

A COMPARATIVE ANALYSIS OF DIGITAL TRANSFORMATION OF AXIS BANK AND HDFC BANK

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ABSTRACT

Before now, the growth of technology such as the internet, artificial intelligence, and technology-based payment solutions, financial institutions have adopted complex business models than ever before. This study focuses on Axis Bank and HDFC and draws a comparative analysis of the two about India's transformation in the digital context, as well as mobile banking. India has made great leaps in online and mobile banking technologies, greatly improving customer interaction with new services. Both businesses have successfully integrated AI with the hopes of maximizing efficiency and are even pioneering online applications. The research gives a general overview of what AI chatbots are being incorporated and their relevance in modern banking. Artificial intelligence (AI) can benefit the banking industry in many ways, including: Improved customer experience, Enhanced operational efficiency, Improved risk management, Fraud detection and security and in many ways.

Keywords: Axis Bank, HDFC Bank, Digital Transformation, Technology, Mobile Banking.

INTRODUCTION

The Indian banking sector is also one of the biggest and most influential financial sectors in the world. Among the major private sector banks in India, Axis Bank and HDFC Bank are at the top of the list. Axis Bank was established in 1993, having emerged as a major player in the Indian banking sector with the range of retail and corporate products and services it offers. Its innovation, service quality, and strong digital banking platform have ensured that the bank becomes one of the leading players in the Indian financial market. HDFC Bank, established in 1994, has also transformed into a financial giant, efficient, with robust financial performance, and wide services in retail, wholesale, and treasury operations. HDFC Bank is often regarded as one of the most reliable and profitable banks in India due to its sound risk management practices and customer-centric approach. Both institutions have a crucial role to play in the growth of the Indian economy. They push for financial inclusion, support businesses, and give people holistic banking solutions.

This research paper tries to look at the financial performance, growth strategies, and competitive positioning of Axis Bank and HDFC Bank by looking into factors that are behind their success and influence in the Indian banking industry.

Objectives of the Study

1. To study the digital strategies that are adopted by HDFC Bank and Axis Bank.
2. To study how digitalization impacts customer experience in the context of HDFC Bank and Axis Bank.
3. To find out how HDFC Bank and Axis Bank are training their employees to adopt digital tools and processes.
4. Digital processes and services offered by HDFC Bank and Axis Bank to promote financial inclusion.
5. To study the grievance redressal mechanism followed by HDFC Bank and Axis Bank using technology.
6. To study the measures taken by HDFC Bank and Axis Bank to promote financial literacy using digital means.

Research Questions

1. How does the digital transformation of both banks differ from past decades?
2. How do HDFC Bank and Axis Bank promote financial literacy by using digital tools?
3. How do HDFC Bank and Axis Bank manage Human resource processes easily?

4. What is the major preference of customers for prevailing digital services in the context of HDFC Bank and Axis Bank?

LITERATURE REVIEW

1. There is a big difference between digitalization and digitization. According to "Assessing the Digital Transformation in Two Banks: Case Study in Hungary" by Lam Quynh Trang Tran, Dai Thich Phan, Miklos Herdon, and Levente Kovacs, 'Digitization' means shifting from paper work to computerized work. 'Digitalization' is related to the larger change in which new tools and techniques, and the means of innovations are employed to ease the work. ^[9].
2. Non-performing assets have always been a major concern in the bank's functioning, as they hinder the bank's profitability due to the lack of creditworthiness. Most of the banks are dealing with this type of issue. According to "A Study of Non- Non-Performing Assets with Special Reference to Axis Bank" by Bhanotu Babu, it is very important to recover the dues from the Non-Performing Assets, as if the loan is not recovered, then the value will deteriorate over time ^[10].
3. Digitalization has improved the customer experience. According to "The Effect of Digitalization on the Quality of Service and Customer Loyalty" by Lulzim Shabani, Arbëresh Behluli, Fidan Qasimi, Fellenz Pula, Pranvera Dalasha, the banking system provides most of the digital services to customers. As a result, most of the customers are loyal to their banks, and they are enjoying the digital services provided by the banks^[11]
4. Financial Inclusion is an important practice that all banks do, and it is advised by the Reserve Bank of India in India. According to "Digital Financial Inclusion by Peterson K. Ozil, Digital Financial Inclusion can be done by providing digital tools to the unbanked individual or adults, such as mobile phones, etc, after linking them into the formal banking sector, so that they can also use the digital banking services easily.
5. Employees and human resources play an important role in the functioning of an organization. According to the article, "The Effect of Banking Digitalization on Employee Effectiveness and Productivity in Serving Customers" by Jenri Pando Manalo and Siti Humaira Rakina, Banking Digitalization may increase the effectiveness and productivity of the employees, and it may result in boosting the innovation, which is very beneficial for organisational growth.

