



Effect of branch expansion policy and ATMs installation policy on profitability: A case study on Axis bank

Dr. Debajyoti Das Gupta

Assistant Professor in Commerce, Jogesh Chandra Chaudhuri College, Kolkata, West Bengal, India

Abstract

We live in the era of competition where survival becomes the key issue. Every policy has an impact on survival. Branch Expansion is indeed required not only from commercial point of view but also from social view point in order to diminish the non-banking area in India. Convenient banking is the order of present-day banking all over the world. Branch Expansion is needed but feasibility must not be ignored. Similarly, ATMs are a good tool to satisfy consumers but it is important to have a positive effect on profitability of the bank. In this backdrop this paper aims to assess the effect of branch expansion policy and ATMs installation policy on profitability of Axis bank.

Keywords: survival, axis bank, branch expansion, ATM installation

Introduction

In this era globalization, liberalization, privatization and cut-throat competition every private as well as public entity is striving hard to survive. In the context of global uncertainty, only the word 'Uncertain' has become certain. Hence it becomes imperative for the private sector banks to assess effect of every policy on their profitability because they would not get Government fund at the time of crisis. Axis bank is a newly established private sector bank. Branch expansion was a major tool for public sector banks for social banking prior to economic reforms but feasibility must be the main concern to a private sector bank in post reform period. ATMs are major elements used as an important tool for convenient banking. The pertinent question is whether branch expansion was at all feasible for AXIS bank and whether ATMs are at all helpful for contributing to higher profit.

Objective of the study

This study aims to assess impact of branch expansion policy and ATMs installation policy on profitability of Axis bank during 2010-11 to 2019-20 with the help of empirical analysis and theoretical study.

Research methodology

This study is based on secondary data. Data has been collected from compiled 'Performance Highlights' published by Indian Banks Association (IBA). This study is based on Data on Axis Bank during 2010-11 to 2019-20. For theoretical study journals and books have been consulted.

In 'Empirical Analysis' segment Linear Regression Model has been used. For this purpose, 'XL Miner Toolpak' has been used.

Review of literature

Authors have found that growth rate of branch expansion has dropped in post reform period in India ^[1]. As the Ethiopian commercial banks expanded their service outlets (branches) throughout the country's territory, cost efficiency would be decreased during this period ^[2]. Results show that

in rural America branch expansion has a positive impact on loan to deposit ratio, agricultural loan, profitability etc ^[3]. This study suggests that if Management is to focus on turning around the weak banks, it should shelve any plan for new branches ^[4]. In China commercial banks' branch expansion has resulted in improvement in manufacturing firms' energy efficiency ^[5]. Results reveal that in Thailand market size, productivity and access to finance are three important market characteristics that may explain the geographical distribution of branches in the data ^[6].

Indian ATM industry is in growing stage and hence it provides an opportunity to the fraudsters ^[7]. Study reveals that in Kenya number of ATM machines had a weak but positive influence on financial deepening ^[8]. In Nepal ATM service quality has positive impact on customer satisfaction ^[9].

It was found that ATM services of State Bank of India (SBI) in Salem District has well received and utilized by the customers ^[10]. It was revealed withdraw in cash through ATM was very convenient and majority of the respondents had used ATM services regularly ^[10]. The study has demonstrated that a considerable number of customers have access to this machine and are consequently utilizing them for multi-purpose transactions, despite its challenges and shortcomings ^[10]. It is important to note that most of the people using the machine are young person ^[10].

The results show that the satisfaction of customers towards ATM service of

Vietcom bank Vinh Long, Vietnam is influenced by four factors with the order of importance as follows: (1) Price; (2) Network; (3) Reliability; (4) Empathy ^[11].

Majority of the respondents in both PNB and Axis dissatisfied with the ATM Grievance settlement ^[12]. Hence it is suggested the banks to developed and improvise the proper mechanism to resolve the grievance settlement, as it leads to customer comfort and satisfaction ^[12].

