



A study of financial performance: a comparative analysis of axis and ICICI bank

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Abstract

Banking Sector plays an important role in economic development of a country. The banking system of India is featured by a large network of bank branches, serving many kinds of financial services of the customer. The Axis bank is a 3rd largest private sector bank in India. Headquarter of Axis is at Mumbai, the bank has 3,304 branches, 14,163 ATMs and 9 international offices. The Bank has 80 lakh customer services and 2.25crs transaction handed as on 31st March 2017. The Bank has 80 lakh customer services and 2.25crs transaction handed as on 31st March 2017. The Industrial Credit and Investment Corporation of India, popularly known as ICICI is 2nd largest and leading bank of private sector in India. The Bank has 4,850 branches and 13,882 ATMs in India as on 31st march, 2017. The main aim of this study is to examine the financial performance of Axis and ICICI Bank, both are private sector bank. The research is descriptive and analytical in nature. The data used for the study was entirely secondary nature. The present study is conducted to compare the financial performance of Axis and ICICI Bank on the basis of ratios such as credit deposit, net profit margin etc. The period of study taken is from the year 2012-13 to 2016-17. The study found that Axis is performing well and financially sound than ICICI Bank but in context of deposits and expenditure ICICI bank has better managing efficiency than Axis bank.

Keywords: credit deposit ratio, net profit margin, net worth ratio, advances, ICICI and AXIS

Introduction

An efficient banking system is recognized as basic requirement for the economic development of any economy. Banks mobilize the savings of community into productive channels. The banking system of India is featured by a biggest network of bank branches, serving many kinds of financial needs of the customer.

Incorporated in 1994, Axis Bank has emerged as one of India's most trusted banks and the 3rd largest in the private sector. Headquarter of Axis is at Mumbai, the bank has 3,304 branches, 14,163 ATMs and 9 international offices. The Bank has 80 lakh customer services and 2.25crs transaction handed as on 31st March 2017. The bank employs over 56000 people and had a market capitalization of Rs. 1, 17,548 crs. As on 31st march, 2017. It is among the country's first new generation private sector banks. The Bank has 9 international offices with branches at Singapore, Dubai, Hong Kong, Colombo and Shanghai. It has representative offices at Dubai, Abu Dhabi, Dhaka and an overseas subsidiary at UK, London. The international offices focus on corporate trade finance, lending, syndication and investment banking and liability businesses. The Bank provides comprehensive corporate banking solutions with presence across the value chain, comprising credit, transaction banking, treasury, syndication, investment banking and trustee services.

The 1st private sector bank to introduce recyclers, which can accept and dispense cash. As on 31 March, 2017, the Bank had deployed 1,349 recyclers. In the last few years, Bank has significantly strengthened credit underwriting and risk management practices at the Bank. The bank has diversified our loan book materially and now has 45% of our loans in the

Retail segment. The Bank has reduced concentration risk in our corporate book significantly. The bank has tightened incremental sanctions and is actively targeting the pool of better rated corporate. The bank continues to drive the transition of our corporate franchise towards a more flow led, transaction banking oriented business.

Subsidiaries

As on 31st March 2017, the Bank has the following nine unlisted subsidiary companies:

1. Axis Asset Management Company
2. Axis Bank UK Ltd.
3. Axis Capital Ltd.
4. Axis Finance Ltd.
5. Axis Mutual Fund Trustee Ltd.
6. Axis Private Equity Ltd.
7. Axis Securities Ltd
8. Axis Trustee Services Ltd
9. A.TREDS Limited

ICICI bank-profile

ICICI Bank is 2nd largest and leading bank of private sector in India. Headquarter of ICICI bank is in Mumbai, India. The Bank has 4,850 branches and 13,882 ATMs. In 1998, the Bank launched internet banking operations. ICICI Bank offers a wide range of banking products and financial services to the corporate and retail customers. It also provides services in the areas of asset management, venture capital investment banking, life and non-life insurance. The Bank's equity shares are listed in India on National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and its American Depository

Receipts (ADRs) are also listed on the New York Stock Exchange (NYSE). ICICI bank is first Indian banks listed NYSE.

