COMPANY ANALYSIS OF FEDERAL BANK LTD.

Project Report

Submitted by

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Under the guidance of

Dr. JENCY TREESA

In partial fulfilment of requirements for award of the degree of

Bachelor of Commerce

THE FEAR OF THE LORD IS THE BEGINNING OF WISDOM

ST. TERESA'S COLLEGE (AUTONOMOUS) ESTD 1925

ST.TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM

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March 2024

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CERTIFICATE

This is to certify that the project report titled **'COMPANY ANALYSIS OF FEDERAL BANK Ltd.'** submitted by **SONA, SREELAKSHMI K. R AND SUMI JOY** towards partial fulfillment of the requirements for the award of degree of Bachelor of Commerce is a record of bonafide work carried out by them during the academic year 2021-24.

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Place: Ernakulam

Date: 25/04/2024

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DECLARATION

We, Sona, Sreelakshmi and Sumi Joy, do hereby declare that this dissertation entitled, **'COMPANY ANALYSIS OF FEDERAL BAK Ltd.'** has been prepared by us under the guidance of **Dr. Jency Treesa**, Assistant Professor, Department of Commerce, St Teresa's College, Ernakulam.

We also declare that this dissertation has not been submitted by us fully or partly for the award of any Degree, Diploma, Title or Recognition before.

Place: Ernakulam Sona **SONA**

Date: 25|04|2024 Sreelakshmi **SREELAKSHMI K.R**

Sumija **SUMI JOY**

ACKNOWLEDGEMENT

We wish to acknowledge all those persons who helped us in completing our project on the topic, **'COMPANY ANALYSIS OF FEDERAL BANL Ltd.'**

First of all, we thank God Almighty for his blessings showered upon us in the conduct of the project study. We are also indebted to Dr. Jency Treesa, Assistant Professor, Dept. of Commerce, St. Teresa's College, Ernakulam for her guidance and encouragement for proper completion of the study.

We express our sincere thanks to the Provincial Superior and Manager, Rev. Sr. Dr.Vinitha, Director Rev. Sr. Emeline CSST, Principal Dr.AlphonsaVijaya Joseph and to Ms. Elizabeth Rini K F , Head of the Department of Commerce and all other faculties of the Department of commerce, St. Teresa's College, for their support and valuable suggestions.

We would like to express our thanks to all the respondents and colleagues who were associated with this study for their sincere contributions towards the successful completion of the project.

We also extend heartfelt thanks to our family for their constant encouragement without which this project would not be possible.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

A collection or network of organizations that provide financial services is called a banking system. These institutions are responsible for operating payment systems, providing credit, accepting deposits, and supporting investments. Depending on the network of financial institutions, banking systems perform different functions.

In the dynamic Indian banking sector, Federal Bank Ltd. stands out with its consistent growth and strong presence in South India. However, questions arise about its ability to maintain its rhythm in the face of rising interest rates, economic uncertainties, and technological shifts. This research delves deep into a comprehensive analysis of Federal Bank, examining its strengths, weaknesses, opportunities, and threats (SWOT).

We will thoroughly analyze the bank's financial performance, operational efficiency, risk management approaches, and digital adoption efforts. This comprehensive assessment will reveal how effectively the bank allocates its resources, mitigates risks, and embraces technological advancements. Additionally, we'll delve into the competitive environment, identifying crucial factors that set Federal Bank apart from its larger rivals and potential obstacles it may encounter.

This research aims to assess Federal Bank's sustainability and potential for continued growth. . By uncovering both its advantages and limitations, we can provide valuable perspectives on the bank's strategic decisions and its adeptness in handling the ever-changing market dynamics. This understanding will be crucial for stakeholders interested in the bank's future success.

1.2 Significance

1. It is very important for investors and stakeholders to understand a company's financial condition, performance, and future prospects.
2. Helps in evaluating a company's profitability, liquidity, and operational efficiency.
3. Analysis helps you make informed investment decisions.

4. This study also has implications for the communities in which the bank operates. Financially stable banks can contribute to economic development through lending and other financial services.

1.3 Scope

The scope of analysis of Federal Bank Limited includes a comprehensive assessment of various aspects important to the company's performance and reputation in the banking sector. This analysis includes a detailed examination of the bank's financial health, including a review of key financial statements and ratios, an assessment of risk management practices, and an assessment of operational efficiency. It is essential to understand the bank's market position, growth strategy, and compliance with regulatory requirements. Additionally, a thorough review of corporate governance, sustainability efforts, and customer satisfaction provide a holistic perspective. Banks' adaptation to the competitive environment, macroeconomic influences, and technological advances further broadens the scope of the analysis. By investigating these aspects, analysts can gain valuable insights into Federal Bank Corporation's strengths, challenges, and overall resilience in a dynamic financial environment.

1.4 Objectives

- ✓ To analyse the capital structure of FEDERAL BANK LTD.
- ✓ To calculate financial ratio and perform trend analysis.
- ✓ To analyse the shareholding pattern and the dividend declaration..

1.5 Problem statement

The way banks work is constantly evolving, so it's important to take a close look at how they're doing. That's why we're focusing on Federal Bank, a major Indian bank, to see how healthy it is. We'll be checking things like how much money it makes, how much cash it has on hand, the quality of its loans, and how fast it's growing. By looking at past data, how they manage risks, and the choices they've made, we want to figure out what Federal Bank does well, what it could improve on, and what exciting opportunities and challenges lie ahead. This information will be helpful for people like the bank's owners, government officials, and investors, so they can make smart decisions and help the bank keep growing in a healthy way.

1.6 Methodology of the study

Research is the pursuit of knowledge through objective and systematic methods of solving problems. Research methodology is a scientific and systematic method of solving research problems. There are many aspects to research methods. Methodology can be understood as all the methods and techniques used to collect information and data. These steps include research question selection, hypothesis formulation, conceptual clarity and methodology, literature review and bibliography, data collection, hypothesis testing, interpretation, presentation, and report writing. Regarding the research objectives, the research methods used in the research process are listed below.

1.7 Research design

Research design that has been adopted for the study, offers a firm basis for drawing conclusions from the data collected. The type of research carried over here for this purpose is analytical research.

1.8 Collection of data

The study is predominantly based on data collection from secondary sourses. The secondary collection tools used include Financial Statements of the Federal Bank, commercial magazines, internal reports of Federal Bank, reports from academic areas, websites etc.

1.9 Tools for data analysis

✓ **Ratio analysis**

A ratio analysis is a quantitative analysis of information contained in a company's financial statements. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such us its efficiency, liquidity, profitability and solvency.

✓ **Technical analysis**

In technical analysis , it uses past data, mainly prices and trading volume, to try and guess future price movements. Here are two key tools:

✧ **Line Charts:**

It is a simple line connecting dots. Each dot shows the closing price of an asset (like a stock) at a specific time. By joining the dots, we get a clear picture of how the price has moved over time, making it easy to spot trends and changes.

✧ **Bar Charts:**

It is like lining up stacks of boxes, with taller boxes representing more activity (like higher trading volume). Each box shows the price range for a specific period (like a day), and the box's height tells how much trading happened at those prices. It helps visualize where most trading activity occurs.

✧ **Pie Chart:**

"Pie chart" also known as "circle chart", divides a pie statistical chart into parts or sections to illustrate numerical problems.
Each field represents a proportional portion of the whole.
To know the composition of something, a pie chart works best at that time

1.10 Limitations

- The study is based on secondary data that is published annual report.
- Non- availability of details since they are confidential in nature was a limitation of the study.
- The study is limited to the period of 5 years.

1.11 Key words

- **Bank:** A bank is a financial institution where customers can save or borrow money. Banks also invest money to build up their reserve of money.

- **Profitability:** Profitability refers to the ability of a company or business to generate revenue over and above its expenses. It is a crucial measure of financial health and success.

- **Financial Performance:** Financial performance is a subjective measure of how effectively a firm utilizes its assets (such as cash, property, and equipment) from its primary mode of business to generate revenues.It provides insights into the company's economic well-being and evaluates the effectiveness of its management.
- **Dividend payout :** The dividend payout ratio represents the percentage of earnings distributed to shareholders in the form of dividends.It indicates how much of the company's net income is returned to investors.

1.12 Chapterisation

Chapter 1- Introduction

This chapter contains a brief introduction of the topic, its scope and significance, problem statement, methodology, limitations, keywords and chapterisation of the study.

Chapter 2- Review of Literature

This chapter deals with review of literature which includes previous similar studies conducted on the topic "Analysis of Banks"

Chapter 3-Company Profile

This chapter give a brief introduction the bank , vision and mission and the company structure.

Chapter 4- Theoretical Framework

This chapter deals with theoretical frameworks. It collects and compiles information relating with the topic.

Chapter 5- Data Analysis and Interpretation

In this chapter, collected data is analysed and interpreted based on the relevant statistical tools.

Chapter 6- Summary, Findings and Recommendations

This chapter shows the summary of the study, findings, recommendations and conclusion.

CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

Federal Bank, a leading private sector bank in India, merits analysis due to its strong performance and unique focus. This research delves into the bank's financial health, exploring its strengths and weaknesses through the lens of profitability, asset quality, and capital adequacy. The literature review will critically examine existing research on Federal Bank. Studies evaluating its financial ratios, profitability trends, and non-performing asset (NPA) management will be reviewed. Additionally, research analyzing its competitive landscape within the Indian private banking sector will be incorporated.

By synthesizing these insights, this chapter aims to establish a comprehensive understanding of Federal Bank's current position and future prospects. This foundation will pave the way for further analysis in subsequent chapters, identifying potential growth opportunities and strategic considerations for the bank.

