A Study on Financial Performance of HDFC Bank Private Limited

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Abstract- *In the fast-paced world of today, banks are essential to a nation's progress. Banks are essential to the improvement of every industry. They have contributed to the globalization of development, and emerging nations like India are not an exception.*

The function of a financial intermediary is performed by banks. This indicates that it serves as a mechanism of transferring funds from those who are financially surplus to others who are momentarily in deficit. To put it simply, the banks transfer money from depositors with credit accounts to borrowers with debit accounts. Both their depositors and borrowers would need to get in touch with one another directly if the banks weren't acting as an intermediary. Measuring a company's ability to generate revenue from its core business mode assets is called financial performance. The study's primary goal was to determine the bank's performance ratios, which can be useful in identifying the bank's growth areas. It did this by using five years' worth of HDFC secondary data. For the study, a variety of instruments were employed, including performance ratios such as interest coverage and return on assets. The recommendations show that while the bank is producing higher profits and generating enough revenue, its profitability-generating efficiency is still quite low. In conclusion, the Bank is generating a decent amount of income and is operating properly.

Keywords- HDFC Bank, Ratios, Financial Statements, Private sector solvency

I. INTRODUCTION

The process of accurately determining the relationship between the balance sheet and profit & loss account items allows for the identification of the firm's financial strength and weakness through financial performance analysis. Additionally, it aids in both short- and long-term forecasting and financial performance analysis can identify growth with the use of a variety of financial technique. The bank commenced operation as a scheduled commercial bank on January 1995. It is the largest private sector bank in India and the country's largest housing finance company. HDFC limited their merger on April 4 2022.This study aims to make a comprehensive analysis of HDFC financial performance over a period of time using liquidity, profitability and solvency ratios.

II. REVIEW OF LITERATURE

Chakraborty and Debnath (2021): carried out research on how financial inclusion affects Indian banks bottom lines, including HDFC. According to this study financial inclusion improved bank including HDFC financial performance.

Rawt and Gupta's (2021): Analysis of the effects of covid 19 on HDFC bank financial performance. The covid 19 pandemic affects a HDFC financial result in 2020 were examined in this study. The banks financial performance was assessed by the researcher using financial ratios such as ROA and asset quality. The analyst says that HDFC bank had successfully kept up a level of financial performance during the pandemic.

Patel Bhaveshkumar k (2020): Examines the financial performance of HDFC bank it is based on secondary data collected from HDFC bank annual report, books, journals, magazines, articles. It is an important part of Indian banking system.IT is to focus on performance appraisal of HDFC bank to the significant growth was observed.

Singh And Sahu (2019): The financial performance of the bank was assessed by the researcher using a variety of financial criteria according to the report of HDFC bank asset deposits and loans all significantly increased

Gupta And Bhatia (2019): It is used to examine the financial performance of Indian private sector bank including HDFC. In comparison to other private sector banks HDFC survey suggesting stronger financial performance.

SHABBIR et al. (2018): Examined how corporate governance affects the financial performance of Indian banks, including HDFC the financial performance of banks, including HDFC was found to be positively impacted by sound governance standards.

Nagarkar Jiuan Jayanti (2015): Analysis of financial performance of bank in India made a effect to evaluate the financial standing of five significant, domestic, international and private banks. This seeks to determine how banks have fared financially during the past five year in comparison to year of rapid expansion. Two times periods are used to compare the financial performance of a bank

STATEMENT OF PROBLEM:

The financial performance of HDFC bank is an important part of its operations, which affects its ability to make a profit and continue its financial operations, stability and risk mitigation. The Indian banking sector is highly competitive and HDFC is facing challenges such as increasing competition in the banking sector, financial instability and regulatory pressure. The banks advantages, disadvantages, possibility and dangers. A thorough analysis of HDFC financial performance over the previous five year (2018-2022) is required. Analysis of HDFC financial parameter including capital adequacy, asset quality, revenue, profitability and liquidity.

OBJECTIVE OF THE STUDY:

- The main objective is to find out the profitability, liquidity and current ratio to measure the financial health of HDFC bank.
- To analyse the financial development of HDFC bank.
- To evaluate the financial performance for the period of five years 2018 - 2022. To analyse the financial performance of HDFC using different ratios.
- The objective is to evaluate the financial position, identify trends and patterns.

