

# Comparative Return Analysis of HDFC and ICICI Bank: Pre and Post Covid Period

Kailash Kumari Menaria\*, Jalaj Kumar Bhardwaj\*\*

*\*(Research Scholar, Department of Banking and Business Economics, University College of Commerce and Management Studies, Udaipur, Rajasthan, India*

*Kailash24kumari@gmail.com)*

*\*\* (Research Scholar, Department of Banking and Business Economics, University College of Commerce and Management Studies, Udaipur, Rajasthan, India*

*jalajb29@gmail.com)*

\*\*\*\*\*

## ABSTRACT

The corona virus Disease (Covid-19) has spread to most of counties and affected worldwide. The outbreaks of this news affect the global financial market. Due to this Virus spread Indian financial market also react to this pandemic situation and witness the volatility. Indian government imposed national wise lockdown to stop the spreadness of this virus. Though the lockdown was necessary and inevitable so as to prevent the faster spread of Novel Corona virus (Covid-19) and to save lives of people of the country, it is going to affect the various sectors of our economy severely. The Banking sector which is backbone of India's economy is not exception to the above. Banks have significance role in the economic growth of every country. Therefore, the present study is concerned about the impact of this COVID-19 pandemic on return of HDFC and ICICI bank, due to lockdown and also low level of economical activities throughout the year which has resulted into closure of several commercial organisations, educational institutions, public and private offices, suspension of means of transportation, etc. The present paper aims is to compare the returns of major private bank of India (HDFC and ICICI bank) pre and post covid period. Period from 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 consider as pre COVID and as Period from 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 is consider as Post COVID Period.

**Keyword: Covid-19, Banking Sector, Growth, Lockdown, Economical**

\*\*\*\*\*

## I. INTRODUCTION

### COVID-19

In recent times, a new pandemic has arisen, named SARS-CoV-2(severe acute respiratory syndrome corona virus 2) or COVID-19, and its first case is reported to have originated in Wuhan, China. According to the World Health Organization (WHO), the first confirmed case of COVID-19 was found on 8 December2019.

Although the virus reached India later than in many other countries according to the statement made by Ministry of Health and Family Welfare, the first case in India was reported on 30 January of a student studying in Wuhan city in China who was visiting Kerala. whereas WHO declared COVID-19 as a global pandemic on 11<sup>th</sup> March India

reported its first fatality due to the virus on 12<sup>th</sup> March in Karnataka. Seeing the impact of the virus and increase positive case on daily basis at a rapid pace, India was brought to the state of 21 days complete lockdown from 24<sup>th</sup> March to prevent its citizens from virus and Curb the epidemic. Lockdown was implemented by the constraining people to their house under quarantine and shutting down all transport facility is manufacturing of non essential products Hospitality service, educational institution and place of worship. Lockdown was supposed to end on 15<sup>th</sup> april but looking at the condition of the country within the 21 days period as a confirmed case and that was increasing, lockdown was extended for further 19 days till 3<sup>rd</sup> May 2020. With the whole economy having been shut down except the essential services, many sectors are bound to record low production volume and revenue for financial year 2021. So in this paper we will identify the impact of COVID-19 on HDFC bank and ICICI bank through return analysis.

### **BANKING SECTOR**

Indian economy basically depends on the three sectors namely primary sector, secondary sector and tertiary sector and all the three sectors are being majorly supported by banking sector. Banking sector is providing the financial support to all these sectors by disbursing loans, advances, short term credits, issuing letter of credit, bank guarantees etc as its traditional work. Apart from it the new phase of Indian Banking resembles in work like providing Forex support, digital banking, e-commerce, tele-banking, e-kiosk and many more. You cannot imagine rapid growing economy without banking support. If banking sector get impacted by any obstacle its consequences will definitely be borne by all

these three sectors which are pillar of the Indian economy.

