



Resource Mobilization and Application of Funds of Industrial Credit and Investment Corporation of India (ICICI): An analysis

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Introduction:

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 businesses. 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. 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. In a developing country like India, access to credit is an important for growth as the cost of credit. The professional strength of ICICI is sharpened with its thrust both towards development of new financial services such as credit rating, venture capital and over the counter trading, to cite the three instances.

The new emphasis on growth of industries like exports and electronics is another dimension of new vision which demands greater funds. As a result, ICICI lending operations have been expanding substantially over the past few years in post liberalization era. To meet the enhanced demand for financial assistance, the company is augmenting its resources from time to time by public issues of bonds, equity and equity linked offerings in the domestic and international markets. Loan repayments, and interest payments, internally generated funds are also contributing to its resource mobilization base. The resources from these diverse sources are pooled and are used for financing activities of ICICI.

The main objectives of ICICI:

1. To assist the creation, expansion and modernization of industrial enterprises within the private sector in India.
2. To encourage and promote the participation of private capital, both internal and external, in such enterprises.
3. To encourage and promote private ownership of industrial investment and expansion of investment markets.

Functions of ICICI:

1. To provide funds in the form of equity participation.
2. To sponsor and underwrite new issues of shares and securities.
3. To guarantee loans from the private investment sources.
4. To make funds available for reinvestment by removing investments as rapidly as possible.

- 5.To provide managerial, technical and administrative services to industry.
- 6.To undertake promotional activities for fostering growth in underdeveloped areas of the country.
- 7.To serve as a merchant banker.
- 8.To provide lease financing.
- 9.To provide loans in foreign currency towards the cost of important capital equipment.

Development Activities of ICICI:

1. Leasing.
2. Merchant Banking
3. Project Promotion
4. Assistance to Projects in Backward Areas
5. Housing Development Finance Corporation
6. Assistance Under Soft Loan Scheme

Objectives of the Study:

The following objectives have been framed to assess the trends of resource mobilization and application pattern of ICICI.

- To analyse the trends in resource mobilization pattern of ICICI during the period from 2001-02 to 2015-16.
- To examine the pattern of application of funds during the period from 2001-02 to 2015-16.

Research Methodology:

The data have been collected from ICICI bank annual reports as second resource. For the purpose of analysis of data, statistical techniques such as average, growth and ANOVA have been exercised.

Hypothesis:

Further, the data have been statistically inferred by developing the following null hypothesis:

H1: There is no significance difference among various components of capital structure as far as resource mobilization of funds is concerned: and

H2: There is no significance difference among various components of investment pattern as far as application of funds is concerned

Trends in Resource Mobilization Pattern of ICICI:
 It is proposed to analyze the resource mobilization pattern of ICICI. The main sources of funds to the ICICI are:

- 1) Capital
- 2) Reserves and Surplus
- 3) Employees Stock options out standing
- 4) Deposits
- 5) Borrowings
- 6) Other Liabilities and Provisions

The data pertaining to the trends in resource mobilization pattern of ICICI for the period of 15 years, from 2001-02 to 2015-16 is presented in the following Table.

Table -1
Resource Mobilization Pattern of ICICI
During the period 2001-02 to 2015-16

(Rs. In Crores)

