



“The Financial Performance Analysis of HDFC Bank”

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Abstract: This study has been carried out to evaluate the financial performance of HDFC Bank. 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 year’s i.e.2017, 2018, 2019, 2020, and 2021. The data analyzed by ratio analysis such as current ratio, Net profit ratio, Return on 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.

I. INTRODUCTION

Finance is considered as the lifeblood of business. Financial performance means the portion to which the financial objectives has been or being achieved. Financial performance deals with the strengths and weaknesses of an organization. Analysis of financial performance is done with the help of financial statement analysis.

Financial performance is determined by reviewing, assessing and comparing the financial statements. Crowding Out: Some studies examine the potential crowding-out effect of increased government spending on private investment. They investigate whether government borrowing to finance deficits leads to higher interest rates and reduced private sector investment.

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 the competitors.

II. LITERATURE REVIEW

S. Muruganantham and S. K. Nerdish (2021) ‘A study on financial performance analysis of HDFC Ltd ’analyzed financial performance through ratio analysis and examined the financial position with the use of different ratios. The objectives of the study are to study the growth aspect of HDFC bank and measure its financial results.

The study has been made on various aspects of the bank like interest, loans, assets, expenses, deposits, etc. The findings of the study reveals that the bank has minority issues in managing the deposits and all aspects are going well.

Nandhini Thakuelr 2020), “The study is conducted on financial statement analyses of HDFC Bank with the time period of 2013-2018. The tools used in this study were ratio analysis, cash and fund flow analyses. 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.”

Bangaru Pushpalatha (2020) analyzed the financial statement of SBI. The objectives of the study are to examine the portfolio of assets and liabilities in SBI. The study reported that SBI have healthier managing and financial efficiency. It is also reported people refer SBI for advance loan schemes.

Rajedran P (2019) analyzed the performance of HDFC Bank. Researcher explained about HDFC bank’s history. Current ratio, cash position ratio, Debt equity ratio, proprietary ratio was good. The study finds that part of the working capital of the bank was financed by long-term funds. Researcher concluded with a result as HDFC

Bank was the largest private sector in India and its financial performance was strong during the period study.

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.,

III. OBJECTIVE OF THE STUDY

- To evaluate the financial performance of HDFC Bank.
- To analyze the liquidity and solvency position of the bank. To find the changes in the trends of the bank using trend analysis. Modernize and expand public services to meet the needs of a growing population.
- To analyze the financial performance of the Bank by using different ratios. To study solvency ratio to measure the financial health of HDFC Bank. To study liquidity ratio to measure the financial viability of HDFC Bank.
- To measure HDFC Bank Balance Sheet of the Company and to analyses the financial & Performance analysis of the bank by using different ratios.
- To study the growth aspects of HDFC Bank. To offer suggestions that are based on the findings of the study

IV. RESEARCH 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 primary & 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.

1. Research design

This study employs a mixed-methods research design, encompassing both quantitative and qualitative research techniques. This combined approach enhances the depth and breadth of understanding concerning the financial performance analysis of HDFC bank

2. Data Collection

- a) The study is based on both primary and secondary data collection.
- b) Primary data is collected by going interview with the bank managers. The data was collected through going in-person and phone calls and a standardized questionnaire is used for data collection. A questionnaire consists of a number of questions printed or type in a definite order on a form or set of forms. While secondary data has been collected from reports of HDFC Bank, journals, websites and other published information.

3. Data collection Sampling Method

The study employs purposive sampling techniques for interviews and surveys to ensure representation from pertinent stakeholders. For secondary data, a systematic review approach will be applied to collate comprehensive information.

4. Sampling Method

Primary Data: Surveys and Interviews For surveys and interviews with key stakeholders a purposive sampling method will be employed. This method involves selecting participants deliberately based on their expertise, experience, and relevance to the research objectives. The goal is to gather insights from individuals who possess in-depth knowledge of financial performance analysis of HDFC bank, Participants will be chosen to ensure a diverse representation of perspectives, including those with differing opinions in financial performance analysis of HDFC bank.

Secondary Data: Systematic Review For the collection of secondary data, the data has been collected from HDFC bank, journals, websites and other published information. 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.

Key steps in the systematic review process:

Define Inclusion Criteria: Clearly outline the criteria for including sources, such as publication date, relevance, and reliability.

Literature Search: Conduct a systematic search of academic databases, government websites, and other reputable sources to identify relevant research articles, reports, and data.

