



An Analysis of Fund Management of Axis Bank Limited

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ABSTRACT

Abstract

In new private sector banks Axis Bank Ltd. is well developing bank. It is the third largest private sector bank in India. It started its operations in India in the year 1994. It has more than 1600 branches and more than 10,000 ATMs in above 1000 cities and towns in India. Hence the present study has made an attempt to study the fund management of Axis bank. The study found that the overall CAGR of working fund of Axis bank was very high, it was 31 per cent during the study period and it indicated rapid growth of Axis bank during the period of the study. The study also found that the overall results of the study indicated that the growth of Axis bank was rapid during the study period.

Keywords : working fund, borrowings, liabilities, own fund

Introduction

India is one of the fastest developing countries in the world. The growth rate was comparatively higher since globalization. The average growth rate of GDP of India during 1990-99 was 5.57 per cent and average GDP growth rate for the period of ten years from 2000 to 2011 was 7.78 per cent (Source: International Monetary Fund, Database, April, 2013). It indicates the recent development of Indian economy. Among the key sectors such as agricultural, manufacturing and service sectors, service sector is contributing more than 50 per cent to national GDP followed by manufacturing and agricultural. In service sector key industry is banking industry. In India there are many public sector banks as well as private sector banks. In recent years the development rate of private sector banks is good because of their new technologies and services. Private sector banks in India have been classified into two such as old private sector banks and new sector banks, in India there are 16 old private sector banks and 9 new private sector banks. In new private sector banks Axis Bank Ltd. is well developing bank. Its growth rate is comparatively good than other new private sector banks. It is the third largest private sector bank in India. It started its operations in India in the year 1994. Originally it was promoted in the year 1993 jointly by specified undertakings of Unit Trust of India (UTI). It has more than 1600 branches and more than 10,000 ATMs in above 1000 cities and towns in India. Hence the present study has made an attempt to study the fund management of Axis bank.

Review of Literature

Ramesh Babu G (2012) found in their comparative study that ICICI bank performed better than Access bank in terms of total income and the study also stated that private sector banks in India met global standards in banking services. Prasad KVN and Maheshwara Reddy D (2012) found that there was no significant difference between nationalized banks and SBI group. Ravinder Kaur (2012) found that the interest expenses of State Bank of India were more than operating expenses during the study period and the operating efficiency of SBI is better. Subroto Chowdhury (2011) found that IDBI maintained

capital adequacy ratio more than average of the selected banks. IDBI performed better among the selected companies in terms of advances to total assets and the study also found that under CAMEL model ICICI bank performed better followed by HDFC and Kotak Mahindra Bank. Prasad KVN and Ravinder G (2012) found that on overall basis Andhra bank performed better among the selected banks and Central Bank of India stood last followed by Maharashtra bank and UCO bank.

Statement of the Problem

"A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses". From the above definition it could be understood that banks accept deposits from the customers and lending money to the needy people at higher rate of interest than what it gives to its deposit holders. Hence the efficiency of fund management is essential for any banking company, it is essential to understand the efficiency to understand fund management of a banking company to know its overall efficiency. So the present study has attempted to study the fund management of Axis bank with the following objective.

Objective

- To study the fund management of Axis bank.

Sample and Period of the Study

The study has chosen Axis bank as sample for the study period of ten years from 2002-03 to 2011-12.

Results and Discussion

The study has analysed the working fund and its components of Axis bank in the following section. The components of working fund has been classified in to four, such as own fund, deposits, borrowings and other liabilities. It calculated the trend percentage of total working fund, percentage com-

position of each component on the total working fund, mean value, standard deviation, co-efficient of variation and Com-

pound Annual Growth Rate (CAGR) for each component and total working fund. They are presented in the following table.

Table 1
Working fund and its components of Axis Bank Rs. in crore

Year	Own fund	% on WF	Total Deposits	% on WF	Total Borrowings	% on WF	Other Liabilities	% on WF	WF	Trend %
Axis Bank										
2002-03	918.11	4.68	16964.72	86.50	719.31	3.67	1010.30	5.15	19612.44	100.00
2003-04	1136.42	4.71	20953.90	86.77	527.75	2.19	1530.36	6.34	24148.44	123.13
2004-05	2408.19	6.38	31712.00	84.05	1781.41	4.72	1828.68	4.85	37730.27	192.38
2005-06	2872.19	5.78	40113.53	80.68	2680.93	5.39	4051.03	8.15	49717.68	253.50
2006-07	3393.23	4.73	58785.60	82.02	5195.60	7.25	4294.83	5.99	71669.26	365.43
2007-08	8768.50	8.14	87626.22	81.38	5624.04	5.22	5651.05	5.25	107669.80	548.99
2008-09	10213.59	6.94	117374.10	79.71	15519.87	10.54	4148.86	2.82	147256.40	750.83
2009-10	16044.45	8.90	141300.20	78.42	17169.55	9.53	5669.95	3.15	180184.20	918.72
2010-11	18998.83	7.85	189237.80	78.17	26267.88	10.85	7579.20	3.13	242083.70	1234.34
2011-12	22808.54	8.01	220104.30	77.27	34071.67	11.96	7863.31	2.76	284847.80	1452.38
Mean	8756.20		92417.24		10955.80		4362.76		116492.00	
SD	8033.26		72315.31		11813.48		2399.04		94152.49	
CV	91.74		78.25		107.83		55.00		80.82	
CAGR	37.89		29.21		47.08		22.78		30.68	

