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To Study the Financial Performance of Indian Private Banks with Respect to ICICI and HDFC

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Abstract: *The purpose of this paper is to know about financial performance of Indian private banks with respect to ICICI and HDFC. The research hypotheses are tested using sample data collected from 50 customers and employees of bank. The current study focuses on the financial performance of Indian private bank with respect to ICICI and HDFC. Today, HDFC and ICICI are 2 of India's most important banks. They have surfaced as effective institution in recent years earning places amongst 10 leading banks in the nation. Like a result the goal of research is to investigate financial outcome of such 2 banks and established how they used and adhered to efficient banking techniques to maintain substantial profit.*

I. INTRODUCTION

In the past few decades, the Indian banking sector has undergone a significant transformation, especially with the rise of private sector banks. Among the leading private banks, ICICI Bank and HDFC Bank have been at the forefront of this change. Both banks have consistently outperformed their competitors in various financial metrics and are seen as benchmarks of success in the Indian banking industry. This article aims to analyze and compare the financial performance of ICICI Bank and HDFC Bank, considering key indicators like profitability, asset quality, capital adequacy, and efficiency.

Overview of ICICI Bank and HDFC Bank

1) ICICI Bank

Founded in 1994, ICICI Bank is one of the largest private sector banks in India, offering a wide range of banking products and services. Its operations span across retail, corporate, and investment banking. ICICI Bank is known for its innovative digital banking services and extensive customer base.

2) HDFC Bank

Established in 1994, HDFC Bank is another leading private sector lender in India. It has grown steadily to become one of the most respected names in the Indian banking industry. HDFC Bank is renowned for its strong retail banking focus, efficient operations, and strong customer loyalty.

II. OBJECTIVES

- 1) To study about ICICI and HDFC banks financial performance.
- 2) To compare the cost efficiency, productivity and profitability of ICICI and HDFC
3. To determine the satisfaction level of ICICI and HDFC bank financial performance.

III. LITERATURE REVIEW

Pandey and Bhatt (2014) found that HDFC Bank consistently outperforms ICICI Bank in terms of Return on Assets (RoA) and Return on Equity (RoE). Their research attributed HDFC Bank's higher profitability to its focus on retail banking and strong risk management practices. Similarly, Mishra (2017) noted that HDFC's low-cost operations and a high proportion of low-risk, highreturn retail loans enabled the bank to achieve superior profitability.

Venkatesh (2019), HDFC Bank's robust risk management framework, including conservative lending practices and a focus on customer segments with low credit risk, has helped it maintain a healthier asset portfolio. ICICI Bank, by contrast, has been more aggressive in expanding its corporate and international loan portfolio, which increases exposure to credit risk.



Agarwal and Gupta (2018) highlighted the importance of compliance with the Basel III norms. Both ICICI and HDFC banks have successfully met regulatory capital requirements, but HDFC Bank's stronger capital base and its ability to generate capital from internal accruals have been viewed as a competitive advantage.

Srinivasan and Rao (2017) shows that HDFC Bank has consistently managed to achieve a lower Cost-to-Income Ratio than ICICI Bank, a key indicator of operational efficiency. This is attributed to HDFC's lean operating model, focused on scalability, and its efficient use of technology. ICICI Bank, with its larger international operations and diverse product offerings, has a relatively higher cost-to-income ratio.

Patel (2017) noted that HDFC Bank's steady focus on retail banking has contributed to a more sustainable growth pattern, as retail loans (such as personal loans, home loans, and car loans) tend to be more stable and less prone to default. ICICI Bank, on the other hand, has a significant portion of its loan book allocated to corporate loans, which expose the bank to higher risks during economic downturns.

Khandelwal (2020), both ICICI Bank and HDFC Bank have adopted digital banking strategies to reduce operational costs and reach a wider customer base. However, ICICI Bank has leveraged technology more aggressively through its digital channels and mobile apps, whereas HDFC Bank has focused more on expanding its physical branch network in both urban and rural areas.

IV. RESEARCH METHODOLOGY

1) Primary Data:

In this study the data is collected from primary source. Data was collected through a survey, with the help of structured questionnaire. Designed using google form. The link of google form was circulated among customers, employees of bank.

