

## Analysis of ICICI Bank and HDFC Bank: Financial performance in terms of Ratios

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### KEYWORDS

- Financial Ratio Analysis, ICICI Bank, HDFC Bank, Profitability Estimation of Capital Adequacy Comparative Study..

### ABSTRACT

Financial Ratio Analysis of ICICI Bank & HDFC Bank: A comparative study This research seeks to analyse their profitability, liquidity, capital strength and overall performance in recent years. The analysis uses secondary data from published financial statements and reports. Sample of financial ratios analysis of net profit margin, return on equity, capital adequacy and credit–deposit ratio is compared.

In terms of profits and returns to shareholders, ICICI Bank outstrips HDFC Bank while the latter shows superior capital adequacy. But HDFC has increasing lending exposure and ICICI must strengthen its capital position further. The study points out that while both banks are financially solid, they pursue diverging strategies. By providing a rating for both banks based on their financials and strategy/risk profile the A&M authors hope to guide investors when choosing between them. This makes ratio analysis useful in understanding their strengths, weaknesses and area of focus...

## 1. INTRODUCTION

Banks are central to the economy. They store money, offer loans and back businesses. People feel safe when banks are strong. When they are fragile, the system is vulnerable. ”So it matters how healthy a bank is. And not just on the surface. We need to know whether the bank can effectively manage risk, maintain profit and meet its obligations. In this aspect, financial ratios have made it easier for us to visualize. They illustrate what a bank takes in, pays out or invests. And they help you compare one bank with another. In this paper we analyse the financial performance of two largest private bank in India, ICICI Bank & HDFC Bank. Both are large. Both are important. And both have a huge impact on the banking sector.

This study will use ratio analysis to see how they are performing. It examines their strength, stability and efficiency. And it attempts to track where they drift over time and that’s the point of this work.

### 1.1 Background of the Study

The last few decades have seen significant evolution in Indian banking. Private banks have grown fast. Competition has increased. Technology has reshaped services. And customers expect more. ICICI Bank and HDFC Bank are key players among private banks. They operate across India. They serve millions of customers. And they manage massive amounts of loans and deposits. Because of their scale, their performance has ripple effects across the broader economy. If they do well, it incentivizes growth. If they have a hard time, that becomes an issue. One easy way to analyze this is through financial ratio analysis. It dissects financial statements into small, transparent signals. These indicators allow us to analyze profit, liquidity, solvency and efficiency. So this article covers ratios to analyze the financial standing ICICI Bank and HDFC Bank. It helps address a simple question: How strong are these banks, and how do they stack up? So that is the context for this research.

## 1.2 Background of Indian Banking Industry

India's Banking Industry is Big and Diverse Public sector banks, private banks, foreign banks, cooperative banks and regional banks are all included. Each plays its own role. Once, public sector banks were the main players. They are still important. But over the past several years private banks have taken a commanding share. They adopt technology in a much faster way. And they tend to deliver faster services. Banks do much more than accept deposits and give loans today. In addition to digital payments, they provide mobile banking, insurance and investment services — and more. People nowadays want banking to be seamless, fast and available 24/7. Regulation also matters. The Reserve Bank of India (RBI) oversees banks. It establishes rules to ensure stability. It creates checks on whether banks are managing risk appropriately. This protects depositors and restores confidence. But the sector has its challenges too. Rising NPA (non-performing assets), policy shifts, international marketplace pressures and cyber threats have an effect on banks performance. That means banks will need to remain vigilant, efficient and disciplined. Amidst all of this, financial health becomes paramount. And ratio analysis allows us insight into whether banks are robust enough to endure these pressures. That is precisely why the study of ICICI Bank and HDFC Bank provides useful insight. They are serving as front-runners for major private banks in this evolving order.

