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# Assessing The Key Financial Performance Of Investment Bank In India

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*Abstract*

*A country's economic development depends on the investment banks. The current study had made an attempt of the ICICI security limited's key performance based on the credit rating in the year 2019 from the year 2015 to 2019. Secondary data was used for the purpose of the study. The findings show an increase in the net profit of investment bank. Net profit increase means an increase in number of customers for the bank, which ultimately will lead to enhanced profit.*

***Keyword:*** Financial performance, Investment bank

## INTRODUCTION

Promotion of the operations in business is an important facility provided by the banking sector. In the current world of intense competition, the banking sector has to make continuous efforts for offering products and services with efficient quality and further it has to make a focus on the satisfaction of customers for enhancing its performance. The purpose of investment banking is the promotion of investments of long term. It also facilitates the business for acquiring fixed assets by way of giving loans for a long period of time. In earlier times, the commercial banks and investment banks had differences in their service nature offered. But nowadays, in India, even the commercial banks turn to provide the services as provided by the investment banks.

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One of the major component of the financial system is the industry of investment banking. it has a hold of sufficient number of share in the country's financial growth. By way of trading in activities of commercial banks and in shares, the capital market is supported by the investment banks. Further by offering loans for long, short and even medium period, investment banks offer the economy with credit market. According to Tarawneh (2006) and Qureshi et al (2013), three major factors are essential for the enhancement of financial performance; operating efficiency; IS (institution size) and AM (asset management).

The investment banks of India offer a varied range of services like debt and equity financing, advisor service for acquisition and merger, leasing and corporate restructuring. They also lend a helping hand to the investors, corporations, government, partners and agencies to elevate their finance level by the sales and issue of securities. Further they help the private and public corporations for raising their funds through investments in capital market.

Capital formation is essential to break the poverty circle, which is contributed by the investment banks. While making investment in the capital market, investment banks help the investors to create wealth. In recent years, the services of investment banks and commercial banks have become similar. Due to the heavy competition in the banking industry, the investment banks are prone to lesser production of income from interest and fees for the financing and advisory services which they offer. The main aim of the present paper is to execute a financial analysis in a detailed manner regarding the investment bank's performances. The study was carried out among the investment banks of Cuddalore district in Tamil Nadu.

## OBJECTIVE

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The main objective of the study was the identification of the factors that are specific to the banks and which has an impact on the financial performance.

**REVIEW OF LITERATURE**

Raza et al. (2011) had made a comparison of the financial performance offered by the investment banks. The comparison was made regarding the data of the year from 2003-2009. The analysis of data was done by dividing the ratios in three major divisions; which include liquidity ratios, capital ratios and profitability ratios. Nine ratios were utilized in the study. they include; admin expenses to profit before tax ratio, return on capital employed, return on owners equity ratio, return on assets, total owners' equity, current ratio, current ratio, institution size and capital ratio. The study found that, the financial performance of investment banks differs based on the ratio of efficiency when compared with the ratio of liquidity.

Ihsan Ilahia, Raja Ahmed Jamila*, Sibtain Kazmi (2014) have made a comparative study regarding the financial performance of the investment banks. The economic development of a country largely depends on the investment banks. Further credit and capital markets are hugely influenced by these banks. The credit rating of 2014 for the year 2009-2013 was used as the basis for comparing the financial performance of leading 10 investment banks. For the purpose of the study, financial measures and financial ratios were considered. Financial measures included total asset and equity. Financial ratios were inclusive of ROA (return on assets), ROE(return on Equity ratio), Cash and Cash Equivalent to Total Assets Ratio, capital ratio and Admin Expenses to Profit before Tax Ratio Financial measures were based upon two indicators total asset and total equity. This study had found that the change in the financial ratios decide upon the bank's ranking.

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## RESEARCH METHODOLOGY

The objectives of the research were achieved by collecting the required data from the analysis of financial statement of ICICI security limited fort the financial year 2015 to 2019. The study made the examination of the investment bank's key financial performance. Information pertaining to financial measures and financial ratios were also collected.

## DATA ANALYSIS AND RESULTS

| KEY PERFORMANCE RATIOS | ------------------ in Rs. Cr. ------------------- | | | | | |
|---|---|---|---|---|---|---|
| | **March - 2019** | **March - 2018** | **March - 2017** | **March - 2016** | **March - 2015** | **Average** |
| Net Profit Margin (%) | 28.57 | 29.54 | 24.04 | 21.00 | 20.17 | 24.664 |
| Return on Net worth / Equity (%) | 47.07 | 65.47 | 69.60 | 59.79 | 69.28 | 62.242 |
| Return on Capital Employed (%) | 38.37 | 43.09 | 91.35 | 82.10 | 102.72 | 71.526 |
| Return on Assets (%) | 10.47 | 19.16 | 16.54 | 16.93 | 17.92 | 16.204 |

Source: https://www.moneycontrol.com/financials/icicibank/ratiosVI/ICI02#ICI02

Above table contain the data related to key financial performance of investment banks in India for the period of 2015 to 2019 and average of five years. The value of this ratio is favorable when it is high.

