

A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF HDFC BANK AND AXIS BANK

Dr W Saranya, Associate professor, Department of Commerce with professional Accounting, Sri Ramakrishna College of Arts & Science, Coimbatore

Mr Deepak P, B Com PA, Sri Ramakrishna College of Arts & Science, Coimbatore

ABSTRACT :

Financial Statements are those statements which deliver information about profitability, efficiency and financial position of the concern. Financial statements analysis is a powerful instrument for a variety of users of financial statements. Different users have different objectives in wisdom about the financial circumstances of the concern. Financial statements deliver information to investors, debtors, creditors, stakeholder and public about the financial position, financial condition, efficiency and performance of the business. The financial statements analysis is a process of evaluating the relationship between component parts of financial statement to obtain a better understanding of a firm's position and performance. It includes profit & loss account or income statement, balance sheet, fund flow statement, cash flow statement, trend analysis and ratio analysis. With the help of this paper, we want to compare the performance, financial position and efficiency of HDFC and Axis Bank through the ratio analysis.

KEYWORDS: Financial Performance, HDFC bank, Axis bank and Profitability.

INTRODUCTION :

Finance holds the key of all human activities .it is guide for regulating investment decisions and expenditure and endeavours to squeeze the most out of every available rupee. The government too, treats it as a signpost, a beckon to responsibilities the covers men, money, material, method and management. Out of this finance is a resource and it has to be managed efficiently for the successful functioning of an enterprise. It plays an important role in mobilizing the nation's savings and in channelizing them into high investment priorities and better utilization of available resources. Banks play an important role in the economic development of a country. Their ability to make a positive contribution in igniting the process of growth depends on the effective banking system. These banks mostly deal with money collected in the form of deposits along with their own funds in the form of share capital. So, the banks have the obligation of meeting the demand of the customers promptly, paying interest for the amount and meeting the expenses to carry out its activities.

STATEMENT OF PROBLEM:

The private sector banks are lacking in branch network and market coverage, they have competitive strengths in regular innovations. They are providing better services to customers. They are under effective management and control. The other good points towards private sector banks are low cost of operation, higher profitability ratio, low accumulation of un-remunerative and low yielding assets, smaller in size leading to effective supervision etc.

Analysing financial performance, is the process of evaluating the common parts of financial statements to obtain a better understanding of banks position and performance. It also enables the investors and the creditors evaluate the past and the current performance, financial position, and to predict future performance. Financial statement is used to judge the profitability and financial soundness of a bank. In this study an attempt is made to identify the financial strength and weakness of the bank by properly establishing relationship between the items in the balance sheet and profit and loss account of HDFC and Axis bank.

SCOPE OF THE STUDY :

The scope of the present research study is identified after and during the study is conducted. The study of financial performance of banks is based on tools like different profitability ratios, average of the ratios and in Spatial Dimension Indicators. Further the study is based on 5 years Annual Reports of the

major private banking sectors such as HDFC Bank and AXIS Bank. It excludes the study if other financial problems like working capital, capital expenditure, fund flows and cash flows etc.

OBJECTIVES:

1. To study the comparative financial performance of HDFC and Axis banks.
2. To compare the mean value of HDFC and Axis bank with respect to select ratio analysis.
3. To offer findings and suggestion to enhance the financial performance of HDFC and Axis bank.

LIMITATIONS :

1. The present study is only for a period of 5 years. The result of the study cannot be generalized.
2. Data were collected from financial statements. The inherited limitations of financial statements cannot be avoided.
3. Ratio analysis cherishes the limitation of financial accounting statements.

REVIEW OF LITERATURE:

Raman Kasana (2024), “A Comparative Study on the Ratio Analysis of Indian Banking Industry for the Period between 2019-2023”. 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.

N. K. Shanmugam and T. Yamuna (2023), “A study on financial performance analysis of HDFC bank”. The objective of this study is to compare the current financial performance with last five years and to study the existing financial position of Company. The data used in this study is secondary data through annual report. The data that used in this study, comparative balance sheet, common size balance sheet, comparative balance sheet analysis, that the current liabilities is higher than the current asset in every year and it is to be suggest that the company can concentrate on their increasing the level of the current asset. So, the company improves this financial position.

