FINANCIAL PERFORMANCE ANALYSIS OF AXIS BANK

PROJECT REPORT

Submitted to Mahatma Gandhi University in partial fulfillment of the requirements for the award of the Degree of

MASTER OF BUSINESS ADMINISTRATION

Submitted by

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CERTIFICATE

This is to certify that the project report entitled **"FINANCIAL PERFORMANCE ANALYSIS OF AXISBANK"** is a bonafide report of the project work undertaken by **JOBIN KURIAN JOHN** fourth semester MBA student of our college during a period of 8 weeks commencing from 1st Aprilto 31th May,2021.

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DECLARATION

I hereby declare that this project report entitled **"FINANCIAL PERFORMANCE ANALYSIS OF AXIS BANK"** is a *bonafide* report of the study undertaken by me, under the guidance of **Mr. JIBUMON K G**, Department of Management Studies, MACFAST, Tiruvalla.

I also declare that this project report has not been submitted to any other University or Institute for the award of any degree or diploma.

Place: Tiruvalla

Date: 01/06/2021 JOBIN KURIAN JOHN

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LIST OF TABLES

TABLE NO	TITLE	PAGE NO.
5.1	RETURN ON EQUITY	58
5.2	RETURN ON ASSETS	59
5.3	NET INTEREST MARGIN	60
5.4	LEVERAGE RATIO	61
5.5	TOTAL CAPITAL RATIO	62
5.6	LOAN RATIO	63
5.7	CAR RATIO	64
5.8	DEBT – EQUITY RATIO	65
5.9	ADVANCE/TOTAL ASSET RATIO	66
5.10	NET NPA TO NET ADVANCE	67
5.11	NET NPA TO TOTAL ASSETS	68
5.12	GROSS NPA TO TOTAL ASSETS	69
5.13	TOTAL ADVANCE TO TOTAL DEPOSITS	70
5.14	PROFIT PER EMPOLYEE	71
5.15	BUSINESS PER EMPLOYEE	72
5.16	INTEREST INCOME TO TOTAL INCOME	73
5.17	NON INTEREST INCOME TO TOTAL INCOME	74
5.18	CURRENT RATIO	75
5.19	CREDIT DEPOSIT RATIO	76
5.20	COMPARATIVE BALANCE SHEET (2019 & 2020)	77
5.21	COMPARATIVE BALANCE SHEET (2018 & 2019)	78
5.22	COMPARATIVE BALANCE SHEET (2017 & 2018)	79
5.23	COMPARATIVE BALANCE SHEET (2017 & 2016)	80

LIST OF FIGURES

DIAGRAM NO.	TITLE	PAGE NO
5.1.1	RETURN ON EQUITY	58
5.2.1	RETURN ON ASSETS	59
5.3.1	NET INTEREST MARGIN	60
5.4.1	LEVERAGE RATIO	61
5.5.1	TOTAL CAPITAL RATIO	62
5.6.1	LOAN RATIO	63
5.7.1	CAR RATIO	64
5.8.1	DEBT – EQUITY RATIO	65
5.9.1	ADVANCE/TOTAL ASSET RATIO	66
5.10.1	NET NPA TO NET ADVANCE	67
5.11.1	NET NPA TO TOTAL ASSETS	68
5.12.1	GROSS NPA TO TOTAL ASSETS	69
5.13.1	TOTAL ADVANCE TO TOTAL DEPOSITS	70
5.14.1	PROFIT PER EMPOLYEE	71
5.15.1	BUSINESS PER EMPLOYEE	72
5.16.1	INTEREST INCOME TO TOTAL INCOME	73
5.17.1	NONINTERESTINCOMETOTOTALINCOME	74
5.18.1	CURRENT RATIO	75
5.19.1	CREDIT DEPOSIT RATIO	76

ABBREVIATIONS

- CAR : Capital Adequacy Ratio
- DER: Debit Equity Ratio
- NIM : Net Interest Margin
- NPA: Non- Performing Assets
- RBI : Reserve Bank of India
- ROA : Return on Assets
- ROE : Return on Equity

CONTENTS

	Page No.
ACKNOWLEDGEMENT	(i)
LIST OF TABLES	(ii- iii)
LIST OF FIGURES	(iv-v)
ABBREVIATIONS	(vi)

Chapter 1	**Introduction-Statement of the problem**	**1-6**
	1.1 Background of the Study	**2-6**
	1.2 Statement of the Problem	**6**
	1.3 Relevance & Scope of the Study	**6**
	1.4 Objectives of the Study	**6**
Chapter 2	**Industry Profile**	**7-32**
	2.1 Business Process of the Industry	**15-17**
	2.2 Market Demand & Supply – Contribution to GDP – Revenue Generation	**17-22**
	2.3 Level and Type of Competition – Firms Operating in the Industry	**22-25**

	2.4 Pricing Strategies in the Industry	**25-26**
	2.5 Prospects and Challenges of the Industry	**26-29**
	2.6 Key Drivers of the Industry	**29-32**
Chapter 3	**Review of Literature**	**33-41**
	3.1 Brief Theoretical Construct related to the Problem	**34-38**
	3.2 An Overview of Earlier Studies	**38-40**
	3.3 Uniqueness of Research Study	**40-41**
Chapter 4	**Methodology of the Study**	**42-56**
	4.1 Research Approach and design	**43**
	4.2 Sampling Design	**43**
	4.3 Data Analysis Tools	**44**
	4.4 Report Structure	**44-54**
	4.5 Duration of Study	**55**
	4.6 Limitations of the Study	**56**
Chapter 5	**Data Analysis, Interpretation & Inference**	**57-80**
Chapter 6	**Findings & Suggestions**	**81-83**
Chapter 7	**Conclusions**	**84-85**
	• **Bibliography**	**86**

CHAPTER – 1

INTRODUCTION

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

BANKING IN INDIA

Without a sound and effective banking system in India it cannot have a healthy economy. The Banking system of India should not only be hassle free but it should be able to meet new Challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process.

HISTORY:

The first bank in India, though conservative, was established in 1786. From 1786 till today, the Journey of Indian Banking System can be segregated into three distinct phases. They are as Mentioned below:

PHASE I - Early phase from 1786 to 1969 of Indian Banks

PHASE II - Nationalization of Indian Banks and up to 1991

PHASE III - Indian Financial & Banking Sector Reforms after 1991.

PHASE I:

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders. During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949

which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No.23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority. During those days public had lesser confidence in the banks. As an aftermath deposit mobilization was slow. On top of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to the traders.

PHASE II:

Government took major steps in this Indian Banking Sector Reform after independence. In 1955, it nationalized Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi-urban areas. Second phase of nationalization, Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership. The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949: Enactment of Banking Regulation Act.
- 1955: Nationalization of State Bank of India.
- 1959: Nationalization of SBI subsidiaries.
- 1961: Insurance cover extended to deposits.
- 1969: Nationalization of 14 major banks.
- 1971: Creation of credit guarantee corporation.
- 1975: Creation of regional rural banks.
- 1980: Nationalization of seven banks with deposits over 200 crore.

After the nationalization of banks, the branches of the public sector bank India raised to approximately 800% in deposits and advances took a huge jump by 11,000%. Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions.

PHASE III

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M Narasimham, a committee was set up by his name which worked for the liberalization of banking practices.

The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire System became more convenient and swift. The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian Countries suffered. This is all due to a flexible exchange rate regime, the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure.

Current Scenario

The industry is currently in a transition phase. On the one hand, the PSBs, which are the mainstay of the Indian Banking system are in the process of shedding their flab in terms of excessive manpower, excessive non-Performing Assets (NPA) and excessive governmental equity, while on the other hand the private sector banks are consolidating themselves through mergers and acquisitions. PSBs, which currently account for more than 78 percent of total Banking industry assets are saddled with NPAs (a mind-boggling Rs 830 billion in 2000), falling revenues from traditional sources, lack of modern technology and a massive workforce while the new private sector banks are forging ahead and rewriting the traditional banking business model by way of their sheer innovation and service. The PSBs are of course currently working out challenging strategies even as 20 percent of their massive employee strength has dwindled in the wake of the successful Voluntary Retirement Schemes (VRS) schemes. The private players however cannot match the PSB"s great reach, great size and access to low cost deposits. Therefore one of the means for them to combat the PSBs has been through the merger and acquisition (M& A) route. Over the last two years, the industry has witnessed several such instances. For instance, HDFC Bank's merger with Times Bank ICICI Bank's acquisition of ITC Classic, Anagram Finance and Bank of Madura. Centurion Bank, IndusInd Bank, Bank of

Punjab, Vysya Bank are said to be on the lookout. The UTI bank- Global Trust Bank merger however opened a Pandora's box and brought about the realization that all was not well in the functioning of many of the private sector banks. Private sector Banks have pioneered internet banking, phone banking, anywhere banking, mobile banking, debit cards, Automatic Teller Machines (ATMs) and combined various other services and integrated them into the mainstream banking arena, while the PSBs are still grappling with disgruntled employees in the aftermath of successful VRS schemes.

Also, following India's commitment to the WTO agreement in respect of the services sector, foreign banks, including both new and the existing ones, have been permitted to open up to 12 branches a year with effect from 1998-99 as against the earlier stipulation of 8 branches. Talks of government diluting their equity from 51 percent to 33 percent in November 2000 has also opened up a new opportunity for the takeover of even the PSBs. The FDI rules being more rationalized in Q1FY02 may also pave the way for foreign banks taking the M& A route to acquire willing Indian partners. Meanwhile the economic and corporate sector slowdown has led to an increasing number of banks focusing on the retail segment. Many of them are also entering the new vistas of Insurance. Banks with their phenomenal reach and a regular interface with the retail investor are the best placed to enter into the insurance sector. Banks in India have been allowed to provide fee-based insurance services without risk participation invest in an insurance company for providing infrastructure and services support and set up of a separate joint venture insurance company with risk participation. Banking sector is the main component of financial sector; hence measuring the performance of banking institution has become a major task of all economies. The functioning of banking sector has change upside down in India also. To evaluate the efficiency of Indian Bank, their financial performance should be assessed. So it is important to examine as to whether the performance of banks has improved after crisis. Such information can provide use full guidance, to policy maker about understanding the efficiency of banking sector in India.

Financial performance indicates the performance of the financial institution at the end of the year. This information reflects the bank NPA's, return on investment and profitability of the business. Evaluation of financial performance also helps to measures the overall financial

conditions of the financial institution over a given period of time. The main purpose of financial performance is for decision making through analysis and interpretation. Financial performance analysis is a process of identifying the financial strength and weakness of the banking sector. Comparative financial statement provides information relating to development of the banking sector for a particular period of time. It also indicates the favorable and unfavorable condition of the banking sector. Although performance measurement systems can play a key role in communicating, evaluating, and rewarding the achievement of strategic objectives.

1.2 STATEMENT OF THE PROBLEM

The title of the project is "**Financial Performance Analysis of Axis Bank**". Therefore, a study of liquidity, profitability, leverage, turnover, operational efficiency, market based and their association with risk, and assessing the financial position is very much necessary to evaluate the financial strength of the banking institution and to have knowledge about accounting ratios, analysis and its interpretation. It helps to analyze the financial performance of the concerned Bank.

1.3 RELEVANCE & SCOPE OF THE STUDY

The study will be limited to the financial statements of the particular bank. The study is based on the financial reports of the bank for the period of 5 years from 2015/16 to 2019/20. It includes liquidity, profitability, leverage, turnover and market based ratio performance of the Bank. The present study does not cover the human resource practices employee performance, performance of mutual funds in the Indian stock market and the likes of it. The study was carried out for a period of one month commencing from 1st may 2021 to 30th may 2021.

1.4 OBJECTIVE OF THE STUDY

- To study the overall monetary performance of Axis Bank over a period of five years (2015-16 to 2019-20).
- To evaluate financial position of the Bank in terms of solvency, profitability, liquidity and efficiency.
- To determine the long term financial solvency position of the Bank.

CHAPTER – 2

INDUSTRY PROFILE

COMPANY PROFILE

Axis Bank is the third largest private sector bank in India. The bank offers the entire spectrum of financial services to customer segments covering Large and Mid-Corporates, MSMEs, Agriculture and retail businesses. The Bank operates in four segments, namely treasury, retail banking, corporate/ wholesale banking and other banking business. The treasury operations include investments in sovereign and corporate debt, equity and mutual funds, trading operations, derivative trading and foreign exchange operations on the account, and for customers and central funding. Retail banking includes lending to individuals/small businesses subject to the orientation, product and granularity criterion. It also includes liability products, card services, Internet banking, automated teller machines (ATM) services, depository, financial advisory services and NRI services.

The corporate/wholesale banking segment includes corporate relationships not included under retail banking, corporate advisory services, placements and syndication, management of publics issue, project appraisals, capital market related services, and cash management

The Bank's registered office is located at Ahmedabad and their Central Office is located at Mumbai. With 4528 domestic branches (including extension counters) and 12044 ATMs and 5433 cash recyclers across the country as on 31 March 2020, the network of Axis Bank spreads across 2,033 cities and towns, enabling the bank to reach out to a large cross-section of customers with an array of products and services. The bank also has nine overseas offices with branches at Singapore, Hong Kong, Dubai (at the DIFC), Shanghai and Colombo; representative offices at Dubai, Abu Dhabi and Dhaka and an overseas subsidiary at London, UK. The Bank has five wholly-owned subsidiaries namely Axis Securities and Sales Ltd, Axis Private Equity Ltd, Axis Trustee Services Ltd, Axis Asset Management Company Ltd and Axis Mutual Fund Trustee Ltd. Axis Bank was incorporated in the year 1993 with the name UTI Bank Ltd. Axis Bank is one of the first new generation private sector banks to have begun operations in 1994. The bank was promoted in 1993, jointly by Specified Undertaking of Unit Trust of India (SUUTI) (then known as Unit Trust of India), Life Insurance Corporation of India (LIC),

General Insurance Corporation of India (GIC), National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd. The shareholding of Unit Trust of India was subsequently transferred to SUUTI, an entity established in 2003. In the year 2001, the bank along with Global Trust Bank (GTB) had a merger proposal to create the largest private sector bank, but due to media's issues both the banks withdraw the merger proposal. In the year 2003, the Bank was given the authorized to handle Government transactions such as collection of Government taxes, to handle the expenditure related payments of Central Government Ministries and Departments and pension payments on behalf of Civil and Non-civil Ministries such as defense, posts, telecom and railways. In December 20003, the Bank launched their merchant acquiring business. In the year 2005, the Bank raised $239.3 million through Global Depositary Receipts. They won the award 'Outstanding Achievement Award' for the year 2005 from Indian Banks Association for IT Infrastructure, delivery capabilities and innovative solutions.

In December 2005, the Bank set up Axis Securities and Sales Ltd (originally incorporated as UBL Sales Ltd) to market credit cards and retail asset products. In October 2006, they set up Axis Private Equity Ltd, primarily to carry on the activities of managing equity investments and provide venture capital support to businesses. In the year of 2007, the bank again raised $218.67 million through Global Depository Receipts. They opened 153 new branches during the year, which includes 43 extension counters that have been upgraded to branches and 8 Service branches/ CPCs. They also opened new overseas offices at Singapore, Dubai and Hong Kong and a representative office in Shanghai. During the year 2007-08, the Bank opened 143 new branches, taking the number of branches to 651 which included 33 extension counters that have been upgraded to branches. Also, they expanded overseas with the opening of a branch at the Dubai International Finance Centre. The Bank changed their name from UTI Bank Ltd to Axis Bank Ltd with effect from July 30, 2007 to avoid confusion with other unrelated entities with similar name.

During the year 2008-09, the Bank opened 176 new branches that include 12 extension counters that have been upgraded to branches taking the total number of branches and ECs to 835. During the year, they opened 831 ATMs, thereby taking the ATM network of the Bank from 2,764 to 3,595. Also, they opened a Representative Office in Dubai. In May 2008, the Bank established

Axis Trustee Services Company Ltd as a wholly owned subsidiary company, which is engaged in trusteeship activities. In December 2008, they launched their new investment advisory service exclusively for High Net Worth clients. In January 2009, the Bank set up Axis Asset Management Company Ltd to carry on the activities of managing a mutual fund business. Also, they incorporated Axis Mutual Fund Trustee Ltd to act as the trustee for the mutual fund business.