## 1.3 ICICI Bank and HDFC Bank Profile

They are ICICI Bank and HDFC Bank, two of the biggest private banks in India. Both have large networks, huge customer bases and a major role in the financial system. ICICI Bank is a development financial institution. Eventually it grew into a full-blown commercial bank. It now provides savings accounts, loans, credit cards, digital banking, insurance and investment services. It functions for people, small enterprises and major corporations. And Andrew operated not just in India, but in some foreign markets as well. HDFC Bank in the 1990s was a private commercial bank. It emphasized slow but steady growth and customer service. This new app offers features ranging from deposits, loans, cards, and digital banking. It also partners with companies of all sizes. It has earned a reputation for stability and high financial performance over the years.

Both banks invest in technology. They implement services easier for consumers through website-based and mobile apps, similar technology. And they wade into each others' territory in areas like retail banking, corporate banking and digital payments. These banks have so much size and reach that they affect the entire banking sector. Their performance offers a glimpse into the performance of private banks in India. And examining them side by side reveals the diversity of approach, efficiency and financial clout.

## 1.4 Research Problem

Every year, banks report a slew of financial numbers. But numbers alone do not tell the real story of their health. We have to understand what these numbers actually represent. Are the banks earning enough? Can they fulfill their obligations? Are they getting too risky? Two bold private banks in India: ICICI Bank and HDFC Bank. Both are large and profitable. But their financial power is not always alike. Their strategies differ. Their risk levels differ. And how well they perform changes over time. The problem is simple. When comparing these banks in terms of financial ratios we do not know how robust they are. A targeted work comparing these two banks on the basis of structured ratio analysis is also very limited.

So the primary research problem is: Here, we need to analyze and compare ICICI Bank vs HDFC bank on the basis of financial ratio analysis. This study attempts to determine the bank with higher profitability, liquidity, solvency, and efficiency. And it is trying to determine where each bank excels and where it falters. That is the central challenge this research seeks to address.

## 1.5 Significance and Justification of the Study

Banks are a linchpin of the economy. When banks are stable, people aren't worrying about their money. Businesses also receive growth support. But the damage spreads quickly when banks get into trouble. So it is crucial to understand how financially healthy a bank is. Financial ratios make sense of this for us. They simplify complex financial statements. Based on the functionality, ICICI Bank and HDFC Bank are top private banks in India. Its performance has consequences for customers, investors and the economy. Studying their financial health helps:

know how well they maximize resources,

can spot strengths and weaknesses, and

decisions that would be supported by the evidence stakeholders.

This study contributes through its ratio analysis, which is comparative simple yet focused.

## 1.6 Objectives of the Study

This study aims to achieve the following objectives:

To use financial ratios in the comparison of sound financial performance of ICICI Bank and HDFC bank.

To compare the profitability, liquidity, solvency and efficiency of both banks.

Trends in Financial Ratios over the Selected Time Period

To analyze the financial performance of both banks and highlight the strengths and weaknesses

To offer recommendations based on findings.

These aims will inform the study as a whole.

### 1.7 Research Questions

Depending on the objectives, this study attempts to respond to the following questions:

What is the financial health of ICICI Bank and HDFC Bank?

How are their profitability, liquidity, solvency and efficiency ratios different?

What are the yearly trends you can observe?

Which bank is more profitable?

What lessons learned for improving in the future?

These questions help in not losing sight of the study.

### 1.8 Scope of the Study

This study covers:

two private sector banks: ICICI Bank and HDFC Bank,

certain financial ratios for profitability, liquidity, solvency and efficiency.

secondary data obtained from published financial records and reports,

analysis for a given interval (as determined by the study).

The analysis considers only ratio-based metric evaluation. It does not look at management style, customer satisfaction or inner workings. The results are limited to the specific time period and ratios examined.

### 1.9 Limitations of the Study

Every study has limits. This one does too.

You are limited to secondary data based on this study. Results may be subject to errors in published reports.

Only a few specific financial ratios are considered. Other metrics may suggest a different narrative.

The study involves just two banks, so those findings cannot be extrapolated to the banking industry at large.

