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"A STUDY ON WORKING CAPITAL MANAGEMENT ON SELECTED BANKS IN INDIA"

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ABSTRACT

This study presents a comparative analysis of working capital management practices in five selected banks in India — State Bank of India, HDFC Bank, ICICI Bank, Axis Bank, and Federal Bank — over the five-year period 2021–2025. The study is descriptive and analytical in nature and is based on secondary data drawn from the published annual reports, profit and loss accounts, balance sheets, and other secondary financial sources of the selected banks. Key indicators — Earnings per Share, Book Value per Share, Net Profit Margin, Return on Equity, and Return on Assets — are used to evaluate the liquidity, profitability, and overall financial performance of the selected banks for the terminal year of the study period, and the banks are ranked on the basis of their overall comparative performance. The results show that ICICI Bank recorded the strongest profitability in the terminal year, HDFC Bank recorded the highest absolute earnings and net worth per share together with the most stable growth pattern, and State Bank of India recorded the sharpest overall improvement in profitability and efficiency during the period, while Axis Bank displayed comparatively higher earnings volatility despite healthy growth in book value. The study concludes that a combination of profitability, consistency, and growth indicators provides a more complete basis for evaluating the working capital management performance of Indian banks than any single ratio considered in isolation, and that continued attention to cost efficiency, income diversification, and liquidity discipline remains central to sustaining financial performance in the banking sector.

Keywords: Working Capital Management, Liquidity, Profitability, Indian Banks, Ratio Analysis, Net Profit Margin, Return on Assets.

I. INTRODUCTION

The banking sector occupies a central position in the economic development of any nation, acting as an intermediary between savers and borrowers and channelling funds into productive investment. In India, banks mobilise savings from households and institutions and extend credit to individuals, businesses, and government entities, thereby supporting industrial growth, employment generation, infrastructure development, and financial inclusion. Public sector banks, given their extensive branch networks, and private sector banks, given their focus on technology-led service delivery, together form the backbone of the Indian financial system.

Working capital, measured as the difference between current assets and current liabilities, represents the funds available to an organisation for meeting its day-to-day operational requirements. Working capital management refers to the set of policies and practices adopted by an organisation to maintain an appropriate level of current assets and current liabilities, so as to ensure adequate liquidity while minimising the cost of holding excess funds. Insufficient working capital may result in an inability to meet short-term obligations, while excessive working capital ties up funds that could otherwise be deployed profitably; the objective of sound working capital management is therefore to maintain an optimum balance between liquidity and profitability.

Working capital management assumes a distinct character in the banking sector when compared with manufacturing or trading organisations. Banks do not hold physical inventory or extend trade receivables in the conventional sense; instead, their working capital is represented by cash and balances with the Reserve Bank of India, short-term investments, advances extended to customers, and deposits and borrowings raised to fund these advances. Effective working capital management in banks therefore involves maintaining adequate liquidity to meet withdrawal demands, optimising the deployment of funds between advances and investments, monitoring the quality of the loan portfolio, and ensuring compliance with regulatory liquidity norms prescribed by the Reserve Bank of India, such as the Cash Reserve Ratio, the Statutory Liquidity Ratio, and the Liquidity Coverage Ratio.

In recent years, the working capital management practices of Indian banks have been shaped by several developments, including the rapid growth of digital banking and the Unified Payments Interface, tightening regulatory liquidity norms, the aftermath of the COVID-19 pandemic, and continued efforts to strengthen asset quality following the resolution of legacy stressed assets. These developments have altered the composition and cost of banks' deposits and advances, making a comparative assessment of working capital management practices across banks both timely and relevant.

This study, titled "A Study on Working Capital Management on Selected Banks in India," examines the working capital management practices and financial performance of five selected banks — State Bank of India, HDFC Bank, ICICI Bank, Axis Bank, and Federal Bank — over the period 2021–2025, using Earnings per Share, Book Value per Share, Net Profit Margin, Return on Equity, and Return on Assets as key indicators of profitability, efficiency, and financial strength.

Industry Profile

The Indian banking industry is one of the largest and most significant components of the country's financial system, mobilising savings, extending credit, and supporting financial inclusion across urban and rural areas. It is regulated primarily by the Reserve Bank of India (RBI), which maintains monetary stability and supervises banking operations, while the Government of India frames policy, particularly for public sector banks. The industry comprises Public Sector Banks, Private Sector Banks, Foreign Banks, Regional Rural Banks, Small Finance Banks, Payment Banks, and Cooperative Banks, with public sector banks continuing to dominate in terms of branch network and rural reach, and private sector banks leading in technology adoption and service delivery.

