A RELATIVE COMPARISON OF FINANCIAL PERFORMANCE OF STATE BANK OF INDIA AND AXIS BANK

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ABSTRACT

State Bank of India (SBI) and AXIS Bank are the two leading banks in India. one being a public sector and later one is private sector bank. Financial Performance and the efficient functioning of commercial banks are the major measuring attributes of a country's financial system. For the comparison of bank's position the study has applied Solvency ratios, Profitability ratios, and Management efficiency ratios on SBI and AXIS Bank. The study has identified that the banks have been maintaining their prescribed parameters and operating profitably.

Further the study notices a difference in the efficiencies and performances of the Banks with regards to Investments, Net profit, Advances, Deposits, and Total assets. The study, tries to prove that SBI has a better performance AXIS Bank.

Key words: Efficiency ratios, financial system, Performance, Profitability Ratios, Solvency Ratios

Cite this Article: Premchand Kaila, Dr. E. Lokanadha Reddy, Dr. T. Narayana Reddy, A Relative Comparison of Financial Performance of State Bank of India and Axis Bank, *Journal of Management*, 6(1), 2019, pp. 162–169.

<http://www.iaeme.com/JOM/issues.asp?JType=JOM&VType=6&IType=1>

1. INTRODUCTION

The industry of Banking has a prominent role in developing the nation's economy. The sector of banking emerged in the 18th century, in India. The General Bank of India was the first bank that was established in 1786. The second bank was Bank of Hindustan which started its

operations in 1790. SBI started its operations from 19th Century, The Bank of Calcutta started on 2nd June 1806, which was then popularly known as The Bank of Bengal commenced on 2nd January 1809. The banks from 1906 to 1911 drew their inspiration from Swadeshi movement. The Indian Government (GOI) introduced The Banking Companies Act, 1949 with some amalgamation of rules that later gave way to Banking Regulation Act 1949^[7]..

1.1. Statement of the problem

The financial execution of SBI and AXIS banks are the major elements of the country's financial progress. The basic objective of banking industry is to upgrade the performance and profitability. Moreover, today managers of bank are striving to develop their performance based on financial views which evaluate overall performance of organization and presenting an effective feedback. The performances of bank have to be measured through two aspects, financial and human. The financial performance and their efficiency of banks act as a parameter that assists customers, managers, regulators and supervisors in decision making. For the analysis of data, the following ratios are considered viz., Profitability ratio, Solvency ratio, and Management efficiency ratios of SBI and AXIS Bank^[8].

1.2. Objectives

- To compare the financial performance of SBI and Axis Bank.
- To compare the profitability position and managerial efficiency of SBI and Axis Bank.

2. REVIEW OF LITERATURE

Sathya Swaroop Debasish (2006) analyzed efficiency performance in Indian banking sector. This study measure the relative efficiency of banks segmented on the basis of bank size, ownership structure and new economy/old economy banks. The current study does not include a few of the important banking efficiency parameters like non-performing asset, capital adequacy figures, customer satisfaction index and other service quality variables.

Fadzlan Sufian, Muzafar Shah Habibullah (2009) measures macroeconomic attributes of bank profitability of Chinese banking industry in the post-reform period of 2000–2005. This study results focuses on the relationship in bank profitability and its explanatory variables.

Fadzlan Sufian and Mohamad Akbar Noor Mohamad Noor (2012) the study determines the Bank Performance in a Developing Economy and focuses on relationship between bank profitability and Explanatory variables. The study identified that impact of Indian bank's profitability on the development of economy is negative.

Jaynal Ud-din Ahmed (2015) the study focused on evaluating the performance of Regional Rural Banks. The study analyzes the development on every sector and deployment of credit of RRBs over the years. This study found that RRBs are not in a position to deploy credit for socio-economic development unlike Indian Commercial Banks.

Poonam Singh and Kanhaiya Singh (2015) analyzed the Parameters to determine the efficiency of Indian Public Sector Banks. The study observed efficiency of rural variable among all the operational performance variables.

Hannes Koster and Matthias Pelster (2017) conducted a study. The study focused on financial penalties and its impact on profitability and stock performances of bank. The study focuses on profits of banks deposits and loans.

2.1. Hypothesis Testing

H01: There is no noticeable difference in the performances of SBI and AXIS Bank regarding Deposits.

H02: There is no remarkable difference in the performances of SBI and AXIS Bank with respect to Advances.

H03: There is no remarkable difference in performance of SBI and AXIS Bank in terms of Investments.

H04: There is no significant difference between performance of SBI and AXIS Bank in terms of Net Profit.

H05: There is no significant difference between performance of SBI and AXIS Bank in terms of Total Assets.