1. P. Kanagaraj, B. Balakishor (2022) :

The study looks at Federal Bank's financial results from 2017 to 2022, a five-year period. The study examined the bank's financial records and performance metrics, including comparable balance sheets, profitability measures, and liquidity ratios. According to the report, Federal Bank has continuously turned a profit while holding a strong position in terms of both liquidity and asset quality. The bank's capital adequacy ratio has been dropping over time, though, and this could mean that additional capital is needed to sustain the bank's continued expansion.

2. John H kareken :

In this essay, I provide a succinct overview of the evolution of federal bank regulatory policy before analyzing its final form, current policy. I contend that the federal government's approach should be viewed as insufficient if maintaining safe transaction account balances is its ultimate goal. I evaluate the current policy and then look at some alternatives. I contend that a laissez-faire approach would be appropriate if secure transactions account balances were only necessary when people requested them. Additionally, I contend that, of the options I weigh, only one that is, splitting up the banks might be preferable to the current course of action if the goal of the government is, say, to safeguard the money supply, however that is defined.

3. M Richitha, RS ch Murthy chodisetty :

These days, anyone with money needs to have an account with one of India's top banks. Following the implementation of the Pradhan Mantri Jan Dhan Yojna by the Indian government, which aims to broaden access to banking services, there is also a decreased likelihood of people lacking a bank account. However, do you have any knowledge about India's biggest banks, or specifically public sector banks? If so, there's no need to worry; we'll give you comprehensive facts on some of the best banks in India, including the top ten public and private banks in the nation and information on the banking products that each one offers. In the competitive global economy of today, businesses must position themselves as role models.

4. Pankul sood :

The purpose of this study is to thoroughly assess The Federal Bank Limited and examine the complexities of the Indian banking industry. The banking industry is one of the most significant since it lends money to both individuals and corporations, which contributes significantly to economic growth. For this reason, understanding the industry is crucial to understanding the economy's prospects going forward. The banking industry has suffered over the previous few years and was among the worst-hit by the COVID-19 pandemic. The industry has suffered greatly over the past two to three years, and investors have been waiting for profits.Bankers were cautious in their approach, and the economy's expansion in credit was mediocre. But now that the economy is showing signs of life, credit growth is accelerating. The banking industry is expected to have a prosperous future since the Central Government has placed a special emphasis on infrastructure and private capital expenditures are gradually increasing. For the month of April 2022, GST collections have reached a record INR 1,68,000 crores after increasing over the previous few months. The information used in this research was gathered from secondary sources, including annual reports, bank-released quarterly results, bank conference calls, RBI reports, articles from many websites, and journals.

5. John H Boyd, Arthur J Rolnick :

One of our most successful government initiatives has long been considered to be federal deposit insurance. It now requires extensive repairs. Deposit insurance, which was created in 1933 to address an issue of instability in the banking industry, performed as well as Congress could have desired. However, a deposit insurance issue has emerged more recently as less regulation has been placed on federally insured institutions. Over the past eight years, Congress and bank regulators have loosened regulations to enable banks to thrive in a more competitive market. However, they did not change deposit insurance as some had suggested. Consequently, banks have risen in competitiveness, but at the cost of significantly increasing risk.Deposit insurance has essentially replaced a fundamentally challenging issue with deposit banking.

6. Parvesh Kumar Aspal, Afroze Nazneen :

Adequate capital has a significant impact on banks' operations. The current study looks on the factors that affect Indian private sector banks' capital adequacy ratios. The purpose of the study is to determine whether certain bank performance factors—namely, loan, asset quality, liquidity, management efficiency, and sensitivity—have an effect on the minimum capital requirements for Indian private sector banks. The study emphasized the effects of a few risks on the capital sufficiency of Indian Private Sector Banks, including credit (loan), liquidity, and sensitivity. The most recent data on the banking industry available immediately following the global financial crisis of 2007 has been examined, and it comes from the secondary data from the annual reports of pertinent institutions over a five-year period (2008–2012).The following explanatory variables are used in multiple linear regression analysis to explain the relationship between the dependent variable, capital adequacy ratio (CAR), and the explanatory variables: lending (total advances to assets ratio), asset quality (net nonpayable assets to net advances ratio), management efficiency (expenditure to income ratio), liquidity (liquid asset to total asset ratio), and sensitivity (GAP= risk sensitive assets-risk sensitive liabilities). The findings demonstrated a negative correlation between the capital adequacy ratio and the asset quality, management effectiveness, and lending (loans) proxy variables. However, there is a positive correlation between sensitivity and liquidity. According to the regression analysis, the capital adequacy of private sector banks is statistically significantly influenced by loans, management efficiency, liquidity, and sensitivity. The independent variable asset quality, however, has very little bearing on the capital sufficiency of Indian private sector banks.Finally in the study it is also observed that Indian private sector banks have surplus money to meet their responsibility and have possibility to make more loans to public by protecting owner's interest.

7. V. Richard paul & George C. T. Cheruvathoor :

Seasonal variance is calculated using linear regression and correlation analysis of the share prices of private sector banks listed on the Bombay Stock Exchange (BSE). The analysis of this study is based on secondary data that was gathered between 2008 and 2017, which is a ten-year time frame. The BSE website is where the data were gathered. Federal Bank was chosen by the researcher using a practical sample technique.Consequently, Microsoft Excel and SPSS were used to gather and analyze Federal Bank's historical pricing data. For testing, the correlation matrix, annual compound growth, and descriptive statistics were used. The direction of causality between time and fluctuating share prices was analyzed in order to analyze the growth based on the fitted trend.

8. Varda sardana, shubham singhania :

International journal of research in finance and management 1(2),28-32, 2018 This essay examines the theoretical research on the development of information technology and digital media in the Indian banking sector. The remarkable progress in digital technology has revolutionized the way banks function. With the advent of the digital age, the corporate landscape has been upended and new, creative methods of conducting business have emerged. Digital banking is one of the most recent effects of this. Over time, advances in digital banking technologies have led to the availability of a wide range of products, including debit cards, ATMs, deposits, mobile payments, and more. Utilizing the digital age's infrastructure to generate opportunities on a local and global scale is a huge prospect.

9. Tatiana Marceda bach, luciano luiz Dalazen :

The relationship between innovation and performance in private organizations is the subject of a systematic literature review (SLR) conducted in this study. Research protocol systematization served as the foundation for the research corpus. Two steps of the examination of knowledge dissemination were the summary of general corpus features and the content analysis carried out based on the themes that arose from the study. Using techniques for typical graph layout optimization, relationships between authors, co-citations, keywords, and centrality statistics were found. This study examines the relationship's outcomes for raising businesses' competitiveness. The relationships between the corpus's writers represent relationships between dispersed, low-density, and sparsely connected groupings that have formed into different communities.

10. P Rajendran, Dr B Sudha:

This study was conducted in order to assess HDFC Bank's financial performance. One of the first companies to obtain the Reserve Bank of India's (RBI) "in principle" approval to open a bank in the private sector was HDFC. As of right now, the bank has an impressive network of over 4,805 branches located throughout Indian cities. Every branch is connected online and in real time. Telephone banking is also available for customers in more than 500 locations. A network of 2,657 networked ATMs spread throughout cities and villages is also maintained by the bank. In addition to retail and wholesale banking, HDFC Bank also offers treasury, vehicle, two-wheeler, personal, consumer durable, loans against property, and life style loans.The products and services offered by HDFC Bank include retail and wholesale banking, treasury, credit cards, auto loans, two-wheeler loans, personal loans, loans secured by property, consumer durable loans, life style loans, and more. The previous five years—2015, 2016, 2017, 2018, and 2019—have been used to assess the financial performance of the aforementioned bank. Data such as the current ratio, cash position ratio, debt-to-equity ratio, fixed assets ratio, and proprietary ratio are studied using ratio analysis, and each ratio is given an interpretation. This article's conclusion is that the bank's financial stability was adequate for the duration of the investigation.

11. Michael Brei, Alfredo schclarek :

This essay examines the function of state-owned banks during financial crises. The research adopts an empirical approach and focuses on bank lending. Using the balance sheet data of 764 major banks with headquarters spread across 50 countries between 1994 and 2009, we evaluate how lending responses vary between government-owned and private banks during financial crises. We show strong evidence that government-owned banks raise their lending rates using a nested panel regression methodology that accounts for changes in the bank lending equation's parameters.

12. Devinaga Rasiah:

Journal of performance management 23(1),2010 In recent years, the region has experienced great economic expansion, and commercial banks have always been a major part of it. This review's goal is to pinpoint the factors that affect commercial banks' profitability in light of these changes. The ideas and factors that determine profitability that were employed in this research are commonly found in studies and publications on traditional banking. The internal and external profitability determinants were the two primary groups into which the profitability determinants were essentially split. Management-controllable elements include liquidity, investments in securities, investments in subsidiaries, loans, non-performing loans, and overhead costs are examples of internal drivers. Other factors that also come into play include money supply, total capital and capital reserves, fixed deposits, savings, current account deposits, and capital reserves.

13. Fischer Black :

In this paper, general principles related to the selection of bank assets and liabilities, the determination of loan amounts and terms, the pricing of funds transfer services, including check processing, the establishment of compensating balance requirements, and government regulation are discussed. Assuming that markets are efficient, the debate addresses policies in the face of regulatory restraints after addressing an unregulated environment initially. The majority of policies that would be best in an unregulated setting would also be best in a regulated setting, like the United States of America today, because most bank regulations can be circumvented fairly easily through the use of non-deposit liabilities, compensating balances, and negative checking accounts.

14. Darmawati Muchtar, Fauzias Mat Nor,wahvuddin Albra, Muhammad Arifai, Ansari :

Using panel data, this study aims to examine how financial decisionmaking practices affect the performance of Indonesian public enterprises. In this work, the dynamic generalized method of moment is applied. The findings reveal that the performance of the company is dynamic, meaning that past performance has a big impact on current performance. Investment, leverage, and dividend per share (DPS) all have a major impact on corporate performance, according to empirical results from financial decision behavior. More specifically, investments have a detrimental effect on business performance. Leverage, on the other hand, improves Tobin’s Q while negatively affecting return on assets (ROA). Additionally, DPS has a favorable impact on Tobin’s Q and ROA. This research indicates that Indonesian companies overinvest, as higher investment has an impact on business performance.

