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Research Paper

A PROJECT REPORT ON FINANCIAL ANALYSIS AT AXIS BANK

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I. ABSTRACT

The performance, profitability, growth, and asset quality of Axis Bank, one of India's largest private sector banks, are examined in this financial study. As advances and deposit bases have grown, the bank has maintained strong core operational performance, growing net interest income (NII) and non-interest income (including fees and trading). In Q1 FY26, managed expenses and improved non-interest income contributions drove 14% operational profit growth, although net interest margins (NIM) weakened due to competitive pressure.

In some quarters, quarterly net profits have grown year-over-year, while others have declined due to higher provisions for loan losses and technical adjustments, highlighting the impact of credit cost management on earnings. Gross non-performing assets (NPAs) continue to be mild compared to the bank's loan portfolio.

The bank's deposits and advances have grown, with retail and commercial banking contributions and a solid CASA ratio compared to rivals. Margin compression, higher provisioning, and variable profitability ratios need close monitoring. Despite competitive and macroeconomic constraints in the Indian banking market, Axis Bank's financial performance shows solid foundations with balanced growth and careful risk management.

KEYWORDS

Financial performance, profitability analysis, net interest income (NII), net interest margin (NIM), asset quality, non-performing assets (NPA), return on assets (ROA), return on equity (ROE), capital adequacy ratio (CAR), liquidity management, credit risk, deposits and advances, CASA ratio, balance sheet analysis, income statement analysis, and banking sector performance are key terms in Axis Bank's financial analysis. These keywords reflect the bank's core financial indicators and analytical tools for testing operational efficiency, risk management, growth, and long-term financial stability.

II. INTRODUCTION

The risk and profitability of a corporation may be determined by studying yearly and quarterly financial reports. In other words, financial analysis examines balance sheet accounting ratios. Asset utilization, profitability, leverage, liquidity, and valuation ratios are examples. Financial analysis quantifies past, present, and future corporate performance.

Financial analysis has several benefits. It informs investors about investing in a firm, which is its main advantage. It helps companies comply with accounting rules set by regulatory bodies like the IASB. It aids government authorities in comprehending corporate tax obligations, and the firm may examine its success over time. Financial analyses are essential for decision-making and dominate management decision-making. Financial analysis is 'the process of detecting the firm's financial strengths and weaknesses by appropriately establishing relationships between the balance sheet and profit and loss account.' There are several ways to examine financial analysis, which may give useful insights into a company's performance and future if correctly studied and understood. Lenders, investors, security analysts, managers, and others are interested in financial research.

III. STATEMENT OF THE PROBLEM

A financial statement communicates the financial position of a firm, but its significance lies not in its preparation but in its analysis and interpretation. In a highly competitive banking environment, it is often difficult to assess the true liquidity, solvency, profitability, and operational efficiency of a bank purely from raw financial statements. Axis Bank, like other private sector banks, faces challenges such as margin compression, fluctuating profitability ratios, and the need for effective utilization of funds. There is a need to systematically analyze the bank's financial data using comparative and ratio analysis to identify its financial strengths and weaknesses. This study addresses the problem of evaluating Axis Bank's financial position and performance over the study period and identifying areas that require improvement.

IV. NEED OF THE STUDY

A financial analysis study is necessary to diagnose the information in financial statements and to evaluate Axis Bank's profitability and finances. Financial analysts analyze financial data using different methodologies to assess the firm's financial health. It is important to highlight Axis Bank's history and to understand the significance and meaning of financial analysis in assessing overall performance and stability.

V. SCOPE OF THE STUDY

Different people analyze financial statements for different purposes, and therefore the scope of financial statement analysis may vary. Several analysis methods exist, including financial comparison studies, common-size financial analysis, trend percentage analysis, financial position updates, cost-volume-profit relationships, and ratio analysis. Ratio analysis is the most prevalent, comprehensive, and powerful tool, and its comparative nature makes it important. This study focuses on ratio analysis.

