ASSESSING FINANCIAL PERFORMANCE:

A COMPARATIVE STUDY OF HDFC BANK AND AXIS BANK

Project Report

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Under the guidance of

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In partial fulfilment of requirements for award of the degree of

Bachelor of Commerce

ST. TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM

COLLEGE WITH POTENTIAL FOR EXCELLENCE

Nationally Re-Accredited at 'A++' Level (Fourth Cycle)
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ST. TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM

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Nationally Re-Accredited at 'A++' Level (Fourth Cycle)

CERTIFICATE

This is to certify that the project report titled **"ASSESSING FINANCIAL PERFORMANCE : A COMPARATIVE STUDY OF HDFC BANK AND AXIS BANK "** submitted by TERESA JACKSON, AGNUS ELIZABATH, AISWARYA V S towards partial fulfilment of the requirements for the award of degree of Bachelor of Commerce is a record of bonafide work carried out by them during the academic year 2023-24.

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DECLARATION

We, TERESA JACKSON, AGNUS ELIZABATH, AISWARYA V.S, do hereby declare that this dissertation entitled, **"ASSESSING FINANCIAL PERFORMANCE: A COMPARATIVE STUDY OF HDFC BANK AND AXIS BANK "** has been prepared by us under the guidance of Dr. JENCY TREESA, Assistant Professor, Department of Commerce, St Teresa's College, Ernakulam.

We also declare that this dissertation has not been submitted by us fully or partly for the award of any Degree, Diploma, Title or Recognition before.

Place: Ernakulam

Date:31/03/2024

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Financial statement analysis is a fundamental tool for understanding the performance and strategic positioning of companies within the banking sector. It involves the meticulous review and interpretation of accounting reports to identify trends, assess liquidity, solvency, and profitability. These statements provide vital insights into a company's financial health, efficiency, and overall position in the market. Through methods such as ratio analysis, which highlights the mathematical relationship between various financial metrics, stakeholders ranging from investors to regulators gain valuable intelligence about the performance and stability of banks.

In this comparative study, we delve into the financial statements of two prominent entities in the Indian banking landscape: HDFC Bank Limited and Axis Bank Limited. HDFC Bank, renowned as India's largest private sector bank by assets, has established itself as a global banking giant, exemplifying stability and innovation. Meanwhile, Axis Bank, formerly known as UTI Bank, boasts a diverse portfolio of financial services catering to corporations, SMEs, and retail clients, solidifying its position as a formidable player in the market. By scrutinizing key financial metrics such as operating ratios, capital adequacy ratios, profitability indicators, and asset quality assessments, this study aims to offer a comprehensive evaluation of HDFC Bank and Axis Bank's performance.

Through rigorous analysis and research methodologies, we endeavour to provide actionable insights that empower stakeholders with the knowledge to make informed decisions in the dynamic landscape of the Indian banking sector.

1.2 STATEMENT OF THE PROBLEM

The competitive Indian banking landscape necessitates a comprehensive comparison of HDFC Bank and Axis Bank's financial health. While individual financial statements exist, a comparative analysis is lacking, hindering informed decision-making for investors and stakeholders. This project aims to bridge this gap by analysing the financial statements of both banks over a set period, focusing on key areas like profitability, risk management, and efficiency, to provide valuable insights into their relative strengths and weaknesses within the Indian banking sector.

1.3 SIGNIFICANCE OF STUDY

The comparative study of the financial statements of HDFC Bank and Axis Bank holds several significant implications for stakeholders within the banking sector and the broader financial community:

1. Informed Decision-Making: By providing a detailed analysis of key financial metrics, including capital adequacy ratio, asset quality, profitability, and market capitalization, the study equips investors, regulators, policymakers, and industry practitioners with valuable insights to make informed decisions regarding investment, regulatory compliance, and strategic planning.

2. Risk Assessment: Understanding the performance and risk profile of HDFC Bank and Axis Bank through metrics such as gross performing assets, net performing assets, and return on capital employed enables stakeholders to assess the level of risk exposure and resilience of these banks to economic fluctuations and market uncertainties.

3. Competitive Analysis: The comparative study offers a comprehensive evaluation of HDFC Bank and Axis Bank's competitive positioning within the Indian banking sector, providing insights into their market share, customer base, product offerings, and growth strategies. This information is crucial for benchmarking performance and identifying areas for strategic improvement.

4. Regulatory Compliance: By examining capital adequacy ratios and other regulatory metrics, the study helps regulators and policymakers gauge the financial stability and compliance of HDFC Bank and Axis Bank with regulatory requirements, facilitating effective oversight and risk management in the banking industry.

5. Industry Insights: The findings of the study contribute to a deeper understanding of the dynamics shaping the Indian banking sector, including trends in financial performance, market competitiveness, and regulatory landscape. This knowledge serves as a foundation for further research, policy formulation, and industry initiatives aimed at promoting sustainable growth and stability in the banking sector.

1.4 SCOPE OF THE STUDY

Assessing financial performance: A comparative study of HDFC Bank and Axis Bank focuses on specific financial metrics to provide a targeted analysis of their performance and strategic positioning within the Indian banking sector.

The scope of the study is limited to these specific financial metrics to provide a focused analysis of HDFC Bank and Axis Bank's financial performance and strategic positioning. By examining these key indicators, the study aims to offer valuable insights into the comparative strengths, weaknesses, opportunities, and threats faced by both banks, empowering stakeholders with actionable information for decision-making in the banking sector.

1.5 OBJECTIVES OF THE STUDY

1) To conduct a comparative analysis of the financial performance of HDFC Bank and Axis Bank, with a specific focus on Non-Performing Assets (NPAs), provisions for NPAs, and profitability.

2) Compare the level of NPAs held by each bank and identify trends over time.

3) Compare the profitability of HDFC Bank and Axis Bank.

1.6 RESEARCH METHODOLOGY

1.6.1 RESEARCH DESIGN

The project is analytical in nature. This research used facts or information already available and analysed them to make a critical assessment of performance. This includes carefully reviewing and interpreting accounting reports to identify trends and assess liquidity, solvency and profitability. The scope of this comparison covers key financial metrics including operating ratio, capital adequacy ratio, profitability, GPA, NPA return on capital employed and asset quality rating.

1.6.2 COLLECTION OF DATA

The primary source of data will be the published financial statements, Annual reports and websites of HDFC Bank and Axis Bank. Thus secondary data is used for analysis.

1.6.3 TOOLS

To dissect the financial health of HDFC and Axis Bank, we have used ratio analysis, a cornerstone of this study. This method involves calculating key metrics like NPA ratio and profitability ratios, revealing trends over time. To visually represent these comparisons, pie charts and bar diagrams are used, making the data easily comprehensible and highlighting crucial differences between the two banks.

1.7 LIMITATIONS OF THE STUDY

1. This study relies solely on published financial statements, which may not capture the complete picture. Internal data used by the banks for decision-making might provide a more nuanced understanding of NPA management strategies.
2. The study takes into account only a limited period of five years. A longer timeframe could reveal how effectively each bank deals with economic downturns or changing regulations.
3. This study focuses on internal factors like NPA ratios and provisioning strategies. External factors like industry trends, government policies, and overall economic conditions can significantly impact profitability and NPA levels.

1.8 KEYWORDS

1. **Capital adequacy ratio:** A measure of a bank's ability to absorb potential losses while still maintaining sufficient capital.
2. **Non-performing assets (NPAs):** Loans or advances on which interest or principal is overdue for a certain period.
3. **Return on capital employed (ROCE):** A profitability ratio that measures the amount of profit generated relative to the amount of capital employed by the business.
4. **Operating profit:** Profit earned from the core business activities before accounting for non-operating items such as interest expense and income tax.
5. **Operating Ratio:** Efficiency of converting sales to operating profit.
6. **Operating Profit to Total Assets Ratio:** Efficiency of using assets to generate operating profit.

7. **Net Profit Ratio (Profit Margin):** Profitability after all expenses.
8. **Expense Ratio:** Percentage of revenue spent on operating expenses.

1.9 CHAPTERISATION

Chapter 1-Introduction

This chapter gives a brief introduction about the topic, its significance in the research area, the scope of the study, the problem statement, the objectives to be achieved, the research questions, the methodology adopted, and the limitations of the study.

