Unlocking Financial Insights: A Comparative Study of SBI versus Axis Bank

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Abstract

Purpose of the research: The purpose of this research is to compare the financial performance of State Bank of India (SBI) and Axis Bank, two major Indian financial organizations, over the last five years. The study focuses on key financial measures to evaluate the profitability, efficiency, and overall financial health of both institutions.

Design/Methodology/Approach: The research uses a comparative analysis approach to evaluate important financial ratios such as return on equity, earnings per share, profit earnings ratio, dividend per share, dividend payout ratio, net profit margin, operational profit margin, and return on assets. These ratios are used to compare the financial performance of SBI and Axis Bank to uncover similarities and differences between the two.

Findings: The comparison analysis highlights the financial strengths and drawbacks of SBI and Axis Bank. Profitability criteria such as earnings per share and return on equity vary, as do dividend policy and operational efficiency indicators.

Originality and Novelty: This research adds to the current literature by comparing SBI and Axis Bank's financial performance across multiple crucial ratios. The study provides insights into both banks' financial advantages and drawbacks, which may influence investment decisions and strategic planning.

Research Limitations: This study relies on publicly available financial data, which may not fully portray the complexity of the banking business. Furthermore, the analysis is confined to a given time period and may not capture long-term patterns or future performance.

Research and Practical Implications: This research has important consequences for investors, legislators, and banking professionals. Understanding SBI and Axis Bank's financial strengths and weaknesses can help guide investment decisions, regulatory actions, and strategic initiatives to improve financial performance.

Social Implications: The financial stability and performance of banks like SBI and Axis Bank have a substantial impact on the economy, including credit access, financial inclusion, and growth.

Keywords: Financial Analysis, SBI, Axis Bank and Financial Ratios.

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Introduction

Banks are financial institutions that accept public deposits and lend money to businesses, sectors of the economy, and the general public through advances and loans. Because they contribute to investors' and savers' well-being, banks are seen as crucial financial intermediaries. Due to their participation in the transmission of monetary policy, payment and settlement systems, and the process of loan intermediation, banks play a crucial role in the operation of an economy. The flow of commodities and services as well as government operations are made easier by financing. Additionally, it supplies the nation with a sizable share of its medium of exchange. It is believed that a robust and efficient banking system is essential for the growth of the economy as a whole (Chaudhuri, B. 2018). A key economic driver of the Indian economy is supposedly the banking sector's performance (Koley, J. 2019).

Any organization's financial performance cannot be assessed based on its records and documentation. It must be decided by strategic analysis. The choice of the individual determines the strategy to be used and how it will be used. Ratio Analysis, Comparative Balance Sheet Analysis, Time Series, and other important and commonly used techniques In order to provide meaningful conclusions regarding the financial performance of the banks, (Tiwari, A., & Tiwari, R. 2019). The goal of the current study is to use ratio analysis to examine the financial performance of SBI and Axis Bank, public and private sector banks.

(i) State Bank of India (SBI):

State Bank of India (SBI), a Fortune 500 company, is an Indian public sector banking and financial services corporation with its headquarters in Mumbai. SBI is the bank that Indians have had the most faith in because of its lengthy history, which spans more than 200 years.

SBI, India's largest bank with a quarter of the market, provides services to over 45 crore customers through a broad network of more than 22,000 branches, 62617 ATMs/ADWMs, and 71,968 BC shops. The bank's unwavering focus on innovation and customer centricity is driven by its key principles of service, transparency, ethics, civility, and sustainability. (*About Us*, 2023)

(ii)Axis Bank:

Axis Bank offers a comprehensive range of financial services to various customer sectors and is the third-largest private sector bank in India. It has more than 4,900 domestic branches and 15,900 ATMs, giving it a significant presence in India. The bank operates internationally with branches in Singapore, Dubai, Gift City-IBU, and representative offices in Dhaka, Dubai, Abu Dhabi, and Sharjah. Axis Bank began operations in 1994 and was jointly sponsored by SUUTI and LIC. As of March 2023, the bank's balance sheet was worth Rs. 13,17,326 crores. Over the previous five years, the bank's total assets, advances, and deposits have all consistently increased. (*Corporate Profile - Third-largest Private Sector Bank in India | Axis Bank*, 2023)

Review of Literature

The performance analysis of financial institutions, and specifically banks, has gained significant attention from planners and policymakers in India. This is particularly due to the crucial role banks play in economic growth. One such study of comparison of financial analysis focused on State Bank of India and Axis Bank for the period 2018-2019. The study aimed to assess the efficiency and performance of these two banks based on various financial metrics and indicators. The study found that private sector banks, such as Axis Bank, contrasted to a few public sector banks, like the SBI, were able to use assets, investments, and deposits more effectively (Singh & Sharma, 2022). According to the analysis conducted by S. Subalakshmi et al, Based on the profit and loss account, balance sheet, and ratio analysis, SBI's overall performance for the chosen period was progressive (Singh & Sharma, 2022). Furthermore, according to the survey, Indian public sector banks were more profitable and cost-effective than private and foreign banks. (Srinivasan & Britto, 2017). However, it should be noted that the performance of banks can be influenced by factors such as government policies, economic conditions, and industry trends.