RESEARCH DESIGN

Research design aims to clarify the purpose and objective of the study. This study focuses on a comparative analysis of digital transformation of Axis bank and HDFC bank. This study is solely based on quantitative approach of data collection.

DATA COLLECTION METHOD

The data collected is based on a secondary data collection method. In this, we have collected bank statements of both banks from their respective websites.

LIMITATIONS

- 1) Data collection methods were complex.
- 2) Comparison between the data was time-consuming.

FINDINGS

Axis Bank

1. NPA:

Axis Bank was established in 1993. It is a private-sector bank that has always adopted technology. Before the digital revolution, it was tough and challenging for the Axis Bank to cope with the traditional methods. It was hard to fathom detecting nonperforming assets, as everything used to be manual. The statements were manually reconciled, and the transaction pattern was reviewed continuously to find out the missed transactions and defaults in the payments. With the involvement of lots of paperwork, the process had become difficult and time-consuming.

Now the scenario has changed completely. Axis Bank uses various technological tools to find out the Nonperforming assets. The internal audits done by the bank involve the usage of Artificial Intelligence and various software, which find out the details of the accounts within the nick of time. Some software used by Axis Bank to detect NPA is:

- E Softex
- Finacle
- My Money
- NEO by Axis

The tools used by Axis Bank to detect NPA are:

- XG Boost

- Logistic Regression
- SPSS

Below is the data that provides the NPA accounts detected in the past few years.

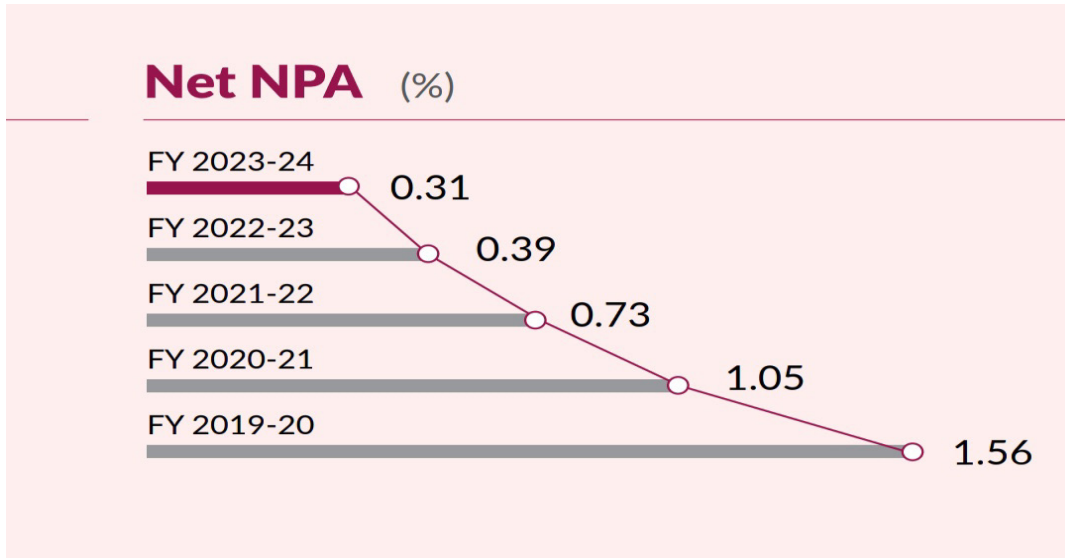


Figure 1: NPA accounts over the years^[14]

2. Customer Experience:

The satisfaction of the customers is the most important aspect that needs to be taken care of. Axis Bank has always taken care of the customer experience before and after the digital transformation.

Before the digital transformation, customers used to interact with bank officials to avail of any kind of services. The face-to-face interactions involved waiting in long queues.