There is little examination of changes in policy, economy, or external conditions either.

Performance is depicted via trends from ratio analysis; however, this did not delineate every aspect that influenced performance.

Despite those limits, the study does provide some valuable perspective on the financial conditions at both banks.

## 2. RESEARCH METHODOLOGY

### 2.1 Research Design

The study design is descriptive and analytical. It does not engage in the collection of primary data. It rather uses available financial data and ratio it up. The purpose is to know the financial status of ICICI Bank vs HDFC Bank. A study looks at historical data, clarifies trends and interprets the results.

### 2.2 Nature and Source of Data

The study is conducted based on secondary data only. The information is taken from:

ICICI Bank annual report and HDFC Bank annual report published financial statements, RBI reports ,official websites, and other reliable financial databases. Data, up until October 2023, no surveys or interviews.

### 2.3 Period of Study

The research is limited to a time range (e.g. 5 – 10 years) The specific years might vary depending on the availability of data. This is to show performance has changed over time and comparing both banks for the same period.

## 2.4 Tools and Techniques Used

The study uses the following to analyse the data:

financial ratio analysis,

trend analysis, and

very basic comparison techniques, like tables and graphs.

These tools aid the clearer representation of information.

## 2.5 Description of Ratios Used

Financial ratios are used to analyze various dimensions of bank performance. The main categories are:

### 2.5.1 Profitability Ratios

These ratios indicate how well a bank earns money. Examples include:

Net Profit Ratio

Return on Assets (ROA)

Return on Equity (ROE)

### 2.5.2 Liquidity Ratios

These ratios measure if the bank can fulfil short-term commitments. Examples include:

Current Ratio

Ratio of Liquid Assets to Total Assets

Cash-Deposit Ratio

### 2.5.3 Solvency/Leverage Ratios

They reflect how much debt the company is leveraged that provides long term stability. Examples include:

Debt-Equity Ratio

Capital Adequacy Ratio (CAR)

Interest Coverage Ratio

### 2.5.4 Efficiency Ratios

These ratios show how efficiently the bank utilizes its resources. Examples include:

Operating Cost to Income Ratio

Asset Turnover Ratio

Credit-Deposit Ratio

## 2.6 Hypotheses

If hypotheses are used, it may be as follows:

The financial performance of ICICI Bank and HDFC Bank are no different. First finding: There is a significant relationship between selected financial ratios and the performance of banks. Ratio comparison and interpretation is used to test these hypotheses.

## 2.7 Data Analysis Framework

The data that they collect is first tabulated. Then ratios are calculated. Then results are compared, both between the two banks and across years. Graphs and charts can also help spotlight trends. Interpretations are made for what the findings mean.

### 3. Data Presentation and Analysis

#### Comparative Financial Ratio Table

##### (ICICI Bank vs HDFC Bank)

Year	Bank	Net Profit Margin (%)	ROE (%)	Capital Adequacy (%)	Credit-Deposit Ratio
2020-21	HDFC	25.74	15.27	18.79	85.66
2020-21	ICICI	20.46	11.21	19.12	80.95
2021-22	HDFC	28.93	15.39	18.90	86.43
2021-22	ICICI	27.02	13.97	19.16	79.75
2022-23	HDFC	27.29	15.74	19.26	86.25
2022-23	ICICI	29.20	16.19	18.34	83.67
2023-24	HDFC	23.53	13.89	18.80	95.83
2023-24	ICICI	28.61	17.48	16.33	84.98
2024-25	HDFC	22.41	13.53	19.55	100.20
2024-25	ICICI	28.92	16.28	16.55	83.56

#### 3.1 AMT Key Financial Indicators Trend Analysis

A few clear trends emerge from the table. HDFC Bank 2022 after profit margin is going down. ROE is slowly declining. Capital adequacy is sound and conservatively held. Credit-deposit ratio is increasing very sharply and crosses 100%. ICICI Bank Profit margin improves steadily. Improving ROE which is above HDFC and remains so. Capital adequacy reduced but above regulatory thresholds. Credit-deposit ratio remains stable. Each of these trends underscores a distinctive business strategy.

