An Analytical Study On Financial Performance And Analysis Of HDFC Bank

Riyazuddin¹, Pranav Kashyap², Nisha³, Keshav Kumar Mishra⁴ Gaurav Kumar Saini⁵

¹Associate Professor, ²³⁴Student
³Department of MBA, Noida Institute of Engineering and Technology, Greater Noida
⁴Department of PGDM, Noida Institute of Engineering and Technology (MCA Institute), Greater Noida

Abstract: This research was conducted to assess HDFC Bank’s financial performance. The Reserve Bank of India (RBI) gave HDFC one of the earliest ‘in principle’ approvals to open a bank in the private sector. The bank now has an impressive branch network of over 4,805 locations across India. All branches are connected in real time over the internet. Telephone banking is available to customers in over 500 locations. The bank also operates a network of over 12,860 networked ATMs at 2,657 locations around the country. Wholesale and retail banking, treasury, auto loans, two-wheeler loans, personal loans, loans against property, consumer durable loans, lifestyle loans, credit cards, and different digital products are among the goods and services offered by HDFC Bank. The above-mentioned bank’s financial performance has been assessed during the last five years, namely 2015, 2016, 2017, 2018 and 2019. The data is assessed using ratio analysis, which includes the current ratio, cash position ratio, fixed assets ratio, debt-equity ratio, and proprietary ratio, and each ratio is given an explanation. To sum up this essay, the bank’s financial stability was good over the study period.

Keywords: Ratio Analysis, HDFC Bank Ltd, financial performance, Ratios etc.

1. INTRODUCTION

Financial performance is the process of determining how well a firm uses its assets from its principal method of operation to generate revenue. It also assesses an organization's overall financial health over time. The financial performance of an organisation is concerned with the bank's financial strengths and weaknesses, as well as the link between the balance sheet and income statement. This method is used to determine the long-term and short-term growth of a bank. The researcher chose ratio analysis in this study since there are numerous techniques to examine data. This research is also useful in determining the bank's credit worth and evaluating its market position among rivals.

History of HDFC Bank

The HDFC Bank Limited (Housing Development Finance Corporation) was founded in August 1994 and is headquartered in Mumbai, India. In January 1995, HDFC Bank began operations as a scheduled commercial bank. The Reserve Bank of India (RBI) gave HDFC one of the earliest 'in principle' approvals to open a bank in the private sector. The bank now has an impressive branch network of over 4,805 locations across India. All branches are connected in real time over the internet. Telephone banking is available to customers in over 500 locations. The bank also operates a network of over 12,860 networked ATMs at 2,657 locations around the country. Wholesale and retail banking, treasury, auto loans, two-wheeler loans, personal loans, loans against property, consumer durable loans, lifestyle loans, credit cards, and different digital products are among the goods and services offered by HDFC Bank.

2. REVIEW OF LITERATURE

Nagalekshmi V S, Vineetha S Das (2018), The favorable impact of the combination of Kotak Mahindra Bank Ltd and ING-Vysya Bank was discovered. It was also discovered that significant increase in budgetary items such as operational profit, net profit, earnings per share, interest generated, return on assets, equity share capital, and income on investment, among others, had occurred.
K. Dinesh Kumar and G. Venugopal (2018) ICICI Bank had a solid performance in terms of balance sheet ratios and debt coverage ratios, and HDFC Bank was in second place. In terms of profitability ratios, SBI and Kotak Mahindra Bank have done well. 

Murad Mohammad Galif Al-Kaseasbah and Abdel Karim Salim IssaAlbkour (2018) Financial Performance of Indian Banking Sector: A Case Study of SBI and ICICI Bank is the title of their study. SBI and ICICI Bank's financial performance will be examined. During the research, it was discovered that while SBI recorded a fluctuating pattern, ICICI failed to control an expanding trend. 

Vinoth Kumar and Bhawna Malhotra (2017), The CAMEL technique was used to analyse the performance and financial soundness of selected private sector banks in India during the period 2007-2017. According to the results of the CAMEL research, Axis Bank is placed #1, followed by ICICI Bank. The third place was taken by Kotak Mahindra Bank. Among all the selected banks, HDFC Bank is ranked fourth, and IndusInd Bank is ranked last. Suruchi Satsangi Prem Das Saini (2017) Kotak Mahindra Bank's merger with ING Vysya Bank's financial performance was examined. The study's findings revealed the significant growth rate seen in Kotak Mahindra Bank's financial performance following mergers and acquisitions. 