During the year 2009-10, the Bank opened 200 branches taking the total number of branches Extension Counters (ECs) to 1,035. In March 209, 2010, they opened their 1000 branch at Bandra West, Mumbai. In September 2009, Axis Bank launched the private banking business in the domestic market, christened 'Privee' to cater to highly affluent individuals and families offering them unique investment opportunities During the year, the Capital Markets SBU was restructured with the debt capital market business (hitherto a part of the capital markets) carved into a separate vertical.

As a result, the Bank's Capital Markets SBU comprises equity capital markets (ECM) business, mergers and acquisitions and private equity syndication. In February 24, 2010, the Bank launched the 'AXIS CALL & PAY on atom', a unique mobile payments solution using Axis Bank debit cards. Axis Bank is the first bank in the country to provide a secure debit card-based payment service over IVR. During the year 2010-11, 407 new branches were added to the Bank's network taking the total number of branches and extension counters (ECs) to 1,390. Of these, 564 branches/ ECs are in semi-urban and rural areas and 826 branches/ECs are in metropolitan and urban areas. The Bank is present in all states and Union Territories (except Lakshadweep) covering 921 centers.

The ATM network of the Bank increased from 4,293 to 6,270. During the year, the Bank also opened a Representative Office in Abu Dhabi. This was in addition to the existing branches at Singapore, Hong Kong and DIFC (Dubai International Financial Centre) and representative offices at Shanghai and Dubai. In March 7, 2011, the Bank incorporated a new subsidiary namely Axis U.K. Ltd. as a private limited company registered in the United Kingdom (UK) with the main purpose of filing an application with Financial Services Authority (FSA), UK for a banking license in the UK and for the creation of necessary infrastructure for the subsidiary to commence banking business in the UK. On 8 January 2014, Axis Bank announced the opening of its Shanghai Branch, thus becoming the first Indian private sector bank to set up a branch in

China. On 4 December 2014, Axis Bank announced that it had closed its Senior Unsecured Redeemable Non-Convertible Debenture issue of amount Rs 5705 crore and priced at 8.85% p.a. payable annually maturing on 5 December 2024. On 9 December 2014, Axis Bank announced the launch of limited period offer of 20 year fixed rate home loan for affordable housing at 10.40%. On 27 July 2015, Axis Bank announced that it had signed a $200 million 7 year bilateral loan deal with the Asian Development Bank (ADB) for extending affordable agriculture credit to farmers in India.

On 22 November 2015, Axis Bank announced the opening of its Representative Office in Dhaka, Bangladesh in a bid to strengthen its international presence. On 9 March 2016, Axis Bank announced the launch of the world's first Forex prepaid card issued in conjunction with Diners Club International, a business unit of Discover Financial Services. On 30 March 2017, Axis Bank announced a strategic partnership with Wells Fargo & Company to offer seamless remittance facility to their NRI customers from The United States of America (USA). On 17 June 2017, Axis Bank in association with Kochi Metro Rail Corporation (KMRL) launched India's first single-wallet contactless, open loop metro card to allow cashless commuting for commuters in Kochi. On 5 July 2017, Axis Bank announced its foray into the luxury bikes loans segment for 500cc & above bikes. On 11 July 2017, Axis Bank announced its collaboration with Inter-American Investment Corporation (IIC) to facilitate trade with Latin America and the Caribbean. Axis Bank on 27 July 2017 announced that it has entered into an agreement with Jasper Infotech Private Limited to acquire 100% stake in its subsidiaries viz. FreeCharge Payment Technologies Private Limited and Accelyst Solutions Private Limited, which together constitute the digital payments business under the 'FreeCharge' brand. The deal marked the first such acquisition of a digital
payments company by a bank in India. The bank had a network of 3703 branches and 13814 ATMs & cash deposit machines as at 31 March 2018 across the country. The bank has raised Rs 8680 crore of capital from a consortium of investors (Bain Capital, Life Insurance Corporation of India and other marquee investors).

During the fiscal 2019, the bank has won the Excellence Certificate in Corporate Social Responsibility (CSR) category at the prestigious CII ITC Sustainability Awards 2018. The bank has partnered with SignCatch to launch the first-of-its-kind Smart Bill Pay initiative for New

Delhi Municipal Corporation. As on 31 March 2019, the bank had a network of 4050 branches, 11801 ATMs and 4917 cash deposit machines across the country. During the FY 2019-20, the bank has opened 478 new branches, taking the total network of branches as at 31 March 2020 to 4528 and 17477 ATMs & cash deposit machines across the country. During the year, the bank has won the award for Excellence in Operations at the IDC Insights Awards 2019. Axis Bank is one of the three entities allowed by RBI to set up the Trade Receivables Discounting System (TReDS which is an electronic platform for facilitating cash flows for MSMEs.

Type	Public
Traded as	BSE: 532215 LSE: AXBC NSE: AXISBANK BSE SENSEX Constituent NSE NIFTY 50 Constituent
ISIN	INE238A01034
Industry	Banking Financial services
Founded	1993; 28 years ago
Headquarters	Mumbai, Maharashtra, India[1]
Number of locations	4800+ branches (December 2019)
Key people	Amitabh Chaudhry (MD & CEO) Shri Rakesh Makhija (Chairman)
Revenue	▲ ₹80,057.67 crore (US$11 billion) [2] (2020)

Operating income	▲ ₹61,991.91 crore (US$8.7 billion) [2] (2020)
Net income	▼ ₹1,853.11 crore (US$260 million) [2] (2020)
Total assets	▲ ₹927,871.81 crore (US$130 billion) [3] (2020)
Total equity	▲ ₹85,776.09 crore (US$12 billion) [3] (2020)
Owner	Life Insurance Corporation (9.19%) Specified Undertaking of Unit Trust of India (SUUTI) (4.68%) General Insurance Corporation of India (1.15%) The New India Assurance Company Limited (0.74%)
Subsidiaries	Axis Asset Management Company Ltd. Axis Mutual Fund Trustee Ltd. Axis Capital Ltd. Axis Finance Ltd. Axis Securities Ltd. A.TREDS Ltd. Axis Bank UK Ltd. Axis Trustee Services Ltd. Freecharge Accelyst Solutions Private Ltd. Axis Private Equity Ltd.[4]
Capital ratio	9.35% (December 2019)
Website	www.axisbank.com

2.1 BUSINESS PROCESS OF THE INDUSTRY

Today's retail and wholesale banks face unprecedented operational pressures that test the efficiency, effectiveness, and agility of their business processes. The typical banking business process often fails the test, struggling to adapt to shifting marketplace demands and regulatory requirements. Lending institutions of all stripes are looking to build a better banking business process, intelligent enough to successfully balance business objectives with customers' desires, and agile enough to keep pace with a dynamic operational environment.

Business Process Automation (BPA) or digital transformation is referred to the procedure of handling and managing business process by using automated processes that are innovative and technologically driven. Process automation replaces and reduces the effort, time and costs that are required to perform the task manually. It also provides enhanced accuracy and remove potential human errors. Automate business processes are especially designed to increase the overall productivity of business process with the help of modern technologies and computer software.

BPA has become the emerging trend in all the industries due to its remarkable abilities to simplify redundant and complex tasks, improve efficiency, enhance service quality, achieve target quickly, and reduce operational costs and accomplishing digital transformation. BPA also helps improving business workflows and achieving higher levels of efficiency. All the major industries including banking and finance sector are widely implementing BPA as an integral part of their business strategy in order to adopt the changing needs of the industry, while redefining job responsibilities and roles and reducing human errors.

Machine learning, artificial intelligence and robotic processes automation (RPA) are some of the significant automation technologies that are leading the smooth digital transformation within the finance and banking sector. Biometrics and Blockchain are some other technologies that are turned out to be transformative within the banking industry. Some of the major breakthroughs that are introduced to the industry are because of these automated processes. Below we have discussed few that we found most important.

1. KYC (Know-Your-Customer)

In the banking and financial sectors, the information related to the customers is of utmost importance. Financial and banking services require customer data not only for account opening but also for other banking processes. This information is required to be passed through the internal banking process, to ensure its regulatory compliance with other regulatory agencies. And, to ensure that, multiple checks such as ID Verification, Background Checks, Reference Checks etc. are imposed. Applying the entire process step-by-step every time for every single customer, whenever they open an account or request a loan, become a very heft task for banks. This is where the efficient automated processing comes into play within the banking sector. Modern banks are now using automated systems to create a centralized information network which allow quick and easy access and push and pull of the information. These systems are using machine learning to extract information from disparate data sources.

2. Risk Analysis & Compliance

Audits are inevitable in banking operations, and this is why financial institutions and banks are significantly investing in process automation technologies, in order to automate and improve their operation that are potential to risk and compliance issues. These automation technologies not only improve the overall performance and efficiency, but also reflect amazing adaptability in relation to other IT platforms. This helps banks to better check the frauds, report risk, and check quality etc.

3. Core Banking & Finance Operations

There are numerous automation technologies available now that are being efficiently used in blend with BPA to modify and improve the back-office banking and financial operations such as ID verifications, data updates, accounts reconciliation, documentation and much more.

4. Mortgage Loan & Credit Processing

Mortgage loan systems have been amplified by the technological transformations, but especially by the process automation. The loan approval process used to take more than 60 days before the process was automated. But now, as soon as the ID checks and employment status are checked and verified, you get your loan approval. BPA has made the process a lot easier and simpler. The entire loan approval procedure has been accelerated by BPA with reduced processing time and quicker response.

5. Customer Request & Support Services

Customer service is amongst the top most priorities for banks. With scorching competition within the banking industry, banks are continuously striving hard to provide exceptional customer service to their customers. BPA has enabled banks to provide remarkable service and customer experience. For example, with automated processes, banks are now capable of responding thousands of queries everyday while offering the best possible solutions at the earliest.

6. Fraud Detection

Terrorist activities and fraud concerns have been significantly increased along with the digitization. However, RPA (Robotic Process Automation) is amongst one of the process automation technology which offer great fraud prevention by using predictive analysis and steps any data breach.

2.2 MARKET DEMAND AND SUPPLY – CONTRIBUTION TO GDP-REVENUE GENERATION.

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic

banking industry. The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level five in the Faster Payments Innovation Index (FPII).

2.2.1 MARKET SIZE

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 44 foreign banks, 43 regional rural banks, 1,484 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions. As of November 2020, the total number of ATMs in India increased to 209,282.

According to RBI, India's foreign exchange reserves reached US$ 590.18 billion, as of February 5, 2021. According to RBI, bank credit and deposits stood at Rs. 106.40 trillion (US$ 1.45 trillion) and Rs. 146.24 trillion (US$ 2.00 trillion), respectively, as of January 15, 2021. Credit to non-food industries stood at Rs. 105.53 trillion (US$ 1.44 trillion), as of January 15, 2021. Asset of public sector banks stood at Rs. 107.83 lakh crore (US$ 1.52 trillion) in FY20. Total assets across the banking sector (including public, private sector and foreign banks) increased to US$ 2.52 trillion in FY20.

Indian banks are increasingly focusing on adopting integrated approach to risk management. The NPAs (Non-Performing Assets) of commercial banks has recorded a recovery of Rs. 400,000 crore (US$ 57.23 billion) in FY19, which is highest in the last four years.

RBI has decided to set up Public Credit Registry (PCR), an extensive database of credit information, accessible to all stakeholders. The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 Bill has been passed and is expected to strengthen the banking sector. Total equity funding of microfinance sector grew 42% y-o-y to Rs. 14,206 crore (US$ 2.03 billion) in 2018-19.

As of January 27, 2021, the number of bank accounts opened under the Government's flagship financial inclusion drive Pradhan Mantri Jan Dhan Yojana (PMJDY) reached 41.75 crore and deposits in Jan Dhan bank accounts stood at more than Rs. 1.37 lakh crore (US$ 18.89 billion).

Rising income is expected to enhance the need for banking services in rural areas, and therefore, drive the growth of the sector.

The digital payments revolution will trigger massive changes in the way credit is disbursed in India. Debit cards have radically replaced credit cards as the preferred payment mode in India after demonetization. In January 2021, Unified Payments Interface (UPI) recorded 2.30 billion transactions worth Rs. 4.31 lakh crore (US$ 59.16 billion).

2.2.2 Government Initiatives

As per Union Budget 2019-20, the government has proposed fully automated GST refund module and an electronic invoice system that will eliminate the need for a separate e- way bill. Under the Budget 2019-20, government has proposed Rs 70,000 crore (US$ 10.2 billion) to the public sector bank. Government has smoothly carried out consolidation, reducing the number of Public Sector Banks by eight. As of September 2018, the Government of India has made the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme an open-ended scheme and has also added more incentives. The Government of India is planning to inject Rs 42,000 crore (US$ 5.99 billion) in the public sector banks by March 2019 and will infuse the next tranche of recapitalization by mid-December 2018.

2.2.3 Bank Marketing In the Indian Perspective:

In banking sector marketing plays a very important role. Competitive pressure is pushing the banks to adopt new marketing initiatives. Marketing is going to play very important role in this changing scenario. Employees have to realize the importance of marketing. The old methods of banking where walk-in customers were the source of business is not applicable in present scenario. The customer’s expectations are changing. Now customers want the banks to visit them instead of them visiting the bank. Competition has set the reversal of roles. Customers are also expecting better services. Bank has to identify the financial needs of the customers and offer services, which can satisfy those needs. Marketing is about understanding, creating and retaining customers. All strategies are formulated to ensure that customers ultimately deal with us. Marketing is an important tool, which helps us in achieving organizational objective of the bank.

2.2.4 Marketing mix in banking sector

Service

Recently, banks are in a period that they earn money in servicing beyond selling money. The prestige is get as they offer their services to the masses. Like other services, banking services are also intangible. Banking services are about the money in different types and attributes like lending, depositing and transferring procedures. These intangible services are shaped in contracts. The structure of banking services affects the success of institution in long term. Besides the basic attributes like speed, security and ease in banking services, the rights like consultancy for services to be compounded are also preferred.

Price

The price which is an important component of marketing mix is named differently in the base of transaction exchange that it takes place. Banks have to estimate the prices of their services offered. By performing this, they keep their relations with extant customers and take new ones. The prices in banking have names like interest, commission and expenses. Price is the sole element of marketing variables that create earnings, while others cause expenditure. While marketing mix elements other than price affect sales volume, price affect both profit and sales volume directly. Banks should be very careful in determining their prices and price policies. Because mistakes in pricing cause customers' shift toward the rivals offering likewise services. Traditionally, banks use three methods called "cost-plus", "transaction volume base" and "challenging leader" in pricing of their services.

Distribution

The complexities of banking services are resulted from different kinds of them. The most important feature of banking is the persuasion of customers benefiting from services. Most banks' services are complex in attribute and when this feature joins the intangibility characteristics, offerings take also mental intangibility in addition to physical intangibility. On

the other hand, value of service and benefits taken from it mostly depend on knowledge, capability and participation of customers besides features of offerings. This is resulted from the fact that production and consumption have non separable characteristics in those services. Most authors argue that those features of banking services makes personal interaction between customer and bank obligatory and the direct distribution is the sole alternative. Due to this reason, like preceding applications in recent years, branch offices use traditional method in distribution of banking services.

Promotion

One of the most important element of marketing mix of services is promotion which is consist of personal selling, advertising, public relations, and selling promotional tools.

Personal Selling

Due to the characteristics of banking services, personal selling is the way that most banks prefer in expanding selling and use of them. Personal selling occurs in two ways. First occurs in a way that customer and banker perform interaction face to face at branch office. In this case, whole personnel, bank employees, chief and office manager, takes part in selling. Second occurs in a way that customer representatives go to customers' place. Customer representatives are specialist in banks' services to be offered and they shape the relationship between bank and customer.

Advertising

Banks have too many goals which they want to achieve. Those goals are for accomplishing the objectives as follows in a way that banks develop advertising campaigns and use media.

