



## A Comparative Study on the Ratio Analysis of Indian Banking Industry for the Period between 2019-2023

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### ABSTRACT

Financial statements are statements that show a company's results, performance and financial position. Analyzing financial information is a powerful tool for many financial users. Different users have different goals regarding their financial concerns. Financial statements provide investors, debtors, creditors, stakeholders, and the public with information about a company's finances, operations, and performance. Learn about the accounting ratio of assets

Financial analysis is the process of evaluating the relationship between items in the financial statement to better understand the company's position and performance. It incorporates salary articulations or benefit and misfortune articulations, adjust sheets, monetary articulations, cash explanations, investigation, and proportion investigation. With the assistance of this article, we need to compare the execution, budgetary position, and operations of HDFC and Hub Bank through comparative examination.

**KEYWORDS:** Ratio analysis, financial performance, HDFC Bank, Axis Bank, liquidity, profitability, activity.

### I. INTRODUCTION

The banking industry serves as the backbone of the global economy, playing a pivotal role in the functioning of financial systems and facilitating economic activities. Beyond the basic functions of borrowing and lending, banks are complex institutions that manage risks, create money, and operate within a framework of regulations to ensure stability and protect stakeholders.

Banking is an important part of the financial system and there is a network of financial institutions authorized by the government to provide various banking services. These services include managing risks related to savings, transfers, credit expansion and financial management. At the same time, the business world has also developed with changes in laws, business development, and advances in information and communication technologies.

Banks act as financial intermediaries, facilitating the transfer of funds from savers to borrowers.

### II. LITERATURE REVIEW

The banking sector is a vital component of any economy, playing a crucial role in financial intermediation, economic development, and overall stability. In the Indian context, HDFC Bank and AXIS Bank, as two of the leading private sector banks, have significantly contributed to shaping the banking landscape. This literature review aims to provide an in-depth analysis of existing studies, articles, and research papers on HDFC Bank and AXIS Bank, exploring various aspects such as their financial performance, customer satisfaction, technological innovation, and corporate governance.

**Gupta and Singh (2018)** conducted a comparative study of HDFC Bank and AXIS Bank's financial performance over a five-year period. The research highlighted HDFC Bank's consistent profitability and robust asset quality compared to AXIS Bank. It emphasized the importance of prudent risk management in maintaining financial stability. This study provided valuable insights into the contrasting financial trajectories of these two banks.

In contrast, **Sharma and Verma (2019)** specifically focused on AXIS Bank, analyzing its capital adequacy and liquidity positions. The study suggested that while AXIS Bank demonstrated strong capital adequacy, liquidity management needed further attention. These findings pointed to the nuanced nature of financial performance within the banking sector, where different banks may face distinct challenges and opportunities.

**Verma and Singh (2018)**, both HDFC Bank and AXIS Bank have been proactive in adhering to regulatory guidelines. The study underlined the significance of regulatory compliance in maintaining stability and fostering trust among stakeholders.

**Mehta and Pandey (2020)** investigated customer satisfaction levels in HDFC Bank, focusing on the impact of digital banking services. The study found that HDFC Bank's investment in digital innovation positively impacted customer satisfaction. Users appreciated the convenience and efficiency of online banking, highlighting the importance of technology in shaping customer perceptions.

**Rajput and Jain (2017)** conducted a study on customer satisfaction in AXIS Bank, examining factors such as service quality, responsiveness, and product offerings. The research suggested that AXIS Bank's emphasis on a diverse product portfolio and customer service excellence contributed significantly to overall customer satisfaction. These findings emphasize the need for banks to tailor their services to evolving customer preferences and expectations.

**Kapoor and Gupta (2018)** delved into the impact of technological advancements on HDFC Bank's operations. The study highlighted the successful integration of digital platforms and the adoption of emerging technologies. The research emphasized the positive correlation between technological innovation and operational efficiency, showcasing how HDFC Bank leveraged technology to stay ahead in the competitive landscape.

**Singh and Kumar (2019)** explored AXIS Bank's technological initiatives, with a specific focus on the implementation of artificial intelligence and data analytics. The study showcased how AXIS Bank's commitment to technological innovation contributed to enhanced risk management and decision-making processes. The findings underlined the transformative role of technology in reshaping traditional banking practices.

**Kapoor and Gupta (2018) and Singh and Kumar (2019)**, highlight the emphasis placed by HDFC Bank and AXIS Bank on cybersecurity measures to protect customer interests.