SCOPE OF THE STUDY:

The analysis of HDFC financial performance to a specific period for up to last five year . The study use both quantitative and qualitative research method, including analysis of financial statement, ratio analysis to assess the financial performance of HDFC in terms of profitability, liquidity and current ratio. The analysis also review relevant literature and report on HDFC and the banking sector to provide context and background information for the analysis . The result are limited to HDFC and cannot be generalized to other limited availability and reliability of data sources that have been carefully selected and verified to ensure the accuracy and correctness of the analysis . The objective is to provide a comprehensive and in depth analysis of HDFC financial performance.

RESEARCH METHODOLOGY:

- The study is based on the secondary data.
- The rating Is determined by calculating the liquidity to profitability ratio with the use of HDFC financial statement.
- The tools and techniques are used is ratio analysis to find the performance of HDFC bank

TOOLS USED FOR ANALYSIS:

1. Liquidity ratios
2. Current ratios
3. Return on Assets (ROA)
4. Financial Relationship
5. Ability to Pay

ANALYSIS AND INTERPRETATION OF DATA:

- **LIQUIDITY RATIO:**

Liquidity ratios determine how quickly a company can convert the assets and use them for meeting the dues that arise. There are two type of ratio

- Current Ratio
- Quick Ratio

CURRENT RATIO:

The current ratio is a liquidity ratio that measures whether a firm has enough resources to meet its short-term obligations**.**

CURRENT RATIO = CURRENT ASSET / CURRENT LIABILITIES OF HDFC BANK

INTERPRETATION:

From the table we can interpret the current ratio of HDFC bank decreased from 90.79 in the year 2018 to 13.5 in the year ended 2022. This decrease is because of the increase in current liabilities.

YEAR	**CURRENT ASSET RS .IN CR**	**CURRENT LIABILITIES RS.IN CR**	**CURRENT RATIO**
2018	63.63	70.08	90.79
2019	149.42	159.62	93.6

2020	70.49	161.1	43.7
2021	78.02	191.1	40.8
2022	28.697	211.2	13.5

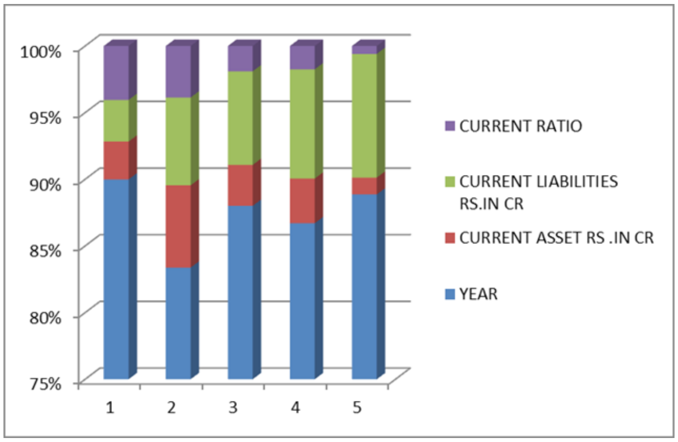

FIGURE -1 GRAPH SHOWING CURRENT RATIO

CURRENT RATIO ANALYSIS:

CURRENT RATIO FOR THE YEAR 2018 TO 2022

RETURN ON ASSET:

Return on assets is a metric that indicates a company's profitability in relation to its total assets. ROA can be used by management, analysts, and investors to determine whether a company uses its assets efficiently to generate a profit.

THE FORMULA OF RETURN ON ASSET:

NET INCOME = RETURN ON ASSET / TOTAL ASSET *100

RETURN ON ASSET:

INTERPRETATIONS:

The table and graph illustrate how well the corporation performed in 2018 at turning its fixed asset into cash or liquid asset within the net income. In order to maximize its profit in 2018, the company made efficient use of its assets.

YEARS	NET INCOME	TOTAL ASSETS	RATIOS
2018	95461.66	1063934.32	8.97
2019	116597.94	1244540.69	9.36
2020	138073.47	1530511.26	9.02
2021	146063.12	1746870.52	8.36
2022	157263.02	2068535.05	7.6

FIGURE -2 GRAPH SHOWING RETURN ON ASSET

RETURN ON ASSET FOR THE YEAR 2018 TO 2022

FIXED ASSET TO NET WORTH RATIO:

Fixed assets to net worth, also known as the non-current assets to net worth ratio, is a financial ratio used to measure the solvency of a company. The ratio shows how much of the owner's cash (net worth) is tied up in the form of fixed assets such as property, plants and equipment.

