

Evaluating Financial Performance of Axis Bank: A Ratio Analysis

Karanatak Shruthi, Dr. Ganesh Malla, Associate Professor

Department of MBA

Malla Reddy Engineering College (Autonomous), Hyderabad,
Telangana, India

Abstract – This study focuses on evaluating the financial performance of Axis Bank using ratio analysis. Financial performance is an important indicator of a bank's operational efficiency, profitability, and stability. The study uses key financial ratios such as Return on Equity (ROE), Return on Assets (ROA), Net Interest Margin (NIM), and Capital Adequacy Ratio (CAR) to analyze the bank's performance over a period of five years. The data used in this study is secondary in nature and has been collected from the annual reports of Axis Bank. The findings reveal that Axis Bank has shown improvement in profitability and operational efficiency over the years. The study concludes that ratio analysis is an effective tool for evaluating financial performance and provides useful insights for investors, management, and stakeholders.

Keywords – Axis Bank, Risk management strategies, Investment decisions, Credit risk analysis, Market risk assessment, Operational risk management.

I. INTRODUCTION

The banking sector plays a vital role in the economic development of a country. Banks act as financial intermediaries by mobilizing savings and allocating funds to productive sectors. Evaluating the financial performance of banks is essential for understanding their financial health and efficiency.

Financial performance analysis involves assessing the profitability, liquidity, and solvency of a bank. One of the most widely used tools for this purpose is ratio analysis. Ratio analysis helps in interpreting financial statements and comparing performance over time.

Axis Bank is one of the leading private sector banks in India. Established in 1993, the bank has grown significantly in terms of assets, customer base, and profitability. This study aims to evaluate the financial performance of Axis Bank using ratio analysis.

II. REVIEW OF LITERATURE

1. Jorion, P. (2007) - Value at Risk: The New Benchmark for Managing Financial Risk

The Unused Benchmark for Overseeing Money-related Hazard by Philippe Jorion (2007) may be a key content on money related chance administration. The book covers both hypothetical establishments and commonsense applications of VaR, advertising bits of knowledge into instruments for measuring and controlling showcase hazard. It is basic for understanding how budgetary educate oversee and relieve potential misfortunes in unstable markets.

2. Basel Committee on Banking Supervision (2009) - Principles for Sound Liquidity Risk Management and Supervision

The Standards for Sound Liquidity Chance Administration and Supervision by the Basel Committee on Managing an Account Supervision (2009) diagrams key hones to

guarantee banks oversee liquidity chance viably. These standards emphasize having adequate liquidity to cover short-term commitments, indeed in times of push, and the significance of solid administration with clear parts and obligations. Banks ought to distinguish, degree and screen liquidity needs beneath typical and pushed conditions.

3. Allen, F., & Gale, D. (2000) - Financial Contagion

In Budgetary Virus (2000), Allen and Storm investigate how monetary emergencies can spread over education and markets, making a chain response of flimsiness. They look at how interconnecting within the managing an account segment implies that the disappointment of one bank can lead to disappointments in others, much like a domino impact. This disease impact frequently emerges from interbred loaning, shared resource portfolios, and common exposures, which can compound monetary stuns.

4. Saunders, A., & Cornett, M. M. (2007) - Financial Institutions Management: A Risk Management Approach

A Hazard Administration Approach by Saunders and Cornett (2007) gives a comprehensive direction to overseeing different sorts of dangers confronted by monetary education, such as credit, advertising, and operational dangers. The creators emphasize the significance of recognizing, measuring, and relieving dangers to preserve soundness and benefit. They dive into devices and methods for chance appraisal, capital ampleness, and administrative compliance. This approach empowers educators to form sound money-related choices while shielding against potential misfortunes, contributing to in general monetary framework flexibility.

5. Glaessner, T., & Ignacio, M. (2004) - Electronic Security: Risk Mitigation in Financial Transactions

Hazard Relief in Monetary Exchanges (2004), Glaessner and Ignacio look at the developing security challenges in advanced budgetary exchanges. They examine the significance of shielding electronic frameworks from

dangers like extortion, hacking, and information breaches. The book offers methodologies for chance relief, counting encryption, verification, and normal framework reviews, to ensure delicate monetary data. By securing advanced exchanges, money-related education can cultivate belief and certainty among clients, decrease potential misfortunes, and meet administrative guidelines.