1. Conceive customers to examine all kinds of services that banks offer
2. Increase use of services
3. Create well fit image about banks and services
4. Change customers' attitudes
5. Introduce services of banks
6. Support personal selling
7. Emphasize well service

Advertising media and channels that banks prefer are newspaper, magazine, radio, direct posting and outdoor ads and TV commercials. In the selection of media, target market should be determined and the media that reach this target easily and cheaply must be preferred.

Banks should care about following criteria for selection of media.

1. Which media the target market prefer
2. Characteristics of service
3. Content of message
4. Cost
5. Situation of rivals Ads should be mostly educative, image making and provide the information as follows:

1. Activities of banks, results, programs, new services
2. Situation of market, government decisions, future developments
3. The opportunities offered for industry branches whose development meets national benefits.

Public relations

Public relations in banking should provide;

1. Establishing most effective communication system
2. Creating sympathy about relationship between bank and customer
3. Giving broadest information about activities of bank.

It is observed that the banks in India perform their own publications, magazine and sponsoring activities.

Selling Promotional Tools

Another element of the promotion mixes of banks is improvement of selling. Mostly used selling improvement tools are layout at selling point, rewarding personnel, seminaries, special gifts, premiums, contests.

2.3 LEVELS AND TYPE OF COMPETITION-FIRMS OPERATING IN THE INDUSTRY

Competition in the banking sector in India is best seen as the product of two grand bargains. The first was between successive governments and the banks, whereby banks got privileged access to

low cost demand and time deposits, to the central banks liquidity facilities, as well as some protection from competition, in return for accepting obligations such as financing the government (through the Statutory Liquidity Ratio or SLR), helping in monetary transmission (through maintaining the Cash Reserve Ratio or CRR), opening branches in unbanked areas and making loans to the priority sector. The second grand bargain was between the public sector banks (PSBs) and the government, whereby these banks undertook special services and risks for the government, and were compensated in part, by the government standing behind the public sector banks. As India has developed, both these bargains are coming under pressure. And it is development and competition that is breaking them down.

Today, the investment needs of the economy, especially long term investment in areas like infrastructure, have increased. The government can no longer undertake these investments. Private entrepreneurs have been asked to take them up. To create space for financing, the government has to pre-empt less of the banking systems assets. But the nature of financing required is also changing. Private investment is risky, so there has to be more risk absorbing financing such as from corporate bond markets and from equity markets. As more sources of financing emerge, not only will banks no longer be able to have a monopoly over financing corporations and households, they will also have to compete for the best clients, who can access domestic and international markets.

Similarly, deposit financing will no longer be as cheap, as banks will have to compete with financial markets and real assets for the households savings. As households become more sophisticated, they will be unwilling to leave a lot of money in low interest bearing accounts. Of course, households will still be willing to accept low interest rates in return for liquidity. So privileged access to the central banks liquidity windows will allow banks to offer households these liquidity services safely and get a rent, but this advantage will also become eroded as new payments institutions and technologies emerge.

The first grand bargain -- cheap deposits in return for financing the government is therefore being threatened from both sides. Deposits will not continue to be cheap, while the government cannot continue to pre-empt financing at the scale it has in the past if we are to have a modern

entrepreneurial economy. This is yet another reason why fiscal discipline will be central to sustainable growth going forward.

Public sector banks are, if anything, in a worse position than private sector banks, which is why the second bargain is also under threat. As low risk enterprises migrate to financing from the markets, banks are left both with very large risky infrastructure projects and with lending to small and medium sized firms. The alternative to taking these risks is to plunge into very competitive retail lending, so public sector banks may have little option especially if the government pushes them to lend to infrastructure.

Many of the projects being financed today, however, require sophisticated project evaluation skills and careful design of the capital structure. Successful lending requires the lender to act to secure his position at the first sign of trouble, otherwise the slow banker ends up providing the loss cover for more agile bankers or for unscrupulous promoters. To survive in the changing business of lending, public sector banks need to have strong capabilities, undertake careful project monitoring, and move quickly to rectify problems when necessary. In the past, PSBs had the best talent. But today, past hiring freezes have decimated their middle-management ranks, and private banks have also poached talented personnel from PSBs. PSBs need to be able to recruit laterally, while retaining the talent they have, but to do so they need to be able to promise employees responsibility as well as the freedom of action. Unfortunately, employee actions in public sector banks are constrained by government rules and second-guessed by vigilance authorities, even while pay is limited. It will be hard for public sector banks to compete for talent.

If, in addition, these banks are asked to make sub- optimal decisions in what is deemed the public interest, their performance will suffer more than in the past. This will make it hard for them to raise funds, especially capital. With the government strapped for funds, its ability to support the capital needs of public sector banks as part of the second grand bargain is also coming into question. We cannot go backwards to revive the two bargains that means reversing development and bottling the genie of competition, neither of which would be desirable for the economy even if feasible. Instead, the best approach may be to develop the financial sector by

increasing competition and variety, even while giving banks, especially public sector banks, a greater ability to compete.

2.4 PRICING STRATEGIES

Traditionally, the Indian banking industry has been tightly regulated, with little scope for innovation in products and pricing. Most banks follow a cost-plus and market-based pricing strategy, which was justifiable until recently as the banking industry was in a nascent stage and the market, largely underpenetrated. This strategy has helped banks grow considerably. Typically, the approach for banks' pricing factors in the cost of funds, risk-based spread and an assessment of the competitors' product portfolios. However, there are other components that are either underestimated or not fully accounted for such as the correct cost of servicing and the customers' value perception regarding such products.

VALUE BASED PRICING

A value-based pricing approach focuses on understanding the customers' willingness to pay a premium for products or services on the basis of the value offered. Banks can optimize their pricing and secure a larger share of customers' wallets with an increased focus on product innovation and customer analytics applications. Value-based pricing advocates segmenting customers first. It calls for a gradual shift from a product-centric mind-set to a customer-centric approach. Banks should consider the following points while deciding on pricing strategies for products:

The following aspects will enable banks to determine the appropriate value across all dimensions – product, pricing and channels. These would also help them understand the customers' reaction to a pricing strategy:

1. **Costly customer acquisition does not always lead to a sustained increase in market share:** To increase their market share, many banks and financial institutions tend to price their products aggressively. While in the short term, this could help attract customers at high costs, it does not always lead to increased profitability or growth for banks. Therefore, they need to define a

matrix analysing their acquisition cost versus the potential realisable value across the product lifecycle for customers.

2. **Customers have easy access to market information:** With the advent of third-party platforms, customers can easily access the products' features, and compare the value they derive from each offering. Our experience also reveals that banking products with complicated features are often avoided even if available at discounted prices.

3. **Poor marketing could lead to dissatisfaction with prices:** Customers do not realise the value proposition of the product, if it is not marketed appropriately. This may result in price dissatisfaction even if the products offered by banks are good and customers have the capacity to pay the premium. Therefore, the marketing strategy is as essential as appropriate pricing.

4. **Low-involvement products are difficult to price higher:** Customers are more emotionally attached to certain products than others. For instance, a savings account may not lead to high emotional satisfaction, whereas a vehicle loan which results in acquisition of a tangible asset can be extremely satisfying. Another point worth noting is that value based pricing can only take place with product differentiation. Therefore, product-related criterion such as customers' involvement and differentiation of features are key parameters for any pricing strategy. It is important to note that value-based pricing does not always call for an increase in the products' pricing. Optimised pricing may also be needed to win a large share of customers' wallets, thereby improving profitability.

2.5 CHALLENGES FACED BY THE INDUSTRY

The banking sector is undergoing a radical transformation. The shifts include changing business models, disruptive technologies, FinTechs, and compliance pressures. The emergence of non-bank startups, which is also referred to as FinTechs, is altering the competitive landscape in the banking industry. It has forced traditional institutions to reorganize the way they conduct business.

As information breaches become more frequent and privacy concerns increase, compliance and regulatory necessities become more limiting as a result. On top of that, client's demands have been evolving. Many consumers seek to be met with round-the-clock personalized services.

These financial problems can be corrected by the very innovation, causing disruption. But, the transition from a legacy system of offering service to modern solutions has never been an easy task.

Customer retention

Financial services clients expect meaningful and personalized experiences through intuitive and straightforward interfaces on any device, anywhere, and at any time. While customer experience can be tricky to quantify, client turnover is substantial, and client loyalty is rapidly becoming an endangered idea. Client loyalty is a product born through sturdy relationships that start by comprehending the client and their expectations.

Understanding the client and engaging with them appropriately can result in client satisfaction, therefore, decreasing customer churn. Financial institutions can also use Bots, which is an effective and efficient technology for delivering superior client services. Bots can assist in increasing client engagement without incurring costs.

Financial institutions are adjusting to such technologies to improve customer satisfaction. However, various demands will always arise. However, with helpful information at hand, the industry will escalate its strategies to retain clients in the coming year.

Increasing expectations

Today's clients are savvier, smarter, and more informed. They expect a high degree of convenience and personalization out of their financial service experience. Altering client demographics plays a vital role in these heightened expectations. Each new generation of financial service clients is having a better understanding of technology. As a result, there is an elevated expectation of digitalized prospects.

A cultural shift

From thermostats that allow you to heat the surrounding to artificial intelligence-enabled wearables that monitor the user's health is the technology that has been embedded in our culture. The same has extended to the banking industry.

The digital world has no access to manual systems and processes. The banking industry needs to figure out innovation-based resolutions to financial industry problems. Therefore, financial organizations must promote a culture filled with technology. Innovation is leveraged to optimize the existing procedures and processes for maximum efficiency.

Altering Business models

The cost that is linked with compliance management is among the numerous financial service challenges forcing banking institutions to alter the manner they conduct business. The elevated cost of capital integrated with unrelenting low-interest rates decreased proprietary trading, and decreasing return on equity are all pressurizing traditional source's financial profitability. But, the shareholder prospects remain unwavering.

These factors have forced several institutions to establish new service offerings, seek long-lasting progress in operational efficiencies, and rationalize business lines to maintain profits. The failure to keep up with the shifting demands is not an option. This means that banking institutions have to structure and be equipped to pivot when appropriate.

Regulatory compliance

This is among the most vital financial industry challenges. The dramatic increase in regulatory fees has steered this. Compliance with various set regulations can significantly strain financial institutions as they gather resources.

Similarly, if banks fail to comply with the regulations, they are faced with costly consequences. They incur additional risks and cost for them to remain updated on the latest regulatory changes. Additionally, they have to oversee the controls that are required to see those requirements satisfied. Overcoming the regulatory compliance problem requires credit unions and banks to nurture a culture of compliance within the institution. Technology can play a crucial role in establishing a culture of compliance.

2.5.1 STRATEGIC OPTIONS TO COPE WITH THE CHALLENGES:

Dominant players in the industry have embarked on a series of strategic and tactical initiatives to sustain leadership. The major initiatives incorporate:

- Focus on ensuring reliable service delivery through Investing on and implementing right technology.
- Leveraging the branch networks and sales structure to mobilize low cost current and savings deposits.
- Making aggressive forays in the retail advances segments of home and personal loans.
- Implementing initiatives involving people, process and technology to reduce the fixed costs and the cost per transaction.
- Focusing on fee based income to compensate foe squeezed spread
- Innovating products to capture customer 'mind share' to begin with and later the wallet share.

2.6 KEY DRIVERS OF THE INDUSTRIES

The banking industry is indeed up for major transformation, the process of which has already begun. As discussing below, there are major aspects that can be the key driving factors. And, it's the technology and data that is evident to be at the intersection space of all these factors

1. Digital Transformation

Digital transformation is not the only technological advancement witnessed in the banking sector. Robotic process automation or RPA in banking is being seen as a major revolution. Robotic process automation is about the usage of virtual assistants or software used for addressing repetitive tasks. A virtual assistant here also refers to programmed robots. Usage of tools of such is going to drive the modern-day and future banking arena by cutting down the manpower requirements. The best part about RPA in banking is the way it makes things effective in a much cost-effective fashion. The entire banking functionality can be structured to be automated in many ways.

Interesting here is to note that the banks have already used it like the replacements of their employees, as it can interact with through technically enriched user interfaces and can also deal with optimized applications. Undoubtedly, the future of the banking industry is going to be greatly revolutionized through RPA.

2. Regulatory Measures

Because modern-day technology is getting more and more data-oriented, setting up fresh data protection regulation has become imperative for the industries. This is expected to be somewhat challenging, with the added concerns of streamlining the experiences of the customers. Emphasis is going to be more towards the interactions involving a nominal touch. Through the process, it is certainly going to reduce the various kinds of threats associated with regulatory affairs. At the same time, the optimizations of such can make the entire system more financially beneficial as well. Customer-oriented platforms thus are said to be one of the key business drivers in contemporary, as well as the future banking industry. One thing here can be noted is that technology lies at the core of all sorts of the transformation of banking procedures.

3. Business and Revenue-Boosting Models

Personalized banking experience is being given a lot of importance in modern times. This is one aspect that can be decisive in terms of keeping competitors at bay. The banking industry outlook is getting more digital technology-oriented. Innovation in digital technology has enriched customer experience through a high-end user-interface. The fintech companies are emphasizing preparing roadmaps based on the same technology. Data management tools and analytics tools are being used and going to be extensively used to enrich sustainability in the banking sector.

The smooth performance and customer engagement in the banking sectors of modern days are said to be due to the advanced process optimization. In other words, there is a significant transformation that has occurred in terms of the operation mode of the global banking sector. The level of enhancement of core banking like vital models have managed to deliver superior business goals. In other words, it can be claimed as the prime revenue driver for banks. Leveraging digital technology in this context, the emphasis is being given towards the development of up-to-the-minute business scope. Ultimately, a streamlined process helps deliver a better customer experience — the immediate business scope of such help the customers or clients in taking immediate business decisions. In short, the idea of enriching customer

engagement through process optimization and the technologies meant for the same can be the key drivers of the banking industry.

4. Changing the Scenario From a Lender's Perspective

A lot has been already discussed regarding the evolution of customer behavior over time. At the same time, liabilities of the lenders about the economical challenges of the banks are going to be the critical factors. The risk factors confronted while deciding whether to grant or deny loans have been decisive.

Functional models of the banks and other financial institutions have been transformed as well. Scenarios are being tried to be changed through the introduction of creative ideas like instant payment schemes. However, there is still no alternative to limiting the occurrences involving greater financial risks.

As per the present scenario, liabilities can be strategically kept under the carpet. In this context, it is considered essential for the lenders to come up with their modes for greater assessment of probable threats. Specifically, proper analysis is required when it comes to high-value financial payments.

5. Cloud Computing

The impact and acceptance of cloud computing in the banking industry are very much evident. A lot has already been discussed regarding the growing interest in cloud computing principles among the banking sectors. The rate of migration over the cloud platform among the banks and financial organizations, even at remotest parts or small towns has significantly grown. Successfully integrating all the units and segments of a bank or financial institution, and streamlining the data access, has been phenomenal all the way. Naturally, it is growing at a bigger scale and in a very encouraging way, is pretty unsurprising.

6. Efforts to Minimize the Risk factor

The compulsion of a borrower to address the possible threats is a key factor in analyzing for getting it well about their efficacy to pay back the loan amounts. Financial service providers have a great role to play in this context. They are the people ultimately who have to have thorough

knowledge regarding the ability of clients. Undoubtedly, they have been the business drivers for financial companies. But, with transforming scenarios, these business drivers' financial services have to transform as well. Upon observing the regular modes of the functionality of the banking industry, the emphasis has always been giving towards sustainability and enduring customer relationships. To ensure that the business does not get affected and the relationship remains similarly endured, banks should come up with new products or loan payment models, where the financial threats remain nominal.

7. AI Being the Key Driver

AI Being the Key Driver in banking. Because data and technology have traditionally been the bank performance, drivers, concepts like AI in banking are obvious to be the game- changer. AI is certainly going to streamline the banking procedures in a great way.

Expanding the scope of automation, technology can indeed make the process more effective and productive at the same time. With automation, it is obvious for the entire process to be accomplished in a cost-effective fashion. All that the banks have to ensure is that the privacy of customer data is thoroughly secured with them.

