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ASSESSING PROFITABILITY, PERFORMANCE, AND EFFICIENCY OF ICICI BANK: A COMPARATIVE ANALYSIS

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Abstract

This comparative analysis examines the profitability, performance, and efficiency of ICICI Bank, a leading player in the Indian banking sector, over a five-year period from 2016-17 to 2019-20. Using financial metrics such as return on assets (ROA), return on equity (ROE), net interest margin (NIM), and operational indicators like loan-to-deposit ratio and provision coverage ratio, this study delves into the bank's operational effectiveness, growth trajectory, and strategic goal achievement. Through a comprehensive examination of these metrics, stakeholders can gain insights into ICICI Bank's competitive positioning, operational efficiency, and long-term sustainability within the banking industry. The analysis draws upon previous research emphasizing the importance of innovation, competition, and customization in the banking sector, particularly in retail banking. Key findings reveal notable improvements in ICICI Bank's financial performance, with higher deposits, advances, assets, and profits recorded in the later years of the study period. These findings underscore the significance of financial performance in driving profitability and suggest avenues for sustained growth and enhanced earnings for ICICI Bank in the future.

Keywords: ICICI Bank, profitability, performance, efficiency, financial metrics, operational indicators, strategic goals, sustainability, banking sector.

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1. INTRODUCTION

Company financial health and viability depend on profitability analysis. Financial metrics are used to analyze ICICI Bank's capacity to create profits from its primary operations. To determine how well the bank uses its resources to make money, net income, ROA, ROE, and NIM are examined. Profitability shows that the bank efficiently manages its assets, liabilities, and operational costs to achieve high shareholder returns. Profitability declines may indicate operational inefficiencies, higher costs, or revenue generation issues. Stakeholders can assess ICICI Bank's financial performance, competitive position, and banking industry sustainability by using profitability metrics. Performance review for ICICI Bank includes operational efficiency, growth trajectory, and strategic goal achievement. Performance measures include revenue growth, asset quality, market share, customer satisfaction, and innovation. Performance analysis for ICICI Bank includes financial services delivery, risk management, and market adaptation. Loan-to-deposit ratio, NPA levels, cost-to-income ratio, and client retention rates are key operational indicators for the bank. ICICI Bank's outstanding performance implies it is expanding its market share, maintaining asset quality, and managing costs to increase profitability. Underperformance may suggest risk management issues, market competitiveness decline, or operational inefficiencies. Stakeholders can examine performance measures to understand ICICI Bank's capacity to meet strategic goals, provide value to customers, and grow sustainably. ICICI Bank efficiency study assesses how well the bank uses its resources to generate income and control expenditures. Efficiency measures include productivity, cost management, and operational effectiveness.

2. LITERATURE REVIEW

Ashok Kumar (2013) his review "Open doors and difficulties in the Indian retail banking industry" presumes that a change in perspective in bank supporting through creative items and components including steady inside framework and cycle overhauls is expected to foster retail banking in India. Retail banking has more benefit potential than different methodologies, he says.

Goel and Chitwan Bhutani Rekhi (2013) state that India's banking sector's efficiency and profitability are crucial due to fierce competition. Additionally, rising client demands put more

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pressure on banks to customize their services. Recently, several metrics are employed to quantify bank productivity and performance. In terms of earnings, public sector banks cannot compete with private banks. They have less competition, and since efficiency and profitability are linked, their performance cannot be compared to private banks.

Mahalakshmi Krishnan (2012) revealed that urban retail banking development is focused, but rural consumers are unaware of it. We try to strengthen the Indian banking system.

3. OBJECTIVES OF THE STUDY

- To examine ICICI Bank's financial results.
- To investigate how the Bank's profitability is affected by its financial performance.

4. RESEARCH METHODOLOGY

a. Data Collection

The information was gathered from ICICI's annual reports as well as secondary sources on the internet, in books, journals, periodicals, and websites.

b. Period of study

This study covers a time of 5 years, i.e., from 2016-17 to 2019-20.

5. FINANCIAL PERFORMANCE

This study aims to examine the financial performance from 2016–17 to 2019–20. During the study period, the following ratios will be examined: Coverage ratio, Performing Assets ratio, Business per Employee, Profit per Employee, Credit Deposit ratio, Return on Assets, and Income spread to total Assets ratio.

a. Coverage Ratio

An indicator of an owner's contribution to total assets is the coverage ratio. Measuring the link between owners' equity and total assets is a useful research tool.

