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Pre and Post Merger Performance through CAMEL Rating Approach: A Case Study of ICICI Bank Ltd

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ABSTRACT

The CAMEL approach is a useful tool to examine the safety and soundness of banking sectors in India. It also highlights the risks being faced by banks and helps mitigate the potential risks which may lead to bank failures. In the present study, an attempt is made to evaluate the pre and post merger performance & financial soundness of ICICI banks using CAMEL approach. And this paper also observes financial ratios are considered to reflect profitability of banking sector using the following parameters such as, capital adequacy, asset quality, management efficiency, earning quality and liquidity under globally accepted parameters of CAMEL rating model and their consistency over the study period of 2007-08 to 2016-17. The main objective of this paper is to highlight the theoretical background of CAMEL model and overview of ICICI Bank Ltd. And to examine the shareholders capital adequacy ratios of pre and post merger performance in ICICI Bank Ltd. and also to study the asset quality, earning quality, liquidity ratios and management efficiency ratios of pre and post merger performance in ICICI Bank Ltd. The data has been collected from secondary sources and to measure the reliability of data and for financial ratios of pre-merger data and post merger data. Therefore this study can be concluded though there has been an improvement in the capital adequacy and asset quality in pre merger performance of the acquiring banks. But in the case of post merger performances of management efficiency and earnings quality failed to reflect the ability of the bank to effectively and assets quality generating increased income for the bank and thereby its profitability. And also the liquidity positions has been indicate changes good liquidity position in the post merger period compared to the pre merger period of ICICI Bank Ltd.

***Keywords*--** Pre-Merger, Earning Quality, Post-Merger and CAMEL approach.

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I. INTRODUCTION

The CAMELS ratings is a supervisory rating system originally developed in the U.S. to classify a bank's overall condition. It's applied to every bank. The ratings are assigned based on a ratio analysis of the financial statements, combined with onsite examinations made by a designated supervisory regulator. CAMEL rating has become a concise and indispensable tool for examiners and regulators. This rating ensures a bank's healthy conditions by reviewing different aspects of a bank based on variety of information sources such as financial statement, funding sources, macroeconomic data, budget and cash flow. Nevertheless, bank's CAMEL rating is highly confidential, and only exposed to the bank's senior management for the purpose of projecting the business strategies, and to appropriate supervisory staff. Its rating is never made publicly available, even on a lagged basis.

In the 1980s, CAMEL rating system was first introduced by U.S. supervisory authorities as a system of rating for on-site examinations of banking institutions. Under this system, each banking institution subject to on-site examination is evaluated on the basis of five (now six) critical dimensions relating to its operations and performance, which are referred to as the component factors. These are Capital, Asset Quality, Management, Earnings and Liquidity used to reflect the financial performance, financial condition, operating soundness and regulatory compliance of the banking institution. A sixth component relating to sensitivity to market risk has been added to the CAMEL rating to make the rating system more risk-focused. Each of the component factors is rated on a scale of 1 (best) to 5 (worst). A composite rating is assigned as an abridgement of the component ratings and is taken as the prime indicator of a bank's current financial condition in India.

The present study focused on CAMEL rating analysis of ICICI Bank. It was originally promoted in 1994 by the Industrial Credit and Investment Corporation of India (ICICI) and ICICI subsidiaries was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian banking industry. The parent company was later merged with the bank. ICICI Bank launched internet banking operations in 1998.later on ICICI bank merged with Sangli Bank and Bank of Rajasthan in the year 2007 and 2010. Therefore the current study has been mainly evaluates pre and post merger performance through CAMEL rating in ICICI bank. The current financial performance of ICICI Bank is placed India's second largest private sector bank with total assets of ₹ 15,953.42 billion (US$ 99 billion) at March 31, 2016 and profit after tax ₹ 108.10 billion (US$ 1,932 million) for the year ended March 31, 2016. The composite rating ranges between 1 (best) and 5 (worst), and also involves a certain amount of subjectivity based on the examiners‟ overall assessment of the institution in view of the individual component assessments. Therefore it helps to understand the CAMEL rating perspective and views of banking experts on the motives behind mergers and acquisitions in Indian banking industry.

