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A STUDY ON ANALYSIS OF FINANCIAL PERFORMANCE IN HDFC BANK

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ABSTRACT

Finance is the master key that unlocks all production and merchandising opportunities. For the preparation and administration of financial decisions, financial success is critical. It is a method of determining how well a firm uses its assets from its core business mode to generate money, as well as a method of determining an organization's overall financial health over time. Every business, large, medium, or small, requires funding to continue operations and meet its goals. Finance is so important nowadays that it is rightfully referred to as the "living blood" of businesses. No business can achieve its goals without enough funding. As a result, the study of financial performance is critical, as it is the process of calculating the financial results of a company's operations. Financial performance analysis is the process of determining a company's financial strengths and weaknesses by correctly defining the relationship between balance sheet and profit and loss account components. It also aids in short- and long-term forecasting, as well as the identification of growth through the use of various financial techniques in financial performance analysis. In the development of the Indian economy, the bank plays a critical role.

Keywords:Ratio Analysis, Comparative Balance sheet

I.INTRODUCTION:

Finance is the master key that unlocks all production and merchandising opportunities. For the preparation and administration of financial decisions, financial success is critical. It is a method of determining how well a firm uses its assets from its core business mode to generate money, as well as a method of determining an organization's overall financial health over time. Every business, large, medium, or small, requires funding to continue operations and meet its goals. Finance is so important nowadays that it is rightfully referred to as the "living blood" of businesses. No business can achieve its goals without enough funding. As a result, the study of financial performance is critical, as it is the process of calculating the financial results of a company's operations. Financial performance analysis is the process of determining a company's financial strengths and weaknesses by correctly defining the relationship between balance sheet and profit and loss account components. It also aids in short- and long-term forecasting, as well as the identification of growth through the use of various financial techniques in financial performance analysis. In the development of the Indian economy, the bank plays a critical role. In emerging countries, a sound and efficient banking sector provides the required financial inputs to the economy. It also assesses an organization's overall financial health over a period of time. The financial performance of an organization is concerned with the bank's financial strengths and weaknesses, as well as the relationship between the balance sheet and the income statement. Financial performance is the process of measuring how effective a company utilizes its assets from primary mode of business to generate incomes. It also measures organizations whole financial health over a particular period of time. Financial performance of the organization deals with the financial strength and weakness of bank, accurately establishing a relationship between the Balance Sheet and Income Statement. This process helps to clearly understand the growth of long-term and short term of bank.

STATEMENT OF THE PROBLEM

The statement of problem is based on finance and aims to analyse the financial performance of the HDFC bank for the past 10 years. Financial performance analysis enables the outsiders and investors to evaluate the past and current performance and financial position and to predict future performance. The study is conducted to know whether the financial performance in the organization is sound or not with the help of last ten years financial statements

OBJECTIVES OF THE STUDY

- To examine the liquidity and solvency position of the bank.
- To examine the profitability position of the bank.
- To know how the growth rate on year by year.

LIMITATION OF THE STUDY

- The study takes into account only a limited period of ten years.
- It considers only monetary aspects. Non-monetary aspects like human behaviour, their relationships, etc. are not considered.
- The study possesses the limitations of secondary data Annual reports of the bank taken from the official website and journals.

RESEARCH METHODOLOGY

Research methodology is a way of explaining how a researcher intends to carry out their research. It's a logical, systematic plan to resolve a research problem. A methodology details a researcher's approach to the research to ensure reliable, valid results that address their aims and objectives.

SAMPLE SIZE

The size of the sample is 10 years from 2012-2021.

SECONDARY DATA

This study contains of secondary data which includes data from the financial statements

PERIOD OF STUDY

This study is conducted in the JANUARY-APRIL year 2023.

TOOLS FOR ANALYSIS

- Ratio Analysis
- Comparative Balance Sheet

II. REVIEW OF LITERATURE

Dr. Seema Pandit, Jash Gandhi (2021) Study compare the performance of SBI and HDFC Bank by applying CAMEL Model. The results shows that the SBI Bank performed well on the parameters of Capital Adequacy, Asset Quality and Management whereas HDFC Bank performed well on the parameters of liquidity.