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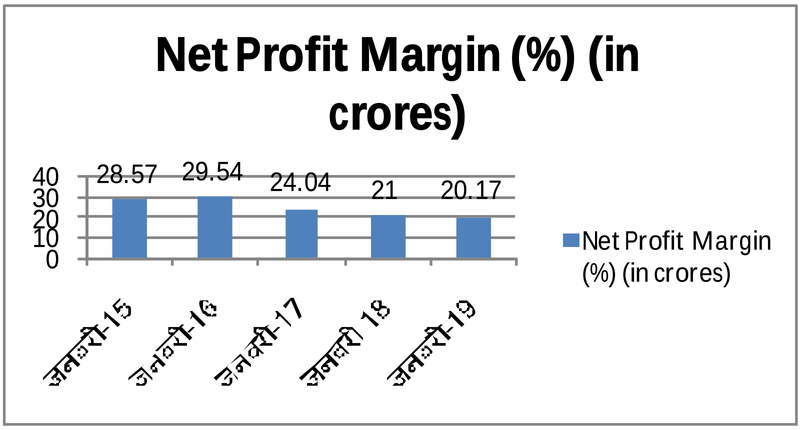


Table & figure 1 contain the data regarding net profit margin for the period of 2015 to 2019. The net profit margin of the last five years had been considered. The present day's net profit of the investment bank has gradually been increased as compared to the net profit of 2015. This shows that the net profit margin is favorable for the ICICI security limited.

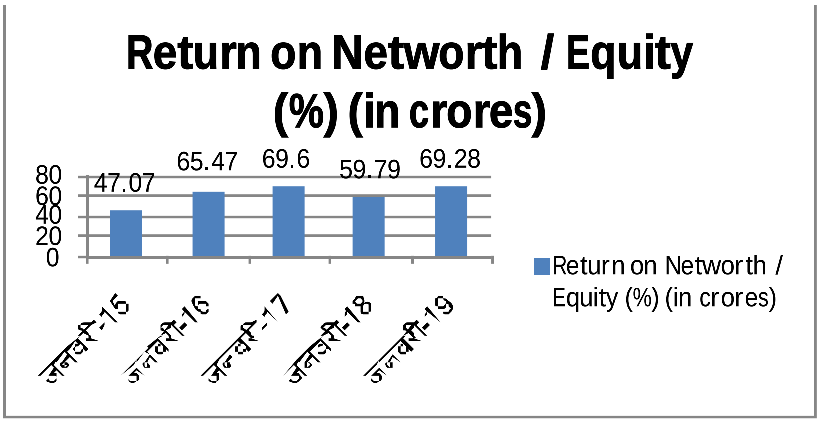


Table & figure 2 shows the data concerning return on net worth for the period of 2015 to 2019. When the return on net worth was considered, it has seen a slow down from 2015 to till date. Hence this is unfavorable for the investment bank.

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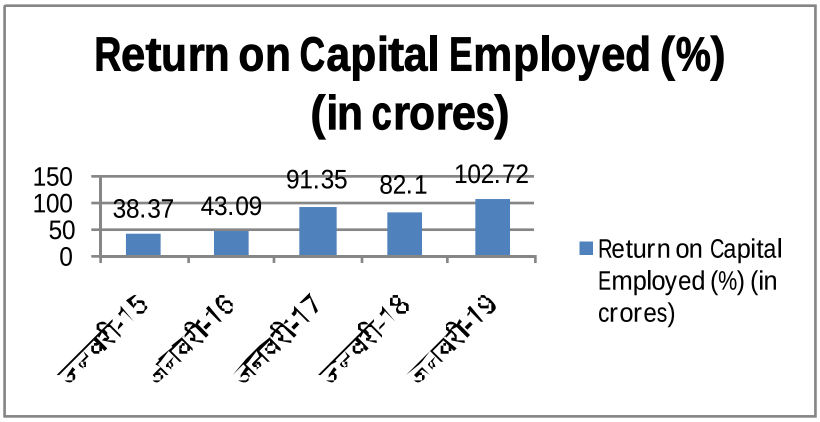


Table & figure 3 expose the data concerning return on capital employed for the period of 2015 to 2019. In the same way, unfavorable conditions prevail for return on capital employed, as this has also seen a downward movement in the current year.

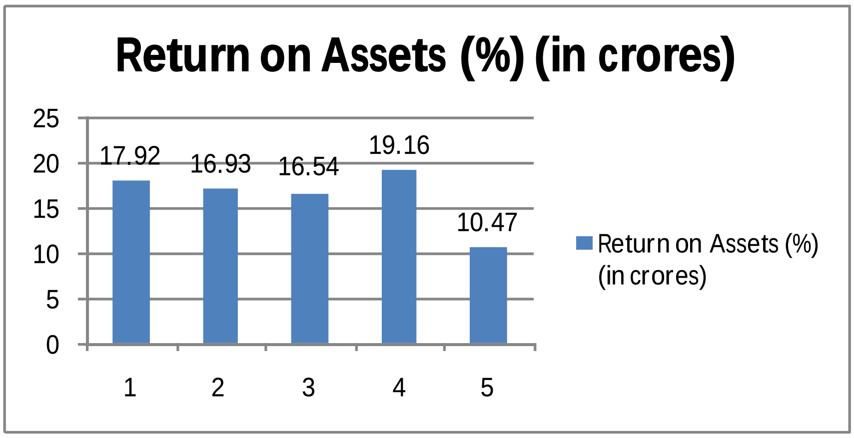


Table & figure 3 reveals the data pertaining to return on capital employed for the period of 2015 to 2019.The same is applicable for return on assets too, as the return on assets has also fallen down in the current year.

## CONCLUSION

The key performance of ICICI security limited, when seen in an overall way, was found to be satisfactory. As the net profit margin is high for this bank, there is no chance of loss arising. Net profit increase means an increase in number of customers for the bank, which ultimately will lead to enhanced profit.

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