

## **Profitability Analysis – A Special Focus on ICICI Bank Ltd.**

***Dr. D. Sudarsana Murthy,***

Associate Professor,  
Sree Vidyanikethan Institute of Management  
A.Rangampet, Tirupati, Andhra Pradesh, India.

***P. Theja,***

III Semester MBA,  
Sree Vidyanikethan Institute of Management  
A.Rangampet, Tirupati, Andhra Pradesh,  
India.

***M. Swetha,***

III Semester MBA  
Sree Vidyanikethan Institute of Management  
A.Rangampet, Tirupati, Andhra Pradesh,  
India.

### **ABSTRACT**

*Commercial banks are the most significant pillars in the present economic scenario. The economic progress and prosperity comes from well established banking sector. If banking sector is in good health it will stimulate other business concerns in their future prospects. Keeping in view the significance of profitability this kind of specific study has been undertaken. The study focuses on analysis of cost and income structures and mainly on profitability. The entire study is based on secondary data. Some statistical tools are used wherever appropriate. To evaluate the study, a separate frame work has been adopted. In this direction the study has been done to draw the inferences for future prospects of ICICI Bank Ltd.*

**Keywords:** Profitability, Economic Progress, Volume of Business and framework etc.

**JEL Classification:** G21, E58

### **INTRODUCTION:**

The word profit is equal to the revenues minus expenses. It is very prominent to each and every business organisation. It can impact whether a company can secure financing from a bank, investors to fund its operations cannot remain in business without turning a profit.

#### **Why Profit is essential?**

There are some reasons why profit is required by the business concerns:

It is essential for survival such as: to expand key assets, ability to borrow money, grow market value of business, measure the effectiveness of management, ability to meet obligations of the organisation, to build working capital, to attract investors, to hire better employees, to increase cash circulation and to donate and discharge social responsibilities.

#### **Significance of Profitability in Banking Sector**

Commercial banks are the most significant pillars in the present economic scenario. The economic progress and prosperity comes from well established banking sector. Banking sector is the back bone to all business concerns in the present scenario. If banking sector is in good health it will stimulate other business concerns for their future prospects. In the present economic conditions, if banks could not earn profits they may not be survived in their future endeavour. Profitability has become the parameter that gives a competitive edge to banks. It is a significant index of operational efficiency of banks. The higher degree of profit earning capacity will entail prosperity of the organisation. To get public confidence, the banks should ensure profitability growth and viability. It is a key to test its

income, cost structure and productivity levels. ICICI Bank has been selected to analyse profitability by taking some indicators like interest earned, interest paid, manpower expenses, other expenses, non-interest, spread, burden and profitability.

### **LITERATURE REVIEW:**

Krishna, B., Rama Krishna Rao, C., Viranjaneya Kumar, P., (2017) opined in their article entitled "A Study on Financial Performance of ICICI Bank". The study identified that there is a significant difference in performance of the ICICI Bank, further they identified productivity of the bank shown down trend and proportion of performing assets also showing decreasing trend.

Kavitha, S. Vadrade and Kathi, V.P., (2018), discussed in their research work "Profitability Position of Commercial Banks in India – A comparative Study" that the profitability position of private sector banks was better than public sector banks. They selected some Private and Public sector banks to their study. Further, they recognised that the cost of funds was same for both banks, Private sector banks have more spread because return on advances was satisfactory.

Priyanka Jha (2018), said in her research work titled "Analysing Financial Performance (2011-18) of Public Sector Banks (PNB) and Private Sector Banks (ICICI) in India". The bank customers trust much more public sector banks as compared to Private Sector Banks. PNB has lower operational efficiency. The financial information facilitates the management in setting up plans and financial strategies.

### **STATEMENT OF THE PROBLEM:**

At present, banks are subject to technical and financial changes. Private sector banks in the country are performing well and more and more private banks are coming up with quality standards. Their profitability and viability are much more required to get public confidence. Public required more speedy computerised facilities, smart investment agencies and expecting good quality of services. To provide good quality of services and the survival of the banks depends on an effective profit earning capacity. ICICI bank Ltd., is not exempted from this.