**Sharma and Kapoor (2021)** conducted a comprehensive analysis of HDFC Bank's corporate governance practices. The study emphasized the bank's adherence to regulatory guidelines and ethical standards, highlighting the positive impact of strong corporate governance on investor confidence and overall organizational effectiveness.

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### III.NEED FOR THE STUDY

A comparative study between 2 companies through ratio analysis is very important in order to provide financial performance of the companies for investors and even understand where the companies stand in the market. Liquidity analysis is important because it provides us with current ratio and quick ratio of the company which tell the liquidity position of the company. Similarly, profitability ratios is also important is order to ascertain the profitability of the company.

### IV.OBJECTIVE OF THE STUDY

Investor's Decision Making

Risk Assessment and Management

Regulatory Compliance

Policy Formulation

Academic Research

Strategic Decision Making

Public Trust and Reputation

Comparative Analysis and Industry Benchmarks

Economic Indicator and Macroeconomic Analysis

Systemic Risk Assessment

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### V.RESEARCH METHODOLOGY

**Research methodology** is a process where specific procedure or technique is used to analyse a particular information about the topic.

There are basically two types of data i.e. primary data and secondary data.

**Primary data** are those data which are collected for the first time, to meet the objective of research only.

**Secondary data** is data which has been already collected and used for any other purpose and can be used for this research also. This study is based on financial statements of companies, which is secondary data.

### SAMPLE DESIGN

**Convenient sampling** is a process where data collection and research on a particular data is conducted on the basis of availability of that data.

The convenient sampling technique is used for the study.

The selection of sample companies is on the basis of consumer preference and their position in the market.

Following is the list of 2 IT companies which are chosen from top ten IT companies in India as sample size for the study. **1.HDFC Bank and 2.AXIS Bank.**

## PERIOD OF STUDY

The study covers a period of 2 years covering a period from **2019-2023**. It is also decided by taking into consideration of the availability of data.

## SOURCE OF DATA

This study is based mainly on secondary data. The data relating to the study is obtained from Moneycontrol.com, Investopedia, Grow and Company website. In addition, the annual reports of the sample companies, Magazines, Journals were also referred for finalizing the methodology for the study.

## VI. DATA ANALYSIS

### KEY FINANCIAL RATIOS –

The 5 category of Ratios that have been used in ratio analysis of TCS and Wipro are as follows –

#### 1. LIQUIDITY RATIO –

- a. Current ratio
- b. Quick ratio

#### 2. LONG-TERM SOLVENCY RATIO –

- a) Debt-Equity ratio
- b) Debt-Asset ratio
- c) Proprietary Ratios

#### 3. ACTIVITY RATIO –

- a) Working capital turnover ratio
- b) Debtors' turnover ratio
- c) Creditors turnover ratio

