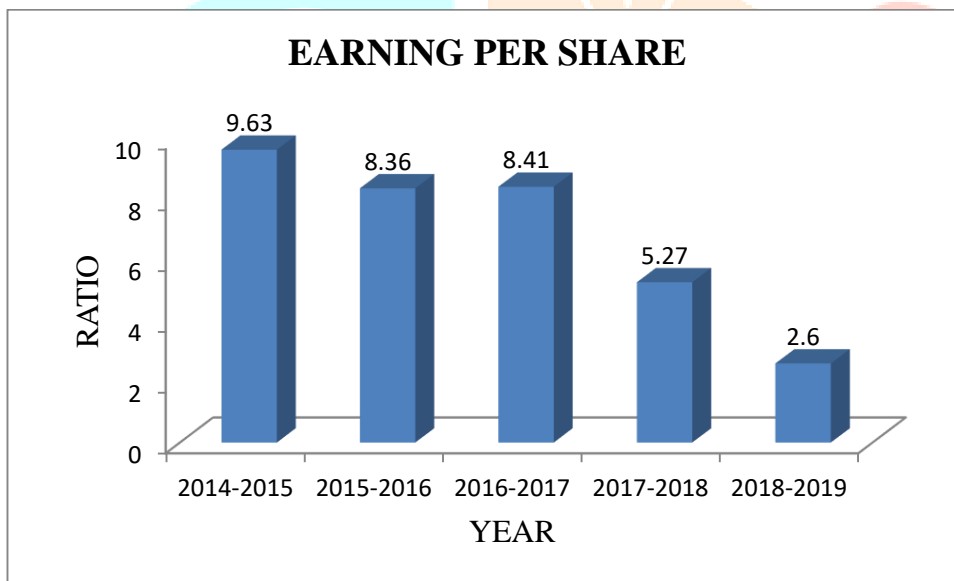
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YEAR	NET PROFIT AFTER TAX AND PREFERENCE DIVIDEND	NO.OF EQUITY SHARES	EARNING PER SHARES
2014-2015	11175.35	1159.4	9.63
2015-2016	9726.29	1163.0	8.36
2016-2017	9801.09	1164.9	8.41
2017-2018	6777.42	1285.6	5.27
2018-2019	3363.30	1289.2	2.60

Source: calculation from ICICI Bank Annual report

The Earning per share of ICICI Bank from the study period 2014-2019. The highest ratio of 9.63 was registered in the year 2014-2015. The lowest ratio of 2.60 was registered in the year 2018-2019.

The Earning per share has decreasing trend in the study period.

**PAY OUT RATIO**

Payout ratio also indirectly throws light on the financial policy of the management in pouching back.

$$\text{Payout ratio} = \frac{\text{Net profit after tax and preference dividend}}{\text{Equity dividend}}$$

PAYOUT RATIO

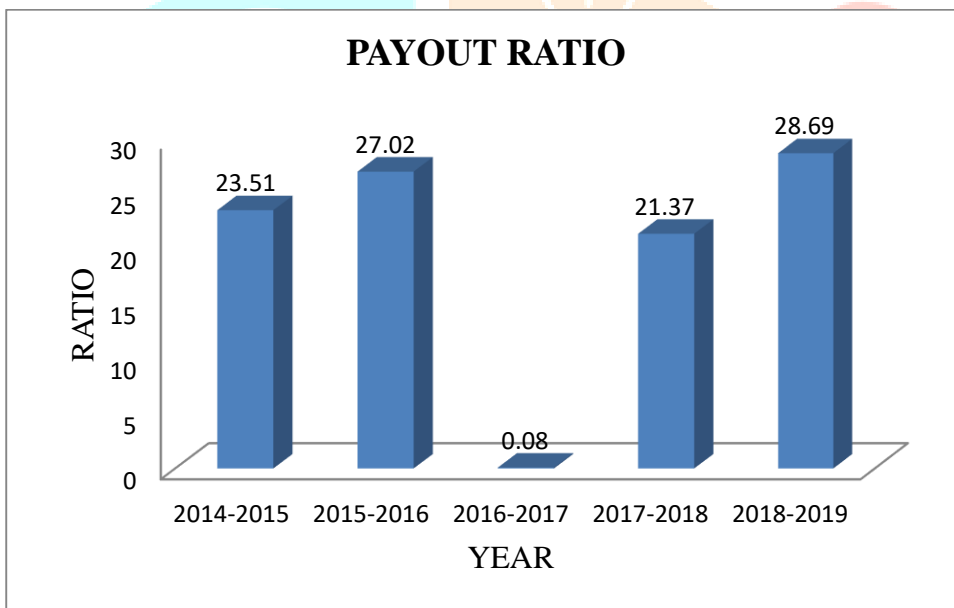
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YEAR	EQUITY DIVIDEND	NET PROFIT AFTER TAX AND PERFORMANCE DIVIDEND	PAYOUT RATIO
2014-2015	2627.66	11175.35	23.51
2015-2016	2628.14	9726.29	27.02
2016-2017	8.13	9801.09	0.08
2017-2018	1448.74	6777.42	21.37
2018-2019	965.13	3363.30	28.69

Source: calculation from ICICI Bank Annual report

The Payout ratio of ICICI Bank from the study period 2014-2019. The highest ratio of 28.69 was registered in the year 2018-2019. The lowest ratio of 0.08 was registered in the year 2016-2017.