The study also included a comparison of the financial performance metrics of Axis Bank and ICICI Bank, highlighting the importance of analyzing multiple banks to gain a comprehensive understanding of the banking sector's overall efficiency and performance. The study's key finding was that SBI demonstrated a significant rise in income following demonetization, in contrast to Axis Bank, which saw variable results (Bahl et al., 2022). Due to the promotion of a cashless economy and an increase in the liquidity ratio, the post-demonetization period had a substantial impact on banking performance (Bahl et al., 2022).

The comparative study of the financial analysis of SBI and Axis Bank reveals that both banks have maintained their prescribed parameters and operate profitably (Kaila et al., 2019). However, in terms of investments, net profit, advances, deposits, and total assets, the efficiency and performance of the banks varies (Jain & Jaiswal, 2016). Another study indicates that SBI is financially sound and performing well compared to ICICI Bank, while ICICI Bank performs better in terms of provisions for NPA and non-performing assets (Verma, 2021). Additionally, a study comparing HDFC and SBI banks found that HDFC performs better than SBI in terms of ratio analysis and customer satisfaction (Subalakshmi, 2018). Furthermore, SBI is the largest commercial bank in India and commands a significant portion of the country's bank resources (Padma & Arulmathi, 2013). Overall, these studies suggest that SBI has a better financial performance and efficiency (Singh & Tandon, 2012) compared to Axis Bank and ICICI Bank, but HDFC performs better than SBI in certain aspects.

Research Methodology

This study's research methodology centers on a thorough assessment of the financial standing of two major players in the banking sector: State Bank of India (SBI) and Axis Bank. The study seeks to accomplish three main goals: first, to evaluate SBI and Axis Bank's financial position; second, to compare and contrast these two banks' financial outcomes; and third, to use a research design that improves our comprehension of their financial performance.

A descriptive study design was chosen to achieve these goals. Descriptive research is a suitable option for a study that compares and evaluates the financial circumstances of SBI and Axis Bank since it offers a methodical and thorough portrayal of the phenomenon being studied.

This study used a judgmental sampling design for its sampling. With this method, sample units are carefully chosen with consideration for how they will be used in the study. In light of the banking sector's dynamic character and the requirement to examine organizations exhibiting noteworthy performance, judgmental sampling facilitates a focused and perceptive selection procedure.

In this instance, State Bank of India and Axis Bank are the model units. Given their outstanding contributions to the banking sector, these two organizations were selected as representatives of the sector. The choice to concentrate on these banks is consistent with the goal of comparing and contrasting the financial positions of major players in the banking industry.

Secondary data sources were predominantly used in the data collection for this investigation. An essential source of knowledge was annual reports, which were supplemented by material obtained from books, journals, periodicals, websites, and the internet. The utilization of several sources guarantees a thorough and varied dataset, hence enhancing the study of SBI and Axis Bank's financial performance.

The study is conducted over a five-year period, from 2019 to 2023. This period of time was selected to give a comprehensive picture of the banks' financial paths, enabling the detection of trends, patterns, and any changes in their financial situation over this time.

Ratios and percentages were used as analytical tools for data analysis. These tools make it easier to perform a quantitative evaluation, providing a more sophisticated comprehension of important financial metrics and facilitating the comparison of SBI and Axis Bank. When expressing relative proportions and patterns within financial data, percentages and ratios work very well.

In summary, this study's research technique is set up to methodically accomplish the stated goals. Descriptive research, judgmental sampling, a five-year study period, a focus on important figures in the banking sector, a variety of data sources, and the use of percentages and ratios all work together to provide a thorough and perceptive examination of the financial situation of State Bank of India and Axis Bank.

