

A STUDY OF FINANCIAL SERVICES 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. Now a days ICICI Bank is a leading player in the sector of Indian banking and is deeply engaged in economical as well as human development in the country. 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. And also find out the objective of the bank and to give efficient and effective suggestions for improvement in the bank.

Keywords = Advances, Solvency, Investment Banking, Capitalization, Leverage Ratio.

INTRODUCTION

Today a huge number of people, who have nominal financial literacy, are keen to know the financial services and standard of the bank and their deposits are vested. They may be as manager, employer, investor, owner, customer etc. They check the financial performance of the bank. It also has to find out by using financial statement analysis techniques. Some important and commonly used techniques are discussed here like ratio analysis, cross section time series and common size analysis. The ratio usefulness is depend on skillful interpretation and the intelligence of the person who is using services. The present study is devoted of analysis the financial services as well as the financial performance of the ICICI Bank by using different analysis of ratio which gives a meaningful interpretation for the stakeholders of the selected company.

INDUSRY PROFILE

An efficient and effective banking system is the basic necessities of any country's economy as they play crucial role in the economic development of the country. Banks are mobilizing the saving particular community in a productive channel. In the feature of Indian banking system, it has a large network of bank branches, which is trying to fulfill different types of financial needs of the people. This is currently in the phase of transaction. On the one hand the PSBs, which are the mainstay in the system of Indian banking, are in the process of shedding their flab in terms of massive manpower, excessive and non performing assets, while on the other hand the private banking sectors are in the form of consolidation themselves, through the acquisitions and mergers. PSBs shares are 80 percent in total deposits

and advances. Over the last four years the advances and deposits have grown 2.3 and 2.5 times respectively, (The Indian Express 03 September 2011).

COMPANY PROFILE

The international banking and financial service provider ICICI Bank is traded as BSE: 532174 and NSE ICICI bank, NYSE: IBN, sensex constituent CNX NIFTY constituent. ICICI belongs to the industry of banking and financial services. ICICI bank has founded in 1994 and its headquartered in Mumbai Maharashtra India. ICICI Bank served all over the world. The chairman of ICICI bank is Mr M.K.sharma and Mrs Chandra Kochar is MD & CEO of ICICI Bank. The financial products of ICICI Bank is Credit Card, Consumer Banking finance and Insurance, Corporate Banking, Investment Banking, Mortgage loans, Private banking, Wealth management Loans etc. The revenue of ICICI Bank is in US \$ 10.5 billion and operating income is US \$ 3.7 billion and the profit is US \$ 1.5 billion. Total assets of ICICI Bank US\$109.50 billion and total equity is 13.5 billion as per the figure of 2016. 74095 employees are working for the ICICI Bank. The main website is www.icicibank.com .

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 a wholly owned subsidiary. ICICI was initially formed of the World 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 Operations had launched in 1998 in as the 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. This is providing banking and financial services, it also includes commercial banking and treasury operations, retail banking project and corporate finance, insurance, venture capital, and private equity, investment banking etc. ICICI Bank is also dealing in venture capital and asset management. The bank has the wide network of more than 2036 branches and more than 5520 ATMs in India and other 19 countries in the world.

ICICI Bank has subsidiary in the Canada, Russia, U.K, U.S.A, Bahrain, Singapore, Sri Lanka, Hong Kong, Qatar, Dubai, international finance centre and its representative offices in UAE, China, Bangladesh, South Africa, Thailand, Indonesia and Malaysia. ICICI is the India's largest bank in terms of assets (5,946,45 billion) as per the figure of 31 march 2014. And its profit after tax is (98.15 billion).

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.

Company's Mission

The mission of ICICI Bank is to up lift their people, technology, speed and financial capital.

- ❖ By delivering high quality services as products to be the customer's first choice.
- ❖ Expand the business in all over the world.
- ❖ Play a highly active role in full realization of India's potential.
- ❖ To maintain a healthy financial profile and diversify their earnings across businesses and geographies.
- ❖ Maintain high status of ethics and governance.
- ❖ To give positive contribution to the different countries varies markets in which they are operating.
- ❖ Value creation for the stakeholders.

Literature Review

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.

The main motive is to enhance and promote the private ownership of industrial investment and the expansion of investment markets.

Singh A.B., Tondon P. (2012) has been examined the financial services and performance of SBI (State Bank Of India) and ICICI Bank public sector and private sector respectively. In this study it is found that the performance of SBI, very well and financially sound than ICICI Bank but in context of expenditure and deposits. The management of ICICI is better than SBI.

Srinivas K., Saroja L. (2013) has compared and analysis that the financial services of HDFC and ICICI Bank. The main aim of analysis is the financial performance of the selected Banks had been used CAMELS model with T-test. In the result it is shown that there is no important difference between the ICICI and HDFC Bank. The performance of ICICI Bank is little less than the HDFC Bank in terms of financial products and services.

Statement of Problem

No one research has been completed until and unless it has been formulated a special problem. The problem of the study is to analysis the financial status and standard of ICICI Banks Ltd.

