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A STUDY OF FINANCIAL PERFORMANCE ON GOLDMAN SACHS IN USA

1. **Mr. C.Selvaganesh**, III BCOM PA, Department of Commerce with Professional Accounting, Sri Ramakrishna College of Arts & Science.
2. **Dr.M.Vadivel**, Associate Professor, Department of Commerce with Professional Accounting, Sri Ramakrishna College of Arts & Science

ABSTRACT

This study delves into the financial performance analysis of Goldman Sachs, a leading global investment banking and securities firm. The research focuses on examining the company's revenue trends, profitability metrics, liquidity, and solvency position. Goldman Sachs has faced challenges adapting to changing regulatory environments, increased competition, and declining trading revenues. Internal issues such as high operating expenses and concerns about risk management practices have also impacted the company. By evaluating these factors, the study aims to provide insights into Goldman Sachs' overall financial health and identify opportunities for improvement in its profitability, efficiency, and risk management strategies.

Key words: Goldman Sachs, Financial performance, Revenue trends, Profitability metrics, Liquidity, Solvency position, Regulatory environment, Competition, Trading revenues, Operating expenses, Risk management practices.

INTRODUCTION OF STUDY

Goldman Sachs is one of the leading global investment banking, securities, and investment management firms. The company has a strong reputation for its financial performance and has been a key player in the financial industry for many years. This study aims to analyze the financial performance of Goldman Sachs in detail, including its revenue, profitability, and overall financial health.

The study will begin by examining Goldman Sachs' revenue trends over the past few years, including an analysis of its sources of revenue such as investment banking, trading, and asset management. This will provide insight into the company's ability to generate Sales from various business segments.

Furthermore, the study will delve into Goldman Sachs' profitability metrics such as net Sales margin, return on equity, and return on assets. These metrics will help evaluate the company's efficiency in generating profits from its operations and managing its assets. Therefore the perfect study aims to analyze the financial performance of Goldman Sachs in detail, including its revenue, profitability, and overall financial health.

OBJECTIVE OF STUDY :

1. To analyze the profitability and efficiency of Goldman Sachs.
2. To assess the liquidity and solvency of position at Goldman Sachs.

STATEMENT OF THE PROBLEM

The financial performance of Goldman Sachs has been a topic of concern in recent years, as the company has faced challenges in maintaining its profitability and growth. Several key issues have contributed to this problem. Firstly, Goldman Sachs has struggled to adapt to the changing regulatory environment following the global financial crisis. The implementation of stricter regulations and increased oversight has limited the company's ability to engage in certain high-risk, high-reward activities that were previously a significant source of revenue. Additionally, Goldman Sachs has faced increased competition from both traditional and nontraditional financial institutions.

The rise of fintech companies and the expansion of services offered by traditional banks have eroded Goldman Sachs' market share and put pressure on its margins. Furthermore, the company has been impacted by a decline in trading revenues, particularly in fixed Sales and commodities. This has been attributed to factors such as low interest rates, reduced market volatility, and changes in client behavior. In addition to these external challenges, Goldman Sachs has also faced internal issues that have affected its financial performance.

The company has grappled with high operating expenses, including compensation costs for its employees, which have weighed on its profitability. Moreover, there have been concerns about the company's risk management practices and its exposure to potential losses from its investment activities. This has led to questions about the effectiveness of Goldman Sachs' risk controls and governance processes. Overall, these factors have contributed to a decline in

Goldman Sachs' financial performance in recent years, with lower revenues, reduced profitability, and a stagnant stock price.

RESEARCH OF METHODOLOGY SOURCE USE OF DATA

The present study based on secondary data and its collected from various journals , newspaper , official website of the company.

PERIOD OF STUDY

The period of study from 2018 to 2022.

SAMPLING METHOD

Convenience sampling method is adopted and the study is based on both descriptive and analytical research.