The Bank is major banking and financial services organization in India. The bank is the second biggest bank in India and the largest private sector bank in India by market capitalization. They are publicly held banking company engaged in providing a wide range of banking and financial services including treasury operations and commercial banking. The bank and their subsidiaries offers a wide range of banking and financial services including commercial banking, retail banking, project and working capital finance, insurance, corporate finance, venture capital and private equity, investment banking, broking and treasury products and services. They offer through a variety of delivery channels and through their specialized subsidiaries in the area of investment banking, life and non-life insurance, venture capital and assets management. The bank has a network of 4850 branches and about 13882 ATMs and presence in 18 countries. They have subsidiaries in the Russia, UK and Canada, branches in United States, Singapore, Bahrain, Hong-Kong, Sri Lanka, Qatar and Dubai International finance centre and representative offices in United Arab Emirates, Bangladesh, Thailand, China, South Africa, Malaysia and Indonesia. UK subsidiary has established branches in Belgium and Germany.

Subsidiaries of ICICI Bank:

1. National

- ICICI Lombard
- ICICI Prudential Life Insurance Company Ltd
- ICICI Securities Limited
- ICICI Prudential Asset Management Company Limited
- ICICI Venture
- ICICI Direct.Com
- ICICI Foundation

2. International

- ICICI Bank UK PLC
- ICICI Bank Canada
- ICICI Bank Eurasia LLC

Objective of the study

This paper aims to check the financial performance both Bank.

- To analysis, asses and comparison the financial performance of Axis and ICICI Bank.
- To interpret the results of both banks.

Research Methodology

In the present study, an attempt has been made to measure, evaluate and compare the financial performance of Axis and ICICI Bank which both are related to the private sector. This study is based on secondary data that has been collected from annual reports of the both banks, magazines, journals, documents and other published information.

Data collection

The study relies on secondary data compiled from various published. The main source of data for this study is based on the Handbook on Indian Statistics published by sources Economic Survey of India. This study is made for the

period 2012-13 to 2016-17 for which latest data is at hand at the respective sources. We splint the study period into two: The data were analyzed with the help of various tool and techniques i.e. mean method and Percentage. Data collected is present in the form of table. Each table is accompanied by appropriate analysis and explanations. In addition to this, adequate uses have been made of graphs and diagrams to illustrate and highlight the data presented in tabular form.

Tools and Techniques

To obtain the objectives of the present study the data were collected from the various sources and transcribed into tables and the same were analyzed with the help of appropriate statistical tools and techniques to draw a conclusion.

Limitation of the study

Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned here under so that the findings of the study may be understood in a proper perspective. The limitations of this study are:

- The study is based on the secondary data and the limitation of using secondary data may affect the performance.
- The secondary data was taken from the annual reports of the AXIS and ICICI Bank. It may be possible that the data shown in the annual reports may be window dressed which does not show the actual position of the banks.

Financial analysis is mainly done to compare the growth, financial soundness, and profitability of the respective banks by diagnosing the information contained in the financial statements. Financial analysis is done to identify the financial strengths and weaknesses of the two banks by properly establishing relationship between the items of Balance Sheet and P&L Account. It helps in better understanding of banks financial growth, position, and performance by analyzing the financial statements with various tools and evaluating the relationship between various elements of financial statements.

For this purpose the following parameters have been studied

1. Credit/ Deposit Ratio
2. Interest Expenses/Total Expenses
3. Interest Income/Total Income
4. Other Income/ Total Income
5. Net Profit Margin
6. Percentage Change in Net Profits
7. Percentage Change in Total Income
8. Percentage Change in Total Expenditure
9. Percentage Change in Deposits
10. Percentage Change in Advances

1. **Credit/Deposit Ratio:** Credit/Deposit Ratio is the proportion of loan to assets created by a bank from the deposits received. Credits are the loans and advances granted by the bank. In other words it is the amount lent by the bank to an organization or a person which is recovered later on. Interest is charged from the borrower. Deposit is the amount accepted by bank from the customer and interest is paid to them.

Table 1: Credit/ Deposit Ratio (in times).

