



“A study of Ratio analysis of Axis bank and Punjab national bank in India”

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ABSTRACT: The Bank came from a French word 'Banque' which means bench. The Jews were believed to be early bankers, who handed to transact business over the benches inside the market. A bank is a financial instrument that accepts all the deposits and it plays a vital role in the marketing.

There are various factors such as operational and managerial effectiveness, service quality, customer satisfaction is the important indicator to observed the performance of a bank. The efficiency with which a bank deploys its total resources to optimize its net profits and thus serve as an index to the degree of asset utilization and managerial effectiveness. This study attempts to measure the financial performance of Punjab National Bank. This study based on secondary data where different ratios have been applied to evaluate the financial performance of the bank.

Introduction: Banks are a fundamental part of the financial system and very active players in financial markets. The bank includes investors, depositors, individuals and forms etc. Bank is a controlling bodies to controls the supply of money for circulation and their influence over the volume of bank money. Bank is a very important player for economic development which highly depends upon the extent of mobilization of resources, investment and operational efficiency of various segments i.e. trade, industrial development, and agriculture of the economy banks have become a part and parcel of all economic activities.

During the Mughal period, the development of indigenous banker worked significant in the expansion of trade and commerce via lending money. Later, during the rule of the East India Company, the banking sector was handed by agency houses. In the year, 1990 the economic reforms introduced by Indian Government played a significant role in setting up the banking sector which is experienced currently.

Financial Analysis is a process of synthesis and summarization of financial and operative data to get an insight into the operative activities. It is helpful in assessing corporate excellence, operating efficiency, judging credit worthiness, forecasting bond ratings, predicting bankruptcy and assessing market risk. The financial analysis can be performed by analysts who work for the firm or by outsiders like investors, creditors, lenders, suppliers, customers, security analysts, academicians, researchers, environmental protection organizations, special interest lobbying groups, government and other regulatory bodies. There are financial analysis tools and techniques available for the performance evaluation of a bank like Data Envelopment

Analysis, and ratio analysis, etc. Ratio analysis tool enables the management of banks to identify the causes of the changes in their advances, income, deposits, expenditure, profits and profitability over the period of time.

LITERATURE REVIEW:

- Amit Kumar Singh (2015), “An analysis of profitability position of private bank in India”. This study focus on overall profitability evaluation of private banks in India. Profitability was evaluated of efficiency and monitor it indicates the effectiveness with which the operations of the business are carried on. The finding of this research work show that increasing profitability was one of the most maximum crucial duties of the business managers. These potential changes can be analyzed with a support of income statement and balance sheet.
- Anshuja Tiwari and Rakhi Tiwari (2019), “Financial Performance Analysis- A Comparative Study of Bank of Baroda and AXIS Bank”. This study investigates the financial review of Axis Bank and Bank of Baroda by utilizing Ratio with the intention to deliver enormous insights about the financial competence of Banks in terms of Asset Quality, Management Efficiency and Earning Ratios. At the end this research conclude that private sector banks was highly management efficient compared to BOB. It was found to have better position in terms of its Asset quality and Earning Ratio.
- 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.
- Ch. Balaji Balaji, Dr. G. Praveen Kumar (2016), “A Comparative Study on Financial Performance of Selected Public & Private Sector Banks in India”. The study's goal was to examine and compare the overall financial performance of a number of public and private Indian banks. The finding shows that Public sector banks must redefine their strategies by considering their strengths and weakness and the type of market they are operating.
- Divya Sri. G1, Sathya. K (2019), “A Study on Financial Analysis of Punjab National Bank”. This work mainly focused on the study on the basis of different types of financial statements like Balance sheet, Profit and loss account. This research shows that the bank has good reputation and good banking services. It also helped enhance my knowledge in banking sector.
- Gulgzoztorul (2011), “Performance Evaluation of banks and banking groups: turkey case”. This research work reflects to measure performance parameters of the banks in Turkey and factors affecting those parameters for the period between FY 2006-2010. The performance measured between DEA and CAMELS analyses were compared and the factors affecting the performances of the Turkish banks are analyzed. The finding showed that high efficiency parameters of the state banks decrease when the

public assets and liabilities are excluded both the bank-specific and macroeconomic factors, like ownership type, publicly trading and ATM net, play important roles in the determination of the efficiency parameter of the banks in Turkey.

