

# Financial Performance Analysis- A Comparative Study of Bank of Baroda and Axis Bank.

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## Abstract

Banking sector has now completely revolutionized in the contemporary scenario. Fast changes in Indian economy has directly affected the Indian banking system for instance demonetization, a big move in Indian economic history after 1991 reforms has now transformed banking operations on large scale. Expansion in financial services to its variety of customers is also one of the important factors of survival of the bank. In India, both public and private sector banks are now serving these customers with numerous banking services. This has led to increased competition among public and private sector banks

The present study is committed to investigate the financial performance of Axis Bank and Bank of Baroda by utilizing Ratio analysis technique so as to give significant insights about the Financial competence of Banks in terms of Asset Quality, Management Efficiency and Earning Ratios. The ratios are determined from the critical examination of Balance sheet and Profit and loss account of the selected banks over a period of five years from 2013 to 2018. The study concluded that the Axis Bank, a private sector bank is highly management efficient compared to BOB while BOB is found to have better position in terms of its Asset quality and Earning Ratio.

**Key Words-** *Ratio analysis, Management Efficiency, Earning Ratio, Asset Quality, Public Bank, Private Banks*

## 1. Introduction

The financial sector is a standout amongst the most significant instrument of the national improvement, possesses a vital position in a country's economy.

Economic development of the nation is apparent through the soundness of the financial framework. Deregulation in the money related market, advertise advancement, financial changes have seen significant changes in banking industry. Banks are the predominant money related units in India and have gained great ground amid the worldwide monetary emergency; it is clear from its yearly credit development and benefit. The development is conceivable in two different ways, natural or inorganic. Organic development is likewise alluded as inward development, happens when the organization develops from its own business action utilizing assets from one year to grow the organization the next year. Such development is a progressive procedure spread over a couple of years yet firms need to become quicker. Inorganic development is alluded as outer development and considered as a quicker method to develop which is most favored. Inorganic development happens when the organization develops by merger or securing of another business.

Financial performance can not be judged from the records and documents in any organisation. It must be determined by strategic examination. The determination and utilization of strategy is liable to the choice of the person. A portion of the significant and ordinarily utilized strategies are: Ratio Analysis, Comparative balance sheet examination, Time series etc. The present examination is dedicated to investigation of the financial performance of Axis Bank and Bank of Baroda, a Public and private sector bank, by utilizing Ratio analysis so as to give significant findings about the financial performance of the banks.

Financial Ratios are utilized in the assessment of the financial condition and benefit of an organization. The ratios are determined from the balance sheet and profit and loss account. Ratio Analysis is one of the methods of financial investigation where ratios are accustomed to assessing the financial condition and execution of a firm. The use of ratios relies upon skilful elucidation and insight of the researcher.

## 2. Review Of Literature

**AbhayJaiswal and Chanchala Jain (2016)**, A Comparative Study of Financial Performance of SBI and ICICI, The examination is an endeavor to judge the financial performance of SBI and ICICI banks.. SBI has 14 Local Head Offices and 57 Zonal Offices situated at significant urban communities all through the nation. ICICI bank is the second biggest, driving bank of private division in India The Bank has 2,533 branches and 6,800 ATMs in India. The study is descriptive and analytical in nature. The data is collected from different reports issued by these banks .The correlation of financial performance of these two banks was made based on Ratio Analysis. The outcomes of the study showed that the SBI is performing great and financially stable than ICICI Bank. Additionally the market position of SBI is superior to ICICI in wording to acquiring per share, value proportion per offer and profit payout proportion, however then again ICICI bank is performing great as far as NPA and arrangement for NPA in correlation of SBI bank.

**Kumbirai, M. and Webb, R. (2010)** has discussed the financial performance of South Africa's commercial banking sector under the period of 2005- 2009. Different Financial ratios are used to assess the profitability, credit quality and liquidity performance of five large South African based commercial banks. The study revealed that overall bank performance has considerably increased in the first two years of the study period. While a significant change in trend in financial performance is noticed afterwards due to global financial crisis in 2007, it has reached its maximum during 2008-2009. Thus resulted profitability falls, low liquidity and deteriorating credit quality in the South African Banking sector.