3. RESEARCH METHODOLOGY

3.1. Research Design

This study adopted descriptive Research to find the facts.

3.2. Sampling Design

Judgmental sampling technique was used in this study. This technique involved a judgmental selection based on the purpose of the sample

3.3. Selection of the Sample Units

Banking sector is one of the fast growing financial institution. Using this Judgmental sample technique State Bank of India and Axis Bank were selected as a sample units for this study. These sample units are selected based on their better performance in banking sector.

3.4. Data collection

To analyze the performance of both SBI and AXIS Bank the data was collected through annual report from sources of secondary data such as Internet, Magazines, Websites, Books, and Journals

3.5. Period of Study

This study covers a period of five years, i.e., from 2013-14 to 2017-18

3.6. Tools Applied

The major tools applied for the analysis of the data are Percentages, Ratios, and T-Test.

4. DATA ANALYSIS

4.1. Net Profit Ratio

Table 1 illustrates that the period of study, Net profit ratio of both SBI and AXIS Banks are fluctuated. The highest Net Profit Ratio of SBI was 8.59% in 2014-15 and for AXIS bank it was 20.74% in 2014-15. However, the lowest Net Profit Ratio of SBI was -2.97% in 2017-18 and 0.60% for AXIS bank in 2017-18.

Table 1: Net Profit Ratio

Year	SBI (Rs in crores)			AXIS (Rs in crores)		
	Net Profit	Net sales	Net Profit Ratio	Net Profit	Net sales	Net Profit Ratio
2013 - 2014	10,891.17	136350.8	7.9876099	6,217.67	30641.16	20.29188843
2014 - 2015	13,101.57	152397.07	8.596995992	7,357.82	35478.6	20.73875519
2015 - 2016	9,950.65	163685.31	6.079134407	8,223.66	40988.04	20.06356
2016 - 2017	10,484.10	175518.24	5.973225347	3,679.28	44542.16	8.260219082
2017 - 2018	-6547.45	220499.32	-2.969374237	275.68	45,780.31	0.602180282

Source: <http://www.moneycontrol.com>

4.2. Operating Profit Ratio

Table 2 illustrates that the period of study, Operating ratio of both SBI and AXIS Banks are fluctuated. The highest Operating Profit Ratio of SBI was 11.45% in 2014-15 and for AXIS bank it was 17.50% in 2015-16. However, the lowest Operating Profit Ratio of SBI was 8.08% in 2017-18 and 11.34% for AXIS bank in 2017-18.

Table 2: Operating Profit Ratio

Year	SBI (Rs in crores)			AXIS (Rs in crores)		
	Operating Profit	Net sales	Operating Profit Ratio	Operating Profit	Net sales	Operating Profit Ratio
2013 – 2014	14890.26	136350.8	10.92055199	4414.79	30641.16	14.40803808
2014 – 2015	17454.1	152397.07	11.45304172	5426.06	35478.6	15.29389548
2015 – 2016	16799.75	163685.31	10.26344392	7176.06	40988.04	17.50769249
2016 – 2017	17680.28	175518.24	10.0731867	6402.01	44542.16	14.37292219
2017 – 2018	17829.74	220499.32	8.086074823	5195.49	45,780.31	11.3487436

Source: <http://www.moneycontrol.com>

4.3. Return on Shareholder's Investment or Net worth Ratio

Table 3 illustrates that the period of study, Net worth Ratio of both SBI and AXIS Banks are fluctuated. The highest Net worth Ratio of SBI was 10.20% in 2014-15 and for AXIS bank it was 16.46% in 2014-15. However, the lowest Net worth Ratio of SBI was -2.98% in 2017-18 and 0.43% for AXIS bank in 2017-18. The table says that the Net worth Ratio of SBI is went to negative values the return of shareholders investment went on losses.

Table 3: Return on Shareholder's Investment or Net worth Ratio

Year	SBI (Rs in crores)			AXIS (Rs in crores)		
	Net Profit	Share Holders Fund	Return on net worth Ratio	Net Profit	Share Holders Fund	Return on net worth Ratio
2013 - 2014	10,891.17	1,18,282.25	9.20778055	6,217.67	38,220.49	16.26789714
2014 - 2015	13,101.57	1,28,438.23	10.2006778	7,357.82	44,676.52	16.46909831
2015 - 2016	9,950.65	1,44,274.44	6.8970291	8,223.66	53,164.91	15.46821014
2016 - 2017	10,484.10	1,88,286.06	5.5681765	3,679.28	55,762.54	6.598121248
2017 - 2018	-6547.45	2,19,128.56	-2.9879491	275.68	63,445.26	0.434516306

Source: <http://www.moneycontrol.com>

4.4. Earnings per Share [EPS]

Table 4 illustrates that the period of study, EPS of both SBI and AXIS Banks are fluctuated. The highest EPS of SBI was 17.54% in 2014-15 and for AXIS bank it was 17.25% in 2015-16. However, the lowest EPS of SBI was -7.33% in 2017-18 and 0.53% for AXIS bank in 2017-18. The table says that the EPS of SBI is gone to negative value.