- J. Pavithra, K.P.Thooyamani, Kermiki Dkhar (2017), “A study on the analysis of financial performance with reference to Jeppiaar cements Pvt ltd”. The purpose of this study was to assess Jeppiaar Cements Pvt Ltd's financial performance. The study's main goal was to undertake an evaluative examination of the firm's financial situation utilizing ratio analysis, comparative financial statements, and trend analysis using the company's financial statements from previous years.
- Khushboo Bhatia, Naveena Chouhan, Neha joshi, (2015), “Comparative Study of Performance of Public and Private Sector Bank”. The goal of our research was to compare the public and private sectors on public perception, basic facilities, customer-centric services, and bench strength. With the introduction of international private sector banks, the banking industry was faced with fierce competition and a need to improve service quality in order to obtain a competitive advantage over their consumers. Public sector banks are up against tough competition from private sector banks, and they're under a lot of pressure to keep up with the services offered by multinational banks. While public sector banks benefit from a positive image and a large rural network, private sector banks offer superior services and amenities.
- Limbore Nilesh, V and Mane Baban (2014), “A study of banking sector in India and overview of performance of Indian banks with reference to net interest margin and market capitalization of banks”. The financial system in India was dominated by nationalized banks. The banking sector's performance was more likely & directly related to the economy than any other sector. The Indian economy was thought to have slowed dramatically in recent years.
- Manish Roy Tirkey & Shaban. e. a. Salem (2013), “A comparative study of financial statement of ICICI and HDFC through ratio analysis”. This analysis was entirely based on secondary data gathered from the websites, Journal, annual report of the banks involved. In this research ratio analysis tool used to investigate the performance of both banks and quickly identify their strengths and weaknesses and their position in the market. The finding of this research shows that to compare the performance of banks and see which private banks are growing and positioning faster than other banks.
- N. Seshadri, Dr. D. Pradeep Kumar, Dr. T. Narayana Reddy, “Efficiency of Public & Private Commercial Banks in India A Comparative Study”. The complex study was to analyze the observe the efficiency of commercial bank by applying interest income to total asset ratio, total income to total asset ratio, interest expended to total asset ratio and total expenditure to total asset ratio taken as input and output for the banks and using non-parametric technique, which evaluate efficiency of bank through multiple output and input.

RESEARCH GAP:

There is a gap shown in the review analysis to identification of weaknesses and strengths using financial performance indicators has its contribution to the management, shareholders, the public bank performance provides a signal to depositors and investors whether to withdraw funds from or invest in the bank.

There is a gap of financial analysis to diagnose the information contained in a financial statement so as to judge the future earning, ability to pay interest, debt maturities, profitability, customer services and dividend policy.

This study will help to evaluate the financial performance of the biggest banks, examine the financial efficiency, operational activities and other relevant financial aspects of the banks for its smooth running and to improve the service quality to make it more favorable.

OBJECTIVE OF THE STUDY

- To examine & Compare the Liquidity position of Punjab National Bank and Axis Bank.
- To analyze & Compare the profitability of Punjab National Bank and Axis Bank.

HYPOTHESIS

In order to achieve these objectives, the following null hypotheses are framed for testing:

- H0: Punjab National Bank has no stronger liquidity position than Axis Bank.
- H1: Punjab National Bank has stronger liquidity position than Axis Bank
- H0: Punjab National Bank has no stronger profitability position than Axis Bank.
- H1: Punjab National Bank has stronger profitability position than Axis Bank.

RESEARCH METHODOLOGY:

In the present study, an attempt has made to evaluate the financial performance of Punjab National Bank:

Nature of the Study: The present research descriptive in nature based on analyze of two bank Axis bank and Punjab national Bank.

Sample of the study: Two leading banks (**Axis Bank and Punjab National Bank**)

Sources of Data: The data used for the present study has been taken from published annual reports of Punjab National 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 2014-2021.

Tools used for the Study: Ratio- Liquidity Ratio, Leverage or Capital Structure Ratio, Activity or Turnover Ratio.