Years	Axis Bank	ICICI Bank
2012-13	0.17	0.30
2013-14	0.18	0.41
2014-15	0.25	0.48
2015-16	0.30	0.47
2016-17	0.25	0.50
Mean	0.23	0.43

Source: Annual Reports of Axis and ICICI from 2012-13 to 2016-17

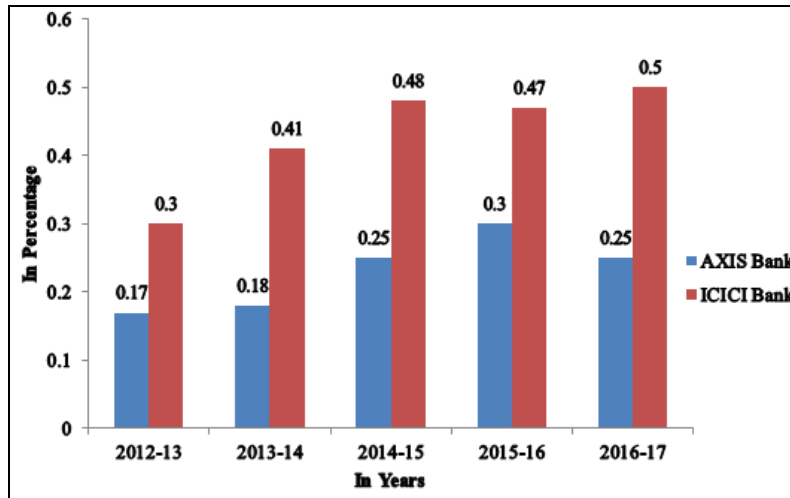


Fig 1: Credit/Deposit Ratio.

In the above Table depicts that over the course of five financial periods of study the mean of Credit Deposit Ratio in ICICI was higher than in Axis Bank in every years. This shows that ICICI Bank has created more loan assets from its deposits as compared to Axis Bank.

2. Interest Expenses/Total Expenses: Interest Expenses / Total Expenses reveals the expenses incurred proportionate contribution of interest expenses to total expenses. Banks accepts deposits from pay and savers interest on these accounts. This payment of interest is known as interest expenses. Total expenses include the amount spent in the form of staff expenses, overhead

expenses, interest expenses, and other operating expenses etc.

Table 2: Interest Expense/ Total Expenses (in percent).

Years	Axis Bank	ICICI Bank
2012-13	75	71
2013-14	70	68
2014-15	69	66
2015-16	71	56
2016-17	68	52
Mean	71	62.6

Source: Annual Reports of Axis and ICICI from 2012-13 to 2016-17

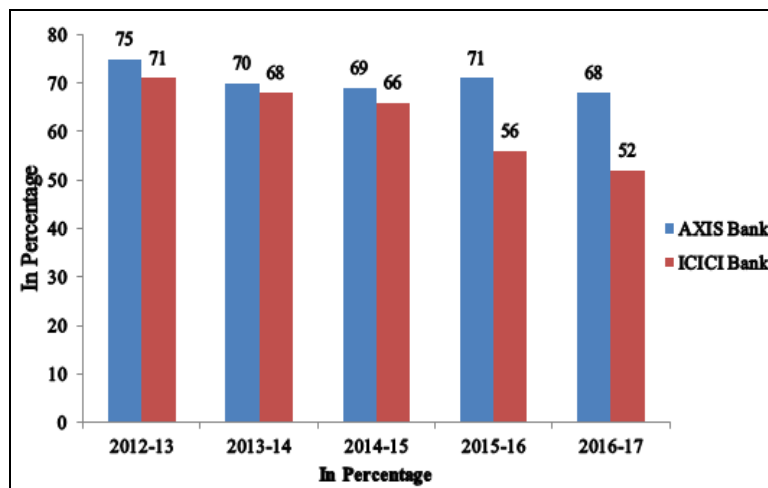


Fig 2: Interest Expense/ Total Expense

In the above table shows that the ratio of interest expenses to total expenses in Axis was highly volatile it decreased from 75percent to 68 per cent during the period 2012-13 to 2016-17. The ratio of interest expenses to total expenses in ICICI was also decreased from 71 per cent to 52 per cent during the period 2016-17. It has been found that the share of interest expenses in total expenses was higher in case of Axis as compared to ICICI, which shows that people preferred to

invest their savings in Axis than ICICI.

