

# A Study on Financial Performance of ICICI and IDBI

M. Mahalakshmi<sup>1</sup>, T. R. Anandhi<sup>2</sup>

<sup>1</sup>M.Com. Student, Department of Commerce, Theivanai Ammal College for Women, Villupuram, India

<sup>2</sup>Assistant Professor, Department of Commerce, Theivanai Ammal College for Women, Villupuram, India

**Abstract:** Finance is defined as the management of money and includes activities like investing, borrowing, lending, budgeting, saving, and forecasting. The main objectives of this paper used to analysis the financial performance of two year respective banks are Industrial Credit and Investment Corporation of India (ICICI) and Industrial Development Bank of India (IDBI). We draw conclusion on the basis of financial tools like ratio analysis, comparative and common size.

**Keywords:** Financial statement, Ratio analysis, financial performance.

## 1. Introduction

A financial statement is a formal record of the financial activities, and position of a business, person, or other entity. It is presented in a structured manner and in a form easy to understand. In the preparation of final accounts of a firm, the financial statements display the net results for the given year. They play a vital role in allowing a user of a financial statement, to understand the results of a firm for a given year.

### A. Definition

Financial statements are written records that convey the business activities and the financial performance of a company. Financial statements are often audited by government agencies, accountants, firms, etc. to ensure accuracy and for tax, financing, or investing purposes. Financial statements include:

- Balance sheet
- Income statement
- Cash flow statement.

## 2. History of bank

### A. ICICI bank

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the

initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian business. In the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI become the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE.

### B. IDBI bank

IDBI Bank Ltd is one of India's largest commercial Banks. The Bank is a Universal Bank with their operations driven by a cutting edge core Banking IT platform. They offer personalized banking and financial solutions to their clients in the retail and corporate banking arena through their large network of Branches and ATMs spread across length and breadth of India. IDBI Bank had a network of 1916 branches and 3276 ATMs as on 31 March 2018. The bank also set up an overseas branch at Dubai. The Bank operates in four segments namely Wholesale Banking Retail Banking Treasury Services and Other Banking Operations. They have six wholly-owned subsidiaries namely IDBI Home finance Ltd IDBI Gilts Ltd IDBI Intech Ltd IDBI Capital Market Services Ltd IDBI Asset Management Ltd and IDBI MF Trustee Company Ltd.

## 3. Nature of financial statement

The financial statement supply financial position (i.e. revenues and expenses we get from income statement and balance sheet presents the assets and liabilities position at a particular date). Thus the nature of financial statement can be summarized in the following forms:

- Recorded facts
- Convention
- Postulates
- Legal implication and
- Personal judgment

#### 4. Review of literature

Ihsan Isik et. al. (2003) analysed the Financial deregulation and total factor productivity change of Turkish commercial banks. It found that all forms of Turkish banks, although in different magnitudes, have recorded significant productivity gains driven mostly by efficiency increases rather than technical progress. Efficiency increases, however, were mostly owing to improved resource management practices rather than improved scales. It also indicated that private banks began to close their performance gap with public banks in the new environment.

Milind Sathye (2003) measured the productive efficiency of banks in a developing country, that is, India. The measurement of efficiency was done using data envelopment analysis. Two models have been constructed to show efficiency scores vary with change in inputs and outputs. The efficiency scores, for three groups of banks, that is, publicly owned, privately owned and foreign owned, are measured. It shown that the mean efficiency score of Indian banks compares well with the world mean efficiency score and the efficiency of private sector commercial banks as a group is, paradoxically lower than that of public sector banks and foreign banks in India. The existing policy of reducing non - performing assets and rationalization of staff and branches may be continued to obtain efficiency gains and make the Indian banks internationally competitive which is a declared objective of the Government of India.

Prashanta Kumar Banerjee (2003) evaluated the operational and financial performance of Indian Factoring Companies. Factoring is a global industry with a vast turnover. It offers various advantages like consistent cash flow, lower administration costs, reduced credit risks and more time for core activities. Both the domestic and international factoring are getting popularity at an impressive rate in all parts of the world. The factoring services made an entry in India in the year 1991. Since then, a good number of factoring companies namely SBI Factors and Commercial Services Ltd., Canbank Factors Ltd., Wipro Finance Ltd., Integrated Finance Company Ltd, and Foremost Factors Ltd. have been offering factoring services in India. It confirmed that operational and financial performance of the factors in India has been improving through time.

#### 5. Statement of problem

1. Personal financial statement. To learn more about finances, cash flows, and financial statements, see the following resources. Balance Sheet Income Statement Template Cash Flow Statement Three Financial Statements.
2. The research problem formulated has is to make a “comparative study on financial performance of ICICI and IDBI bank.
3. The idea has been developed only after review of literature and discussion with experts.

