



(REVIEW ARTICLE)



A study on financial performance analysis of HDFC bank

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Abstract

The study entitled the financial performance analysis and Company. The objective of this study is to compare the current financial performance with last five years and to study the existing financial position of Company. The data used in this study is secondary data through annual report. The data that used in this study, comparative balance sheet, common size balance sheet, comparative balance sheet analysis, that the current liabilities is higher than the current asset in every year and it is to be suggest that the company can concentrate on their increasing the level of the current asset. So the company improves this financial position. The study of financial performance on The Company has revealed the great deal of their various financial aspects for five years. Findings of the study, Table shows, current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The **Interest Incidence % (times) mean** 25.65 and its Standard Deviation is 24.25 Coefficient of Variation is 23.40 and CAGR is 23.28 **Interest Incidence % (times)** is high during period 2013– 2014. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 - 2021- 2022. Conclude this study. 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.

Keywords: Current ratio; Profit After Tax; Profit Before Tax

1. Introduction

Finance is the master key in that unlocks all production and merchandise opportunities. For the preparation and administration of financial decisions, financial success is critical. It is a method of determining how well a firm uses its assets from its core business mode to generate money, as well as a method of determining an organization's overall financial health over time. Every business, large, medium, or small, requires funding to continue operations and meet its goals. Finance is so important nowadays that it is rightfully referred to as the "living blood" of businesses. No business can achieve its goals without enough funding. As a result, the study of financial performance is critical, as it is the process of calculating the financial results of a company's operations.

Financial performance analysis is the process of determining a company's financial strengths and weaknesses by correctly defining the relationship between balance sheet and profit and loss account components. It also aids in short- and long-term forecasting, as well as the identification of growth through the use of various financial techniques in financial performance analysis. In the development of the Indian economy, the bank plays a critical role. In emerging countries, a sound and efficient banking sector provides the required financial inputs to the economy. It also assesses an organization's overall financial health over a period of time. The financial performance of an organization is concerned with the bank's financial strengths and weaknesses, as well as the relationship between the balance sheet and the income statement.

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2. Review of literature

- **Nandini Thakur (2020)¹**: Conducted a study on the financial statement analysis of HDFC Bank. The study is conducted over past Five years (2015-2019). The study conclude that financial performance of the bank was strong during the period of the study.
- **Malini, & Meharaj Banu (2019)²**: This study examined the financial performance of Indian Tobacco Corporation Ltd. Objective of the study was to analysis the liquidity, profitability, Solvency possession of the firm within the period from 1st April 2013 to 31st March 2017. Study reveals that the financial performance is better.
- **Sudha & Rajendran (2019)³**: Conducted a study on financial health of Axis Bank & HDFC Bank for the time period of 2013-2014 to 2017-2018 by using various statistical tools and ratio analysis for analysing data. The study concludes that overall financial performance of Axis Bank is less compared the HDFC Bank.

2.1. Ratio Analysis

Ratio analysis is a method of analysis and interpretation of financial statement. It is the process of establishing and interpreting the various ratios for helping in making certain decision. However, ratio analysis is not an end to itself. It is only a means of better understanding of financial strength, weakness of a firm. Calculation of mere accounting ratios does not serve any purpose unless several appropriate ratios are analysed and interpreted.

The following variables taken for the study

PBDITA net of P&E&OI&FI as % of NFA excel reveal
PAT net of P&E as % of NFA excel reveal
PAT as % of NFA excel reveal
Cash to current liabilities (times)
Cash to average cost of sales (times)
Current ratio (times)
Total outside liabilities / tangible net worth
Total term liabilities / tangible net worth
Debt to equity ratio (times)
Interest cover (times)
Interest incidence (%)