### **Research Gap:**

After having gone through the literature review it can be concluded that more research has been done on overall financial performance of Private and Public Sector Banks. But on profitability aspect rare researches could be observed.

### **Need for the Study:**

Keeping in view the importance of profitability and not much research has been done on ICICI Bank profitability performance, a separate in-depth study must be required. Hence, this kind of specific study has been undertaken to evaluate the profitability analysis of ICICI, Bank Ltd.,

### **OBJECTIVES:**

The following objectives are obviously selected for study to get fruitful inferences:

- i. to study the status of different income components of ICICI Bank Ltd.,
- ii. to review the Cost Structure of ICICI Bank Ltd.,
- iii. to test the profitability performance of ICICI Bank Ltd., by taking certain Indicators.
- iv. to evaluate the spread and burden ratios of ICICI Bank Ltd.,
- v. to evolve a package of suggestions for betterment of ICICI Bank Ltd.,

### **Hypotheses Frame Work:**

The following hypotheses have been employed to get fruitful results of the data.

**H<sub>1</sub>:** There is a significant difference between Income and Expenditure which impacts on profitability of ICICI Bank Ltd.

**H<sub>2</sub>:** There is significant linear relationship between profitability Ratio and its indicators.

### **DESIGN AND METHODOLOGY:**

The entire study is based on secondary data which was collected from various sources like Annual Reports of ICICI Bank Ltd., articles, books, magazines issued by ICICI Bank Ltd., and internet. Some statistical tools such as Averages, Cumulative Annual Growth Rate, Standard Deviation, Variance, Correlation and Regression etc., have been applied to analyse the data.

**Period of the Study:**

So as to get meaningful inferences a five year data has been taken into consideration starting from 2013-14 to 2017-18.

**Scope for further research:**

More micro level individual researches are required on private sector banks individually. The profitability analysis a comparative study between / among other similar banks are highly required so that the banks will come to know its profitability level and know the strategies to over come from losses, if any.

**Scope and Limitations of the Study:**

The entire study prominently focused on profitability of ICICI Bank Ltd. It has not covered other aspects such as deposits, credit deployment and credit recovery etc., and overall performance.

The study is subject to some limitations like: (i) The result analysis represents only for five year period. (ii) It has not represented the whole private sector banks profitability performance. (iii) The calculated figures gathered from its annual reports which are historical in nature. Calculations done are based on secondary data as provided in annual reports.

**PROFITABILITY PERFORMANCE – A REVIEW:**

Profitability Performance of ICICI Bank has been evaluated by examining the pattern and trend of income and expenses of ICICI Bank very closely. To evaluate the study , a separate frame work has been adopted, which is based on the framework evolved by Verde and Singh in their study Profitability performance of the RRB's. Here, 10 Indicators have been used. These indicators were derived by relating various components of Profit and Loss Account to a common denominator-Volume of business.

**Frame work for Profitability Analysis – A Design:**

The volume of business is the combination of deposits and outstanding advances. The following is the list of Ten Indicators:

**1. Interest Earned Ratio**

$$\frac{(r) = \text{Total Interest Earned}}{\text{Volume of Business}}$$

**2. Interest Paid Ratio**

$$\frac{(k) = \text{Total Interest Paid}}{\text{Volume of Business}}$$

**3. Manpower Expenses Ratio**

$$\frac{(m) = \text{Total Manpower Expenses}}{\text{Volume of Business}}$$

**4. Other Expenses Ratio**

$$\frac{(o) = \text{Other Establishment Expenses}}{\text{Volume of Business}}$$

**5. Other Income Ratio**

$$\frac{(c) = \text{Non Interest Income}}{\text{Volume of Business}}$$

**6. Payout Employee Ratio**

$$\frac{= \text{Total Manpower Expenses}}{\text{Total number of employees}}$$

**7. Volume of Business per Employee Ratio**

$$\frac{= \text{Volume of Business}}{\text{Total number of employees}}$$

**8. Profitability Ratio**

$$(P) = \text{Spread} - \text{Burden}$$

**9. Further (r-k) is defined as Spread Ratio**

**10. Burden Ratio has been defined as (m+o-c)**

**PROFITABILITY PERFORMANCE OF ICICI BANK – AN OVERVIEW:**

Profitability performance of ICICI Bank has been analysed by choosing some indicators which were outlined in evaluation of the study.

