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Financial Performance of ICICI Bank and HDFC Bank – A Comparative Study

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Abstract – Bank is very important for our country and our economy. Banks play an important role in the economic development of every nation. There are many types of bank like, Merchant bank, Co-operative bank, National bank, Private bank. Today the knowledge of banking system and its financial performance is very useful to Bank Customers, Companies, and Shareholders etc. Here compare to financial position of two banks ICICI bank and HDFC banks with financial tool of ratio and then take a decision that who get a strong financial position.

Keywords : Ratio, Banks, Financial Position and etc.

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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, with its registered office in Vadodara. In 2014, 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 assetmanagement. The bank has a network of 4,450 branches and 14,404 ATMs in India, and haspresence in 19 countries including India.

In 1994 HDFC Bank was incorporated, with its registered office in Mumbai, India. Its first corporate office and a full service branch at Sandoz House, Worli was inaugurated by the then Union Finance Minister, Manmohan Singh. As of June 30, 2016, the Bank's distribution network was at 4,541 branches and 12,013 ATMs.

REVIEW OF LITERATURE

Kaushik (1995) studied the social objectives and profitability of public and private sector banks during the period 1973 to 1991. He compared the public and private banks with the help of various profitability and productivity indicators through ratios, average, correlation, regression and factor analysis. He found that public sector banks were having lower profitability as compared to private sector banks. Further, he found that the various productivity indicators showed an increasing trend during the period of study for all the banks though the increase was much higher in the case of private sector banks. He concluded that the profitability of public sector banks showed a declining trend due to social objectives not because of cost inefficiency and low productivity. He suggested that productivity could be increased with the help of innovative banking, improved technological and managerial knowledge, well-educated and trained manpower and infrastructural facilities.

N. S. Varghese (2000) is of the opinion that new generation private sector banks with their latest technology are able to implement e-banking and are highly preferred by investors in the stock market. He also points out that prominent new generation private sector banks like HDFC and ICICI have entered into internet banking through which greater convenience is offered with lower transaction cost.

Ram Mohan TT (2003) , in his paper 'Long run performance of public and private sector bank stocks" Vol 37, has made an attempt to compare the three categories of banks-Public, Private and Foreign-using Physical quantities of inputs and outputs, and comparing the revenue maximization efficiency of banks during 1992-2000. The findings show that PSBs performed significantly better than private sector banks but not differently from foreign banks. The conclusion points to a convergence in performance between public and private sector banks in the post-reform era, using financial measures of performance.

Georgeetal (2004) used Camel Model to evaluate the performance of private sector banks like Bank of Punjab, Centurion Bank, Development Credit Bank, HDFC Bank, ICICI Bank, IDBI Bank, Induslnd Bank, Kotak Mahindra Bank, UTI Bank and Yes Bank of India from the year of their inception. In this study, researchers used 20 variables in total for capital adequacy, asset quality, management quality, earnings and liquidity parameters. The study brought out that the performance of Kotak Mahindra Bank was the most excellent during all the years under study, followed by HDFC Bank and Induslnd Bank.

Debasish (2006) measured the relative performance of Indian banks over the period 1997- 2004 by using output-oriented data envelopment analysis model. For the study purpose, the banking sector in India has segregated on the basis of bank assets size, ownership status and years of operation. The study revealed that Foreign Owned Banks were more efficient than Public Sector Banks and Private Sector Banks. It was found during the study period that at local level Large sized banks and at global level Small sized banks were found to be more efficient than Medium sized banks. The study supported the conclusion that new private sector banks were more efficient than the old private sector banks because old private sector banks were often' overburdened with old debts.

OBJECTIVES OF THE STUDY

1. To Measure the financial performance of ICICI bank and HDFC bank.

2. To provide an information to Share Holders, Customer, Company worker etc.

LIMITATIONS OF THE STUDY

1. This study is mainly based on secondary data from the published annual reports, website and literature.

2. In this study only 5 years data are taken by me and then compare to each-other with financial ratio, like current ratio, quick ratio, credit deposit ratio, total assets turnover ratio.

DATA COLLECTION

This Study is based on secondary data which is collected from secondary source vie-various journal, magazine, newspaper and annual reports and website of regional rural banks and through various search engines.

TOOLS OF DATA

This research is based on secondary data and in thi; research tool of data is ratio.

1) Current Ratio

Current ratio show an asset and liabilities of banking system. We can know that condition of current asset and current liabilities of banking system. The current ratio indicates the extent to which the claims of short-term creditors are covered by assets that are expected to be converted to cash in a period roughly corresponding to the maturity of the liabilities.

BANK	March 2014	March 2015	March 2016	March 2017	March 2018	Average
ICICI BANK	0.07	0.09	0.09	0.06	0.13	0.088
HDFC BANK	0.08	0.06	0.06	0.04	0.07	0.062

- **Interpretation :-**

The current ratio of the selected bank as a whole registered a fluctuating trend during the entire the study period The average of current ratio is 0.088 times for ICICI bank and The HDFC bank average ratio is 0.062 times. It means that current ratio of ICICI bank is more than HDFC bank. Individually see this table we can see that in ICICI bank the current ratio is very high in year

2018 10.13 times) compare to other years ratio and average ratio. Same in HDFC bank the current ratio is very high in year 2014 (0.08 times) compare to other years ratio and average ratio. Both these banks ratio, we see that current ratio is less than 1 so Net Working Capital is negative for ICICI bank between the 2014 to 2017 and in HDFC bank Net Working Capital is negative to all years but average ratio of ICICI bank is more than HDFC bank it means that condition of Net Working capital is better than HDFC bank.