In research, a sampling frame is a list, database, or other organized source of information that serves as the basis for selecting a sample from a larger population. It is a critical component of the sampling process as it defines the population from which the sample will be drawn and provides a clear and accessible list of potential sampling units. In the context of a financial performance analysis of HDFC bank, the sampling frame would depend on the specific research objectives and the population under investigation.

5. Sampling frame

- 1) A sampling frame for a financial performance analysis of HDFC Bank could include various financial statements and reports such as:
- 2) **Annual Reports:** These provide a comprehensive overview of the bank's financial performance, including balance sheets, income statements, cash flow statements, and notes to the financial statements.
- 3) **Quarterly Reports:** These reports offer more frequent updates on the bank's financial performance, allowing for trend analysis over shorter periods.
- 4) **Regulatory Filings:** Documents filed with regulatory bodies like the Securities and Exchange Board of India (SEBI) or the Reserve Bank of India (RBI) can provide additional insights into the bank's financial health and regulatory compliance.
- 5) **Analyst Reports:** Reports published by financial analysts and research firms often offer in-depth analysis and forecasts for HDFC Bank's financial performance.

6. Data Collection Instruments

Surveys/Questionnaires: Structured surveys for quantitative data on opinions and attitudes.

Interviews: Semi-structured interviews and key informant interviews for in-depth insights.

Document Analysis: Reviewing financial reports and documents.

Focus Groups: Group discussions for qualitative insights.

Financial Models: Using models to simulate the impact. **Observations:** Field observations for real-world data.

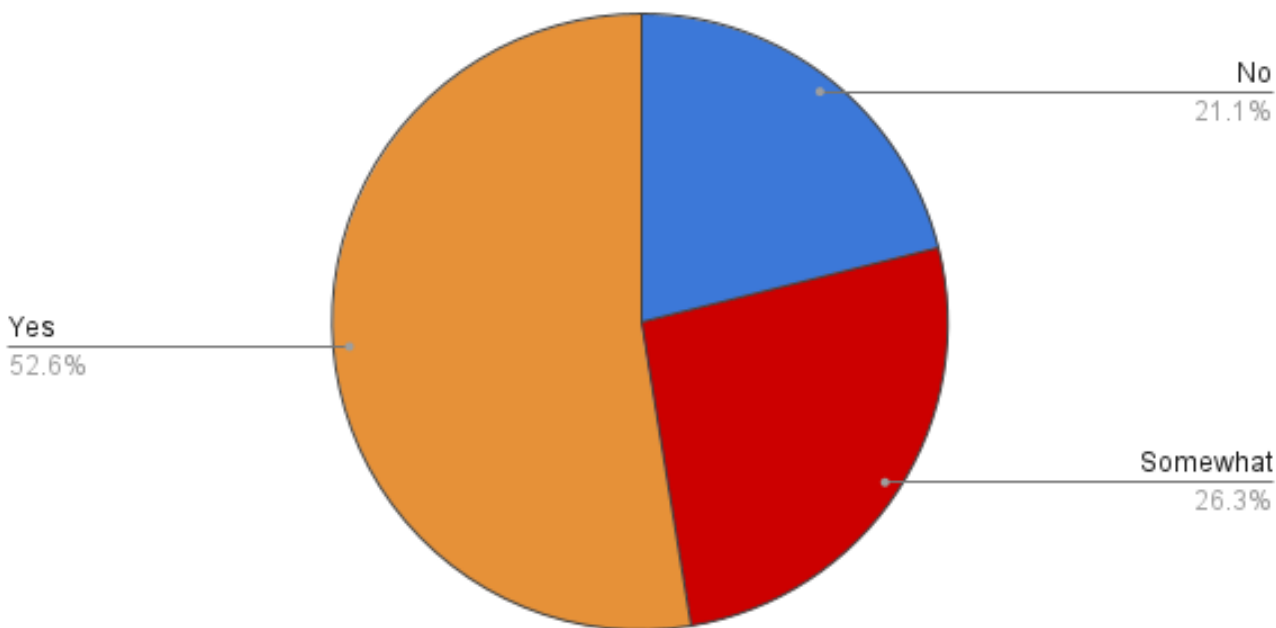
Secondary Data: Analyzing financial performance reports.

Online Surveys/Social Media Analysis: Capturing public sentiment.

