Analysis of Private Funding and Its Accountability by Financial Companies - Case Study Analysis of Retail Banking Branch of ICICI Bank

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ABSTRACT

This study analyzes the role of private funding and its accountability within the retail banking branch of ICICI Bank. The research investigates the creditworthiness assessment of loan applicants, the accountability of funding provided, and the challenges faced by relationship managers in the Business Lending Group. A mixed-method approach was employed, combining qualitative interviews with key bank personnel and quantitative data from ICICI Bank's financial reports. The findings indicate that while ICICI Bank implements rigorous due diligence and accountability measures, challenges persist in areas such as accurate property valuation, risk management, and ensuring the proper utilization of funds. The study underscores the importance of enhancing digital solutions, improving post-disbursement audits, and refining credit assessment tools to maintain high accountability standards in private funding.

Keywords: *Private funding, accountability, financial management, ICICI Bank, retail banking, creditworthiness, risk management, business lending, collateral assessment, digital banking solutions.*

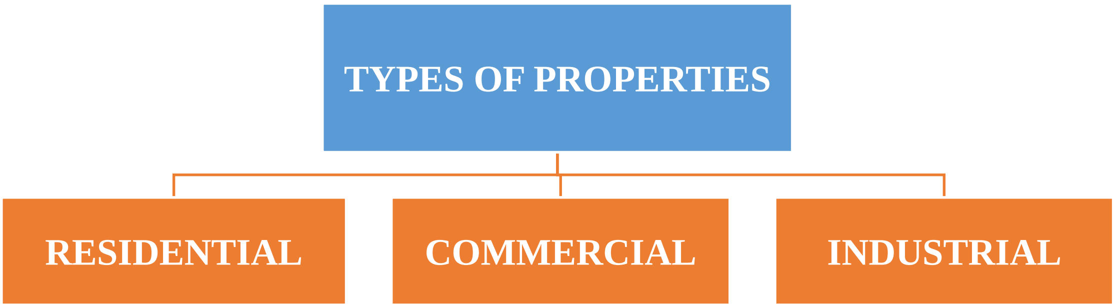
INTRODUCTION:

Working capital is one of the products provided by ICICI Bank and it is also known as Business Banking. Working capital means the funds that a company uses or requires to finance its day-to-day operations. The company should complete atleast 3 financial years. In ICICI Bank there are different verticals which cater to the working capital requirement of customers based on their turnover. The working capital gap is calculated as (Stocks + Debtors – Creditors).

Working Capital Facility has two bases:

FUND BASE	NON FUND BASE
•Overdraft •Cash Credit •Term Loan •Packing Credit in Foreign Currency(PCFC) •Post Shipment in Foreign Currency(PSFC)	•Bank Guarantee •Letter Of Credit

ICICI Bank offers Overdraft (OD), Cash Credit and Term Loan facilities to traders, processors, aggregators and other businesses like (Proprietorship, Partnership Firm and Hindu Undivided Family) in rural and semi-urban locations with quick sanction basis simplified documentation along with the security of properties.



Working Capital programs are as follows:
- GST OD
- UNICORE
- INFINITY
- CGTMSE
- CGTMSE HYBRID
- MARVEL
- SUPER BIZZ

CROSS CALL

A cross call refers to the bank's process of verifying and reassessing the property's value and the customer's financial status when additional funds are requested using the same property as collateral. This process ensures that the property still holds sufficient value to cover the combined liabilities of the existing loan and the new funds being requested.

Cross Call is calculated as:

Home Loan Current Outstanding / 75% Loan-to-value (LTV) = Home Loan Margin

Property value – Home Loan Margin (HL) = Available business banking collateral.

Scenario 1:

If a customer already has an ongoing home or commercial loan and wants additional funds for their business, using the same property as collateral (from the same bank), the property's valuation is reassessed. A cross call is conducted, and a lien of ₹1 is applied.

This lien charge means that even if the customer repays the home or commercial loan, they cannot retrieve their documents from the bank because of the ₹1 lien. The customer must fully repay the overdraft or cash credit, including the ₹1 lien, before they can obtain their documents.

Scenario 2:

Customer has one property and two businesses (1) ABC Enterprise and (2) ABC Private Limited.

The customer needs ₹2 crores in funds for a second company and has already taken ₹4 crores in funds for the first company. Given that the property's value is ₹6 crores, a cross call will be conducted.

4,00,00,000 / 75% = 5,33,33,333.33

The amount will be deducted from the property value 6,00,00,000 – 5,33,33,333.33 = 66,66,666.67
The remaining balance will be used as the collateral amount for security and it will be provided at 100% of its value.

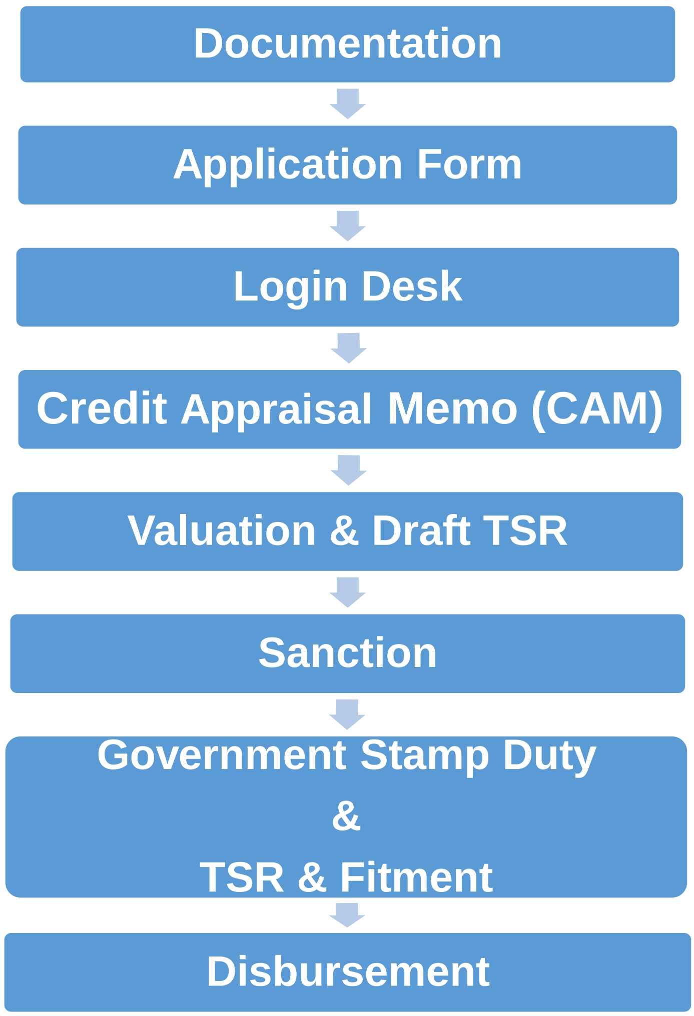
Scenario 3:

A customer has two companies: ABC Enterprise, which is 10 years old, and ABC Pvt Ltd, which is 1 year old. The customer seeks funding for the second company. In this case, funding can be based on the financials of the first company, but both companies must operate in the same type of business. For example, if the first company is involved in bottle manufacturing, the second company must also be in the same business; otherwise, funding cannot be provided.

Scenario 4:

A customer is requesting a ₹2 crore overdraft and has ₹1 crore in property and ₹1 crore in a fixed deposit as collateral. The bank can take the fixed deposit as collateral but will charge ₹1 as a lien, which will be marked on full fixed deposit amount. If the customer does not repay the overdraft, they will not be able to retrieve the fixed deposit amount. Additionally, if the customer fails to pay the interest or causes any issues, the bank will take the full fixed deposit amount to cover the overdraft.
The bank offers an overdraft against the fixed deposit but charges an interest rate that is 1% higher than the fixed deposit rate.

PROCESS



REVIEW OF LITERATURE:

- **Strategic management practices of private sector banks in India: Patel and Mehta (2018):** The study assessed how strategic planning and specialization in lending and credit evaluation impacted productivity and profitability. The researchers concluded that ICICI Bank's proactive strategic management, including regular reviews of income-oriented and cost-oriented strategies, was key to its sustained growth.
- **Impact of private funding mechanisms on operational efficiency of private sector banks in India: Mohan and Rajesh (2019):** Focusing on products such as overdrafts and cash credits, the researchers found that private banks, including ICICI Bank, benefited significantly from diversified funding sources, leading to improved liquidity management and customer satisfaction. The study emphasized the importance of robust accountability measures to mitigate risks associated with private funding.
- **Role of digital transformation in enhancing accountability and efficiency of private funding in Indian banks: Sharma and Verma (2020):** Their research focused on ICICI Bank's use of advanced digital platforms for managing overdrafts and cash credits. The study found that digital technologies streamlined approval processes, reduced operational costs, and improved transparency in funding operations. The researchers stressed the need for continuous technological upgrades to maintain a competitive edge and ensure regulatory compliance.
- **Project appraisal capabilities of private sector banks: An analysis of ICICI Bank's lending practices: Singh and Gupta (2022):** Analyzing data from 2012 to 2021, the study found that ICICI Bank's emphasis on thorough project appraisals and credit evaluations significantly enhanced its lending efficiency. The study recommended that banks invest in training programs to further strengthen project appraisal skills and ensure high lending standards.
- **Evaluating Accountability Mechanisms in Indian Retail Banking: Amitabh Ghosh (2018):** The research examines how these mechanisms manage private funding and ensure compliance with financial regulations and discusses the effectiveness of these practices in enhancing transparency and accountability.
- **Private Funding and Its Impact on Bank Operations and Accountability: The ICICI Bank Perspective: Kiran Patel (2020):** The paper analyzes how private funding affects operational strategies, risk management, and accountability practices within the bank, providing insights into the challenges and benefits associated with managing private investments in the retail banking sector.
- **Private Equity and Corporate Governance: A Case Study of ICICI Bank: Rajesh Sharma (2019):** This article explores how private equity investments influence corporate governance structures in Indian banks, with a specific case study of ICICI Bank. The interplay between private funding and governance practices, emphasizing how private equity stakeholders can impact accountability mechanisms and decision-making processes in retail banking.
- **The Role of Private Funding in Bank Performance: Evidence from ICICI Bank: Anil Kumar (2020):** The study finds that while private funding can lead to enhanced operational efficiencies and growth, it also necessitates rigorous accountability measures to ensure that financial practices remain transparent and aligned with regulatory standards.
- **Accountability in Financial Institutions: A Comparative Study of ICICI Bank and Other Major Bank: Meera Patel (2018):** The article examines the effectiveness of various accountability

frameworks in ensuring the proper use of private funding, highlighting both strengths and areas for improvement in ICICI Bank's approach.

- **Impact of Private Funding on Risk Management in Retail Banking: Insights from ICICI Bank: Subramanian Iyer (2020)**: The research highlights the challenges and benefits of integrating private funding into risk management strategies, stressing the importance of robust accountability systems to mitigate potential risks associated with private investments.
- **Private Funding and Regulatory Compliance in Indian Banks: ICICI Bank as a Case Study: Priya Reddy (2019):** This article explores how private funding influences the bank's adherence to regulatory requirements and the effectiveness of its accountability measures in maintaining compliance and ethical standards. These articles collectively provide insights into how private funding impacts financial practices, governance, and accountability in the context of ICICI Bank's retail banking sector.
- **The Dynamics of Private Funding in Indian Banks: A Focus on ICICI Bank: Arvind Desai (2017):** The study delves into how private investments shape strategic decisions and operational efficiencies, while highlighting the need for strong accountability frameworks to manage these funds responsibly.
- **Assessing the Accountability of Private Investments in Indian Retail Banks: The ICICI Bank Experience: Neha Agarwal (2020)**: The paper evaluates the effectiveness of these measures in ensuring transparent and ethical management of private funds, and how these practices compare with other banks.
- **Private Capital and Financial Reporting in Indian Banks: Insights from ICICI Bank: Rajiv Mehta (2019):** The article discusses how private investors influence financial reporting standards and accountability practices, and the challenges faced in maintaining transparency and regulatory compliance.
- **Governance and Accountability in Banks: A Case Study of ICICI Bank's Private Funding: Sanjay Sharma (2018)**: The study provides an analysis of how governance practices are adapted to manage private investments and the role of these practices in ensuring financial accountability.