Table 1 Analysis and interpretation

YEAR	PBDITA net of P&E&OI&FI as % of NFA excl reval	PAT net of P&E as % of NFA excl reval	PAT as % of NFA excl reval	Cash to current liabilities (times)	Cash to avg cost of sales (times)	Current ratio (times)	Total outside liabilities / tangible net worth	Total term liabilities / tangible net orth	Debt to equity ratio (times)	Interest cover (times)	Interest incidence (%)
2012-13	-336.99	261.32	273.84	1.89	1161.09	2.37	1.69	1.32	1.32	1.49	39.66
2013-14	-372.52	301.03	311.54	2.38	1334.84	2.91	2.14	1.8	1.79	1.51	32.69
2014-15	-337.11	261.6	287.08	1.72	1312.3	2.44	2.44	2.05	2.04	1.48	25.65
2015-16	-344.76	102.83	108.5	1.92	1305	2.82	2.39	1.91	1.88	1.2	24.76
2016-17	-378.54	-22.72	7.77	1.73	1274.4	2.6	2.79	2.36	2.33	0.96	21.47
2017-18	-409.33	76.12	126.57	2.22	1335.59	3.02	2.81	2.31	2.29	1.15	22.13
2018-19	-435.14	1.15	42.81	2.58	1814.92	3.42	2.25	1.75	1.74	1.09	24.89
2019-20	-437.1	133.54	165.25	1.65	1665.31	2.35	1.86	1.42	1.41	1.22	23.46
2020-21	-531.91	249.49	306.53	2.42	1394.89	3.01	2.09	1.62	1.61	1.44	20.88
2021-22	-531.91	249.49	306.53	2.42	1394.89	3.01	2.09	1.62	1.61	1.44	20.88
MEAN	-411.53	161.39	193.64	2.09	1399.32	2.80	2.26	1.82	1.80	1.30	25.65
SD	-418.99	151.39	185.62	2.11	1423.15	2.84	2.31	1.87	1.85	1.28	24.25
CV	-423.63	136.43	173.03	2.09	1431.98	2.83	2.33	1.87	1.86	1.26	23.40
MAX	-432.28	123.91	161.63	2.12	1443.94	2.87	2.32	1.85	1.84	1.23	23.18
MIN	-441.04	126.02	166.94	2.14	1457.84	2.87	2.31	1.85	1.83	1.24	23.02
RANGE	-447.29	140.89	182.85	2.18	1476.18	2.90	2.26	1.80	1.78	1.26	23.17
CAGR	-451.08	147.37	188.48	2.18	1490.24	2.89	2.21	1.75	1.73	1.28	23.28

Source: Secondary

2.2. Interest Incidence % (times)

Table 4.1 shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The Interest Incidence % (times) mean 25.65 and its Standard Deviation is 24.25 Coefficient of Variation is 23.40 and CAGR is 23.28 Interest Incidence % (times) is high during period 2013– 2014. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 - 2021- 2022.

2.3. Interest Incidence % (times)

Table 4.1 shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The Interest Incidence % (times) mean 25.65 and its Standard Deviation is 24.25 Coefficient of Variation is 23.40 and CAGR is 23.28 Interest Incidence % (times) is high during period 2013– 2014. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 - 2021- 2022.

2.4. Interest cover (times)

Table 4.1 shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The Interest cover (times) mean 1.30 and its Standard Deviation is 1.28 Coefficient of Variation is 1.26 and CAGR is 1.73 Interest cover (times) is high during period 2016– 2017. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 -2021- 2022.

2.5. Debt to equity ratio (times)

Table shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The Debt to equity ratio (times) mean 1.80 and its Standard Deviation is 1.85 Coefficient of Variation is 1.84 and CAGR is 1.73 Debt to equity ratio (times) is high during period 2016– 2017. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 -2021- 2022.

2.6. Total term liabilities / tangible net worth

Table shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The Total term liabilities / tangible net worth mean 1.82 and its Standard Deviation is 1.87 Coefficient of Variation is 1.85 and CAGR is 1.75 Total term liabilities / tangible net worth is high during period 2016– 2017. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 -2021- 2022.

2.7. Total outside liabilities / tangible net worth

Table shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The Total outside liabilities / tangible net worth mean 2.26 and its Standard Deviation is 2.31 Coefficient of Variation is 2.33 and CAGR is 2.21 Total outside liabilities / tangible net worth is high during period 2017– 2018. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 -2021- 2022.

2.8. Current ratio

Table shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The Current ratio mean 2.80 and its Standard Deviation is 2.84 Coefficient of Variation is 2.83 and CAGR is 2.89 Current ratio (times) is high during period 2019– 2020. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 -2021- 2022.

2.9. Cash to average cost of sales (times)

Table shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The Cash to average cost of sales (times) mean 1399.32 and its Standard Deviation is 1423.15 Coefficient of Variation is 1431.98 and CAGR is 1490.24 Cash to average cost of sales (times) is high during period 2018– 2019. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 -2021- 2022.

2.10. Cash to current liabilities (times)

Table shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The Cash to current liabilities (times) mean 2.09 and its Standard Deviation is 2.11 Coefficient of Variation is 2.09 and CAGR is 2.18 Cash to current liabilities (times) is high during period 2017– 2018. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 -2021- 2022.

2.11. PAT net of P&E as % of NFA excel reveal

Table shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The PAT net of P&E as % of NFA excel reveal mean 161.39 and its Standard Deviation is 151.39 Coefficient of Variation is 136.43 and CAGR is 147.37fPAT net of P&E as % of NFA excel reveal is high during period 2013 – 2014. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 -2021- 2022..

2.12. PAT as % of NFA excel reveal

Table shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The PAT as % of NFA excel reveal mean 193.64 and its Standard Deviation is 185.62 Coefficient of Variation is 173.03 and CAGR is 188.48 PAT as % of NFA excel reveal is high during period 2013 – 2014. It indicates the firm is fluctuation trend in this ratio during the whole study period 2013-14 -2021- 2022.

