



International Journal of Multidisciplinary and Scientific Emerging Research (IJMSERH)

Volume 13, Issue 3, July-September 2025

Impact Factor: 9.274



A Study on Credit Flow and Financial Performance of Axis Securities Ltd, Chennai

V. Vijaykumar, H. Monish

Assistant Professor, Department of Management Studies, Jaya Engineering College, Thirunindravur, Chennai,
Tamil Nadu, India

II MBA, Jaya Engineering College, Thirunindravur, Chennai, Tamil Nadu, India

ABSTRACT: The financial services sector in India has witnessed significant transformation driven by regulatory reforms, digital innovation, and rising customer expectations. Within this context, Axis Securities Ltd., a subsidiary of Axis Bank, plays a vital role as a financial intermediary, enabling credit access through product distribution and advisory services rather than direct lending. This study explores the relationship between credit flow and financial performance of Axis Securities, focusing on how operational efficiency in credit facilitation influences key financial outcomes. The research adopts a secondary data-based analytical approach, examining financial metrics such as Net Profit Margin, Return on Equity (ROE), Debt-to-Equity Ratio, and Interest Coverage Ratio over a three-year period (FY 2021–2024). The objective is to assess how credit-related activities—such as disbursement processes, customer acquisition, and digital outreach—impact the firm’s profitability, solvency, and liquidity. Findings indicate that while Axis Securities has demonstrated growth in digital engagement and customer base, its financial performance has been under pressure, reflected in declining profitability and rising leverage ratios. The study identifies those inefficiencies in credit flow—such as processing delays and increased reliance on debt—can adversely affect financial outcomes even in non-lending financial intermediaries. The study concludes that strategic credit flow management is essential not only for operational excellence but also for maintaining financial stability and stakeholder trust. It recommends strengthening digital credit tools, enhancing risk management practices, and aligning credit operations with long-term financial planning. The insights offer practical value for similar institutions aiming to optimize performance in a highly competitive and regulated financial environment.

KEYWORDS: Credit flow, Financial performance, Axis Securities Ltd., Non-lending financial intermediaries, Digital outreach, Net Profit Margin, Return on Equity, Debt-to-Equity Ratio, Interest Coverage Ratio, Operational efficiency, Financial stability, Risk management, Credit facilitation, Customer acquisition, Strategic credit management.

I. INTRODUCTION

The Financial services sector in India has undergone a remarkable transformation over the past two decades, driven by liberalization, regulatory reforms, technological innovation, and changing consumer preferences. Within this dynamic environment, financial institutions are increasingly required to balance business growth with operational prudence and sound risk management. Two critical levers that directly influence their sustainability are the effective management of credit flow and the delivery of strong, consistent financial performance.

Credit flow, in this context, refers to the process through which financial resources are channeled from lenders to borrowers via diverse distribution networks—ranging from traditional bank branches to digital platforms, brokerage firms, and non-bank intermediaries. Although many intermediaries do not directly carry credit risk on their balance sheets, the management of credit flow in terms of product distribution, customer selection, and service quality plays a central role in their revenue generation, reputation, and long-term viability.

Efficient credit flow management involves rigorous customer evaluation, alignment of products with customer needs, streamlined operational processes, and effective use of technology for onboarding and credit assessment. A well-managed credit flow not only supports top-line growth through commission and fee income but also enhances customer satisfaction and loyalty. Conversely, poor credit management practices can result in customer dissatisfaction, regulatory scrutiny, operational losses, and erosion of market credibility.

Financial performance serves as a measurable outcome of strategic initiatives and operational decisions. It extends beyond traditional profitability metrics to include operational efficiency, asset quality, customer acquisition costs, return

on equity, and resilience against external shocks. Maintaining robust financial performance is essential to fund innovation, strengthen competitive positioning, and build organizational resilience in an increasingly volatile market. The interrelationship between credit flow and financial performance is profound. A seamless and well-regulated credit flow enhances business volumes, drives higher fee-based income, and improves operational leverage. It also contributes to a stronger brand image, enabling financial service providers to attract and retain a wider customer base. On the other hand, inefficiencies or lapses in credit management—such as inadequate underwriting, poor customer targeting, or delays in processing—can quickly impact revenue streams, inflate operational costs, and strain profitability. This balance has been accentuated by structural shifts in the financial services industry.