Objective of the Research

- To know the growth rate of the Bank in terms of share capital, turnover, net worth, assets and investment during the study period.
- To assess the profit.
- To assess short term as well as long term solvency.
- To judge the utilization of its resources.

Research Methodology

The evaluation period of financial services of ICICI Bank is ranging from 2012-13 to 2016-17 i.e. for four years. Secondary data is collected from annual from the ICICI Bank in table 4 and online database. In this study the standard tool ratio analysis has been applied to analyze the data. For the better performance and control the activities of ICICI Bank has been evaluated the ideal structure are industry average ratio.

Data analysis and Finding

The growth rate of selected company is as share capital, net worth, turn over, investment and total assets. In this research it is observed that the growth rate of profit, reserve and surplus share capital over last four year are 143.76%, 3.60%, and 42.70% respectively. The interest rate has been earned is 44178.18cr has compared to 30641.18cr, 41156.60cr, 8769.15cr and 8255.62cr of Axis Bank, HDFC Bank, Kotak Mahindra Bank, Induslad Bank respectively in March 31 2015.

The performance of financial product and services of ICICI Bank is analyzed by grouping the financial ratio in four categories abroad, Liquidity ratio, Activity ratio, Leverage ratio and Profitability ratio. This is a very important technique to analysed the financial position. To understand the financial situation of the company the analysis and evaluation of these ratios are very significant.

Liquidity Ratio

This ratio summarized and concise form of fairly good views about the financial status of the department to analyze the financial condition liquidity ratio is an important tool. The measurement of liquidity ratio is for the availability of cash to pay matured recent obligation.

Leverage Ratio

This ratio is used for the calculation of financial leverage of a company. To get an idea about the company's methods of financing are to find out the ability for meeting financial responsibilities. There are various methods but main factors are at included debt, equity, assets, interest, and expenditure. The debt ratio is used of debt to finance its assets. Highly popular financial leverage ratio is the debt to equity is used in current scenario.

Profitability Ratio

The profitability ratio is the measurement of profit which is a way to calculate and evaluate the actual performance of the company. It may be derived and the investments. In simple way profitability is the capacity to generate profit and opportunity which is left over from income earned by the company after deducting all liabilities, it also includes profit, margins, ROI, RAI, Net profit. In this study EPS (earning per share) has been used to assess the profitability of the company.

EPS

Earning per share is generally considered to determine the share prices. It is a major component which is used to calculate the price to earnings i.e. is the company able to use its equity share capital in efficient and effective manner while in the comparison of other companies in same industry. Earning per share is used as an indicator of any company profitability.

Activity Ratio

Activity ratio is used to measure the efficiency of a firm's assets, leverage and such balance sheet items. These are very useful ratio for the determination of the company's management which is doing better job to generate cash and revenue etc, from its proper resources. Activity ratio is including debtor turnover ratio, inventory turnover ratio and total assets turnover ratio.

Table 1 Share Capital of ICICI Bank as on 31 march 2016.

Details	Amount (Rs. Cr)
Authorized Share Capital	1280
Issued and paid up Capital	1155.10

Table 3 Different Ratios of the Bank.

Years	2015-16	2014-15	2013-14	2012-13	2011-12
Current ratio	0.10	0.99	0.15	0.09	0.15
Quick ratio	11.33	10.55	9.39	15.85	14.75
EPS	85.95	72.25	56.15	44.75	36.12
Dividend payout ratio	27.10	27.75	29.44	31.32	37.35
Asset turnover ratio	0.10	0.09	0.09	0.08	0.12
Total asset turnover ratio	0.08	0.08	0.07	0.09	0.10

Findings

After the study of the components of current assets and current liabilities and the trends of working capital, it is found that----

- The liquidity status of the bank is not so good. The current ratio of the company is below one during the study period. And the Bank has been facing problem to pay its bill timely. However it's not indicating to a critical problem but concerning to management.
- A consistently improvement in the EPS, year by year from 35.95 to 85.10 is indicating towards continuous improvement in the earning capacity of the

bank. This increment in the EPS is a sign of higher earning, Storage financial position and therefore a good plate form for investing money.

- Assets turnover ratio is used to analyse of company's margin and mix both A lower turnover shows the company is not using its assets optimally. Total assets turnover ratio is used as a key driver of return on equity which has been working quiet constantly.
- There are steady stream dividends from a company which is sustainable. Dividends payout ratio analysis is very significant. In this ratio a consistent trend is much more important than the higher or lower ratio. From the last few years it has fallen down the interest rate on the dividend which indicates that the company can't maintain its percentage for a long time. And bank can't afford the high dividend for the long run. It also shows the poor performance of the bank.

Suggestions and Conclusion

The bank should have to take an appropriate measurement for keeping current and quick ratio on par with the norm. The NPAs of ICICI Bank is more than 2.5%, so it should be controlled otherwise it can affect the quality of assets in long term. There should proper control on leverage ratio for the betterment of the Bank.

The expansion of the branches should have control to safe the income and to spread the products and services for the long run benefits of the bank. However the EPS is long expanding.

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