



# A study on the financial position of axis Bank Ltd. with reference to asset quality and capital adequacy

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## Abstract:

The present study investigates the financial position of Axis Bank Limited with special emphasis on Asset Quality and Capital Adequacy during the years 2020 – 2025. The research problem revolves around evaluating the financial strength and stability of the bank through an analysis of the bank's capability in managing credit risk and maintaining an adequate level of capital buffer. Some of the objectives of the study are to examine the trend in asset quality and capital adequacy.

Data collection for the current study was done through the use of secondary sources including annual reports, financial statement, investor presentation and Reserve Bank of India publications. A number of financial measures have been used in the study such as Gross Non-Performing Assets (GNPA), Net Non-Performing Assets (NNPA), Provision Coverage Ratio (PCR), and Capital Adequacy Ratio (CAR).

According to the results obtained from the study, there has been a marked improvement in the asset quality in Axis Bank Limited, which is evident in the declining level of non-performing assets and provision ratios. There has also been a consistent capital adequacy level of the bank which exceeded the regulatory requirement.

## Keywords

- Asset Quality
- Capital Adequacy
- Non-Performing Assets (NPA)
- Financial Performance
- Banking Sector
- Axis Bank Ltd.



## 1. Introduction

The banking industry is crucial for the economic growth of a nation as it helps in the mobilization of savings and creation of credit for productive use. The financial condition of a bank depicts its capability to sustain profit, liquidity, solvency, and efficiency. Asset Quality and Capital Adequacy are two key factors that define the financial condition of a bank.

The Asset Quality of a bank indicates the quality of the assets held by a bank and its capability to manage credit risk. It is normally gauged with the help of the parameters like Gross Non-Performing Assets (GNPA) and Net Non-Performing Assets (NNPA). Capital Adequacy of a bank depicts its capability to bear potential loss and ensure safety of the depositors in terms of Capital Adequacy Ratio (CAR).

Axis Bank is one of the foremost private sector banks of India offering a diverse spectrum of banking and financial services. In this research paper, the financial condition of Axis Bank has been analyzed for the period 2020-2025 with specific focus on asset quality and capital adequacy.

### 1.1. Background of the Study

The Indian banking sector has experienced major changes due to technological developments, regulatory policies, and economic dynamics. The year 2020 to 2025 is marked by issues like the effects of the COVID-19 pandemic, demand for credit, and risk management.

Asset quality and capital adequacy have become key indicators that determine the financial soundness of the banks. Banks with good assets and adequate capital are better equipped to survive economic turmoil and sustain their financial stability. In this regard, a detailed analysis of the financial soundness and risk management skills of one of the largest private sector banks in India, Axis Bank, will be quite helpful.

### 1.2. Statement of the Problem

In recent times, there have been greater difficulties experienced by the banking sector in relation to the management of credit risk as well as ensuring that there is adequate capital to meet regulatory requirements. Poor asset quality is capable of giving rise to the emergence of non-performing assets, thereby impacting the profitability of a bank.

Consequently, it becomes imperative for us to study the financial position of Axis Bank in terms of its asset quality and capital adequacy from the year 2020 to 2025.

### 1.3. Objectives of the Study:

- To analyze the overall financial performance of Axis Bank during 2020–2025
- To examine the relationship between asset quality and capital adequacy
- To identify factors affecting asset quality improvement or decline
- To suggest measures for improving financial stability and performance



#### 1.4. Significance of the Study:

The significance of the current study is associated with its contribution towards analyzing the financial situation of Axis Bank Ltd. via the study of asset quality and capital adequacy from 2020 to 2025. Asset quality and capital adequacy are crucial parameters reflecting the financial performance of a bank.

The results obtained will help reveal the effectiveness of the credit risk management process at Axis Bank in relation to the development of trends related to non-performing assets and other asset quality ratios. In addition, the current study will help determine whether the bank keeps the required level of capital that meets the regulatory requirements of the institution.

The results of the current study will be of benefit for such parties as investors, shareholders, financial analysts, researchers, academicians, and policymakers interested in evaluating the performance and financial health of the bank. Besides, the current study makes a contribution to the body of literature in the field of financial analysis of the banking industry.

#### 1.5. Scope of the Study

The scope of this study is confined to an analysis of the financial position of Axis Bank Ltd. with specific reference to asset quality and capital adequacy during the period from 2020 to 2025. The study focuses on evaluating the bank's performance through key indicators such as Gross Non-Performing Assets (GNPA), Net Non-Performing Assets (NNPA), and Capital Adequacy Ratio (CAR). The analysis is based on secondary data collected from annual reports of Axis Bank, financial statements, Reserve Bank of India (RBI) publications, and other relevant financial documents. The study aims to identify trends and assess the effectiveness of the bank's risk management and capital maintenance practices over the selected period. The findings are limited to Axis Bank and do not involve a detailed comparative analysis with other public or private sector banks.