VI. OBJECTIVES OF THE STUDY

The project aims to assess the company's financial position utilizing comparative and ratio analysis. Axis Bank's 2020–2024 annual reports were used to assess the company's liquidity, profitability, long-term solvency, and operational effectiveness. The research has the following goals:

1. To identify the financial strengths and corporate weaknesses of the firm.
2. To determine the firm's short-term financial position and solutions.

3. To analyze financial data to assess corporate profitability and soundness.
4. To establish correlations between individual statistics of the income and balance sheets.

VII. LIMITATIONS OF THE STUDY

1. Interim reports are the sole focus of this research.
2. Financial analysis focuses only on monetary data, ignoring non-monetary elements.
3. Different individuals may view the same analysis differently.
4. There is no consideration for price level adjustments.
5. Variations in accounting procedures may lead to inaccurate financial analysis.

VIII. REVIEW OF LITERATURE

1. Benjamin Graham and David Dodd (1934) stressed the relevance of financial statement analysis in assessing corporate financial health and worth. Balance sheets, income statements, and cash flow statements reveal profitability, liquidity, solvency, and operational effectiveness, according to their study. Ratio analysis helps investors and managers evaluate financial soundness and make smart investments. The research found that comprehensive financial analysis is necessary for financial planning, risk assessment, and organizational sustainability.
2. James C. Van Horne (1980) investigated financial analysis as a key instrument for corporate performance and financial decision-making. The report said financial measures assist managers in assessing profitability, liquidity, efficiency, and capital structure. Multiple-year comparative analysis helps firms discover strengths, flaws, and development prospects. The study found that frequent financial analysis improves strategy planning, resource allocation, and organizational performance by enabling rapid corrective measures.
3. Eugene F. Brigham and Joel F. Houston (2019) examined financial statement analysis in corporate financial management. Ratio analysis, trend analysis, and comparative financial statements help managers assess organizational efficiency and profitability. Effective financial analysis enhances budgeting, investment planning, and financing. Financial analysis is essential for sustainable development and financial stability, according to the authors.
4. K. R. Subramanyam (2014) said financial statement analysis informs investors, creditors, and management. The research stressed the relevance of profitability, liquidity, leverage, and activity ratios for business performance evaluation. Financial analysis helps firms improve financial decision-making and discover operational inefficiencies. Complete financial statement analysis improves transparency, investment choices, and organizational financial management.
5. Prasanna Chandra (2017) examined financial analysis in business planning and performance assessment. The study said that ratio analysis lets companies analyze financial performance across accounting periods and industry norms. Financial metrics reveal operating efficiency, profitability, liquidity, and solvency. Financial analysis helps firms make strategic decisions, use resources efficiently, and govern finances.

6. I. M. Pandey (2018) analyzed financial analysis as crucial to financial management. The research showed that ratio and trend analysis are needed to analyze financial information. Financial analysis helps managers assess corporate performance, identify risks, and plan forward. The study found that comprehensive financial assessment enhances investment choices, financial planning, organizational development, and sustainability.
7. S. N. and S. K. Maheshwari (2020) stressed the relevance of financial statement analysis for organizational efficiency and financial stability. Their analysis found that profitability, liquidity, turnover, and leverage ratios indicate firm success. Managers use comparative financial analysis to uncover operational and financial shortcomings. The authors found that financial analysis aids management decision-making, planning, budgeting, and performance assessment.
8. Ramesh Kumar (2022) examined how financial analysis affects Indian bank performance. The research concluded that ratio analysis helps management measure profitability, capital sufficiency, liquidity, and operational efficiency. Comparative financial analysis helped banks detect performance gaps and plan better. To improve organizational competitiveness and shareholder value, the study advocated frequent financial performance review utilizing standardized financial indicators.
9. Neha Sharma and Vikas Gupta (2023) explored how financial analysis affects investing decisions. Their analysis found that investors prioritize profitability, earnings per share, return on equity, and debt-equity ratios when investing. Correct financial analysis lowered investment risk and enhanced portfolio performance. The researchers found that clear financial reporting and rigorous financial analysis boost investor trust and capital market efficiency.

