A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF IDFC FIRST BANK LIMITED

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ABSTRACT

The study entitled the financial performance analysis of IDFC First Bank Limited. The aim of this study is to compare the current financial performance with past five years and to study the existing financial position of the bank. Secondary data is used in this study through annual report. Financial data like, comparative balance sheet, common size balance sheet, comparative balance sheet analysis,that the current liabilities is higher than the current asset in every year and it is to be suggest that the company can concentrate on their increasing the level of the current asset. Hence the company improves this financial position. The study of financial performance on the bank has revealed the great deal of their various financial aspects for past five years. The comparative analysis unlocks the overall performance methodology

Keywords: Comparative & Common size Balance Sheet, Comparative Balance Sheet Analysis ….

1. INTRODUCTION

Financial Performance Analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of performance and a study of the trend of these factors as shown in a serried of performance" Finance is the allocation of assets and liabilities over time under conditions of certainty and uncertainty. A key point in finance is the time value of money, which states that a unit of currency today is worth more than the same unit of currency tomorrow. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period. Analysts and investors use financial performance to compare similar firms across the same industry or to compare industries or sectors in aggregate.

2. OBJECTIVES OF THE STUDY

✓ To analysis the financial performance of the IDFC First Bank.
✓ To trace the history and loans offer by the IDFC First Bank.
✓ To measure the growth of IDFC First Bank in terms of the financial performance.
✓ To find out the liquidity position of the concern through ratio analysis and trend analysis.

3. REVIEW OF LITERATURE

GhoshSaibal (2018) studied that with international standards, Indian banks would need to improve their technological orientation and expand the possibilities for augmenting their financial activities in order to improve their profit efficiency in the near future. He studied that banks have to re-orient their strategies in the light of their own strength and the kind of market in which their likely to operate on. In the perspective of this domestic and international development, the banking sector has to chart perfect for development.

GoelCheenu&RekhiBhutaniChitwan (2018) studied that the analysis supports that new banks are more efficient than old ones. The public sector banks are as not profitable as other sectors are. It means that efficiency and profitability are inter related. Concluded that a review of fundamental analysis research in accounting the paper has outlined the development of different accounting valuation model and reviewed related empirical work.

Dr. KoundalVirender (2018) studied that although various Reforms have produced favorable effects on commercial banks in India and because of this transformation is taking place almost in all categories of the banks. Concluded that net profit margin, operating profit margin, return on capital employed, return on equity and debt equity ratio there is no significant difference in these ratios before after merger. Significant difference with respect to gross profit margin

Mishra Kumar Aswini& et.al. (2019) studied that DEA provide significant insights on efficiency of different banks and places private sector ones at an advantage situation and there by hints out the possibility of further improvisation of most of the public sector banks.

Kamraj K. &Somu A. (2019) studied that Indian overseas bank is one of the oldest nationalized commercial banks in India. Banking industry is an indicator of for many development activities in the nation. Indian overseas bank has higher potential to provide better and quality services to the billions of people in India. Concluded that this analysis the position

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of NPAs in selected banks SBI, PNB & Central bank of India It also highlights the policies pursued by the banks to tackle the NPAs and suggest a multi-pronged strategy for speedy recovery of NPAs in banking sector.

4. LIMITATIONS OF THE STUDY

✓ The study is based on the secondary data only.
✓ The study is limited to five years balance sheet.
✓ As the study is done with the help of Ratio analysis and trend analysis only.
✓ The study finds out insufficient data from the report.
✓ The report is calculating by few statistical tools only.

5. METHODOLOGY

Research Design

An exploratory research design was adopted. Exploratory research is one which largely interprets the already available information. It lays particular emphasis on analysis and interpretation of the existing and available information and it makes use of secondary data.