Year	Capital	Reserves and Surplus	Employees stock options outstanding	Deposits	Borrowings	Other Liabilities and Provisions	Total Capital and liabilities
2001-02	962.54 (0.92)	5632.41 (5.41)	-NA-	32085.11 (30.82)	49218.66 (47.28)	16207.58 (15.57)	104106.3 (100)
2002-03	962.66 (0.90)	6320.65 (5.92)	-NA-	48169.30 (45.10)	34302.42 (32.11)	17056.93 (15.97)	106811.96 (100)
2003-04	966.40 (0.77)	7394.16 (5.90)	-NA-	68108.58 (54.39)	30740.24 (24.55)	18019.49 (14.39)	125228.87 (100)
2004-05	1086.78 (0.65)	11813.19 (7.05)	-NA-	99818.78 (59.54)	33544.49 (20.01)	21396.16 (12.76)	167659.4 (100)
2005-06	1239.83 (0.49)	21316.16 (8.48)	-NA-	165083.17 (65.67)	38521.91 (15.32)	25227.88 (10.04)	251388.95 (100)
2006-07	1249.34 (0.36)	23413.92 (6.79)	-NA-	230510.19 (66.88)	51256.03 (14.87)	38228.64 (11.09)	344658.12 (100)
2007-08	1462.68 (0.37)	45357.53 (11.35)	-NA-	244431.05 (61.14)	65648.43 (16.42)	42895.38 (10.73)	399795.07 (100)
2008-09	1113.29 (0.29)	48419.73 (12.77)	-NA-	218347.83 (57.57)	93155.45 (24.56)	18264.66 (4.82)	379300.96 (100)
2009-10	1114.89 (0.31)	50503.48 (13.90)	-NA-	202016.60 (55.59)	94263.57 (25.94)	15501.18 (4.27)	363399.72 (100)
2010-11	1151.82 (0.28)	53938.82 (13.28)	0.29 (0.00)	225602.11 (55.54)	109554.28 (26.97)	15986.35 (3.94)	406233.67 (100)
2011-12	1152.77 (0.24)	59250.09 (12.51)	2.39 (0.00)	255499.96 (53.94)	140164.91 (29.59)	17576.99 (3.71)	473647.11 (100)
2012-13	1153.64 (0.19)	67604.29 (11.19)	4.48 (0.00)	314770.53 (52.10)	172888.20 (28.61)	47784.25 (7.91)	604205.39 (100)
2013-14	1155.05 (0.19)	72051.71 (12.12)	6.57 (0.00)	331913.66 (55.82)	154759.05 (26.03)	34755.55 (5.84)	594641.59 (100)
2014-15	1159.66 (0.18)	79762.26 (12.34)	7.44 (0.00)	361562.73 (55.91)	172417.35 (26.66)	31719.86 (4.91)	646629.3 (100)
2015-16	1163.17 (0.16)	88565.72 (12.29)	6.70 (0.00)	421425.71 (58.47)	174807.38 (24.26)	34726.44 (4.82)	720695.12 (100)
Total:	17094.52	641344.12	27.87	3219345.31	1415242.37	395347.34	5688401.53
Average:	1139.63	42756.27	4.65	214623.02	94349.49	26356.49	379226.77

Source: Various issues of Annual Reports

NOTE: NA: Data not available



The data analyses of the Table-1 provide the following observations:

Capital

It is evident that the share capital constituting less than 1 percent of the total resources of the ICICI during the period under review. The contribution of share capital moved from 0.92 per cent to 0.16 per cent from 2001-02 to 2015-16. The ICICI Bank made a follow on public offering of equity shares including Green shoe option and American Depository shares (ADSs) vide its prospectus dated June 26, 2007 and June 23, 2007 respectively aggregating to Rs.19967.35 crores. The expenses of the issue amounting to Rs.184.66 crores have been written-off against securities premium account as per the objects of the issue. In every year certain Government securities have been earmarked against redemption of preference share capital, which fall due for redemption on April, 20, 2001, as per the original issue terms.

Employee Stock Option Scheme

In February, 2011, the bank granted 3,035,000 options to eligible employees and the whole time directors of ICICI banks and certain of its subsidiaries at an exercise price Rs.967. Of these options granted 50% would vest on April 30, 2014 and the balance, 50% would vest on April 30, 2015. Based on intrinsic value of option, compensation cost of Rs.0.29 crores was recognized during the year 2010-11. Similarly, Rs.6.57 crores, Rs.7.44 crores and Rs.6.70 crores during years 2013-14, 2014-15 and 2015-16 respectively. The bank mobilized the total of Rs.27.87 crores through employee stock options scheme with an average of Rs.4.65 crores from 2001-02 to 2015-16. The ICICI bank has granted Rs.6.57 crores stocks options up to April 25, 2014 from time to time aggregating to 5.75% of the issued equity capital of the bank.

