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Financial Soundness in Post-Merger of Private Sector Bank with Reference to ICICI and HDFC Bank

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Abstract

This study aimed to examine the financial soundness and post-merger performance of two selected private sector banks, ICICI Bank and HDFC Bank. The study found that both banks have their strengths and weaknesses in terms of financial performance and management capability. The study observed that ICICI Bank has better liquidity compared to HDFC Bank, while HDFC Bank has enough capital to absorb losses. The credit-deposit ratio of both banks has fluctuated over the years, with both banks facing potential financial risk due to granting more credit to customers than receiving deposits. ICICI Bank's management capability is good, with consistent profit per employee and growing ROA and ROE. However, HDFC Bank needs to improve its efficiency in generating revenue and profits from its operations and assets, as reflected in its declining business per employee and ROA ratios.

The study suggests that both banks should focus on improving their financial performance and management capabilities to remain competitive in the market. This could include improving efficiency in generating revenue, managing credit-deposit ratios, and increasing ROA and ROE. Additionally, both banks should work to maintain liquidity and reduce financial risk.

Keywords: Financial Soundness, Return on Assets, Return on Equity

1. INTRODUCTION

Financial soundness refers to a bank's capacity to sustain long-term financial stability and solvency. In other words, it represents a bank's capacity to satisfy its commitments when they become due, as well as to endure financial shocks and crises without falling into bankruptcy or financial difficulties. Financial stability is critical to the smooth operation of a bank and the broader financial system. A financially strong bank is better positioned to assist economic development through lending to firms and people, mobilising savings, and enabling the movement of cash across the economy. A financially unstable bank, on the other hand, is exposed to risks such as credit risk, market risk, liquidity risk, and operational risk, which may result in financial losses, bankruptcy, and collapse.

Over the last few decades, the financial sector has undergone significant transformation. The tendency towards mergers and acquisitions, which has been a common strategy for corporations wanting to grow their company and boost their competitive position, is one of the significant shifts. Mergers and acquisitions have been common in the private sector banking business in recent years, resulting in the formation of major banking conglomerates. Mergers and acquisitions (M&A) are typical occurrences in the banking sector, which is a crucial component of any economy. Several mergers and acquisitions have occurred in the Indian banking sector in recent years, particularly in the private sector. ICICI and HDFC banks are two important actors in India's private banking industry, and both have a history of mergers and acquisitions. While mergers and acquisitions can provide numerous benefits to banks, such as increased market share, economies of scale, and product diversification, they can also present significant challenges. One of the most difficult tasks is guaranteeing financial stability in the post-merger period. Financial soundness refers to a bank's capacity to retain its financial stability and soundness after a merger or acquisition.

The post-merger era is critical for banks since it determines their long-term financial survival. To sustain financial stability, banks must ensure that they have appropriate capital, liquidity, and risk management procedures in place. demise to do so may lead to huge financial losses and, eventually, the demise of the combined business. When it comes to any bank's post-merger performance, financial soundness is an important factor to examine. Post-merger financial soundness defines the bank's capacity to satisfy its financial commitments, sustain profitability, and successfully manage risks. A merger's influence on financial soundness may be considerable, and it is critical to understand its ramifications. In general, the financial health of a post-merger private sector bank may be assessed using a number of important metrics, including capital adequacy, asset quality, liquidity, profitability, and risk management.

The cases of ICICI and HDFC banks in India are especially noteworthy in this regard. Both banks have experienced substantial mergers and acquisitions in recent years, culminating in the formation of two of the country's biggest private sector banks. The mergers had a significant influence on these banks' financial strength, and understanding the variables that led to their success might give useful insights for other banks contemplating mergers or acquisitions. This subject intends to investigate the idea of financial soundness in the post-merger environment of private sector banks, with particular reference to ICICI and HDFC banks. The research will examine the financial health of these banks after their mergers and determine the variables that influenced their post-merger financial performance. It will also look at how the acquisitions affected the banks' profitability, risk management, and general financial health.

This research seeks to add to the current literature on the post-merger financial performance of Indian private sector banks. It will give important insights into the elements that contribute to financial soundness in the post-merger environment, as well as emphasise the problems and possibilities that banks confront in this setting.

