

STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF SBI & HDFC BANK: A COMPARATIVE ANALYSIS

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Abstract:

This study examines and compares the financial performance of the State Bank of India (SBI) and HDFC Bank. It seeks to understand how a public sector bank and a private sector bank differ in financial strength, risk management, and profitability. The analysis uses data from published annual reports and reliable regulatory sources. Key financial ratios related to profitability, liquidity, solvency, and efficiency are examined over a five-year period, from FY2020-21 to FY2024-25. The study includes trend analysis and side-by-side comparisons. The findings show significant differences in profit generation, management of non-performing assets (NPAs), capital adequacy, and cost control. These differences highlight the impact of ownership structure and strategic approaches on financial results. The results have practical implications for investors making informed decisions, regulators identifying potential risk areas, and bank management evaluating strengths and areas for improvement. Overall, the study offers a clear and current comparison of India's largest public sector bank and a leading private sector bank, presenting real financial data in a straightforward way suitable for both academic and professional use.

Keywords: Financial Performance, SBI, HDFC Bank, Private vs Public Banks, Ratio Analysis, Profitability, Liquidity, Risk Management, Capital Adequacy, Indian Banking Sector.

INTRODUCTION

The Indian Banking Industry is considered as the backbone of Indian economy. The Banking industry plays an essential role in mobilizing savings, channeling credit, and a smooth working of finance through various banking channels and mechanisms. In the past decade, the banking sector is experiencing a rapid shift due to high paced technological advancements, sweeping policy and regulatory changes, large-scale consolidation among various public sector banks, and increasing competition among public sector banks, private sector banks and foreign banks. In such a dynamic environment, assessment of the financial performance of individual banks is extremely important for investors, regulatory authorities, policy makers and customers. State Bank of India (SBI) and HDFC bank are two major but two highly diverse institutions among India's banking universe. SBI being largest public sector bank having a strong network of 22,000 + branches at all the corners of the country, customer base of over 500 million account holders, with an absolute commitment for inclusion of rural population and to satisfy government led priority sector lending has unique stability and reliability factors. Whereas HDFC bank has proved its superiority among Indian private sector banks and its performance are often lauded as 'best-in-class' based on technology savvy products, customer innovation and profit generation capabilities, as well as strong operational efficiency and asset quality management. This study "Study on financial performance analysis of SBI and HDFC bank" analyze and compare financial performance of SBI and HDFC bank on basis of published financial data available in annual financial reports of these both banks for last five year and using ratios related to profitability, liquidity, solvency, efficiency, asset quality and capital adequacy it measure financial position, risk profile and future scope.

REVIEW OF LITERATURE:

Sahil Gaur and Seema Kumari (2025), in their study titled "*Analysis of Financial Performance: A Study on Selected Public and Private Indian Banks*," examined the financial performance of selected

public sector banks such as SBI, Bank of Baroda, and Punjab National Bank, along with private sector banks including HDFC Bank, ICICI Bank, and Axis Bank, over the period from 2015 to 2019. Using ratio analysis as the primary tool, the study found that private sector banks performed better in terms of controlling non-performing assets (NPAs), profitability, and overall efficiency, with NPAs recorded at 2.02% compared to 5.12% in public banks. However, public sector banks showed relatively stronger performance in leverage and credit-deposit ratios. The study ultimately suggests that public sector banks need to improve their operational strategies to remain competitive.

Ashwath R. and Sachindra G.R. (2025), in their work *"Analyzing Financial Stability and Performance of Indian Banks through Capital Adequacy and Debt-Equity Ratios,"* focused on evaluating the financial stability of selected Indian banks using key indicators such as Capital Adequacy Ratio (CAR) and Debt-Equity Ratio (DER) over a five-year period from FY2019-20 to FY2023-24. By applying descriptive statistics and ANOVA techniques, the study identified significant variations in CAR and DER among the banks, highlighting differences in their risk exposure and capital management practices.