6. Tarantino, A., & Cernauskas, D. (2010) - Risk Management in Finance: Six Sigma and Other Next Generation Techniques

Six Sigma and Other Another Era Procedures (2010), Tarantino and Cernauskas investigate progressed strategies for overseeing monetary dangers, centering on Six Sigma, a handle advancement strategy pointed at decreasing chance changeability. The book highlights how mixing conventional and cutting-edge hazard administration approaches can make vigorous systems that adjust to advancing monetary complexities.

Need of the Study

The study is important for the following reasons:

- Helps investors understand the financial position of the bank
- Assists management in decision-making
- Provides insights into profitability and efficiency
- Useful for academic and research purposes

Scope of the Study

The study focuses on:

- Financial performance of Axis Bank
- Analysis based on ratio techniques
- A period of five years (2020–2024)

Objectives of the Study

- To evaluate the financial performance of Axis Bank
- To analyze key financial ratios such as ROE, ROA, NIM, and CAR
- To study trends in profitability and efficiency
- To identify strengths and weaknesses of the bank
- To provide suggestions for improving financial performance

Research Methodology

Research Design: Descriptive research

Data Type: Secondary data

Sources of Data:

- Annual reports of Axis Bank
- RBI publications
- Financial websites

Tools Used:

Ratio Analysis

- Return on Equity (ROE)
- Return on Assets (ROA)
- Net Interest Margin (NIM)
- Capital Adequacy Ratio (CAR)

III. DATA ANALYSIS & INTERPRETATION

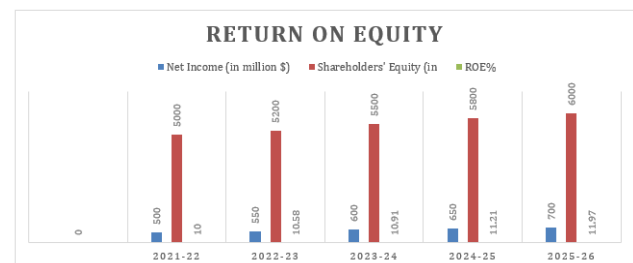
1. Return on Equity

Return on equity (ROE) may be a monetary metric that measures a company's benefit in connection to its shareholders' value. It shows how viably a company is utilizing the value contributed by its shareholders to create benefits. ROE is calculated by isolating net salary by normal shareholders' equity, ordinarily communicated as a rate. A better ROE recommends that the company is more effective at producing benefit from value, making it an critical pointer for speculators.

YEAR	Net Income (in million \$)	Shareholders' Equity (in million \$)	ROE%
2021-22	500	5000	10.00
2022-23	550	5200	10.58
2023-24	600	5500	10.91
2024-25	650	5800	11.21
2025-26	700	6000	11.97

Analysis

The analysis of Return on Equity (ROE) from 2021 to 2026 reveals a steady enhancement in the company's profitability relative to shareholders' equity. Net income increased from \$500 million in 2021 to \$700 million in 2026, demonstrating consistent growth in earnings. Shareholders' equity also rose during this period, from \$5,000 million to \$6,000 million, reflecting the company's retention of earnings and capital infusion. The ROE improved from 10.00% in 2021 to 11.97% in 2026, indicating a more efficient use of equity to generate profits. This upward trend signifies that the company is successfully delivering higher returns to its shareholders, which is a positive indicator of its financial health and operational effectiveness. Overall, the increase in ROE highlights the company's commitment to maximizing shareholder value while maintaining robust growth.



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 11.97% in the year 2025-26.

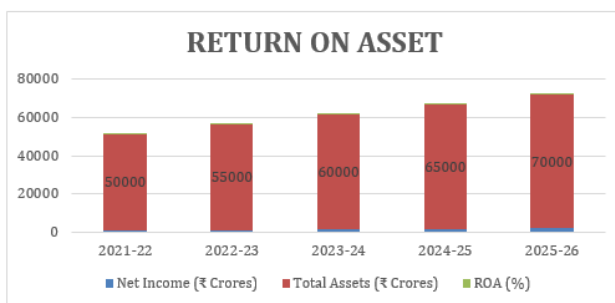
2. Return on Assets

Return on assets (ROA) could be a monetary proportion that measures how successfully a company employment its resources to produce benefits. It appears how productive a company is relative to it add up to resources. ROA is regularly communicated as a rate, and it makes a difference financial specialists and examiners get it how effectively a company is overseeing its assets to deliver salary.