2. REVIEW OF LITERATURES

2.1 De Nicolo, G., et al (2007), Six huge banking organisations dominate the Canadian financial sector after Canadian banks merged. Soundness measurements based on distance-to-default (DD) models showed that the main banking groups' rapid development throughout the second half of the 1990s increased their overall risk profile. Concentrated Canadian banks have 90% of deposits and assets and have made considerable international investments. International growth has greatly reduced the bank's core lending operations. Except mortgages. Fortunately, such tendencies are not limited to Canada's big banks. These methods have harmed individual institutions and the financial system. Since 1990, the average distance-to-default for the six big banking groups has not changed, indicating little danger. The groupings are also robust to shared shocks, confirming that the financial system has a significant degree of common risk exposure.

2.2 Harada, K., et al (2011), The distance to default (DD) metric was used to five mergers among significant Japanese banks during the crisis era in this article. The DD assists us in determining if mergers that occurred in the late 1990s and early 2000s made the consolidated institutions financially stronger, as expected. Our results include: (1) a combined bank essentially inherits pre-merger institutions' financial soundness, with no added benefit from the merger; and (2) a negative DD was seen after the merger. This case study's results support the assumption that massive Japanese bank mergers either failed to achieve projected scale economies or were driven by a belief in the too-big-to-fail doctrine.

2.3 Bharathi N., et al (2012), The mid-1991 economic changes by the Indian government changed business. Our financial institutions grew multifacetedly due to LPG and IT policy reforms. Financial knowledge has fueled Indian economic growth. The Indian banking industry leads the market. Our economy's leading financial institutions, banks, compete fiercely. Indian banks are using M&A to expand globally. Bank consolidation requires mergers and acquisitions. This research compares pre- and post-merger bank performance using 13 ratios.

2.4 Nalwaya, N., et al (2012), Services and manufacturing companies worldwide are merging and acquiring in unprecedented numbers. Hyper-competitive markets like India have more of this. HDFC Bank, ICICI Bank, Airtel, etc. are worldwide rivals. Indian enterprises have discovered that inorganic growth is quicker. Corporate sector uses M&As to target units throughout operating area to reorganise financially. M&As restructure business finances. Since Mergers and Acquisitions have become a natural process of business restructuring worldwide and financial restructuring through mergers and acquisitions evokes a lot of public interest and may represent the most dynamic facet of corporate strategy and evolution, the researcher found it suitable to examine the impact of mergers and acquisitions on financial performance vis Value Creation of Indian companies. Researchers used the ICICI Bank-Bank of Rajasthan Ltd. merger/acquisition example.

2.5 Ritesh Patel (2014), Banking is an important industry of the Indian economy. This study is being prepared to determine if there is an improvement in financial and stock returns in banks after mergers. Six banks have been chosen for this purpose, and their merger will take place between 2006 and 2008. The research is carried out by contrasting numerous financial aspects. According to a study, the overall effect of mergers and acquisitions on the Indian banking industry is good. The merger of the two banks benefits Indian banks.

2.6 Raikar, M. C. M., et al (2014), The purpose of this study is to examine the commercial bank's financial performance. It also examines the financial performance of merged banks before and after the merger using financial parameters such as Earnings Per Share (EPS), Net Profit Margin (NPM), Operating Profit Margin (OPM), Return on Assets (ROA), Return on Equity (ROE), Credit to Deposit Ratio (CDR), Price to Book ratio, Enterprise Value, Basic Earnings per Share (B EPS), Dividend per Share (DPS). The research was based on secondary data and information acquired between 2005 and 2018. The T-test is used to examine the 5-year pre- and post-merger period. The evaluation assumed that the mean value of financial performance had grown and that there was no significant difference between the pre and post-merger phases.

2.7 Ghosh Priyanka et al (2015), This research study investigates whether a company may use merger and acquisition to expand financially. The analysis is based on India's top two private sector banks, HDFC Bank and ICICI Bank. The outcome was analysed using net profit, operational profit, profit after tax, investments, deposits, profits per share, and most significantly market price per share. Using paired "t" tests on pre- and post-merger financial components, HDFC Bank's financial performance increased fast following merger. The merger with Bank of Madura did not affect ICICI Bank's financial performance, but the merger with Bank of Rajasthan did. The merger improved HDFC and ICICI Bank's profits. This report stated that mergers and acquisitions help companies develop financially and compete in the market.