3. Interest income to total income: Interest Income to Total Income shows the proportionate share of Interest Income in total income. Banks lend money in the form of loans and advances to the customer and receive interest on it. This receipt of interest is called interest income. Total income includes interest income, operating income, and non-interest income and.

Table 3: Interest income to total income.

Years	Axis Bank	ICICI Bank
2012-13	80.58	82.76
2013-14	80.54	80.01
2014-15	80.92	80.13
2015-16	81.39	77.49
2016-17	79.21	73.53
Mean	80.53	78.78

Source: Annual Reports of Axis and ICICI from 2012-13 to 2016-17

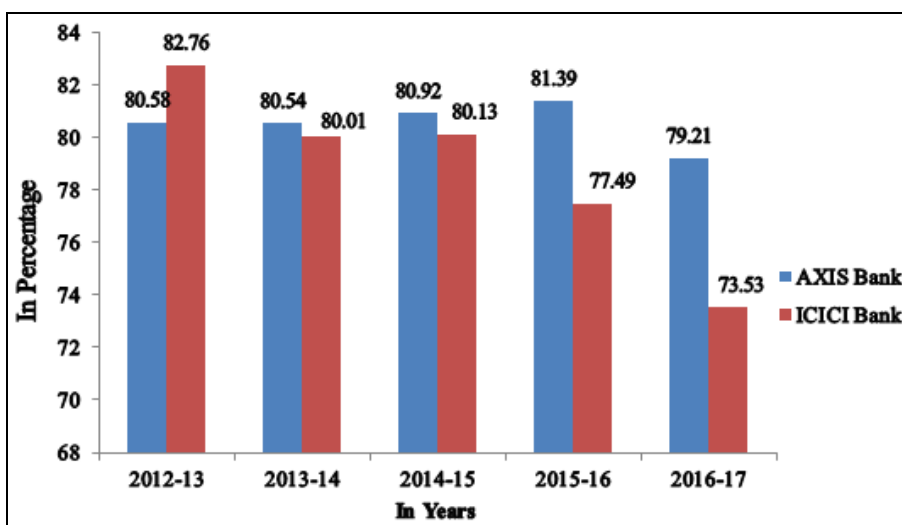


Fig 3: Interest Income to Total Income

In the above table represents that the ratio of interest income to total income in axis and ICICI both is quite stable and volatile over the years. Thus, the proportion of interest income to total income in Axis was higher than that of ICICI, which shows that people preferred Axis to take loans and advances.

4. Other income to total income: Other income to total income reveals the proportion of other income to total income. Other income includes non-interest income and operating income. Total income includes operating income, interest income, and non-interest income.

Table 4: Other Income / Total Income.

Years	Axis Bank	ICICI Bank
2012-13	19.42	17.24
2013-14	19.46	19.09
2014-15	19.08	19.87
2015-16	18.61	22.51
2016-17	20.79	26.47
Mean	19.47	21.22

In the above table shows that the ratio of other income to total income was increased from 19.42 per cent in 2012-13 to 20.79 per cent in 2016-17 in case of AXIS Bank. However, the share of other income in total income of ICICI was continually

increased from 17.24per cent in 2012-13 to 21.22per cent 2016-17. The table shows that the ratio of other income to total income was relatively higher in ICICI as compared to SBI during the period of study.

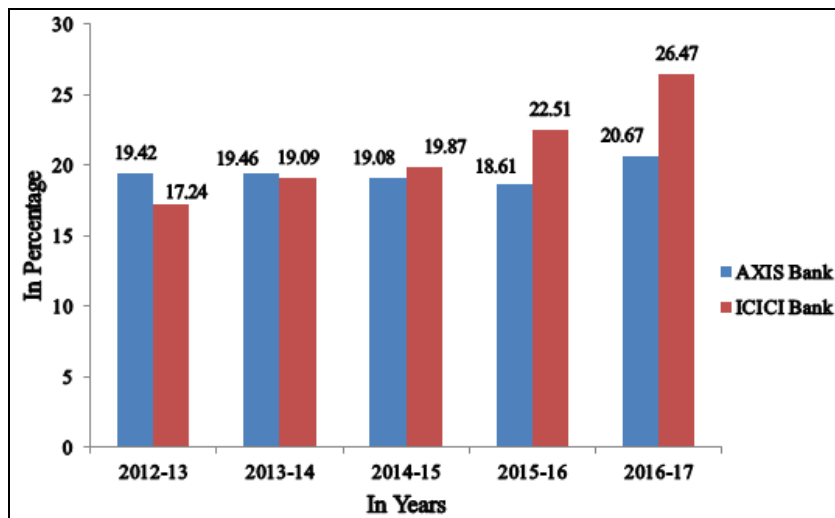


Fig 4: Other Income to Total Income

5. **Net Profit Margin:** Net Profit Margin reveals the financial performance of the business efficiency and activity of management in operations.