Reserves and surpluses

Reserves and surpluses are another important source of funding of the ICICI bank. The reserves and surpluses include statutory reserves, disclosed prereserves and capital reserves. The amount of reserves and surpluses moved from Rs.5,632.41 crores in the year 2001-02 to Rs.88,565.72 crores in the year 2015-16 which contributing 5.41 percent to 12.29 percent of the total resources mobilization of ICICI bank. It is observed that the total reserves and surpluses playing a significant role among all internal resources with the total amounts of Rs.6,41,344.12 crores with an average of Rs.42,756.27 crores during the period under review.

Deposits

Among the total resources the external resources such as deposits, borrowings and other liabilities and provisions are contributing more to the ICICI. Within the external resources the deposits mobilization constituting more than 50% in every year during the period under the study. In the year 2006-07 the amount of deposits constituting at a higher rate of 66.88% of the total resources with an amount of Rs.2,30,510.19 crores where last contribution at 53.94 percent with an amount of Rs.2,55,499.96 crores in the year 2011-12, then after its gradually increased to 58.47 percent with an amount of Rs.4,21,425.71 crores in the year 2015-16. It is observed that an on average Rs.2, 14,623.02 crores of different types of deposits raised by the ICICI during the period under review.

Borrowings

Among the external resources the borrowing are placed in second position, which includes the borrowings in India and outside India. The dependence of ICICI bank on borrowings decreased from 47.28 percent to 14.87 percent continuously from 2001-02 to 2006-07, then after it has been increasing year after year commencing from 14.87 percent to 29.59 percent continuously from 2006-07 to 2011-12.

Again it was decreased to 28.61 percent and 26.03 percent during the year 2012-13 and 2013-14 respectively. It is noticed that total amount of borrowings constituted with Rs.14, 15,242.37 crores with an average amount of Rs94, 349.49 crores.

Other Liabilities and Provisions

Similarly the other liabilities and provisions of the bank also contributed at 3.71 percent to 15.97 percent of the total resources during the period under study. In the year 2002-03 the other liabilities and provisions are constituted at a higher rate of 15.97 percent with an amount of Rs.17,056.93 crores whereas in the year 2011-12 the least rate at 3.71 percent with an amount of Rs.17,576.99 crores. The total amount of other liabilities and provisions registered at Rs.3,95,347.34 crores with an average amount of Rs.26,356.49 crores from the period of 2001-02 to 2015-16. Further, the data have been analyzed with the following null hypothesis:

H₀: There is no significance difference among various components of capital structure as far as mobilization of funds is concerned.

For the purpose of the testing the hypothesis, ANOVA has been exercised and the test result is shown below table

Table -2 ANOVA

Anova: Single Factor						
SUMMARY						
Groups	Count	Sum	Average	Variance		
Capital	15	17094.52	1139.634667	16066.79561		
Reserves and Surplus	15	641344.12	42756.27467	799074661.1		
Deposits	15	3219345.31	214623.0207	13527003667		
Borrowings	15	1415242.37	94349.49133	3135765798		
Other Liabilities and Provisions	15	395347.34	26356.48933	121128501.6		
Employees stock options outstanding	13	27.87	2.143846154	9.127175641		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4.9463E+11	6	82438400420	27.126505	1.69E-17	2.21273
Within Groups	2.46162E+11	81	3039035084			
Total	7.40792E+11	87				

Source: Computed by exercising MS Excel

It is evident from the ANOVA result that the calculated P Value (1.69) is less than the F-Crit (Table value of 2.21), as such the null hypothesis stands accepted. Hence, it has been statistically inferred that there is no significance difference among the various components as far as mobilization of funds is concerned.

