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## Comparative Analysis on Financial Performance of Private Sector Banks with Special Reference to HDFC and ICICI Bank

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### Abstract:

*In Indian banking sector is a combination of public, private, and foreign banks. Private Banks play a vital role in the Indian economy. They directly motivate the public sector banks by offering healthy competition to them. In India, the private sector banks consist of three categories: Private Scheduled Banks, Private Non-Scheduled Banks, and Foreign Banks. Private Banks play a vital role in the Indian economy. They indirectly motivate the public sector banks by offering healthy competition to them. The study deals with analyzing the financial performance of private sector banks HDFC and ICICI bank in India. According to the top listed private sector banks, HDFC and ICICI bank plays a vital role in a wide range of banking products and financial services. Based on the analysis, the study concludes that HDFC bank performance is comparatively better than the ICICI bank.*

**Keywords:** HDFC, ICICI, Banking, Private Banks, Foreign Banks.

### INTRODUCTION:

Banks have become part and parcel of all economic activities in India. A bank is an institution that deals in money and credit. The bank is an intermediary which handles money both for its advantage and to its profit. Today is the age of specialization, and we can find specialization in all fields, including banking. The banks are specialized in a particular line of finance. Various banks are developed to suit the economic development and requirements of the country. Commercial banks in India are organized as joint-stock companies and known as banking companies. These banks are primarily classified in to Scheduled and Non-Scheduled banks. Scheduled banks include

nationalized banks, the State bank of India and its subsidiaries, Private sector banks, and foreign banks. Non-Scheduled banks are those which are not included in the 2<sup>nd</sup> schedule of the RBI Act. Banks are the custodians of savings and powerful institutions to provide credit. They mobilize the resources from all the community sections by way of deposits and channelize them to industries and others by way of granting loans.

The country's economic development is highly dependent upon the extent of mobilization of resources and investment and on the operational efficiency of the various segments of the economy. In Indian banking sector is a combination of public, private, and foreign banks. Private Banks play a vital role in the Indian economy. They indirectly motivate the public sector banks by offering healthy competition to them. In India, the private sector banks consist of three categories: Private Scheduled Banks, Private Non-Scheduled Banks, and Foreign Banks. The foreign banks in the private sector are the branches of banks incorporated in foreign countries. The foreign banks perform mostly the same range of services as being performed by local banks. However, they are more active players in export and import trade and transactions relating to foreign exchange operations. The role of foreign banks is also essential for the development of the country's economy, particularly for the development of foreign trade. The Private Scheduled Banks are functioning on par with the other public sector banks in various respects. Since they have been included in the second schedule of the Reserve Bank of India Act, they are enjoying the privileges as that of any other scheduled bank. These privileges, notably, include refinancing facility from RBI and Participation in money market activities.

#### **Importance of Private Sector Banks in India:**

- **Offering a high degree of Professional Management:** The private sector banks help introduce a high degree of professional management and marketing concept into banking. It helps the public sector banks as well to develop similar skills and technology.
- **Creates Healthy Competition:** The private sector banks provide healthy competition on general efficiency levels in the banking system.
- **Encourages Foreign Investment:** The private sector banks, especially foreign banks, influence foreign investments in the country.
- **It helps to access foreign capital markets:** The foreign banks in the private sector helps the Indian companies and government agencies meet their financial requirements from international capital markets. This service becomes easier for them because of their head offices/ other branches in important foreign centers. In this way, they help to a large extent in the promotion of trade and industry in the country.
- **It helps develop innovation and achieve expertise:** The private sector banks are always trying to innovate new products avenues (new schemes, services, etc.) and make the industries achieve

expertise in their respective fields by offering quality service and guidance. They introduce new technology in the banking service. Thus, they lead the other banks in various new fields. For example, the introduction of computerized operations, credit card business, ATM service, etc. In the Present Scenario, there are 21 private sector banks in India. The following are the list of Private Banks in India:

S.No.	Name of the Bank
1.	Axis Bank
2.	CSB Bank
3.	City Union Bank
4.	Dhanlaxmi Bank
5.	DCB Bank
6.	Bandhan Bank
7.	Federal Bank
8.	HDFC Bank
9.	ICICI Bank
10.	IDBI Bank
11.	IDFC FIRST Bank
12.	IndusInd Bank
13.	J&K Bank
14.	Karnataka Bank
15.	KarurVysya Bank
16.	Kotak Mahindra Bank
17.	South Indian Bank
18.	Tamilnadu Mercantile Bank
19.	YES Bank
20.	Bandhan Bank
21.	Nainital Bank

## REVIEW OF LITERATURE:

Anand Atul Kumar Joshi & Yashavi. R. Rajpara., (2020) has revealed a comparative study on the financial performance of the Indian Banking sector: A Bank Group-wise analysis. The study examined the financial efficiency of selected bank groups in India. The study was conducted in public sector banks, private sector banks, foreign banks, and small finance banks. The study showed no significant difference in the financial performance among the selected bank group ratios.

Jaiswal. A., & Jain.C. (2016) has made a comparative study on the financial performance of

the State Bank of India and ICICI bank. The comparison of the study was made based on ratio analysis. The study resulted that SBI is performing better than the ICICI bank. The market position of SBI is higher than ICICI bank. On the other hand, ICICI bank is performing well in terms of NPA compared to SBI bank.

Padma. D., & Arulmathi. V. (2013), has studied a comparative study on the financial performance of SBI and ICICI Bank, which demonstrates that there are significant differences in the performance of State Bank of India and ICICI Bank in terms of Deposits, Advances, Net Profit and Total Assets. The study concluded that the SBI has an extensive operation than ICICI bank.

### **SCOPE OF THE STUDY:**

Banks play a vital role in the economic development of every nation. They have control over a large part of the supply of money in circulation. Through their influence over the volume of bank money, they can influence the nature and character of production in any country. Banks are the main stay of the economic progress of a country. On this background, the private sector banks play a vital role in the Indian economy. The study deals with analyzing the financial performance of private sector banks HDFC and ICICI bank in India. According to the top listed private sector banks, HDFC and ICICI bank plays a vital role in a wide range of banking products and financial services. Hence the paper evaluates the performance of HDFC and ICICI banks in India.

### **OBJECTIVES OF THE STUDY:**

- To find out the performance of private sector banks from 2011-2012 to 2019-2020.
- To study the financial performance of HDFC bank and ICICI bank.

### **RESEARCH METHODOLOGY:**

The study was conducted concerning the secondary data related to HDFC Bank and ICICI Bank from 2011 to 2012 to 2019-2020. The secondary data collected for the study is collected from the financial statements of HDFC and ICICI bank from 2011-2012 to 2019-2020. The study is based on exploratory nature, which analyses the financial performance of HDFC bank and ICICI bank. The Compound Annual Growth Rate, Analysis of Variance, Mean, Standard Deviation and t-test is adopted for evaluating the collected data.

### **HYPOTHESIS:**

H01: There is no significant difference in the total income and total expenses of HDFC Bank and ICICI Bank.

H02: There is no significant difference in the financial performance of HDFC Bank and ICICI Bank.



**RESULTS AND DISCUSSIONS:**

**Table I: Table Showing the Total Income of HDFC Bank and ICICI Bank**  
(Amount in cr.)

Year	HDFC			ICICI		
	Interest Income	Other Income	Total Income	Interest Income	Other Income	Total Income
2011-12	2,26,09,65,957	1,02,12,45,480	3,28,22,11,437	335426522	75027598	410454120
2012-13	2,63,47,58,527	88,45,80,504	3,51,93,39,031	400755969	83457012	484212981
2013-14	3,52,82,17,218	1,24,69,68,107	4,77,51,85,325	441781528	104278721	546060249
2014-15	4,37,78,44,809	1,90,03,00,704	6,27,81,45,513	490911399	121761305	612672704
2015-16	4,66,01,82,745	2,28,04,95,678	6,94,06,78,423	527394348	153230516	680624864
2016-17	5,47,28,94,291	2,25,78,71,192	7,73,07,65,483	541562793	195044831	736607624
2017-18	6,61,35,31,208	2,26,11,82,578	8,87,47,13,786	549658922	174196326	723855248
2018-19	6,67,90,52,243	2,58,68,54,053	9,26,59,06,296	634011926	145121636	779133562
2019-20	7,68,31,61,881	2,98,43,36,982	10,66,74,98,863	747983166	164486220	912469386
Mean			6814938240			654010082
SD			2591731188			156675881
CAGR			13.99%			9.28%