Table 5: Net profit margin in Axis and ICICI

Years	Axis Bank	ICICI Bank
2012-13	15.35	17.19
2013-14	16.34	17.97
2014-15	16.78	18.24
2015-16	16.33	14.29
2016-17	6.54	13.31
Mean	14.27	16.20

Source: Annual Reports of Axis and ICICI from 2012-13 to 2016-17

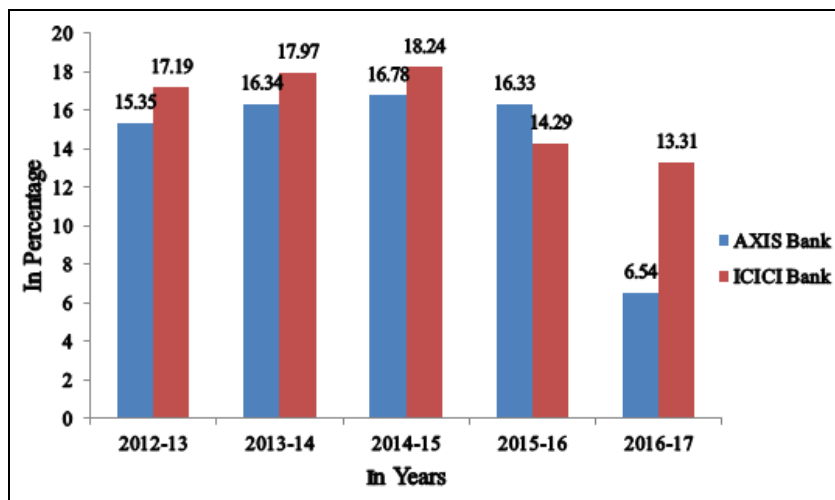


Fig 5: Net Profit Margin

In the above table reveals that the ratio of net profits to total income of AXIS is quite stable (lies b/w 15.35 to 16.78) over the years expect 2016-17. whereas in case of ICICI, it is not stable. It increased to 17.19 percent from 18.24 percent in 2014-15 then further decreased to 14.29 percent in 2015-16 and 13.31 percent in 2016-17 during the period of 5 years of study. However, the net profit margin was higher in ICICI (16.20%) as compared to AXIS (14.27%) during the period of study. But it was increased in 2012-13 to 2014-15 and then it

was decreased last two years of study in ICICI. Thus, the AXIS has shown comparatively lower operational efficiency than ICICI.

6. Growth of Net Profit

Net profit Ratio is used for measuring the profitability of the firm and any corporate. It is calculated by dividing net profit by net sales multiplied by 100. It establishes the relationship between the net profit and sales.

Table 6: Growth of profit in Axis and ICICI bank

Years	Axis Bank		ICICI Bank	
	Profit (In Rs. Cr.)	% Change	Profit (In Rs. Cr.)	% Change
2012-13	5,179.43	-----	8,325.47	-----
2013-14	6,217.67	20.05	9,810.48	17.84
2014-15	7,347.87	18.18	11,175.36	13.91
2015-16	8,223.66	11.92	9,726.29	-12.97
2016-17	3,679.28	-55.26	9,801.09	0.77
Mean	6129.58		9767.74	

