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A Comparative Study of Financial Performance: Hdfc Bank and Icici Bank

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ABSTRACT:
This study examines how HDFC Bank and ICICI Bank's financial performance differ. Financial data was gathered from the yearly reports of both banks using a sample of data from 2020 to 2024. A standardized test for independent samples was used to examine the profitability ratio variables (ROA, ROCE, GP, CAR, CASA and NP).
These results imply that although each bank's financial performance varies, the two banks' overall performance is comparable. By shedding light on HDFC banks and ICICI banks' financial performance this study helps investors and policymakers in the banking industry make. This report helps investors and policymakers in the banking industry better understand the financial performance of HDFC Bank and ICICI Bank.

Keywords: ROA, ROCE, Comparative analysis, financial performance.

1. INTRODUCTION:

This study was conducted to check the profitability performance of the two largest banks in India, ICICI Bank and HDFC Bank. The aim of this study was to analyze the financial performance of the banks and highlight their financial statements.
Analysis of these banks, such as ratio analysis, trends, and simple and multiple correlations, is used to Analyzes the data. After privatization, private banks played a crucial role in the financial system by implying a policy of withdrawing and accepting. All financial statements to provide. Meaningful understanding of the financial performance of the bank.

2. REVIEW OF LITERATURE

Sunil Kumar (2009) "The analysis of correlation between efficiency, effectiveness, and performance measures indicates that there is a positive and strong correlation between effectiveness and performance measures," according to Sunil Kumar's 2009 findings. This implies that banks might enhance their performance by focusing more on their ability to generate revenue.
"Private sector banks are at the top of the list with their performance in terms of soundness being
Best and private sector banks will head towards convergence faster than public sector banks," according to Ashwini Kumar Mishra et al. (2013).

According to Chitra Madaan, "jobs in public sector banks other than two banks are less challenging and secure, and performance and compensation have a strong relation in private sector banks and foreign banks."

3. RESEARCH METHODOLOGY:

Research Gap: The comparative analysis of the financial performance of prominent private sector banks, such as HDFC Bank and ICICI Bank, over the past few years is a major research gap despite the abundance of literature on the Indian banking industry. By employing thorough ratio analysis and hypothesis testing, this study fills that gap by comparing HDFC Bank and ICICI Bank over a five-year period (2020–2024).

Need of study: This study helps to find two private banks. HDFC has a higher profitability ratio and ICICI bank indicates better performance. Financial performance is an important for economic growth, and banking institutions such as HDFC Bank and ICICI Bank are significant players in India's financial sector.

Problem of study:

Both major industry players, HDFC Bank and ICICI Bank, report solid financial results, but there may be significant differences in their financial management, risk exposure, asset handling, and profitability analysis. It might be challenging for stakeholders to make clear and informed decisions about investments, creation of policies, or any other regulatory evaluation without any such analysis.

Objective of the study:

- To understand the financial performance of ICICI Bank and HDFC Bank.
- To analyze the ICICI Bank and HDFC's financial results.
- To assess the significance level of HDFC Bank and ICICI Bank.

Scope of study:

- The scope of the study is limited to collecting financial data published in the annual reports for the company year.
- The analysis is carried out to provide a five-year worth of ICICI Bank and HDFC Bank.

Data collection:

Sources of data: Most of the secondary data included in the study is collected from the annual report on the business.

The analysis encompasses the years 2019–2020 and 2023–2024.

Research Design:

The research design of this study is both descriptive and analytical. It aims to provide an overview of the financial performance, market position, and operational efficiency of HDFC Bank and ICICI Bank. By using a descriptive analysis approach, the study will present a comprehensive view of the two banks' current state. This will be followed by an analytical approach that involves comparing financial indicators using ratio analysis, trend analysis, and statistical tools.

Tools and techniques:

- Ratio analysis
- t-test
- Trend analysis

Limitations of the Study:

- Findings come from readily available financial information from available to financial data.
- The analysis only looks at the last five years, which limits potential long-term financial trend.

4. DATA ANALYSIS:

Gross profit:

This ratio calculates the gross profit on the company's total net sales. Before deducting administrative, selling, distribution, and financing expenses, the gross profit is the difference between the sales profits during the observation period and their cost.

Gross Profit Ratio = Sales − Cost of Goods Sold / Sales × 100

TABLE 4.1

Year	HDFC			ICICI		
	GP	Business income	Ratio%	GP	Business income	Ratio%
2023-24	94387.46	258340.58	36.54	58,130.8	142,890.94	40.68
2022-23	70404.97	161585.54	43.57	49,086.8	109,231.34	44.94
2021-22	64077.30	127753.12	50.16	39,250.3	86,374.55	45.44
2020-21	57361.83	120858.23	47.46	36,397.1	79,118.27	46.00
2019-20	48749.54	114812.65	42.46	28,101.30	74,798.32	37.57
Mean	66996.22	156670.024	44.04	42,193.26	98,482.68	42.93

CHART 4.1

Interpretation: The above figures compare the gross profit percentage of HDFC Bank and ICICI Bank over a 5-year period. ICICI Bank had higher gross profit than HDFC Bank in 2023-24, 2022-23, and 2021-22, while HDFC Bank outperformed in 2020-21 and 2019-20. Both banks showed fluctuations over the years.

Net profit:

This represents the net profit to the net sales ratio. Net operational profit and net profit are two separate ideas. All non-operating revenue is added to the net profit, and all non-operating losses and costs are likewise subtracted. The overall indicator of a company's capacity to convert every rupee of revenue into profit is the net profit ratio. It demonstrates how effectively a company is run. A company that has a high net profit ratio is better positioned to endure despite its costs. The company will struggle to survive these kinds of unfavorable circumstances if its net profit is minimal.

Net profit margin = Net Profit / Business Income

Where, Net profit = Net operating Profit + Non-operating Incomes- Non-operating Expenses.

TABLE 4.2

YEAR	HDFC			ICICI		
	NP	Business Income	Ratio%	NP	Business Income	Ratio%
2023-24	60,812.28	258,340.58	23.54	40,888.27	42,890.94	28.62
2022-23	44,108.71	161,585.54	27.30	31,896.50	09,231.34	29.20
2021-22	36,961.35	127,753.12	28.93	23,339.49	86,374.55	27.02
2020-21	31,116.52	120,858.23	25.75	16,192.68	79,118.27	20.47
2019-20	26,257.31	114,812.65	22.87	7,930.81	74,798.32	10.60
Average	39,851.23	156,670.02	25.68	24,049.55	98,482.68	23.18

CHART 4.2

Interpretation: The above figures compare the net profit percentage of HDFC Bank and ICICI Bank over a 5-year period. HDFC Bank had a consistently higher net profit than ICICI Bank from 2019-20 to 2021-22, peaking at 29.20% in 2022-23. However, ICICI Bank surpassed HDFC in 2023-24 (28.62% vs. 23.54%), showing strong recent growth. ICICI Bank's lowest net profit was in 2019-20 (10.60%), while HDFC Bank remained stable. Both banks experienced fluctuations, with ICICI Bank showing steady improvement in recent years.

Return on assets:
The Ratio of Total Assets Return A company's profitability in relation to its total assets is shown by its return on assets (ROA). Managers, investors, and analysts can use ROA to gauge how well a company's management uses its assets to produce profits.
Return on Assets Ratio = Net Income/ Total Asset

TABLE 4.3

Year	HDFC			ICICI		
	NP	Total assets	Ratio%	NP	Total assets	Ratio%
2023-24	60,812.28	3,617,623.09	1.68	40,888.27	1,871,514.58	2,18
2022-23	44,108.71	2,466,081.47	1.79	31,896.50	1,584,206.65	2.01
2021-22	36,961.35	2,068,535.05	1.79	23,339.49	1,411,297.74	1.65
2020-21	31,116.52	1,746,870.52	1.78	16,192.68	1,230,432.68	1.32
2019-20	26,257.31	1,530,511.26	1.72	7,930.81	1,098,365.15	0.72
MEAN	39,851.23	2,285,924.28	1.75	24,049.55	1,439,163.36	1.58

CHART 4.3

Interpretation: The above figures compare the ROA percentage of HDFC Bank and ICICI Bank over a 5-year period. HDFC Bank had a higher Return on Assets (ROA) than ICICI Bank from 2019-20 to 2021-22, but ICICI Bank overtook HDFC in 2022-23 (2.01% vs. 1.79%) and further increased its lead in 2023-24 (2.18% vs. 1.68%). ICICI Bank showed significant improvement, especially from 2019-20 (0.72%) to 2023-24 (2.18%), indicating better asset utilization. HDFC Bank remained stable but did not match ICICI Bank's recent growth.

Return on capital employee:
Investment can refer to either net assets or total assets. The capital employed is the amount of money used in net assets. Net assets are calculated by subtracting current liabilities (bank loans excluded) from net fixed assets + current assets. Alternatively, net wealth plus total debt equals capital utilized.
Return on Capital Employed = Net Profit Before Interest and Tax/ Capital Employed

Table 4.4

Year	HDFC			ICICI		
	Net Profit Before Tax	Capital employed	Ratio%	Net Profit Before Tax	Capital employed	Ratio%
2023-24	60,812.28	3,482,185.16	1.75	40,888.27	1,776,191.85	2.30
2022-23	44,108.71	2,370,359.22	1.86	31,896.50	1,500,881.57	2.13
2021-22	36,961.35	1,984,127.59	1.86	23,339.49	1,342,314.95	1.74
2020-21	31,116.52	1,674,268.37	1.86	16,192.68	1,171,662.31	1.38
2019-20	26,257.31	1,463,116.86	1.79	7,930.81	1,050,370.16	0.76
MEAN	39,851.23	2,194,811.44	1.82	24,049.55	1,368284.168	1.66

Chart 4.4

Interpretation: The above figures compare the ROCE percentage of HDFC Bank and ICICI Bank over 5-year period. ICICI Bank had a higher Return on Capital Employed (ROCE) than HDFC Bank in 2023-24 and 2022-23, reaching 2.30% in 2023-24. HDFC Bank performed better in 2019-20 (1.79% vs. 0.76%) and 2020-21 (1.86% vs. 1.38%). Both banks showed fluctuations, but ICICI Bank demonstrated rapid growth in recent years, while HDFC Bank remained stable.

Statistical tools:

Hypothesis testing for Gross Profit ratio.

H0: There Is No Significant Difference in the Gross Profit Ratio of HDFC Bank and ICICI Bank.

H1: There Is a Significant Difference in the Gross Profit Ratio between HDFC Bank and ICICI Bank.

t-Test: Two-Sample Assuming Equal Variances

	HDFC	ICICI
Mean	44.038	42.926
Variance	27.02952	13.38928
Observations	5	5
Pooled Variance	20.2094	
Hypothesized Mean Difference	0	
DF	8	

t Stat	0.391109245	
P(T<=t) one-tail	0.352963314	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.705926628	
t Critical two-tail	2.306004135	

Interpretation: This indicates that the calculated value of ‘t’ is 0.391, while the table value of ‘t’ is 2.306 which is greater than the calculated value. So, the alternative hypothesis is rejected, and the null hypothesis is accepted. It shows that there is no significant difference in the Gross Profit Ratio of HDFC Bank and ICICI Bank.

Net Profit:

Hypothesis testing for Net Profit ratio.

H0: There Is No Significant Difference in the Net Profit Ratio of HDFC Bank and ICICI Bank.

H1: There Is a Significant Difference in the Net Profit Ratio between HDFC Bank and ICICI Bank.

t-Test: Two-Sample Assuming Equal Variances

	HDFC	**ICICI**
Mean	25.678	23.182
Variance	6.41687	61.54502
Observations	5	5
Pooled Variance	33.980945	
Hypothesized Mean Difference	0	
Df	8	
t Stat	0.6770128	
P(T<=t) one-tail	0.258746	
t Critical one-tail	1.859548	
P(T<=t) two-tail	0.517492	
t Critical two-tail	2.3060041	

Interpretation: This shows the result of t-test according to that calculated value of ‘t’ is 0.677, while the table value of ‘t’ is 2.306 which is greater than the calculated value. So, the alternative hypothesis is rejected, and the null hypothesis is accepted. It shows that there is no significant difference between the Net Profit Ratio of HDFC Bank and ICICI Bank.

Return on Assets:

Hypothesis testing for ROA ratio.

H0: There Is No Significant Difference in ROA Ratio of HDFC Bank and ICICI Bank.

H1: There Is a Significant Difference in ROA Ratio between HDFC Bank and ICICI Bank.

	HDFC	**ICICI**
Mean	1.752	1.576
Variance	0.00247	0.33923
Observations	5	5
Pooled Variance	0.17085	

Hypothesized Mean Difference	0	
DF	8	
t Stat	0.673248168	
P(T<=t) one-tail	0.259880475	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.51976095	
t Critical two-tail	2.306004135	

Interpretation: This display on that calculated value of 't' is 0.673, while the table value of 't' is 2.306 which is greater than the calculated value. So, the alternative hypothesis is rejected, and the null hypothesis is accepted. It shows that there is no significant difference between the ROA Ratio of HDFC Bank and ICICI Bank.

Returned on Capital Employed:

Hypothesis testing for ROCE ratio.

H0: There Is No Significant Difference in the ROCE Ratio of HDFC Bank and ICICI Bank.

H1: There Is a Significant Difference in the ROCE Ratio between HDFC Bank and ICICI Bank.

	HDFC	**ICICI**
Mean	1.824	1.662
Variance	0.00263	0.38132
Observations	5	5
Pooled Variance	0.191975	
Hypothesized Mean Difference	0	
Df	8	
t Stat	0.584605209	
P(T<=t) one-tail	0.287462613	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.574925225	
t Critical two-tail	2.306004135	

Interpretation: According to this figure, the result of t-test according to that calculated value of 't' is 0.585, while the table value of 't' is 2.306 which is greater than the calculated value. So, the alternative hypothesis is rejected, and the null hypothesis is accepted. It shows that there is no significant difference between the ROCE of HDFC Bank and ICICI Bank.

5. CONCLUSION:

The study of the financial performance of HDFC Bank and ICICI Bank between 2020 and 2024 shows that both banks have maintained sound financial positions and shown steady financial development. The study finds considerable variances in some profitability ratios, but there are no appreciable differences in their overall performance. Both banks' solid CAR capital adequacy ratios demonstrate their robust capacity to fulfill their financial commitments. Important The ratio analysis indicates that while some ratios like Gross Profit and Net Profit show the relationship between profit and sales, key profitability ratios like ROA and ROCE do not show significant differences between two banks. A crucial aspect of a bank's financial health is its CASA ratio. A higher CASA ratio indicates a larger proportion of low-cost deposits, which improves profitability and reduces the cost of funds.

6. FINDINGS:

- The average return on assets of HDFC bank is 1.75% and ICICI bank is 1.58% which implies that the HDFC bank has more efficient management at managing its balance sheet to generate profit than ICICI bank.
- The average gross profit of HDFC bank is 44.04% and ICICI bank is 42.93% which implies that HDFC bank has a better Gross profit margin than ICICI.
- The average Net profit ratio of HDFC is 25.68% and ICICI bank is 23.18% which implies that HDFC bank has better net profit margin than ICICI bank.
- The average ROCE ratio of HDFC is 1.82% and ICICI is 1.66%, which ROCE is slightly higher than ICICI Bank's, indicating better capital efficiency.

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