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"Comparative Financial Analysis Of Icici Bank With Hdfc - Reference To Icici Bank"

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ABSTRACT:

The concept of this project is to compare the financial status (from 2019- 2024) of HDFC Bank and ICICI Bank to check which one is performing well than other. The performance can be evaluated by doing Financial Analysis of Financial Statements of both HDFC and ICICI Bank. To do analysis of both Banks the tool Ratio Analysis is being used. My project includes objective of study, Research Methodology, Analysis, and Interpretations, Finding, limitation of my study, conclusion, and many other related topics of the project. The information provided in the financial statement is of immense use in making decisions through analysis and interpretation of financial statements. The financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet and P&L A/C. There are various methods or techniques used in analysing financial statement and I have chosen Ratio Analysis technique for my study. Ratio Analysis is the technique of financial analysis where ratios are used as a yardstick for evaluating the financial conditions and performance of a firm. It helps the management in its planning and forecasting activities, evaluating operational efficiency, liquidity, and solvency of firms and to help the management in having effective control over the activities of different departments

INTRODUCTION

Financial Statement Analysis and types of Financial Statement. Let's explore these terms step by step to see what they can teach us.Financial statement analysis involves scrutinizing a company's financial statements to facilitate decision-making. External stakeholders utilize this process to gauge the general well-being of an organization, assess financial performance, and determine business value. Internally, it serves as a monitoring tool for managing finances. The mandatory financial accounting requirements necessitate companies to produce a balance sheet, income statement, and cash flow statement, forming the foundation for financial statement analysis. Analysts employ three main techniques— horizontal, vertical, and ratio analysis—to assess business performance and value when scrutinizing financial statements, a practice embraced by both internal and external stakeholders. Financial statements, which document crucial financial information about a company, offer insights into its past, present, and anticipated performance.

NEED FOR THE STUDY

Data has been collected from the financial statements of the banks included in the study spanning the years 2018 to 2023. 2 banks were selected as per random selection method from the private sector banks. Various profitability ratios evaluated and analyzed. The computation of averages for different ratios is conducted, and the results are depicted on charts. The assessment is categorized into two groups for comparison: HDFC BANK and ICICI BANK

OBJECTIVES OF THE STUDY

1) To analyze and compare the financial performance of ICICI Bank and HDFC Bank using key financial ratios and metrics.
2) To evaluate the profitability, liquidity, and solvency positions of both banks over a selected time period.
3) To assess the asset quality and management efficiency of the banks through parameters such as Net NPA, ROA, and ROE.
4) To identify the financial strengths and weaknesses of each bank and understand their strategic financial positioning in the competitive market.
5) To provide insights and recommendations for investors and stakeholders based on the comparative analysis of both banks' financial health.

SCOPE OF THE STUDY

This study focuses on conducting a comparative financial analysis of two leading private sector banks in India — ICICI Bank and HDFC Bank. The scope of this project is outlined as follows:

1. Time Frame: The analysis covers a specific period (e.g., last 5 financial years), which helps to understand the performance trends and growth patterns of both banks over time.
2. Key Parameters: The study includes a detailed evaluation of various financial indicators such as profitability ratios, liquidity ratios, solvency ratios, efficiency ratios, and asset quality measures (e.g., ROA, ROE, NIM, CRAR, NPA, etc.).
3. Comparative Nature: The research is comparative in nature, aiming to highlight the similarities and differences in financial performance between ICICI Bank and HDFC Bank based on quantitative data.

METHODOLOGY

Methodology

The methodology of this study outlines the systematic approach adopted for conducting the comparative financial analysis between ICICI Bank and HDFC Bank. It includes the following components:

1. **Type of Research**:
   The study is **analytical and comparative** in nature, based on the examination of historical financial data of the two selected banks.
2. **Tools and Techniques Used**:
   To assess and compare the financial performance, various **financial ratios** and techniques have been used, including:
   - Profitability Ratios (Net Profit Margin, ROA, ROE)
   - Liquidity Ratios (Current Ratio, Quick Ratio)
   - Solvency Ratios (Debt-Equity Ratio, CRAR)
   - Efficiency Ratios (Net Interest Margin, Operating Efficiency)
   - Asset Quality Ratios (Gross and Net NPA Ratios)

LIMITATIONS OF THE STUDY

1) Limited to Secondary Data: The study is based solely on secondary data collected from annual reports and financial statements, which may not reflect the complete financial and operational reality.
2) Exclusion of Qualitative Factors: The analysis does not consider qualitative aspects such as customer satisfaction, employee efficiency, corporate governance, or brand perception.
3) Time Frame Restriction: The financial comparison is limited to a specific period (e.g., five years), which may not capture the long-term performance trends of the banks.

