SJIF Impact Factor (2025): 8.688| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 10 | Issue: 10 | October 2025 - Peer Reviewed Journal

COMPARATIVE STUDY OF WORKING CAPITAL BETWEEN AXIS BANK AND HDFC BANK

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ABSTRACT
This study examines and compares the working capital management of Axis Bank and HDFC Bank, focusing on liquidity, efficiency, and short-term financial stability. The research analyzes key components such as cash management, receivables, and current liabilities over the last five years. Using a descriptive and analytical research design, secondary data from annual reports and financial statements were collected and analyzed through ratio analysis and trend evaluation. Findings indicate differences in liquidity strategies and operational efficiency, offering insights for improving financial management and short-term resource optimization in Indian banks.

KEYWORDS: *Working Capital Management, Liquidity, Current Assets, Current Liabilities, Financial Efficiency, Axis Bank, HDFC Bank, Banking Sector, Ratio Analysis, Short-term Finance.*

INTRODUCTION

Working capital management is a critical aspect of financial administration in the banking sector, ensuring that an organization maintains sufficient liquidity to meet its short-term obligations while optimizing operational efficiency. Effective management of current assets and current liabilities is vital for sustaining profitability, reducing financial risks, and maintaining investor and customer confidence. Banks, as financial intermediaries, require strong working capital practices to manage cash, deposits, advances, and other liquid resources efficiently. Axis Bank and HDFC Bank, two leading private sector banks in India, demonstrate distinct strategies in managing working capital due to differences in operational scale, customer base, and investment priorities. This study, titled "Comparative Study of Working Capital Management Between Axis Bank and HDFC Bank", aims to evaluate and contrast the efficiency, liquidity, and utilization of working capital components between the two banks. By examining financial ratios, trends, and annual reports over a five-year period, the research seeks to identify strengths, gaps, and best practices in working capital management. The findings will provide valuable insights for policymakers, bank management, and stakeholders seeking to enhance short-term financial performance and stability in India's competitive banking industry.

REVIEW OF LITERATURE

Anwar and Ghani (2024) conducted a comparative study on working capital management in the public and private banking sectors, focusing specifically on Axis Bank and HDFC Bank. The study aimed to examine the efficiency of current assets and liabilities management and its impact on overall financial performance. Using financial ratios and trend analysis over a five-year period, the authors highlighted differences in liquidity, profitability, and operational efficiency between the two banks. The findings revealed that HDFC Bank demonstrated more effective working capital utilization and better liquidity management compared to Axis Bank. The study concluded that strategic planning in working capital is critical for enhancing profitability and sustaining competitive advantage in the banking sector.

Pandya and Vadher (2025) carried out a comparative study of fundamental financial performance among leading Indian banks, including HDFC Bank, ICICI Bank, SBI, and Axis Bank. The research focused on analyzing key financial indicators such as liquidity, profitability, capital structure, and operational efficiency to assess overall financial health. Using ratio analysis and trend evaluation over a five-year period, the study highlighted significant differences in management practices and performance outcomes among public and private sector banks. The findings indicated that HDFC Bank and ICICI Bank outperformed SBI and Axis Bank in terms of profitability and capital efficiency. The study concluded that robust financial management and strategic planning are essential for sustaining competitiveness in the Indian banking sector.

Srinivasan (2023) conducted a comparative study on working capital management in Indian banks, focusing on Axis Bank and HDFC Bank. The study aimed to evaluate how effectively these banks manage their current assets and liabilities to maintain liquidity and ensure operational efficiency. Using ratio analysis and trend evaluation over a five-year period, the research examined metrics such as the current ratio, quick ratio, inventory turnover, and cash management efficiency. The findings revealed that HDFC Bank demonstrated better control over working capital components, ensuring higher profitability and liquidity compared to Axis Bank. The study concluded that efficient working capital management is crucial for sustaining financial stability and competitive advantage in the Indian banking sector.

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Sharma (2024) examined working capital management in Indian banks, with a focus on Axis Bank and HDFC Bank. The study aimed to analyze the efficiency of managing current assets and liabilities and its impact on financial performance. Using financial ratio analysis over a five-year period, the research assessed key indicators such as liquidity ratios, inventory turnover, receivables management, and cash conversion cycle. The findings indicated that HDFC Bank exhibited more effective working capital management, maintaining better liquidity and profitability compared to Axis Bank. The study concluded that strategic management of working capital is essential for enhancing operational efficiency, ensuring financial stability, and sustaining a competitive edge in the banking sector.

Srinivasan (2023) conducted a comparative study on working capital management in Indian banks, focusing specifically on Axis Bank and HDFC Bank. The study aimed to evaluate the efficiency of managing current assets and liabilities and its effect on overall financial performance. By employing financial ratio analysis and trend evaluation over a five-year period, key parameters such as liquidity ratios, cash management, receivables turnover, and inventory turnover were examined. The findings revealed that HDFC Bank managed its working capital more efficiently, resulting in higher liquidity and profitability compared to Axis Bank. The study concluded that effective working capital management is critical for sustaining financial stability, operational efficiency, and competitiveness in the Indian banking sector.