TOOLS USED FOR ANALYSIS:

- a) Profitability ratio b) Efficiency ratios c) Liquidity ratio REVIEW OF LITERATURE

Michael.A (2022) the case study of Goldman Sachs illuminates the critical role of geographical diversification, network connectivity, and regulatory strategies in enhancing resilience within the financial sector. Through strategic positioning and adaptability across global markets, Goldman Sachs exemplifies how firms can mitigate risks and capitalize on opportunities amidst economic volatility. This research underscores the importance of understanding the geographical dimensions of resilience for both financial institutions and policymakers in fostering stability and sustainability within the global financial system.

Jiangtian Shi (2022) The research highlights the effectiveness of regulatory systems in mitigating financial risks, focusing on Goldman Sachs as a case study. It underscores the importance of stringent regulations in safeguarding against potential crises and recommends continuous monitoring and adaptation of regulatory frameworks to maintain financial stability.

Shuqi Liu, (2022) Based on the research conducted on the partner system at Goldman Sachs, it can be concluded that this organizational structure fosters collaboration, accountability, and long-term commitment among employees. By examining Goldman Sachs as a case study, it's evident that the partner

system encourages alignment of interests between the firm and its employees, leading to enhanced performance and stability. Furthermore, this system promotes a culture of meritocracy and incentivizes talent retention. Overall, the partner system at Goldman Sachs serves as a noteworthy example of how effective organizational structures can drive success in the financial industry.

Shefli Sinha and Mahua Dutta (2013) The analysis of the Goldman Sachs Gold Exchange Traded Fund's returns indicates that it serves as a robust investment vehicle, particularly in volatile markets, by providing a hedge against inflation and diversification benefits. However, its performance is highly dependent on gold price fluctuations and comes with inherent risks and costs that investors need to consider.

Michael Urban, Vladimir Pazitka, Stefanos Loannou, Dariusz Wojcik (2020) Goldman Sachs demonstrated sectoral resilience during the global financial crisis by adapting its business model, diversifying its revenue streams, and maintaining strong relationships with clients. By effectively managing risk and capitalizing on opportunities in the market, the firm was able to weather the storm and emerge stronger than before. This case study serves as a valuable example of how lead firms can navigate challenging economic environments and remain competitive in their industry.

Tools Analysis PROFITABILITY RATIO GROSS PROFIT MARGIN

Is a profitability ratio that reveals the percentage of revenue retained by a company after deducting the cost of goods sold (COGS). It is calculated by dividing the gross profit (which is the revenue minus COGS) by total revenue.

The gross profit margin provides insight into a company's ability to manage production costs and is a key indicator of its profitability at the basic operational level.

$$\text{Gross profit margin} = \frac{\text{Gross Profit}}{\text{Revenue}}$$

Year	Gross Profit	Revenue	Ratio
2018	1183300000	1353300000	0.87
2019	1844200000	2124400000	0.86
2020	3024800000	3486300000	0.86
2021	5411800000	6057000000	0.89
2022	6633400000	7891900000	0.84

INTERPRETATION

It indicates decreases in the percentage from 2021-2022. The value of opening stock is overstated, are the value of the closing stock is understated.

OPERATING PROFIT MARGIN

The operating profit margin, also known as operating margin, is a profitability ratio that measures the percentage of operating Sales a company generates in relation to its total revenue. It is calculated by dividing operating Sales by total revenue. This margin focuses specifically on the profitability of a company's core operations, excluding taxes and interest. A higher operating profit margin generally indicates efficient operational management.

$$\text{Operating Profit Margin} = \frac{\text{Operating Profit}}{\text{Revenue}} * 100$$

Net Sales

Year	Operating profit	Net Sales	Ratio
2018	103629743	818675800	12.6
2019	87870643	655687910	13.4
2020	103613137	740212450	13.9
2021	224546332	175616753	127.8
2022	111974258	89373492	125.2

INTERPRETATION:

If operating profit and Net sales increases means it indicates company is becoming more efficient and profitable in its operation. If operating profit and Net sales decreases means it indicates rising costs, decreasing prices, or other challenges.