OBJECTIVE:

- To understand the assessment of creditworthiness of the applicants.
- To calculate the accountability of funding provided by the retail branch of ICICI.
- To investigate challenges faced by the Relationship Managers of the Business Lending Group.

RESEARCH METHODOLOGY:

This study adopts a mixed-methods approach, integrating both qualitative and quantitative data to comprehensively analyze private funding and its accountability within the retail banking branch of ICICI Bank.

DATA SOURCES

- **Primary Data**
- **Interviews:**
  - Conducted with key personnel at ICICI Bank, including relationship managers.
  - Purpose: Gain qualitative insights into strategies and processes related to private funding and

accountability.

- **Secondary Data**
- ICICI Bank Website:
  - Information on working capital facility programs.
  - Private funding products.
  - Accountability measures provided by ICICI Bank.
- **Annual Reports:**
  - Documents reviewed:
  - Profit & Loss Statement.
  - Balance Sheet.
  - Computation of Income.
  - Karza report by ICICI Bank.
  - Purpose: Gather quantitative data on private funding volumes, default rates, and accountability measures.
- **Regulatory Documents:**
  - Reviewed RBI guidelines, circulars, and compliance documents.
  - Purpose: Understand the regulatory framework governing private funding and accountability in the banking sector.
- **Academic Journals:**
  - Literature review of recent studies.
  - Focus: Private funding, accountability, and retail banking operations.

DATA ANALYSIS:

Qualitative Data Analysis (Primary Research): In analyzing qualitative data from primary research, thematic analysis is utilized to examine the interview content. The interview is transcribed, and the data is systematically coded to identify key themes and patterns related to the impact of private funding and the accountability practices of financial companies. This method aids in organizing and interpreting the qualitative data in a structured manner, focusing on a case study of a retail banking branch of ICICI Bank.

Quantitative Data Analysis (Secondary Research): Gross NPA and Net NPA ratio along with coverage ratio and provisioning is used for quantitative data analysis.

DATA ANALYSIS AND INTERPRETATION:

I. Case study used for interview:

To assess Mr. Prakash Kantilal Shah's request for a business loan of ₹2 crores, we would start by asking fundamental questions to understand his funding needs, the duration and nature of his business, and the exact amount required. We would then collect his financial information, focusing on sales turnover for the past year (March 2023) and the current year (March 2024). Based on his sales turnover of **₹19,50,14,503,** we would consider offering him a loan amounting to 20% of this turnover, which equals **₹3,90,02,900.**

Next, we would calculate the leverage to assess the financial risk. Leverage is determined by dividing the Total Outside Liability by the Adjusted Tangible Net Worth.

Here's the detailed calculation:

Adjusted Tangible Net Worth: = Capital + Unsecured Loans - Loans & Advances
= ₹4,16,18,718 + ₹ 2,73,33,000 − ₹ 23,95,722 = ₹ 6,65,55,996
Total Outside Liability = Other Liabilities − Capital
= ₹ 5,02,88,660 − ₹ 4,16,18,718 = ₹ 86,69,942
Leverage = Total Outside Liability / Adjusted Tangible Net Worth
= ₹ 86,69,942 / ₹6,65,55,996 = 0.13 times

A leverage ratio of 0.13 times indicates a low-risk profile. Generally, leverage ratios are evaluated as follows:

Less than or equal to 5 times: Low risk
Between 5 to 7 times: Moderate risk
More than 7 times: High risk

Based on this calculation, Mr. Prakash's leverage is approximately 0.13 times, which is considered very low risk. Additionally, considering the property he offers for mortgage valued at ₹5 crores, Mr. Prakash is well-qualified to receive the requested loan of ₹2 crores.

M/S POLO HARDWARE COLLECTION
(PROP: MR. PARESH KANTILAL SHAH)
BALANCE SHEET AS AT 31ST MARCH 2023

	PARTICULARS	SCH.	AS AT 31ST MAR.2023 RS.	
I	**SOURCES OF FUNDS**			
	Proprietor's Capital Account	A	4,16,18,718	4,16,18,718
	NON CURRENT LIABILITIES			
	Secured Loans		12,92,946	
	Loan (Liability)		3,02,34,900	3,15,27,846
	TOTAL RS.			**7,31,46,564**
II	**APPLICATION OF FUNDS**			
	FIXED ASSETS	B		28,86,268
	CURRENT ASSETS, LOANS & ADVANCES			
	Inventories		5,12,97,784	
	Cash & Bank Balances	C	68,93,876	
	Trade Receivables		2,73,59,743	
	Deposits, Loans & Advances		23,95,722	
	Other Current Assets	D	10,73,984	
			8,90,21,109	
	LESS: CURRENT LIABILITIES & PROVISIONS			
	Current Liabilities	E	1,87,60,814	7,02,60,296
	TOTAL RS.			**7,31,46,564**

AS PER MY REPORT OF EVEN DATE
M/S SANJAY C. SHAH & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGISTRATION NO.: 128148W

SANJAY C. SHAH
PROPRIETOR
MEMBERSHIP NO : 039179
PLACE : MUMBAI
DATED : 28TH SEPTEMBER , 2023
UDIN:- 23039179BGSYPQ6371

FOR M/S POLO HARDWARE COLLECTION

PARESH K. SHAH
PROPRIETOR

PLACE : MUMBAI
DATED : 28TH SEPTEMBER , 2023

Balance Sheet of M/S Polo Hardware Collection for 31st March 2023

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M/S POLO HARDWARE COLLECTION
(PROP: MR. PARESH KANTILAL SHAH)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2023