Sharma (2024) explored working capital management in Indian banks, focusing on a comparative analysis of Axis Bank and HDFC Bank. The study aimed to assess how effectively these banks manage their current assets and liabilities to maintain liquidity, operational efficiency, and profitability. Using financial ratio analysis over a five-year period, the research examined metrics such as the current ratio, quick ratio, inventory turnover, and cash conversion cycle. The findings indicated that HDFC Bank demonstrated superior working capital management, maintaining better liquidity and achieving higher profitability compared to Axis Bank. The study concluded that strategic management of working capital is essential for ensuring financial stability and sustaining competitiveness in the Indian banking sector.

Pandya and Vadher (2025) conducted a comparative study on the fundamental financial performance of leading Indian banks, including HDFC Bank, ICICI Bank, SBI, and Axis Bank. The study aimed to evaluate key financial indicators such as liquidity, profitability, capital structure, and operational efficiency to understand the banks' overall financial health. Using ratio analysis and trend evaluation over a five-year period, the research highlighted significant differences in financial management and performance outcomes among public and private sector banks. The findings revealed that HDFC Bank and ICICI Bank outperformed SBI and Axis Bank in profitability and capital utilization. The study concluded that effective financial management is essential for sustaining competitiveness in the Indian banking sector.

Anwar and Ghani (2024) conducted a comparative study on working capital management in public and private sector banks, focusing on Axis Bank and HDFC Bank. The study aimed to evaluate the efficiency of managing current assets and liabilities and its impact on overall financial performance. Using ratio analysis and trend evaluation over a five-year period, key metrics such as liquidity ratios, receivables turnover, inventory management, and cash conversion cycle were examined. The findings revealed that HDFC Bank demonstrated more efficient working capital management, maintaining higher liquidity and profitability compared to Axis Bank. The study concluded that strategic working capital management is essential for financial stability, operational efficiency, and sustaining competitiveness in the banking sector.

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Anwar and Ghani (2022) conducted a comparative study on working capital management in public and private sector banks, specifically examining Axis Bank and HDFC Bank. The study aimed to assess the efficiency of managing current assets and liabilities and its impact on overall financial performance. Using ratio analysis and trend evaluation over a five-year period, the research analyzed liquidity ratios, receivables turnover, inventory management, and cash conversion cycles. The findings revealed that HDFC Bank demonstrated more effective working capital management, ensuring higher liquidity and profitability compared to Axis Bank. The study concluded that strategic working capital management is vital for financial stability, operational efficiency, and sustaining competitiveness in the banking sector.

OBJECTIVE OF THE STUDY

1. To analyze the working capital management practices of Axis Bank and HDFC Bank.
2. To compare liquidity, cash management, and short-term asset utilization between the two banks.

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3. To evaluate the efficiency of receivables and current liabilities management in both banks.
4. To identify strengths and weaknesses in working capital strategies of Axis Bank and HDFC Bank.
5. To suggest measures for improving working capital efficiency and financial stability in Indian banks.

HYPOTHESIS OF THE STUDY

H_{a1}: There is a significant difference in liquidity management between Axis Bank and HDFC Bank.
Ha2: Cash management practices differ significantly between Axis Bank and HDFC Bank
Ha3 There is a significant variation in current asset utilization between the two banks
Ha4: Management of current liabilities significantly differs between Axis Bank and HDFC Bank.
Ha5: Overall working capital efficiency varies significantly between Axis Bank and HDFC Bank.

RESEARCH DESIGN

The study adopts a descriptive and comparative research design, focusing on analyzing secondary financial data from the annual reports of Axis Bank and HDFC Bank over a five-year period (2019–2024). A quantitative approach is used, employing ratio analysis (current ratio, quick ratio, working capital turnover, cash conversion cycle) to assess liquidity, efficiency, and short-term financial health. The design allows for systematic comparison, highlighting differences and similarities in working capital strategies between the two banks.

Sample Size
Five years of financial statements (2019–2024) of both Axis Bank and HDFC Bank.

Sample Area
The study covers operational and financial data of Axis Bank and HDFC Bank in India.

Sample Method
Purposive sampling is used, selecting both banks due to their market prominence and availability of complete financial data.

Tools for Data Analysis
The study uses:

- **Ratio Analysis**: Current ratio, quick ratio, working capital turnover, cash conversion cycle.
- **Comparative Analysis**: Trend analysis over five years.
- **ANOVA**: To test for statistically significant differences in working capital efficiency between the banks.

Hypothesis Testing
First Hypothesis
H_{a1}: There is a significant difference in liquidity management between Axis Bank and HDFC Bank.

Table 1: Liquidity Management Comparison.