Source: Annual Reports of Axis and ICICI from 2012-13 to 2016-17

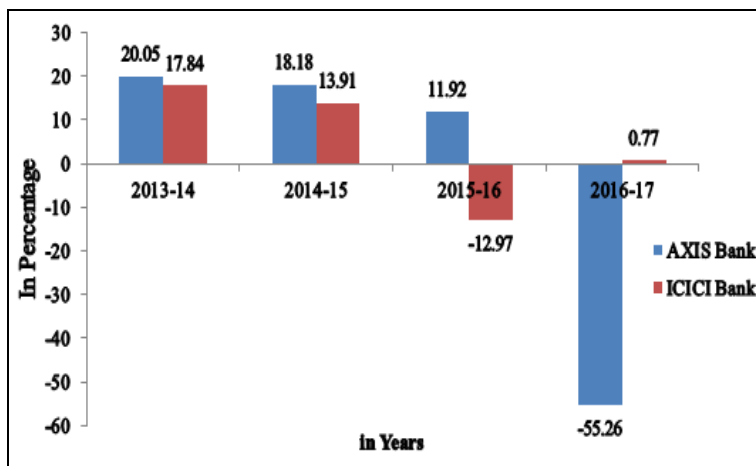


Fig 6: Growth of Net Profit

In the table highlights that the mean value of net profit was higher in ICICI compared to that in Axis during the period of study. Further the growth rate of Net Profits was also higher in Axis than that in ICICI during the study period. The table also shows that the annual growth rate of profit in Axis was highest in the year 2013-14 and was negative in the year 2016-17. In ICICI, the annual growth rate of profit was highest in the year 2013-14 and was negative in the year 2015-16.

7. Total Income: The total income represents the money value of the income earned during a period. The higher value of total income indicates the efficiency and good performance.

Table 7: Growth in Total Income of AXIS and ICICI.

Years	Axis Bank		ICICI Bank	
	Income (In Rs. Cr.)	% Change	Income (In Rs. Cr.)	% Change
2012-13	33,733.68	-----	48,421.30	-----
2013-14	38,046.38	12.78	54,606.02	12.77
2014-15	43,843.64	15.24	61,267.27	12.20
2015-16	50359.50	14.86	68,026.49	11.04
2016-17	56,233.47	11.67	73,660.76	8.28
Mean	44,443.34		61,196.37	

Source: Annual Reports of Axis and ICICI from 2012-13 to 2016-17

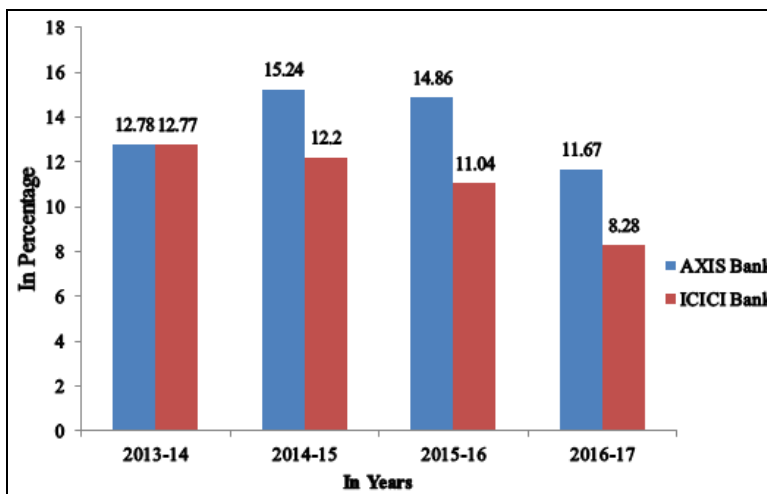


Fig 7: Growth in total income of Axis and ICICI Bank

In the above table highlights that the mean value of total income was higher in ICICI as compared to that in AXIS during the period of study. However the rate of growth regarding total income was higher in Axis than in ICICI during the period of study.

8. Total Expenditure: The total expenditure reveals the proportionate contribution of total expenditure spent on the development of staff, interest expended and other overheads.

Table 8: Total Expenditure of AXIS and ICICI

Years	Axis Bank		ICICI Bank	
	(In Rs. Cr.)	% Change	(In Rs. Cr.)	% Change
2012-13	23,430.55	-----	37,382.16	-----
2013-14	26,590.29	13.49	40,637.86	8.71
2014-15	30,457.91	14.54	45,447.35	11.83
2015-16	34,255.89	12.47	55,866.78	22.92
2016-17	38,648.95	12.82	62,382.16	11.66
Mean	30,676.72		48,343.26	