Chapter 2-Review of Literature

This chapter deals with the literature relating to the topic under study. It also includes an analysis of the secondary data relating to the topic under study.

Chapter 3: Theoretical Framework

This chapter lays the groundwork for a comparative analysis of the financial statements of HDFC Bank and Axis Bank. It focuses on key financial concepts and metrics relevant to the banking industry.

Chapter 4-Company Profile

This chapter includes all the details of Axis Bank and HDFC Bank. It also includes the different activities conducted by both companies, their profits, and other expenses and incomes for the past years.

Chapter 5-Data Analysis and Interpretation

This chapter includes the data collected and tools used to compare between Axis bank and HDFC bank. The data used is secondary data, that is, financial

statements of both the banks. The tools used in this project is ratio analysis

Chapter 6-Findings, Conclusion and Suggestions

This chapter includes the findings, conclusion and suggestions related to both the banks based on the data analysed and interpreted using the tools.

CHAPTER 2

REVIEW OF LITERATURE

REVIEW OF LITERATURE

Several existing studies have explored the financial performance of HDFC Bank and Axis Bank, often using financial statement analysis. This research builds upon that foundation by specifically focusing on Non-Performing Assets (NPAs), provisions for NPAs, and their impact on profitability. By examining how each bank manages NPAs and provisions, we can gain deeper insights into their financial health and risk management strategies. This comparative analysis will contribute to the on-going discussion about NPA management practices in the Indian banking sector. A comparative analysis of HDFC Bank and Axis Bank's financial statements is crucial due to their prominent positions within the Indian private banking sector. Several studies have explored the financial performance of HDFC Bank and Axis Bank, two leading Indian private sector banks.

Financial Statement Analysis Importance:

Prasanna Chandra (2018), Indian Institute of Management Bangalore .This study by Prasanna Chandra from IIMB explores how financial statement analysis plays a crucial role in assessing the creditworthiness of Indian banks. By analysing financial ratios, banks can make informed decisions regarding loan approvals and manage risk effectively.

Capital Adequacy Ratio:

Ashish Nanda & Renuka Sane (2014), National Institute of Bank Management Pune. This research by Nanda and Sane from NIBMP Pune investigates the impact of Basel III capital adequacy norms on Indian banks. Basel III is a set of international banking regulations designed to improve bank solvency. This study analyses how these regulations influence the capital reserves that Indian banks need to maintain.

Non-Performing Assets (NPAs):

Reserve Bank of India (RBI) (various reports).The Reserve Bank of India publishes regular reports that analyse the level of NPAs in the Indian banking sector. These reports provide valuable data for researchers to understand the prevalence of bad loans and their impact on bank profitability.

Abhijit Sen & Anupam Varma (2020), Indira Gandhi Institute of Development Research [9]. Summary: This study by Sen and Varma from IGIDR focuses on the factors contributing to NPAs in Indian public sector banks. They examine factors like economic slowdowns, loan delinquency, and inefficient loan recovery mechanisms to understand the reasons behind rising NPAs.

Gupta, M., & Singh, A. (2018). A Comparative Study on the Ratio Analysis of the Indian Banking Industry for the Period between 2019-2023. This study by Gupta and Singh analyses the financial ratios of HDFC Bank and Axis Bank over five years. It compares profitability, liquidity, and solvency metrics to assess their relative performance.

Sharma, S., &Verma, R. (2019). A Study on Financial Health of Axis Bank and HDFC Bank. This research focuses specifically on Axis Bank, analysing its capital adequacy and liquidity positions in comparison to HDFC Bank. It provides insights into the risk management strategies of both banks.

Bhaumik, S. K., & Sarkar, S. (2020). A Comparative Analysis of Financial Performance of Public Sector Banks and Private Sector Banks in India: While not solely focused on HDFC and Axis, this study by Bhaumik and Sarkar compares the overall performance of public and private sector banks in India. It provides a broader context for understanding how HDFC and Axis Bank position themselves within the Indian banking landscape.

Manish, J., & Rajput, P. B. (2021). A Comparative Study of Customer Satisfaction towards Mobile Banking Services of HDFC Bank and Axis Bank. This research by Manish and Rajput explores customer satisfaction with mobile banking services offered by HDFC and Axis Bank. It sheds light on how these banks leverage technology to attract and retain customers.

The Chartered Banker Institute (reports). The Chartered Banker Institute, a prestigious Indian banking professional body, publishes reports on various industry trends. Exploring their reports might reveal analyses comparing HDFC and Axis Bank's performance in specific areas like digital banking adoption or risk management practices.

Available working papers from Indian Institutes of Management. Their working paper repositories contained research by students and faculty focusing on comparative analysis of Indian banks, including HDFC and Axis Bank.

Yogesh K & Seetharaman, A. (2015): Impact of Mergers and Acquisitions on Financial Performance of Indian Banks. This study by Yogesh and Seetharaman examines the impact of mergers and acquisitions on the financial performance of Indian banks. While not directly related to HDFC and Axis Bank, it provides valuable insights into how consolidation within the banking sector can affect their competitive landscape.

Dr. Gagandeep Sharma & Divya Sharma (2017): This study directly addresses your topic by comparing profitability ratios of HDFC Bank, ICICI Bank, and Axis Bank. Their finding that HDFC Bank exhibits consistency in cost-to-income ratio and return on net worth aligns with the focus on profitability in our analysis.

Pawan & Gorav (2016): While not directly comparing HDFC Bank and Axis Bank, this research offers a contrasting perspective. Their conclusion that Axis Bank performs well in earnings per share, asset turnover, and debt-to-equity ratios can be a valuable point of reference when analysing these metrics for both banks in your study.

Sanjib Kumar Pakira (2016): This research, comparing SBI and HDFC Bank, highlights the importance of considering growth alongside profitability.

Rajendran Palani (2019): This study's focus on identifying areas for improvement in the financial health of Axis Bank and HDFC Bank aligns with your potential analysis of their strengths and weaknesses.

Bhaumik & Sarkar: Compare the overall performance of public and private sector banks, providing context for HDFC & Axis Bank's position within the Indian market.

Economic and Political Weekly (EPW) is a renowned Indian economic journal. Searching their archives yielded articles analysing the performance of specific banks and discussing broader trends in the Indian banking sector, potentially including discussions on HDFC and Axis Bank.

Crisil reports: Crisil is a leading Indian credit rating agency. Their reports on the banking sector provided credit risk assessments of HDFC and Axis Bank, offering insights into their financial strength and risk profile.

FICCI: The Federation of Indian Chambers of Commerce and Industry (FICCI) publishes reports on various industry sectors, including banking. Their reports offered analyses of the Indian banking landscape, potentially including comparisons between HDFC and Axis Bank's performance relative to other key players.

CHAPTER 3

THEORETICAL FRAMEWORK

THEORETICAL FRAMEWORK

Financial statements are essential for comprehending a bank's financial health and performance. They act as formal records, similar to reports, detailing a bank's financial position, operational results, and cash flow movements. Analysing these statements is crucial for various stakeholders, including:

Investors: To make informed decisions about lending to or investing in the bank.

Analysts: To assess the bank's risk profile and potential for future growth.

Regulators: To ensure the stability and soundness of the banking system.

Depositors: To evaluate the bank's ability to safeguard their deposits and meet withdrawal demands.

Three main financial statements provide a comprehensive view of a bank's financial well-being:

Balance Sheet: This snapshot depicts the bank's financial position at a specific point in time. It categorizes the bank's resources (assets) and its financial obligations (liabilities and shareholder equity).

Assets: These represent what the bank owns, such as cash reserves, loans provided, investments, and physical property.

Liabilities: These represent what the bank owes, including deposits, borrowed money, and accrued expenses.

Shareholder Equity: This represents the initial investment made by the bank's owners and any accumulated profits not paid out as dividends.

By analysing the balance sheet, stakeholders can understand the bank's overall financial structure, liquidity position (ability to meet short-term obligations), and risk profile based on the composition of its assets and liabilities.

Income Statement: This statement focuses on the bank's performance over a specific period, usually a quarter or a year. It details the bank's revenue streams and operational expenses.

Revenue: This primarily comes from interest income on loans, fees for services, and investment income.

Expenses: These include interest paid on deposits, salaries, and other operating costs.

