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An Analysis of Financial Performance of ICICI in India

Jyoti Saini[1]* Dr. Vipin Mittal[2]

[1] Research Scholar of OPJS University, Churu, Rajasthan

[2] Associate Professor, OPJS University, Churu, Rajasthan

Abstract – Finance plays an important role in every aspect of development. Banking system of a country is an important constituent of financial structure of that country. For the purpose of industrialization the financial assistance required is essential, which is provided by corporation. The present paper is restricted to industrial financing. In this study financial assistance practices have been appraised. The evaluation will be quantitative as well as qualitative. Secondary data has been used by the researcher to achieve the objectives of the study. A period of 5 years from 2012-13 to 2016-17 has been taken to reach the conclusion.

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INTRODUCTION

An efficient capital market is an essential pre-requisite for economic development and development of capital market in a country is dependent upon the availability of savings, proper organisation of intermediary institutions to bring the investor and business ability together for mutual interests, regulation of investment etc. Financial intermediaries play a very important role in the functioning of a modern complex economy in promoting economic development and in the working of monetary-credit policy.

Financial intermediaries (Fls) are institutions or firms that mediate between ultimate lenders and ultimate borrowers. Fls obtain funds from the public and lend these funds to investors. The difference between the lending and the borrowing rates are the profits of the Fls. The Fls can also buy bonds and stocks with the acquired funds. Fls are generally classified into two broad groups (a) Banks and (b) Non-Banking Financial Intermediaries (NBFIs).

A bank is an institution that accepts deposits of money from the public withdrawable by cheques and uses these deposits for lending. These are the two essential functions which make a financial institution a bank. The former is its unique or most distinctive function. The word lending includes both direct lending to borrowers and indirect lending through investment in open-market securities. Neither of the functions alone is sufficient to earn any institution the status of a bank.

At present, at the All-India level following are the main industrial development banks: Industrial Finance Corporation of India (IFCI), 1948); Industrial Credit and Investment Corporation of India (ICICI),(1964); Industrial Reconstruction Corporation of India (IRCI), (1985); Industrial Development Bank of India (IDBI), (1964); for large scale industries and Small Industries Development Bank of India (SIDBI), (1990); for small scale industries. For agriculture, it is the National Bank for Agriculture and Rural Development (NABARD) (1982) and for foreign trade there is Export-Import Bank (EXIM Bank), (1982).

At the state level Industrial development banks are the State Financial Corporations (SFCs), the State Industrial Development Corporations (SIDCs) etc. For promoting agricultural development, there are mainly district level banks, called Land Development Banks (LDBs). A number of unorganised NBFIs are also operating in the country. They are known as loan Companies, hire purchase finance Companies, chit funds and nidhis etc.

INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI)

ICICI is another milestone in the growth of the Indian Capital Market. ICICI was setup in 1955 as a private-sector development bank. ICICI has transformed itself from the role of a development bank to a universal bank. It was established to fulfill the following objectives:

(i) To assist in the creation, expansion and modernization of private concerns.

(ii) To encourage and promote participation of private capital in such enterprises.

(iii) To encourage and promote private ownership in expansion of investment market.

The idea underlying the establishment of the ICICI first crystallized as a result of certain deliberations among the Govt. of India, the World Bank and certain American financiers. The idea was further pursued and a Steering Committee was set up, consisting of five members, two members of this committee visited the USA and the UK to enlist the support of investors in those countries and of the World Bank. These endeavors ultimately culminated in the founding of the Corporation.

REVIEW OF LITERATURE

Bhole (2012) tries to classified as Banking Institutions, and Non-Banking financial Intermediaries (NBFI) Banks, subject to legal reserve requirements, can advance credit by creating claims against themselves, while NBFI can lend only out of resources put at their disposal by the ultimate severs.

Misra (2013) has stressed on the development banks and financing of new entrepreneurship in India that financing institutions have evolved different schemes of assistance to attract new entrepreneurs in the industrial activities especially after 1970. Present study shows that in small units, they have directly subscribed the securities and saved the cost of issue of shares.

Panda and Sahu (2014) has analysed the study of ICICI's operations that the broader horizon of operations not with standing, the major beneficiary has been the private sector. Between 1955 and 1981, the aggregate assistance extended by the corporation was Rs. 1572.88 Crore. About 86% of this assistance, given to the private sector. The remaining 14% was distributed among the three other sectors.

Sadhak (2015) explains the concessional finance and central investment subsidy are provided for encouraging the setting up of the industries in notified backward regions in India. This article is an attempt to access the impact of institutional finance and central subsidy on the capital structure of the industrial units in Aurangabad in Maharashtra.