	PARTICULARS		AS AT 31ST MAR.2023 RS.	
I	**INCOME**			
	Sales	F	19,50,14,503	
	Indirect Income	G	10,84,444	
	Increase/(Decrease) in Stock		12,44,994	
	TOTAL RS.			19,73,43,941
II	**EXPENDITURE**			
	Purchases	H	15,72,54,952	
	Direct expenses	I	11,02,699	
	Admin, Selling and Distribution charges	J	1,65,49,295	
	Finance Cost	K	26,16,240	
	Personnel Expenses	L	81,02,732	
	Depreciation		4,93,907	
	TOTAL RS.			18,61,19,825
	NET PROFIT TRANSFERRED TO PROPRIETOR'S CAPITAL ACCOUNT			1,12,24,117
	NOTES ON ACCOUNTS	M		

AS PER MY REPORT OF EVEN DATE
M/S SANJAY C. SHAH & ASSOCIATES
CHARTERED ACCOUNTANTS
FIRM REGISTRATION NO.: 128148W
SANJAY C. SHAH
PROPRIETOR
MEMBERSHIP NO : 039179
PLACE : MUMBAI
DATED : 28th SEPTEMBER , 2023
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FOR M/S POLO HARDWARE COLLECTION
PARESH K. SHAH
PROPRIETOR
PLACE : MUMBAI
DATED : 28th SEPTEMBER , 2023

Profit and Loss of M/S Polo Hardware Collection for 31st March 2023

M/S POLO HARDWARE COLLECTION
(PROP: MR. PARESH KANTILAL SHAH)

ANNEXURE FORMING PART OF STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MAR.2023

SR. NO.	PARTICULARS	AS AT 31ST MARCH 2023 AMOUNT (RS.)	
	Annexure - A		
	Loan (Liabilities)		
1	BHADRESH SALOT (LOAN)	29,01,900	
2	JITENDRA P.SHAH - LOAN	20,00,000	
3	KIRAN POPATLAL SHAH LOAN	20,00,000	
4	KOKILA MAHENDRA SHAH LOAN	20,00,000	
5	MAHENDRA P SHAH (HUF)	14,25,000	
6	NUTAN MAHENDRA SHAH LOAN	15,00,000	
7	SARLA KIRAN SHAH LOAN	39,08,000	
8	SHRI KANTILAL P.SHAH	73,00,000	
9	SHRI.KANTILAL P SHAH (HUF)	52,00,000	
10	VANITA C. SHAH (LOAN)	20,00,000	
	Total		**3,02,34,900**

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	Annexure - C		
	Deposits, Loans & Advances		
	Staff Loan Given		
1	NAMRTA MAYSE -STAFF LOAN	10,000	
2	PRIYANKA MAHATRE -STAFF LOAN	3,000	
3	RATANDEEP MANJREKAR - STAFF LOAN	13,000	
4	RESHMA PARAB -STAFF LOAN	44,741	
5	SANGITA MORE -STAFF LOAN	13,000	
6	SANGITA PAWAR- STAFF LOAN	2,000	
7	SANKESH LAD - STAFF LOAN	30,300	
8	TILKULAL PRAJAPATI- STAFF LOAN	34,000	
9	VIJAY SHINDE - STAFF LOAN	27,000	
10	JAWAHARLAL HAMAL	10,000	
11	VAIBHAV MORE	10,000	
12	VINOD CHUDJI - STAFF LOAN	12,700	
13	Vrushali Hindlaker STAFF LOAN	10,000	
		2,19,741	

SANJAY C. SHAH & ASSOCIATES MUMBAI-56. CHARTERED ACCOUNTANTS

SR. NO.	PARTICULARS	AS AT 31ST MARCH 2023 AMOUNT (RS.)	
	M/S POLO HARDWARE COLLECTION		
	(PROP: MR. PARESH KANTILAL SHAH)		
	ANNEXURE FORMING PART OF STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MAR.2023		
	Advances To Creditors (Expenses)		
1	FACEBOOK INDIA ONLINE SERVICE PVT LTD	9,655	
2	INDIAFILINGS PRIVATE LIMITED	58,483	
3	SENSORICA SECURITY SOLUTIONS PVT LTD	34,655	
4	SHREE GANESH WAREHOUSE	5,940	
5	S.J.THACKER FREIGHT FORWARDER PVT LTD	698	
6	STAR SHIPPING GSL	20,000	
		1,29,431	
	Advances To Creditors (Purchse- Goods)		
1	BALAJI ACTION BUILDWELL PVT LTD	107	
2	BALAJI HARDWARE PRODUCTS (RAJKOT)	57	
3	BILLY GOAT INDUSTRIES -RAJKOT	10,000	
4	DILIP ENTERPRISES LLP (GHATKOPAR)	4,543	
5	JIEYANG JIXIANGLONG HARDWARE AND KITCHENWARE CO LTD	13,87,841	
6	SHREEJI BRASS INDUSTRIES (JAMNAGAR)	360	
7	TOY KIDS	5,31,860	
	Total	**19,34,768**	
	other deposits or loans		
1	Rent Deposits	50,000	
2	Rupal shah	61,782	
		1,11,782	
			23,95,722

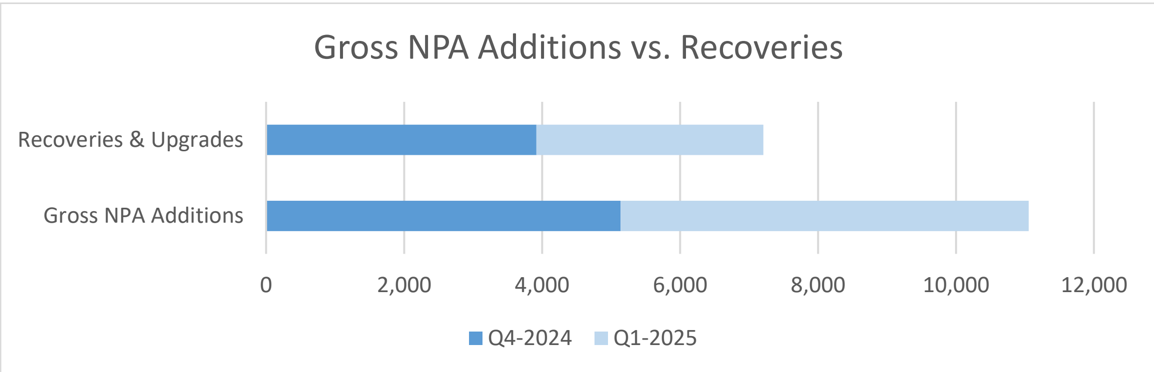
Relevant Annexures of M/S Polo Hardware Collection