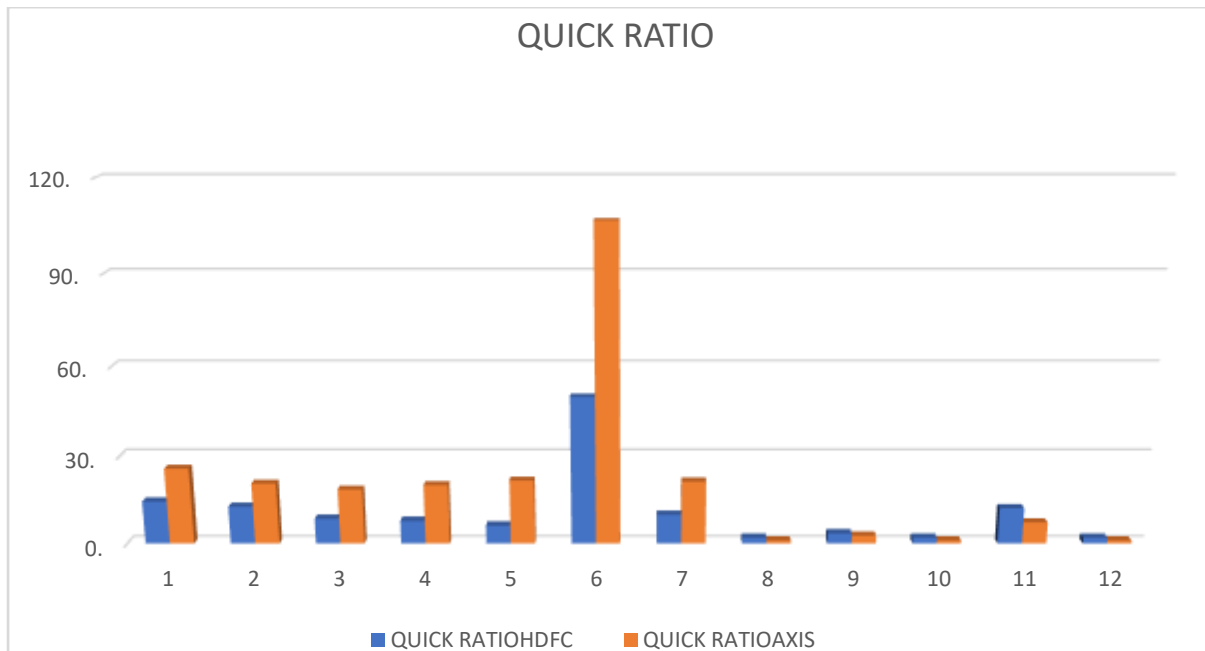
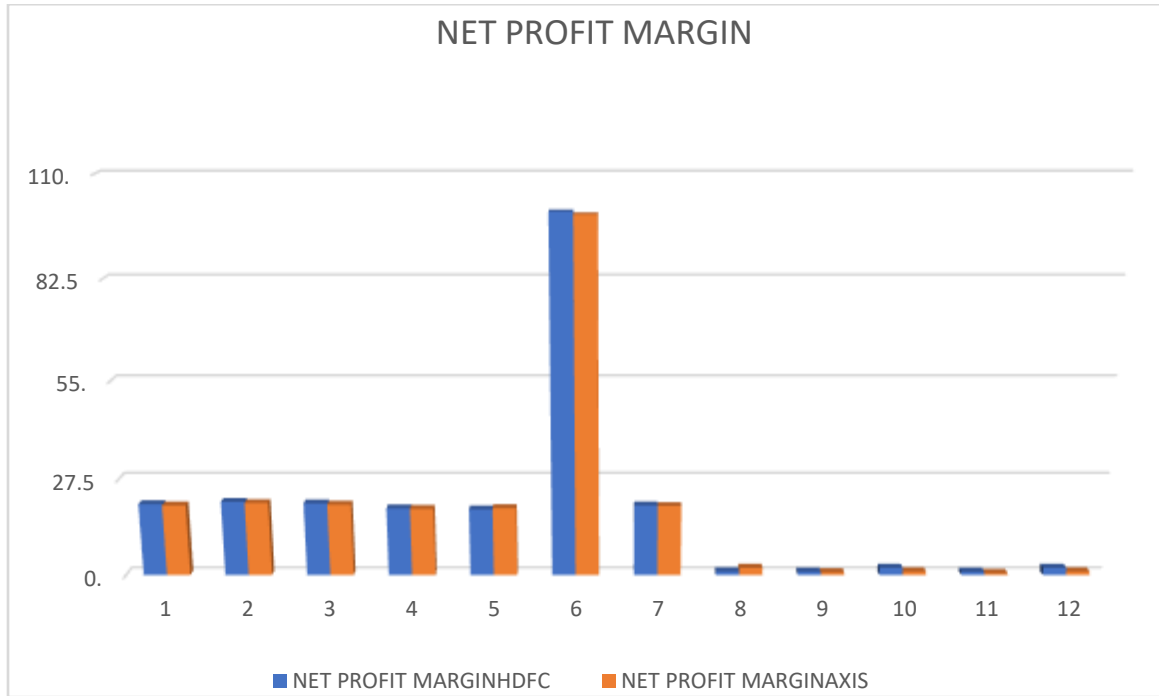
#### 4. PROFITABILITY RATIO (%) –

