

A Comparative Financial Analysis of Bank of Baroda and Axis Bank

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Abstract

Banks form a fundamental component of the financial system and are also active players in financial markets. An efficient banking system capable of mobilizing the savings and channeling them to productive purposes are essential for the development of any economy. The objective of the study is to analyze and compare the overall financial performance of Bank of Baroda and Axis Bank.

Review of Literature

Anand. K(2015) describe Banks form a fundamental component of the financial system and are also active players in financial markets. An efficient banking system capable of mobilizing the savings and channeling them to productive purposes are essential for the development of any economy. Besides providing financial resources for the growth, banks can also influence the direction in which these resources are to be utilized. Post liberalization era has spread new colours of growth and development in India. At the same time it has also created many challenges.

Vidisha Shah (2015) discussed about the comparative analysis on performance of new private Sector banks and the public sector banks of India during the period 2011-2015 on many key parameters such as the P/E Ratio, Dividend Payout ratio, Return on equity ratio, Capital adequacy ratio, Credit deposit ratio. The above period is chosen since it is very important to know how different banks performed during the recession and inflation duration. . We have done a field study taking ICICI bank as private sector bank and SBI Bank as public sector bank to better understand the above argument.

D. K. Malhotra, et al (2011) analyzed the performance of commercial banks in India during the Period 2005 to 2009. This period covers the pre-credit crisis and the crisis time period. Specifically, the paper examines the behavior of profitability, cost of intermediation, efficiency, soundness of the banking system, and industry concentration for public and private sector Indian commercial banks. The empirical results show that competition in the Indian banking industry has intensified. While the net interest margin has improved, cost of intermediation is actually rising and banks are responding to the increased costs with higher efficiency levels.

OBJECTIVE OF THE STUDY

The main objective of the study is to analyze and compare the overall financial performance of Bank of Baroda and Axis Bank.

RESEARCH METHODOLOGY

Secondary Data

The study is based on secondary data that has been collected from annual reports of the respective banks, Bank of Baroda and Axis Bank, magazines, journals, documents and other published information.

Period of the Study

This research study covers a period of five years i.e. from financial year 2011-2012 to 2015-2016.

TOOLS OF ANALYSIS

The following tools are used for analysis

Ratio Analysis

Minimum

Maximum

TABLE 1

NET PROFIT AS PERCENTAGE OF TOTAL ASSETS OF BANK OF BARODA AND AXIS BANK

YEARS	BANK OF BARODA	AXIS BANK
2011-2012	1.12	1.28
2012-2013	0.82	1.18
2013-2014	0.69	1.13
2014-2015	0.48	1.59
2015-2016	-0.80	1.57
Min	-0.80	1.13
Max	1.12	1.59

Source:Annual report of the bank

Note: CAGR is computed by using log of given value. When one or more value in the series is negative

then CAGR cannot be computed. Hence no CAGR can be computed for Bank of Baroda.

The table 1 shows that net profit as percentage to total assets of Bank of Baroda And Axis Bank .The ratio of net profit as percentage to total asset was more in Bank of Baroda (1.59) during the year 2014-2015 and it was very low in Axis Bank (-0.80) during the year 2015-2016.AXIS Bank registered the negative CAGR of -98.9%.

It can be concluded that growth position of net profit as percentage total assets of Axis Bank is better than Bank of Baroda.

TABLE 2

BURDEN AS PERCENTAGE TO TOTAL ASSET OF BANK OF BARODA AND AXIS BANK

YEARS	BANKOF BARODA	AXIS BANK
2011-2012	0.43	0.22
2012-2013	0.47	0.12
2013-2014	0.44	0.14
2014-2015	0.48	0.20
2015-2016	0.57	0.15
Min	0.43	0.12
Max	0.57	0.22

Source: Annual report of the bank

The table 2 shows that of burden as percentage to total asset Bank of Baroda and Axis Bank .The ratio of burden as percentage to total asset was more in Bank of Baroda (0.57) during the year 2015-2016 and it was very low in Axis Bank (0.12) during the year 2012-2013.

It can be concluded that growth position of burden as percentage to total asset in Bank of Baroda was somewhat better than Axis banks.

TABLE 3

PRIORITY SECTOR ADVANCES TO TOTAL ADVANCES OF BANK OF BARODA AND AXIS BANK

YEARS	BANKOF BARODA	AXIS BANK
2011-2012	22.59	28.56
2012-2013	24.21	24.62
2013-2014	21.20	27.28
2014-2015	22.31	24.82
2015-2016	24.02	24.09
Min	21.20	24.09
Max	24.21	28.56

Source:Annual report of the bank

The table 3 shows that priority sector advances to total advances of Bank of Baroda And Axis Bank .This ratio was more in Axis Bank (28.56) during the year 2011-2012 and it was low in Bank of Baroda (21.20) during the year 2015-2016.

It can be concluded that growth position of priority sector advances to total advances of Axis Bank is somewhat better than Bank of Baroda.

TABLE 4**TOTAL CREDIT AS PERCENTAGE OF TOTAL DEPOSIT OF BANK OF BARODA AND AXIS BANK**

YEARS	BANK OF BARODA	AXIS BANK
2011-2012	74.67	77.13
2012-2013	69.25	77.97
2013-2014	69.79	81.89
2014-2015	69.32	87.17
2015-2016	66.85	94.64
Min	66.85	77.13
Max	74.67	94.64

Source: Annual report of the bank.