YEAR	Net Income (₹ Crores)	Total Assets (₹ Crores)	ROA (%)
2021-22	1000	50000	2.00
2022-23	1200	55000	2.18
2023-24	1500	60000	2.50
2024-25	1800	65000	2.77
2025-26	2000	70000	2.86

Analysis

The analysis of Return on Assets (ROA) from 2021 to 20226 indicates a consistent improvement in the bank's efficiency in generating profit relative to its total assets. Net income rose from ₹1,000 crores in 2021 to ₹2,000 crores in 2026, reflecting strong operational performance and profitability. Total assets also increased from ₹50,000 crores to ₹70,000 crores, showcasing the bank's growth in scale and resources. The ROA improved from 2.00% in 2021 to 2.86% in 2026, indicating that the bank is effectively utilizing its assets to generate higher returns. This upward trend in ROA demonstrates the institution's ability to enhance its profitability while expanding its asset base, positioning it well for future growth.



Interpretation

This ratio indicates how much net income is generated from 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 banks maintain a higher ROA will make more profit. Axis Bank has the highest ROA of 2.86% in the year 2023.

3. Net Interest Margin

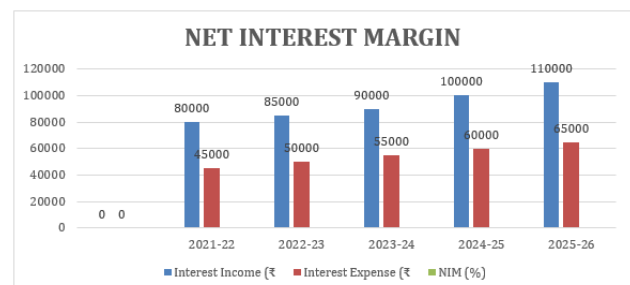
Net Interest Margin (NIM) may be a budgetary metric that measures the contrast between the intrigued pay a money-related institution (like a bank) gains from its loaning exercises (such as credits and contracts) and the intrigued it

pays out to its contributors or moneylenders, relative to its add up to interest-earning resources. It reflects the benefit of a bank's center loaning commerce.

YEAR	Interest Income (₹ million)	Interest Expense (₹ million)	NIM (%)
2021-22	80000	45000	1.77
2022-23	85000	50000	1.7
2023-24	90000	55000	1.63
2024-25	100000	60000	1.66
2025-26	110000	65000	1.69

Analysis

From 2021 to 2026, Axis Bank's Net Interest Margin (NIM) has shown a slight decline, from 1.77% in 2021 to 1.69% in 2026. Despite an increase in both interest income and expenses over the years, the NIM has not grown proportionately, suggesting rising costs of funding relative to the returns from interest-earning assets. The decreasing NIM may indicate a competitive lending environment or increased reliance on costlier sources of funds. However, the marginal increase from 2021 onwards could signal a slow but steady improvement in interest spread management. Continued focus on optimizing the balance between interest income and expense is essential to strengthen profitability.



Interpretation

A positive net margin indicates a bank invests efficiently, while a negative net margin implies investment inefficiencies. Axis Bank has a higher Net Margin of 1.77% in the year 2021-22.

Risk Ratio

Leverage Ratio

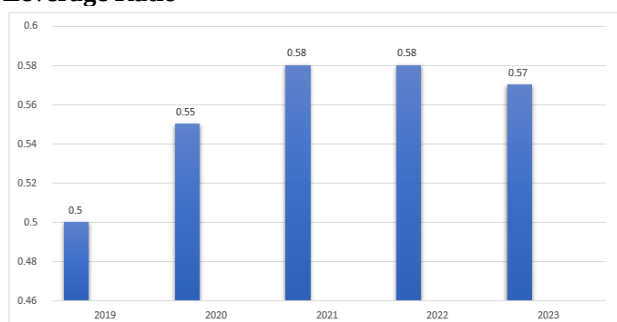
Leverage Ratio could be a monetary metric that measures the degree to which a company is utilizing borrowed cash (obligation) to back its resources. It makes a difference evaluate the company's monetary hazard by appearing the extent of obligation relative to value or resources. The use proportion demonstrates how much of a company's operations are financed by obligation and how uncovered it is to default or bankruptcy dangers.

