

# A Comparative Study on Financial Performance of Andhra Bank and Federal Bank

A. Sabina<sup>1</sup>, A. Rahamathunisha<sup>2</sup>

<sup>1</sup>Research Scholar, Department of Commerce, Theivanai Ammal College for Women (A), Villupuram, India

<sup>2</sup>Assistant Professor, Department of Commerce, Theivanai Ammal College for Women (A), Villupuram, India

**Abstract:** This paper has the purpose of surveying and critically analyzing the effects of financial performance of respective banks are federal bank and Andhra bank. we draw conclusion on the basis of financial tools likes ratio analysis, common size and comparative.

**Keywords:** Financial statements.

## 1. Introduction

Federal Bank is a Private Sector, scheduled commercial bank in India, headquartered in Aluva, Kochi. The Bank also has its Representative Offices abroad at Abu Dhabi and Dubai. With a customer base of 8 million, including 1.2 million NRI customers and a large network of remittance partners across the world, Federal Bank claims to handle more than 15% of India's inward remittances. The Bank has remittance arrangements with more than 110 Banks/Exchange Companies across the world. The Bank is also listed in the BSE, NSE and London Stock Exchange and has a branch in India's first International Financial Services Centre (IFSC) at GIFT City in Gujarat.

Andhra Bank (BSE: 532418, NSE: ANDHRABANK) is a medium-sized public sector bank (PSB) of India, with a network of 2885 branches, 4 extension counters, 38 satellite offices and 3798 automated teller machines (ATMs) as of 31 March 2019. During 2011–12, the bank entered the states of Tripura and Himachal Pradesh. The bank now operates in 25 states and three Union Territories. Andhra Bank has its headquarters in Hyderabad, Telangana, India. Plans to merge it with Union Bank of India were disclosed by Minister of Finance (India) in August 2019.

The new generation is open minded in terms of new changes and want to avail new facilities offered by foreign bank therefore preferring the foreign bank over domestic Bank and now gradually the way of foreign banks is becoming easier in Indian. For this purpose, three private banks i.e. federal Bank and Andhra bank has been taken to study the financial performance of the basis of ratio analysis.

## 2. Review of literature

Kalaiarasi, H & Srividya, V. (Jul-Sep. 2012), Mobile banking as a new channel to the existing banking channels provides convenient and cost efficient banking services anytime

anywhere. It is observed that, though India has strong potential for mobile banking only 5% of mobile subscribers are registered users of mobile banking. Attracting the new customers may not be easy than retaining the existing mobile banking customers 2009). Hence the current research focuses on the factors influencing actual usage of mobile banking services. The results show that, Indians mobile banking usage is influenced by ease of mobile banking technology, its suitability to the user's lifestyle and the benefits like mobility and mobile transactions. However, customer's perception towards security of mobile transactions and privacy fears demotivates actual usage.

Tenkasi Taluk & Devasena, S Valli, (Jan. 2012), Banking system is the backbone of the economy and Information Technology (IT) in turn has become the backbone of banking activities. Technology, which was playing a supportive role in banking, has come to the forefront with the ever-increasing challenges and requirements. Technology to start with was a business enabler and now has become a business driver. The Banks cannot think of introducing a financial product without IT support. Be it customer service, transactions, remittances, audit, marketing, pricing or any other activity in the Banks, IT plays an important role not to complete the activity with high efficiency but also has the potential to innovate and meet the future requirements. The Banking Sector was early adopter of technology and in that way set an example to the other industries the need to opt for automation for taking full advantage in operational efficiency.

Laukkanen & Tommie (2007), The aim of the paper is to explore and compare customer value perceptions in internet and mobile banking. The results indicate that customer value perceptions in banking actions differ between internet and mobile channels. The findings suggest that efficiency, convenience and safety are salient in determining the differences in customer value perceptions between internet and mobile banking. By understanding how and what kind of value different service channels provide for customers service providers are better enabled to create actions to enhance internet and mobile banking adoption. The contribution of the paper lies in achieving a more profound understanding on consumer value perceptions to internet and mobile banking.

Goswami, Divakar; Raghavendran, Satish. (2009), The

research is conducted to determine the potential that mobile banking provides for both the banks and the mobile carriers. After the secondary research the report gives an insight into the best-practices based on a critical evaluation of partnership models. Banks and mobile carriers have tested these waters timidly, and many of the resulting offerings were expensive to the banks and mobile carriers and less than enticing to their customers. This report weeds out ineffective partnering models that companies stumble into on their way to developing mobile-banking and identifies the keys to successful partnerships.

### 3. Objectives of the study

- To analyze the liquidity position of selected banks.
- To know the solvency position of the selected banks.
- To analyze the profit earning capacity of the selected banks.
- To evaluate the overall financial performance.
- To offer findings and conclusions on the basis of analysis of financial statements.

### 4. Sources of data collection

The study was based on secondary data.

### 5. Meaning of financial statements

A financial statement is a collection of data organized according to logical and consistent accounting procedures. Its

purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment in time, as in the case of a balance sheet, or may reveal a series of activities over a given period of time, as in the case of an income statement.

### 6. Methodology of financial statement

The common methods of financial statement analysis include ratio, comparative and common size. Historical information combined with a series of assumption and adjustment to the financial information may be used to project future performance.