NET PROFIT MARGIN

Is a profitability ratio that expresses the percentage of net profit a company earns in relation to its total revenue. It is calculated by dividing net profit (after deducting all expenses, including taxes and interest) by total revenue. The net profit margin provides insights into a company's ability to convert Sales into profit and is a key indicator of its overall financial health.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Total Revenue}} * 100$$

Total Revenue

Year	Net Profit	Total Revenue	Ratio
2018	818675800	1358300000	60.4
2019	655687910	2124400000	30.8
2020	740212450	3486300000	21.2
2021	175616753	605700000	2.8
2022	89373492	7891900000	1.1

INTERPRETATION

It indicates decreases in the percentage from 2018 – 2022. A low net profit margin suggests that the company has higher costs relative to its revenue, which could be due to operational inefficiencies, high cost of goods sold, excessive operating expenses, or lower pricing strategies.

EFFICIENCY RATIO ASSET TURNOVER RATIO

Assesses a company's efficiency in utilizing its assets to generate revenue. It is calculated by dividing the net Sales by the average total assets. A higher asset turnover ratio suggests that a company is effectively using its assets to generate Sales, indicating operational efficiency.

$$\text{Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Total Asset}}$$

Year	Net Sales	Avg Total Asset	Ratio
2018	818675800	767434665	1.0
2019	655687910	799065774	1.0
2020	740212450	460513772	8.1
2021	175616753	109060569	1.6
2022	89373492	120633747	0.74

INTERPRETATION

It indicates decreases in the percentage from 2020-2022. While a decreasing trend could signal deteriorating efficiency or changes in business operations.

RECEIVABLE TURNOVER RATIO

Measures how efficiently a company manages its receivables by calculating the number of times it collects outstanding payments within a specific period. It is calculated by dividing net credit Sales by the average accounts receivable during that period. A higher ratio generally indicates better receivables management and quicker collection of payments.

Receivable Turnover Ratio = $\frac{\text{Net Credit Sales}}{\text{Average Account Receivable}}$

Year	Net Credit Sales	Avg A/C Receivable	Ratio
2018	818675800	601593865	1.3
2019	655687910	619445315	1.0
2020	740212450	100741129.3	7.3
2021	175616753	133406791.9	1.3
2022	89373492	112462474.4	0.7

INTERPRETATION

It indicates decreases from 2018 – 2019. A lower ratio may suggest that the company took longer to collect its outstanding receivables in this period. There's a significant increase in the ratio to 7.3. This suggests a substantial improvement in efficiency in collecting receivables.

LIQUIDITY RATIO CURRENT RATIO

Is a financial metric that measures a company's ability to cover its short-term liabilities with its short-term assets. It is calculated by dividing current assets by current liabilities. A higher current ratio indicates better short-term financial health, as it suggests the company has more assets to cover its immediate obligations.

Current Ratio = $\frac{\text{Current Asset}}{\text{Current Liabilities}}$

Current Liabilities

Year	Current Asset	Current Liabilities	Ratio
2018	477739674.6	512678698.6	0.93
2019	44737975.51	577579098.1	0.07
2020	534304692.4	708756534.5	0.75
2021	801027773.5	91330509.1	8.7
2022-2023	805986325.1	89462500.16	9.0

INTERPRETATION:

If the current ratio is above 1, it indicates that the company has more current assets than current liabilities. A current ratio of 1 means that current assets are equal current liabilities. If the current ratio is below 1, it suggests that the company may have difficulty meeting its short-term obligations with its current assets alone.

QUICK RATIO

The quick ratio, also known as the acid-test ratio, measures a company's ability to meet its short-term obligations using its most liquid assets, excluding inventory.

Quick Ratio = $\frac{\text{Current Asset} - \text{Inventory}}{\text{Current Liabilities}}$

Current Liabilities

Year	Current Asset	Inventory	Current liabilities	Ratio
2018	477739674.6	-	512678698.6	0.93
2019	44737975.51	-	577579098.1	0.77
2020	534304692.4	-	708756534.5	0.75
2021	801027773.5	-	91330509.1	8.77

INTERPRETATION

In quick ratio further decreases from 2018 – 2020 indicating a continued decline in liquidity. This could raise concerns about the company's ability to cover short-term liabilities without additional financing. It indicates increases in the percentage from 2021 -2022. Its important to understand the factors contributing to this exceptionally high liquidity position.