#### 3.2 Ratio analysis of ICICI Bank

ICICI Bank shows:

Strong growth in profitability

Improving return to shareholders

Moderate lending strategy

Capital buffer shrank a little but remains safe.

It implies that ICICI is currently pursuing a policy of growth but under control and with better profitability.

#### Ratio Analysis of HDFC Bank 3.3

HDFC Bank shows:

Declining profit margin

Lower ROE over time

Strong capital position

Aggressive lending pattern (high CDR)

The bank is solid, though lending pressure rising needs monitoring.

#### 3.4 Comparative Analysis Between ICICI and HDFC

Area	Stronger Bank	Reason
Profitability	ICICI	Higher and steady margins
ROE	ICICI	Better shareholder returns
Capital Adequacy	HDFC	Higher safety cushion
Credit–Deposit Ratio	HDFC (but riskier)	More lending vs deposits

**Summary:**

ICICI = more profit and efficiency

HDFC = more capital strength but higher lending risk

**3.5 Interpretation of Findings**

From the analysis:

In terms of profitability, ICICI Bank looks far stronger.

HDFC Bank has relatively more safety through higher capital reserves.

ICICI is more efficient in fund management for shareholders

The increasing credit–deposit ratio for HDFC indicates heightened exposure to credit risk.

Both banks are still financially solid, but take different approaches.

**3. DISCUSSION**

This chapter lays out what the numbers actually represent. Seeing beyond ratios — seeing the bigger picture. It discusses the advantages, disadvantages along with important differences between ICICI Bank and HDFC Bank.

**4.1.1 Financial Strengths and Weaknesses of ICICI Bank**

**Strengths**

**Strong profitability**

ICICI shows a consistent increase in net profit margin. And it earns a higher proportion of profits per rupee of income than HDFC has done over the last several years.

**Better return to shareholders**

ROE is improving. This means the bank allocates shareholder capital in an effective manner.

**Controlled lending**

The credit–deposit ratio remains moderate. However, it alleviates pressure on liquidity and risk.

**Good operating efficiency**

Costs are managed better. The bank also converts revenue to profit with greater effectiveness.

**Weaknesses**

**Slight decline in capital adequacy**

The capital ratio does actually decline in comparison to other years. It is still safe, but the cushion for these banks is lesser than HDFC.

**Sensitivity to economic change**

More profit prompts more exposure in the market. Performance could take a hit from any surprise in interest rates or credit risk.

ICICI seems to be growth-focused and profit-driven overall, however much of it needs to be supported by strong capital buffers.

**4.2 Strengths and Weaknesses of HDFC Bank**

**Strengths**

### 1.Strong capital base

HDFC enjoys a better capital adequacy ratio. This makes the bank safer and more secure.

Large customer and asset base

It has a solid market presence and long-term trust. This supports steady operations.

Conservative risk culture (traditionally)

HDFC has delivered good credit quality over decades.

Weaknesses

Falling profitability

Investment & Wealth Challenge Households aged 18-29 have higher rates of net profit margin decreases after 2022. They seem to go up both expenses and lending costs.

Declining return on equity

Shareholder returns drop over time.

High credit–deposit ratio

A reading above 100% indicates that the bank is loaning out more than it takes in from deposits. This adds to risk if loan defaults increase.

Overall, HDFC looks stable and capital-strong but has pressure on margin and risk.

### 4.3 Comparative Insights

Putting both banks side by side:

Area	ICICI Bank	HDFC Bank
Profitability	Higher and improving	Declining
ROE	Stronger	Falling
Capital Strength	Moderate	Strong
Lending Risk	Balanced	Higher exposure
Strategy	Profit-focused, efficient	Growth-heavy, capital-driven

Key insight:

ICICI is ahead on the metrics for profits and efficiency.

