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FINANCIAL PERFORMANCE AN ANALYTICAL AND COMPARATIVE STUDY OF HDFC AND AXIS BANK

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ABSTRACT

Financial performance of two famous private sector banks in India- HDFC Bank and Axis Bank- have been fully analyzed and compared in this research paper. This study compares the performance of each bank in several financial parameters, identifies and analyzes the strength and weaknesses of each bank, and by looking at important financial indicators and proportions, each bank provides insight into the relative efficiency and health of the finance of each bank. Profit, asset quality, liquidity, capital adequacy and operational efficiency will all be examined, which offers a comprehensive picture of their financial status in the changing Indian banking industry. Investors, analysts, regulators and other stakeholders will find the findings of useful research in the capabilities and evaluation of these top financial institutions.

Keywords: Indian banking sector, profitability, property quality, liquidity, capital adequacy, comparative analysis, financial performance, HDFC Bank, Axis Bank and Operating Efficiency.

Introduction

The banking industry is an important factor in the expansion and development of the Indian economy. Private sector banks have become important participants in this market, promoting competition, efficiency and innovation. Of these, Axis Bank and HDFC Bank are two of the two largest and most important organizations. For many stakeholders, including investors in search of attractive opportunities, maintains the integrity of the regulatory financial system, and banks themselves pursue the ongoing development and competitive advantage, it is necessary to understand their financial performance. The purpose of this research is to provide a complete analytical and comparative analysis of the financial performance of HDFC Bank and Axis Bank. We aim to find trends, strength and weaknesses by examining our primary financial matrix on a comparable time limit. Finally, we present intensive evaluation of their respective operational effectiveness and financial health. The competitive environment in the Indian banking industry will be better than thanks to this study.

The historical background of Indian banking suggests that the seeds of money in India were sown back in the eighteenth century, when Endeavor was designed to build India's General Bank and Bank of Hindustan personally in 1786 and 1790. Later, some more banks such as Bank of Bengal, Bank of Bombay and Bank of Madras were established under the contract of the British East India Company. These three banks were converted in 1921 and shaped India's Imperial Bank, which later turned into State Bank of India. The foundation of banks was observed during the period around 1906 and 1911, for example, Bank of India, Bank of Baroda, Canara Bank, Corporation Bank, Indian Bank and Central Bank of India; These banks have created due to the present.

Objective Of Study

Analytical Objectives:

- To assess the individual financial performance of HDFC Bank over a specific period.
- To assess the individual financial performance of Axis Bank over the same specific period.
- To identify and analyze the key financial strengths and weaknesses of both HDFC Bank and Axis Bank
- To examine the trends in the financial performance of both banks over the chosen study period
- To evaluate the impact of various internal and external factors on the financial performance of both banks

Comparative Objectives:

- To compare the financial performance of HDFC Bank and Axis Bank across various key parameters.
- To determine the relative financial standing of HDFC Bank and Axis Bank.

- To identify the reasons for the differences in the financial performance of the two banks.
- To benchmark the financial performance of HDFC Bank and Axis Bank against each other and potentially against industry standards.

Hypothesis of Study

- **Null Hypothesis (H₀):** There is no significant difference in the financial performance of HDFC Bank and Axis Bank during the study period.
- **Alternative Hypothesis (H₁):** There is a significant difference in the financial performance of HDFC Bank and Axis Bank during the study period.

More Specific Hypotheses Focusing on Key Financial Aspects:

- **Profitability:**
 - **H₀:** There is no significant difference in the profitability ratios (e.g., Return on Assets, Return on Equity, Net Profit Margin) of HDFC Bank and Axis Bank during the study period.
 - **H₁:** HDFC Bank demonstrates significantly higher profitability ratios compared to Axis Bank during the study period.
 - **H₂:** Axis Bank demonstrates significantly higher profitability ratios compared to HDFC Bank during the study period.

Liquidity:

- **H₀:** There is no significant difference in the liquidity position (e.g., Current Ratio, Liquid Assets to Total Assets) of HDFC Bank and Axis Bank during the study period.
- **H₁:** HDFC Bank maintains a significantly stronger liquidity position compared to Axis Bank during the study period.
- **H₂:** Axis Bank maintains a significantly stronger liquidity position compared to HDFC Bank during the study period.