Modern banking in India traces its origins to the establishment of the Bank of Bengal in 1809, followed by the Bank of Bombay and the Bank of Madras, which were subsequently amalgamated to form the Imperial Bank of India in 1921. Allahabad Bank, established in 1865, is regarded as the oldest bank founded with Indian ownership. The Reserve Bank of India was established under the Reserve Bank of India Act, 1934, and commenced operations in April 1935 as the country's central bank, empowered to prescribe the Cash Reserve Ratio and other regulatory norms for commercial banks. Following independence in 1947, the Government of India progressively expanded its role in the banking sector, nationalising the Reserve Bank of India in 1949 and, subsequently, several major commercial banks in 1969 and 1980, with the Imperial Bank of India reconstituted as the State Bank of India in 1955. The liberalisation of the Indian economy in 1991 permitted the entry of new private sector banks, including HDFC Bank, ICICI Bank, and Axis Bank (originally established as UTI Bank), which introduced technology-driven retail banking services and intensified competition within the sector.

Over the past decade, the industry has undergone considerable transformation through digital banking, the Unified Payments Interface (UPI), and the adoption of data analytics and artificial intelligence in credit appraisal and risk management. Government-led financial inclusion initiatives such as the Pradhan Mantri Jan Dhan Yojana, Direct Benefit Transfer, and Mudra Loans have expanded the reach of formal banking, while regulatory reforms, including the Insolvency and Bankruptcy Code and revised provisioning norms, have strengthened the asset quality and resilience of the banking system.

Company Profile

For this study, five leading Indian banks — comprising one public sector bank and four private sector banks — were selected on the basis of their significant presence and scale of operations within the Indian banking industry. Table I.1 summarises the establishment year, headquarters, and profile of each selected bank.

Table I.1: Selected Banks and Their Profile

Bank	Established	Headquarters	Profile
State Bank of India	1955	Mumbai, Maharashtra	The largest public sector bank in India, reconstituted from the Imperial Bank of India. It offers retail banking, corporate

Bank	Established	Headquarters	Profile
			banking, agricultural finance, MSME financing, digital banking, treasury operations, and international banking, and plays a central role in government financial-inclusion schemes.
HDFC Bank	1994	Mumbai, Maharashtra	Promoted by Housing Development Finance Corporation (HDFC) Ltd. and one of India's largest private-sector banks, offering retail banking, wholesale banking, treasury operations, and digital banking services through an extensive branch and digital network.
ICICI Bank	1994	Mumbai, Maharashtra	Promoted by ICICI Ltd., originally established in 1955 to finance Indian industry, ICICI Bank offers retail banking, corporate banking, investment banking, insurance, and digital banking services, and has strengthened its asset quality considerably in recent years.
Axis Bank	1993	Mumbai, Maharashtra	One of the first new-generation private-sector banks, established as UTI Bank and renamed Axis Bank in 2007. It offers retail banking, corporate banking, treasury, and digital banking services, and expanded further through the integration of Citibank India's consumer banking business in 2023.
Federal Bank	1931	Aluva, Kerala	Established as Travancore Federal Bank and renamed Federal Bank in 1949, it is a leading private-sector bank with a strong presence among Non-Resident Indian customers, offering retail banking, corporate banking, agricultural finance, and digital banking services.

The selected banks together represent a significant share of the deposits and advances within the Indian banking system. All five banks are regulated by the Reserve Bank of India and follow common prudential norms for income recognition, asset classification, and liquidity management, but they differ in ownership structure, scale, legacy, and strategic focus, which is reflected in the variation in their working capital management practices and financial performance during the study period.

II. REVIEW OF LITERATURE

Working capital management has been extensively examined in academic literature, both in the context of the banking sector and non-financial firms, using financial ratios and statistical tools to evaluate its relationship with liquidity, profitability, and firm performance. This study draws on this body of literature to inform the comparative analysis of working capital management practices among five selected Indian banks over the recent five-year period 2021–2025.