Rama Krishna Sharma (2016) found the role of financial institution in regional development. The important objective is to review the role of special financial institutions in the reduction of regional disparities in India. Since the Industrial Development Bank of India (IDBI) has emerged as an apex financial institution playing promotional and development role.

Kotia and Sharma (2017) highlighted the objectives and operations of development banks are quite different from those of manufacturing business enterprises, the financial structure of these two differ significantly. The present study attempts to explain the important ratio in financial structure debt to equity in the context of development banks with special reference to India.

Srivastava in (2017) found that the development banks in India have come into existence to propel the wheels of industrial sector fostering and accelerating the pace of economic growth in the country.

OBJECTIVES OF THE STUDY

- To review the structure, role and progress of development banks in general and ICICI in particular.
- To analyse state-wise and Industry-wise dispersal of assistance.
- To review the sector-wise dispersal of assistance.
- To conclude and suggestions for improving the functions of the bank.

SCOPE OF STUDY

It covers detailed study of the amount of financial assistance sanctioned and disbursed. There are numerous other functions which are performed by ICICI. The present study is restricted to industrial financing. In this study financial assistance practices have been appraised.

NEED OF THE STUDY

India is a developing country and passing through phases of development and a particular nation, state, district or place depends upon its resources. Thus, finance plays an important role in every aspect of development. Banking system of a country is an important constituent of financial structure of that country. By reviewing the available description of the development banks in general and ICICI in particular, there appears to be a research gap. We have to need the present study which involves the analysis and interpretation of the financial assistance practices of ICICI.

RESEARCH METHODOLOGY

The data for the present study has been collected from the annual reports on development banking in India which is being published by the RBI annually. In addition to this, the literature on this research has been collected from different books and journals, RBI Bulletins, statistical tables relating to commercial banks in India in the library. It covers not only the aggregate amount of assistance sanctioned and disbursed by ICICI, but also the breakup of such assistance on the basis of different parameters. The financial assistance sanctioned and disbursed by ICICI has been further classified on State-wise, Industry-wise, purpose-wise, scheme-wise etc. to carry out the study. The study covers a period of 5 years from 2012-132013 to 2016-17. The data obtained has been arranged in table in a systematic manner, percentages have been computed for the purpose of analysis and interpretation.

EXPONENTIAL GROWTH RATE

The growth of different types of assistance provided by ICICI has been computed with the help of Exponential Growth Rate (EGR). For this purpose two equations have been used:

$$\sum \log Y = N \log a + \sum x (\log b)$$

$$\sum (X \log Y) \quad = \sum x (\log a) + \sum x^2 (\log b)$$

After solving these equations, value of variable b is ascertained and the average annual growth rate has been calculated by using formula:

$$\text{Growth Rate } (r) = \quad 100\,(b-1)$$

This formula has been used to calculate the rate of change of sanctioned and disbursed financial assistance and their components.

TREND ANALYSIS

The share of different states in total assistance provided under various schemes has been calculated in percentage term. For finding out the trends the simple percentage of the components to the total has been found. Also the total of the component to the cumulative amount have been found. The percentage helps us to find the trends and also to indicate which component is getting more or less in absolute terms.

LIMITATIONS OF STUDY

(i) The present study is based on secondary data. These findings and conclusions of this study are based on such secondary data.

(ii) The study is based mainly on quantitative analysis.

(iii) The study covers limited time period i.e. 5 years

(iv) Functioning of the banks is changing from time to time. Any such changes in data may warrant revision of ideas.

DATA ANALYSIS AND INTREPRETATIONS

State-Wise Assistance

Table 4.1 states the state-wise assistance sanctioned to various projects by the ICICI during the 2012-2013 to 2016-17. Maharashtra, which had infrastructure was sanctioned the highest assistance of Rs. 36 Crore (43.69%) while Bihar was sanctioned assistance of Rs. 0.6 Crore (0.73%)which is lowest. In 2006-07, Multi-state or others which includes short term placement in mutual funds was sanctioned the highest assistance of Rs. 44.5Crore (42.58%) and Rajasthan received the lowest sanctioned assistance of Rs. 0.5 Crore (0.48%). Maharashtra has recorded the highest and positive growth rate of 1.4%. However Andhra Pradesh, Gujarat, Rajasthan and Tamilnadu have the negative growth rate.

