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Comparative Analysis of Financial Performance of HDFC Bank and ICICI Bank

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ABSTRACT

The Indian Yearly Growth in GDP of further than 8%, Indian economy is rising among world's best. This has assisted in the growth of country's contemporary financial industry. Furthermore, globalisation assisted in development of banking. business by increasing rivalry among local banks and providing new possibilities for development.

HDFC Bank and ICICI Bank, two chosen private banks in India, are selected in an effort to analyse and examine their profitability performance. In order to develop a clear understanding of new banking strategies, the article also aims to compare the profitability results of these two banks. To assess data, computational & mathematical tools methods such as ratios, patterns, and basic and numerous relationships are used. The most pertinent parametric and non-parametric analyses are utilised, & data analysis is displayed in different diagrams and charts. Statistics indicate that HDFC Bank is more lucrative than ICICI Bank. The summary of paper chooses 2 Indian private banks, HDFC & ICICI, to investigate & analyse their financial performance.

Today, HDFC and ICICI are two of India's most important banks. They have surfaced as effective institutions in recent years, earning places amongst 10 leading banks in the nation. Like a result, the goal of research is to investigate financial outcomes of such 2 banks & establish how they used and adhered to efficient banking techniques to maintain substantial profit. The acquired secondary data is examined using the ratio technique, and the findings are contrasted to represent the variations and parallels between the two chosen institutions.

Most countries have been afflicted by the corona virus disease (Covid-19), which has spread throughout the world. The worldwide financial market is impacted by the breaking of this news. This virus propagated throughout the Indian banking system. likewise respond to this pandemic condition and see the turbulence. The Indian government implemented a national policy lockdown to prevent the virus's spread. Despite the fact that the lockdown was required and unavoidable to in order to preserve lives and stop the Novel Corona Virus (Covid-19) from spreading more quickly, going to have a significant impact on our economy's many sectors.

The banking industry, which is the foundation of the aforementioned principles apply equally to the economy of India. Banks has crucial part into expansion of every nation current study Most because to lockdown, low level of economic activity throughout, and return of HDFC and ICICI banks the year that saw the closure of numerous commercial enterprises, educational institutions, offices in both public and private sectors, the suspension of transportation, etc.

The current paper's purpose is to Compare the returns of the two largest Indian private banks, HDFC and ICICI, during the pre- and post-covid period. In addition, the period from 1 April 2020 to 31 March 2021 is regarded as pre-COVID.

The post-COVID period is from 1 April to March 31, 2022

Keywords: Financial performance, HDFC, ICICI, Comparative analysis.

1. Introduction to the industry

In accordance with "Banking Companies Act, 1949," "banking" is described as " receipt of money advances from people, refundable upon demand or other, & withdrawable besides checks, draughts, or even other means, for goal of loans or investments.

Banking has existed since the dawn of time. A public bank was established in Italy. A modern banking sector began to grow with the establishment of the Bank of Venice in 1157 AD. Around the turn of century.

Commercial banks were established in India & England first by Joint Stock Companies Act of 1833 and the British Companies Act of 1883, respectively. "Bank" is first bank in India being enrolled wit firms Act in 1881.

The Companies Act in India was insufficient to manage and oversee banks, so Banking Regulation Act, 1949 was enacted in March 16, 1949.

1.1 Indian banking industry classification

Indian Banking system is divided into two categories: Organised banking and Unorganised banking.

Commercial banks, cooperative banks, and specialised commercial banks like HDFC and ICICI banks are all part of the organised sector.

The largest central bank in India, RBI, bases its operations upon supply and demand for money. It is extremely important to India's monetary operations. It supports other banks' monetary operations for The Banks.