II. REVIEW OF LITERATURE

The research has been conducted on pre and post merger financial performance through the CAMEL in ICICI bank Ltd from last few decades. The review of literature pertaining to the CAMEL approach is given below:

Zaman (2011), this study was focused on CAMELs rating system for banking industry in Pakistan. This study attempts on CAMELS is the supervisory and regulatory rating system implemented by State Bank of Pakistan. It takes into account six important components of a bank when it evaluates performance of the bank. Ratings is assigned to theses components on the scale of 1 to 5 and that is a base for composite rating is the dominant credit rating agency of Pakistan that performs ratings for most banks and industries in the country. These components are Capital, Assets, Management, Earning, Liquidity and Sensitivity to market risk. This study results generated by sample banks do not show any similarities with each other, banks suffer from bankruptcy that was the failure of both internal rating systems and credit rating agencies. This might be an indication of the banks that went on to bankruptcy in past three to four years or a future threat to financial sector of Pakistan.

Chaudhry (2012) analyzed the performance of selected public and private banks in India by using CAMEL Model. As per Sample three banks selected from each category such as, State Bank of India (SBI), Punjab National Bank (PNB) and Bank of Baroda (BOB) from public sector and ICICI, HDFC and AXIS from private sector banks in India for a period of12 years, i.e. 2000 to 2011. It found that the quality of earnings explains the sustainability and growth in earnings in the future. Therefore, PNB and HDFC are in a better position as their earnings quality is better in their respective groups which is evident from the ratio of operating profits to average working funds and finally in other part of the study focused on impact of the financial reforms on the soundness of Indian Banking through its impact on the asset quality. This study identified the key players as risk management, NPA levels, effective cost management and financial inclusion..

Makkar (2013**)** analyzed comparative analysis of the financial performance of Indian commercial banks. The study considered a sample of 37 banks (22 public sector banks and 15 private sector banks) for the period from 2006-07 to 2010-11.The study found that the IDBI Bank was the best performing bank followed by Kotak Mahindra Bank and ICICI Bank. Dhanalaxmi Bank had the worst performance followed by J & K Bank and Karnataka Bank Ltd. The results of the t-test disclosed there is no significant difference in the Management, Liquidity Position and Sensitivity to market risk of the two different banks groups. The study concluded that on an average, there is no statistically significant difference in the financial performance of the public and private sector banks in India, but still, there is a need for overall improvement in the public sector banks to make their position strong in the competitive market in India.

Gupta (2014), this study was conducted on an empirical study of financial performance of ICICI bank A comparative analysis. This study made attempt on ICICI bank is a pioneer venture on the horizon of offering an expanded range of banking products and financial services for corporate and retail customers through its diverse delivery channels and specialized subsidiaries in the areas of investment banking, asset management, venture capital and insurance. In the light of its strategic importance in the nation interest, it is crucial to evaluate the financial performance of the ICICI Bank. And the present study focused on operational control, profitability and solvency etc. This research paper is aimed to analyze and compare the Financial Performance of ICICI Bank and offer suggestions for the improvement of efficiency in the bank.

Meghani (2015), a comparative study on financial performance of public sector banks in India: An analysis on CAMEL model. This study is to analyze the financial position and performance of the Bank of Baroda and Punjab National Bank in India based on their financial characteristics. This study attempts to measure the relative performance of Indian banks. For this study have been used public sector banks. The results suggested that adequacy ratio, assets quality, management, earnings, liquidity and bank size are statistically significant in explaining bank failure in public sector banks.

Krupa (2016), this study was undertaken on camel model analysis of scheduled urban co-operative bank in surat city-A case study of Surat People's co-operative bank. The present study an attempt is made to evaluate the financial performance of the only scheduled Urban Co-operative Bank in Surat City namely Surat People Co-operative Bank using a CAMEL model. This model measures the performance of financial institution especially banks, from all the important parameter like Capital Adequacy, Assets Quality, Management Efficiency, Earning Quality and Liquidity. For the purpose of evaluation the data of 10 years are analyzed by calculating 28 ratios related to CAMEL Model. As far as loan portfolio is concern, the overall state of assets quality was also good. The management efficiency was also satisfactory. Overall earning capacity of the bank was not bad but the overall state of liquidity was not satisfactory in the urban co-operative bank in Surat city.

