



A STUDY OF FINANCIAL PERFORMANCE OF PRIVATE SECTOR BANK (A CASE STUDY OF AXIS BANK)

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ABSTRACT:

Monetary is essential factor that gives acceptance to all assembling and promoting sources. It is a significant for the adaptation and the executives of monetary choices. This research investigates the financial aspects like Income, Interest, and growth etc. of private sector bank of Axis bank. This research based on 2015-2020. The objective of this research paper is to evaluate the financial performance with help of various ratios. This research based on secondary data. The finding indicates that the profitability of Axis bank increased.

Keywords: Axis Bank, profitability, Growth, Performance, FY, Money etc.

INTRODUCTION

A good bank is not only the financial heart of the community but also a helping hand in every possible manner to improve the economic condition of the society. Banks are a fundamental component of the financial system and are also active players in financial markets. Bank is a controlling body which controls the supply of money in circulation and their influence over the volume of bank money; they can influence nature and character of production in any country.

PROFILE OF AXIS BANK

Axis Bank funded in the year of 1993, in 1994, after the Indian government approved the establishment of a new private bank, it became the first to open its doors as a private bank. Axis Bank Promoted by Unit Trust of India, is the biggest and best financial institution in the country. Axis Bank was one of the first new

generation private banks. The bank has strengths in both retail banking and corporate banking and strives to adopt the best international industry practices to achieve excellence.

Services offered by the bank:

- Personal Banking
- Corporate Banking
- NRI Banking
- Priority Banking
- VBV – Online purchases using Credit Card
- VBV / MSC – Online purchases using Debit Card

Financial Performance is an essential factor to examine the performance of the banks in the form of profitability, operating efficiency and stability etc. Every stake holders are interested to know the in the financial performance and health of the banks. Every bank have a responsibility to submit financial statements as per prescribed accounting standards quarterly to RBI as per Banking Regulation and to publish it in newspapers, magazines, websites etc for the benefits and information for all stakeholders i.e. bank's top management, middle management, bank's officers etc. Financial Performance are analyzed through various financial Indicators of banks such as Capital, Reserves & Surplus, Deposits, Advances, Net Interest Income, Provisions for NPA, Provision Coverage Ratio, Operating Profit, Net Profit, Return on Average Assets, Return on Equity, Profit per Employee, Business per Employee, EPS, Dividend Per Share, Capital Adequacy Ratio, CASA ratio etc.

REVIEW OF LITRATURE

1. Anshuja Tiwari and Rakhi Tiwari (2019), "Financial Performance Analysis- A Comparative Study of Bank of Baroda and AXIS Bank". This study in the financial performance of Axis Bank and Bank of Baroda by utilizing Ratio evaluation approach with the intention to deliver enormous insights about the financial competence of Banks in terms of Asset Quality, Management Efficiency and Earning Ratios. Research concludes that In comparison to BOB, private sector banks were more efficient in terms of management, although BOB was determined to have a better asset quality and earnings ratio.
2. Anshita Bihari, (2020), "A Comparative analysis of NPA between PNB and AXIS Bank", the study was to find out the drift of gross NPA and net NPA. This study based on PNB and AXIS bank. It has been found that both banks NPA appears an overall expanding drift. The result of the study was advantages to check the impact on their productivity and take remedial measures so that impact of NPA on the benefit of the banking sector can be minimized.