Relevant Annexures of M/S Polo Hardware Collection

To assess the accountability of the funding provided by ICICI Bank's retail branch, it is essential to examine how effectively the bank manages its Non-Performing Assets (NPAs). As of June 30, 2024, the Gross NPA ratio was 2.15%, a slight improvement from 2.16% on March 31, 2024, while the Net NPA ratio increased marginally from 0.42% to 0.43%. In Q1-2025, Gross NPA additions were ₹5,916 crore (US$ 709 million), up from ₹5,139 crore (US$ 616 million) in Q4-2024. Recoveries and upgrades, excluding write-offs and sales, declined from ₹3,918 crore (US$ 470 million) in Q4-2024 to ₹3,292 crore (US$ 395 million) in Q1-2025. Net additions to Gross NPAs, excluding write-offs and sales, rose significantly from ₹1,221 crore (US$ 146 million) in Q4-2024 to ₹2,624 crore (US$ 315 million) in Q1-2025. Additionally, the bank wrote off Gross NPAs amounting to ₹1,753 crore (US$ 210 million) in Q1-2025. With a provisioning coverage ratio of 79.7% on June 30, 2024, the bank demonstrates a strong commitment to covering potential losses. This analysis underscores ICICI Bank's approach to managing and recovering NPAs, highlighting the importance of effective risk management and accountability in the allocation and oversight of its funds.

Gross NPA Additions vs. Recoveries:

Quarter	Gross NPA Additions	Recoveries & Upgrades
Q4-2024	5,139	3,918
Q1-2025	5,916	3,292



Analysis:

- The Gross NPA additions increased from ₹5,139 crore in Q4-2024 to ₹5,916 crore in Q1-2025, indicating that more loans have turned into NPAs in the recent quarter.
- Recoveries and upgrades decreased from ₹3,918 crore in Q4-2024 to ₹3,292 crore in Q1-2025, which shows a reduction in the bank's ability to recover or upgrade these NPAs.

Net Additions to Gross NPAs:

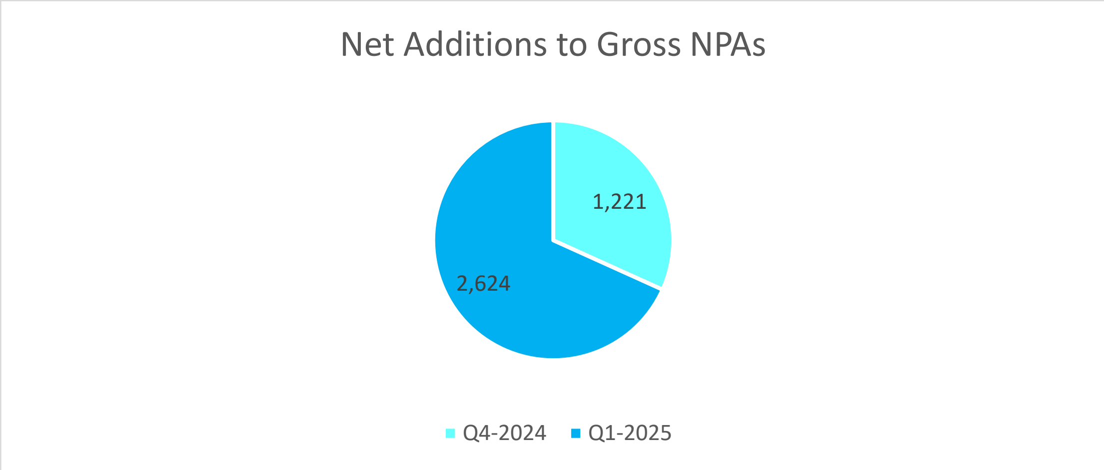
Quarter	Net Additions
Q4-2024	1,221
Q1-2025	2,624

Analysis:

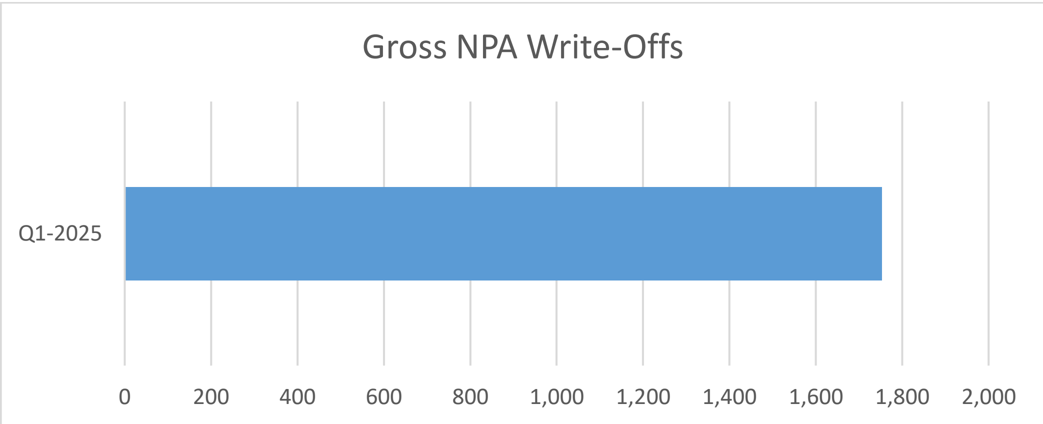
The net additions to Gross NPAs more than doubled from ₹1,221 crore in Q4-2024 to ₹2,624 crore in

Q1-2025. This increase could reflect either a higher rate of loan defaults or a slowdown in recoveries.