15. Matthew j Beck, Jere R Francis :

Previous studies show that audit offices are essential to comprehending auditing processes and that there is a considerable interoffice variance in audit results depending on office size and industry experience. In this research, we look at how two labor factors unique to a city—the average educational attainment of the population and the number of accountants in the city, which serves as a proxy for human capital—affect audit offices and local audit markets. We base our case on the literature on urban economics and propose that an audit office’s capacity to do high-quality audits is positively correlated with a city's level of human capital. As anticipated, the average education level in the city where the lead engagement is taking place positively correlates with audit quality(quality of audited earnings and correctness of going-concern reports).For both Big 4 and non-Big 4 offices, this correlation is generally significant; however, it is comparatively stronger for non-Big 4 firms that have a closer connection to local labor markets. There is evidence that higher education levels in cities lead to a stronger preference for non-Big 4 auditors among companies, and higher non-Big 4 audit fees are also associated with higher accounting degrees. All of these findings point to the impact of local labor characteristics on audit offices, audit quality, and the competitiveness of non-Big 4 auditors in public company audits.

16. V.K. Sudhakar (1998):

Bank of Baroda had submitted dissertation on the subject of "Policies and Perspectives of NPA Reduction in Public Sector Banks" to The Indian Banks Association, Mumbai, 1997-98.This study attempted to examine the issue relating to policies And practices prevailing in the area of NPA reduction. This study also indicated that though The top management of Public Sector Banks (PSBs) were enlightened and concerned about The dimensions of NPAs in their bank, the same is not shared by the staff at operational level. NPA reduction as organizational goals not translated into action in true spirit. The methods And system followed by most PSBs can at best be categories as conventional and crude.

17. Pankaj B.Trivedi (2000):

Brings about the causes and factors responsible for lower Profitability and impact of inflation and changes in price level. It very clearly implies that There is correlation between efficiency and profitability. The author has made an attempt to Suggest business strategies that PSBs will have to adopt to come out of adverse effect. The Research explains the changes that are necessary in the present set up of PSBs and their Business policies to raise their operational efficiency and profitability. The author correlates Two factors namely efficiency and profitability. The author suggested that week bank should Constantly monitored by Financial Restructuring Authority and RBI. Such reform will enable To increase the profitability of Public Sector Banks.

18. Dr.Bimal Jalan, Governor RBI (2001):

In his speech titled “Banking and Finance in the New Millennium” delivered at 22nd Bank Economists Conference, New Delhi,15th February,2001cited “As regards internal factors leading NPAs,the onus rest with the banks Themselves. This calls for organizational restructuring improvement in managerial efficiency, Skill up gradation for proper assessment of creditworthiness and a change in the attitude of The banks towards legal action which is traditionally viewed as a last resort. Highlight of the Speech was setting up of independent Settlement Advisory Committees headed by retired Judge of the High Court to scrutinize and recommend compromise proposals and Appointment of Lok Adalat, Debt recovery Tribunal, and circulation of Information on Defaulters, Asset Reconstruction Company to negotiate with banks and financial institution For acquiring distressed assets and develop markets for such assets.

19. Sanjay Choudhari and Arabinda Tripathy (2004):

In their study made an attempt to use Data Envelopment Analysis (DEA) to evaluate the relative performance of public sector Banks in India. The authors made an attempt to evaluate the banks on five indicators namely, Profitability, Financial Management, Growth ,productivity, and Liquidity. The analysis Showed that most of the banks form efficient frontier in profitability and financial indicators Compared to productivity, growth and liquidity indicators. The authors emphasized on lacuna That banks are not giving importance to other measures such as productivity, growth and Liquidity as compared to profitability and financial management.

20. Henry James (2007):

Deals with the problems on rising volume of overdue of the loan of the Banking system both credit cooperative credit societies and of commercial banks, but also other regulating agencies like RBI,NABARD and other policy makers at national level. It also gave a solution that high overdue payment leads to the bank in inconvenient position at The time of availing refinance facilities from the external sources. The author in his research Has preferred drought prone areas since the trend recovery of loan has been worsening. The Demand for the recovery was higher than actual recovery.

21. Naushad. M.Mujawar (2009):

Lending has always been associated with credit risk, arises Out of the borrower‟s default in repaying the loan with the stipulated time. In recent years Some UCBs, which are mostly engaged in retail banking, have faced mergers and strict action By RBI for having failed to successfully manage their NPAs. The inflating bubble of NPAs May mar the balance sheets of the banks if they fail to adopt better credit monitoring Practices to prevent further slippage of NPAs. In the case study, an attempt has been made to Tackle the problem of NPAs. The objective of the study is to understand the concept of NPA and classification of assets.

22. Selvarajan & Vadivalagan (2013):

A Study on Management of Non-Performing Assets in Priority find that the growth of Indian Bank's lending to Priority sector is more than that of The Public Sector Banks as a whole. Indian Bank has slippages in controlling of NPAs in the Early years of the decade. They suggested that Banks are required to have adequate Preventive measures in fixing pre- sanctioning appraisal responsibility and an effective post-Disbursement supervision. Banks should continuously monitor loans to identify accounts that Have potential to become non- performing. Each bank should have its own independence Credit rating agency which should evaluate the financial capacity of the borrower before Credit facility and credit rating agencies should regularly evaluate the financial condition of The clients.

23. Kishor Bhoir (2000):

A study conducted on ” Deals with the various aspects of NPA in Public sector banks.. Study highlighted the main reason which turns the performing advances To non performing ones. The author recommends remedial measures taken by the public Sector banks and compromise settlement as one of the solutions to the problem faced by the Public sector banks. The author analyzed internal and external Industrial sickness. According To the researchers NPA has a multiple effects on the total working of Indian banking system And the banks looses further opportunity of investment. The study also emphasized different Categories of borrowers.

24. Uday S Bose (2005):

The growing NPA and its implications on the banking system need no Emphasis. While there have been several schemes in the past to facilitate the recovery from NPAs, the success of such efforts in terms of NPA reduction has been far from satisfactory. SARFAESI Act greatly helps bank in their effort to reduce recovers money from NPAs. Attempts to provide a glimpse of the Act against this backdrop. The author has cited certain Limitation on the Act and also put certain light of the Supreme Court landmark Judgement in Ordinance 2004.

CHAPTER 3

COMPANY PROFILE

Company Profile

FEDERAL BANK ltd. is an Indian private sector bank that offers various products and services such as retail banking, wholesale banking, finance and insurance, mortgage loans, wealth management, investment banking, credit cards, and debit cards. The bank was founded in 1931 as Travancore Federal Bank and renamed as FEDERAL BANK in 1949. It is headquartered in Aluva, Kochi, Kerala and has 1,408+ banking outlets and 1935+ ATMs/CDMS spread across different states in India and overseas representative offices at Abu Dhabi and Dubai. The bank handles more than one fifth of India's total inward remittances and has remittance arrangements with more than 110 Banks/Exchange Companies around the world. The bank is also listed in the Bombay Stock Exchange, National Stock Exchange of India and London Stock Exchange and has a branch in India's first International Financial Services Centre (IFSC) at the GIFT City. The bank's authorized share capital is INR 800.00 cr and the total paid-up capital is INR 470.07 cr. The bank has 13,457 employees and a customer base of over 16.6 million. The bank's revenue, operating income, net income, and total assets for the year 2023 were ₹20,248.01 crore, ₹5,061.57 crore, ₹5,455.00 crore, and ₹260,342.00 crore respectively. The bank's key management personnel include Shyam Srinivasan (MD & CEO), Elias George, Harsh Dugar, and others.

Vision

To be the 'Most Admired Bank' which is digitally enabled with a sharp focus on Micro, Medium and Middle market enterprises.

Mission

Devote balanced attention to the interests and expectations of stakeholders, and in particular:Customers: Meet and even exceed expectations of target customers by delivering appropriate products and services, employing as far as feasible, single window and 24-hour-seven-day-week concepts, leveraging a strengthened branch infrastructure, ATMs, other alternative distribution channels, cross-selling a range of products and services to meet customer needs varying over time, and ensuring the highest standards of service at all time, guided by our principle of being 'Digital at the fore, Human at the core'

- Shareholders: To achieve consistent growth in shareholder value.
- Shareholders: Develop in every employee a high degree of pride and loyalty in serving the Bank.

Company Structure

FEDERAL BANK ltd. is a public limited company, listed on the Bombay Stock Exchange, National Stock Exchange of India, and London Stock Exchange. The bank has a branch in India's first International Financial Services Centre (IFSC) at the GIFT City. The bank has four subsidiaries: FedBank Financial **Services** Ltd, Fedfina Home Finance Pvt Ltd, Fedbank Hormis Memorial Foundation, and IDBI Federal Life Insurance Company Ltd. The bank also has joint ventures with IDBI Bank and Ageas Insurance International NV. The bank's authorized share capital is INR 800.00 cr and the total paid-up capital is INR 470.07 cr. The bank has 13,457 employees and a customer base of over 16.6 million.

Dividend

FEDERAL BANK ltd. follows a dividend policy that aims to balance the interests of its shareholders and its growth objectives. The bank considers various factors such as its profitability, capital adequacy, liquidity, future expansion plans, regulatory requirements, and macroeconomic conditions while deciding on the dividend payout. The bank's board of directors has the authority to declare interim dividends as and when deemed fit, subject to the approval of the Reserve Bank of India. The bank's dividend policy is reviewed periodically and communicated to the shareholders through the annual report.