3. Ashish Bagewadi, Devang Dhingra (2020), “Analysis of Banking Sector in India: Post Covid-19”. This study says that banking was the heart and soul of an economy for world. It was the vital pillar for any financial sector and plays a crucial role in world economic growth. This was done using a random sample, and their responses were graphically summarized for better understanding.
4. Alpesh C. Gajera (2020), “A comparative study on financial performance of private and public sector banks with special reference to affecting factors and their impact on performance indicators” It was conducted that survey under this title consists of two parts: (1) An assessment of the financial performance of private and public sector banks (2) Specific factors that contribute to the improvement/deterioration of the financial performance of private / public sector banks.
5. B S Bodl and Richa Verma Baja (2017), “An Analysis of the Efficiency of Private Sector Banks in India”. The paper was analyze the efficiency of 29 private sector banks with the dataset ranging between FY 1998-99 to FY 2005-06. The results of the study was to indicate that there is a lot of scope for the private sector banks to improve their efficiency level, as, at the most, only 31.25% private sector banks were found efficient during the entire study period.
6. CS Arvinder Kaur, (2018), “Financial Performance Analysis of Selected Indian IT Companies: A Comparative study”. In this paper, we establish a linear relationship between liquidity, leverage, efficiency and profitability between 10 years (2007-2017) companies for the selected Indian's financial position and performance for 10 years. Analysis has been analyzed that TCS performance associated with gross profit and net profit margin is the most satisfactory.
7. Chitsimran, Garima, Paras Mehta, “Financial analysis of selected media companies in India”. The purpose of this was to know the financial performance by using financial ratios such as liquidity ratios, solvency ratios, profitability ratios and leverage, to comment upon the financial performance of selected media companies in India. It identified the strength and weakness of these companies. The top companies were selected for the purpose of this study, and their ratios were analyzed.
8. Dr. Dharmendra S. Mistry, Vijay Savani (2015), “A comparative study of the profitability performance in the banking sector: evidence from Indian private sector bank”. The main purpose of this study was to classify Indian private sector banks on the base of their financial characteristics and to examine their financial performance. The study found that Return on Assets

and Interest Income Size have negative correlation with operational efficiency, whereas positive correlation with Assets Utilization and Assets size.

9. Mr. Harsha C Mathad (2020), describe “A Study on Financial Performance of State Bank of India”. Banks play a key role in improving economic efficiency by channeling funds from resources surplus unit to those with better productive investment opportunities. As per this project I came to know that from the analysis of financial performance it was clear that SBI had been incurred the loss during the FY 2017-18. So the company should focus on getting profits in the coming years.
10. Mr. Manoj Kumar, Ms. Rinku (2013), “Performance of Selected Private Sector and Public Sector Banks in India”. This study was based on the leading banks of Private and public sector bank in India. Those banks were engaged in different activities of the financial services. The performances of banks were examined empirically by nine parameters.

RESEARCH GAP

There have been various research conducted on financial performance analysis of banks, comparison between government and private banks and other financial institutions but financial performance in terms of various ratio of Axis bank still remains unexplored. The researchers will try to fill the gap of evidence by extending the issue to the real context of the bank. Therefore, this study will examine the financial performance of Axis bank by observing various kinds of variables, ratios and measures.

OBJECTIVE OF THE STUDY

To analyze the various ratio to knowing about the financial performance of AXIS Bank

RESEARCH METHODOLOGY

The following attempts are evaluate the financial performance of Axis bank:

Nature of the Study: The present research is a case study in nature based on the largest private sector bank of India i.e. Axis Bank

Nature of Data: The secondary data has been considered for the purpose of financial performance analysis of Punjab National Bank.

Sources of Data: The data used for the present study has been taken from published annual reports of Axis bank. Other relevant data sources are journals, newspapers, magazines and internet sources.

Tenure of the Study: The present study is conducted for the period of five years ranging from 2015-16 to 2019-2020.

Variables used for the Study: The variables used for the study are Ratio-Loan and advance to deposit, ratio-Interest expenses to total expenses, ratio-Interest income to total income ratio.

Tools used for the Study: Ratio analyses have been considered for the analysis purpose.

ANAYSIS & INTERPREATATION

Ratio-Loans & advances to Deposit: The ratio of loans and receivables to deposits is a portion of the loan assets created by the bank. It amount that a bank lends to a person or an organization. Interest is charged on all loans. Deposit is the amount received by bank from the account holders and interest is paid to them.