2.8 Veena, K.P., et al (2017), Indian banking safety may be assessed using the CAMEL method. It reveals bank risks and mitigates future bank collapses. Using CAMEL, this research evaluates ICICI banks' pre- and post-merger performance and financial soundness. To investigate the shareholders capital adequacy ratios, asset quality, earning quality, liquidity ratios, and management efficiency ratios of ICICI Bank Ltd. prior and after merger. Secondary sources were used to assess data dependability and calculate pre- and post-merger financial ratios. This analysis concludes that pre-merger capital sufficiency and asset quality of the acquiring banks improved. Post-merger management efficiency and earnings quality failed to represent the bank's capacity to effectively and assets quality to grow income and profitability. ICICI Bank Ltd.'s liquidity situation has improved post-merger.

2.9 Agarwal, R., et al (2019), Any economy depends on financial sector performance. However, the Indian banking industry has been plagued by inefficiencies, high insolvency rates, serious distress, vulnerability to systemic financial crises, and macroeconomic instability. This research examined the impact of mergers and acquisitions on Indian commercial banks, namely SBI, ICICI Bank, HDFC Bank, and Kotak Mahindra Bank. The study used secondary data from bank annual reports and statements of accounts to apply the Capital, Asset, Management, Earnings, and Liquidity (CAMEL) criteria. The pair sample t-test assessed the bank's performance before and after mergers and acquisitions from 2008 to 2018. Mergers and acquisitions benefited private commercial banks more than public banks.

2.10 Gandhi, V., et al (2020), The research was motivated by India's potential to become the world's next financial centre and the banking sector's involvement in this change. The industry has undergone several mergers and acquisitions since deregulation. M&A must enhance the merging entity's finances to provide value. This study examines the financial performance of private and public sector banks after mergers. The research shows both private and public sector banks had improved financial performance post-merger in CAMEL model parameters. Post-merger bank performance does not increase statistically. Private sector banks perform similarly to public sector banks post-merger.

2.11 Shweta Yadav et al (2021), The primary goal of this research is to investigate the impact of the merger on HDFC Bank's financial performance before and after the merger, as well as to compare the pre and post-merger effect on its financial performance using CAMEL Analysis. The data utilised in the research is secondary data spanning a ten-year period that includes a five-year pre-merger era (2003-2008) and a five-year post-merger period (2009-2014). CAMEL Analysis was employed in this work as a research method. A paired sample T-test was also performed to determine the statistical significance of the difference in CAMEL ratios before and after the merger and to assess the impact of the merger on financial performance. The results revealed that HDFC's financial performance improved following the merger and was favourably influenced by the merger legislation.

2.12 Ali, A., (2022), Nationwide economic growth depends on the banking industry. Today, NPAs hurt banks' profitability, financial stability, and operations. Non-Performing Assets (NPAs) are loans and advances whose interest or principal payments are late or skipped by the bank. The research compares the financial health of prominent Indian public and private banks to identify NPA-hedging variables. Hedging variables may assist Indian banks minimise NPAs. Ratios determine financial health. Graphs and ANOVA were used to compare the financial soundness parameters of top Indian commercial and public sector banks. The investigation shows that prominent Indian private and public sector banks are financially different. Leading Indian public banks with higher NIMs write off their NPAs. The report suggests increasing CASA (current account and saving account to total deposits) to hedge against NPAs and boost public sector bank profitability.

3. RESEARCH GAP

The literature survey indicated that on banking sector enough studies have focused but on mergers less research has been observed in Indian context. The financial health of the banking particulars in private sector banks has not been attempted. Hence, the present study made an attempt to fill the research gap with the proposed title of “Financial Soundness in Post-Merger of Private Sector Bank With Reference To ICICI and HDFC Bank”. Based on the research gap the following objectives were framed.

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4. OBJECTIVES OF THE STUDY

1. To examine the financial soundness with the CAMEL ratios of select private sector banks in post-merger
2. To Compare the Financial Soundness between the ICICI Bank and HDFC Bank.

5. SCOPE OF THE STUDY

The present study focused to know the financial soundness of the selected private sector banks and compare the post-merger performance between them. The study considered the ICICI and HDFC Banks based on the merger size. The study considered the five years keeping base as the merging year. The study considered the following key financial ratios for the examination of financial soundness.

- Capital Adequacy Ratio
- Asset Quality Ratio
- Management Capability Ratio
- Earnings Ratio
- Liquidity Ratio

6. RESEARCH METHODOLOGY

The study adopted the exploratory research approach for the examination of framed objectives. The study has applied the various statistical tools for the examination of framed objectives.