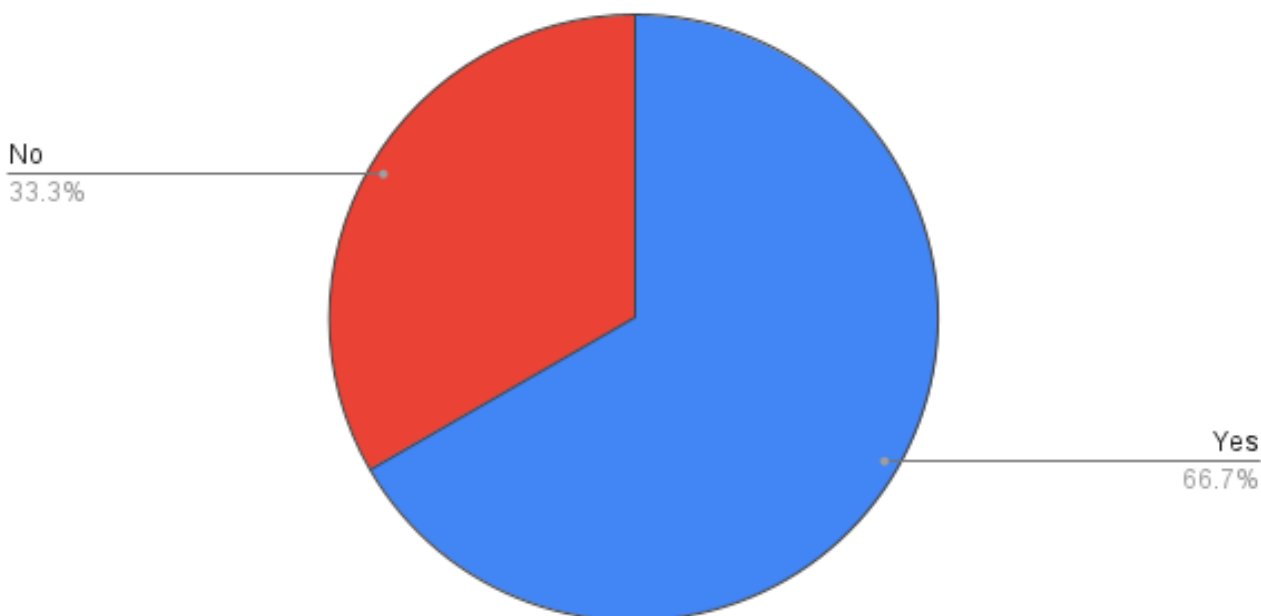
V. Data Analysis and Interpretation

Do you have bank account in HDFC bank?	Yes	157
	No	42
Are you aware of HDFC Bank's financial performance in recent years?	Yes	105
	No	42
	Somewhat	52
Have you looked into the bank's financial reports or statements?	Yes	133
	No	67
How accessible is HDFC Bank's services in your area?	Good	115
	Bad	31
	Average	52
Do you find their branch network and digital platforms convenient to use?	Yes	129
	No	70
How trustworthy do you consider HDFC Bank to be in managing your finances?	Excellent	105
	Good	31
	Average	52
	Bad	10