Gross NPA Write-Offs



Period	Gross NPA Write-Offs
Q1-2025	1,753



Analysis:

The write-offs amounting to ₹1,753 crore in Q1-2025 suggest that a portion of NPAs deemed unrecoverable was removed from the bank's balance sheet. While write-offs reduce reported NPAs, they also reflect the final loss on these loans.

Provisioning Coverage Ratio:

The provisioning coverage ratio on NPAs was 79.7% on June 30, 2024. This high ratio suggests that the bank has set aside a substantial amount to cover potential losses from NPAs, reflecting a cautious and responsible approach.

FINDINGS OF THE STUDY:

Financial Management and Oversight in Business Lending:

In the business lending sector at ICICI Bank, financial management and oversight are crucial for ensuring the effective disbursement and utilization of loans. The main themes observed from the interviews with relationship managers include accountability, risk management, financial analysis, and internal controls. These themes are integral to understanding how the bank navigates the complexities of business lending, manages collateral, and tracks fund utilization.

Sub Themes and Insights:

- **Accountability:**
- "ICICI Bank follows a rigorous due diligence process before disbursing loans. This includes multiple levels of approvals, detailed documentation, and thorough credit assessments to ensure all aspects of the loan are vetted." (Interview Response 1)
- "We employ a robust risk management framework that includes detailed credit checks and risk assessment procedures. Each loan is scrutinized by multiple departments before approval." (Interview Response 2)
- "To ensure accountability, we implement a detailed documentation and verification process. Each loan application goes through strict checks to prevent discrepancies and ensure compliance." (Interview Response 3)
- **Collateral Assessment:**
- "Typically, we provide loans up to 70-80% of the property's market value. This percentage can vary depending on the type of property and the business's credit profile." (Interview Response 1)
- "For commercial properties, loans can go up to 75% of the property value, while residential properties might secure a slightly higher percentage, depending on the location and quality of the asset." (Interview Response 2)
- "The collateral provided typically ranges between 65-75% of the property's market value. This percentage is adjusted based on the risk profile of the borrower and the property type." (Interview Response 3)

- **Financial Tracking and Monitoring:**
- "We have a post-disbursement monitoring process where businesses are required to submit regular reports on the use of funds. Additionally, our team conducts periodic audits and inspections." (Interview Response 1)
- "We monitor fund utilization through regular client interactions, financial reporting, and sometimes require escrow accounts to ensure funds are used as intended." (Interview Response 2)
- "We require businesses to maintain detailed financial records and submit them periodically. Additionally, we may involve third-party auditors to verify the proper use of funds." (Interview Response 3)

- **Risk Management:**
- "One common challenge is ensuring accurate assessment of a business's future cash flows. Another is the timely collection of documentation from clients, which can delay the process." (Interview Response 1)
- "One challenge is managing sector-specific risks, especially for businesses in volatile industries. Another is ensuring that all compliance requirements are met without causing delays." (Interview Response 2)
- "A major challenge is dealing with businesses that have complex financial structures. Another issue is the enforcement of collateral, especially in case of defaults." (Interview Response 4)

- **Internal Controls and Documentation:**
- "ICICI Bank ensures accountability by adhering to strict internal controls and compliance checks at each stage of the loan disbursement process. We also have an internal audit mechanism that periodically reviews disbursed loans." (Interview Response 5)
- "We accept a range of properties, including land, residential, and commercial buildings. Necessary documentation includes a registered sale deed, non-encumbrance certificate, and sanctioned building plans." (Interview Response 3)
- **Improvements:**
- "Streamlining the documentation process could enhance accountability. Implementing advanced data analytics for real-time monitoring of fund utilization would also be beneficial." (Interview Response 1)
- "Increasing the frequency of post-loan audits could further improve accountability. Additionally, enhancing client education on financial discipline might reduce misuse of funds." (Interview Response 2)
- "Introducing more technology-driven solutions, like automated credit scoring, could speed up the lending process and improve accuracy, thereby enhancing accountability." (Interview Response 3).

Lending, Loans, and Real Estate Finance in Business Lending:
In the realm of business lending at ICICI Bank, various factors influence the effectiveness and efficiency of the lending process. Key areas of focus include addressing business lending challenges, managing collateral enforcement, ensuring proper documentation, and integrating technology. The insights gathered from interviews reveal how the bank handles loan purposes, collateral, property types, and fund utilization while addressing challenges such as misuse of funds and process delays.
Sub Themes and Insights:

- **Business Lending Challenges:**
- "One common challenge is ensuring accurate assessment of a business's future cash flows. Another is the timely collection of documentation from clients, which can delay the process." (Interview Response 1)
- "A major challenge is dealing with businesses that have complex financial structures. Another issue is the enforcement of collateral, especially in case of defaults." (Interview Response 4)
- **Loan Purposes and Collateral Enforcement:**
- "We differentiate our products based on loan tenure, interest rates, collateral requirements, and the specific needs of the business. For instance, working capital loans are short-term, while term loans are more suited for long-term investments." (Interview Response 1)
- "Typically, we provide loans up to 70-80% of the property's market value. This percentage can vary depending on the type of property and the business's credit profile." (Interview Response 1)
- "Products are differentiated by the purpose of the loan. For instance, trade finance products are structured to support export-import businesses, whereas term loans are for capital expenditure." (Interview Response 4)
- **Classification / Categorization:**
- "We support a wide range of businesses, particularly focusing on SMEs involved in manufacturing,

retail, and export. We also provide loans to service-based companies with stable cash flows." (Interview Response 2)