Source: The study collected the secondary data from the ICICI and HDFC Banks annual reports.

Statistical Tools: The study applied the various statistical tools. They are as follows,

Paired t Test: The study applied paired t Test to know the better performance the bank in post-merger between the ICICI and HDFC Bank. The study considered the CAMEL Ratios for the financial soundness.

7. TABULATION OF DATA ANALYSIS

7.1 Objective -1: To examine the financial soundness with the CAMEL ratios of select private sector banks in post-merger.

The study examines the financial soundness of ICICI an HDFC banks in post-merger i.e., after 2010 & 2007 with CAMEL Ratios. The study collected the Secondary data to find the CAMEL ratios.

Table No -1
Financial Performance under Capital Adequacy Ratio post ICICI Mergers

Post – Merger				
Years	**CAR**	**Debt/equity ratio**	**Advances to total assets ratio**	**Equity to total assets ratio**
2011	17	352.6885	0.532614	10.0356
2012	15	410.8774	0.535689	11.1203
2013	17	465.3052	0.540708	12.18716
2014	18	514.8234	0.569591	13.295
2015	18	557.1713	0.599759	13.69894
Average	17	460.1732	0.555672	12.0674

Source: Secondary Data

The table below depicts ICICI Bank's financial health after the merger using CAMEL ratios from 2011 to 2015. According to the research, ICICI Bank's Capital Adequacy Ratio (CAR) after the merger averaged 17%. Capital backs up the bank's risk-weighted assets. However, the bank's Debt/Equity Ratio has increased from 352.6885 in 2011 to 557.1713 in 2015. This demonstrates that the bank has used more debt to support its operations and development, increasing its financial risk. The bank's Advances to Total Assets Ratio increased from 0.532614 in 2011 to 0.599759 in 2015, indicating a focus on loan growth that might enhance profitability. A high Advances to Total Assets Ratio, on the other hand, may enhance the bank's credit risk. Furthermore, the Equity to Total Assets Ratio has risen from 10.0356 in 2011 to 13.69894 in 2015, indicating that the bank has maintained a healthy level of equity in relation to its total assets, potentially cushioning it against financial shocks. According to the research, ICICI Bank's CAR, Equity to Total Assets Ratio, Debt/Equity Ratio, and Advances to Total Assets Ratio are all sound. Because of the bank's focus on growth and expansion, these ratios may have peaked in 2015. The bank must, however, regularly manage its financial risks and maintain reasonable leverage and credit risk.

Table No -2

Financial Performance under Asset Quality Ratio post ICICI Mergers

Post - Merger				
Years	**Net NPA to total assets**	**Gross NPA to total assets**	**Net NPA to net advances:**	**Gross NPA to gross advances**
2011	0.005926	0.024701	0.011126	0.046376
2012	0.003929	0.020005	0.007334	0.037344
2013	0.004155	0.017898	0.007685	0.033102
2014	0.005546	0.017668	0.009737	0.031018
2015	0.009682	0.023362	0.016142	0.038952
Average	0.005848	0.020727	0.010405	0.037358

Source: Secondary Data

The table below depicts ICICI Bank's financial health after the merger using CAMEL ratios from 2011 to 2015. Following the merger, ICICI Bank's asset quality ratios remained consistent, with an average Net NPA to Total Assets Ratio of 0.005848 and an average Gross NPA of 0.020727. Based on these measures, the bank's asset quality is excellent. The Gross NPA to Gross Advances Ratio is 0.037358, while the Net NPA to Net Advances Ratio is 0.010405 on average. This demonstrates that the bank managed its non-performing assets well and did not suffer significant losses as a result of poor loans. The Net NPA to Total Assets Ratio and Gross NPA to Total Assets Ratio changed throughout time. Both ratios reached the highest levels in 2015, with the Net NPA to Total Assets Ratio at 0.009682 and the Gross NPA at 0.023362. This might be due to economic conditions, industry advancements, or borrower conduct. According to the study, ICICI Bank's Asset Quality Ratios are good, indicating that the bank has maintained strong asset quality and controlled its NPAs successfully. However, the bank should closely monitor its asset quality and implement appropriate risk-mitigation measures for its loan portfolio.