2) Secondary Data:

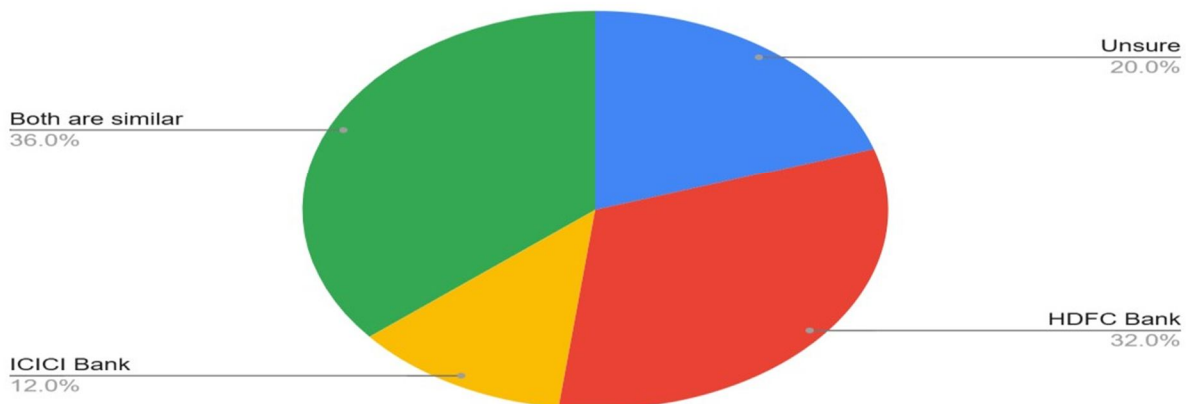
Secondary data was collected by referring online websites, journals, articles, research papers etc. Regarding financial performance of Indian private banks with respect to ICICI and HDFC.

V. DATA ANALYSIS

1) Which bank offers better interest rates on savings or fixed deposits?

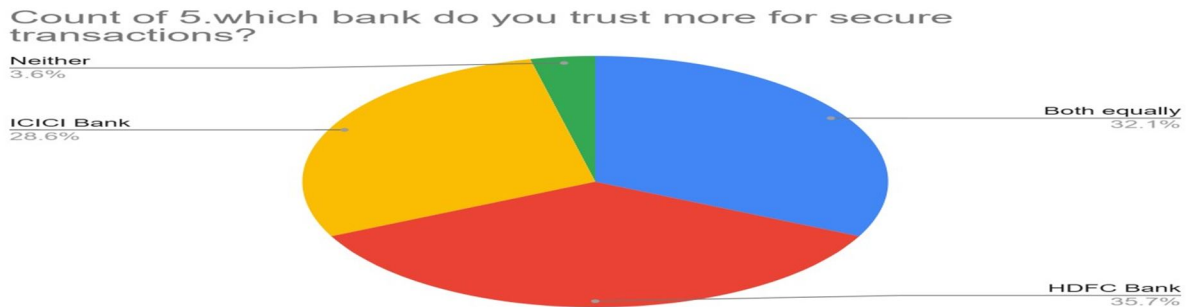
- A) ICICI Bank
- B) HDFC Bank
- C) Both are similar
- D) Unsure

Count of 4. Which bank offers better interest rates on savings or fixed deposits?



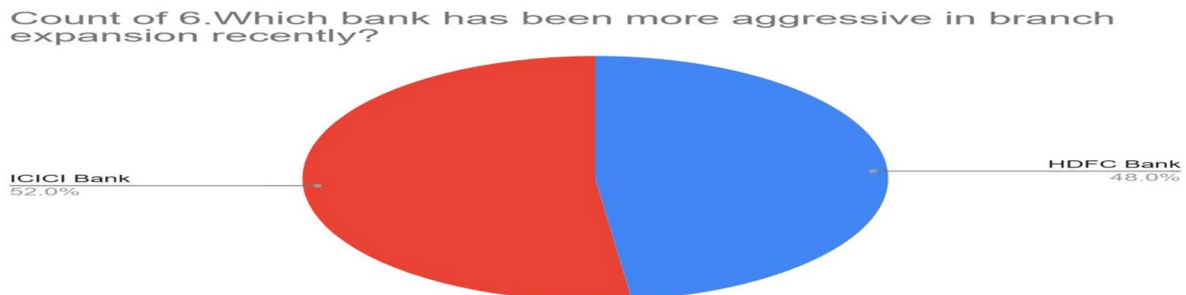
Interpretation: we can observe that majority number of respondents believe that both ICICI bank and HDFC bank both offer better interest rate on savings and fixed deposits.

