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A Comparative Study on Financial Performance of SBI and HDFC

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Abstract

The banking quarter performs a essential feature inside the economic development of any Among the distinguished gamers in India's economic corporation, the State Bank of India (SBI) and HDFC Bank have maintained a strong presence through constant overall overall performance and patron trust. This study pursuits to conduct a comparative analysis of the monetary performance of SBI and HDFC Bank over contemporary financial years. The objective is to assess and compare their profitability, liquidity, efficiency, and wellknown economic health using key monetary ratios which include Net Profit Margin, Return on Assets (ROA), Return on Equity (ROE), Current Ratio, and Non-Performing Assets (NPA) ratio.

Secondary facts has been gathered from annual critiques, monetary statements, and publications by means of regulatory our our bodies consisting of the Reserve Bank of India (RBI). The analysis gives insights into each bank's operational strengths and regions looking development. The have a look at concludes with findings that spotlight how private area banks like HDFC are appearing in assessment to public zone giants like SBI, and what this means for buyers, customers, and coverage makers.

Keywords: Financial Performance, SBI, HDFC Bank, Ratio Analysis, Profitability, Liquidity, NPA, Indian Banking Sector

Introduction

The economic region is the backbone of any financial system, and banks play a essential position in channelizing savings into investments and making sure clean monetary transactions. In India, each public and private area banks make a contribution drastically to economic increase and economic inclusion. Among them, the State Bank of India (SBI) and HDFC Bank stand out as principal players representing the private and non-private sectors respectively. SBI, being the biggest public quarter financial institution in India, has a extensive reach and is thought for serving rural and concrete populations alike. On the alternative hand, HDFC Bank, one of the leading private region banks, is diagnosed for its revolutionary offerings, purchaser consciousness, and sturdy virtual presence. The monetary performance of these banks is frequently considered a key indicator of the fitness of the Indian banking enterprise. This have a look at ambitions to evaluate the monetary overall performance of SBI and HDFC Bank to apprehend how each bank has fared in phrases of profitability, liquidity, efficiency, and asset fine. By analyzing their monetary statements and key ratios over recent years, this studies seeks to provide insights into their strengths, weaknesses, and aggressive positioning. The significance of the sort of evaluation lies in its ability to help buyers, policymakers, and stakeholders make informed decisions. It also gives a clean expertise of the way public and personal region banks differ in their strategies and results in a dynamic monetary environment.

Objectives of the Study

- To compare the share performance of SBI and HDFC Bank over different time periods (monthly, yearly, and over the last three years).
- To evaluate the financial strength of both banks by analyzing key financial indicators such as market capitalization, loans and advances, and CASA deposits.
- To assess the asset quality of SBI and HDFC Bank using Gross NPA and Net NPA ratios.
- To compare key financial ratios including Price-to-Book ratio and Return on Assets (ROA) between the two banks.

Literature Review

Khan and Jain (2020) in their book *Financial Management* have provided a strong theoretical foundation for understanding financial ratios and performance indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, and liquidity ratios. These tools are essential for analyzing and comparing the financial health of banks. Pandey (2021) emphasized the importance of ratio analysis in evaluating the operational efficiency of financial institutions. His work suggests that while public sector banks may have a wider reach, private banks often outperform in terms of profitability and asset utilization. Chandra (2021) discussed the practical application of financial management concepts in real-life case studies, highlighting how differences in management strategy, customer focus, and investment in technology can affect financial performance, particularly in the banking sector. The Reserve Bank of India's *Reports on Trend and Progress of Banking in India* (2020–2024) provide a comprehensive overview of the banking sector's performance. These reports highlight structural changes, policy updates, and challenges faced by public and private sector banks in India. According to these reports, private banks like HDFC have consistently shown stronger financial ratios compared to their public sector counterparts, including SBI. Annual Reports of SBI and HDFC Bank (2020–2024) serve as the primary data sources for this study. These reports provide authentic and detailed financial statements, management discussions, and disclosures, which are crucial for a transparent and reliable comparative analysis. India Infoline Finance (2023) and Moneycontrol (2024) offer comparative financial insights and market analysis that highlight investor perspectives and performance trends of both banks. These platforms reinforce that while SBI holds a dominant position in terms of scale and reach, HDFC Bank leads in efficiency, innovation, and profitability. The *Economic Times* (2024) and various articles in *Journals of Banking and Finance* have also contributed to this study by offering timely updates, expert opinions, and academic perspectives on the evolving performance of India's leading banks.

Research Methdology

- **Type of Research**: Descriptive and comparative.
- **Data Type**: Secondary data.
- **Sources of Data**:
  - Official quarterly and annual financial reports of SBI and HDFC Bank
  - Stock market data from reliable financial websites
  - Publications and reports from RBI and other financial institutions
- **Period of Study**: The data focuses primarily on Q1 of FY 2023–24, along with performance data over the last month, year, and three years.
- **Tools Used**: Ratio analysis, comparative analysis, and graphical representation for data interpretation.