But now the bank has transformed its services by using cloud computing, online tools, and mobile apps. Axis Bank supports the online opening of a bank account through the tab. The mobile app provides the recharge and pay bills options as well. It also provides the ability to save 10 frequent transactions as a favorite. Before the digital transformation, customers had to sign various forms, but now things have become easy and time-saving. Customers can also use digital banking options for payments. Axis Bank has been among the first few banks to provide the facility of UPI.

3. Financial Inclusion:

Axis Bank has been very active in the activity of financial inclusion since 2006. It has been adopting all the measures to include the disadvantaged group of people who have low incomes. Before the digital transformation, Axis Bank had launched initiatives in rural and

urban areas and provided services to low-income people. After the digital transformation, Axis Bank expanded access to affordable credit through co-lending models. It also provided paperless transactions through mobile apps and net banking. It improved the speed of onboarding new customers while creating self-service capabilities for customers. According to the Axis Bank site, various financial inclusion initiatives were taken in the districts of Nashik, Bengaluru, Pul Bazaar block of Darjeeling district, and Sikkim-Axis Bank Launches Financial Inclusion Initiatives within a 30 km radius of rural branches.^[4]

4. Human Resource Management:

The human resource management of Axis Bank before the digital transformation primarily focused on roles like routine training, branch staffing, and managing the manual workforce. After the digital transformation, Axis Bank started focusing on tech talent, upskilling initiatives, and agile work culture, forming teams that focused on the diverse skill sets to tackle the digital projects across different departments, also training the employees to work in the other portals, equipping all the managers with skills to cope up with the digital environment. The (AxisVIBE) was introduced in 2022 to promote DECI. Axis Bank organized 4-hour interactive collaborative learning modules. Axis Bank recognises and rewards its employees by Ahead Talent Management Program. It selects 94 employees and rewards them on the basis of their performance.

HDFC (Housing Development Finance Corporation Limited) Bank:

1. NPA:

HDFC Bank was established in August 1994 under the name HDFC Bank Limited. It was headquartered in Mumbai, India. The bank commenced its operation in 1995. The non-performing assets have always been a matter of concern, even if we talk about India's leading private sector bank, HDFC. Before the digital transformation of HDFC Bank, the staff reviewed the ledgers and transactions regularly to identify the NPA. The method was extremely time-consuming and manual. The accuracy was also doubtful. The loan repayment was manually tracked and marked as a red flag if the payment crossed the 90-day time limit. The reports used to be compiled manually, and then it was submitted to the regulators.

After digitalization, things have completely changed. HDFC uses the 6-sense data, including software such as Finacle WMS, Sata, SAP data services, and Microsoft SQL Server Reporting Services.^[16]

Here is the graph that shows the current NPA date

Gross non-performing asset value of HDFC Bank Limited from financial year 2017 to 2024

(in billion Indian rupees)