- 2) which bank do you trust more for secure transactions?
 A)ICICI Bank
 B)HDFC Bank
 C)Both equally
 D)Neither



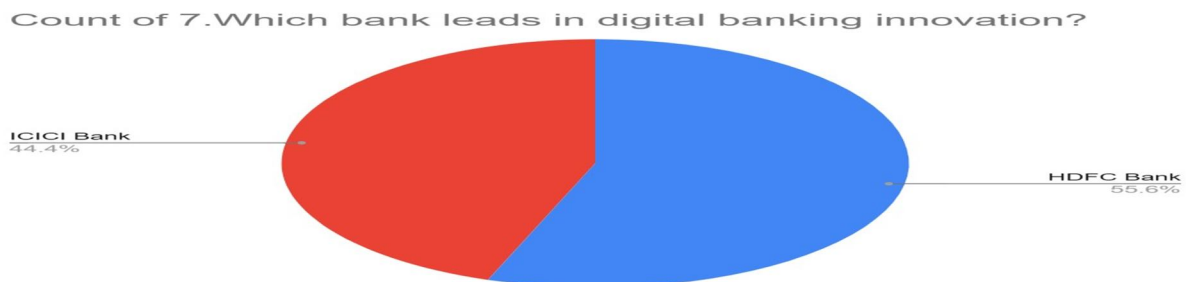
Interpretation: We can observe that 38% respondents trust HDFC bank for secure transactions. 30% of respondents equally trust both banks for secure transaction.

- 3) Which bank has been more aggressive in branch expansion recently?
 A)ICICI Bank
 B)Bank



Interpretation: we can see that 52% of respondents mentioned that ICICI bank has been more aggressive in branch expansion recently then HDFC bank.

- 4) Which bank leads in digital banking innovation?
 A)ICICI Bank
 B)HDFC Bank



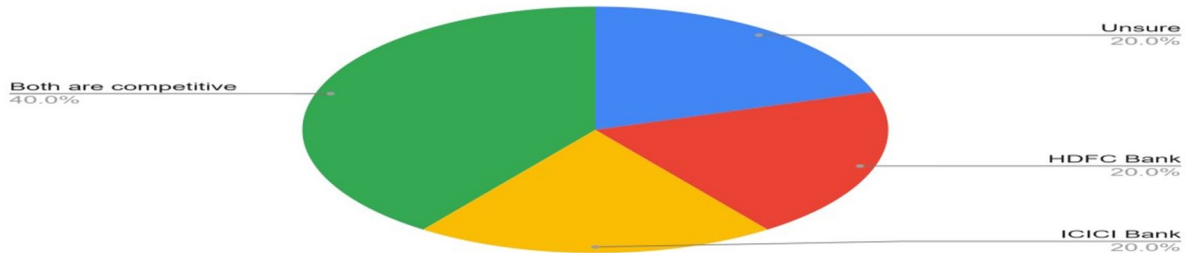
Interpretation: we can observe that maximum number of public think that HDFC bank leads in digital banking innovation compare to ICICI bank.



5) Which bank offers better loan products(e.g.,home loans, personal loans)?

- A)ICICI Bank
- B)HDFC Bank
- C)Both are competitive
- D)Unsure

Count of 8.Which bank offers better loan products(e.g.,home loans, personal loans)?