Table 4: Earnings per Share [EPS]

Year	SBI (Rs in crores)			AXIS (Rs in crores)		
	Net Profit	No. of Equity Shares	Earnings per shares	Net Profit	No. of Equity Shares	Earnings per shares
2013 - 2014	10,891.17	746.57	14.58827705	6,217.67	469.84	13.23359016
2014 - 2015	13,101.57	746.57	17.54901751	7,357.82	474.1	15.51955284
2015 - 2016	9,950.65	776.28	12.81837739	8,223.66	476.57	17.25593302
2016 - 2017	10,484.10	797.35	13.14868	3,679.28	479.01	7.681008747
2017 - 2018	-6547.45	892.46	-7.336407234	275.68	513.31	0.537063373

Source: <http://www.moneycontrol.com>

4.5. Total Assets Turnover Ratio

Table 7.5 illustrates that the period of study, Total Assets Turnover Ratio of both SBI and AXIS Banks are fluctuated. The highest Total Assets Turnover Ratio of SBI was 7.60% in 2013-14 and for AXIS bank it was 7.99% in 2013-14. However, the lowest Total Assets Turnover Ratio of SBI was 6.42% in 2017-18 and 6.62% for AXIS bank in 2017-18.

Table 5: Total Assets Turnover Ratio

Year	SBI (Rs in crores)			AXIS (Rs in crores)		
	Net sales	Total Assets	Total Assets Turnover Ratio	Net sales	Total Assets	Total Assets Turnover Ratio
2013 - 2014	136350.8	1,792,234.60	7.607865622	30641.16	383,244.89	7.995190751
2014 - 2015	152397.07	2,048,079.80	7.440973247	35478.6	461,932.39	7.680474625
2015 - 2016	163685.31	2,259,063.05	7.245716759	40988.04	525,467.61	7.8002981
2016 - 2017	175518.24	2,674,380.65	6.56294907	44542.16	601,467.66	7.405578548
2017 - 2018	220499.32	3,429,904.01	6.428731514	45,780.31	691,329.57	6.622067388

Source: <http://www.moneycontrol.com>

4.6. Dividend Pay-Out Ratio

Table 6 illustrates that the period of study, Dividend Pay-Out Ratio of both SBI and AXIS Banks are fluctuated. The highest Dividend Pay-Out Ratio of SBI was 2.05% in 2013-14 and for AXIS bank it was 1.62% in 2012-13. However, the lowest Dividend Pay-Out Ratio of SBI was 0% in 2017-18 and 0% for AXIS bank in 2017-18. Compare to SMI and AXIS the Dividend Pay-Out Ratio of SBI is in negative.

Table 6: Dividend Pay-Out Ratio

Year	SBI (Rs in crores)			AXIS (Rs in crores)		
	Dividend Per share	Earnings per shares	Dividend pay-out ratio	Dividend Per share	Earnings per shares	Dividend pay-out ratio
2012 - 2013	41.5	20.62	2.012568965	18	11.07	1.626260032
2013 - 2014	30	14.59	2.056445726	20	13.23	1.511305682
2014 - 2015	3.5	17.55	0.199441365	4.6	15.52	0.296400292
2015 - 2016	2.6	12.82	0.202833785	5	17.26	0.289755413
2016 - 2017	2.6	13.15	0.19773848	5	7.68	0.650956165
2017 - 2018		-7.34	0		1.48	0

Source: <http://www.moneycontrol.com>

4.7. Debt-Equity Ratio

Table 7 illustrates that the period of study, Debt-Equity Ratio of both SBI and AXIS Banks are fluctuated. The highest Debt-Equity Ratio of SBI was 16.34% in 2015-16 and for AXIS bank it was 10.89% in 2017-18. However, the lowest Debt-Equity Ratio of SBI was 14.2% in 2016-17 and 9.88% for AXIS bank in 2015-16.