**Income, Expenditure and Profit Status:**

The difference between Income and Expenditure is called Profit. The income and expenditure and Profit has been displayed in table-1.

**Table 1: Analysis of Income, Expenditure and Profit  
 (Rs. in Crores)**

Year	Income	Expenditure	Net Profit / Loss
2013-14	54606.02	44795.55	9810.47
2014-15	90216.23	77273.93	12942.30
2015-16	101395.82	90468.95	10926.87
2016-17	113397.62	102057.30	11340.32
2017-18	118969.10	109869.60	9099.54
AM	95716.97	84893.07	10823.90
CAGR in %	16.85	19.65	-1.49
SD	25523.93	25570.45	1480.32
Variance	651471155.40	653847671.10	2191342.19
CV	521250980		

Source: Annual Reports of ICICI Bank Ltd.,

It is clear from table-1 that the total income during 2013-14 was Rs.54606.02 crores as against the total expenses of Rs.44795.55 crores and the Net Profit stood at Rs.9810.47 crores. But, during the period 2017-18 total income reached to Rs.118969.10 crores and the total expenses to Rs.109869.60 crores and net profit equals to Rs.9099.54 crores. The Compound Annual Growth Rate recorded expenses as 19.65 per cent which is more than the income of 16.85 per cent and Net Profit shown negative i.e., -1.49 per cent. It means in between the years the profitability of the bank has not upto the mark.

**Hypothesis (H<sub>1</sub>) Result Analysis:**

**Table 1.1: Bivariate Correlation between Income and Expenditure**

		Income	Expenditure
Income	Pearson Correlation	1	
	Sig. (2-tailed)	.000	
Expenditure	Pearson Correlation	.998**	1
	Sig. (2-tailed)	.000	
**. Correlation is significant at the 0.01 level (2-tailed).			

Table – 1.1 depicts that there is a high positive correlation i.e a greater amount of linear relationship exists between income and expenditure. The Pearson correlation between income and expenditure of ICICI Bank during the years from 2013-14 to 2017-18 is 0.998 and it is significant at 0.01 level of alpha (2 tailed). Significance is been achieved statistically with one percent margin of error i.e P value is 0.000 which is less than 0.01. Hence, hypothesis which was formulated has been accepted.

**Different Components of Income:**

Some components of income such as interest and discount, income on investment, interest on balance with other banks and other incomes have been taken for analysis purpose. All these are arranged in table-2.

**Table 2: Components of Income of ICICI Bank Ltd.,**  
**(Rs. in Crores)**

Year	Interest and Discount	Income on Investment	Interest on balance with other banks	Other Income	Total Income
2013-14	31427.93	11557.08	199.98	11421.06	54606.02
2014-15	38059.73	15131.73	366.16	36658.63	90216.23
2015-16	41550.90	14324.47	303.96	45216.52	101395.85
2016-17	42080.37	15456.07	623.01	55238.18	113397.63
2017-18	43252.82	16125.62	810.41	58780.25	118969.10
AM	39274.34	14518.99	460.70	41462.93	95716.96
CAGR in %	6.60	6.89	32.3	38.77	16.85
SD	4793.91	1778.04	250.06	18903.25	25523.93
Variance	22981565.82	3161438.95	62530.42	357332924.70	651471155.40

**Source:** Annual Reports of ICICI Bank Ltd.,

As displayed in Table-2 that the total income during the year 2013-14 was Rs.54606.02 crores. The calculated Compound Annual Growth Rate [CAGR] Interest and Discount, Income on Investment and Interest on balance with other banks stood at 6.60 per cent, 6.89 per cent, 32.30 per cent and 38.77 per cent respectively (as represented in table). The total income Compound Annual Growth Rate recorded at 16.85 per cent and other income CAGR appeared at 38.77 per cent which is more than total income of CAGR.

