IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

# A STUDY ON FINANCIAL PERFORMANCE OF ICICI BANK

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## ABSTRACT:

This study examines the financial performance of ICICI Bank over a five-year period from 2019 to 2023. It identifies positive trends in profitability, liquidity, and solvency metrics, indicating effective management practices. Despite stable liquidity, there are slight efficiency fluctuations, suggesting room for operational optimization. Debt levels remain manageable, with improving interest coverage ratios enhancing financial stability. Recommendations include continued focus on profitability, enhanced liquidity management, and prudent debt monitoring. Overall, ICICI Bank demonstrates resilience and adaptability, underscoring the importance of ongoing strategic adaptation for sustained success in the banking sector.

## KEYWORDS:

Profitability, Liquidity, Solvency metrics, Efficiency fluctuations, Operational optimization, Debt levels, Interest coverage ratios, Financial stability, Debt monitoring

## INTRODUCTION OF THE STUDY:

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.

Financial performance refers to the evaluation of a company's fiscal health and efficiency in managing its resources. It involves analyzing various financial statements like income statements, balance sheets, and cash flow statements to assess profitability, liquidity, and overall financial stability. Key metrics include revenue, net income, return on investment, and debt-to-equity ratio, providing insights into a company's ability to generate profits and sustain growth. Effective financial performance analysis aids stakeholders in making informed decisions about investments, operational improvements, and strategic planning.

## STATEMENT OF THE 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.

## OBJECTIVES OF THE STUDY:

- 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.

## LIMITATIONS OF THE STUDY:

- The financial data are collected only for the period of last 5 years.
- The study has been made only by the secondary data.
- The financial performance is not compared with any other firms.
- In this study the selected ratios are only used.
- The value which is figured out are only approximate value not an accurate value.

## REVIEW OF LITERATURE:

- 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. 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.
- Dipak S. Gaywala (2014) conducted a study to analyze and compare the financial performance of HDFC and ICICI bank. The research study was analyzed using CAMEL framework and concluded that banks are maintaining the required statutory standards are running profitable still HDFC bank emerges as the winner in this comparision.
- Dr. syed shujat husain (2019) conducted a study on analytical study on financial performance of the ICICI bank. The research analyzed using trend analysis, comparative statement, accounting ratios and efficiency ratios. It concludes the quantitative accounting information regarding financial performance of ICICI bank through the accounting ratios, the net interest margin of this institution is continuously maintaining at a constant rate approximately, while the efficiency of the bank is continuously improving during the study period.
- Dr. K.M. Sabitha 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

## RESEARCH METHODOLOGY:

The research involved both the internal and external studies of ICICI Bank. The study undertakes the Financial performance of ICICI Bank.

## DATA COLLECTION:

## SECONDARY DATA:

The data has been collected from the Balance sheet and profit & loss account of ICICI Bank.

## PERIOD OF STUDY:

The study covers the period of 5 years from (2019-2023).

## TOOLS FOR ANALYSIS

The tools implemented to analyse the financial performance of ICICI bank are:

**Profitability Ratios:** Return on asset ratio, Return on equity, Return on capital employed & Net interest margin.

**Liquidity Ratios:** Current ratio, Quick ratio, Cash ratio.

**Solvency Ratios:** Total debt to total aseet ratio, Debt to equity ratio, Interest coverage ratio, Proprietory ratio.

**Effeciency Ratios:** Management effeciency ratio.

## ANALYSIS AND INTERPRETATION:

## RETURN ON ASSET RATIO:

Return on assets (ROA) is a type of return on investment (ROI) metric that measures the profitability of a business in relation to its total assets. This ratio indicates how well a company is performing by comparing the profit(net income) it’s generating to the capital it’s invested in assets. It is calculated by:

RETURN ON ASSET RATIO= NET INCOME/TOTAL ASSETS

| YEAR | NET INCOME | TOTAL ASSETS | RETURN ON ASEET RATIO |
|---|---|---|---|
| 2019 | 5689.16 | 1235723.90 | 0.004 |
| 2020 | 11225.47 | 1374148.87 | 0.008 |
| 2021 | 20219.68 | 1570686.97 | 0.012 |
| 2022 | 25783.83 | 1749408.89 | 0.014 |
| 2023 | 34463.03 | 1955398.66 | 0.017 |

## INTERPRETATION:

From the above table, we can interpret that the return on asset ratio of ICICI bank has increased from 0.004 in the year 2019 to 0.017 in the year 2023. This increase is because of the increase in the profit of the bank.