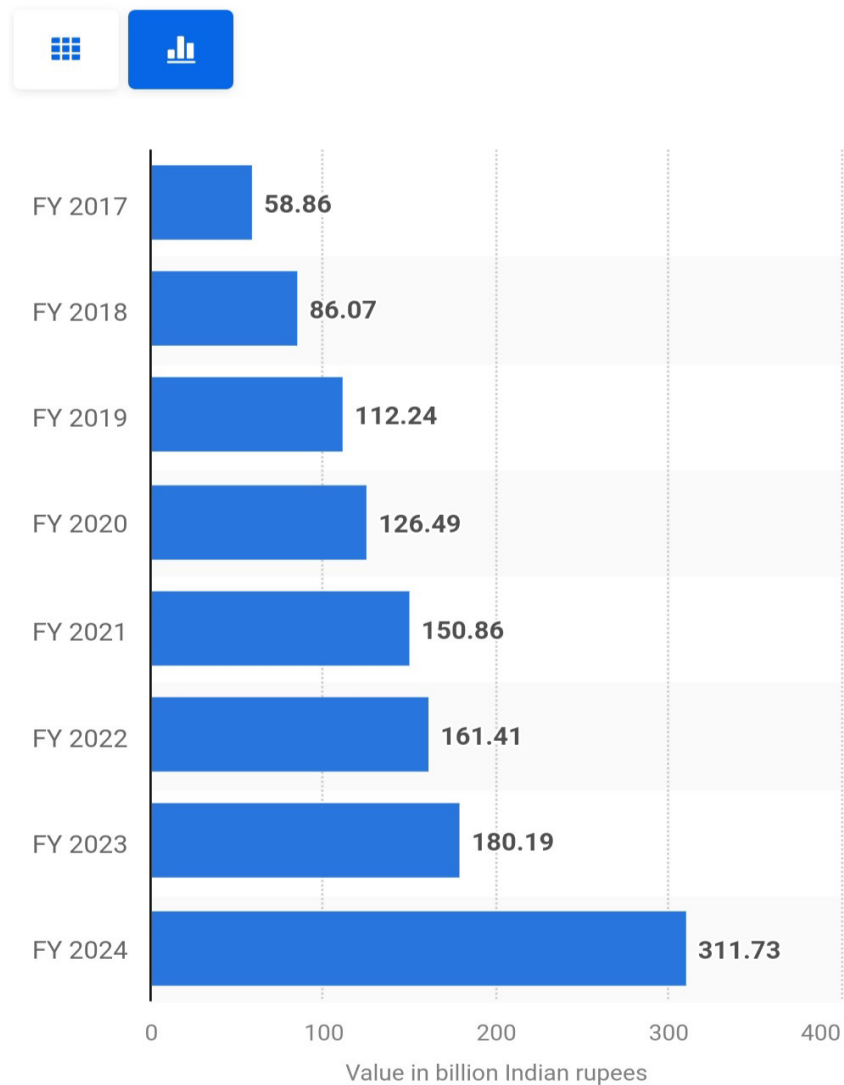


Figure 2: Bank Performance^[17]

2. Customer Experience:

Customers create a base for any bank. The bank needs to take care of its customers. HDFC follows all the KYC norms and takes care of its customers. Before the digital

transformation, the HDFC bank dealt with its customers manually. The customers had to walk to the bank to seek any services, and then the services were availed. All the processes involved much paperwork, and it was a time-consuming and extremely lengthy process. Now the scenario has completely changed. The bank provides 24/7 access to the account holders, making it easy for them to check the status. The bank also deployed virtual assistants and chatbots to enhance customer service. It also provides customers with omnichannel access, so that it becomes easy for customers to operate through various social media platforms.

3. Financial Inclusion:

HDFC used to focus on building personal relations with the people through in-person transactions or branch visits. The banks also provided services to the rural areas through Kisan gold cards and took initiatives through the SGH bank linkage program. They followed various initiatives and Yojna that were launched by the Government of India for financial inclusion. They also launched milk-to-money initiatives, which linked the dairy farmers with banking. The initiative taken by HDFC, which was the 'Har ghar Humara program', was a great source of providing doorstep services to the villagers and equipping them with financial literacy.

After the digitalization of HDFC Bank, providing financial literacy became easier. They launched the Micro Credit facilities for street vendors. The journey of digital transformation of HDFC Bank began in 2015 when they launched the first-ever mobile app. HDFC equips the people with new technology so that they can use the services on their own, and they can access them whenever they wish to. The Bank also won the Most Innovative Practice award at the CII DX forum for the most innovative approach to financial inclusion.

4. Human Resource Management:

Human resource management is very important for an organization for its smooth functioning. Before the digitalization, HDFC Bank offered training to the employees in specific areas such as foreign exchange and credit. It also focused on succession planning, training and development, and performance management. HDFC also provided the ownership of shares to its employees. After the digital transformation, there has been tech-enabled onboarding and recruitment. They also provide employees with personalized learning platforms with diverse modules with lectures. The following are the digital HR initiatives:

- I Cube:

It is an HR conversational bot for self-service access to employee information and resolving queries.

- Mobile-based time management:

Allowing managers to manage their work hours through the mobile portal.

- AI-powered talent acquisition:

The use of algorithms is done to identify potential candidates based on skills and services.

CONCLUSION

Both Axis Bank and HDFC Bank have made significant accomplishments in digital transformation, with notable gains in NPA management, improving customer experience, promoting financial inclusion, and innovating in HR management. HDFC Bank appears to have a modest advantage in keeping a reduced NPA, a high customer satisfaction rating, and a long-standing reputation for financial inclusion. Meanwhile, Axis Bank's aggressive digitalization strategy and emphasis on innovative services position the company well for growth and competitiveness.

In conclusion, while both banks are on a positive track, HDFC Bank's long history of stability and customer-centric innovations may provide a more resilient model in the context of digital transformation, whereas Axis Bank is rapidly evolving and establishing itself in this digital landscape.

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