

Financial Performance Analysis

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ABSTRACT

Financial Performance Analysis is a crucial process used to assess the overall financial health and operational efficiency of a business over a specific period. It involves the evaluation of financial statements such as the balance sheet, income statement, and cash flow statement to understand profitability, liquidity, solvency, and efficiency. This analysis helps stakeholders—including management, investors, and creditors—make informed decisions regarding investment, lending, and strategic planning.

The study of financial performance includes tools such as ratio analysis, trend analysis, and comparative financial statements. It enables the identification of financial strengths and weaknesses and provides insights into the firm's ability to generate earnings, manage expenses, and sustain growth. By focusing on key performance indicators (KPIs), this analysis supports data-driven strategies for financial planning and resource allocation. The research concludes that continuous monitoring and interpretation of financial performance are essential for ensuring long-term business sustainability and competitiveness.

KEYWORDS: Financial Performance, Ratio Analysis, Profitability, Liquidity, Financial Statements, Trend Analysis, Business Efficiency, Decision Making, Stakeholders.

1. INTRODUCTION

Finance is the master key that enables all production and merchandising alternatives. Financial achievement is essential for the formulation and administration of financial choices. It's a method of determining an organization's total financial health with time, and moreover a method of assessing how successfully a corporation makes advantage from its commodities beyond its primary company mode to create money. Every firm, large, medium, or small, requires capital to maintain functioning and achieve its goals. Finance is often known as the "living blood" of businesses. No corporation can realize its goals if it has sufficient money. As a result, the study of budget discharge is critical, as it is a way of determining the fiscal outcomes of the campaign of business.

Financial performance monitoring is the process of evaluating a company's financial strengths and weaknesses by properly identifying the connections amongst balance sheet and gains and loss account aspects. It is also useful in short term and long term planning, furthermore growth identification through the use of various financial approaches in financial position analysis. The bank is critical to India's economic progress.

In developing nations, a strong and efficient banking sector provides the required financial resources to the blooming of

the economy. It also investigates a company's overall financial health over the years.

2. RESEARCH METHODOLOGY

SOURCES OF DATA

Primary data collection is necessary when a researcher cannot find the data needed in secondary sources. Three basic means of obtaining primary data are observation, surveys, and experiments. The choice will be influenced by the nature of the problem and by the availability of time. For this research study Questionnaire was the Primary Data source which is applied.

SAMPLE SIZE:

It refers to the number of elements of the population to sample. Sample size here is 35.

DATA PROCESSING

The study has been carried out with the help of the following data:

Primary data

The primary data was collected through the use of structured questionnaire from the target respondents using survey method.

Secondary data

The secondary data was collected from journals and internet.

TOOLS FOR ANALYSIS

- Percentage Analysis
- Chart Analysis

3. DATA ANALYSIS

A. Comparative Statements:

The comparative Statements show the absolute data the increase or decrease in absolute figures and increase or decrease in percentages. These statements reflect the effects of the conduct of business. They present the accounting information of the same business unit for two or more accounting periods. Comparative statements may be presented as

- Comparative Income Statement
- Comparative Balance sheet.