TABLE 1

LOANS AND ADVANCES TO DEPOSITS RATIO –AXIS BANK

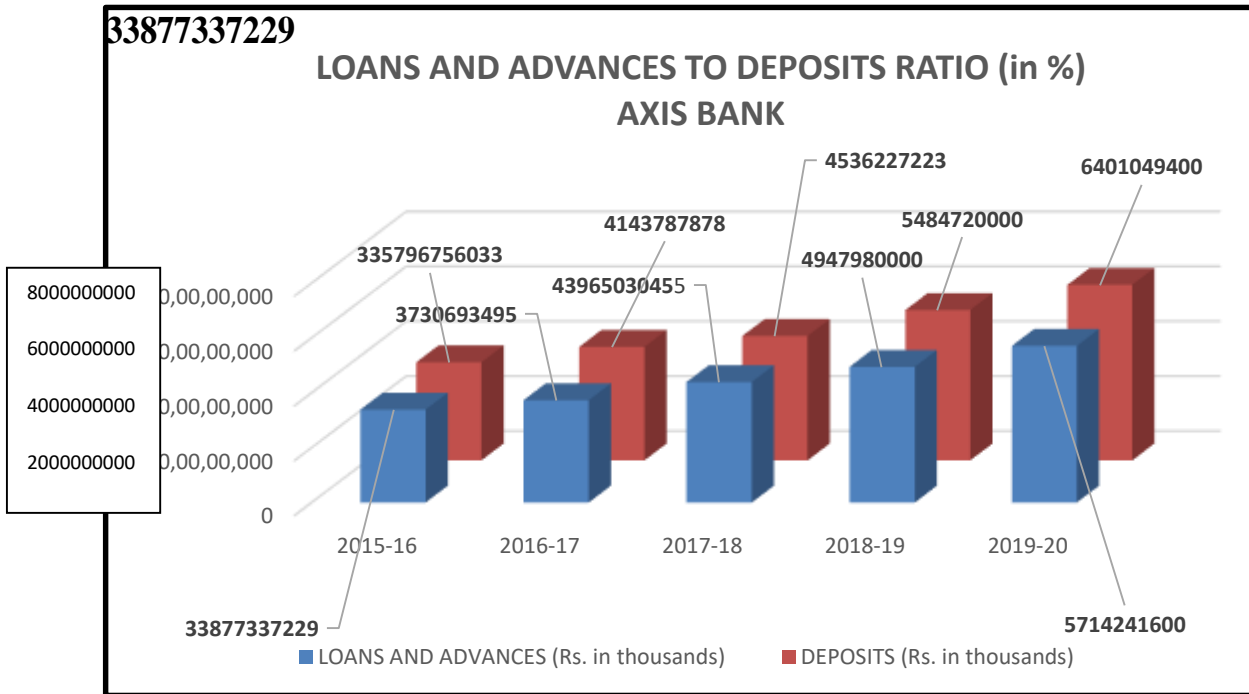
Year	Loan & Advances	Deposit	Result
2015-2016	3387737229	3579675603	94.64
2016-2017	37330693495	4143787878	90.03
2017-2018	43396503045	4536227223	96.92
2018-2019	497980000	5484720000	90.21
2019-2020	7714241600	640104900	89.27
Mean			92.21
SD			3.3
T-test			0.00093
CAGR			-1.16

Source: Annual Reports of axis Bank FY 2015-2020

Table 1 shows that average loan and advance to deposit ratio of Axis Bank increased during the course of five financial years studied 92.21. The loans and advances ratio was high in the financial year 2017-18 which was 96.92 and lowest in the year 2019-20 that was 88.27.

Graph 1

Loans and advances to deposit ratio – AXIS BANK



Interest Expenses to Total Expenses: It deals the expenses incurred on interest in proportion to total expenses. The bank received public deposits and paid interest on these account. Interest payments are classified as costs. The amount spent on employee expenses was included in total expenses. Total expenses are: staff, interest, overheads etc.

TABLE 2

INTEREST EXPENSES TO TOTAL EXPENSES (in%)

Year	Axis bank interest expenses (Rs. In Thousand)	Axis bank total expenses (Rs. In Thousand)	Result
2015-2016	241550675	421358380	57.33
2016-2017	26490420	525541894	50.33
2017-2018	271625818	564717175	48.1
2018-2019	332776000	611420200	54.42
2019-2020	374289600	732674900	51.08
Mean			52.252
SD			3.6
T-test			0.00033
CAGR			-2.28