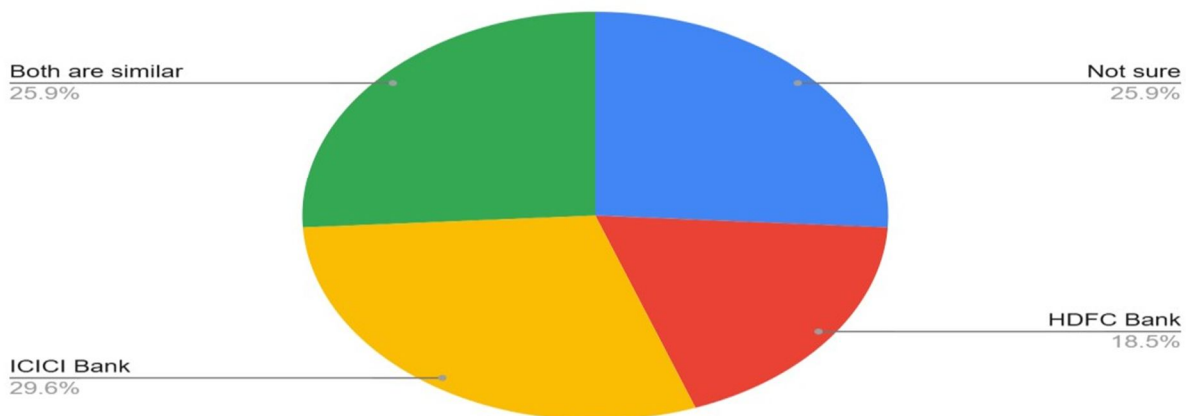


Interpretation: we can analyze that 40%respondents think that both ICICI and HDFC bank offers better loan products.

6) Which bank do you think has better financial performance in terms of offering competitive interest rates?

- A)ICICI Bank
- B)HDFC Bank
- C)Both are similar
- D)Not sure

Count of 9.Which bank do you think has better financial performance in terms of offering competitive interest rates?

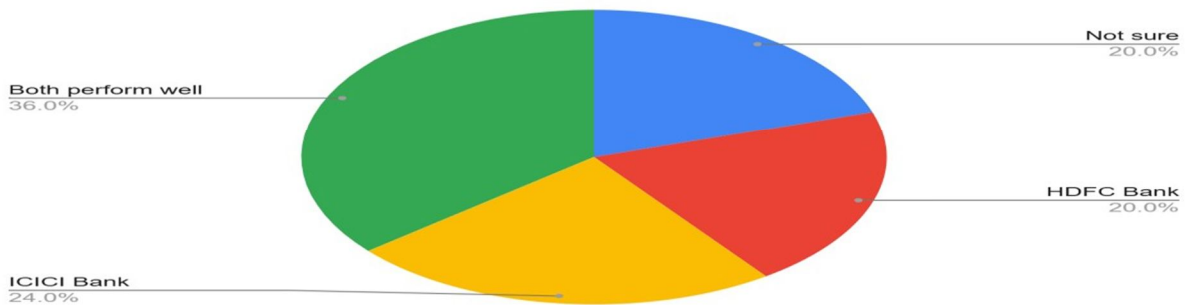


Interpretation: we can observe that 29% of respondents think that ICICI bank has better financial performance in terms of offering competitive interest rates then HDFC bank. 25% respondents think that ICICI bank and HDFC bank both has better financial performance.

7) Which bank's share price do you think performs better in the stock market?

- A)ICICI Bank
- B)HDFC Bank
- C)Both perform well
- D)Not sure

Count of 10. Which bank's share price do you think performs better in the stock market?