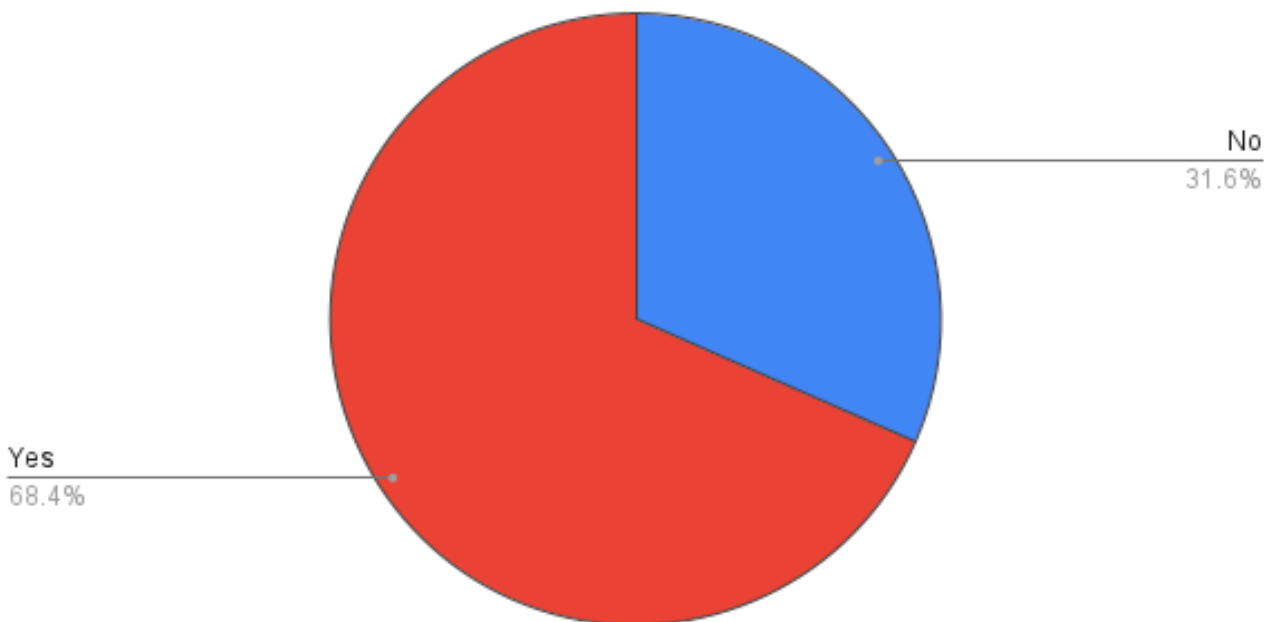
Count of 1. Are you aware of HDFC Bank's financial performance in recent years?



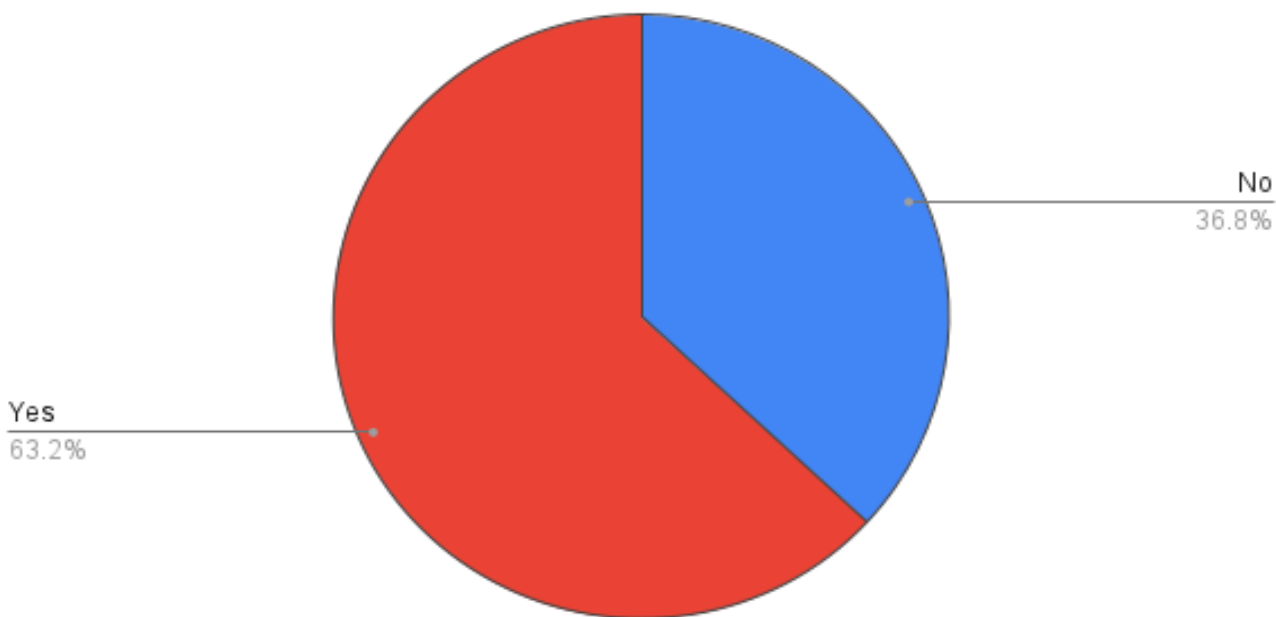
Count of 2. Have you looked into the bank's financial reports or statements?