1.2 Type of banks

- **Planned bank & Scheduled Bank**: The Second Appendix of RBI Act, 1934, pertains to designated institutions. Banks qualifies for category Banks group it if paid-up capital is Rs. 5 lakh or more. These institutions are eligible to receive money at interest rate from RBI.
- **Commercial bank**: The Banking Regulation Act of 1949 governs commercial banks, which have profit-making business models. They primarily take deposits and lend money to individuals, businesses, and the government. Commercial banks can be categorised as follows:

1.3 Introduction of the company

The two banks were chosen by the researcher to conduct the research.

1. HDFC BANK
2. ICICI BANK

HOUSING DEVELOPMENT FINANCE CORPORATION**.**

HDFC Bank, India's biggest bank, is headquartered in Mumbai and employs 114356 people as of March 21, 2021. HDFC Bank is biggest banking firms of assets. It's biggest bank in market value terms.

Its market capitalization is $8 trillion. It is the NSE's third-largest corporation. Loans, deposits, and locker security are just a few of the services that HDFC banks offer to their clients.

Auto loans, two-wheeler loans, loans secured by real estate, credit cards, net banking, and numerous others.

Investment The bank invested a sizable sum in the YES bank in march 2020.

The HDFC's shares are traded on NSE & BSE.

ICICI BANK

Its an biggest private sector bank, does have branches in Bombay and Gujarat. Founded in 1995 with chief aim of giving long-term as well as medium-term financing to Indian businesses.

ICICI Bank offers a range of services, such as loans, storage facilities, lending against protection, credit / debit cards etc.

ICICI Bank is amongst India's "Big Four" institutions. Bank does have affiliates in UK & Canada, along with overseas subsidiaries in UAE, Bangladesh, further branches in USA, Singapore etc.

The ICICI Bank is even traded on BSE and NSE in India.

1.4 Explanation of the Subject

Financial efficacy of the top banks in India is revealed by this research. This study was conducted to determine which banks over the previous five years have been performing well. I conducted the research for this with the aid of secondary data that was published on the bank's official website.

We can understand and learn about financial ratios, trends, and bank balance sheets from this study. The majority of us believe that we always work for our own financial gain, but this study shows that even those people experience losses, financial difficulties, and annual profit losses.

This can be impacted by a number of factors, including their marketing strategies, the bank's professional services, or other value-added items that have an impact on the company's growth.

The two most notable banks that frequently appear as the top banks in the private sector banks are HDFC and ICICI.

This study compares the profitability of the banks using secondary data from Two consecutive years in order to learn more and verify the accuracy of the banks.

2. Review of literature

In India's continuing financial system, rivalry among these two institutions is increasing, resulting in better services, invention, & development. As a result, Indian financial institutions are under duress to grow, distinguish, and find in order to draw more consumers in an increasingly competitive market. If banks desire to acquire market dominance, they must engaging into product developing & microplanning. Judicious costing & pertinent service customization ought to be employed to satisfy requirements of clients.

2.1 International Review

1) Mampilly (1980) [1] projected Expense & revenue of business Indian banking sector. Research gives empirical perspective of tendency in elements of expense of income s of various categories of Indian commercial banks as of nationalisation. Research primarily concentrates upon expense and revenue of banking business like whole instead of each individual banking.
2) (Al-Obaidan, 2008) indicates big banks have been effective as of tiny institutions into Gulf area. (Tarawneh, 2006) discovered as greater total capital, depositors, loans, or net assets doesn't imply it has superior financial efficacy. Financial success of banks was significantly & favourably affected by organisational productivity & asset management.
3) (Muhammad Sidqui et.al, 2011) discovered in their research "Measurement system performance via asset base in Pakistan "a certain scale of bank played a major part in deciding success of bank assessed by ROE. They utilised Tobin's Q model like gauge of assessing banks success whilst discovered as Tobin's Q is influenced by scale of bank, debt ratio & Operations conducted by bank.
4) Since the late 1980s & beginning of 1990s, two organizational models, Market Power (MP) & Leverage Ratio, have been used in studies of bank success that have been published in the academic journals. The Efficacy Structure (ES) Ideas (Athanasios et al, 2006). Market power model postulates as composition of banking industry's market affects sector's performance. It is believed that both internal and external variables affect a company's profitability.
5) Athanasoglou et al, (2006), Its broadly putative as both internal and external elements play a role in determining success. Endogenous elements are those which arise from managerial actions and are unique to each company. Efficacy, revenue, solvency, capital structure, & asset quality measures are all examples of these elements. Some examples of external variables include control, market dominance, stock market growth, and general socioeconomic conditions in industry.

