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A Comparative Analysis of Profit Growth of HDFC Bank and State Bank of India (SBI): A Financial Performance Study (2019–2025)

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Abstract : *The Indian banking sector has undergone significant structural transformation over the past decade, marked by consolidation, digitalisation, and a sustained clean-up of stressed assets. Within this evolving landscape, the State Bank of India (SBI), the largest public sector bank, and HDFC Bank, the largest private sector bank, represent two contrasting models of ownership, governance, and growth strategy. This study undertakes a comparative analysis of the profit growth and financial performance of SBI and HDFC Bank over the period FY2019 to FY2025, using consolidated net profit, compound annual growth rate (CAGR), year-on-year growth rates, and return on equity (ROE) as key indicators. Secondary data were sourced from the audited annual reports of both banks and financial databases. Descriptive statistics, trend analysis, and an independent samples t-test were applied to examine whether the difference in profit growth between the two banks is statistically significant. The findings indicate that SBI recorded a considerably higher compound growth rate over the study period, largely on account of a depressed profit base in FY2019 caused by elevated non-performing assets, followed by a sustained recovery. HDFC Bank, by contrast, demonstrated a more stable and consistent growth trajectory, supported by its April 2023 amalgamation with erstwhile HDFC Ltd., which materially expanded its balance sheet from FY2024 onward. The t-test results suggest that, despite the difference in average growth rates, the year-on-year variability in SBI's growth is substantially higher than that of HDFC Bank, reflecting the latter's operational consistency. The study concludes that while both banks have strengthened their profitability considerably since FY2019, they follow distinct growth paths shaped by their ownership structure, asset quality history, and strategic priorities.*

Keywords: SBI, HDFC Bank, net profit, profit growth, CAGR, return on equity, Indian banking sector, comparative financial analysis.

I. INTRODUCTION

1.1 Overview of the Indian Banking Sector

The Indian banking sector forms the backbone of the country's financial system, channelling household savings into productive investment and supporting the government's monetary and developmental objectives. The sector is broadly divided into public sector banks (PSBs), in which the Government of India holds majority ownership, and private sector banks, which operate on commercially driven governance models. Over the past decade, the sector has weathered an asset quality crisis triggered by corporate loan stress, undergone large-scale recapitalisation and merger of public sector banks, and more recently witnessed one of the largest corporate restructurings in Indian financial history — the amalgamation of Housing Development Finance Corporation Limited (HDFC Ltd.) with HDFC Bank, effective July 1, 2023.

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1.2 Importance of Profitability in Banking

Profitability is a central measure of a bank's operational efficiency, risk management capability, and long-term sustainability. Net profit, return on assets (ROA), and return on equity (ROE) collectively indicate how effectively a bank converts its resources — deposits, advances, and capital — into shareholder value while maintaining asset quality. For regulators, investors, and depositors alike, sustained profit growth signals financial stability, whereas volatile or declining profitability can foreshadow stress in the loan book or inefficiencies in cost management.

1.3 Public versus Private Sector Banks

Public and private sector banks in India differ meaningfully in ownership, governance autonomy, risk appetite, and strategic flexibility. Public sector banks such as SBI operate under greater government oversight, carry a larger legacy branch network, and have historically been more exposed to priority-sector lending obligations and corporate NPA cycles. Private banks such as HDFC Bank generally exhibit greater agility in technology adoption, retail-focused lending, and cost discipline, which is often reflected in comparatively higher and more stable profitability ratios.

1.4 Need for a Comparative Analysis of SBI and HDFC Bank

SBI and HDFC Bank are the two largest banks in India by assets, and together they account for a substantial share of the banking sector's deposits and advances. A systematic comparison of their profit growth trajectories offers insight into how differing ownership structures and business models translate into financial outcomes, and provides a useful reference point for policymakers, investors, and academic researchers studying bank performance in emerging markets.

II. STATEMENT OF THE PROBLEM

Although both SBI and HDFC Bank are market leaders in the Indian banking industry, their ownership structure, business models, and growth strategies differ significantly. SBI, as a public sector bank, has historically carried a heavier burden of non-performing assets and priority-sector obligations, while HDFC Bank has pursued a retail- and technology-led private banking model. In recent years, both institutions have reported strong profit growth, but the underlying drivers — recovery from asset quality stress in SBI's case, and inorganic balance-sheet expansion through merger in HDFC Bank's case — are fundamentally different. A comparative analysis of their profit growth over FY2019–FY2025 is therefore necessary to understand the relative operational efficiency, financial sustainability, and consistency of earnings between the two institutions.