III. OBJECTIVES OF THE STUDY

The major objectives of the study are as follows:

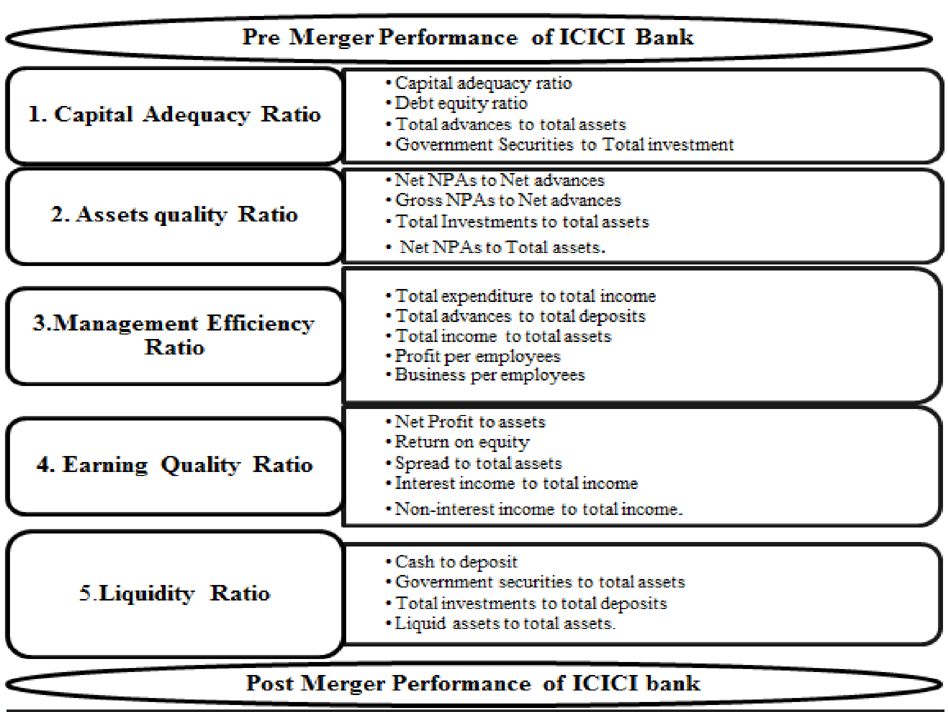
1. To highlight the theoretical background of CAMEL model and overview of ICICI Bank Ltd.
2. To examine the shareholders capital adequacy ratios of pre and post merger performance of ICICI Bank Ltd.
3. To study the asset quality and management efficiency ratios of pre and post merger performance of ICICI bank Ltd.
4. To assess the earning quality and liquidity ratios of pre and post merger performance of ICICI bank Ltd.; and
5. To offer findings and suggestions in the light of the study.

IV. RESEARCH METHODOLOGY

Research is considered as journey from unknown to the known. Methodology is the way to solve the research problem systematically. The required secondary data constitutes the main source of information, suitable for the purpose of the present study. In this study data were collected from Annual reports of ICICI bank. The information for this study is gathered for the time of 2007-08 to 2016-17. And also various national and international journals, periodic publications, working papers, books, articles, thesis, dissertation work on pre and post financial performance of Indian banking sector. For the purpose data analyze applied group or descriptive statistics and Capital Adequacy, Asset Quality, Management, Earning Quality and Liquidity CAMEL model ratio analysis.

V. RESEARCH MODEL

CAMEL is a ratio-based model used to evaluate the pre-merger versus post-merger performance using the CAMEL's framework. Under performance of banks with the help of different criteria such as, Capital Adequacy, Asset Quality, Management Quality, Earnings and Liquidity. The present study is a descriptive research study based on analytical research design as following diagram below:



From the above research design model helps to calculate the composite of ranking and pre verses post merger performance of ICICI bank CAMEL rating model.