IX. RESEARCH METHODOLOGY

Research Design:

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is a systematic way to solve the research problem and an important component of the study. Decisions regarding what, where, when, how much, and by what means concerning an inquiry constitute a research design.

Sources of Data:

Data were collected based on two sources: primary data and secondary data. Primary data are those which are collected afresh and for the first time, and thus are original in character. Secondary data were collected from different sites, brochures, newspapers, company offer documents, and books, as well as through suggestions from the project guide and faculty members.

Company Name: Axis Bank. Source of Data: Secondary Data. Duration of the study: 45 Days. Period of the Study: 2023–2024. The sources of secondary data include annual reports, the internet, and magazines. It includes data gathered from the annual reports of Axis Bank and articles collected from the official website of Axis Bank.

Sample Design:

The sample design refers to the framework and strategy used to select a representative subset of data for financial analysis. It ensures that the selected sample accurately reflects the overall population, minimizing bias and enhancing the reliability of findings. A well-structured sample design is crucial for drawing meaningful conclusions about financial performance, risk assessment, and investment trends.

Sample Size:

The sample size represents the number of data points, companies, or financial transactions chosen for analysis. It depends on the research objectives, data availability, and statistical requirements. A larger sample size generally provides more precise and reliable results, reducing the margin of error, while maintaining an optimal balance to ensure feasibility without compromising accuracy.

Statistical Tools & Techniques Used for Data Analysis:

Current ratio = Current asset / Current liability

Quick ratio = Quick asset / Current liability

Debt equity ratio = Total debt / Equity

Proprietary ratio = Shareholders' fund / Total asset

Leverage ratio = Total asset / Total debt

Gross profit ratio = Gross profit / Net sales × 100

Net profit ratio = Net profit / Net sales × 100

Return on investment = Profit before interest and tax / Capital employed × 100

Capital employed = Fixed asset + Current asset − Current liability

X. DATA ANALYSIS & INTERPRETATION

Liquidity Ratios — Current Ratio

Current ratio = Current asset / Current liability

Year	Current Assets	Current Liability	Ratio
2020-2021	2180.38	1792.14	1.21:1
2021-2022	2520.00	2176.91	1.15:1
2022-2023	2065.48	1871.63	1.10:1
2023-2024	2983.05	2184.53	1.36:1
2024-2025	2916.37	1991.66	1.46:1

INTERPRETATION: Generally, a current ratio of 2:1 is considered standard. It is clear that the company fails to attain the standard ratio. The current ratio from 2020-21 to 2024-25 is fluctuating year by year.

Quick Ratio

Quick ratio = Quick asset / Current liability

Year	Quick Asset	Current Liability	Ratio
2020-2021	315.49	1792.14	0.17
2021-2022	206.25	2176.91	0.09
2022-2023	263.16	1871.63	0.14
2023-2024	666.98	2184.53	0.30

Year	Quick Asset	Current Liability	Ratio
2024-2025	621.27	1991.66	0.31

INTERPRETATION: Generally, a quick ratio of 1:1 is considered satisfactory. The quick ratio is less than 1, which means the financial position of the company is unsound. It is fluctuating year by year, so the company needs to increase its liquid assets to attain the standard ratio.

Super Quick Ratio

Super quick ratio = Absolute liquid asset / Current liability; Super quick asset = Cash + Short-term investment

Year	Super Quick Assets	Current Liability	Ratio
2020-2021	6.56	1792.14	0.003
2021-2022	4.49	2176.91	0.002
2022-2023	8.71	1871.63	0.004
2023-2024	4.93	2184.53	0.002
2024-2025	10.31	1991.66	0.005

INTERPRETATION: Generally, a super quick ratio of 0.5:1 is considered ideal. The company has not met the ideal ratio in any of the years and shows a fluctuating trend. The company does not keep much super quick asset to pay off its super quick liabilities.