III. OBJECTIVES OF THE STUDY

- To compare the net profit growth of SBI and HDFC Bank over the period FY2019–FY2025.
- To analyse the profitability trend of both banks during the study period.
- To evaluate and compare the Return on Equity (ROE) of SBI and HDFC Bank.
- To identify the key factors driving profit growth in each bank.
- To test whether the difference in profit growth between SBI and HDFC Bank is statistically significant.
- To suggest measures for sustaining and improving profitability in both institutions.

IV. RESEARCH HYPOTHESES

H0: There is no significant difference in the profit growth of SBI and HDFC Bank during the study period.
H1: There is a significant difference in the profit growth of SBI and HDFC Bank during the study period.

V. REVIEW OF LITERATURE

Bodhgire (2021) compared the profitability ratios of SBI, ICICI Bank, and HDFC Bank using analysis of variance (ANOVA) and reported statistically significant differences across key profitability indicators among the three banks, attributing the variation to differences in operational scale and asset quality.

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Verma (2021) undertook a ratio-based comparison of the financial performance of HDFC Bank and SBI for the period 2015–2020 and concluded that HDFC Bank outperformed SBI on several profitability and efficiency ratios, reflecting the private bank's leaner cost structure and stronger asset quality during that period.

Mishra and Shukla (2025) combined secondary financial data with primary customer-satisfaction survey data to compare SBI and HDFC Bank, finding that while SBI's public-sector scale gave it an advantage in reach, HDFC Bank scored higher on service-related customer satisfaction metrics alongside stronger profitability trends.

Pakira (2016) conducted an earlier growth-performance comparison between SBI and HDFC Bank and observed that HDFC Bank exhibited more consistent year-on-year growth in deposits, advances, and profit compared with SBI, whose performance was more closely tied to macroeconomic and credit-cycle conditions.

Collectively, the existing literature suggests a recurring theme: HDFC Bank has generally been associated with more stable and predictable profit growth, while SBI's performance has been more cyclical, closely tracking the broader credit and asset-quality cycle of the Indian banking sector. However, most prior studies were conducted before the FY2023 amalgamation of HDFC Bank with HDFC Ltd., and before SBI's post-2020 recovery in asset quality, both of which materially altered the profit trajectories of the two banks and motivate the present, more recent comparative study.

VI. RESEARCH METHODOLOGY

6.1 Research Design

The study adopts a descriptive and analytical research design, relying on secondary financial data to compare and interpret the profit growth patterns of SBI and HDFC Bank.

6.2 Nature and Sources of Data

The study is based entirely on secondary data drawn from the following sources:

- Audited consolidated annual reports and financial statements of SBI and HDFC Bank.
- Reserve Bank of India (RBI) publications and statistical reports.
- National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) disclosures.
- Financial data aggregation platforms such as Screener.in and CMIE Prowess.

6.3 Study Period

The study covers a seven-year period from FY2019 to FY2025 (financial years ending 31 March), capturing the pre-pandemic period, the COVID-19 disruption, the post-pandemic recovery, and HDFC Bank's amalgamation with HDFC Ltd. in FY2024.

6.4 Variables

Dependent Variable: Net Profit (Consolidated, ₹ in Crore).

Independent Variables: Total Income, Interest Income, Operating Profit, Advances, Deposits, Net Interest Margin, Gross NPA, Net NPA, and Return on Equity.

6.5 Statistical Tools Used

- Percentage Analysis
- Compound Annual Growth Rate (CAGR)
- Mean and Standard Deviation
- Trend Analysis
- Independent Samples t-test
- Correlation Analysis

Computations were carried out using Python (NumPy and SciPy) and cross-verified in Microsoft Excel.

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VII. DATA ANALYSIS AND INTERPRETATION

7.1 Net Profit and Growth Rate Comparison

Table 1 presents the consolidated net profit of SBI and HDFC Bank for FY2019–FY2025, along with the year-on-year growth rate for each bank.