Sources: Annual report of Axis bank FY 2015-2020

Graph 2

Interest expenses to total expenses – AXIS BANK

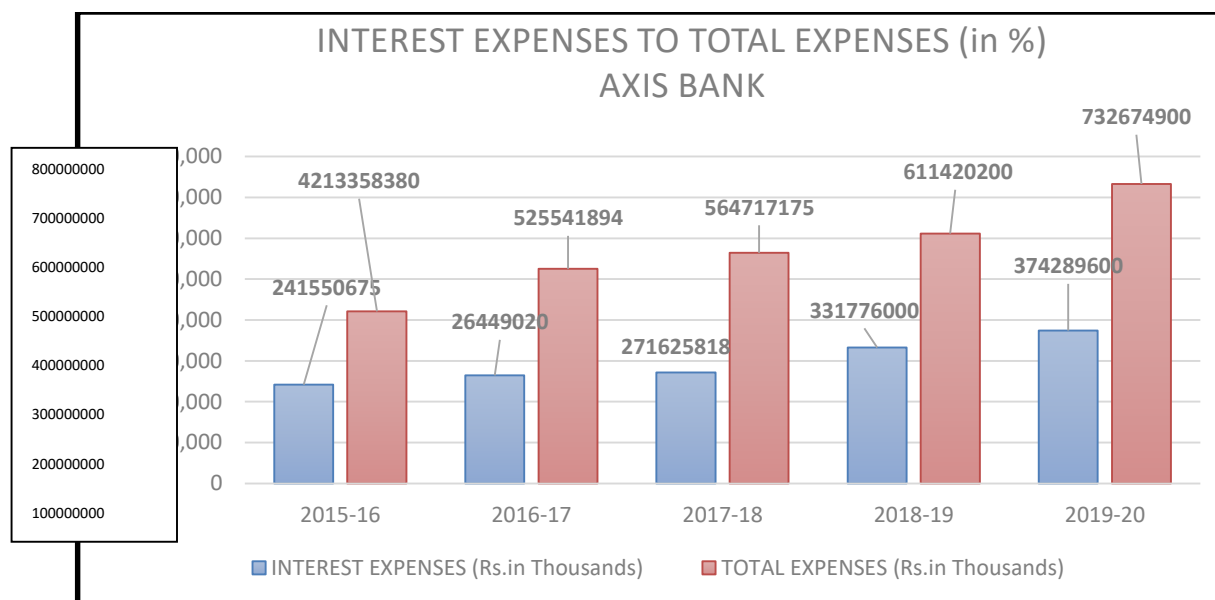


Table no 2 demonstrates that between FY 2018-19 and FY 2019-20, Axis Bank's interest expenditure to total expense ratio declined from 54.42 percent to 51.08 percent. It was discovered that the ratio of Axis Bank's interest expenses to total expenses had been dropping each year from FY 2015-16 to FY 2019-20, but had climbed in FY 2018-19.

Interest Income to Total Income

Interest income to total income refers the earning come from interest in proportion to overall expenses. Banks accepted public deposits and paid interest on those accounts. The amount spent on employee expenses was included in total expenses. Total expenses included staff expenses, interest expenses, overhead expenses and other operating expenses.