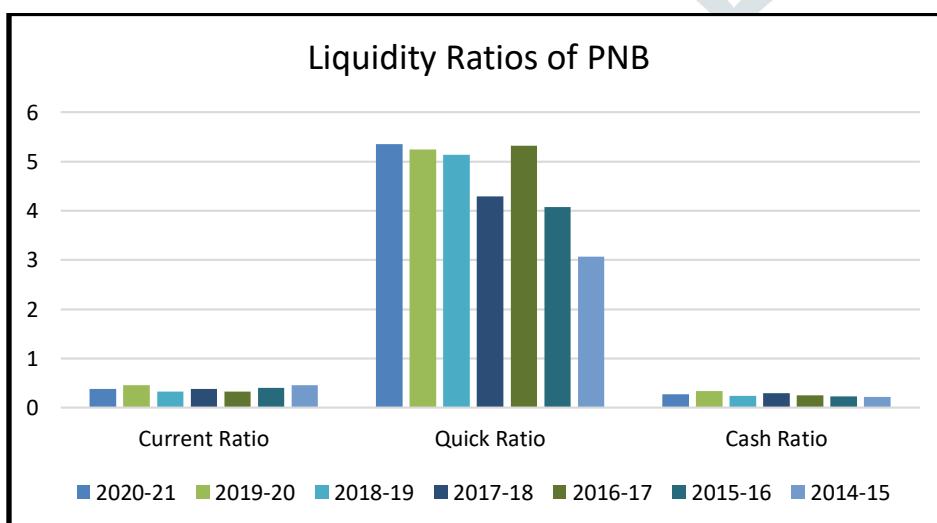
DATA ANALYSIS & INTERPRETATIONS:**Liquidity Ratio**

Liquidity ratio examines the ability to complete the obligations as they become due. Short term financial strength and the solvency reflect by the position of liquidity in a firm. Analysis of liquidity requires the preparation of cash flow statements and the cash budget. A company must ensure that it is not suffering from insufficient liquidity. A very high liquidity is also harmful for the company which results the idle cash or non-profitable cash.

Table No 1.1

Banks	Punjab National Bank			Axis Bank		
	Current Ratio	Quick Ratio	Cash Ratio	Current Ratio	Quick Ratio	Cash Ratio
2020-21	0.378362	5.352091	0.278762	0.899432	0.495265	0.495265
2019-20	0.463841	5.248763	0.340864	0.150354	0.100783	0.100783
2018-19	0.325639	5.137481	0.23935	0.15108	0.085194	0.085194
2017-18	0.378204	4.286872	0.294054	3.544252	1.655711	1.655711
2016-17	0.329162	5.325376	0.256675	4.993694	1.911211	1.911211
2015-16	0.40304	4.069725	0.235825	0.189182	0.05526	0.05526
2014-15	0.456089	3.070705	0.223339	0.203066	0.06282	0.06282