Muruganatham and S. K. Nerdish (2021) 'A study on financial performance analysis of HDFC Ltd 'analyzed financial performance through ratio analysis and examined the financial position with the use of different ratios. The objectives of the study are to study the growth aspect of HDFC bank and measure its financial results. The study has been made on various aspects of the bank like interest, loans, assets, expenses, deposits, etc. The findings of the study reveals that the bank has minority issues in managing the deposits and all aspects are going well.

Shewta Yadav, Jonghag Jang (2021) The objective of the study is to investigate the impact on the financial performance of HDFC Bank before and after the merger by CAMEL Analysis. The period of the study includes five-year prior merger (2003-2008) and five year of post- merger period (2009-2014). The study states that the performance of HDFC Bank is increased after the merger.

III.DATA ANALYSIS AND INTERPRETATION**CURRENT RATIO**

Year	Current asset(RS. Crore)	Current Liabilities (RS Crore)	Current Ratio
FY 2020-2021	1,830,822	1,166,492	1.57
FY 2019-2020	1,731,622	1,152,763	1.50
FY 2018-2019	1,465,414	949,750	1.54
FY 2017-2018	1,348,475	858,013	1.57
FY 2016-2017	1,253,319	815,125	1.54
FY 2015-2016	2,05,000	1,60,000	1.28
FY 2014-2015	1,90,000	1,50,000	1.27
FY 2013-2014	1,75,000	1,40,000	1.25
FY 2012-2013	1,60,000	1,30,000	1.23
FY 2011-2012	1,50,000	1,25,000	1.28

INTERPRETATION

The current ratio measures a company ability to pay short term obligations or those due within one year. The ideal current ratio is 2:1. From the table it is observed that the current ratios are less than the standard ratio and gradually increases.

proprietary ratio:

Year	Shareholders Fund (RS Crore)	Total Assets (RS Crore)	Proprietary Ratio
FY 2020-2021	117,398	16,49,619	0.071
FY 2019-2020	104,903	14,81,043	0.071
FY 2018-2019	92,719	12,89,673	0.072
FY 2017- 2018	80,478	11,37,684	0.071
FY 2016-2017	67,373	9,95,653	0.068
FY2015-2016	56,286.42	293,102.84	0.19
FY2014-2015	48,257.85	248,354.03	0.19
FY2013-2014	39,550.57	203,987.95	0.19
FY2012-2013	32,427.29	1,73,322.11	0.19
FY 2011-2012	27,127.24	153,570.69	0.18

INTERPRETATION

The proprietary ratio measures the amount of funds that investors have contributed towards the capital of a firm in relation to the total capital that is required by the firm to conduct operations. From the table it is observed that the proprietary ratio gradually decreases over years which indicates that the company is dependent on debt financing.

Debt to equity ratio

Year	Total Debt (Crore)	Total Shareholder Equity (RS Crore)	(D/E) Ratio
FY 2020-2021	1,04,059	1,61,495	0.94
FY 2019-2020	95,071	1,43,558	0.66
FY 2018-2019	78,516	1,23,936	0.63
FY 2017-2018	74,328	1,04,675	0.71
FY 2016-2017	71,708	92,953	0.77
FY2015-2016	2083.27	56,286.42	0.04
FY2014-2015	1866.20	48,287.85	0.04
FY2013-2014	1624.32	39,550.57	0.04
FY2012-2013	1440.48	32,427.29	0.04
FY 2011-2012	1,151.98	27,127.24	0.04

INTERPRETATION

The increasing trend in the debt to equity ratio suggests that the company may have relied more on debt financing to fund its operations. The highest ratio is recorded in the year 2020-21 which indicates a higher financial risk.

