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A Study On Financial Analysis And Performance Of Hdfc Bank

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ABSTRACT

This study has been carried out to evaluate the financial performance of HDFCBank.HDFC was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. The bank at present has an enviable network of over 4,805 branches spread over cities across India. All branches are linked on an online real time basis. Customers in over 500 locations are also servicing through telephone banking. The bank also has a network of about over 12,860 networked ATMs 2,657 across cities and towns. HDFC Bank provides a number of products and services including wholesale banking and retail banking, treasury, auto loans, two wheeler loans, personal loans, loans against property, consumer durable loans, life style loan, credit cards and the various digital products.The financial performance of above mentioned bank has been evaluated for the past five years i.e.2015, 2016, 2017, 2018 and 2019. The data analyzed by ratio analysis such as current ratio, cash position ratio, fixed assets ratio, debt-equity ratio and proprietary ratio and give interpretation to each ratio. To conclude this article the financial soundness of the bank is satisfactory during the study period.

Key words: Ratio Analysis HDFC Bank Ltd financial performance Ratios.

INTRODUCTION

Financial performance is the process of measuring how effectively a company utilizes its assets from primary mode of business to raise 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 weaknesses of bank accurately establishing a relationship between the balance sheet and income statement. This process used to clearly understand the growth of long- term and short-term of bank. There are several ways to analyze data the researcher used ratio analysis in this research. This analysis also helpful determines the credit worthiness of the bank to evaluate the market position among thecompetitors.

HISTORY OF HDFC BANK

HDFC Bank Limited (Housing Development Finance Corporation) was incorporated in August 1994 with its registered office in Mumbai, India. HDFC Bank commenced operations as a scheduled commercial bank in January 1995. HDFC was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. The bank at present has an enviable network of over 4,805 branches spread over cities across India. All branches are linked on an online real time basis. Customers in over 500 locations are also servicing through telephone banking. The bank also has a network of about over 12,860 networked ATMs 2,657 across cities and towns. HDFC Bank provides a number of products and services including wholesale banking and retail banking, treasury, auto loans, two wheeler loans, personal loans, loans against property, consumer durable loans, life style loan, credit cards and the various digital products.

REVIEW OF LITERATURE

Nagalekshmi V S, 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.,

K. Dinesh Kumar and G. Venugopal (2018) revealed that ICICI Bank good performance of balance sheet ratios and Debt coverage ratios and next position of HDFC Bank. SBI andKotak Mahindra Bank performance is good in profitability ratios.

Murad Mohammad Galif Al-Kaseasbah and Abdel KarimSalimIssaAlbkour (2018) in their paper entitled, financial performance of Indian Banking sector: A Case Study of SBI and ICICI Bank. To examine the financial performance of SBIandICICI Bank. During the study, it was found that the SBI recorded fluctuating trend on the other hand ICICI failed to manage the increasing trend.

Vinoth Kumar and BhawnaMalhothra (2017), attempted has been made evaluate the performance &financial soundness of selected private sector banks in India for the period 2007- 2017 CAMEL approach has been used. This study concluded that the Axis Bank is ranked first under the CAMEL analysis followed by ICICI Bank. Kotak Mahindra Bank occupied the third position. The fourth position occupied by HDFC Bank and the last position is occupied by Induslndbank amongst all the selected banks.

SuruchiSatsangiPrem Das Saini (2017) analyzed financial performance of Kotak Mahindra Bank merger with ING Vysya Bank. The findings of the study showed the high growth rate which is observed in the financial performance of the Kotak Mahindra Bank after the mergers andacquisitions.

PriyankaJha (2017) analyzed financial performance of Public Sector Banks (Punjab National Bank) and Private Sector Banks (ICICI) in India. The researcher concludes her research PNB has lower operational efficiency comparatively than ICICI Bank. In case of dividend pay- out ratio, debt-equity ratio and interest expended to interest earned, ICICI Bank has performed sounder as compare to PNB.

Jaiswal and Jain (2016) entitled a comparative study of financial performance SBI and ICICI Bank in India. This study examines the financial performance of Indian Banks with the help of CAMEL Model. This study compare the financial performance of SBI and ICICI from 2010-11 to 2014-15.

The authors suggested that the SBI is performing well as compare to the ICICI. Furthermore it was found that the market position of SBI is better than ICICI in terms to earning per share, price ratio per share and dividend payout ratio. On the other hand ICICI Bank performing well in terms of NPA and provision for NPA in comparison of SBIbank.

Gupta (2014) entitled an empirical study of financial performance of ICICI bank a comparative analysis focused on operational control profitability and solvency etc., this research paper aimed to analysis and compare the financial performance of ICICI bank and offer suggestions for the improvement of efficiency in the bank. This study suggested that NPAs of the ICICI Bank is more than 1percent. Therefore ICICI should control NPAs.