Sources: Annual Report of Axis bank and Punjab National Bank

**Figure 1.1: Liquidity Ratio of Punjab National Bank**

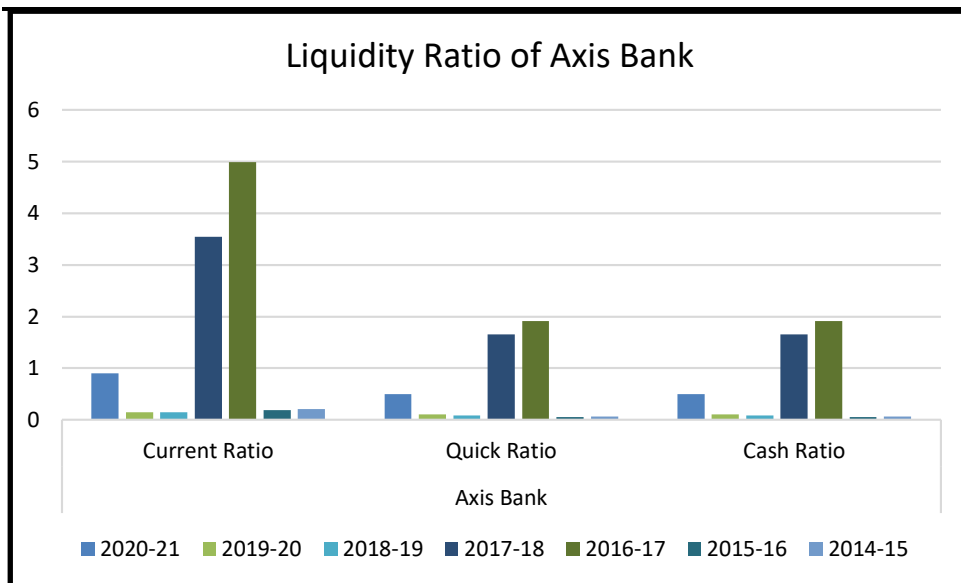


Figure No. 1.2: Liquidity Ratio of Axis Bank

Interpretation: Table no. 1 and the Figure no. 1.1 & 1.2 are showing the liquidity ratios of Punjab National Bank seven years from 2015 to 2021. In liquidity ratios, current ratio, Quick Ratio and Cash Ratio have been calculated for both of the banks and in last seven years the Current Ratio lies between 32% to 46 % in which the lowest current ratio of PNB is in 2017 and 2019 and the highest is in 2020. In Axis Bank it is highest in 2017 and lowest in 2020. Quick ratio of PNB is highest in 2021 and lowest in 2015 and in Axis Bank it is highest in 2017 and lowest in 2015 where the cash ratio of PNB is highest in 2020 and lowest in 2015 and in Axis bank it is highest in 2017 and lowest in 2016. All these ratios are showing the Bank's liquidity i.e how much the banks are able to use their idle funds. If the liquidity is high, it shows the banks are able to reduce their NPAs. After comparing the liquidity of both of the banks, it has been concluded that the Axis Bank is capable enough to increase its liquidity from 2015 till 2021 in comparison to PNB.

Leverage or Capital Structure Ratio

Current debt paying ability can be measured by the leverage ratios. The creditors of the firms, like bankers, suppliers of raw materials etc. are very concerned about the debt payment ability of the firm. Along with short term creditors, the long-term creditors also concern about the debt payment ability of the firm like the debenture holders. To measure the long-term financial performance of the firm the capital structure ratio should be calculated. A lot of variations may exist for these ratios but all the ratios reflect same results

Table No. 2:

Leverage Ratios of PNB & Axis Bank

Banks	Punjab National Bank			Axis Bank		
	Debt Equity Ratio	Proprietary Ratio	Capital Gearing Ratio	Debt Equity Ratio	Proprietary Ratio	Capital Gearing Ratio
2020-21	0.87684407	0.06504396	35.0620222	1.84255693	0.10199893	1.84255693

2019-20	1.33227656	0.06784857	57.3847467	2.23798545	0.09282245	2.23798545
2018-19	1.50855405	0.05196613	67.1946221	2.78733073	0.08324168	2.78733073
2017-18	2.28165052	0.04910072	59.516672	2.74664475	0.09177281	2.74664475
2016-17	1.53381809	0.05309067	42.144294	2.35509968	0.09271079	2.35509968
2015-16	2.58972872	0.05410653	56.177608	2.15057545	0.10117638	2.15057545
2014-15	1.8517768	0.06637852	10.771751	2.12223199	0.09671658	2.12223199