Among the various financial institutions, banks are the fundamental component and the most active players in the financial system especially financial markets. It provides capital for innovation, infrastructure and job creation and over all prosperity. It has become the integral part of our society, both industries as well as individual consumers. A bank is an institution which has a primary function to accept deposits and lend money to needful individuals, businesses, and governments. Banks are considered to be trustworthy around the world. When any individual deposits money in the bank, doesn't matter what is the amount, the individual knows that the money will be safe in the bank as compared to anywhere else. Besides this, banks provide numerous services such as loan facilities, fixed deposit schemes, debit & credit card facilities, etc. The Indian banking industry which is nearly 200 years old has been expanding and modernizing since the initiation of reforms in 1991. Now, this industry has evolved into the current size of INR 81 trillion. The Indian Banking sector is heading towards becoming the fifth-largest banking industry in the world in year 2020 and third-largest by 2025. Efficiency and profitability of the banking sector in India has assumed primal important for stable economy. By improving Efficiency they raise living standard of the society. Due to intense COVID-19 crisis affected all the part of economy very harshly. In this paper I will find the impact of COVID-19 on return of HDFC bank and ICICI bank. For this purpose I took two major private bank of India for study.

## ICICI Bank

ICICI bank is an Indian Multinational banking and financial services company headquartered in Mumbai Maharashtra India. As on 2014 it is the second largest bank in India in term of assets and market capitalization. It offers a wide range of banking products and financial services for corporate and retail customer through a variety of delivery channels and specialized subsidiaries in the areas of investment banking life, non- life insurance, venture capital and assets management. The Bank has a network of 3880 branches and 12269 ATMs in India and has a presence in 19 countries.

## HDFC Bank

HDFC bank Limited is one of India's leading private banks and was among the first to receive approval from the reserve bank of India ( RBI) to set up a private sector bank in 1994. HDFC bank's headquartered is in Mumbai, Maharashtra. It offers a diverse range of financial products and banking services to customers through a growing branches and ATM network and digital channel such as net banking, Phone banking and Mobile banking. HDFC bank is India's largest private sector bank by assets and by market capitalisation as of April 2021. The bank has a network of 5608 branches and 14897 ATMs in 2902 cities/ town.

## II. REVIEW OF LITERATURE SURVEY

(Mittal & Sharma, 2021) The objective of particular research paper was to find out how this pandemic had impacted the healthcare and pharmacy stocks. This study applied the widely used event study methodology on our test sector, calculated abnormal return ,

cumulative abnormal return and also tested their significance, event study approach suggests that there have been significant abnormal return and cumulative abnormal return in this test sector( healthcare and pharmaceutical sector) over the event window , though while comparing it with outer sector through another econometric model, the return are not statistically significant and so not explicitly indicate the same.

(Bhagawatula & Acharya, 2020) The particular paper studied the "Impact of COVID-19 virus cases and oil price shock on Indian stock return, structural VAR approach. They used secondary data for their study and used structural VAR model to analyse the data. The study found that the sign of COVID-19 Coefficient is positive and statistically significant and the oil price shock also found positive and significant. It efficient of COVID-19 the oil price co- efficient also affected.

(Murad & Albkour, 2018) This study was based on secondary data of five year from 31<sup>st</sup> March, 2012 to 31<sup>st</sup> March, 2016 had been taken for analysis. In this study independent sample used for the hypotheses testing . In order to measure the financial performance of banking sector in India, two banks i.e. SBI and ICICI are taken into consideration and the comparative study of these two bank done. The current ratio of SBI and ICICI was not recorded according to standard norms of CR i.e.2:1. On the other hand in the case of SBI and ICICI, liquid ratio was recorded very high. The liquidity position of SBI and ICICI is not recorded in as sound manner. The Solvency position of SBI and ICICI is recorded in a sound condition. Result of test showed that there is significant difference between current ratio, net profit ratio, debt

equity ratio and interest coverage ratio of SBI and ICICI.

(Sharma & Sharma, 2017) The objective of this particular research paper was to study the profitability ratios and compare this ratio of top three private sectors bank viz. HDFC bank, ICICI bank and AXIS bank. Study was based on secondary data and period of study was 5 year from 2011.12 to 2015.16. Result of study showed that on the basis of net profit margin and return on assets there is insignificant difference among above three banks. And on the basis of cost to income and return on net worth there is significant difference among above three banks.

#### OBJECTIVE OF STUDY

To study the return analysis of Pre and Post covid period of ICICI Bank and HDFC Bank.

Highlight the Major change in return pre and post covid-19.

### III. RESEARCH METHODOLOGY

#### SOURCE OF DATA

BANK NAME	PRE COVID	POST COVID	PROFIT INCREASE	GROWTH RATE
ICICI Bank	7930.81	16192.68	8261.87	104%
HDFC Bank	26257	31116.53	4859.53	18.50%

The study is based on secondary data. The data were collected from the published annual reports of the selected banks taken from their websites, magazines and journals on finance have also been used a sources of data.