Ms. Ashwini A (2022), “A Study on Comparative Financial Performance Analysis of Selected Banks”. Aims to analyse the tools to measure the performance of banks. The study concluded that BOB bank has the best current magnitude relation, ICICI bank has the best debt equity magnitude relation, and HDFC bank has the best come back on equity and Indira us similarly as earning per share and value earnings magnitude relation for the past 5 years.

RESEARCH METHODOLOGY:

Research methodology involves systematically planning, executing, and analysing research, utilizing methods like study design, data collection, sampling, and statistical analysis to address particular research questions.

RESEARCH DESIGN

The research adopts a descriptive approach, and main purpose of study is to describe banking trends and financial performance.

DATA SOURCE:

SECONDARY DATA

The selected Indian banking sector are used for study only secondary data, are those data which is already collected and stored. The data are collected from capital line database, Annual report, Journals etc.

ANALYTICAL TOOL :

FINANCIA TOOL

1. Liquidity ratios (current ratio, quick ratio)
2. Gross profit ratio
3. Net profit ratio

4. Proprietary ratio or equity ratio
5. Fixed assets to proprietor's fund ratio
6. Fixed assets to turnover fund ratio
7. Return on total asset ratio

DATA ANALYSIS:

LIQUIDITY RATIO :

CURRENT RATIO

$$\text{Current ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

TABLE 1- Current ratio

HDFC BANK				AXIS BANK		
YE A R	CURREN T ASSET	CURRENT LIABILITIE S	CURREN T RATIO	CURREN T ASSET	CURRENT LIABILITIE S	CURREN T RATIO
2019- 2020	44160.49	151864.31	0.279	41200.72	127588.90	0.323
2020- 2021	46069.63	188926.93	0.244	54964.85	208236.63	0.349
2021- 2022	218690.90	233965.67	0.934	213095.85	208235.63	1.023
2022- 2023	279539.90	276631.12	1.010	263050.60	242912.85	1.083
2023- 2024	338187.56	332461.13	1.017	309237.59	285721.45	1.082

INTERPRETATION :

From the above table, we can interpret that the current ratio of HDFC bank increasing from 0.279 in the year ended 2020 to 1.017 in the year ended 2024 and for AXIS bank increasing from 0.323 in the year ended 2020 to 1.082 in the year ended 2024. An increasing current ratio of both the banks indicates strengthening liquidity positions.

QUICK RATIO :

$$\text{Quick ratio} = \frac{\text{Liquid asset}}{\text{Current liability}}$$

TABLE 2- Quick ratio

HDFC BANK				AXIS BANK		
YEAR	QUICK ASSET	CURRENT LIABILITIES	RATIO	QUICK ASSET	CURRENT LIABILITIES	RATIO
2019-2020	6356.83	157864.31	0.040	3745.15	127588.90	0.029
2020-2021	5955.15	188926.93	0.031	3905.76	208236.63	0.025
2021-2022	174583.74	233965.67	0.746	4632.12	208236.63	0.022
2022-2023	217141.67	276631.12	0.785	6482.93	242912.85	0.026
2023-2024	258735.13	332461.13	0.778	7066.56	285721.45	0.025

INTERPRETATION :

From the above table, we can interpret that the quick ratio of HDFC bank increasing from 0.040 in the year ended 2020 to 0.778 in the year ended 2024 and for AXIS bank decreased from 0.029 in the year ended 2020 to 0.025 in the year ended 2024. The study reveals that the quick ratio of HDFC bank is very good compared to Axis bank.

GROSS PROFIT RATIO :

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}}$$

TABLE 3 - Gross profit ratio

HDFC BANK				AXIS BANK		
YEAR	GROSS PROFIT	NET SALES	GPR	GROSS PROFIT	NET SALES	GPR
2019-2020	6429.72	21172.91	30.36	5240.55	11638.02	45.02
2020-2021	7725.36	23928.21	32.28	6415.69	15154.81	42.33
2021-2022	8950.40	27286.31	32.80	7430.87	21994.65	33.78
2022-2023	11427.62	35064.87	32.58	9303.13	27182.57	34.32
2023-2024	14360.09	41135.54	34.90	11456.09	30641.16	37.38

INTERPRETATION

From the above table, we can interpret that the Gross profit ratio of HDFC bank increasing from 30.36 in the year ended 2020 to 34.90 in the year ended 2024 and for AXIS bank decreased from 45.02 in the year ended 2020 to 37.38 in the year ended 2024. The study reveals that the HDFC bank has higher operation efficiency and revenue generation as compared to Axis bank.

