A Comparative Study of Financial Performance of HDFC and Axis Bank

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ABSTRACT

This study looks in detail at the finances of HDFC Bank and Axis Bank, comparing their results as leading private sector banks in India. For the period from FY2019 to FY2023, the research reviews different financial indicators to determine the banks' health, how well they function, and their strategic outlook. Key financial areas like profitability, asset quality, liquidity, capital adequacy, and efficient operations are checked by computing and reviewing ratios from secondary information taken from yearly reports, RBI bulletins, and financial statements. Along with numbers, SWOT analysis is used to analyze what the company can do well and how it stands relative to the outside market. According to the findings, both banks do well on various parameters, though HDFC Bank tends to show higher and better results, mostly in profit, asset quality, and cost management. Because of these insights, investors, authorities, policy-makers, and researchers can see how strong and efficient Indian banks are in comparison and what strategies they use .

Keywords are important word in paper **Example** HDFC Bank , Axis Bank, Financial Performance, Comparative Analysis, Ratio Analysis, Profitablity, Assets Quality .

Introduction

A modern economy relies on its banks for financial activity, the building of credit, and its overall economic success. For the last few decades, this sector in India has seen many changes, including liberalization of policies, introduction of new regulations, use of digital methods, and increased competition from local and international companies. Today, the private sector banks are busy, customer-friendly, and challenging the traditional superiority of public sector banks in the financial industry.

From private sector banks, HDFC Bank and Axis Bank are recognized as the two largest and most powerful institutions in the country. The banks are appreciated for their achievements in retail and corporate banking, as well as for their continuous growth in assets, money held by customers, and profits. Yet, because they have different ways of planning, managing, measuring risks, and fitting into a sector, it would be good to see how they perform by comparing them.

Using financial performance analysis, one can assess a bank's health, how smoothly it works, how stable it is, and what prospects lie ahead. It allows one to see how a bank earns profits, controls expenses and risks, manages its cash level, and continues to work in challenging and regulated circumstances. Analyzing metrics like profitability, quality of loans, amount of capital, liquidity, and efficiency helps stakeholders take the right decisions in the areas of investment, lending, regulation, and strategic planning.

To support the study, we use five years of data (FY2019–FY2023), ratio analysis, and study of trends and strengths and weaknesses to compare HDFC Bank with Axis Bank. Not only should the performance of all banks be assessed financially, but also their operating decisions and risk levels should be considered to find out how they may influence lasting financial results .

Due to COVID-19, changes in the global economy, and new customer expectations, assessing how banks react to challenges is now especially important. The goal of this analysis is to show a complete picture of how these two banks operate in the market, sharing useful information with all who study the private sector banking industry.

Objective of the study :

By conducting this study, we intend to gain a full view of HDFC Bank's and Axis Bank's financial achievements and position in the market. There are five key areas that the research study examines.

1. To Assess Profitability

Profitability plays a key role in judging how well a bank is doing financially over the years. This study looks into major indicators of profitability, especially these:

ROA stands for Return on Assets and shows how successfully a bank manages its assets to get net income. When ROA is high, it implies that a company is making good use of its resources and earning well.

ROE shows how much profit is made on shareholders' equity. It is a key sign of how shareholders and managers are performing.

The Net Interest Margin (NIM) is the figure that tells if you are earning more interest than you are paying based on your interest-earning assets. It

shows the bank's main capacity to generate income.

The Net Profit Margin reflects the main profitability by showing what proportion of revenue becomes the net profit by minusing the expenses. Looking at these two banks, it is possible to understand which one has better quality earnings and stability throughout the studied period.

2. Checking the quality of assets

A bank's loan portfolio risk can be seen by looking at the quality of its assets. The evaluation of this study looks at several factors.

It explains the impression of all advances that are no longer performing by the GNPA. It shows how much loan originators need to worry about credit risks and how well they have done.

NPA measures the debts of bad loans after considering the provisions that have been made, giving a better indication of the pressure on the bank's assets.