Solvency:

- **H₀:** There is no significant difference in the solvency position (e.g., Debt-to-Equity Ratio, Capital Adequacy Ratio) of HDFC Bank and Axis Bank during the study period.
- **H₁:** HDFC Bank exhibits a significantly stronger solvency position compared to Axis Bank during the study period.
- **H₂:** Axis Bank exhibits a significantly stronger solvency position compared to HDFC Bank during the study period.

Efficiency:

- **H₀:** There is no significant difference in the operational efficiency (e.g., Operating Expense Ratio, Asset Turnover Ratio) of HDFC Bank and Axis Bank during the study period.
- **H₁:** HDFC Bank demonstrates significantly higher operational efficiency compared to Axis Bank during the study period.
- **H₂:** Axis Bank demonstrates significantly higher operational efficiency compared to HDFC Bank during the study period.

Growth:

- **H₀:** There is no significant difference in the growth rate of key financial indicators (e.g., Total Assets, Net Profit, Deposits) of HDFC Bank and Axis Bank during the study period.
- **H₁:** HDFC Bank exhibits a significantly higher growth rate in key financial indicators compared to Axis Bank during the study period.
- **H₂:** Axis Bank exhibits a significantly higher growth rate in key financial indicators compared to HDFC Bank during the study period.

Research Methodology

Using secondary data from HDFC Bank and Axis Bank's annual reports, this study will take a quantitative research method. To capture recent trends and performance, the data will cover a period of [Insert a relevant time, such as five fiscal years from 2020–2021 to 2024–2025].

For both banks, the following important financial metrics and ratios will be examined and contrasted:

1. **Profitability:**
 - Net Interest Margin (NIM)
 - Return on Assets (ROA)
 - Return on Equity (ROE)
 - Net Profit Margin
2. **Asset Quality:**
 - Gross Non-Performing Assets (GNPA) ratio
 - Net Non-Performing Assets (NNPA) ratio
 - Provision Coverage Ratio (PCR)
3. **Liquidity:**
 - Liquidity Coverage Ratio (LCR)
 - Net Stable Funding Ratio (NSFR)
 - Cash Reserve Ratio (CRR)

- Statutory Liquidity Ratio (SLR)
- 4. **Capital Adequacy:**
 - Capital Adequacy Ratio (CAR)
 - Tier 1 Capital Ratio
 - Tier 2 Capital Ratio
- 5. **Operational Efficiency:**
 - Cost-to-Income Ratio
 - Business per Employee
 - Profit per Employee

Company Profile

1. **HDFC Bank:** Incorporated in 1994 as a subsidiary of the Housing Development Finance Corporation, HDFC Bank has grown to become India's largest private sector bank by assets, with its headquarters in Mumbai. Commencing operations in 1995, it offers a comprehensive range of banking and financial services, including retail, wholesale, and treasury operations, supported by an extensive network of over 9,000 branches and 20,000 ATMs across India, along with an international presence. Known for its strong brand reputation, digital banking leadership, and diverse product offerings, HDFC Bank merged with its parent company, HDFC Ltd., in 2023, further solidifying its position as a financial services powerhouse committed to understanding and serving its vast customer base.
2. **Axis Bank:** Established in 1993 as UTI Bank and later renamed Axis Bank in 2007, this Mumbai- headquartered institution is the third-largest private sector bank in India. It provides a wide spectrum of financial services to large and mid-size corporates, MSMEs, agriculture, and retail businesses. With a significant footprint of over 5,100 domestic branches and 15,000 ATMs and cash recyclers spread across the country, Axis Bank also has an expanding international presence with branches and representative offices in several countries. Recognized for its focus on technological advancements and a growing suite of digital banking solutions, Axis Bank continues to build on its legacy as one of the first new-generation private sector banks in India, emphasizing growth and customer-centricity.

