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A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF PRIVATE SECTOR BANKS

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ABSTRACT
The banking sector plays a vital role in India's financial system by supporting economic growth and financial stability. This study presents a comparative analysis of the financial performance of three leading private sector banks in India HDFC Bank, ICICI Bank, and Axis Bank during the period 2016–2025. The study evaluates important financial indicators such as profitability, liquidity, capital adequacy, asset quality, and earnings performance using various financial ratios. Secondary data were collected from annual reports, and financial databases. The findings indicate that HDFC Bank maintained stable profitability and strong asset quality throughout the study period. ICICI Bank showed significant improvement and emerged as a strong performer in recent years, while Axis Bank improved gradually after initial fluctuations. The study concludes that private sector banks in India have strengthened their financial position through effective risk management, technological advancement, and regulatory compliance.

1. INTRODUCTION

The Indian banking industry has undergone a profound transformation over the past three decades, propelled by economic liberalization, financial sector reforms, and rapid technological innovation. As of 2025, India's banking system comprises approximately 45 scheduled commercial banks, including 12 public sector banks, 22 private sector banks, and 11 foreign banks. Total banking sector assets reached approximately 187 trillion by March 2024, with deposits exceeding 150 trillion and outstanding credit surpassing 115 trillion. The gross NPA ratio declined from over 11% in 2018 to approximately 5.6% in March 2024, reflecting improved credit management across the sector. Digitalization has transformed banking operations, with UPI monthly transactions crossing 12 billion in 2025 and over 400 million mobile banking users. Among private sector banks, HDFC Bank, ICICI Bank, and Axis Bank have emerged as dominant players, distinguished by consistent profitability, operational efficiency, and technological adaptability. HDFC Bank is recognized for superior credit management and consistent returns. ICICI Bank has balanced growth with robust capital management, while Axis Bank has demonstrated rapid expansion in retail and corporate banking segments. These three banks collectively represent a significant share of private sector banking assets, making them ideal candidates for comprehensive comparative financial performance analysis. The primary objective of this study is to conduct a rigorous, multi-ratio comparative analysis covering profitability, liquidity, capital adequacy, asset quality, and earnings performance over the decade 2016–2025.

2. INDUSTRY AND COMPANY PROFILE

The Indian banking industry is regulated by the Reserve Bank of India (RBI) and serves as a cornerstone of the country's financial system. The sector has shown steady growth, with total deposits exceeding 150 trillion and outstanding credit reaching over 115 trillion by March 2024. Financial inclusion initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY) have expanded access with over 460 million Jan Dhan accounts. Private sector banks have driven technology adoption, superior customer service, and innovative products.

HDFC Bank

HDFC Bank was established in 1994 and is headquartered in Mumbai. It is one of India's leading private sector banks known for strong customer service, digital banking, and financial stability. The bank provides loans, credit cards, insurance, investment, and online banking services through thousands of branches and ATMs across India.

ICICI Bank

ICICI Bank was established in 1994 and is headquartered in Mumbai. The bank is known for innovative technology and modern banking services. It offers savings accounts, loans, insurance, investment, mobile banking, and corporate banking services. ICICI Bank has a strong national and international presence with millions of customers.

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Axis Bank

Axis Bank was established in 1993 as UTI Bank and later renamed Axis Bank in 2007. Headquartered in Mumbai, it is one of India's major private sector banks. The bank provides retail banking, corporate banking, loans, credit cards, insurance, and digital banking services through its wide branch and ATM network.

3. REVIEW OF LITERATURE

Pandya & Vadher (2025) compared HDFC, ICICI, and Axis Banks using ROA, NPM, and NPA ratios. HDFC Bank was found to lead in profitability and efficiency in the post-pandemic era, while ICICI and Axis showed competitive performance.

Sathish & Mishra (2025) analyzed HDFC and ICICI Banks using ROA and CAR ratios, focusing on financial stability. HDFC Bank showed better consistency in returns compared to ICICI Bank.

Verma & Singh (2024) analyzed HDFC, ICICI, and Axis Banks using profitability ratios and growth trend indicators. HDFC Bank maintained strong and consistent financial growth while ICICI showed gradual improvement.

