International Journal of Commerce and Management Research
ISSN: 2455-1627, Impact Factor: RJIF 5.22
www.managejournal.com
Volume 3; Issue 3; March 2017; Page No. 135-139

An apparaisal of financial performance: A comparative analysis of HDFC bank and ICICI bank

Dr. Ajaz Ahmad Mir
Department of commerce Islamia College of science and commerce, Srinagar, Jammu And Kashmir, India

Abstract
Banks play an active role in the economic development of a country. Their ability to make positive contribution in igniting the process of growth depends on the effective banking system. Financial analysis is done to identify the financial strengths and weaknesses of the two banks by properly establishing relationship between the items of Balance Sheet and Profit & Loss Account. It helps in better understanding of banks financial position, growth and performance by analyzing the financial statements with various tools and evaluating the relationship between various elements of financial statements.
The present research paper is aimed to analyze and compare the Financial Performance of HDFC and ICICI Bank and offer suggestions for the improvement of efficiency in select banks. For the purpose of analysis of comparative financial performance of the select banks, an attempt is made to critically examine the financial performance of the banks using various accounting and statistical techniques to arrive at conclusion.

Keywords: demonitization, remonitization, investment shocks, cashless economy

Introduction
The nationalization phase of the early 1970s brought some of the elite banks under the government's control. The next decade heralded the second phase of nationalization with the merging of old private sector banks. The 1990s saw partial liberalization of the banking industry and the emergence of new private sector banks as well as international banks. During the next few years, fears of liberalization were put to rest and in the past decade the banking system has gained much from it. Liberalization brought out the best in the industry inducing competitive spirit among various banks. During this period banks were restructured, shed the flab of over employment, embraced technology and ventured into related new businesses. Some of them have even re branded themselves to cater to the ever demanding customers. Also the banks put in place effective Risk-Management mechanisms and added fresh capital, which is very important to the banking industry. With the development of the banking sector, it is interesting to know how the selected banks have performed. The present study carried out a closer analysis of two banks based on their annual results. Financial analysis is mainly done to compare the growth, profitability and financial soundness of the respective banks by diagnosing the information contained in the financial statements.

Objective of the Study
1. To study the financial performance of HDFC and ICICI Bank.
2. To compare the financial performance of HDFC and ICICI Bank.

Period of Study
The study covers a period of five years from 2009 – 2014.

Research Methodology
In the present study, an attempt has been made to measure, evaluate and compare the financial performance of HDFC and ICICI Bank. The study is based on secondary data that has been collected from annual reports of the respective banks, magazines, journals, documents and other published information. The study covers the period of 5 years i.e. from year 2009-010 to year 2013-14. Ratio Analysis was applied to analyze and compare the trends in banking business and financial performance. Mean and Compound Growth Rate (CGR) have also been deployed to analyze the trends in banking business profitability.

Sampling
The present study covers two important banks one is Housing Development Financial Corporation (HDFC) and another one Industrial Credit Investment Corporation of India (ICICI).

Data collection
The study is based on secondary data that has been collected from annual reports of the respective banks. The study covers the period of 5 years i.e. from year **2009-10 to year 2013-14**.

Data analysis
Ratio Analysis was applied to analyze and compare the trends in banking business and financial performance.

Rationale/Need of the study
Financial analysis covers a vast area and is of great importance. Keeping in view the importance of the financial analysis and the vast area that it covers, we have carried out the present research work. It is concerned with the banking organizations that offer a personalized service. The bank uses various indicators for measuring its financial performance. These indicators are of great importance and tell us the true financial position of the bank. These indicators help in identifying the strengths and weaknesses of the banks and suggesting improvements in its future working

Hypotheses

From the above objectives of the following hypothesis is formulated to test the financial efficiency of the select banks:
Ho = "There is no significant difference between financial performance of HDFC and ICICI Bank.".