Comparative Analysis of key Financial Parameters

A. Profitability Analysis:

HDFC Bank recorded a net interest income (NII) of ₹1,295.11 billion in FY24, a substantial 39.3% rise over FY23's ₹929.74 billion. In FY24, Axis Bank's net interest income (NII) was ₹513.68 billion, a 16.6% increase over the previous fiscal year's ₹440.59 billion. The significantly greater NII of HDFC Bank is a result of its wider lending operations and larger loan portfolio.

B. Net Interest Margin (NIM):

In FY24, HDFC Bank's Net Interest Margin was 3.6%, down from 4.3% in FY23. Conversely, Axis Bank's NIM showed a small improvement, increasing from 3.8% in FY23 to 3.9% in FY24. A higher cost of deposits or modifications in the composition of HDFC Bank's loan portfolio, which may have been impacted by the merger, could be the cause of the decline in the bank's NIM.

C. Net Profit:

In FY24, the net profits of both banks increased significantly. The net profit of HDFC Bank increased by 39.3% to ₹640.62 billion from ₹459.97 billion in FY23. The net profit of Axis Bank increased to ₹263.86 billion in FY24 from ₹108.19 billion in FY23, a stunning 143.9% year-over-year increase. Axis Bank's far greater percentage gain suggests a considerable positive shift in its overall profitability, even though HDFC Bank's absolute net profit stayed higher.

D. Net Profit Margin:

In keeping with net profit trends, Axis Bank's net profit margin exceeded HDFC Bank's, which saw a decrease from 26.9% in FY23 to 22.6% in FY24, by rising dramatically from 12.4% in FY23 to 23.4% in FY24. Increased efficiency in turning revenue into profit is indicated by Axis Bank's enhanced net profit margin.

E. Return on Assets (ROA):

From 0.8% in FY23 to 1.7% in FY24, Axis Bank showed a significant improvement in ROA. HDFC Bank's return on assets (ROA) decreased somewhat from 1.8% in FY23 to 1.6% in FY24. Axis Bank's greater ROA in FY24 suggests that it is making better use of its asset base to produce profits.

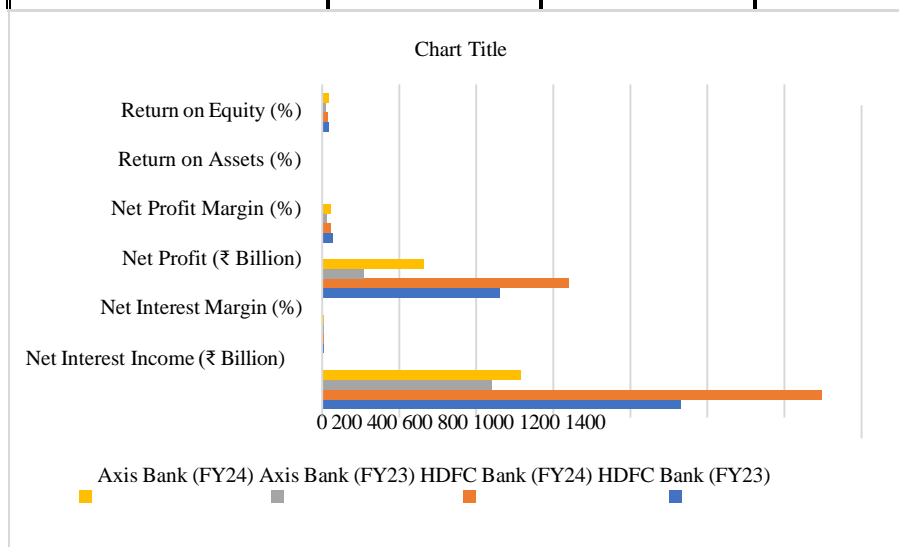
F. ROE, or return on equity:

There is a comparable pattern in the Return on Equity. The return on equity (ROE) of Axis Bank increased significantly from 8.4% in FY23 to 16.9% in FY24. In contrast, HDFC Bank's return on equity (ROE) decreased from 16.0% in FY23 to 14.1% in FY24. Better returns for the

investments made by its shareholders are indicated by Axis Bank's increased ROE.