Mehta & Jain (2024) evaluated cost and profitability ratios with focus on operational efficiency. HDFC Bank had the highest efficiency score and recommended further investment in process automation.

Rao, Bandaru et al. (2024) conducted financial performance analysis using the EAGLE model covering 2013–2023. DCB Bank and HDFC Bank secured the first position in the earnings parameter.

4. OBJECTIVES OF THE STUDY

1. To analyze the profitability of HDFC Bank, ICICI Bank, and Axis Bank using key indicators such as Return on Assets (ROA) and Return on Equity (ROE).
2. To study liquidity position and the capacity of the banks to meet short-term obligations efficiently through liquidity ratios.
3. To compare the historical financial performance and financial stability of HDFC Bank, ICICI Bank, and Axis Bank over the study period.

5. RESEARCH METHODOLOGY

1. **Secondary Data**
   The study is based on secondary data collected from the annual reports of HDFC Bank, ICICI Bank and Axis Bank, journals, and financial websites.
2. **Period of the Study**
   The study covers a period of 10 years from 2016 to 2025.
3. **Sample**
   The sample consists of three private sector banks namely HDFC Bank, ICICI Bank, and Axis Bank.
4. **Tools of Analysis**
   Ratio analysis, comparative analysis, tables, graphs, and percentage analysis are used for the study.

6. DATA ANALYSIS AND INTERPRETATION

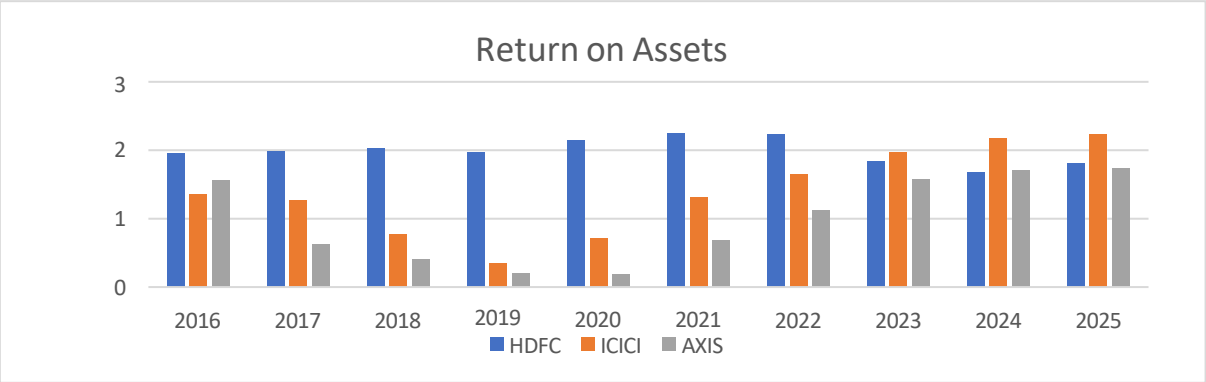
6.1 Return on Assets (ROA)

ROA measures how efficiently a bank uses its total assets to generate profit. A higher ROA indicates more effective utilization of assets

Table 1: Return on Assets (%) — 2016 to 2025

BANK	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HDFC	1.95	1.98	2.03	1.97	2.14	2.25	2.23	1.83	1.68	1.81
ICICI	1.35	1.27	0.77	0.35	0.72	1.31	1.65	1.97	2.18	2.23
AXIS	1.56	0.62	0.4	0.2	0.18	0.68	1.12	1.57	1.7	1.73