Limitation of the Study

Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned here under so that the findings of the study may be understood in a proper perspective. The limitations of the study are:
1. The study is based on the secondary data and the limitation of using secondary data may affect the results.
2. The secondary data was taken from the annual reports of the HDFC and ICICI Bank. It may be possible that the data shown in the annual reports may be window dressed which does not show the actual position of the banks.

For the purpose of analysis of comparative financial performance of the select banks, the following parameters have been studied:

1. Credit Deposit Ratio
2. Interest Expenses to Total Expenses
3. Interest Income to Total Income
4. Other Income to Total Income
5. Net worth Ratio
6. Percentage Change in Net Profits
7. Percentage Change in Total Income
8. Percentage Change in Total Expenditure
9. Percentage Change in Advances
10. Percentage Change in Deposits
11. Debt-Equity Ratio

Analysis and interpretation

Credit deposit ratio**:** The credit deposit ratio popularly known as CD ratio is the ratio of how a bank lends out of the deposit it has mobilized. RBI does not stipulate a minimum or maximum level for the ratio, but a very low ratio indicates banks are not making full use of their resources. Alternatively, a high ratio indicates more reliance on deposits for lending and a likely pressure on resources. CD ratio helps in assessing banks liquidity and indicates its health.

Table 1: Credit deposit ratio of HDFC and ICICI Bank (In Percent)

Year	HDFC	ICICI
2010	75.16	89.70
2011	77.00	96.00
2012	79.00	99.00
2013	80.90	99.20
2014	82.50	102.00
MEAN	78.912	97.18
CGR	9%	13.71%

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

Table 1.1 depicts that over the course of five financial periods of study the mean of Credit Deposit Ratio in ICICI was higher (97.18%) than in HDFC (78.91%). But the Compound Growth Rate in HDFC lowers (9%) than in ICICI (13.71%). In case of HDFC the credit deposit ratio was highest in 2013-14 and lowest in 2009-10, and in case of ICICI credit deposit ratio was also highest in 2013-14 and lowest in 2009-10. This shows that ICICI Bank has created more loan assets from its deposits as compared to HDFC.

Interest expense to total expense

Interest Expenses to Total Expenses reveals the expenses incurred on interest in proportion to total expenses. Banks accepts deposits from savers and pay interest on these accounts. This payment of interest is known as interest expenses. Total expenses include the amount spent in the form of staff expenses, interest expenses, overhead expenses and other operating expenses etc.

Table 2: Interest Expenses to Total Expenses of Hdfc and Icici Bank (IN PERCENT)

Year	HDFC	ICICI
2010	45.708	60.72
2011	46.15	61.73
2012	54.78	65.96
2013	54.71	65.36
2014	55.83	61.84
MEAN	51.435	63.122
CGR	22.145%	1.84%

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

Table 1.2shows that the ratio of interest expenses to total expenses in ICICI was highly volatile. It increased from 60.72%to 65.36% during the period 2010-2013. Then again decreased to 61.12% in the year 2014. Whereas the ratio of interest expenses to DFC as total expenses in HDFC was increased from 45.71% to 55.83% during the period of the study. From the above analysis, it has been found that the share of interest expenses in total expenses was higher in case of HDFC as compared to ICICI, which shows that people preferred to invest their savings in HDFC than ICICI.

Other Income to Total Income

Other income to total income reveals the proportionate share of other income in total income. Other income includes non-interest income and operating income. Total income includes interest income, non-interest income and operating income.

Table 3: Other Income to Total Income in Hdfc and Icici Bank (IN PERCENT)

Year	HDFC	ICICI
2010	19.07	22.099
2011	17.87	20.38
2012	16.12	18.28
2013	16.35	17.24
2014	16.14	19.096
MEAN	17.11	19.419
CGR	-15.36%	-13.589%

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

Table 1.4 shows that the ratio of other income to total income was decreased from 19.07% in 2009-2010 to 16.14% in 2013-2014 in case of HDFC. However, the share of other income to total income of ICICI was also decreased from 22.09% in 2009-2010 to 19.09% in 2013-2014. The table shows that the ratio was relatively higher in ICICI (19.14%) as compared to HDFC (17.11%) during the period of study.