TABLE 4.1

STATE WISE ASSISTANCE SANCTIONED

SR. No.	States	2012-2013	2013-2014	2014-2015	2005-2006	2016-2017	(Rs. Crore) Cumulative up to end March 2017	EGR(%)
1	Andhra Pradesh	8.3 (10.07)	33.9 (32.10)	16.7 (17.51)	0.5 (0.59)	6.6 (6.32)	149.3 (6.40)	-46.01
2	Bihar	0.6 (0.73)	-----	3.0 (3.14)	2.5 (2.97)	-----	11.3 (0.48)	-----
3	Delhi	-----	9.8 (9.28)	2.0 (2.10)	1.7 (2.02)	1.6 (1.53)	238.2 (10.21)	-----
4	Goa	-----	-----	7.9 (8.28)	1.1 (1.31)	6.3 (6.03)	115.6 (4.95)	-----
5	Gujarat	2.5 (3.03)	16.6 (15.72)	10.0 (10.48)	9.7 (11.53)	2.4 (2.30)	185.4 (7.95)	-6.19
6	Haryana	-----	13.0 (12.31)	-----	-----	13.3 (12.73)	51.3 (2.20)	-----
7	Himachal Pradesh	-----	-----	-----	-----	-----	9.4 (0.40)	-----
8	Jammu & Kashmir	-----	-----	1.5 (1.57)	-----	-----	7.3 (0.31)	-----
9	Karnataka	-----	-----	0.5 (0.52)	-----	-----	116.1 (4.98)	-----
10	Kerala	0.7 (0.85)	-----	-----	-----	-----	92.4 (3.96)	-----
11	Madhya Pradesh	-----	-----	2.3 (2.41)	5.2 (6.18)	3.4 (3.25)	78.7 (3.37)	-----
12	Maharashtra	36.0 (43.69)	5.7 (5.40)	22.3 (23.37)	24.3 (28.89)	18.7 (17.89)	386.7 (16.57)	1.4
13	Orrisa	8.0 (9.71)	-----	-----	5.9 (7.02)	1.2 (1.15)	38.6 (1.65)	-----
14	Punjab	-----	-----	-----	4.5 (5.35)	-----	28.7 (1.23)	-----
15	Rajasthan	6.0 (7.28)	7.5 (7.10)	8.1 (8.49)	6.0 (7.13)	0.5 (0.48)	198.1 (8.49)	-51.93
16	Sikkim	-----	-----	-----	-----	-----	6.5 (0.28)	-----
17	Tamil Nadu	14.4 (17.48)	18.5 (17.52)	7.9 (8.28)	9.3 (11.06)	4.0 (3.83)	383.7 (16.45)	-32.5
18	Uttaranchal	-----	-----	7.8 (8.18)	1.4 (1.66)	-----	24.6 (1.05)	-----
19	Uttar Pradesh	5.9 (7.16)	-----	-----	2.5 (2.97)	-----	100.5 (4.31)	-----
20	West Bengal	-----	0.6 (0.57)	4.8 (5.03)	3.3 (3.92)	-----	43.0 (1.84)	-----
21	Union Territories	-----	-----	0.6 (0.63)	-----	2.0 (1.91)	17.0 (0.73)	-----
a)	Chandigarh	-----	-----	-----	-----	2.0 (1.91)	6.0 (0.26)	-----
b)	Dadra & Nagar Haveli	-----	-----	0.6 (0.63)	-----	-----	5.2 (0.18)	-----
c)	Daman & Diu	-----	-----	-----	-----	-----	2.8 (0.12)	-----
d)	Pondicherry	-----	-----	-----	-----	-----	4.0 (0.17)	-----
22	Multi-State/ Others*	-----	-----	-----	6.2 (7.37)	44.5 (42.58)	50.7 (2.17)	-----
	Total	82.4 (100)	105.6 (100)	95.4 (100)	84.1 (100)	104.5 (100)	2333.1 (100)	2.48

Note:

EGR= Exponential Growth Rate

Figures in the parenthesis are the percentages of total assistance sanctioned by ICICI.

* Includes short term placement in mutual funds.