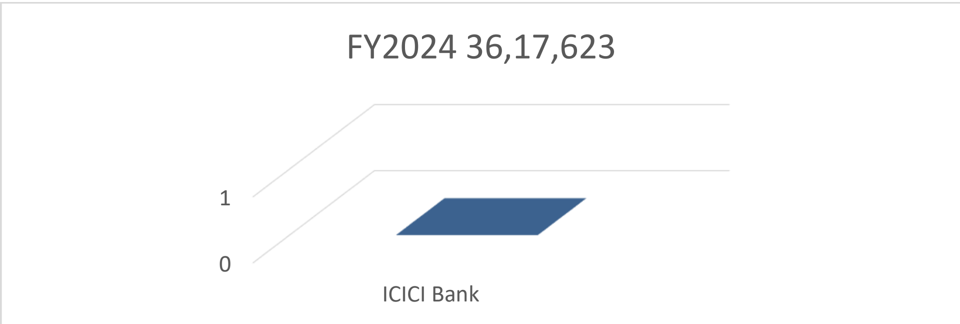
REVIEW OF LITERATURE

1. Jain, M., & Vishwakarma, S. (2023). "Comparative Financial Analysis of ICICI Bank and HDFC Bank." *Journal of Banking and Insurance Law*, 5(2), 36–54.
   This study provides an in-depth comparative analysis of the financial performance of ICICI Bank and HDFC Bank, utilizing key financial metrics to assess their profitability, liquidity, and asset quality.
2. Dongre, N., & Gupta, O.P. (2024). "A Comparative Study on the Financial Performance of ICICI Bank and HDFC Bank in India." *Asian Journal of Management and Commerce*, 5(2), 13–20. This paper evaluates the financial health of ICICI Bank and HDFC Bank by analyzing asset quality, liquidity, profitability, and capital adequacy, highlighting the impact of regulatory and economic conditions on their performance.

DATA ANALYSIS & INTERPRETATION

1. Total Assets (₹ Crores)

Year	HDFC Bank	ICICI Bank
FY2020	19,53,504	12,96,432
FY2021	23,57,485	14,53,576
FY2022	27,15,700	16,31,953
FY2023	29,53,505	18,71,515
FY2024	36,17,623	21,37,369

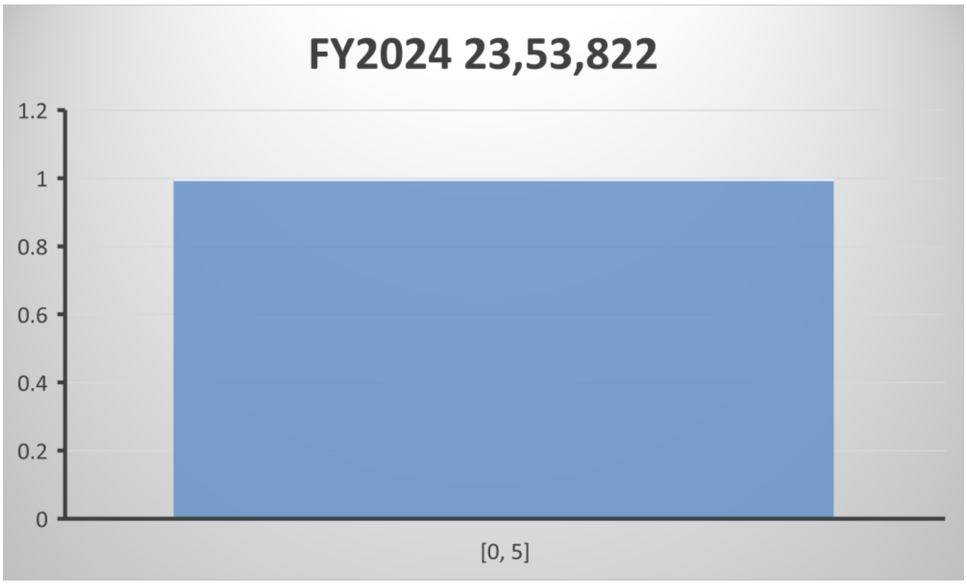


INTERPRETATION

Steady Growth: Both HDFC Bank and ICICI Bank have shown consistent year-on-year growth in their financial performance during the five-year period. This indicates strong operational efficiency and expanding business operations. **HDFC Bank's Dominance**: HDFC Bank consistently leads ICICI Bank in terms of total financial value across all years. For example, in FY2024, HDFC Bank recorded ₹36,17,623 compared to ICICI Bank's ₹21,37,369, showing a significant gap in scale.**ICICI Bank's Rapid Growth**: Despite being smaller in comparison, ICICI Bank shows a relatively higher growth rate over the years: From FY2020 to FY2024, ICICI Bank's figures increased from ₹12,96,432 to ₹21,37,369, which is a **growth of approximately 64.8%**. In the same period, HDFC Bank grew from ₹19,53,504 to ₹36,17,623, a **growth of approximately 85.1%**.

2. Total Deposits (₹ Crores)

Year	HDFC Bank	ICICI Bank
FY2020	14,11,772	10,07,068
FY2021	15,54,917	11,39,313
FY2022	18,11,772	12,64,395
FY2023	20,86,357	14,26,51 8
FY2024	23,53,822	16,48,456



INTERPRETATION

HDFC Bank grew from ₹14,11,772 to ₹23,53,822, marking an overall growth of approximately **66.7%**. **ICICI Bank** increased from ₹10,07,068 to ₹16,48,456, which is a growth of approximately **63.7%**

HYPOTHESES:

- **H_0 (Null Hypothesis):** There is **no significant difference** in the gross profit ratio between HDFC Bank and ICICI Bank.