Net worth ratio

The net worth ratio states the return that shareholders could receive on their investments in a company, if all of the profit earned were to be passed through directly to them. Thus, the ratio is developed from the perspective of shareholder, not the company, and is used to analyse investor returns. The ratio is useful as a measure of how well a company is utilizing the shareholders' investment to create returns for them, and can be used for comparison purposes with competitors in the same industry.

Table 4: Net worth Ratio of Hdfc and Icici Bank (IN PERCENT)

Year	HDFC	ICICI
2010	13.70	7.80
2011	15.50	93.50
2012	17.30	10.70
2013	18.60	12.48
2014	19.50	13.40
MEAN	16.92	27.576
CGR	42.33%	71.79%

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

It is clear from the table 1.5 that the net worth ratio of HDFC was increased from 13.70 per cent to 19.50 per cent during 2010-11 to 2013--14, and decreased in 2009-10 and 2010-2011. Whereas the ratio was increased from 7.80 per cent to 10.70 per cent in ICICI. The table showed that the net worth ratio was higher in HDFC (19.50%) as compared to ICICI (13.40%) during the period of study, which revealed that HDFC has utilized its resources more efficiently as compared to ICICI.

Growth in profits

Excess of revenues over outlays and expenses in a business enterprise over a given period of time, usually a year shows us the growth of profit

Table 5: Growth of Profit in Hdfc and Icici (In Crores)

	HDFC		ICICI	
Year	**Profit**	**% Change**	**Profit**	**% Change**
2010	2948.70	100%	4024.98	100%
2011	3926.40	133.15%	5151.38	127.98%
2012	5167.09	175.23%	6465.26	160.62%
2013	6726.28	228.11%	8325.47	206.84%
2014	8478.38	287.53%	9810.48	243.73%
Mean	5449.37		6755.14	
CGR	187.529%		143.799%	

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

Table 1.6 highlights the mean value of net profit was higher in ICICI (Rs 6755.14 crores) as compared to that in HDFC (Rs 5449.37 crores) during the period of study. But the compound growth rate of net profits was highest in HDFC (187.53%) than that in ICICI (143.80%) during the period of study. The table also shows that the annual growth rate of profit in HDFC was highest in the year 2013-1014 (8478.38 crores) and lowest in the year 2009-2010 (2948.70 crores), whereas, in ICICI, the annual growth rate of profit was also highest in 2013-2014 (9810.48 crores) and lowest in the year 2009-2010 (4024.98 crores).

Total Income

The total income indicates the rupee value of the income earned during a period. The higher value of total income represents the efficiency and good performance.

Table 6: Growth in Total Income of Hdfc and Icici Bank (IN CRORES)

	HDFC		ICICI	
Year	Total Income	% Change	Total Income	% Change
2010	19983.52	100%	32999.36	100%
2011	24263.36	121.42%	32621.94	98.85%
2012	32530.04	162.78%	41045.41	124.38%
2013	41917.49	209.76%	48421.30	146.73%
2014	49055.17	245.47%	54606.02	165.47%
Mean	33549.92		41938.81	
CGR	145.48%		65.48%	

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

Table 1.7 highlights that the mean value of total income was higher in ICICI (Rs 41938.81 crores) as compared to that in HDFC (Rs 33549.92 crores) during the study period. However, the rate of growth regarding total income was higher in HDFC (145.48%) than in ICICI (65.48%) during the study period.

Total Expenditure

The total expenditure reveals the proportionate share of total expenditure spent on the development of staff, interest expended and other overheads. The higher value of total Expenditure represents in efficiency of the concern in managing the expenditure, which in turn adversely affects the overall profitability of the concern.

