

A STUDY ON FINANCIAL RISK MANAGEMENT IN ICICI BANK

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ABSTRACT:

Financial Risk Management is an important process used by financial institutions to identify, measure, monitor and control financial risks. Banks and organizations face various risks such as credit risk, market risk, liquidity risk and operational risk due to changing economic conditions and uncertain business environments. The main purpose of financial risk management is to reduce possible financial losses, improve decision-making and maintain financial stability. Effective risk management practices help banks protect their assets, ensure regulatory compliance and achieve sustainable growth. This study focuses on understanding financial risk management practices, risk identification methods and risk control techniques in the banking sector. It examines how proper risk management strategies contribute to profitability, stability and better performance of financial institutions. The study highlights the importance of risk assessment, monitoring systems and internal controls in managing financial challenges.

Overall, financial risk management plays a crucial role in strengthening the financial position of organizations and supporting long-term success. Financial Risk Management is a vital area of financial management that deals with the identification, measurement, analysis, and control of financial risks faced by organizations. In the modern financial environment, banks and financial institutions operate under uncertain conditions due to economic changes, market fluctuations, technological developments, and increasing competition. These factors create different types of risks that can affect the financial performance and stability of institutions.

Financial institutions mainly face risks such as credit risk, market risk, liquidity risk, interest rate risk, foreign exchange risk, and operational risk. Proper risk management helps organizations understand these risks and develop effective strategies to minimize their negative impact. It ensures better utilization of resources, protection of financial assets, and improvement in decision-making processes.

The primary objective of financial risk management is to maintain financial stability, reduce potential losses, improve profitability, and support sustainable business growth. It enables banks to maintain adequate capital, manage cash flows efficiently, comply with regulatory requirements, and strengthen customer trust.

INTRODUCTION

Financial Risk Management is an important part of financial management that focuses on identifying, analysing, evaluating, and controlling financial risks faced by organizations. In today's competitive business environment, financial institutions such as banks are exposed to various risks due to economic changes, market fluctuations, technological developments, and uncertain conditions.

Financial risks include credit risk, market risk, liquidity risk, interest rate risk, foreign exchange risk, and operational risk. These risks can affect the profitability, stability, and growth of an organization. Therefore, effective risk management practices are necessary to reduce potential losses and improve financial performance.

The main objective of financial risk management is to protect the financial resources of an organization and ensure sustain

able growth. It helps institutions make better decisions, maintain adequate capital, manage liquidity, and comply with regulatory requirements.

In the banking sector, financial risk management plays a major role because banks handle large amounts of public funds and provide various financial services. Proper risk identification, measurement, monitoring, and control systems help banks manage uncertainties and maintain customer confidence.

NEED OF THE STUDY

1. To understand different types of financial risks faced by organizations.
2. To study the importance of risk identification, measurement, and control.
3. To analyse the risk management practices followed by banks.
4. To understand how risk management helps in reducing financial losses.
5. To examine the impact of risk management on profitability and stability.
6. To study the role of internal controls and monitoring systems.

OBJECTIVES OF THE STUDY

1. To understand the concept and importance of financial risk management.
2. To identify different types of financial risks faced by banks.
3. To study the risk management practices followed by ICICI Bank.
4. To analyse the methods used for risk identification, measurement, and control.
5. To examine the impact of financial risk management on bank performance.
6. To study the role of risk management in maintaining financial stability.

REVIEW OF LITERATUR

A Review of Literature is an important part of any research study. It involves the systematic examination of previous studies, research papers, journals, articles, books, and reports related to the topic under investigation. The review helps researchers understand existing knowledge, identify research gaps, and develop a strong foundation for the present study.

1. Basel Committee on Banking Supervision (2019)

The study emphasized the importance of effective risk management frameworks in banks. It highlighted

that proper identification, measurement, monitoring, and control of risks are essential for maintaining

financial stability and regulatory compliance.

2. Sharma and Mehta (2020)

The researchers analyzed credit risk management practices in Indian private sector banks. The study

found that effective credit appraisal systems and continuous monitoring significantly reduce non-performing assets and improve profitability.

3. Gupta and Singh (2020)

The study examined the impact of market risk on banking performance. The researchers concluded that

fluctuations in interest rates and foreign exchange rates directly affect bank earnings and investment

portfolios.

4. Rao and Kumar (2021)

The researchers conducted a comparative study on risk management practices in public and private

sector banks. The findings revealed that private sector banks adopt more advanced risk assessment

techniques and technology-driven risk management systems.

5. Patel and Shah (2021)

The study focused on liquidity risk management in commercial banks. The researchers observed that

maintaining adequate liquidity reserves and effective asset-liability management are essential for financial stability.

6. Verma and Agarwal (2022)

The study analyzed operational risk management in the banking sector. It concluded that strong internal

controls, employee training, and technological security measures play a crucial role in reducing operational risks.