Source: Annual Reports of Axis and ICICI from 2012-13 to 2016-17

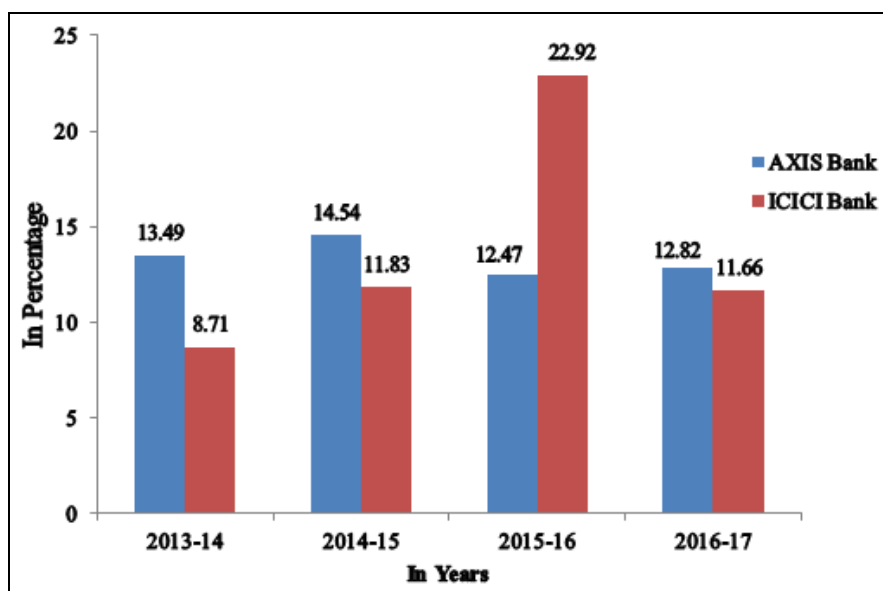


Fig 8: Total Expenditure of Axis AND ICICI Bank

In the above table discloses that the mean value of total expenditure was higher in ICICI (Rs. 48343.26 crores) as compared to that in AXIS (Rs. 30676.72 crore) during the period of study. The table also highlights that the annual growth rate of expenditure in ICICI was highest (22.92%) in the year 2015-16 and was lowest (8.71%) in the year 2013-14. In AXIS, the annual growth rate of expenditure was near to 12-14% during the study period. Hence it is clear that AXIS is

more efficient as compared to ICICI in terms of managing expenditure.

9. Advances: Advances are the credit facility granted by the bank. In other words it is the amount borrowed by a person from the Bank. It is also known as “Credit” granted where the money is disbursed and recovery of which is made later on.

Table 9: Total Advances of AXIS and ICICI.

Years	Axis Bank		ICICI Bank	
	(In Rs. Cr.)	% Change	(In Rs. Cr.)	% Change
2012-13	1,96,965.96	-----	290249.44	-----
2013-14	2,30,066.76	16.81	338702.65	16.68
2014-15	2,81,083.03	22.17	387522.94	14.41
2015-16	3,38,773.72	20.52	435263.94	12.32
2016-17	3,73,069.35	10.12	464232.08	6.65
Mean	2,83,991.76		3,83,194.04	

Source: Annual Reports of Axis and ICICI from 2012-13 to 2016-17

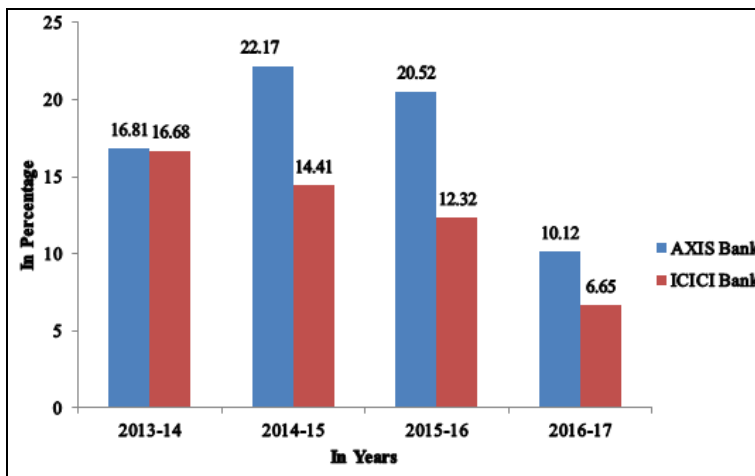


Fig 9

In the above table presents that the mean of Advances of ICICI was higher as compared to mean of Advances of AXIS. Rate of growth was also higher in SBI (108.16 %) than in ICICI (12.45%). Table also shows the per cent Change in Advances over the period of 5 years. In case of ICICI Advances were continuously decreased over the period of study. However Advances in AXIS were increased till 2014-15 but these were decreased in the subsequent years.