6. RESULTS AND DISCUSSION

CURRENT RATIO

YEAR	CURRENT ASSETS RS.	CURRENT LIABILITIES RS.	RATIO
2018-19	134669.94	122415.55	1.10
2019-20	153916.62	145277.60	1.06
2020-21	170793.28	154003.49	1.10
2021-22	187111.73	173431.05	1.07
2022-23	226103.39	199533.55	1.13

INTERPRETATION

The above table shows clearly the current ratio of the bank for the year 2018-19 to 2022-23. The ratio was 1.10, 1.06, 1.10, 1.07, and 1.13. Generally the accepted norm 2:1 but current ratio was below. It measures the current ratio of bank not satisfied.
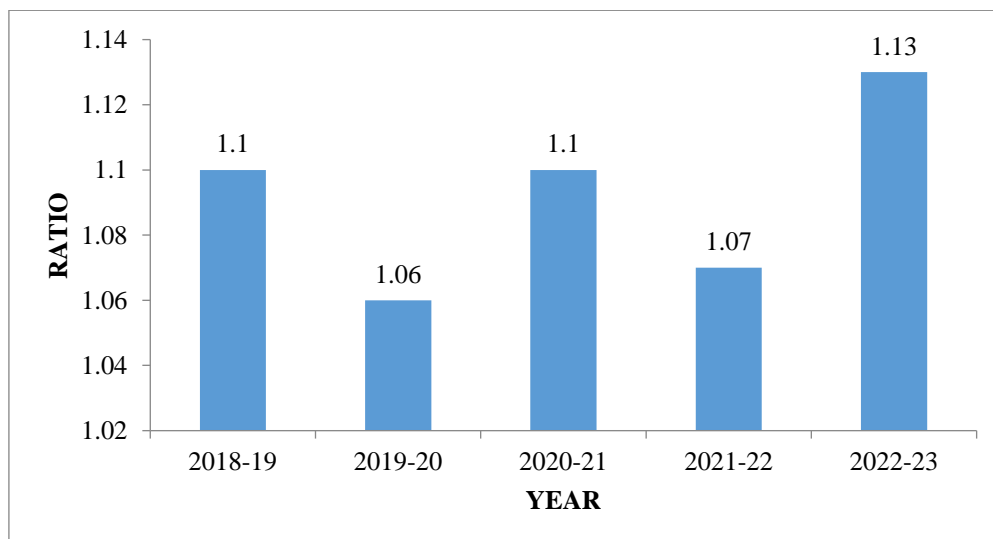

PROPRIETORY RATIO

YEAR	SHAREHOLDERS FUND RS.	TOTAL TANGIBLE ASSETS RS.	RATIO
2018-19	1699.36	7242.73	0.23
2019-20	2450.52	10404.03	0.23
2020-21	2487.71	7811.53	0.31
2021-22	2575.71	5705.36	0.45
2022-23	1014.71	8049.21	0.13

INTERPRETATION

The above table shows clearly the proprietary ratio of the bank for the year 2018-19 to 2022-23. The ratio was 0.23, 0.23, 0.31, 0.45, and 0.13. Generally the accepted norm of proprietary ratio less than 0.5 is loss position. So the proprietary ratio is below 0.5 for the study period. It measures the proprietary ratio of bank not satisfied.
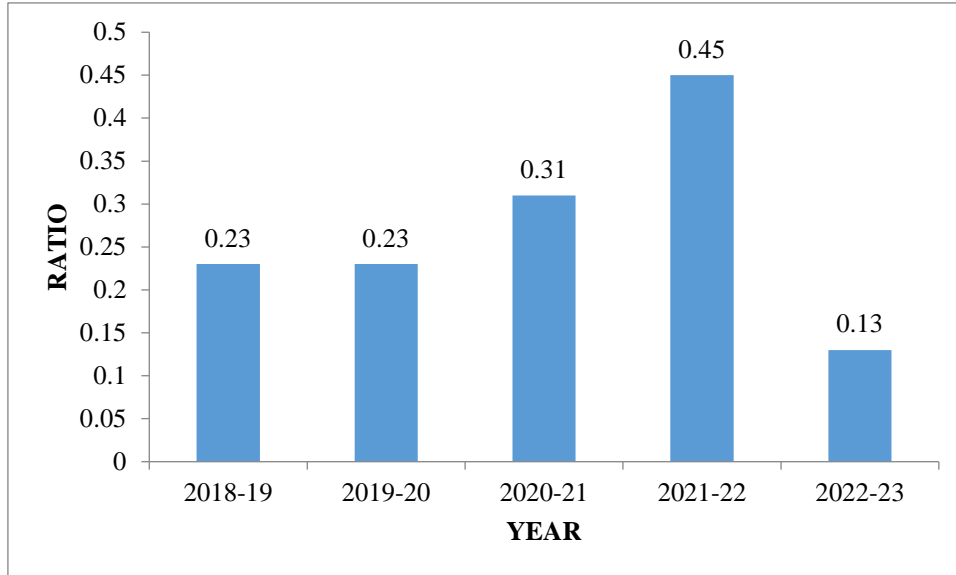