Priyanka Jha (2017) Financial performance of Public Sector Banks (Punjab National Bank) and Private Sector Banks (ICICI) in India was investigated. In comparison to ICICI Bank, the study believes that PNB has worse operational efficiency. ICICI Bank has outperformed PNB in terms of dividend pay-out ratio, debt-equity ratio, and interest spent to interest earned. 

Jaiswal and Jain (2016) labelled a comparison analysis of SBI and ICICI Bank's financial performance in India Using the CAMEL Model, this study assesses the financial performance of Indian banks. From 2010-11 to 2014-15, this research analyses the financial performance of SBI and ICICI. 

Tirkeyi and Salem (2013) ICICI and HDFC's financial statements were compared using ratio analysis, and the financial status was investigated using various ratios. The financial situation of ICICI was shown to be significantly better than that of HDFC. 

3. RESEARCH DESIGN 

Methodology 
This is quantitative research, which means it focuses on HDFC Bank's financial statements for the last five years. This research is based on secondary information obtained from bank websites and annual reports. The data is studied using ratio analysis, and the bank's performance during the study period is clearly described. 

Objectives of the study 
1. To assess HDFC Bank's financial performance. 
2. Examine the bank's liquidity and solvency situation. 
3. Using trend analysis, determine changes in the bank's patterns. 

Limitations of the study 
1. The research is limited to the five fiscal years 2015, 2016, 2017, 2018, and 2019. 
2. The study relies entirely on secondary data, and the correctness of the analysis is determined by the information received. 
3. This research may not be comprehensive enough to cover all of the ratios that should be examined when analyzing the bank's financial health. 

4. Data Analysis 
Some of the major ratios have been evaluated and interpreted for the purpose of understanding the financial performance of the bank. 

Short term solvency ratios
Current Ratio
The current ratio determines how current assets and liabilities are related. Any asset that may be turned into cash within a year or 12 months is considered a current asset. Obligations that be settled or repaid within a year are known as current liabilities.

**Current Ratio = Current Assets/Current Liabilities**
The standard norm or rule of thumb for current ratio is 2:1. It means that let the total amount of current liabilities. When a bank’s current ratio is 2 or more it means that its liquidity position is good.

**TABLE 1 : Current Ratio**

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<tr>
<td>CR</td>
<td>6.74</td>
<td>7.97</td>
<td>4.64</td>
<td>5.52</td>
<td>6.24</td>
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Source: Annual Report

**Figure 1**: Current Ratio

Table 1 shows in 2014-15, the current ratio was 6.24; in 2015-16 and 2016-17, it was 5.52 and 4.64, respectively. Except for the year 2018-19, the ratio was raised 7.97 in 2017-18. It shows that banks' liquidity and debt payments are sound over the research period.

**CASH RATIO**
The "Absolute Liquidity Ratio" or "Super Quick Ratio" is another name for this ratio. This is a quick ratio variant. This ratio is derived when cash and cash equivalent liquidity is severely limited. This ratio measures cash and near-cash items, as well as short-term current liabilities. The following formula is used to compute the cash position ratio.

**Cash Position ratio = Cash and Bank Balances + Marketable Securities /Current Liabilities**

An ideal cash position ratio is 0.75:1. This ratio is a more rigorous measure of a firm’s liquidity position.
Table 2: Cash Position Ratio

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<tr>
<td>CPR</td>
<td>1.47</td>
<td>2.68</td>
<td>0.86</td>
<td>1.05</td>
<td>1.11</td>
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</table>

Source: Annual Report.

Table 2 explains ability of bank to meet its financial obligations it gives better position of the bank. The Cash Position Ratio was 1.11 in 2014-15, but it fell to 1.05 and 0.86 in 2015-16 and 2016-17, respectively. However, in 2017-18, it climbed to 2.68. It declined by 1.47 percent in 2018-19. The bank’s liquidity situation is good during the study period.

LONG TERM SOLVENCY RATIO and/or FIXED ASSETS RATIO

This ratio examines the link between long-term funds and fixed assets. The main goal of this ratio is to figure out what percentage of long-term capital is invested in fixed assets.

