



PROFITABILITY ANALYSIS AMONG CANARA BANK AND AXIS BANK – A COMPARATIVE STUDY

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ABSTRACT

The financial sector of any country continues to be the primary portfolio of the economy. One of the key constitutes of the financial sector of any country is banking system. Every business should earn sufficient profit to survive and grow over a long period of time. It is the index to the economic progress, improved national income and rising standard of living. Profit is not just reward to the owners but it is also related with the interest of the other segment of the society. Profit is the yardstick for judging not only economic but also the managerial efficiency and social objective. The study based on secondary data. Profitability ratios such as gross profit ratio, operating profit ratio, net profit ratio and interest expended to interest earned ratio are used in this research and analyzed these ratios by using mean, standard deviation & variance.

KEYWORDS: Profitability, Efficiency, Variance, Financial system, GIC.

INTRODUCTION

Banking is not simply about profit, But about personal relationships. Banking business in India is largely governed by banking companies. Act 1949 (renamed as banking regulation Act in 1966). As per section (b) of banking companies Act 1969, “a bank is a financial institution and financial intermediary that accepts deposits and channels deposits into lending activities either directly by loaning or indirectly through capital markets. The banks link together the customer that have capital deficits and customers with capital surplus”. As per section 5(c) of the banking regulation Act 1949, “a banking company means any company which transacts the business of banking in India”.

As per section 5(b) of banking regulation Act 1949 banking means the accepting for the purpose of lending on investment, of deposits of money. From the public, repayable on demand or otherwise, and with drawable by cheque, draft, order or otherwise.

‘A country cannot have healthy economy unless strong and effective banking system’. The financial sector of any country continues to be the primary portfolio of the economy. One of the key constitutes of the financial sector of any country is banking system. In other words banking plays a pivotal role in economic development of every society by acting as intermediary between individuals with surplus funds and those with scarce funds. Diamond in 1984 quoted that banks also said to provide delegated monitoring of borrowers on behalf of depositors. A strong banking is able to confront negative shocks and contributes to the stability of the financial system.

The banking system is characterized by the presence of integrated, organized and regulated financial market, and institution that meet the short term and long term financial needs of both households and corporate sector. Both financial markets and financial institution



plays a significant role in banking system by rendering various financial services to the community. They operate in combinations with each other. Thus a banking system provides a mechanism of transforming savings into investment (as said earlier). This will ultimately leads to the economic growth of the country by mobilizing surplus funds and utilizing it in a efficient manner for productive purpose.

In the past three decades, India’s banking system has earned outstanding achievements. The most striking is the extensive reach. It is no longer confined to metropolis or cities in India. In fact, Indian banking system reached even to the remote villages of the country. This is one of the main achievements of banking system in India.

The bank has a large footprint of 3,304 domestic branches (including extension counters) and 14,163 ATMs across the country as on 31st March 2017. The overseas operations of the Bank are spread over nine international branches at Singapore, Hong Kong, Dubai (at the DIFC), Colombo and Shanghai; representative offices at Dhaka, Dubai, Abu Dhabi and an overseas subsidiary at London, UK.

AWARDS OF AXIS BANK IN 2017

AWARDS	BY
Best use of mobile within loyalty strategy	Loyalty awards
Best use of partnership in a loyalty program	Loyalty awards
Best rewards program	Loyalty awards
(runner up) in best use of Digital and Channel Technology	IBA banking technology awards
(runner up) in best payments initiatives	IBA banking technology awards
CX innovator best Omni channel customer success story	Genesys customer Innovation

CANARA BANK

Canara Bank is a state-owned commercial bank with headquarter in Bangalore. It was incorporated on July 1, 1906 with the name Canara Hindu Permanent Fund Ltd. In the year 1910, the name of the Bank was changed from Canara Hindu Permanent Fund Ltd to Canara Bank Ltd. In July 19, 1969, the Bank was nationalized along with 14 major banks in the country. In the year 1976, they inaugurated their 1000th branch. The Bank operates in four segments, namely treasury operations, retail banking operations, wholesale banking operations and other banking operations.