The key metric derived from the income statement is net income, which represents the difference between revenue and expenses. A positive net income indicates profitability, while a negative net income suggests a loss. Analysing the income statement allows stakeholders to assess the bank's profitability, core business activities, and cost structure.

Cash Flow Statement: This statement focuses on the movement of cash in and out of the bank over a specific period. It categorizes cash flows into three main activities:

Operating Activities: This represents the core cash flow generated by lending and deposit-taking activities.

Investing Activities: This includes cash inflows from selling securities and outflows for purchasing new investments.

Financing Activities: This involves cash inflows from issuing new debt or equity and outflows for repaying existing debt or distributing dividends.

By analysing the cash flow statement, stakeholders can understand how efficiently the bank manages its cash, its ability to fund ongoing operations, and its strategies for growth and investment.

Comparative Analysis and Key Ratios:

This framework proposes a comparative analysis of HDFC Bank and Axis Bank's financial statements using key ratios to assess their financial health, profitability, risk management practices, and overall performance. Let's delve deeper into the meaning and significance of each ratio:

Capital Adequacy Ratio (CAR):

This ratio measures a bank's ability to absorb unexpected losses arising from loan defaults or other financial setbacks. It acts as a financial buffer, safeguarding depositors' funds and promoting overall banking system stability. A higher CAR indicates a stronger capital position, allowing the bank to withstand potential losses without becoming insolvent.

Formula: Tier 1 Capital / Risk-Weighted Assets

Tier 1 Capital: This represents the most core and stable form of a bank's capital, including equity capital and retained earnings.

Risk-Weighted Assets: This takes into account the varying degrees of risk associated with different types of loans.

Regulatory bodies like the Reserve Bank of India (RBI) set minimum CAR requirements for banks. By comparing the CAR of HDFC Bank and Axis Bank, we can assess which bank has a stronger capital buffer to absorb potential losses and maintain financial stability.

Non-Performing Assets (NPA) Ratio:

This ratio reflects the percentage of a bank's loan portfolio that is classified as non-performing. A loan is considered non-performing if the borrower is overdue on repayments or if the bank considers it highly unlikely to be repaid in full. A higher NPA ratio indicates a greater risk of bad debts, which can lead to significant financial losses for the bank.

Formula: Non-Performing Assets / Gross Loans

Non-Performing Assets: These represent loans that are classified as overdue, restructured, or doubtful.

Gross Loans: This represents the total amount of loans outstanding on the bank's balance sheet.

Operating Ratio

This ratio gauges a company's operational efficiency by measuring the proportion of operating expenses incurred relative to net sales revenue. A lower operating ratio indicates a more efficient company, as a smaller portion of revenue is consumed by operating costs. The formula for calculating the operating ratio is:

Operating Ratio = Operating Expenses / Net Sales

Operating Profit to Total Assets Ratio

This ratio delves into a company's asset utilization efficiency. It measures the amount of operating profit generated per dollar of total assets owned by the company. A higher ratio suggests superior asset utilization, indicating the company is effectively leveraging its assets to generate operating profit. This could be a result of strategic investment decisions or efficient management of existing assets. The calculation for this ratio is:

Operating Profit to Total Assets Ratio = Operating Profit / Total Assets

Net Profit Ratio (Profit Margin)

This ratio provides a broader perspective on a company's overall profitability. It represents the portion of each sales dollar remaining as net profit after accounting for all expenses, including those not directly related to core operations, such as interest and taxes. A higher net profit ratio signifies a more profitable company, able to retain a larger share of its revenue as actual profit. The formula for the net profit ratio is:

Net Profit Ratio (Profit Margin) = Net Profit / Net Sales

Expense Ratio

This ratio focuses on a company's expense control practices. It measures the percentage of revenue spent on operating expenses relative to the sales volume. A lower expense ratio indicates better management of operating expenses, ensuring they do not excessively erode profitability. The expense ratio is calculated by dividing Operating Expenses by Net Sales. The formula is:

Expense Ratio = Operating Expenses / Net Sales

By comparing the NPA ratios, theoretical framework presented offers a balanced approach to analysing HDFC Bank and Axis Bank's financial health. Here's how it achieves balance:

Focus on Multiple Financial Statements: It emphasizes the importance of analysing all three financial statements - balance sheet, income statement, and cash flow statement - to gain a comprehensive view of the banks' financial well-being.

Variety of Ratios: The framework proposes using a combination of ratios, including capital adequacy, profitability, liquidity, efficiency, and growth rate ratios. This multi-faceted approach provides a balanced perspective on the banks' strengths and weaknesses across different aspects.

Considers Different Stakeholders: The framework acknowledges the importance of financial analysis for various stakeholders, including investors, analysts, regulators, and depositors. This ensures a balanced view that considers the needs of different groups with vested interests in the banks' performance.

Regulatory Requirements: The framework recognizes the role of regulatory bodies like the RBI in setting minimum capital adequacy requirements. This ensures the analysis considers not just individual bank performance but also their adherence to regulations that promote financial system stability.

Growth Potential: While focusing on current financial health, the framework acknowledges the importance of considering growth rates to understand the banks' future potential. This balanced approach looks beyond current performance to assess long-term sustainability.

Overall, the framework strives for a balanced analysis by incorporating various financial statements, a range of ratios, and considerations for different stakeholders and regulatory requirements. It balances an assessment of current health with an eye towards future growth potential.

CHAPTER 4

COMPANY PROFILE

4.1 PROFILE OF HDFC BANK

Figure.4.1 HDFC Bank logo

The Housing Development Finance Corporation Limited or HDFC Ltd was among the first financial institutions in India to receive an "in principle" approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. This was done as part of RBI's policy for liberalization of the Indian banking industry in 1994. HDFC Bank was incorporated in August 1994 in the name of HDFC Bank Limited, with its registered office in Mumbai, India. The bank commenced operations as a scheduled commercial bank in January 1995. On April 4, 2022, the merger of India's largest housing finance company, HDFC Limited, and the largest private sector bank in India, HDFC Bank, was announced. HDFC Ltd., over the last 45 years, has developed one of the best product offerings, making it a leader in the housing finance business. HDFC Bank enables seamless delivery of home loans as a part of its wide product suite catering to urban, semi-urban, and rural India.

As of February 29, 2024, the bank's distribution network was at 8,192 branches and 20,760 ATMs/Cash Recycler Machines (Cash Deposit and Withdrawal) across 3,836 cities and towns. HDFC Ltd.'s distribution network, comprising 737 outlets, which include 214 offices of HDFC Sales Private Limited, stands amalgamated into the bank's network. The bank's international presence includes branches in four countries and three representative offices in Dubai, London, and Singapore, offering home loan products to non-resident Indians and persons of Indian origin.

HDFC Bank, in association with NSE International Exchange (NSE IFSC), launched trading in India’s first Unsponsored Depository Receipts (NSE IFSC Receipts) to allow Indian retail investors to transact on the NSE IFSC platform under the Liberalised Remittance Scheme prescribed by the Reserve Bank of India.

HDFC Bank partnered with Crunch fish as part of a pilot project to test offline digital payments for merchants and customers under the RBI’s Regulatory Sandbox Program, known as‘ Offline Pay’. ‘Offline Pay’ which will enable customers and merchants to make and receive payments even when there is no mobile network. HDFC Bank is the first bank in the industry to launch a digital payment solution in a completely offline mode.

4.1.0 Services Provided by HDFC Bank

HDFC Bank provides a wide range of banking services, including branch and transactional banking for retail clients and investment and commercial banking for wholesale clients.

Three major business segments comprise the bank:

4.1.1 WHOLESALE BANKING

The Bank's target customer comprises several smaller and mid-sized firms, Agri-based businesses, and most of the big, blue-chip manufacturing companies in the Indian corporate sector. The Bank provides a wide range of commercial and transactional banking services, including trade services, working capital financing, cash management, and transactional services, to these clients. The bank is a leading provider of structured solutions that combine cash management services with vendor and distributor finance to give its business clients better supply chain management. The Bank has made significant progress in joining the banking consortiums of several prominent Indian corporations, including multinationals, local business house businesses, and top public sector organisations. This is because of its exceptional standards for both product and service delivery and strong client focus.

It is recognised as a leading provider of cash management and transactional banking services to mutual funds, banks, stock market players, and corporate customers.