The rapid adoption of digital technologies, the emergence of fintech disruptors, evolving regulatory expectations, and heightened consumer demands have collectively redefined the rules of the game. Customers today expect faster approvals, greater transparency, and highly personalized financial solutions. Meeting these expectations while preserving credit quality and financial discipline is an increasingly complex challenge. Macroeconomic volatility including fluctuations in interest rates, inflationary pressures, currency instability, and geopolitical risks—directly affects both credit demand and asset quality. In such an environment, a company's ability to maintain efficient credit flow while safeguarding its financial strength becomes a strategic imperative. Events such as the COVID-19 pandemic further underscored the vulnerability of credit-dependent business models and highlighted the need for agile, risk-aware operational frameworks. The competitive landscape spans traditional banks, non-bank financial companies (NBFCs), and agile fintech start-ups offering innovative credit products and digital customer experiences. To remain relevant, market participants must continuously refine their credit distribution strategies, leverage technology for smarter risk assessment, and optimize operational processes to drive cost efficiencies.

Regulatory developments add another layer of complexity. Guidelines from the Reserve Bank of India regarding credit underwriting, customer grievance redressed, data privacy, and anti-money-laundering compliance significantly influence credit distribution processes. These regulations, while critical for systemic stability, necessitate continuous investment in compliance infrastructure, employee training, and operational oversight.

Against this backdrop, financial performance must be viewed holistically. Strong financial results are both an enabler and a reflection of disciplined credit flow management, prudent risk-taking, customer-centricity, and operational excellence.

A detailed study of credit flow and financial performance mechanisms within intermediary financial institutions is therefore timely and relevant. Such an analysis enables a deeper understanding of how these entities navigate the complexities of credit distribution without directly assuming lending risks, how they manage operational challenges while striving for growth, and how they align strategic initiatives with market realities. This project thus aims to critically assess credit flow mechanisms and financial performance outcomes across India's financial services sector, exploring their interdependencies, identifying operational strengths, and highlighting areas for potential improvement. By doing so, it seeks to contribute to the broader discourse on how modern financial service providers can achieve sustainable growth while effectively managing credit and operational risks.

Credit flow plays a crucial role in determining the financial strength of financial institution an organization like Axis Securities Ltd, the way credit is managed can influence profitability, customer trust, and overall business sustainability. However, credit mismanagement or inconsistent loan policies may lead to increased risk or financial instability. This study aims to understand the extent to which credit flow affects financial performance, identifying any inefficiencies or strengths in the existing system. The problem lies in bridging the operational credit practices with strategic financial outcomes.

II. OBJECTIVE OF THE STUDY

- To study the structure, trends, and volume of credit flow at company over a defined time period, identifying growth patterns and operational shift.
- To assess the credit appraisal, disbursement, and recovery mechanisms followed by company and their influence on financial soundness and risk exposure.
- To analyze the financial performance of company.
- To evaluate how credit flow strategies, impact the working capital management, liquidity ratios, and overall financial efficiency of the company.

- To identify the operational challenges, market risks, and regulatory pressures affecting credit flow and financial performance at company

III. SCOPE OF THE STUDY

Organizational Focus: The study is limited to Axis Securities, a subsidiary of Axis Bank, and does not extend to other financial institutions or brokerage firms,

Functional Coverage: It covers various aspects of credit flow including credit disbursement, collection processes, risk management practices, and their alignment with operational strategies.

Financial Performance Analysis: The study evaluates financial performance through key metrics such as profitability, revenue growth, liquidity, return on assets (ROA), and return on equity (ROE).

Time Frame: The analysis is based on recent financial data (usually the past 3– 5 financial years), allowing for a relevant and current understanding of the trends and outcomes.