Tirkeyi and Salem (2013) analyzed a comparative study financial statement of ICICI and HDFC through ratio analysis examined the financial position with the use of different ratios. It was found that financial position of ICICI is much better thanHDFC.

RESEARCH DESIGN

Methodology

This study is quantitative nature meaning it primarily deals with financial statement of HDFC Bank for the past five years. This study is based on secondary data which is taken from banks website and the annual reports. The data is analyzed by the ratio analysis and the performance of the bank is clearly explained for the study period.

Objectives of the study

- To evaluate the financial performance of HDFCBank.
- To analyze the liquidity and solvency position of thebank.
- To find the changes in the trends of the bank using trendanalysis.

Limitations of the study

- The study is restricted only the five financial years i.e.2015,2016,2017,2018 and2019.
- The study completely based on secondary data and the accuracy of the analysis depends on the dataobtained.
- This study may not be extensive enough to cover all the ratios to be considered in evaluating the financial soundness of the bankaccurately.

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

Current ratio establishes relationship between current assets and current liabilities.
Current assets mean any asset is converted in to cash within a year or 12 months. Current liabilities are those liabilities are settled or repay within a year.

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

Year	**2018-19**	**2017-18**	**2016-17**	**2015-16**	**2014-15**
CR	**6.74**	**7.97**	**4.64**	**5.52**	**6.24**

Source: Annual Report.

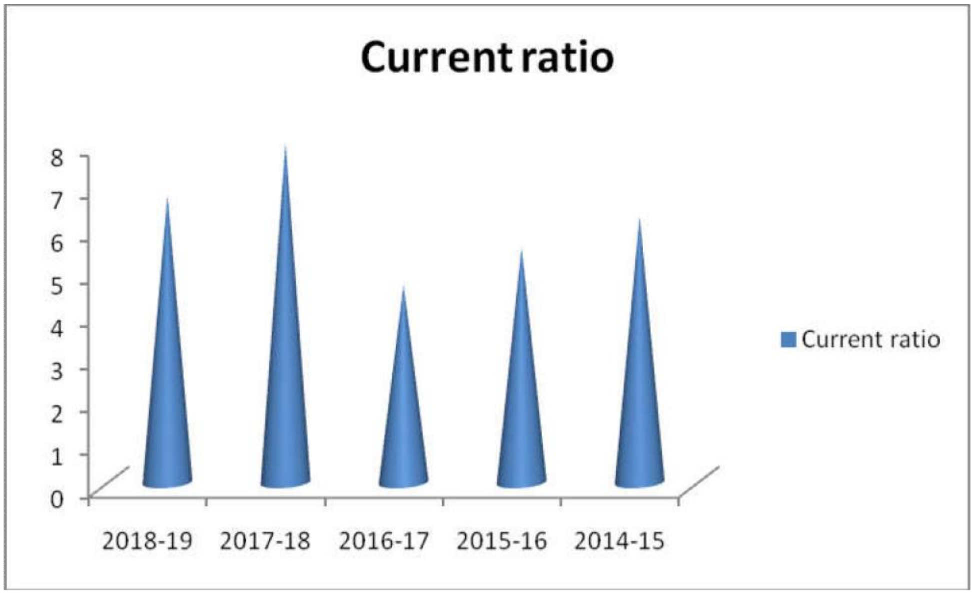

Table 1 shows that the current ratio was 6.24 in the year 2014-15 it was increased to 5.52 and

4.64 in the years 2015-16 and 2016-17. In the year 2017-18 the ratio was increased 7.97 except in the year 2018-19. It indicates that banks liquidity and its repayment of debts are sound during the period ofstudy.

CASH POSITION RATIO

This ratio is also called "Absolute Liquidity Ratio" or Super Quick Ratio. This is a variation of quick ratio. This ratio is calculated when liquidity is highly restricted in terms of cash and cash equivalents. This ratio measures liquidity in terms of cash and near cash items and short term current liabilities. Cash position ratio is calculated with the help of the following formula.

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 firms liquidity position.

Table 2: Cash Position Ratio

Year	2018-19	2017-18	2016-17	2015-16	2014-15
CPR	1.47	2.68	0.86	1.05	1.11

Source: Annual Report.

