

A Study on Financial Analysis of HDB Financial Services, Erode

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Abstract- *Financial analysis plays an important role in evaluating the financial strength, operational efficiency, liquidity, and profitability of an organization. The present study focuses on the financial analysis of HDB Financial Services, Erode. The study aims to analyze the financial performance of the company over a period of five years from 2020-2021 to 2024-2025. Secondary data collected from annual reports, journals, company records, and financial statements were used for the study. Various financial tools such as ratio analysis, trend analysis, and comparative analysis were applied to evaluate the company's liquidity position, profitability, solvency, and efficiency. The study reveals that the current ratio and current asset ratio showed an increasing trend during the study period, indicating improvement in short-term financial strength. However, profitability ratios such as Return on Assets and Return on Equity remained negative, which reflects challenges in generating adequate profits. The debt ratio indicates high dependency on borrowed funds, while asset turnover ratios remained stable. The study concludes that the company possesses strong market presence and operational growth but needs to improve profitability and reduce financial risk through better cost control and efficient utilization of resources. Suggestions are also provided to enhance the financial performance and long-term sustainability of the company*

Keywords: Financial Analysis, NBFC, Liquidity, Profitability, Ratio Analysis, HDB Financial Services, Solvency, Financial Performance.

I. INTRODUCTION

Financial analysis is an important technique used to evaluate the financial health and operational efficiency of an organization. It helps management, investors, creditors, and other stakeholders understand the financial position and performance of a company. Financial statement analysis involves examining the balance sheet, income statement, and cash flow statement to determine profitability, liquidity, solvency, and operational efficiency.

Non-Banking Financial Companies (NBFCs) play a significant role in the Indian financial system by providing financial services to individuals and businesses. NBFCs support economic growth by offering loans, investment facilities, and financial assistance to sectors where traditional banking services are limited. They help improve financial inclusion and contribute to industrial and commercial development.

HDB Financial Services is one of the leading NBFCs in India. Established in 2007, the company provides a wide range of financial products and services including personal loans, gold loans, vehicle loans, business loans, and property loans. The company has expanded its operations across India and has built a strong customer base through innovative products and quality services.

Financial statement analysis helps in identifying strengths and weaknesses of a company. It provides valuable information regarding liquidity management, debt position, profitability, and efficiency. This study focuses on analyzing the financial performance of HDB Financial Services, Erode branch, using various financial ratios and analytical tools.

STATEMENT OF THE PROBLEM

Financial institutions face challenges in maintaining profitability, liquidity, and operational efficiency in a competitive financial environment. NBFCs especially encounter issues related to credit risk, debt management, and profitability due to economic fluctuations and market competition.

The major problem of the study is to analyze whether HDB Financial Services has effectively managed its financial resources during the study period. The study also attempts to identify the strengths and weaknesses in liquidity, solvency, profitability, and asset management of the company.

OBJECTIVES OF THE STUDY

- To analyze the financial performance of HDB Financial Services.
- To evaluate the liquidity position of the company.
- To study the profitability and solvency position.
- To examine the efficiency of asset utilization.
- To analyze the trend in financial performance during the study period.
- To provide suggestions for improving financial efficiency.

SCOPE OF THE STUDY

The study focuses on the financial analysis of HDB Financial Services, Erode. The analysis covers a period of five years from 2020-2021 to 2024-2025. The study is limited to secondary data collected from company annual reports and financial statements. Ratio analysis and trend analysis are used for evaluating the company's financial performance.

The study helps management, investors, researchers, and students understand the financial condition and operational efficiency of the company.

II. REVIEW OF LITERATURE

Several researchers have studied the financial performance of NBFCs in India. Kroszner (2019) stated that financial systems are essential for economic growth and development. Greenspan (2019) explained that NBFCs strengthen the financial system by providing alternative financial services.

Hasriman Kaur and Bhawdeep Singh Tanghi (2020) observed that NBFCs contribute significantly to financial inclusion and economic development. Akanksha Goel (2020) analyzed the growth prospects of NBFCs and concluded that profitability and operational efficiency are important indicators of performance.

Shollapur M.R. (2020) emphasized that strategic financial management helps NBFCs improve competitiveness and customer service. R.M. Srivastava and Divya Nigam (2021) discussed the importance of financial institutions in economic growth and financial market development.

These studies reveal that financial analysis is essential for understanding the profitability, liquidity, and solvency position of NBFCs.

III. RESEARCH METHODOLOGY

Research methodology refers to the systematic process used for collecting and analyzing data for the study.

Research Design

The study follows an analytical research design.

Sources of Data

The study is based on secondary data collected from:

- Annual reports of HDB Financial Services
- Financial statements
- Journals and magazines
- Company records
- Websites and reference materials
- Period of Study
- The study covers five years from 2020-2021 to 2024-2025.

Tools Used for Analysis

- Ratio Analysis
- Trend Analysis
- Comparative Analysis

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 the liquidity position of the company and its ability to meet short-term obligations.

FIXED ASSET RATIO

The fixed asset ratio decreased from 0.07 to 0.04 during the study period. This indicates that the company utilized long-term funds efficiently and maintained lower investment in fixed assets.

ABSOLUTE LIQUIDITY RATIO

The absolute liquidity ratio fluctuated during the study period. It increased up to 0.17 and later declined to 0.09 in 2024-2025, indicating variations in cash and bank balances.

TOTAL ASSET TURNOVER RATIO

The total asset turnover ratio remained stable between 0.07 and 0.08. This shows consistent utilization of total assets in generating income.

RETURN ON ASSETS RATIO

The Return on Assets ratio remained negative during the study period, though it improved from -1.80 to -0.17. This indicates that the company faced profitability challenges but showed gradual improvement.

DEBT RATIO

The debt ratio decreased slightly from 0.95 to 0.93. This indicates that the company depends heavily on debt financing, though the debt burden has reduced marginally.

RETURN ON EQUITY

Return on Equity improved from -0.34 to -0.03. The negative values indicate lower returns to shareholders, but the improving trend reflects better financial management.

V. FINDINGS OF THE STUDY

- The liquidity position of the company improved during the study period.
- Current ratio showed a positive increasing trend.
- Fixed asset ratio decreased steadily, indicating effective utilization of long-term funds.
- Profitability ratios remained negative but improved gradually.
- Debt ratio remained high, indicating heavy reliance on borrowed funds.
- Asset turnover ratio remained stable throughout the study period.
- Return on Equity and Return on Assets improved over the years.
- The company maintained strong operational growth despite profitability challenges.

VI. SUGGESTIONS

- The company should focus on improving profitability through cost reduction and revenue enhancement strategies.
- Efforts should be made to reduce dependency on debt financing.
- Better management of cash and liquidity is required to maintain financial stability.

- The company should improve operational efficiency and asset utilization.
- Advanced risk management techniques should be implemented to reduce financial risk.
- Investment in technology and digital services can improve customer satisfaction and operational performance.

VII. CONCLUSION

The study concludes that HDB Financial Services has shown improvement in liquidity and operational efficiency during the study period. The company maintained stable asset utilization and improved its financial ratios gradually. However, profitability remained a major concern as Return on Assets and Return on Equity were negative throughout the study period.

The company possesses strong growth potential due to its market presence, diversified financial services, and customer-oriented approach. Effective financial planning, reduction in debt dependency, and improvement in profitability can help the company achieve long-term financial stability and sustainable growth.

The overall financial position of HDB Financial Services can be considered satisfactory with scope for future improvement in profitability and operational efficiency.

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