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A Study on Financial Performance Analysis of HDFC Bank Ltd

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ABSTRACT
Financial performance is the process of measuring how effectively a company utilizes its assets from primary mode of business to raise incomes. The study used 5 years of HDFC's secondary data and main objective is to find out the performance ratios of the bank that can be helpful in finding the growth aspects of the bank. The various tools like Return on assets ratio, Interest coverage ratio, and other performance ratios were used for the study. The suggestions reveal bank is generating sufficient income and they are making better profits but efficiency of the bank in generating profits is limited. Finally, Bank is performing well in terms of income and it is satisfactory.
KEYWORDS: *HDFC Bank, Ratios, Financial Statements, Private Sector, Public Sector, Solvency.*

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I. INTRODUCTION

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of various financial tools in financial performance analysis. Bank plays a crucial role in the development of Indian economy. A sound and an efficient banking system in
developing countries provide the necessary financial inputs to the economy. It also measures organizations whole financial health over a particular period of time. Financial performance of the organization deals with the financial strength and weaknesses of bank accurately establishing a relationship between the balance sheet and income statement.

OBJECTIVE OF THE STUDY

- To assess the earning capacity or profitability of the firm.
- To assess the operational efficiency and managerial effectiveness.
- To assess the short term as well as long term solvency position of the firm.
- To study the growth aspects of HDFC Bank.

SCOPE OF THE STUDY

HDFC Bank offers a bunch of products and services to meet every need of the people. The company cares for both, individuals as well as corporate and small and medium enterprises. For individuals, the company has a range accounts, investment, and pension scheme, different types of loans and cards that assist the customers. The customers can choose the suitable one from arrange of products which will suit their life stage and needs. For organizations the company has host of customized solution that range from funded services, Nonfunded services, Value addition services, Mutual fund etc. These affordable plans apart from providing long term value to the employees help in enhancing goodwill of the company. Accounts and deposits, Loans, Investments and Insurance, Forex and payment services, Cards, Customer center

II. RESEARCH METHODOLOGY

Primary Data	Secondary data
Period of Study	2016-17To 2020-21
Framework of analysis	Financial Statements

Tools and Techniques	Ratio analysis

STATEMENT OF THE PROBLEM

Banking Facilities are increasing day by day and the studies and researches conducted on these private banks are limited. Before privatization, only public sector banks are there in the country, after privatization, private sector banks started to emerge and some banks are failed due to lack of research among their problems and no change of trends and also on bad loans. Even then many banks are successfully running in the country. Financial Performance of the bank will be stable, only when banks are maintaining proper Financial Statements. The HDFC Bank offers lot of customer benefits that helps the Bank to attract customers faster. This particular study explains all about financial performance analysis of HDFC Bank with the reference of last five years financial statements and also explains about the findings about expansion of bank, deposits, loan lending and credit expansion for the business and other people.

LIMITATIONS OF THE STUDY

The financial analysis does not contemplate cost price level changes.
The financial analysis might be ambiguous without the prior knowledge of the changes in accounting procedure followed by an enterprise.
Financial analysis is a study of report of the enterprise

III. REVIEW OF LITERATURE

Dr K Sreenivas, L Saroja 2013:
Entitled a comparative study of financial performance of HDFC Bank and ICICI Bank. Study revels there is no significance difference in the performance of HDFC Bank and ICICI Bank, but they conclude that HDFC Bank financial performance is slightly shows an increase in compared with ICICI Bank.

Dr B Sudha, P Rajendran 2019)[2]: Conducted astudy on financial health of Axis Bank & HDFC Bank for the time period of 2013-2014 to 2017-2018 by using various statistical tools and ratio analysis for analysing data. The study conclude that overall financial performance of Axis Bank is less compared the HDFC Bank.

(A Jaiswal, C Jain 2016)[3]: Conducted a comparative study of financial performance of SBI & ICICI Bank in India. This study evaluates the financial performance of Indian Banks with help of CAMEL MODEL. The result of the study clarifies that the financial performance of SBI is little bit more than ICICI Bank and also market position is high, but in other terms ICICI Bank is performing well in terms of NPA.

RATIO

One of the most powerful tools in financial analysis is the ratio analysis. It is the procedure for calculating and understanding different ratios. The ratio analysis is used to investigate a company's liquidity, profitability, and solvency. The financial statements may be analysed more clearly with the use of ratios, and decisions can be taken based on this analysis.

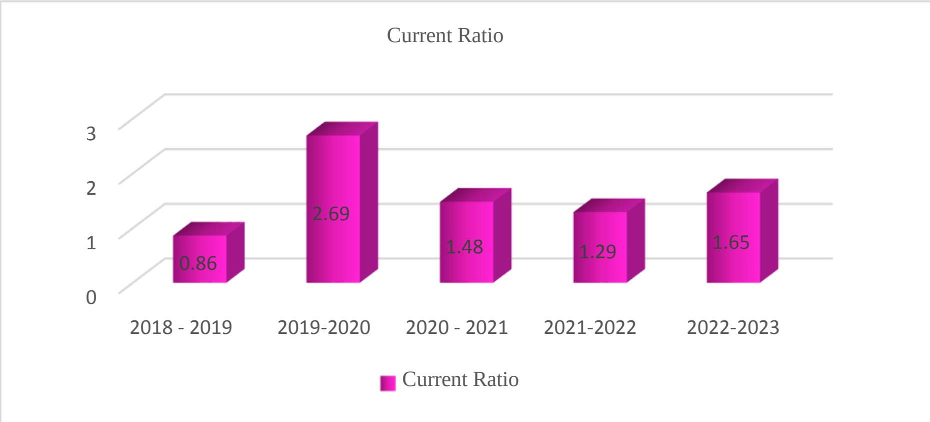
The formula for current ratio is

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}} \qquad \text{(Ideal Ratio = 2:1)}$$