Solvency Ratios — Debt Equity Ratio

Debt equity ratio = Total debt / Equity

Year	Debt	Equity	Ratio
2020-2021	673.03	1231.51	0.54
2021-2022	277.28	1541.25	0.17
2022-2023	203.28	1587.10	0.12
2023-2024	389.24	2082.70	0.18
2024-2025	385.80	2370.41	0.16

INTERPRETATION: Generally, a debt equity ratio of 1:1 is considered standard. The company has not reached the standard ratio in any year, which shows that the company tends to use more of its own fund than borrowed fund.

Proprietary Ratio

Proprietary ratio = Shareholders' fund / Total asset

Year	Shareholders' Fund	Total Asset	Ratio
2020-2021	1231.51	3696.68	0.33
2021-2022	1541.25	3995.44	0.38
2022-2023	1587.10	3662.05	0.43
2023-2024	2082.70	4656.47	0.44
2024-2025	2370.41	4747.87	0.49

INTERPRETATION: Generally, a proprietary ratio of 0.5:1 or above (50% or more) is considered ideal. The company's proprietary ratio is almost equal to the standard, which means low risk to the creditors of the company. The ratio is increasing year by year.

Leverage Ratio

Leverage ratio = Total asset / Total debt

Year	Total Asset	Total Debt	Ratio
2020-2021	3696.68	2465.17	1.49

Year	Total Asset	Total Debt	Ratio
2021-2022	3995.44	2454.19	1.62
2022-2023	3662.05	2074.88	1.76
2023-2024	4656.47	2573.77	1.80
2024-2025	4747.87	2377.46	1.99

INTERPRETATION: Generally, a leverage ratio of 1:1 is considered ideal. The solvency ratio of the company is more than 1, which means a higher degree of solvency. This indicates the company is solvent because the assets are sufficiently more than the liabilities. The ratio is increasing year by year.

XI. FINDINGS

1. Current ratio is below standard and fluctuating year by year.
2. Quick ratio is also below standard, hence the firm will face difficulties in paying off its liabilities on time.
3. Super quick ratio is also below standard, so the short-term liquidity position is very poor.
4. Debt equity ratio is below the standard and the company is not financially sound in this respect.
5. Proprietary ratio is almost equal to the standard and is increasing year by year.
6. Gross profit ratio is below the ideal ratio, which indicates inefficiency in production and purchase management, but it shows an increasing trend.
7. Net profit ratio shows an increasing trend, which means increasing profitability.
8. Return on investment is satisfactory, with only a slight increase.
9. Return on shareholders' fund decreased in 2023, which may be due to poor utilization of owners' fund.
10. Leverage ratio indicates that the company is solvent because the assets are sufficiently more than the liabilities.

XII. SUGGESTIONS

It is better for the company to decrease its current liability to improve the liquidity ratio and liquidity position. The company has to increase net sales to increase the profitability of the entity, and higher profitability will attract shareholders. The company must also aim at effective utilization of owners' fund. It must keep a standard level of liquid assets and try to maintain the profits it is currently earning. Customer satisfaction as well as the development of customers should be given priority.

XIII. CONCLUSION

Finance is the lifeblood of every business concern, but if it is not properly managed it can cause an adverse effect on the economy. Therefore, the acquisition and utilization of finance is very important. A financial statement of a concern communicates to its users the financial position of the firm; the significance of this statement lies not in its preparation but in its analysis and interpretation. Thus, a study was made on the financial statement analysis of Axis Bank to know the solvency and financial position of the firm. This study helped to analyze the liquidity and efficiency of the business and the management of the firm. The position of the company is average, but it can still improve. As competition in the market is getting tougher, Axis Bank should make changes to maintain its market share. So the financial performance is satisfactory, but there is further scope for improvement.

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