In the year 1983, the Bank inaugurated a overseas branch at London. In the year 1984, Lakshmi Commercial Bank Ltd was amalgamated with the Bank. In the year 1985, the Bank commissioned Indo Hong Kong International Finance Ltd. In the year 1987, they launched Canbank Mutual Fund & Canfin Homes. In the year 1989, they started Canbank Venture Capital Fund. During the year 1995-96, they became the first Bank to be conferred with ISO 9002 certification for one of its branches in Bangalore

Canara Bank has several firsts to its credit. These include:

- ✓ Launching of Inter-City ATM Network
- ✓ Obtaining ISO Certification for a Branch
- ✓ Articulation of ‘Good Banking’ – Bank’s Citizen Charter
- ✓ Commissioning of Exclusive Mahila Banking Branch
- ✓ Launching of Exclusive Subsidiary for IT Consultancy
- ✓ Issuing credit card for farmers
- ✓ Providing Agricultural Consultancy Services

The bank has recently launched a series of customer friendly mobile application as under:

- ✓ **Canara Empower** - Unified payment interface for single platform in accessing multiple bank accounts
- ✓ **CanaramServe**- enables customer to Hot list and Block/Unblock Cards.
- ✓ **Canara Swipe** - all missed call solutions in a single Application

- ✓ **CanaraGeoLocate** - a mobile Application which enables a GPS based search for locating Branch, ATMs and E Lounge of Canara Bank.
- ✓ **Green PIN in ATMs**, an online module to generate Debit Card PIN at the time of fresh issuance of Card and also when the customer forgets the PIN.
- ✓ **CANARA TECH** - support for structured resolution of queries related to tech-products.
- ✓ **CANARA CART** - an application basket containing all mobile based solutions. Customers can manage all mobile apps of Canara Bank under this single application.
- ✓ **CANMONEY** - an exclusive stock trading mobile application. The Bank is on-boarding merchants on alternative digital payment platforms viz; **Canara empower-UPI/BHIM App & Aadhar payment app.**

AWARDS & RECOGNITIONS OF CANARA BANK IN 2017

AWARDS	BY
Golden Peacock Award	CSR
MSME Excellence Award	Federation of Industrial Trade and Services (FITS)
CSR leadership awards for best CSR practices	World CSR Congress
Corporate Vigilance Excellence Award	M/S Institute of Public Enterprise
Indy wood CSR Excellence Award for Outstanding Achievement in CSR	Indy wood film carnival
SME Excellence Award	ASSOCHAM
Star performer award	Depository participant conference
National award for Excellence in MSE lending for FY14 and FY15	Government of India
Master card innovation award	Canara International Travel under prepaid segment
RuPay special award	NPCI
Dun and Bradstreet award	Priority sector lending and retail growth performance
Gold award- Best strategy in HR and Training excellence	Green tech HR award
Special award for the Best Financial Institution-Gold	Federation of Karnataka Chamber of Commerce and Industry (FKCCT)

OBJECTIVES OF THE STUDY

- To study on the overall profitability of Canara bank & AXIS bank
- To measure the efficiency of the Canara bank & AXIS bank
- To comparing the results and offer suggestions to improve its profitability

RESEARCH METHODOLOGY

The study is used only secondary data. The data is collected from various sources like as Bank database (Axis & Canara Bank), newspapers, magazines and internet websites. For presentation table and chart are used and for analysis percentage & central tendency methods are used.

COMPARATIVE STUDY ON PROFITABILITY OF AXIS & CANARA BANK

Profit refers to the excess of revenue over expenses associated for an activity over a period of time. Profit is the prime fact objective of every business. A business cannot breathe well without profits. Profit is considered as a mirror of the operating performance of the business.

Profit is the soul of a business without which a business is considered to be lifeless.

M.E Murphy perfectly remarked that-

“A business cannot exist without profit

An economy cannot exist without sound business”

Every business should earn sufficient profit to survive and grow over a long period of time. It is the index to the economic progress, improved national income and rising standard of living. Profit is not just reward to the owners but it is also related with the interest of the other segment of the society. Profit is the yardstick for judging not only economic but also the managerial efficiency and social objective.