8. Fintech Service Providers

Fintech providers are certainly going to be the key business drivers in the banking industry. Their role is going to be even more impactful. There should be no surprise about this upon observing the way these technologies have competed with the usual ways of delivering financial services. Though it is still an emerging concept for the banking industry in remote parts but looks established in major sectors, it promises a lot from future perspectives. Fintech can indeed be claimed as one of the hottest banking industry trends at present. Specifically, their role is expected to be the most effective in the upcoming retail banking market, which is going to be more technology-oriented.

CHAPTER – 3

REVIEW OF LITERATURE

3.1 THEORETICAL FRAMEWORK INCLUDING LITERATURE

The theory applied in this study relates to Financial Management, particularly Financial statement Analysis, as it would facilitate financial performance analysis. The analysis of financial statements is generally undertaken for evaluating the financial position/performance of the company, to be used by its stakeholders such as Investors, Creditors and Managers. The outcome of analysis also helps in predicting financial performance for future period.

Khan and Jain (2011) have defined the analysis of Financial Statements as a process of evaluating the relationship between parts of financial statements to obtain a better understanding of the firm's position and its performance. There are two broad approaches used to measure Bank performance, the Accounting Approach, which makes use of financial ratios and secondly Econometric Techniques. Traditionally, Accounting Methods are largely based on the use of financial ratios, which have been employed for assessing Bank performance (Ncube, 2009).

Kumar (2012) has given a definition to camel rating system, according to him it is a mean to categorize bank based on the overall health, financial status, managerial and operational performance. In his study he has chosen the SBI and its associates for checking the performance and concludes that State Bank of India is always in the lead than its associates in every aspect of camel.

In a study conducted by **Collis and Jarvis (2006)** on financial information and the management of small private companies in the U.K., the most useful sources of information are the periodic management account (i.e. the balance sheet and income statement), cash flow information and bank statements (of course bank statement are another form of cash flow information but generated externally). These sources of information are used by eight (80) per cent of companies and this demonstrates the importance of controlling cash, which previous research (Bolton, 1971, Birly & Niktari, 1995, Jarvis et al, 1996) suggest is critical to the success and survival of a small business.

In the same research eight-seven (87) per cent of small companies' prepared profit and loss accounts and seventy-eight (78) per cent, balance sheet. These key financial statements allow management to monitor profitability of the business as well as its net assets. Confirming the usefulness of cash flow information, the analysis shows that seventy-three (73) per cent use bank reconciliation statement and more than fifty-five (55) percent use cash flow statements and forecast. However, other competitive performance measures perceived in literature such as ratio analysis, industry trends and inter-firm comparison are not widely used.

Collis and Jarvis (2002) then states that this may indicate that small companies experience problems in gaining access to appropriate benchmarks, but could also be the results of competitors filing abbreviated accounts which reduces the amount of information available for calculating ratio and making comparison. In addition, as many small companies operate in the service sector, they occupy niche markets and may be less concerned with competition than those in other markets.

Melse (2004), reports that ratio analysis provides an insight into the financial health of a firm by looking into it liquidity, solvability, profitability, activity and capital and market structure.

Jooste (2004) investigates that many authors agree that cash flow information is a better indicator of financial performance than traditional earnings.

Largay and Stickney (1980) and Lee (1982) show that profits were increasing, W.T. Grant and Laker Airways had severe cash flow problems prior to bankruptcy. Jooste (2004) further states that users of financial statements around the world evaluate the financial statements of companies to determine the liquidity, assets activity, leverage, profitability and performance. Users of financial statements use traditional balance sheet and income statements ratios for performance evaluation. Therefore, along with traditional ratios, operating cash flow is also important when evaluating a company's performance (Jooste, 2004). Various literature states that the primary purpose of the cash flow statement is to assess a company's liquidity, solvency, viability and financial adaptability.

According to Everingham et al (2003) operating cash flow ratios are indicators of performance. They determine the extent to which a company has generated sufficient funds

Hr Machirajn international publishers (2009): Efficiency can be considered from technical economical or empirical considerations. Technical efficiency implies increase in output. In the case of banks defining inputs and output is difficult and hence certain ratios of costs to assets or operating revenues are used to measure banks efficiency. In the Indian context public sector banks accounts for a major portion of banking assets, it is necessary to evaluate the financial decisions of these banks and compare them with private sector banks to know the quality of financial decisions on its impact or performance of banks in terms of efficiency, profitability, competitiveness and other economic variables.

Bhatawdekar (2010) explains that Financial Ratio Analysis is the systematic use of ratio to interpret the components of financial statements for evaluation of strength and weaknesses of a firm in addition to its historical performance and present financial condition.

Hassan and Bashir (2005) believe that financial ratios are popular due to several reasons as they are easy to calculate, interpret and permit comparison between the Banks.

Halkos and Salamouris (2004) conclude that financial ratios permit comparisons between the Banks and the benchmark, which is usually the average of the industry sector.

Dr.Dhanabhakyam & M.kavitha (2012) in their research used some important ratio to analyses the financial performance of selected public sector banks such as ratio of advances to assets, ratio of capital to deposit, ratio of capital to working fund, ratio of demand deposit to total deposit, credit deposit ratio, return on average net worth ratio, ratio of liquid assets to working fund etc. The ratio of advances to assets shows an increasing trend for most of the public sector bank. It shows aggressiveness of bank in lending which ultimately result in high profitability.

Chaudhary (2014) conducted a study to measure the right performance of public and private sector banks by the use of secondary data collected from annual reports, periodicals, website etc. for the year 2009-2011 and found out that in every aspect private sector bank has performed better than public sector banks and they are growing at faster pace.

Jha and Hui (2012) tried to find out the factors affecting the performance of Nepalese Commercial Banks By using various camel ratios such as return on asset (ROA), return on equity (ROE), capital adequacy ratio (CAR) etc. As Public sector banks have higher total assets compared to joint venture or domestic private banks, thus ROA was found higher whereas overall performance of public sector was unsound because ROE and CAR of joint venture and private banks was found superior. The financial performance of public sector banks is being eroded by other factors such as poor management, high overhead cost, political intervention, low quality of collateral etc.

Dr Richa Jain, Prof. Mitali Amit Shelankar & Prof Bharti Sumit Mirchandani,

(2015) Tools / Techniques of financial statement analysis:- The various tools and techniques of financial statement analysis are;

Trend Percentage Analysis: It is also known as Intra firm comparison in which the financial statements of the same company for few years are compared for some important series of information.

Comparative Statement: These are the statement of financial positions at different periods of time. The financial position is shown in a comparative form over two period of time.

Common Size Statements: The common size statements, balance sheet and income statements are shown in terms of percentages. The data is shown as percentage of total assets, liabilities and sales.

Ratio Analysis: It is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various financial ratios for helping in taking decisions.

Funds Flow Statements: It is a statement of studying the changes in the financial position of a business enterprise between the beginning and the end it is a statement indicating rises of funds for a period of time.

Cash Flow Statements: It shows the changes in cash flow between two periods.

3.2 AN OVERVIEW OF EARLIER STUDIES

Baral (2005), study the performance of joint ventures banks in Nepal by applying the CAMEL Model. The study was mainly based on secondary data drawn from the annual reports published by joint venture banks. The report analyzed the financial health of joint ventures banks in the CAMEL parameters. The findings of the study revealed that the financial health of joint ventures is more effective than that of commercial banks. Moreover, the components of CAMEL showed that the financial health of joint venture banks was not difficult to manage the possible impact to their balance sheet on a large scale basis without any constraints inflicted to the financial health.

Wirnkar and Tanko (2008), analyzed the adequacy of CAMEL in evaluating the performance of bank. This empirical research was implemented to find out the ampleness of CAMEL in examining the overall performance of bank, to find out the importance of each component in CAMEL and finally to look out for best ratios that bank regulators can adopt in assessing the efficiency of banks. The analysis was performed from a sample of eleven commercial banks operating in Nigeria. The study covered data from annual reports over a period of nine years (1997-2005). The analysis disclosed the inability of each component in CAMEL to congregate the full performance of a bank. Moreover the best ratios in each CAMEL parameter were determined.

Bansal (2010) studied the impact of liberalization on productivity and profitability of public sector banks in India. The study has been conducted on the basis of primary as well as secondary data for the period 1996-07. The study concluded that the ability of banks to face competition

was dependent on their determined efforts at technological upgradation and improvement in operational and managerial efficiency, improvement in customer service, internal control and augmenting productivity and profitability. The study found that public sector banks have to pay great attention to strategic management, strategic planning and to greater specialization in the technical aspect of lending and credit evaluation. It was recommended that public sector banks should strengthen their project appraisal capabilities. In order to raise their productivity and profitability, public sector banks should spell turnover strategies, income-oriented and cost oriented strategies from time to time.

Aspal and Malhotra (2013) measured the financial performance of Indian public sector banks' asset by camel model and applying the tests like Anova, f test and arithmetic test for the data collected for the year 2007-2011. They concluded that the top two performing banks are bank of Baroda and Andhra bank because of high capital adequacy and asset quality and the worst performer is united bank of India because of management inefficiency, low capital adequacy and poor assets and earning quality. Central bank of India is at last position followed by UCO bank and bank of Maharashtra.

Tarawneh (2006) in his study measured the performance of Oman Commercial Banks using financial ratios and Banks were ranked on the basis of their performance. The findings indicated that Bank performance was strongly and positively influenced by Operational Efficiency, Asset Management and Bank Size.

Samad (2004) investigated the performance of seven locally incorporated Commercial Banks during the period 1994-2001. Financial ratios were used to evaluate the Credit Quality, Profitability and Liquidity Performances.

Dr. Anurag B Singh and Ms.Priyanka Tandon (2012): The researcher has mentioned the importance of the banking sector in the economic development of the country. In India banking system is featured by large network of Bank branches, serving many kinds of financial services of the people. The research Methodology used by there is a comparative analysis of both the

banks based on the mean and compound growth rate (CGR). The study is based on secondary data collected from magazines, journals & other published documents. Which was a limitation since it's difficult to prove the geniuses of the data.

Renu Bagoria (2014): The main objective of this paper is to make a comparative study between private sector banks and public sector banks and the adoption of various services provided by this bank. The different services provided by these banks are M-Banking, Net banking, ATM, etc. One of the services provided by the bank i.e. Mobile banking helps us to conduct numerous financial transactions through mobile phone or personal digital assistant (pda).Data analysis had been made in private sector banks like ICICI Bank, INDUSSIND Bank, HDFC Bank, Axis Bank and public sector banks like SBI Bank, SBBJ, IDBI and OBC Bank. These banks also provide Mobile Banking service. The overall study showed that the transaction of Mobile banking through public sector bank is higher than private sector.

Kumar and Sharma (2013) analyzed the performance of top 10 and highest market capitalized banks in India with the help of camel model approach, for the year 200610, their study found that Kotak Mahindra Bank is on the lead and on highest position in terms of capital adequacy followed by ICICI bank and they both are more efficient in managing their liquidity. SBI has highest NPA level among their peer group followed by ICICI bank whereas PNB is highly management efficient with the highest grading in this parameter. Earning quality of SBI and PNB are on top but overall SBI is ranked first followed by PNB and HDFC.

3.3 UNIQUENESS OF THE RESEARCH

- CAMEL RATING is an important technique of financial analysis. It is a means for judging the financial health of a business enterprise. It determines and interprets the liquidity, solvency, profitability, etc. of a business enterprise. With the help of ratio analysis, comparison of profitability and financial soundness can be made between one industry and another. Similarly comparison of current year figures can also be made with those of previous years with the help of ratio analysis and if some weak points are located, remedial measures are taken to correct them. It discloses the position of business

with different viewpoint. It discloses the position of business with liquidity viewpoint, solvency view point, profitability viewpoint, etc. with the help of such a study, we can draw conclusion regarding the financial health of business enterprise.

- Ratio analysis refers to the analysis of various pieces of financial information in the financial statements of a business. They are mainly used by external analysts to determine various aspects of a business, such as its profitability, liquidity, and solvency. It helps in comparison. It helps in trend line and operational efficiency.

- Comparative balance sheet presents side by side information about an entity's assets, liability and shareholder's equity as of multiple points in time. It helps in comparison and forecasting.

CHAPTER - 4

METHODOLOGY OF THE STUDY

4.1 RESEARCH APPROACH AND DESIGN

The nature of study of this project is descriptive and analytical. In analytical study, one has to use facts or information already available and analyze these to make critical evaluation of the material.

Secondary data are those data which have already been collected and stored. Secondary data may be collected from:

- Annual reports of the bank
- Bulletins
- Periodicals
- News letters
- Internal reports of the bank

The study has been conducted with reference to the data related to Axis Bank. The study examines the financial performance of some variables and compares the performance of the bank over a period of five years.

4.2 SAMPLING DESIGN

For performance analysis of Axis Bank over the years, the study has been taken during the period from 2016 to 2020(five years).To know the financial performance of the banks by using ratio analysis and camel rating. Financial performance of the bank can be analyzed through their financial reports.

4.3 DATA ANALYSIS TOOLS

In this study, data was analyzed by using tabular representation of data to ease comparing and to enable readers visually appreciate the findings from the study. Different scales will be used for data analysis. Various financial ratios, bar charts are used to know financial performance of the bank.

For the analysis of the financial performance the following tools are used:

a) Ratio Analysis

b) CAMEL Rating

c) Comparative balance sheet

a)RATIO ANALYSIS

Ratio analysis is one of the most powerful tools of financial analysis. It is a yardstick which measures relationship between variables. In layman's terms a ratio represents for every amount one thing how much there is of another thing. Ratio analysis is a widely- used tool of financial analysis. It can be used to compare the risk and return relationship of firms of different sizes. It is defined as the systematic use of ratio interprets the financial statements so that the strength and weakness of a

firm as well as its historical performance and current financial condition can be determined. The term ratio to the numerical or quantitative relationship between two items. Following are the ratios:

1) PROFITABILY RATIOS

Profitability is a relative term. It is hard to say what percentage of profits represents a profitable firm, as profits depend on such factors as the position of the company and its products on the competitive life cycle (for example profits will be lower in the initial years when investment is high), on competitive conditions in the industry, and on borrowing costs.

For decision-making, it is concerned only with the present value of expected future profits. Past or current profits are important only as they help to identify likely future profits, by identifying historical and forecasted trends of profits and sales. Profitability ratios measure operating efficiency and ability to ensure adequate return to shareholders.

In other words, they are used to evaluate the overall management effectiveness and efficiency in generating profit on sales, total assets and owners' equity. Profitability ratios help to measure how well a company is managing its expenses. These measurements allow evaluating the company's profits with respect to a given level of sales, a certain level of assets, or the owner's investment. It is related to the effectiveness with which management has employed both the total assets and the net assets as recorded on the balance sheet. These ratios are usually created by relating net profit, defined in a variety of ways, to the resources utilized in generating that profit. Following ratios:

I. Return on Equity

II. Return on Assets

III. Net Profit Margin

I. Return on Equity

equity indicates the profitability to shareholders of the Bank after all expenses and taxes). It measures how much the firm is earning after tax for each invested in the Bank It is also an indicator of measuring managerial By and large, higher ROE means better managerial performance; however, a higher return on equity may be due to debt

(financial leverage) or higher return on assets. Financial leverage creates an important difference between ROA and ROE in that financial leverage always magnifies ROE. This will always be the case as long as the ROA (gross) is greater the interest rate on debt. Usually, there is higher ROE for high growth companies.

$$ROE = \frac{\text{Net income after tax}}{\text{Total equity}}$$

II. RETURN ON ASSETS

It shows the ability of management to acquire deposits at a reasonable cost and invest them in profitable investments. This ratio indicates how much net income is generated of assets. Return on assets indicates the profitability on the assets of the Bank after all expenses and taxes. It is a common measure of managerial performance. It measures how much the firm is earning after tax for invested in the assets of the firm. That is, it measures net earnings per unit of a given asset, moreover, how bank can convert its assets into earnings.