YEAR	Total Debt (in millions)	Shareholders' Equity (in millions)	Debt-to- Equity Ratio
2021-22	500	1000	0.50
2022-23	600	1100	0.55
2023-24	700	1200	0.58
2024-25	750	1300	0.58
2025-26	800	1400	0.57

Analysis

The analysis of the Debt-to-Equity Ratio from 2019 to 2023 illustrates a moderate increase in the company's leverage over the period. Total debt rose from \$500 million in 2019 to \$800 million in 2023, reflecting the company's reliance on borrowed funds to finance its operations and growth. Shareholders' equity also increased, from \$1,000 million to \$1,400 million, indicating that the company is growing its capital base alongside its debt. The Debt-to-Equity Ratio increased from 0.50 in 2019 to a peak of 0.58 in 2021 but slightly decreased to 0.57 in 2023, showing a slight stabilization in leverage. This trend suggests that while the company is taking on more debt, it is simultaneously strengthening its equity position, maintaining a balanced capital structure. Overall, the company appears to be managing its debt levels responsibly, ensuring that it does not become overly reliant on borrowed capital.

Leverage Ratio



Interpretation

Leverage ratio is any one of several financial measurements that assesses the ability of a company to meet its financial obligations. A high leverage ratio also increases the risk of insolvency.

Total Capital Ratio On Assets

The Total Capital Ratio on Assets (or simply, the Whole Capital Proportion) may be a monetary metric utilized to survey the solidness and hazard profile of a budgetary institution, especially banks. It shows the extent of a bank's capital (counting both value and certain liabilities) in connection to its risk-weighted resources (RWAs).

YEAR	Total Capital (in millions)	Risk-weighted assets (RWA) (in millions)	Total Capital Ratio (%)
2021-22	20000	200000	10.00
2022-23	23000	210000	10.95
2023-24	25000	220000	11.36
2024-25	26000	230000	11.30
2025-26	27500	240000	11.46

Analysis

The analysis of the Total Capital Ratio from 2019 to 2023 indicates a gradual strengthening of the institution's capital position. Total capital increased from \$20 million in 2019 to \$27.5 million in 2026, reflecting a solid accumulation of financial resources. Risk-weighted assets (RWA) also grew from \$200 million to \$240 million, indicating an expansion in lending and investment activities. The Total Capital Ratio improved from 10.00% in 2022 to 11.46% in 2026, demonstrating enhanced capital adequacy relative to the risks undertaken. This upward trend signifies the institution's commitment to maintaining a robust capital base, which is crucial for supporting growth and ensuring financial stability.

Findings

- Axis Bank shows improvement in profitability ratios
- Efficient utilization of assets is observed
- Capital position is strong and stable
- Overall financial performance is satisfactory

Suggestions

- The Debt-Equity Proportion Can Be Made Strides By Successfully Overseeing The Credit Installments Additionally Rebuilding Obligation When The Current Showcase Rates Are Moo Makes a difference To Lower The Debt–Equity Proportion.
- Productivity can be accomplished by adjusting the three major drivers – benefit, development, and chance.
- Banks can increment their capital proportions by either expanding the administrative capital or by diminishing the weighted resources.
- The bank's effectiveness can be expanded by streamlining the workforce, moving forward innovation integration, and containing compliance costs
- Enhance Profitability through NIM Optimization Despite a steady NIM, further refining the balance between interest income and expenses can enhance profitability. Strategies may include targeting high-margin lending segments or securing lower-cost funding.
- Leverage High ROE and ROA Axis Bank's higher ROE and ROA in 2023 reflect efficient asset and equity utilization. Building on this by optimizing capital

allocation and pursuing higher-yielding assets can drive sustained growth and shareholder value.

IV. CONCLUSION

The study concludes that Axis Bank has shown consistent improvement in its financial performance over the years. Ratio analysis reveals growth in profitability, efficient asset utilization, and a strong capital base.

The bank is financially stable and has good future prospects. Ratio analysis proves to be an effective tool in evaluating the financial performance of banks.

REFERENCES

1. Books

- Bhattacharya, A., & Basu, D. (2020). Journal of Financial Risk Management, 9(4), 238-252.
- Jain, R., & Kumar, S. (2018). International Journal of Real Estate and Urban Economics, 7(2), 113-127.
- Rao, P. M., & Reddy, S. V. (2019). Indian Journal of Finance, 13(7), 44-55.
- Sharma, N., & Verma, R. (2021). Journal of Risk and Financial Management, 14(5), 205-221.
- Singh, A., & Mehta, K. (2022). Asian Journal of Finance & Accounting, 14(1), 15-29.

2. Links

- <https://www.inderscience.com/jhome.php?jcode=ijreu>
- <https://www.indianjournaloffinance.com/index.php/IJF/article/view/1358>
- <https://www.mdpi.com/journal/jrfm>
- <https://www.macrothink.org/journal/index.php/ajfa/article/view/18903>
- <https://www.scirp.org/journal/paperinformation.aspx?paperid=102498>