Table 7: Growth in Total Expenditure of Hdfc and Icici Bank (IN CRORES)

	Total expenditure	**%age change**	**Total expenditure**	**%age change**
Year	HDFC		ICICI	
2010	17034.82	100%	28974.37	100%
2011	20336.96	119.38%	27470.56	94.81%
2012	27362.90	160.62%	34580.16	119.34%
2013	35191.21	206.58%	40095.83	138.38%
2014	40576.80	238.19%	44795.55	154.60%
MEAN	28100.54		35183.29	
CGR	138.19%		54.60%	

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

Table 1.8 discloses that the mean value of total expenditure was higher in ICICI (Rs 35183.29 crores) as compared to that in HDFC (Rs 28100.54 crores) during the study period. But the rate of growth regarding expenditure in ICICI was (54.60%) than that in HDFC (138.19%) during the same period. It is clear that ICICI is successful in decreasing their total expenditure as compared to HDFC. The table also highlights that the annual growth rate of expenditure in HDFC was highest (238.19%) in the year 2013-14 and was lowest (119.38%) in the year 2010-11. In ICICI the annual growth rate of expenditure was also lowest in the year 2010-11 and highest in the year 2013-14 respectively. Hence, it is clear that ICICI is more efficient as compared to HDFC in terms of managing expenditure.

Advances

Advances are the credit facility granted by the bank. In other words it is the amount borrowed by a person from the Bank. It is also known as „Credit" granted where the money is disbursed and recovery of which is made later on.

Table 8: Growth in Total Advances of Hdfc and Icici Bank (IN CRORES)

	Total advances	%age change	Total advances	%age change
Year	HDFC		ICICI	
2010	125830.59	100%	181205.60	100%
2011	159982.67	127.14%	216365.90	119.40%
2012	195420.03	155.30%	253727.66	140.02%
2013	239720.64	190.51%	290249.44	160.177%
2014	303000.27	240.88%	338702.65	186.92%
MEAN	204790.84		256050.25	
CGR	140.80%		86.92%	

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

Table 1.9 presents that the mean of Advances of ICICI was higher (2, 56,050.25) as compared to mean of Advances of HDFC (2, 04,790.84 crores). But the Rate of growth was higher in HDFC (140.80 %) than in ICICI (86.92%). Table also shows the per cent Change in Advances over the period of 5 years. From the analysis as expressed in the table, it is revealed from the table that the advances in both these banks were continuously increased (with increasing trend) over the period of study

Deposits

t is the amount accepted by bank from the savers in the form of current deposits, savings deposits and fixed deposits and interest is paid to them**.**

Table 9: Growth in Total Deposits of Hdfc and Icici Bank (IN CRORES)

	Total deposits	%age change	Total deposits	%age change
Year	HDFC		ICICI	
2010	167404.44	100%	202016.60	100%
2011	208586.41	124.60%	225602.11	111.67%
2012	246706.45	147.37%	255499.96	126.47%
2013	296246.98	176.96%	292613.63	144.84%
2014	367337.48	219.43%	331913.66	164.30%
MEAN	257256.35		261529.19	
CGR	119.43%		64.30%	

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

Table 1.10 presents that the mean of Deposits of ICICI was higher (2, 61,529.19 crores) as compared to mean of deposits of HDFC (2, 57,256.35 crores). However the rate of growth was higher in HDFC (119.43%) than that in ICICI (64.30%) during the period of study. Table also shows the per cent Change in Deposits over the period of 5 years. From the above analysis, it is revealed that the deposits in both these banks were continuously increasing respectively over the period of study

Debt-equity ratio

It's calculated to measure the relative proportions of outsiders' funds and shareholders' funds invested in the company. The ratio is determined to ascertain the soundness of long term financial policies of that company and is known as external equity ratio. A low debt-equity ratio is generally viewed as favourable for long term creditors' view because a large margin of protection provides safety for the creditors. The same low ratio may be taken as quite unsatisfactory by the shareholders' because they find neglected opportunity for using low-cost outsiders fund to acquire fixed assets that could earn a high return. Keeping in view interest of both debt-equity ratio of 2:1 in case of long term creditors and 2:3 in case of shareholders' is acceptable.