10. Deposits: Deposit is the amount accepted by bank from the customer in the form of current deposits, savings deposits and fixed deposits and interest is paid to them.

Table 10: Total Deposits of AXIS and ICICI.

Years	Axis Bank		ICICI Bank	
	(In Rs. Cr.)	% Change	(In Rs. Cr.)	% Change
2012-13	2,52,613.59	-----	2,92,613.63	-----
2013-14	2,80,944.56	11.22	3,31,913.66	13.43
2014-15	3,22,441.94	14.77	3,61,526.73	8.92
2015-16	3,57,967.56	11.02	4,21,425.71	16.57
2016-17	4,14,378.79	15.76	4,90,039.06	16.28
Mean	3,25,669.29		3,79,503.76	

Source: Annual Reports of Axis and ICICI from 2012-13 to 2016-17

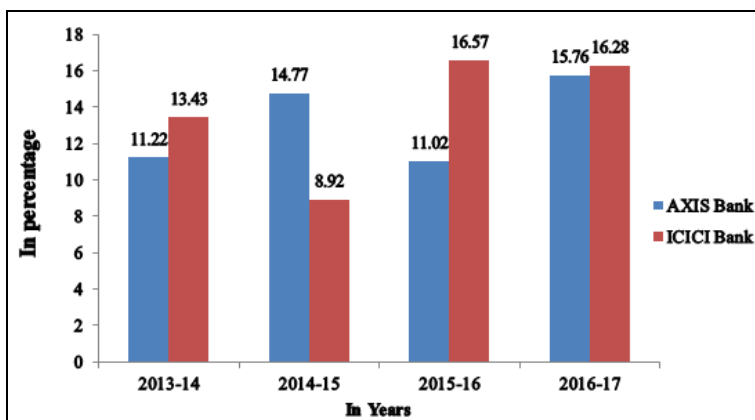


Fig 10: Total Deposits

In the above table presents that the mean of Deposits of ICICI was higher (Rs. 379,503.76 crores) as compared to mean of deposits of AXIS (Rs.3,25,669.29crores). Table also shows the per cent Change in Deposits over the period of 5 years. In case of ICICI deposits were continuously fluctuating over the period of study. However deposits in AXIS were increased in 2012-13 and 2016-17.

Findings and Conclusions

The study found that the mean of Credit Deposit Ratio in ICICI was higher than in SBI AXIS Bank. This shows that ICICI Bank has created more loan assets from its deposits as compared to AXIS. The contribution of interest expenses in total expenses higher in AXIS (71%) as compare to ICICI

(62.60 %) and the proportion of interest income to total income was higher in case of AXIS (80.76 %) as compared to ICICI (78.78%), which shows that people prefer ICICI to invest their savings and AXIS to take loans & advances. The ratio of other income to total income was relatively higher in ICICI (21.22%) as compare to AXIS (19.47%). Net Profit Margin of ICICI (16.20) is higher whereas in AXIS it was (14.27%), which shows that ICICI has shown comparatively better operational efficiency than AXIS Bank. The growth rate of net profit is decreased in both banks but it was negative in AXIS bank in last year of study. This shows that ICICI performed well as compared to AXIS. The mean value of total income was higher in ICICI (61,196.37) as compared to that in AXIS (Rs. 44,443.44 Crores). The mean value of total

expenditure was higher in ICICI (Rs. 48,343.26 crores) as compared to that in AXIS (Rs. 30,676.72 Crores) Deposits in both banks were continuously increased. In case of both banks Advances were continuously increased with an increasing trend AXIS and decreasing trend in ICICI. The mean value of total deposits and advances was higher in ICICI Bank. Hence, on the basis of the above study or analysis banking customer has more trust on the ICICI bank as compared to AXIS Bank.

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