Financial Year	SBI Net Profit (₹ Cr)	HDFC Bank Net Profit (₹ Cr)	SBI Growth (%)	HDFC Growth (%)
2019	3,351	22,446	—	—
2020	21,140	27,296	530.86	21.61
2021	23,888	31,857	13.00	16.71
2022	37,183	38,151	55.66	19.76
2023	57,750	46,149	55.31	20.96
2024	69,543	65,446	20.42	41.81
2025	80,523	73,440	15.79	12.21

Table 1: Net Profit and Year-on-Year Growth of SBI and HDFC Bank, FY2019–FY2025 (₹ in Crore)

SBI's net profit rose from ₹3,351 crore in FY2019 to ₹80,523 crore in FY2025 — a more than twenty-fold increase. However, this apparent surge is significantly influenced by the unusually depressed FY2019 base, when the bank's earnings were suppressed by heavy provisioning against corporate non-performing assets. The extraordinary 530.86% growth recorded in FY2020 reflects this low base rather than a sustained structural improvement and should be interpreted with caution. Excluding the FY2019–FY2020 transition, SBI's growth from FY2020 to FY2025 has been more moderate, ranging between roughly 13% and 56% annually, with a marked deceleration to 15–20% in FY2024 and FY2025.

HDFC Bank's net profit grew steadily from ₹22,446 crore in FY2019 to ₹73,440 crore in FY2025, with year-on-year growth consistently in the range of 12% to 22% throughout most of the period. The sharp 41.81% jump in FY2024 is attributable primarily to the amalgamation of HDFC Ltd. with HDFC Bank, effective July 1, 2023, which substantially enlarged the bank's consolidated balance sheet, income, and profit base. FY2025 growth of 12.21% reflects a more normalised post-merger trend.

7.2 Compound Annual Growth Rate (CAGR) Analysis

The CAGR of SBI's net profit over FY2019–FY2025 works out to approximately 69.87%, compared with 21.84% for HDFC Bank. While this suggests SBI's profit grew far faster in compounded terms, the figure is heavily skewed by the abnormally low FY2019 base and should not be read as evidence of superior sustained performance. When measured over the FY2020–FY2025 window — excluding the distorted FY2019 base — SBI's CAGR falls to a more representative range comparable with, though still somewhat above, HDFC Bank's growth rate, indicating a genuine but less dramatic recovery-driven acceleration in profitability.

7.3 Descriptive Statistics

Table 2 summarises the descriptive and comparative statistical measures for both banks over the study period.

Statistical Measure	SBI	HDFC Bank
Mean Net Profit (₹ Cr)	41,911.14	43,540.71

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Statistical Measure	SBI	HDFC Bank
Standard Deviation (₹ Cr)	28,198.04	19,386.63
CAGR, FY2019–FY2025 (%)	69.87*	21.84
Mean YoY Growth Rate (%)	115.17*	22.18
SD of YoY Growth Rate (%)	204.55	10.22

Table 2: Descriptive and Comparative Statistical Summary (* CAGR and mean growth for SBI are inflated by the low FY2019 base)

The mean net profit of the two banks over the study period is broadly comparable (₹41,911 crore for SBI versus ₹43,541 crore for HDFC Bank). However, the standard deviation of SBI's net profit (₹28,198 crore) is considerably higher than that of HDFC Bank (₹19,387 crore), indicating greater volatility in SBI's absolute profit levels across the study period. This is corroborated by the much higher standard deviation of SBI's year-on-year growth rate (204.55%) compared with HDFC Bank's (10.22%), which points to SBI's earnings trajectory being far less stable, driven largely by the FY2019–FY2020 base effect.

7.4 Hypothesis Testing (Independent Samples t-test)

An independent samples t-test was conducted to compare the mean year-on-year profit growth rates of SBI and HDFC Bank. The test produced a t-statistic of 1.112 with a p-value of 0.2921, which exceeds the conventional 0.05 significance threshold. Consequently, the null hypothesis (H0) — that there is no significant difference in the profit growth of SBI and HDFC Bank — cannot be rejected at the 5% level of significance. This indicates that, despite the visibly different growth patterns illustrated in Table 1, the difference in mean growth rates between the two banks is not statistically significant once the high variability of SBI's growth series is accounted for.

A separate t-test on the absolute net profit levels (rather than growth rates) yielded a t-statistic of −0.126 and a p-value of 0.9018, further confirming that the average profit levels of the two banks over the study period are statistically indistinguishable. A Pearson correlation coefficient of 0.972 between the two banks' annual net profit series indicates that both banks' profits have moved in close tandem, consistent with their shared exposure to the broader Indian credit cycle, interest rate environment, and post-pandemic economic recovery.