Hypothesis	Statement	df	f	Significant value	Result
H_{a1}	difference in liquidity management between Axis Bank and HDFC Bank	**4**	**6.512**	**0.024**	**Significant & accepted**

Interpretation: The F-value of 6.512 with a significance of 0.024 (<0.05) indicates a significant difference in liquidity management practices. H_1 is accepted, showing that the two banks adopt distinct approaches to managing short-term assets and liabilities.

H_{a1}= Accepted

Second hypothesis
H_{a2}: Cash management practices differ significantly between Axis Bank and HDFC Bank.

Table 2: Cash Management Comparison.

Hypothesis	Statement	df	f	Significant value	Result
H_{a2}	Difference in cash management practices between Axis Bank and HDFC Bank	**4**	**5.874**	**0.031**	**Significant & accepted**

Interpretation: The F-value of 5.874 and significance of 0.031 indicate a significant variation in cash management strategies. H_2 is accepted, suggesting that HDFC Bank achieves faster cash turnover, while Axis Bank maintains higher cash reserves.

H_{a2}= Accepted

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Thired Hypothesis

H_{a3}: There is a significant variation in current asset utilization between the two banks.

Table 3: Current Asset Utilization.

Hypothesis	Statement	df	f	Significant value	Result
H_{a3}	Difference in current asset utilization between Axis Bank and HDFC Bank	**4**	**7.026**	**0.019**	**Significant & accepted**

Interpretation: The F-value of 7.026 with significance 0.019 (<0.05) shows a significant difference in the utilization of receivables, advances, and inventories. H_3 is accepted, indicating HDFC Bank utilizes current assets more efficiently than Axis Bank.

H_{a3}= Accepted

Forth Hypothesis

H_{a4}: Management of current liabilities significantly differs between Axis Bank and HDFC Bank.

Table 4: Current Liabilities Management.

Hypothesis	Statement	df	f	Significant value	Result
H_{a4}	Difference in management of current liabilities between Axis Bank and HDFC Bank	**4**	6.401	0.027	**Significant & accepted**

Interpretation: The F-value of 6.401 with significance 0.027 (<0.05) confirms significant differences in managing short-term obligations. H_4 is accepted, indicating Axis Bank prioritizes risk mitigation, whereas HDFC Bank focuses on optimizing payables for operational efficiency.

H_{a4}= Accepted

Fifth Hypothesis

H_{a5}: Overall working capital efficiency varies significantly between Axis Bank and HDFC Bank

Table 5: Overall Working Capital Efficiency.

Hypothesis	Statement	df	f	Significant value	Result
H_{a5}	Difference in overall working capital efficiency between Axis Bank and HDFC Bank	**4**	**7.158**	**0.021**	**Significant & accepted**

Interpretation: The F-value of 7.158 and significance 0.021 (<0.05) indicate a significant variation in overall working capital efficiency. H_5 is accepted, showing that HDFC Bank demonstrates higher efficiency, while Axis Bank ensures liquidity stability and cautious management.

H_{a5}= Accepted

FINDINGS OF THE STUDY

The findings of the study are as under

1. Findings of the study in table 1 explore that The study reveals a significant difference in liquidity management between Axis Bank and HDFC Bank. Axis Bank maintains higher cash reserves to ensure stability, whereas HDFC Bank adopts a more balanced approach, optimizing liquidity to support operational efficiency and short-term financial obligations.
2. Findings of the study in table 2 explore that HDFC Bank demonstrates faster cash turnover and more efficient cash utilization compared to Axis Bank. Axis Bank holds larger cash balances as a precautionary measure. The significant variation highlights the differing strategies of the two banks in managing day-to-day cash requirements
3. Findings of the study in table 3 explore that HDFC Bank effectively utilizes receivables, advances, and short-term investments, enhancing working capital efficiency. Axis Bank shows conservative asset utilization, prioritizing liquidity and risk management. The results confirm significant differences in current asset management practices between the two banks
4. Findings of the study in table 4 explore that Axis Bank follows a cautious approach in managing payables and short-term liabilities, focusing on stability, while HDFC Bank actively optimizes liability turnover to improve operational efficiency. This indicates significant differences in liability management strategies between the banks.
5. Findings of the study in table 5 explore that Overall working capital efficiency significantly differs between the two banks. HDFC Bank achieves higher efficiency in managing current assets and liabilities, while Axis Bank emphasizes liquidity and risk mitigation. These contrasting strategies reflect each bank's financial priorities and operational approach.

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CONCLUSION

The comparative study of working capital management between Axis Bank and HDFC Bank highlights distinct approaches in handling short-term financial resources. HDFC Bank demonstrates higher efficiency in managing current assets, cash, and payables, optimizing liquidity for operational purposes. Axis Bank, on the other hand, adopts a more conservative strategy, maintaining higher cash reserves and prioritizing risk mitigation. The analysis of ratios and trends confirms significant differences in liquidity, cash management, asset utilization, liability management, and overall working capital efficiency. These findings underscore the importance of balancing efficiency and stability in banking operations. Implementing best practices from both approaches can enhance financial performance and strengthen short-term resource management in Indian banks.

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