- Source: ICICI.com

TABLE 4.1-B

STATE WISE ASSISTANCE DISBURSED

SR. No.	States	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	(Rs. Crore)Cumulative up to end March 2017	EGR(%)
1	Andhra Pradesh	5.1 (4.57)	22.9 (37.79)	29.0 (33.53)	2.2 (2.32)	6.4 (8.06)	127.1 (8.60)	-18.89
2	Bihar	0.5 (0.45)	-----	2.0 (2.31)	1.0 (1.06)	1.9 (2.39)	11.0 (0.74)	-----
3	Delhi	8.4 (7.52)	2.0 (3.30)	-----	1.7 (1.80)	1.5 (1.89)	150.3 (10.17)	-----
4	Goa	2.7 (2.42)	2.1 (3.46)	4.6 (5.32)	-----	2.7 (3.40)	57.1 (3.86)	-----
5	Gujarat	14.1 (12.62)	2.9 (4.79)	9.9 (11.45)	8.2 (8.66)	0.3 (0.38)	107.1 (7.25)	-66.61
6	Haryana	-----	-----	-----	-----	-----	17.6 (1.19)	-----
7	Himachal Pradesh	-----	-----	-----	-----	-----	6.7 (0.45)	-----
8	Jammu & Kashmir	1.2 (1.07)	4.1 (6.77)	1.6 (1.85)	-----	-----	7.7 (0.52)	-----
9	Karnataka	1.4 (1.25)	-----	0.5 (0.58)	3.5 (3.70)	-----	55.2 (3.74)	-----
10	Kerala	5.0 (4.48)	-----	-----	-----	-----	62.0 (5.20)	-----
11	Madhya Pradesh	2.2 (1.97)	3.1 (5.12)	-----	0.7 (0.74)	2.3 (2.90)	58.2 (3.94)	-----
12	Maharashtra	14.7 (13.16)	8.9 (14.69)	16.8 (19.42)	35.4 (37.38)	15.7 (19.77)	186.7 (12.64)	15.12
13	Orrisa	16.7 (14.95)	1.5 (2.48)	-----	10.2 (10.77)	1.2 (1.51)	36.2 (2.45)	-----
14	Punjab	-----	-----	-----	-----	2.0 (2.52)	13.3 (0.90)	-----
15	Rajasthan	7.1 (6.36)	2.3 (3.80)	-----	3.1 (3.27)	0.5 (0.63)	137.2 (9.29)	-----
16	Sikkim	1.3 (1.16)	0.9 (1.49)	1.5 (1.73)	-----	-----	6.1 (0.41)	-----
17	Tamil Nadu	13.1 (11.73)	4.6 (7.59)	11.3 (13.06)	15.1 (15.95)	-----	275.0 (18.61)	-----
18	Uttaranchal	-----	-----	7.8 (9.02)	1.4 (1.48)	-----	24.6 (1.67)	-----
19	Uttar Pradesh	15.3 (13.70)	2.3 (3.80)	1.5 (1.73)	-----	-----	42.7 (2.89)	-----
20	West Bengal	0.5 (0.45)	2.1 (3.46)	-----	3.6 (3.80)	0.4 (0.50)	32.0 (2.17)	-----
21	Union Territories	2.4 (2.15)	0.9 (1.49)	-----	0.4 (0.42)	-----	10.9 (0.74)	-----
a)	Chandigarh	-----	-----	-----	-----	-----	-----	-----
b)	Dadra & Nagar Haveli	0.5 (0.45)	0.7 (1.16)	-----	0.4 (0.42)	-----	3.4 (0.23)	-----
c)	Daman & Diu	-----	-----	-----	-----	-----	3.5 (0.24)	-----
d)	Pondicherry	1.9 (1.70)	0.2 (0.33)	-----	-----	-----	4.0 (0.27)	-----
22	Multi-State/ Others*	-----	-----	-----	8.2 (8.66)	44.5 (56.05)	52.7 (3.57	-----
	Total	111.7 (100)	60.6 (100)	86.5 (100)	94.7 (100)	79.4 (100)	1477.4 (100)	-----

Note:

EGR= Exponential Growth Rate

Figures in the parenthesis are the percentages of total assistance disbursed by ICICI.

* Includes short term placement in mutual funds.

- Source: ICICI.com

INDUSTRY WISE ASSISTANCE

Table 4.3 states the industry-wise assistance sanctioned by ICICI. The sanctions were highest for hotels which were Rs. 82.4 Crore (100%) and other Industries like restaurants, entertainment, centers, services and water parks were nil. The highest sanction was for hotels Rs. 48.7 Crore (46.60%) and lowest for amusement parks/water parks and other industries Rs. 1.5 Crore (1.44%). Hotel recorded the negative growth rate. The industries like hotels not only sanctioned less assistance but have been showing decrease in the assistance as indicated by negative growth rate.