CHAPTER 4

THEORETICAL FRAMEWORK

4.1 Analyzing a bank

There are many theories and models that can be used to analyse a bank’s performance, risk, efficiency, and competitiveness. Some of the most common ones are:

1. CAMELS rating system
2. DuPont analysis

4.1.1 CAMELS rating system

The performance and financial health of banks and other financial institutions are assessed using the CAMELS rating system. It is predicated on six elements: sensitivity, profits, capital sufficiency, asset quality, management, and liquidity. On a scale of 1 (strong) to 5 (weak), each factor is given a rating. The separate ratings are then combined to get the composite rating. Regulators, investors, and consumers use the CAMELS rating system to evaluate the stability and soundness of banks as well as their adherence to best practices and legal requirements.

Some of the theories and models that underlie the CAMELS rating system are:

- **Capital adequacy theory:** According to this notion, banks must keep a high enough amount of capital to cover losses and safeguard creditors and depositors. The ability of a bank to meet regulatory requirements and absorb negative shocks is demonstrated by a number of measures, including the leverage ratio, total capital ratio, and tier 1 capital ratio. These ratios are used to determine capital adequacy.
- **Asset quality theory:** According to this idea, in order to reduce the risk of default and impairment, banks must manage the quality and diversification of their assets, particularly their loans and investments. Numerous measures that represent the bank's exposure to credit risk, market risk, and operational risk are used to monitor asset quality. Examples of these indicators are the non-performing assets ratio, the provision coverage ratio, and the net charge-offs ratio.

- **Management capability theory:** According to this view, banks must have management teams that are capable of recognizing and responding to financial stress, putting in place sensible policies and processes, and guaranteeing internal controls and good governance. A number of factors, including the bank's business plan, financial results, risk management, compliance, and audit, are used to evaluate management competency.
- **Earnings theory:** According to this theory, banks must produce profits that are both substantial and sustainable in order to fund their capital, operations, and expansion. The profitability, efficiency, and leverage of the bank are reflected in a number of ratios that are used to measure earnings, including the return on equity, net interest margin, and net profit margin.
- **Liquidity theory:** According to this notion, banks must have enough liquidity to pay their bills and support their operations. A bank's capacity to turn assets into cash, pay short- and long-term obligations, and handle unforeseen cash outflows is measured by a number of ratios, including the current ratio, quick ratio, and loan to deposit ratio.
- **Sensitivity theory:** According to this idea, banks must control how sensitive they are to market risks like price, foreign exchange, and interest rate risk. Numerous measures that show the bank's exposure to and vulnerability to changes in market conditions and pricing, such as the duration gap, the net open position, and the value at risk, are used to quantify sensitivity.

The CAMELS rating system is explained by these primary ideas and models. Depending on the situation and goal of the analysis, there might be more pertinent or specific theories and models. Therefore, before using the CAMELS rating system, it is crucial to evaluate the relevant literature and research..

4.1.2 DuPont analysis

The DuPont analysis technique breaks down a company's return on equity (ROE) into three categories: profitability, efficiency, and leverage. By comparing the company's performance to that of its peers and industry benchmarks, investors and management can better understand the causes and trade-offs of the business's performance. Some of the theories and models that underlie the DuPont analysis are:

- **Profitability theory:** According to this theory, a business's capacity to bring in money and keep expenses under control determines how profitable it can be. The percentage of revenue that remains as net income after all costs are subtracted is known as the net profit margin. When everything else is equal, a higher net profit margin signifies a better level of profitability and return on equity.
- **Efficiency theory:** According to this hypothesis, a company's capacity to turn a profit from its assets determines how efficient it is. The amount of revenue earned per unit of average total assets is measured by the asset turnover. When all else is equal, a higher asset turnover suggests a higher efficiency and ROE.
- **Leverage theory:** According to this view, a company's leverage is determined by its capital structure and how it finances its assets—either through debt or equity. The ratio of average total assets to average equity is measured by the equity multiplier. When all else is equal, a greater equity multiplier denotes a higher level of leverage and return on equity..

4.2 RATIO ANALYSIS

4.2.1 LIQUIDITY RATIOS (Short-term Solvency Ratios)

Liquidity means the firm's ability to meet its current obligations out of current resources or assets. Liquidity ratios measure the short-term financial strength and weakness of a firm. The various interested parties like creditors, commercial banks short term lenders etc are interested in liquidity ratios as they get the exact picture of short term financial position of the concern. Liquidity ratios include:

(i) Current ratio

(ii) Quick ratio

(¡¡¡) Absolute liquidity ratio.

(i) Current ratio :

Current ratio explains the relationship between current assets and current liabilities. It measures whether a firm has enough resources to meet its short-term obligations. It is also called as 'Working Capital Ratio'. The formula for calculating the current ratio is:

Current ratio = current asset ÷ current liabilities.

Components of Current Ratio :

1. Current Assets: Current assets are those assets which can be converted into cash within one year or 12 months from the date of Balancesheet.

2. Current Liabilities: Current liabilities are short term obligations which are payable within one year or 12 months from the date of Balancesheet.

Current Assets:

1. Cash and Cash Equivalents (Cash in hand, Cash at bank, Marketable securities, Cheques and Drafts in hand, etc.)

2. Trade Receivables (Debtors, less provision, and Bills Receivables)

3. Current Investments (Short term investments)

4. Inventories (Stock of materials, Work-in-progress, Finished goods)

5. Short-term loans and Advances.

6. Other Current Assets such as prepaid expenses, accrued income, advance payment of tax, etc.

Current Liabilities :

1. Trade payables (Creditors and Bills payables)

2. Short Term Borrowings (Bank over- draft)

3. Other current liabilities such as Outstanding expenses, Unclaimed dividend, Income received in advance, Calls in advance, etc.

4. Short-term provisions: Provision for Tax, Proposed Dividend.

We study on Current ratio which is an indicator of short term solvency of the firm. It helps to analyse the efficient management of its working capital. It represents the 'margin of safety available to creditors and other current liabilities. The ideal ratio is supposed to be 2:1.

(ii) Quick Ratio or Acid Test Ratio or Liquid Ratio.

Quick ratio explains the relationship between quick assets and current liabilities. It indicates whether a firm has the ability to meet its current liabilities within a month or immediately. An asset is said to be liquid if it can be converted into cash within a short period without loss of value. The formula for calculating quick ratio is:-

Quick ratio = quick asset or liquid asset ÷ current liabilities.

Components of Quick Assets:

Quick assets or liquid assets include all those assets which can be converted into cash and cash equivalents very shortly. All current assets except inventories and prepaid expenses are liquid assets. Liquid assets include:

1. Cash and Cash Equivalents (Cash in hand, Cash at Bank, Marketable Securities)

2. Trade Receivables:

(i) Bills Receivable

(ii) Sundry debtors, Less provision for doubtful debts

3.Short Term Investments

4. Short term loans and advances

(iii) Absolute Liquidity Ratio :

This ratio explains the relationship between absolute liquid assets and current liabilities. Absolute liquid assets exclude trade receivables which are more liquid than inventories but there may be doubts regarding their realisation into cash in time. The formula for calculating absolute liquidity ratio is:-

Absolute liquid ratio= absolute liquid asset ÷ current liabilities.

4.2.2 PROFITABILITY RATIO

Profitability ratios are fundamental metrics in financial analysis, offering insights into a company's ability to generate profits relative to its revenue, assets, and equity.

These ratios are crucial for stakeholders such as investors, creditors, and managers to assess a company's financial health and performance.

Classification of profitability ratios:

Margin Ratios:

Gross Profit ratio: This ratio indicates the percentage of revenue that exceeds the cost of goods sold, reflecting a company's ability to control production costs and set competitive prices.

Operating Profit ratio: It measures the proportion of revenue that remains after deducting operating expenses, providing insights into the efficiency of day-to-day operations.

Net Profit Ratio: This ratio reveals the portion of revenue that translates into net income after accounting for all expenses, including taxes and interest, offering a comprehensive view of overall profitability.

Net Profit ratio :

Net Profit ratio measures the percentage of revenue that translates into profit.

Formula:

Net Profit ratio = net profit after tax / revenue from operations *100.

Net Income is the company's profit after taxes and expenses.

Revenue is the total income generated from sales or operations.

Return Ratios:

Return on Assets (ROA): ROA evaluates how efficiently a company utilizes its assets to generate profits, indicating the effectiveness of asset management in generating returns.

ROA measures a company's ability to generate profit from its assets.

Formula:

ROA= net income / average total asset *100

Where,

. Net Income is the company's profit after taxes and expenses.

. Average Total Assets is the average of total assets over a period, usually beginning and ending balance of assets divided by 2.

Return on Equity (ROE): ROE measures the return generated for shareholders' equity investment, reflecting the company's ability to generate profits relative to shareholder funds.

Formula :

Net profit after interest, tax, preference divided / equity shareholders fund.

Return on Investment (ROI): ROI assesses the profitability of an investment relative to its cost, providing insights into the efficiency of capital allocation and investment decision

The formula to calculate Return on Investment (ROI) as a profitability ratio

= net profit / total investment *100

Where,

Net Profit is the profit generated from the investment.

Investment refers to the amount of money invested or the initial capital outlay.

This formula helps assess the efficiency of an investment by indicating how much profit it generates relative to its cost.

4.2.3 Asset Utilization Ratios:

Asset Turnover Ratio: This ratio measures the efficiency of asset utilization by assessing the amount of revenue generated per unit of assets, indicating how effectively the company generates sales from its investments.

Inventory Turnover Ratio: It evaluates how efficiently a company manages its inventory by comparing the cost of goods sold to the average inventory level, highlighting inventory management effectiveness.