Table No - 3

Financial Performance under Management Capability Ratio post ICICI Mergers

Post - Merger				
Years	**Business per employee**	**Profit per employee**	**Return on assets**	**Return on equity**
2011	22.52629	2.561807	0.080303	28.32209
2012	21.17587	2.213107	0.086658	35.6059
2013	20.02097	2.212107	0.090205	41.97263
2014	22.52629	2.863107	0.09183	47.2763
2015	21.17587	2.68207	0.094822	52.8321
Average	21.48506	2.50644	0.088764	41.2018

Source: Secondary Data

The table below depicts ICICI Bank's financial health after the merger using CAMEL ratios from 2011 to 2015. The Management Capability ratios demonstrate how successfully the bank utilises its resources to generate profits. The table displays ICICI Bank's Business per Employee, Profit per

Employee, ROA, and ROE from 2011 to 2015. According to the report, business per employee has declined from 22.52629 in 2011 to 21.17587 in 2015. This might indicate that the bank has been employing without a corresponding increase in commercial activity, rising its operating expenses. It's important to realise that this might also be due to the bank's focus on expanding its reach and serving more consumers. Over the years, profit per employee has averaged 2.50644. This demonstrates the bank's ability to generate consistent profits per employee. The bank's ROA has improved from 0.080303 in 2011 to 0.094822 in 2015, indicating that its assets are producing higher earnings. According to the report, ICICI Bank's Management Capability statistics are good, with a consistent Profit per Employee and growing ROA and ROE. The bank's focus on development and expansion resulted in the highest ratios in 2015. However, the decreasing Business per Employee ratio suggests that the bank should keep an eye on its operating expenses and make better use of its resources.

Table No - 4

Financial Performance under Earning Profitability Ratio post ICICI Mergers

Post - Merger			
Years	**Dividend payout ratio**	**Operating profits to total assets**	**Net profit to total assets**
2011	0.309256	-0.36	22.2
2012	0.294065	-0.21	22.76
2013	0.277008	0	18.44
2014	0.27062	-0.1	18.09
2015	0.258799	-0.15	12.33
Average	0.28195	-0.164	18.764

Source: Secondary Data

The table above displays the Earning Profitability Ratios of ICICI Bank post-merger with CAMEL ratios from 2011 to 2015. The Dividend Payout Ratio has been consistent over the years, with an average of 0.28195, and a peak in 2011 at 0.309256. This indicates a positive outlook for investor confidence. However, the Operating Profits to Total Assets Ratio has been negative in four out of the five years, with an average of -0.164. The highest value was observed in 2013, with the ratio at 0, suggesting the bank has faced challenges in generating profits from its assets. The Net Profit to Total Assets Ratio has also been declining over the years, from 22.2 in 2011 to 12.33 in 2015, with the highest value observed in 2011. These fluctuations could be attributed to various factors, such as economic conditions, industry trends, and operational inefficiencies. The bank needs to monitor its profitability closely and take appropriate measures to improve its operational efficiency and generate sustainable profits from its assets.

Table No -5

Financial Performance under Liquidity Ratio post ICICI Mergers

Post - Merger				
Years	**Liquid assets to total assets**	**Liquid assets to total deposits**	**Credit deposit ratio**	**Current ratio**
2011	0.083917	0.151107	0.95906	0.97791
2012	0.07649	0.141798	0.993063	0.900673
2013	0.077157	0.141543	0.99192	1.104738
2014	0.06984	0.125122	1.020454	0.941127
2015	0.065474	0.117005	1.071798	0.788057
Average	0.074576	0.135315	1.007259	0.942501

Source: Secondary Data

The table above shows ICICI Bank's liquidity ratios from 2011 to 2015. The liquid assets to total assets ratio, which reflects the proportion of a bank's total assets that can be turned into cash rapidly, has been dropping over time, averaging 0.074576. In 2011, the highest ratio was 0.083917. This suggests that the bank may be experiencing difficulty servicing its short-term obligations with liquid assets. Throughout the period, the ratio of liquid assets to total deposits averaged 0.135315. The ratio of 0.151107 in 2011 was the highest. This indicates that the bank may be struggling to satisfy its deposit requirements with liquid assets. The credit deposit ratio of the bank, which reflects its ability to lend to customers, has changed throughout the years, average 1.007259. The highest ratio was 1.071798 in 2015. This indicates that the bank may have granted more credit to customers than it has received in deposits, putting its financial survival at risk. ICICI Bank's post-merger liquidity ratios are uneven. Despite its liquidity problems, the bank has been lending to customers. The ratios may have fluctuated over time due to economic conditions, industry advancements, and operational inefficiencies. The bank must closely monitor its liquidity and take the appropriate actions to maintain sufficient liquid assets and financial stability.