Sources: Annual Report of Axis bank and Punjab national Bank

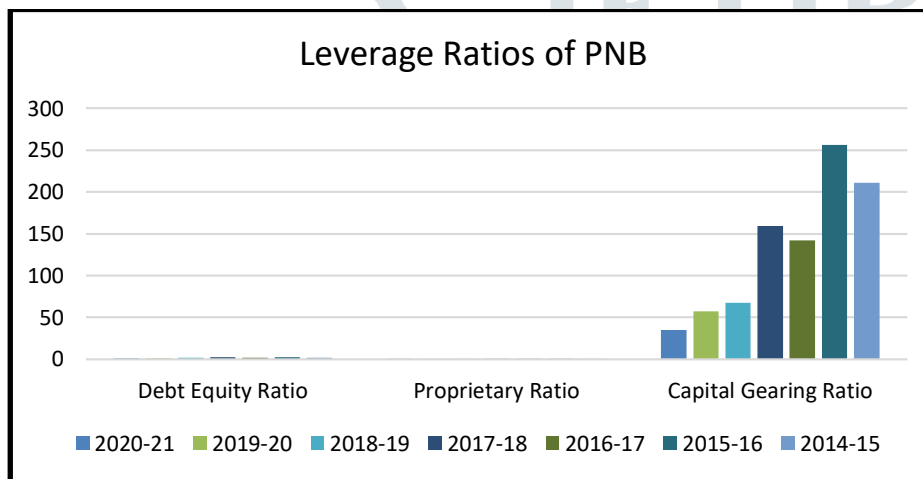


Figure 2.1: Leverage Ratios of PNB

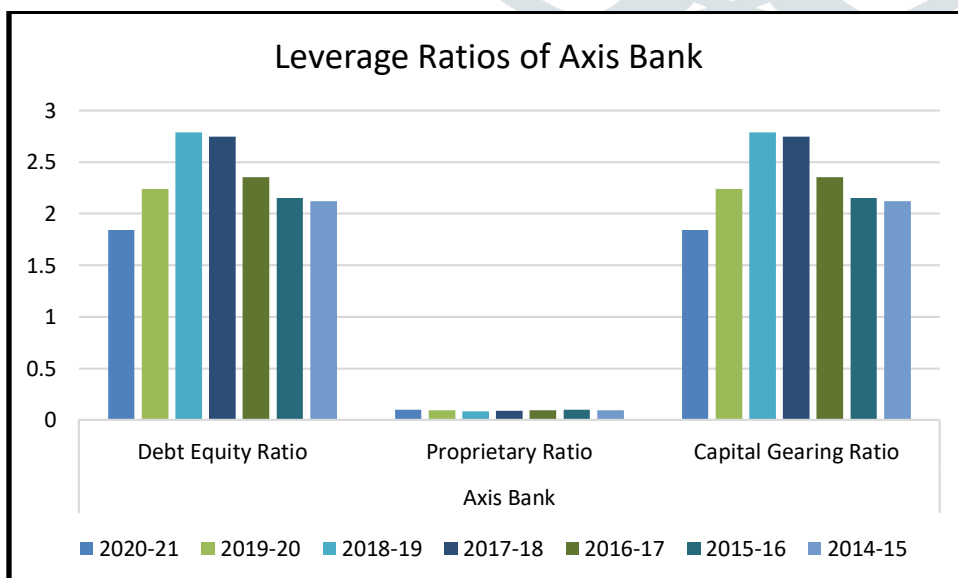


Figure No. 2.2: Leverage Ratios of Axis Bank

Interpretation: Leverage ratios measure the company's ability, in fulfilling the long-term liability, long term stability and the capital gearing i.e equity capital reserve. Table No. 2 and the Figures no. 2.1 & 2.2 are showing the comparative charts of leverage ratios of PNB and Axis bank. The debt equity ratio of PNB is highest in 2016, 2.5 and lowest in 2021 which is .08 where in Axis bank it is highest in 2019 and lowest in 2015. Comparison shows that the debt equity of Axis Bank is more stable and consistent than PNB in this seven years duration. Proprietary ratio of PNB is lowest in 2016 and highest in 2020, which shows the improved stability of the bank and in axis bank it is highest in 2021 and lowest in 2015. And the Capital gearing ratios of PNB is more than 50% during the seven years and Axis bank's capital gearing is below 25% in this duration. This situation shows that PNB is in high risk and Axis bank is in a very healthy and better situation and improved over the years.

Activity or Turnover Ratio

Table 3 :
Activity Ratios of PNB & Axis Bank

Banks	Punjab National Bank			Axis Bank		
	CASA Ratio	Total Asset Turnover Ratio	Current Assets Turnover Ratio	CASA Ratio	Total Asset Turnover Ratio	Current Assets Turnover Ratio
2020-21	44.54	0.074228	0.838146	44.92	0.078789	1.271403
2019-20	42.97	0.075525	0.827027	41.19	0.085418	0.803671
2018-19	42.16	0.075405	0.769956	44.37	0.085039	1.013563
2017-18	40.98	0.073952	0.590925	53.75	0.082084	1.305892
2016-17	41.82	0.078037	0.626245	51.41	0.093494	1.118936
2015-16	37.17	0.081062	0.749915	47.33	0.095837	1.511143
2014-15	36.65	0.086295	0.942073	44.78	0.094914	1.214538