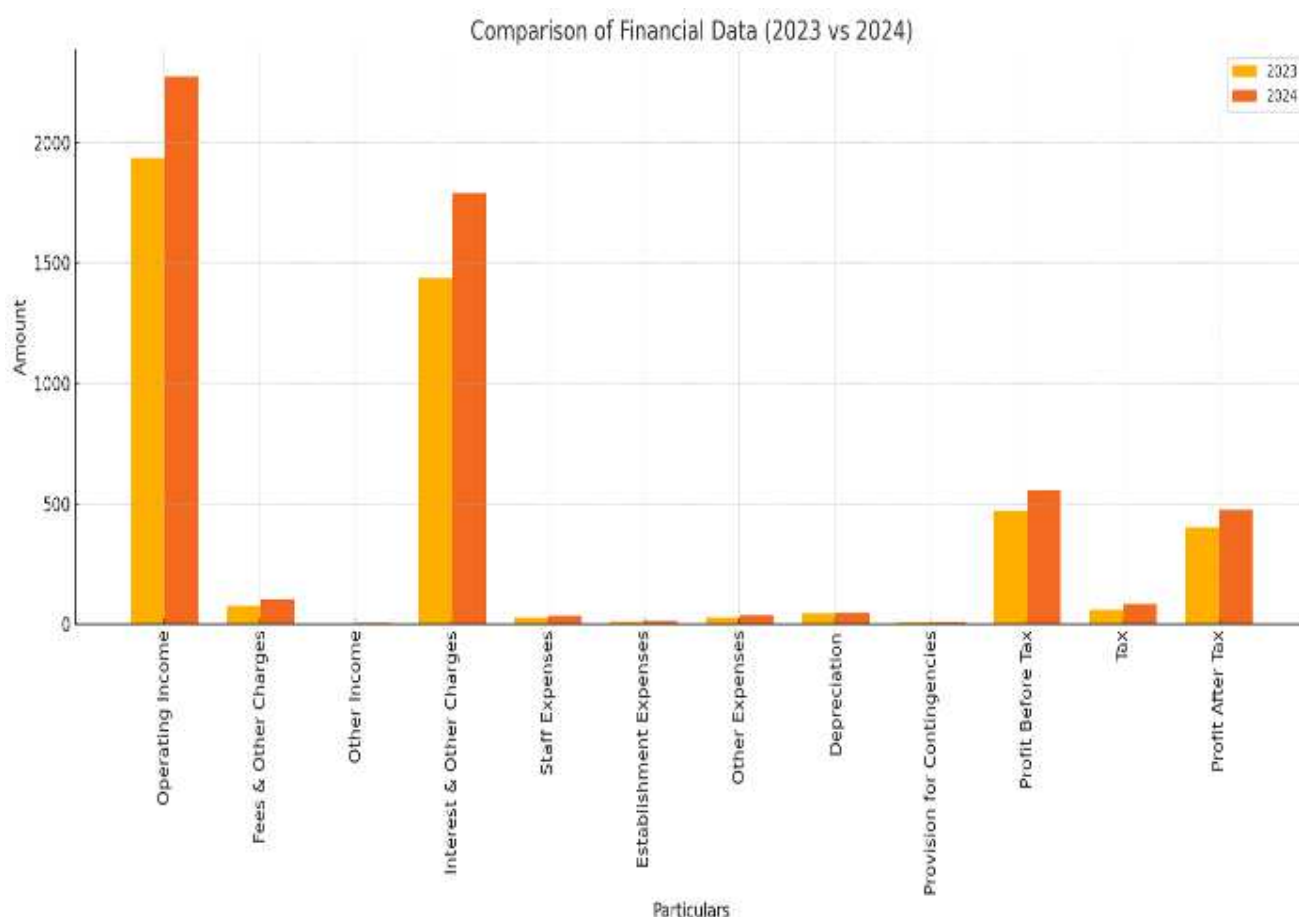
B. Comparative Income Statement:

Financial Statements first refers to Income Statement or Trading and Profit loss account, which is prepared by a business concern at the end of every year, in order to know the profit earned or loss sustained during that period. The usually preparation of income statement is altered and presented in a single vertical column, by adding or sub stocking the significant figure of financial records. This helps to show the information side by side for comparison purposes for two or more years.

The analysis of financial statements may be as follows:

TABLE SHOWING COMPARATIVE PROFIT AND LOSS ACCOUNT FOR THE YEARS 31st MAR 2023 & 31st MAR 2024 (Rs.

In crores)			
Particulars	31-3-2023	31-3-2024	Absolute increase/decrease
Income			
Operating Income	1937.75	2273.71	337.07
Fees & Other charges	75.21	102.82	27.13
Other Income	2.79	5.82	3.72
	2015.54	2382.35	
Expenditure & Charges			
Interest & Other charges	1437.95	1789.71	252.77
Staff Expenses	27.33	34.71	7.28
Establishment expenses	11.02	12.47	1.57
Other expenses	27.87	37.33	8.34
Depreciation	43.57	45.78	2.11
Provision for contingencies	8.00	8.00	
	1554.74	1827.79	
PROFIT BEFORE TAX	470.81	555.77	94.85
Less: Tax	59.00	82.00	23.00
PROFIT AFTER TAX	401.81	473.77	71.85