Table 7: Debt-Equity Ratio

Year	SBI (Rs in crores)			AXIS (Rs in crores)		
	Total Liabilities	Share Holders Fund	Debt Equity Ratio	Total Liabilities	Share Holders Fund	Debt Equity Ratio
2013 - 2014	1,792,748.28	1,18,282.25	15.15	383244.89	38,220.49	10.02
2014 - 2015	2,048,079.80	1,28,438.23	15.94	461932.39	44,676.52	10.33
2015 - 2016	2,357,617.55	1,44,274.44	16.34	525,467.62	53,164.91	9.88
2016 - 2017	2,674,380.65	1,88,286.06	14.2	601467.67	55,762.54	10.78
2017 - 2018	3,429,904.02	2,19,128.56	15.65	691,329.57	63,445.26	10.89

Source: <http://www.moneycontrol.com>

4.8. Interest Expended to Interest Earned Ratio

Table 8 illustrates that the period of study, Interest Expended to Interest Earned Ratio of both SBI and AXIS Banks are fluctuated. The highest Interest Expended to Interest Earned Ratio of SBI was 66.05% in 2017-18 and for AXIS bank it was 60.99% in 2013-14. However, the least Interest Expended to Interest Earned Ratio of SBI was 63.86% in 2013-14 and 58.93% for AXIS bank in 2015-16.

Table 8: Interest Expended to Interest Earned Ratio

Year	SBI	AXIS
	Interest Expended / Interest Earned	Interest Expended / Interest Earned
2013 - 2014	63.86	60.99
2014 - 2015	63.9	59.91
2015 - 2016	65.12	58.93
2016 - 2017	64.76	59.38
2017 - 2018	66.05	59.33

Source: <http://www.moneycontrol.com>

5. RESULTS

Table 9

VARIABLES	MEAN1	MEAN2	SD	SE	C. V
Deposits	1890603.774	365871.114	2.41	1.077817531	3.35
Advances	1495902.82	332528.632	1.86	0.831842576	2.59
Investments	656637.29	130113.382	1.14	0.509838998	1.58
Net Profit	7576.008	5150.822	1212.59	542.30322	1.60
Total Assets	2440732.422	532688.424	3.016	1.348837209	4.20

Source: <http://www.moneycontrol.com>

Table value = 2.236

Table 9 demonstrates the Performance of SBI and AXIS Bank in terms of Deposits, Advances, Investments, Net Profit, and Total Assets by applying the t- test

The calculated value of Deposits 3.35 is greater than the table value 2.236. Therefore, H01 is rejected.

The calculated value of Advances 2.59 is greater than the table value 2.236. Therefore, H02 is rejected.

The calculated value of Investments 1.58 is less than the table value 2.236. Therefore, H03 is rejected.

The calculated value of Net Profit 1.58 is less than the table value 2.236. Therefore, H04 is rejected.

The calculated value of Total Assets 4.2 is greater than the table value 2.236. Therefore, H05 is rejected.

6. DISCUSSION

The study provides key findings according to the data analysis and arrives on some conclusions based on the findings.

- The average Net Profit Ratio of SBI is 5.13% and AXIS bank is 13.99%, which implies that the Net Profit Ratio of AXIS bank is 8.85%, which is more than that of the SBI.
- The average Operating profit ratio of SBI is 10.15% and AXIS bank is 14.58% it means AXIS bank Operating profit ratio is 4.42% more than SBI.
- The average Net Worth Ratio of SBI is 5.77% and AXIS bank is 11.04% it means AXIS bank Net Worth Ratio is 5.27% more than SBI.
- The average EPS of SBI is 10.15% and AXIS bank is 10.84% it means AXIS bank EPS is 0.69% more than SBI.
- The average Total Assets Turnover Ratio of SBI is 7.05% and AXIS bank is 7.50% it means AXIS bank Total Assets Turnover Ratio is 0.44% more than SBI.
- The average Dividend Pay-Out Ratio of SBI is 4.66% and AXIS bank is 4.34% it means SBI bank Dividend Pay-Out Ratio is 0.44% more than AXIS.
- The average Debt-Equity Ratio of SBI is 15.45% and AXIS bank is 10.33% it means SBI bank Debt-Equity Ratio is 5.07% more than AXIS.

7. SUGGESTIONS

- An Earnings per Share (EPS) of SBI Bank is very low when compared to AXIS. Where in 2017-18 the value gone to negative it implies profitability of SBI is not equal to AXIS Bank. Therefore, the SBI Bank may take some measures to increase income over expenditure for increasing Earning per Share.
- Debt-equity Ratio of SBI is higher when compared to AXIS Bank. As a result, SBI should have a control on their debts. Axis Bank have to maintain the standards to manage their debts.

8. CONCLUSIONS

According to the analysis both SBI and AXIS banks are maintaining their standards and requirements. Both the banks are running with profitability. But their performance indicate the significant difference between both the banks of SBI and AXIS in terms of Deposits, Advances, Investments, Net Profit, and Total Assets.

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