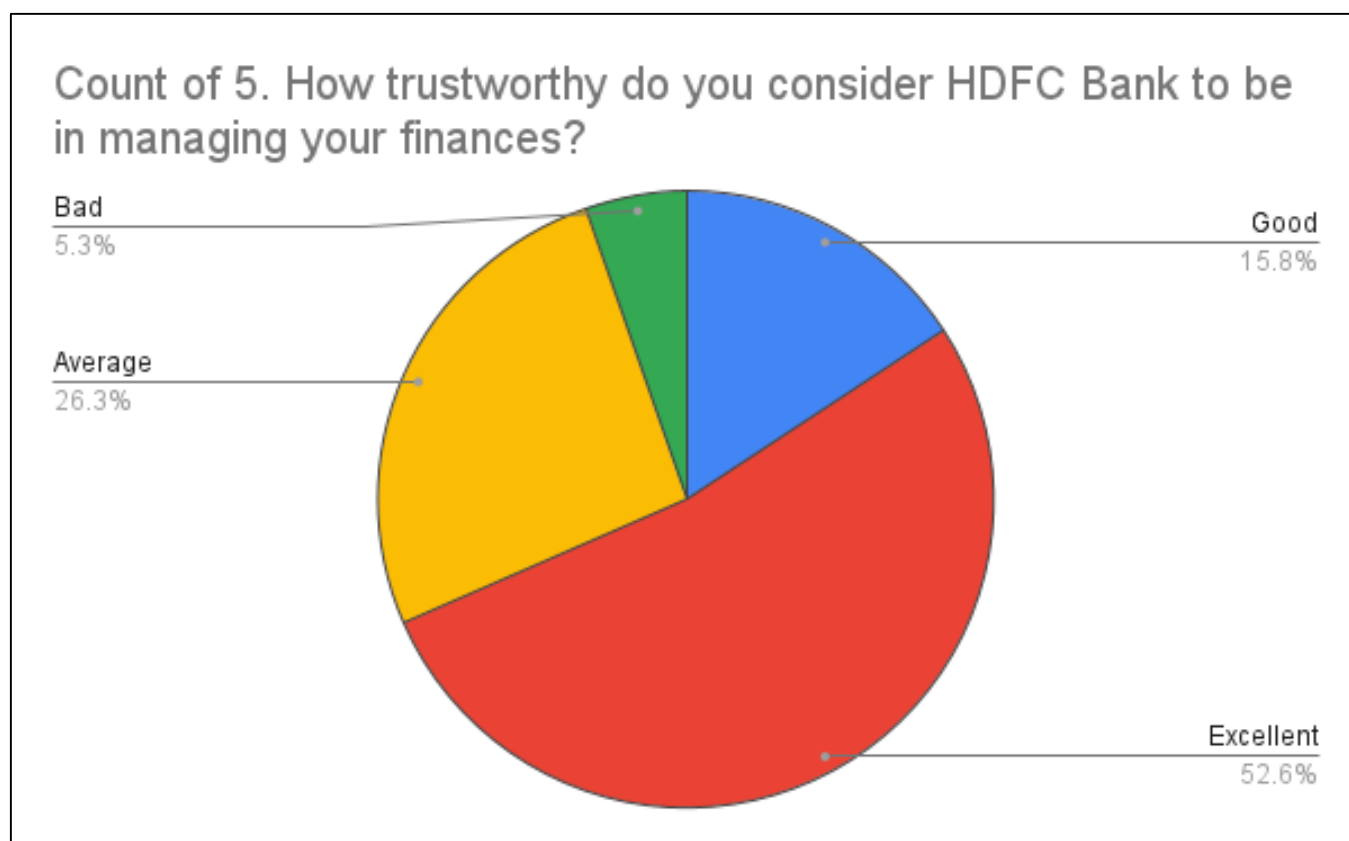


Count of 3. Are you aware of the bank's profitability and if it has been growing over the years?



Count of 4. Do you find their branch network and digital platforms convenient to use?





