



A STUDY ON THE FINANCIAL PERFORMANCE OF FEDERAL BANK LIMITED

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ABSTRACT

The study examines the financial performance of Federal Bank over a period of five years from 2017 to 2022. The research analyzed the bank's financial statements and performance indicators such as profitability ratios, liquidity ratios and comparative balance sheet. The study found that Federal Bank has been consistently profitable and has maintained a healthy asset quality and liquidity position over the years. However, the bank's capital adequacy ratio has been declining over the years, which may indicate a need for capital infusion to support future growth.

INTRODUCTION

Financial performance analysis is the process of identifying the financial strength and weakness of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It is the process of measuring the results of a firm's policies and operations in monetary terms. In a broader sense, financial performance refers to the degree to which financial objectives has been accomplished. Financial performance analysis is the process of determining the operating and financial characteristics of firm from accounting and financial statements.

STATEMENT OF THE PROBLEM

The economic activities of the bank are changing day by day so the periodical analysis of the financial performance is essential. The current financial position of the federal bank is to be identified in terms of key factors.

OBJECTIVES OF THE STUDY

- To ascertain the Profitability position of the Federal bank Limited.
- To analyze the liquidity position of the Federal bank Limited.
- To analyze the growth of the Federal bank Limited.

RESEARCH METHODOLOGY

Source of data	Secondary data
Period of study	2017-2022
Tools used	Ratio analysis

REVIEW OF LITERATURE

- **A.Sabina and A. Rahamathunisha (2020)** examined their study for the purpose of surveying and critically analysing the effects of financial performance of federal bank and Andhra bank. The primary objective of their study is to know the solvency position of the bank. Comparative Balance sheet, common size statement and ratios are the tools used in their study. Their study was based on secondary data. Researcher conclude that with the increasing liberalisation the role of banking sector is perched to increase the financing pattern of economic activities in the country.
- **Mrs. S. Janeefa Priya and Dr. D. Moorthy** done a comparative study of financial performance of HDFC and Federal Bank. Their objectives were to show the difference between the financial indicators of banks in this work. Their study confines to a period of two financial year (2013-14 to 2017-18). Short term



solvency ratio, Long term solvency ratio and Profitability ratio were analyzed in their study. They found that financial performance of HDFC Bank is better than the federal bank.

ANALYSIS AND INTERPRETATION

Year	ROI	Net Profit Ratio	Loan To assets ratio	Current ratio	Cash Position Ratio
2022	5.90	11.9	8.6	0.12	0.11
2021	6.67	10.1	5.9	0.12	0.11
2020	6.6	10.1	6.8	0.08	0.8
2019	7.54	9.7	5.4	0.07	0.7
2018	5.07	8.0	8.8	0.08	0.8

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- The return on investment shows that bank is not having sufficient return on capital employed. Overall banks profitability is low and shows that there is inefficient use of capital employed.
- In the year 2017-18, the net profit ratio is 8.0% which alternatively increased and in the next four years. It becomes 11.9% in the year 2021-22 which is more than the previous year. It shows that the bank is working efficiently in increasing their net profit.
- The loan to assets ratio in the year 2017-18 is 8.8% which is alternatively decreased and increased in the next 4 years. It reaches 8.6% in the year 2021-2022 which shows that the bank is using its loan efficiently in providing loans.
- During the year 2021-22, the current ratio is 0.09 which is less than 1 and so the bank does not have adequate current assets to settle its current liabilities.
- In the year 2017-18, the cash position ratio is 0.8% and decreased and increased in the next four years. It shows that the bank has adequate cash and Cash equivalents to meet its current liabilities.

SUGGESTIONS

- The bank should focus on increasing focus on high ROI, and invest in technology to have a better ROI ratio.
- Since the bank has been able to increase its net profit ratio in the last four years, it is important to continue working on maintaining this efficiency. This could be achieved through implementing effective cost-cutting measures, improving operational efficiency, and investing in technology.
- The bank could consider expanding its loan products to meet the evolving needs of its customers. This could involve offering new loan products that cater to specific customer segments, such as small business loans, personal loans, or student loans.
- To improve its absolute liquidity ratio, the bank could increase its cash and cash equivalents. This could involve optimizing its cash management practices, such as accelerating collections and reducing payment cycles.

CONCLUSION

The study mainly concentrates on the analysis of financial performance and soundness of the bank. It helps to understand the working of the bank. From the study of financial performance of federal bank it can be concluded that the bank has satisfactory position with regard to profitability and the bank needs to improve its liquidity. If the bank continues to work with more efficiency it can have greater success in future.

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