VI. ANALYSIS AND INTERPRETATION

1. Pre and Post merger analysis of Capital Adequacy Ratio of ICICI Bank:

Table No.1 Indicates the pre and post merger performance of capital adequacy ratios of ICICI bank. The capital adequacy ratio are measured in four categories such as, CAR ratio, debt equity ratio, total advances to total assets and government securities to total investments etc. In the context of CAR ratio the overall pre merger performance was recorded 42.53% and post merger performance was recorded 125.36%, this shows the post merger performance was high compared to pre merger performance in ICICI bank. The pre merger, performance of CAR ratio is increasing trend was recorded 11.69% to 15.92% from 2007- 08 to 2009-2010 respectively. The post merger performance of CAR ratio is increasing trend from 16.14% to 19.64% in 2010-11 to 2016-17. Further the debt equity ratio, the overall pre merger performance was recorded 5.09 per cent and post merger performance was recorded 10.23 per cent, this shows that the post merger performance was better compared to pre merger performance in ICICI bank. The pre merger performance of debt equity ratio decreased to 1.75 per cent to 1.65 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of debt equity ratio showed increasing trend from 1.18 per cent to 1.66 per cent from 2010-11 to 2016-17. In the context of total advances to total assets, the overall pre merger performance was recorded 1.81 per cent and post merger performance was recorded 3.91 per cent. This shows that the post merger performance was increased compared to pre merger performance in ICICI bank. The pre merger, performance of total advances to total assets showed increasing trend from 0.57 per cent to 0.71 per cent from 2007- 08 to 2009-10 respectively. The post merger performance of total advances to total assets showed decreasing trend from to 0.58 per cent to 0.56 per cent from 2010-11 to 2016-17. In the context of government securities to total investment, the overall pre merger performance was recorded 2.15 per cent and post merger performance was recorded 4.03 per cent. The pre merger, performance of government securities to total investment showed decreasing trend was recorded 0.77 per cent to 0.71 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of government securities to total investment showed increasing trend from to 0.61 per cent to 0.70 per cent from 2010-11 to 2016-17. This shows that the post merger performance was increased compared to pre merger performance of ICICI bank, it can be interpreted that post merger, the improvement in government securities to total investment ratio reflects the low risk associated with bank investment in ICICI Bank.

Table No. 1
Capital Adequacy Ratio

C-Ratios	Capital Adequacy Ratio	Debt Equity Ratio	Total Advances to Total Assets	Government Securities to Total Investment
Pre-Merger				
2007-08	11.69	1.75	0.57	0.77
2008-09	14.92	1.69	0.53	0.71
2009-10	15.92	1.65	0.71	0.67
Total [A]	**42.53**	**5.09**	**1.81**	**2.15**
Post-Merger				
2010-11	16.14	1.18	0.58	0.61
2011-12	17.6	1.05	0.55	0.31
2012-13	18.52	1.82	0.53	0.57
2013-14	18.74	2.67	0.55	0.56
2014-15	17.70	1.74	0.58	0.56
2015-16	17.02	1.77	0.55	0.72
2016-17	19.64	1.66	0.56	0.70
Total [B]	**125.36**	**10.23**	**3.91**	**4.03**
Grand Total [A+B]	**167.89**	**15.32**	**5.72**	**6.18**

Source: Annual Reports of ICICI Bank.