The Pattern of Application of Funds of ICICI:

It is decided to analyze the patterns of application of funds of ICICI. ICICI bank is one of the leading developmental financial institutions in India. It is committed towards nation building and contributing to the society. It is continued to focus on the areas of elementary education, health care, sustainable livelihood through skill development and financial inclusion. The ICICI group continuous to focus on increasing shareholder value in a responsible and conscientious manner, capitalizing on opportunities while calibrating growth to developments in the environment. The approach will helpful to drive strong performance for the organization in the ahead. For this purpose the ICICI has been taking several measures for effective and efficient utilization of funds. In order to analyse the pattern of funds of ICICI, the application of funds broadly categorized into the following five types:

- (1) Cash & Bank Balance with RBI, other Banks and money at call and short notice.
- (2) Investments.
- (3) Loans and Advances.
- (4) Fixed Assets.
- (5) Other Assets.

The relevant data pertaining to application of funds of ICICI is presented in the following Table.

Table -3 Statement showing Application of funds of ICICI During the period 2001-02 to 2015-16

(Rs. in crores)

Year	Cash and balance with other banks and money at call and short notice	Investments	Loans and Advances	Fixed Assets	Other Assets	Total
2001-02	12786.35 (12.28)	35891.07 (34.48)	47034.86 (45.18)	4239.34 (4.07)	4154.66 (3.99)	104106.28 (100)
2002-03	6489.00 (6.08)	35462.30 (33.20)	53279.41 (49.88)	4060.72 (3.80)	7520.52 (7.04)	106811.95 (100)
2003-04	8470.63 (6.76)	42742.86 (34.13)	62095.52 (49.59)	4056.41 (3.24)	7863.44 (6.28)	125228.86 (100)
2004-05	12929.97 (7.71)	50487.35 (30.11)	91405.15 (54.52)	4038.04 (2.41)	8798.89 (5.25)	167659.40 (100)
2005-06	17040.22 (6.78)	71547.39 (28.46)	146163.11 (58.14)	3980.71 (1.58)	12657.52 (5.04)	251388.95 (100)
2006-07	37121.33 (10.77)	91257.84 (26.48)	195865.6 (56.83)	3923.42 (1.14)	16489.92 (4.78)	344658.11 (100)
2007-08	38041.12 (9.52)	111454.34 (27.88)	225616.08 (56.43)	4108.9 (1.03)	20574.62 (5.15)	399795.06 (100)
2008-09	29966.56 (7.90)	103058.31 (27.17)	218310.85 (57.56)	3801.62 (1.00)	24163.62 (6.37)	379300.96 (100)
2009-10	38873.08 (10.70)	120892.8 (33.27)	181205.6 (49.66)	3212.69 (0.88)	19214.93 (5.29)	363399.10 (100)
2010-11	34090.08 (8.39)	134685.96 (33.15)	216365.9 (53.26)	4744.25 (1.17)	16347.47 (4.02)	406233.66 (100)
2011-12	36229.31 (7.65)	159560.04 (33.69)	253727.66 (53.57)	4614.69 (0.97)	19515.39 (4.12)	473647.09 (100)
2012-13	49370.85 (7.32)	255666.67 (37.89)	329974.1 (48.90)	5473.45 (0.81)	34336.5 (5.09)	674821.57 (100)
2013-14	41529.6 (6.98)	177021.82 (29.77)	338702.65 (56.96)	4678.14 (0.79)	32709.39 (5.50)	594641.60 (100)
2014-15	42304.67 (6.55)	186580.03 (28.88)	387522.07 (59.98)	4725.52 (0.73)	24997.05 (3.87)	646129.34 (100)
2015-16	59868.74 (8.31)	160411.8 (22.26)	435263.94 (60.40)	7576.92 (1.05)	57573.7 (7.99)	720695.10 (100)
Total	465111.51	1736720.58	3182532.50	67234.82	306917.62	5758517.03
Average	31007.43	115781.37	212168.83	4482.32	20461.17	383901.14

Source: Various issues of Annual Reports

The analysis of data presented in the table-3 discloses the following

Cash and Balance with RBI, other Banks and money at call and short notice:

As the ICICI performing the major function of banking activity, it should maintain the require amount of cash and cash equalance include cash in hand, cash balances with RBI, with other banks and money at call and short notice. The data of the table reveals that the cash and balance with RBI, with other banks and money at call and short notice moved between Rs.6,489.00 crores and Rs.59,868.74 crores during the period under review. It is evident that its contribution the total application funds of ICICI is moved from 6.08 percent to 10.77per cent. The average amount of cash and balance with RBI, with other banks and money at call and short notice is recorded at Rs.31, 007.43 crores.