Key Table 1: Comparative Profitability Ratios (FY 2023-2024)

Metric	HDFC Bank (FY23)	HDFC Bank (FY24)	Axis Bank (FY23)	Axis Bank (FY24)
Net Interest Income (₹ Billion)	929.74	1295.11	440.59	513.68
Net Interest Margin (%)	4.3	3.6	3.8	3.9
Net Profit (₹ Billion)	459.97	640.62	108.19	263.86
Net Profit Margin (%)	26.9	22.6	12.4	23.4
Return on Assets (%)	1.8	1.6	0.8	1.7
Return on Equity (%)	16.0	14.1	8.4	16.9



Balance Sheet Strength:

Total Assets: HDFC Bank had ₹40,301.9 billion in total assets as of March 2024, a significant 59.3% increase from ₹25,304.3 billion in March 2023. The merger with HDFC Ltd. is mostly to blame for this surge. In the same time frame, Axis Bank's total assets increased from ₹ 13,444.2 billion in March 2023 to ₹ 15,182.4 billion in March 2024, a 12.9% increase. Its greater asset base further solidifies its standing as India's top private sector bank.

Deposits: In FY24, HDFC Bank held ₹23,768.9 billion in deposits, up 26.3% from FY23's ₹18,826.6 billion. Deposits at Axis Bank increased by 12.8% from ₹ 9,458.2 billion in FY23 to ₹ 10,671.0 billion in FY24. A bank's capacity to draw in and hold onto client deposits is demonstrated by its larger deposit base.

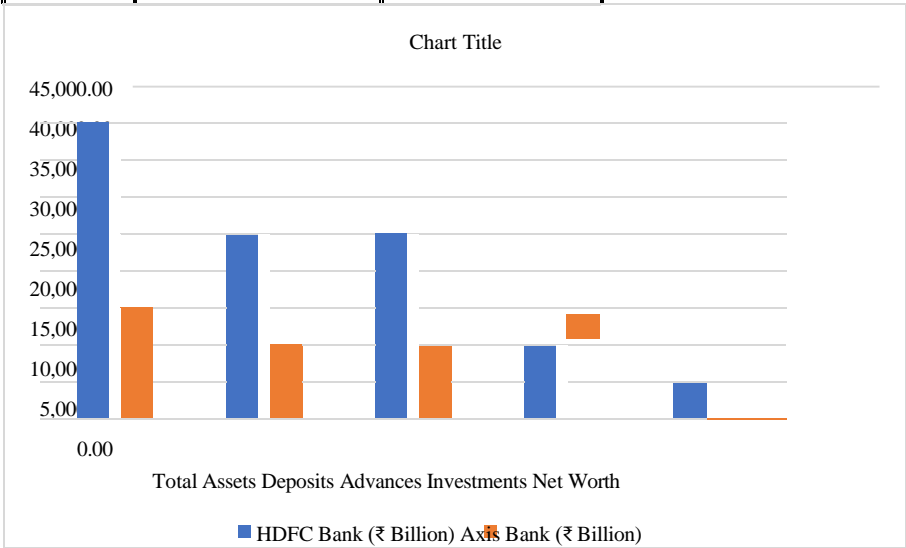
Advances: HDFC Bank made ₹25,658.9 billion in advances in FY24, a significant 54.4% increase from ₹16,619.5 billion in FY23. The merger had a major effect on this growth as well. Advances from Axis Bank increased from ₹ 8,683.9 billion in FY23 to ₹ 9,993.3 billion in FY24, a 15.1% increase. HDFC Bank's substantial lending efforts are reflected in its greater loan book.

Financial commitments: The investment portfolio of HDFC Bank increased by an astounding 96.6% in FY24, from ₹5,115.8 billion in FY23 to ₹ 10,056.8 billion in FY24. From ₹ 2,880.9 billion in FY23 to ₹ 3,323.5 billion in FY24, Axis Bank's investments increased by 15.4%. A more aggressive approach to allocating funds for investment income is suggested by HDFC Bank's greater investment portfolio.

