A COMPARATIVE STUDY OF FINANCIAL STATEMENT OF ICICI AND HDFC THROUGH RATIO ANALYSIS

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ABSTRACT

This study is conducted purely based on secondary data obtained through website of the specified private banks. By using the ratio analysis tool we can analyse the performance of both the banks and we can easily find out the strength and weakness of the banks and their position in the market. Different ratios are used in this study and particularly those which are related to the financial statement for this purpose balance sheet of 2009-2012 of both the banks are used and from them ratios are calculated so according to which we can easily compare the banks performance and tell which private banks grow faster and whose position is better than the other one. After comparing the financial position it is clear that position of ICICI is much better than the HDFC.

KEYWORDS: Banks, Balance Sheet, Companies, Ratio Analysis

INTRODUCTION

Ratio analysis is such a significant technique for financial analysis. It indicates relation of two mathematical expressions and the relationship between two or more things. Financial ratio is a ratio of selected values on an enterprise's financial statement.

There are many standard ratios used to evaluate the overall financial condition of a corporation or other organization. Financial ratios are used by managers within a firm, by current and potential stockholders of a firm, and by a firm’s creditor. Financial analysts use financial ratios to compare the strengths and weaknesses in various companies.

Essence of Ratio Analysis

Financial ratio analysis helps us to understand how profitable a business is, if it has enough money to pay debts and we can even tell whether its shareholders could be happy or not.

Financial ratios allow for comparisons:

- Between companies
- Between industries
- Between different time periods for one company
- Between a single company and its industry average

To evaluate the performance of one firm, its current ratios will be compared with its past ratios. When financial ratios over a period of time are compared, it is called time series or trend analysis. It gives an indication of changes and reflects whether the firm’s financial performance has improved or deteriorated or remained the same over that period of time. It is not the simply changes that has to be determined, but more importantly it must be recognized that why those
ratios have changed. Because those changes might be result of changes in the accounting polices without material change in the firm’s performances.

Another method is to compare ratios of one firm with another firm in the same industry at the same point in time. This comparison is known as the cross sectional analysis. It might be more useful to select some competitors which have similar operations and compare their ratios with the firm’s. This comparison shows the relative financial position and performance of the firm. Since it is so easy to find the financial statements of similar firms through publications or Medias this type of analysis can be performed so easily.

To determine the financial condition and performance of a firm, its ratios may be compared with average ratios of the industry to which the firm belongs. This method is known as the industry analysis that helps to ascertain the financial standing and capability of the firm in the industry to which it belongs.

Industry ratios are important standards in view of the fact that each industry has its own characteristics, which influence the financial and operating relationships. But there are certain practical difficulties for this method. First finding average ratios for the industries is such a headache and difficult. Second, industries include companies of weak and strong so the averages include them also. Sometimes spread may be so wide that the average may be little utility. Third, the average may be meaningless and the comparison not possible if the firms with in the same industry widely differ in their accounting policies and practices. However if it can be standardized and extremely strong and extremely weak firms be eliminated then the industry ratios will be very useful.

Objectives of the Study

- To study the financial performance of ICICI and HDFC.
- To compare the financial performance of ICICI and HDFC.

Research Methodology

In this present study, an attempt has been made to evaluate and compare the financial performance of ICICI and HDFC and both of these are banks related with the private sector. The study is based on secondary data and the details are collected through websites, magazines and journals. The time period of study is four years 2009 to 2012. Ratio analysis was applied to analyse the performance of these banks.

Following Ratios are Used for this Study

- Current Ratio
- Quick ratio.
- Net operating profit per share.
- Total Asset Turnover ratio.
- Net profit on total funds.
- Credit deposit ratio.
- Cash deposit ratio.
- Earnings per share.
A Comparative Study of Financial Statement of ICICI and HDFC through Ratio Analysis

Data Analysis

### Table 1: Current Ratio

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>.13</td>
<td>.14</td>
<td>.11</td>
<td>.13</td>
</tr>
<tr>
<td>HDFC</td>
<td>.04</td>
<td>.03</td>
<td>.06</td>
<td>.08</td>
</tr>
</tbody>
</table>

**Source:** Dion Global Solution Pvt. Ltd

![Figure 1](image1.png)

From this table and graph it is clear that position of ICICI as much better if we talk about to meet our liabilities but slowly and gradually ratio of HDFC is growing but in comparison to ICICI it is far away as Current ratio of ICICI and HDFC in 2012 was .13 and .08 respectively.