Investments:

The data analyses of the table reveals that the major amount of funds after loans and advances used for different types of investments. It is evident that 26.48 percent to 37.89 percent of total funds used for investments. In the year 2002-2003 Rs.35,462.30 crores used for the investments as against this the maximum amount of funds Rs.2,55,666.67 crores was used for investments in the year 2012-2013. The funds used in the investments continuously increasing year after year 2001-2002 to 2012-2013. Then after there was a slight decline in the year 2013-2014, 2014-2015 and 2015-2016. The average amount of Rs.1,15,781.37 crores was used for investments during the period under review.

Loans and Advances:

It is evident from the data of the table the percentage of loans and advances moved from 45.18 to 60.40 in the total application of the funds during the period under review. From 2003-2004 to 20011-20012 loans and advances constituting around 50 percent of the total application of funds. Only in the year 2001-2002 its share was 45.18 percent then after it was gradually increased year-after-year and reached to 60.40 percent in the year 2015-2016. It can be observed that the average amount of loans and advances stood at Rs.2,12,168.83 crores which is more than 50per cent of the total application of funds.

Fixed Assets:

The fixed assets of the bank includes premises other fixed assets which carried at cost less accumulated depreciation and improvement if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of assets. Fixed assets are review for improvement whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset which future net discounted cash flows

expected to be generated by the asset The bank has investing negligible amount in its fixed assets. It is evident that the portion of fixed assets in the application of total funds is varied between 0.73 percent to 4 percent only. Thus, it can be concluded the fixed assets constituting around 1 to 4 percent of its resource utilization. Only Rs.4, 482.32 crores of average amount used in fixed asset.

Other Assets:

The data reveals that Rs.4, 154.66 crores which constituting 3.99 percent of funds used in other assets in the year 2001-2002. As against this Rs.57, 573.70 crores which represents 7.99 percent of total funds used in other assets in the year 2015-2016. The average amount of funds of Rs.20, 461.17 crores used for the different types of their assets in the period of the study. It is proposed to analyse the data pertaining to the investment pattern in ICICI by developing the following null hypothesis:

H₀: There is no significance difference among various components of investment pattern as far as deployment of funds is concerned. ANOVA has been exercised to test the hypothesis and the result is shown in the following table

Table-4 ANOVA

Anova: Single Factor						
SUMMARY						
Groups	Count	Sum	Average	Variance		
Cash and balance with other banks and money at call and short notice	15	465111.51	31007.43	254146809.1		
Investments	15	1736720.58	115781.37	4128063685		
Loans and Advances	15	3182532.5	212168.83	1482675667.3		
Fixed Assets	15	67234.82	4482.32	1009772.55		
Other Assets	15	306917.62	20461.17	184163640.1		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4.55177E+11	4	1.13794E+11	29.34	2.48824E-14	2.502656
Within Groups	2.71518E+11	70	3878828116			
Total	7.26695E+11	74				

Source: Computed by exercising MS Excel

On the examination of ANOVA result in table-4, it has been observed that the calculated P Value (2.48) is less than the F-Crit (Table value of 2.50), as such the null hypothesis stands accepted. Hence, it has been statistically inferred that there is no significance difference among the various components as far as application of funds is concerned.

Conclusion:

The above analysis of resource mobilization of ICICI has reviewed that there is a down ward trend in the deposits for the past nine years, though borrowings of these institution also shows downward trend, Other Liabilities and Provisions also showing down word trend but the reserves and surplus is playing an important role among all the internal resources for resource mobilization of funds of ICICI. According to the above analysis of application of funds of ICICI Bank in Cash and balance with other banks and money at call and short notice, Investments, fixed assets and other assets are showing downward trend during the study period. There is a significant growth in loans and advances during the study period. The ICICI is increasing the assets not only in the form of fixed assets and also investing other form during the past 15 years.

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