TREND ANALYSIS

YEAR	CURRENT ASSETS		CURRENT LIABILITIES		WORKING CAPITAL	
	AMOUNT RS.	TREND %	AMOUNT RS.	TREND %	AMOUNT RS.	TREND %
2018-19	134669.94	100	122415.55	100	12254.39	100
2019-20	153916.62	114.29	145277.60	118.67	8639.02	70.49
2020-21	170793.28	126.82	154003.49	125.80	16789.79	137.01
2021-22	187111.73	138.94	173431.05	141.67	13680.68	111.63
2022-23	226103.39	167.89	199533.55	162.99	26569.84	216.81

INTERPRETATION

The sales, Net profit and Total expenses percentage was above 100% in the year of 2022-23. The company Current Assets is 167.89% in 2022-23. Current Liabilities trend percentage is 162.99 and the working capital percentage is 216.81% in the year 2022-23.
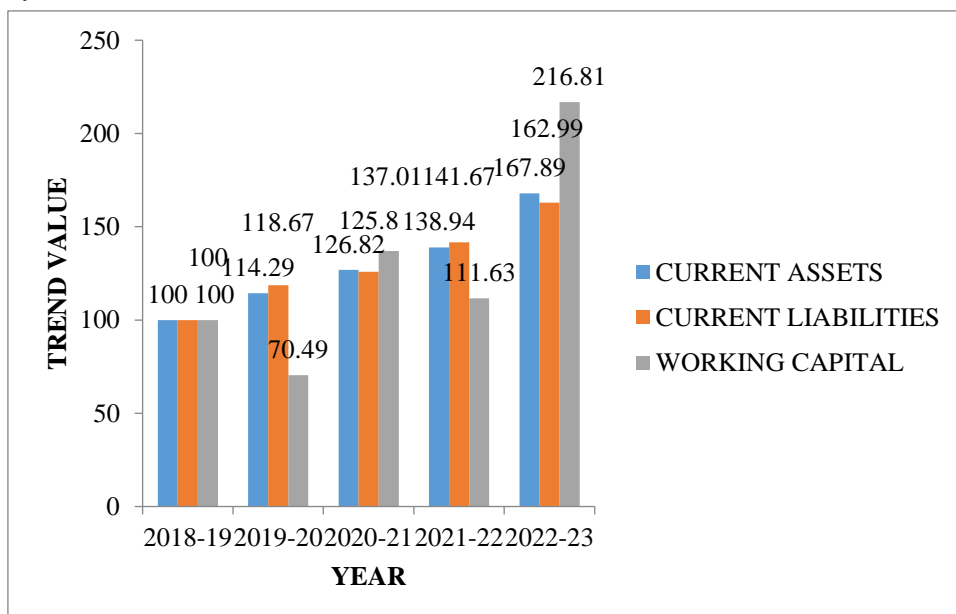
7. FINDINGS

- The current ratio of the bank for the year 2018-19 to 2022-23. The ratio was 1.10, 1.06, 1.10, 1.07, and 1.13. Generally the accepted norm 2:1 but current ratio was below. It measures the current ratio of bank not satisfied