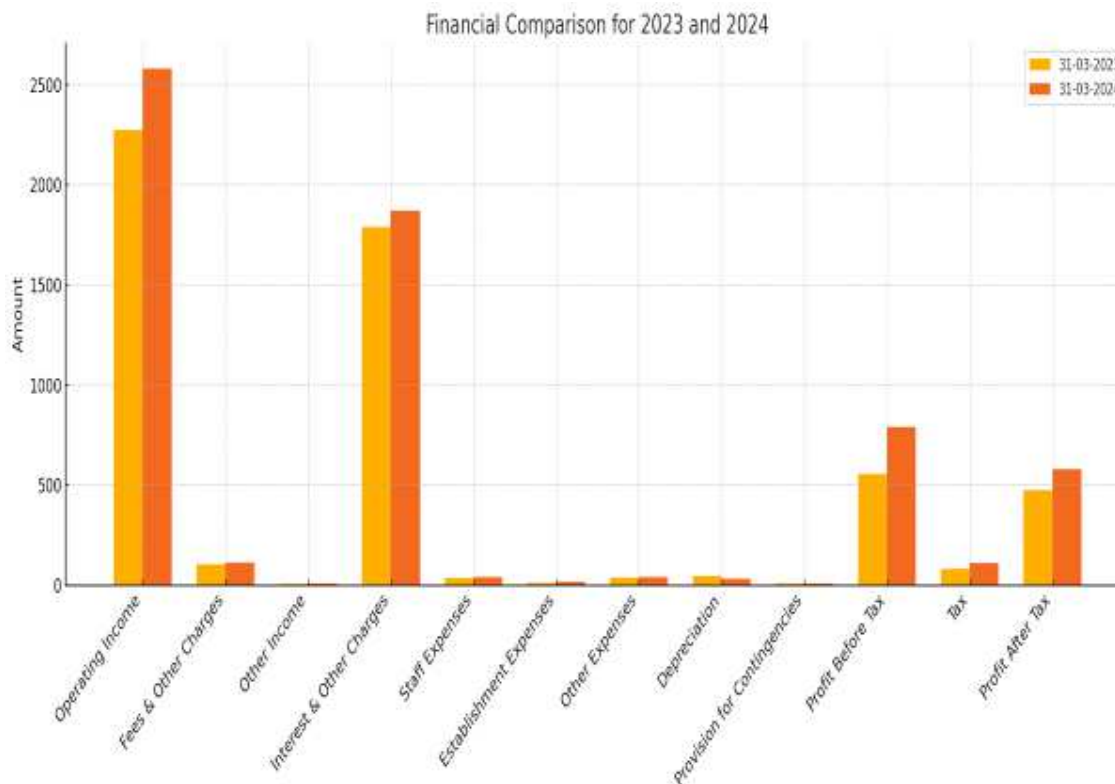
Interpretation: -

1. The total income has increased by 337.07 crores which is a good sign.
2. The expenditure and charges has increased when compared with the last year.
3. Depreciation has increased by 2.11 crores.
4. The net profit has increased by 71.85 crores.

TABLE SHOWING COMPARATIVE PROFIT AND LOSS ACCOUNT FOR THE YEARS 31st MAR 2023 & 31st MAR 2024 (Rs.

In crores)			
Particulars	31-3-2023	31-3-2024	Absolute increase/decrease
Income			
Operating Income	2273.71	2580.21	307.5
Fees & Other charges	102.82	112.20	9.38
Other Income	5.82	7.74	1.92
	2382.35	2700.15	

Expenditure & Charges			
Interest & Other charges	1789.71	1871.24	181.73
Staff Expenses	34.71	40.78	7.07
Establishment expenses	12.47	15.95	3.49
Other expenses	37.33	41.27	4.74
Depreciation	45.78	31.83	(13.85)
Provision for contingencies	8.00	8.25	0.25
	1827.79	2009.22	
PROFIT BEFORE TAX	555.77	790.93	135.27
Less: Tax	82.00	110.92	28.92
PROFIT AFTER TAX	473.77	580.01	107.35