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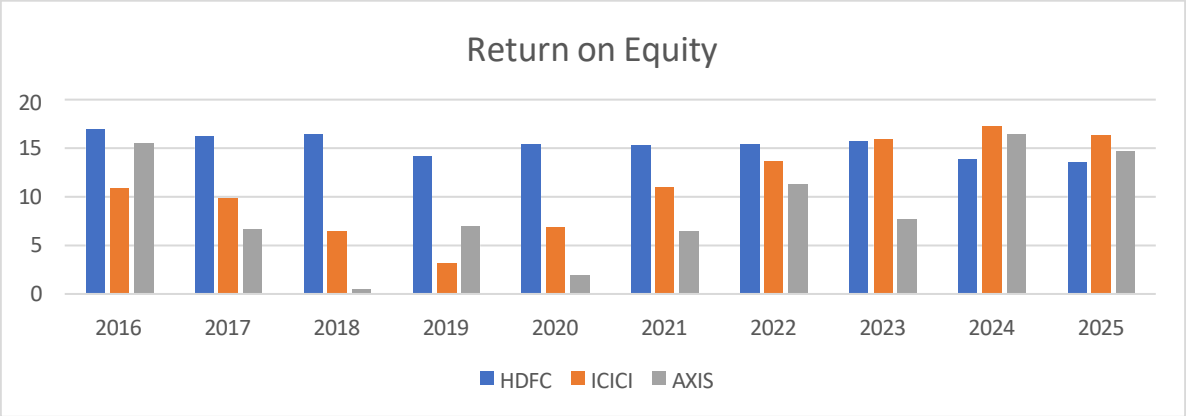
HDFC Bank maintained consistent ROA around 2% throughout the study period, reflecting stable asset utilization. ICICI Bank and Axis Bank experienced sharp declines during 2017–2019 due to rising NPAs and increased provisioning (Axis: 0.20% in 2019). From 2020 onwards, both banks recovered steadily. By 2025, ICICI emerged as the top performer with ROA of 2.23%, while Axis improved to 1.73%.

6.2 Return on Equity (ROE)

ROE measures how effectively shareholders' equity is used to generate profit. Higher ROE indicates better returns for shareholders.

Table 2: Return on Equity (%) — 2016 to 2025

BANK	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HDFC	16.92	16.26	16.45	14.13	15.4	15.27	15.39	15.74	13.9	13.53
ICICI	10.83	9.81	6.45	3.1	6.81	10.98	13.7	15.89	17.25	16.28
AXIS	15.46	6.6	0.43	7.01	1.92	6.48	11.31	7.64	16.46	14.67



HDFC Bank maintained a stable ROE between 13–17% throughout the decade. ICICI Bank and Axis Bank experienced severe declines during 2017–2019, with Axis dropping to just 0.43% in 2018 due to NPA-driven provisioning. Post-2021 recovery was robust; ICICI surpassed HDFC by 2023, reaching 16.28% in 2025. Axis also improved significantly to 14.67% in 2025.

6.3 Net Interest Margin (NIM)

NIM measures the difference between interest earned and interest paid relative to earning assets. A higher NIM indicates better profitability from core banking operations.

Table 3: Net Interest Margin (%) — 2016 to 2025

BANK	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HDFC	4.44	4.48	4.47	4.46	4.4	4.44	4.28	4.31	3.81	3.77
ICICI	2.86	2.65	2.45	2.67	2.8	2.69	2.67	2.97	2.95	2.71
AXIS	3.66	3.33	2.99	2.97	2.97	3.03	3.05	3.27	3.23	3.17

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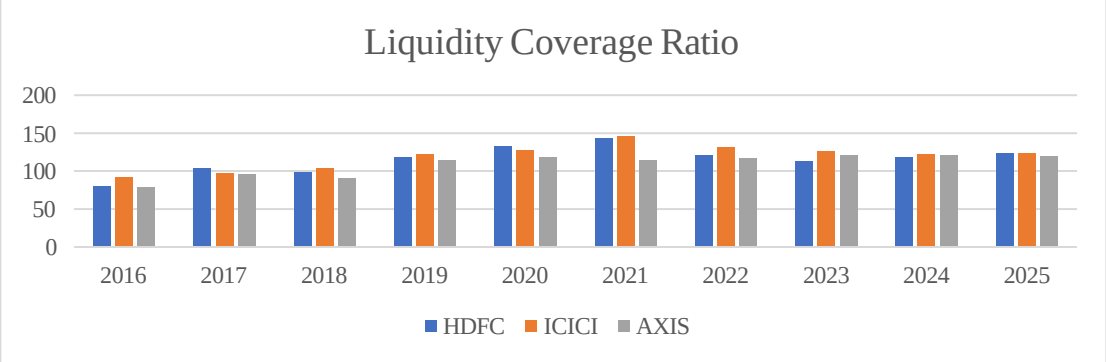
HDFC Bank consistently led with NIM above 4.4% from 2016 to 2022, declining slightly to 3.77% by 2025. ICICI Bank's NIM declined to 2.45% in 2018 but gradually improved to 2.97% by 2023. Axis Bank maintained a relatively stable NIM around 3%, showing moderate earnings management.