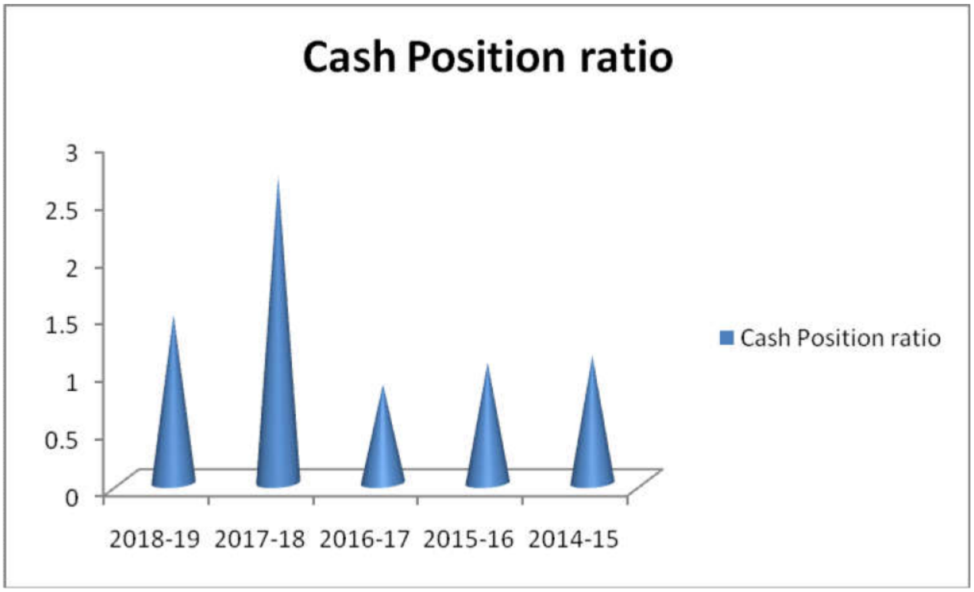

Table 2 explains ability of bank to meet its financial obligations it gives better position of the bank. Cash Position Ratio in the year 2014-15 is 1.11 which had decreased by 1.05 and 0.86 in the year 2015-16 and 2016-17 respectively. But in the year 2017-18 it had increased to 2.68. In the year 2018-19 it had decreased 1.47. During the study period the bank liquidity position is good.

LONG-TERM SOLVENCY RATIOS FIXED ASSETS RATIO

This ratio deals the relationship between fixed assets and long-term funds. The primary motto of this ratio is to ascertain the proportion of long-term funds invested in fixed assets.

Fixed Assets Ratio = Fixed Assets/ Long-Term Funds

An ideal fixed assets ratio is 0.67. The ratio must not be more than 1, if the ratio is less than 1it indicates that a portion of working capital had financed by long-term funds.

Table 3: Fixed Assets Ratio

Year	2018-19	2017-18	2016-17	2015-16	2014-15
FAR	7.39	6.95	7.07	6.61	6.22

Source: Annual Report.

Table 3 reveals that fixed assets and long-term funds of the bank. In the year 2014-15 fixed assets ratio is 6.22 which has increased to 6.61 in the year 2015-16. During the year 2016-17 the ratio was 7.07 and in the year 2017-18 it had decreased by 6.95. 2018-19 the ratio was increased to 7.39.These ratios are compared with standard norm of fixed assets ratio, it is very high. Hence a portion of working capital had financed by long-term funds during the studyperiod.

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 andequity.

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

A high debt-equity ratio shows the highest claims of creditors over assets of the firm than those of shareholders. A high ratio reveals an unfavorable position of the company. A low debt-equity ratio indicates lesser claim of creditors and a higher margin is safe for them. The standard norm of this ratio 2:1 issatisfactory.

Table 4: Debt-Equity Ratio

Year	2018-19	2017-18	2016-17	2015-16	2014-15
DER	1.27	0.86	1.20	1.37	1.37

Source: Annual Report.