Strategic Insights: The study also considers how credit flow influences strategic decisions, investment activities, and customer satisfaction at Axis Securities.

Managerial Implications: The findings aim to support managerial decision- making related to credit management and financial planning.

IV. REVIEW OF LITERATURE

Berger, A.N. & Udell, G.F. (1995) They explored credit risk management in U.S. financial institutions and concluded that strong credit policies enhance both credit availability and profitability. Their study emphasized the importance of disciplined risk assessment practices.

Diamond, D.W. (1991) This study examined the function of financial intermediaries, showing that well-capitalized banks and institutions tend to be more profitable. Diamond highlighted how intermediaries reduce risk through effective credit allocation.

Laeven, L. & Valencia, F. (2013) Analysing post-crisis credit trends, they found that cautious and controlled credit growth is essential for sustainable long-term financial performance. Their work highlighted recovery patterns after financial downturns.

Reinhart, C.M. & Rogoff, K.S. (2009) These economists investigated global financial crises, concluding that credit booms often precede major financial collapses. Their findings caution against unchecked credit expansion.

Meena, R. (2018) Explored how credit distribution affects profitability within Indian private sector banks. Retail credit growth (housing, personal, auto loans) showed a clear positive correlation with return on assets (ROA), suggesting that diversified retail lending bolsters.

Varghese, L. (2021) Assessed the impact of digital transformation on credit disbursal in banks. Saw a surge in mobile and web-based loan applications, which reduced acquisition costs and boosted profitability. Highlights the competitive edge banks gain by migrating legacy credit workflows to digital platforms.

Sundaram, K. (2021) Examined finch integration—specifically automated credit scoring— in private banks. Automation improved approval rates by using alternative data and machine learning models, without compromising credit quality. Points to finch–bank partnerships as a driver of faster, more inclusive lending.

Choudhary, P. & Sinha, D. (2020) Studied credit flow in rural India under government backed schemes. Found that subsidized agricultural and allied-sector loans raised farm productivity and repayment discipline. Concludes that well-targeted public credit programs can simultaneously lift rural incomes and lower credit risk.

Pillai, S. (2022) Evaluated the MUDRA scheme’s effectiveness in funding micro entrepreneurs. Reported notable increases in self-employment and strong loan recovery rates, indicating that small-ticket unsecured lending can be viable

when paired with borrower training and monitoring. Suggests scaling similar programs for greater economic inclusion.

Joshi, L. & Arora, K. (2023) Reviewed AI-driven credit-appraisal techniques in new generation private banks. AI models— leveraging real-time transaction data and behavioral analytics—boosted approval rates and improved portfolio quality by predicting defaults more accurately than traditional scores. Demonstrates the growing role of artificial intelligence in modern credit management.

V. RESEARCH METHODOLOGY

This chapter outlines the research methodology adopted to study the relationship between credit flow and financial performance at Axis Securities Ltd. The methodology defines the framework used to collect and analysis data, ensuring the study remains valid, reliable, and structured. It explains the research design, data sources, sampling methods, statistical tools, and the overall approach taken to examine the problem scientifically. The choice of methodology aligns with the study’s objective to determine whether there is a meaningful relationship between the credit practices of the organization and its financial performance.

A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

It is the print for data collection, measurement, and analysis. The design of this project is done such that it provides knowledge to investors by analyzing the risk and return associated with the stocks invested by them

VI. DATAANALYSIS AND INTERPRETATION

CURRENT RATIO

Year	FY 2021-22	FY 2022-23	FY 2023-24
Current Assets	120246	235008	285789
Current Liabilities	79957	174137	205791
Current ratio	1.50	1.35	1.39

INTERPRETATION

The benchmark of the current ratio is 2:1. The highest current ratio is reported in the year 2022i.e. 1.50 and the lowest i.e. 1.35 in the year 2024 which is less than the previous year. It seems that compared to previous years there is a decrease in the current ratio, which it means has decreased its ability to meet its short-term solvency.