**Source: Annual Report of HDFC and ICICI Bank.**

The above table shows the total income of HDFC and ICICI Bank from 2011- 2012 to 2019-2020. The total income of HDFC bank has increased from INR. 3,28,22,11,437 cr. in 2011-2012 to INR. 10,66,74,98,863 cr. in the year 2019-2020. The compound annual growth rate value shows 13.99 percent comparatively a good growth of 9.28 percent in ICICI bank.

**Table II: Table Showing the Total Expenses of HDFC Bank and ICICI Bank**  
(Amount in cr.)

Year	HDFC			ICICI		
	Interest Expenses	Other Expenses	Total Expenses	Interest Expenses	Other Expenses	Total Expenses
2011-12	1,35,42,93,472	12,63,82,120	1,48,06,75,592	250132455	295520458	545652913
2012-13	1,80,53,19,955	30,37,99,488	2,10,91,19,443	282854093	302070495	584924588
2013-14	2,46,93,68,359	35,15,36,588	2,82,09,04,947	297106119	306663585	603769704
2014-15	2,53,46,85,012	45,20,31,165	2,98,67,16,177	323181538	350227119	673408657
2015-16	2,53,93,43,452	48,98,56,209	3,02,91,99,661	339964746	407895615	747860361
2016-17	3,50,92,95,782	51,41,06,630	4,02,34,02,412	348358328	481699705	830058033

2017-18	4,74,18,43,197	53,05,23,746	5,27,23,66,943	342620468	557556292	900176760
2018-19	4,44,06,75,426	46,89,05,305	4,90,95,80,731	391775414	642588800	1034364214
2019-20	4,78,32,34,818	41,16,24,661	5,19,48,59,479	446655222	715178988	1161834210
Mean			3536313932			786894382
SD			1379371957			213144243
CAGR			14.97%			8.76%

**Source: Annual Report of HDFC and ICICI Bank.**

The above table shows the total expenses of HDFC bank and ICICI bank. On comparing the results, the ICICI bank has increased in total expenses from INR. 545652913 cr. in 2011- 2012 to INR 1161834210 cr. in 2019-2020. The total expenses CAGR value of ICICI bank is 8.76 percent, which is comparatively lower than HDFC bank, about 14.97 percent.

**H01: There is no significant difference in Total income and Total expenses of HDFC and ICICI Bank.**

**Table III: Table Showing the Relationship Between Total Income and Total Expenses Using t-Test**

Bank	t	DF	Sig. (2 tailed value)	Hypothesis result	S/NS
HDFC	7.411	8	7.53	Accepted	NS
ICICI	-5.136	8	0.00	Rejected	S*

**Source: Computed (Significant at 5% level)**

From the above table, it is clear that the significant value of total expenses and total income of HDFC bank is 7.53, which is the significant value is greater than .05, the hypothesis is accepted, and the result shows that there is no significant difference in total income and total expenses. Further, the significant value of ICICI bank is 0.00, which shows the significant value is less than .05, the hypothesis is rejected, and the result shows a significant difference in total income and total expenses.

**Table IV: Table Showing Advances and Borrowings of HDFC Bank and ICICI Bank (Amount in cr.)**

Year	HDFC		ICICI	
	Advances	Borrowings	Advances	Borrowings
2011-12	1988375303	263341540	2921254179	1612966218
2012-13	2472451151	394966127	3299741265	1728882194

2013-14	3154188602	495967176	3873417806	1835420690
2014-15	3834079720	594782505	4384900954	2112520026
2015-16	4872904174	717634520	4937291077	2203776561
2016-17	5854809871	984156439	5153173140	1882867563
2017-18	7000338363	1564420848	5668542198	2294018266
2018-19	8692226631	1577327790	6469616813	2103241208
2019-20	10436708771	1868343231	7062461122	2138517821
Mean	5367342510	940104464	4863377617	1990245616
SD	2892854521	589552184.2	1395504823	232843390.4
CAGR	20.23%	24.32%	10.31%	3.18%

Source: Annual Report of HDFC and ICICI Bank.