Godswill Osuma (2018) examined the significance of working capital management for the Nigerian banking sector against the backdrop of falling global oil prices, rising non-performing loans, and workforce reductions, concluding that efficient working capital management contributes materially to improved bank profitability.

Ibish Mazreku (2020) examined the effect of working capital management on the profitability of commercial banks, along with the factors influencing profitability and the relationship between bank size and profitability.

Sara Fernández-López (2020)analysed the effect of working capital management on the profitability of 444 Spanish cheese-producing firms over 2010–2016 using a dynamic panel data approach, and found working capital management to be a critical determinant of profitability for small and medium-sized enterprises with high current-asset intensity.

Nufazil Altaf (2019) examined the relationship between working capital financing and firm performance using a sample of 437 non-financial Indian firms, and further examined the moderating effect of financial constraints on this relationship.

Seshdi Yasmin (2018) examined Muslim customers' awareness of, and attitudes towards, Islamic working capital financing products in Indonesia, drawing on the AIDA hierarchy-of-effects model and the Theory of Planned Behaviour.

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Frank Kabuye (2019) examined the effect of internal control systems and working capital management on the financial performance of 110 supermarkets in Uganda using a cross-sectional survey, and found that effective cash-flow management was a stronger predictor of profitability than internal controls alone.

Ahmad Rizal (2018) investigated the moderating effect of working capital management on the relationship between working capital determinants and firm performance among 282 listed Malaysian manufacturing firms over 2010–2014, decomposing the working capital requirement and net liquid balance as separate drivers of profitability.

Nashat Ali Almasria (2021) examined the effect of credit management policy and working capital management on the financial performance of sixteen Jordanian banks using panel data drawn from sixty-four financial reports over 2017–2020.

Iman Soukhakian (2019) examined the direct and moderating effects of GDP growth and inflation on the performance of listed Iranian manufacturing firms using panel data over 2010–2016 and a two-stage least squares approach, and found Return on Assets and refined economic value added to be negatively associated with the cash conversion cycle.

Umar Nawaz Kayani (2021) examined the interactive effect of corporate governance and working capital management on firm performance among Australian and Hong Kong firms, noting that weaknesses in both areas were among the contributing factors to the 2008 global financial crisis.

Priya Shanmuga, G. (2020) reviewed working capital management as a critical determinant of organisational continuity, examining patterns in its usage and management practices.

T. Poojitha (2019) reviewed the effectiveness and utilisation of working capital management based on secondary data drawn from a cooperative financial institution.

Rajni Chaudhary (2024) conducted a bibliometric study of working capital management literature published between 2003 and 2024, examining publication trends, influential authors and journals, and identifying gaps for future research through keyword analysis.

Prasad (2018) reviewed the body of literature on working capital management to identify under-researched areas, applying citation-based analysis to articles with at least fifty citations as of mid-2018, sourced through Google Scholar and categorised by theme.

Anil Kumar Pandey (2023) examined the relationship between working capital efficiency and firm value, and the moderating effect of financing constraints, using panel data on 1,713 firms over a ten-year period, and found that higher working capital investment was associated with higher firm value, an effect that was more pronounced for financially constrained firms.

Abinaya, R. (2022) examined working capital management decisions and their effect on the continuity of business operations, with particular reference to the operating cycle of a manufacturing enterprise.

Abdul Raheman and Mohamed Nasr examined the effect of working capital management on the profitability and liquidity of ninety-four Pakistani firms listed on the Karachi Stock Exchange over 1999–2004, using correlation and regression analysis.

Lisy Marigu (2023) reviewed the literature on working capital efficiency, highlighted gaps in existing research, and proposed further studies on sustainable working capital management strategies.

Faisal Riza (2023) reviewed the terminology, concepts, and approaches used in working capital management literature within a capital-market context, and identified working capital levels as a significant determinant of firm valuation.

Research Gap

Existing literature on working capital management is largely divided between broad, sector-wide studies of banking systems and firm-level studies of non-financial companies, with comparatively limited research examining the working capital management practices of individual leading Indian banks. Much of the existing literature also relies on traditional ratios evaluated up to around 2018, leaving a gap in the analysis of more recent developments — including the growth of digital banking and the Unified Payments Interface, revised RBI liquidity norms, and the post-COVID-19 operating environment — on the working capital management and profitability of Indian banks. Further, most existing studies link working capital management to profitability alone, without considering it alongside indicators of efficiency and consistency, such as Return on Equity, Return on Assets, and per-share earnings and net worth. This study seeks to address these gaps by comparing the working capital management performance of five leading Indian banks over the recent five-year period 2021–2025.