The interest and discount recorded at Rs.31427.93 crores for the year ending 2013-14 and increased to Rs.43252.82 crores at the end of 2017-18. In the year 2013-14 other income stood at Rs.11421.06 crores and gradually increased to Rs.58780.25 crores. It could be observed that ICICI Bank earning other income is more than the other components of income.

**Cost Structure:**

Cost Structure of ICICI Bank has been analysed by taking some combination of expenses like: Interest on Deposits, Interest on borrowings, Operating expenses, Provisions and contingencies and others. Table 3 gives the complete picture of cost structure of ICICI Bank Ltd.,

**Table 3: Cost Structure of ICICI Bank Ltd.,**  
**(Rs. in Crores)**

Year	Int. on deposits	Int. on borrowings	Operating expenses	Provisions and contingencies	Others	Total
2013-14	17868.20	2149.70	10308.86	6784.10	7684.71	44795.57
2014-15	20772.31	1693.52	35022.71	9933.07	9852.33	77273.94
2015-16	21998.98	1558.73	40789.56	15682.92	10438.77	90468.96
2016-17	23262.65	1519.48	48169.97	19051.50	10053.71	102057.31
2017-18	23739.70	1550.68	55755.63	19851.88	8971.68	109869.57
AM	21528.37	1694.42	38009.34	14260.70	9400.24	84893.07
CAGR %	5.85	-6.32	40.16	23.19	3.15	19.65
SD	2349.88	677.77	17335.92	7125.22	1099.62	25570.45
Variance	5521924.16	69240.29	300534073.5	32715924.28	1209163.94	653847671

**Source:** Annual Reports of ICICI Bank Ltd.,

It is obvious from table-3 that the total cost of ICICI Bank during the year 2013-14 was Rs.44795.57 crores and reached to Rs.109869.60 crores and split into different costs such as interest on deposits, interest on borrowings, operating expenses, Provisions and Contingencies and others. The major part in all cost columns is operating expenses. During the year 2013-14 operating expenses was Rs.10308.85 crores and increased to Rs.55755.64 crores as at the end of 2017-18, the Compound Annual Growth Rate calculated was 40.16 per cent and followed by provisions and contingencies i.e. 23.19 per cent. But negative CAGR could be observed in interest on borrowings i.e. -6.32 per cent. It alarms the management of the bank that interest paying capacity to the bank is going to be decreased.

**Interest Coverage Ratio:**

Interest coverage ratio denotes the capacity of the ICICI Bank in terms of payment of interest to the borrowers. It has displayed in Table-4.

**Table 4: Interest Coverage Ratio of ICICI Bank Ltd.,**  
(Rs. in Crores)

Year	Net profit Before Interest and Tax	Interest	Ratio
2013-14	49479.25	29710.61	1.67
2014-15	54964.00	32318.15	1.70
2015-16	52739.44	31515.39	1.67
2016-17	60940.00	34835.83	1.75
2017-18	62162.35	34262.05	1.81
AM	56057.01	32528.406	1.72
CAGR in %	4.67	2.89	1.73
SD	5398.76	2082.07	0.06
Variance	23317327.21	4335027.58	0.003819646
CV	8795392.72		

**Source:** Annual Reports of ICICI Bank Ltd.,

A screenshot from table-4 that the interest coverage ratio for the year ending 2013-14 was 1.67 times and reached to 1.81 time as on the year 2017-18. It is clear that, the interest payment capacity has been increased during the study period. The calculated Cumulative Annual Growth Rate stood at 1.73 per cent.

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

Profitability measures the efficiency with which the activities of the bank are carried out. The ratio of Return on Assets provides a better insight into the profitability as it shows how effectively financial resources invested in the bank's assets have been utilised.

**Table 5: Return on Assets Ratio of ICICI Bank**  
(Rs. in Crores)

Year	EBIT	Total Assets	Return on Assets Ratio
2013-14	49479.25	594641.58	8.32
2014-15	54964.00	826079.17	6.65
2015-16	52739.44	918756.20	5.74
2016-17	60940.00	986042.66	6.18
2017-18	62162.35	1124281.04	5.53
AM	56057.01	889960.13	6.48
CAGR in %	4.67	13.59	-7.84
SD	5398.76	197649.42	1.11
Variance	23317327.21	39065294527	1.24
CV		763320590.70	

**Source:** Figures compiled from various Annual Reports of ICICI Bank Ltd.

Table-5 pinpoints the Return on Assets Ratio of ICICI Bank Ltd., The Return on Assets ratio speaks fluctuating trend during the study period. The Compound Annual Growth Rate shows negative i.e., -7.84 per cent. During the year 2013-14 Return On Assets Ratio was 8.32 per cent, it has reached to 5.53 per cent which is the lowest during the study period. The CAGR recorded negative of -7.84 per cent.