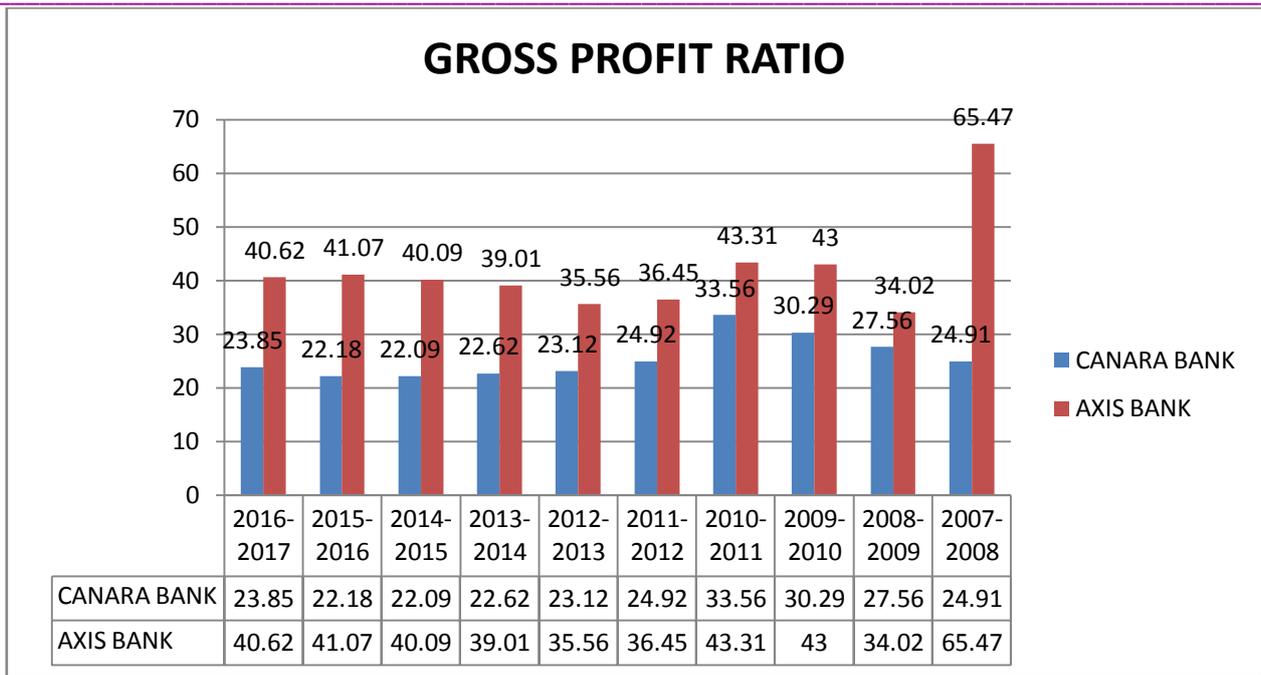
IMPORTANT FORMULAE

RATIOS	FORMULAE
Gross Profit Ratio	$(\text{Gross profit} / \text{Revenue From Operation}) \times 100$
Operating Profit Ratio	$(\text{Operating profit} / \text{Revenue From Operation}) \times 100$
Net Profit Ratio	$(\text{Net profit} / \text{Revenue From Operation}) \times 100$
Interest Expended Ratio	$(\text{Interest expended} / \text{Revenue From Operation}) \times 100$

GROSS PROFIT RATIO

YEAR	CANARA BANK	AXIS BANK
2016-2017	23.85	40.62
2015-2016	22.18	41.07
2014-2015	22.09	40.09
2013-2014	22.62	39.01
2012-2013	23.12	35.56
2011-2012	24.92	36.45
2010-2011	33.56	43.31
2009-2010	30.29	43
2008-2009	27.56	34.02
2007-2008	24.91	65.47
MEAN	25.51	41.86
STANDARD DEVIATION	3.64	8.00
VARIANCE	13.22	64.00