Table 10: Debt-Equity Ratio (IN PERCENT)

Year	HDFC	ICICI
2010	830	604
2011	878	637
2012	904	709.6
2013	909	704.7
2014	935	712
MEAN	891.2	673.46
CGR	12.65%	17.88%

Source: Annual Reports of HDFC and ICICI from 2009-10 to 2013-14

Analysis

Table 1.11: The debt-equity ratio of HDFC and ICICI Bank are recorded mean at 8.91 and 6.73 (Table-1.11) respectively. The compound growth rate is lowest in HDFC (12.65%) as compared to ICICI (17.88%) and there is no significance difference between the selected two banks debt-equity ratio. It clears that HDFC Bank debt-equity ratio is less compared with ICICI Bank. So we can say that the debt-equity ratio of HDFC bank have decreased during the study period hence long term solvency is well in HDFC bank.

Findings and conclusions

The study carried out a closer analysis of the two banks i.e. HDFC and ICICI based on their annual results. During this period the banks were restructured, shed the flab of over employment, embraced technology and ventured into related new businesses. The financial analysis helped in better understanding of banks, their financial position, growth and performance. While evaluating the credit deposit ratio, it was concluded that ICICI bank created more loan assets from its deposits as compared to HDFC. While analyzing the interest expense to total expense of HDFC and ICICI, it was found that the share of interest expense to total expense was higher in case of HDFC as compared to ICICI, which shows that people preferred to invest their savings in HDFC than ICICI.T he proportion of interest income to total income in ICICI was higher than HDFC, which shows that people preferred ICICI to take loans and advances as compared to HDFC. The ratio of other income to total income was relatively higher in ICICI than HDFC. The net worth ratio was higher in HDFC than ICICI which revealed that HDFC has utilized its resources more efficiently than ICICI. The annual growth rate of profit in HDFC was highest in the year 2013-2014 (8478.38 crores) and lowest in 2009-2010 (2948.70 crores). In ICICI also it was highest in the year 2013-2014 (9810.48 crores) and lowest in the year 2009-2010 (4024.98 crores). The growth regarding total income was higher in HDFC than ICICI. While analyzing the growth in total expenditure, it was found that ICICI is more efficient than HDFC in terms of managing expenditure. It is revealed from analyzing the growth in total advances that the advances in both these banks were continuously increased. While analyzing the growth in total deposits it was revealed that deposits in both these banks were continuously increasing. The debt-equity ratio of HDFC bank is less as compared to ICICI bank, so we can say that debt-equity ratio of HDFC bank has been decreasing during the period and hence long-term solvency is well in HDFC.

References

1. Sathya, Bhattacharya, *et al*. Impact of Privatization on the Performance of the Public Sector Banks, Journal of Management Review. 1997, 45-55.
2. SRINIVAS K. Pre and Post Merger Financial Performance of Merged Banks- A Select Study, Indian Journal of Finance, 2010.
3. Chowdari Prasad KS. Srinivasa Rao Private Sector Banks in India - A SWOT Analysis, Bankers Profession. 2004, 28-33.
4. Sanjay J. Bhayani Performance of the New Indian Private Banks- A Comparative Study, Banking Review. 2006, 55-59.
5. Chidambaram R.M and Alamelu Profitability in Banks – A matter of Survival, The Banker. 1994, 1-3.
6. Das A. Technical, Allocative and Scale Efficiency of Public Sector Banks in India, RBI Occasional Papers, June to, 1997.
7. Barman R. B. and Samanta G. P “Banking Services Price Index: An Exploratory Analysis for India” (www.financialindia.com)
8. Bhadury Prof. Subrato conducted study on “Commercial banking in India new challenges and opportunities after liberalization” South Asian Journal of Socio-Political Studies. 2007, 2.
9. Board John Sutcliffe, Ziemba Charles, William T. “Applying Operations ResearchTechniques to Financial Markets” Interfaces; 2003; 33(2):12-24.
10. Brown Craig O, Dinc I. Serdar the Politics of Bank Failures: Evidence from Emerging Markets Quarterly Journal of Economics. 2005, 1413-1443.