Data Analysis and Interpretation

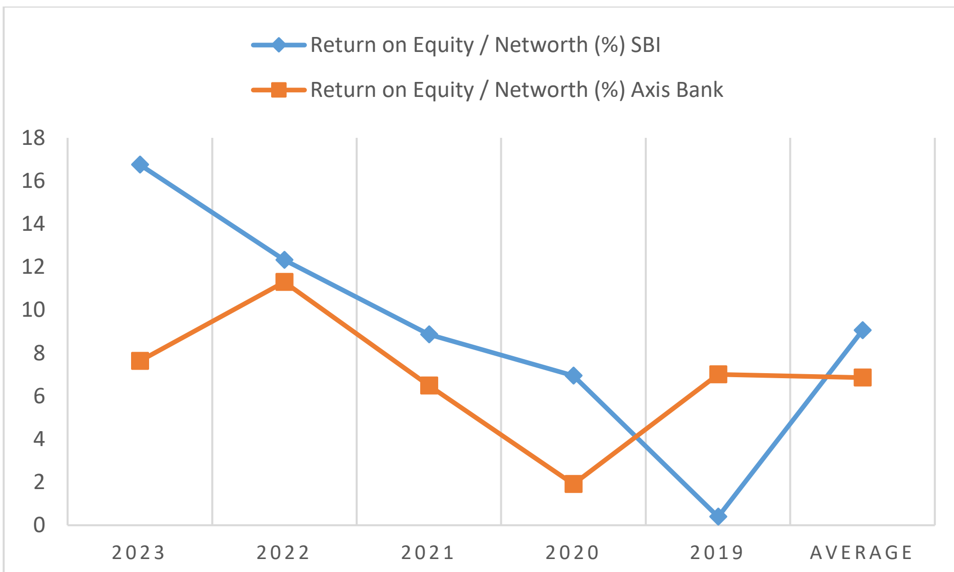
Return on Equity / Net worth

A financial term called return on equity (ROE) gauges a company's profitability in relation to its shareholders' equity. Return on Equity (ROE) is a financial measurement that assesses how effectively a company's management generates value for its owners. It is commonly used as a broad indicator of business financial performance. ROE is influenced by a variety of factors, including earnings manipulation, financial leverage, and inflation (De Wet & Du Toit, 2007). While ROE is a popular metric among investors, portfolios with higher ROE may not imply larger positive abnormal returns (De Wet & Du Toit, 2007). ROE analysis can be used to determine an organization's investment attractiveness and compare it to the profitability of bank deposits (Ahsan, 2012). The ability to manage expectations about future financial achievements may have a greater impact on shareholder returns than maximizing present results (Idrus, 2018; Nagumanova & Sabirova, 2017). The argument over the efficiency of standard accounting performance indicators, such as ROE, as well as the quest for the true drivers of shareholder value, will continue and intensify.

Table 1: Return on Equity

Return on Equity / Net worth (%)		
Year	**SBI**	**Axis Bank**
2023	16.75	7.63
2022	12.33	11.3
2021	8.86	6.48
2020	6.95	1.91
2019	0.39	7.01
Average	**9.05**	**6.86**

Figure 1: Return on Equity/ Net Worth



According to the data, SBI has consistently maintained a better ROE than Axis Bank, with an average ROE of 9.05% for SBI and 6.86% for Axis Bank. Over the years, both banks' ROE has, however, experienced some variations. In the given period, SBI has shown a greater ROE than Axis Bank, showing stronger profitability and effective use of shareholder equity.

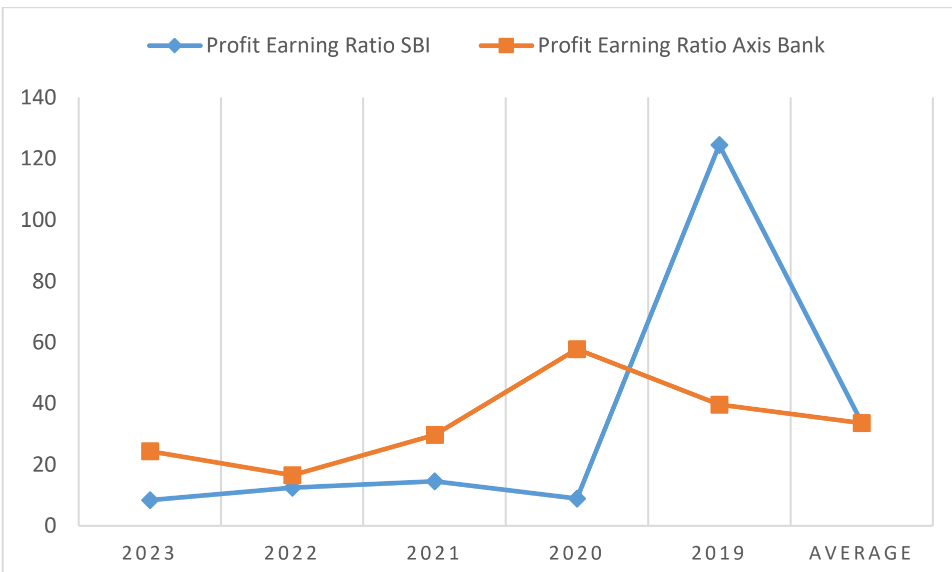
Profit Earning Ratio:

The P/E ratio is a financial indicator that compares the ratio of a company's stock price to its earnings per share, which sheds light on how the market values the business. The profit earning ratio is a widely used measure in financial ratio analysis for determining a company's profitability and potential to generate returns for investors. It is especially critical for small enterprises with external investors who anticipate profits. The profitability ratio has been assessed in several studies, including one on Romanian enterprises, which discovered that it is useful in forecasting corporate insolvency (Brîndecsu-Olariu, 2016). Another study investigated the influence of net profit margin (NPM) and return on assets (ROA) on price earning ratio (PER) in banking companies listed on the Indonesia Stock Exchange, indicating that NPM and ROA have a substantial effect on PER (Susilo & Sapitri, 2022) Furthermore, a publication recommended the use of fuzzy logic systems to alter the profit margin depending on accounting and expert data (Cubaque-Zorro & Figueroa-García, 2014). Finally, a strategy for commercializing an earning ratio game based on pork futures was described, with the goal of lowering risk for pig producers and providing a new investment target.

Table 2: Profit Earning Ratio

Profit Earning Ratio		
Year	**SBI**	**Axis Bank**
2023	8.4	24.41
2022	12.45	16.54
2021	14.51	29.7
2020	8.89	57.75
2019	124.5	39.61
Average	**33.75**	**33.6**

Figure 2: Profit Earning Ratio



As can be seen from the statistics, SBI's EPS increased year over year during the time of the study whereas, it can be seen that EPS of Axis's bank fluctuates during the year. Therefore, according to the data, SBI is more effective bank in terms of producing earnings per share.

Dividend Per Share:

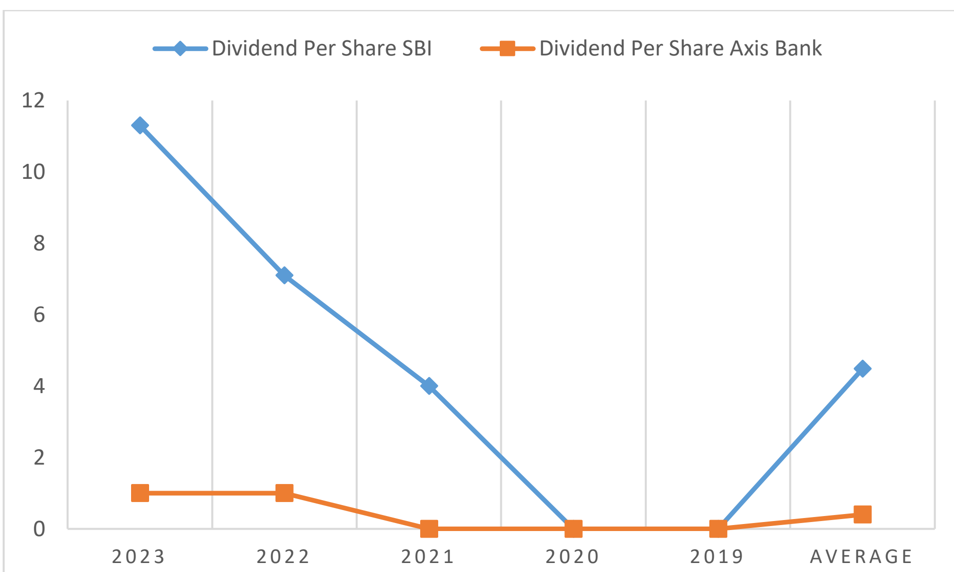
The dividend per share (DPS) financial indicator calculates the dividend paid to shareholders for each outstanding share. Several articles have looked at dividend per share. The effect of dividends per share on stock prices has been studied in pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange (Humaerah et al., 2022). The study discovered that dividends per share, together with earnings per share, had a considerable impact on stock prices in this sector. Another study looked at companies registered on the Dhaka Stock Exchange and found inconsistent results on the association between dividend per share and stock price across different sectors (Sheikh et al., 2022). In the coal business, dividend per share was discovered to have a beneficial effect on stock prices. In the food and beverage industry, dividend per share had no meaningful impact on stock returns (Hartanti et al., 2019). Finally, in the building construction subsector, earnings per share were discovered to have a considerable influence on dividend per share (Subianto & Rohim, 2022).

In conclusion, SBI has demonstrated a stable and upward trend in dividend distribution, giving its stockholders a larger return. Axis Bank, meanwhile, has often given lesser dividends, demonstrating a more cautious approach to rewarding shareholders. Decisions about dividend payments are influenced by a number of variables, including the business's financial success, cash on hand, and expansion ambitions.

