A STUDY ON COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF HDFC BANK AND ICICI BANK

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ABSTRACT
Banks play an important role in the economic development of every nation. Today the knowledge of banking system and its financial performance is very useful to Bank Customers, Companies, and Shareholders etc. Finance statements are prepared primarily for decision -making. Conclusion can be drawn from these statements is of immense use in decision- making through analysis and interpretation of financial statements. The main purpose of this research is to analysis and compares the most populous Indian bank company's HDFC Bank Limited and ICICI Bank Limited. The study is based upon secondary data covering the period from 2017-2022. The methodology is based on a comprehensive literature review of major contribution made in this field of banking industry. I have taken ratio analysis as tool for the comparison.
Keywords: Liquidity position, Profitability, Turnover Position, Banking Industry.

INTRODUCTION
Banks play an important role in the economic development of every nation. They have control over a large part of the supply of money in circulation. A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities. Banks are a fundamental component of the financial system, and are also active players in financial markets. This research paper is describes a comparison of financial performance of ICICI Bank and HDFC Bank. These banks are private sector bank. The private-sector banks in India represent part of the Indian banking sector that is made up of both private and public sector banks. The "private-sector banks" are banks where greater parts of state or equity are held by the private shareholders and not by government. Banking in India has been dominated by public sector banks since the 1969 when all major banks were nationalized by the Indian government. However, since liberalization in government banking policy in the 1990s, old and new private sector banks have re-emerged. They have grown faster & bigger over the two decades since liberalization using the latest technology, providing contemporary innovations and monetary tools and techniques.

The private sector banks are split into two groups by financial regulators in India, 'old and new. The old private sector banks existed prior to the nationalization in 1969 and kept their independence because they were either too small or specialist to be included in nationalization. The new private sector banks are those that have gained their banking license since the liberalization in the 1990s. The banks, which came in operation after 1991, with the introduction of economic reforms and financial sector reforms are called "new private-sector banks".

ICICI Bank (Industrial Credit and Investment Corporation of India) is an Indian multinational banking and financial services company headquartered in Mumbai, Maharashtra, India, It was the second largest bank in India in terms of assets and third in term of market capitalization. It offers a wide range of banking products and financial services for corporate and retail customers through a variety of delivery channels and specialized subsidiaries in the areas of investment banking, life insurance, venture capital and asset management.

REVIEW OF LITERATURE

Chand Suresh (1986) studies the cost and profitability of Indian commercial banks from 1970 to 1982. The study provides broad pattern of cost of different services in relation to total cost, the cost per unit of monetary output, cost per physical transaction, and cost per account for each of the services rendered by the banks. The comparison of services costs reveals some interesting variations mainly due to hike in export credit interest rate, fall in establishment expenditure etc. and concludes that monetary policy measures have significant impact on profitability of all the banks. Secondly, study analyzes the profitability of bank groups and observes a declining trend. Foreign banks fare better than the Indian banks in terms of most profitability ratios. Their performance, particularly in 1977 are much better than various Indian bank groups. The study suggests the banks to evolve a profit planning machinery so as to ensure efficient management of funds through financial produce and appropriate methods.

Vyas (1992) made an attempt to measure, compare and analyze the profitability of public sector banks, private sector banks and foreign sector banks operating in India. The study evidenced that public sector banks had low profitability as compared to private sector banks and foreign banks. Public sector banks suffered from poor asset management and low exposure on non-fund based activities. The study evaluated that non-interest income was very high in the case of foreign banks as compared to Indian public sector banks and private sector banks.

Garg M. (1994) compares the profitability of Indian scheduled commercial banks with foreign banks for the period of 1970 to 1990. The study reveals that Indian scheduled commercial banks have achieved remarkable progress in last two decades under study, particularly in branch expansion in rural areas, deposits mobili- zation and credit deployment to priority sector and small borrowers but their profits have not kept pace with their growth and hence, their share in profits have come down, whereas foreign banks with a much smaller geographical spread and resources base, earn almost as much as by way of profits as the 20 nationalized banks put together. It is concluded that there is a lot of difference in the pattern of advances and investments and even lending rates of Indian and foreign banks. The study suggests giving more autonomy to Indian commercial banks in their functioning.

T. Padamasai (2000) evaluates the profitability, productivity and efficiency of Indian five big public sector banks i.e. SBI, PNB, BOB, BOI, Canara Bank as these are big five banks among the Indian nationalized commercial banks and have places in world's top 40 banks also. Six parameters such as deposits, advances, invest- ments, profits, net NPAs and CAR of five banks have been analyzed separately for all the selected countries and the various parameters of productivity, profitability and efficiency are compared by naming it as B-Efficiency Model. The study concludes that productivity and profitability of five big banks has increased throughout the post-reforms period in terms of selected ratios of each parameter, but on account of efficiency, the performance of the top five banks is very dismissal as inefficiency has increased during the study period. It suggests that if the government sells its share in the profit making banks, it will be able to bail out the weak banks.