Each category of profitability ratios offers unique insights into different aspects of a company's financial performance, allowing stakeholders to assess profitability from various perspectives and make informed decisions. These ratios are widely used in financial analysis and provide valuable benchmarks for comparing companies within the same industry or across different sector.

CHAPTER 5

DATA ANALYSIS AND INTERPRETATION

5.1 INTRODUCTION

This chapter delves into a comprehensive analysis of Federal Bank, a leading private sector bank in India. We will dissect the bank's financial performance, exploring key metrics like profitability (Return on Equity - ROE), asset quality, and efficiency (Net Interest Margin - NIM). We will explore strengths like strong return on equity and low non-performing assets, while also examining areas for improvement. Our investigation will utilize financial data to uncover strengths, weaknesses, opportunities, and threats (SWOT analysis) relevant to Federal Bank. By benchmarking the bank's performance against industry peers, we aim to identify its competitive advantages and potential areas for improvement. Furthermore, the analysis will explore recent trends and future prospects of Federal Bank, providing valuable insights for investors and stakeholders.

5.2 EARNING PER SHARE

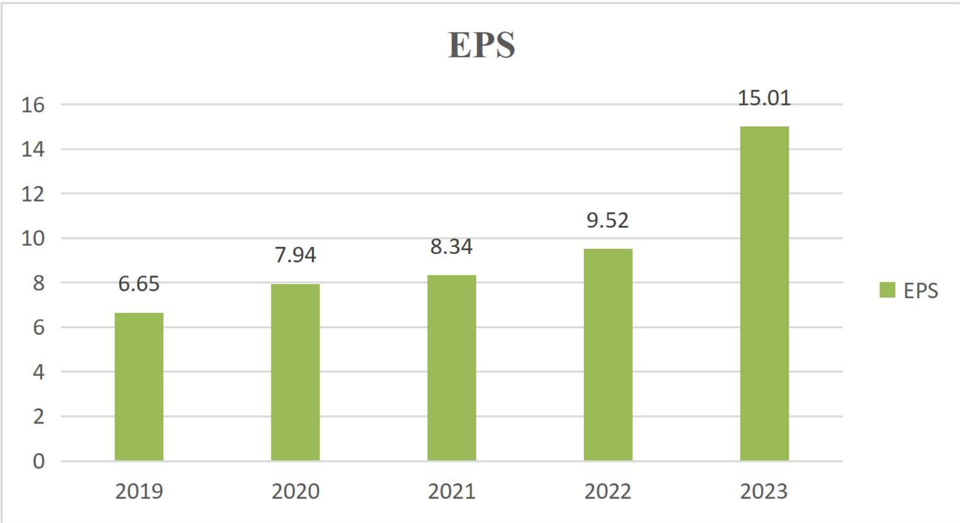
Table 5.1

Earnings per share during the past years

YEAR	EPS
2019	6.65
2020	7.94
2021	8.34
2022	9.52
2023	15.01

Figure 5.1

Earnings per share during the past years



INFERENCE

- The EPS of Federal Bank Ltd. has been consistently increasing over the past five years.
- The increasing EPS suggests that Federal Bank Ltd. has been generating higher earnings relative to the number of outstanding shares. This could be a result of various factors such as effective cost management, revenue growth, or improved operational efficiency.

5.3 SHAREHOLDING PATTERN

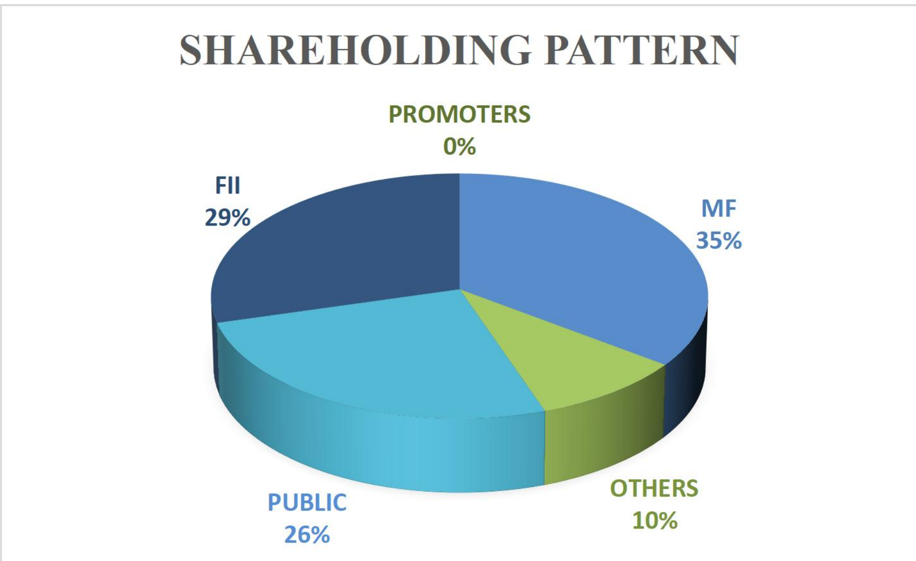
Table 5.2

Shareholding pattern

Shareholders	Percentage
MF	35.23%
OTHERS	9.50%
PUBLIC	25.92%
FII	29.38%
PROMOTERS	0%

Figure 5.2

Shareholding Pattern



INFERENCE

- ✓ FII/ FPI have increased holdings holdings from 27.02% to 29.38% in Dec 2023 qtr.
- ✓ Number of FII/FPI Investors decreased from 425 to 390 in Dec 2023 qtr,
- ✓ .Mutual Funds have decreased holdings from 37.01% to 35.23% in Dec 2023 qtr.
- ✓ Number of MF schemes remains unchanged at 41 in Dec 2023 qtr.
- ✓ Institutional Investors have increased holdings from 73.16% to 74.08% in Dec qtr.

5.4 PROFITABILITY RATIO

5.4.1 ROA (Return On Asset)

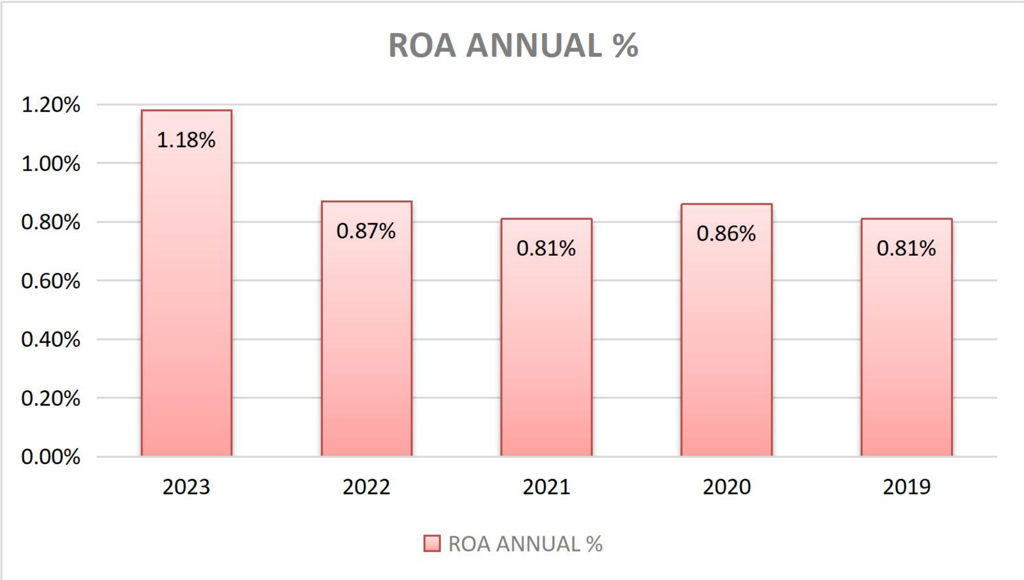
TABLE 5.3

Return on Assets during the past years

YEAR	ROA ANNUAL %
2019	0.81%
2020	0.86%
2021	0.81%
2022	0.87%
2023	1.18%

Figure 5.3

Return on Assets during the past years



INFERENCE

- ✓ The ROA has shown an overall increasing trend from 0.81% in 2019 to 1.18% in 2023, indicating an improvement in the bank's ability to generate profits relative to its assets over the period.
- ✓ In 2023, there is a noticeable increase in ROA to 1.18%, which could be due to various factors such as improved operational efficiency, better asset management, or strategic initiatives.
- ✓ Federal Bank has shown a positive trend in ROA over the past five years, with an increase in profitability.