Generally, a higher ratio means better managerial performance and efficient utilization of the assets of the firm and lower ratio is the indicator of inefficient use of assets. ROA can be increased by Banks either by increasing profit margins or asset turnover but they can't do it simultaneously because of competition and trade-off between turnover and margin. So bank maintain higher ROA will make more the profit.

$$ROA = \frac{\text{Net income after tax}}{\text{Total assets}}$$

III. NET INTEREST MARGIN

It is a profitability metric that measures how much a bank earns in interest compared to the outgoing expenditures it pays consumers. A positive net margin indicates a bank invests efficiently, while a negative return implies investment efficiencies.

$$NIM = \frac{\text{Total interest income} - \text{Total interest expense}}{\text{Total assets}}$$

2) RISK RATIO

It assesses a company's capital structure and current risk level in relation to the company's debt level. Investors use the ratio to decide whether they want to invest in a company. Here as follows:

I. LEVERAGE RATIOS

Leverage ratio is any one of several financial measurements that assesses the ability of a company to meet its financial obligations. It may be also be used to measure a company's mix of operating expenses to get an idea of how changes in output will affect operating income. Common leverage ratios include the debt equity ratio, equity multiplier ratio, degree of financial leverage.

$$\text{Leverage Ratio} = \frac{\text{Total equity}}{\text{Total assets}}$$

II. TOTAL CAPITAL RATIO

It indicates the relationship between shareholders fund, long term debt, and reserve to total assets. It shows the long term solvency.

$$TCR = \frac{\text{Total equity + long term debt + reserve}}{\text{Total assets}}$$

III. LOAN RATIO

It measures the percentage of assets that is tied up in loans. Net loan to total assets ratio (NLTA) is also another important ratio that measures the liquidity condition of the bank. Whereas Loan to Deposits is a ratio in which liquidity of the bank is measured in terms of its deposits, NLTA measures liquidity of the bank in terms of its total assets. That is, it gauges the percentage of total assets the bank has invested in loans (or financings). The higher is the ratio the less the liquidity is of the bank. Similar to LDR, the bank with low NLTA is also considered to be more liquid as compared to the bank with higher NLTA. However, high NLTA is an indication of potentially higher profitability and hence more risk. The higher the ratio, the less liquid the bank is.

$$\text{Loan Ratio} = \frac{\text{Net loans}}{\text{Total assets}}$$

b) CAMEL Rating

CAMEL is a proportion based model to assess the execution of banks. It represents Capital Adequacy, Asset Quality, Management Efficiency, Earning Quality and Liquidity. This model identifies the strength and weakness of banks and helps in improving future development of banking. The period for evaluating performance through CAMEL in this study is 5 years, i.e. from financial year 2016 to 2020.

1.Capital Adequacy (C)

The capital adequacy ratio (CAR) is used to check the ability of the banks in taking up a reasonable amount of loss. The bank CAR is tracked by the national regulators. This helps in knowing how safe is the people‘s money to the banks and how the banks can overcome the losses if any. This helps in protecting the depositors and also to support the steadiness and effectiveness of the banking systems in the globe. The minimum requirement of CAR ratio, by Basel II norms is 8%, by RBI 9%.

The four ratios under this parameter are:-

a) CAR ratio:

The capital which takes in the losses is called Tier I capital. At the time of winding up of the company tier II capital can help in absorbing the losses. This capital gives lesser shield to depositors. The highest CAR ratio is preferred and will be rated at 1.

$$\text{Capital adequacy ratio} = \frac{\text{Tier I capital + Tier II capital}}{\text{Risk weighted assets}} \times 100$$

b) Debt / Equity ratio:

This ratio shows how much debt is taken up by the company to fund its assets. If the ratio is more then it means creditor financing is more than the investor financing. This contributes to greater financial distress if earnings do not surpass the borrowing cost. Lower debt to equity ratio is preferred and will be ranked as 1.

$$\text{Debt / Equity ratio} = \frac{\text{Total liabilities}}{\text{Shareholder‘s equity}} \times 100$$

c) Advances / Total assets ratio:

This ratio helps in identifying how violent a bank is, in lending, which results in improved profitability. The larger the ratio, the better the profit and is ranked 1. Receivables are included in total advances and re- valued assets are removed from total assets.

$$\text{Advances / Total assets ratio} = \frac{\text{Advances}}{\text{Total assets}} \times 100$$

2) ASSET QUALITY (A)

This parameter used to assess the credit risk which is tied in with a particular asset. How effective the organization is in protecting and monitoring the credit risk may have an outcome of the credit rating that the bank would like to achieve. Asset quality measures how much percentage of Non-Performing Assets (NPA) are present in the total assets. This also suggests the different ways of advances the bank may produce. The subsequent proportions be applied to evaluate the asset quality:

a) NET NPAs to NET ADVANCES

Net Non-Performing Assets are measured as a percentage of net advances. From gross Non-Performing Assets, provision for Non-Performing Assets and interest in suspense account are subtracted to get net NPAs. It shows bad debts against the total loan sanctioned. Lower ratio will be preferred.

$$\text{Net Non-Performing Assets / Net advances} = \frac{\text{Net Non-Performing Assets}}{\text{Net advances}} \times 100$$

b) Net Non-Performing Assets / Total Assets:

When any borrower is unable to return the interest or the principal amount within 90 days, then that amount is considered as a Non Performing Asset (NPA). This ratio helps in identifying the

competency of the bank in predicting the credit risk and its ability in recovering the debts. Lower ratio is preferred.

$$\text{Net NPA / Total assets} = \frac{\text{Net Non-Performing Assets}}{\text{Total assets}} \times 100$$

c) Gross Non-Performing Assets / Total assets ratio:

Here the lower ratio is chosen.

$$\text{Gross Non-Performing Assets / Total Assets ratio} = \frac{\text{Gross Non-Performing Assets}}{\text{Total assets}} \times 100$$

3) MANAGEMENT

This stands for the capacity of the management to find, monitor, compute and manage the risk. This ratio takes the subjective analysis to appraise the effectiveness and efficiency of the management. This parameter is used to find the banks, which are performing better sweep away the banks which are managed poorly. The following ratios are used to measure this.

a) Total Advance to Total Deposits

Total advance to deposit ratio is used to assess a bank's liquidity by comparing a bank's total advance to its total deposits for the same periods. Typically the ideal loan to deposit ratio is 80 % to 90%. A loan to deposit ratio of 100 % means a bank loaned one rupee to customers for every rupee received in deposits it received.

$$\text{TATD} = \frac{\text{Total loans}}{\text{Total deposit}} \times 100$$

b) PROFIT PER EMPLOYEE

This ratio indicates the employees' contribution towards the profit of the banks. The larger ratio is chosen.

$$\text{Profit per employee} = \frac{\text{Net profits}}{\text{Number of employees}} \times 100$$

c) BUSINESS PER EMPLOYEE

This ratio shows how effectively the human resources are utilized by the business. The Larger the ratio, the better the human resources are utilized. The higher ratio is chosen.

$$\text{Business per employee} = \frac{\text{Total deposits and advances}}{\text{Number of employees}} \times 100$$

4) Earning Quality (E)

Profitability of the banks is determined by this. The following proportions will be counted on to determine the earnings of the Banks:

A) Interest Income to Total Income

This ratio helps in finding out the portion of the income from interest out of income in total. The higher ratio is chosen.

$$\text{Net interest / Total income} = \frac{\text{Interest earned} - \text{Interest paid}}{\text{Total income}} \times 100$$

b) Net Interest Margin (NIM) to Total Assets Ratio:

It is a profitability metric that measures how much a bank earns in interest compared to the outgoing expenditures it pays consumers. A positive net margin indicates a bank invests efficiently, while a negative return implies investment efficiencies.

$$NIM = \frac{\text{Total interest income} - \text{Total interest expenses}}{\text{Total assets}} \times 100$$

c)Non Interest Income to Total Income

It is a profitability metric that measures how much a bank earns in other income compared to the total income.

$$NII = \frac{\text{other income}}{\text{Total income}} \times 100$$

5) Liquidity (l)

Liquidity shows the ability of the banks to fulfil their short term obligations. Banks should get hold of the right steps to hedge them against liquidity risk and to ensure that they put in better investments to generate a higher yield on investment. This will help the banks to get earnings and at the same time offer the liquidity. The following ratios are considered here.

A) Liquid assets / Total assets:

Cash in hand & with other banks (India and abroad), cash in Reserve Bank of India and money at call and short notice are called liquid assets. The liquidity position of the bank could be assessed by this ratio. A higher ratio is chosen.

$$\text{Liquid assets / Total assets} = \frac{\text{Liquid assets}}{\text{Total assets}} \times 100$$

B) Liquid Assets / Total Deposit:

The ability of the banks to quickly convert their deposits into cash is measured by thisratio. Total deposit includes demand, saving, and term deposits and deposits in other institutions. The bank with higher ratio is chosen.

$$\text{Liquid assets / Total deposits} = \frac{\text{Liquid assets}}{\text{Total deposits}} \times 100$$

C) Credit Deposit Ratio:

The amount of advances made by the depository financial institution against its total deposits is measured by this ratio. If the ratio is low, then it shows that the bank is not fully employing its resources and a higher ratio means the reverse of it. For the lending purpose the higher the ratio is preferred.

$$\text{Credit deposit ratio} = \frac{\text{Total advances}}{\text{Total deposits}} \times 100$$

c) Comparative balance sheet

Comparative balance sheet is a balance sheet which provides financial figures of Assets, Liability and equity for the “two or more period of the same company” or “two or more than two company of same industry” or “two or more subsidiaries of same company” at the same page format so that this can be easily understandable and easy to analysis. The comparative balance sheet has two-column of amount against each balance sheet items; one column shows the current year financial position whereas another column will show the previous year’s financial position so that investors or other stakeholders can easily understand and analyze the company’s financial performance against last year.

4.4 REPORT STRUCTURE

First chapter: Deals with the background of study, statement of the problem, scope of the study and objectives of the study. It gives a clear idea about the role of bank in the development of the country.

Second chapter: Deals with business process of the industry, contribution to GDP, Pricing strategies in the industry, levels of competition, challenges of the industry and key drivers of the industry. This chapter gives an idea about the opportunities and challenges of the banking industry.

Third chapter: Deals with the review about theoretical construct related to the problem, an overview of earlier studies and uniqueness study. It gives a clear idea about previous study about this topic and also gives a theoretical review to it.

Fourth chapter: Deals with research methodology about study, research approach and design, source of data, data analysis tools, and limitation of the study. This chapter gives that method which is used for the analysis of the financial performance of the banks and also mention about the limitation of the study.

Fifth chapter: Deals with the data analysis and its interpretation It includes the overall study on the topic and working that supports the study.

Sixth chapter: Findings of study

Seventh chapter: Conclusion

4.5 DURATION OF STUDY

The study was conducted over the period of 2 months from 1st April 2021 – 31st May 2021.

4.6 LIMITATIONS OF STUDY

- Ratios are based only on the information which has been recorded in the financial statements
- Lack of adequate standard: No fixed standard can be laid down for ideal ratios. There are no well accepted standards or rule of thumb for all ratios which can be accepted as norm.
- Personal bias: Ratios are only means of financial analysis and not an end in itself. Ratios have to interpret and different people may interpret the same ratio in different way.
- The inherent limitation of the secondary data may affect the observation analysis and findings made in this study also.
- The study is confined to the financial statement analysis of the company and findings of the study will be relevant only for the reference period. Generalization could not be made.

CHAPTER 5-

DATA ANALYSIS

AND INTERPRETATION

TABLE 5.1 RETURN ON EQUITY

YEAR	%
2016	15.46
2017	6.59
2018	0.43
2019	7.01
2020	1.91

INTERPRETATION:

ROE is the most important indicator of a bank's profitability and growth potential. It is the rate of return to shareholders or the percentage return on each of equity invested in the bank. Usually, there is higher ROE for high growth companies. Axis Bank has higher ROE of 15.46% in the year 2016

DIAGRAM 5.1.1 RETURN ON EQUITY

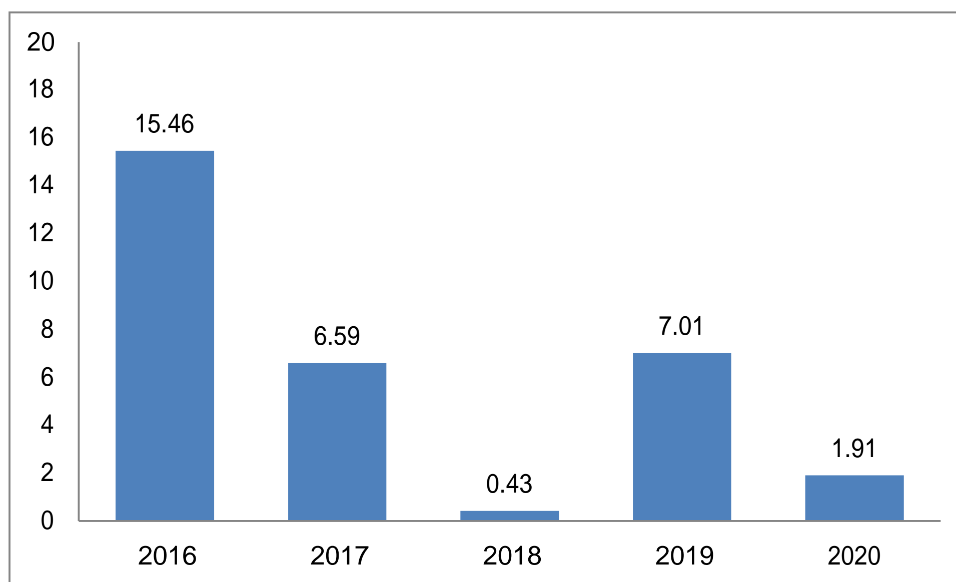


TABLE 5.2 RETURN ON ASSETS

YEAR	%
2016	1.56
2017	0.61
2018	0.03
2019	0.58
2020	0.17

INTERPRETATION:

This ratio indicates how much net income is generated of assets. ROA can be increased by Banks either by increasing profit margins or asset turnover but they can't do it simultaneously because of competition and trade-off between turnover and margin. So bank maintain higher ROA will make more the profit. Axis Bank has the highest ROA of 1.56% in year 2016.