This business focuses on institutional customers such as;

1. Large corporates including MNCs

2. Government bodies

3. Emerging corporates

4. Business banking/SME

5. Infrastructure finance group

Products and Services

1. Working capital facilities
2. Term lending
3. Project finance
4. Debt capital markets
5. Mergers and acquisitions
6. Trade credit
7. Supply chain financing
8. Forex and derivatives
9. Cash management services
10. Wholesale deposits
11. Letters of credit and guarantees
12. Custodial services
13. Correspondent banking

4.1.2 TREASURY

Within this industry, the bank primarily offers three product divisions: Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities. As a result of the Indian financial markets' liberalisation, corporations today need more advanced risk management data, advice, and product structures. These are available, along with competitive pricing on a variety of treasury products, via the bank's Treasury business. To meet statutory reserve requirements, the bank must keep 25% of its deposits in government securities. The Treasury Department is in charge of managing the market risk and returns on this investment portfolio.

The Treasury is in charge of the Bank's cash and liquid assets and supervises its investments in securities and other financial instruments. Apart from overseeing the interest rate and liquidity risks of the balance sheet, it is also accountable for meeting the regulatory reserve requirements.

Products and Services :-

1. Foreign exchange & derivatives
2. Solutions on hedging strategies
3. Trade solutions - domestic and cross border
4. Bullion
5. Debt capital markets
6. Equities
7. Research - Reports & commentary on markets and currencies
8. Asset liability management
9. Statutory reserve

4.1.3 RETAIL BANKING

The retail bank aims to provide its target market clients with a wide range of financial products and banking services, acting as a one-stop shop for all of their banking requirements. In addition to the growing network of branches, customers may also obtain the items through other delivery channels including ATMs, phone banking, internet banking, and mobile banking—all of which are backed by excellent customer service.

With clients seeking specialist financial solutions, information, and help on a wide range of investment options in mind, the HDFC Bank Plus, Investment Advisory Services, and HDFC Bank Preferred programmes were developed. Among the many retail lending options are loans for cars, personal loans, loans against marketable securities, and loans for two-wheeled vehicles. The Bank offers a variety of retail lending products, including loans for two-wheeled vehicles, auto loans, personal loans, and loans against marketable securities. It is also one of the leading providers of Depository Participant (DP) services to retail customers, allowing them to maintain their investments online. In addition, HDFC Bank, the first bank in India to provide a global debit card in association with VISA (VISA Electron), also issues the MasterCard Maestro debit card. Towards the end of 2001, The Bank began providing credit cards. By March 2015, the bank has more than 25 million debit and credit cards in circulation worldwide. The Bank is also one of the leading players in the "merchant acquiring" sector, having installed more than 235,000 Point-of-Sale (POS) terminals allowing merchant enterprises to take debit and credit cards. Offering a wide range of online banking services for fixed deposits, loans, bill payment, and other purposes, the Bank holds a leading position in various web-based business-to-consumer opportunities.

This business caters to:-

1. Individual borrowers
2. Salaried & professional borrowers
3. Micro & medium-sized businesses
4. Extremely small businesses like Kirana stores
5. Self-help groups (SHGs)
6. Non-resident Indians (NRIs) Products and Services
7. Credit and debit cards
8. Personal loans
9. Home loans
10. Gold loans

11. Mortgages
12. Commercial vehicles finance
13. Retail business banking
14. Savings account
15. Current account
16. Fixed and recurring deposits
17. Corporate salary accounts
18. Construction equipment finance
19. Agri and tractor loans
20. SHG loans
21. Kisan Gold Card
22. Distribution of mutual funds, life, general and health insurance
23. Healthcare finance
24. Offshore loans to NRIs
25. NRI deposits
26. Small-ticket working capital loans
27. Business loans
28. Two-wheeler loans
29. Loans against securities
30. Auto Loans

4.1.4 Subsidiaries of HDFC Bank

1. HDFC Life
2. HDFC Pension
3. HDFC Mutual Fund
4. HDFC ERGO
5. HDFC SALES
6. HDFC CREDILA
7. HDFC PROPERTY FUNDS
8. HT PAREKH FOUNDATION
9. HDFC EDU

4.2 PROFILE OF AXIS BANK

Figure 4.2 Axis bank logo

Initially known as UTI Bank, the bank was established on December 3, 1993, and it originally opened a corporate office in Mumbai and an Ahmedabad registered office. The Life Insurance Corporation of India (LIC), the National Insurance Company, The New India Assurance Company, The Oriental Insurance Corporation, the United India Insurance Company, the Administrator of the Unit Trust of India (UTI), and the General Insurance Corporation all collaborated in the bank's promotion. The first branch was dedicated and launched in Ahmedabad on April 2, 1994, by Manmohan Singh, the former Indian finance minister. Although UTI Bank and Global Trust Bank had agreed to join in 2001, the merger never happened because the Reserve Bank of India (RBI) refused to provide its clearance. The RBI then placed Global Trust under moratorium and oversaw the merger of Oriental Bank of Commerce with it in 2004. The UTI Bank debuted on the London Stock Exchange the subsequent year. UTI Bank established its first foreign office in Singapore in 2006. In Shanghai, China, it inaugurated an office in the same year. It established offices in Hong Kong and the Dubai International Financial Centre in 2007.

Axis Bank replaced UTI Bank as of July 30, 2007. Axis Bank settled on Shikha Sharma as its Managing Director (MD) and Chief Executive Officer (CEO) in 2009. Axis Bank UK, a subsidiary of Axis Bank, started offering banking services in 2013. 2019 saw the appointment of Amitabh Chaudhry as the CEO and MD. The Bank decreased its ownership of Yes Bank in 2021 from 2.39 percent to 1.96 percent. The bank had a network of 12,922 ATMs and 4,096 branches and extension counters as on August 12, 2016. Out of all the private banks in India, Axis Bank has the biggest ATM network. At Thegu, Sikkim, one of the highest locations in the world (4,023 metres above sea level), it even runs an ATM.

As of right now, the bank has nine overseas operations, including branches in Singapore, Hong Kong, Dubai, Shanghai, Colombo, and representative offices in Abu Dhabi, Dhaka, Dubai, Sharjah, and Dubai; these offices specialise in liability, corporate lending, trade financing, syndication, and investment banking. In addition to those mentioned above, the bank is present in the UK through Axis Bank UK Limited, a wholly-owned subsidiary.

4.2.0 Services Provided by Axis Bank , Axis Bank's Product Offerings

The following list of Axis Bank products includes some of them:

4.2.1 ACCOUNTS

Accounts offer a variety of goods, some of which are mentioned below:

1. Savings Account: Axis Bank allows you to start a savings account. Depending on your financial needs, you may pick from several different types of savings accounts.
2. Salary Accounts: Axis Bank offers several salary accounts, each of which has advantages of its own. You can select any one of the six different types of salary accounts based on your monthly pay.
3. Current Account: Select any one of the 14 current accounts to enable you to make as many deposits or withdrawals as necessary to grow your business.
4. Safe Deposit Locker: The bank also provides a safe deposit locker option which helps to store all of your belongings in one location.
5. Pension Disbursement Account: This feature can be used to manage all pension payments.

6. Sukanya Samriddhi Yojana: This savings program helps to set money aside for your daughter's bright future.
7. PMJDY: Accounts opened under PMJDY are being opened with Zero balance

4.2.2 DEPOSITS

1. Digital Fixed Deposit: Open a fixed deposit account online and complete the KYC process online. The entire procedure is quick and easy.
2. Fixed Deposit: Open affixed deposit account with a minimum deposit of Rs.5,000 and a term of 7 days to 10 years.
3. Recurring Deposit: Open a recurring deposit account online withaRs.500 minimum deposit.
4. Tax Saver FD: Open a tax-saving FD account and save uptoRs.1.5 lakh in taxes while earning interest on your deposits.
5. Auto Fixed Deposit: Use this service to have the deposit amount automatically moved from your savings account to your deposit account.
6. Fixed Deposit Plus: Earn a greater interest rate when you deposit a minimum of Rs.2 crore.