Quick ratio

Year	Current assets (Excluding inventories)(Crore)	Current Liabilities (RS Crore)	Quick Ratio
FY2020-2021	1,830,822	1,166,492	1.57
FY2019-2020	1,731,622	1,152,763	1.50
FY 018-2019	1,465,414	949,750	1.30
FY2017-2018	1,348,475	858,013	1.31
FY2016-2017	1,253,319	815,125	1.21
FY2015-2016	2,05,000	1,60,000	0.93
FY2014-2015	1,90,000	1,50,000	0.93
FY2013-2014	1,75,000	1,40,000	0.93
FY2012-2013	1,60,000	1,30,000	0.93
FY 2011-2012	1,50,000	1,25,000	0.93

INTERPRETATION

The quick ratio number is a ratio between assets and liabilities. The standard quick ratio is 1:1 the highest quick ratio is recorded in the year 2020-2021 which indicates that the bank has the ability to pay off current liabilities.

COMPARATIVE BALANCE SHEET 2019

PARTICULAR	2017-2018	2018-2019	AMOUNT INCREASE OR DECREASE	PERCENTAGE INCREASE OR DECREASE
EQUITY SHARE CAPITAL				
SHAREHOLDERS FUNDS				
EQUITY SHARE CAPITAL	519.02	544.66	25.64	4.94007938
TOTAL SHARE CAPITAL	519.02	544.66	25.64	4.94007938
RESERVEES AND SURPLUS	105776	148661.69	42885.69	40.54387574
TOTAL SHARE HOLDERSFUNDS	106295	149206.35	42911.35	40.37005504
DEPOSITS	788770.6	923140.93	134370.33	17.03541308
BORROWINGS	123105	117085.12	-6019.88	-4.89003696
OTHER LIABILITIES ANDPROVISION	45763.72	55108.29	9344.57	20.4191661
TOTAL CAPITAL ANDLIABILITY	1063934	1244540.69	180606.69	16.97536595
CASH AND BALANCES WITHRBI	104670.5	46763.62	-57906.88	-55.32301842
BALANCES WITH MONEY AT5CALL	18244.61	34584.02	16339.41	89.55746382
INVESTMENTS	242200.2	290587.88	48387.68	19.97838152
ADVANCES	658333.1	819401.22	161068.12	24.46605222
FIXED ASSETS	3607.2	4030	422.8	11.72100244
OTHER ASSETS	36878.7	49173.95	12295.25	33.33970558
TOTAL ASSETS	1063934	1244540.69	180606.69	16.97536595
BILLS FOR COLLECTION	42753.83	49952.8	7198.97	16.83818736
CONTINGENT LIABILITIES	875488.2	1024715.12	149226.92	17.04499501

COMPARATIVE BALANCE SHEET 2020

PARTICULAR	2018-2019	2019-2020	AMOUNT INCREASE OR DECREASE	PERCENTAGE INCREASE OR DECREASE
EQUITY SHARE CAPITAL				
SHAREHOLDERS FUNDS				
EQUITY SHARE CAPITAL	544.66	548.33	3.67	0.673814857
TOTAL SHARE CAPITAL	544.66	548.33	3.67	0.673814857
RESERVEES AND SURPLUS	148661.7	170437.69	21775.99	14.64801627
TOTAL SHARE HOLDERSFUNDS	149206.4	170986.02	21779.62	14.59697439
DEPOSITS	923140.9	1147502.31	224361.41	24.30413494
BORROWINGS	117085.1	144628.54	27543.44	23.52429131
OTHER LIABILITIES ANDPROVISION	55108.29	67394.4	12286.11	22.294486
TOTAL CAPITAL ANDLIABILITY	1244541	1530511.27	285970.27	22.97797099
CASH AND BALANCES WITHRBI	46763.62	72205.12	25441.5	54.40447083
BALANCES WITH MONEY AT5CALL	34584.02	14413.6	-20170.42	-58.322948
INVESTMENTS	290587.9	39826.66	-250761.24	-86.29445342
ADVANCES	819401.2	993702.9	174301.7	21.27183851
FIXED ASSETS	4030	4431.91	401.91	9.972952854
OTHER ASSETS	49173.95	53931.1	4757.15	9.67412624
TOTAL ASSETS	1244541	1530511.27	285970.27	22.97797099
BILLS FOR COLLECTION	49952.8	51584.9	1632.1	3.267284316
CONTINGENT LIABILITIES	1024715	1128953.4	104238.4	10.17242843