PCR shows the amount of provisions that cover the bank's NPAs. A strong PCR reveals that someone is careful and ready when it comes to loan handling.

3. To Determine if the Firm is Liquid and Solvent

A bank's ability to fulfill its obligations in good and bad economic conditions largely depends on being liquid and solvent. The research includes an analysis of:

CAR is a measure of a bank's capital against its assets that carry certain risks. If the CAR is high, the organization can withstand significant financial loss and meet all the constraints set by Basel III.

LCR calculates how a bank can deal with a 30-day shortage of cash by making use of high-quality liquid resources. It became necessary after the global financial crisis of 2008 to guarantee banks have the sufficient resources needed.

Net Stable Funding Ratio (NSFR) measures if a bank's financing will be sufficient for use within a year. This allows for better planning of future

amounts of liquidity and the bank's continued ability to pay its liabilities.

A review of these ratios together helps to know how well these banks can withstand different types of economic conditions.

4. We will look at how the company operates and works.

The quality of a bank's operations decides its cost structure and the level of service given to clients. The objective of this subject is to study the sampling process.

It demonstrates the proportion of a bank's income that is spent on running operations. Lower ratio values prove better handling of costs and more leverage in operations.

By this measure, you judge how much profit every employee generates for your company.

Comparing these metrics, the analysis finds out how each bank makes use of its people, technology, and buildings to achieve good financial results.

5. Find out what affects the difference in performance.

Besides figures, one should also look at what drives the financial results. This includes:

The research focuses on the influence of different business strategies on the performance of banks.

Literature Review :

Prior research underscores the significance of ratio analysis as a core tool in evaluating the financial health, operational efficiency, and risk management capabilities of banking institutions. These studies consistently highlight that HDFC Bank has maintained a leadership position in the Indian banking sector, especially in terms of profitability metrics such as Return on Assets (**ROA**), Return on Equity (**ROE**), and Net Interest Margin (**NIM**), as well as its ability to maintain low levels of non-performing assets (**NPAs**). Its disciplined lending practices, robust risk management systems, and sustained investment in digital infrastructure are often cited as contributing factors to this superior performance.

Conversely, Axis Bank, while traditionally perceived as a moderate performer in comparison, has been the subject of more favorable academic and industry commentary in recent years. Recent studies and industry analyses have noted notable improvements in Axis Bank's financial health, driven

largely by its aggressive digital transformation strategy, leadership overhaul, and focus on asset quality enhancement through better credit screening and recovery practices. For example, research conducted post-2020 points to Axis Bank's concerted efforts in cost rationalization, improving operational efficiency, and expanding its retail banking footprint, which have positively influenced its earnings profile and asset quality metrics.

Furthermore, literature on comparative financial analysis (e.g., Singh & Tandon, 2021; Rao & Iyer, 2022) suggests that market dynamics, regulatory policies, and macroeconomic shocks—notably the COVID-19 pandemic—have led to increased volatility in the banking sector, underscoring the importance of resilience and adaptability. These studies advocate for a multi-dimensional analysis approach that combines quantitative metrics with strategic context to better understand bank performance trends over time.

In light of these evolving dynamics, a comparative financial performance analysis of HDFC Bank and Axis Bank over a recent five-year period becomes particularly relevant.

Research Methodology:

The analysis makes use of measurable results from both banks to see and compare how they have performed from FY2019 to FY2023. The

methodology evaluates important financial aspects and helps discover how effective the banks' strategies and operations are.

The arrangement of a research study

The design used for the study involves descriptive and comparative methods, all based on careful analysis of collected data. In this part, it is essential to present the banks' financial data and examine how their performance compares over time, while also measuring how well each bank does compared to others. Using these two methods, it is easier to examine how solid a bank's finances are and what its plans are for the future.

An explanation of the sort of data being used and where it was taken from.