III. RESEARCH METHODOLOGY

Statement of the Problem

A key financial function that affects a bank's profitability, liquidity, and operational effectiveness is working capital management. Banks continue to face the challenge of balancing adequate liquidity with sustained profitability, particularly given regulatory requirements on reserves and liquidity coverage. Ineffective working capital management may result in liquidity shortages that adversely affect operations and creditworthiness, or in excess idle funds that reduce returns to shareholders. This study examines the working capital management practices of five selected Indian banks — State Bank of India, HDFC Bank, ICICI Bank, Axis Bank, and Federal Bank — over the five-year period 2021–2025, in order to understand how effectively these banks manage their current assets and liabilities, the effect of their working capital practices on profitability, and the extent to which their performance has varied over the study period.

Need for the Study

- Banks do not hold conventional inventory or receivables; deposits, advances, investments, and short-term borrowings constitute the bulk of their working capital, and understanding these dynamics requires focused study.
- Regulatory norms relating to the Cash Reserve Ratio, Statutory Liquidity Ratio, and Liquidity Coverage Ratio are tightening, requiring banks to continually recalibrate their working capital strategies.
- A comparative analysis across leading public and private sector banks provides insight into differing approaches to the liquidity–profitability trade-off.
- The findings assist bank management, investors, and policymakers in identifying sound working capital management practices.
- Limited recent, bank-specific research exists covering the post-pandemic period, which this study seeks to address.

Objectives of the Study

- To understand the concept and significance of working capital management in the banking sector.
- To analyse the trend in earnings per share of the selected banks over the study period.
- To examine the trend in book value per share of the selected banks over the study period.
- To evaluate the profitability of the selected banks through net profit margin, return on equity, and return on assets.
- To compare the working capital management efficiency of the selected banks.
- To assess the relationship between working capital management and the financial performance of the selected banks.
- To compare and rank the selected banks on the basis of their overall comparative performance.

Scope of the Study

The scope of the study is restricted to five selected banks in India — State Bank of India, HDFC Bank, ICICI Bank, Axis Bank, and Federal Bank — over the five-year period 2021–2025. The study evaluates the performance of these banks through ratio analysis applied to their published financial data, and is intended to help investors, financial advisors, students, and researchers understand working capital management practices among leading Indian banks. The study does not extend to other public sector, private sector, foreign, regional rural, or cooperative banks.

Research Design and Data Collection

The study adopts a descriptive, analytical, and longitudinal research design. It is descriptive in that it describes the working capital management practices of the selected banks over a five-year period; analytical in that it applies ratio analysis, trend analysis, and comparative analysis to draw meaningful conclusions; and longitudinal in that it covers the period 2021–2025, allowing for the identification of trends and performance evaluation over time. The study is based entirely on secondary data collected from the published annual reports of the selected banks, their profit and loss accounts and balance sheets, Reserve Bank of India bulletins and banking-sector reports, financial databases, and journals and research publications.

Sampling Technique and Sample Size

The study uses purposive sampling, with banks selected on the basis of their importance and the availability of financial information. The sample consists of five banks — State Bank of India, HDFC Bank, ICICI Bank, Axis Bank, and Federal Bank — comprising one leading public sector bank and four leading private sector banks, studied over five financial years from 2021 to 2025.

Tools Used in the Analysis

The working capital management and financial performance of the selected banks is analysed using the following financial ratios, with the collected data organised, calculated, and analysed using Microsoft Excel.

Formula: Earnings per Share (₹) = Net Profit ÷ Number of Outstanding Equity Shares

Formula: Book Value per Share (₹) = Shareholders' Equity ÷ Number of Outstanding Equity Shares

Formula: Net Profit Margin (%) = Net Profit ÷ Total Income × 100

Formula: Return on Equity (%) = Net Profit ÷ Shareholders' Equity × 100

Formula: Return on Assets (%) = Net Profit ÷ Total Assets × 100

Percentage analysis, comparative analysis, and trend analysis are also used, along with tables and comparative charts, to present and interpret the findings.

Hypotheses of the Study

Hypothesis 1:

H_0: There is no significant difference in the profitability (Net Profit Margin) of the selected banks.