2.2 National Review

(i). Amandeep came to the conclusion that in order for institutions to have good financial success, they must be good at handling their workload. In a similar spirit, Ashok Kumar (2020) states "Opportunity & challenges in Indian retail banking industry" that a sample or prototype shift is needed in bank funding via novel goods & with engaged in continuous up-scale of banks' internal procedures and systems in order for retail banking in India to grow. He explains that private banking has more potential for profit over more conventional means.

(ii). Commercial banks in India, including state banks, private banks, & international banks, are analyzed by Cheema agrawal for their revenue and financial success. Both State bank groups and privatized banks were considered in this study of the public banking industry. Various inputs, including personal savings, checking account interest, bank loan payments, and payroll costs, were utilized. For this purpose, we made use of the outcome factors like spread and revenue from noninterest sources. Within the realm of government-owned financial institutions,

(iii). Goyal & Kaur (2010) analyzed data from 2015 to 2020 to determine the financial success of a collection of seven private institutions. Mean, standard deviation, trend inspection checking and so on are just some of the many statistical instruments available. The yearly report of the institutions provides the supplementary statistics.

(iv). Public sector banks (PSBs) in India's revenue and efficiency were studied by Angadi and Devraj (1983)[4]. The research relies heavily on the publicly available financial records of the individual institutions. While PSBs have fulfilled their social obligations, the authors note that they have failed to maximize their potential by, among other things, effectively mobilizing funds at cheaper prices, trying to attract retail banking business, diversifying their revenue streams, managing their cash and investments, etc.

(v). Specifically, "the study of association amongst efficacy, sustainability measures portrays favorable & high link occur amongst efficiency & system efficacy" (Sunil Kumar, 2009). It follows that banks could boost their efficiency by focusing on their capacity to generate revenue.

(vi). "Private sector banks are attempting to better their situation by various technique like acquisitions & purchase," Sumeet Gupta et al. (2008) wrote. In the present, transparency and good administration would function as the primary driving factor.

(vii). ICICI & HDFC, two private sector banks, are in a good position to meet with Basel III standards, according to a study by C.S. Balasubramaniam (2010). The return on equity and return on assets for Indian banks are both high, but nonperforming loans are on the rise and could be halted with a more thorough credit assessment process. 4.

(viii). Based on their analysis, Ashwini Kumar Mishra et al. (2013) came to the following conclusion: "privatized banking occupy top of ranking resulting in terms of stability being greatest & private banking would then move for convergence quicker as of public sector banks." 5

(ix). Avneet Kaur (2012) stated "to sustain steady growth savings bank must step forward to give some auxiliary services. Banks must endeavor to lower running expenditures by means of increasing productivity of non-viable locations by employing some expert services,"

(x). Ashok Kumar (2020) Based on their research, Chitra Madaan concluded as "achievement and pay having strong connection with private banks in private sector & abroad, and work is lesser demanding and safe in banks in the public sector other than two banks." Amandeep came to opinion that institutions should function well enough in load management if those who are to achieve outstanding financial performance.

3. Objective of Study

1) Examining financial performance frameworks of 2 of India's largest banks, HDFC & ICICI Bank.
2) A quantitative analysis of banks using ratio analysis.
3) To research the ICICI and HDFC banks' financial standing.
4) For evaluate the ICICI and HDFC banks' profitability numbers.
5) To offer the findings and recommendations for enhancing bank performance.