CASH RATIO

Is a financial metric that measures a company's ability to cover its short-term liabilities with its cash and cash equivalents alone. It is calculated by dividing a company's cash and cash equivalents by its current liabilities. A higher cash ratio indicates a stronger ability to meet short-term obligations without relying on other assets.

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Cash Equivalent}}{\text{Current Liabilities}}$$

INTERPRETATION

The cash ratio decreases from 2018 -2015. The company still has a reasonable amount of cash and cash equivalents to meet its short-term obligations, but the ratio has not improved from the previous two years. There's a substantial increase in the cash ratio from 2020 – 2021. So the company appears to have strong liquidity position in this year, potentially due to a substantial increase in a cash reserves.

FINDINGS OF THE STUDY

Year	Cash	Cash Equivalent	Current Liabilities	Ratio
2018	336346227	1199000000	512678698.6	6.7
2019	295012232	1210000000	577579098.1	2.6
2020	33715327	1439000000	708756534.5	2.5
2021	535966953	2509000000	91330509.1	33.3
2022	544662684	2340000000	89462500.16	6.3

Profitability and efficiency: A study of Goldman Sachs' financial performance in the USA would delve into its profitability and efficiency metrics to provide a nuanced understanding of its operations. Firstly, profitability indicators such as return on equity (ROE) and return on assets (ROA) would be scrutinized to assess how effectively the company generates profits relative to its shareholders' equity and total assets. Additionally, analyzing net profit margin over time would offer insights into the firm's ability to convert revenue into net income, reflecting its operational efficiency and cost management strategies.

Moreover, efficiency ratios like the cost-to-income ratio would be examined to gauge the effectiveness of cost control measures and operational productivity. By meticulously evaluating these metrics alongside broader market trends and regulatory dynamics, a thorough assessment of Goldman Sachs' financial health and competitive position within the US financial landscape can be attained.

Liquidity and Solvency: A study on the financial performance of Goldman Sachs in the USA, it is imperative to analyze both liquidity and solvency aspects to gain a comprehensive understanding of the firm's financial health. Liquidity analysis focuses on assessing the firm's ability to meet short-term financial obligations promptly and efficiently. This involves scrutinizing key liquidity ratios such as the current ratio, quick ratio, cash ratio, and operating cash flow ratio. These metrics provide insights into Goldman Sachs' capacity to cover immediate liabilities with its liquid assets, such as cash and marketable securities. On the other hand, solvency analysis delves into the firm's ability to meet its long-term financial obligations and maintain financial stability over time.

Key solvency indicators include the debt-to-equity ratio, interest coverage ratio, debt ratio, and debt service coverage ratio. By evaluating these metrics, stakeholders can gauge Goldman Sachs' reliance on debt financing, its ability to service debt obligations, and its overall financial risk exposure. A balanced assessment of liquidity and solvency aspects is crucial for informed decision-making regarding investment strategies, risk management practices, and long-term planning initiatives concerning Goldman Sachs' operations in the USA market.

SUGGESTIONS

A study on the financial performance of Goldman Sachs in the USA, a thorough analysis of its key financial metrics is essential. This entails examining metrics such as revenue growth, net income, return on equity (ROE), and efficiency ratios to assess the bank's profitability, operational efficiency, and overall financial health.

Additionally, evaluating factors such as asset quality, capital adequacy, and liquidity ratios provides insights into Goldman Sachs' risk management practices and resilience to market fluctuations. Moreover, considering macroeconomic indicators, regulatory changes, and competitive landscape adds depth to the analysis, enabling a comprehensive understanding of the bank's performance within the broader economic context. By synthesizing quantitative data with qualitative insights, this study provides stakeholders with actionable recommendations for optimizing financial performance and sustaining long-term growth in the dynamic landscape of the financial services industry.

CONCLUSION

The financial performance of Goldman Sachs in the USA has been strong and consistent over the years. The company has demonstrated resilience and adaptability in navigating through various economic challenges and market fluctuations. With a solid track record of profitability, strategic investments, and effective risk management practices, Goldman Sachs has maintained its position as a leading financial institution in the country. Moving forward, continued focus on innovation, diversification of revenue streams, and adherence to regulatory requirements will be key factors in sustaining its success in the dynamic financial services industry.

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