CASH POSITION RATIO

Year	FY 2021-22	FY 2022-23	FY2023-24
Cash in hand	21627	35147	25573
Cash at bank	37088	43209	82451
Absolute Liquid Asset	58715	78356	108024
Current Liabilities	79957	174137	205791
Cash Position Ratio	0.73	0.45	0.52

INTERPRETATION

The highest ratio is in the year 2022 i.e. 0.73 and the lowest is in the year 2023 i.e. 0.45. It means that the company has sufficient cash in hand to meet its current liabilities in the year 2022 than the other year.

DEBT-TO-EQUITY RATIO

Year	FY 2021-22	FY 2022-23	FY 2023-24
Debit	37288	98249	12820
Equity	48209	84800	10246
Debt Equity Ratio	0.77	1.16	1.25

INTERPRETATION

The benchmark of debt-to-equity ratio is 2:1, which means for every one rupee of equity company can borrow two rupees. It seems that the year 2024 has the highest D/E ratio 1.25 and has the lowest D/E ratio in the year 2022 i.e. 0.77. There is a constant increase in their D/E ratio, which means that the company's debt level is increasing relative to its equity, they are more dependent on borrowings than the previous year.

INTEREST COVERAGE RATIO

Year	FY2021-22	FY2022-23	FY2023-24
EBIT	26795	30496	21277
Interest On Long term Debt	1082.63	2932.31	5018.16
Interest Coverage Ratio	24.75	10.40	4.24

INTERPRETATION

The highest ratio is in the year 22 i.e. 24.75 and the lowest is in the year 2024 i.e. 4.24. It means that the company has decreased its ability to pay off its interests, which harms the company. It means that the company has not sufficient money and is not in a good financial position. It will lead to difficulties for the company.

NET PROFITR RATIO

Year	FY 2021-22	FY 2022-23	FY 2023-24
Net Profit after tax	16455	22913	20091
Net Sales	42083	66000	71800
Net Profit Ratio	39.10%	34.72%	21.98%

INTERPRETATION

As per the above data, the company is showing a constant decrease in its net profit margin. It has the highest net profit ratio in the year 2022 i.e. 39.10 and the lowest in the year 2024 i.e. 21.98. It means the company has a decrease in their net profits, compare to previous years. It means the company is not using an effective cost structure or optimum utilization of resources.

OPERATING PROFIT RATIO

YEAR	FY 2021-22	FY 2022-23	FY 2023-24
Operating Profit	26795	30496	21277

Net Sales	42083	66000	71800
Operating Profit Ratio	63.67	46.21	29.63

INTERPRETATION

As per the above data, the company has a constant decrease in the operating profit ratio. It seems that the company has the highest operating profit ratio in the year 2022 i.e. 63.67 and the lowest in the year 2024 i.e. 29.63. The constant decrease in ratio by the company indicates companies' profitability has declined.

RETURN ON NET WORTH RATIO

Year	FY 2021-22	FY 2022-23	FY 2023-24
Net Profit	16455	22913	20091
Equity	48209	84800	102476
Return On Equity	34.13	27.02	19.61

INTERPRETATION

As per the above data, the company has a constant decrease in net worth ratio. It has the highest RONW ratio IN the year 2022 i.e. 34.13 and lowest in the year 2024 i.e. 19.61. It means the company has an increase in their liabilities as compared to assets, it's not good for the company.

TABLE 4.2.8 SHOWING RETURN ON CAPITAL EMPLOYED

Year	FY 2021-22	FY 2022-23	FY 2023-24
PBIT	26795	30496	21277
Total Capital Employed	85497	183049	230756
Return on capital Employed	31.34%	16.66%	9.22%

INTERPRETATION

The company has the highest ROCE ratio in the year 2022 i.e. 31.34 and the lowest ROCE in the year 2024. 9.22. It means that the company is not using its available capital efficiently, and not generating more return on its investment. It means the company has declined its profitability and growth.

VII. FINDINGS OF THE STUDY

Liquidity Ratios: The current ratio remained below the ideal benchmark (2:1) across all years, indicating constrained short-term solvency.