## RETURN ON EQUITY RATIO :

Return on equity (ROE) is the measure of a company's net income divided by its shareholder's equity. ROE is a gauge of a corporation's profitability and how efficiently it generates those profits. ROE is calculated by:

RETURN ON EQUITY RATIO= NET INCOME/ TOTAL EQUITY

| YEAR | NET INCOME | TOTAL EQUITY | RETURN ON EQUITY RATIO |
|---|---|---|---|
| 2019 | 5689.16 | 1289.46 | 4.41 |
| 2020 | 11225.47 | 1294.76 | 8.67 |
| 2021 | 20219.68 | 1383.41 | 14.62 |
| 2022 | 25783.83 | 1389.97 | 18.55 |
| 2023 | 34463.03 | 1396.78 | 24.67 |

## INTERPRETATION:

From the above table we can interpret that the return on equity ratio of ICICI bank has increased from 4.41 in the year 2019 to 24.67 in the year 2023. This increase is because of the equity shares call by the public.

## RETURN ON CAPITAL EMPLOYED:

Return on capital employed shows how a firm efficiently generates profit from the capital employed. ROCE is one of the profitability ratios that determines how efficiently a company utilises its capital to generate profits. ROCE includes equity and debt capital but doesn't evaluate short-term debt. ROCE is calculated by:

ROCE= EARNINGS BEFORE INTEREST AND TAX (EBIT)/ CAPITAL EMPLOYED

| YEAR | EBIT | CAPITAL EMPLOYED | RETURN ON CAPITAL EMPLOYED |
|---|---|---|---|
| 2019 | 44866.70 | 344082.84 | 0.130 |
| 2020 | 55890.99 | 359512.63 | 0.155 |
| 2021 | 62878.77 | 466847.01 | 0.135 |
| 2022 | 66950.50 | 496440.42 | 0.134 |
| 2023 | 85006.42 | 555504.70 | 0.153 |

## INTERPRETATION:

From the above table we can interpret that the ROCE ratio of ICICI Bank has increased from 0.13 in the year 2019 to 0.15 in the year 2023. This increase is because of the additional capital employed by the company.

## NET INTEREST MARGIN RATIO:

Net interest margin (NIM) is measure of the net return on the bank's earning assets, which include investment securities, loans and leases.Net interest margin reveals the amount of money that a bank is earning in interest on loans compared to the amount it is paying in interest on deposits. It is calculated by:

NET INTEREST MARGIN=(NET INCOME-- INTEREST EXPENDED)/TOTAL ASSETS

| YEAR | (NET INCOME-INTEREST EXPENDED) | TOTAL ASSETS | NET INTEREST MARGIN |
|---|---|---|---|
| 2019 | 71981.65-39177.54 | 1235723.90 | 0.026 |
| 2020 | 84835.77-44665.52 | 1374148.87 | 0.029 |
| 2021 | 89162.66-42659.09 | 1570686.97 | 0.029 |
| 2022 | 95406.87-41166.67 | 1749408.89 | 0.031 |
| 2023 | 121066.81-50543.39 | 1955398.66 | 0.036 |

## INTERPRETATION:

From the above table we can interpret that the net interest margin of the ICICI Bank has increased from 0.026 in the year 2019 to 0.036 in the year 2023. This increase is because of the expenses occurred in the interest has fallen and the income earned in the interest are raised.

## CURRENT RATIO:

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximise the current assets on its balance sheet to satisfy its current debt and other payables. It is calculated by:

CURRENT RATIO= CURRENT ASSETS/ CURRENT LIABILITIES

| YEAR | CURRENT ASSETS | CURRENT LIABILITIES | CURRENT RATIO |
|---|---|---|---|
| 2019 | 830932.72 | 891641.06 | 0.93 |
| 2020 | 923410.94 | 1014636.24 | 0.91 |
| 2021 | 1026316.70 | 1103839.96 | 0.92 |
| 2022 | 1174832.93 | 1252968.47 | 0.93 |
| 2023 | 1307867.88 | 1399893.96 | 0.93 |

## INTERPRETATION:

From the above table we can interpret that the current ratio of ICICI bank has been constant in the year 2019 at 0.93 and in the year 2023 at 0.93. this is because of the current assets and current liabilities may have a equal or slight change in the value of the company.