### Table 2: Quick Ratio

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>5.94</td>
<td>14.70</td>
<td>15.86</td>
<td>16.71</td>
</tr>
<tr>
<td>HDFC</td>
<td>5.23</td>
<td>7.14</td>
<td>6.89</td>
<td>6.20</td>
</tr>
</tbody>
</table>

**Source:** Dion Global Solution Pvt. Ltd

![Figure 2](image2.png)

From the above graph of Quick ratio it is clear that the position of ICICI is better because higher quick ratio indicate better position of the firm in comparison HDFC position is going down in 2011 and 2012.
Table 3: Net Operating Profit per Share

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>343.59</td>
<td>293.19</td>
<td>281.04</td>
<td>346.59</td>
</tr>
<tr>
<td>HDFC</td>
<td>464.77</td>
<td>436.03</td>
<td>524.34</td>
<td>138.66</td>
</tr>
</tbody>
</table>

Source: Dion Global Solution Pvt. Ltd

Figure 3

From the above table and graph it is clear that earning per share of HDFC is better in the year 2009, 2010 and 2011 from ICICI but in the year 2012 net operating profit per share of ICICI increased rapidly and on the other hand HDFC earning per share goes down.

Table 4: Total Asset Turnover Ratio

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>.10</td>
<td>.09</td>
<td>.08</td>
<td>.09</td>
</tr>
<tr>
<td>HDFC</td>
<td>.13</td>
<td>.10</td>
<td>.10</td>
<td>.11</td>
</tr>
</tbody>
</table>

Source: Dion Global Solution Pvt. Ltd

Figure 4

From the above table and graph it is clear that which Bank efficiently used its assets HDFC ratio for the four year shows that they are using their assets efficiently in comparison to ICICI.

Table 5: Net Profit on Total Funds

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>0.96</td>
<td>1.08</td>
<td>1.34</td>
<td>1.47</td>
</tr>
<tr>
<td>HDFC</td>
<td>1.42</td>
<td>1.45</td>
<td>1.57</td>
<td>1.65</td>
</tr>
</tbody>
</table>

Source: Dion Global Solution Pvt. Ltd
From the above table and graph it is clear that HDFC profit rate is more on investment in comparison to ICICI. Slightly and gradually both ratios are increasing.

**Table 6: Credit Deposit Ratio**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>91.44</td>
<td>90.04</td>
<td>87.81</td>
<td>92.23</td>
</tr>
<tr>
<td>HDFC</td>
<td>66.64</td>
<td>72.44</td>
<td>76.02</td>
<td>78.06</td>
</tr>
</tbody>
</table>

**Source:** Dion Global Solution Pvt. Ltd

From the above table it is clear that ICICI bank credit deposit ratio was higher in comparison to HDFC bank in all these four years. This shows that ICICI bank create more loan assets from its deposit as compared to HDFC.

**Table 7: Cash Deposit Ratio**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>10.14</td>
<td>10.72</td>
<td>11.32</td>
<td>8.60</td>
</tr>
<tr>
<td>HDFC</td>
<td>10.71</td>
<td>9.35</td>
<td>10.79</td>
<td>8.81</td>
</tr>
</tbody>
</table>

**Source:** Dion Global Solution Pvt. Ltd
From the above table and graph it is clear that cash deposit ratio of ICICI was better in the year 2010 and 2011 while cash deposit ratio of HDFC was better in 2009 and 2012. Cash deposit ratio of ICICI increasing year by year but in the year 2012 it goes down.

**Table 8: Earnings per Share**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI</td>
<td>33.76</td>
<td>36.10</td>
<td>44.73</td>
<td>56.09</td>
</tr>
<tr>
<td>HDFC</td>
<td>52.77</td>
<td>64.42</td>
<td>84.40</td>
<td>22.02</td>
</tr>
</tbody>
</table>

*Source: Dion Global Solution Pvt. Ltd*

From the above graph it is clear that earning per share of HDFC is more in comparison of ICICI. From 2009 to 2011 HDFC earning per share increased and goes down in the year 2012. ICICI earning per share is continuously increasing from 2009 to 2012.

**CONCLUSIONS**

After analysing the above ratio it is clear that position of ICICI is better in comparison to HDFC. As we saw in the above tables and graphs that in current ratio, quick ratio, credit deposit ratio and Cash deposit ratio the ICICI bank performance is better and in case of earning per share the ICICI bank increasing continuously while HDFC bank earnings per share goes down in the last year.
REFERENCES


8. IFAC (2011) Small and medium-sized enterprises have been recognized as a separate but very important economic discipline Practice Management Tips for SMPs. IFAC: Small and Medium Practices Committee.


