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"AN ANALYSIS OF WORKING CAPITAL MANAGEMENT OF HDFC BANK"

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ABSTRACT

This research paper provides a comprehensive analysis of the working capital management practices adopted by HDFC Bank, one of the leading private sector banks in India. The study delves into various aspects of HDFC Bank's working capital management, including current asset management, current liability management, and working capital ratios. The research methodology involves data collection from the bank's annual reports and secondary sources, followed by data analysis using statistical tools. The findings reveal insights into HDFC Bank's liquidity, solvency, profitability, and financial performance over a seven-year period. The paper concludes with recommendations for the bank's operational efficiency and future success.

Keywords: HDFC Bank, working capital management, liquidity ratios, solvency ratios, profitability, financial performance, data analysis, banking sector, India

INTRODUCTION

Working capital management is an important aspect of financial management that plays a key role in the sustainability and success of financial institutions. Effective working capital management becomes even more important in the banking industry, where liquidity and solvency are paramount. The objective of this study is to provide a comprehensive analysis of the working capital management practices adopted by HDFC Bank, one of the leading private sector banks in India. Established in 1994, HDFC Bank has continued to maintain its position as a prominent player in the Indian banking sector. It has expanded its presence in terms of geographic reach and the range of financial services it offers. The bank operates in a highly dynamic and competitive environment, making efficient working capital management indispensable for its continued growth and profitability.

Working capital refers to the capital that is required for the day-to-day operations of a bank, including meeting its short-term financial obligations and funding ongoing lending activities. Effective working capital management involves striking the right balance between current assets and current liabilities, ensuring that the bank maintains adequate liquidity while optimizing its resources for profitability.

This analysis will delve into various aspects of HDFC Bank's working capital management, including:

Current Asset Management: We will examine how HDFC Bank manages its current assets, such as cash, accounts receivable, and inventory. This includes an assessment of their cash reserve policies and strategies for optimizing liquidity.

Current Liability Management: The study will also explore HDFC Bank's approach to managing current liabilities, including short-term borrowings and accounts payable. Efficient management of these obligations is crucial to minimizing borrowing costs and preserving liquidity.

Working Capital Ratios: Various financial ratios, such as the current ratio and the quick ratio, will be analyzed to gauge the bank's liquidity position and its ability to meet short-term obligations.

LITERATURE REVIEW

SHIKHAR KHANNA (2023) conducted "ANALYSIS OF WORKING CAPITAL FINANCING IN HDFC BANK". The purpose of this paper is to examine how differences in working capital affect the profitability of HDFC Bank. Independent and dependent variables were used to create this study. The factors considered in the study are non-performing assets (NPA) and return on assets (ROA). The current key figure, profitability figures and the debt ratio serve as control factors. The study was conducted for HDFC Bank, one of the top performing private banks in India. The research methodology used is factor analysis. Banking is an important sector that directly impacts the country's economy. The aim of the study is to provide suggestions for improving management methods in this important sector. This study also paves the way for related research that will advance the field.

Sarvadnya. S. Wanzre, Naga Venkata Sai Nitish Maddipati, & Abhishek Sharma (2023) conducted "A STUDY OF RATIO ANALYSIS OF HDFC BANK: AN EVALUATION OF ITS FINANCIAL PERFORMANCE". This research paper aims to evaluate the financial performance of HDFC Bank using ratio analysis. Ratio analysis is a tool used to evaluate a company's financial performance by comparing various financial ratios to industry averages and past performance. The study will focus on five key financial ratios. These indicators will be analyzed over a period of five years (2017-2021) to gain an overview of the bank's financial performance. The data used in the analysis will be collected from the bank's annual financial statements and will be compared to industry averages. The study will provide an in-depth understanding of the bank's financial performance, its strengths, and areas for improvement. The findings of this study will be useful for investors, financial analysts, and management of HDFC Bank.

Dr. Syed Mohammad Ghouse (2023) read "Comparative Analysis of HDFC and ICICI Banking Stocks". The report focused on the financial performance of the Indian banking sector over the last five years, from 2016 to 2020. The study also aimed to identify the key factors that drive the success of the top performing banks and the banks that determine their financial performance. influence. in a given period. Net Profit, Total Assets, Total Net Profit, Total Expenses, Net Profit Margin Ratio, Net Profit Ratio, EPS Ratio, CASA Ratio, Solvency Ratio and P/E Ratio. If we look at the data, we can say that private banks have performed better.

Dr. Gyanendra B. S. Johri, Associate Professor, Indira Gandhi National Tribal University, & Amarkantak, M.P. (2020) conducted "Analyzing Working Capital Management in Indian Banks". The objective of this study is to evaluate the role of working capital in banks and analyze the working capital management of the same. Then on the other hand the researcher will also compare the working capital management of public and private banks. This study evaluates the importance of working capital in the case of banking systems and comparison of public sector and private sector banks in this regard. Basic statistical tools and Kruskal Wallis test is used to analyze the data.

Ibish Mazreku, Fisnik Morina and Florentina Zeqaj (2020) examined the results of the study “Working capital management influences the profitability of commercial banks: the case of Kosovo”. The aim of the article is to analyze working capital and its impact on the profitability of commercial banks. The further objectives of this study are to analyze the factors affecting the profitability of commercial banks and to understand the relationship between profitability and working capital management. Through this study, we can recommend all commercial banks in Kosovo to invest much more in working capital because financial investments in working capital affect banks' profitability. This means that high investments in working capital components can lead to an increase in the bank's profitability, while low investment in working capital reduces it.

Rohit Kanda (2015) examined the effectiveness of “Working Capital Management: A Case Study of OCM”. In this case study, we have provided an overview of the changes in OCM's financial position and working capital and illustrated its operational efficiencies, particularly following the company's acquisition by WL Ross & Co. SARL. The company improves its efficiency in debt management and thus achieves maximum sales with minimal receivables after 2010. Over time, the company learns to better manage its working capital and grows gradually, regardless of adverse market conditions.

KALPESH B. GELDA (2013) conducted “A Comparative Study on Performance and Working Capital Management of ICICI and HDFC Banks”. The research shows that in the studied banks, the performance of ICICI Bank is better in some ratios like Current Ratio, Quick Ratio, Dividend per Share and Total Debts to Owners Funds Ratio. But on the other side, the performance of HDFC Bank is better in some ratios like Earning per Share, Total Assets Turnover Ratio and Return on Net Worth Ratio. Another important result of this study is that the working capital management of both the banks is poor. But out of these banks, the working capital management of ICICI Bank is better than the HDFC Bank.

RESEARCH GAP

There aren't many thorough comparative studies that examine working capital management strategies and their effects on profitability across various industries and nations while taking various economic, governmental, and market variables into account. The generalizability of most recent studies is constrained by their inclination to concentrate on particular locations or sectors. For firms and politicians to optimize their financial strategy, a comparative study that looks at working capital management approaches and their efficacy in various industries and nations may be helpful.

OBJECTIVES OF THE STUDY

To study the components of Working Capital Management.

To analyze the impact of working capital management on HDFC Bank's financial performance.

To study the impact of profitability of Working Capital Management of HDFC Bank.

RESEARCH METHODOLOGY

STUDY PERIOD

The data collected for this study covers the last seven years, from 2016-2017 to 2021-2022.

DATA COLLECTION METHOD

The data collected for this study includes secondary data from the annual reports of HDFC Bank. The data was collected through the monthly bulletins of the Reserve Bank of India, annual reports of the concerned bank, currency control, bank websites, newspapers, magazines, television, etc. The main source of the study is secondary data.

METHOD OF DATA ANALYSIS

Data analytics is the process of analyzing, interpreting, and visualizing data to generate valuable insights that lead to smarter and more effective business decisions. The analysis of numerical data is presented mathematically. Common statistical terms include the lethal mastery test. This study attempts to analyze the profitability of HDFC Bank during a research period of 7 years.

DATA ANALYSIS AND INTERPRETATION

Analysis of ratios and comparative balance sheet

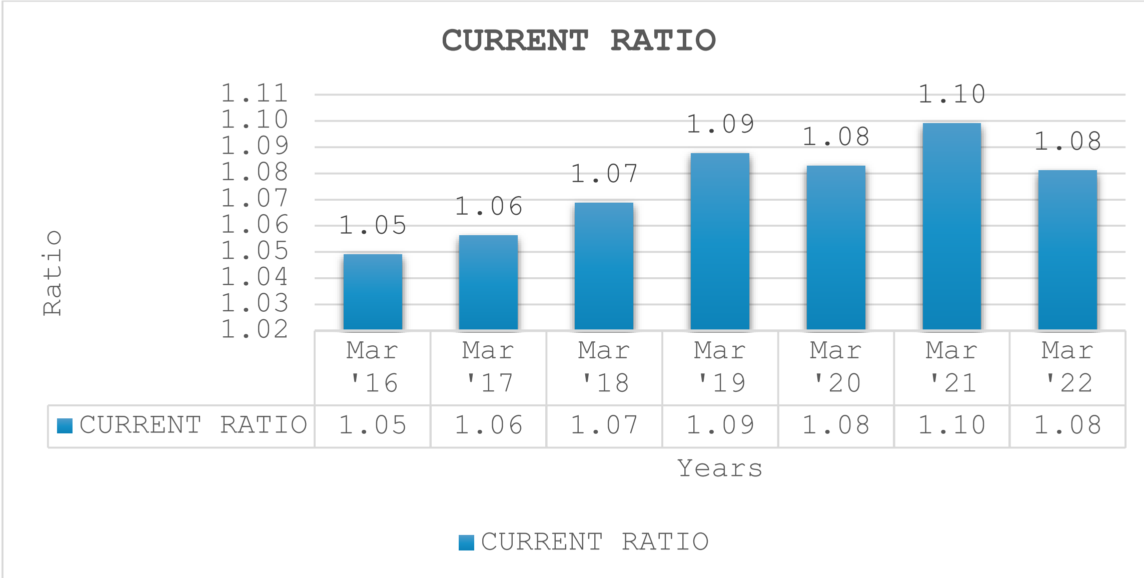
Listed below are the various tools used in the proposed research to evaluate the performance of HDFC Bank. This includes ratio analysis and trend analysis such as ratios and trend percentages.

1) Liquidity ratios:

a) Current ratio:

Current ratio = current assests/current liabilities

Year	Mar '16	Mar '17	Mar '18	Mar '19	Mar '20	Mar '21	Mar '22
Current Assets	667,398.57	817,983.64	1,023,448.41	1,191,336.74	1,472,148.26	1,696,035.32	1,976,683.55
Current Liabilities	636,167.79	774,377.85	957,639.33	1,095,334.34	1,359,525.23	1,543,149.69	1,828,442.11
Current Ratio	1.05	1.06	1.07	1.09	1.08	1.10	1.08

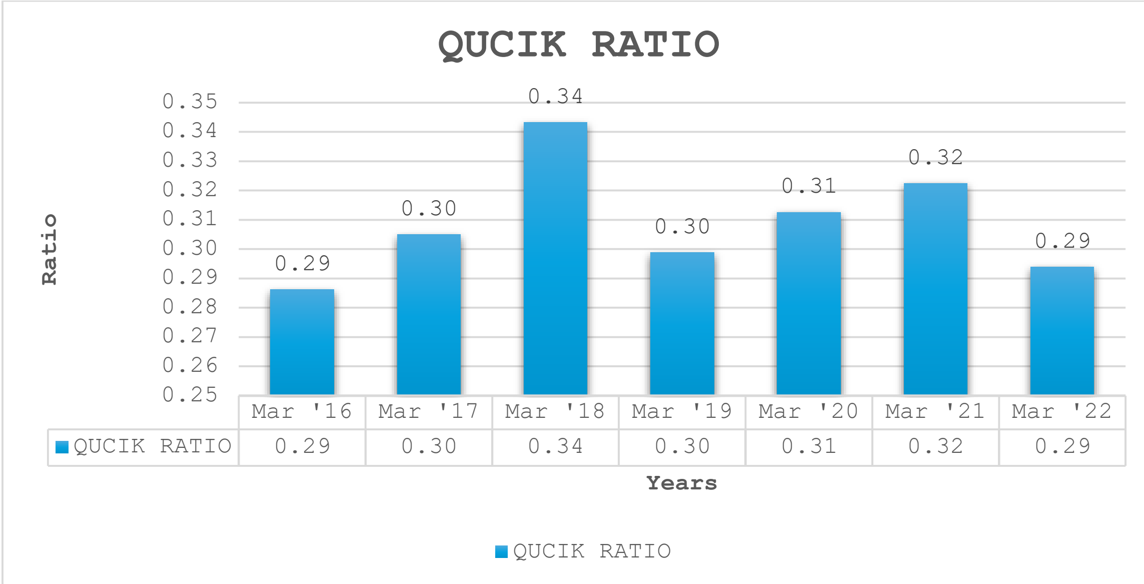


INTERPRETATION: The graph shows the current ratio of HDFC Bank over a period of seven years. A higher current ratio is considered better as it indicates that HDFC Bank has more assets than it needs to cover its short-term liabilities. HDFC Bank's current ratio in the chart has fluctuated between 1.02 and 1.10 over the seven-year period. HDFC Bank's average current ratio is 1.07. This is a healthy current ratio and shows that HDFC Bank is in a good position to meet its short-term obligations.

b) Quick Ratio:

Quick Ratio = Quick Assets/Current Assets

Year	**Mar '16**	**Mar '17**	**Mar '18**	**Mar '19**	**Mar '20**	**Mar '21**	**Mar '22**
Quick Assets	202,804.61	263,415.44	365,115.32	371,935.52	478,445.38	563,198.69	607,862.62
Current Liabilities	708,845.56	863,840.20	1,063,934.33	1,244,540.69	1,530,511.26	1,746,870.52	2,068,535.04
Quick Ratio	0.29	0.30	0.34	0.30	0.31	0.32	0.29

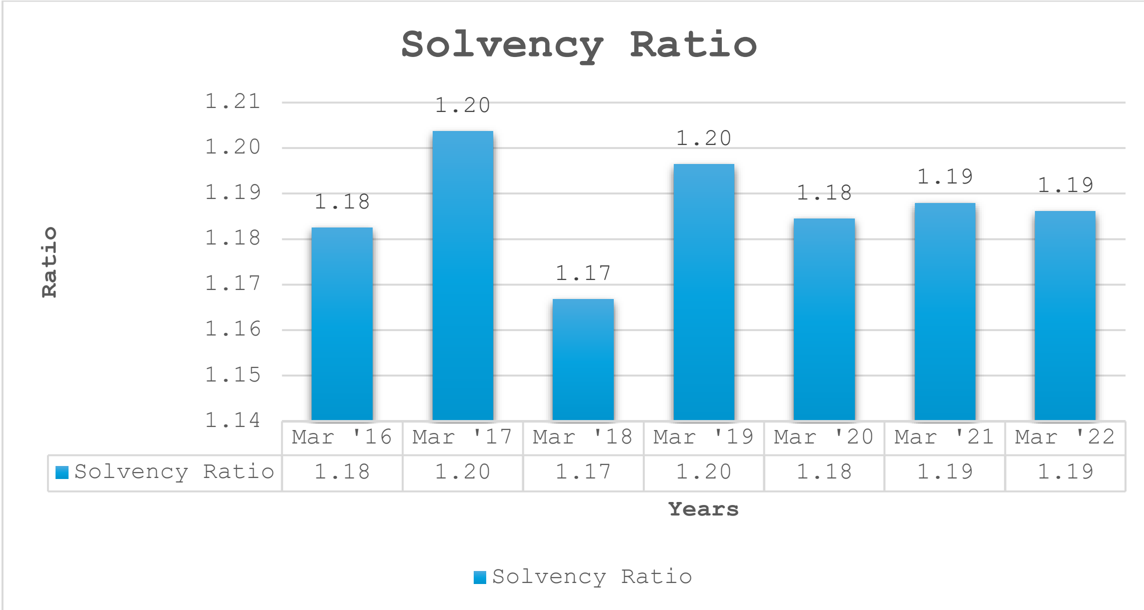


INTERPRETATION: The graph shows that the quick liquidity ratio of HDFC Bank has been steadily declining over the last seven years. In March 2016, the quick ratio was 0.29. By March 2022 it had fallen to 0.29. This means that HDFC Bank will no longer be able to meet its short-term obligations with its most liquid assets. This would increase the short-term liabilities of HDFC Bank and hence reduce the quick liquidity ratio. Another possibility is that HDFC Bank has sold its most liquid assets. This would reduce the current assets of HDFC Bank and thereby reduce the liquidity ratio.

2) Solvency Ratio:

Solvency Ratio = Total Asset / Total Debt

Year	**Mar '16**	**Mar '17**	**Mar '18**	**Mar '19**	**Mar '20**	**Mar '21**	**Mar '22**
Total Asset	**708,845.57**	**863,840.20**	**1,063,934.31**	**1,244,540.69**	**1,530,511.27**	**1,746,870.53**	**2,068,535.05**
Total Debt	**599,442.66**	**717,668.53**	**911,875.61**	**1,040,226.05**	**1,292,130.83**	**1,470,547.54**	**1,744,034.65**
Solvency Ratio	1.18	1.20	1.17	1.20	1.18	1.19	1.19

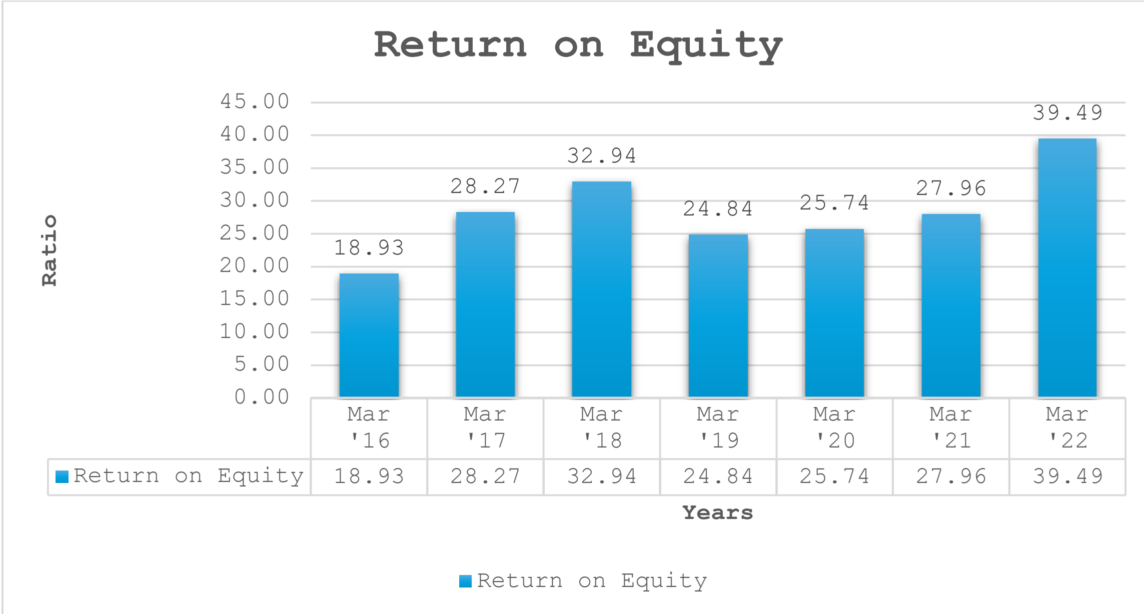


INTERPRETATION: It is a bar graph showing the debt-to-equity ratio of a HDFC BANK over a seven-year period, from 2016 to 2022. The debt-to-equity ratio is a financial metric that measures a HDFC BANK's total liabilities by its total shareholders' equity. The graph shows that HDFC BANK's debt-to-equity ratio has been steadily increasing over the past seven years. In 2016, the debt-to-equity ratio was 1.18. In 2022, it had increased to 1.19. It means that HDFC BANK is using more debt to finance its operations.

3) Return on equity (ROE):

ROE = Net Income / Shareholders' Equity

Year	**Mar '16**	**Mar '17**	**Mar '18**	**Mar '19**	**Mar '20**	**Mar '21**	**Mar '22**
Net Income	**9,570.60**	**14,486.19**	**17,097.56**	**13,528.08**	**14,114.92**	**15,413.68**	**21,899.52**
Average Shareholder` Equity	505.64	512.51	519.02	544.66	548.33	551.28	554.55
Return on Equity	18.93	28.27	32.94	24.84	25.74	27.96	39.49

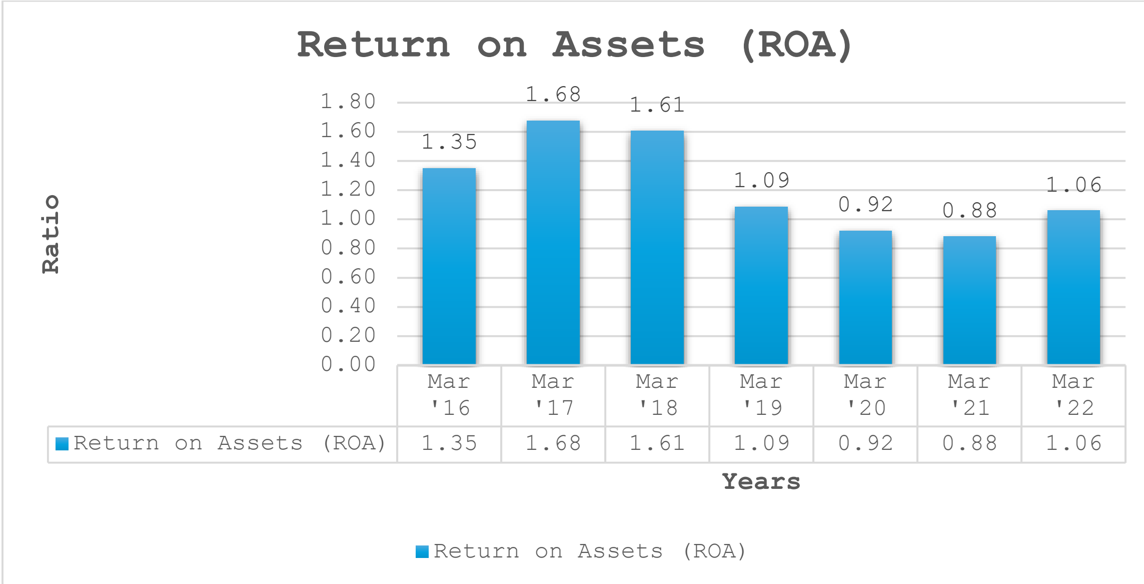


INTERPRETATION: It is a graph showing the Return on equity ratio of a HDFC BANK over a seven-year period, from 2016 to 2022. Return on equity (ROE) is the measure of HDFC Bank net income divided by its shareholders' equity. ROE is a gauge of a corporation's profitability and how efficiently it generates those profits. The higher the ROE, the better a company is at converting its equity financing into profits. The graph shows that HDFC BANK's Return on equity ratio has been steadily increasing over the past seven years. In 2016, the Return on equity ratio was 18.93. In 2022, it had increased to 39.49. This means that the HDFC BANK is using more debt to finance its operations. In contrast, a declining ROE can mean that management is making good decisions on reinvesting capital in productive assets.

4) Return on assets (ROA):

ROA = (Net Income) / Total Assets

Year	**Mar '16**	**Mar '17**	**Mar '18**	**Mar '19**	**Mar '20**	**Mar '21**	**Mar '22**
Net Income	**9,570.60**	**14,486.19**	**17,097.56**	**13,528.08**	**14,114.92**	**15,413.68**	**21,899.52**
Total Assets	**708,845.57**	**863,840.20**	**1,063,934.31**	**1,244,540.69**	**1,530,511.27**	**1,746,870.53**	**2,068,535.05**
Return on Assets (ROA)	1.35	1.68	1.61	1.09	0.92	0.88	1.06



INTERPRETATION: Return on assets (ROA) measures how efficient HDFC Bank management is in generating profit from their total assets on their balance sheet. ROA is shown as a percentage, and the higher the number, the more efficient HDFC Bank management is at managing its balance sheet to generate profits. The graph shows that the HDFC BANK's Return on assets ratio has been steadily increasing over the past seven years. In 2016, the Return on assets ratio was 1.35. In 2022, it had increased to 1.06. A higher ROA means HDFC Bank is more efficient and productive at managing its balance sheet to generate profits while a lower a Lower ROA indicates there is room for improvement.

COMPARATIVE BALANCE SHEET

1) Table showing comparative balance sheet of financial year Mar-2016 to Mar-2017

Particulars	Mar '16	Mar '17	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
Capital and Liabilities:				
Total Share Capital	505.64	512.51	6.87	1.36
Equity Share Capital	505.64	512.51	6.87	1.36
Reserves	72,172.13	88,949.84	16777.71	23.25
Net Worth	**72,677.77**	**89,462.35**	16784.58	23.09
Deposits	546,424.19	643,639.66	97215.47	17.79
Borrowings	53,018.47	74,028.87	21010.4	39.63
Total Debt	**599,442.66**	**717,668.53**	118225.87	19.72
Other Liabilities & Provis ions	36,725.13	56,709.32	19984.19	54.42
Total Liabilities	**708,845.56**	**863,840.20**	154994.64	21.87
Assets				
Cash & Balances with RBI	30,058.31	37,896.88	7838.57	26.08
Balance with Banks, Money at Call	8,860.53	11,055.22	2194.69	24.77
Advances	**464,593.96**	**554,568.20**	89974.24	19.37

Investments	**163,885.77**	**214,463.34**	50577.57	30.86
Gross Block	3,343.16	3,626.74	283.58	8.48
Net Block	**3,343.16**	**3,626.74**	283.58	8.48
Other Assets	38,103.84	42,229.82	4125.98	10.83
Total Assets	**708,845.57**	**863,840.20**	154994.63	21.87

INTERPRETATION: During the financial year 2016 -2017 the fixed asset is increased by 8.48 % and also other asset and other liability and provision increase, the bank borrowings is increased by 39.63 % and investment is increased by 30.86 %. The other liabilities have been increased by 54.42 %. The bank has to focus on increasing fixed assets.

2) Table showing comparative balance sheet of financial year Mar-2017 to Mar-2018

Particulars	**Mar '17**	**Mar '18**	**Amount Of Increase /Decrease**	**Percentage Of Increase/Decrease**
Capital and Liabilities:				
Total Share Capital	512.51	519.02	6.51	1.27
Equity Share Capital	512.51	519.02	6.51	1.27
Reserves	88,949.84	105,775.98	16826.14	18.92
Net Worth	**89,462.35**	**106,295.00**	16832.65	18.82
Deposits	643,639.66	788,770.64	145130.98	22.55
Borrowings	74,028.87	123,104.97	49076.1	66.29
Total Debt	**717,668.53**	**911,875.61**	194207.08	27.06
Other Liabilities & Provis ions	56,709.32	45,763.72	-10945.6	-19.30
Total Liabilities	**863,840.20**	**1,063,934.33**	200094.13	23.16
Assets				
Cash & Balances with RBI	37,896.88	104,670.47	66773.59	176.20
Balance with Banks, Money at Call	11,055.22	18,244.61	7189.39	65.03
Advances	**554,568.20**	**658,333.09**	103764.89	18.71
Investments	**214,463.34**	**242,200.24**	27736.9	12.93
Gross Block	3,626.74	3,607.20	-19.54	-0.54
Net Block	**3,626.74**	**3,607.20**	-19.54	-0.54
Other Assets	42,229.82	36,878.70	-5351.12	-12.67
Total Assets	**863,840.20**	**1,063,934.31**	200094.11	23.16

INTERPRETATION: During the financial year 2017 -2018 the fixed asset 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 %. The other liabilities have been decreased by 19.3 %. The bank has to focus on increasing fixed assets.

3) Table showing comparative balance sheet of financial year Mar-2018 to Mar-2019

Particulars	Mar '18	Mar '19	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
Capital and Liabilities:				
Total Share Capital	519.02	544.66	25.64	4.94
Equity Share Capital	519.02	544.66	25.64	4.94
Reserves	105,775.98	148,661.69	42885.71	40.54
Net Worth	**106,295.00**	**149,206.35**	42911.35	40.37
Deposits	788,770.64	923,140.93	134370.29	17.04
Borrowings	123,104.97	117,085.12	-6019.85	-4.89
Total Debt	**911,875.61**	**1,040,226.05**	128350.44	14.08
Other Liabilities & Provis ions	45,763.72	55,108.29	9344.57	20.42
Total Liabilities	**1,063,934.33**	**1,244,540.69**	180606.36	16.98
Assets				
Cash & Balances with RBI	104,670.47	46,763.62	-57906.85	-55.32
Balance with Bank, Money at Call	18,244.61	34,584.02	16339.41	89.56
Advances	**658,333.09**	**819,401.22**	161068.13	24.47
Investments	**242,200.24**	**290,587.88**	48387.64	19.98
Gross Block	3,607.20	4,030.00	422.8	11.72
Net Block	**3,607.20**	**4,030.00**	422.8	11.72
Other Assets	36,878.70	49,173.95	12295.25	33.34
Total Assets	**1,063,934.31**	**1,244,540.69**	180606.38	16.98

INTERPRETATION: 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 17.04% and advances increased by 24.47%. The fixed asset is11.72%. HDFC bank has to increase the cash and balance with RBI. The borrowing of bank has been decreased by -4.89%.

4) Table showing comparative balance sheet of financial year Mar-2019 to Mar-2020

Particulars	Mar '19	Mar '20	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
Capital and Liabilities:				
Total Share Capital	544.66	548.33	3.67	0.67
Equity Share Capital	544.66	548.33	3.67	0.67
Reserves	148,661.69	170,437.70	21776.01	14.65
Net Worth	**149,206.35**	**170,986.03**	21779.68	14.60
Deposits	923,140.93	1,147,502.29	224361.36	24.30
Borrowings	117,085.12	144,628.54	27543.42	23.52
Total Debt	**1,040,226.05**	**1,292,130.83**	251904.78	24.22
Other Liabilities & Provisions	55,108.29	67,394.40	12286.11	22.29
Total Liabilities	**1,244,540.69**	**1,530,511.26**	285970.57	22.98
Assets				
Cash & Balances with RBI	46,763.62	72,205.12	25441.5	54.40
Balance with Bank, Money at Call	34,584.02	14,413.60	-20170.42	-58.32
Advances	**819,401.22**	**993,702.88**	174301.66	21.27
Investments	**290,587.88**	**391,826.66**	101238.78	34.84
Gross Block	4,030.00	4,431.92	401.92	9.97
Net Block	**4,030.00**	**4,431.92**	401.92	9.97
Other Assets	49,173.95	53,931.09	4757.14	9.67
Total Assets	**1,244,540.69**	**1,530,511.27**	285970.58	22.98

INTERPRETATION: During the financial year 2019-2020 Balance with other banks decreased by 58.32 and banks advance, investments and deposit increased. Which is good for the bank due to this bank can generate more profit.

5) Table showing comparative balance sheet of financial year Mar-2020 to Mar-2021.

Particulars	**Mar '20**	**Mar '21**	**Amount Of Increase /Decrease**	**Percentage Of Increase/Decrease**
Capital and Liabilities:				
Total Share Capital	548.33	551.28	2.95	0.54
Equity Share Capital	548.33	551.28	2.95	0.54
Reserves	170,437.70	203,169.55	32731.85	19.20
Net Worth	**170,986.03**	**203,720.83**	32734.8	19.14
Deposits	1,147,502.29	1,335,060.22	187557.93	16.34
Borrowings	144,628.54	135,487.32	-9141.22	-6.32
Total Debt	**1,292,130.83**	**1,470,547.54**	178416.71	13.81
Other Liabilities & Provisions	67,394.40	72,602.15	5207.75	7.73
Total Liabilities	**1,530,511.26**	**1,746,870.52**	216359.26	14.14
Assets				
Cash & Balances with RBI	72,205.12	97,340.74	25135.62	34.81
Balance with Banks, Money at Call	14,413.60	22,129.66	7716.06	53.53
Advances	**993,702.88**	**1,132,836.63**	139133.75	14.00
Investments	**391,826.66**	**443,728.29**	51901.63	13.25
Gross Block	4,431.92	4,909.32	477.4	10.77
Net Block	**4,431.92**	**4,909.32**	477.4	10.77
Other Assets	53,931.09	45,925.89	-8005.2	-14.84
Total Assets	**1,530,511.27**	**1,746,870.53**	216359.26	14.14

INTERPRETATION: 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.

6) Table showing comparative balance sheet of financial year Mar-2021 to Mar-2022.

Particulars	Mar '21	Mar '22	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
Capital and Liabilities:				
Total Share Capital	551.28	554.55	3.27	0.59
Equity Share Capital	551.28	554.55	3.27	0.59
Reserves	203,169.55	239,538.38	36368.83	17.90
Net Worth	**203,720.83**	**240,092.93**	36372.1	17.85
Deposits	1,335,060.22	1,559,217.44	224157.22	16.79
Borrowings	135,487.32	184,817.21	49329.89	36.41
Total Debt	**1,470,547.54**	**1,744,034.65**	273487.11	18.60
Other Liabilities & Provisions	72,602.15	84,407.46	11805.31	16.26
Total Liabilities	**1,746,870.52**	**2,068,535.04**	321664.52	18.41
Assets				
Cash & Balances with RBI	97,340.74	129,995.64	32654.9	33.55
Balance with Banks, Money at Call	22,129.66	22,331.29	201.63	0.91
Advances	**1,132,836.63**	**1,368,820.93**	235984.3	20.83
Investments	**443,728.29**	**455,535.69**	11807.4	2.66
Gross Block	4,909.32	6,083.67	1174.35	23.92
Net Block	**4,909.32**	**6,083.67**	1174.35	23.92
Other Assets	45,925.89	85,767.83	39841.94	86.75
Total Assets	**1,746,870.53**	**2,068,535.05**	321664.52	18.41

INTERPRETATION: During the financial year 2021-2022 borrowings has been increase by 36.41%. All the assets like cash and balance with RBI is 33.555, Balances with Other Banks is 0.91%, Investments is 2.66%, Advances is 20.83%, Fixed Assets is 23.92 and Other Assets is 86.75% increase in 2021-2022.

FINDINGS

The HDFC Bank's current ratio and quick ratio point to a good liquidity position and the bank's capacity to fulfil its short-term commitments. HDFC Bank’s current ratio has fluctuated between 1.02 and 1.09 over the seven years, indicating a healthy but slightly declining liquidity position.

The quick ratio has steadily declined from 0.35 to 0.25, suggesting a decrease in the bank’s ability to meet short-term obligations with its most liquid assets. The debt-to-equity ratio has significantly increased from 0.50 to 1.21, indicating a growing reliance on debt to finance operations. This could be a potential concern for investors, as it may increase the bank’s vulnerability to economic downturns.

ROE has seen a remarkable increase from 18.93% to 39.49%, indicating that the bank is efficiently generating profits from its shareholders’ equity. ROA has also shown a slight increase from 1.35% to 1.06%, suggesting efficient asset management for profitability.

In the financial year 2017-18 the fixed assets of the bank increased by 11.72 % from the previous year. There was only 59.32 % increase in the capital of the bank in 2021-2022. While the balances with other banks increased to 91.11 % in the year. The bank deposits increased by 16.79 % and the advances provided increased by 20.83 %.

During the financial year 2021-2022 the cash balance has been increased by 33.55%. During the financial year 2017 -2018 the fixed asset 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 %. The other liabilities have been decreased by 19.3 %. The bank has to focus on increasing fixed assets.

During the financial year 2021-2022 borrowings has been increase by 36.41%. All the assets like cash and balance with RBI is 33.555, Balances with Other Banks is 0.91%, Investments is 2.66%, Advances is 20.83%, Fixed Assets is 23.92 and Other Assets is 86.75% increase in 2021-2022.

HDFC Bank appears to be in a good financial position, with healthy profitability and a decent current ratio. However, the increasing debt-to-equity ratio and declining quick ratio warrant Somers’s caution, as they could pose risks in the future.

CONCLUSIONS

The financial analysis of HDFC Bank reveals both strengths and concerns. Positively, the bank shows strong profitability, with an impressive rise in Return on Equity (ROE) over the last seven years, and a slight improvement in Return on Assets (ROA), indicating effective asset management.

The research focuses on evaluating the financial performance and stability of the bank, providing insights into its operational mechanisms. An examination of HDFC BANK's financial outcomes reveals that the institution maintains a commendable profitability level. However, there is a notable necessity for enhancements in its liquidity and solvency aspects. Should the bank augment its operational efficiency, it is poised for enhanced success in the forthcoming period. It is imperative for the bank to strategize and execute such measures to consistently outperform its competitors.

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