4.2.3 CARDS

1. Credit Card: Axis Bank offers a variety of credit cards based on your financial capability.
2. Debit Card: Axis Bank offers a variety of debit cards based on your financial capabilities.
3. Prepaid Card: You may load it with any amount between Rs.500 and Rs.10,000 and use it as a meal card, gift card, or smart pay card.
4. Transit Card: Use the Transit Card to make shopping and traveling more convenient.
5. Commercial Credit Card: Use an Axis Bank commercial credit card to easily manage your corporate costs.
6. Commercial Debit Card: Use an Axis Bank commercial debit card to easily manage your corporate costs.

4.2.4 LOANS

1. House Loan: Choose from a variety of house loan packages with maximum tenures of 30 years and loan amounts ranging from Rs.5 crore to Rs.10 crore.
2. Personal Loan: Axis Bank offers personal loans to help you fulfil your diverse financial demands.
3. Business Loan: Apply for a business loan to borrow funds to expand your company.
4. Car Loan: Axis Bank provides vehicle loans so that you can buy the car of your dreams.
5. Two-wheeler Loan: Axis Bank provides two-wheeler loans so that you may buy the bike or scooter of your choosing.
6. 24x7 Loan against Securities: If you need money quickly, you can get a loan in return for your mutual fund bond, insurance policy, shares, and soon.
7. Commercial Vehicle and Construction Equipment Loan: Use this loan to buy a used commercial vehicle.
8. Education Loan: Axis Bank provides education loans so that you can further your studies in India or abroad.
9. Loan against Property: You can use your property as collateral forth is loan.
10. Gold Loan: Get a loan forth e value of your gold jewellery.
11. Loan against FD: Apply for a loan against your fixed deposit to cover your immediate financial demands.
12. Holiday Loan: Get loans ranging from Rs.50,000 to Rs.15lakh to cover your holiday needs.

4.2.5 FOREX

1. Travel Forex Card: This sort of card allows you to easily make payments overseas.
2. Send Money Abroad: Axis Bank assists you in establishing an International Transfer Fund, which allows you to send money to any overseas bank account from any Axis Bank branch.

3. Send Money Abroad Online: Axis Bank will assist you set up an International Transfer Fund so that you may move money from your Axis Bank account to any foreign bank account.
4. Send Money to India: A quick and easy way to transfer funds from any international bank account to your Axis Bank account.

4.2.6 INSURANCE

1. Life Insurance: Depending on your financial needs, select one of the life insurance plans to ensure that your loved ones' future is safe and secure.
2. General Insurance: Apply for general insurance policies to protect your most valuable things, such as your automobile or home.
3. Health Insurance: Health insurance covers the cost of medication and hospitalisation in the event that you become ill or injured, preventing you from having to tap into your funds to cover the costs.

4.2.7 INVESTMENTS

1. Mutual Funds: Axis Bank offers top-performing mutual funds, which you may invest in according to your needs.
2. Digital Gold: Invest in gold without physically purchasing the golden metal .Some of the other investment options offered by Axis Bank are:

- 1.Sovereign Gold Bonds
- 2.Public Provident Fund
- 3.National Pension System
- 4.RBI Floating Rate Savings Bonds 2020
- 5.Atal Pension Yojana
- 6.Kisan Vikas Patra
- 7.Axis Direct
- 8.IPO Smart
- 9.Demat Account
- 10.Alternative Investments

4.2.8 BANKING SERVICES

1. Some of the banking services that are offered by Axis Bank are given below:
2. Net Banking
3. FASTAG Services
4. Axis Bank customer care

4.2.9 SUBSIDIARIES OF AXIS BANK

1. Axis Capital Ltd.
2. Axis Private Equity Ltd.
3. Axis Trustee Services Ltd.
4. Axis Asset Management Company Ltd.
5. Axis Mutual Fund Trustee Ltd.
6. Axis Bank UK Ltd.
7. Axis Securities Ltd.
8. Axis Finance Ltd.

CHAPTER 5

DATA ANALYSIS AND INTERPRETATION

9. 5.1 CAPITAL ADEQUACY RATIO

Capital Adequacy Ratio is the ratio of a bank's capital to its risk. CAR is a key indicator of a bank's financial strength and ability to absorb potential losses without going under. Banks are required to maintain a minimum CAR set by regulatory bodies. Data analysis of CAR helps assess a bank's solvency, risk management practices, and capacity to withstand economic downturns. By comparing a bank's CAR with regulatory requirements and industry averages, analysts can gauge its risk profile and potential vulnerability to financial stress.

	AXIS BANK	HDFC BANK
2019	15.84	18.5
2020	17.54	18.9
2021	19.12	19.5
2022	18.54	19.4
2023	17.64	18.4

Table 5.1.1 showing capital adequacy ratio

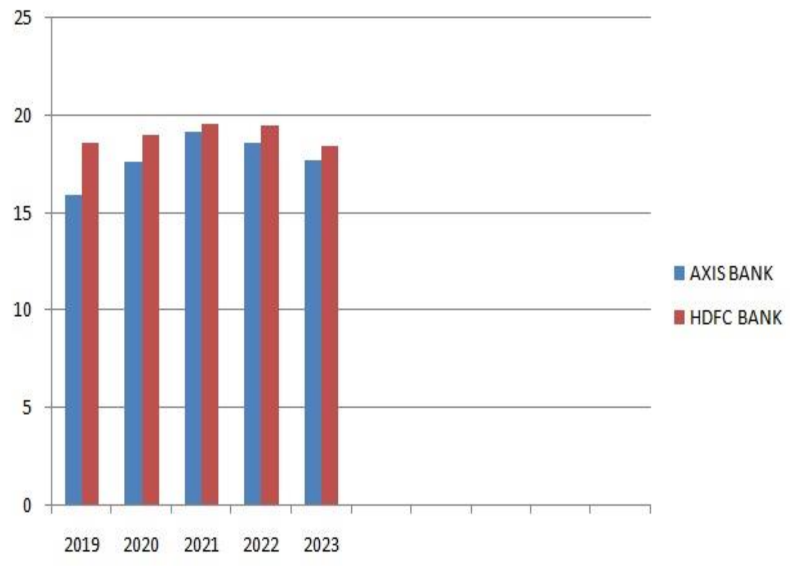


Figure 5.1.1 showing capital adequacy ratio

INTERPRETATION: HDFC Bank has a consistently higher capital adequacy ratio than Axis Bank throughout the five years. The capital adequacy ratio of both banks has fluctuated over the years. For Axis Bank, it ranged from 15.84% in 2019 to 19.12% in 2021. For HDFC Bank, it ranged from 18.4% in 2023 to 19.5% in both 2020 and 2021.

5.2 OPERATING PROFIT MARGIN

A company's profit from its core business activities after accounting for all operating expenses, but before non-operating items like interest or investment gains/losses. Operating profit is a crucial metric for assessing a company's core business profitability and its ability to generate profits from its core operations. Data analysis of operating profit helps assess a company's efficiency in managing its day-to-day operations, cost structure, and pricing strategies. By comparing a company's operating profit margin (operating profit divided by revenue) with industry benchmarks, analysts can evaluate the company's competitive advantage and identify areas for improvement in operational efficiency.

	AXIS BANK	HDFC BANK
2019	75.32	84.87
2020	69.19	83.16
2021	70.57	80.46
2022	79.74	81.76
2023	85.94	82.94

Table 5.2.1 Showing operating profit margin

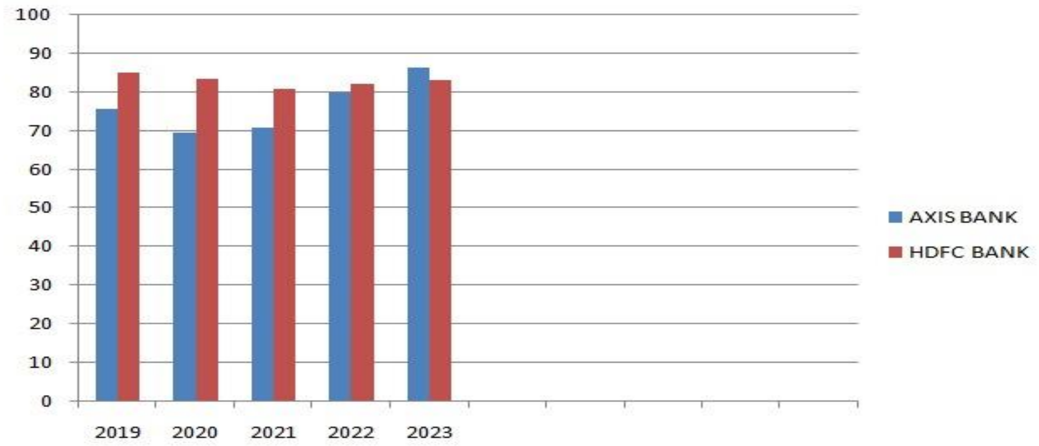


Figure 5.2.1 Showing operating profit margin

INTERPRETATION: Axis Bank has a higher operating profit margin than HDFC Bank in all five years. This means that Axis Bank is more efficient at generating profit from its core operations, after accounting for variable costs. The gap between the two banks' operating profit margins narrowed between 2019 and 2023. In 2019, Axis Bank's operating profit margin was 9.55 percentage points higher than HDFC Bank's. By 2023, the gap had shrunk to 3 percentage points.