- "Our lending portfolio includes a mix of SMEs in sectors like healthcare, education, manufacturing, and logistics. We also support tech startups with scalable business models." (Interview Response 4)
- **Legal Documentation and Property Types:**
- "We accept a range of properties, including land, residential, and commercial buildings. Necessary documentation includes a registered sale deed, non-encumbrance certificate, and sanctioned building plans." (Interview Response 3)
- "The types of property that can be mortgaged include commercial, residential, and industrial properties. Required documents include property title deeds, valuation reports, and ownership proof." (Interview Response 1)
- **Misuse of Funds and Monitoring:**
- "We have a post-disbursement monitoring process where businesses are required to submit regular reports on the use of funds. Additionally, our team conducts periodic audits and inspections." (Interview Response 1)
- "We monitor fund utilization through regular client interactions, financial reporting, and sometimes require escrow accounts to ensure funds are used as intended." (Interview Response 2)
- **Technology Integration:**
- "Streamlining the documentation process could enhance accountability. Implementing advanced data analytics for real-time monitoring of fund utilization would also be beneficial." (Interview Response 1)
- "Introducing more technology-driven solutions, like automated credit scoring, could speed up the lending process and improve accuracy, thereby enhancing accountability." (Interview Response 3)
- **Client Education and Post-Loan Audits:**
- "Increasing the frequency of post-loan audits could further improve accountability. Additionally, enhancing client education on financial discipline might reduce misuse of funds." (Interview Response 2)
- "We ensure fund utilization by requiring borrowers to provide regular updates on their business performance and by conducting site visits to verify that funds are being used for the stated purpose." (Interview Response 5)
- **Interest Rates, Terms and Conditions:**
- "We differentiate our lending products based on the level of risk, collateral required, and loan purpose. For example, a loan for purchasing machinery would differ in terms from a loan meant for working capital." (Interview Response 5)
- "Business loans are tailored based on the purpose—like equipment financing, which is secured by the equipment itself, versus cash credit facilities, which are more flexible and geared towards managing working capital needs." (Interview Response 2)
- **Time Management and Communication:**
- "Some challenges include assessing the true market value of collateral and managing loan recovery in cases of default. Keeping up with regulatory changes also adds complexity to the lending process." (Interview Response 5)
- "One challenge is managing borrower expectations regarding loan approval timelines." (Interview

Response 3)

- **Transparency and Process Delays:**
- "Enhancing the integration of technology in tracking and monitoring post-loan disbursement could significantly improve the process's accountability." (Interview Response 4)
- "Introducing more technology-driven solutions, like automated credit scoring, could speed up the lending process and improve accuracy, thereby enhancing accountability." (Interview Response 3)

Accountability:

- **Effectiveness in NPA Management:** The data shows that while there is an increase in Gross NPA additions, the bank has managed to maintain a stable Gross NPA ratio. However, the rise in Net Additions to Gross NPAs and the decline in recoveries indicate that there is room for improvement in managing the quality of assets.
- **Risk Control:** The high provisioning coverage ratio demonstrates ICICI Bank's proactive approach to mitigating potential losses from NPAs, showing accountability in safeguarding the funds provided to borrowers.
- **Financial Impact:** The gross NPA write-offs and the increase in NPAs indicate that while the bank is managing its risks, the underlying asset quality is under pressure. This situation calls for enhanced due diligence and credit assessment practices to ensure that funds are allocated to creditworthy borrowers.

The data reflects ICICI Bank's efforts to maintain accountability in the management of funds by controlling NPAs. However, the increase in Gross and Net NPA additions suggests that the bank must strengthen its recovery mechanisms and improve the quality of its loan book. The balance between NPA management and provisioning reflects a sound but cautious approach to mitigating risk, ensuring that the bank remains accountable for the funds it provides.

CONCLUSION:

In examining private funding and its accountability within financial institutions through the case study of ICICI Bank's retail banking branch, it becomes clear that managing business loans effectively is essential for ensuring financial stability and promoting growth. ICICI Bank's array of lending products—ranging from overdrafts and cash credit to term loans and specialized facilities like Packing Credit in Foreign Currency (PCFC)—demonstrates a customized approach to addressing diverse business needs. The bank's thorough methods for evaluating creditworthiness, monitoring fund utilization, and managing collateral underscore a well-structured framework aimed at mitigating risks and ensuring that funds are appropriately allocated.

Nonetheless, challenges persist, including evaluating the creditworthiness of emerging or smaller businesses, navigating risks associated with market volatility, and ensuring precise property valuations. ICICI Bank addresses these issues through stringent documentation requirements, regular monitoring, and advanced tracking technologies, all designed to bolster accountability.

The study highlights the necessity of a well-rounded business lending approach that combines flexibility with stringent oversight. By continuously refining its procedures and adopting technological advancements, ICICI Bank can enhance its capacity to support businesses effectively while upholding high standards of accountability. Ultimately, the bank's practices in private funding exemplify a commitment to responsible lending and sound financial management, fostering overall stability and growth in the business sector.

RECOMMENDATIONS & SUGGESTIONS:

Streamline Documentation and Approval Processes:

- **Adopt Digital Solutions:** Implementing digital platforms for document submission and verification can significantly reduce delays and streamline the loan approval process. A centralized document management system would facilitate easier tracking and retrieval, ensuring that all necessary documents are readily accessible.
- **Optimize Documentation Collection:** Simplifying the documentation collection process is crucial. By integrating electronic submission options and reducing manual data entry, ICICI Bank can improve efficiency and reduce the likelihood of errors, leading to faster processing times for loan approvals.

Improve Monitoring and Post-Disbursement Audits:

- **Increase Audit Frequency:** Enhancing post-disbursement monitoring by conducting more frequent and comprehensive audits is essential for maintaining accountability. Regularly reviewing fund utilization and compliance through detailed on-site inspections and financial reports ensures that borrowers are adhering to the agreed terms and conditions.
- **Leverage Data Analytics:** Utilizing advanced data analytics for real-time monitoring of fund utilization can provide actionable insights into borrower financial health. This approach allows for more proactive risk management and ensures that any potential issues are identified and addressed promptly.

Integrate Technology for Greater Efficiency:

- **Enhance Data Analysis:** Investing in AI and machine learning technologies can greatly enhance the analysis of borrower data. These technologies can predict risks more accurately and improve the precision of lending decisions, leading to better outcomes for both the bank and its clients.