6.4 Liquidity Coverage Ratio (LCR)

LCR shows whether a bank holds sufficient High Quality Liquid Assets (HQLA) to survive 30 days of financial stress. Introduced under Basel III minimum required: 100%.

Table 4: Liquidity Coverage Ratio (%) — 2016 to 2025

BANK	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HDFC	79.67	103.38	98.56	118.4	132.29	143.43	120.75	113.36	117.42	123.59
ICICI	91.14	97.11	103.17	121.51	127.3	145.18	131.03	125.31	122.45	122.89
AXIS	78.5	96.05	90.6	114.3	118.14	114.33	116.0	120.8	120.58	119.3



All three banks had LCR below 100% in 2016, indicating weaker initial liquidity positions. From 2017 onwards, all banks crossed the regulatory threshold. LCR peaked around 2020–2021, reflecting strong liquidity management during the COVID-19 period. By 2025, all banks maintained LCR above 119%, affirming robust liquidity management.

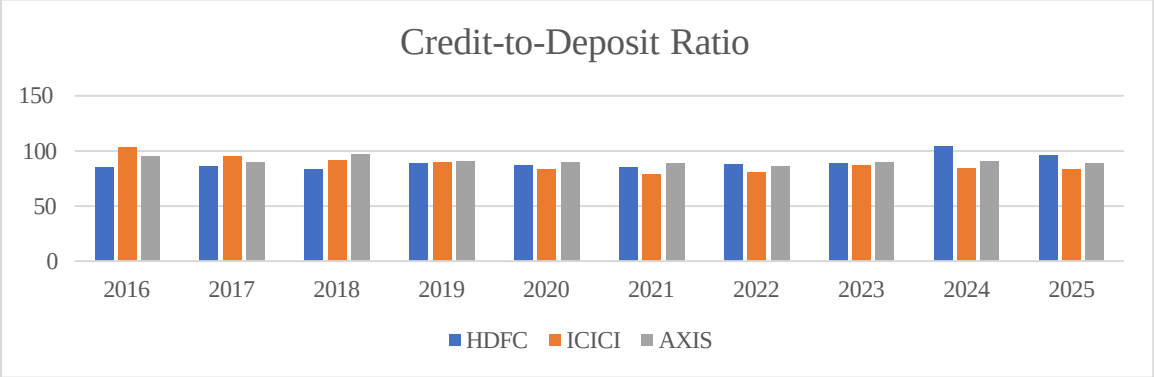
6.5 Credit-to-Deposit Ratio (CD Ratio)

CD Ratio measures the proportion of deposits used for lending. A higher ratio indicates greater lending activity; lower ratio reflects conservative lending.

Table 5: Credit-to-Deposit Ratio (%) — 2016 to 2025

BANK	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HDFC	85.0	86.2	83.5	88.8	86.6	84.8	87.8	88.5	104.4	96.5
ICICI	103.3	94.7	91.4	89.8	83.7	78.7	80.7	86.4	83.9	83.3
AXIS	94.6	90.0	96.9	90.2	89.3	88.2	86.1	89.3	90.3	88.7

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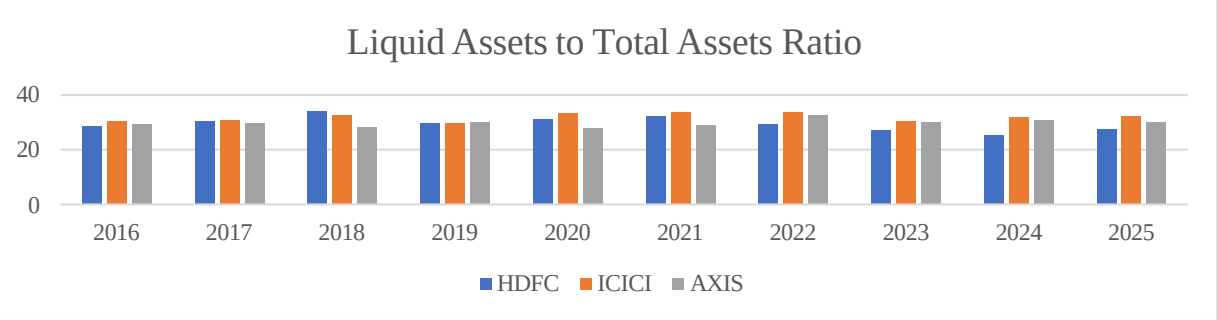
ICICI Bank shifted from aggressive lending (103.3% in 2016) to a more conservative approach (83% by 2025). HDFC Bank showed a notable increase to 104.4% in 2024, indicating credit expansion. Axis Bank maintained a balanced and consistent CD Ratio throughout the period ranging between 86% and 97%.