3.1 Scope of Study

Company financial statements allows one to spot patterns over time and establish connections between various sections of a company's financial & earnings statements. In order to assess the bank's revenue, liquidity, and viability, researchers, debtors, & investors, all of whom use the bank's financial records, must analyze the bank's numbers.

The most popular methods for analyzing financial records are trend analysis, general size statements, & ratio analysis. The proportional power and success of the analyzed business is determined by performing calculations and comparing the findings to historical and supplementary data from banks, competitors' yearly reports.

In this research, we evaluate ICICI Bank's financial performance to HDFC Bank's using T-testing, ratio analysis, & trend analysis. The process of testing hypotheses.

3.2 Data Collection

Only two financial institutions, HDFC Bank & ICICI Bank, were included in the research. Samples from this stock market-related bank were selected using a basic random selection strategy. There is a heavy reliance on secondary data culled from the organizations' respective yearly accounts for this study. Additional sources such as IBA Bulletins, RBI papers, Bank Quest & journals, books, magazines, journals, linked banking industry, etc. are mined for this information. Business Standard, newspapers, accounting books, Annual Reports, as well as other sources were consulted for their perspectives as part of this research. The collected information is filtered, sorted, and compiled into tables to better serve the purposes.

3.3 Limitation of Study

One caveat is fact as data was collected from a third source (banks), which is not ideal. Financial institution records from preceding 5 years served as the basis for this analysis. Ultimately, the result will depend on this supplementary information. In this case, we're drawing from statistics collected over the course of preceding five years. The findings might or might not be generalizable to complete banking sector given that research only covers two institutions registered and regularly traded upon that BSE & NSE.

4. Data Representation and Analysis

Colourful statistical tools are used to interpret the data. The examination is restricted to the Gross Profit Rate, the Net Profit Periphery Rate, ROA, and the Return upon Capital Employed. Every information relating with such topics is disseminated below.

Net Profit Margin Ratio

Surplus of Earnings After Taxes The percentage of net earnings to net business is this. Having a positive net profit is different from having a positive net running profit. Any and all non-operating expenses and losses are subtracted from the total profit, while any and all non-operating revenue is added. A company's ability to maximize the return on every dollar of revenue is measured by the net profit rate. It's a good indicator of how well a company is run. A business that generates a higher net profit rate is able to cover its expenses while still turning a profit. The business is more at risk in these scenarios when net profits are low.

Net profit margin = Net Profit / Business Income Where, Net Profit = Net Operating Profit + Non-Operating Expenses

Table no.1

Year	HDFC BANK			ICICI BANK		
	NP	BUSINESS INCOME	RATIO	NP	BUSINESS INCOME	RATIO
2017-18	17,486.73	80,241.36	21.79	6,777.42	54,965.89	12.33
2018-19	21,078.17	98,972.05	21.30	3,363.30	63,401.19	5.30
2019-20	26,257.32	1,14,812.65	22.87	7,930.81	74,798.32	10.60
2020-21	31,116.53	1,20,858.23	25.75	16,192.68	79,118.27	20.47
2021-22	36,961.36	1,27,753.12	28.93	23,339.49	86,374.55	27.02
MAXIMUM	36,961.36	1,27,753.12	28.93	23,339.49	86,374.55	27.02
MINIMUM	17,486.73	80,241.36	21.30	3,363.30	54,965.89	5.30
MEAN	26,580.02	1,08,527.48	24.13	11,520.74	71,731.64	15.15

(Sources: computed from of HDFC and ICICI Bank Annual Report)

Interpretation : Table above depicts Net Profit Ratios of HDFC & ICICI Banks from 2015-16 to 2019-20, according to the study. The HDFC Bank Ratio has a shifting pattern. During the study period, the HDFC Bank's average profit ratio was 21.11%. The ratio was at its greatest of

28.93% in 2021-22, and its lowest of 21.30% in 2018-19. ICICI Bank's Ratio exhibits a decreasing trend during the studied period. Only once does the ratio reach 28.93% in 2021-22. In addition, since 2017, net profit has been declining. ICICI's net profit ratio in 2018-19 was the lowest at 5.30. In this research, the Ratio in HDFC Bank was higher, indicating bank's performance.