Foster Transparent Communication:

- **Establish Regular Check-Ins:** Maintaining open communication channels with clients is key to building trust and ensuring a smooth lending process. Regular updates on loan status, approval timelines, and any changes in terms or conditions help clients stay informed and engaged.
- **Develop a Client Portal:** Creating an online portal where borrowers can access real-time information about their loan status, requirements, and other relevant updates would further enhance transparency and improve the overall client experience.

Develop a Comprehensive Feedback Mechanism:

- **Feedback Mechanism:** Establishing a systematic feedback mechanism is crucial for gathering input from clients on their lending experience. This feedback can highlight areas for improvement, allowing ICICI Bank to continually refine its private funding processes.

To enhance the effectiveness and accountability of private funding processes at ICICI Bank, it is also important to provide targeted training and support to businesses, particularly smaller or newer ones. This assistance can help these businesses better understand and manage their funding needs, leading to more successful outcomes for both the bank and its clients.

SCOPE OF FURTHER RESEARCH:

- **Advanced Collateral Management Systems:** Investigate the effectiveness of centralized collateral management systems that incorporate real-time market data. This research should explore how these systems influence the accuracy of collateral valuations and enforcement practices, particularly in volatile market conditions. Understanding the impact of such systems can provide insights into optimizing collateral management for better risk mitigation.
- **Digital Transformation in Documentation:** Examine the impact of implementing end-to-end digital document management systems on various aspects of the lending process, including processing times, error rates, and client satisfaction. This research could reveal the potential of digital transformation to streamline operations, reduce administrative burdens, and enhance the overall client experience.
- **AI and Advanced Technologies in Credit Scoring:** Assess the use of AI-driven tools for credit scoring and risk assessment, focusing on their accuracy, efficiency, and influence on loan approval processes. Understanding the role of AI in improving credit assessments and decision-making can guide future developments in lending practices, ensuring that banks make more informed and timely decisions.
- **Risk Management Practices:** Explore the evolution of risk management practices, with a particular focus on the integration of industry benchmarks and scenario planning. This research could highlight best practices and innovative approaches to managing risks in a rapidly changing financial landscape, ultimately contributing to more resilient and adaptable lending strategies.
- **Client Education and Support Strategies:** Evaluate the effectiveness of educational initiatives, such as webinars and online resources, in enhancing client financial management and fund utilization. Research in this area can determine whether these strategies improve borrower outcomes and reduce the likelihood of defaults, leading to stronger client-bank relationships.
- **Communication and Transparency Enhancements:** Study the impact of improved communication channels, such as client portals, on transparency and client engagement in the lending process. By analyzing how these enhancements affect client satisfaction and trust, this research could provide valuable insights into optimizing communication strategies within financial institutions.
- **Flexible Repayment Options and Industry-Specific Products:** Investigate the benefits and challenges of offering flexible repayment options and customized loan products tailored to specific industries. This research could uncover how such offerings influence borrower behavior, loan performance, and overall market competitiveness, helping banks to better meet the diverse needs of their clients.

Additionally, researching the effectiveness of borrower support programs and their impact on loan performance and accountability could provide useful data for improving lending strategies. Understanding how these programs contribute to borrower success and long-term financial health can help shape more effective and supportive lending practices.

LIMITATIONS OF STUDY:

1. **Scope of Data Collection:** The study’s findings are primarily based on interviews with relationship managers, which may not fully encompass the perspectives of all stakeholders involved in the business lending process, such as credit analysts, compliance officers, and borrowers. This limitation

could affect the comprehensiveness of the recommendations, as the viewpoints and experiences of other critical participants are not adequately represented.

2. **Dynamic Market Conditions:** The recommendations are formulated based on the current market and operational conditions. However, rapid changes in financial regulations, economic fluctuations, or technological advancements may impact the relevance and applicability of these proposed solutions over time. This factor underscores the need for adaptability in implementing the recommendations.
3. **Implementation Challenges:** While the recommendations aim to address identified challenges, practical implementation may face obstacles such as resistance to change, resource constraints, or technological limitations within the bank. These challenges highlight the importance of considering operational feasibility and change management strategies when introducing new solutions.
4. **Data Privacy and Security Concerns:** The study suggests enhancing data security and integrating advanced technologies. However, the implementation of these recommendations may encounter issues related to data privacy, cybersecurity risks, and compliance with regulatory requirements. These concerns must be carefully managed to ensure that technological advancements do not compromise the bank's security or legal standing.
5. **Generalizability of Findings:** The findings are specific to ICICI Bank's business lending operations, and while some recommendations may be applicable to other financial institutions, the context-specific nature of the study limits its generalizability to other banks or regions. This limitation suggests that further research is needed to validate the applicability of the findings in different contexts.
6. **Complexity of Credit Assessment:** Enhancing credit assessment tools and methodologies may involve complex data analysis and modeling. The effectiveness of new tools depends heavily on the quality of data and the accuracy of predictive models, which can be challenging to maintain consistently. This complexity emphasizes the need for robust data management and ongoing model validation.
7. **Feedback Mechanisms:** Establishing comprehensive feedback systems and monitoring mechanisms may face difficulties in capturing accurate and representative client feedback, which could impact the effectiveness of continuous improvement efforts. Ensuring that feedback mechanisms are reliable and inclusive is essential for meaningful insights and progress.

Overall, the analysis is primarily based on data from ICICI Bank's retail banking branch, which may not fully reflect the practices and challenges of other branches or financial institutions. The focus is limited to the bank's existing processes and products, potentially overlooking recent developments or external factors affecting business lending. Moreover, the reliance on responses from relationship managers introduces a bias that could affect the generalization of the findings, highlighting the need for a broader, multifaceted approach in future research.

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15. Sanjay Sharma (2018). Governance and Accountability in Banks: A Case Study of ICICI Bank's Private Funding. Journal of Governance and Regulation, Vol. 7, No. 2.

16. ONLINE RESOURCES:

1. ICICI Bank - Personal, Business, Corporate and NRI Banking Online
2. ATLAS.ti (atlasti.com)