

A Study on Overall Financial Performance of HDB Financial Services

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Abstract- *Financial performance analysis plays an important role in evaluating the financial strength and operational efficiency of an organization. The present study focuses on analyzing the overall financial performance of HDB Financial Services, one of the leading Non-Banking Financial Companies (NBFCs) in India. The study aims to evaluate the liquidity, profitability, solvency, and operational efficiency of the company using various financial analysis tools. Secondary data has been collected from annual reports and financial statements for the period from 2020–2021 to 2024–2025. Ratio analysis and trend analysis were used to interpret the financial position of the organization. The study identified improvements in liquidity position and asset utilization, while profitability remained comparatively low during the study period. The debt-equity ratio showed a decreasing trend, indicating better financial stability. The research also highlights the importance of proper financial planning and management for achieving long-term growth. Finally, suitable suggestions have been provided to improve profitability, liquidity management, and operational efficiency.*

Keywords: Financial Performance, HDB Financial Services, NBFC, Ratio Analysis, Liquidity, Profitability, Solvency, Trend Analysis, Financial Management, Operational Efficiency.

I. INTRODUCTION

Financial performance analysis is the process of evaluating the financial position and operational efficiency of a company through different financial tools and techniques. It helps management, investors, creditors, and stakeholders understand the financial health of the organization and make effective decisions. Financial analysis mainly focuses on profitability, liquidity, solvency, efficiency, and stability of the business.

Finance is considered the backbone of every business organization. Proper management of finance helps an organization utilize its resources efficiently and achieve organizational goals. Financial performance indicates how

effectively a company uses its resources to generate income and improve shareholder value.

HDB Financial Services is a leading Non-Banking Financial Company (NBFC) in India. It offers secured and unsecured loans, asset financing, gold loans, personal loans, and BPO services. The company has expanded rapidly with a strong customer base and branch network across India. The organization focuses on customer satisfaction, innovative financial products, and operational excellence.

The present study attempts to analyze the financial performance of HDB Financial Services for a period of five years from 2020–2021 to 2024–2025 using ratio analysis and trend analysis.

INDUSTRY PROFILE

Non-Banking Financial Companies (NBFCs) play a significant role in the Indian financial system. NBFCs provide banking-related financial services such as loans, advances, investments, and wealth management without holding a banking license. These institutions contribute to economic growth by providing financial assistance to individuals and businesses.

NBFCs are important for financial inclusion because they serve customers who may not have easy access to traditional banking services. They support small businesses, rural markets, and underbanked communities. NBFCs also help improve economic development by increasing access to credit facilities.

The NBFC sector has experienced rapid growth in recent years due to technological advancements, customer demand, and government support. However, the sector also faces challenges such as increasing competition, liquidity risks, and changing regulations.

HDB Financial Services has emerged as one of the prominent NBFCs in India through its diversified financial services and customer-centric approach.

COMPANY PROFILE

HDB Financial Services was established in the year 2007 as a subsidiary of HDFC Bank. It operates as a leading NBFC in India and provides various financial services to individual and business customers.

The company offers services such as:

- Personal Loans
- Gold Loans
- Auto Loans
- Loan Against Property
- Consumer Durable Loans
- Business Loans
- BPO Services

HDB Financial Services focuses on customer satisfaction, transparency, integrity, and operational efficiency. The company has expanded its operations across multiple states and union territories in India.

Vision

To become India's most admired NBFC through simplicity, execution, and customer satisfaction.

Mission

To provide innovative financial products and services to individual and business customers across India.

- Core Values
- Integrity
- Respect
- Excellence
- Simplicity
- Collaboration
- Agility

The organization continuously works towards improving financial inclusion and providing accessible financial services to all categories of customers.

NEED FOR THE STUDY

Financial performance analysis is necessary to evaluate the efficiency and effectiveness of business operations. It helps identify strengths and weaknesses in financial management and assists management in making better decisions.

The study is useful for:

- Understanding the financial position of HDB Financial Services.
- Evaluating profitability and liquidity performance.
- Measuring operational efficiency.
- Identifying financial risks and opportunities.
- Assisting stakeholders in decision-making.
- The study also helps understand how effectively the company utilizes its assets and manages liabilities.

OBJECTIVES OF THE STUDY

The major objectives of the study are:

- To analyze the financial performance of HDB Financial Services.
- To study the liquidity position of the company.
- To evaluate profitability and operational efficiency.
- To examine the debt-equity relationship.
- To analyze asset utilization efficiency.
- To provide suitable suggestions for improving financial performance.