TABLE SHOWING CURRENT RATIO

Year	Current Asset	Current Liability	Current Ratio
2018 - 2019	48952.1	56709.32	0.86
2019 - 2020	122915.08	45763.72	2.69
2020 - 2021	81347.64	55108.29	1.48
2021 - 2022	86618.72	67394.4	1.29
2022 - 2023	119470.4	72602.15	1.65
Mean	91860.79	59515.58	1.59
Standard Deviation	30437.73	10603.62	0.68
CV	33.13	17.82	42.6

CAGR	-0.51	-0.74	-0.62



Interpretation:
The standard norm of current is 2:1. The current ratio of the firm is less than the standard norms ratio throughout the study period. It is less than the standard norms.
The current ratio maximum is 90.79 in the year 2019 and the minimum current ratio is 10.07 in the year 2018. The company needs to improve its current ratio by investing more in current assets.
The current ratio of HDFC bank limited has been increased to 90.79 times 2019 and it has been decreased to 10.07 times 2018 during the study period.

DEBT EQUITYRATIO
Debt to equity ratio is the most commonly used ratio to test the solvency of a firm. This ratio indicates the relative proportion of debt and equity in financing the assets of the firm.

Debt Equity Ratio =<u>Total Debt</u> (Ideal ratio =1:1)
Equity Share holder Fund

TABLE SHOWING LIQUID RATIO

Year	Total Debt	Equity	Total Debt Equity Ratio
2018-2019	717668.58	89462.35	8.02
2019-2020	911875.61	106295.00	8.58
2020-2021	1040226.05	149206.35	6.97
2021-2022	1292130.83	170986.03	7.56
2022-2023	1470547.54	203720.83	7.22
Mean	1086489.72	143934.11	7.67
Standard Deviation	299352.69	46684.93	0.64
CV	27.55	32.43	8.38
CAGR	-0.59	-0.54	-0.82

Source: Compiled from annual report of HDFC Bank

INTERPRETATION:
The above table shows the Debt Equity Ratio. The average Debt Equity Ratio is 7.67 and its standard deviation is 0.64, the coefficient of variation is 8.38 and CAGR follows a negative trend.The ideal debt equity ratio is 1:1. During the five years of study the debt equity ratio is very high. These indicates that the higher proportion of debt content in the capital structure
RETURN ON INVESTMENT
It establishes the relationship between return and investment. It is also called accounting rate of return.
The formula for Return on Investment is
ROI =
Profit before interest and tax
× 100

Capital employed

Table 8.8 Showing Return on Investment

Year	Operating Profit	Capital Employed	Return On Investment
2018-2018	61899.12	807130.88	7.67
2019-2019	72771.28	1018170.60	7.15
2020-2021	90478.57	1189432.50	7.61
2021-2022	107375.94	1463116.90	7.34
2022-2023	113340.49	1674268.40	6.77
Mean	89173.08	1230423.86	7.31
Standard Deviation	21965.88	345345.01	0.37
CV	24.63	28.07	5.01
CAGR	-0.63	-0.59	-0.82

INTERPRETATIONS

The above table shows the return on investment. The average return on investment is 7.31and its standard deviation is 37. the coefficient of variation is 5.01 and CAGR follows a negative trend.The figure shows that bank is not having sufficient return on capital employed. Its ideal ratio is 15%. Overallbanks profitability is low and shows that there is inefficient use of capital employed

BALANCE SHEET

Table 7.12 showing comparative balance sheet of financial year 2017 -18 to 2018 -19

Particulars	**2017-18**	**2018-19**	**Amount Of Increase /Decrease**	**Percentage Of Increase/Decrease**
Capital And Liabilities				
Capital	519.02	544.66	25.64	4.94
Reserves and Surplus	105775.98	148661,69	42885.71	40.54
Deposits	788770.64	923140.93	134370.29	17.04
Borrowings	123104.97	117085.12	-6019.85	-4.89
Other Liabilities and Provisions	45763.72	55108.29	9344.57	20.42
Total	**1063934.3**	**1244540.7**	**180606.37**	**16.98**
Assets				
Cash And Balances with RBI	104670.47	46763.62	-57906.85	-55.32
Balances with Other Banks	18244.61	34584.02	16339.41	89.56
Investments	242200.24	290587.88	48387.64	19.98
Advances	658333.09	819401.22	161068.13	24.47
Fixed Assets	3607.2	4030	422.8	11.72
Other Assets	36878.7	49173.95	12295.25	33.34
Total	**1063934.3**	**1244540.7**	**180606.37**	**16.98**

IV. FINDING:

- A multifaceted approach to evaluating a companys financial performance.
- Evaluates a companys performance or value through a companys balance sheet, income statement, or statement of cash flows.
- During the financial year 2022-2023 borrowings is decreased by 6.32% and other assets decreased by 14.84 and deposit, investments, advances is increased

V. CONCLUSION

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.