5.3 RETURN ON CAPITAL EMPLOYED

A profitability ratio that measures the efficiency of a company's capital utilization. ROCE helps assess how well a company is generating profit from the capital it has invested in its operations. A higher ROCE indicates a company is using its capital more effectively to generate profits. Data analysis of ROCE is particularly useful for comparing companies within the same industry, as capital intensity can vary significantly. By analysing trends in ROCE over time, companies can identify areas for improvement in capital allocation and efficiency.

	AXIS BANK	HDFC BANK
2019	2.47	3.33
2020	2.68	3.42
2021	2.7	3.22
2022	2.2	2.97
2023	1.57	2.71

Table 5.3.1 showing the return on capital employed

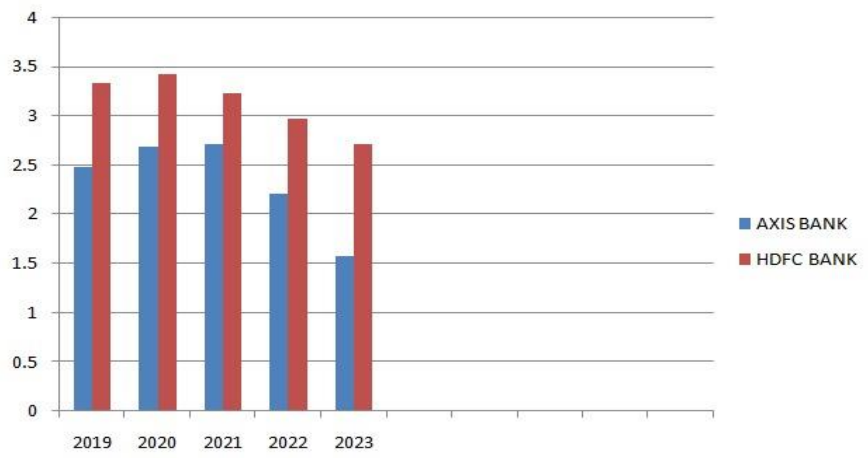


Figure 5.3.1 showing the return on capital employed

INTERPRETATION: HDFC Bank has a consistently higher ROCE than Axis Bank in all five years shown. This means that HDFC Bank is more efficient at generating profit from the capital it employs. In other words, for every rupee of capital employed, HDFC Bank generates a higher return on average than Axis Bank.

The gap between the two banks' ROCE narrowed between 2019 and 2023. In 2019, HDFC Bank's ROCE was 0.86 percentage points higher than Axis Bank's. By 2023, the gap had grown to 5.43 percentage points.

5.4 PERCENTAGE OF GROSS NON-PERFORMING ASSET

Loans or other financial instruments on a company's (especially a bank's) balance sheet that are either in default or considered unlikely to be collected in full. NPAs represent a significant risk for companies, particularly banks, as they tie up capital that could be used for productive purposes and generate income. Data analysis of NPAs helps assess a company's credit risk management practices, loan portfolio quality, and potential for future losses. By analysing trends in NPAs over time and comparing them across companies within the same industry, analysts can identify potential problems and assess the effectiveness of credit risk mitigation strategies.

	AXIS BANK	HDFC BANK
2019	5.26	1.36
2020	4.86	1.26
2021	3.7	1.32
2022	2.82	1.17
2023	2.02	1.12

Table 5.4.1 showing % of gross non-performing asset

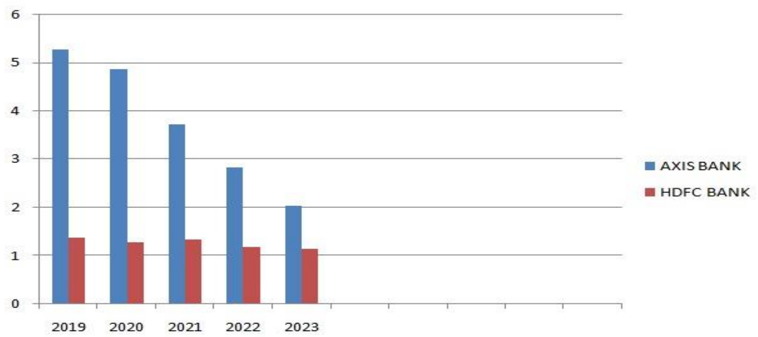


Figure 5.4.1 showing % of gross non-performing asset

INTERPRETATION: From 2019 to 2023, Axis Bank's GNPA ratio has consistently been higher than HDFC Bank's GNPA ratio. In 2019, Axis Bank's GNPA ratio was 5.26% compared to HDFC Bank's 1.36%. By 2023, Axis Bank's GNPA ratio had fallen to 2.02%, but it was still higher than HDFC Bank's GNPA ratio of 1.12%. The data suggests that Axis Bank has a larger portion of loans that are not performing well compared to HDFC Bank. This could be due to a number of factors, such as the types of loans that each bank specializes in or the overall creditworthiness of their borrowers.

5.5 NON-PERFORMING ASSET

Focus on Net NPA: Generally, a lower Net NPA is preferable, indicating the bank has made more prudent provisions for potential loan losses. This translates to a more robust financial position.

Beyond Net NPA: For a comprehensive analysis, solely comparing NNPA figures between banks might not be sufficient. It's crucial to consider additional factors:

Gross NPA: A lower GNPA suggests a potentially healthier loan portfolio overall, with fewer bad loans from the outset.

	AXIS BANK	HDFC BANK
2019	2.06	0.39
2020	1.56	0.36
2021	1.05	0.4
2022	0.73	0.32
2023	0.39	0.27

Table 5.5.1 showing non-performing asset

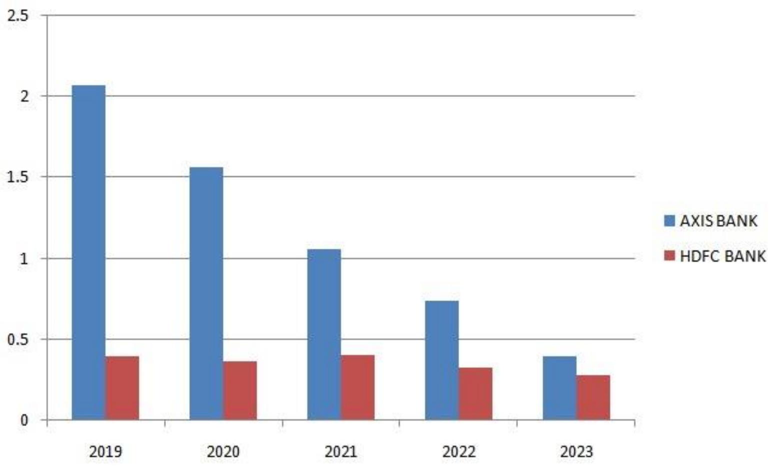


Table 5.5.1 showing non-performing asset

INTERPRETATION: We can see that the Gross NPA percentage has been consistently decreasing for both Axis Bank and HDFC Bank over the period 2019 to 2023. This indicates an improvement in their asset quality, meaning a lower portion of their loan portfolio is classified as non-performing.

5.6 OPERATING RATIO

By comparing a company's total operating expenses to its net revenues, the operational ratio illustrates how well its management is doing. The operational ratio demonstrates how well a business's management controls expenses while increasing sales or income. The more efficiently a corporation generates income relative to its overall costs, the lower the ratio. A declining operational ratio is considered a good thing as it means that operating costs as a proportion of net sales are getting lower. One drawback of the operational ratio is that debt is not taken into account.