**Dwivedi and Charyulu (2011)**, One of the significant targets of Indian banking segment changes was to support operational independence, adaptability and rivalry in the framework and to expand the financial norms in India to the global prescribed procedures. The second period of changes started in 1997 with mean to redesign

measures, human capital improvement, innovative up-degree, auxiliary improvement which helped them for accomplishing widespread benchmarks in terms of prudential standards and pre-prominent practices. This paper looks to decide the effect of different market and administrative activities on effectiveness upgrades of Indian banks. Productivity of firm is estimated as far as its relative execution that is, proficiency of a firm with respect to the efficiencies of firms in an example. Information Envelopment Analysis (DEA) has used to distinguish banks that are on the yield boondocks given the different contributions available to them. The present examination is kept just to the Constant-Return-to-Scale (CRS) suspicion of basic leadership units (DMUs). Variable comes back to scale (VRS) suspicion for assessing the proficiency was most certainly not endeavored. It was found from the outcomes that national banks, new private banks and foreign banks have indicated high proficiency over a period time than residual banks.

## 3. Objective of the Study

- To compare the financial performance and efficiency of the Bank Of Baroda and Axis Bank.
- To give suggestive measures to improve the financial performance of Bank Of Baroda and Axis Bank.

## 4. Hypothesis Of the Study

**H<sub>01</sub>**=There is no significant difference in asset quality of BOB and AXIS bank.

**H<sub>02</sub>**=There is no significant difference in Management efficiency ratio in terms of Interest income to total asset of BOB and AXIS.

**H<sub>03</sub>**=There is no significant difference in earning ratio in terms of Non interest income to total asst of BOB and AXIS.

## 5. Research Methodology

The study is descriptive and analytical in nature .it is based on secondary data which is collected from the annual reports of banks. The collected data is then analyzed over a five years period to determine the financial performance of both the banks.

**Period of the study** .the time period of the study is from the year 2013-14 to 2017-18.

**Tools of analysis** The collected data is analyzed using t test statistic using SPSS software version 21 to compare the financial performance based on parameters of capital adequacy and management efficiency of bob and axis bank.

**Table No.1: Financial Comparison of Bank Of Baroda and Axis bank**

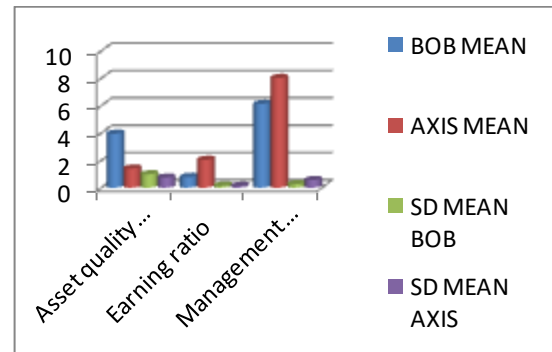
S.No.	Parameters	BOB 1	AXIS 2
<b>Asset quality</b>			
1	2018	6.67	4
2	2017	4.71	2
3	2016	4.96	1
4	2015	1.88	0
5	2014	1.51	0
<b>Earnings Ratio Non Interest Income/Total Assets</b>			
6	2018	0.92	1.80
7	2017	0.97	2.17
8	2016	0.74	1.99
9	2015	0.61	2.07
10	2014	0.67	2.14
<b>Management efficiency Ratio Interest Income/Total Assets</b>			
11	2018	6.06	7.09
12	2017	6.07	7.90
13	2016	6.56	8.29
14	2015	6.00	8.37
15	2014	5.90	8.46

Source-Annual reports of Banks

**Table No.2: Comparative Financial Performance of Bank Of Baroda and Axis bank**

Ratios	BOB Mean	AXIS Mean	BOB S.D	AX S.D
Asset quality Ratio	3.94	1.40	0.98	0.74
Management efficiency Ratio	6.11	8.02	0.25	0.56
Earning Ratio	0.78	2.03	0.15	0.14

**Graph No.1**



### Interpretation

The Earning ratio of BOB has a mean score of 0.7820 compared to 2.0340 of Axis Bank while the Asset Quality of BOB is found greater than 3.9460 axis bank 1.40. the management efficiency ratio of bob is found to be 0.7820 less compared to 2.03 of Axis bank. Similarly depending upon the mean score of banks the standard deviation of BOB in terms of Asset quality is 0.98068 compared to 0.748 of Axis bank and the Management Efficiency of BOB is 0.256 compared to Axis bank 0.56309. while the Earning ratio of BOB 0.15675 compared to 0.14809 of Axis bank