DIAGRAM 5.2.1 RETURN ON ASSETS

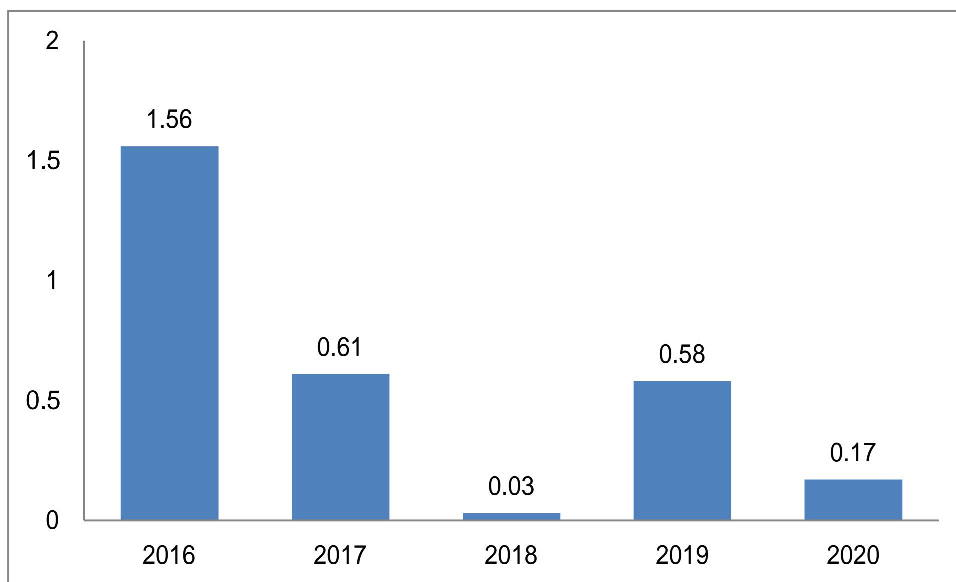


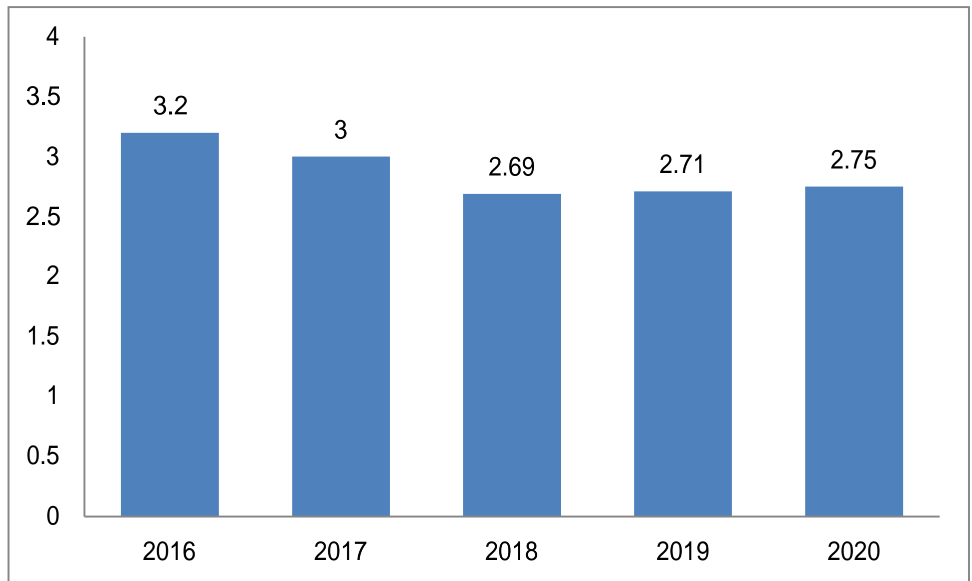
TABLE 5.3 NET INTEREST MARGIN

YEAR	%
2016	**3.20**
2017	**3.00**
2018	**2.69**
2019	**2.71**
2020	**2.75**

INTERPRETATION:

A positive net margin indicates a bank invests efficiently, while a negative return implies investment efficiencies. Axis Bank has a higher Net Margin of 3.20 in the year 2016.

DIAGRAM 5.3.1 NET INTEREST MARGIN



RISK RATIO

TABLE 5.4 LEVERAGE RATIO

YEAR	%
2016	0.76
2017	0.78
2018	0.74
2019	0.76
2020	0.79

INTERPRETATION:

Leverage ratio is any one of several financial measurement that assesses the ability of a company to meet its financial obligations. A high leverage ratio also increases the risk of insolvency. A figure of 0.5 or less is ideal. The most ideal is 0.74% in year 2018.

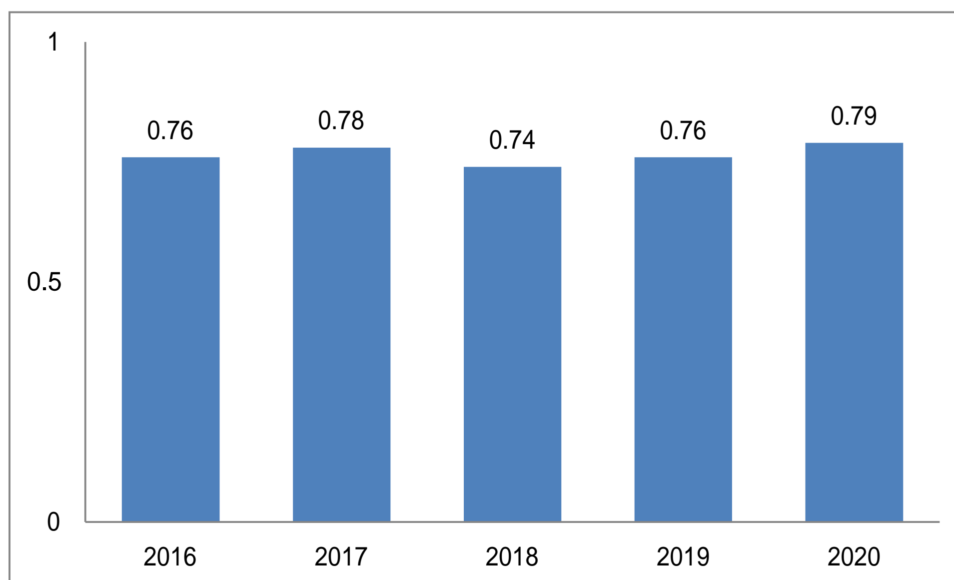


DIAGRAM 5.4.1 LEVERAGE RATIO

TABLE 5.5 TOTAL CAPITAL RATIO

YEAR	%
2016	0.96
2017	0.95
2018	0.96
2019	0.96
2020	0.95

INTERPRETATION:

It indicates the relationship between shareholders fund, long term debt, and reserve to total assets. It shows the long term solvency. Axis Bank has the highest Capital ratio of 0.96% in the years 2016, 2018 & 2019.

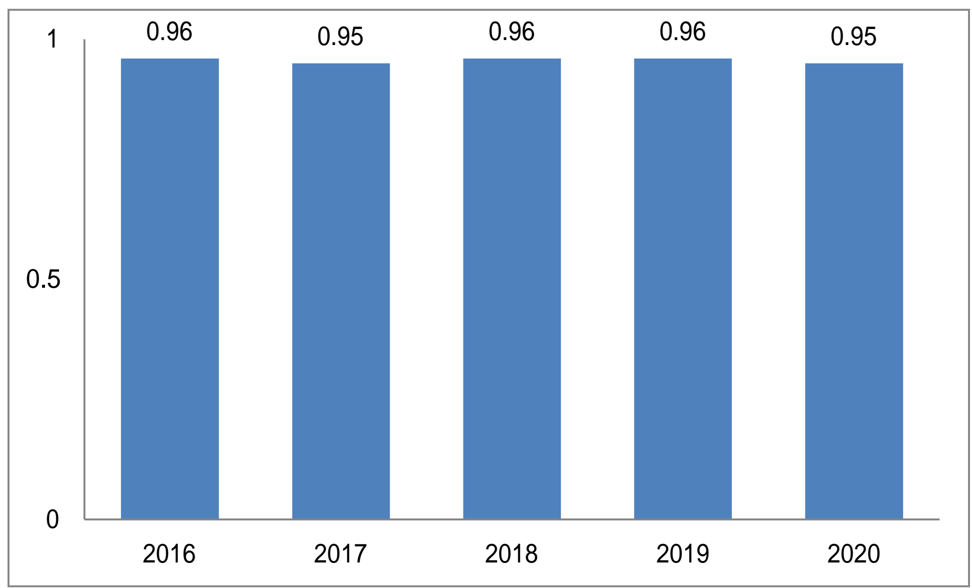


DIAGRAM 5.5.1 TOTAL CAPITAL RATIO

TABLE 5.6 LOAN RATIO

YEAR	%
2016	**0.20**
2017	**0.17**
2018	**0.21**
2019	**0.19**
2020	**0.16**

INTERPRETATION:

It measures the percentage of assets that is tied up in loans. Net loan to total assets ratio (NLTA) is also another important ratio that measures the liquidity condition of the bank. The higher the ratio, the less liquid the bank is.

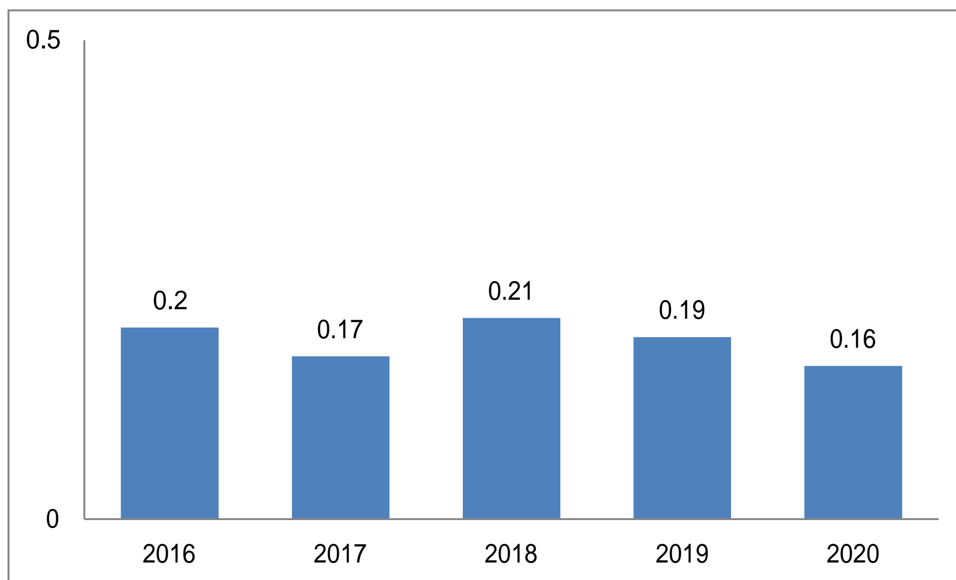


DIAGRAM 5.6.1 LOAN RATIO

CAPTIAL ADEQUACY

TABLE 5.7 CAR RATIO

YEAR	%
2016	15.67
2017	18.00
2018	16.57
2019	15.84
2020	17.53

INTERPRETATION:

This capital gives lesser shield to depositors. The highest CAR ratio is preferred and will be rated at 1.the Bank has highest CAR ratio of 18% in the year 2017.

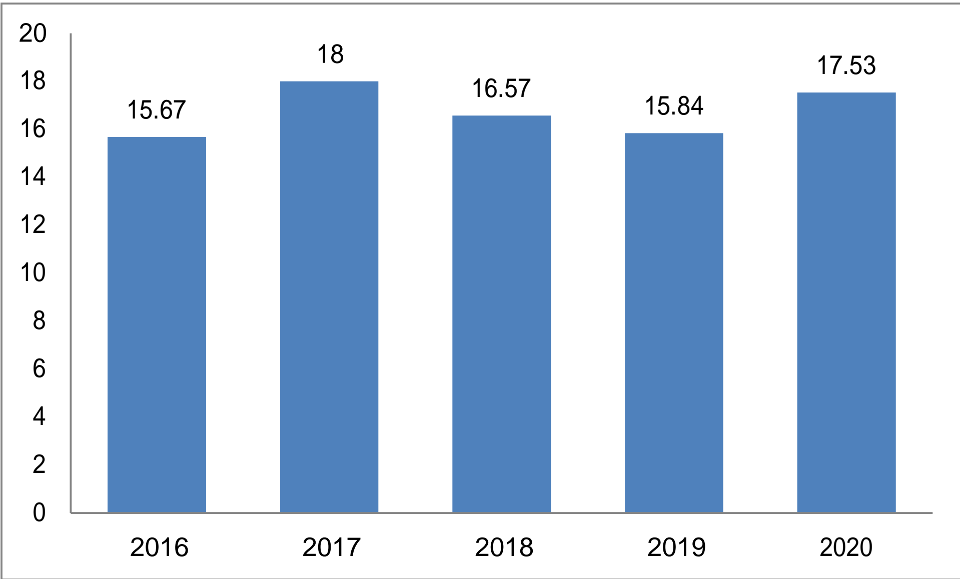


DIAGRAM 5.7.1 CAR RATIO

TABLE 5.8 DEBT- EQUITY RATIO

YEAR	%
2016	8.60
2017	9.31
2018	9.48
2019	10.52
2020	9.28

INTERPRETATION:

This ratio shows how much debt is taken up by the company to fund its assets. If the ratio is more then it means creditor financing is more than the investor financing. This contributes to greater financial distress if earnings do not surpass the borrowing cost. Lower debt to equity ratio is preferred and will be ranked as 1. Lowest of 9.28% is achieved in year 2020.

DIAGRAM 5.8.1 DEBT – EQUITY RATIO

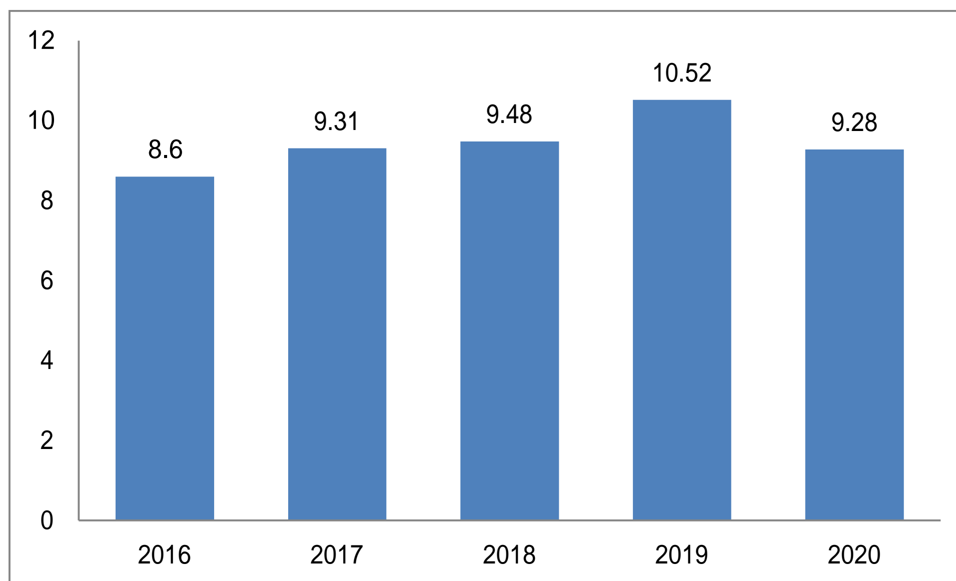


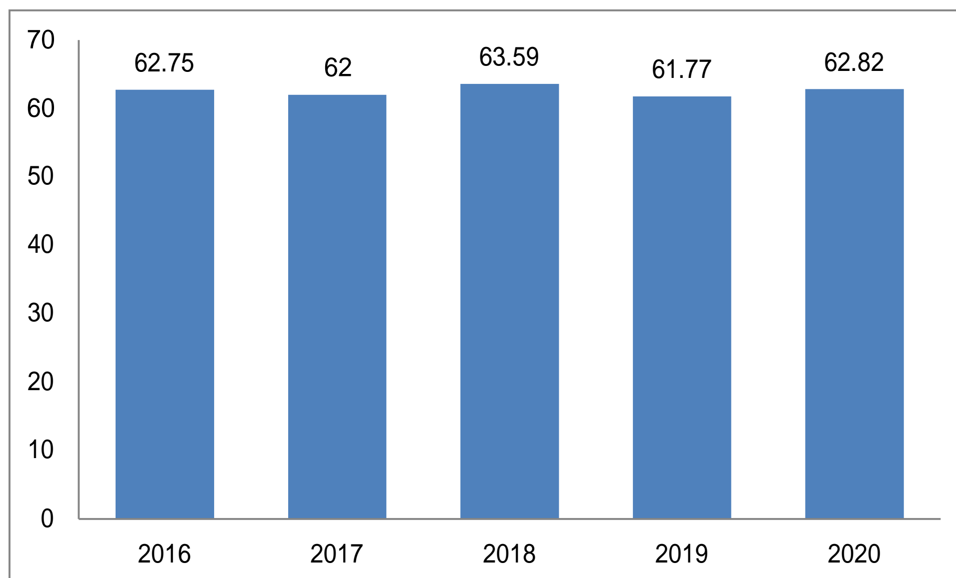
TABLE 5.9 ADVANCE/TOTAL ASSET RATIO

YEAR	%
2016	**62.75**
2017	**62.00**
2018	**63.59**
2019	**61.77**
2020	**62.82**

INTERPRETATION:

This ratio helps in identifying how violent a bank is, in lending, which results in improved profitability. The larger the ratio, the better the profit and is ranked 1.the highest ratio is achieved is 63.59% in the year 2018.

DIAGRAM 5.9.1 ADVANCE/ TOTAL ASSET RATIO



ASSET QUALITY

5.10 NET NPA TO NET ADVANCE

YEAR	%
2016	0.70
2017	2.11
2018	3.40
2019	2.06
2020	1.56

INTERPRETATION:

Net Non-Performing Assets are measured as a percentage of net advances. Lower ratio will be preferred. Lowest ratio of 0.70% is achieved in the year 2016.