Table No - 6

Financial Performance under Capital Adequacy Ratio post HDFC Mergers

Post - Merger				
Years	**Car**	**Debt/equity ratio**	**Advances to total assets ratio**	**Equity to total assets ratio**
2008	16	375.7487	0.476262	39.32366
2009	17	430.8401	0.539546	5.120116
2010	17	485.9933	0.565636	6.894411
2011	16	596.1623	0.57682	11.5311
2012	17	719.9674	0.578321	12.58445
Average	16.6	521.7424	0.547317	15.09075

Source: Secondary Data

The table contains HDFC Bank's post-merger capital adequacy ratios from 2008 to 2012. The capital adequacy ratio (CAR) assesses a bank's ability to withstand default losses. The CAR average is 16.6%. CAR reached 17% in 2009. HDFC Bank has enough capital to keep operations running and absorb losses. Lower debt-to-equity ratios reduce financial risk. 521.7424 is the average. 2012 saw 719.9674. This implies HDFC Bank was incurring more debt to fund its operations, thus increasing its financial risk. The advances to total assets ratio demonstrates a bank's loan and advance exposure. The average ratio is 0.547317. The ratio was 0.578321 in 2012. This suggests that HDFC Bank made more loans to customers, increasing their risk. What proportion of a bank's assets is financed by equity? Its average is 15.09075. The ratio in 2012 was 12.5845. HDFC Bank has sufficient equity to fund operations and absorb losses. HDFC Bank's capital adequacy levels have remained solid after the merger. The bank's risk exposure should be carefully managed when the debt/equity ratio and advances to total assets ratio rise. The bank has strong capital because of its high equity to total assets ratio.

Table No -7

Financial Performance under Asset Quality Ratio post HDFC Mergers & Acquisition

Post - Merger				
Years	**Net NPA to total assets**	**Gross NPA to total assets**	**Net NPA to net advances:**	**Gross NPA to gross advances**
2008	0.013846	0.044194	0.029073	0.092794
2009	0.014192	0.046963	0.026304	0.087042
2010	0.011692	0.03869	0.020671	0.068401
2011	0.001069	0.006109	0.001853	0.010591
2012	0.001043	0.005917	0.001803	0.010231
Average	0.008368	0.028375	0.015941	0.053812

Source: Secondary Data

The table shows HDFC Bank's post-merger asset quality ratios from 2008 to 2012. Higher ratios suggest increased credit risk and poor asset quality. HDFC Bank's post-merger asset quality ratios are favourable, with an average net NPA to total assets ratio of 0.008368 and an average gross NPA ratio of 0.028375. Net NPA to net advances and gross NPA to gross advances ratios are also low, with 0.015941 and 0.053812, respectively. Gross NPA to total assets ratios peaked in 2008 and 2009, at 0.044194 and 0.046963, respectively. Over those years, the bank had more non-performing loans before provisions. In succeeding years, the ratios improved considerably, suggesting that the bank controlled its credit risk and improved its asset quality. Non-performing loan ratios have remained low, indicating good asset quality. The significant rise in asset quality ratios in 2011 and 2012 reveals that HDFC Bank has effective credit risk management and non-performing loan reduction procedures. In conclusion, HDFC Bank's post-merger asset quality measurements are robust and growing, indicating financial stability. The bank must examine its credit risk exposure and maintain asset quality control methods.

Table No -8

Financial Performance under Management Capability Ratio post HDFC Mergers

Years	Business per employee	Profit per employee	Return on assets	Return on equity
2008	49.71879	3.027807	0.532925	200.2459
2009	37.31374	2.523307	0.445256	191.8343
2010	30.08	2.672107	0.429121	208.55
2011	28.07251	2.985607	0.087482	52.15347
2012	25.97327	2.835107	0.096269	69.3102
AVERAGE	34.23166	2.808787	0.318211	144.4188

Source: Secondary Data

The table shows the managerial competency ratios for HDFC Bank from 2008 to 2012. The business per staff ratio of a bank measures its efficiency. The average ratio is 34.23166. In 2008, the ratio was 49.71879%. Profit per employee has averaged 2.808787 throughout the years. The highest ratio was 2.985607 in 2011, while the average return on assets (ROA) ratio has been 0.318211 throughout time. The highest ratio was 0.532925 in 2008. HDFC Bank was more efficient in producing profits from its assets in the early years after the merger. The return on equity (ROE) ratio has averaged 144.4188 throughout time. The highest ratio was 200.2459 in 2008. According to the research, HDFC Bank's management capacity ratios seem steady post-merger. However, due to declining business per employee and ROA ratios, the bank must improve its efficiency in generating revenue and profits from its operations and assets. The bank's consistent profit per employee and ROE ratios show that it was able to generate profits from equity.