**Table V: Table Showing Deposits and Investments of HDFC Bank and ICICI Bank**  
(Amount in cr.)

Year	HDFC		ICICI	
	Deposits	Investments	Deposits	Investments
2011-12	2465395768	967951088	2819504736	2398640912
2012-13	2960917699	1109604124	3147705357	2556666786
2013-14	3670803323	1195710628	3595126823	2676094407
2014-15	4502836477	1642726093	3859552465	2743108109
2015-16	5458732889	1616833398	4510773918	2860440872
2016-17	6431342479	2107771120	3043732910	5125872643
2017-18	7883751419	2384609240	5857961125	3722076772
2018-19	9225026779	2894458722	6813169361	3982007553
2019-20	11462071336	3893049519	8007844610	4434726298
Mean	6006764241	1979190437	4628374589	3388848261
SD	3034350407	956465294.9	1849122358	965093462.3
CAGR	18.62%	16.72%	12.30%	7.07%

Source: Annual Report of HDFC and ICICI Bank.

Above table IV and V shows the financial indicators of HDFC and ICICI bank. The indicators include Advances, Borrowings, Deposits, and Investments. Table IV shows that the CAGR value of advances of HDFC bank is about 20.23 percent, and the ICICI bank is 10.31 percent. The borrowings of HDFC are about 24.32 percent, and ICICI bank shows 3.18 percent. Table V shows the result of deposits and investments of HDFC and ICICI bank. About 18.62 percent CAGR value was witnessed in deposits of HDFC bank and 12.30 percent on ICICI bank. Further,

the investment growth rate of both banks was 12.30 percent and 7.07 percent, respectively.

**H02: There is no significant difference in the Financial Performance of HDFC and ICICI Bank.**

**Table VI: Table Showing the Relationship Between Financial Indicators of HDFC and ICICI Bank Using ANOVA**

Bank	Financial Indicators	Source of Variation	SS	DF	MS	F	Sig. Value	Hypothesis Result	S/NS
HDFC	Advances & Borrowings	Between Groups	8.820	1	8.820	20.24	0.00*	Rejected	S
		Within Groups	6.973	16	4.358				
		<b>Total</b>	<b>1.579</b>	<b>17</b>					
ICICI		Between Groups	3.715	1	3.715	37.12	1.56	Accepted	NS
		Within Groups	1.601	16	1.000				
		<b>Total</b>	<b>5.316</b>	<b>17</b>					
HDFC	Deposits & Investments	Between Groups	7.30	1	7.30	14.42	0.00*	Rejected	S
		Within Groups	8.10	16	5.06				
		<b>Total</b>	<b>1.54</b>	<b>17</b>					
ICICI		Between Groups	6.913	1	6.914	3.18	0.09	Accepted	NS
		Within Groups	3.480	16	2.175				
		<b>Total</b>	<b>4.172</b>	<b>17</b>					

**Source: Computed. (Significant at 5% level)**

From the above table, it is clear that the significant value of Advances and Borrowings, Deposits and investments of HDFC bank is 0.00, which shows that the value is less than .05, the hypothesis is rejected and results that there is a significant difference in the financial performance of HDFC Bank. Further, the significant value of ICICI bank on Advances and Borrowings, Deposits and Investments is 1.56 and 0.09, which shows that the value is more significant than 0.05, the hypothesis is accepted.



**CONCLUSION:**

HDFC Bank and ICICI bank are the largest private sector banks in India. By the analysis, the financial performance of HDFC bank is financially sound when compared to ICICI bank. The results of hypothesis testing show that total income and total expenses have a significant difference in ICICI bank. When compared to the financial performance based on Advances, Deposits, Borrowings, and Investments, there is a significant difference in the financial performance of HDFC bank. Hence the study concludes that HDFC bank performance is comparatively better than the ICICI bank.

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