DIAGRAM 5.10.1 NET NPA TO NET ADVANCE

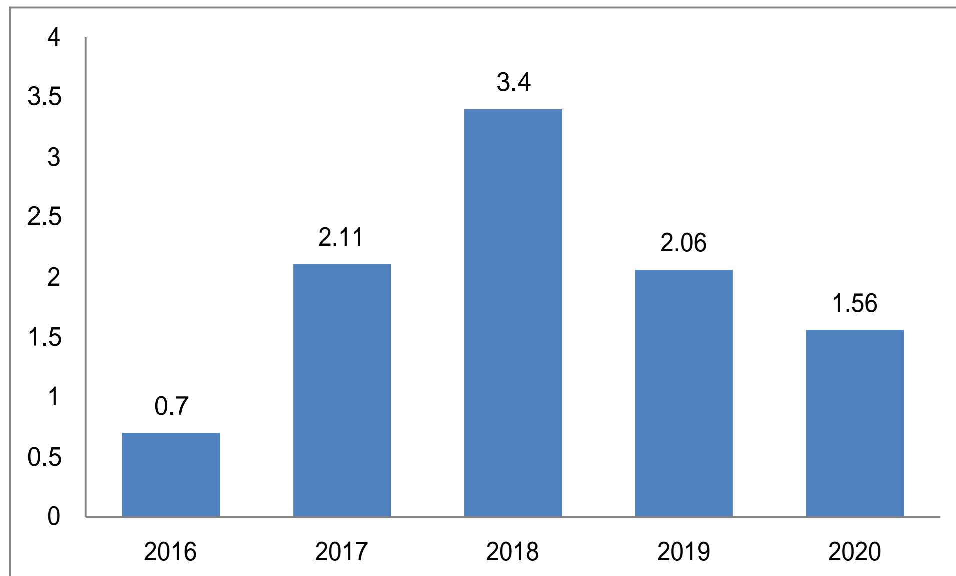


TABLE 5.11 NET NPA TO TOTAL ASSETS

YEAR	%
2016	0.47
2017	1.43
2018	2.39
2019	1.40
2020	1.02

Interpretation:

This Ratio Helps In Identifying The Competency Of The Bank In Predicting The Credit Risk And Its Ability In Recovering The Debts. Lower Ratio Is Preferred. The Bank has a lower ratio of 0.47% in the year 2016.

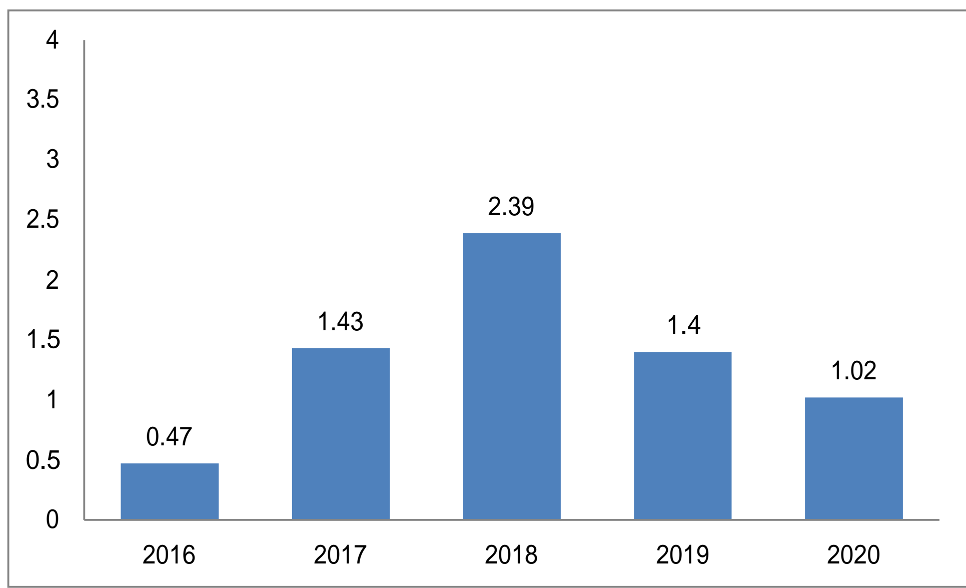


DIAGRAM 5.11.1 NET NPA TOTOTAL ASSET

TABLE 5.12 GROSS NPA TO TOTAL ASSETS

YEAR	%
2016	1.15
2017	3.53
2018	4.95
2019	3.71
2020	3.30

INTERPRETATION:

Here the lower ratio is chosen. The Bank has a lower ratio of 1.15% in the year 2016.

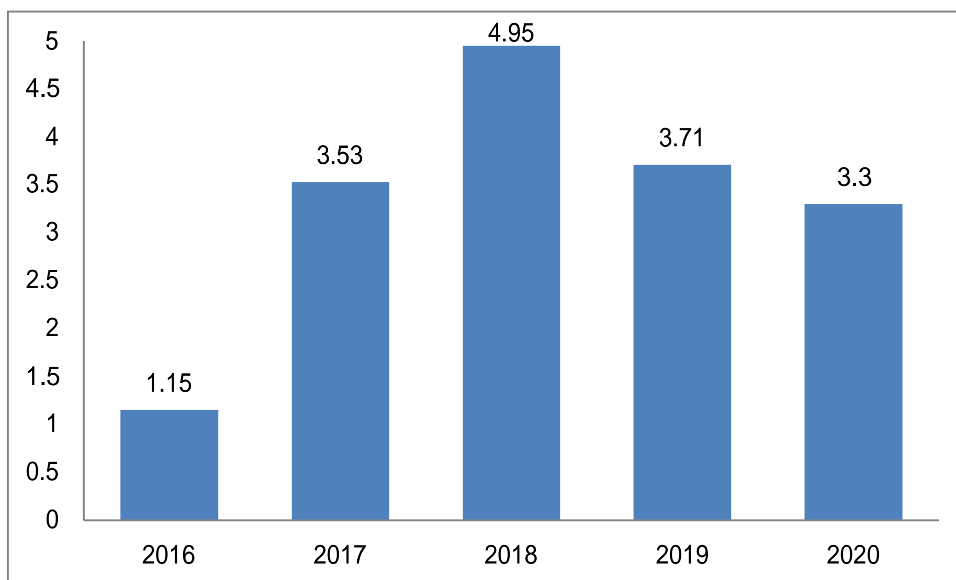


DIAGRAM 5.12.1 GROSS NPA TO TOTAL ASSET

TABLE 5.13 TOTAL ADVANCE TO TOTAL DEPOSITS

YEAR	%
2016	94.63
2017	90.03
2018	96.91
2019	90.21
2020	89.27

INTERPRETATION:

Total advance to deposit ratio is used to assess a bank's liquidity by comparing a bank's total advance to its total deposits for the same periods. Typically the ideal loan to deposit ratio is 80 % to 90%. The Bank has the most ideal ratio of 89.27% in year 2020.

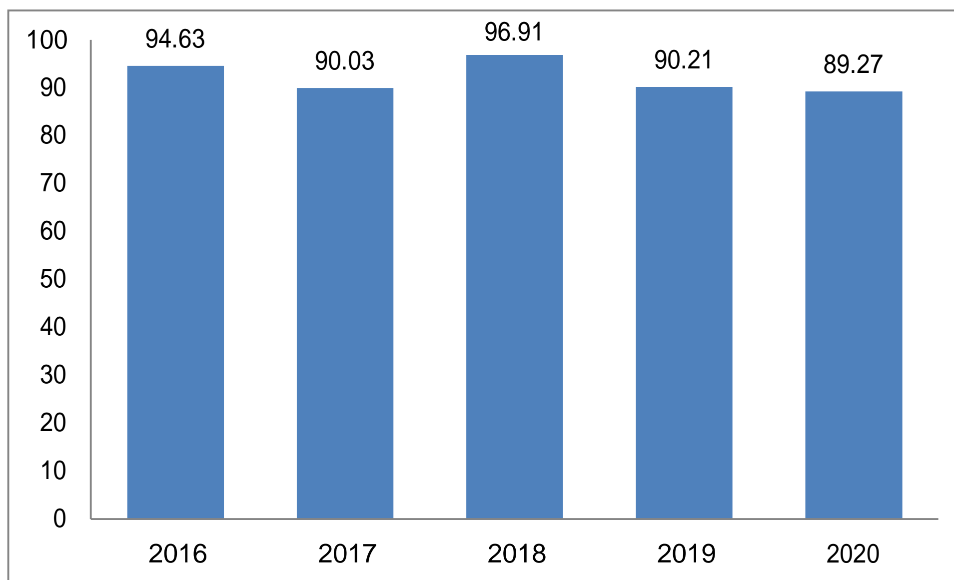


DIAGRAM 5.13.1 TOTAL ADVANCE TO TOTAL DEPOSIT

TABLE 5.14 PROFIT PER EMPLOYEE

YEAR	%
2016	16.40
2017	6.49
2018	0.46
2019	7.66
2020	2.25

INTERPRETATION:

Ratio indicates the employees' contribution towards the profit of the banks. The larger ratio is chosen. The Bank has the larger ratio of 16.40% in the year 2016.

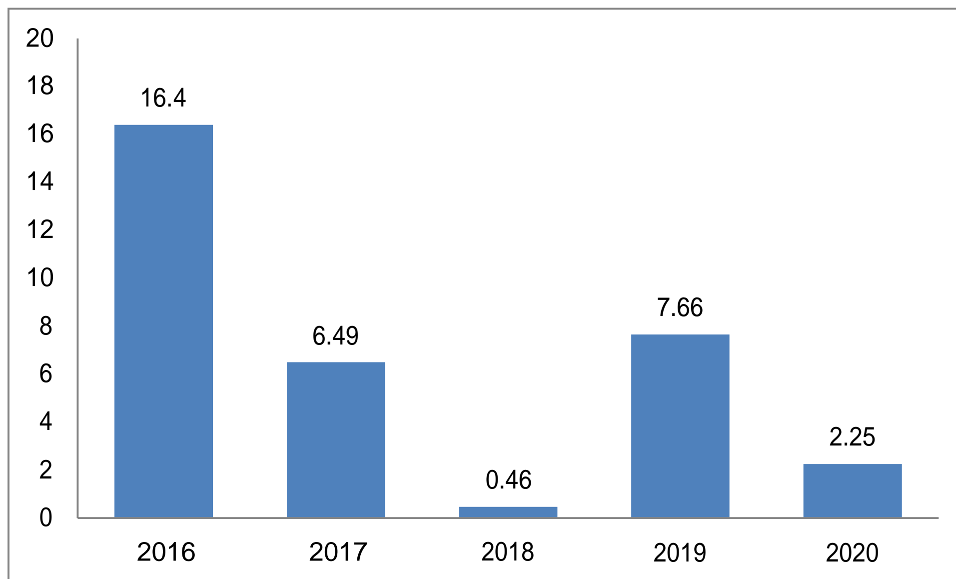


DIAGRAM 5.14.1 PROFIT PER EMPLOYEE

TABLE 5.15 BUSINESS PER EMPLOYEE

YEAR	%
2016	13.09
2017	9.79
2018	6.87
2019	5.75
2020	4.83

INTERPRETATION:

This ratio shows how effectively the human resources are utilized by the business. The Larger the ratio, the better the human resources are utilized. The higher ratio is chosen. The Bank has a higher ratio of 13.09% in the year 2016.

DIAGRAM 5.15.1 BUSINESS PER EMPLOYEE

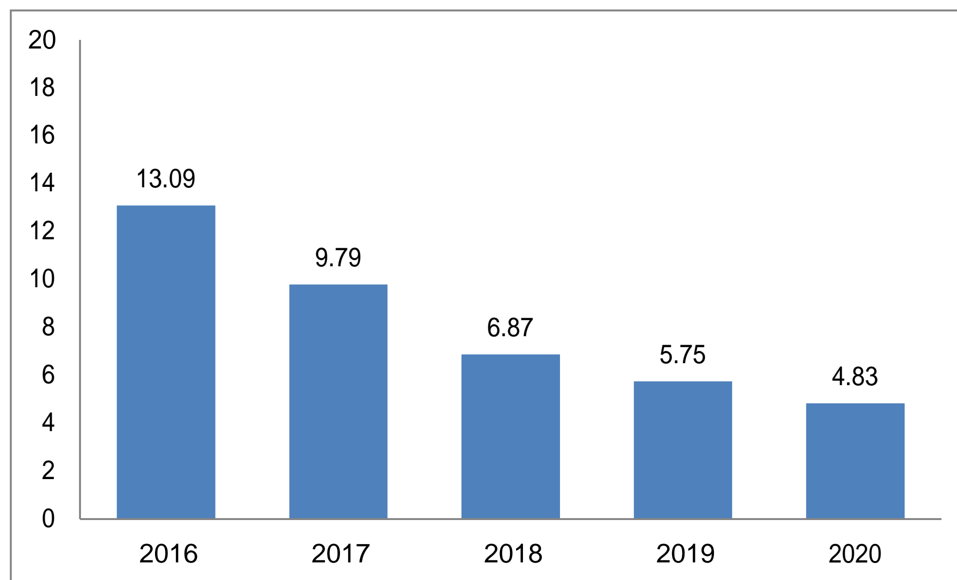


TABLE 5.16 INTEREST INCOME TO TOTAL INCOME

YEAR	%
2016	0.78
2017	0.82
2018	0.97
2019	0.93
2020	0.89

INTERPRETATION:

This ratio helps in finding out the portion of the income from interest out of income in total. The higher ratio is chosen. The Bank has a higher ratio of 0.97% in the year 2018.

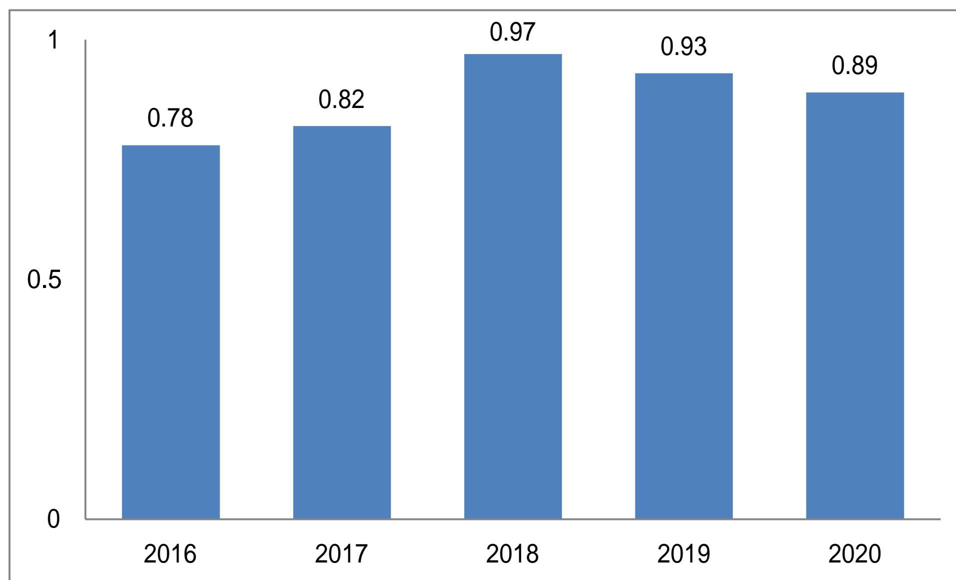


DIAGRAM 5.16.1 INTEREST INCOME TO TOTAL INCOME

TABLE 5.17 NON INTEREST INCOME TO TOTAL INCOME

YEAR	%
2016	18.60
2017	20.79
2018	19.32
2019	19.27
2020	24.80

INTERPRETATION:

It is a profitability metric that measures how much a bank earns in other income compared to the total income. The bank has a higher ratio of 24.80% in the year 2020.