NET PROFIT RATIO :

$$\text{Net Profit Margin} = \frac{\text{Earnings after interest and taxes}}{\text{Net sales}} \times 100$$

TABLE 4- Return on asset ratio

HDFC BANK				AXIS BANK		
YEAR	GROSS PROFIT	NET SALES	GPR	GROSS PROFIT	NET SALES	GPR
2019-2020	2244.94	16172.91	13.880	2514.53	11638.02	21.606
2020-2021	2948.70	19928.21	14.796	3388.49	15154.81	22.35
2021-2022	3926.40	27286.31	14.389	4242.21	21994.65	19.28
2022-2023	5167.09	35064.87	14.389	5179.43	27182.57	19.05
2023-2024	6726.28	41135.54	16.351	6217.67	30641.16	20.29

INTERPRETATION

From the above table, we can interpret that the Net profit ratio of HDFC bank increasing from 13.88 in the year ended 2020 to 16.35 in the year ended 2024 and for AXIS bank decreased from 21.60 in the year ended 2020 to 20.29 in the year ended 2024. The study reveals that the HDFC bank has better loan recovery rates and profitability as compared to Axis bank.

PROPRIETARY RATIO OR EQUITY RATIO :

Shareholder funds

$$\text{Proprietary or equity ratio} = \frac{\text{Total assets}}{\text{Total assets}}$$

TABLE 5 -Proprietary ratio or equity ratio

HDFC BANK				AXIS BANK		
YEAR	Shareholder Fund	TOTAL ASSETS	RATIO	Shareholder Fund	TOTAL ASSETS	RATIO
2019-2020	11497.24	133176.60	0.086	10214.80	147722.05	0.069
2020-2021	15052.73	183270.77	0.082	16044.62	180647.85	0.088
2021-2022	21522.49	222458.57	0.096	18998.83	242713.37	0.078
2022-2023	25379.27	277352.59	0.091	22808.54	285627.79	0.079
2023-2024	29924.68	337909.50	0.088	33107.86	340560.66	0.097

INTERPRETATION

From the above table, we can interpret that the Proprietary ratio of HDFC bank increasing from 0.086 in the year ended 2020 to 0.088 in the year ended 2024 and for AXIS bank increasing from 0.069 in the year ended 2020 to 0.097 in the year ended 2024. The study reveals that the HDFC bank has better financial stability as compared to Axis bank.

FIXED ASSETS TO PROPRIETOR'S FUND RATIO:

$$\text{Fixed assets to proprietary ratio} = \frac{\text{Fixed assets}}{\text{Proprietors fund}}$$

TABLE 6 - Fixed assets to proprietor fund ratio

HDFC BANK				AXIS BANK		
YEAR	FIXED ASSETS	Proprietors Fund	RATIO	FIXED ASSETS	Proprietors fund	RATIO
2019-2020	3956.63	210768.59	0.018	1015.40	10214.80	0.099
2020-2021	4707.97	200811.58	0.023	1165.18	16044.62	0.0726
2021-2022	2170.65	167404.44	0.013	2273.15	18998.83	0.1177
2022-2023	2347.19	138586.41	0.016	2259.33	22808.54	0.099
2023-2024	2709.08	126506.45	0.021	2355.64	33107.86	0.071

INTERPRETATION

From the above table, we can interpret that the fixed assets to proprietor's fund ratio of HDFC bank increasing from 0.018 in the year ended 2020 to 0.021 in the year ended 2024 and for AXIS bank decreased from 0.099 in the year ended 2020 to 0.071 in the year ended 2024. The study reveals that the HDFC bank has better fixed assets to proprietor's fund ratio compared to axis bank.