Sources: Annual Report of Axis bank and Punjab national Bank from 2014-2021

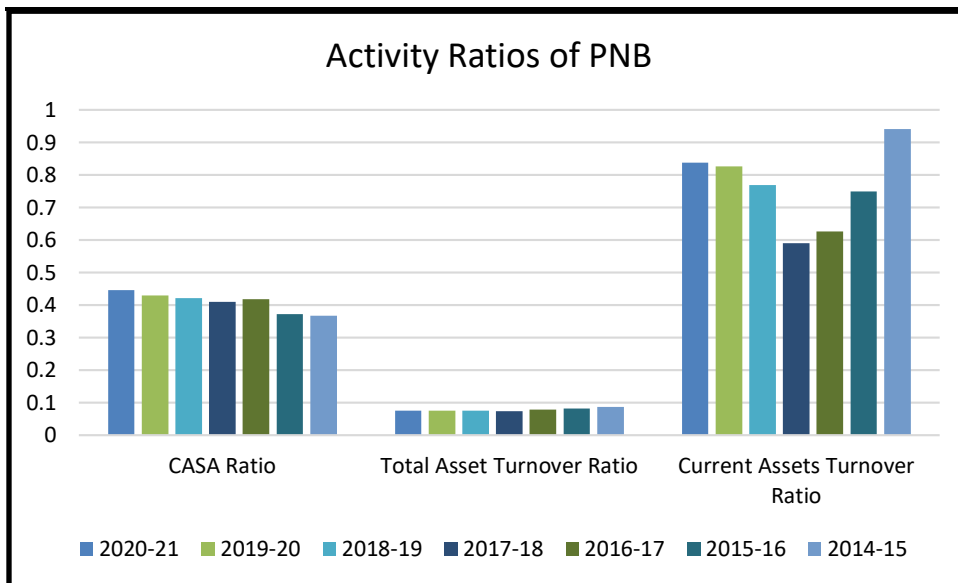


Figure 3.1: Activity Ratios of PNB

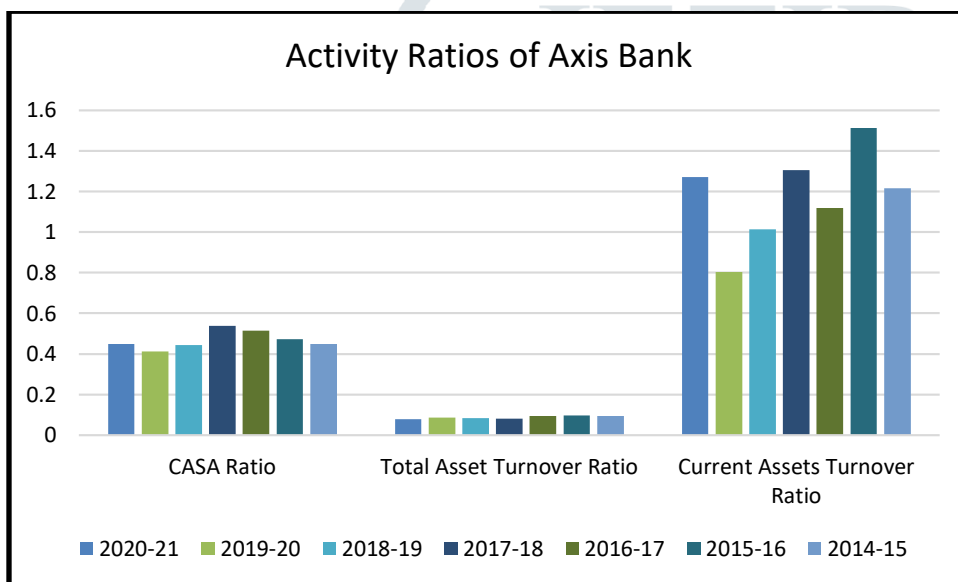


Figure 3.2: Activity Ratios of Axis Bank

Interpretation: Activity Ratios shows the efficiency of the company, how much company is capable to utilize its assets for generating revenue. Table 3 and Figure 3.1 & 3.2 are showing the results of CASA (Current Accounts & Saving Accounts) Ratio, Total Assets Turnover Ratio and Current Assets Turnover Ratio. CASA ratio shows that how much company’s deposits are in current and saving accounts. In PNB CASA ratio is varying in between 35% to 44% which is increasing in this seven years duration and in Axis bank it is also growing in between 41 % to 54%. CASA ratio is better in Axis bank in comparison to PNB in this duration. The efficiency of the assets for generating revenue can be checked through Assets Turnover Ratio. In PNB& Axis Bank the growth has decreased by around 10%. In both of the banks have approx. similar situation, where the current asset turnover ratio is higher in Axis bank in comparison to PNB.

Profitability or Income Ratio

With the help of profitability ratio, a success of a company can be measured. An adequate profit must be measured by every firm, which is the main objective.

Table 4:
Profitability Ratio of PNB & Axis Bank

Banks	Punjab National Bank					Axis Bank				
Years/Ratios	Net Profit Ratio	Operating Profit Ratio	Return on Assets	E.P.S	Return on Equity	Net Profit Ratio	Operating Profit Ratio	Return on Assets	E.P.S	Return on Equity
2020-21	2.5	-13.36	0.16	2.08	2.41	10.35	-12.96	0.66	22.15	6.48
2019-20	0.62	-16.61	0.04	0.62	0.58	2.59	-22.2	0.17	5.99	1.91
2018-19	-19.44	-33.81	-1.28	-30.94	-24.2	8.5	-15.37	0.58	18.2	7.01
2017-18	-25.59	-44.09	-1.6	-55.39	-32.85	0.6	-23.35	0.03	1.13	0.43
2016-17	2.8	-16.13	0.18	6.45	3.47	8.26	-17.98	0.61	15.4	6.59
2015-16	-8.38	22.88	-0.59	-20.82	-11.2	20.06	2.8	1.56	34.59	15.46
2014-15	6.61	-6.1	0.5	16.91	8.12	20.73	-2.83	1.59	31.18	16.46