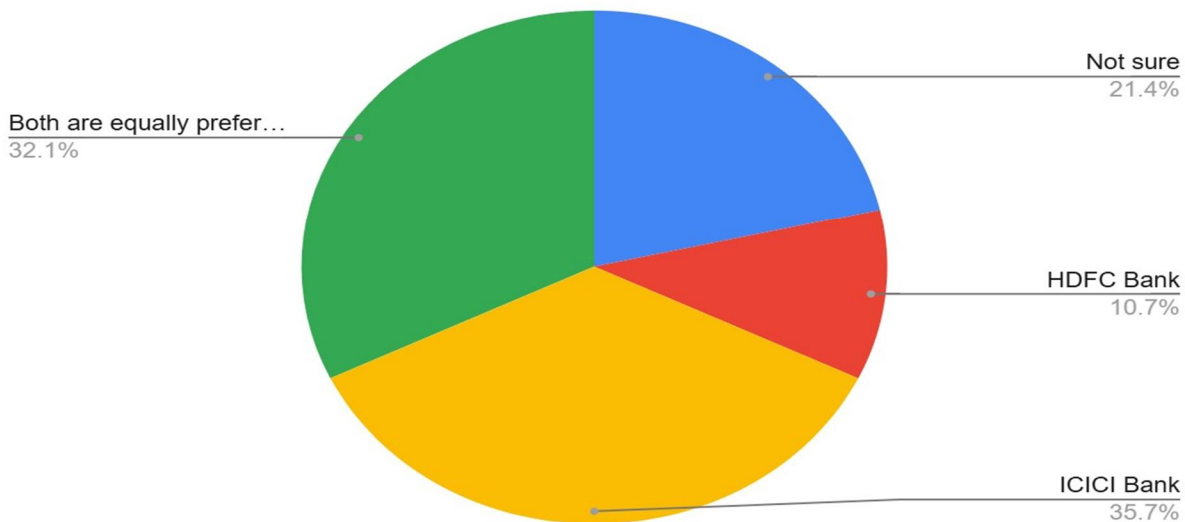


Interpretation: we can see that 36% public think that ICICI bank and HDFC bank both has better share price in stock market.

8) which bank do you believe is preferred by investors?

- A) ICICI Bank
- B) HDFC Bank
- C) Both are equally preferred
- D) Not sure

Count of 11. which bank do you believe is preferred by investors?

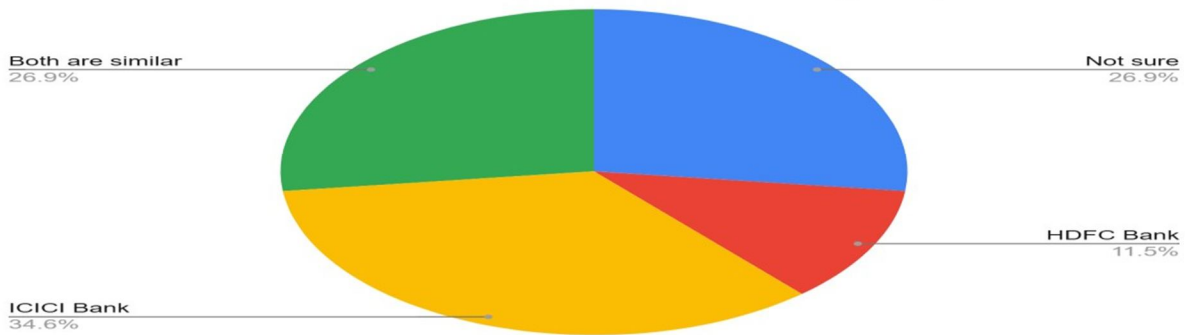


Interpretation: we can observe that maximum number of people think that ICICI bank is preferred by investors. And minimum number of people think that HDFC bank is preferred by investors.

9) which bank do you think earns higher profits?

- A) ICICI Bank
- B) HDFC Bank
- C) Both are similar
- D) Not sure

Count of 12. which bank do you think earns higher profits?

