



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.

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 measure HDFC Bank Balance Sheet of the Company.
- To analyses the financial & Performance analysis of the bank by using different ratios.
- To study and analyses the financial performance of HDFC Ltd for the period of five years.
- To study the growth aspects of HDFC Bank.
- To offer suggestions that are based on the findings of the study.

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 centre

RESEARCH METHODOLOGY

Primary Data	Secondary data
Period of Study	2017 To 2021
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 major limitation of the present study is that the analysis is restricted to one particular sector such as banking. It is

confined to only measure the financial performance of select banks. The inherent limitation is secondary data. The published data is not uniform and not properly disclosed by the banks. Hence, this may be taken as another limitation.

REVIEW OF LITERATURE

Nandhini Thakur (2020):

'The study is conducted on financial statement analysis of HDFC Bank with the time period of 2013-14 to 2017-18. Tools used in this study was ratio analysis, cash and fund flow analysis trend analysis. The objective is to measure the efficiency of various properties of bank. Researchers find that bank's financial performance was strong and suggested to providing more housing loans to the development of the citizen of India.' **Rajendran P (2019):**

'Analysed the performance of HDFC Bank. Researcher explained about HDFC Bank's history. Current ratio, cash

position ratio, Debt equity ratio and proprietary ratio was good. The study finds that part of working capital of the bank was financed by long term funds. Researcher concluded with result as HDFC Bank was the largest private sector bank in India and its financial performance was strong during the period of study.' **Vineetha S Das (2018):**

Found that the positive impact of merger Kotak Mahindra Bank Ltd with ING-Vysya Bank. It also found that

momentous increment in various budgetary like operating profit, net profit, earnings per share, interest earned, return on assets, equity share capital, income on investment etc.,

CURRENT RATIO

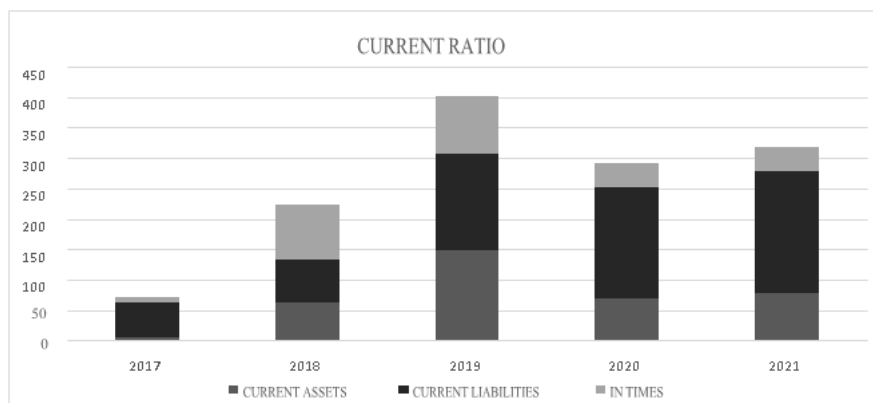
Current ratio may be defined as the relationship between current assets and current liabilities. This ratio known as working capital ratio is a measure of general liquidities and is most widely used to make the analysis of a shorter financial position or liquidity of a firm. It is calculated by dividing the assets by total of the current liabilities.

The formula for current ratio is

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}} \times 100$$

TABLE SHOWING CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO'S
2017	5.70	56.57	10.07
2018	63.63	70.08	90.79
2019	149.42	159.62	93.97
2020	70.49	182.64	38.59
2021	78.02	202.25	38.57



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 2018 and the minimum current ratio is 10.07 in the year 2017. 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 2018 and it has been decreased to 10.07 times 2017 during the study period.

LIQUID RATIO

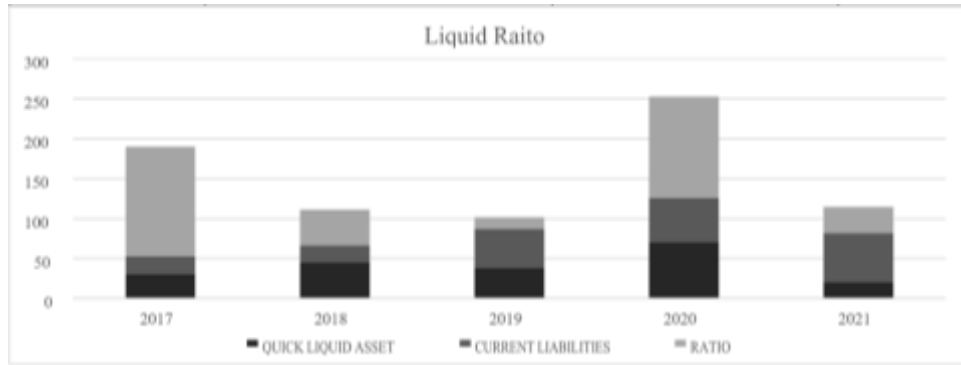
Quick or acid test indicates whether the firm is in a position to pay its current liabilities with in a month or immediately. This ratio is better test for short-term financial position of the current ratio.