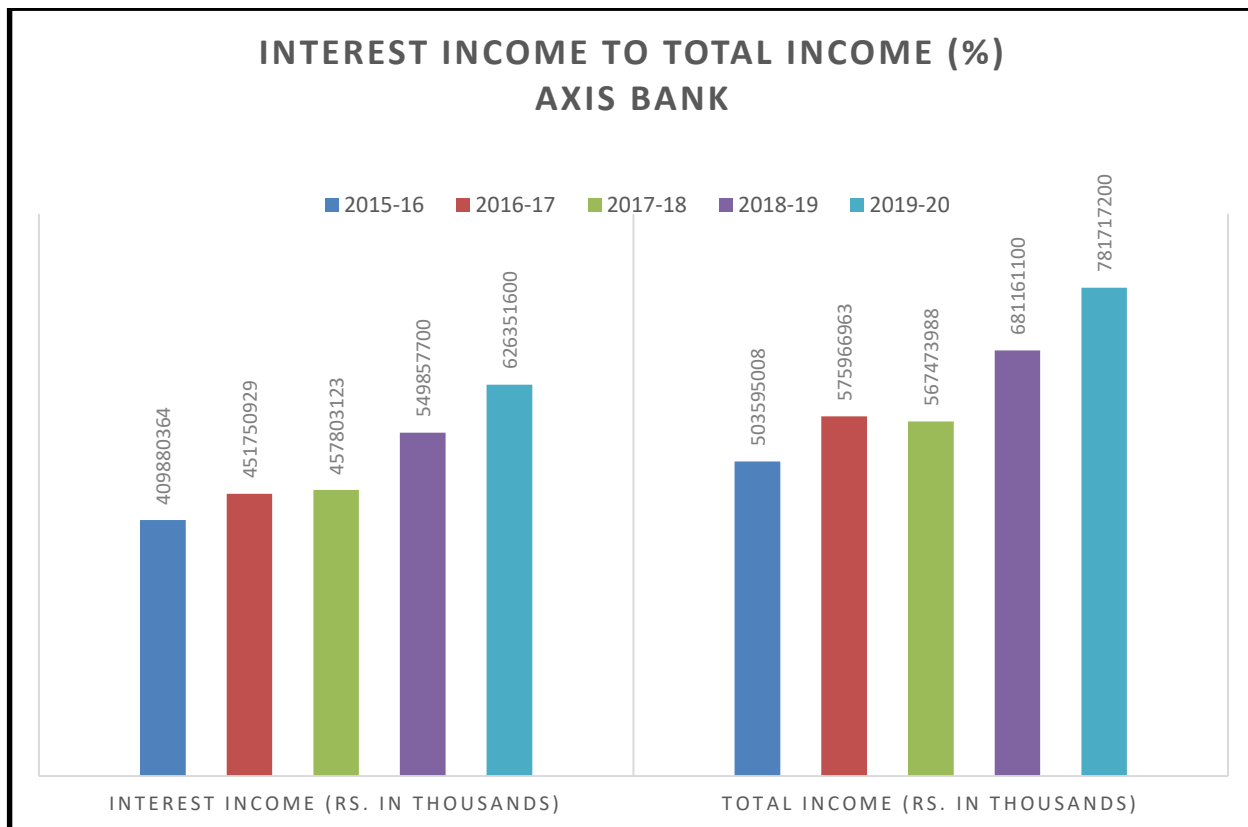
Table 3

INTEREST INCOME TO TOTAL INCOME (in%)

Year	Axis bank interest Income (Rs. In Thousands)	Axis bank total expenses (Rs. In Thousands)	Result
2015-16	409880364	503595008	81.39
2016-17	451750929	451750929	78.43
2017-18	457803123	457803123	80.67
2018-19	549857700	5449857700	80.72
2019-20	626351600	626351600	80.12
Mean			80.266
SD			1.121
T- test			0.00014
CAGR			-0.025

Source: Annual Reports of axis bank FY 2015-2020

The table 3 demonstrates that the ratio of interest income to total income was not constant of over the years in reference of Axis bank, but the ratio of earnings to overall earnings in Axis Bank changed into maximum in FY 2015-16. Axis Bank growth rate was -0.025%. Thus, the percentage of interest earning to total income was lower in Axis bank.

Graph 3**Interest income to total income – AXIS BANK****Other Income to Total Income**