Solvency Ratios: The debt-to-equity ratio increased steadily, reaching 1.25 in FY 2023–24, reflecting higher financial leverage and growing reliance on debt financing.

Profitability: Net profit and operating profit margins declined over the three years, indicating decreasing operational efficiency and cost control.

Return Ratios: Both ROCE and RONW showed a downward trend, suggesting inefficient capital utilization and diminishing shareholder returns.

Credit Distribution: Credit flow increased by 11.39% from FY 2023 to FY 2024, indicating a growing loan portfolio.

NPA Ratio: A moderate NPA ratio of 5.27% was recorded, which, while not alarming, requires monitoring and reduction.

Credit Utilization: A high utilization rate of 84.78% suggests strong credit demand and effective deployment.

Return on Credit: The company earned a 12.91% return on disbursed credit, indicating a reasonable income from lending operations.

Sector Allocation: Credit was fairly distributed among retail (36.69%), SME (28.17%), and corporate (35.14%) sectors.

VIII. SUGGESTIONS

Improve Liquidity Management: Increase current assets or reduce current liabilities to bring the current ratio closer to the industry benchmark.

Optimize Debt Levels: Reassess long-term debt strategies to reduce financial risk and interest burden.

Enhance Profitability: Implement cost-reduction strategies and streamline operations to improve profit margins.

Strengthen Credit Appraisal Systems: Enhance risk assessment models to reduce NPAs and improve asset quality.

Leverage Technology: Use AI and data analytics for predictive credit scoring and monitoring loan performance.

Rebalance Sectoral Exposure: Adjust credit distribution to reduce risk concentration and ensure Sectoral resilience.

Regular Performance Review: Set up a monitoring mechanism for key financial and operational metrics.

IX. CONCLUSION

The study establishes that while Axis Securities has demonstrated growth in credit disbursement and income from credit operations, its overall financial performance has shown declining trend due to rising debt levels, reduced profitability, and lower capital efficiency. Effective credit flow and financial performance are interdependent, and their alignment is crucial for sustaining business growth. The findings underscore the need for Axis Securities to optimize its financial structure, manage credit risk proactively, and enhance operational efficiency to strengthen its competitive position.

REFERENCES

1. Allen, F., & Gale, D. (2000). Comparing Financial Systems. MIT Press.
2. Beck, T., Demirguc-Kunt, A., & Levine, R. (2004). Finance, Inequality and Poverty. World Bank Policy Research Working Paper No. 3338.
3. Berger, A. N., & Udell, G. F. (1995). Relationship lending and lines of credit in small firm finance. *The Journal of Business*, 68(3), 351–381.
4. Bikker, J. A., & Metzmakers, P. A. J. (2005). Bank provisioning behavior and procyclicality. *Journal of International Financial Markets, Institutions and Money*, 15(2), 141–157.
5. Claessens, S., & Laeven, L. (2003). Financial development, property rights, and growth. *The Journal of Finance*, 58(6), 2401–2436.
6. Das, A. (2015). Credit flow patterns in Indian private sector banks. *Journal of Indian Banking Studies*, 12(4), 45–56.
7. Demirguc-Kunt, A., & Maksimovic, V. (1998). Law, finance, and firm growth. *The Journal of Finance*, 53(6), 2107–2137.
8. Diamond, D. W. (1991). Monitoring and reputation: The choice between bank loans and directly placed debt. *Journal of Political Economy*, 99(4), 689–721.
9. Joseph, T., & Anand, M. (2023). Credit monitoring and collection systems in NBFCs. *Asian Journal of Financial Studies*, 7(1), 29–38.
10. Kavitha, S. (2022). Financial performance review of Axis Securities. *Indian Finance Journal*, 29(3), 101–108.
11. King, R. G., & Levine, R. (1993). Finance and growth: Schumpeter might be



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA



International Journal of Multidisciplinary and Scientific Emerging Research (IJMSERH)

Impact Factor: 9.274

✉ ijmserh@gmail.com

🌐 www.ijmserh.com