The formula for Liquid ratio is

$$\text{LIQUID RATIO} = \frac{\text{QUICK LIQUID ASSET}}{\text{CURRENT LIABILITIES}} \times 100$$

TABLE SHOWING LIQUID RATIO

YEAR	QUICK LIQUID ASSET	CURRENT LIABILITIES	RATIO
2017	30.33	22.05	137.55
2018	45.1	21.03	44.9
2019	38.3	48.4	14.7
2020	70.3	55.41	126.87
2021	20.24	61.64	32.84



INTERPRETATION:

The standard norm of liquid ratio is 60.89. The liquid ratio of the firm is not satisfactory throughout the study period. It is less than the standard. The liquid ratio maximum is 137.55 in the year 2017 and the minimum liquid ratio 14.7 in the year 2019. The company has to improve their cash liquidity.

The liquid ratio of the company has been increased to 137.55 times 2017 and the company’s liquid ratio has been decreased to 14.7 times 2019 during the study period.

RETURN ON ASSETS

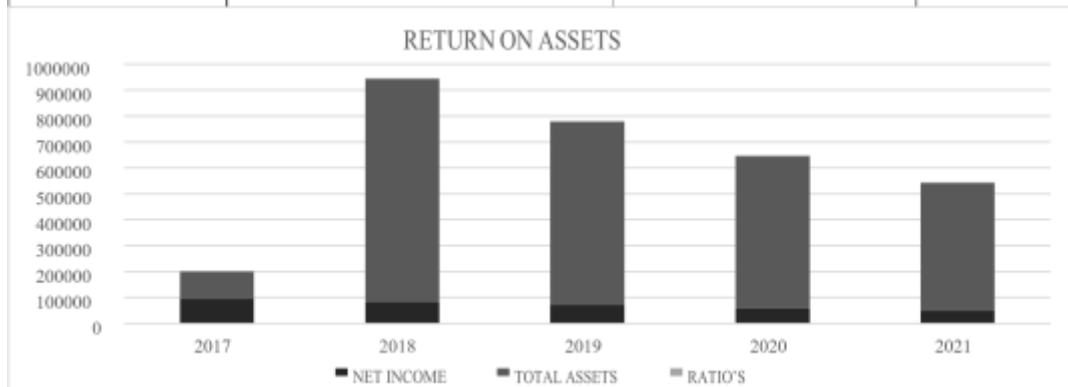
The term return on assets (ROA) refers to a financial ratio that indicated how profitable a company is in relation to its total assets. Corporate management, analysis, and investors can use ROA to determine how efficiency a company uses its assets to generate a profit.

The formula for Return on Assets is

$$\text{NET INCOME} = \frac{\text{RETURN ON ASSETS}}{\text{TOTAL ASSETS}} \times 100$$

RETURN ON ASSETS

YEAR	NET INCOME	TOTAL ASSETS	RATIO'S
2017	95461.66	106934.311	8.96
2018	81602.46	863840.20	9.44
2019	70973.17	708845.57	10.0
2020	57466.25	590503.07	9.73
2021	49055.17	495099.50	9.97



INTERPRETATIONS

The table and graph depict that in the year 2018, the company was highly proficient in transforming its fixed assets into liquid or cash in the net income. Company used its assets in well-organized way to generate maximum profit from them in the year 2018. The bank’s capability to quickly convert its assets into cash was same.

The return on assets ratio of the company has been increased to 10.0 the year of 2019 it has been decreased to 8.96 the year of 2017 during the study period

BALANCE SHEET

PARTICULARS	MAR 2017	MAR 2018	MAR 2019	MAR 2020	MAR 2021
Total Assets	8.96	9.44	10.0	9.73	9.97
Total Income	72385.52	73660.76	68062.48	61267.27	54606.02
Expenditure	--	--	--	--	--
Interest	--	--	--	--	--
PBDT	2,57,323.90	3,26,248.10	3,97,497.20	4,87,495.50	5,73,618.40
Depreciation	--	--	--	--	--
PBT	2,57,323.90	3,26,248.10	3,97,497.20	4,87,495.50	5,73,618.40
Tax	16.5	14.2	12.21	12.1	10.2
Net Profit	87.84	76.54	44.38	43.08	87.16
Liquid	137.55	44.9	14.7	126.87	32.84
EPS	57.20	67.80	78.60	48.00	56.60
OPM %	9.2	9.3	8.63	8.76	8.87
NPM %	87.84	76.54	44.38	43.08	87.16

FINDING:

- The current ratio of HDFC Bank limited has been increased to 90.79 times 2018 and it has been decreased to 10.07 times 2017 during the study period.
- The operating profit ratio of the company has been increased to 9.3 the year of 2018. it has been decreased to 8.63 the year of 2018 during the study period.
- Return on Capital Employed Ratio of The company has been increased to 16.5 the year of 2017 it has been decreased to 10.2 the year of 2020 during the study period.
- The return on assets ratio of the company has been increased to 10.0 the year of 2019 it has been decreased to 8.96 the year of 2017 during the study period.
- The net profit ratio of the company has been increased to 87.84 year of 2017 and it has been decreased to 43.04 the year of 2020 during the study period.
- The gross profit ratio of the company has been increased to 72.08 and The year of 2020 it has been decreased to 31.31 and 2017 during the study period.
- The liquid ratio of the company has been increased to 137.55 times 2017 and the company's liquid ratio has been decreased to 14.7 times 2019 during the study period.

CONCLUSION

The HDFC Bank is the largest private sector bank in India. The researcher finds the financial performance for the past five financial years from 2017 to 2021 The data collected from annual reports of the bank and the web site. The data analysed through various ratios. This research article finally concluded that the HDFC bank financial performance is strong during the study period.