Sources: Annual Report of Axis bank and Panjab National Bank from 2014-2021

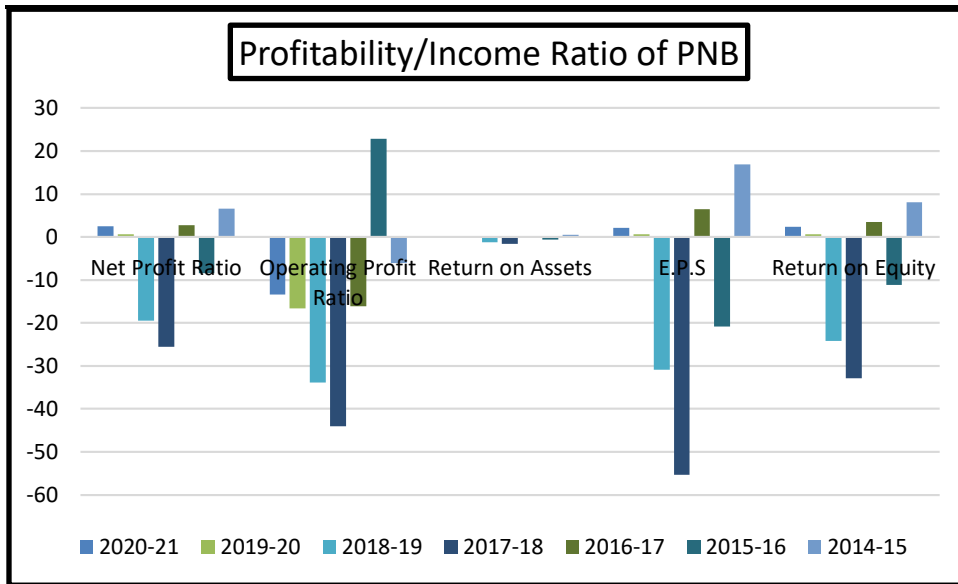


Figure 4.1: Profitability/Income Ratios of PNB

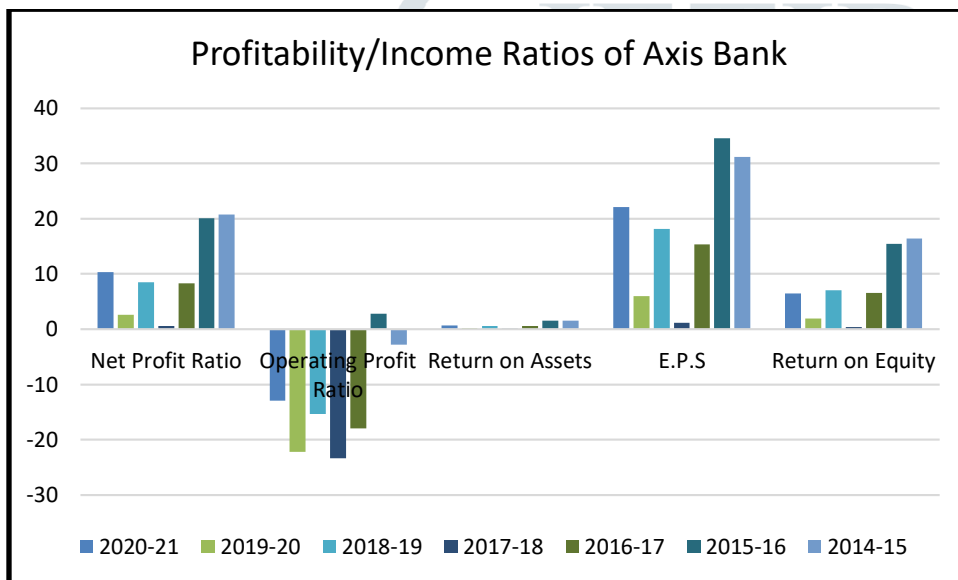


Figure 4.2: Profitability/Income Ratios of Axis Bank

Interpretation: Table No. 4 and Figure No. 4.1 & 4.2 are showing the results of profitability / Income Ratios. The net income of PNB is 25.59, highest in 2018 and lowest -8.38 in 2016. According to findings the profit is very unpredictable in this duration or unstable but in Axis bank profitability is stronger than PNB. Highest in 2015 and lowest in 2018. Operating profit of PNB is showing negative readings except 2017 and in Axis bank it is also negative but if we will compare, operating profits of Axis bank are higher than PNB in this duration. Return on Assets are higher in Axis bank and it is showing stable in comparison to PNB as in 2015 and 2016 it was highest and in remaining years it is around .68 percent. In PNB Return on Assets are not at the satisfactory level. It is higher in 2017 but almost all the time it is negative. EPS (Earning Per Share) of PNB is lower than Axis bank. In PNB, EPS is better in 2018 around 55.5 but almost all the time it is not at the satisfactory level. In

Axis bank it is higher in beginning and end of two years. Return on equity also better in Axis bank in comparison to PNB.

Finding of the study

1. H0: Punjab National Bank has no stronger liquidity position than Axis Bank