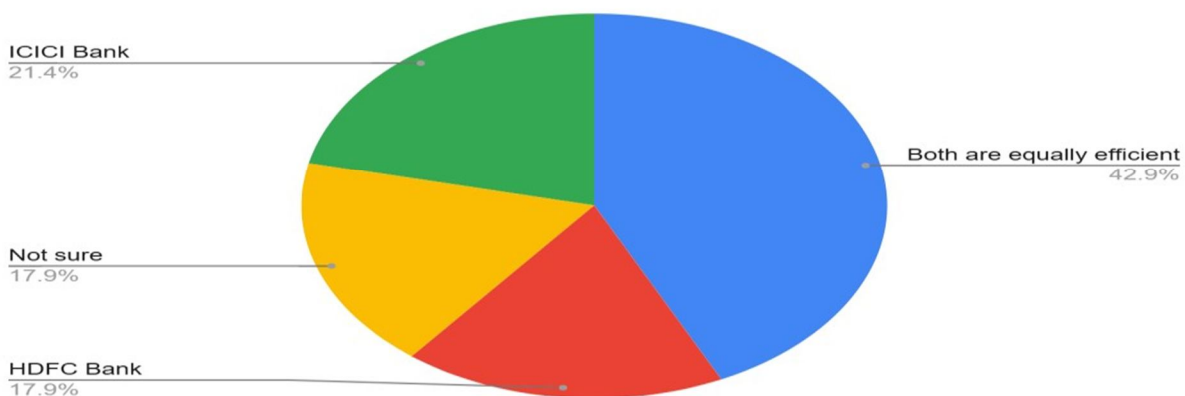


Interpretation: we can see that 34% of respondents think that ICICI bank earns higher profits compare to HDFC bank.

10) which bank do you believe manages its expenses better?

- A) ICICI Bank
- B) HDFC Bank
- C) Both are equally efficient
- D) Not sure

Count of 13. which bank do you believe manages its expenses better?



Interpretation: we can see that maximum number of respondents believe that ICICI bank and HDFC bank both manages its expenses better. Minimum number of people believe that HDFC bank manages its expenses better.

VI. FINDINGS

The results which I found when analyzing the data would be:

- 1) ICICI bank earns higher profits because 34% of respondents think that ICICI bank earns higher profits compare to HDFC bank.
- 2) ICICI bank is preferred by investors compare to HDFC bank
- 3) HDFC and ICICI both banks share price performs better in the stock market.
- 4) ICICI bank has better financial performance in terms of offering competitive interest rates compare to HDFC bank.
- 5) ICICI and HDFC both banks offer better loan products (e.g., home loans, personal loans)
- 6) HDFC bank leads in digital banking innovation compare to ICICI bank.
- 7) ICICI and HDFC both bank offers better interest rates on savings or fixed deposits.
- 8) ICICI bank has been more aggressive in branch expansion recently.
- 9) Public trust more HDFC bank for secure transactions compare to ICICI bank.



VII. SUGGESTIONS

Both HDFC and ICICI bank have performed fairly well in almost all the parameter in comparison to the average value of all those parameters taken for all commercial banks operating in India. Capital Reserve Adequacy ratio [CRAR] and liquidity coverage ratio [LCR] for both the banks are very much in the line of Basel recommendation. ICICI bank should more conservatively scrutinize customer profile before lending and should focus a bit more than usual on recovery of advances to decrease its net NPA ratio which is commendably managed by HDFC bank. It should increase its deposits rate more and should decrease interest rate so that more people will take loans and advances.

VIII. CONCLUSION

The present study is an attempt to examine and to analyze the financial performance of Indian private banks with respect to ICICI bank and HDFC bank. Both ICICI Bank and HDFC Bank have been successful in achieving strong financial performance, but they have followed different paths. ICICI Bank, with its large-scale corporate exposure and aggressive expansion into international markets, has delivered consistent results but faces challenges related to asset quality and risk management. HDFC Bank, with its focus on retail banking, has demonstrated superior profitability, lower asset risk, and a more efficient operational model. ICICI and HDFC both banks offer better loan products. ICICI bank earns higher profits. Both banks underline the growing significance of digital banking, cost management, and customer-centric strategies in enhancing financial performance.

REFERENCES

- [1] Pandey and Bhatt (2014) found that HDFC Bank consistently outperforms ICICI Bank in terms of Return on Assets (RoA) and Return on Equity (RoE).
- [2] Agarwal and Gupta (2018) highlighted the importance of compliance with the Basel III norms.
- [3] Khandelwal (2020), both ICICI Bank and HDFC Bank have adopted digital banking strategies to reduce operational costs and reach a wider customer base.
- [4] Srinivasan and Rao (2017) shows that HDFC Bank has consistently managed to achieve a lower Cost-to-Income Ratio than ICICI Bank



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IMPACT FACTOR:
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