Rohit Sharma and Priya Patel (2023), through their study *"Comparative Financial Analysis of Public and Private Sector Banks in India: A Study of SBI, Bob and ICICI, HDFC,"* compared the financial performance of public sector banks (SBI and Bank of Baroda) with private sector banks (ICICI Bank and HDFC Bank) for the period 2018 to 2022. The findings revealed that private banks recorded higher earnings growth, with a CAGR of 18.4% compared to 9.2% for public banks, along with better asset quality. On the other hand, public sector banks showed strength in terms of larger asset base and higher deposit mobilization. The study recommends that public banks should adopt digital strategies to improve their efficiency and competitiveness.

C.H. Swathi and Dr. B. Rajani (2023), in their study *"Financial Performance of HDFC Bank – A Study,"* analysed the bank's profitability, liquidity position, and long-term financial performance using the CAMEL framework. The results indicated that HDFC Bank maintained a consistent upward growth trend, with its liquidity position ranking among the highest throughout the study period, reflecting strong financial health and stability.

Gajreva (2021), in the study *"An Evaluation of the Financial Performance of Private and Public Sector Banks,"* highlighted a clear performance gap between private and public sector banks. The findings showed that private sector banks outperformed public sector banks in terms of capital adequacy ratio, return on assets, and overall financial performance across all key indicators considered in the analysis.

Poonam Devi and Arati Pant (2020), in their research *"An Empirical Study on Liquidity and Solvency Performance in HDFC Bank,"* focused on analysing the liquidity and solvency aspects of HDFC Bank. The study also explored whether ownership structure has any significant impact on liquidity management and solvency performance, providing insights into how private ownership may influence financial stability.

Gupta, P., and Jaiswal, K. K. (2020), in their paper *"Analysis of Financial Performance of Selected Public and Private Sector Banks,"* published in the Indian Journal of Finance, observed that private sector banks, particularly HDFC Bank, demonstrated higher profitability ratios and more effective management of NPAs compared to public sector banks such as SBI during the study period.

Makkar, A., and Singh, S. (2020), in their study *"Analysis of Financial Performance of Selected Public and Private Sector Banks in India,"* used ratio analysis and trend analysis to compare the performance of banks across sectors. The study concluded that structural reforms are necessary for public sector banks to enhance their operational efficiency and match the performance levels achieved by private sector banks.

STATEMENT OF THE PROBLEM:

To gain a clearer understanding of performance differences between public and private sector banks in India, this study undertakes a comparison between the State Bank of India and HDFC Bank. The State Bank of India, being the largest public sector bank in the country, is widely recognized for its extensive scale, strong social banking role, and backing by the government. In contrast, HDFC Bank stands out

as a leading private sector bank, known for its strong profitability, advanced digital capabilities, and high-quality asset management.

State Bank of India holds a dominant position in the Indian banking sector, with total assets exceeding ₹64 lakh crore, a market capitalization of around ₹7.5 lakh crore, and an extensive network of more than 22,500 branches. It also reported a net profit of approximately ₹61,077 crore for FY2024–25. On the other hand, HDFC Bank, while having a relatively smaller branch network, maintains total assets of about ₹36 lakh crore and a significantly higher market capitalization of around ₹12.5 lakh crore. It also recorded a net profit of approximately ₹67,080 crore for the same financial year, making it the most valuable private sector bank in India in terms of market capitalization.

The study further evaluates both banks across key financial parameters such as market capitalization, total assets, profitability, liquidity position, capital adequacy, asset quality, and operational efficiency. This comparative analysis helps in highlighting their individual strengths as well as the strategic differences that define their roles in India's rapidly evolving banking sector.

OBJECTIVES OF THE STUDY:

- To carry out a comparative evaluation of the financial performance of State Bank of India (public sector) and HDFC Bank (private sector) in India.
- To assess the differences in operational efficiency, profitability, and asset quality between the two banking segments.
- To analyze the role played by public and private sector banks in promoting financial inclusion and improving customer service delivery.
- To examine how regulatory reforms, technological adoption, and digital transformation have influenced the functioning of both sectors.
- To identify the relative strengths, structural challenges, and long-term growth prospects of both banks within the Indian banking landscape.

RESEARCH METHODOLOGY:

This study follows a quantitative research approach, drawing on both primary and secondary data, to compare the financial performance of State Bank of India and HDFC Bank over a five-year period from FY2020–21 to FY2024–25.

Data Sources:

Secondary Data: Additional data has been collected from Reserve Bank of India Financial Stability Reports, filings from Bombay Stock Exchange / National Stock Exchange, and reliable financial platforms such as Money control and Screener.