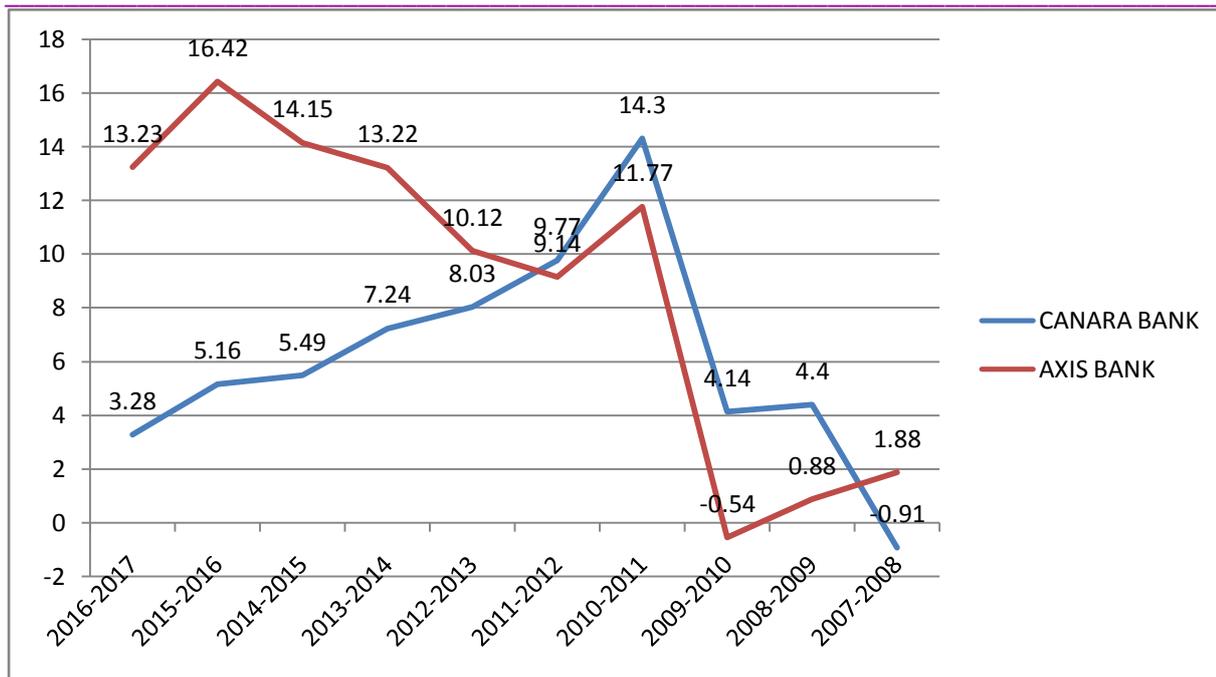
- ✓ Gross profit ratio of Canara bank has drastically increased from 24% to 33% between FY 2007-08 and FY 2010-11. Thereafter it falls.
- ✓ After heavy fluctuations in the gross profit ratio of AXIS bank, it had a consistent growth from FY 2012-13.
- ✓ Gross profit ratio of AXIS bank is 1.64 times greater than the gross profit ratio of Canara bank (ON an average)



OPERATING PROFIT RATIO

YEAR	CANARA BANK	AXIS BANK
2016-2017	3.28	13.23
2015-2016	5.16	16.42
2014-2015	5.49	14.15
2013-2014	7.24	13.22
2012-2013	8.03	10.12
2011-2012	9.77	9.14
2010-2011	14.30	11.77
2009-2010	4.14	-0.54
2008-2009	4.40	0.88
2007-2008	-0.91	1.88
MEAN	6.09	9.03
STANDARD DEVIATION	3.88	5.78
VARIANCE	15.05	33.41