VI. Interpretation

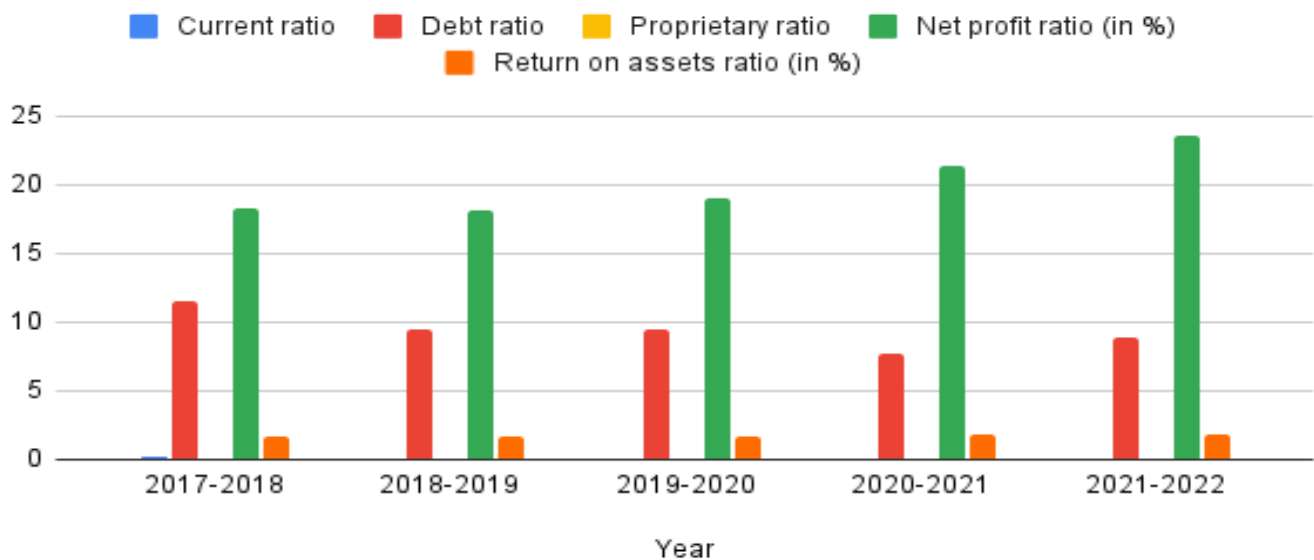
- Majority of the customers have account in HDFC Bank.
- 52% people are aware of HDFC bank financial performance in recent years.
- 66% people are aware of banks financial report.
- 68.4% people are aware of banks profitability and growth over the year.
- 63% people find their branch and digital platform convenient to use.
- 52% people find HDFC bank trustworthy in managing their finances.

Secondary Data

Ratio Analysis-

Year	Current ratio	Debt ratio	Proprietary ratio	Net profit ratio (in %)	Return on assets (in %)	on ratio
2017-2018	0.16	11.57	0.05	18.31	1.67	
2018-2019	0.09	9.41	0.04	18.07	1.73	
2019-2020	0.07	9.45	0.04	19.01	1.72	
2020-2021	0.09	7.76	0.03	21.30	1.76	
2021-2022	0.09	8.93	0.03	23.50	1.79	

Current ratio, Debt ratio, Proprietary ratio, Net profit ratio (in %) and Return on assets ratio (in %)



BALANCE SHEET:

HDFC Bank balance sheet for the year 2019-2021

Balance sheet of HDFC Bank	March 2021 (in crore)	March 2020 (in crore)	March 2019 (in cores)
EQUITIES AND LIABILITIES			
SHAREHOLDERS FUNDS			
Equity Share Capital	551.28	548.33	544.66
Total Share Capital	551.28	548.33	544.66
Reserves and Surplus	203,169.55	170,437.70	148,661.66
Total Reserves and Surplus	203,169.55	170,437.70	148,661.66
Total shareholder's Funds	203,720.83	170,986.03	149,206.32
Deposits	13,35,060.22	11,47,502.29	9,23,140.93
Borrowings	1,35,487.32	1,44,628.54	1,17,085.13
Other Liabilities and Provisions	72,602.52	67,394.40	55,108.33
Total capital and Liabilities	17,46,870.52	15,30,511.26	12,44,540.71
ASSETS			
Cash and borrowings with Reserve Bank of India	97,304.74	72,205.12	46,763.62
Balances with Banks money at call and short notice	22,129.66	14,413.60	34,584.01
Investments	4,43,728.29	3,91,826.66	2,90,587.88

Advances	11,32,836.63	9,93,702.88	8,19,401.22
Fixed Assets	4,909.32	43,191.92	9,030.01
Other Assets	45,925.89	53,931.09	49,173.97
Total Assets	17,46,870.52	15,30,511.26	12,44,540.71

(Source: HDFC Bank News Release)

INTERPRETATION: The capital of bank increased but at a low rate. There is a huge fluctuation in the increase in Reserve and Surplus.

The bank is utilizing its reserve and surplus in an effective manner. The investment has increased with a high rate. There has been a consistent decline in fixed assets in 2020 and 2021. 43,191.92 and 4,909.32 respectively.