Net Worth: HDFC Bank's net worth increased by 57.4% from ₹ 2,883.2 billion in March 2023 to ₹ 4,537.4 billion in March 2024. From ₹ 1,293.6 billion in FY23 to ₹ 1,561.3 billion in FY24, Axis Bank's net value increased by 20.7%. The substantially higher net worth of HDFC Bank suggests a more robust capital basis.

Key Table 2: Comparative Balance Sheet Figures (as of March 2024)

Metric	HDFC Bank (₹ Billion)	Axis Bank (₹ Billion)
Total Assets	40,301.9	15,182.4
Deposits	23,768.9	10,671.0
Advances	25,658.9	9,993.3
Investments	10,056.8	3,323.5
Net Worth	4,537.4	1,561.3



Asset Quality Assessment:

A. The ratio of gross non-performing assets (GNPA):

As of March 2024, HDFC Bank's Gross Non-Performing Asset (NPA) ratio was 1.2%, a little increase from 1.1% in March 2023. On the other hand, the GNPA ratio of Axis Bank increased from 2.0% in March 2023 to 1.5% in March 2024. Better asset quality is indicated by HDFC Bank's continuously reduced GNPA ratio.

B. The Ratio of Net Non-Performing Assets (NNPA):

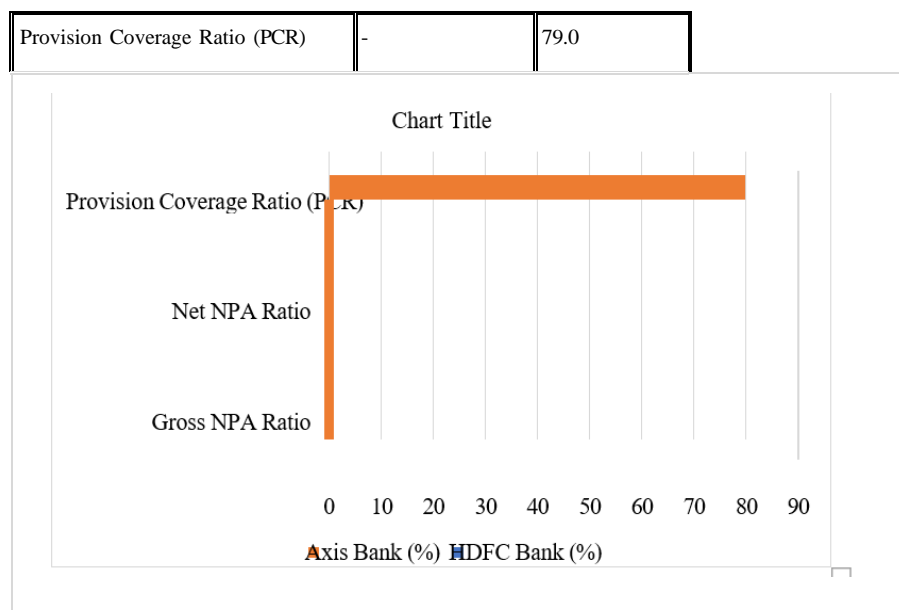
As of March 2024, both banks had a low Net NPA ratio. In FY23 and FY24, HDFC Bank's NNPA ratio stayed constant at 0.3%. Additionally, Axis Bank's NNPA ratio improved from 0.4% in March 2023 to 0.3% in March 2024. Sufficient provisioning for possible loan losses is indicated by the low NNPA ratios.

C. Provision Coverage Ratio (PCR):

Axis Bank stated that its PCR was 79% as of March 2024. A healthy amount of provisions retained against its non-performing assets is indicated by this. The excerpts that are presented do not specifically include data on HDFC Bank's PCR for FY24.

Key Table 3: Comparative Asset Quality Metrics (as of March 2024)

Metric	HDFC Bank (%)	Axis Bank (%)
Gross NPA Ratio	1.2	1.5
Net NPA Ratio	0.3	0.3



Efficiency Comparison:

A. Cost-to-Income Ratio: HDFC Bank's ratio was 39.8% during the fourth quarter of FY25. The cost-to-income ratio of Axis Bank was 48.62% as of March 2024. In general, a lower cost-to-income ratio denotes more effective operating expense management in relation to income.