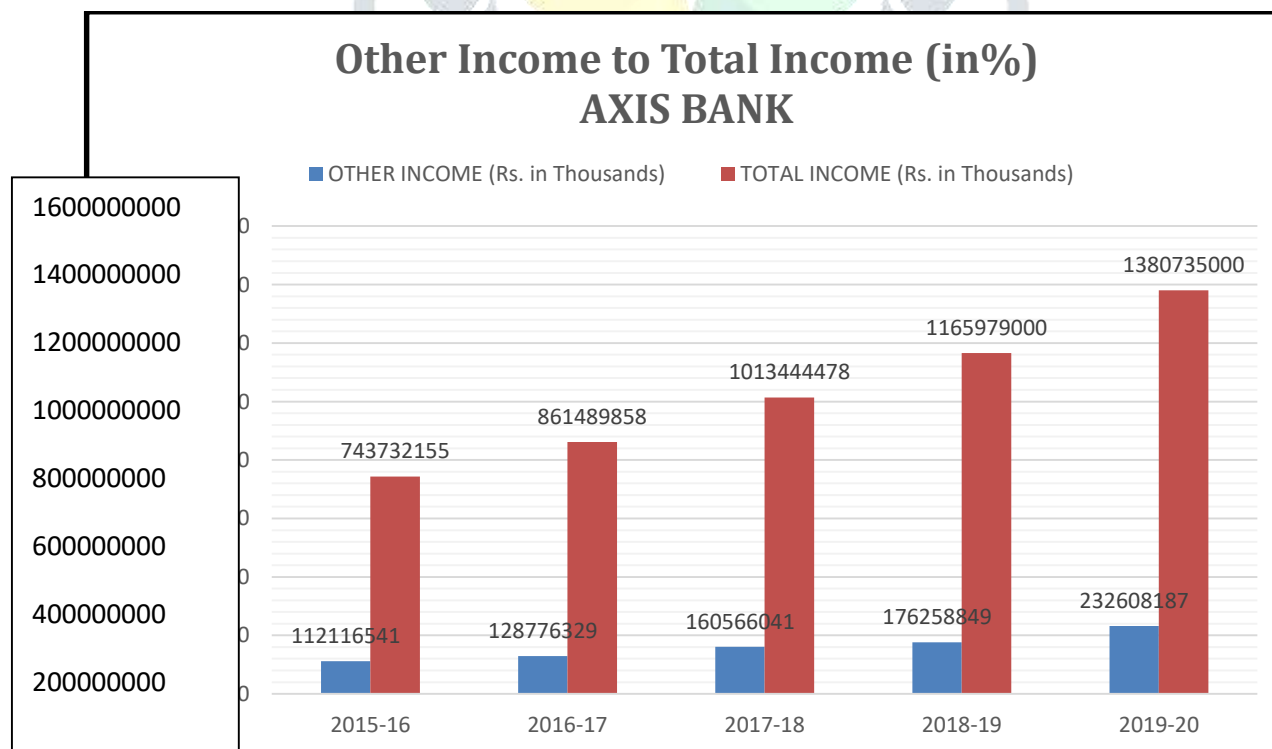
The proportionate fraction of other earning to overall earning is revealed by the other income to total income ratio. Non-interest and operating income are examples of other revenue; interest income, non-interest income, and operating income all contribute to total income.

TABLE 4:**OTHER INCOME TO TOTAL INCOME (in%)**

Year	Axis bank interest Income (Rs. In Thousands)	Axis bank total expenses (Rs. In Thousands)	Result
2015-16	93714644	503595008	18.61
2016-17	124216034	575966963	21.57
2017-18	109670865	567473988	19.33
2018-19	141887500	681161100	20.83
2019-20	163419900	781717200	20.9
Mean			20.248
SD			1.229
T- test			9.179
CAGR			2.35

Source: Annual Report of Axis Bank FY 2015-2020

Table no 4 indicate the Axis Bank other income to total income ratio has increased. In the FY 2017-18, it fell down approx 2.24%. The ratio in Axis Bank was increased from FY 2015-16 to FY 2019-20. This suggests that Axis Bank other income is steadily expanding.

Graph 4**Other income to total income – AXIS BANK**

The table no 4 shows that Axis Bank's other earning to total earning ratio has increased. In the fiscal FY 2017-18, it down by 2.24 percent. In the FY 2016-17 reduced by 0.12 percent. As a result, the ratio increased from FY 2015-16 to FY 2019-20 which shows that AXIS Bank earns additional cash by growing method.

FINDING

1. Loan to advance ratio indicates that Axis Bank had created more loan assets from its deposits. In Axis Bank advances increased in Personal Loans, Auto Loans, Home Loans, and Credit Cards. Retail Advances include loans which fulfill the criteria of orientation, nature of product, granularity and low value of individual exposures for retail exposures.
2. Interest expenses to total expenses shows that Axis Bank had a bigger share of interest expenses in overall expenses, indicating that people chose Axis Bank to invest their savings.
3. Interest income to total income indicates the proportion of interest income to total income in Axis Bank was lower. Profitability of banks, measured in terms of spread between return on funds and cost of funds improved.
4. Other income to total income ratio was higher in during the FY 2015-16 to FY 2019-20. This indicates that other income is earned by Axis Bank in increasing mode. Other income includes Fee income, Retail fees, the corporate & commercial banking fee, trading profit and miscellaneous income.
5. The Axis Bank has shown comparatively lower operational efficiency because of net profit to total income is lower in Axis Bank if the bank is not generating sufficient profit they cannot operate business efficiently without much profit.

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