H_1: There is a significant difference in the profitability (Net Profit Margin) of the selected banks.

Hypothesis 2:

H_0: Working capital management indicators have no significant impact on the financial performance of the selected banks.

H_1: Working capital management indicators have a significant impact on the financial performance of the selected banks.

Limitations of the Study

1. The study is restricted to five selected banks and may not represent the entire Indian banking sector.
2. The study is based entirely on secondary data, and the findings depend on the accuracy of the financial information published by the respective banks.
3. The study covers only the five-year period from 2021 to 2025; changes outside this period are not considered.
4. Qualitative factors such as management quality, employee efficiency, and customer behaviour are not analysed independently.
5. Differences in accounting presentation and financial-year reporting among banks may affect strict comparability of certain figures.

IV. DATA ANALYSIS AND INTERPRETATION

This section presents the results of the comparative working capital management and financial-performance analysis of the five selected banks over the study period 2021–2025, together with their interpretation.

4.1 Consolidated Overview of Earnings and Net Worth

Table IV.1: Earnings per Share and Book Value per Share of Selected Banks, 2021 and 2025

Bank	EPS 2021 (₹)	EPS 2025 (₹)	EPS Growth (%)	BVPS 2021 (₹)	BVPS 2025 (₹)	BVPS Growth (%)
State Bank of India	22.87	79.44	247.4	545.74	545.74	0.0
HDFC Bank	56.44	88.01	55.9	369.54	655.27	77.3
ICICI Bank	23.41	66.30	183.3	208.78	404.80	93.9

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Bank	EPS 2021 (₹)	EPS 2025 (₹)	EPS Growth (%)	BVPS 2021 (₹)	BVPS 2025 (₹)	BVPS Growth (%)
Axis Bank	42.43	78.68	85.4	374.71	656.96	75.3
Federal Bank	7.97	16.50	107.0	80.75	136.09	68.6

Table IV.1 presents the growth in earnings per share and book value per share of the five selected banks between 2021 and 2025. State Bank of India recorded the highest percentage growth in earnings per share (247.4%), though its book value per share returned to virtually the same level in 2025 as in 2021, reflecting the effect of interim reserve adjustments. ICICI Bank recorded the second-highest growth in earnings per share (183.3%) accompanied by strong growth in book value per share (93.9%), indicating a broad-based improvement rather than earnings growth alone. Federal Bank more than doubled its earnings per share (107.0%) with steady growth in book value per share (68.6%), while Axis Bank recorded healthy growth in both indicators despite volatility within the period. HDFC Bank recorded the lowest percentage growth among the five banks in both indicators, consistent with the more moderate growth typically associated with an already large and mature balance sheet, even as it maintained the highest absolute earnings per share and book value per share among the group.

4.2 State Bank of India

Table IV.2: Key Financial Indicators — State Bank of India (2021–2025)

Particulars	2021	2022	2023	2024	2025
Earnings per Share (₹)	22.87	34.32	56.28	68.44	79.44
Book Value per Share (₹)	545.74	645.78	402.23	464.91	545.74
Net Profit Margin (%)	6.61	10.02	13.62	13.08	13.53
Return on Equity (%)	4.19	5.31	13.99	14.72	14.56
Return on Assets (%)	0.28	0.38	0.84	0.91	0.97

State Bank of India recorded a marked improvement in profitability over the study period. Earnings per share rose from ₹22.87 in 2021 to ₹79.44 in 2025, and the net profit margin more than doubled, from 6.61 percent to 13.53 percent, reflecting a substantial improvement in the bank's ability to convert income into profit. Return on Equity increased from 4.19 percent to 14.56 percent, and Return on Assets rose nearly fourfold, from 0.28 percent to 0.97 percent, indicating considerably more efficient utilisation of shareholders' funds and total assets. Book value per share followed a non-linear pattern, rising to ₹645.78 in 2022 before declining to ₹402.23 in 2023, likely on account of reserve adjustments, before recovering to ₹545.74 by 2025 — broadly matching the level recorded at the start of the study period. Overall, the results indicate that the bank strengthened its profitability and efficiency considerably during 2021–2025, although the moderation in margin and Return on Equity growth in the terminal year suggests that sustaining this momentum will require continued attention to cost efficiency.