5.4.2 ROCE (Return On Capital Employed)

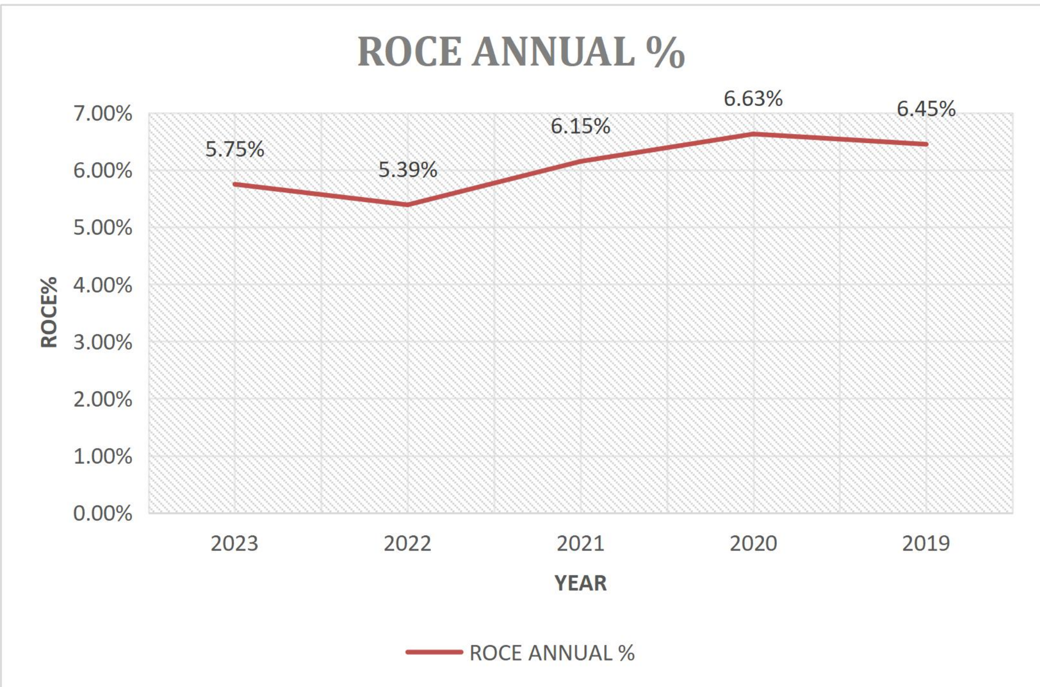
Table 5.4

ROCE during the past years

YEAR	ROCE ANNUAL %
2019	6.45%
2020	6.63%
2021	6.15%
2022	5.39%
2023	5.75%

Figure 5.4

ROCE during the past years



INFERENCE

- ✓ The ROCE has shown a fluctuating trend over the past five years, with variations between 5.39% and 6.63%.
- ✓ In 2020, there is a noticeable decrease in ROCE to 6.63%, which could indicate challenges in efficiently utilizing capital during that year.
- ✓ Given the fluctuating trend in ROCE, it's important to monitor future performance closely. The bank should focus on improving capital efficiency and maintaining a stable trend in ROCE to ensure sustainable growth and profitability

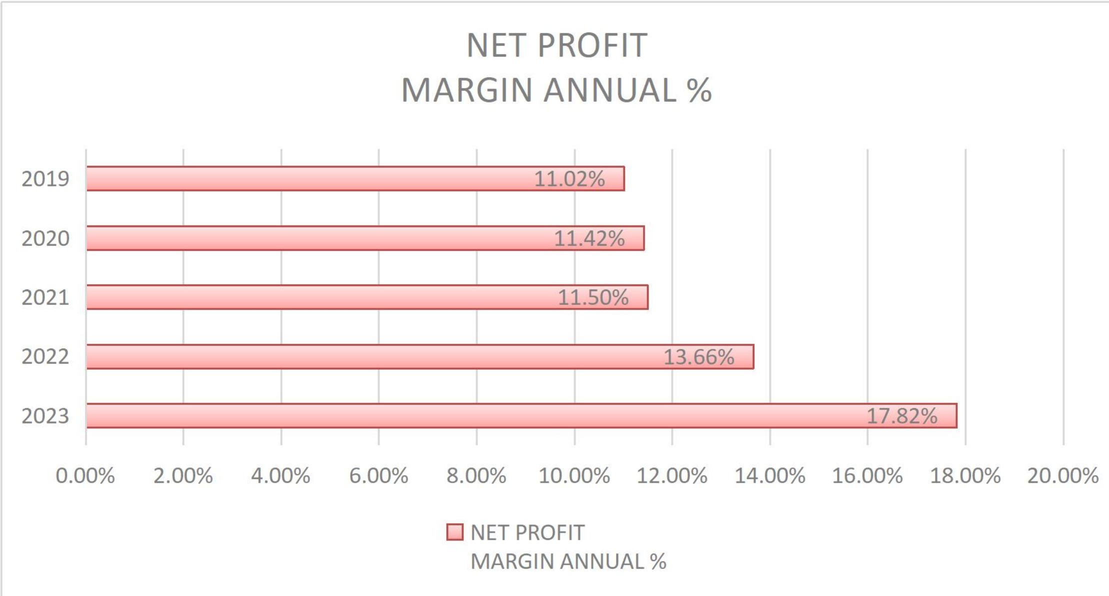
5.4.3 NET PROFIT MARGIN ANNUAL %

Table 5.5

Net Profit Margin Annual during the past years

YEAR	NET PROFIT MARGIN ANNUAL %
2019	11.02%
2020	11.42%
2021	11.50%
2022	13.66%
2023	17.82%

Figure 5.5
Net Profit Margin Annual during the past years



INFERENCE

- ✓ The Net Profit Margin has shown an increasing trend over the past five years, rising from 11.02% in 2019 to 17.82% in 2023.
- ✓ Factors contributing to the increase in net profit margin could include cost-cutting measures, revenue growth, improved asset quality, or effective risk management practice
- ✓ Federal Bank's improving net profit margin suggests a positive outlook for its profitability. Continued focus on cost management, revenue enhancement, and risk mitigation can further support its growth

5.5 LIQUIDITY RATIO.

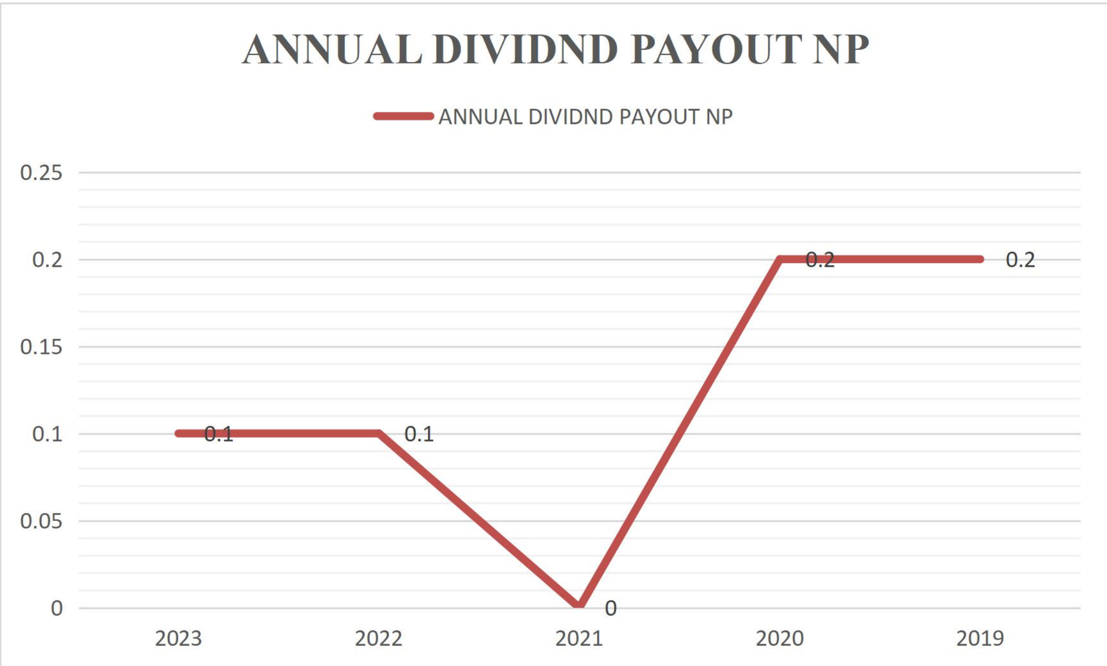
Table 5.6

Annual Dividend during the past years

YEAR	MARCH 2023	MARCH 2022	MARCH 2021	MARCH 2020	MARCH 2019
ANNUAL DIVIDND PAYOUT NP	0.1	0.1	0	0.2	0.2

Figure 5.6

Annual Dividend during the past years



INFERENCE

- ✓ The dividend payout has varied over the past five years. There were years with no dividend payout (2021) and years with a small dividend payout (2020, 2022, 2023).
- ✓ There was a decrease in dividend payout from 2019 to 2021, where the bank didn't pay any dividends.
- ✓ The bank appears to have a relatively conservative dividend policy, as evidenced by the small dividend payouts over the years and the years with no payouts

5.5.1 CURRENT RATIO

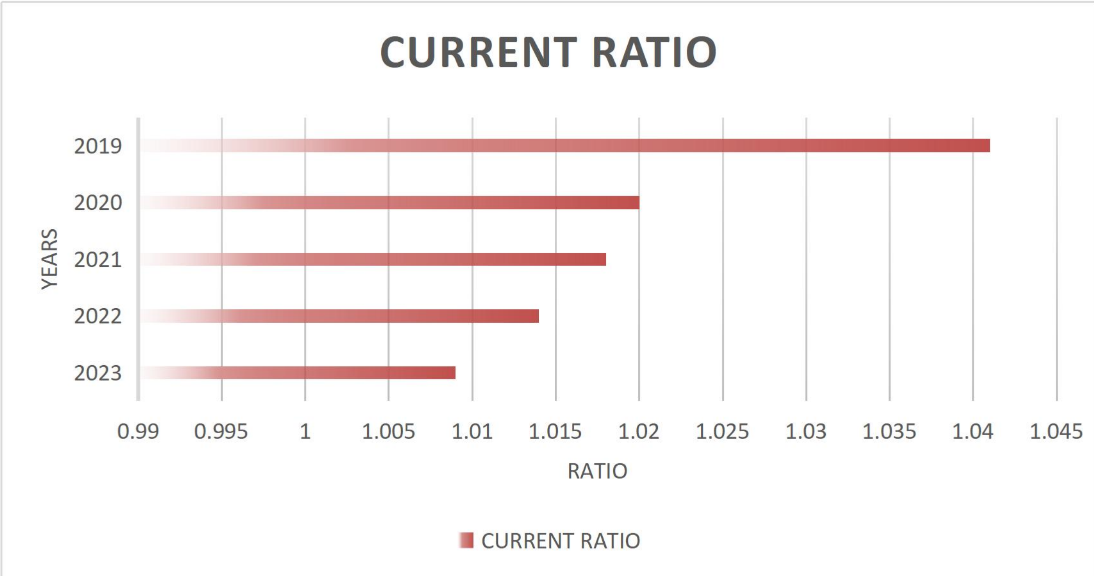
Table 5.7

Current Ratio during the past years

YEAR	CURRENT RATIO
2019	1.041
2020	1.02
2021	1.018
2022	1.014
2023	1.009

Figure 5.7

Current Ratio during the past years



INFERENCE

- ✓ The current ratio is a liquidity ratio that measures a company's ability to pay its short-term obligations with its short-term assets. A current ratio above 1 indicates that a company has more current assets than current liabilities, which is generally considered favorable.
- ✓ The current ratio has been gradually decreasing over the five-year period, indicating a potential decrease in liquidity or an increase in short-term obligations relative to short-term assets.
- ✓ However, it's important to note that a current ratio above 1 still suggests that the company has more than enough current assets to cover its current liabilities, which is generally a positive sign.