TABLE 4.3

INDUSTRY- WISE ASSISTANCE SANCTIONED

SR. No.	Industry	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	(Rs. Crore)Cumulative up to end March 2017	EGR(%)
1	Hotels	82.4 (100)	96.2 (91.10)	73.8 (77.36)	75.4 (89.66)	48.7 (46.60)	1967.9 (84.35)	-12.95
2	Amusement parks/ water parks	-----	0.6 (0.57)	-----	-----	1.5 (1.44)	1.5 (0.06)	-----
3	Restaurants	-----	-----	4.5 (4.72)	-----	4.3 (4.11)	4.3 (0.18)	-----
4	Entertainment centres/multiplexes	-----	-----	15.1 (15.83)	-----	4.0 (3.83)	4.0 (0.17)	-----
5	Services-Others	-----	8.8 (8.33)	2.0 (2.10)	8.7 (10.34)	44.5 (42.58)	353.9 (15.17)	-----
6	Other Industries*	-----	-----	-----	-----	1.5 (1.44)	1.5 (0.06)	-----
	Total	82.4 (100)	105.6 (100)	95.4 (100)	84.1 (100)	104.5 (100)	2333.1 (100)	2.48

Note: EGR= Exponential Growth Rate

TABLE 4.4

INDUSTRY- WISE ASSISTANCE DISBURSED

SR. No.	Industry	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	(Rs. Crore) Cumulative up to end March 2017	EGR(%)
1	Hotels	111.7 (100)	56.1 (92.57)	77.4 (89.48)	81.0 (85.53)	28.4 (35.77)	1250.1 (84.61)	-23.72
2	Amusement parks/ water parks	-----	-----	0.8 (0.92)	-----	1.0 (1.26)	1.0 (0.07)	-----
3	Restaurants	-----	-----	3.0 (3.47)	-----	4.0 (5.04)	4.0 (0.27)	-----
4	Entertainment centres/multiplexes	-----	2.5 (4.13)	5.3 (6.13)	-----	-----	-----	-----
5	Services-Others	-----	2.0 (3.30)	-----	13.7 (14.47)	44.5 (56.05)	220.8 (14.95)	-----
6	Other Industries*	-----	-----	-----	-----	1.5 (1.89)	1.5 (0.10)	-----
	Total	111.7 (100)	60.6 (100)	86.5 (100)	94.7 (100)	79.4 (100)	1477.4 (100)	-2.36

Note: EGR= Exponential Growth Rate

Figures in the parenthesis are the percentages of total assistance disbursed by ICICI.

- Includes retail finance. Source: ICICI

CONCLUSION

Financial assistance of ICICI has negative which has gone to private sector. The pre-dominance of the private corporate sector in the assistance pattern is not abnormal in view of ICICI's objective to meet the financial needs of this sector.

While the major share of the assistance of ICICI has gone to comparatively well-to-do concerns, financially sick companies with their genuine requirements have been left high. Some industries like hotels are showing decreasing trend in the share accounted by ICICI a negative step in direction of economic development.

The maximum assistance is being directed for the others which includes working capital term loans, corporate loans and retail finance followed by new industries which is keeping in view of the policy of giving assistance to new enterprises. However, it is seen that the maximum of the share is being taken up by the established industrialists for the corporate loans and retail finance projects.

To provide direct finance (project finance and non project finance) is the most important function of ICICI. Further in project finance major share goes to rupee loans, underwriting and direct subscriptions and deferred payment guarantees. In non-project finance major share goes in terms of equipment leasing.

The financial assistance provided by ICICI registered higher growth rates in initially lagging states. The growth rates are misleading or negative in most of the cases because of exceptionally poor base year figures.

At the same time, not that all the expectations placed in the Corporation have been met but much more has to be done and attempted. If achievements are substantial, challenges are many more.

SUGGESTIONS

There should be proper co-ordination between the corporation and other development banks involved in the financing industries in India. Infect, the development of any area depends upon the availability of infrastructural facilities. It is lack of infrastructural development which is a important barrier in the development of different backward areas. Therefore, it is suggested that the ICICI should provide assistance on the priority basis to the backward areas for the development of infrastructural facilities. A definite quota should be fixed which may be earmarked only for assisting these areas for infrastructural development.

For a complete assessment of progress of ICICI a detailed scrutiny of the qualitative content of the assistance and its compatibility with the desired socio-economic dimensions of development is inescapable. ICICI should make conscious efforts to promote balanced regional development of the country. A well-defined policy has been formulated by the Government to guide the financial priorities of ICICI. Because ICICI lack the specific guidelines for various industries, regions, purposes and the regional distribution of funds. In the absence of such guidelines, ICICI acted according to its convenience, taking into account the principles of the profitability and safety of its investment.

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Corresponding Author

Jyoti Saini*

Research Scholar of OPJS University, Churu, Rajasthan