II. REVIEW OF LITERATURE

- Review of literature refers to the study of previously published research articles, journals, books, and reports related to the topic of study. It helps the researcher understand earlier findings and identify research gaps.
- Patel S Vijay et al. (2021) studied the factors influencing the profitability of banks in India. The study concluded that profitability analysis helps banks improve operational efficiency and financial decision-making.
- Thakarshibhai Chirag Loryia (2022) analyzed the profitability of selected public and private sector banks in India using statistical tools such as mean and standard deviation. The study concluded that public sector banks performed better in profitability and stability compared to private sector banks.
- Selvam Paneer et al. (2022) studied the effect of COVID-19 on the Indian banking sector. The research identified changes in operational performance and financial assistance provided by banks during the pandemic period.
- Dr. Gupta R. and Dr. Shikarwar N.S. (2022) analyzed the non-performing assets and financial growth of Indian banks. The study revealed that banking growth

depends on factors such as net profit, reserves, surplus, and asset management.

- Desrani R. Hiralal (2022) studied the financial performance of public sector banks in India and concluded that efficient management of assets and liabilities improves financial stability.
- Dr. Tamilarasu A. (2023) analyzed the financial inclusion and solvency position of banks using different financial indicators. The study emphasized the importance of trust, customer service, and financial management in banking institutions.
- Gaur Arti and Arora Nancy (2024) studied the financial performance and profitability of banks with special reference to SBI. The study identified the importance of financial stability and operational efficiency in improving profitability.
- Sharma Pooja and Hemlata (2025) analyzed the determinants of financial performance in commercial banks. The study concluded that effective management practices and customer services are essential for sustainable financial growth.
- The above studies indicate that financial performance analysis is an important tool for evaluating the operational efficiency, liquidity, profitability, and solvency of financial institutions. The present study focuses on analyzing the financial performance of HDB Financial Services using financial ratios and trend analysis.

III. RESEARCH METHODOLOGY

Research methodology refers to the systematic process used to conduct the research study. The present study is based on secondary data collected from annual reports, financial statements, company records, journals, and websites.

Sources of Data

The study uses secondary data obtained from:

- Annual Reports of HDB Financial Services
- Company financial statements
- Books and journals
- RBI reports and websites
- Period of Study
- The study covers a period of five years from 2020–2021 to 2024–2025.

Tools Used for Analysis

The following financial tools were used:

- Ratio Analysis
- Trend Analysis
- Comparative Financial Analysis
- Ratios Used
- Current Ratio
- Debt Equity Ratio
- Absolute Liquidity Ratio
- Operating Ratio
- Return on Shareholder Funds
- Total Asset Turnover Ratio
- Proprietary Ratio

IV. DATA ANALYSIS AND INTERPRETATION

Current Ratio

The current ratio increased from 0.56 in 2020–2021 to 0.68 in 2024–2025. This indicates improvement in liquidity position and the company's ability to meet short-term obligations.

Debt Equity Ratio

The debt-equity ratio decreased from 16.99 to 13.72 during the study period. This indicates that the company gradually reduced its dependency on external borrowings and improved financial stability.

Absolute Liquidity Ratio

The absolute liquidity ratio fluctuated during the study period. It reached 0.17 in 2023–2024 and later declined to 0.09 in 2024–2025, showing moderate liquidity management.

Return on Shareholder Funds

The return on shareholder funds remained negative throughout the study period. However, the losses reduced gradually from -34.52 to -2.71, indicating improvement in profitability performance.

Operating Ratio

The operating ratio showed fluctuations but improved in the final year. This indicates better operational efficiency and cost management by the company.

Total Asset Turnover Ratio

The total asset turnover ratio remained stable at around 0.07 to 0.08, indicating consistent utilization of assets for generating revenue.

V. FINDINGS OF THE STUDY

The important findings of the study are:

- The liquidity position of the company improved gradually.
- Debt-equity ratio showed a decreasing trend.
- Profitability remained low during the study period.
- Asset utilization remained stable.
- Operational efficiency improved in recent years.
- The company maintained consistent growth in total assets.
- Financial stability improved due to better management practices.

VI. SUGGESTIONS

Based on the findings, the following suggestions are provided:

- The company should focus on improving profitability.
- Operating expenses should be controlled effectively.
- Greater emphasis should be given to liquidity management.
- The organization should improve asset utilization efficiency.
- Digital financial services should be expanded further.
- Risk management practices should be strengthened.
- The company should maintain a balanced capital structure.

VII. CONCLUSION

The study concludes that HDB Financial Services has shown stable growth and financial improvement during the study period. The company successfully improved its liquidity position and maintained operational efficiency. Although profitability remained comparatively low, the gradual reduction in losses indicates positive financial progress.

The decreasing debt-equity ratio reflects improved financial stability and better capital management. The company has effectively utilized its assets and maintained steady growth in operations. HDB Financial Services has strong potential for future growth due to its customer-oriented

services, diversified financial products, and strong market presence.

Overall, the financial performance of HDB Financial Services can be considered satisfactory, and with effective financial planning and strategic decision-making, the organization can achieve higher profitability and sustainable growth in the future.

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