Note:- Net Working Ratio represents the excess of current assets over current liabilities.

(1) Quick Ratio:-

Quick ratio measures a company ability to pay the debt. Some conservative minded investors don't like to use the current ratio as an indicator of whether or not a company has the ability to pay 'Its short term obligations (debt). Instead, the quick ratio is used. The quick ratio is similar to the Current ratios with one exception; that is, the quick ratio measures a company's ability to pay its Short-term debt, without relying on the sale of its inventory. Therefore, in calculating a quick ratio, - business owners must subtract the inventory from the current assets.

(2) Quick Ratio (In Times)

BANK	March 2014	March 2015	March 2016	March 2017	March 2018	Average
ICICI BANK	16.71	10.53	11.31	13.81	14.97	13.466
HDFC BANK	6.20	7.84	8.55	12.69	14.51	9.958

► **Interpretation :-**

The Quick ratio of the selected bank as a whole registered a fluctuating trend during the entire the study period. The average of quick ratio is 13.466 times for ICICI bank and 9.958 times for HDFC bank. It means that the quick ratio of ICICI bank is more than HDFC bank. First we see that In ICICI bank quick ratio is very high in year 2014 (16.71 times) and very law in year 2015 (10.53 times), same in HDFC bank quick ratio is very high in year 2018 (14.51 times) and very law in year 2014 (6.20 times). Finally then we compare the average quick ratio of ICICI bank and HDFC bank we see that quick ratio of ICICI bank is more than HDFC bank. It means that liquidity of ICICI bank is more than HDFC bank.

(3) Credit Deposit Ratio :-

A commonly used statistic for assessing a bank's liquidity by dividing the banks total loans by its total deposits. This number, also known as the LTD ratio, is expressed as a percentage.

Credit Deposit Ratio (In Percentage)

BANK	March 2014	March 2015	March 2016	March 2017	March 2018	Average
ICICI BANK	97.71	99.25	100.71	104.72	105.08	101.494
HDFC BANK	78.06	80.14	81.79	81.71	83.24	80.988

► **Interpretation :-**

The Credit Deposit Ratio of the selected bank as a whole registered a fluctuating trend during the entire the study period. Here, Credit Deposit Ratio of ICICI bank is more than HDFC bank. First we talk about ICICI bank Credit Deposit Ratio is very high in 2018 (105.08 %) and very law in 2014 (97.71 %). Second we talk about HDFC bank Credit Deposit Ratio is very high in year 2018 (83.24 %) and very law in year 2014 (78.06 %). Average ratio of credit deposit is ICICI bank more than HDFC bank. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements, and conversely, lithe ratio is too low, the bank may not be earning as much as it could be.

(4) Total Assets Turnover Ratio :

Asset turnover is a Financial Ratio that measures the efficiency of a company's use of its assets in generating sales revenue or sales income to the company. Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. Companies in the retail industry tend to have a very high turnover ratio due mainly to cutthroat and competitive pricing.

1. "Sales" is the value of "Net Sales" or "Sales" from the company's Income statement.

2. "Average Total Assets" is the average of the values of "Total assets" from the company's balance sheet in the beginning and the end of the fiscal period. It is calculated by adding up the assets at the beginning of the period and the assets at the end of the period, then dividing that number by two.

3. Alternatively, "Average Total Assets" can be ending total assets.

Total Assets Turnover Ratio (in percentage)

BANK	March 2014	March 2015	March 2016	March 2017	March 2018	Average
ICICI BANK	0.08	0.08	0.08	0.08	0.08	0.08
HDFC BANK	0.09	0.10	0.09	0.09	0.09	0.092

► **Interpretation :-**

Here, the total assets turnover ratio of HDFC bank is more than ICICI bank. First we talk about ICICI bank; every year Total Asset Turnover Ratio is similar in every year and in HDFC bank Total Assets Turnover Ratio is similar in every year but in 2016 Total turnover ratio is more than the other years.

CONCLUSION

The financial performance of ICICI bank and HDFC bank is representing with tool of ratio like, current ratio, quick ratio, credit deposit ratio and total assets turnover ratio with five years (2014 to 2018).Here, current ratio of ICICI bank is high compare to HDFC bank. It means that ICICI bank have more liquidity compare to HDFC bank. The quick ratio measures a company's ability to pay its short-term debt, without relying on the sale of its inventory. Here, ICICI bank quick ratio is more than HDFC bank so ability to pay its short-term, debt without relying on salr of its inventory is better than HDFC bank credit deposit ratio of ICICI bank is too high. It means that the bank may not have enough liquidity to cover any unforeseen fund requirements and conversely, if the ratio is too law, the bank may not earning as much as it could be. Finally we talk about total assets turnover ratio when Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. So, HDFC Bank gets a high ratio about total assets ratio it means that ICICI bank have low profit margins compare to HDFC bank.

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