#### 1.6. Limitations of the Study:

- The study is based entirely on secondary data.
- The accuracy of findings depends on the reliability of published financial reports.
- The study is restricted to a five-year period (2020–2025).
- External factors such as economic conditions, government policies, and market fluctuations may influence the results.
- The study focuses only on asset quality and capital adequacy and does not cover all aspects of financial performance.

## 2. Literature Review

**Sharma and Gupta (2020)** analyzed the impact of NPAs on the profitability of Indian private sector banks and found that higher NPAs adversely affect return on assets and overall financial performance.

**Kumar and Singh (2021)** examined the relationship between capital adequacy and bank stability. Their study concluded that banks maintaining higher CAR levels are better equipped to withstand financial shocks and credit risks.



**Patel (2022)** conducted a comparative study of private sector banks and observed that strong asset quality management contributes significantly to profitability, liquidity, and investor confidence.

**Rao and Reddy (2023)** investigated the financial performance of leading private banks in India and highlighted that effective risk management practices improve both asset quality and capital adequacy.

**Mehta and Shah (2024)** analyzed the post-pandemic banking environment and found that private sector banks strengthened their capital base and improved asset quality through enhanced credit monitoring and recovery mechanisms.

### 3. Research Methodology:

A quantitative research methodology is chosen to study the financial status of Axis Bank considering asset quality and capital adequacy from 2020 to 2025. The research would be descriptive and analytical in nature with the focus on the analysis of financial indicators and trends.

The population of this research would be all commercial banks working in India, and the sample of the research would be Axis Bank Ltd., which has been chosen using the purposive sampling technique.

All the information used in this research would be based on secondary sources such as annual reports of Axis Bank, financial statements, Reserve Bank of India (RBI) publications, research journals, books, and various websites. The instruments of the research include Gross Non-Performing Assets (GNPA), Net Non-Performing Assets (NNPA), Capital Adequacy Ratio (CAR), trend analysis, ratio analysis, and percentage analysis.

The data would be analyzed through the use of tables, charts, and financial ratios to observe the changes in asset quality and capital adequacy. Proper ethics would be ensured by authenticating the sources and giving proper citations.

#### 3.1 Research Design:

In this current research, the chosen research design will be that of a **\*\*quantitative research design\*\***, which will be used for the purpose of examining the financial position of the Axis Bank Ltd. in terms of asset quality and capital adequacy from 2020–2025. It can be seen that the chosen research design will be relevant in this case since the research requires use of numerical data which can be found in the annual reports, financial statements, and published data. In terms of financial ratios and indicators, it will include Gross Non-Performing Assets (GNPA), Net Non-Performing Assets (NNPA), Capital Adequacy Ratio (CAR), and Capital to Risk-Weighted Assets Ratio (CRAR).

#### 3.2 Research Gap:

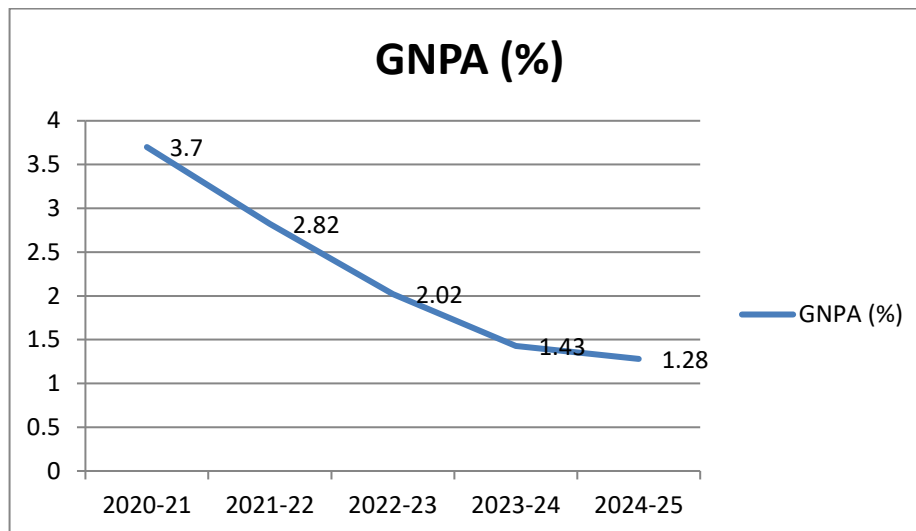
An assessment of previous literature shows that various researchers have done separate studies regarding financial performance, asset quality, and capital adequacy of banks. Some researchers have concentrated their efforts on the effect of NPAs on profitability of banks. While some other researchers have studied the effect of capital adequacy on the financial stability of the banks. However, very few studies have looked at the impact of asset quality and capital adequacy on the financial position of Axis Bank Ltd. from 2020 to 2025. Moreover, due to changes in the banking sector such as post-pandemic