#### PERIOD OF DATA

In order to analyze the impact of COVID-19 on private sector bank pre and post COVID-19 period taken. 1<sup>st</sup> April 2019 to 31<sup>st</sup> March

2020 taken as pre COVID-19 period and 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 taken as Post COVID-19 period.

#### SAMPLING

The new private sector banks consist of nine banks. For the present study covers two important banks one is Housing Development Financial Corporation (HDFC) and another one Industrial Credit Investment Corporation of India (ICICI).

#### SCOPE OF THE STUDY

The research paper covers two important private sector banks Housing Development Financial Corporation (HDFC) and Industrial Credit Investment Corporation of India (ICICI) Bank only.

#### TOOL OF ANALYSIS

In this research paper simple percentage analysis and tabular analysis use for reflect the growth rates of returns of banks and to draw further comparison between the two banks.

### IV. MODELLING AND DATA ANALYSIS

#### NET PROFIT ANALYSIS

##### Net Profit

##### Interpretation

Net profit of ICICI Bank in pre covid period (1 April 2019 to 31 March 2020) was 7930.81 crore and post covid period (1 April 2020 to 31 March 2021) it was 16192.68 crore. It is almost double in post covid period and growth rate is 104%

Net profit of HDFC Bank in pre covid period was 26257 crore and post covid period is 31116.53 crore and growth rate during the

period is 18.50%. ICICI bank’s net profit increased by 8261.87 crore and HDFC bank’s net profit increased by 4859.53 crore during post covid period

Net profit of both ICICI bank and HDFC bank during covid period or post covid (April 20 to March 21) increased but performance of ICICI bank are exceptional during this period compare to HDFC bank

**RETURN ANALYSIS**

The study has also tried to compare Pre and post Covid period return analysis of top two private sector banks of India (HDFC and ICICI Bank) on below financial parameters.

**OPERATING PROFIT MARGIN**

Operating profit margin also known as EBIT and Return on sales is the ratio of Operating income to net Revenue.

Operating Profit Margin = Operating Income/ Revenue

**Operating Profit Margin**

BANK NAME	PRE COVID	POST COVID
ICICI Bank	-11.38	-3.5
HDFC Bank	2.6	4.89

**Interpretation**

ICICI bank’s operating profit margin is -11.38 in pre covid period and post covid it is -3.5 In both situation operating profit margin are in loss but in post covid period losses are decline so I can say that operating profit of ICICI bank perform well in post covid period. HDFC operating profit was 2.6 in pre covid period and post covid period it is 4.89 so HDFC bank shows highly positive growth in post covid period.

**NET PROFIT MARGIN**

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividend but not common stock dividends) have been deducted company’s total revenue.

Net profit margin % = Net Profit/ Revenue

**Net profit margin**

BANK NAME	PRE COVID	POST COVID
ICICI Bank	10.60	20.46
HDFC Bank	22.86	25.75

**Interpretation**

Net profit Margin of ICICI bank during pre covid period is 10.60 which is increased post covid period up to 20.46. So, in this post covid period makes the highly positive effect on the profitability of ICICI bank through net profit margin. Net profit margin of HDFC bank during pre covid is 22.86 and during post covid it is 25.75. So, in the post covid period make the slightly positive effect on the profitability on HDFC bank through net profit margin.

**RETURN ON ASSETS**

Return on Assets (ROA) is a ratio computed by dividing the net income over total assets. ROA measure the profit earned per rupee of assets and reflects how well bank management uses the bank’s real investment resources to generate profit

Return on Assets % = Net Profit /Total Assets

**Return on Assets**

Bank Name	Pre covid	Post covid
ICICI Bank	.72	1.31
HDFC Bank	1.71	1.78

**Interpretation**

Return on Assets of ICICI bank during pre post covid time is .72% which is increased during post covid time up to 1.31%. So, Return on Assets makes the highly positive effect on the profitability of ICICI bank during post covid time. Return on Assets of HDFC bank pre post covid time is 1.71% which is increased during post covid time up to 1.78 %. So, Return on Assets makes the slightly positive effect on the profitability of HDFC bank during post covid time.

