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# FINANCIAL PERFORMANCE EVALUATION: A CASE STUDY OF DCC BANK, SIRA

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## Abstract:

This research presents an exhaustive evaluation of DCC Bank Sira's financial performance over a span from 2020 to 2022, covering three years. Analyzing the bank's financial performance holds utmost importance in determining its solidity, expansion capabilities, and resilience in the face of evolving economic scenarios. The research delves into essential financial markers such as profitability, asset health, fluidity, capital soundness, and efficiency ratios, all of which are instrumental in assessing the overall financial well-being and operational effectiveness of the bank. The results obtained from this study furnish valuable discernments into the institution's strengths and areas for improvement, empowering their respective management teams to make knowledgeable choices aimed at enhancing their financial performance. This investigation remains pertinent for stakeholders, investors, regulators, and policy makers in the financial domain, presenting them with indispensable data to evaluate DCC Bank's achievements and its contribution to the effectiveness of the financial industry.

*Keywords* — Bank, ratios, financial performance, liquidity

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## 1.INTRODUCTION

Conducting a financial performance assessment entails the scrutiny and interpreting a company's financial information to gauge its general well-being, capability, and success. It involves exploratory key financial statements, such as the income statement, balance sheet, and cash flow statement, to gain insights into the company's revenue, expenses, assets, and liabilities. This examination is essential for various stakeholders, including regulators, shareholders, and potential investors, to evaluate the bank's overall stability and profitability. From analysis key financial ratios, such as the ratios of capital adequacy, liquidity, and profitability indicators, one can acquire understanding about the bank's ability to manage risks, maintain sufficient capital, and generate profits. Additionally, scrutinizing the asset quality, loan portfolio, and deposits structure provides a deeper understanding of the bank's credit risk exposure and potential vulnerabilities. The analysis compares the bank financial performance with industry peers and historical data to identify trends and potential areas for improvement. The bank financial performance analysis has a vital role in ensuring the bank sustainability and its capacity to meet financial needs of its customer while complying with regulatory requirements.

## 2.LITERATURE REVIEW

**Ray & Mohan :(2004**) I conducted a practical examination of the effectiveness exhibited by public and non-governmental financial institutions. The research endeavors to assess the effectiveness of three categories of banks: public, private, and foreign. This assessment is conducted by analyzing the tangible amounts of inputs and outputs, aiming to assess the efficiency of revenue maximization within the banking institutions. The study spans a duration of eight years, specifically from 1992 to 2000**. Baral :(2005)** the research investigated the performance of joint ventures banks in Nepal by applying the CAMEL model. The research mainly based based on the secondary data get through the yearly reports released by the joint venture banks. The report of the study were analysed the financial health of joint ventures banks. The results of the study stated that the financial health of joint ventures is more effective than that of commercial banks. **Tarawneh :(2006**) The research discovered that banks with substantial total capital, deposits, credits, or total assets do not necessarily equate to superior profitability performance. Alongside the size of the bank, operational efficiency and asset management serve an important function in enhancing the financial outcomes of these banks. The results of this research lead to the conclusion that both operational efficiency and asset management, along with bank size, exert a robust and positive influence regarding the financial outcomes of the banks. **Nimalathasan : (2008)** The research aims to analyze and compare the financial outcomes of the banking industry in Bangladesh. Secondary data will be sourced based on the financial statements of all banking institutions during the timeframe of 1999 to 2006. The study's sample encompasses branches from all 48 scheduled banks operational in Bangladesh. The findings indicate the necessity for banks in Bangladesh to uphold a minimum capital sufficiency ratio of at least 9% in connection with their risk-weighted assets. Furthermore, the study conducted a ranking of different financial institutions within Bangladesh based on their NPLs ratio. **P Aspal and Naresh Malhotra :( 2012)** The objective the objective of this research is to assess the financial outcomes of government-owned banks in India banks, with the exception of the State Bank group, covering the timeframe from 2006 through

  

2011. The findings reveal that is Bank of Baroda secured the top rank with an average overall composite ranking of 6.15, attributed to its strengths in management efficiency, capital adequacy, and asset quality. The research proposes suggestions for the enhancement of management efficiency, asset earning quality, and liquidity position to be adopted by other banks.

**OBJECTIVES OF STUDY :**

- Analyzing the financial performance of DCC Bank Sira.
- Understanding the DCC Bank Sira's profitability, liquidity, and solvency status.
- Projecting the anticipated yearly revenue expansion rate for DCC Bank Sira.
- To know various investment made by bank.

**RESEARCH METHODOLOGY :**

The examination of DCC Bank Sira's financial performance analysis relies on data from both primary and secondary sources.