According to the results, all the liquidity ratios such as Current ratio, Quick Ratio and Cash Ratio are showing the Bank's liquidity i.e how much the banks are able to use their idle funds. If the liquidity is high, it shows the banks are able to reduce their NPAs. After comparing the liquidity of both of the banks, it has been concluded that the Axis Bank is capable enough to increase its liquidity from 2015 till 2021 in comparison to PNB. According to the findings the Null hypothesis of the first objective "**Punjab National Bank has not a stronger liquidity position than Axis Bank**" is not rejected.

2. H0: Punjab National Bank has no stronger profitability position than Axis Bank.

According to the results, profitability of both of the banks have been compared with profitability or income ratios such as Net Profit ratio, Operating Profit ratio, Return on Assets, earning per Share and Return on Equity. The profit is very unpredictable in this duration or unstable but in Axis bank profitability is stronger than PNB. Return on Assets is higher in Axis bank and it is showing stable in comparison to PNB. In PNB Return on Assets are not at the satisfactory level and the EPS (Earning Per Share) of PNB is lower than Axis bank. Return on equity also better in Axis bank in comparison to PNB. Findings of the analysis concluded that Axis bank is in better profitability situation in this duration, so the hypothesis "**Punjab National Bank has no stronger profitability position than Axis Bank**" is not rejected.

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