RESEARCH METHODOLOGY

Research Design:

The study uses a descriptive and analytical research design to analyse financial risk management practices.

1. Sources of Data:

The study is based on secondary data collected from annual reports, financial statements, journals, research papers, and official websites.

2. Period of Study:

The study covers financial data for a specific period to analyse risk management performance.

3. Data Analysis Tools:

Various financial tools and techniques such as ratio analysis, trend analysis, and statistical methods are used for analysing data.

4. Sampling Method:

The study focuses on ICICI Bank as the sample for analysing financial risk management practices.

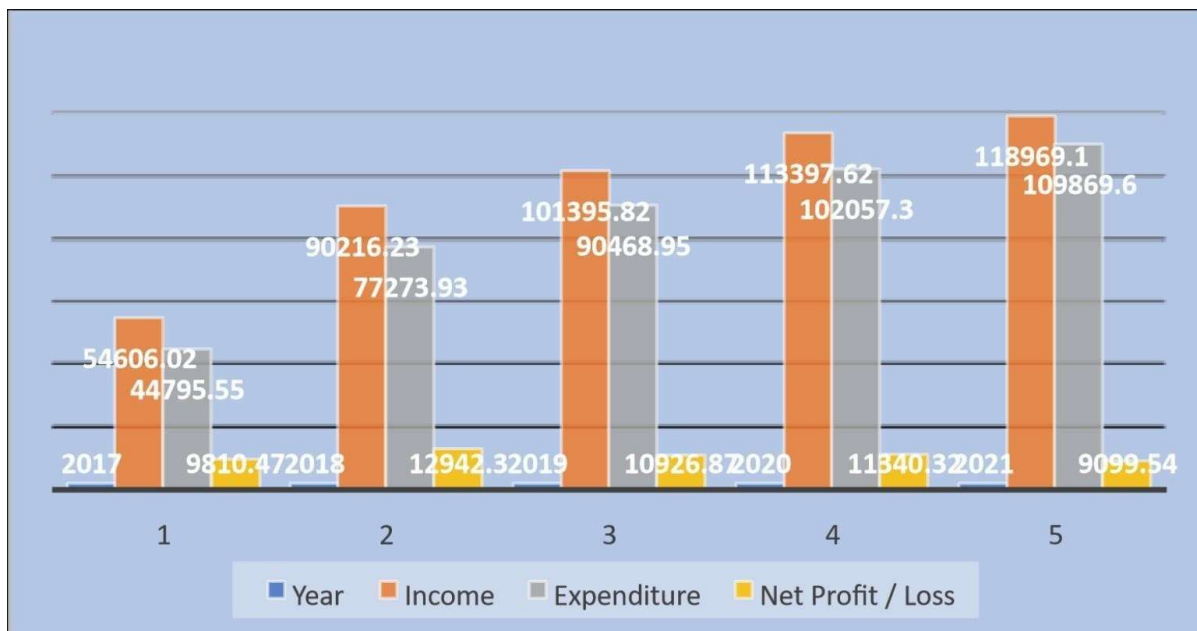
LIMITATIONS OF THE STUDY

The study has certain limitations that may affect the analysis and findings. The study is mainly based on secondary data collected from annual reports, financial statements, journals, and other available sources. The accuracy of the results depends on the availability and reliability of the collected data.