5.5.2 QUICK RATIO

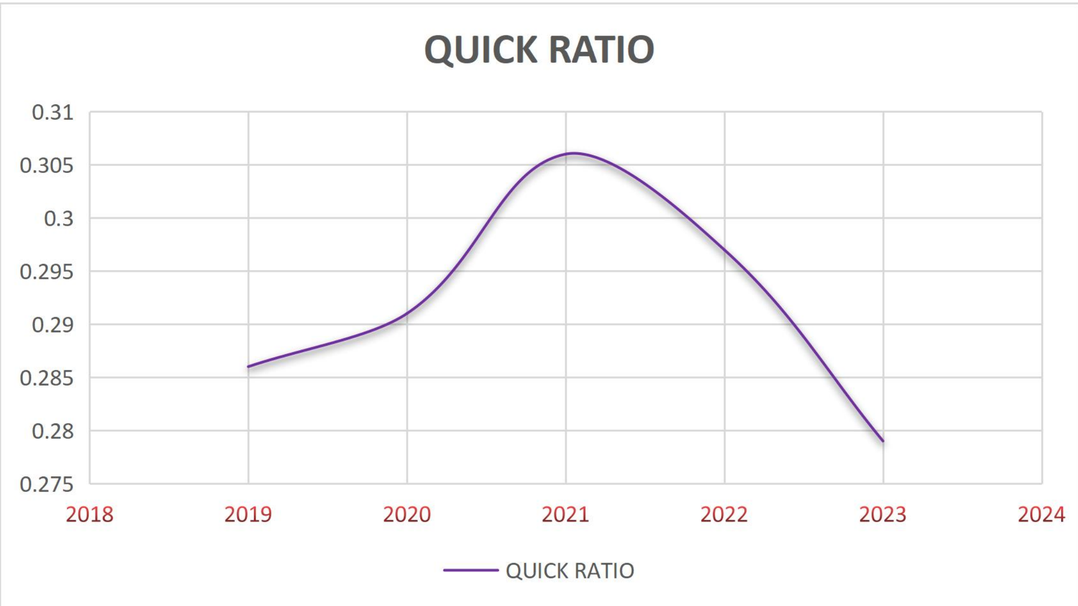
Table 5.8

Quick ratio during the past years

YEAR	QUICK RATIO
2019	0.286
2020	0.291
2021	0.306
2022	0.297
2023	0.279

Figure 5.8

Quick ratio during the past years



INFERENCE

The Quick Ratio, also known as the Acid-Test Ratio, measures a company's ability to pay its short-term obligations using its most liquid assets. It is calculated by subtracting inventories from current assets and dividing the result by current liabilities

The decreasing trend in the Quick Ratio over the past five years indicates a weakening ability of the bank to meet its short-term obligations with its most liquid assets. This trend could suggest potential liquidity concerns or an increase in less liquid assets relative to short-term liabilities, which might warrant further investigation into the bank's financial health and management of its assets and liabilities.

5.6 VALUATION RATIO

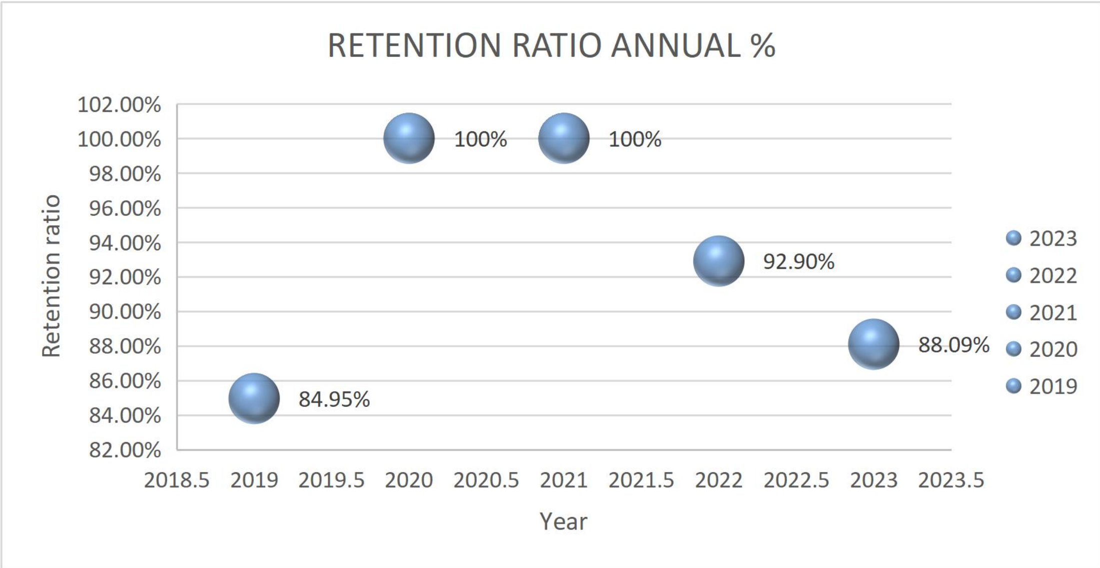
Table 5.9

Retention ratio during the past years

YEAR	RETENTION RATIO ANNUAL %
2019	84.95%
2020	100%
2021	100%
2022	92.90%
2023	88.09%

Figure 5.9

Retention ratio during the past years



INFERENCE

- ✓ The retention ratio has been decreasing over the last five years, starting from 100% in 2020 and 2021 to 88.09% in 2023.
- ✓ This indicates that the bank is retaining a smaller portion of its earnings compared to previous years, which might imply either increased dividend payouts or higher reinvestment in the business
- ✓ The decreasing trend in retention ratio may signify a shift in the bank's financial strategy. A lower retention ratio could indicate that the bank is distributing more profits to shareholders through dividends or investing in growth opportunities outside of organic expansion.
- ✓ The decreasing trend in Federal Bank Ltd.'s retention ratio over the past five years suggests evolving financial strategies and potential shifts in the bank's priorities regarding dividend distribution, reinvestment, and growth.

CHAPTER 6

FINDINGS, RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

The study is conducted to measure overall performance of federal bank ltd during the year 2019 – 2023.For conducting this study we had chosen ratio analysis as the main tool. Through this we have successfully arrived at the conclusion of the company’s overall performance. Federal Bank’s ROA may have experienced some pressure during 2020 due to increased provisioning for potential loan losses amidst economic disruptions caused by the pandemic. However, prudent risk management practices and cost control measures could have mitigated the impact to some extent.

6.2 FINDINGS

- ✓ The profit after tax (EPS) of Federal Bank Ltd. has risen consistently during the last five years.
- ✓ Over the previous five years, the Return on Capital Employed (ROCE) showed a varying pattern, according to this analysis. This pattern suggests that the bank's ability to use its capital investments profitably has been inconsistent.
- ✓ The ROCE decreased noticeably to 6.63% in 2020. This decline indicates that there may have been difficulties using capital effectively during the year, which may have been caused by a number of internal and external reasons affecting the bank's operations.
- ✓ The small amount of dividend and the decision to postpone dividend payments in 2021 underscore the bank's cautious dividend policy, which may be an indication of focus on holding onto earnings for future growth or managing uncertainty.
- ✓ The trend in net profit margin over the last five years can be calculated and analyzed to determine the direction and size of change.
- ✓ The performance and financial health of the bank are greatly impacted by variations in ROCE. The confidence of investors, credit ratings, and overall profitability can all be impacted by inconsistent ROCE values.

- ✓ The bank's financial strategy may change in 2023 as a result of the retention ratio's noticeable fall; it may go toward paying out more dividends to shareholders or looking for outside growth prospects.
- ✓ The constant 100% retention ratio in 2020 and 2021 suggests a purposeful approach to holding onto earnings, potentially for the purpose of sustaining financial stability or reinvesting in the company.
- ✓ Over the previous five years, Federal Bank Ltd. has consistently increased its revenue, mostly due to the growth of its loan portfolios, fee-based income, and interest income from a variety of banking products and services.
- ✓ The bank has improved profitability margins by using efficient cost control strategies that have reduced operational expenses in comparison to revenue.
- ✓ In spite of the variations in holdings, there were 41 mutual fund schemes. This suggests that a decline in the number of investment options available to mutual funds was not the cause of the decrease in holdings.
- ✓ In the December quarter, institutional investors as a group boosted their holdings from 73.16% to 74.08%. The upward trend in institutional holdings highlights the market dominance of institutional investors.
- ✓ The rise in institutional holdings is indicative of a larger institutionalization tendency in the market, whereby mutual funds, FPIs, and other professional investors have a big say in how the market performs and how people feel.
- ✓ In the quarter ending in December 2023, the holdings of Foreign Portfolio Investors (FPIs) and Foreign Institutional Investors (FIIs) climbed from 27.02% to 29.38%. This implies that throughout that time, foreign investors' interest in and trust in the market grew.

6.3 RECOMMENDATIONS

- ✧ Establish a system for the routine observation and assessment of important financial indicators, such as dividend policy, net profit margin, and ROCE. This will make it possible to promptly modify plans and techniques in response to shifting internal performance metrics and market conditions.