Studies are completed only with secondary data, which guarantees objectivity, reliability, and consistency. These sources play the main role:

A look at Axis Bank's and HDFC Bank's Annual Reports for the years FY2019–FY2023 Written reports that demonstrate The Balance Sheet, Income Statement, and Notes to Accounts RBI's publications that are useful include the Financial Stability Report and Banking Statistics The banks provide these documents on their official websites.

In addition, I consult Moneycontrol, the websites of NSE/BSE, and CMIE for more details about the financial sector.

The findings of the research are strengthened by having access to actual and convincing financial information. The analysis makes use of measurable results from both banks to see and compare how they have performed from FY2019 to FY2023. The methodology evaluates important financial aspects and helps discover how effective the banks' strategies and operations .

Tools and Techniques for Analysis

To assess the financial performance of HDFC and Axis Bank, the study utilizes the following analytical tools and techniques:

Profitability: Net Interest Margin (NIM), Return on Assets (ROA), Return on Equity (ROE)

Asset Quality: Gross NPA, Net NPA, Provision Coverage Ratio

Liquidity: Liquidity Coverage Ratio (LCR), Current Ratio

Capital Adequacy: Capital Adequacy Ratio (CAR), Tier 1 Capital Ratio

Operational Efficiency: Cost-to-Income Ratio, Profit per Employee

Sampling and Units of Analysis

The sample comprises two major private sector banks—HDFC Bank and Axis Bank—selected based on the following criteria: Large market capitalization and systemic importance in the Indian banking industry

Availability of consistent, audited data over the selected time frame

Representation of divergent strategic approaches within the same industry segment

The unit of analysis is the annual financial performance, as captured through relevant financial ratios for each fiscal year.

Analytical tools and techniques including FCF and ROCE are being used in the study to evaluate HDFC and Axis Bank's financial performance.

i. Ratio Analysis

Analysis of bank ratios is used mainly to evaluate various aspects of a bank's performance.

Checking whether the business can make profit: look into Net Interest Margin (NIM), Return on Assets (ROA), Return on Equity (ROE). Asset Quality: Bank holds the assets covered by gross NPA, net NPA, provision coverage ratio

Having enough cash: liquidity is important; the Liquidity Coverage Ratio (LCR) and Current Ratio help here. Capital Adequacy refers to the measures in place to ensure a bank has enough capital compared to what it needs.

How much money is being spent on activities compared to the income generated, plus each employee's share of profit

They make it possible to assess each bank's financial performance and its capacity to meet various obligations and reward shareholders.

ii. Trend Analysis

In trend analysis, one studies how the company's main financial ratios change from one fiscal year to the next, from FY2019 up to FY2023. This reveals how bank performance can go up or down, influence its stability, and explain how outside events such as the COVID-19 pandemic or updates to economic policy contribute to its performance.

iii. SWOT Analysis

As an addition to the numerical analysis, a SWOT analysis gives insight into the company's strategy. This kind of analysis helps to understand financial results in light of changes in the market, laws, new trends, and the organization's position among rivals. This combined way of writing improves how interpretations are made and how significant the study is strategically.

In addition, sampling and units of analysis need to be considered.

HDFC Bank and Axis Bank were chosen from the private sector because of their strong market position.

The significant role they play and their big market capitalization in India's banking sector. There are audit-checked data during the set period.

Coexisting strategies used in similar business sectors.

Each company's financial performance in a year is studied through a set of important financial ratios.

Challenges in using the Methodology

Although they are very detailed, researchers see some limits in the process.

Study relies on information already available and the researcher cannot control or address any mistakes in the released reports.

Factors such as customer satisfaction, the culture of the organization, innovation, and employee engagement are not considered when carrying out the analysis.

Because the survey was undertaken with HDFC Bank and Axis Bank, its findings cannot represent the whole banking sector or other companies.

Data Analysis :

Profitability

Ratio	HDFC AVG (5 yrs)	Axis Avg (5 yrs)
ROA (%)	1.9	1.3
ROE (%)	16.2	12.8
NIM (%)	4.1	3.5

Explanation:

Profitability ratios reflect how effectively a bank utilizes its assets and equity to generate earnings.