Source: Calculated from annual reports

Note: WF – Working Fund

From Table 1 it was seen that working fund was in increasing trend over the study period. It was Rs.19612.44 crore in 2002-03 it went to Rs.284847.80 crore in 2011-12. Over the study period working fund increased 14.5 times. Its trend percentage shows the substantial growth of working fund of Axis bank, it was 123 per cent in 2003-04, it reached 549 per cent during 2007-08, it went up 919 per cent in 2009-10 and it reached 1452 per cent at the end of 2011-12. It had high rate of increase in the year from the year 2006-07. The mean value of working fund stood at Rs.116492 crore. The standard deviation of working fund was Rs.94152.49. Co-efficient of variation of working fund of Axis bank was 81 per cent, it showed that working fund of Axis bank was widely varied over the study period. The CAGR of working fund stood at 31 per cent for the study period of ten years, it showed very high rate of increase in working fund over the study period.

Table 1 also shows that deposits were the major component of working fund. It ranged from 77 per cent to 87 per cent on total working fund, during the beginning of the study period deposits was more than 80 per cent on total working fund, but latter its proportion declined slightly, it went below 80 per cent of the total working fund. The proportion of deposits on total working capital was very high in the year 2003-04 at 87 per cent. It was happened because of increase in the proportion of own fund and borrowings of the total working fund. The mean value of total deposits stood at Rs.92417.24 crore with the standard deviation of Rs.72315.31 crore. Its co-efficient of variation was 78 per cent, it was very high, it showed wide variation of total deposits during the study period. The CAGR of total deposits was 29 per cent during the study period, the high rate CAGR showed sharp increase of total deposits during the study period.

When own fund was concerned, its proportion on total working fund ranged from 4.7 per cent to 8.9 per cent. The proportion of own fund was high in the year 2009-10 at 8.90 per cent and it was low in the year 2003-04 at 4.71 per cent. The proportion of own fund on total working fund was below 10 per cent in all the year of the study period, it showed the bank

did not depend more on own fund. The figures showed that over the study period Axis bank increased their own fund. The amount of own fund was Rs.918.11 crore during 2002-03 it went to Rs.22808.54 crore in 2011-12, it increased 25 times. The mean value of own fund stood at Rs.8756.20 crore with the standard deviation of Rs.8033.26 crore. The co-efficient of variation of own fund stood at 92 per cent over the study period, it was near to 100 per cent it showed very high variation in own fund during the study period. High rate of CAGR (38 per cent) showed substantial growth of share capital and reserves and surpluses of Axis bank.

The proportion of total borrowings of ranged from 2 per cent to 12 per cent. The proportion of total borrowings on working fund was very high during the year 2011-12 at 12 per cent and it was very low in the year 2003-04 at 2 per cent. The figures showed that in the beginning of the study period the proportion of total borrowings was very low but latter the bank started to increase its borrowings level, it increased 47 times over the period of the study. The amount of total borrowings was Rs.719.31 crore in 2002-03 it went up to Rs.34071.67 crore in 2011-12, it revealed that the bank increased its borrowings level substantially over the study period. The mean value of total borrowings stood at Rs.10955.80 crore and its standard deviation was Rs.11813.48 crore, it was more than its mean value. The co-efficient of variation was 108 per cent, it was more than 100 per cent it showed very wide variation in total borrowings of the bank. It means it often changed its borrowings policies. Very high CAGR of total borrowings (47 per cent) showed rapid growth of total borrowings during the study period.

The proportion of other liabilities on total working fund ranged from 3 per cent to 8 per cent. It was high in the year 2005-06 at 8.15 per cent and it was low in the year 2011-12 at 2.76 per cent. The results showed major fluctuations in other liabilities of Axis bank. It increased 8 times during the study period, it was Rs.1010.30 crore in the year 2002-03 and it increased to 7863.31 crore during 2011-12. The mean value of other liabilities stood at Rs.4362.76 crore with standard deviation

of Rs.2399.04 crore. Its co-efficient of variation was 55 per cent, compared to other components of working fund it was very low eventhough in general it is high, it showed that other liabilities of Axis bank widely varied.

Conclusion

The study found that the overall CAGR of working fund of Axis bank was very high, it was 31 per cent during the study

period and it indicated rapid growth of Axis bank during the period of the study. At the same time the growth rate of total borrowings of this bank increased the higher rate at 47 per cent than other components. The average annual growth rate of deposits increased at 29 per cent. The overall results of the study indicated that the growth of Axis bank was rapid during the study period.

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