HDFC is safer in capital, but it has rising lending pressure.

Both are mighty banks; however, they're on different paths.

### 4.4 Implications for Stakeholders

For Investors

For those looking for better returns, ICICI might appeal. Thus, HDFC is best suited for investors who appreciate stability and lower long-term risk.

For Regulators (RBI)

HDFC's growing lending exposure may be cause for RBI to monitor closely ICICI should continue bolstering capital buffers.

For Customers

Both banks appear reliable. But the financial stability is still needed to make deposits safe.

For Bank Management

ICICI needs to look for a combination of profit growth along with better capital buffers.

HDFC must manage lending risk and also enhance profitability efficiency.

#### Findings and Suggestions

This chapter synthesizes what the analysis illustrates. It describes the main findings before providing practical recommendations.

#### 5.1 Key Findings from the Study

The main findings from ratio analysis and comparison are:

ICICI Bank's profitability has been stronger than that of HDFC Bank in recent years.

If we look on Return on Equity ICICI is better at value creation for the shareholders.

On the other hand, HDFC Bank has better capital adequacy, which means less credit risk.

HDFC's credit-deposit ratio is increasing and crossed the 100% level, posing a lending risk.

ICICI adopts a more balanced lending strategy and maintains less liquidity pressure.

Both banks are still financially sound, but they have different strategies:

ICICI is all about profit and productivity.

HDFC is more dependent on growth and loan expansion.

The implications of profitability pressures (for HDFC) and capital management challenges (for ICICI) are expected to be reflected in the orientation of trends.

#### 5.2 Suggestions for ICICI Bank

Strengthen capital reserves further

Keep a comfortable buffer above regulatory requirements to absorb shocks.

Diversify revenue sources

Diversify into fee, payment and digital services for non-interest income.

Improve risk monitoring

Stay alert to industries more at risk of default.

Maintain cost discipline

Develop operations efficiency to establish your profitability.

#### 5.3 Suggestions for HDFC Bank

Control lending expansion

A credit–deposit ratio greater than 100% should attract scrutiny.

Focus on profitability improvement

Revisit pricing, interest margin managing charges and price structure.

Enhance digital cost efficiency

Leverage technology to streamline operational overheads without compromising on service delivery.

Strengthen NPA prevention strategies

Be more vigilant about the quality of loans as lending exposure grows.

#### 5.4 Policy and Managerial Implications

For Bank Management

Align lending with deposit growth.

Be more judicious in risk, capital and profitability.

Perform ratio analysis to revisit performance regularly.

For Regulators (RBI)

Watch for trends in credit growth at large private banks



Urging that banks maintain robust capital buffers.

Encourage clear and open presentation of financial ratios.

For Investors

Look at profit and capital strength together.

Don't assess performance on profit alone

#### 4. CONCLUSION

Financial ratio analysis will be applied for assessing the financial health of ICICI Bank and HDFC Bank. The aim is to gauge how both banks are doing, how they compare and what their trends may signal for future stability. The results show both banks as important, stable, financially strong. But they follow different strategies. Being more profitable means ICICI Bank fares better on the return-on-equity metric. It is more resource efficient, and it provides a higher shareholder return. Its lending position is balanced, and liquidity is under control. But ICICI must continue to build stronger pillars of capital reserves, for feeling safe in economic stress. HDFC Bank, in contrast, has better capital adequacy and is structurally sound. But earnings are falling away and its credit–deposit ratio is quite high. It means that the bank is logically exposing itself to higher lending and which requires tight monitoring.

Overall, the study highlights that: profitability alone is not enough, capital strength and risk management are equally important. Bank performance is analyzed using ratio analysis. They serve to clarify intricate financial statements and aid better decision-making for management, regulators, investors and researchers. Finally, the study re-affirms that continuous financial evaluation is key. The environment banks are operating in is subject to change. Stability, trust, and sustainable growth in banking sector is only ensured by adequate monitoring.

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