**Primary data:**

The data obtained firsthand has to be composed through the analyzing of the financial reports of the bank, and also data has to be gathered through directly interactions with the according to particular departments of the bank.

**Secondary data:**

The secondary data should be gathered from the text books, journals and the additional articles are published in online and updated information about the financial performance, and also apart from that primary data the additionally, secondary data has been gathered from the bank broachers, Magazines and from the official site of the bank etc.

**DATA ANALYSIS & INTERPRETATION :**

**TABLE :1 LIQUIDITY RATIO :**

| YEAR | ASSET IN A LIQUID FORM | CURRENT LIABILITIE'S | RATIO |
|---|---|---|---|
| 2019-20 | 8,333.41 | 80,031.99 | 0.104 |
| 2020-21 | 7,798.15 | 72,244.85 | 0.107 |
| 2021-22 | 9,096.18 | 59,552.21 | 0.152 |

**INTERPRETATION :**

Usually, a satisfactory current financial position is indicated by a quick ratio of 1:1. However, from the provided table, it's evident that DCC bank's quick ratios over the preceding three years are 0.104, 0.107, and 0.152. Considering that these ratios are below the desirable 1:1 benchmark, it is possible to inferred that this bank's short-term liquidity position is not strong.

**TABLE :2 . RATIOS OF FIXED ASSETS TO NET WORTH:**

| YEAR | FIXED ASSETS | NET WORTH | RATIO |
|---|---|---|---|
| 2019-20 | 500.75 | 2,862.32 | 0.175 |
| 2020-21 | 495.18 | 3,231.10 | 0.153 |
| 2021-22 | 448.02 | 4,282.97 | 0.104 |

  

**INTERPRETATION :**

The optimal ratio is 2/3 or 0.667. Looking at the provided table, it's evident that the ratios of fixed assets to net worth for the three years are 0.175, 0.153, and 0.104 respectively. As these ratios are below the standard 0.667, it is possible to deduced that this owners have not only funded the fixed asset but also a significant section of the present assets. This indicates the bank's robust financial position and lower risk for creditors.

**TABLE : 3 PROFITABILITY RATIO OF INVESTMENT:**

| YEAR | NET PROFIT | INVESTMENT | RATIO |
|---|---|---|---|
| 2019-20 | 170.54 | 17,908.71 | 0.96 |
| 2020-21 | 373.86 | 23,553.04 | 1.58 |
| 2021-22 | 416.71 | 26,425.21 | 1.57 |

**INTERPRETATION :**

Analyzing the provided table indicates that the DCC bank has achieved Return regarding the investment values of 0.96, 1.58, and 1.57 over the past 3 years. These figures imply that the bank's earnings are comparatively modest.

**TABLE : 4 CASH POSITION RATIO :**

| YEAR | CASH ON HAND & BANK | CURRENT LIABIILITIES | RATIO |
|---|---|---|---|
| 2019-20 | 8,333.41 | 80,031.99 | 0.104 |
| 2020-21 | 7,798.15 | 72,244.85 | 0.107 |
| 2021-22 | 9,096.18 | 59,552.21 | 0.152 |

**INTERPRETATION :**

After examining the provided table, it becomes evident that this ratio stands at 0.104, 0.107, and 0.152 over the last 3 years, respectively. The ideal standard for the cash position ratio is 0.5:1, which serves as an indication of the firm's liquidity status. However, over the past 3 years, the absolute liquid ratio has fallen short of the 0.5:1 standard. This signifies that the DCC bank's cash position is insufficient to adequately cover its existing liabilities.

**FINDINGS :**

- Over the past 3 years, DCC bank's current ratio has consistently ranged between 0.104 and 0.152. This falls significantly below the ideal 1:1 liquidity ratio, indicating a notable weakness in the bank's short-term liquidity position.
- The fixed asset turnover ratios indicate consistently fallen below the standard ratio of 0.667. With ratios of 0.175, 0.153, and 0.104 in the last 3 years, it is possible to inferred that this bank maintains a robust financial position and carries relatively lower risk for creditors.

- ❖ The bank's profitability on investment has also remained subdued due to lower earnings. Over the past 3 years, the profitability on investment ratios have been calculated 0.96, 1.58, and 1.57, respectively.
- ❖ The bank has moderate properly at money for everyday activity

**CONCLUSION :**

Following the analysis, I can deduce that this financial performance of the bank is exhibiting consistent growth over the years. Despite contending with competition from nationalized and cooperative banks, the bank sustains its diverse operations, including loan management, advances, and deposits. Looking ahead, the institution is poised to attract a larger customer base, engage in robust competition with other banks, and yield favorable profits, further enhancing its reputation. To wrap up, I can affirm that the bank is effectively cultivating customer trust through the delivery of high-quality services.