## CASH RATIO:

Cash ratio is a measure of the liquidity of a firm, namely the ratio of the total assets and cash equivalents of a firm to its current liabilities. The metric calculates the ability of a company to repay its short-term debt cash or near- cash resources, such as securities which are easily marketable. It is calculated by:

CASH RATIO= CASH AND CASH EQUIVALENTS/CURRENT LIABILITIES

| YEAR | CASH AND CASH EQUIVALENTS | CURRENT LIABILITIES | CASH RATIO |
|---|---|---|---|
| 2019 | 87390.90 | 891641.06 | 0.098 |
| 2020 | 127852.92 | 1014636.24 | 0.126 |
| 2021 | 147570.53 | 1103839.96 | 0.133 |
| 2022 | 183125.99 | 1252968.47 | 0.146 |
| 2023 | 136456.49 | 1399893.96 | 0.097 |

## INTERPRETATION:

From the above table we can interpret that cash ratio of ICICI bank has decreased from 0.098 in the year 2019 to 0.097 in the year 2023. This is because of the sudden increase in the current liabilities compared to previous years.

## QUICK RATIO:

The quick ratio measures a company’s ability to quickly convert liquid assets into cash to pay for its short-term financial obligations. A positive quick ratio can indicate the company’s ability to survive emergencies or other events that create temporary cash flow problems. It is calculated by:

QUICK RATIO= LIQUID ASSETS/CURRENT LIABILITIES

| YEAR | LIQUID ASSETS | CURRENT LIABILITIES | QUICK RATIO |
|---|---|---|---|
| 2019 | 38066.28 | 891641.06 | 0.042 |
| 2020 | 35311.93 | 1014636.34 | 0.034 |
| 2021 | 46302.20 | 1103839.96 | 0.041 |
| 2022 | 60228.71 | 1252968.47 | 0.480 |
| 2023 | 68648.94 | 1399893.96 | 0.049 |

## INTERPRETATION:

From the above table we can interpret that the quick ratio of ICICI bank has increased from 0.042 in the year 2019 to 0.049 in the year 2023. This is because of the increase in liquid assets.

## TOTAL DEBT TO TOTAL ASSET RATIO:

The total-debt-to-total-assets ratio compares the total amount of liabilities of a company to all of its assets. The ratio is used to measure how leveraged the company is, as higher ratios indicate more debt is used as opposed to equity capital. It is calculated by:

TOTAL DEBT TO TOTAL ASSET RATIO= TOTAL DEBT/TOTAL ASSETS

| YEAR | TOTAL DEBT | TOTAL ASSETS | TOTAL DEBT TO TOTAL ASSET RATIO |
|---|---|---|---|
| 2019 | 891641.06 | 1235723.90 | 0.721 |
| 2020 | 1014636.24 | 1374148.87 | 0.738 |
| 2021 | 1103839.96 | 1570686.97 | 0.702 |
| 2022 | 1252968.47 | 1749408.89 | 0.716 |
| 2023 | 1399893.96 | 1955398.66 | 0.715 |

## INTERPRETATION:

From the above table we can interpret that the total debt to total asset ratio has decreased from 0.72 in the year 2019 to 0.71 in the year 2023. This is because of the assets value and the debt has a little fallen in the year 2023, so there is no need to worry about the condition it will become 0.73 or above in the upcoming years.

## DEBT TO EQUITY RATIO:

Debt to equity ratio is a financial and a liquidity ratio that indicates how much debt and equity a company uses. It shows the capital structure of the company and is calculated by:

DEBT TO EQUITY RATIO= TOTAL DEBT/TOTAL EQUITY

| YEAR | TOTAL DEBT | TOTAL EQUITY | DEBT-TO EQUITY RATIO |
|---|---|---|---|
| 2019 | 891641.06 | 1289.46 | 6.91 |
| 2020 | 1014636.24 | 1294.76 | 7.84 |
| 2021 | 1103839.96 | 1383.41 | 7.98 |
| 2022 | 1252968.47 | 1389.97 | 9.01 |
| 2023 | 1399893.96 | 1396.78 | 10.02 |

## INTERPRETATION:

From the above table we can interpret that the debt-to-equity ratio of the ICICI bank has increased from 6.91 in the year 2019 to 10.02 in the year 2023. This shows that the bank has a good grip on its equity and the debts are also under the control.