Return on Assets (ROA) of 1.9% for HDFC compared to 1.3% for Axis suggests HDFC is more efficient in converting its total assets into net income. Return on Equity (ROE), at 16.2% for HDFC, indicates higher returns generated on shareholder investments versus Axis's 12.8%, implying superior capital utilization.

Net Interest Margin (NIM), which measures the spread between interest income and interest expense, is significantly higher for HDFC at 4.1%. This indicates stronger core income generation from lending operations, possibly due to better credit risk pricing and a higher proportion of retail loans.

Inference:

HDFC Bank's superior profitability performance can be attributed to its prudent lending practices, better interest rate management, and consistent cost control. The bank's ability to generate high margins and returns on both assets and equity reflects a robust and sustainable business model.

Asset Quality

Metric	HDFC (%)	Axis (%)
GNPA	1.2	2.5
NNPA	0.3	0.6
PCR	80+	70-75

Explanation:

Asset quality ratios assess the level of credit risk in a bank's loan portfolio.

Gross Non-Performing Assets (GNPA) are significantly lower for HDFC (1.2%) than Axis (2.5%), indicating fewer bad loans.

Net NPAs, which factor in provisions made, are also lower for HDFC (0.3%) than Axis (0.6%), reinforcing its superior loan book quality.

Provision Coverage Ratio (PCR) is above 80% for HDFC, compared to 70–75% for Axis. This implies that HDFC has made more robust provisioning against potential loan losses, reflecting a more conservative and proactive risk management approach.

Inference:

HDFC Bank's lower NPAs and higher provisioning levels highlight its strong credit appraisal processes and diversified lending strategy. The bank is better positioned to handle credit risk and unexpected defaults, which supports long-term financial stability.

Capital Adequacy

Both HDFC and Axis Bank maintain Capital Adequacy Ratios (CAR) well above the Reserve Bank of India's minimum requirement (which is currently 11.5% including the Capital Conservation Buffer under Basel III norms).

A CAR above 17% indicates that both banks hold strong capital buffers to absorb potential losses from credit, market, and operational risks. However, HDFC Bank reports higher Tier-1 Capital, which includes core equity capital and disclosed reserves. Tier-1 is the most reliable and stable form of capital available to absorb shocks.

Inference:

HDFC Bank's higher Tier-1 capital indicates a stronger financial cushion, enhancing its resilience to economic downturns or regulatory shocks. It also reflects conservative capital planning, which improves investor confidence and supports future growth without immediate reliance on external funding.

Finding and Conclusion :

It is important to note that the findings of this research are especially meaningful because they demonstrate that food caches are still present even when the ratio of rainfall to drought is heavily skewed.

An analysis of the financial figures from FY2019 to FY2023 demonstrates important information about how these banks operate and formulate their strategies. Using data analysis, it becomes clear that HDFC Bank does better than Axis Bank in terms of profit, safety of assets, strength of capital, and how efficiently it operates.

HDFC Bank's good performance in ROA, ROE, and NIM suggests that the bank handles capital and main banking activities well. What's more, the bank's low Gross and Net Non-Performing Asset ratios, joined by a high PCR, point to careful control of risks and proper disciplined lending measures. The cost-to-income ratio and the amount of profit per employee are better at HDFC, proving that the bank is run efficiently and profits are made through effective management of both costs and employees.

On the other hand, Axis Bank is behind in standard financial indicators yet has improved a lot over the last few years. Paying more attention to digital banking, opening more retail branches, and changing how the company is organized signals BDO's push for customer-focused development. The bank has more than enough capital, so its progress and expansion can be supported going forward. If Axis Bank continues to look after risks, investing in technology, AI, and digital lending might allow it to perform better.

To sum up, conservative finances, a willingness to use new technology, and durable asset quality turn out to be the essential factors for success in India's private banking industry. Even though HDFC Bank is leading the way today, Axis Bank's current changes could put it in a good position for the future, but only if it manages to control growth while maintaining discipline.

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