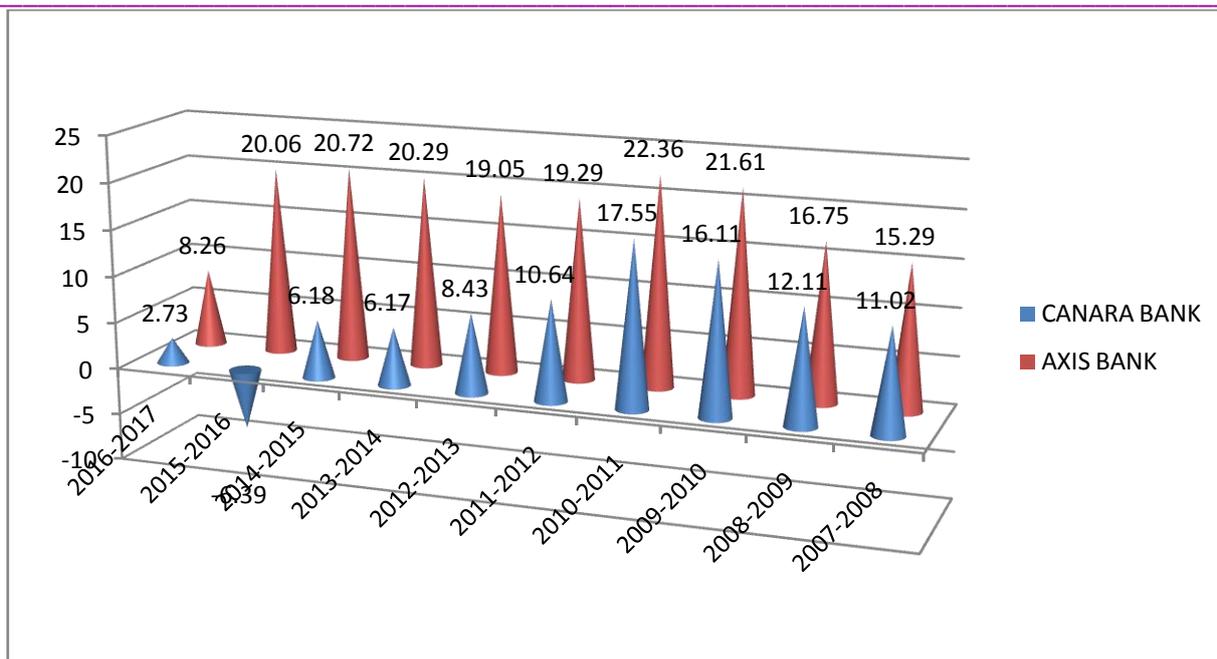
- ✓ Operating profit ratio of canara bank were slopping downwards for the past 6 years and it is vice versa in case of AXIS bank
- ✓ Operating profit ratio of AXIS bank is 1 ½ times higher than that of operating profit ratio of canara bank
- ✓ AXIS bank is highly deviated (in operating profit ratio) than Canara bank.



NET PROFIT RATIO

YEAR	CANARA BANK	AXIS BANK
2016-2017	2.73	8.26
2015-2016	-6.39	20.06
2014-2015	6.18	20.72
2013-2014	6.17	20.29
2012-2013	8.43	19.05
2011-2012	10.64	19.29
2010-2011	17.55	22.36
2009-2010	16.11	21.61
On 2008-2009	12.11	16.75
2007-2008	11.02	15.29
MEAN	8.46	18.37
STANDARD DEVIATION	6.55	3.93
VARIANCE	42.90	15.44