Limitation of the study

This study is based on secondary data. Absence of Primary Data is major drawback of the study.

Scope for further research

Primary Data based on consumer satisfaction of Axis bank customers regarding new branches and ATMs can enhance the academic value of this study.

Data analysis

Table 1: Profit, Branches and ATMs of Axis Bank

Year	Profit (₹ Crore) [y]	Number of Branches [x ₁]	Number of ATMs [x ₂]
2010-11	3,388.49	1,393	6,270
2011-12	4,242.21	1,620	9,924
2012-13	5,179.43	1,945	11,245
2013-14	6,217.67	2,409	12,922
2014-15	7,357.82	2,596	12,355
2015-16	8,223.66	2,912	12,743
2016-17	3,679.28	3,312	14,163
2017-18	275.68	3,713	13,814
2018-19	4,676.61	4,060	11,801
2019-20	1,627.22	4,538	12,044

Table 2: Summary Output [Regression Statistics: Adjusted R Square]

Multiple R	0.513264
R Square	0.26344
Adjusted R Square	0.052995
Standard Error	2,373.693
Observations	10

Table 3: Summary Output [Regression Statistics: ANOVA]

	Df	SS	MS	F	Significance F
Regression	2	1,41,06,560.58	70,53,280	1.251820745	0.342948
Residual	7	3,94,40,920.13	56,34,417		
Total	9	5,35,47,480.71			

Table 4: Summary Output [Regression Statistics: Coefficient, Standard Error, P Value]

	Coefficient	Standard Error	P-Value
Intercept	3096.447	4,185.72309	0.483508948
Branches	-1.52147	0.964873622	0.158833549
ATMs	0.48825	0.447150376	0.311020667

Significance of Positive Adjusted R Square [Adjusted R Square=0.052995]

A positive Adjusted R Square indicates that independent variables have been correctly selected which would be able to forecast the dependent variable. In nutshell this Mathematical Model may be accepted.

Significance of Having Higher F Value than F Significance Value [F Value= 1.251820745; F Significance= 0.342948]

If F value is found to be higher than F Significance in regression model, it could be inferred that regression model is significant at 5% (in this study) level of significance.

Significance of P Value (In this study at 5% level of Significance)

In regression model any independent variable including the intercept may be accepted if the concerned P value exceeds 0.05 (at 5% level of significance).

In this study all P values have exceeded 0.05. Hence intercept and variables x₁ and x₂ have been included in the final model.

Significance of Negative Coefficient of x₁

In this study independent variable x₁ signifies number of branches. Negative coefficient of independent variable x₁ (number of branches) implies that number of branches (x₁) is having inverse relationship with dependent variable profit (y).

This result is quite significant. It clearly indicates that Axis bank has failed to make all branches feasible and profit making. This also indicates that Axis bank may have developed a faulty and outdated branch expansion policy. This may also may put the bank in deep financial trouble in future if not rectified now.

Significance of Positive Coefficient of x₂

In this study independent variable x₂ indicates number of ATMs. A positive coefficient of independent variable x₂ suggests positive relationship between independent variable x₂ (number of ATMs) and dependent variable y (profit). It signifies that Axis bank has successfully developed profit making ATM installation policy.

Final Model

$$Y = 3096.447 - 1.52147x_1 + 0.48825x_2$$

Where,

Y= Profit of Axis Bank

X₁=Number of Branches

X₂=Number of ATMs

Observation and Conclusion

Axis bank has developed faulty, mis-directed and outdated branch expansion policy which needs immediate interference from the top Management. Branch expansion is quite critical now a days because successful branch expansion policy may help the bank to improve different parameters whereas wrong branch expansion policy may put the bank into liquidation.

Axis bank has been able to put ATMs into profit making units. Result is of course significant and praise-worthy but this is not the right time to get complacent. A survey based on primary data on Axis bank customers regarding the cause of their satisfaction may give proper direction to the Management in this regard.

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