recovery and changes in regulatory requirements, there is a need for updated research in this regard. Thus, this study aims to fill this research gap by carrying out a detailed analysis of the financial position of Axis Bank with special reference to asset quality and capital adequacy from 2020 to 2025.

#### 4. Results / Findings:

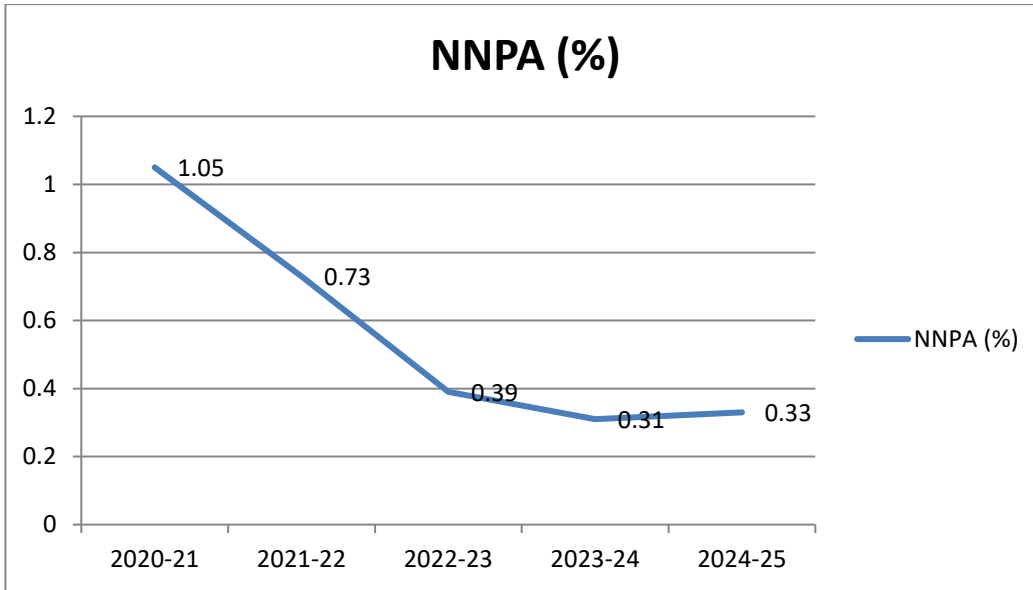
**Table 4.1: Gross Non-Performing Assets (GNPA)**

Year	GNPA (%)
2020-21	3.7
2021-22	2.82
2022-23	2.02
2023-24	1.43
2024-25	1.28



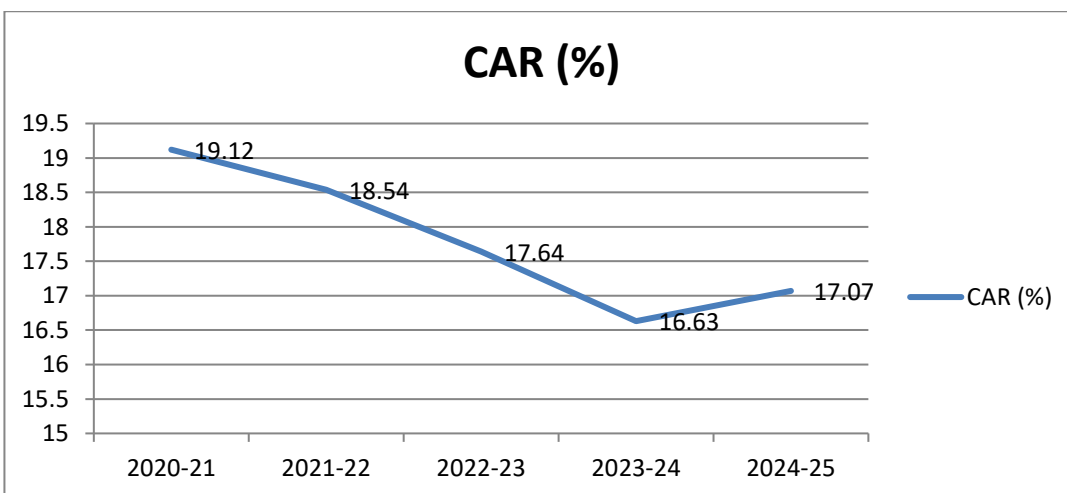
**Table 4.2: Net Non-Performing Assets (NNPA)**