Operating Ratio: (Total Revenue / Operating Expenses) * 100

YEAR	AXIS BANK	HDFC BANK
2019	23.8	22.31
2020	22.56	22.46
2021	23.71	22.45
2022	28.82	24.03
2023	38.83	25.17

Table 5.6.1 showing operating ratio

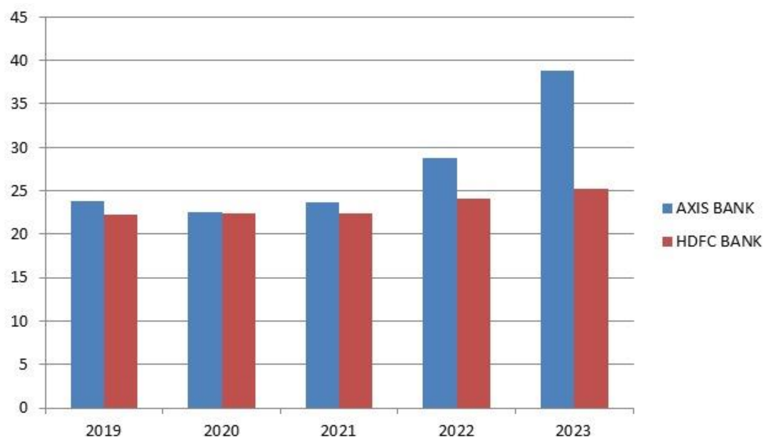


Figure 5.6.1 showing operating ratio

INTERPRETATION: In all the years mentioned (2019-2023), Axis Bank has a higher operating ratio compared to HDFC Bank. The gap between the operating ratios has been increasing over the years. In 2019, the difference was 1.49% and in 2023, the difference increased to 13.66%.As you can see, Axis Bank's operating ratio has increased significantly over the past few years, while HDFC Bank's operating ratio has shown a much smaller increase. A higher operating ratio indicates that a higher proportion of a bank's income is used to cover its operating expenses.

5.7 OPERATING PROFIT TO TOTAL ASSET RATIO

The operating profit to total asset ratio, also known as Operating Return on Assets (OROA), is a financial metric used to assess a company's operating efficiency.
This ratio measures the level of profits relative to the company's assets. The operating profit to total assets ratio measures how much operating income or profit is generated as a percentage of total assets.

Operating Profits to Total Assets Ratio=Operating Profit/Total Assets*100

YEAR	AXIS BANK	HDFC BANK
2019	2.1	3.07
2020	2.37	3.08
2021	2.34	3.18
2022	2.1	3.01
2023	2.43	2.77

Table 5.7.1 showing operating profit to total asset ratio

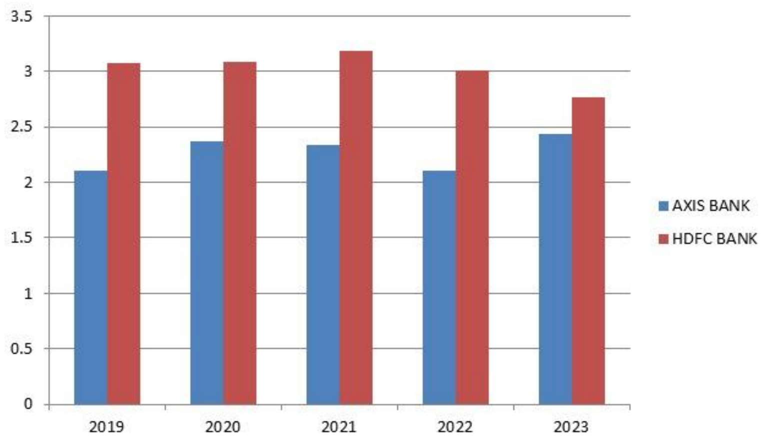


Figure 5.7.1 showing operating profit to total asset ratio

INTREPRETATION: Axis Bank: For Axis Bank, the operating profit to total asset ratio has fluctuated between 2.10% and 2.43% over the five years. There was a significant decrease in 2022 (2.10%) compared to 2021 (2.34%) but it increased again in 2023 (2.43%).

HDFC Bank: On the other hand, HDFC Bank's ratio has consistently decreased over the years, from 3.07% in 2019 to 2.77% in 2023.In all the years except for 2023, HDFC Bank has a higher operating profit to total asset ratio than Axis Bank.

However, the gap between the ratios has been narrowing over the years. In 2019, the difference was 0.97% and in 2023, the difference decreased to 0.34%.

A lower operating profit to total asset ratio indicates that a bank is generating less profit relative to its total assets.

5.8 NET PROFIT RATIO

The net profit ratio, also known as net profit margin, is a financial metric that measures a company's profitability after taxes. It essentially tells you how much profit a company generates for every dollar of revenue it brings in. In other words, it shows how efficient a company is at converting its sales into actual profits

it's calculated as : Net Profit Ratio = (Net Profit / Net Sales) × 100

YEAR	AXIS BANK	HDFC BANK
2019	6.86	18.07
2020	2.08	19.01
2021	8.71	21.2
2022	15.76	23.5
2023	21.57	22.87

Table 5.8.1 showing net profit ratio

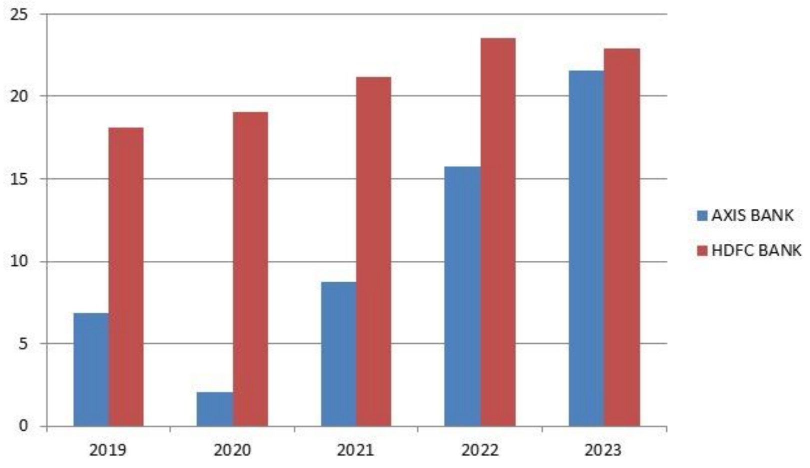


Figure 5.8.1 showing net profit ratio

INTERPRETATION: In 2019, HDFC Bank had a higher net profit ratio (18.07%) compared to Axis Bank (6.86%).

Axis Bank's net profit ratio increased significantly in 2021 (8.71%) compared to 2020 (2.08%) and continued to rise in 2022 (15.76%) and 2023 (21.57%).

HDFC Bank's net profit ratio also showed an increase over the years but remained lower than Axis Bank's net profit ratio from 2021 onwards. In 2023, HDFC Bank's net profit ratio was 22.87%.As you can see, Axis Bank's net profit ratio has grown significantly over the past few years, while HDFC Bank's net profit ratio has shown a more modest increase. In 2023, Axis Bank's net profit ratio surpassed HDFC Bank's net profit ratio.

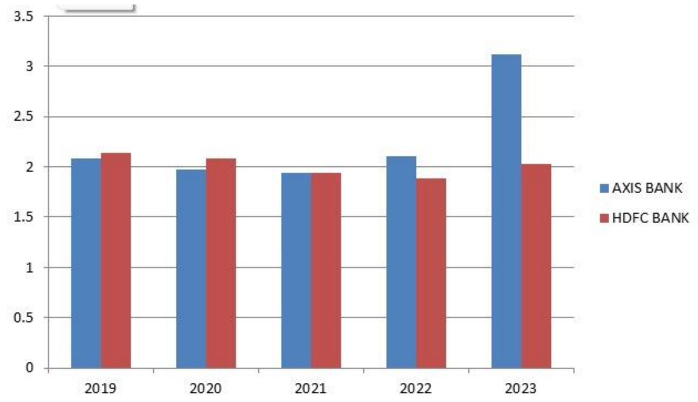
5.9 EXPENSE RATIO

Expense ratio equals the fund's total operating expenses divided by the average value of the fund's net assets. Expense-ratio indicates the per-unit cost of managing the funds which are calculated by dividing the total expenses by the total assets under management.The higher the ratio,the higher the funds are being incurred in-order to manage the fund.