DATA ANALYSIS AND INTERPRETATION

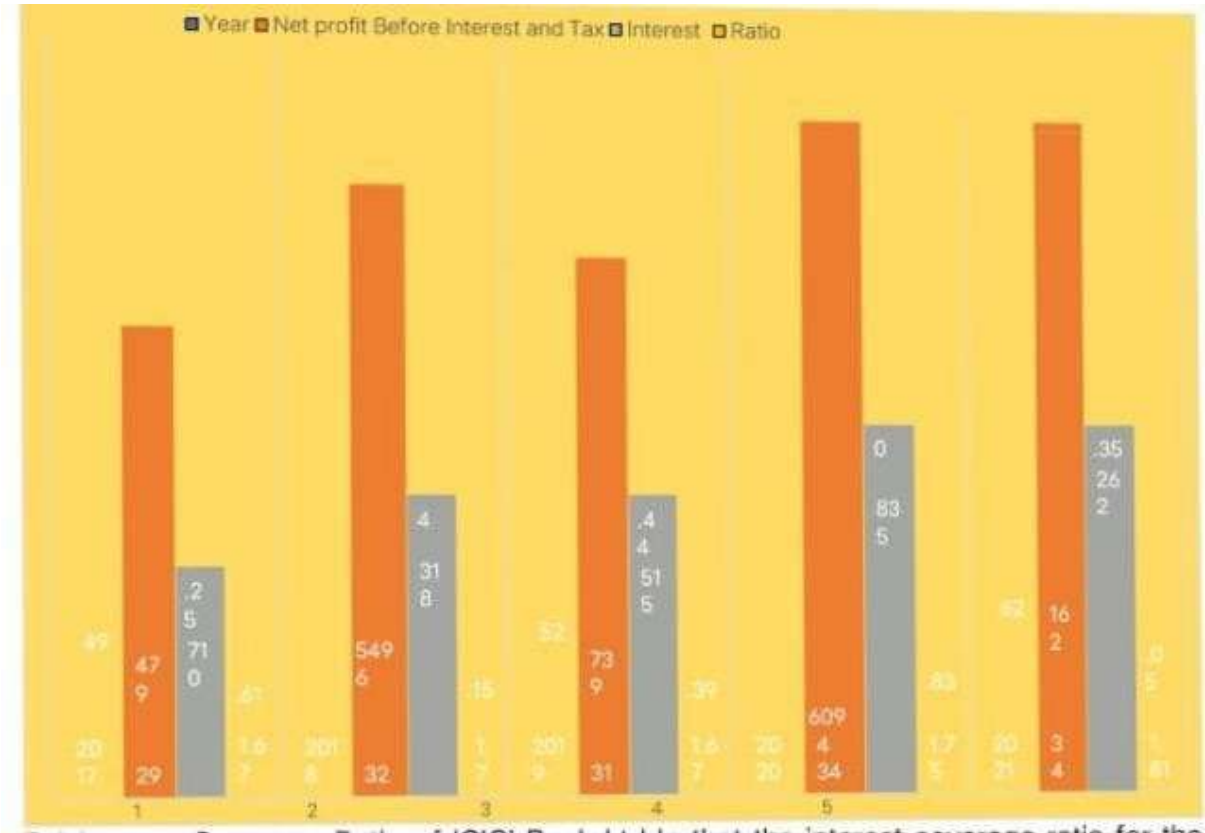
ICICI Bank Financial Performance Analysis (₹ Crores)

Year	Income	Expenditure	Net profit
2021	54606.02	44795.55	9810.47
2022	90216.23	77273.93	12942.30
2023	101395.82	90468.95	10926.87
2024	113397.62	102057.30	11340.32
2025	118969.10	109869.60	9099.54



Interest Coverage Ratio

Year	Net profit before interest and tax	Interest	Ratio
2021	49479.25	29710.61	1.67
2022	5964.00	32318.25	1.70
2023	52739.44	31515.39	1.67
2024	60940.00	34835.83	1.75
2025	62162.35	34262.05	1.81



Data analysis and interpretation is the process of collecting, organizing, examining, and explaining data to understand the performance and results of a study. In financial risk management of ICICI Bank, data analysis helps to evaluate financial performance, identify risks, measure profitability, and understand changes in income, expenses, and risk factors. The interpretation of data provides meaningful information that helps in decision-making and improving risk management strategies.

FINDINGS, SUGGESTIONS & CONCLUSION

FINDINGS

1. Business newspapers like The Economic Times and Business Standard has a strong and structured financial risk management system.
2. The bank effectively identifies and manages major risks such as credit risk, market risk, liquidity risk, and operational risk.
3. Proper risk assessment techniques help in minimizing financial losses and uncertainties.
4. Advanced technology and digital tools are used for monitoring and controlling risks efficiently.
5. Risk management practices support stability, profitability, and long-term growth of the bank.
6. The bank maintains adequate policies and internal controls to handle financial uncertainties.
7. Effective fund management and monitoring improve overall financial performance and customer confidence.

SUGGESTIONS

1. should strengthen its risk monitoring and control systems for better accuracy and efficiency.
2. Advanced technologies like AI and data analytics should be used to predict and manage financial risks effectively.
3. The bank should ensure better utilization of funds to increase profitability and reduce idle resources.
4. Operating costs should be minimized by adopting innovative digital banking solutions.
5. Regular training should be provided to employees for better risk awareness and management skill.

CONCLUSION

Financial Risk Management plays a crucial role in ensuring the stability and profitability of a banking institution. In the case of banks like ICICI, effective risk management helps in identifying, assessing, and controlling various types of risks such as credit risk, market risk, liquidity risk, and operational risk. Proper implementation of risk management strategies ensures that the bank maintains adequate capital, reduces potential losses, and improves investor and customer confidence. The bank has shown consistent efforts in identifying, measuring, and controlling risks through diversification of its loan portfolio, maintaining adequate capital adequacy ratios, and adopting Basel norms. Despite occasional fluctuations in profitability due to market conditions or loan defaults, ICICI Bank has maintained overall financial stability.

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Journals on Banking and Financial Risk Management

Business newspapers like The Economic Times and Business Standard