The table 4 shows that total credit as percentage of total deposit of Bank of Baroda And Axis Bank .The ratio was more in Axis Bank (94.64) during the year 2014-2015 and it was very low in Bank of Baroda (66.85) during the year 2015-2016.

It can be concluded that growth position of total credit as percentage of total deposit of Axis Bank is better than Bank of Baroda.

TABLE 5**TERM DEPOSITS AS PERCENTAGE OF TOTAL DEPOSITS OF BANK OF BARODA AND AXIS BANK**

YEARS	BANK OF BARODA	AXIS BANK
2011-2012	63.78	58.46
2012-2013	50.27	55.62
2013-2014	51.68	54.99
2014-2015	73.61	55.22
2015-2016	73.64	52.66
Min	50.27	52.66
Max	73.64	58.46

Source: Annual report of the bank

The table 5 shows that term deposits as percentage to total deposits of Bank of Baroda And Axis Bank .The ratio was more in Bank of Baroda (73.64) during the year 2015-2016.

It can be concluded that growth position of term deposits as percentage to total deposits of Bank of Baroda is better than Axis Bank.

TABLE 6
SAVING DEPOSITS AS PERCENTAGE OF TOTAL DEPOSITS OF
BANK OF BARODA AND AXIS BANK

YEARS	BANK OF BARODA	AXIS BANK
2011-2012	19.38	23.47
2012-2013	7.23	25.24
2013-2014	12.33	27.68
2014-2015	17.84	27.38
2015-2016	20.33	29.55
Min	7.23	23.47
Max	20.33	29.55

Source: Annual report of the bank

The table 6 shows that saving deposits as percentage of total deposits of Bank of Baroda And Axis Bank .This ratio was more in Axis Bank (29.55) during the year 2015-2016 and it was very low in Bank of Baroda (7.23) during the year 2012-2013.

It can be concluded that growth position of saving deposits as percentage of total deposits of Axis Bank is better than Bank of Baroda.

TABLE 7
DEMAND DEPOSITS AS PERCENTAGE OF TOTAL DEPOSITS OF BANK OF
BARODA AND AXIS BANK

YEARS	BANK OF BARODA	AXIS BANK
2011-2012	7.52	18.06
2012-2013	7.53	19.13
2013-2014	9.29	17.33
2014-2015	8.55	17.40
2015-2016	6.03	17.78
Min	6.03	17.33
Max	9.29	19.13

Source: Annual report of the bank

The table 7 shows that demand deposits as percentage of total deposits of Bank of Baroda And Axis Bank .The ratio was more in Axis Bank (19.13) during the year 2012-2013 and it was very low in Bank of Baroda (6.03) during the year 2015-2016.

It can be concluded that growth position of demand deposits as percentage to total deposits of Axis Bank is better than Bank of Baroda.

TABLE 8
CAPITAL AS PERCENTAGE OF TOTAL ASSETS OF BANK BARODA AND
AXIS BANK

YEARS	BANK OF BARODA	AXIS BANK
2011-2012	0.09	0.28
2012-2013	0.08	0.24
2013-2014	0.06	0.23
2014-2015	0.06	0.10
2015-2016	0.07	0.09
Min	0.06	0.09
Max	0.09	0.28

Source: Annual report of the bank

The table 8 shows that capital as percentage of total assets of Bank of Baroda And Axis Bank .This ratio was more in Axis Bank (0.28) during the year 2011-2012 and it was very low in Bank of Baroda (.06) during the year 2013-2014 & 2014-15.

It can be concluded that growth position of capital as percentage of total assets of Axis Bank is better than Bank of Baroda.

FINDINGS

- Growth position of net profit as percentage total assets of Axis Bank is better than Bank of Baroda.
- Growth position of burden as percentage to total asset in Bank of Baroda was somewhat better than Axis banks.
- Growth position of priority sector advances to total advances of Axis Bank is somewhat better than Bank of Baroda.
- Growth position of total credit as percentage of total deposit of Axis Bank is better than Bank of Baroda
- Growth position of term deposits as percentage to total deposits of Bank of Baroda is better than Axis Bank.
- Growth position of saving deposits as percentage of total deposits of Axis Bank is better than Bank of Baroda.
- Growth position of demand deposits as percentage to total deposits of Axis Bank is better than Bank of Baroda.
- Growth position of capital as percentage of total assets of Axis Bank is better than Bank of Baroda.

SUGGESTION : Banks should expand their business in unbanked areas particularly rural and remote areas.

- The banks should improve the operational and financial efficiency with the help of well equipped tools, technology, and financial and technological innovations.
- Management of non-performing assets and risk emanating from adverse events is the key to the higher profitability of the Indian Banking.
- The bank should focus on improving the liquidity position in order to meet out its current obligations. The failure of having sufficient liquidity will result in the loss of creditor's confidence.
- The earning quality of the bank can be improved by increasing the net and operating profits through their efficient technology. The creditworthiness of the banks can be improved by having a proper internal audit team.

CONCLUSION

There exists a good variability of net profits between Bank of Baroda and Axis Banks.

Evaluating Indian banking sector is not an easy task. Sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. There are so many factors, which need to be taken care while differentiating good banks from bad ones. Also, the restructuring of public sector banks and the emergence of new banks in the private sector as well as the increased competition from foreign banks, have improved the professionalism in the banking sector.

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