PROFIT AND LOSS ACCOUNT

HDFC Bank profit and loss account

Profit and loss account of HDFC Bank	March 2021 (in crore)	March 2020 (in crore)	March 2019 (in correctly)
INCOME			
Interest / discount on advances / bills	94,834.54	91,787.88	77,544.19
Income from investments	23,214.27	20,633.32	19,997.46
Interest on Balance with RBI& other inter-bank funds	2,341.25	1,828.93	635.70
Others	468.17	562.52	794.70
Total interest earned	1,20,858.23	1,14,812.65	98,972.05
Other income	25,204.89	23,260.82	17,625.88
Total income	1,46,063.12	1,38,073.47	1,16,597.94
EXPENDITURE			
Interest expenses	55,978.66	58,626.40	50,728.83
Payments to and Provision for Employees	10,364.79	9,525.67	7,761.76
Depreciation	1,302.41	1,195.85	1,140.10
Operating expenses (excluding Employee cost and Depreciation)	21,055.42	19,976.01	17,217.51
Total operating Expenses	32,722.63	30,697.53	26,119.37
Provision Towards Income Tax	11,644.77	9,833.15	12,129.61
Provision Towards deferred Tax	-1,102.31	516.69	-1,008.12
Other provisions and contingencies	15,702.85	12,142.39	7,550.08
Total provisions and contingencies	26,245.31	22,492.23	18,671.57
Total Expenditure	1,14,946.59	1,11,816.15	95,519.77
Net Profit / Loss for the year	31,116.53	26,257.32	21,078.17
Profit / Loss Brought Forward	57,492.40	49,223.30	40,453.42

Total Profit /Loss available for appropriation	88,608.93	75,480.62	61,531.58
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(Source: HDFC Bank News Release)

HDFC Bank Cash Flow

Cash flow statements of HDFC Bank for the year 2019-2021

	March 2021	March 2020	March 2019
Net profit / loss before extraordinary items and Tax.	41,658.98	36,607.15	32,199.66
Net cash flow from operating Activities	41,494.79	-16,689.78	56,054.67
Net cash used in investing Activities	-1,120.17	-1,104.92	-136.12
Cash flow used from financial Activities	-7,381.11	22,851.79	15,718.00
Foreign Exchange Gain/ Losses	-141.83	213.99	95.39
Net increase/ decrease in Cash and Cash Equivalent	3,285.68	5,271.08	-41,567.44
Cash and Cash equivalent at the beginning of the year	86,618.72	81,347.64	1,22,915.408
Cash and Cash equivalent at the end of the year	1,19,470.40	86,618.72	81,347.64

(Source: HDFC Bank News Release)

VII. Results and Findings

- The bank focuses on understanding the needs of customers and offering them superior products and services.
- They focus on to create quality of customers and not quantity of customers.
- Current ratio indicates that banks liquidity and it's repayment of debts are sound during the period of study.
- Debt equity ratio explains that creditors are safe during the study period.
- The Balance Sheet size as on March 2021 was Rs.17, 46,870.52crore as against Rs.15, 30,511.26crore as on March 2020, a growth of 13.5%.
- The total deposit as of 2021 were 13, 35,060.22, an increase of 13.2% over March 2020.
- The advances as on March 2021 were 13, 35,060.22, an increase of 14.4% over March 2020.
- There has been a consistent decline in fixed assets in 2020 and 2021, 43,191.92 and 4,909.32 respectively.
- The Bank's net revenue (net interest income plus other income) increased from ₹1, 38,073.47crore for the quarter ended March 2020 to ₹1, 46,063.12crore for the quarter ended March 2021.
- Other income (non-interest revenue) at ₹25,204.89crore was 27.0% of net revenue for the quarter ended March 2021 and grew by 54.3% over 23,260.82crore in the corresponding quarter of the previous year.

VIII. Limitations of the Study

- The study is restricted only the five financial years.
- This study may not be extensive enough to cover all the ratios to be considered in evaluating the financial soundness of the bank accurately.
- 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

IX. Conclusion/Suggestions

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.

The study is made to analyze the financial performance of HDFC bank. Banks play a vital role in economic development. HDFC bank is doing well in profitability and solvency position. HDFC bank is facing some issues in meeting its short-term obligations with current assets. The bank should manage its activities efficiently to achieve its goals and grow in future.

X. Reference

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