4.3 HDFC Bank

Table IV.3: Key Financial Indicators — HDFC Bank (2021–2025)

Particulars	2021	2022	2023	2024	2025
Earnings per Share (₹)	56.44	66.65	79.05	80.05	88.01
Adjusted EPS (₹)	28.22	33.33	39.53	40.03	44.01
Book Value per Share (₹)	369.54	432.95	502.17	579.51	655.27
Adjusted Book Value per Share (₹)	184.77	216.48	251.09	289.76	327.64
Quick Ratio (Times)	0.32	0.29	–	–	–

HDFC Bank recorded steady and predictable growth over the study period. Earnings per share increased from ₹56.44 to ₹88.01, and book value per share nearly doubled, from ₹369.54 to ₹655.27, reflecting the bank's consistent ability to build shareholder value year after year. The adjusted figures follow the same upward trajectory, differing only by the effect of bonus issues or stock splits on a per-share basis. The bank maintained a low quick ratio of below 0.5 in the years reported, which is consistent with the structural liquidity profile of banking institutions rather than a sign of weakness, given that banks manage liquidity primarily through deposits, advances, and investments rather than trade receivables. HDFC Bank recorded the highest absolute earnings per share and book value per share among the five selected banks in 2025, though the moderation in the rate of growth between 2023 and 2024 suggests that the bank's expanding, already large base may make it harder to sustain historically high growth rates going forward.

4.4 ICICI Bank

Table IV.4: Key Financial Indicators — ICICI Bank (2021–2025)

Particulars	2021	2022	2023	2024	2025
Earnings per Share (₹)	23.41	33.58	45.67	58.22	66.30
Adjusted EPS (₹)	23.41	33.58	45.67	58.22	66.30
Book Value per Share (₹)	208.78	240.75	283.01	335.05	404.80
Adjusted Book Value per Share (₹)	208.78	240.75	283.01	335.05	404.80
Net Profit Margin (%)	16.51	22.29	23.96	25.29	24.63

ICICI Bank recorded one of the most notable improvements in profitability among the selected banks. Earnings per share nearly tripled, from ₹23.41 to ₹66.30, and book value per share nearly doubled, from ₹208.78 to ₹404.80, reflecting a systematic rebuilding of the bank's balance sheet and earnings capacity. The net profit margin improved from 16.51 percent in 2021 to a peak of 25.29 percent in 2024, before easing marginally to 24.63 percent in 2025 — the highest terminal-year margin among the five banks studied. The improvement across all indicators was consistent and incremental, without major volatility, reflecting disciplined execution and improved asset quality following the resolution of legacy stressed assets. The slight moderation in margin in the terminal year suggests that further growth in profitability may increasingly depend on fee-based income and calibrated lending rather than balance-sheet expansion alone.

4.5 Axis Bank

Table IV.5: Key Financial Indicators — Axis Bank (2021–2025)

Particulars	2021	2022	2023	2024	2025
Earnings per Share (₹)	42.43	31.13	80.55	85.15	78.68
Adjusted EPS (₹)	42.43	31.13	80.55	85.15	78.68
Book Value per Share (₹)	374.71	406.24	486.74	576.67	656.96
Adjusted Book Value per Share (₹)	374.71	406.24	486.74	576.67	656.96
Net Profit Margin (%)	15.77	9.98	17.86	17.67	15.97

Axis Bank's profitability followed a considerably more volatile trajectory than its peers over the study period. Earnings per share declined from ₹42.43 in 2021 to ₹31.13 in 2022, before rising sharply to ₹85.15 in 2024 and easing to ₹78.68 in 2025. The net profit margin followed a similar pattern, falling from 15.77 percent to 9.98 percent in 2022, coinciding with a rise in provisions, before recovering to 17.86 percent in 2023 and moderating to 15.97 percent by 2025. Despite this volatility in earnings, book value per share increased steadily and substantially, from ₹374.71 to ₹656.96, a rise of over 75 percent, indicating that the bank's underlying net worth strengthened consistently even during periods of profit fluctuation. Overall, Axis Bank's position in 2025 is considerably stronger than at the start of the period, though the sharp swings in profitability during 2022 indicate a less consistent earnings trajectory than that of HDFC Bank or ICICI Bank.