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$$Coverage\ Ratio = \frac{Net\ worth - Net\ NPA}{Total\ Assets} \times 100$$

b. Debt Equity Ratio

The debt-to-equity ratio (D/E) represents how much debt and investor equity supported an organization's resources. In the event that the organization's debt and equity are public, the ratio can be determined utilizing market worth or book esteem. Organization accounting reports or explanations of monetary status as a rule contain the two parts. A high debt-to-equity ratio proposes an organization has forcefully acquired to grow. The expanded revenue cost might make profit variable. The expanded revenue cost might make income variable. A low debt-to-equity ratio suggests that an organization has decisively utilized equity to fund development instead of debt.

$$Debt\ Equity = \frac{Total\ Liabilities}{Shareholders\ Equity} \times 100$$

c. Credit Deposit Ratio

By partitioning the bank's total loans by its total deposits, the loan-to-deposit ratio (LTD) is a typical liquidity indicator. A rate addresses this worth. In the event that the ratio is too low, the bank may not be bringing in sufficient cash. Assuming the ratio is exorbitantly high, the bank might not have sufficient liquidity for unforeseen financing needs.

$$Credit\ Deposit\ Ratio = \frac{Total\ Advances}{Total\ Deposits} \times 100$$

d. Capital Adequacy Ratio

It is the extent of a bank's cash-flow to its ongoing commitments and risk-weighted assets. National banks and bank regulators settle on the choices to stop business banks from taking on too much influence and failing simultaneously.

$$Capital\ Adequacy\ Ratio = \frac{Capital\ Ratio}{Risk\ Weighted\ Assets} \times 100$$

Table 1: Performance of ICICI Through Ratios

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Ratios	2015-16	2016-17	2017-18	2018-19	2019-20
Provision Coverage Ratio	58.1%	50.5%	40.5%	47.5%	70.5%
Debt Equity Ratio	4.5%	4.2%	4.5%	4.6%	4.5%
Credit Deposit Ratio	107.2%	103.3%	94.7%	91.4%	88.9%
Capital Adequacy Ratio	19.5%	18.5%	18.7%	17.7%	17%

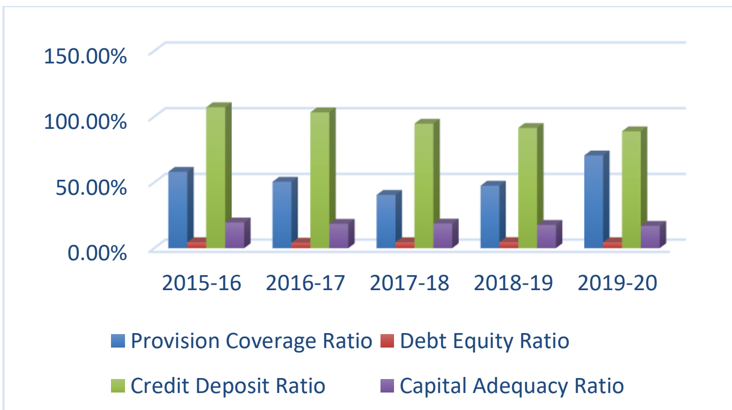

Figure 1: Graphical representation of Performance through ratios

The bank's high Provision Coverage ratio predicts great performance in 2019–20. The bank's high Debt Equity ratio and lowering Credit Deposit ratio in 2018–19 and 2019–20 indicate good operating efficiency in granting advances. High capital adequacy ratios suggest financial resilience, and most years had them.

Table 2: Operations of ICICI

Items	2015-16	2016-17	2017-18	2018-19	2019-20
Total Deposits	494	589	750	890	961

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Total Advances	3874.5	4352.5	4643	5122	5800
Total Assets	6462	7207	7718	8790	9645
Net Operating Profit	180	198	180	190	220

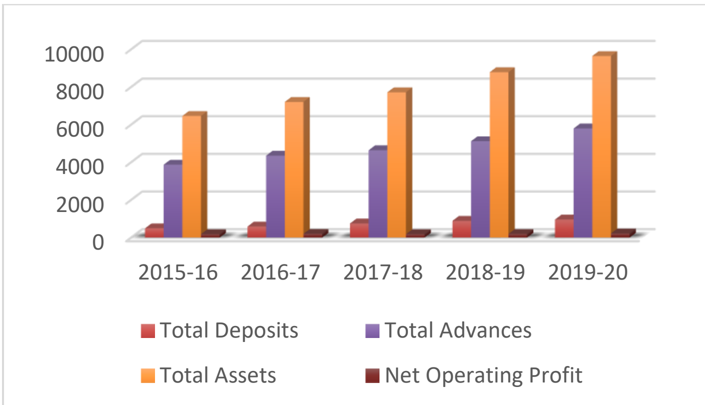

Figure 2: Graphical representation of Performance of ICICI through Operations

Upon examining ICICI's operational record, it is evident that the years 2018–19 and 2019–20 saw higher deposits, advances, assets, and profits. As a result, it is undeniably established that financial performance affects the bank's profitability.

6. CONCLUSION

Analyzing financial performance and trends aids in comprehending the bank's development. The analysis found that the bank's performance changed significantly starting in 2015. In the fiscal years 2018–19 and 2019–20, ICICI Bank performed well in terms of making advances, taking deposits, keeping operational profits, managing assets, etc. The bank should continue to grow its activities while maintaining the same level of improved earnings.

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