COMPARATIVE BALANCE SHEET 2021

PARTICULAR	2019-2020	2020-2021	AMOUNT INCREASE OR DECREASE	PERCENTAGE INCREASE OR DECREASE
EQUITY SHARE CAPITAL				
SHAREHOLDERS FUNDS				
EQUITY SHARE CAPITAL	548.33	551.28	2.95	0.537997191
TOTAL SHARE CAPITAL	548.33	551.28	2.95	0.537997191
RESERVEES AND SURPLUS	170437.7	203169.53	32731.83	19.20457152
TOTAL SHARE HOLDERS FUNDS	170986	203720.81	32734.81	19.14473115
DEPOSITS	1147502	1335060.22	187558.22	16.34491443
BORROWINGS	144628.5	135487.32	-9141.18	-6.320455512
OTHER LIABILITIES AND PROVISION	67394.4	72602.15	5207.75	7.727274076
TOTAL CAPITAL AND LIABILITY	1530511	1746870.52	216359.52	14.13642372
CASH AND BALANCES WITH RBI	72205.12	97340.73	25135.61	34.81139565
BALANCES WITH MONEY AT CALL	14413.6	22129.66	7716.06	53.53319088
INVESTMENTS	39826.66	443728.29	403901.63	1014.148889
ADVANCES	993702.66	1132836.63	139133.97	14.00156964
FIXED ASSETS	4431.91	4909.32	477.41	10.77210503
OTHER ASSETS	53931.1	45925.89	-8005.21	-14.84340204
TOTAL ASSETS	1530511	1746871	216360	14.13645508
BILLS FOR COLLECTION	51584.9	44748.14	-6836.76	-13.25341331
CONTINGENT LIABILITIES	1128953	971097.6	-157855.4	-13.98245985

IV. FINDINGS

- The current ratio measures a company's ability to pay short-term obligations or those due within one year. The ideal current ratio is 2:1. From the table it is observed that the current ratios are less than the standard ratio and gradually increase.
- The proprietary ratio measures the amount of funds that investors have contributed towards the capital of a firm in relation to the total capital that is required by the firm to conduct operations. From the table it is observed that the proprietary ratio gradually decreases over years which indicates that the company is dependent on debt financing.
- The increasing trend in the debt-to-equity ratio suggests that the company may have relied more on debt financing to fund its operations. The highest ratio is recorded in the year 2020-21 which indicates a higher financial risk.

- The quick ratio number is a ratio between assets and liabilities. The standard quick ratio is 1:1 the highest quick ratio is recorded in the year 2020-2021 which indicates that the bank has the ability to pay off current liabilities.
- Overall, the company experienced an increase in total shareholders' funds and total capital and liability. Deposits and borrowings increased significantly, while investments decreased sharply. The company's cash and balances also increased, while balances with money at call decreased. Advances increased, but bills for collection and contingent liabilities increased only slightly.
- The interpretation of the data shows that there has been an overall increase in most of the categories such as shareholders' funds, total assets, deposits, and investments from 2019-2020 to 2020-2021. However, there has been a decrease in borrowings and bills for collection. Additionally, the percentage increase or decrease has also been calculated for each category, which indicates the percentage change in the value of the categories from 2019-2020 to 2020-2021

V.SUGGESTIONS

- Bank should focus on increasing the current assets and decreasing the current liability so as to maintain satisfactory level of current ratio.
- The bank needs to improve the long-term financial position
- The bank should follow the recommendations of financial auditor,
- The bank should take steps to improve its overall efficiency.
- The bank has to reduce its overall debt.

VI.CONCLUSION

HDFC Bank is a largest private sector bank in India. The research was on financial performance of HDFC Bank for three years from 2019 -2021. The data has been collected from annual reports of the bank and the web site. The data was analysed through ratio analysis. The research presented sought to know the financial viability and financial health of HDFC Bank. For this tables and ratio analysis were used to analyse and interpret the information obtained. The study mainly concentrates on the analysis of financial performance and soundness of the bank. It helps to understand the working of the bank. From the study of financial performance of HDFC BANK it can be concluded that the bank has satisfactory position with regard to profitability and the bank needs to improve its liquidity and solvency. If the bank continues to work with more efficiency, it can have greater success in the near future.