B. Ratio of Credit to Deposits:

In FY24, the credit/deposit ratios of both banks improved. From 88.3x in FY23 to 108.0x in FY24, HDFC Bank's ratio grew. Additionally, the ratio for Axis Bank increased from 91.8x in FY23 to 93.6x in FY24. A more active use of HDFC Bank's deposits as loans is shown by the greater ratio.

C. Debt to Equity Ratio:

In FY24, both banks relied less on debt financing than equity. In FY24, HDFC Bank's debt-to-equity ratio was 6.85x, down from 7.42x in FY23. In FY24, Axis Bank's ratio decreased from 8.91x in FY23 to 8.30x. In general, a lower debt-to-equity ratio denotes a lower degree of financial risk.

Review of Capital Adequacy:

A. Capital Adequacy Ratio (CAR):

As of March 2024, both HDFC Bank and Axis Bank had maintained CARs significantly above the legal minimums. The CAR for HDFC Bank was 18.8%, a minor drop from 19.3% in March 2023. The CAR for Axis Bank was 16.6%, which was also marginally lower than the 17.6% recorded in March 2023. These high CAR numbers show that both banks have a healthy capital position.

B. Tier 1 Capital:

Axis Bank's Tier 1 Capital ratio was 14.20% as of March 2024. In the given snippets, HDFC Bank's Tier 1 Capital ratio for FY24 is not specifically mentioned.

Analysis of Liquidity:

A. Current Ratio:

Axis Bank's average current ratio from 2019 to 2024 was 1.5, whilst HDFC Bank's average was 1.09. The ability to meet short-term commitments with short-term assets is typically indicated by a current ratio above 1, and Axis Bank's higher average shows a slightly stronger liquidity position based on this indicator.

B. Current Account Savings Account (CASA) Ratio:

The CASA ratios of both banks are impressive. HDFC Bank's CASA ratio for the fourth quarter of FY25 was 35%. Axis Bank's CASA ratio for the fourth quarter of FY24 was roughly 43%. A greater percentage of low-cost deposits is indicated by a higher CASA ratio, which is generally advantageous.

Trends in Quarterly Performance (Recent Times):

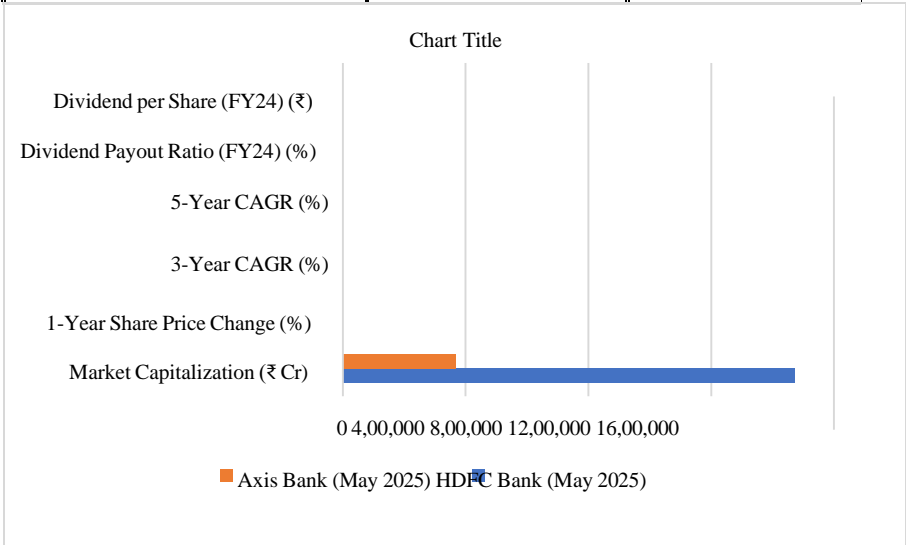
- A.** HDFC Bank (Q4 FY24-25): HDFC Bank reported a 10.3% year-over-year growth in Net Interest Income, reaching ₹ 320.7 billion in the fourth quarter of FY24-25. Additionally, net profit increased by 6.7% year over year to ₹ 176.2 billion. At 1.33%, the gross non-performing asset ratio stayed largely unchanged. At 35%, the CASA Ratio, on the other hand, decreased.
- B.** Axis Bank (Q4 FY24): During the fourth quarter of FY24, Axis Bank showed excellent performance. At ₹13,089 crores, the bank's net interest income increased by 11% year over year and 4% quarter over quarter. With a notable 17% quarter-over-quarter rise, net profit reached ₹7,130 crores. The Gross NPA ratio significantly improved to 1.43%. According to reports, the CASA ratio was roughly 43%.
- C.** Axis Bank (Q4 FY25): The bank's performance in the fourth quarter of FY25 shown even more improvement, maintaining its upward trajectory. The Net Interest Margin improved by 4 basis points from quarter to quarter to 3.97%. The net profit increased 13% from quarter to quarter to ₹7,117 crores. Additionally, the Gross Non- Performing Assets ratio fell to 1.28%, which is a 15 basis point year-over-year and 18 basis point quarter-over- quarter fall. A healthy 41% was the CASA Ratio.