Return on Total Assets Ratio Return on assets

Rate of Return Involves Ratio Profitability is often evaluated by looking at how much money was made in comparison to the amount invested in a business, and this ratio is known as the return on assets. ROA reveals to a governor or stockholder how productively a business utilizes its assets to produce profits. Making the most of restricted resources is central to running a successful business. Using a comparison of profits and gains as a performance indicator is helpful, but using a comparison of profits and gains to the company's real funds as an indicator of company's performance is misleading. The term "return on investment" (ROI) refers to most fundamental metric used in business world to assess the effectiveness of an expenditure. Return on Assets (ROA) is calculated by splitting an organization's net profit by its entire assets.

Return on Assets Ratio = Net Income / Total Asset

Table – No.2

HDFC BANK			ICICI BANK		
RETURN ON ASSETS	TOTAL ASSETS	RATIO	RETURN ON ASSETS	TOTAL ASSETS	RATIO
17,486.73	10,63,934.32	1.64	6,777.42	8,79,189.16	0.77
21,078.17	1,49,206.35	14.13	3,363.30	9,64,459.15	0.35
26,257.32	1,70,986.03	15.36	7,930.81	10,98,365.15	0.72
31,116.53	2,03,720.83	15.27	16,192.68	12,30,432.68	1.32
36,961.36	2,40,092.94	15.39	23,339.49	14,11,297.74	1.65
36,961.36	10,63,934.32	15.39	23,339.49	14,11,297.74	1.65
17,486.73	1,49,206.35	1.64	3,363.30	8,79,189.16	0.35
26,580.02	3,65,588.09	12.36	11,520.74	11,16,748.78	0.96

(Sources: computed from of HDFC and ICICI Bank Annual Report)

- **Interpretation -** The table below shows Return on Assets Ratios of HDFC & ICICI Banks from 2017-18 to 2021-22. The HDFC Bank Ratio has a instable trend. Into this study, HDFC Bank's average Profit Ratio was 1.69. Ratio increased to 15.39 in 2021-22, whereas it decreased to 1.64 in 2017-18. The ratio at ICICI Bank has been on the decline over course of our analysis. In 2017–18, it was 0.77, but in 2018–19, it has fallen to 0.35. HDFC Bank outperformed ICICI Bank during the research time, as measured by Ratio, which was greater for HDFC Bank.

Return on capital employed.

Investment means total assets minus current liabilities. Capital utilized is defined as sum of money used to purchase net assets.

Net assets = as net fixed assets + current assets - current liabilities excluding bank loans.

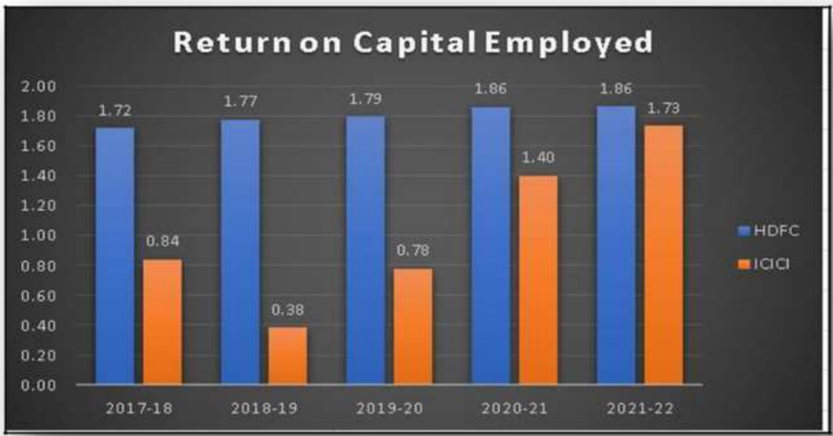
Capital used is equivalent with net worth + total debt.