2. Pre and Post merger analysis of Assets Quality Ratio of ICICI Bank:

Table No. 2 represents the pre and post merger performance of assets quality ratios of ICICI bank. The assets quality ratios are measured in four categories such as, Net NPAs to Net Advances, Gross NPAs to Net Advances, Total Investments to Total Assets, Net NPAs to Total Assets etc. In the context of net NPAs to net advances ratio, the overall pre merger performance was recorded 4.66 per cent and post merger performance was recorded 10.29 per cent, this shows that the post merger performance was high compared to pre merger performance of ICICI bank. The pre merger performance of Net NPAs to Net Advances Ratio increased from 1.02 per cent to 2.09 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of net NPAs to net advances ratio was increased from 16.14 per cent to 19.64 per cent in 2010-11 to 2016-17. Further the gross NPAs to net advances ratio, the overall pre merger performance was recorded 8.71 per cent and post merger performance was recorded 29.96 per cent, this shows the post merger performance was good compared to pre merger performance in ICICI bank. The pre merger, performance of gross NPAs to net advances showed increasing trend from 1.40 per cent to 4.32 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of gross NPAs to net advances ratio increased from 5.06 per cent to 5.82 per cent from 2010-11 to 2016-17. Further the total investments to total assets, the overall pre merger performance was recorded 0.80 per cent and post merger performance was recorded 5.71 per cent. This shows the post merger performance was increased compared to pre merger performance in ICICI bank. The pre merger, performance of total investments to total assets increased from 0.21 per cent to 0.27 per cent from 2007-08 to 2009-2010 respectively. The post merger performance of total investments to total assets decreased to 0.33 per cent to 0.22 per cent from 2010-11 to 2016-17. In the context of net NPAs to total assets, the overall pre merger performance was recorded 2.76 per cent and post merger performance was recorded 5.57 per cent. The pre merger, performance of net NPAs to total assets increased from 0.58 per cent to 1.29 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of net NPAs to total assets increased from to 1.07 per cent to 1.84 per cent from 2010-11 to 2016-17 respectively.

Table No. 2
Assets Quality of ICICI Bank

A-Ratios	Net NPAs to Net advances	Gross NPAs to Net advances	Total Investments to total assets	Net NPAs to Total assets
Pre-Merger				
2007-08	1.02	1.40	0.26	0.58
2008-09	1.55	2.99	0.27	0.89
2009-10	2.09	4.32	0.27	1.29
Total [A]	**4.66**	**8.71**	**0.80**	**2.76**
Post-Merger				
2010-11	0.73	5.06	0.33	1.07
2011-12	1.11	4.41	3.98	0.34
2012-13	1.53	3.98	0.34	0.39
2013-14	0.77	3.56	0.31	0.41
2014-15	0.97	3.35	0.29	0.55
2015-16	1.61	3.78	0.24	0.97
2016-17	2.98	5.82	0.22	1.84
Total [B]	**10.29**	**29.96**	**5.71**	**5.57**
Grand Total [A+B]	**14.95**	**38.67**	**6.51**	**8.33**

Source: Annual Reports of ICICI Bank.

3. Pre and Post merger analysis of management efficiency ratios in ICICI Bank:

Table No.3, portrays that pre and post merger performance of management efficiency ratios of ICICI bank. The management efficiency ratios are measured in five categories such as, total expenditure to total income, total advances to total deposits, total income to total assets, profit per employee and business per employee etc. In the context of total expenditure to total income, the overall pre merger performance was recorded 2.66 per cent and post merger performance was recorded 6.99 per cent, this shows the post merger performance was high compared to pre merger performance in ICICI bank. The pre merger, performance of total expenditure to total income was increased from 0.89 per cent to 0.90 per cent from 2007-08 to 2009-2010 respectively. The post merger performance of total expenditure to total income increased from 0.87 per cent to 0.94 per cent in 2010-11 to 2016-17. Further, the total advances to total deposits ratio, the overall pre merger performance was recorded 2.90 per cent and post merger performance was recorded 7.08 per cent, this shows that the post merger performance was better compared to pre merger performance in ICICI bank. The pre merger, performance of total advances to total deposit ratio increased from 0.91 per cent to 0.97 per cent from 2007-08 to 2009-2010 respectively. The post merger performance of total advances to total deposits is increasing trend from 0.89 per cent to 0.96 per cent from 2010-11 to 2016-17..In the context of total income to total assets ratio, the overall pre merger performance was recorded 2.34 per cent and post merger performance was recorded 5.69 per cent, this shows the post merger performance was increased compared to pre merger performance in ICICI bank. The pre merger, performance of total income to total assets is increasing trend was recorded 0.73 per cent to 0.80 per cent from 2007-08 to 2009-2010 respectively. The post merger performance of total income to total assets ratio was increased from 0.67 per cent to 0.98 per cent from 2010-11 to 2016-17. Further the profit per employee ratio, the overall pre merger performance was recorded 3.00 million and post merger performance was recorded 9.1 million, this shows the post merger performance was better compared to pre merger performance of ICICI bank. The pre merger, performance of profit per employee increased from 0.9 million to 1.1 million from 2007- 08 to 2009-2010 respectively. The post merger performance of profit per employee increased from 1.2 million to 1.6 million from 2010-11 to 2016-17. The business per employee ratio, the overall pre merger performance was recorded 318.9 million and post merger performance was recorded 672.91 million, this shows that the post merger performance was high compared to pre merger performance in ICICI bank. The pre merger, performance of business per employee increased from 102.7 million to 115.4 million from 2007- 08 to 2009-2010 respectively. The post merger performance of business per employee decreased to 102.9 million to 94.3 million from 2010-11 to 2016-17 respectively.

Table No. 3
Management Efficiency of ICICI Bank

M-Ratios	Total expenditure to total income	Total advances to total deposits	Total income to total assets	Profit per employees	Business per employees
Pre-Merger					
2007-08	0.89	0.91	0.73	0.9	102.7
2008-09	0.87	1.02	0.81	1.0	100.8
2009-10	0.90	0.97	0.80	1.1	115.4
Total [A]	**2.66**	**2.9**	**2.34**	**3.00**	**318.9**
Post-Merger					
2010-11	0.87	0.89	0.67	1.2	102.9
2011-12	0.89	1.13	0.73	1.0	73.51
2012-13	0.88	1.14	0.56	1.1	170.8
2013-14	0.82	0.92	0.90	1.4	73.5
2014-15	0.82	0.94	0.91	1.4	74.7
2015-16	0.87	1.10	0.94	1.4	83.2
2016-17	0.94	0.96	0.98	1.6	94.3
Total [B]	**6.09**	**7.08**	**5.69**	**9.1**	**672.91**
Grand Total [A+B]	**8.75**	**9.98**	**8.03**	**12.1**	**991.81**

Sources: Annual Reports of ICICI Bank.

4. Pre and Post merger analysis of earning quality ratios of ICICI Bank:

Table No. 4 represents that pre and post merger performance of earning quality ratios of ICICI bank. The earning quality ratios are measured in five categories such as, net profit to assets, return on equity, spread to total assets, interest income to total income, non interest income to total income etc. In the context of net profit to assets ratio the overall pre merger performance was recorded 2.1% and post merger performance was recorded 10.4%, this shows the post merger performance was high compared to pre merger performance in ICICI bank. The pre merger, performance of net profit to assets proportion is decreasing trend was recorded 1.1 per cent to 1.0 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of net profit to assets increased from 1.1 per cent to 1.4 per cent in 2010-11 to 2016-17. Further the return on equity, the overall pre merger performance was recorded 32.2 per cent and post merger performance was recorded 80.8 per cent, this shows that the post merger performance was better compared to pre merger performance in ICICI bank. The post merger performance of return on equity increased from 7.9 per cent to 11.32 per cent from 2010-11 to 2016-17. In the context of spread to total assets ratio, the overall pre merger performance was recorded 8.15 per cent and post merger performance was recorded 15.12 per cent This shows that the post merger performance was increased compared to pre merger performance of ICICI bank. The pre merger, performance of spread to total assets is decreasing trend was recorded

2.79 per cent to 2.54 per cent from 2007-08 to 2009-2010 respectively. The post merger performance of spread to total assets ratio decreased to 2.71 per cent to 1.82 per cent from 2010-11 to 2016-17.

Table No. 4
Earning Quality of ICICI Bank

E-Ratios	Net Profit to assets	Return on equity	Spread to total assets	Interest income to total income	Non-interest income to total income
Pre-Merger					
2007-08	1.1	13.4	2.79	0.016	0.42
2008-09	1.1	11.1	2.82	0.013	0.38
2009-10	1.0	7.7	2.54	0.013	0.35
Total [A]	**2.1**	**32.2**	**8.15**	**0.042**	**1.15**
Post-Merger					
2010-11	1.1	7.9	2.71	0.015	0.35
2011-12	1.3	9.58	2.25	0.042	0.22
2012-13	1.5	11.09	2.20	0.053	0.10
2013-14	1.6	12.94	2.10	0.048	0.11
2014-15	1.7	13.73	2.11	0.032	0.29
2015-16	1.8	14.32	1.93	0.035	0.36
2016-17	1.4	11.32	1.82	0.037	0.41
Total [B]	**10.4**	**80.88**	**15.12**	**0.262**	**1.84**
Grand Total [A+B]	**12.5**	**113.08**	**23.27**	**0.304**	**2.99**

Source: Annual Reports of ICICI Bank.

Further the interest income to total income ratio, the overall pre merger performance was recorded 0.042 per cent and post merger performance was recorded 0.262 per cent, this shows the post merger performance was better compared to pre merger performance in ICICI bank. The pre merger, performance of interest income to total income is decreasing trend was recorded 0.016 per cent to 0.013 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of interest income to total income is increasing trend from 0.015 per cent to 0.037 per cent from 2010-11 to 2016-17. The non-interest income ratio to total income ratio, the overall pre merger performance was recorded 1.15 per cent and post merger performance was recorded 1.84 per cent, this shows that the post merger performance was high compared to pre merger performance in ICICI bank. The pre merger, performance of non interest income to total income decreased to 0.42 per cent to 0.35 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of non interest income to total income increased from 0.35 per cent to 0.41 per cent from 2010-11 to 2016-17 respectively.

5. Pre and Post merger analysis of liquidity ratios in ICICI Bank:

Table No.5 depicts the pre and post merger performance of liquidity ratios of ICICI bank. The liquidity ratios are measured in four categories such as, cash to deposits, government securities to total assets, total investments to total deposits, liquid assets to total assets etc. In the context of liquidity ratio the overall pre merger performance was recorded 0.44 per cent and post merger performance was recorded 1.1 per cent, this shows that the post merger performance was good compared to pre merger performance of ICICI bank. The pre merger, performance of cash to deposit ratio decreased to 0.16 per cent to 0.13 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of cash to deposit ratio increased from 0.17 per cent to 0.19 per cent in 2010-11 to 2016-17. Further the government securities to total assets, the overall pre merger performance recorded 5.64 per cent and post merger performance recorded 10.68 per cent, this shows that the post merger performance was better compared to pre merger performance of ICICI bank. The pre merger performance of government securities to total assets ratio decreased to 1.95 per cent to 1.75 per cent from 2007- 08 to 2009-2010 respectively. The post merger performance of government securities to total assets increased from 1.74 per cent to 1.83 per cent from 2010-11 to 2016-17. In the context of total investments to total deposits, the overall pre merger performance was recorded 0.53 per cent and post merger performance was recorded 1.8 per cent this shows that the post merger performance was increased compared to pre merger performance in ICICI bank. The post merger performance of total investments to total deposits ratio increased from to 0.18 per cent to 0.23 per cent from 2010-11 to 2016-17. Further the liquid assets to total assets ratio, the overall pre merger performance was recorded 4.14 per cent and post merger performance was recorded 10.83 per cent, this shows that the post merger performance was better compared to pre merger performance in ICICI bank. The pre merger, performance of liquid assets to total assets increased from 1.25 per cent to 1.51 per cent from 2007-08 to 2009-2010 respectively. The post merger performance of liquid assets to total assets increased from 1.41 per cent to 1.83 per cent from 2010-11 to 2016-17. Pre and post merger performance indicating that in post merger the acquiring banks are successful in maintaining the liquidity position at least similar to their pre-merger performance and fulfill their obligation towards the depositors of the ICICI bank

Table No.5
Liquidity Ratio of ICICI Bank

L-Ratios	Cash to deposit	Government securities to total assets	Total investments to total deposits	Liquid assets to total assets
Pre-Merger				
2007-08	0.16	1.95	0.19	1.25
2008-09	0.15	1.89	0.18	1.38
2009-10	0.13	1.75	0.16	1.51
Total [A]	**0.44**	**5.64**	**0.53**	**4.14**
Post-Merger				
2010-11	0.17	1.74	0.18	1.41
2011-12	0.16	1.53	0.33	1.52
2012-13	0.15	1.35	0.31	1.36
2013-14	0.15	1.95	0.29	1.38
2014-15	0.14	1.12	0.24	1.61
2015-16	0.14	1.16	0.22	1.72
2016-17	0.19	1.83	0.23	1.83
Total [B]	**1.1**	**10.68**	**1.8**	**10.83**
Grand Total [A+B]	**1.54**	**16.32**	**2.33**	**14.97**

Source: Annual Reports of ICICI Bank.

VII. FINDINGS OF THE STUDY

The following are the major findings of the study:

➢ In the context of CAR ratio, the overall post merger performance showed increasing trend of 125.36 per cent compared pre merger performance of 42.53 per cent respectively.

➢ Further the debt equity ratio, the overall post merger performance increased from 10.23 per cent compared to pre merger performance of 5.09 per cent.

➢ The pre merger, performance of total advances to total assets increased from 0.57 per cent to 0.71 per cent from 2007- 08 to 2009-2010 respectively.

➢ The post merger performance of government securities to total investment increased from 0.61 per cent to 0.70 per cent from 2010-11 to 2016-17 respectively.

➢ Further the net NPAs to net advances, the overall post merger performance recorded 4.66 per cent compared pre merger performance of 10.29 per cent.

➢ The post merger performance of total advances to total deposits increased from 0.89 per cent to 0.96 per cent from 2010-11 to 2016-17 respectively.

➢ The post merger performance of profit per employee increased from 1.2 million to 1.6 million from 2010-11 to 2016-17 respectively.

➢ From viewpoint of pre merger, performance of business per employee recorded 102.7 million to 115.4 million during 2007-08.

➢ The post merger performance of net profit to assets proportion increased from 1.1 per cent to 1.4 per cent from 2010-11 to 2016-17 respectively.

➢ Further the return on equity, the overall post merger performance increased from 80.80 per cent and pre merger performance was recorded 32.2 per cent respectively.

➢ The pre merger, performance of spread to total assets decreased to 2.79 per cent to 2.54 per cent from 2007-08 to 2009-2010 respectively.

➢ The post merger performance of non interest income to total income increased from 0.35 per cent to 0.41 per cent from 2010-11 to 2016-17 respectively.

➢ The pre merger, performance of government securities to total assets ratio decreased to recorded 1.95 per cent to 1.75 per cent from 2007- 08 to 2009-2010 respectively. .

➢ The post merger performance of liquid assets to total assets increased to 1.41 per cent to 1.83 per cent from 2010-11 to 2016-17.

VIII. SUGGESTIONS FOR THE STUDY

The following are the suggestion for the study:

❖ The ICICI bank needs to increase its Capital Adequacy Ratio in order to maintain its depositors' confidence and to promote the stability and efficiency of its financial system.

❖ The ICICI bank should give due importance to the management of its assets since, the quality of assets is an important parameter to measure the degree of financial strength.

❖ The ICICI bank should try to improve the quality of its core banking activities i.e., from lending activities in order to increase income. Since, quality of earning is an important criterion that determines the ability of a bank to earn consistently

❖ The ICICI bank should improve its management efficiency in order to take crucial decisions depending on the risk perception.

❖ The ICICI bank should give utmost importance to its liquidity position and should try to improve it, since liquidity is a crucial aspect which measures the bank's ability to meet its financial obligations.

❖ The ICICI bank should try to reduce cost at the minimum possible level, but not at the cost of quality of service. Optimum use of technology, proper utilization of human resources can help the bank to cut down the cost.

IX. CONCLUSION

The current study focused on pre and post merger performance of ICICI bank through the CAMEL approach. The radical changes in the banking sector in the recent years and the banking sector all around the world have improved their supervision quality and techniques and evaluating the function of the banks through uniform financial rating system CAMEL rating along with existing procedures and techniques. ICICI bank are ranked according to the rating obtained by them on the five parameters From the above analysis, it can be concluded though there has been an improvement in the capital adequacy and asset quality of the acquiring banks post merger but the management efficiency and earnings quality failed to reflect the ability of the bank to effectively utilize the assets in generating increased income for the bank and thereby its profitability. Even the liquidity positions do not indicate any change in the post merger period suggesting the fact that the banks are able to discharge their obligations to improve the post merger performance of the ICICI bank in India.

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