Table 3: Dividend per Share

Dividend Per Share		
Year	**SBI**	**Axis Bank**
2023	11.3	1
2022	7.1	1
2021	4	0
2020	0	0
2019	0	0
Average	**4.48**	**0.4**

Figure 3: Dividend per Share



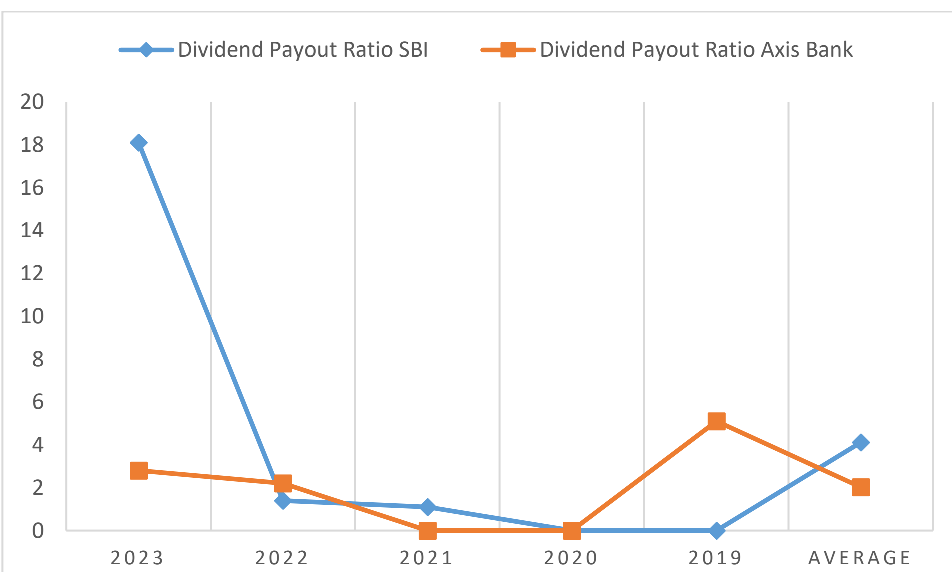
Dividend Payout Ratio:

A financial indicator called the dividend payout ratio shows what portion of profits is distributed as dividends to shareholders. The dividend payout ratio is a measure of how much of a company's profits are allocated to shareholders as dividends. Several factors can affect the dividend payout ratio, including net profit, debt-to-equity ratio, return on assets, sales, profitability, liquidity, company size, and leverage. According to research, the dividend payout ratio and net profit have a positive association, whereas the debt to equity ratio has a negative relationship (Surtikanti et al., 2022). Furthermore, the dividend payout ratio has been demonstrated to have a favorable and significant effect on stock prices, along with return on assets and sales. Other studies have looked at the influence of return on equity, current ratio, and debt to equity ratio on dividend payout ratio, finding that return on equity had a positive effect, current ratio had no effect, and debt to equity ratio had a negative effect (Utami, 2022). In addition, the dividend payment ratio in food and beverage companies has been influenced by the debt to equity ratio and company size (Misrofingah & Ginting, 2022).

Table 4: Dividend Payout Ratio

Dividend Payout Ratio		
Year	**SBI**	**Axis Bank**
2023	18.1	2.8
2022	1.4	2.2
2021	1.1	0
2020	0	0
2019	0	5.1
Average	**4.12**	**2.02**

Figure 4: Dividend Payout Ratio



State Bank of India (SBI) and Axis Bank both have variable dividend payout ratios. Comparing SBI to Axis Bank, a higher ratio was continually maintained. The highest ratio in 2019 belonged to Axis Bank at 5.1%, but by 2023 it had dropped to 2.8%. In contrast, SBI saw a considerable rise in the percentage from 2019 and 2023, reaching 18.1%. SBI's dividend payout ratio, which measures the average percentage of earnings that are given as dividends, was 4.12% on average. With a lower average ratio of 2.02%, Axis Bank demonstrated a significantly more cautious approach to dividend distribution to shareholders.