### Hypothesis Testing

$H_0$  = There is no significant difference in asset quality of BOB and AXIS bank

**Table No.3: Statistical Analysis asset quality Ratio**

S.No.	BOB-AXIS BANK		
1	Mean		2.54
2	Std. Deviation		.94
3	Std. Error Mean		.42
4	95% Confidence Interval of the Difference	Lower	1.37486
		Upper	3.71714
5	t		6.036
6	Df		4
7	Sig. (2-tailed)		.004

Source-SPSS Analysis

### Interpretation

From the above table and graph the calculated value of t is 6.036 at 4 degree of freedom. The p value is found to be 0.004 less than the 0.05 level of significance therefore the null hypothesis is rejected.

**H0<sub>2</sub>=There is no significant difference in Earnings ratio in terms of Non interest income to Total asset of BOB and AXIS bank**

**Table No.4: Statistical Analysis Earnings ratio**

S.N.O	BOB-AXIS BANK		
1	Mean		-1.25
2	Std. Deviation		0.24
3	Std. Error Mean		0.107
4	95% Confidence Interval of the Difference	Lower	-1.55
		Upper	-.95
5	t		-11.62
6	Df		4
7	Sig. (2-tailed)		0.00

Source-SPSS Analysis

### Interpretation

From the above table and graph the calculated value of t is -11.628 at 4 degree of freedom. The p value is found to be 0.000 less than the 0.05 level of significance therefore the null hypothesis is rejected.

**H0<sub>3</sub>=There is no significant difference in Management efficiency ratio in terms of Interest income to total asset of BOB and AXIS bank.**

**Table No.5: Statistical Analysis Management efficiency ratio**

S.No.	BOB-AXIS BANK		
1	Mean		-1.90
2	Std. Deviation		0.60
3	Std. Error Mean		0.26
4	95% Confidence Interval of the Difference	Lower	-2.65
		Upper	-1.15
5	t		-7.078
6	Df		4
7	Sig. (2-tailed)		0.002

Source-SPSS Analysis

### Interpretation

From the above table and graph the calculated value of t is -7.078 at 4 degree of freedom. The p value is found to be 0.002 less than the 0.05 level of significance therefore the null hypothesis is rejected.

**Table No.6 Result Summary Hypothesis Testing**

Hypothesis	Summary
<b>H0<sub>1</sub>=There is no significant difference in asset quality of BOB and AXIS bank</b>	<b>Rejection</b>
<b>H0<sub>2</sub>=There is no significant difference in Earning ratio in terms of Non Interest Income to Total Asset of BOB and AXIS bank.</b>	<b>Rejection</b>
<b>H0<sub>3</sub>=There is no significant difference in Management Efficiency ratio in terms of Interest Income to Total Asset of BOB and AXIS bank.</b>	<b>Rejection</b>

## 6. Suggestions

Asset quality is a standout amongst the most basic zones in determining the financial state of a bank. The essential factor influencing Asset quality is the nature of the credit portfolio and the credit organization program. Advances regularly involve a dominant part of a bank's benefits and convey the best measure of hazard to their capital. Securities may likewise involve a substantial segment of the benefits and furthermore contain huge dangers. Other things which can affect resource quality are other land, different resources, reeling sheet things and, to a lesser degree,

money and due from records, and premises and fixed resource. To overcome the problems of stressed assets there is a strong need to enhance credit and venture portfolios system in terms of sufficiency of credit and venture arrangements, techniques, and practices and the capacity of the board to legitimately control its resources, including the auspicious distinguishing proof and accumulation of issue resources. The Management efficiency and earnings of the bank can be increased by extensive training and retraining to its employees and motivation. Need of sound

customer retention policies and effective grievance redressal mechanism.

## 7. Conclusion

Through the above analysis it is concluded that banking environment is changing drastically in India .it has given raised to increased competition among public and private sector banks. Mere financial performance can not help the bank to survive in this cut throat competition. Fast consolidation in banking sector has presented vast changes in functioning of the banks.thus both banks the public and the private sector bank are not antagonist but are supplement to each other for the nations overall development.

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