#### 6. Objective of the study

- To examine the trends and growth of the Industrial Credit and Investment Corporation of India and Industrial Development Bank of India.
- To analysis financial performance of using Industrial Credit and Investment Corporation of India and Industrial Development Bank of India ratios, comparative balance sheet and common size statement.
- To offer suggestion based on the finding of this study.

##### A. Sources of data collection

The study was based on secondary data

#### 7. Research methodology

The common methods of financial statement analysis include ratio, comparative and common size. Historical information combined with a series of assumption and adjustment to the financial information may be used to project future performance.

##### A. Ratios

Ratio is a form of financial statement analysis that is used to obtain a quick indication of a firm’s financial performance in several key areas. Financial ratio is relationship determined form a company’s financial information and used for comparison.

##### B. The ratio used for the study are

- Reserve to total liability ratio
- Borrowing to total liability ratio
- Advance to total asset ratio

Table 1  
Reserve to total liability ratio

YEAR	ICICI	IDBI
2017-18	11.57	3.79
2018-19	10.82	7.38

$$Reserve\ to\ total\ liability = \frac{Reserve}{Total\ liability} \times 100$$

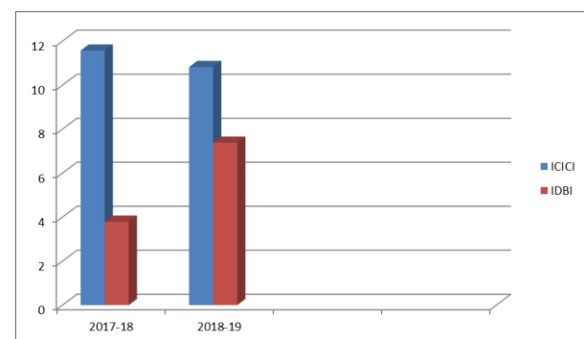


Chart-1: Reserve to total liability ratio

##### Interpretation:

The above table shows that reserve to total liability ratio of ICICI are 11.57% in 2017-18 and 10.82% in 2018-19.

Likewise, it is 3.79% in 2017-18 and 7.38% in 2018-19 for IDBI.

*Inference:*

The ratio of reserve to total liability was decreasing for ICICI bank. But it increasing for IDBI.

Table 2  
Borrowing to total liability ratio

YEAR	ICICI	IDBI
2017-18	20.87	18.30
2018-19	17.20	14.44

$$\text{Borrowing to total liability ratio} = \frac{\text{Borrowing}}{\text{Total liability}} \times 100$$

*Interpretation:*

The above table shows that reserve to total liability ratio of ICICI are 20.87% in 2017-18 and 17.20% in 2018-19. Likewise, it is 18.30% in 2017-18 and 14.44% in 2018-19 for IDBI.

*Inference:*

Both the bank shows a decreasing trend in borrowing to total liability.

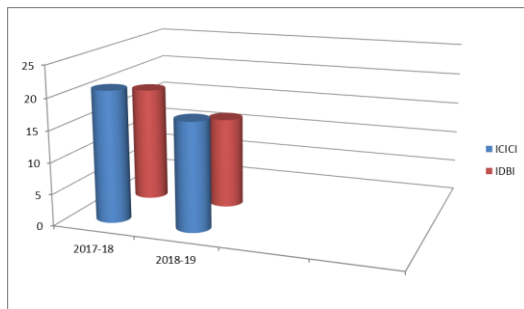


Chart-2: Borrowing to total liability ratio

Table 3  
Advance to total asset ratio

YEAR	ICICI	IDBI
2017-18	58.48	49.74
2018-19	61.02	46.81

$$\text{Advanced to total asset ratio} = \frac{\text{Advances}}{\text{Total asset}} \times 100$$

*Interpretation:*

The above table shows that reserve to total liability ratio of ICICI are 58.48% in 2017-18 and 61.02% in 2018-19. Likewise, it is 49.74% in 2017-18 and 46.81% in 2018-19 for IDBI.

*Inference:*

ICICI bank shows increasing trend in advance to total asset ratio, but for IDBI the ratio is decreasing.

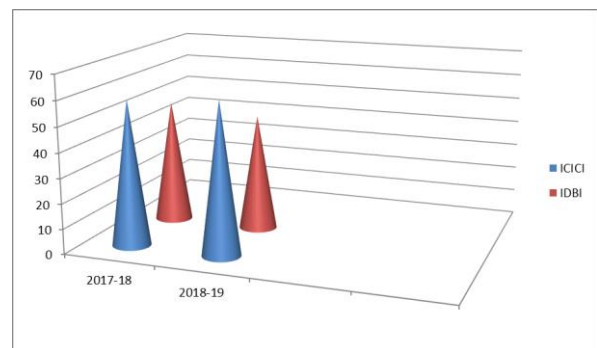


Chart-3: Advance to total asset ratio

### 8. Comparative balance sheet

A comparative balance sheet presents side-by-side information about an entity's assets, liabilities, and shareholders' equity as of multiple points in time. For example, a comparative balance sheet could present the balance sheet as of the end of each year for the past three years. Another variation is to present the balance sheet as of the end of each month for the past 12 months on a rolling basis. In both cases, the intent is to provide the reader with a series of snapshots of a company's financial position over time, which is useful for developing trend line analysis.