Swamy B.N.A. (2001) analyzes the comparative performance of different bank groups in India over the period 1995 to 2000 and studies the impact of deregulation and competition in a liberalized economy. The study concludes that share of public sector banks in assets of all scheduled commercial banks is the highest but recorded steady decline whereas new private sector banks have succeeded to enhance their share in assets witnessed deterioration in the profit performance.

Singh I. and P. Kumar (2005) analyze the efficiency of Indian banking sector from 1991 to 2003 in terms of technical and allocation efficiency with the use of Data Envelopment Analysis (DEA). The study concludes that relative efficiency is the highest in SBI group followed by nationalized banks and foreign banks whereas lower level of labour efficiency is associated with private sector banks. Technical efficiency is also better in public sector banks than the private sector banks and is comparable to foreign banks.

Singh B. and Malhotra P. (2005) investigates the profile of commercial banks that offer Internet banking by employing univariate statistical analysis, relative to other commercial banks with respect to profitability, cost efficiency, and other characteristics. The study finds that among all banks, 51.6 pc are transactional internet banks with 75.4 pc assets and 73.3 pc deposits share. Foreign banks are providing all services followed by Indian private sector banks whereas public sector banks provide only 30.8 pc services through internet banking. It is also found that internet banking has significant impact on profitability of private sector banks while insignificant in public and foreign banks. It also suggests some measures to enhance and improve internet banking in India.

Chakrabarti R. and Chawla G. (2005) employ DEA approach to evaluate relative efficiency of Indian banks during 1990-2002. The study concludes that efficiency in terms of ROA, operating profits, net interest margin, turnover per rupee of employee expense is higher and NPAs are lower in foreign banks. It also reveals that foreign banks are considerably more efficient on value basis than all other bank groups followed by Indian private sector banks but from quantity perspective, Indian private banks seem to be doing the best while foreign banks are the worst performers while the public sector banks are the laggards.

Uppal R.K. and Kaur R. (2007) analyze the efficiency of all the bank groups in the post banking sector reforms era. Time period of study is related to second post banking sector reforms (1999-2000 to 2004-05). The study concludes that the efficiency of all the bank groups has increased in the second post banking sector reforms period but these banking sector reforms are more beneficial for new private sector banks and foreign banks. This study also suggests some measures for the improvement of efficiency of Indian nationalized banks.

Sunil Kumar (2008) analyzes efficiency–profitability relationship in Indian Public sector banks and argued that the experience of the Asian financial crisis of 1997– 98 has confirmed the fact that a sound and well-regulated financial system, of which the banking system is the most crucial part, is a sine qua non for macroeco- nomic stability and sustainable economic growth.

Rao N. and Tiwari S. (2009) study the efficiency of 5 public sector banks selected on the basis of deposits size in 2005. The study concludes that all employee efficiency factors have insignificant influence on deposits, assets and advances, from branch efficiency, only operating profits per branch and from operating efficiency, cost of deposits have significant and positive impact. Liquidity influencing factors and ultimate profit factors do not influence deposits, assets and advances significantly although all profit factors have negative effect. The study also suggests some measures to improve efficiency.

Bansal (2010) studied the impact of liberalization on productivity and profitability of public sector banks in India. The study has been conducted on the basis of primary as well as secondary data for the period 1996-07. The study concluded that the ability of banks to face competition was dependent on their determined efforts at technological up gradation and improvement in operational and managerial efficiency, improvement in customer service, internal control and augment- ing productivity and profitability. The study found that public sector banks have to pay great attention to strategic management, strategic planning and to greater specialization in the technical aspect of lending and credit evaluation.

Goel and Chitwan Bhutani Rekhi (2013) Efficiency and profitability of the banking sector in India has assumed primal importance due to intense competition, greater customer demands and changing banking reforms. Since competition cannot be observed directly, various indirect measures in the form of simple indica- tors or complex models have been devised and used both in theory and in practice. This study attempts to measure the relative performance of Indian banks. For this study, he has used public sector banks and private sector banks. We know that in the service sector, it is difficult to quantify the output because it is intangible. Hence different proxy indicators are used for measuring productivity of banking sector. Segmentation of the banking sector in India was done on bank assets size. Overall, the analysis supports the conclusion that new banks are more efficient than old ones. The public sector banks are not as profitable as other sectors. It means that efficiency and profitability are interrelated. The key to increase performance depends upon ROA, ROE and NIM.

Malaya Ranjan Mohapatra, Avizeet Lenka, Subrat Kumar Pradhan (2015) have analyzed the operational efficiency of commercial banks in India and challenges faced by public sector banks. The parameters considered for study are labour productivity, branch expansion and profitability ratios. The study concluded that internal management and employee efficiency of foreign banks are far better than other sectors of commercial banks. Public sector banks are lagging behind in various financial parameters.