Year	NNPA (%)
2020-21	1.05
2021-22	0.73
2022-23	0.39
2023-24	0.31
2024-25	0.33



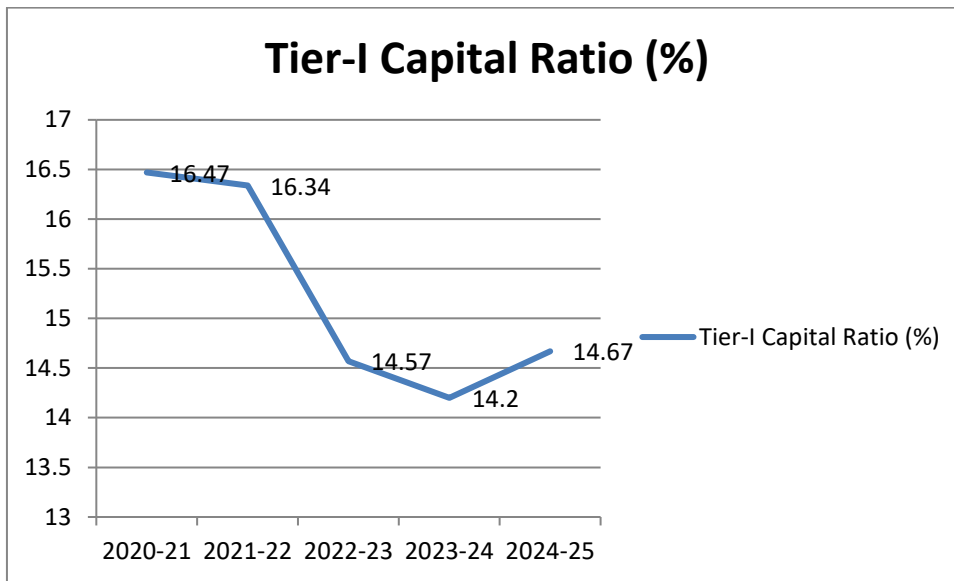
**Table 4.3: Capital Adequacy Ratio (CAR)**

Year	CAR (%)
2020-21	19.12
2021-22	18.54
2022-23	17.64
2023-24	16.63
2024-25	17.07



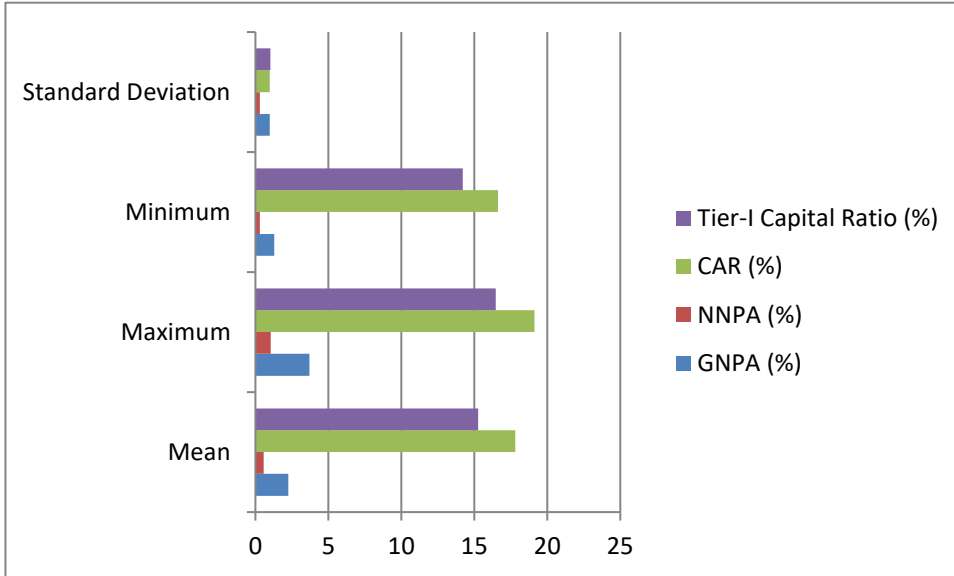
**Table 4.4: Tier-I Capital Ratio**

Year	Tier-I Capital Ratio (%)
2020-21	16.47
2021-22	16.34
2022-23	14.57
2023-24	14.2
2024-25	14.67