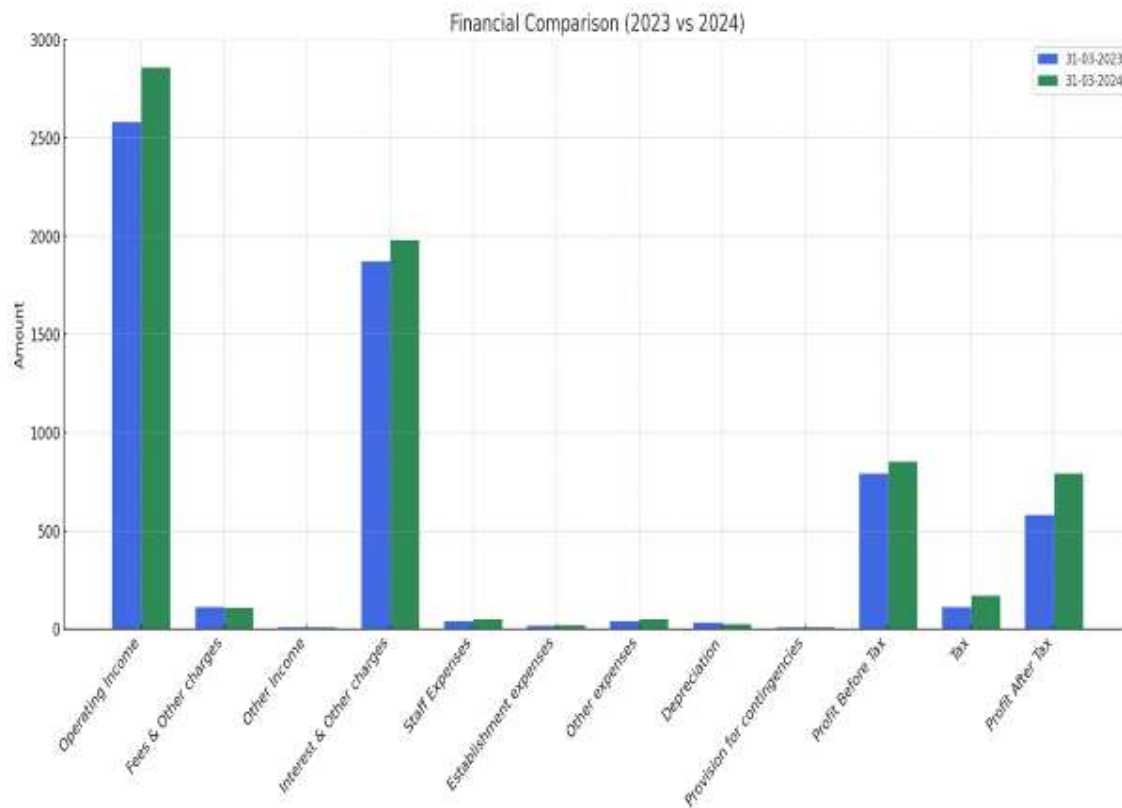


Interpretation: -

1. The total income has increased by 317.8 crores which is quite good in this period.
2. All the operating expenses found an increase in this academic year.
3. Depreciation has decreased by 13.85 crores.
4. The operating profit has considerably increased when compared to the previous year.
5. The net profit has increased by 107.35 crores.

TABLE SHOWING COMPARATIVE PROFIT AND LOSS ACCOUNT FOR THE YEARS 31st MAR 2023 & 31st MAR 2024 (Rs. In crores)

Particulars	31-3-2023	31-3-2024	Absolute increase/decrease
Income			
Other Income	2580.21	2858.58	278.37
Fees & Other charges	112.20	108.74	(3.47)
Other Income	7.74	8.30	0.57
	2700.15	2975.72	
Expenditure & Charges			
Interest & Other charges	1871.24	1979.80	98.57
Staff Expenses	40.78	49.89	9.21
Establishment expenses	15.95	19.53	3.58
Other expenses	41.27	50.77	9.4
Depreciation	31.83	25.70	(7.13)
Provision for contingencies	8.25	9.00	1.75
	2009.22	2124.59	
PROFIT BEFORE TAX	790.93	851.03	170.1
Less: Tax	110.92	170.74	49.82
PROFIT AFTER TAX	580.01	790.29	110.28



Interpretation: -

1. The income of the company has increased by 275.37 crores.
2. Fees and other charges have decreased by 3.47 crores.
3. We observe a less increase in net profit than previous year due to high operating expenses than income.
4. The staff expenses has increased by 9.21 crores which is high than the previous years.

CONCLUSION

1. The HDFC Bank is not utilizing the capital funds in fixed assets.
2. The HDFC Bank is investing the huge funds in the current assets which leads to idle funds.
3. The long term solvency position of the HDFC Bank is not satisfactory.
4. The profitability position of the HDFC Bank is not satisfactory during the study period.
5. The HDFC Bank is maintaining the current ratio above, then the standard during the study period.

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