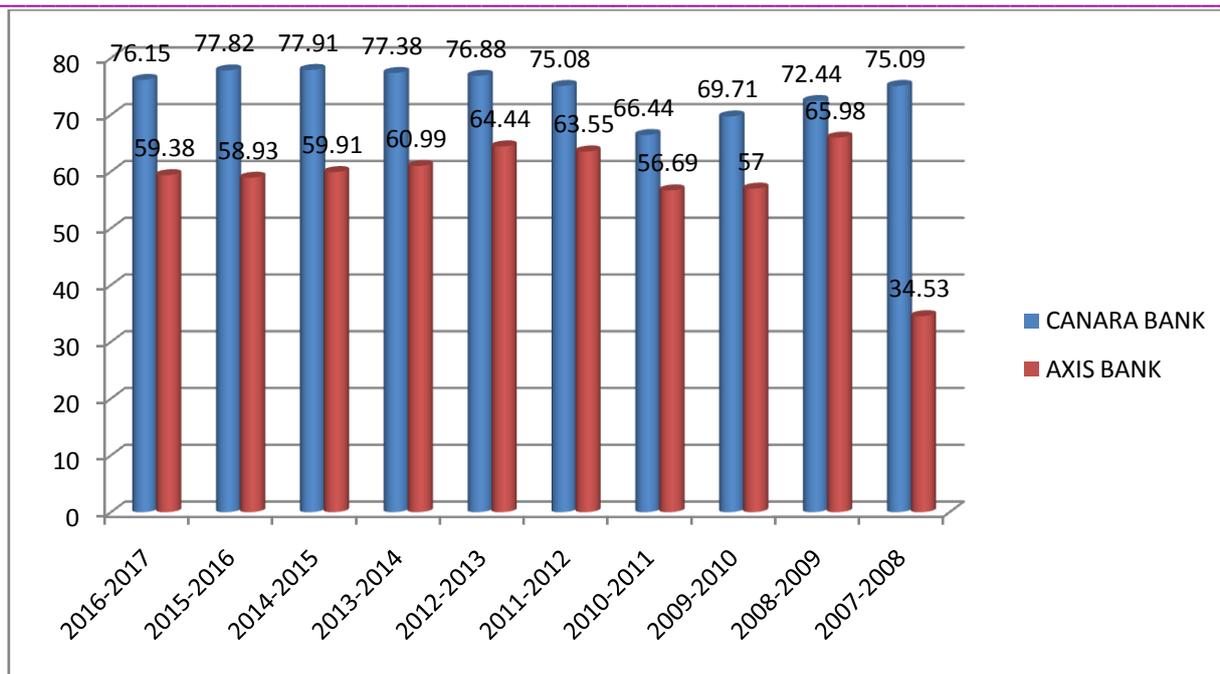
- ✓ On an average Net profit ratio of canara bank is 2.17 times smaller than net profit ratio of AXIS bank
- ✓ Net profit ratio of canara bank is highly deviated than net profit ratio of AXIS bank



INTEREST EXPENDED RATIO

YEAR	CANARA BANK	AXIS BANK
2016-2017	76.15	59.38
2015-2016	77.82	58.93
2014-2015	77.91	59.91
2013-2014	77.38	60.99
2012-2013	76.88	64.44
2011-2012	75.08	63.55
2010-2011	66.44	56.69
2009-2010	69.71	57.00
2008-2009	72.44	65.98
2007-2008	75.09	34.53
MEAN	74.49	58.14
STANDARD DEVIATION	3.64	8.39
VARIANCE	13.25	70.39

- ✓ On an average canara bank is sprnded74% of the interest income towards its interest expenses. Likewise 58% in AXIS bank.
- ✓ The above table clearly narrated that major expenses of a banking companies are interest.



SUGGESTIONS

CANARA BANK

- ✓ It should have to control over the indirect cost which reduces its profitability.
- ✓ It should have to control over the variations in net profit which influence in the net profit ratio, return on shareholder’s investment and return on net worth ratios.
- ✓ It also have to reduce the interest expended to interest earned ratio which have a positive impact on profitability.

AXIS BANK

- ✓ It should have to control over the variations in expenditures.

CONCLUSION

The main objective of this research is to study on the overall profitability of Canara bank & AXIS bank, comparing the results and offer suggestions to improve its profitability. The data are extracted from the annual report of the respective banks. Profitability ratios such as gross profit ratio, operating profit ratio, net profit ratio and interest expended to interest earned ratio are used in this research and analyzed these ratios by using mean, standard deviation & variance.

It is concluded that AXIS bank performed better than canara bank in terms of gross profit ratio, net profit ratio and interest expended ratio (having lower rate).

Finally it can suggested that Canara bank should have to control over its indirect expenses, interest expended to interest earned ratio which increases the profitability and AXIS bank have to control over the variations in expenditure which will have a positive impact on the profitability.

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