6.6 Liquid Assets to Total Assets Ratio (LATA)

LATA measures the proportion of total assets held in liquid form. A higher ratio indicates better ability to meet short-term obligations.

Table 6: Liquid Assets to Total Assets Ratio (%) — 2016 to 2025

BANK	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HDFC	28.61	30.49	34.32	29.88	31.27	32.24	29.39	27.2	25.47	27.52
ICICI	30.5	30.7	32.6	29.6	33.5	33.6	33.8	30.4	32.1	32.5
AXIS	29.5	29.7	28.5	30.2	27.7	28.9	32.8	30.0	30.8	30.0



ICICI Bank showed consistent liquidity strength (30–34%) throughout. HDFC Bank peaked at 34.32% in 2018 but declined to 25.47% by 2024, reflecting deployment of funds into productive assets. Axis Bank maintained a relatively stable range near 28–33% throughout the study period.

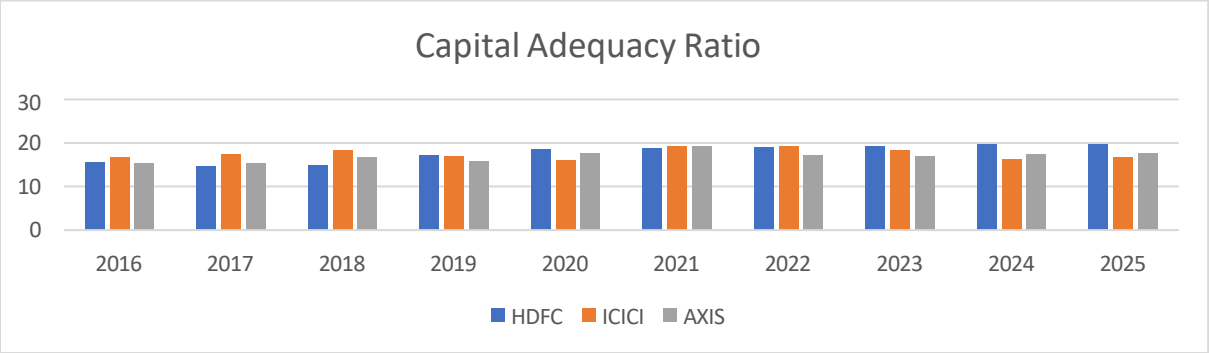
6.7 Capital Adequacy Ratio (CAR)

CAR measures a bank's financial strength relative to its risk-weighted assets. Basel III requires a minimum CAR of 10.5%, including capital conservation buffers.

Table 7: Capital Adequacy Ratio (%) — 2016 to 2025

BANK	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HDFC	15.5	14.6	14.8	17.1	18.5	18.8	18.9	19.3	19.6	19.8
ICICI	16.6	17.4	18.4	16.9	16.1	19.1	19.2	18.3	16.3	16.6
AXIS	15.4	15.3	16.6	15.8	17.5	19.1	17.1	17.0	17.3	17.5