Table 4  
Comparative balance sheet of ICICI for the year 2017-18

PARTICULARS	2017	2018	AMOUNT INCREASE /DECREASE	PERCENTAGE INCREASE/ DECREASE
<b>ASSET</b>				
Cash and balance with RBI	31702.41	33102.38	1399.97	4.42
Balance with banks and money at call	44010.66	51067.00	7056.34	16.03
Advance	464232.08	512395.29	48163.21	25.69
Investment	161506.55	202994.18	41487.63	10.37
Fixed asset	4763.07	4900.32	137.25	2.88
Other asset	62534.55	71726.80	9192.25	14.70
<b>Total asset</b>	<b>768749.32</b>	<b>876185.97</b>	<b>107436.65</b>	<b>13.98</b>
<b>LIABILITIES</b>				
Share capital	1165.11	1285.81	120.7	10.36
Reserve	95737.57	100864.37	5126.8	5.36
Deposits	490039.06	560975.21	70936.15	14.48
Borrowing	147556.15	182858.62	35302.47	23.92
Other liabilities	34245.16	30196.40	-4048.76	-11.82
<b>Total liabilities</b>	<b>768749.31</b>	<b>876185.98</b>	<b>107436.67</b>	<b>13.98</b>

Table 5  
 Comparative balance sheet of ICICI of India for the year 2018-19

PARTICULARS	2018	2019	INCREASE(+) OR DECREASE(-)	
			AMOUNT	PERCENTAGE%
<b>ASSET</b>				
Cash and balance with RBI	33102.38	37858.01	4755.63	14.36
Balance with banks and money at call	51067.00	42438.27	-8628.73	-16.90
Advance	512395.29	586646.58	4738.5	2.33
Investment	202994.18	207732.68	14251.29	14.49
Fixed asset	4900.32	4886.72	-13.4	-0.27
Other asset	71726.80	81852.17	10125.37	14.12
<b>Total asset</b>	<b>876185.97</b>	<b>961414.63</b>	<b>85228.73</b>	<b>9.73</b>
<b>LIABILITIES</b>				
Share capital	1285.81	1289.46	3.65	0.28
Reserve	100864.37	10402.40	3165.03	3.14
Deposits	560975.21	652919.40	91944.46	16.39
Borrowing	182858.62	165319.97	-17538.65	-9.59
Other liabilities	30196.40	37851.46	7655.06	25.35
<b>Total liabilities</b>	<b>876185.98</b>	<b>961414.64</b>	<b>85228.66</b>	<b>9.73</b>

Table 6  
 Comparative balance sheet of IDBI for the year 2017-18

PARTICULARS	2017	2018	INCREASE(+) OR DECREASE(-)	
			AMOUNT	PERCENTAGE%
<b>ASSETS</b>				
Cash and balance with RBI	13346.92	13163.69	-183.23	-1.37
Balance With banks money at call	19337.16	20522.40	1185.24	6.13
Investment	190825.93	171739.95	-19085.98	-10.00
Advance	92934.41	91606.06	-1328.35	-1.43
Fixed assets	1391.19	1215.22	-175.97	-12.65
Other assets	37974.70	46510.56	8535.86	22.48
<b>TOTAL ASSETS</b>	<b>356350.17</b>	<b>345259.77</b>	<b>-11090.4</b>	<b>-3.11</b>
<b>LIABILITIES</b>				
Capital	2058.82	3083.86	1025.04	49.79
Reserve & surplus	15087.09	13701.98	-1385.11	-9.18
Deposits	268538.10	247931.61	-20606.49	-7.67
Borrowings	56363.98	63185.53	6821.55	12.10
Other liabilities and provision	14302.18	17986.77	3684.59	25.76
<b>TOTAL LIABILITIES</b>	<b>356350.17</b>	<b>345259.75</b>	<b>-11090.42</b>	<b>-3.11</b>