OBJECTIVE OF THE STUDY

- To compare the profit earning of the selected private sector banks from the year 2017-18 to 2021-22.
- To investigate the factors affecting the profit earning of the selected banks during the period.
- To analyze and compare the performance between the selected nationalized banks.

RESEARCH METHODOLOGY

The study is based upon secondary data covering the period from 2017-2022. We have computed ROA, ROE, ROCE and NPM. These computed ratios were further analyzed by computing growth rates, mean and standard deviation.

SAMPLE OF THE STUDY

In this paper, two private sector banks (HDFC Bank and ICICI Bank Ltd) have been taken for study:

DATA COLLECTION

The study is based on secondary data and data has been collected from various bank's websites and from annual reports of banks. The study period is 2017-18 to 2021-22.

LIMITATIONS OF STUDY

The study is related with selected public sector banks and private sector banks.
The study is based on secondary data and data collected from various bank's websites and annual reports.
The study is related to period of 5 years only.
Some limited variable used (ROE, ROA, ROCE, NPM) for study.

DATA ANALYSIS

1. RETURN ON EQUITY

Return on assets is the ratio of annual net income to average total assets of a business during a financial year. It measures efficiency of the business in using its assets to generate net income.

ROE= Net Income/ Shareholders Fund

Table-1:

Year	HDFC Bank	Change %	ICICI Bank	Change %
2017-18	18.91	2.38	13.45	-16.72
2018-19	18.26	-3.44	12.37	-8.03
2019-20	18.45	1.04	8.89	-28.13
2020-21	16.12	-12.63	5.45	-38.70
2021-22	17.35	7.63	9.25	69.72
Mean:	17.82		9.88	
S. D	1.11		3.16	

Source: Annual Reports of banks and moneycontrol.com

As shown in table that HDFC Bank has higher ROE with lower variation but ICICI Bank has wider fluctuations.

2. **RETURN ON ASSETS**

Return on assets is the ratio of annual net income to average total assets of a business during a financial year. It measures efficiency of the business in using its assets to generate net income.

ROA= Net income / Total assets

Table-2:

Year	HDFC Bank	Change %	ICICI Bank	Change %
2017-18	3.73	1.45	3.60	-9.55
2018-19	3.68	-1.34	3.52	-2.22
2019-20	3.64	-1.09	3.03	-13.92
2020-21	3.69	1.37	2.60	-14.19
2021-22	3.71	0.54	2.98	14.62
Mean:	3.69		3.15	
S. D	0.03		0.41	

Source: Annual Reports of banks and moneycontrol.com

In this table as shown ROA is higher for HDFC Bank Ltd with lower standard deviation to that of ICICI Bank Ltd. This return is related with overall profitability.

3. Return on Capital Employed (ROCE):

Return on capital employed is a financial ratio that measures a company's profitability in terms of all of its capital.

ROCE = EBIT/ Capital Employed

Table-3:

Year	HDFC Bank	Change %	ICICI Bank	Change %
2017-18	4.17	1.46	5.03	5.67
2018-19	4.18	0.24	5.15	2.39
2019-20	4.20	0.48	4.47	-13.20
2020-21	4.34	3.33	4.08	-8.72
2021-22	4.33	-0.23	4.23	3.68
Mean:	4.24		4.59	
S. D	0.08		0.48	

Source: Annual Reports of banks and moneycontrol.com

4. NET PROFIT MARGIN

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

Net Profit Margin = Net Profit/Total Revenue

Table-4:

Year	HDFC Bank	Change %	ICICI Bank	Change %
2017-18	22.41	-2.86	20.70	-17.26

2018-19	22.99	2.58	20.35	-1.69
2019-20	23.79	3.47	14.59	-28.30
2020-21	23.29	-2.10	7.56	-48.18
2021-22	24.86	6.74	12.86	70.10
Mean:	23.47		15.21	
S. D	0.92		5.50	

Source : Annual Reports of banks and moneycontrol.com

According to the above table, in this measure also HDFC Bank Ltd was better positioned as comparative to ICICI Bank Ltd with lower variation.

FINDINGS:

- Overall operating revenue per share of HDFC was high.
- Mean value indicates, net profit per share of HDFC Bank was good.
- Interest income earned per employee was higher with HDFC bank.
- ROCE performance also good for HDFC.
- HDFC Bank ROA was good during the study.
- Comparatively, performance of HDFC was good.
- Mean value shows performance of HDFC was good overall.

SUGGESTIONS:

- The ICICI Bank has to improve its company performance by dispersing more loans and attracting deposits .
- ICICI Bank has to train employees and launch schemes for public awareness to improve operating revenue
- Investors might prefer HDFC Bank to ICICI Bank
- Both companies will try to enhance earning through Interest income
- ICICI Bank has to take appropriate steps to increase ROCE, ROA.

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