Data Interpretation

1. Share Performance Comparison

Particulars	SBI	HDFC Bank
Market Capitalization	₹5,39,450 Cr	₹12,34,672 Cr
Share Price	₹605	₹1,630
1-Month Return	5.5%	2.5%
1-Year Return	7.7%	9.2%
3-Year Return	214%	54%

Interpretation:
While HDFC Bank leads in market capitalization and share price, SBI has delivered superior returns over the last month and especially over a three-year period, showcasing strong long-term growth potential.

2. Loans and Advances

Particulars	SBI (₹ Crore)	HDFC Bank (₹ Crore)
Loans & Advances	33,03,731	16,80,596

Interpretation:
SBI has a significantly larger loan portfolio than HDFC Bank, indicating its wider reach and larger customer base.

3. CASA Deposits

Particulars	SBI (₹ Crore)	HDFC Bank (₹ Crore)
CASA Deposits	18,66,059	19,11,720

Interpretation:
Despite having a smaller loan book, HDFC Bank holds a slightly higher amount of CASA deposits than SBI, suggesting better cost-efficient deposit mobilization.

4. Asset Quality (Q1 FY24)

Ratio	SBI	HDFC Bank
GNPA (%)	2.76	1.17
NNPA (%)	0.71	0.30

Interpretation:
HDFC Bank has a stronger asset quality with significantly lower Gross and Net NPA ratios compared to SBI, reflecting better credit risk management.

5. Key Financial Ratios

Ratio	SBI	HDFC Bank
PB Ratio	1.63	4.47
ROA (%)	1.22	0.51

Interpretation:
SBI has a better Return on Assets, indicating higher profitability relative to total assets. However, HDFC's higher Price-to-Book ratio may reflect greater investor confidence and valuation premium.

6. Branch Network

Bank	No. of Branches
SBI	22,405
HDFC Bank	~7,800

Interpretation:
SBI maintains a far wider branch network across India, which contributes to its deeper market penetration, especially in rural and semi-urban areas.

Findings

1. Market Capitalization and Share Price
2. HDFC Bank has a substantially higher market capitalization (₹12.34 lakh crore) compared to SBI (₹5.39 lakh crore), indicating more potent marketplace valuation and investor self assurance.
3. HDFC's share rate is also considerably higher at ₹1,630 per share as in opposition to SBI's ₹605 in line with percentage.
4. Share Performance: Over the short time period (1 month), SBI has outperformed HDFC with a go back of five.5% as opposed to HDFC's 2.5%.
5. Over one year, HDFC has accomplished better (nine.2%) than SBI (7.7%).
6. Over the long term (3 years), SBI has given a multibagger go back of 214%, simply outperforming HDFC's fifty four%. 3. Loans and Advances o SBI has a far larger loan portfolio of ₹33.03 lakh crore in comparison to HDFC's ₹sixteen.80 lakh crore, indicating SBI's wider lending operations and attain.
7. 4. CASA Deposits o HDFC Bank has slightly better CASA deposits (₹19.11 crore) compared to SBI (₹18.66 lakh crore), reflecting green low-fee deposit mobilization. Five. Asset Quality o HDFC Bank has stronger asset high-quality, with a Gross NPA of one.17% and Net NPA of 0.30%. O SBI's asset exceptional is weaker in comparison, with GNPA at 2.76% and NNPA at 0.71%, even though nonetheless within manageable limits.
8. Key Financial Ratios o Return on Assets (ROA) is higher for SBI at 1.22%, suggesting better usage of general assets for earnings era.
9. Price-to-Book (PB) Ratio is higher for HDFC Bank at 4.47, in comparison to SBI's 1.63, indicating that HDFC trades at a top class because of perceived strong fundamentals.
10. Branch Network o SBI operates 22,405 branches, making it the maximum enormous banking network in India.
11. HDFC has over 7,800 branches, that is significantly fewer, even though nonetheless full-size for a personal area bank.

Conclusion

This comparative examine of the economic overall performance of State Bank of India (SBI) and HDFC Bank famous insightful differences between the two main banks in India's banking region. SBI, being a public quarter financial institution and the most important inside the us of a, indicates dominance in phrases of branch community, mortgage e-book size, and lengthy-time period share overall performance. Over the last three years, SBI has brought a incredible 214% go back, notably outperforming HDFC Bank's fifty four%. It also well-knownshows a more potent Return on Assets (ROA), demonstrating better asset utilization for producing profits. HDFC Bank, alternatively, reflects the typical strengths of a personal area financial institution—superior asset first-class, higher CASA deposits, and a far better Price-to-Book (PB) ratio, indicating strong investor self assurance. Its decrease GNPA and NNPA ratios verify greater green hazard control and credit score assessment practices. While SBI holds the gain in scale, distribution, and lengthy-time period boom, HDFC Bank leads in operational efficiency, asset best, and constant overall performance over the medium time period. The choice between those banks for traders or analysts relies upon on their preferences—whether or not they are searching for strong and top rate great assets (HDFC) or long-time period increase ability and wider market insurance (SBI). Overall, both banks are pillars of the Indian banking gadget, every with wonderful strengths that contribute to their financial performance and investor attraction.

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