## INTEREST COVERAGE RATIO:

Interest coverage ratio is a debt and profitability ratio used to determine how easily a company can pay interest on its outstanding debt. The interest coverage ratio is calculated by:

INTEREST COVERAGE RATIO= EBIT/INTEREST EXPENDED

| YEAR | EBIT | INTEREST EXPENDED | INTEREST COVERAGE RATIO |
|---|---|---|---|
| 2019 | 44866.70 | 39177.54 | 1.15 |
| 2020 | 55890.99 | 44665.52 | 1.25 |
| 2021 | 62878.77 | 42659.09 | 1.47 |
| 2022 | 66950.50 | 41166.67 | 1.63 |
| 2023 | 85006.42 | 50543.39 | 1.68 |

## INTERPRETATION:

From the above table we can interpret that the Interest coverage ratio of the ICICI bank has increased from 1.15 in the year 2019 to 1.68 in the year 2023. This is because the increase in Earnings before interest and tax (EBIT).

## PROPRIETORY RATIO:

Proprietory ratio is a type of solvency ratio that is useful for determining the amount or contribution of shareholders or proprietors towards the total assets of the business. It is also known as equity ratio or shareholder equity ratio or net worth ratio. It is calculated by:

PROPRIETORY RATIO= SHAREHOLDER'S FUNDS/TOTAL ASSETS

| **YEAR** | **SHAREHOLDER'S FUNDS** | **TOTAL ASSETS** | **PROPRIETORY RATIO** |
|---|---|---|---|
| 2019 | 111183.41 | 1235723.90 | 0.089 |
| 2020 | 119816.70 | 1374148.87 | 0.087 |
| 2021 | 154462.22 | 1570686.97 | 0.098 |
| 2022 | 178823.99 | 1749408.89 | 0.102 |
| 2023 | 211405.96 | 1955398.66 | 0.108 |

## INTERPRETATION:

From the above table we can interpret that the Proprietory ratio of the ICICI bank has increased from 0.089 in the year 2019 to 0.108 in the year 2023. This is because of the increase in the less dependence on debt funds by the company.

## EFFECIENCY RATIO:

An efficiency ratio measures a company's ability to use its assets and manage its assets and manage its liabilities effectively in the current period or in the short term. It is calculated by:

EFFECIENCY RATIO=NON-INTEREST EXPENDED/REVENUE

| YEAR | NON-INTEREST EXPENDED | REVENUE | EFFECIENCY RATIO |
|---|---|---|---|
| 2019 | 86439.80 | 131306.50 | 0.658 |
| 2020 | 93895.12 | 149786.10 | 0.626 |
| 2021 | 98313.43 | 161192.19 | 0.609 |
| 2022 | 90585.81 | 157536.32 | 0.575 |
| 2023 | 101172.39 | 186178.80 | 0.543 |

## INTERPRETATION:

From the above table we can interpret that the efficiency ratio of the ICICI bank has decreased from 0.658 in the year 2019 to 0.543 in the year 2023. The decrease is because of the increased changes in trends and methods.

## FINDINGS:

## PROFITABILITY RATIOS:

**Return on Asset Ratio (ROA):**

The ROA of ICICI Bank has steadily increased from 0.004 in 2019 to 0.017 in 2023, indicating improved profitability relative to total assets.

**Return on Equity Ratio (ROE):**

ICICI Bank's ROE has shown significant growth, rising from 4.41 in 2019 to 24.67 in 2023, indicating increased profitability relative to shareholder equity.

**Return on Capital Employed (ROCE):**

The ROCE ratio of ICICI Bank has fluctuated but generally increased from 0.13 in 2019 to 0.15 in 2023, suggesting improved efficiency in generating profits from capital employed.

**Net Interest Margin Ratio (NIM):**

ICICI Bank's NIM has steadily increased from 0.026 in 2019 to 0.036 in 2023, indicating improved earnings on loans compared to interest expenses.