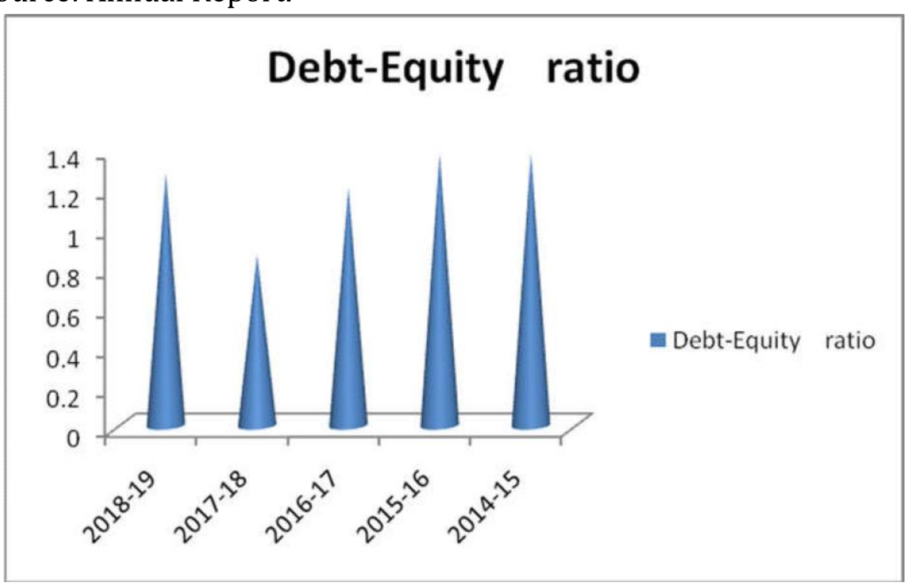

Table 4 explains debt-equity relationship. In the year 2014-15 the ratio was 1.37 and it was same in the year 2015-16 followed by this it was decreased by 1.20 during the year 2016-

17. In 2017- 18 it was decreased by 0.86 But it was increased in the year 2018-19 was 1.27. These ratios are less than the standard norm of 2:1. Hence, the creditors are safe during the study period.

PROPRIETARY RATIO

This ratio is called as owners fund ratio or net worth ratio. This ratio points out relationship between the stake holder's funds and total tangible assets.

Proprietary Ratio = Shareholders funds/Total tangible assets

This ratio is very useful to determine the long-term solvency of the company. It is important to the creditors who can ascertain the proportion of shareholders' funds in the total assets employed in the company. Standard norm of this ratio 0.5, below this standard norm the creditors may have to loss heavily in the event of winding up of the company.

Table 5: Proprietary Ratio

Year	2018-19	2017-18	2016-17	2015-16	2014-15
Proprietary ratio	2.80	2.62	1.95	1.75	2.79

Source: Annual Report.

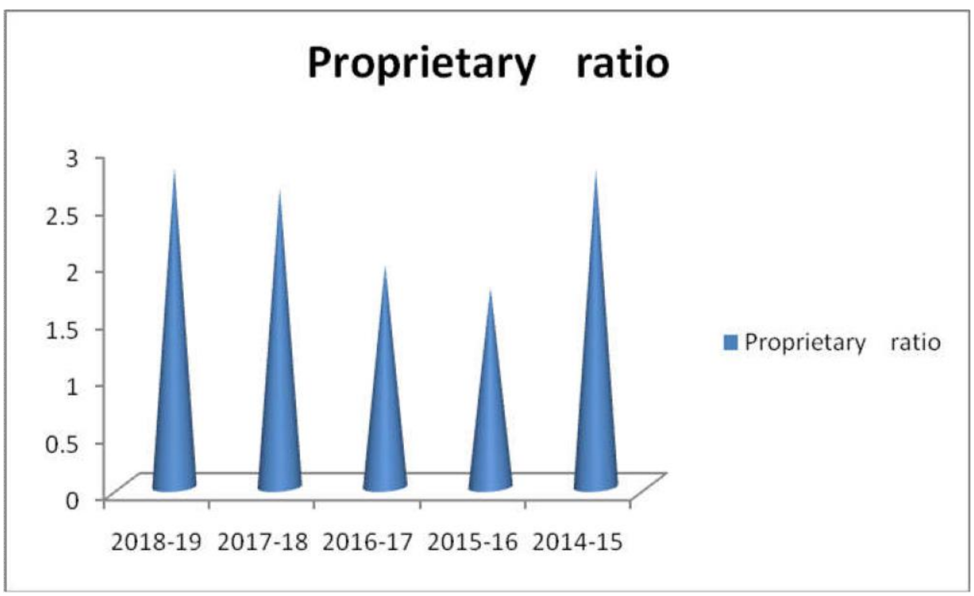

Table 5 clearly explains that long-term solvency of the company. In the year 2014-15 the ratio was 2.79 which have decreased by 1.75 in the year 2015-16. But it was increased to

1.95 during the year 2016-17. Followed by this in the year 2017-18 and 2018-19 it was increased to 2.62and

2.80 respectively. These ratios are more than the standard norm of 0.5. It is clearly shows that the creditors are highly safe during the study period.

FINDINGS

1. Current ratio indicates that banks liquidity and its repayment of debts are sound during the period ofstudy.
2. Cash position ratio or Absolute Liquidity Ratio is showsduring the study period the bank liquidity position isgood.
3. Fixed assets ratio explains portion of working capital had financed by long-term funds during the studyperiod.
4. Debt equity ratio explains the creditors are safe during the studyperiod.
5. Proprietary ratio reveals that thebank long-term solvency position is good in the studyperiod.

CONCLUSION

The HDFC Bank is the largest private sector bank in India. The researcher find the financial performance for the past five financial years from 2014-15 to 2018-19. The data collected from annual reports of the bank and the web site. The data analyzed through various ratios. This research article finally concluded that the HDFCbankfinancial performance is strongduring the study period

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