Expense Ratio=Operational Cost/Total Assets*100

YEAR	AXIS BANK	HDFC BANK
2019	2.08	2.14
2020	1.97	2.08
2021	1.94	1.94
2022	2.11	1.89
2023	3.12	2.03

Table 5.9.1 showing expense ratio



Figures 5.9.1 showing expense ratio

INTERPRETATION: In 2020, the expense ratio for Axis Bank decreased by 2.80%. In 2021, the expense ratio for Axis Bank continued to decrease by 1.52% whereas HDFC Bank's expense ratio significantly decreased by 6.73%. In 2022, there's a positive change in expense ratio for Axis Bank at 8.76% while HDFC Bank's expense ratio slightly decreased by 2.58%. In 2023, the expense ratio for Axis Bank significantly increased by 47.87% while HDFC Bank's expense ratio increased by 7.41%. Overall, the expense ratio of Axis Bank is higher than HDFC Bank throughout the years mentioned.

CHAPTER 6

SUMMARY, FINDINGS, SUGGESTIONS AND CONCLUSION

6.1 Findings:

Capital Adequacy and Asset Quality:

1. HDFC Bank maintained a consistently higher Capital Adequacy Ratio throughout the period, between 19.5% and 18.4% indicating a stronger capital buffer to absorb potential losses.
2. For Axis bank it ranged from 15.84% to 19.12 %.
3. The capital adequacy ratio of both banks have fluctuated over the years. However, HDFC bank seems to be more able to withstand a financial downturn.

Profitability:

1.HDFC Bank had more profit margin for 4 years from 2019 to 2022 compared to Axis bank.

2.The gap between the banks' operating profit margins narrowed over time, from having a difference of 9.55 % to 3 %.

3.Axis bank took the lead in the year 2023 by having a profit margin 3 % higher than HDFC Bank.

Return on Capital Employed (ROCE):

1. Comparing ROCE from2019-2023 of both banks HDFC Bank maintained a consistently higher ROCE across all five years, signifying a greater ability to generate profit from the capital it employs.
2. The ROCE of both have fluctuated throughout years. For AXIS Bank it varied from 2.47 in the year 2019 to 1.57 in 2023. For HDFC Bank it varied from 3.33 in 2019 to 2.71 in 2023.
3. By analysing the data ,we can see there is a downward trend . ROCE of AXIS Bank had fall down to 2.47 in 2019 to 1.57 in 2023. In case of HDFC Bank, it goes down from 3.33 in 2019 to 2.71 in 2023.

Gross NPA:

1. Axis Bank consistently held a higher Gross NPA ratio compared to HDFC Bank throughout the five years. It ranged from 5.26% in 2019 to 2.02 % in 2023. This indicates a larger portion of loans at risk of default in Axis Bank's portfolio.
2. For HDFC, Bank it ranged from 1.36 % in 2019 to 1.12 % in 2023.
3. Axis bank has decreased their Gross NPA by 61.60 % in 5 years.
   For HDFC its 17.65%.
4. Net NPA also decreased throughout the years for both banks.

Operating Ratio:

1. Axis Bank has a higher operating ratio compared to HDFC Bank in all the years mentioned (2019-2023).
2. The gap between the operating ratios has been increasing over the years. In 2019, the difference was 1.49% and in 2023, the difference increased to 13.66%.
3. Axis Bank's operating ratio has increased significantly over the past few years, while HDFC Bank's operating ratio has shown a much smaller increase.

Operating profit to total asset ratio:

1. Axis Bank's operating profit to total asset ratio fluctuated between 2.10% and 2.43% over five years.
2. HDFC Bank's ratio has consistently decreased over the years, from 3.07% in 2019 to 2.77% in 2023.
3. In all years except for 2023, HDFC Bank had a higher ratio than Axis Bank.
4. The gap between the ratios narrowed from 0.97% in 2019 to 0.34% in 2023.
5. A lower ratio indicates a bank generates less profit relative to its total assets.

Net profit Ratio:

1. In 2019, HDFC Bank had a higher net profit ratio (18.07%) compared to Axis Bank (6.86%).
2. Axis Bank's net profit ratio increased significantly over the past few years, while HDFC Bank's net profit ratio has shown a more modest increase.

3. In 2023, Axis Bank's net profit ratio surpassed HDFC Bank's net profit ratio.

Expense Ratio:

1. Throughout the period (2020-2023), Axis Bank maintained a higher expense ratio than HDFC Bank.
2. Axis Bank's expense ratio significantly increased from 2.08% to 3.12 % .Also, HDFC Bank fluctuated between 2.14 % and 2.03 % .
3. Overall, Axis Bank maintained a higher expense ratio than HDFC Bank throughout the period.

Overall findings:

1. This study revealed a competitive landscape between HDFC Bank and Axis Bank.
2. HDFC Bank demonstrated strength in capital adequacy, asset quality, and net profit margin.
3. Axis Bank displayed an edge in core operational efficiency measured by the operating profit margin.
4. Both banks showed improvement in asset quality with declining Gross NPA ratios.

6.2 Summary:

This project utilized ratio analysis to compare the financial health of HDFC Bank and Axis Bank, two leading Indian private banks. We examined key metrics including capital adequacy, non-performing assets (NPA), gross performing assets (GPA), return on capital employed (ROCE), Operating profit margin, Operating Ratio, Operating Profit to total assets ratio, Net profit ratio And Expense Ratio. This analysis helps assess each bank's ability to manage risk (capital adequacy, NPA), loan portfolio health (GPA), profitability (ROCE, Net profit ratio, Operating Profit to Total Assets Ratio), and core business efficiency (operating profit). By comparing these ratios between the banks, we can identify areas of strength and weakness in their financial performance. This study benefits investors, analysts, and other stakeholders by providing a comprehensive picture of how these banks position themselves within the Indian banking sector, aiding informed decision-making.

6.3 Suggestions:

HDFC Bank:

Maintain Capital Adequacy Strength: While HDFC Bank already possesses a strong capital adequacy ratio, maintaining this focus ensures a buffer against unexpected losses and positions the bank for future growth.

Explore Strategies to Improve Operational Efficiency: Although HDFC Bank demonstrates strong profitability, consider analysing Axis Bank's operational efficiency strategies to identify potential areas for improvement. This could involve streamlining processes, leveraging technology, or optimizing resource allocation.

Maintain Focus on Asset Quality: The positive trend in declining NPA ratios is commendable. Continued vigilance in credit risk management is crucial to sustain this improvement.

Axis Bank:

Reduce Non-Performing Assets (NPA): While a downward trend exists, prioritize strategies to further reduce the Gross NPA ratio. This could involve stricter loan assessment procedures, early intervention for at-risk loans, or portfolio diversification.

Maintain Operational Efficiency Edge: Axis Bank's operational efficiency is a strength. Analyse and refine existing strategies to stay ahead of the curve and potentially widen the gap with HDFC Bank.

6.4 Conclusion:

This comparative study examined the financial performance of HDFC Bank and Axis Bank, leading Indian private banks, for the period 2019-2023. We analysed key financial ratios to assess their capital adequacy, asset quality, profitability, and return on capital employed.

HDFC Bank maintained a consistently stronger capital adequacy position, indicating a better ability to absorb potential losses. While Axis Bank's Gross NPA ratio was higher throughout the period, suggesting a larger portion of risky loans, both banks showed improvement in asset quality with declining NPA ratios. Interestingly, Axis Bank held an edge in core operational efficiency, measured by the Operating Profit Margin. However, this gap narrowed over time, suggesting that HDFC Bank is catching up.

On the profitability front, HDFC Bank displayed a consistently higher Net Profit Margin, implying a better ability to convert revenue into net profit.

This analysis reveals a competitive landscape between the two banks. HDFC Bank emerges slightly stronger in overall financial strength due to its capital adequacy, asset quality, and net profit margin. However, Axis Bank remains a strong competitor with its focus on operational efficiency. Ultimately, the Indian banking sector benefits from the presence of these two financially stable institutions, both demonstrating positive trends in asset quality.

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