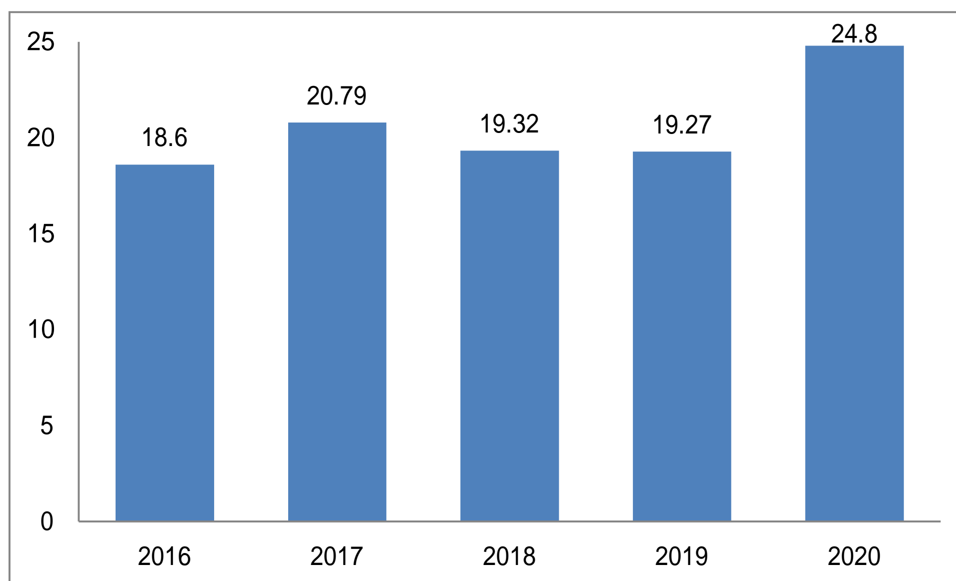


DIAGRAM 5.17.1 NON INTEREST INCOME TO TOTAL INCOME

TABLE 5.18 CURRENT RATIO

YEAR	%
2016	**2.20**
2017	**1.91**
2018	**1.65**
2019	**2.03**
2020	**2.30**

INTERPRETATION

It shows the liquidity position of the bank. A range between 1.5-3 is considered healthy. The bank has a more ideal ratio of 2.30% in the year 2020.

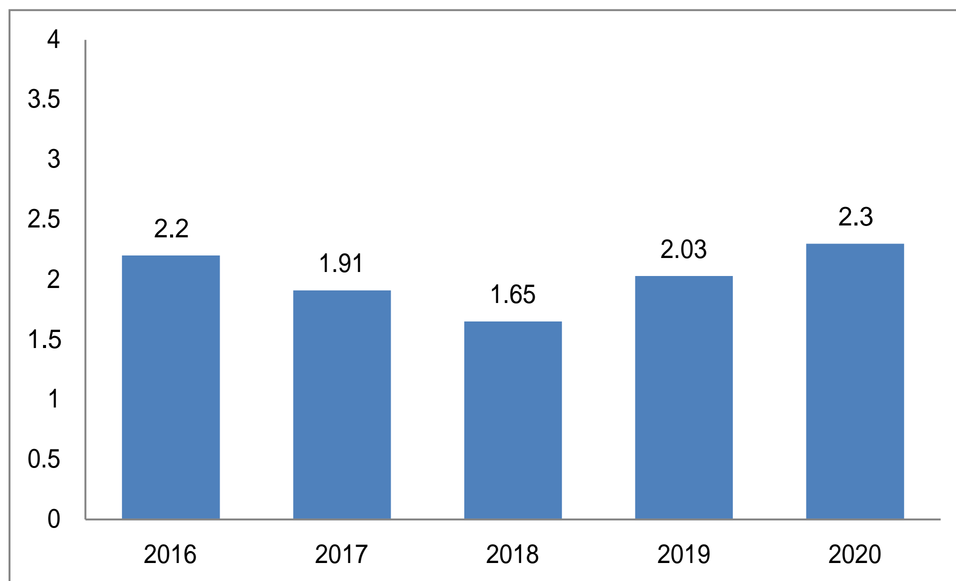


DIAGRAM 5.18.1 CURRENT RATIO

TABLE 5.19 CREDIT DEPOSIT RATIO

YEAR	%
2016	91.65
2017	90.03
2018	96.92
2019	90.21
2020	89.27

INTERPRETATION:

Total advance to deposit ratio is used to assess a bank's liquidity by comparing a bank's total advance to its total deposits for the same periods. Typically the ideal loan to deposit ratio is 80 % to 90%. The Bank has ideal ratio of 89.27% in year 2020.

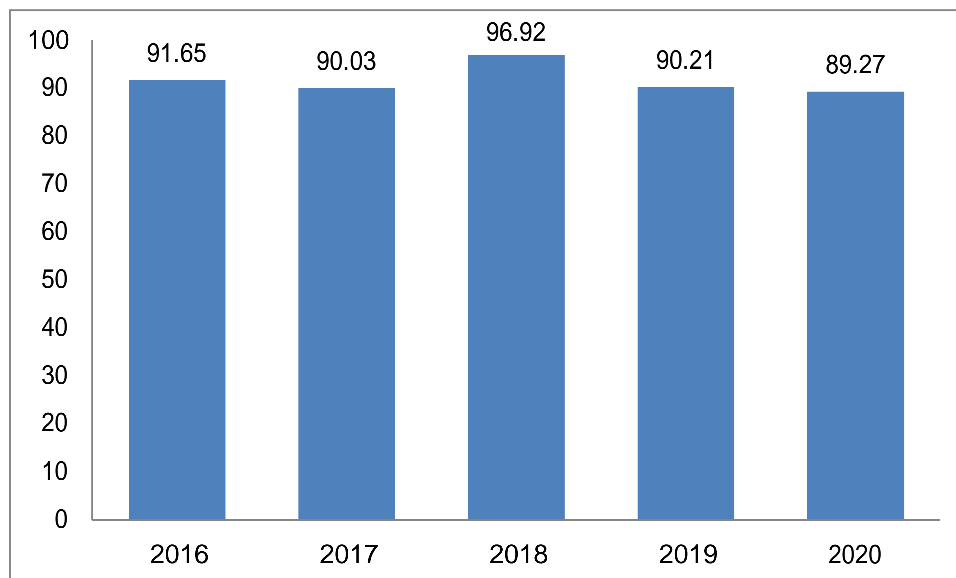


DIAGRAM 5.19.1 CREDIT DEPOSIT RATIO

COMPARATIVE BALANCE SHEET OF AXIS BANK

TABLE 5.20 COMPARATIVE BALANCE SHEET FOR YEAR ENDING MARCH, 2020 AND MARCH, 2019.

Particulars	Year ending 31st March		Increase/Decrease	
	2020	2019	Amount	Percentage
Liabilities	12 Months	12 Months		
Share Capital	564.34	514.33	50.01	9.72
Reserves & Surplus	84383.51	66161.97	18221.54	27.54
Net Worth	84947.84	66676.3	18271.54	27.40
Secured Loan	147954.13	152775.78	-4821.65	-3.16
Unsecured Loan	640104.94	548471.34	91633.6	16.71
TOTAL LIABILITIES	**873006.91**	**767923.42**	105083.49	13.68
Assets				
Gross Block	3838.59	3763.94	74.65	1.98
(-) Acc. Depreciation	0	0	0	0.00
Net Block	3838.59	3763.94	74.65	1.98
Capital Work in Progress	474.31	272.69	201.62	73.94
Investments	156734.32	174969.28	-18234.96	-10.42
Inventories	0	0	0	0.00
Sundry Debtors	0	0	0	0.00
Cash and Bank	97268.28	67204.64	30063.64	44.73
Loans and Advances	656849.32	554785.98	102063.34	18.40
Total Current Assets	754117.6	621990.62	132126.98	21.24
Current Liabilities	42157.9	33073.12	9084.78	27.47
Provisions	0	0	0	0.00
Total Current Liabilities	42157.9	33073.12	9084.78	27.47
NET CURRENT ASSETS	711959.7	588917.5	123042.2	20.89
Misc. Expenses	0	0	0	0.00
TOTAL ASSETS(A+B+C+D+E)	**873006.91**	**767923.42**	105083.49	13.68

TABLE 5.21 COMPARATIVE BALANCE SHEET FOR YEAR ENDING MARCH, 2019 AND MARCH, 2018.

Particulars	Year ending 31st March		Increase/Decrease	
	2019	2018	Amount	Percentage
Liabilities	12 Months	12 Months		
Share Capital	514.33	513.31	1.02	0.20
Reserves & Surplus	66161.97	62931.95	3230.02	5.13
Net Worth	66676.3	63445.26	3231.04	5.09
Secured Loan	152775.78	148016.14	4759.64	3.22
Unsecured Loan	548471.34	453622.72	94848.62	20.91
TOTAL LIABILITIES	**767923.42**	**665084.13**	102839.29	15.46
Assets				
Gross Block	3763.94	3625.59	138.35	3.82
(-) Acc. Depreciation	0	0	0	
Net Block	3763.94	3625.59	138.35	3.82
Capital Work in Progress	272.69	346.09	-73.4	-21.21
Investments	174969.28	153876.08	21093.2	13.71
Inventories	0	0	0	
Sundry Debtors	0	0	0	
Cash and Bank	67204.64	43454.89	23749.75	54.65
Loans and Advances	554785.98	490026.93	64759.05	13.22
Total Current Assets	621990.62	533481.82	88508.8	16.59
Current Liabilities	33073.12	26245.45	6827.67	26.01
Provisions	0	0	0	
Total Current Liabilities	33073.12	26245.45	6827.67	26.01
NET CURRENT ASSETS	588917.5	507236.36	81681.14	16.10
Misc. Expenses	0	0	0	
TOTAL ASSETS(A+B+C+D+E)	**767923.42**	**665084.13**	102839.29	15.46

TABLE 5.22 COMPARATIVE BALANCE SHEET FOR YEAR ENDING MARCH, 2018 AND MARCH, 2017.

Particulars	Year ending 31st March		Increase/Decrease	
	2018	2017	Amount	Percentage
Liabilities	12 Months	12 Months		
Share Capital	513.31	479.01	34.3	7.16
Reserves & Surplus	62931.95	55283.53	7648.42	13.83
Net Worth	63445.26	55762.54	7682.72	13.78
Secured Loan	148016.14	105030.87	42985.27	40.93
Unsecured Loan	453622.72	414378.79	39243.93	9.47
TOTAL LIABILITIES	**665084.13**	**575172.2**	89911.93	15.63
Assets				
Gross Block	3625.59	3465.93	159.66	4.61
(-) Acc. Depreciation	0	0	0	
Net Block	3625.59	3465.93	159.66	4.61
Capital Work in Progress	346.09	280.96	65.13	23.18
Investments	153876.08	128793.37	25082.71	19.48
Inventories	0	0	0	
Sundry Debtors	0	0	0	
Cash and Bank	43454.89	50256.18	-6801.29	-13.53
Loans and Advances	490026.93	418671.22	71355.71	17.04
Total Current Assets	533481.82	468927.41	64554.41	13.77
Current Liabilities	26245.45	26295.47	-50.02	-0.19
Provisions	0	0	0	
Total Current Liabilities	26245.45	26295.47	-50.02	-0.19
NET CURRENT ASSETS	507236.36	442631.94	64604.42	14.60
Misc. Expenses	0	0	0	
TOTAL ASSETS(A+B+C+D+E)	**665084.13**	**575172.2**	89911.93	15.63

TABLE 5.23 COMPARATIVE BALANCE SHEET FOR YEAR ENDING MARCH, 2017 AND MARCH, 2016.

Particulars	Year ending 31st March		Increase/Decrease	
	2017	2016	Amount	Percentage
Liabilities	12 Months	12 Months		
Share Capital	479.01	476.57	2.44	0.51
Reserves & Surplus	55283.53	52688.34	2595.19	4.93
Net Worth	55762.54	53164.91	2597.63	4.89
Secured Loan	105030.87	99226.38	5804.49	5.85
Unsecured Loan	414378.79	357967.56	56411.23	15.76
TOTAL LIABILITIES	**575172.2**	**510358.85**	64813.35	12.70
Assets				
Gross Block	3465.93	3316.2	149.73	4.52
(-) Acc. Depreciation	0	0	0	
Net Block	3465.93	3316.2	149.73	4.52
Capital Work in Progress	280.96	206.97	73.99	35.75
Investments	128793.37	122006.2	6787.17	5.56
Inventories	0	0	0	
Sundry Debtors	0	0	0	
Cash and Bank	50256.18	33325.44	16930.74	50.80
Loans and Advances	418671.22	366612.8	52058.42	14.20
Total Current Assets	468927.41	399938.24	68989.17	17.25
Current Liabilities	26295.47	15108.77	11186.7	74.04
Provisions	0	0	0	
Total Current Liabilities	26295.47	15108.77	11186.7	74.04
NET CURRENT ASSETS	442631.94	384829.47	57802.47	15.02
Misc. Expenses	0	0	0	
TOTAL ASSETS(A+B+C+D+E)	**575172.2**	**510358.85**	64813.35	12.70

CHAPTER – 6

FINDINGS & SUGGESTIONS

FINDINGS

According to research conducted using camel rating, performance ratio and comparative balance sheet of Axis Bank from previous 5 years (2016-2020) it is found out that:

- Axis Bank has higher ROE of 15.46% in the year 2016
- Axis Bank has the highest ROA of 1.56% in year 2016.
- Axis Bank has a higher Net Margin of 3.20 in the year 2016.
- Axis Bank has the highest Capital ratio of 0.96% in the years 2016, 2018 & 2019.
- The Bank has highest CAR ratio of 18% in the year 2017.
- Lowest debt-equity ratio of 9.28% is achieved in year 2020.
- The highest advances to total assets ratio is achieved is 63.59% in the year 2018.
- Lowest Net NPA to Net Advance ratio of 0.70% is achieved in the year 2016.
- The Bank has a lower Net NPA to Total Assets ratio of 0.47% in the year 2016.
- The Bank has a lower Gross NPA to Total Assets ratio of 1.15% in the year 2016.
- The Bank has the most ideal Total Advances to Total Deposits ratio of 89.27% in year 2020.
- The Bank has the larger Profit per Employee ratio of 16.40% in the year 2016.
- The Bank has a higher Business per Employee ratio of 13.09% in the year 2016.
- The Bank has a higher Interest Income to Total Income ratio of 0.97% in the year 2018.
- The bank has a higher Non-Interest Income to Total Income ratio of 24.80% in the year 2020.
- The bank has a more ideal Current ratio of 2.30% in the year 2020.
- The Bank has ideal Credit Deposit ratio of 89.27% in year 2020.

SUGGESTIONS

- Debt-Equity Ratio Can Be Improved By Effectively Managing The Loan Payments And Also Restructuring Debt When The Current Market Rates Are Low Helps To Lower The Debt – Equity Ratio.

- Profitability can be attained by balancing the three major drivers – profit, growth and risk.

- Banks can increase their capital ratios by either increasing the regulatory capital or by decreasing the weighted assets.

- Bank’s efficiency can be increased by streamlining workforce, improving technology integration and containing compliance costs.

Chapter – 7

Conclusion

CONCLUSION

The study provided a great opportunity to study about one of the leading Banks in India. It also help to understand the how much a banking sector is influencing a developing country like India.

The banking sector has shown a remarkable responsiveness to the needs of the planned economy. It has brought about a considerable progress in its efforts at deposit mobilization and has taken a number of measures in the recent past for accelerating the rate of growth of deposits. The activities of commercial banking have growth in multi-directional ways as well as multi-dimensional manner.. In a way, commercial banks have emerged as key financial agencies for rapid economic development. By pooling the savings together, banks can make available funds to specialized institutions which finance different sectors of the economy, needing capital for various purposes, risks and durations.

The overall financial performance of Axis Bank for the period of 2016-2020 is discussed here. On the basis of the findings of the study it can be concluded that financial ratios can help institutions to determine their financial strength. It can also help present shareholders and prospective shareholders or investors to make sound decisions to hold shares, buy additional shares or to sell the shares. Addition to this, it also shows how the management are performing base on the shareholders or investors inputs. It also help to forecasting the future performance.

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