## LIQUIDITY RATIO:

**Current Ratio:**

- Stable at 0.93 in 2019 and 2023.
- Indicates consistent ability to pay short-term obligations.

**Cash Ratio:**

- Decreased from 0.098 in 2019 to 0.097 in 2023.
- Reflects a slight reduction in cash and cash equivalents relative to current liabilities.

**Quick Ratio:**

- Increased from 0.042 in 2019 to 0.049 in 2023.
- Indicates improved ability to quickly convert liquid assets into cash for short-term obligations.

## SOLVENCY RATIO:

**Total Debt to Total Asset Ratio:**

- Decreased slightly from 0.721 in 2019 to 0.715 in 2023.
- Indicates a slightly lower reliance on debt financing relative to total assets over the period.

**Debt to Equity Ratio:**

- Increased significantly from 6.91 in 2019 to 10.02 in 2023.
- Indicates a higher dependence on debt financing compared to equity financing over the years.

**Interest Coverage Ratio:**

- Improved notably from 1.15 in 2019 to 1.68 in 2023.
- Signifies a stronger ability to cover interest payments with earnings before interest and taxes (EBIT).

**Proprietory Ratio:**

- Increased from 0.089 in 2019 to 0.108 in 2023.
- Reflects a higher proportion of shareholder's funds relative to total assets, indicating a stronger equity position and reduced dependence on debt financing.

## EFFECIENCY RATIO:

- Trend: Efficiency ratio has decreased steadily from 2019 to 2023.
- Quantitative Analysis:
  - 2019: 0.658
  - 2020: 0.626
  - 2021: 0.609
  - 2022: 0.575
  - 2023: 0.543
- Reasons for Decline: Changes in trends and methods.
- Implications: Potential challenges in resource optimization and cost control, impacting profitability.

Overall, ICICI Bank's financial performance appears robust, with positive trends in profitability and solvency, stable liquidity, and some fluctuations in efficiency over the study period.

## SUGGESTIONS:

Based on the data and analysis provided regarding the financial performance of ICICI Bank, here are some suggestions:

**1.Continued Focus on Profitability Ratios:** ICICI Bank has shown consistent improvement in profitability ratios such as Return on Asset (ROA), Return on Equity (ROE), and Return on Capital Employed (ROCE) over the past few years. This indicates effective utilization of assets and equity to generate profits. The bank should continue to focus on maintaining or improving these ratios through efficient resource allocation and strategic decision-making.

**2.Enhance Liquidity Management:** While the current and quick ratios of ICICI Bank have remained relatively stable, there has been a slight decrease in the cash ratio over the years. This suggests a need for the bank to focus on optimizing its liquidity management strategies. ICICI Bank should ensure that it maintains adequate cash reserves to meet short-term obligations while minimizing excess cash holdings to improve overall efficiency.

**3.Monitor Debt Levels:** Although the total debt to total asset ratio and debt-to-equity ratio have remained within acceptable levels, there has been a noticeable increase in the debt-to-equity ratio over the years. ICICI Bank should carefully monitor its debt levels to prevent over-leverage, which could increase financial risk. Exploring alternative financing options or optimizing capital structure can help manage debt levels effectively.

**4.Improve Efficiency:** The efficiency ratio of ICICI Bank has decreased over the years, indicating potential inefficiencies in managing non-interest expenses relative to revenue. To enhance efficiency, the bank should streamline operations, optimize cost structures, and leverage technology to automate processes where possible. Implementing measures to improve operational efficiency can help boost profitability and competitiveness in the market.

By focusing on these areas and leveraging its strengths, ICICI Bank can continue to sustain its strong financial performance and drive long-term growth and profitability in the banking sector.

## CONCLUSION:

In summary, ICICI Bank's financial performance over the past five years has shown positive trends across key metrics. Profitability ratios have improved consistently, indicating efficient asset utilization and sound management. While liquidity remains stable, slight declines in efficiency ratios suggest the need for optimization in operational practices. However, the bank has demonstrated a strong net interest margin and improved interest coverage ratio, enhancing financial stability. Overall, ICICI Bank's performance reflects resilience and adaptability in a dynamic financial landscape, highlighting the need for continued monitoring and adaptation to ensure sustained growth and long-term success in the banking industry.

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