- ✧ Remain up to date on market and regulatory developments that could affect the behavior of institutional investors. Then, modify your investment strategy to take advantage of new possibilities or reduce risks.
- ✧ Keep a close eye on institutional investor trends because their activities frequently mirror the mood of the market as a whole and might offer insightful information for making decisions.
- ✧ Take into account the net profit margin ratio and the profitability of Federal Bank over the long run. Assess the effects of emerging risks, market trends, regulatory changes, and strategic investments on profitability in the future and suggest preventive steps to maintain and improve profitability.
- ✧ Federal bank regulatory policy could focus on balancing stability with innovation. This might involve implementing robust risk management frameworks to safeguard against financial crises while also fostering an environment that encourages technological advancements to enhance efficiency and accessibility in the banking sector.
- ✧ The article might address how to protect financial stability through good risk management, and the ratio analysis could assess metrics connected to asset quality and credit risk. To reduce risks and maintain asset quality, it is advised to improve risk management frameworks, carry out frequent stress tests, and keep an eye on credit quality.
- ✧ Following the article of P. Kanagaraj, the bank may consider lobbying for or adopting regulatory reforms that are more aligned with its goals and objectives. This could include working with legislators and regulatory agencies to resolve any shortcomings.
- ✧ According to the research of John H kareken, enhancing operational efficiency is recommended. This can entail reviewing regulatory provisions in the article to make sure they adequately encourage safe transaction account balances. The bank might concentrate on operational simplification in the ratio analysis to raise

- ✧ The bank ought to give top priority to tactics that increase revenue, according to both sources. Diversifying income sources, entering new markets, or launching cutting-edge financial goods and services could all be part of this.
- ✧ As mentioned in the paper of M Richitha, Federal Bank Ltd. should continue to concentrate on efficient cost management techniques. This guarantees the bank's optimal profitability and smooth operation**.**

6.4 CONCLUSION

The data presented indicates a noteworthy enhancement in a number of financial indicators between 2019 and 2023, including earnings per share, valuation ratios, and profitability ratios (ROA, ROCE, and net profit margin). Concerns should be raised about a few things, nevertheless, like the declining liquidity and the somewhat altered shareholding arrangement.

Overall, the company's development and financial performance have improved over the period, indicating effective management techniques and the potential for future growth and profitability.Additionally, the rise in profitability indicators and earnings per share shows that the business may provide better returns for its investors. The company has maintained a solid net profit margin and valuation ratios, indicating effective cost management and asset use, despite a minor fall in liquidity. In order to determine any underlying variables influencing the company's return on capital employed, more investigation of the ROCE reduction may be warranted. The company's financial performance appears to be on a positive track overall, however there is still need for improvement in a few areas in order to maintain long-term growth and market competitiveness.

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APPENDIX

BALANCE SHEET AS AT MARCH 31, 2019

(₹in Thousands)

पूँजी और ऋणढ़		Schedule अनुसूची	As at March 31, 2019	As at March 31, 2018
	CAPITAL AND LIABILITIES			
पूँजी	Capital	1	3,970,096	3,944,285
आरक्षित निधियु और अधिशेष	Reserves and surplus	2	128,760,322	118,158,065
जमाराशियां	Deposits	3	1,349,543,444	1,119,924,866
उधार ली गयी राशियां	Borrowings	4	77,813,235	115,334,992
अन्य देयताएं एवं प्रावधान	Other Liabilities and provisions	5	33,312,850	25,777,334
कुल	**TOTAL**		**1,593,399,947**	**1,383,139,542**
आस्तियां	**ASSETS**			
भारतीय रिर्जव बैंक के पास नकदी और शेष रकम	Cash and balances with Reserve Bank of India	6	64,191,682	51,327,584
बैंकों के पास शेष रकम तथा मांग एवं अल्प सूचना पर प्रतिदेय राशि	Balances with banks and money at call and short notice	7	36,476,331	40,706,503
निवेश	Investments	8	318,244,727	307,810,747
अग्रिम	Advances	9	1,102,229,537	919,574,732
अचल आस्तियां	Fixed assets	10	4,720,411	4,573,701
अन्य आस्तियां	Other assets	11	67,537,259	59,146,275
कुल	**TOTAL**		**1,593,399,947**	**1,383,139,542**
आकस्मिक देयताएं	Contingent liabilities	12	293,446,760	268,151,663
वसूली के लिए बिल	Bills for collection		35,428,061	31,233,635
उल्लेखनीय लेखा नीतियाँ	Significant accounting policies	17		
लेखों पर टिप्पणियां	Notes on accounts	18		
ऊपर दर्शायी गयी अनुसूचियां तुलन-पत्र का अभिन्न भाग हैं	Schedules referred to above form an integral part of the Balance Sheet			

BALANCE SHEET AS AT MARCH 31, 2020

हजार रुपयों में
(₹in Thousands)

पूँजी और ऋणाद		Schedule अनुसूची	As at March 31, 2020	As at March 31, 2019
	CAPITAL AND LIABILITIES			
पूँजी	Capital	1	3,985,325	3,970,096
आरक्षित निधियॉ और अधिशेष	Reserves and surplus	2	141,190,757	128,760,322
जमाराशियां	Deposits	3	1,522,900,849	1,349,543,444
उधार ली गयी राशियां	Borrowings	4	103,724,263	77,813,235
अन्य देयताएं एवं प्रावधान	Other Liabilities and provisions	5	34,579,275	33,312,850
कुल	**TOTAL**		**1,806,380,469**	**1,593,399,947**
आस्तियां	**ASSETS**			
भारतीय रिज़र्व बैंक के पास नकदी और शेष रकम	Cash and balances with Reserve Bank of India	6	61,749,085	64,191,682
बैंकों के पास शेष रकम तथा मांग एवं अल्प सूचना पर प्रतिदेय राशि	Balances with banks and money at call and short notice	7	63,996,728	36,476,331
निवेश	Investments	8	358,926,789	318,244,727
अग्रिम	Advances	9	1,222,679,148	1,102,229,537
अचल आस्तियां	Fixed assets	10	4,799,853	4,720,411
अन्य आस्तियां	Other assets	11	94,228,866	67,537,259
कुल	**TOTAL**		**1,806,380,469**	**1,593,399,947**
आकस्मिक देयताएं	Contingent liabilities	12	344,600,704	293,446,760
वसूली के लिए बिल	Bills for collection		37,676,464	35,428,061
उल्लेखनीय लेखा नीतियाँ	Significant accounting policies	17		
लेखों पर टिप्पणियां	Notes on accounts	18		
ऊपर दर्शायी गयी अनुसूचियां तुलन-पत्र का अभिन्न भाग हैं	Schedules referred to above form an integral part of the Balance Sheet			

Balance Sheet

as at March 31, 2021

(₹ in Thousand)

	Schedule	As at March 31, 2021	As at March 31, 2020
CAPITAL AND LIABILITIES			
Capital	1	3,992,301	3,985,325
Reserves and surplus	2	157,243,787	141,190,757
Deposits	3	1,726,444,801	1,522,900,849
Borrowings	4	90,685,033	103,724,263
Other Liabilities and provisions	5	35,307,956	34,579,275
TOTAL		**2,013,673,878**	**1,806,380,469**
ASSETS			
Cash and balances with Reserve Bank of India	6	76,470,407	61,749,085
Balances with banks and money at call and short notice	7	119,443,464	63,996,728
Investments	8	371,862,100	358,926,789
Advances	9	1,318,786,014	1,222,679,148
Fixed assets	10	4,911,286	4,799,853
Other assets	11	122,200,607	94,228,866
TOTAL		**2,013,673,878**	**1,806,380,469**
Contingent liabilities	12	364,173,432	344,600,704
Bills for collection		39,772,224	37,676,464
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

Balance Sheet

as at March 31, 2022

(₹ in Thousand)

	Schedule	As at March 31, 2022	As at March 31, 2021
CAPITAL AND LIABILITIES			
Capital	1	4,205,089	3,992,301
Reserves and surplus	2	183,733,307	157,252,349
Deposits	3	1,817,005,861	1,726,444,801
Borrowings	4	153,931,151	90,685,033
Other Liabilities and provisions	5	50,587,680	35,299,394
TOTAL		**2,209,463,088**	**2,013,673,878**
ASSETS			
Cash and balances with Reserve Bank of India	6	99,992,707	76,470,407
Balances with banks and money at call and short notice	7	110,110,748	119,443,464
Investments	8	391,794,616	371,862,100
Advances	9	1,449,283,246	1,318,786,014
Fixed assets	10	6,339,444	4,911,286
Other assets	11	151,942,327	122,200,607
TOTAL		**2,209,463,088**	**2,013,673,878**
Contingent liabilities	12	389,147,678	364,173,432
Bills for collection		50,132,757	39,772,224
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

BALANCE SHEET

AS AT MARCH 31, 2023

(₹ in Thousands)

	Schedule	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	4,232,402	4,205,089
Reserves and surplus	2	210,829,966	183,733,307
Deposits	3	2,133,860,385	1,817,005,861
Borrowings	4	193,192,891	153,931,151
Other Liabilities and provisions	5	61,302,651	50,587,680
TOTAL		**2,603,418,295**	**2,209,463,088**
ASSETS			
Cash and balances with Reserve Bank of India	6	125,908,463	160,492,707
Balances with banks and money at call and short notice	7	50,978,343	49,610,748
Investments	8	489,833,470	391,794,616
Advances	9	1,744,468,846	1,449,283,246
Fixed assets	10	9,339,740	6,339,444
Other assets	11	182,889,433	151,942,327
TOTAL		**2,603,418,295**	**2,209,463,088**
Contingent liabilities	12	766,018,373	389,147,678
Bills for collection		56,694,543	50,132,757
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors