



# **A Concentrate on Financial Performance Examination of HDFC Bank**

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**Abstract.** HDFC Bank, a subsidiary of the Housing Development Finance Corporation, was founded in 1994 and is headquartered in Mumbai, Maharashtra, India. Manmohan Singh, the then Union Finance Minister, launched the company's first corporate headquarters and a full-service branch at Sandoz House in Worli. The bank's distribution network had 5,500 branches in 2,764 cities as of 30 June 2019. In fiscal year 2017, it installed 430,000 point-of-sale terminals and issued 23,570,000 debit cards and 12 million credit cards. As of March 21, 2020, it had 1,16,971 permanent employees. Vision: To be the premiere financial partner in ensuring sustainable housing and living standards. MISSION: Committed to provide financial solutions for sustainable living and assist entrepreneurs in Value additional.

## **1. 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.

## **2. Bank Profile**

The goal of HDFC Bank is to become a world-class Indian bank. It aims to accomplish two things: First and foremost, to be the preferred banking service provider for the target retail and wholesale customer categories. The second goal is to generate profitable growth that is in line with the bank's risk appetites. The bank is dedicated to upholding the highest ethical standards, professional integrity, corporate governance, and regulatory compliance possible. The corporate concept of HDFC Bank is founded on five basic values:

- Customer focus
- Product leadership
- People
- Sustainability
- Operational excellence

**Products and Services:** HDFC Bank provides a number of products and services such as wholesale banking, retail banking, treasury, auto loans, two-wheeler loans, and personal loans, loans against property, consumer durable loan, lifestyle loan and credit cards. **Whole sale banking:** Wholesale banking is the provision of services by banks to larger customers or organizations such as mortgage brokers, large corporate clients, mid-sized companies, real estate developers and investors, international trade finance businesses, institutional customers (such as pension funds and government entities/agencies), and services offered to other banks or other financial institutions. **Wholesale finance** refers to financial services conducted between financial services companies and institutions such as banks, insurers, fund managers, and stockbrokers. **Retail Banking:** Retail banking, also known as consumer banking or personal banking, is the provision of services by a bank to the general public, rather than to companies, corporations or other banks, which are often described as wholesale banking. Banking services which are regarded as retail include provision of savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards. Retail banking is also distinguished from investment banking or commercial banking. It may also refer to a division or department of a bank which deals with individual customers. **Credit Cards:** Credit card is a payment card issued to users (cardholders) to

enable the cardholder to pay a merchant for goods and services based on the cardholder's accrued debt (i.e., promise to the card issuer to pay them for the amounts plus the other agreed charges). The card issuer (usually a bank or credit union) creates a revolving account and grants a line of credit to the cardholder, from which the cardholder can borrow money for payment to a merchant or as a cash advance. There are two credit card groups: consumer credit cards and business credit cards. Most cards are plastic, but some are metal cards (stainless steel, gold, palladium, titanium), and a few gemstone-encrusted metal cards.

### 3. Subsidiaries

**HDFC Securities:** HDFC Securities Limited is a financial services intermediary and a subsidiary of HDFC Bank, a private sector bank in India. HDFC Securities was founded in the year 2000 and is headquartered in Mumbai with its branches across major cities and towns in India. Products and services:

- Equities: Investment in stocks of listed companies.
- Mutual funds: Investment in mutual funds including equity, hybrid, tax saving or debt
- Schemes from asset management companies.
- SIPs: Systematic investment plan that allows
- Automated investments.
- IPOs: Investment in initial public offerings (IPO).
- Derivatives: Hedge or speculate on the price movement of stocks or index through its
- Derivative products.
- Bonds, NCDs and Corporate FDs: Investment in fixed income instruments such as bonds,
- NCDs and Corporate FDs

**HDFC ERGO General Insurance Company:** HDFC ERGO is a 51:49 joint venture firm between HDFC International AG, one of the insurance entities of the Munich Re Group in Germany operating in the insurance field under the BFSI sectors. The company offers products in the retail, corporate and rural sectors. The retail sector products are health, motor, travel, home, personal accident and cybersecurity policy. Corporate products include liability, marine and poverty insurance. Rural sector caters the farmers with crop insurance and cattle insurance. **HDFC Financial Services Limited:** HDFC Financial Services, a subsidiary company of HDFC Bank, is one of the biggest Non- Banking Financial Company (NBFC) in our country who provides a variety of loans and finance to the people. It is known for providing various easy financial services and loans to their customers such as:

- Personal loan
- Doctor loan
- New to Credit loan
- Gold loan
- Car loan
- Loan against property
- Loan against insurance policies
- Two-wheeler loans and many more

**Next Gen Publishing:** Next Gen Publishing Ltd was incorporated in October 2004 and commercial operations from January 2005 with the promise of offering the finest in the field of publishing. It is a publishing company created by its parent companies Forbes Group, a subsidiary of Shapoorji Pallonji Group and HDFC Bank. Its services include the following:

- Print Magazines
- Awards properties
- Digital Publishing

### 4. Statement of Problem

The statement of problem is based on finance and aims to analyze the financial performance of the HDFC bank for the past 5 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 five years financial statements.

### 5. Objective of the study

- To analyze the financial performance of HDFC bank for the five years from 2016-2017 to 2020-2021
- To examine the liquidity and solvency position of the bank
- To examine the profitability position of the bank

### 6. Research Design

**Nature of the study:** Study is analytical in nature, meaning that it deals primarily with secondary data collected from the HDFC Bank's financial statements over the last five years. **Nature of Data:** The data used is secondary in nature. Secondary data are those data which have already been collected and stored. **Sources of data:** Secondary data had been collected from annual report published by the Bank. These annual reports had been downloaded from the official website of the company. **Period of Study:** The study on financial performance of HDFC BANK Ltd is confined to a period of five years from 2016-

2017 to 2020-2021. It took 3 weeks to collect the data and come to a conclusion on the study. Review of Literature: Review of literature aims to summarize major studies that have been published on the topic. It provides theoretical knowledge on the selected topic. Empirical Literature: Empirical literature deals with past research studies which includes facts and figures identified through various experiments.

1. (Dr K Sreenivas, L Saroja 2013): Entitled a comparative study of financial performance of HDFC Bank and ICICI Bank. Study reveals 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.
2. (Dr B Sudha, P Rajendran 2019): Conducted a study 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.
3. (A Jaiswal, C Jain 2016): 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.
4. (Nandini Thakur 2020): Conducted a study on the financial statement analysis of HDFC Bank. The study is conducted over past Five years (2015-2019). The study conclude that financial performance of the bank was strong during the period of the study.
5. (Dr R Malini, Dr A Meharaj Banu 2019): This study examined the financial performance of Indian Tobacco Corporation Ltd. Objective of the study was to analysis the liquidity, profitability, Solvency possession of the firm within the period from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2017. Study reveals that the financial performance is better.

Comparative Statement: Comparative statement is those statement which is used to study financial position for two or more periods. It is also called as horizontal financial analysis. Types of Comparative Statement: 1) Comparative Balance sheet, 2) Comparative Profit and Loss Account. Comparative Balance Sheet: 1) It shows the account of current assets and current liability on different dates and also shows, 2) the increase and decrease in these accounts. Comparative Profit and Loss Account: It shows the operational results and progress of business in a given period of time. Common Size Statement: Common size statement is another technique of financial analysis. Common size financial statement is those statement in which terms are converted into percentages taking some common base. These statements are also called 100 percent statement or common percentage. Common size statement includes common size balance sheet and common size profit and loss account.

## 7. Data Analysis and Interpretation

TABLE 1. Comparative balance sheet of financial year 2019 -20 to 2020 -2021

Particulars	2019-20	2020-21	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
<b>Capital And Liabilities</b>				
Capital	548.33	551.28	2.95	0.54
Reserves and Surplus	170437.7	203169.55	32731.85	19.2
Deposits	1147502.3	1335060.2	187557.93	16.34
Borrowings	144628.54	135487.32	-9141.22	-6.32
Other Liabilities and Provisions	67394.4	72602.15	5207.75	7.73
<b>Total</b>	<b>1530511.3</b>	<b>1746870.5</b>	<b>216359.26</b>	<b>14.14</b>
<b>Assets</b>				
Cash And Balances with RBI	72205.12	97340.74	25135.62	34.81
Balances with Other Banks	14413.6	22129.66	7716.06	53.53
Investments	391826.66	443728.29	51901.63	13.25
Advances	993702.88	1132836.6	139133.75	14
Fixed Assets	4431.92	4909.32	477.4	10.77
Other Assets	53931.09	45925.89	-8005.2	-14.84
<b>Total</b>	<b>1530511.3</b>	<b>1746870.5</b>	<b>216359.26</b>	<b>14.14</b>

During the financial year 2020-2021 borrowings is decreased by 6.32% and other assets decreased by 14.84 and deposit, investments, advances is increased.

### Findings:

1. During the study period the current ratio of bank is close to the ideal ratio 2:1, during the 3 years from 2017-18 to 2019-20. The ratio was slightly low in the year 2016-17 and beyond the standard ratio in 2020-21.
2. 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.
3. The ideal proprietary ratio is high during the year 2020-21. The bank having low ratio during the last four years from 2016-17 to 2020-21. A low ratio indicates the firm is more dependent on creditors for its working capital.

4. During the period of study the solvency ratio is satisfactory.
5. Fixed asset to net worth ratio is less than one it indicates that all fixed asset are purchased out of proprietors fund and a part of proprietor fund is invested in working capital.
6. The Return on investment shows that the bank is not having the sufficient return on capital employed. It's ideal ratio is 15% overall bank profitability is low.
7. During the period of study net profit is very high and is above its ideal ratio it indicates the bank have high profitability.
8. In the financial year 2016-17 the fixed assets of the bank Increased by 8.48 % from the previous year. There was only 1.36 % increase in the capital of the bank. While the balances with other banks increased to 24.77 % in the year. The bank deposits increased by 17.79 % and the advances provided increased by 19.37 %.
9. During the financial year 2017 -2018 the fixed asset is decreased by .54 % and also other asset and other liability and provision decreases, the bank borrowings is increased by 66.29 % and investment is increased by 12.93 %.
10. During the financial year 2018-2019 borrowings decreased by 4.89 % cash and Balance with RBI decreased by 55.32. While banks deposit increased by 40.54% and advances increased by 24.47%.
11. During the financial year 2019-2020 Balance with other banks decreased by 58.32 and banks advance, investments and deposit increased.
12. During the financial year 2020-2021 borrowings is decreased by 6.32% and other assets decreased by 14.84 and deposit, investments, advances is increased

### Suggestions

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

## 8. Conclusions

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.

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