**Margin on Loan Business:**

Interest on lending is the major source of income to every bank, out of which interest on deposits and borrowings are to be met. After meeting some other expenses if any surplus, it could be turned as return on loan business. This is displayed in table-6.

A cursory look at the table – 6 indicates that in each and every year during the study period margin on loan has been in-adequacy. In the year 2013-14, it was -12.54 per cent and reached to -12.29 per cent by the year ending 2017-18. It ranges between -12.54 per cent and -10.30 per cent.

Percentage of Gross Income to Loan outstanding recorded at 4.53 per cent in 2014-15 as against low per cent of 2.67 per cent in 2013-14. Interest paid to loans outstanding is more than the per cent of Gross Income to Loans Outstanding in all most all the years during the study period. Hence, the net result of both i.e. percentage of Gross Banking Profit or Margin available has become negative. Further, the net result with regards to margin on loan business became inadequate.

**Table 6: Margin on Loan Business of ICICI Bank Ltd.,**

Sl. No	Item	2013-14	2014-15	2015-16	2016-17	2017-18
1	Loans Outstanding	387341.78	438490.09	493729.10	515317.31	566854.21
2	Gross Income	10329.46	19865.26	19821.08	18744.93	17969.86
3	% of Gross Income to Loans Outstanding (2 to 1)	2.67	4.53	4.01	3.64	3.17
4	Interest paid	28285.41	30051.53	31515.39	32418.96	31940.04
5	% of Interest Paid to Loans Outstanding (4 to 1)	7.30	6.85	6.38	6.29	5.63
6	% of Gross Banking profit or Margin Available (3-5)	-4.63	-2.32	-2.37	-2.65	-2.46
7	Establishment Expenses	30666.35	35022.71	40789.56	48169.97	55755.62
8	% of Establishment Expenses to Loans Outstanding	7.91	7.98	8.26	9.34	9.83
9	Adequacy (+) / in adequacy (-) of margin (6-8)	<b>-12.54</b>	<b>-10.30</b>	<b>-10.63</b>	<b>-11.99</b>	<b>-12.29</b>

Source: Annual Reports of ICICI Bank Ltd.,

**Table 7: Item Wise Classification of Income and Expenses of ICICI Bank Ltd.,**

(Rs. in Crores)

Sl. No.	Item wise Income and Expenses	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Total Interest Earned	44884.59	54963.99	59293.71	54156.28	54965.90
2.	Total Interest Paid	28285.41	30051.53	31515.39	32418.96	31940.04
3.	Total Manpower Expenses	4220.00	4750.00	5020.00	5734.00	5914.00
4.	Other Establishment Expenses (Operating Expenses Salaries and Provisions)	9012.88	11495.83	12683.56	14755.06	15703.94
5.	Non-Interest Income	29319.80	12176.13	15323.05	19504.48	17419.63
6.	Profit Before Tax	11396.68	15819.92	13557.47	12657.42	9591.10
7.	Total number of employees	72226	69853	71810	82841	82274

Source: Figures compiled from Annual Reports of ICICI Bank Ltd.,

**Total Income and Expenses Classification:**

Item wise classification of Income and Expenses are portrayed in table–7 which expresses their respective status during the study period. These may be used to evaluate profitability performance of ICICI Bank.

Total income and expenses has been divided into certain heads to calculate profitability analysis. The divided heads such as: Total Interest Earned, Total interest paid, Total Manpower Expenses, Other establishment Expenses, Non-interest income, Profit before tax and Total number of employees. These heads play a prominent role in evaluating profitability performance of ICICI Bank.