FORMULA FOR FIXED ASSET TO NET WORTH RATIO:

Fixed asset to net worth ratio = Fixed asset / shareholders fund

INTERPRETATION:

From the table we can interpret that fixed asset to net worth increased from 0.03778 in the year 2018 to 0.03868 in the year ended 2022. The increase is because of rise in funds locked in fixed assets.

YEAR	FIXED ASSET RS IN CR	NET WORTH RS IN CR	FIXED ASSET TO NET WORTH RATIOS
2018	3607.2	95461.66	0.03778
2019	4030	116597.94	0.03456
2020	4431.92	138073.47	0.03209

2021	4909.32	146063.12	0.03361
2022	6083.69	157263.02	0.03868

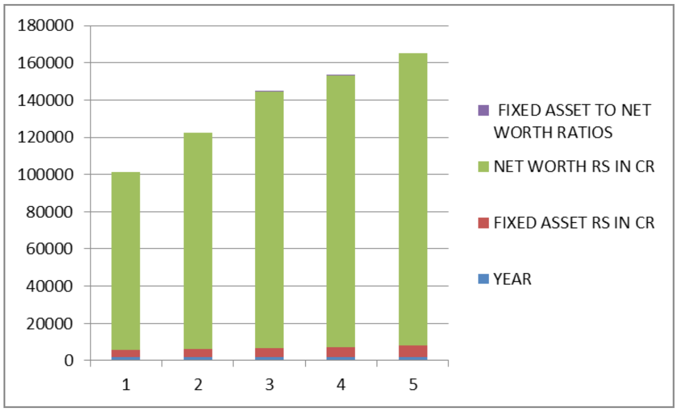

FIGURE – 4 GRAPH SHOWING FIXED ASSET TO NET WORTH RATIO FOR THE YEAR 2018 TO 2022

III. FINDINGS

1. The current ratio of the HDFC bank has shown a downward trend throughout the research period which worsened the company financial position. The current ratio of HDFC bank decreased from 90.79 in the year 2018 to 13.5 in the year ended 2022. This decrease are because of the increase in current liabilities.
2. The corporation performed in 2018 at turning its fixed asset into cash or liquid asset within the net income. In order to maximize its profit in 2018, the company made efficient use of its assets. Return on assets is a metric that indicates a company profitability in relation to its total assets.
3. The fixed asset to net worth increased from 0.03778 in the year 2018 to 0.03868 in the year ended 2022. The increase is because of rise in funds locked in fixed assets. The ratio indicates what percentage of the total assets, also known as net assets or capital, are tied up in long-term investments or fixed assets.

IV. SUGGESTIONS

- In order to strengthen the bank's liquidity position, it is imperative that the current assets of the bank be increased to match the current liabilities.
- The bank is augmenting its share capital at a rate that surpasses that of the deposits. Therefore, in order to perform better, it must grow its deposit.
- The money of the bank owner is mostly invested in land and buildings, specifically in fixed assets. This contrasts with the futuristic concept of a "Neo bank," which operates solely online without any physical.

V. CONCLUSION

- The nation's banks within the banking industry. The quick service provided by this bank has pleased the public. Based on a variety of methods used for the bank's financial examination, we may conclude that HDFC Bank's overall performance and financial status are deemed acceptable. The bank has been successful in keeping itself in a position of fair profitability. The bank's primary goal, raising deposits, has been achieved in a significant way. The bank's share capital increased by a small amount.
- The bank has acceptable current assets and current liabilities. The bank's liquidity position allows it to full fill its obligation reserving its solvency position over the years. It furthermore allowed its money to seep into the bank's fixed assets. Regarding the debt-to-equity ratio, it is evident that the bank has been raising equity as opposed to debt fill its obligation reserving its solvency position over the years. It furthermore allowed its money to seep into the bank's fixed assets. Regarding the debt-to-equity ratio, it is evident that the bank has been raising equity as opposed to debt.

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