Net Profit Margin:

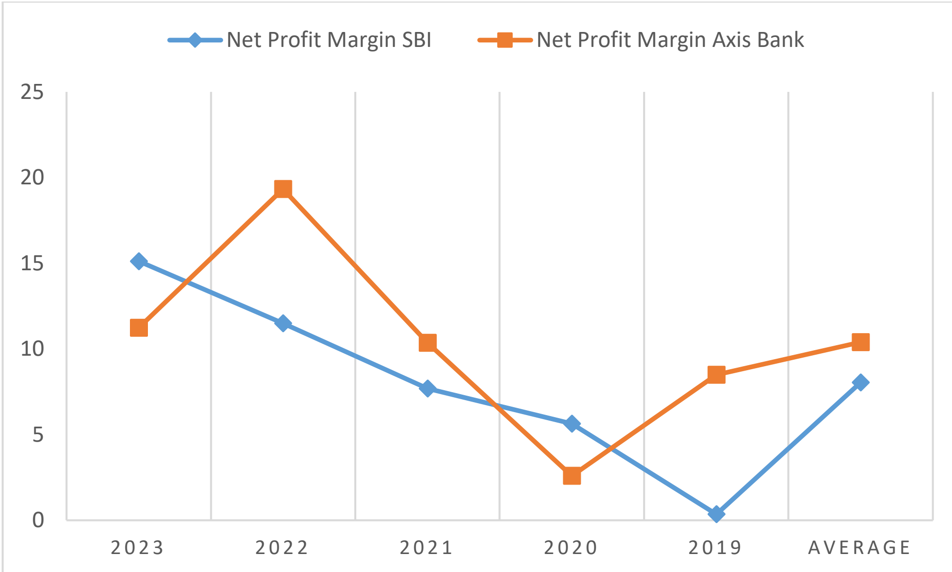
The percentage of sales that results in profit after all costs have been paid is represented by the financial indicator known as the net profit margin. Net profit margin is a financial term that calculates a company's profitability as a percentage of net income earned from total revenue. Several research have looked into the effect of net profit margin on a variety of issues. Effendi and Wangdra, (2023) discovered that stock turnover and cash flow factors account for 20.8% of the net profit margin at PT Infineon Technologies Batam. Abdul, Aziz and Purnamawati, (2023) discovered that net profit margin had a favorable and considerable effect on stock prices of food and beverage companies listed on the Indonesia Stock Exchange. According to Indrati's, (2023) research, the net profit margin has a favorable impact on earnings management in non-financial sector companies listed on the Indonesia Stock Exchange. Ovami et al., (2022) discovered that net profit margin had a favorable and significant impact on stock price volatility in sub-construction and building enterprises listed on the Indonesia Stock Exchange [4]. Overall, these studies indicate that net profit margins are important in evaluating a company's financial performance and market valuation.

Table 5: Net Profit Margin

Net Profit Margin		
Year	**SBI**	**Axis Bank**
2023	15.12	11.24
2022	11.49	19.33
2021	7.69	10.35
2020	5.63	2.59
2019	0.35	8.5
Average	**8.05**	**10.4**

Over the specified years, Axis Bank consistently maintained a larger net profit margin than State Bank of India (SBI). SBI's Net Profit Margin gradually increased, reaching 15.12% in 2023, whereas Axis Bank saw a decline to 11.24%. While Axis Bank had a higher average margin of 10.4%, SBI had a net profit margin of 8.05% on average. This suggests that Axis Bank has generally been more successful at turning a profit from its sales. SBI has, nevertheless, made progress in recent years.

Figure 5: Net Profit Margin



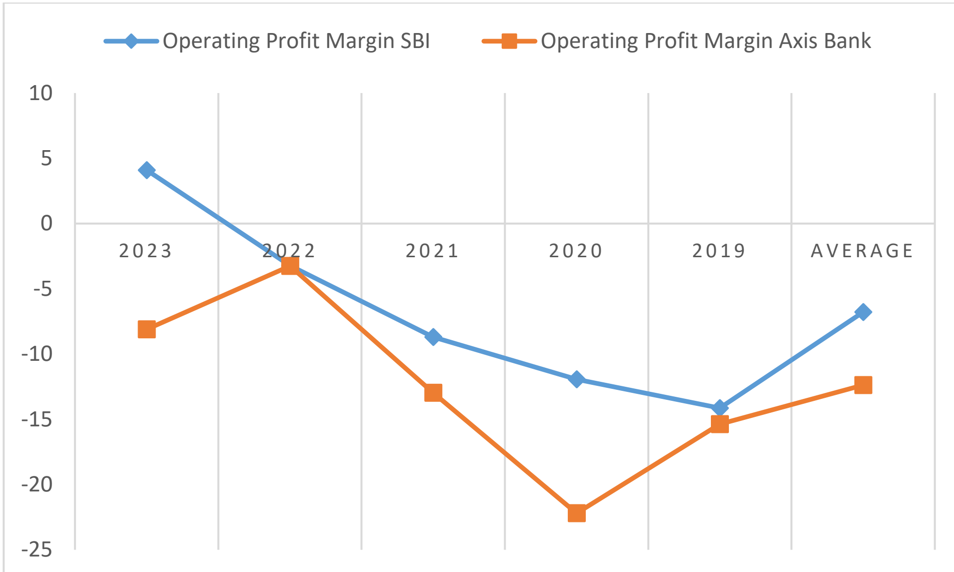
Operating Profit Margin:

A financial indicator called the operational profit margin (OPM) shows how profitable a company's core operations are by displaying the percentage of revenue that is left over after operating costs have been paid. The operating profit margin (OPM) is a metric used to evaluate corporate performance. It is not extensively used in the dairy business, although it can help drive profitability and debt serviceability in low-subsidy export-oriented agricultural systems (Maris & Dorner, (2023). The impact of OPM, debt to equity ratio, and current ratio on stock price in the consumer goods industry sector was studied, and it was discovered that OPM had no substantial effect on stock price (Ginting et al., 2023). OPM and the profits before interest, taxes, depreciation, and amortization (EBITDA) margin are long-term performance indicators. The EBITDA margin of food trading enterprises in Serbia is lower than that of comparable companies from established market economies, highlighting the necessity for efficient financial management to improve performance (Kljenak et al., 2019). In the property, real estate, and building construction sector, OPM is influenced by debt to asset ratio, total asset turnover, and cash ratio, with the debt to asset ratio having a negative impact and total asset turnover and cash ratio having a positive impact (Lukic, 2018).

Table 6: Operating Profit Margin

Operating Profit Margin		
Year	**SBI**	**Axis Bank**
2023	4.1	-8.12
2022	-3.22	-3.25
2021	-8.7	-12.96
2020	-11.94	-22.2
2019	-14.14	-15.37
Average	**-6.78**	**-12.38**

Figure 6: Operating Profit Margin



Their negative Operating Profit Margin during the specified years demonstrates that both State Bank of India (SBI) and Axis Bank have experienced difficulties in turning a profit from their main businesses. While Axis Bank struggled with a negative margin of -8.12% in 2023, SBI showed improvement with a positive margin of 4.1%. In comparison to Axis Bank, which had a lower average margin of -12.38%, SBI had a greater average Operating Profit Margin of -6.78%. This shows that operating costs for both banks have outpaced operating income, with Axis Bank having a greater difficulty turning a profit from its core businesses.

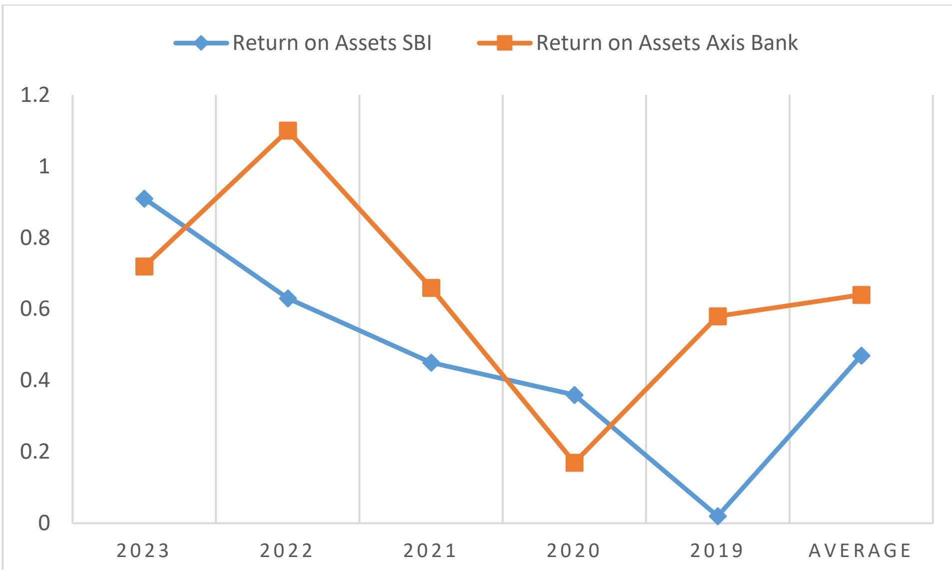
Return on Assets:

The Return on Assets is a metric used in finance to assess a company's profitability by displaying the ratio of profit to total assets. Return on assets (ROA) measures a bank's profitability and efficiency in generating earnings from its assets. Several factors have been discovered to influence ROA in various research. In the context of Java Regional Development Banks, it was discovered that Non-Performing Loans (NPL) and Operating Income Operating Expenses (BOPO) had an effect on ROA, with BOPO having a negative impact (Karadayi, 2023). In Turkish privately owned deposit banks, liquidity and non-interest income ratio were found to have a favorable impact on ROA, while equity had a negative impact. In Kenyan commercial banks, financial innovations were found to have a favorable and significant effect on ROA and Return on Equity (ROE) (Malit et al., 2023). BOPO had a negative and significant influence on ROA in Indonesian stock exchange-listed banks, whereas CAR and NPL had no effect (Risambira & Sahla, 2022). Finally, in the research of banking asset management returns in BUSND and international banks, basic parameters such as CAR, NIM, BOPO, LDR, and macro factors such as SBI interest rates and currency rates were discovered to have a substantial effect on ROA in both types of banks (Muplihah et al., 2022).