**RETURN ON EQUITY**

Return on shareholders’ investment, popularly known as return on investment or return on equity funds is the relationship between net profits and the proprietors’ funds. Net profit after interest and tax is divided by the shareholders’ funds. This ratio is one of the most important ratios used for measuring the overall efficiency of a bank. The primary objective of business is to maximize its earnings and this ratio indicates the extent to which this primary objective of business is being achieved. This ratio is of a great importance to the present and prospective shareholders as well as the management of the bank.

Return on Net worth % = Profit after tax/ Equity share holder fund

**Return on Equity**

<i>Bank Name</i>	<i>Pre covid</i>	<i>Post covid</i>
ICICI Bank	6.99	10.97
HDFC Bank	15.35	15.27

**Interpretations**

Return on equity of ICICI bank during pre covid time is 6.99 which is increased post covid time up to 10.97. So, because of increase in Return on equity makes the

positive effect on ICICI bank in post covid period. Return on equity of HDFC bank during pre covid period it is 15.35 which is slightly negative effect during post covid period up to 15.27.

**V. CONCLUSION**

This paper studies how the outbreak of COVID-19 impacts the Profitability and returns of top two private bank of India. Although net profit given us an idea of how well a bank is doing, but it does not adjust for the bank’s size so consider this return analysis which include ROA and ROE also done in this paper. Result of study shows that-

Net profit analysis shows rapid growth in net profit of both bank which is 104% growth rate in ICICI bank and 18% in HDFC bank in post covid period.

ICICI Bank reported 8261.87 crore increase in its net profit for the financial year ended March 31, 2021, at Rs 16,192.68 crore. The private lender had posted a net profit of Rs 7,930.81 crore in the financial year ended March 31, 2020

HDFC Bank reported 4859.87 crore increase in net profit. In financial year ended march 31, 2021, it was 26257 crore and in financial year march 312021 net profit is 31116.53.

Study shows that the HDFC bank and ICICI bank’s ROA also increase during post covid period. ROE of ICICI bank increase in post covid period but HDFC bank’s ROE slightly decline during post covid period.

Private banking sector shows positive growth in operating profit, net profit, return on asset (ROA) and return on Equity (ROE).

As result shown by this study that global COVID-19 crisis does not have the negative

impact on ICICI Bank and HDFC Bank. Both bank shows positive return during post covid period.

Study result also shows that ICICI bank growth rates of different return are comparatively higher than HDFC bank's.

Result of this study also indicate stability and soundness of both leading private sector Bank of India as most of other sector growth declined during post covid period but these two private sector bank shows positive return during post covid period.

Websites:

[www.icicibank.com](http://www.icicibank.com)

[www.hdfcbank.com](http://www.hdfcbank.com)

[www.money control.com](http://www.moneycontrol.com)

## **VI. REFERENCE**

- [1] Ahamed, F. (2021). Macroeconomic impact of covid-19: A case study of Bangladesh. *Journal of economics and finance* , 24-29.
- [2] Almurisi, H. S., Khalidi, D. A., Japairai, K. A., Mahmood, S., Chilakamarry, C. R., Naidu, B. C., et al. (2021). Impact of COVID 19 pandemic crisis on the health system and pharmaceutical industry. *Platinum open access journal* , 2298--2308.
- [3] Bhagawatula, A., & Acharya, R. H. (2020). Impact of COVID 19 virus cases and sources of oil price Shock on Indian Stock return. Structural VAR Approach. *IAEE energy Forum* , 68-70.
- [4] Mittal, S., & Sharma, D. (2021). The impact of covid 19 on stock returns of the Indian Healthcare and Pharmaceutical Sector. *Australian accounting business journal* , 15 (1), 5-21.
- [5] Murad, K. M., & Albkour, S. A. (2018). Financial performane of Indian Banking Sector: A case study of SBI and ICICI bank. *Mediterranean journal of basic and applied sciences* , 126-137.
- [6] S., R., A., S., & Rahman, A. (2020). Impact of covid-19 on stock price of NSE in automoblie sector. *International journal of advanced multidisciplinary Research* , 24-29.
- [7] Sahu, K., & Mishra, A. (2020). COVID-19 : update on epidemilogy, disease spread and management . *Monaldi Archives for Chest Disee* , 90.
- [8] Sharma, G., & Sharma, D. (2017). Comparison and Analysis of profitability of top three Indian private sector Bank. *International journal of Engineering technology scienceand research* , 173-180.