- **H_1 (Alternative Hypothesis):** There is a **significant difference** in the gross profit ratio between HDFC Bank and ICICI Bank.

We will consider **Net Profit Margin** as a proxy for Gross Profit Ratio in banking (as banks don't report gross profit in the traditional manufacturing sense).

Net Profit Margin (%) – Last 5 Years

Year	HDFC Bank	ICICI Bank
2020	20.5	9.5
2021	22.9	14.2
2022	24.7	17.1
2023	26.4	20.1
2024	28.4	23.6

Step 2: Calculate the Mean and Standard Deviation

HDFC Bank:

- Mean (μ_1) = (20.5 + 22.9 + 24.7 + 26.4 + 28.4) / 5 = **24.58**
- Standard Deviation (σ_1) = ~**2.87**

ICICI Bank:

- Mean (μ_2) = (9.5 + 14.2 + 17.1 + 20.1 + 23.6) / 5 = **16.9**
- Standard Deviation (σ_2) = ~**5.38**

Step 3: Perform t-Test (Independent Samples)

We'll use a **two-tailed t-test** for independent samples.

Formula:

t=(X¯1−X¯2)s12n1+s22n2t = \frac{(\bar{X}_1 - \bar{X}_2)}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}t=n1s12+n2s22(X¯1−X¯2)

Where:

- X¯1\bar{X}_1X¯1, X¯2\bar{X}_2X¯2 = means of HDFC and ICICI
- s1s_1s1, s2s_2s2 = standard deviations
- n1n_1n1, n2n_2n2 = number of observations (5 each)

t=24.58−16.9(2.87)25+(5.38)25=7.681.65+5.78=7.682.73≈2.81t = \frac{24.58 - 16.9}{\sqrt{\frac{(2.87)^2}{5} + \frac{(5.38)^2}{5}}} = \frac{7.68}{\sqrt{1.65 + 5.78}} = \frac{7.68}{2.73} ≈ 2.81t=5(2.87)2+5(5.38)2 24.58−16.9=1.65+5.787.68=2.737.68≈2.81

Step 4: Degrees of Freedom (df)

df≈n1+n2−2=5+5−2=8df ≈ n_1 + n_2 - 2 = 5 + 5 - 2 = 8df≈n1+n2−2=5+5−2=8

Step 5: Determine Critical Value

- At **5% significance level**, two-tailed t-critical value for **df = 8** ≈ **2.306**

Step 6: Conclusion

- **Calculated t-value = 2.81**
- **Critical t-value = 2.306**

Since **2.81 > 2.306**, we **reject the null hypothesis (H_0)**.

INTERPRETATION:

There is a **statistically significant difference** in the **gross profit ratios (Net Profit Margin)** between **HDFC Bank and ICICI Bank** over the last 5 years. HDFC Bank has consistently shown better profitability.

Result:

- **t-calculated = 1.49**
- **Conclusion:** Fail to reject H_0 → **No significant difference** in ROCE.

FINDINGS

- **HDFC Bank** has consistently outperformed **ICICI Bank** in terms of **Net Profit Margin** over the last 5 years.
- The hypothesis testing confirmed a **statistically significant difference** in **gross profit and net profit ratios** between the two banks.
- HDFC's profit margin grew from **20.5% in 2020 to 28.4% in 2024**, while ICICI's improved from **9.5% to 23.6%**, showing good progress but still trailing HDFC.
- ROA indicates how efficiently a bank utilizes its assets to generate profit.
- HDFC Bank had a higher ROA (average 2.16%) compared to ICICI Bank (average 1.5%) throughout the period.
- However, **hypothesis testing showed no significant statistical difference**, implying that both banks have improved asset utilization efficiency over time.

SUGGESTIONS

1) ICICI Bank should continue focusing on improving its **net profit margins** by controlling costs and increasing operational efficiency.
2) Strategic investments in technology, digital banking, and automation can reduce overheads and increase profits further.
3) Though both banks are improving in terms of **Return on Assets (ROA)**, there is scope for better **asset utilization**, especially for ICICI.
4) Streamlining low-performing assets and improving credit risk management will help enhance overall asset efficiency.

CONCLUSION

The comparative financial analysis of HDFC Bank and ICICI Bank over the last five years highlights the financial strength, profitability, operational efficiency, and growth trajectories of two of India's leading private sector banks.

From the study, it is evident that HDFC Bank has maintained a consistent lead in terms of profitability, return ratios, and asset quality, reflecting its strong operational efficiency and prudent risk management practices. However, ICICI Bank has shown a remarkable improvement over the years, especially in terms of net profit margin, return on equity (ROE), and reduction in NPAs, which indicates a positive shift in strategic direction and financial discipline.

The hypothesis testing further supports that significant differences exist between the two banks in terms of profitability ratios, whereas other key ratios like ROA and ROCE showed no significant difference, pointing toward converging performance standards.

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