Table 7  
 Comparative balance sheet of IDBI for the year 2018-19

PARTICULARS	2018	2019	INCREASE(+) OR DECREASE(-)	
			AMOUNT	PERCENTAGE%
<b>ASSETS</b>				
Cash and balance with RBI	13163.69	12730.47	-433.22	-3.29
Balance with banks money at call	20522.40	8503.23	-12019.17	-58.57
Investment	171739.95	146790.44	-24949.51	-14.53
Advance	91606.06	93072.63	1466.57	1.60
Fixed assets	1215.22	1035.68	-179.54	-14.77
Other assets	46510.56	50956.74	4446.18	9.60
<b>TOTAL ASSETS</b>	<b>345259.77</b>	<b>313556.80</b>	<b>-31702.97</b>	<b>-9.18</b>
<b>LIABILITIES</b>				
Capital	3083.86	7736.29	4652.43	150.86
Reserve& surplus	13701.98	23147.71	9445.73	68.94
Deposits	247931.61	227371.72	-20559.89	-8.29
Borrowings	63185.53	45287.72	-17897.81	-28.33
Other liabilities and provision	17986.77	10013.35	-7973.42	-44.33
<b>TOTAL LIABILITIES</b>	<b>345259.75</b>	<b>313556.79</b>	<b>31702.96</b>	<b>100</b>

**A. Common size**

A common size income statement is an income statement in which each line item is expressed as a percentage of the value of revenue or sales. It is used for vertical analysis, in which each line item in a financial statement is represented as a percentage of a base figure within the statement.

Table 8  
Common size balance sheet of ICICI for the year 2018

PARTICULAR	2018	PERCENTAGE
<b>ASSET</b>		
Cash and balance with RBI	33102.38	3.78
Balance with banks and money at call	51067.00	5.83
Advance	512395.29	58.48
Investment	202994.18	23.17
Fixed asset	4900.32	0.56
Other asset	71726.80	8.19
<b>Total asset</b>	<b>876185.97</b>	<b>100</b>
<b>LIABILITIES</b>		
Share capital	1285.81	0.15
Reserve	100864.37	11.51
Deposits	560975.21	64.02
Borrowing	182858.62	20.87
Other liabilities	30196.40	3.45
<b>Total liabilities</b>	<b>876185.98</b>	<b>100</b>

Table 9  
Common size balance sheet of ICICI for the year 2019

PARTICULARS	2019	PERCENTAGE
<b>ASSET</b>		
Cash and balance with RBI	37858.01	3.94
Balance with banks and money at call	42438.27	4.41
Advance	586646.58	61.01
Investment	207732.68	21.61
Fixed asset	4886.72	0.51
Other asset	81852.17	8.52
<b>Total asset</b>	<b>961414.63</b>	<b>100</b>
<b>LIABILITIES</b>		
Share capital	1289.46	0.13
Reserve	104029.40	10.82
Deposits	652919.40	67.91
Borrowing	165319.97	17.20
Other liabilities	37851.46	3.94
<b>Total liabilities</b>	<b>961414.64</b>	<b>100</b>

Table 10  
Common size balance sheet of IDBI for the year 2018

PARTICULAR	2018	PERCENTAGE
<b>ASSET</b>		
Cash and balance with RBI	13163.69	3.81
Balance with banks and money at call	20522.40	5.94
Investment	171739.95	26.53
Advance	91606.06	49.80
Fixed asset	1215.22	0.45
Other asset	46510.56	13.47
<b>Total asset</b>	<b>3445259.77</b>	<b>100</b>
<b>LIABILITIES</b>		
Share capital	3083.86	0.89
Reserve	13701.98	3.79
Deposits	247931.61	71.81
Borrowing	63185.53	18.30
Other liabilities	17986.77	5.21
<b>Total liabilities</b>	<b>345259.75</b>	<b>100</b>

Table 11  
Common size balance sheet of IDBI for the year 2019

PARTICULARS	2019	PERCENTAGE
<b>ASSET</b>		
Cash and balance with RBI	12730.47	4.06
Balance with banks and money at call	8503.23	2.71
Investment	146790.44	29.68
Advance	93072.63	46.81
Fixed asset	1035.68	0.49
Other asset	50956.74	16.25
<b>Total asset</b>	<b>313556.80</b>	<b>100</b>
<b>LIABILITIES</b>		
Share capital	7736.29	2.47
Reserve	23147.71	7.38
Deposits	227371.72	72.51
Borrowing	45287.72	14.44
Other liabilities	10013.35	3.20
<b>Total liabilities</b>	<b>313556.79</b>	<b>100</b>

### 9. Conclusion

Financial analysis is the process of evaluating businesses, project, budgets, and financial related transaction. The study is made to attempt to evaluate the financial performance of ICICI bank and IDBI bank the researcher has used ratio, comparative and common size balance sheet for the study. The researcher concluded that IDBI is in a better position a comparison reserve to total liability ratio and borrowing to total liability ratio.

### References

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- [2] <https://sg.inflibnet.ac.in>
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