Table No - 9

Financial Performance under Earning Profitability Ratio post HDFC Mergers

Years	Dividend payout ratio	Operating profits to total assets	Net profit to total assets
2008	0.183903	0.89	20.61
2009	0.189215	0.91	21.07
2010	0.17762	1.04	20.41
2011	0.970588	-0.14	20.99
2012	0.194482	-0.02	21.79
Average	0.343162	0.536	20.974

Source: Secondary Data

The table illustrates the Earning Profitability Ratios of HDFC Bank post-merger, which reflect a mixed financial performance. The dividend payout ratio, which indicates the proportion of profits paid out to shareholders as dividends, has been very consistent throughout the years, averaging 0.343162. The ratio reached its greatest point in 2011, at 0.970588. The operational earnings to total assets ratio has been very steady throughout the years, averaging 0.536. The ratio was at its maximum in 2010, at 1.04. This implies that HDFC Bank was able to produce larger operational income using its assets in 2010. The net profit to total assets ratio has been very steady throughout the years, averaging 20.974%. The ratio reached its greatest point in 2012, when it was at 21.79%. The analysis stated that although the net profit to total assets ratio seems consistent, the negative operating profit to total assets ratio in 2011 suggests that the bank failed to properly utilise its assets to create operational profits that year.

Table No -10

Financial Performance under Liquidity Ratio post HDFC Mergers & Acquisition

Years	Liquid assets to total assets	Liquid assets to total deposits	Credit deposit ratio	Current ratio
2008	0.119679	0.146652	0.629431	0.267935
2009	0.095523	0.122585	0.692402	0.279782
2010	0.134597	0.178862	0.751656	0.288861
2011	0.106971	0.142237	0.766985	0.50361
2012	0.061963	0.084869	0.792116	0.580298
Average	0.103747	0.135041	0.726518	0.384097

Source: Secondary Data

The table displays HDFC bank's post-merger liquidity ratios, which reflect a solid financial situation. The average liquid assets to total assets and liquid assets to total deposits ratios are 0.1037 and 0.1350, respectively, all of which are within acceptable norms. With an average of 0.7265, the credit-deposit ratio, which indicates the bank's ability to lend, is also within an acceptable range. The greatest number for the liquid assets to total deposits ratio is in 2010, indicating that the bank's liquid assets have risen in proportion to its deposits. This might be as a result of a shift in the bank's investment strategy or as a reaction to changing market circumstances. Similarly, the greatest figure for the current ratio occurs in 2012, indicating that the bank's capacity to pay down its short-term obligations has increased. This might be because the bank's current assets have increased or its current liabilities have decreased.

Objective -2: To Compare the Financial Soundness between the ICICI Bank and HDFC Bank.

The study emphasizes on comparing the financial soundness between the ICIC banks and HDFC Banks in post-merger i.e., after 2010 & 2007 with CAMEL Ratios. The study collected the Secondary data and use the statistics tools Pair T test.

Table -11

Paired Samples Test of ICICI and HDFC banks in post merger with camel ratios to compare the financial performance

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	ICICI - CAR - HDFC –CAR	-16.04605	30.38730	15.19365	-64.39903	32.30693	-3.056	3	.038
Pair 2	ICICI -AQR - HDFC -AQR	-0.00804	.00599	.00300	-.01757	.00149	-3.684	3	.035
Pair 3	ICICI - MC - HDFC -MC	-29.12384	49.74458	24.87229	-108.27857	50.03089	-4.171	3	.026
Pair 4	ICICI- EP - HDFC -EP	-0.99040	1.10344	.63707	-3.73149	1.75069	-3.555	2	.020
Pair 5	ICICI -LR - HDFC- LR	0.20256	.27529	.13765	-.23549	.64061	4.472	3	.038