7.5 Return on Equity (ROE) Comparison

Table 3 presents the ROE trend for both banks.

Financial Year	SBI ROE (%)	HDFC Bank ROE (%)
2019	1	17
2020	7	16
2021	9	16
2022	12	17
2023	17	17
2024	17	17
2025	17	14

Table 3: Return on Equity (ROE) Comparison, FY2019–FY2025 (%)

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HDFC Bank maintained a consistently higher ROE than SBI through most of the study period, particularly in FY2019–FY2022, when its ROE remained in the 16–17% range while SBI's ROE was recovering from a low of 1% in FY2019. From FY2023 onward, SBI's ROE converged with HDFC Bank's at approximately 17%, reflecting the public sector bank's improved asset quality and capital efficiency. In FY2025, HDFC Bank's ROE declined to 14%, largely due to the dilutive effect of the enlarged equity base following the HDFC Ltd. merger, while SBI's ROE held steady at 17% — marking a notable reversal of the earlier gap between the two banks.

VIII. KEY FINDINGS

- SBI's net profit grew at a substantially higher compound rate over FY2019–FY2025, but this is materially distorted by an unusually low FY2019 base caused by elevated NPA provisioning.
- HDFC Bank demonstrated more stable and predictable year-on-year profit growth throughout the study period, with lower volatility than SBI.
- The FY2024 amalgamation of HDFC Ltd. with HDFC Bank significantly expanded HDFC Bank's balance sheet and profit base, complicating direct year-on-year comparability from FY2024 onward.
- The independent samples t-test indicates that the difference in mean profit growth rates between SBI and HDFC Bank is not statistically significant at the 5% level ($p = 0.29$).
- SBI and HDFC Bank's annual net profits are very highly correlated ($r = 0.97$), suggesting both banks are influenced by common macroeconomic and sectoral factors.
- SBI's ROE has converged with, and in FY2025 slightly exceeded, HDFC Bank's ROE — a reversal of the historical gap that favoured HDFC Bank in the early part of the study period.
- HDFC Bank's FY2025 ROE decline reflects the equity-dilution effect of its recent merger rather than a deterioration in underlying operating performance.

IX. SUGGESTIONS

- SBI should continue to strengthen asset quality monitoring and provisioning discipline to reduce the volatility in its profit growth observed during the study period.
- HDFC Bank should focus on efficiently integrating and deploying the enlarged capital base from the HDFC Ltd. merger to restore ROE to pre-merger levels.
- Both banks should continue investing in digital banking infrastructure to improve cost-to-income ratios and support sustainable, low-volatility profit growth.
- Future comparative studies should treat FY2024 as a structural break in HDFC Bank's data series and consider standalone (pre-merger) figures where longer-run trend consistency is required.
- Investors and analysts should look beyond headline CAGR figures, which can be significantly distorted by base-year effects, and instead rely on a combination of growth rate, volatility, and ROE trends when comparing bank performance.

X. CONCLUSION

This comparative study of SBI and HDFC Bank over FY2019–FY2025 confirms that both banks have substantially strengthened their profitability, but through markedly different paths. SBI's growth has been shaped by a recovery from a period of asset quality stress, producing headline growth figures that are impressive but partly attributable to a depressed starting base. HDFC Bank has delivered more consistent organic growth throughout the period, supplemented by a transformative merger that reshaped its scale from FY2024 onward. Statistically, the difference in mean profit growth between the two banks over the study period is not significant, and their profit trajectories are very highly correlated, reflecting shared exposure to India's macroeconomic and credit cycle. Both banks continue to play a central role in India's banking sector, but their profit growth patterns reflect distinct strategic and operational approaches — SBI's recovery-led public sector model and HDFC Bank's consistency-led, now merger-enlarged, private sector model.

XI. LIMITATIONS OF THE STUDY

- The study relies exclusively on secondary, consolidated financial data and does not incorporate primary survey data on customer or employee perceptions.
- The FY2024 amalgamation of HDFC Ltd. with HDFC Bank introduces a structural break that limits strict year-on-year comparability of HDFC Bank's figures across the study period.
- The study period includes the COVID-19 pandemic (FY2020–FY2021), which may have introduced atypical fluctuations not fully attributable to underlying operational performance.
- The analysis is limited to net profit, growth rate, and ROE; a fuller assessment could incorporate additional variables such as Net Interest Margin, Gross/Net NPA ratios, and cost-to-income ratios in a multivariate framework.

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