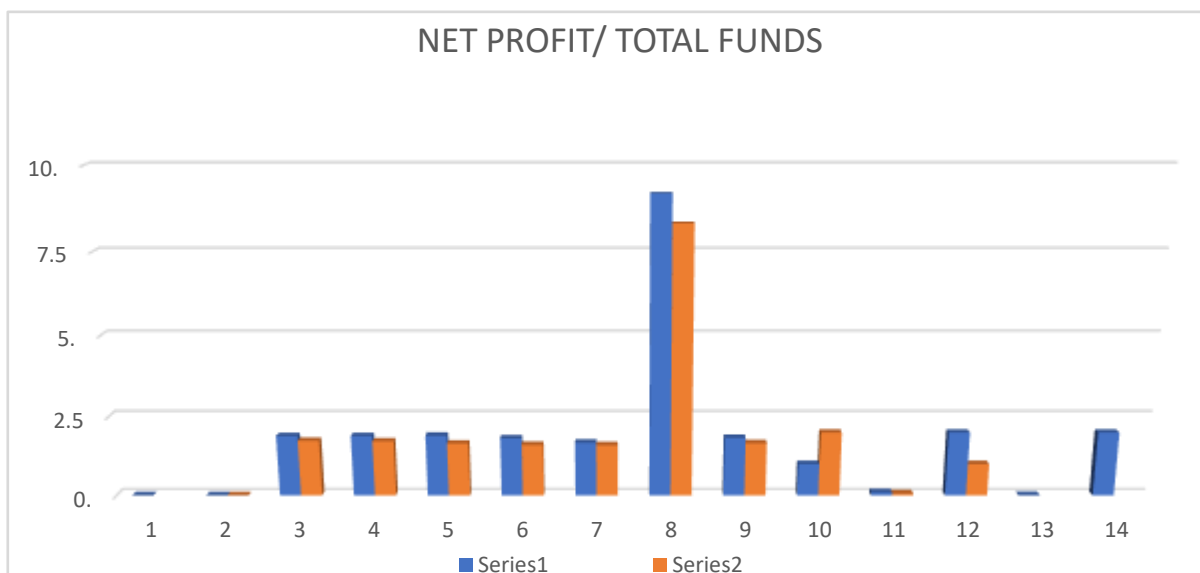
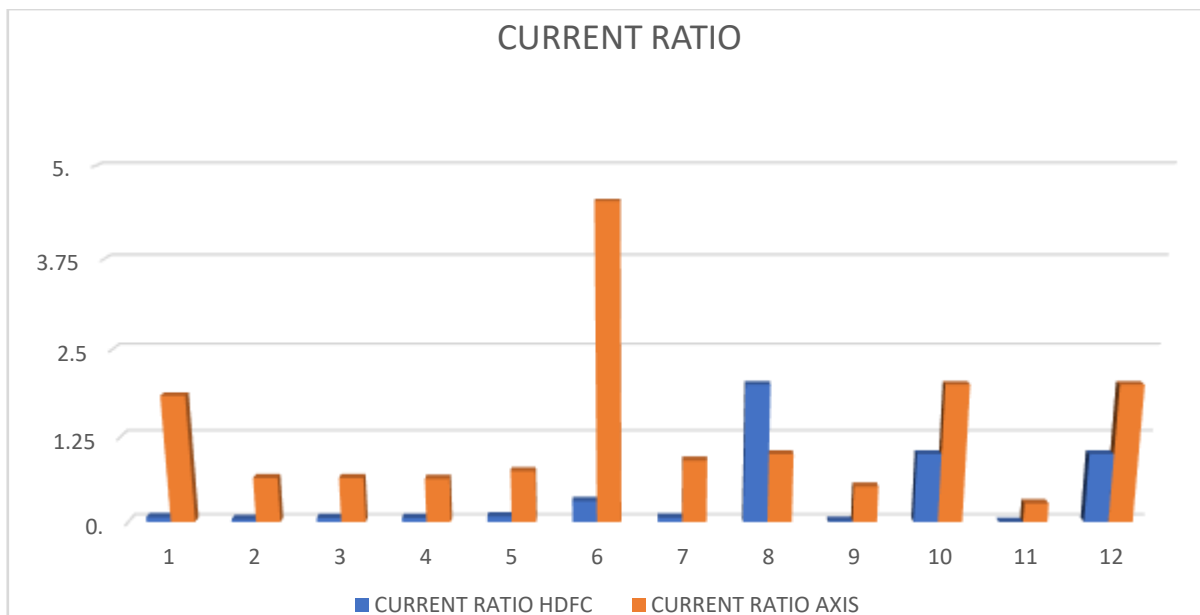
- a) Net Profit margin
- b) Return on Equity
- c) Return on Capital Employed

#### d) RATIOS:

YEARS	NET PROFIT MARGIN		CURRENT RATIO		QUICK RATIO		NET PROFIT / TOTAL FUNDS		
	HDFC	AXIS	HDFC	AXIS	HDFC	AXIS	HDFC	AXIS	
2019	20.41	20.06	0.07	1.84	14.51	25.74	1.89	1.74	
2020	21.07	20.73	0.04	0.65	12.69	20.64	1.89	1.72	
2021	20.61	20.29	0.06	0.65	8.55	18.57	1.9	1.65	
2022	19.18	19.05	0.06	0.64	7.84	20.1	1.82	1.61	
2023	18.93	19.28	0.08	0.75	6.2	21.63	1.68	1.6	
TOTAL	100.2	99.41	0.31	4.53	49.79	106.68	9.18	8.32	
AVERAGE	20.04	19.882	0.062	0.906	9.958	21.336	1.836	1.664	