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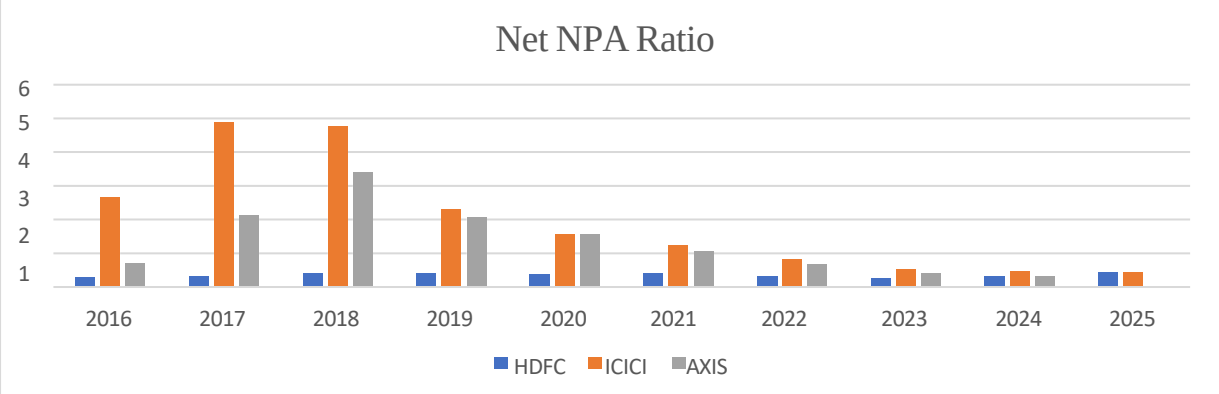
All three banks maintained CAR well above the Basel III minimum throughout the entire period. HDFC Bank showed consistent upward growth reaching 19.8% in 2025. ICICI Bank peaked at 19.2% in 2022 with a slight decline thereafter. Axis Bank remained stable around 15–19%, affirming adequate capital buffers to absorb potential losses.

6.8 Net NPA Ratio

Net NPA Ratio reflects the actual credit risk faced by the bank after adjusting for provisions. A lower Net NPA indicates better asset quality and efficient recovery management.

Table 8: Net NPA Ratio (%) — 2016 to 2025

BANK	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HDFC	0.28	0.33	0.4	0.39	0.36	0.4	0.32	0.27	0.33	0.43
ICICI	2.67	4.89	4.77	2.29	1.54	1.24	0.81	0.51	0.45	0.42
AXIS	0.7	2.11	3.4	2.06	1.56	1.05	0.67	0.39	0.31	0.35



HDFC Bank maintained exemplary credit quality with Net NPA consistently below 0.43% throughout the decade best-in-class performance. ICICI Bank and Axis Bank experienced significant NPA deterioration during 2017–2018, peaking at 4.89% and 3.40% respectively, due to stressed corporate assets. A concerted recovery drive brought all three banks below 0.45% Net NPA by 2024– 2025, reflecting improved credit appraisal and recovery mechanisms.

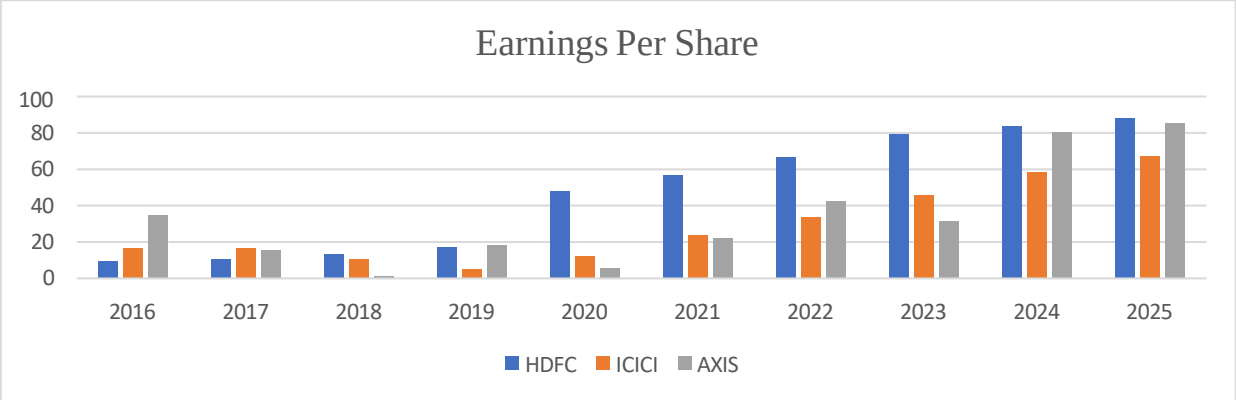
6.9 Earnings Per Share (EPS)

EPS measures the profit earned per outstanding equity share. Higher EPS indicates stronger earnings capacity and investor confidence.