4.6 Federal Bank

Table IV.6: Key Financial Indicators — Federal Bank (2021–2025)

Particulars	2021	2022	2023	2024	2025
Earnings per Share (₹)	7.97	8.99	14.23	15.28	16.50
Adjusted EPS (₹)	7.97	8.99	14.23	15.28	16.50
Book Value per Share (₹)	80.75	89.36	101.60	119.47	136.09
Adjusted Book Value per Share (₹)	80.75	89.36	101.60	119.47	136.09
Net Profit Margin (%)	10.12	12.00	15.74	14.72	13.43

Federal Bank recorded the most consistent, low-volatility improvement among the five selected banks. Earnings per share more than doubled, from ₹7.97 to ₹16.50, and book value per share grew steadily, from ₹80.75 to ₹136.09, an increase of nearly 69 percent. The net profit margin improved from 10.12 percent to a peak of 15.74 percent in 2023, before moderating to 13.43 percent by 2025, suggesting some margin pressure in the terminal years, possibly from rising deposit costs or competitive intensity. Unlike Axis Bank or State Bank of India, Federal Bank's growth across all indicators examined was smooth and predictable, without sharp swings, though the bank's overall scale, as reflected in its per-share earnings and net worth, remains considerably smaller than that of the other banks studied.

4.7 Consolidated Ranking of Selected Banks

Banks are ranked on the basis of their terminal-year (2025) Net Profit Margin, considered together with the consistency of their earnings performance and the growth recorded in earnings per share and book value per share over the study period. As a separate Net Profit Margin figure was not available in the ratio table sourced for HDFC Bank, its 2025 Net Profit Margin has been computed by the researcher from the bank's reported Net Profit and Total Income for the year (Net Profit ÷ Total Income × 100).

Table IV.7: Consolidated Rank of Selected Banks on Key Indicators (2025)

Rank	Bank	Net Profit Margin 2025 (%)	EPS 2025 (₹)	EPS Growth 2021–25 (%)	BVPS 2025 (₹)	BVPS Growth 2021–25 (%)
1	ICICI Bank	24.63	66.30	183.3	404.80	93.9
2	HDFC Bank	19.46*	88.01	55.9	655.27	77.3
3	Axis Bank	15.97	78.68	85.4	656.96	75.3
4	State Bank of India	13.53	79.44	247.4	545.74	0.0
5	Federal Bank	13.43	16.50	107.0	136.09	68.6

** Computed by the researcher from the reported Net Profit and Total Income of HDFC Bank Ltd. for FY2025, as a separate Net Profit Margin figure was not available in the ratio table sourced for this bank.*

Table IV.7 consolidates the comparative position of the five selected banks in the terminal year of the study period. ICICI Bank recorded the highest Net Profit Margin (24.63%) in 2025, combined with strong and consistent growth in earnings per share (183.3%) and book value per share (93.9%) over 2021–2025, placing it 1st among the selected banks. HDFC Bank recorded the second-highest Net Profit Margin (19.46%) and the highest absolute earnings per share (₹88.01) and book value per share (₹655.27), reflecting the scale and stability associated with its position as one of India's largest private-sector banks, and was ranked 2nd. Axis Bank, despite a healthy Net Profit Margin (15.97%) and substantial book value growth (75.3%), exhibited considerable earnings volatility during 2022 and was accordingly ranked 3rd. State Bank of India recorded the sharpest overall improvement in profitability and efficiency among the selected banks — Return on Equity more than tripled and Return on Assets nearly quadrupled during the period — but its comparatively lower Net Profit Margin (13.53%) and a book value per share that returned to its 2021 level by 2025 placed it 4th. Federal Bank, though displaying the most consistent, low-volatility improvement across all indicators examined, recorded the lowest Net Profit Margin (13.43%) among the five banks in 2025 and was ranked 5th. Overall, the results indicate that a combination of profitability level, consistency of earnings, and growth in per-share indicators provides a more complete basis for comparing the working capital management performance of Indian banks than any single ratio considered in isolation.