### 7. Tools used for analysis

- Comparative Balance sheet
- Common Size Statement
- Ratios

Ratios:

Advance to total assets

Advance to total assets=Advances/ Total assets

YEARS	ANDHRA BANK	FEDERAL BANK
2018	0.62	0.66
2019	0.64	0.69

Comparative balance sheet of Andhra bank 2018-2019

PARTICULARS	2018	2019	AMOUNT, INCREASE/ DECREASE	PERCENTAGE, INCREASE/ DECREASE
<b>ASSETS</b>				
Cash and balances with RBI	9,911.05	10126.77	215.72	2.18
Balance with banks money at call	6,033.26	4907.07	-1126.19	18.67
Advances	1,49,064.13	158822.69	13758.56	9.23
Investment	64770.30	62953.09	-1816.4	2.80
Fixed assets	1473.30	1558.08	84.78	5.75
Other assets	10919.34	10943.71	24.37	0.22
Total assets	242171.38	249311.41	17026.02	38.85
<b>LIABILITIES</b>				
Share capital	1198.83	2884.49	1685.66	14.06
Reserves	9619.45	10280.64	661.19	6.87
Deposits	208070.48	219821.00	11750.52	5.65
Borrowings	18269.05	10278.11	-7990.94	43.74
Other liabilities and provision	5013.56	6047.18	1033.62	20.62
Total liabilities	242171.37	249311.42	23121.93	90.94

Comparative balance sheet of federal bank 2018-2019

PARTICULARS	2018	2019	AMOUNT, INCREASE/ DECREASE	PERCENTAGE, INCREASE/ DECREASE
<b>ASSETS</b>				
Cash and balances with RBI	5132.76	6419.17	1286.41	25.06
Balance with banks money at call	4070.65	3647.63	-423.02	10.39
Advances	91957.47	110222.95	18265.48	19.86
Investment	30781.07	31824.47	1043.4	3.39
Fixed assets	443.07	449.94	6.87	1.55
Other assets	5914.63	6753.73	839.1	14.19
Total assets	138308.94	159334.98	21864.28	74.44
<b>LIABILITIES</b>				
Share capital	394.43	397.01	2.58	0.65
Reserves	11810.80	12871.02	1060.22	8.98
Deposits	111992.49	134954.34	22961.85	20.50
Borrowings	11533.50	7781.32	3752.18	32.53
Other liabilities and provision	2577.73	3331.29	753.56	29.23
Total liabilities	138308.95	159334.98	28530.39	91.89

Common size balance sheet of Andhra bank 2018-2019

PARTICULAS	2018	PERCENTAGE	2019	PERCENTAGE
<b>ASSETS</b>				
Cash and balance with RBI	9911.59	4.09	10126.77	4.06
Balance with banks money at call	6033.26	2.49	4907.07	1.97
Advance	149064.13	61.55	158822.69	63.70
Investment	64,770.30	26.75	62953.09	25.25
Fixed assets	1,473.30	0.61	1558.08	0.62
Other assets	10,919.34	4.51	10943.71	4.39
Total assets	242,171.38	100	249311.41	100
<b>LIABILITIES</b>				
Share capital	1,198.83	0.50	2884.49	1.16
Reserve	9,619.45	3.97	10280.64	4.12
Deposits	208070.48	85.92	219821.00	88.17
Borrowing	18269.05	7.54	10278.11	4.12
Other liabilities	5013.56	2.07	6047.18	2.43
Total liabilities	242171.37	100	249311.42	100

Common size balance sheet of federal bank 2018-2019

PARTICULARS	2018	Percentage	2019	Percentage
<b>ASSETS</b>				
Cash and balances with RBI	5132.76	3.71	6419.17	4.03
Balance with banks, money at call	4070.65	2.94	3647.63	2.29
Advances	91957.47	66.49	110222.95	69.18
Investments	30781.07	22.26	31824.47	19.97
Fixed assets	443.04	0.32	449.94	0.28
Other assets	5914.63	4.28	6753.73	4.24
Total assets	138308.94	100	159334.98	100
<b>LIABILITIES</b>				
Share capital	394.43	0.29	397.01	0.25
Reserves	11810.80	8.54	12871.02	8.08
Deposits	111992.49	80.98	134954.34	84.70
Borrowings	11533.50	8.34	7781.32	4.88
Other liabilities and provisions	2577.73	1.86	3331.29	2.09
Total liabilities	138308.95	100	159334.98	100

**Current ratio**

Current assets=current assets/ current liabilities

YEARS	ANDHRA BANK	FEDERAL BANK
2018	2.18	2.29
2019	1.81	2.03

**Cash position ratio**

Cash position ratio=cash and balance with RBT/other liabilities

YEARS	ANDHRA BANK	FEDERAL BANK
2018	1.98	1.99
2019	1.67	1.93

**Fixed assets ratio:**

Fixed assets ratio=net block/equity share capital

YEARS	ANDHRA BANK	FEDERAL BANK
2018	1.23	1.12
2019	0.54	1.13

**Debt ratio:**

Debt ratio=total debt/ total assets

YEARS	ANDHRA BANK	FEDERAL BANK
2018	0.93	0.89
2019	0.92	0.90

**8. Summary of findings and Conclusion**

To conclude, the researcher wish to stress that with increasing liberalization and higher economic growth, the role of banking sector is perched to increase in the financing pattern of economic activities in the country. To assemble the growing credit demand, the banks need to organize resources from a wider deposit base and extend credit to activities previously not financed by banks. The trend of growing commercialization of agriculture and rural activities should produce greener pastures, and banks should examine the benefits of increasing saturation therein. Financial inclusion will strengthen.

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