

A Comparative Study on Financial Performance of HDFC Bank Ltd and ICICI Bank

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ABSTRACT

Financial performance of the bank always useful criteria to attract prospective customers. Financial performance creates confidence in the minds of customers. Financial analysis is a good criterion for understanding the performance and financial stability of a bank. For the present comparative study HDFC Bank and ICICI Banks has been selected and their financial statement for the last 3 years have been used. The researcher used ratio analysis to try to find out which bank is most efficient in achieving its goals. To find out actual performance of bank capital adequacy ratio, non-performing asset ratio, fixed asset turnover ratio, Gross Profit Ratio, Net profit Ratio, current Ratio was used.

Keywords: *Performance ratios, Growth aspects, Income efficiency*

INTRODUCTION

Bank is one of the most trusted financial institution, all people prefer to use various facilities provided by the bank. Some services like loan, various types of deposits, saving or current account are unavoidable in personal life.

Many times, the bank account holders are also shareholders of the same bank. Therefore, their interests are same i.e. financial performance of bank. RBI guidelines, rules and regulations are the governing factors of the banking business; hence all customers have confidence in the bank as a financial institution. It is also good for gaining trust to avoid illegal transactions and maintain good performance. The efficiency of the bank is considered through financial performance to create goodwill in the market.

To find out the actual performance of bank's capital adequacy ratio, Non-performing asset ratio, fixed asset turnover ratio, Gross Profit Ratio, Net profit Ratio, current Ratio was used.

Many banks are facing the problem of non-performing assets, which is affecting the bank's profitability. Non-performing assets refers to if borrower does not pay EMI for more than three months or the borrower remains a persistent defaulter, it can be consider as non-performing assets, which reduces the bank's income.

REVIEW OF LITERATURE-

1. **Malhotra Bhavana (2017):** Author has studied the performance business growth of bank during the period of 2007-2017 private sector banks. CAMEL technique has used to test the financial wellness of the bank. To do analysis of performance on various standers ranking, covariance, average methods were used. Observed that AXIS bank first, ICICI Bank second, KOTAK Mahindra bank stood third by using CAMEL Analysis.

2. **Gupta Ruchi (2014):** It is understood that author studied performance of public sector bank with the help of CAMEL for the period of 2009 to 2013. Rank given to public sector banks on the basis of 5 parameters.

3. **Shukla, Gupta (2015):** It is observed that with the help of CAMEL analysis author tried to identify earnings of various public & private banks. Concluded that compared to public bank private banks are continuously increased their profitability and growing the market. Identified that HDFC, ICICI, IDBI banks are almost at same range of performance.

OBJECTIVE OF THE STUDY

To assess the financial performance of banks under study.

RESEARCH METHODOLOGY

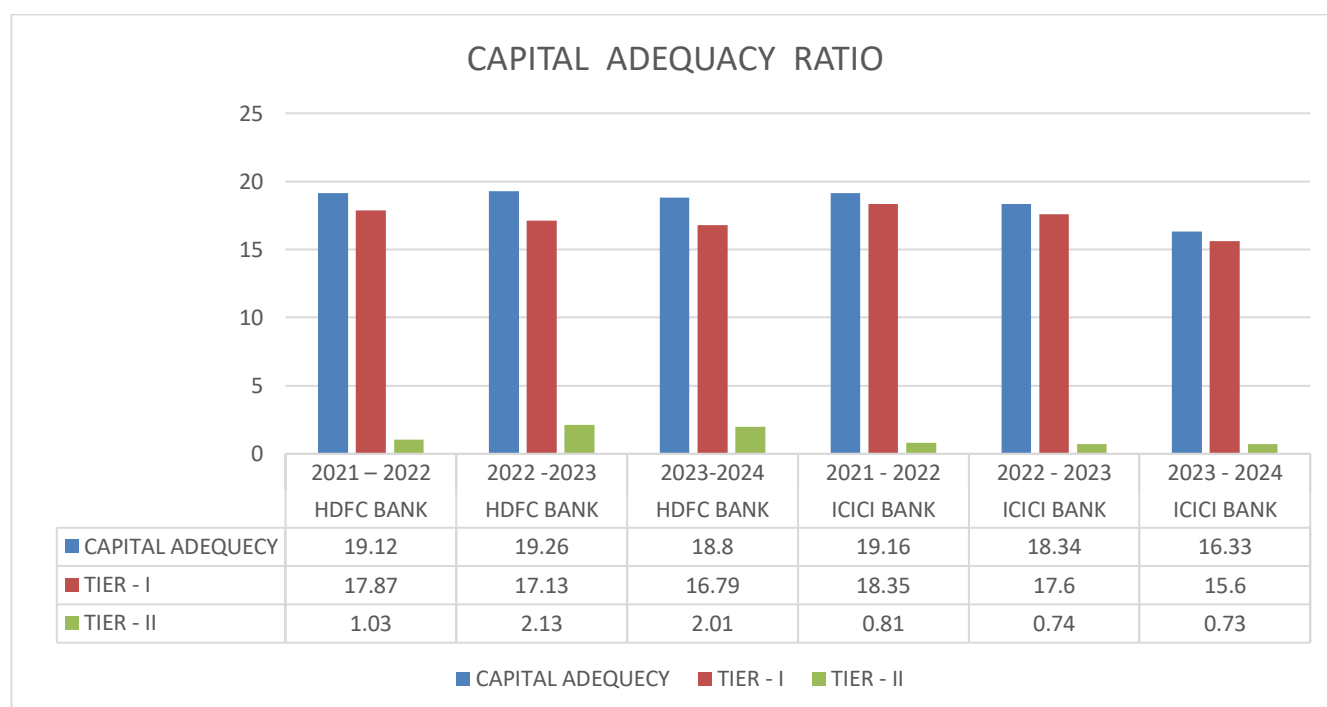
This study is primarily based on secondary data. Comparative and Analytical research design is used for this research study. Financial data has been collected from the published annual reports and official websites of HDFC Bank and ICICI Bank..

Ratio analysis: 1. Capital adequacy ratio. 2. Non-performing asset ratio. 3. Fixed asset turnover ratio. 4. Gross Profit Ratio. 5. Net profit Ratio. 6. Current Ratio was used.

Data Analysis and Interpretation

1. CAPITAL ADEQUACY RATIO:

PARTICULARS	HDFC BANK 2021 – 2022	HDFC BANK 2022 -2023	HDFC BANK 2023-2024	ICICI BANK 2021 - 2022	ICICI BANK 2022 - 2023	ICICI BANK 2023 - 2024
CAPITAL ADEQUECY	19.12	19.26	18.80	19.16	18.34	16.33
TIER - I	17.87	17.13	16.79	18.35	17.60	15.60
TIER - II	1.03	2.13	2.01	0.81	0.74	0.73



HDFC: The above table shows that HDFC bank's capital adequacy ratio was 19.12 in 2021-22, increased by 19.26 in 2022-23, but decreased by 18.80 in 2023-24.

The above table shows that Capital Adequacy Ratio Tier – I for HDFC bank was 17.87 in 2021-22, decreased by 17.13 in 2022 - 23, and also decreased by 16.79 in 2023 -24.

The above table shows that Capital Adequacy Ratio Tier – II for HDFC bank was 1.03 in 2021-22, increased by 2.13 in 2022 – 23, but decreased by 2.01 in 2023 -24.

ICICI : The above table shows that Capital Adequacy Ratio for ICICI bank was 19.16 in 2021-22, decreased by 18.34 in 2022 - 23 , and again decreased by 16.33 in 2023 -24.

The above table shows that Capital Adequacy Ratio Tier – I for ICICI bank was 18.35 in 2021-22, decreased by 17.60 in 2022 -23 , but decreased by 15.60 in 2023 -24.

The above table shows that Capital Adequacy Ratio Tier – II for ICICI bank was 0.81 in 2021-22, decreased by 0.74 in 2022 - 23 , but decreased by 0.73 in 2023 -24.

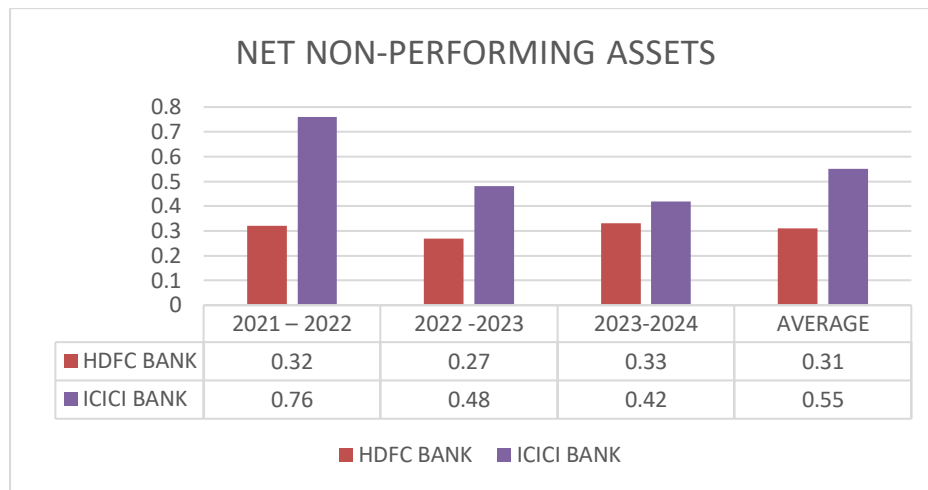
The HDFC Bank's capital adequacy ratio is higher than ICICI Bank, indicating that it is better capitalized compared to risk.

HDFC's higher Tier -I ratio reflects a stronger capital base compared to its risk.

A higher Tier -II ratio may indicate more subordinated debt or other instruments to support risk, which provides additional support for the bank.

2. NET NON-PERFORMING ASSET RATIO:

PARTICULARS	2021 – 2022	2022 -2023	2023-2024	AVERAGE
HDFC BANK	0.32	0.27	0.33	0.31
ICICI BANK	0.76	0.48	0.42	0.55



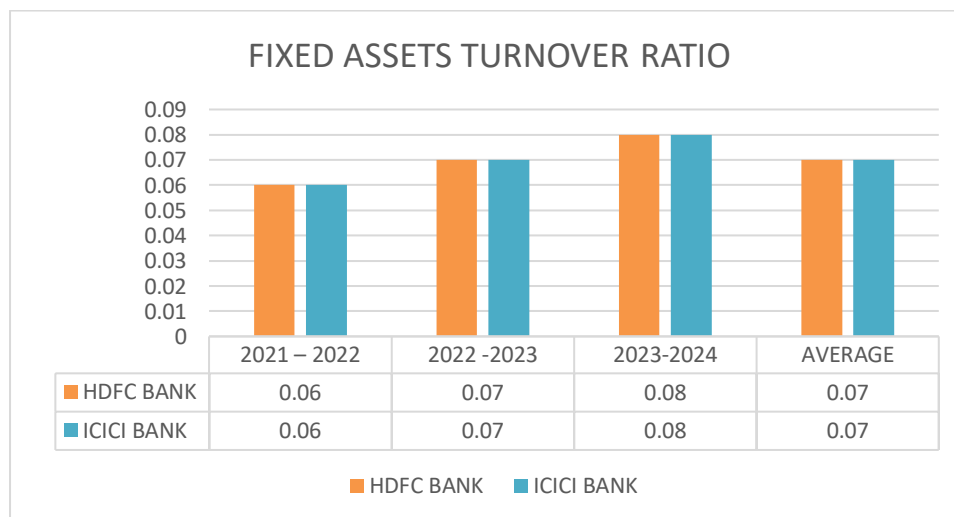
HDFC: The above table shows that Net Non- Performing Assets Ratio for HDFC bank was 0.32 in 2021-22, decreased by 0.27 in 2022 - 23 and increased by 0.33 in 2023 -24.

ICICI: The above table shows that Net Non- Performing Assets Ratio for ICICI bank was 0.76 in 2021-2022, decreased by 0.48 in 2022-23 and again decreased by 0.42 in 2023-24

Net Non- Performing Assets ratio of HDFC was 0.31 and ICICI was 0.55. This clearly shows that HDFC bank has good financial health rather than ICICI Bank.

3. FIXED ASSETS TURNOVER RATIO.

PARTICULARS	2021 – 2022	2022 -2023	2023-2024	AVERAGE
HDFC BANK	0.06	0.07	0.08	0.07
ICICI BANK	0.06	0.07	0.08	0.07



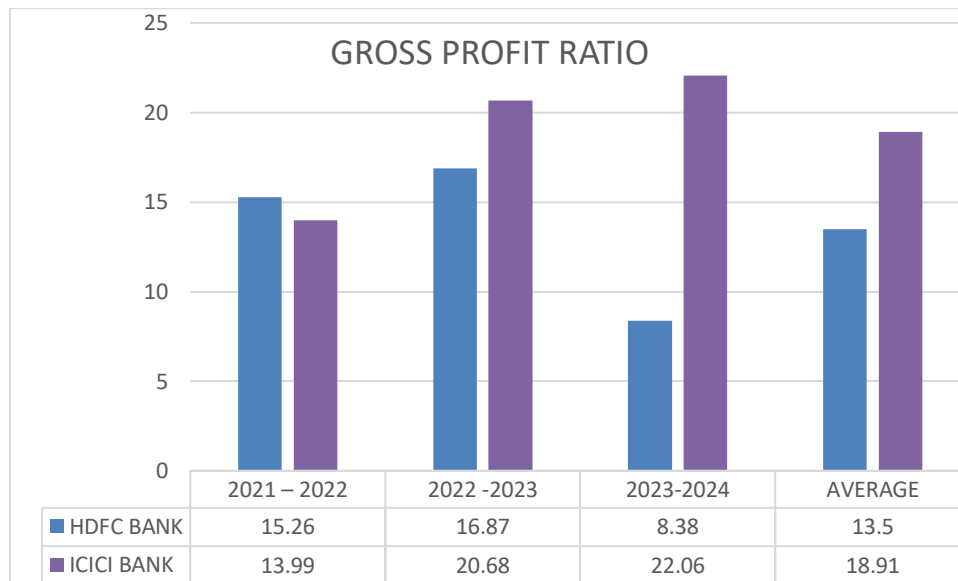
HDFC: The above table shows that Fixed Assets Turnover Ratio for HDFC bank was 0.06 in 2021-22, increased by 0.07 in 2022 - 23, and increased by 0.08 in 2023 -24.

ICICI: The above table shows that Fixed Assets Turnover Ratio for ICICI bank was 0.06 in 2021-22, increased by 0.07 in 2022 – 23 and , increased by 0.08 in 2023 -24.

The average Fixed Asset Turnover ratio for both HDFC and ICICI Bank stood at 0.07, indicating that both companies are utilizing their fixed assets inefficiently.

4. GROSS PROFIT RATIO:

PARTICULARS	2021 – 2022	2022 -2023	2023-2024	AVERAGE
HDFC BANK	15.26	16.87	8.38	13.50
ICICI BANK	13.99	20.68	22.06	18.91



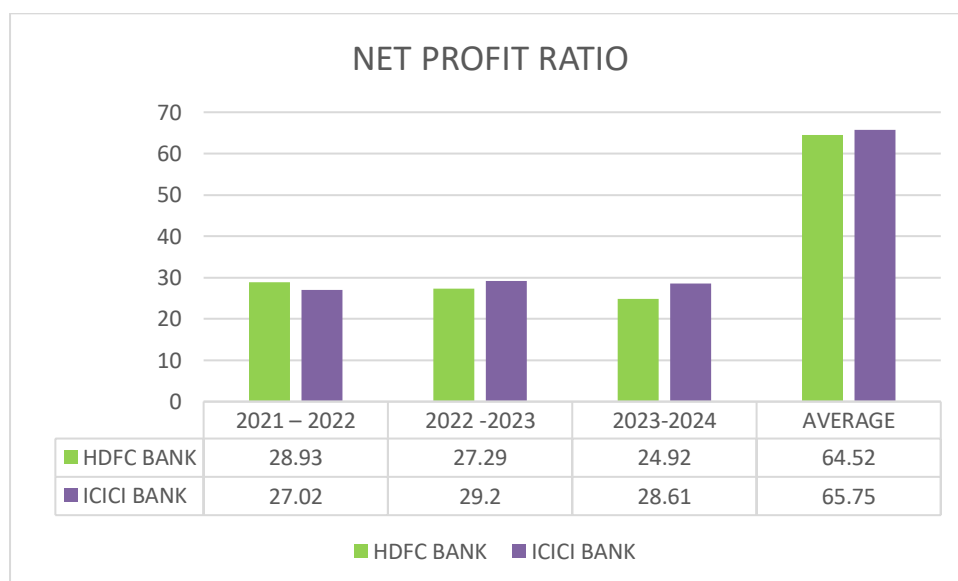
HDFC : The above table shows that Gross Profit Ratio for HDFC bank was 15.26 in 2021-22, increased by 16.87 in 2022 - 23 and decreased by 8.38 in 2023 -24.

ICICI: The above table shows that Gross Profit Ratio for ICICI bank was 13.99 in 2021-22, increased by 20.68 in 2022 - 23 and increased by 22.06 in 2023 -24.

The average Gross profit ratio of HDFC bank's was 13.50, ICICI bank at 18.91; this shows that ICICI bank is earning a profit exceeding HDFC Bank's total expenses.

5. NET PROFIT RATIO:

PARTICULARS	2021 – 2022	2022 -2023	2023-2024	AVERAGE
HDFC BANK	28.93	27.29	24.92	64.52
ICICI BANK	27.02	29.20	28.61	65.75



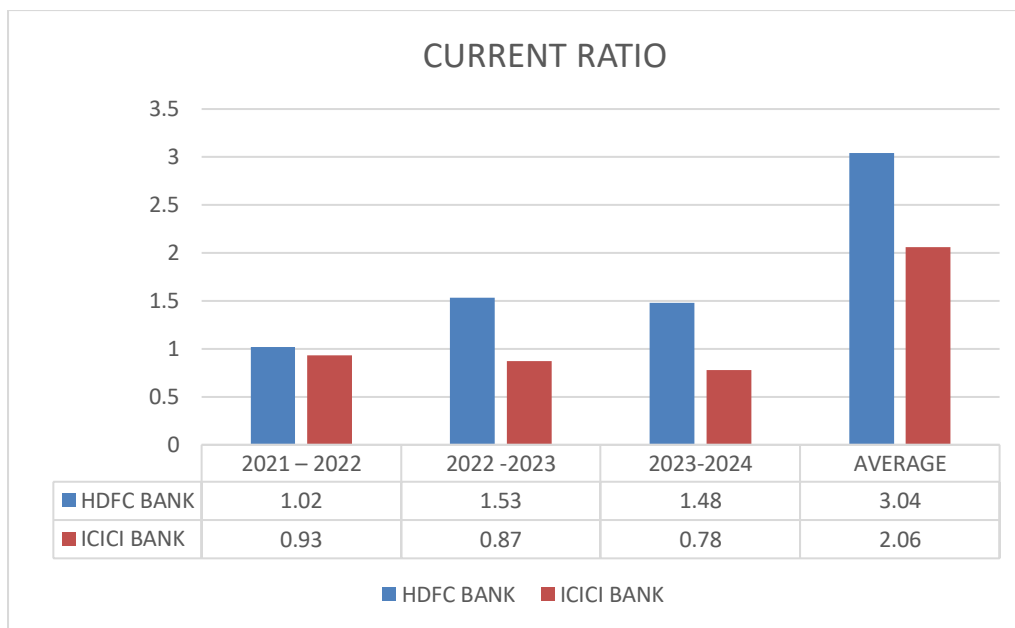
HDFC: The above table shows that Net Profit Ratio for HDFC bank was 28.93 in 2021-22, decreased by 27.29 in 2022 - 23 and decreased by 24.92 in 2023 -24.

ICICI: The above table shows that Net Profit Ratio for ICICI bank was 27.02 in 2021-22, increased by 29.20 in 2022 - 23 , and decreased by 28.61 in 2023 -24.

The average Net profit ratio of HDFC bank was 64.52, ICICI bank at 65.75; this shows that ICICI bank is earning more profit rather than HDFC Bank.

6. CURRENT RATIO:

PARTICULARS	2021 – 2022	2022 -2023	2023-2024	AVERAGE
HDFC BANK	1.02	1.53	1.48	3.04
ICICI BANK	0.93	0.87	0.78	2.06



HDFC : The above table shows that Current Ratio for HDFC bank was 1.02 in 2021-22, increased by 1.53 in 2022 - 23 and decreased by 1.48 in 2023 -24.

ICICI : The above table shows that Current Ratio for ICICI bank was 0.93 in 2021-22, decreased by 0.87 in 2022 - 23 and decreased by 0.78 in 2023 -24.

The average current ratio of HDFC bank's was 3.04 and ICICI bank was 2.06 which clearly show that HDFC Bank can meet short- term loan payment.

CONCLUSION

After the above study on comparative analysis of HDFC Bank and ICICI Bank, it was found that both the banks are managing their ratios in the best possible way within certain parameters as per their capabilities and efficiency.

Capital adequacy ratio shows that HDFC Bank is more efficient and stable performing bank and making it a safe investment. Fixed turnover assets ratio was found that both the HDFC Bank and ICICI Banks use less fixed for sales. Gross profit ratio was shows that ICICI bank is earning a gross profit exceeding HDFC Bank's total expenses.

Net profit ratio was shows that HDFC bank has good financial health rather than ICICI Bank. HDFC Bank has effectively managed its Net Non-Performing Assets as compared to ICICI bank. Current Ratio shows that HDFC's financial strength and repay short term loans is greater than ICICI bank. The Financial Performance of HDFC Bank and ICICI Bank from 2021 to 2024 are acceptable.

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