- The proprietary ratio of the bank for the year 2018-19 to 2022-23. The ratio was 0.23, 0.23, 0.31, 0.45, and 0.13. Generally the accepted norm of proprietary ratio less than 0.5 is loss position. So the proprietary ratio is below 0.5 for the study period. It measures the proprietary ratio of bank not satisfied

- The total debt ratio of the bank for the year 2018-19 to 2022-23. The ratio was 17.76, 14.48, 21.3, 32.06 and 27.36. Generally the norm of total debt ratio if high ratio is greater risk and lower safety. So the year of 2021-2022 is more risk for the bank

- The cash position ratio of the bank for the year 2018-19 to 2022-23. The ratio was 0.06, 0.05, 0.05, 0.03 and 0.04. Generally the accepted norm 0.75:1 but cash position ratio was below. It measures the cash position ratio of bank not satisfied

- The return on total asset ratio of the bank for the year 2018-19 to 2022-23. The ratio was 0.00073, 0.0055, 0.0061, 0.0031 and 0.0063. It measures the return on total asset ratio of bank not satisfied because decreasing level

- The fixed asset to net worth ratio of the bank for the year 2018-19 to 2022-23. The ratio was 0.14, 0.09, 0.09, 0.09 and 0.09. It measures the return on fixed asset to Net worth ratio of bank not satisfied because asset value is low compare to net worth value.

- The return on shareholders fund ratio of the bank for the year 2018-19 to 2022-23. The ratio was 0.59, 0.37, 0.44, 0.24 and 1.48. The profit level is increase.

- The fixed asset ratio of the bank for the year 2018-19 to 2022-23. The ratio was 0.14, 0.11, 0.09, 0.09 and 0.09. Generally the accepted norm 0.67 but fixed asset ratio was below. It measures the fixed asset ratio of bank not satisfied

- The payout ratio of the bank for the year 2018-19 to 2022-23. The ratio was 0.81, 2.07, 1.79, 1.94 and 2.01. The earning per share was flexible in the bank.

- The debt equity ratio of the bank for the year 2018-19 to 2022-23. The ratio was 24.69, 20.32, 19.38, 18.89 and 19.62. The bank debt is decreased in the final year.

- The relationship between loans and advances to current assets ratio in the year of 2018-19 is 0.61 and increases in the beginning year of 2022 and then decreases gradually to the end of the year 2023

- The relationship between current assets to total assets ratio in the year of 2018-19 is 0.98 and decreases in the year of 2019-20 to 2022-23 is same percentage of the assets and then decreases gradually to the end of the year

- The ratio on total assets of the company during the study period. It was 0.007 in the year 2018-19 and then reached increase to 0.737 again in the next year 2022-23 onwards it ultimately comes down to 0.631

TREND ANALYSIS- The sales, Net profit and Total expenses percentage was above 100% in the year of 2022-23. The company Current Assets is 167.89% in 2022-23. Current Liabilities trend percentage is 162.99 and the working capital percentage is 216.81% in the year 2022-23

CORRELATION- The above calculation reveals that inventory and debtors are positively correlated. It shows that when inventory value increases, the debtor value also get increases and vice-versa.

8. SUGGESTIONS

- It is suggested that the bank can increase the current account holders from the various company not having current account. These funds can be utilized by the bank and increase their income without any payment of interest to the current account holders.

- The Net profit and Total asset are correlated positively the bank should retain the same in future.

- The investments are made by the bank was mainly in government securities with low revenue. So the bank should concentrate is investing high yielding securities for earning high return.

- The bank has to do their major transaction with cash, so it has to be increased. So liquidity position of the bank has to be increased.

9. CONCLUSION

The study shows that the bank's performance is satisfactory. In some area they are lacking in banking position. If they improve their customer service and technology they will come up with the standard level. According to the least square method the Net profit is expected to increase next five year. So the bank shows good future. This study reveals the findings and recommendations which would be useful for the development and improvement to the bank.

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