V. FINDINGS, SUGGESTIONS AND CONCLUSION

Findings

1. ICICI Bank recorded the highest Net Profit Margin (24.63%) among the five selected banks in 2025, together with strong growth in earnings per share (183.3%) and book value per share (93.9%) over 2021–2025.
2. HDFC Bank recorded the highest absolute earnings per share (₹88.01) and book value per share (₹655.27) in 2025, reflecting the scale of India's largest private-sector bank, though its percentage growth in these indicators was the lowest among the five banks, consistent with a large and maturing base.
3. State Bank of India recorded the sharpest overall improvement in profitability and efficiency among the selected banks, with Return on Equity rising from 4.19% to 14.56% and Return on Assets rising from 0.28% to 0.97% between 2021 and 2025.
4. Axis Bank exhibited the most volatile earnings trajectory among the selected banks, with Net Profit Margin falling from 15.77% to 9.98% in 2022 before recovering to 15.97% by 2025, even as its book value per share grew steadily by over 75%.

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5. Federal Bank recorded the most consistent, low-volatility improvement across earnings per share, book value per share, and net profit margin, though on a comparatively smaller scale than the other banks studied.
6. Book value per share of State Bank of India showed a non-linear pattern, rising to ₹645.78 in 2022 before falling to ₹402.23 in 2023 and recovering to ₹545.74 by 2025, indicating the effect of reserve adjustments on the bank's net worth during the period.
7. Net profit margin, where available, declined marginally for most banks in the terminal year of the study (2025) relative to their peak during 2023–2024, suggesting emerging margin pressure across the sector, possibly from rising deposit costs and competitive intensity.
8. HDFC Bank's quick ratio, available for 2021 and 2022, remained below 0.5, a level considered normal for banking institutions given the structural difference between banks' working capital and that of manufacturing or trading firms.
9. All five banks recorded positive growth in both earnings per share and book value per share over the five-year period, indicating an overall strengthening of profitability and net worth across the selected banks despite differing rates and patterns of improvement.
10. The findings indicate that no single ratio fully captures comparative working capital management performance; profitability level, consistency of earnings, and growth in per-share indicators, considered together, provide a more complete basis for evaluating and ranking the selected banks.

Suggestions

1. State Bank of India should focus on sustaining its improved profitability and efficiency by continuing to strengthen fee-based income and controlling costs across its extensive branch network.
2. HDFC Bank should explore new growth avenues, such as digital lending and SME financing, to counter the natural moderation in growth associated with its large and maturing balance sheet.
3. ICICI Bank should continue to diversify its income streams beyond traditional lending to prevent margin flattening and to sustain the strong profitability achieved during the study period.
4. Axis Bank should prioritisestabilising its earnings and reducing profit volatility, including through tighter provisioning discipline, to build a more predictable growth trajectory comparable to its peers.
5. Federal Bank should explore new product offerings and expand into under-penetrated markets to counter the gradual moderation in its net profit margin and to sustain overall growth momentum.
6. Banks reporting a decline in net profit margin during the terminal year should review deposit-cost management and pursue further efficiency gains in operating expenses.
7. Selected banks should continue to strengthen digital banking channels and adopt data analytics for more effective monitoring of working capital components such as advances, investments, and deposits.
8. Regular monitoring of liquidity indicators, in line with RBI's regulatory norms on statutory liquidity, cash reserves, and liquidity coverage, should be maintained to ensure that working capital management continues to support both profitability and financial stability.

Conclusion

This study, "A Study on Working Capital Management on Selected Banks in India," examined the working capital management practices and financial performance of five selected banks — State Bank of India, HDFC Bank, ICICI Bank, Axis Bank, and Federal Bank — over the period 2021–2025, using Earnings per Share, Book Value per Share, Net Profit Margin, Return on Equity, and Return on Assets. The findings show that all five banks strengthened their profitability and net worth over the study period, though the pace, pattern, and consistency of improvement varied considerably across banks. ICICI Bank and HDFC Bank emerged as the strongest overall performers on the basis of profitability level and stability, while Axis Bank, despite a comparable improvement in book value, displayed greater earnings volatility, and Federal Bank, though the most consistent of the five, recorded the lowest margin among the group in the terminal year. State Bank of India recorded the most pronounced turnaround in profitability and efficiency during the period, reflecting the benefits of prudent working capital and asset management by a large public sector bank. The study confirms that Net Profit Margin alone is not sufficient to evaluate comparative bank performance, and that a combination of profitability, consistency, and growth indicators offers a more reliable basis for assessing working capital management practices. Going forward, sustained attention to cost efficiency, income diversification, digital adoption, and compliance with evolving RBI liquidity norms will remain central to strengthening working capital management and financial performance across Indian banks.

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