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Table 9: Earnings Per Share (Rs.) — 2016 to 2025

Bank	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HDFC	9.24	10.57	13.51	17.0	48.01	56.58	66.8	79.25	83.83	88.29
ICICI	16.65	16.77	10.56	5.23	12.28	24.01	33.66	45.79	58.38	67.01
Axis	34.59	15.4	1.12	18.09	5.97	22.09	42.48	31.17	80.67	85.28



All three banks demonstrated strong EPS growth over the decade. HDFC Bank showed consistent growth from Rs.9.24 in 2016 to Rs.88.29 in 2025. ICICI Bank recovered from Rs.5.23 in 2019 to Rs.67.01 in 2025, reflecting improved earnings quality. Axis Bank, despite dropping to Rs.1.12 in 2018, reached Rs.85.28 in 2025, indicating remarkable earnings recovery and rising investor confidence.

7. FINDINGS

- **Profitability (ROA & ROE):** HDFC Bank maintained consistent ROA (2%) and ROE (15%) throughout the study period. ICICI Bank and Axis Bank experienced sharp declines during 2017–2019 due to NPA stress but recovered strongly. ICICI Bank emerged as the top profitability performer by 2025 with ROA of 2.23% and ROE of 16.28%.
- **Net Interest Margin:** HDFC Bank consistently led with NIM above 4%, declining slightly to 3.77% by 2025. ICICI and Axis maintained moderate NIM levels with gradual improvement in recent years, reflecting improved interest rate management.
- **Liquidity:** All three banks improved their Liquidity Coverage Ratio from below 100% in 2016 to above 119% by 2025. ICICI Bank maintained the most consistent liquidity strength across the period. All banks maintained healthy CD Ratios and LATA throughout.
- **Asset Quality:** HDFC Bank maintained Net NPA below 0.43% throughout best-in-class. ICICI and Axis reduced their Net NPA from peak levels of 4.89% and 3.40% (2017–18) to below 0.45% by 2024–2025, reflecting a major improvement in credit quality.
- **Capital Adequacy:** All three banks maintained CAR well above the Basel III minimum of 10.5% throughout the entire study period. HDFC Bank showed the most consistent improvement, reaching 19.8% in 2025, confirming the strongest capital position among the three.
- **Earnings Per Share:** Strong EPS growth was recorded across all banks HDFC: Rs.88.29, Axis: Rs.85.28, and ICICI: Rs.67.01 in 2025 reflecting improved profitability, earnings quality, and growing investor confidence over the decade.

8. SUGGESTIONS

- ICICI Bank and Axis Bank should sustain their NPA recovery momentum by strengthening credit appraisal frameworks, early warning systems, and proactive resolution of stressed assets.
- Axis Bank should continue investing in technology-driven process automation to reduce its cost- to-income ratio closer to the benchmark level demonstrated by HDFC Bank.
- All three private sector banks should enhance priority sector and rural lending to balance profitability objectives with financial inclusion mandates as stipulated by the Reserve Bank of India.
- Regulators should encourage convergence of capital buffer strategies across private banks to ensure uniform systemic resilience during periods of macroeconomic stress.
- Public sector banks can benchmark their credit monitoring, digital banking adoption, and risk management practices against these leading private sector banks to improve operational efficiency and asset quality.

9. CONCLUSION

This study presents a comprehensive ten-year comparative financial performance analysis of HDFC Bank, ICICI Bank, and Axis Bank over 2016–2025 using nine key financial ratios. The evidence reveals that HDFC Bank has been the benchmark of consistency across profitability, capital adequacy, and asset quality throughout the study period. ICICI Bank demonstrated the most remarkable recovery trajectory, emerging as the top profitability performer in recent years across ROA, ROE, and Net Profit Margin. Axis Bank showed significant improvement after substantial volatility in earlier years, particularly in EPS and NPA management.

Financial sector reforms, Basel III compliance, digital innovation, and enhanced risk management have collectively strengthened India's private banking sector. All three banks maintained capital adequacy well above regulatory requirements, affirming strong financial resilience. The findings underscore the importance of integrated financial performance evaluation as a tool for strategic decision-making, investor guidance, and regulatory oversight in India's evolving and competitive banking landscape.

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