Table 7: Return on Assets

Return on Assets		
Year	**SBI**	**Axis Bank**
2023	0.91	0.72
2022	0.63	1.1
2021	0.45	0.66
2020	0.36	0.17
2019	0.02	0.58
Average	**0.47**	**0.64**

Figure 7: Return on Assets



Over the specified years, Axis Bank consistently maintained a greater Return on Assets (ROA) than State Bank of India (SBI). While SBI's ROA increased from 0.02% in 2019 to 0.91% in 2023, Axis Bank's ROA varied from 0.58% to 0.72% in 2019. In comparison to SBI's average ROA of 0.47%, Axis Bank had a better ROA of 0.64%. This means that, on average, Axis Bank has outperformed SBI in terms of producing profit in relation to total assets.

Conclusion

The financial analysis of State Bank of India (SBI) and Axis Bank, in conclusion, sheds light on how each bank performed over the previous five years. To evaluate their profitability, effectiveness, and general financial health, many financial ratios were used. The largest bank in India, SBI, outperformed Axis Bank in a number of crucial areas of financial performance. When compared to Axis Bank, SBI consistently maintained a greater Return on Equity (ROE), which denotes improved profitability and efficient use of shareholder equity. SBI also showed a consistent and growing trend in its dividend per share (DPS), giving its stockholders larger returns. The Dividend Payout Ratio of SBI was higher, suggesting that a larger percentage of earnings were allocated as dividends to shareholders.

However, Axis Bank's financial performance highlighted some of its advantages. It regularly kept its profit-to-earnings ratio (P/E ratio) higher than SBI's, indicating a more favourable market valuation of the company's stock in comparison to its earnings per share. The average Net Profit Margin for Axis Bank was greater, demonstrating a more successful conversion of revenue into profit. In terms of profitability, return on equity, and dividend payout, SBI showed overall higher financial performance, although Axis Bank excelled in market valuation and net profit margins. It is critical to remember that a range of factors, including governmental laws, general economic conditions, and commercial trends, can impact how successfully banks perform.

To help stakeholders, investors, and policymakers make educated judgments about these two well-known Indian banks, this comparison research offers useful insights into the financial benefits and drawbacks of SBI and Axis Bank. It is advised to conduct additional study and analysis to better understand the variables affecting their financial success and to look into other crucial areas of their business operations.

Limitations And Suggestion

Limitations:

1. Based on chosen financial ratios, the analysis only concentrates on the financial performance of SBI and Axis Bank. This research does not take into account other crucial factors like asset quality, risk management, or customer happiness. As a result, it may be difficult to evaluate the performance of the banks as a whole.
2. The study makes use of secondary data sources, including publications, websites, and annual reports. The constraints and biases present in various sources may affect the data's quality and dependability.
3. SBI and Axis Bank are chosen as sample units for the study using a judgmental sampling technique. This could result in selection bias and limit the applicability of the findings to other Indian banks or the whole banking industry.
4. The study covers a five-year span, so it's possible that it misses short- or long-term changes in the banks' financial performance. A more thorough study might be possible with a longer time frame or more frequent data points.

Suggestions:

1. Future studies can think at incorporating non-financial metrics like customer satisfaction, innovation, and digital transformation projects to improve the study of financial performance. This would offer a more comprehensive evaluation of the overall performance of the institutions.
2. More banks from the public and private sectors should be added to the sample to increase its size. This would make it possible to compare and analyse Indian bank financial performance on a larger scale.

3. Further understanding of the variables affecting the financial performance of the banks might be gained by doing a qualitative analysis in addition to the quantitative analysis. Surveys or interviews with bank executives, staff members, and clients could be used to learn more about the institutions' strengths and flaws.
4. A more thorough comprehension of the factors influencing the banks' financial performance would result from taking into account extraneous elements such prevailing economic conditions, regulatory modifications, and technology improvements. These elements would aid in evaluating the banks' flexibility and resilience to the shifting business environment.
5. To provide the analysis a larger context, it would be beneficial to compare the financial performance of SBI and Axis Bank to that of other national or international banks. This would make it easier to find areas that could use improvement and best practices that the banks could use.

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