FIXED ASSETS TURNOVER RATIO :

$$\text{Fixed asset turnover ratio} = \frac{\text{Net sales}}{\text{Average Fixed Assets}}$$

TABLE 7 - Fixed asset turnover fund ratio

HDFC BANK				AXIS BANK		
YEAR	NET SALES	FIXED ASSETS	RATIO	NET SALES	FIXED ASSETS	RATIO

2019-2020	16172.91	3956.63	4.087	11638.02	1015.40	11.46
2020-2021	19928.21	4707.97	4.233	15154.81	1165.18	13.006
2021-2022	27286.31	2170.65	12.573	21994.65	2273.15	9.675
2022-2023	35064.87	2347.19	14.939	27182.57	2259.33	12.03
2023-2024	41135054	2709.08	15.184	30641.16	2355.64	13.007

INTERPRETATION

From the above table, we can interpret that the fixed assets turnover ratio of HDFC bank increasing from 4.087 in the year ended 2020 to 15.184 in the year ended 2024 and for AXIS bank increasing from 11.46 in the year ended 2020 to 13.007 in the year ended 2024. The study reveals that both the bank has positive growth of fixed assets turnover among 5 years.

RETURN ON TOTAL ASSETS RATIO :

$$\text{Return on total assets} = \frac{\text{EBIT}}{\text{Average total assets}}$$

TABLE 8-Return on total assets ratio

HDFC BANK				AXIS BANK		
YEAR	NET PROFIT	TOTAL ASSETS	RATIO	NET PROFIT	TOTAL ASSETS	RATIO
2019-2020	2244.94	133176.60	1.685	2514.53	147722.05	0.017
2020-2021	2948.70	183270.77	1.608	3388.49	180647.85	0.018
2021-2022	3926.40	222458.57	1.765	4242.21	242713.37	0.017
2022-2023	5167.09	277352.59	1.863	5179.43	285627.79	0.018
2023-2024	6726.28	337909.50	1.991	6217.678	34056.66	0.182

INTERPRETATION

From the above table, we can interpret that the Return on total assets ratio of HDFC bank increasing from 13.88 in the year ended 2020 to 16.35 in the year ended 2024 and for AXIS bank decreased from 21.60 in the year ended 2020 to 20.29 in the year ended 2024. The study reveals that the HDFC bank has better loan recovery rates and profitability as compared to Axis bank.

FINDINGS :

- The analysis of the financial statement of two banks shows that the bank has been working at a profit for the last 5 years.
- For the period 2020-2024, the current ratio is not a satisfactory level, which is less than the ideal ratio of 2:1. To avoid risk two banks can increase its performance towards standard ratio.
- For the period 2020-2024, the Quick ratio of HDFC bank has a high average (0.476) as compared to Axis bank.
- For the period 2020-2024, the gross profit ratio of HDFC bank increasing 30.36 to 34.90 and for Axis bank decreased from 45.02 to 37.90.
- For the period 2020-2024, the Net profit ratio of HDFC bank increasing from 13.88 to 16.35 in the, for Axis bank decreased 21.60 to 20.29
- For the period 2020-2024, the Proprietary ratio of HDFC bank increased from 0.086 to 0.088 and for Axis bank increasing from 0.069 to 0.097.
- For the period 2020-2024, the Fixed Assets to proprietor fund ratio of HDFC bank increased from 0.018 to 0.021 and for Axis bank decreased from 0.099 to 0.071.
- For the period 2020-2024, the fixed assets turnover ratio of HDFC bank increasing from 4.087 to 15.184 and for Axis bank increasing from 11.46 to 13.07.

- For the period 2020-2024, the Return on total assets ratio of HDFC increasing from 13.88 to 16.35 and for Axis bank decreased from 21.60 to 20.29.

SUGGESTIONS :

The following important steps are taken by the sample banks for overall real growth.

- In order to avoid the fluctuating trend of profitability, HDFC and Axis Bank may introduce new customer-oriented strategies and innovative services.
- Axis bank may take efficient and effective measures to improve financial position and HDFC bank should take necessary steps to amplify the current assets.
- HDFC and Axis Bank can earn more profit by accelerating their operating efficiency.
- They can adopt some strategies to maintain the liquidity, profitability and solvency of the bank to meet its obligations.

CONCLUSION :

This is a study of the financial performance of two banks. The present study is done with the objective of analysing financial position, performance, liquidity, profitability, efficiency etc of the selected banks. Ratio analysis is the major tool used for analysing and interpreting the financial statement of the banks. By analysing the ratio analysis, it can be concluded that the banks are performing fairly for the past 5 years. The financial performance of the selected banks is analysed using different parameters. The selected banks that are HDFC and Axis banks are in a position to follow the rules of the Government for the social and economic development of the country. The selected banks have performed well on the sources of growth rate and financial efficiency during the study period. The two banks are functioning in a very flexible and systematic manner.

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