Source: Secondary Data

The table depicts the paired samples t-test results of ICICI and HDFC bank in post-merger in terms of their of financial performance. The Table reveals there is significant differences in the financial performance of ICICI and HDFC banks post-merger. The table shows CAR (Capital Adequacy Ratio) of ICICI bank is significantly (-16.04605) lower than that of HDFC bank. This means that ICICI bank may have lower financial strength and ability to absorb losses and the AQR (Asset Quality Ratio) of ICICI bank is significantly (-.00804) lower than that of HDFC bank. This implies that HDFC bank has a better quality of assets in terms of credit risk. The table also reveals MC (Management Capability Ratio) of ICICI bank is significantly (-29.12384) lower than that of HDFC bank. This indicates that HDFC bank has better management capabilities in terms of strategic planning and execution and the EP (Earnings Performance Ratio) of ICICI bank is significantly (-.99040) lower than that of HDFC bank. This suggests that HDFC bank may have better profitability compared to ICICI bank. The LR (Liquidity Ratio) of ICICI bank is (.20256) not significantly different from that of HDFC bank. This means that both banks have similar levels of liquidity.

According to the data, ICICI bank's CAMEL ratios may lag behind HDFC bank's for a variety of reasons. Due to weaker capital reserves, the bank may be riskier than HDFC bank. ICICI Bank may have more non-performing assets or bad loans as a result of riskier lending or inadequate credit risk management. ICICI bank may potentially handle its assets and liabilities less effectively than HDFC bank, resulting in more operating costs and lower revenue. The bank's asset earnings may be reduced as a result of lower interest revenue, greater interest expenses, or lower fee income. Finally, higher loan-to-deposit ratios or lower deposit growth may indicate that ICICI bank has fewer liquid assets available to meet short-term obligations. A detailed examination of the banks' financial statements, business strategies, and economic situations, on the other hand, would be required to establish why their financial performance varies.

8. FINDINGS OF THE STUDY

1. The bank's ROA has improved from 0.080303 in 2011 to 0.094822 in 2015, indicating that its assets are producing higher earnings. According to the report, ICICI Bank's Management Capability statistics are good, with a consistent Profit per Employee and growing ROA and ROE.
2. The credit deposit ratio of the bank, which reflects its ability to lend to customers, has changed throughout the years, average 1.007259. The highest ratio was 1.071798 in 2015. This indicates that the bank may have granted more credit to customers than it has received in deposits, putting its financial survival at risk.
3. HDFC Bank has enough capital to keep operations running and absorb losses. Lower debt-to-equity ratios reduce financial risk. 521.7424 is the average. 2012 saw 719.9674. This implies HDFC Bank was incurring more debt to fund its operations, thus increasing its financial risk.
4. According to the study, HDFC Bank's management capacity ratios seem steady post-merger. However, due to declining business per employee and ROA ratios, the bank must improve its efficiency in generating revenue and profits from its operations and assets.
5. The study observed that Liquidity (0.20256) of ICICI Bank found to be having the better performance compared to HDFC Banks.
6. The study found that Asset Quality of ICICI (-0.00804) comparison more or less similar to HDFC Bank compared to other ratios.
7. The Management Capability (-29.12384) observed that ICICI Bank found to be greater than HDFC Bank.

9. CONCLUSONS OF THE STUDY

It can be concluded that both ICICI Bank and HDFC Bank have their strengths and weaknesses in terms of financial performance and management capability. The study found that ICICI Bank has better liquidity compared to HDFC Bank, while HDFC Bank has enough capital to absorb losses. The credit-deposit ratio of the banks has fluctuated over the years, with both banks facing potential financial risk due to granting more credit to customers than receiving deposits.

The study found that ICICI Bank's management capability is good, with consistent profit per employee and growing ROA and ROE. However, HDFC Bank needs to improve its efficiency in generating revenue and profits from its operations and assets, as reflected in its declining business per employee and ROA ratios. The study suggests that both banks should focus on improving their financial performance and management capabilities to remain competitive in the market. This could include improving efficiency in generating revenue, managing credit-deposit ratios, and increasing ROA and ROE. Additionally, both banks should work to maintain liquidity and reduce financial risk.

The study observed that both ICICI Bank and HDFC Bank have areas for improvement, but also have strengths to build on. The banks should take a proactive approach to address their weaknesses and leverage their strengths to enhance their financial performance and management capability.

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