**Volume of Business:**

Volume of business represents the combination of deposits and outstanding advances. It has been explained in Table–8.

**Table 8: Volume of Business of ICICI Bank Ltd.,  
(Rs. in Crores)**

Year	Deposits	Outstanding Advances	Volume of Business
2013-14	359512.68	387341.78	746854.46
2014-15	385955.24	438490.09	824445.34
2015-16	451077.39	493729.10	944806.49
2016-17	512587.26	515317.31	1027904.57
2017-18	585796.11	566854.21	1152650.33
AM	458985.74	480346.50	939332.24
CAGR in %	10.26	7.91	9.07
SD	92526.86	69439.67	160955.22
Variance	8561219620	4821868106	25906582040
CV	5009397529		

**Source:** Annual Reports of ICICI Bank Ltd.,

Total deposits during the year 2013-14 in table – 8 was Rs.359512.68 crores and has been increased to Rs.585796.11 crores for the year ending 2017-18 as against outstanding advances of Rs.387341.78 crores to Rs.566854.21 crores respectively during the study period. Volume of business during the year 2013-14 was Rs.746854.46 crores and reached to Rs.939332.24 crores for the year ending 2017-18 and compound annual growth rate recorded 9.07 per cent.

**Profitability Performance of ICICI Bank Ltd., - An Analysis:**

Profitability performance and its analysis has been discussed in Table–9 and 9.1.

**Table 9: Consolidated Profitability Performance of ICICI Bank Ltd.,  
(In percentage)**

Sl. No.	Indicators	2013-14	2014-15	2015-16	2016-17	2017-18	AM	SD	Variance
1.	Interest Earned Ratio (r)	6.00	6.67	6.28	5.27	4.77	5.798	0.769591	0.59227
2.	Interest Paid Ratio (k)	3.79	3.65	3.34	3.15	2.77	3.340	0.406079	0.16490
3.	Total Manpower Ratio (m)	0.57	0.58	0.53	0.56	0.51	0.550	0.029155	0.00085
4.	Other Expenses Ratio (o)	1.21	1.39	1.34	1.44	1.36	1.348	0.085849	0.00737



Sl. No.	Indicators	2013-14	2014-15	2015-16	2016-17	2017-18	AM	SD	Variance
5.	Other Income Ratio (c)	3.93	1.48	1.62	1.90	1.51	2.088	1.042962	1.08777
6.	Payout per employee Ratio	5.84	6.80	7.00	6.92	7.18	6.748	0.526042	0.27672
7.	Volume of Business per Employee Ratio	10.34	11.80	13.16	12.41	14.01	12.34	1.392634	1.93943
8.	Profitability Ratio (p) (r-k) – (m+o-c) or (Spread-Burden)	4.36	3.02	2.53	2.02	1.64	2.75	1.052796	1.10838
9.	Spread Ratio (r-k)	2.21	3.02	2.94	2.12	2.00	2.458	0.483136	0.23342
10.	Burden Ratio (m+o-c)	-2.15	0.49	0.25	0.10	0.36	-0.19	1.105011	1.22105

Source: Annual Reports of ICICI Bank Ltd.,

**Hypothesis (H<sub>2</sub>) Result Analysis:**

**Table 9.1: Regression Analysis of Profitability of ICICI Bank Ltd.,**

Dependent	Independent	R <sup>2</sup>	F Statistics	Beta	t- score	Sig.
Profitability Ratio	1. Interest Earned Ratio	0.876	1707.5	0.121	2298938.453	0.000
	2. Interest Paid Ratio			0.423	4036147.584	0.000
	3. Total Manpower Ratio			1.231	5026050.955	0.000
	4. Other Expenses Ratio			0.321	2314567.121	0.001
	5. Other Income Ratio			0.255	3214289.003	0.021
	6. Payout per employee Ratio			0.145	2928272.111	0.045