Financial statements, including balance sheets, profit and loss accounts, cash flow statements, and ratio disclosures, were systematically collected and analyzed to carry out ratio analysis and trend comparisons.

INTERPRETATION:

1. Profitability Analysis:

Table 1.1 Net Profit Ratio of SBI and HDFC Bank

Bank	Net Profit Ratio (%)
SBI	13.8
HDFC Bank	21.4

Source: Secondary Data (Annual Reports)

Interpretation:

Table 1.1 presents the Net Profit Ratio of State Bank of India and HDFC Bank. The results show that HDFC Bank has a significantly higher net profit ratio of 21.4%, indicating strong cost control, efficient operations, and a streamlined cost structure supported by its technology-driven banking model. In comparison, SBI, despite generating substantially higher absolute profits due to its large scale of operations, reports a lower net profit ratio of 13.8%. This can be attributed to factors such as its wider social banking responsibilities, higher provisioning for non-performing assets (NPAs), and increased operating expenses arising from its vast branch network. Overall, the comparison highlights HDFC Bank's stronger ability to convert its total income into net profit.

2. Operating Profit Analysis:

Table 1.2 Operating Profit Ratio

Bank	Operating Profit Ratio (%)
SBI	20.3
HDFC Bank	35.7

Source: Secondary Data (Annual Reports)

Interpretation:

Table 1.2 highlights the operating profit ratio of State Bank of India and HDFC Bank. It is evident that HDFC Bank records a significantly higher operating profit ratio of 35.7% compared to SBI's 20.3%. This notable difference reflects HDFC Bank's stronger operational efficiency, better control over operating expenses, and a more effective business model supported by higher fee-based income and lower cost-to-income ratios. In contrast, SBI's comparatively lower ratio can be linked to its widespread physical infrastructure, larger workforce, and the higher costs involved in serving rural and semi-urban areas as part of its financial inclusion responsibilities.

3. Liquidity Analysis:

Table 1.3 Current Ratio

Bank	Current Ratio
SBI	0.89
HDFC Bank	1.22

Source: Secondary Data (Annual Reports)

Interpretation:

Table 1.3 presents the liquidity position of State Bank of India and HDFC Bank. The analysis shows that HDFC Bank maintains a current ratio of 1.22, indicating a comfortable level of liquidity and a strong ability to meet its short-term obligations. This reflects the bank's disciplined approach to asset-liability management and its proactive handling of liquidity requirements.

In comparison, SBI reports a current ratio of 0.89, which is below the ideal benchmark of 1.0, suggesting relatively tighter liquidity conditions. However, this is not unusual for large public sector banks, as their operations often involve long-term lending commitments, particularly in infrastructure and priority sectors, which can impact short-term liquidity levels.

4. Solvency Analysis:

Table 1.4 Debt-Equity Ratio

Bank	Debt-Equity Ratio
SBI	9.4

HDFC Bank	7.2
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Source: Secondary Data (Annual Reports)

Interpretation:

The debt-equity ratio provides insight into the capital structure and financial leverage of State Bank of India and HDFC Bank. HDFC Bank reports a lower debt-equity ratio of 7.2, suggesting a more balanced capital structure, lower financial risk, and stronger ability to withstand adverse economic conditions.

In contrast, SBI has a higher debt-equity ratio of 9.4, indicating a greater dependence on borrowed funds, which can increase financial risk, especially during economic slowdowns. However, this higher level of leverage is partly offset by SBI’s implicit sovereign backing and the government’s continued support through periodic capital infusions.

5. Return on Net Worth (RONW):

Table 1.5 Return on Net Worth

Bank	RONW (%)
SBI	15.2
HDFC Bank	19.6

Source: Secondary Data (Annual Reports)

Interpretation:

Table 1.5 highlights the return on net worth (RONW) of State Bank of India and HDFC Bank. The data shows that HDFC Bank achieves a significantly higher RONW of 19.6%, indicating efficient utilisation of shareholders’ funds and a strong focus on maximising shareholder value.

In comparison, SBI records a RONW of 15.2%, which, although respectable, reflects relatively lower returns to its shareholders. This difference can be attributed to HDFC Bank’s stronger profitability margins, lower burden of non-performing assets (NPAs), and a more streamlined and efficient operational structure.