The Payout ratio has increasing trend in the study period.



INTEREST COVER RATIO

Interest cover ratio establishes the relationship between profit before interest and tax and fixed interest charges.

$$\text{Interest cover ratio} = \frac{\text{Profit before interest and tax}}{\text{Fixed interest charges}}$$

INTEREST COVER RATIO

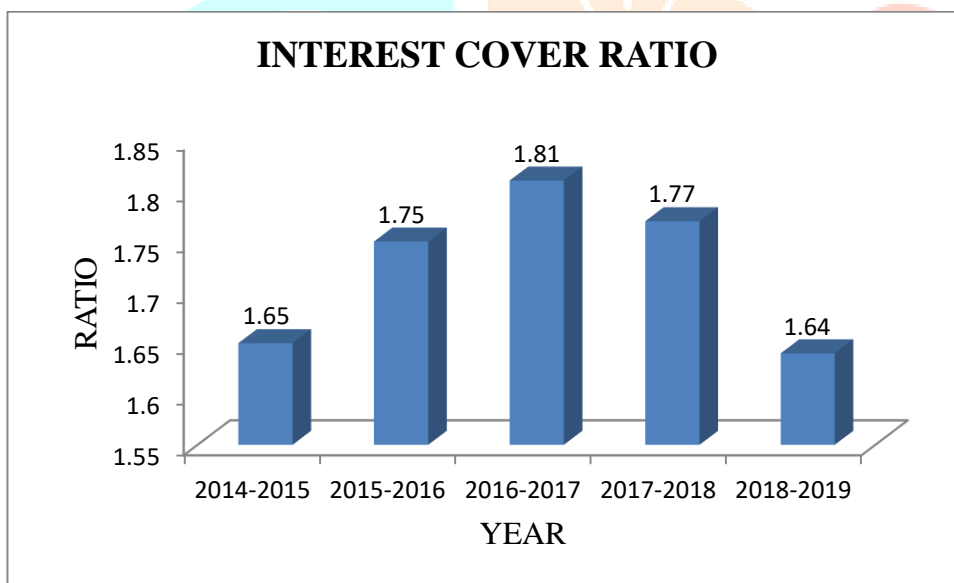
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YEAR	PROFIT BEFORE INTEREST AND TAX	FIXED INTEREST CHARGES	INTEREST COVER RATIO
2014-2015	49771.44	30051.53	1.65
2015-2016	55378.93	31515.39	1.75
2016-2017	58905.70	32418.96	1.81
2017-2018	56681.58	31940.05	1.77
2018-2019	59824.29	36386.40	1.64

Source: calculation from ICICI Bank Annual report

The Interest cover ratio of ICICI Bank from the study period 2014-2019. The highest ratio of 1.81 was registered in the year 2016-2017. The lowest ratio of 1.64 was registered in the year 2018-2019.

The Interest cover ratio has decreasing trend in the study period.

**FINDINGS**

- ❖ The operating ratio has reducing trend in the study period.
- ❖ The operating profit ratio has increasing trend in the study period.
- ❖ The net profit ratio has decreasing trend in the study period.
- ❖ The earnings per shares have increasing trend in the study period.
- ❖ The payout ratio has increasing trend period of the study.
- ❖ The interest cover ratio has decreasing trend in the study period.

SUGGESTION

Bank can also think for improving its day-to-day service to its customer. Such service can be improved by providing prompt service and showing an attitude of co-operation to its customer. It will help to give a kind of confidence to the public and build a better public image. To achieve of rural development it should open more and more branches in different rural areas of the country. It will facilitate in providing help to rural poor farmers and other living below the poverty line bank can appoint commission agents for different area who can encourage general public to invest in the capital in ICICI bank. The bank should simplify the procedure of advances for quick disbursement. To achieve organizational success a proper independent working atmosphere should be developed to achieve desired objective more effectively. Last but not least, bank should adopt branch automation experiment to control the operational cost.

CONCLUSION

In this study, analysis profitability position of ICICI Bank and I concluded that the Bank profitability position is strong. So, overall profitability position of the ICICI Bank is high level. Hence these statistics imply a bright future for the Bank. It can be said that in near future, the bank will be booming in the bank industry.

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