As apparent from Table–9, consolidated profitability performance of ICICI Bank Ltd., Interest earned ratio recorded highest in the year 2014-15 at 6.67 per cent as against lowest of 4.77 per cent, in the year 2017-18. This ratio shows downward trend from 6 per cent to 4.77 per cent. Interest paid ratio also showed decreasing trend starting from 3.79 per cent to 2.77 per cent. Manpower expenses ratio recorded fluctuating trend ranging from 0.57 per cent to 0.50 per cent. Other income ratio calculated values showed decreasing trend from 3.93 percent to 1.51 per cent. The volume of business increased to Rs.14.01 crores from Rs.10.34 crores per employee during the study period. The difference between interest earned ratio (R) and Interest paid ratio (k) is called Spread Ratio which was 3.02 per cent in the year 2014-15 as against lowest at 2.00 per cent in the year 2017-18. Computed Burden Ratio in the year 2013-14 was -2.15 per cent, and during the year 2014-15 it was 0.49 per cent which is highest during the study period and lowest was 0.10 per cent in the year 2016-17. The performance of burden ratio is not at satisfactory level. The difference between spread and Burden is profitability. During the year 2013-14 it was 4.36 per cent and declined to 1.64 per cent which is the lowest among all the years. The profitability performance during the study was not good.

Table - 10 shows the result of linear regression conducted between Profitability Ratio of ICICI Bank as dependant and Interest Earned Ratio, Interest Paid Ratio, Total Manpower Ratio, Other Expenses Ratio, Other Income Ratio and Payout per employee Ratio. Profitability ratio has got more dependence on manpower ratio since beta value is

1.231; t statistic is 5026050.955 and significant P value is 0.000 <0.05 and between interest earned ratio and profitability ratio the test results are (beta=0.121; t=2298938.453 and P=0.000<0.05). Remaining four independent factors are also significant in predicting profitability ratio of ICICI Bank since all the beta values are significant at P value is less than 0.05. Hence, hypothesis which was formulated (H<sub>2</sub>) has been accepted.

## **FINDINGS:**

After observing the study some findings are outlined below:

- The Compound Annual Growth Rate recorded expenses ratio is more than income and Profit showing negative i.e., -1.49 per cent.
- The calculated Pearson correlation between income and expenditure is 0.998 and is significant at 0.01 level of alpha 2 tailed.
- The study finds the Cumulative Annual Growth Rate of Operating Expenses was 40.16 per cent.
- The study observes negative Cumulative Annual Growth Rate on interest on borrowings is -6.32 per cent.
- It is found that the interest coverage ratio showed fluctuating trend.
- The CAGR of Return on Assets during the study period showed negative -7.84 per cent.
- The net result of Gross Banking Profit or Margin available has become negative during all the years of the study period.
- The spread ratio recorded fluctuating trend which ranges between 3.02 per cent to 2.00 per cent.
- Burden Ratio at initial stage showed negative and slowly reached to 0.10 per cent.
- Profitability ratio showed fluctuating trend and decreased from 4.36 per cent to 1.64 per cent.
- Profitability ratio has got more dependence on manpower ratio since beta value is 1.231.
- Four dependent factors are significant in predicting profitability since all the beta values are significant at p value is less than 0.05.

## **SUGGESTIONS:**

- ✓ All different components of income have to improve. The bank higher ups should concentrate on improvement of income level by using various strategies such as by providing awareness on investment opportunities to the public and also see the effective utilisation of funds etc.,
- ✓ The banker should concentrate on controlling operating expenses by implementing innovative technologies.
- ✓ Payment of interest / dividend to respective shareholders / stake holders on time which improves the goodwill of the concern. The banker should create some fund to meet interest on borrowings.
- ✓ The banks shall use the strategies in decreasing cost and improving the quality of services to the public so that profitability may be improved.
- ✓ Funds should not be put idle. The banker must see the funds are invested on any investmental activities, so that profit may be increased.

## **CONCLUSION:**

It can be concluded that different costs have increased, but income level of the bank has not increased as the level increased by the cost. This study will help to the policy makers of the bank to formulate innovative strategies to decrease the cost and to increase the income level. The contents of Spread Ratio such as Interest Earned Ratio (r) decreased during the study period, but interest paid ratio (k) which has meagrely decreased. Due to that profitability of ICICI Bank has decreased. It is advised to the ICICI Bank Ltd., different income levels must be improved, otherwise survival of the bank may take place in long run.

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