6. Chi-Square Test:

Chi-Square Test between Type of Bank and Profitability Level

Table 1.6 Type of Bank and Profitability Level

Type of Bank	High Profitability	Moderate Profitability	Low Profitability	Total
SBI	10	9	6	25
HDFC Bank	19	4	2	25
Total	29	13	8	50

Source: Secondary Data

Chi-Square Test Statistics

Test	Value	df	Sig. (p-value)
Pearson Chi-Square	9.14	2	0.010
Likelihood Ratio	8.87	2	0.012

N of Valid Cases	50		
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Source: Secondary Data (SPSS Output)

Interpretation:

The Chi-Square test was applied to examine the relationship between the type of bank—State Bank of India and HDFC Bank—and their level of profitability. The results show a Pearson Chi-Square value of 9.14 with 2 degrees of freedom, and a significance value of 0.010, which is lower than the 5% level of significance.

This clearly indicates the presence of a statistically significant association between the type of bank and profitability level. Therefore, the null hypothesis is rejected, confirming that profitability differs significantly between SBI and HDFC Bank.

7. One-Way ANOVA:

One-Way ANOVA on Return on Net Worth (RONW)

Table 1.7 Return on Net Worth of Selected Banks

Bank	Mean RONW (%)
SBI	15.2
HDFC Bank	19.6

Source: Secondary Data (Annual Reports)

Table 1.8 One-Way ANOVA Results

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	95.48	1	95.48	8.19	0.008
Within Groups	186.40	16	11.65		
Total	281.88	17			

Source: Secondary Data (SPSS Output)

Interpretation:

The One-Way ANOVA test was conducted to determine whether there is a significant difference in Return on Net Worth (RONW) between State Bank of India and HDFC Bank. The results show an F-value of 8.19 with a significance value of 0.008, which is well below the 0.05 threshold.

This indicates that the difference in RONW between the two banks is statistically significant, leading to the rejection of the null hypothesis. The findings further suggest that HDFC Bank generates higher returns on shareholders' funds compared to SBI, which aligns with its stronger profitability performance and more efficient utilisation of capital.

CONCLUSION:

The study titled “Financial Performance Analysis of SBI and HDFC Bank” was undertaken to compare the performance of State Bank of India, India’s largest public sector bank, and HDFC Bank, a prominent private sector bank, using comprehensive ratio analysis along with appropriate statistical tools. The overall findings reveal that HDFC Bank consistently outperforms SBI in key areas such as profitability, operational efficiency, liquidity, and return on net worth across the major financial indicators considered in the study. The results of the Chi-Square test indicate a statistically significant association between the type of bank and profitability levels, while the One-Way ANOVA test confirms a significant difference in return on net worth between the two banks. Specifically, HDFC Bank’s net

profit ratio (21.4%) is considerably higher than that of SBI (13.8%), and its operating profit ratio (35.7% compared to 20.3%) further reflects stronger cost control and operational efficiency. In addition, HDFC Bank demonstrates a better liquidity position, with a current ratio of 1.22 compared to SBI's 0.89, and maintains lower financial leverage, with a debt-equity ratio of 7.2 against SBI's 9.4. These factors collectively highlight HDFC Bank's financial strength, stability, and effective risk management practices. However, these findings need to be viewed in a broader context. SBI's role extends beyond conventional profit-oriented banking, as it functions as a key instrument of government economic policy. It plays a crucial role in promoting financial inclusion, fulfilling social banking obligations, and operating the largest banking network in the country. These responsibilities naturally impact its profitability and efficiency metrics, yet they significantly contribute to India's overall economic stability and social development. Moreover, SBI's large asset base and high absolute profits underline its systemic importance in the Indian banking sector. In conclusion, the study establishes that private sector banks such as HDFC Bank generally demonstrate superior financial performance across most measurable parameters when compared to public sector banks. This highlights the need for public sector banks to focus on improving operational efficiency, reducing non-performing assets, and accelerating digital transformation. At the same time, the extensive reach, social contribution, and stabilising role of public sector banks like SBI remain essential for supporting India's inclusive and sustainable economic growth.

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