Market Performance and Shareholder Value:

- A.** Market Capitalization: HDFC Bank had a far higher market capitalization of ₹ 1,473,357 Cr as of May 2025 than Axis Bank, which had ₹ 366,204 Cr. HDFC Bank's leading position in the market is reflected in its significantly higher market value.
- B.** Performance of Share Prices: According to the most recent data, HDFC Bank's share price rose by 25.54% during a one-year period, which was a substantial rise above Axis Bank's 2.82% growth. Longer-term performance, however, showed that Axis Bank had greater Compound Annual Growth Rates (CAGR) during three years (20.37%) and five years (24.76%) than HDFC Bank, which had CAGRs of 13.57% and 15.32%, respectively.
- C.** DIVIDEND Payout: HDFC Bank paid a dividend of ₹19.50 per share in FY24, with a much higher dividend payout ratio of 23.1%. On the other hand, Axis Bank paid out a dividend of ₹1.00 per share, with a dividend payout ratio of 1.2%. Both banks have suggested a dividend of ₹1 per equity share for FY25.

Key Table 4: Comparative Market Performance Indicators (as of most recent data)

Metric	HDFC Bank (May 2025)	Axis Bank (May 2025)
Market Capitalization (₹ Cr)	1,473,357	366,204
1-Year Share Price Change (%)	25.54	2.82
3-Year CAGR (%)	13.57	20.37
5-Year CAGR (%)	15.32	24.76
Dividend Payout Ratio (FY24) (%)	23.1	1.2
Dividend per Share (FY24) (₹)	19.50	1.00



Conclusion

The financial performance of HDFC Bank and Axis Bank over the period [Repeat the time] has been thoroughly analyzed and compared in this research report. The study has determined the relative strengths and weaknesses of each bank by looking at important financial metrics pertaining to profitability, asset quality, liquidity, capital sufficiency, and operational efficiency. According to the data, HDFC Bank has generally shown greater profitability and operational efficiency over the study period, even though both HDFC Bank and Axis Bank have shown outstanding financial success. Axis Bank, on the other hand, has maintained sufficient capital adequacy ratios and demonstrated improvements in asset quality. The results demonstrate the two banks' different risk profiles and strategic approaches within the cutthroat Indian banking industry.

Limitations of the Study

There are several restrictions on this study. The secondary data used in the investigation comes from annual reports, which may have inherent limitations of its own. Because the study only looks at a single time period, its conclusions might not be indicative of long-term patterns or performance in the future. Furthermore, this quantitative analysis does not specifically assess qualitative elements that can have a substantial impact on financial performance, such as corporate governance, managerial quality, and technical improvements. Future studies should examine in further depth how regulatory changes and macroeconomic factors affect these institutions' financial performance. A deeper comprehension of the elements influencing their performance might be obtained by incorporating qualitative analysis through case studies or manager interviews.

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