**Table 4.5: Descriptive Statistics of Study Variables**

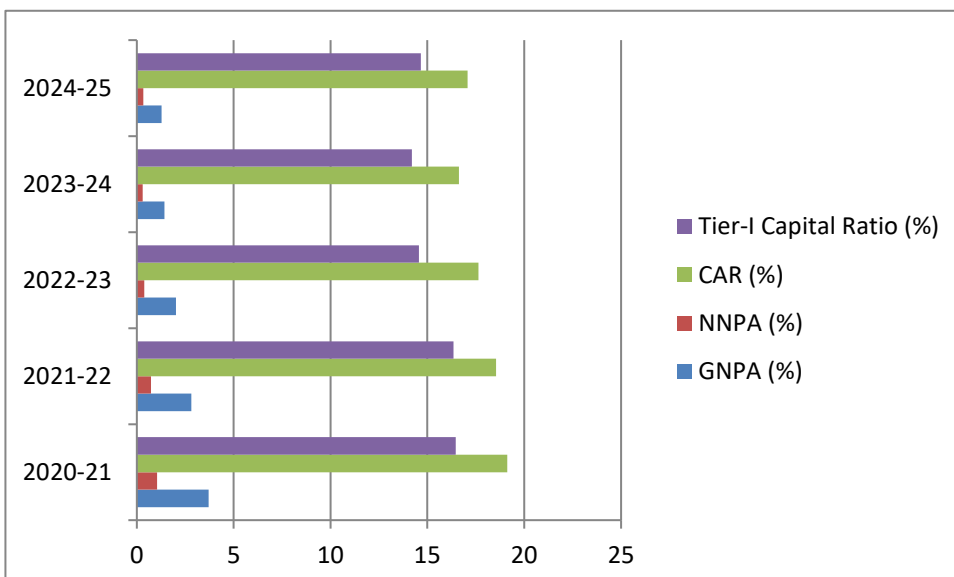
Variable	Mean	Maximum	Minimum	Standard Deviation
GNPA (%)	2.25	3.7	1.28	0.99
NNPA (%)	0.56	1.05	0.31	0.31
CAR (%)	17.8	19.12	16.63	0.99
Tier-I Capital Ratio (%)	15.25	16.47	14.2	1.03



### Comparative Presentation

**Table 4.6: Asset Quality and Capital Adequacy Indicators (2020-2025)**

Year	GNPA (%)	NNPA (%)	CAR (%)	Tier-I Capital Ratio (%)
2020-21	3.7	1.05	19.12	16.47
2021-22	2.82	0.73	18.54	16.34
2022-23	2.02	0.39	17.64	14.57
2023-24	1.43	0.31	16.63	14.2
2024-25	1.28	0.33	17.07	14.67





## 5. Discussion

According to the study, the period between 2020 and 2025 was characterized by considerable improvement in the financial position of Axis Bank Ltd., especially concerning asset quality and capital adequacy. The decrease in the values of GNPA and NNPA is an evidence of efficient credit risk management and prudent lending policy used by the bank. Moreover, the financial institution managed to maintain the level of capital adequacy above the requirement.

It should be noted that the findings of the study confirm previous research findings indicating that low NPAs and high capital adequacy positively impact the profitability, operational efficiency, and sustainability of banks. The gradual improvement in the financial state of the company can be attributed to efficient risk assessment and proper financial management.

The findings of the study have important implications for investors, policymakers, and bankers as well as business managers and practitioners. Efficient capital and asset management positively impacts the investor confidence and allows companies to develop their businesses even when the economy goes through difficulties. Thus, the study shows that efficient capital and asset management has a positive influence on the sustainability of Axis Bank Ltd.

## 6. Conclusion

In the above research, the financial position of Axis Bank Ltd. was studied with reference to asset quality and capital adequacy for the period 2020–2025. Based on the findings, it can be said that the bank has performed remarkably well in improving its financial performance. This is evidenced by the declining trend in GNPA and NNPA.

It can be concluded from the above findings that asset quality and capital adequacy are essential factors that determine the financial position and performance of a bank. Thus, the hypothesis proposed at the outset of this study has been proven. It is important to note that the findings of the present study are useful for researchers, policymakers, banking professionals, and investors.

However, it should be noted that the present research is confined only to Axis Bank Ltd. and is conducted using secondary data sources. Therefore, future research may explore the topic in a different way. In addition to Axis Bank Ltd., other banks may also be taken into account and analyzed. Moreover, primary data rather than secondary can be used in future studies.

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