Return on Capital Employed = Net Profit Before Interest and Tax/Capital Employed

1. This ratio is used to assess the success of a business.
2. Its possibly very crucial ratio in terms of management.

Year	HDFC BANK			ICICI BANK		
	RETURN ON CAPITAL EMPLOYED	CAPITAL EMPLOYED	RATIO	RETURN ON CAPITAL EMPLOYED	CAPITAL EMPLOYED	RATIO
2017-18	17,486.73	10,18,170.60	1.72	6,777.42	8,07,459.36	0.84
2018-19	21,078.17	11,89,432.30	1.77	3,363.30	8,82,606.98	0.38
2019-20	26,257.32	14,63,116.86	1.79	7,930.81	10,22,387.48	0.78
2020-21	31,116.53	16,74,268.37	1.86	16,192.68	11,57,021.47	1.40
2021-22	36,961.36	19,84,127.59	1.86	23,339.49	13,46,457.62	1.73
MAXIMUM	36,961.36	19,84,127.59	1.86	23,339.49	13,46,457.62	1.73
MINIMUM	17,486.73	10,18,170.60	1.72	3,363.30	8,07,459.36	0.38
MEAN	26,580.02	14,65,823.14	1.80	11,520.74	10,43,186.58	1.03

(Sources: computed from HDFC and ICICI Bank Annual Reports)



1. **Interpretation :** Above table shows Capital Employed Ratios of HDFC & ICICI Banks from 2017-18 to 2021-22, the study period. The HDFC Bank Percentage follows a wavy pattern. Over the course of analysis, HDFC Bank's average profit percentage was 1.788. As compared to 2017–18, when it was reduced at 1.72, percentage was greater at 1.86 in 2021–22. During the time frame of this research, the Ratio saw some movement for ICICI Bank. In 2018–19, it was 0.171, or in 2019–20, it fell to 0.38. HDFC Bank had a stronger year than ICICI Bank, as measured by Ratio, during time under consideration.

5. Results & Discussions

Major finding

- These studies' primary results & takeaways show that HDFC Bank's total profit rate can be increased with little to no additional effort on their part. This means HDFC Bank is able to make more money from ICICI Bank & generate more profits overall.
- Each bank has had a similar net profit ratio over the past two years. This indicates that all of the institutions can make as much money as one another.
- The research shows that HDFC Bank's yield on capital utilized has improved. Therefore, the bank's potential for profit is greater than that of ICICI Bank in terms of yield on capital utilized.
- HDFC Bank's profit margin record is better than ICICI Bank's, & HDFC Bank has greater potential for profit.
- Among almost every aspect of profitability performance, HDFC bank outperforms ICICI bank.

6. Discussion and Suggestion

- The ICICI Bank could increase return on means of increase in resources or by increasing bank profitability. By extending more loans, accruing interest on those loans in advance, and paying that interest to depositors, profitability may be raised.
- To maximise its benefits and charge the devisee companies with additional interest, ICICI Bank must invest its capital.
- The Banks must keep significant reserves to ensure their profitability. To have a good long term, banks must maintain suitable measures.
- ICICI Bank should reduce variable costs, increase client loyalty, and improve customer services.

7. Conclusion

The primary objective of this research was to compare and contrast the financial results of two private, industry-leading institutions. The study of financial statements is a crucial component of monitoring budgetary success.

Based on the results of this research, HDFC Bank is clearly outperforming ICICI Bank.

This research compares the general performance of both of these institutions over a five-year period, & based on my observations, I can say that ICICI Bank's results are less than acceptable when contrasted to those of HDFC Bank.

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