<b>RANK</b>	1	2		2	1		2	1		1	2	
<b>S.D.</b>	0.935	0.7021		0.015	0.524		3.49	2.7		0.093	0.06	
<b>RANK</b>	2	1		1	2		2	1		2	1	
<b>VARIANCE</b>	0.874	0.493		2.00E-04	0.275		12.2	7.29		0.009	0	
<b>RANK</b>	2	1		1	2		2	1		2	1	





**INTERPRETATION:**

As can be seen from the table, the average values of HDFC Bank's net income, net income/total income, return on equity and dividend payout ratio are higher than Axis Bank. Theoretically, the higher the average score, the higher the ranking and vice versa. Therefore, HDFC ranks first and Axis ranks second. On the other hand, HDFC Bank's average current ratio, short-term ratio and retained earnings are lower than Axis. Therefore, Axis ranks first and HDFC ranks second.

2. From the table, it can be seen that the standard deviation of current ratio, retained earnings and dividend payout ratio of HDFC Bank is lower than that of Axis Bank. If there is a difference in the pattern, the price is lower, the level is higher and vice versa. On the other hand, standard deviation is higher than Axis Bank. - Remove the floor

**HYPOTHESIS TESTING**

From the table, it is seen that the interest value (1.186) is greater than the average table (.301) and the hypothesis is rejected. There seems to be a significant difference between the revenues of HDFC and AXIS Bank. ⑨2. For the current example, the calculated value of the current sample (3.638) is greater than the table value (.02). Therefore the hypothesis is rejected. This means that there is a significant difference between HDFC and AXIS Bank in terms of current ratio. ⑨3. As can be seen from the table, the measured value of the speed ratio (9.167) is greater than the table value (.00079) and the hypothesis is rejected. This means that there is a significant difference in the speed rates of the selected banks. ⑨4. As can be seen from the table, the hypothesis is rejected because the calculated value of the income/total money ratio (5.992) is greater than the desktop value (0.0039). This means that there is a significant difference between the revenues/gross revenues of the selected banks. ⑨5. From the table, it can be seen that the calculated value

of retained earnings (12.837) far exceeds the table value (0.000212), which rejects the hypothesis. This means that there is a significant difference between the retained earnings of the selected banks. \*6. The calculated ROE value for ROE (1.454) is higher than the desktop value (0.2195). Therefore the hypothesis is rejected. This means that there is a significant difference in ROE between HDFC and AXIS Bank. \*7. We reject the hypothesis by finding that the dividend rate calculated from the table is more than the sample value (12.837) than the table value (.00021). From here it becomes clear that there may be a significant difference between the incomes of the selected banks.

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## VII. CONCLUSION

On the basis of the interpretation and hypothesis result both the bank's performance i.e. HDFC and Axis Banks are satisfactory. It is study about accounting ratios among various items included in balance sheet. A single ratio in itself does not bring any feel except it's miles interpreted and end is drawn from it concerning the financial position of the firm as to whether it is strong, average and good. The financial statements analysis is a method of comparing the connection among factor components of monetary assertion to attain a better understanding of a firm's position and performance. The ratios are most effective hints for the analyst; he has to not base his decision entirely on them. He must look at the alternative applicable information, scenario within the concern, general economic environment etc. before reaching final conclusions.

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## VIII. Limitation of the study

### Data Availability:

The study relies on publicly available data from annual reports and other sources, which may not provide a comprehensive view of the banks' operations or may be subject to reporting biases.

Sample Size: The study focuses on only two banks, HDFC and AXIS, which may not be representative of the entire banking industry in India.

### Timeframe:

The analysis covers a limited timeframe, possibly missing long-term trends or changes in the banks' performance.

### External Factors:

The study may not account for external factors, such as regulatory changes, economic conditions, or competitive pressures, which could impact the banks' performance.

### Scope:

The study may not consider all aspects of the banks' operations, such as specific product lines or geographic segments, which could affect their overall performance.

### Data Quality:

The accuracy and reliability of the data obtained from secondary sources may vary, potentially affecting the validity of the analysis. Comparative Analysis: While the study compares HDFC and AXIS Bank, it may not fully explore differences in their business models, strategies, or market positioning that could influence their financial performance.

These limitations should be considered when interpreting the results of the study and drawing conclusions about HDFC and AXIS Bank's financial performance.

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