**Fixed Assets Ratio = Fixed Assets/Long-Term Funds**

A fixed assets ratio of 0.67 is good. If the ratio is less than 1, it means that a portion of working capital was funded using long-term finances.

Table 3: Fixed Assets Ratio

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<tr>
<td>FAR</td>
<td>7.39</td>
<td>6.95</td>
<td>7.07</td>
<td>6.61</td>
<td>6.22</td>
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DEBT-EQUITY RATIO

This ratio is otherwise called as “External-Internal Equity Ratio”. Mainly it is calculated to assess the financial soundness of long-term policies and to determine the relative shares of outsiders and shareholders. It determines relationship between the debt and equity.

Debt-Equity Ratio = Shareholders Funds/Total Long-Term Funds

Figure 3: Fixed Assets Ratio

Table 3 reveals fixed assets or long-term funds of the bank. The fixed assets ratio was 6.22 in 2014-15 and grew to 6.61 in 2015-16. The ratio was 7.07 in 2016-17, but it dropped to 6.95 in 2017-18. The ratio was raised to 7.39 in 2018-19. When these ratios are compared to the conventional fixed assets ratio, they are quite high. As a result, during the research period, a component of working capital was supported using long-term funds.

A high debt-to-equity ratio indicates that creditors have more claims on the company's assets than shareholders. A high ratio indicates that the firm is in a bad position. A low debt-to-equity ratio means that creditors have fewer claims and therefore a bigger margin is safe for them. This ratio's normal norm of 2:1 is good.

Table 4: Debt-Equity Ratio

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<tr>
<td>DER</td>
<td>1.27</td>
<td>0.86</td>
<td>1.20</td>
<td>1.37</td>
<td>1.37</td>
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Table 4 explains debt-equity relationship. The ratio was 1.37 in 2014-15, remained the same in 2015-16, and then declined to 1.20 in 2016-17. It declined to 0.86 in 2017-18, but climbed to 1.27 in 2018-19. These ratios are lower than the 2:1 standard. As a result, creditors are protected during the study time.

**PROPRIETARY RATIO**

Owners fund ratio or net worth ratio is the name given to this ratio. The stakeholder's finances and total physical assets are represented by this ratio

**Proprietary Ratio=Shareholders funds/Total tangible assets**

This ratio is extremely valuable in determining a company's long-term solvency. It is crucial for creditors to know the proportion of shareholders' cash in the overall assets used by the firm. The usual norm for this ratio is 0.5; below this standard norm, creditors may face significant losses if the firm is wound up.

**Table 5: Proprietary Ratio**

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<tr>
<td>Proprietary ratio</td>
<td>2.80</td>
<td>2.62</td>
<td>1.95</td>
<td>1.75</td>
<td>2.79</td>
</tr>
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Figure 5: Proprietary Ratio (Source: Annual Report).

Table 5 clearly explains long financial condition of the corporate. In 2014-15, the magnitude relation was 2.79, whereas in 2015-16, it was 1.75. However, in 2016-17, it was increased to 1.95. Then, within the years 2017-18 and 2018-19, it raised to 2.62 and 2.80, severally. These ratios area unit on top of the trade customary of 0.5. it is apparent that creditors area unit was quite protected throughout the analysis time.

4. Findings
1. The present magnitude relation demonstrates that the bank's liquidity and debt payments area unit was healthy throughout the analysis amount.
2. The money position magnitude relation, conjointly called the liquidity magnitude relation, indicates that the bank's liquidity scenario was sensible throughout the analysis amount.
3. The fastened assets magnitude relation reveals what proportion of the study period's capital was supported by long funds.
4. The debt equity magnitude relation illustrates creditors are protected throughout the analysis time.
5. The bank's long financial condition scenario is powerful throughout the study amount as per the proprietary magnitude relation.

5. Conclusion
In India, HDFC Bank is that the largest non-public sector bank. From 2014-15 to 2018-19, The data was gathered from the bank's annual reports and its website, the data was examined exploitation varied ratios. The HDFC bank's monetary performance was sensible throughout the study amount, per this analysis paper.

References


[7] Dr. A. Murthy and Dr. S. Guruswamy Management Accounting Theory & apply Vijay Nicole Imprints non-public restricted. Chennai.

