



A Comparative Study on Cash Flow Statements of ICICI Bank and AXIS Bank

KEYWORDS

Cash, Cash equivalents, Operating Activities, Investing Activities, Financing Activities

Dr. Bhavsinh M. Dodiya

Assistant Professor, Smt. J.C. Dhanak arts & Commerce college, Bagasara-365440. (Gujarat).

ABSTRACT A cash flow statement is required as part of a complete set of financial statements prepared in conformity with Indian Accounting Standards. AS-3 lays down a formal structure for the cash flow statement. Cash flows should be classified under the following three standard headings: "Operating activities", "Investing activities", "Financing activities". The classification of cash flows among operating, investing and financing activities is essential to the analysis of cash flow data. Net cash flow (the change in cash and equivalents during the period) has little informational content by itself; it is the classification and individual components that are informative. Although the classification of cash flows into the three main categories is important, it should be mentioned that classification guidelines are arbitrary.

INTRODUCTION :

The users of an enterprise's financial statements are interested in how the enterprise generates and uses cash and cash equivalents. This is the case regardless of the nature of the enterprise's activities and irrespective of whether cash can be viewed as the product of the enterprise, as may be the case with a financial enterprise. Enterprises need cash to conduct their operations, to pay their obligations and to provide returns to their investors.

Success of every business depends on its cash management. The supply of cash is frequently a limitation on the successful execution of many policies and programs. So it is necessary to study the composition of cash of company to know the impact of its cash flow decision on its liquidity, profitability and solvency.

In this study, the matters relating to the cash flow statements, which normally forms a part of the financial statements of various enterprises to which the Accounting standard (AS) 3, 'Cash Flow Statements', become mandatory as given by ICAI, is discussed in the light of, and on the basis of, the said Accounting Standard.

OBJECTIVES :

There are three important activities which are the significant parts of Cash Flow Statements. The analysis of all these activities is undertaken with the following objectives :

- (1) To undertake comparative study on Operating Activities for the period of study of selected banks.
- (2) To undertake comparative study on Investing Activities

for the period of study of selected banks.

- (3) To undertake comparative study on Financing Activities for the period of study of selected banks.

RESEARCH METHODOLOGY :

SAMPLE SELECTION

For the purpose of the study two (2) banks from private sector i.e. ICICI bank and AXIS bank have been selected.

PERIOD OF STUDY

The study is conducted for a period of five (5) financial years i.e. from 2008-'09 to 2012-'13.

DATA COLLECTION

In this study, mainly secondary data is collected. Secondary data has been obtained from the following sources :

- Published Annual Reports of the banks for the financial years 2008-'09 to 2012-'13.
- Directory of Mumbai Stock Exchange
- Websites of the selected banks
- Other related websites

STATISTICAL TOOLS AND TECHNIQUES

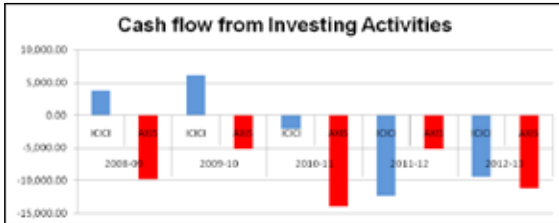
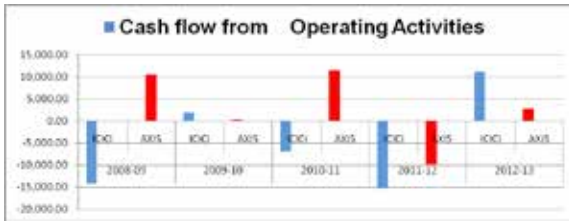
The statistical analysis technique is selected to analyze the Cash Flow Statements of the banks under study. For this, following techniques are being used.

- Mean
- Standard Deviation
- Co-efficient of Variation

COMPARATIVE STUDY

(Rs. In crores)

ACTIVITIES	2008-09		2009-10		2010-11		2011-12		2012-13	
	ICICI	AXIS	ICICI	AXIS	ICICI	AXIS	ICICI	AXIS	ICICI	AXIS
Cash flow from Operating Activities	-14,188.50	10,551.60	1,869.21	198.08	-6,908.92	11,425.10	-15,238.00	-9,826.93	11,102.01	2,719.04
Cash flow from Investing Activities	3,857.88	-9,741.96	6,150.73	-5,122.98	-2,108.82	-13,985.30	-12,280.17	-5,118.58	-9,431.56	-11,160.18
Cash flow from Financing Activities	1,625.36	1,692.32	1,382.62	5,132.32	3,105.97	8,769.69	28,751.76	7,270.37	2,989.72	14,774.60



YEAR	OPERATING ACTIVITIES		INVESTING ACTIVITIES		FINANCING ACTIVITIES	
	ICICI	AXIS	ICICI	AXIS	ICICI	AXIS
2008-09	-14,188.50	10,551.60	3,857.88	-9,741.96	1,625.36	1,692.32
2009-10	1,869.21	198.08	6,150.73	-5,122.98	1,382.62	5,132.32
2010-11	-6,908.92	11,425.10	-2,108.82	-13,985.30	3,105.97	8,769.69
2011-12	-15,238.00	-9,826.93	-12,280.17	-5,118.58	28,751.76	7,270.37
2012-13	11,102.01	2,719.04	-9,431.56	-11,160.18	2,989.72	14,774.60
TOTAL	-23,364.20	15,066.89	-13,811.94	-45,129.00	37,855.43	37,639.30
MEAN (AVERAGE)	-4672.84	3013.378	-2762.388	-9025.8	7571.086	7527.86
RANK	2	1	1	2	1	2
STD. DEVIATION	9988.14	7752	7193.95	3468.82	10613.16	4333.95
RANK	2	1	2	1	2	1
CO EFFICIENT OF VARIATION	-213.7488	257.25282	-260.425	-38.432272	140.1802	57.572139
RANK	1	2	1	2	2	1

The Performance evaluation can be examined with the use of different techniques – accounting as well as statistics. All these techniques have certain limitations and merits. To come to the reasonable conclusion apart from accounting analysis the use of statistics is also applied. By cash flow statement the trend and measurement of three activities to be done for evaluation purpose. And for all these activities comparison with other statistical techniques become necessary. Average is calculated to see the quantum of different companies for each company for given period of time. Subsequently ranks are allotted on the basis of their quantum. But this does not serve the complete purpose hence standard deviation is calculated and ranks are given to them on the basis of their results. This helps to know variation of respective activities for given period of time from its coverage. Theoretically higher the standard deviation lower the rank and vice versa. Finally co – efficient variation is also calculated to know the consistency level of each activity of each company and ranks are given accordingly. Theoretically higher the co – efficient, lower the consistency.

INTERPRETATION BY RANK

(1) Average :

Average of Operating activities for AXIS bank (3013.378) is higher than that of ICICI bank (-4672.84). So, AXIS bank

stands at 1st rank and ICICI stands at 2nd rank.

But, in case of Investing activities, average of ICICI bank (-2762.388) is higher than the AXIS bank (-9025.8). So, ranks have been changed.

Similarly, in case of Financing activities also, average of ICICI bank (7571.086) is higher than that of AXIS bank. So, ICICI stands at 1st rank and AXIS bank stands at 2nd rank.

(2) Standard Deviation :

Standard deviation of Operating activities for AXIS bank is lower (7752) than the ICICI bank. Therefore, AXIS bank has achieved 1st rank and ICICI bank stands at 2nd rank,

In case of Investing activities also, the standard deviation of AXIS bank (3468.82) is lower than the ICICI bank (7193.95). So, the ranks have been maintained.

Similarly, in case of Financing activities also, the standard deviation of AXIS bank is lower than the ICICI bank. So, again, the ranks have been maintained.

(3) Co-efficient of Variation :

Co-efficient of variation of Operating activities of ICICI bank

(-213.7488) is lower than the AXIS bank (257.25282). So, ICICI bank stands at 1st rank and AXIS bank stands at 2nd rank.

In case of Investing activities also, the Co-efficient of variation of AXIS bank (-260.425) is lower than the ICICI bank (-38.432272). So, the ranks have been maintained.

But the situation is different for Financing activities. The Co-efficient of variation of AXIS bank (57.572139) is lower than the ICICI bank (140.1802). So, accordingly, ranks have been changed.

LIMITATIONS OF THE STUDY

Every researcher tries to give justice to his research. Yet, there are some limitations to his findings because he has to depend on information given by some published or unpublished records and other sources. So, the further research can be carried out by considering the aspects given below :

- (1) As the information is collected from limited sources, it is not possible to use different tools and techniques of statistical analysis.
- (2) The study is based on secondary data, the secondary data has its own limitations.
- (3) Some external factors also could affect directly or indirectly to the banks' efficiency. But it is not easy to judge completely right about them.
- (4) The entire study is limited to two banks only. It can be carried out by including Industry. So that, the actual efficiency and profitability position of the companies can be measured comparatively and we can see the true and fair picture of any bank.

CONCLUSION AND RECOMMENDATION :

A materially misstated cash flow statement, whether it is in terms of incorrect classification in the categories or numerical accuracy, can be misleading to the user and can lead to wrong decisions taken by the users of the statement. The survey has revealed that although sample banks prepare cash flow statement according to Accounting Standard-3 (AS-3), there is also a degree of non-compliance. It is, however, found that there are not many differences between banks in their reporting of cash flow information. This is expected because the preparation of cash flow statement does not allow for many choices, differences of interpretation or different accounting treatments. To make cash flow statement more informative and useful for users, the banks should disclose additional voluntary information such as cash flow per share in their cash flow statements. Items consisting of cash flows from operating, investing and financing activities should also be clarified in the notes of the financial statements. Due to the limited scope of the present study, a large number of research issues have not been attempted but are identified in the course of the study. Disclosure practices of additional items other than operating, investing and financing activities, disclosure practices differences between listed and unlisted banks, disclosure practices differences between financial and other institutions are some such potential issues for future research.

REFERENCE

- ❖ M. Y. Khan, P. K. Jain, Financial Management 2001, Third Edition, Tata McGraw – Hill, Publishing Company Ltd., New Delhi. | ❖ Dr. P. C. Tulsian – Financial Management, 2009, First Edition, S. Chand & Co. Ltd., Ram Nagar, New Delhi – 110 055. | ❖ J. Made Gowda – Accounting for Managers, 2009, First Edition, Himalaya Publishing House Pvt. Ltd., Ansari Road, Darya Ganj, New Delhi – 110 002. | ❖ Dr. P. Periasamy – A Textbook of Financial Cost and Management Accounting, 2009, First Edition, Himalaya Publishing House Pvt. Ltd. Ansari Road, Darya Ganj, New Delhi – 110 002. | ❖ C.R.Kothari, Research Methodology- Methods and Techniques. |