PBDITA net of P&E&OI&FI as % of NFA excel reveal

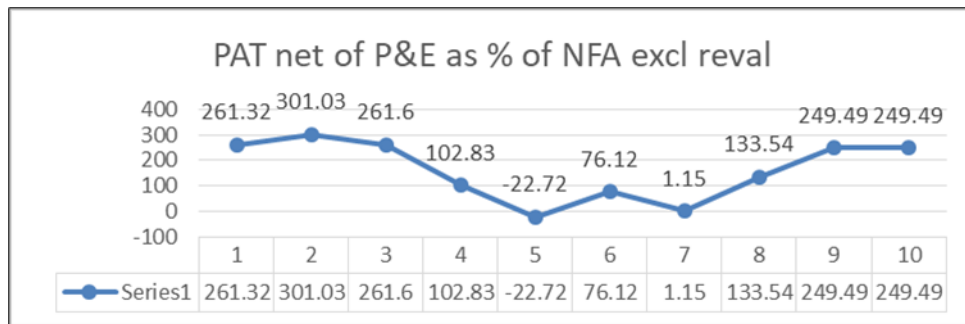


Figure 1 Profit After Tax of Profit Earning

Table shows current assets and current liabilities over a period of 10 years from 2012-2013 to 2021- 2022. The PBDITA net of P&E&OI&FI as % of NFA excel reveal is -411 and its Standard Deviation is -418.99 Coefficient of Variation is -423.63 and CAGR follows a negative trend. PBDITA net of P&E&OI&FI as % of NFA excels reveal is high during period 2017 – 2018. It indicates the firm is low in this ratio during the whole study period 2012-13.

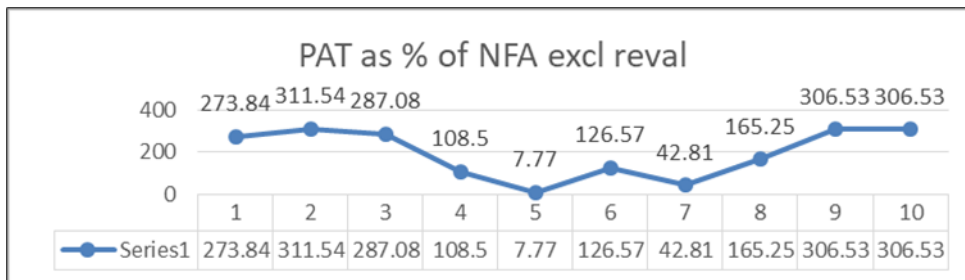


Figure 2 Profit After Tax as Percentage

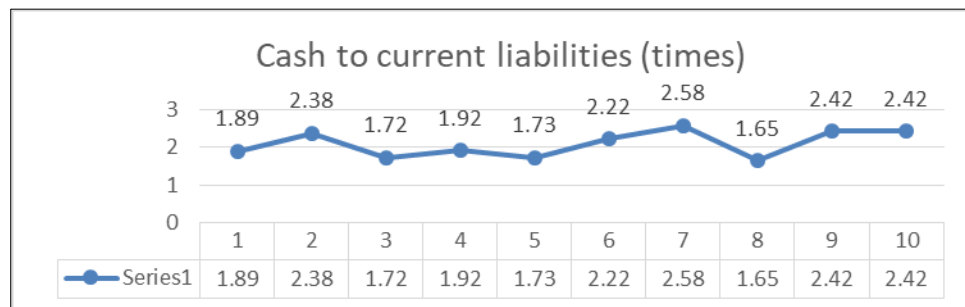


Figure 3 Cash to Current Liabilities

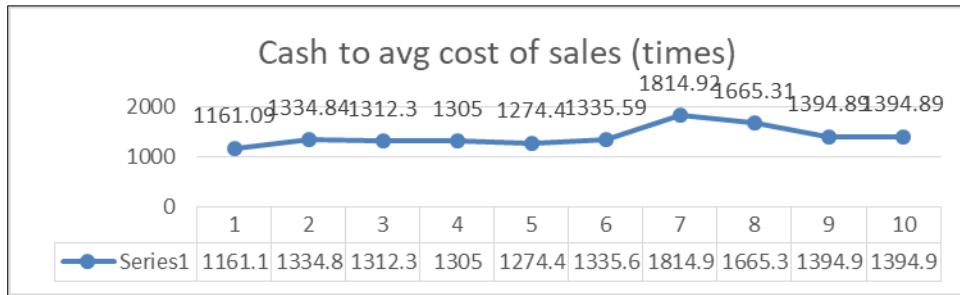


Figure 4 Cash to Average Cost Of Sales

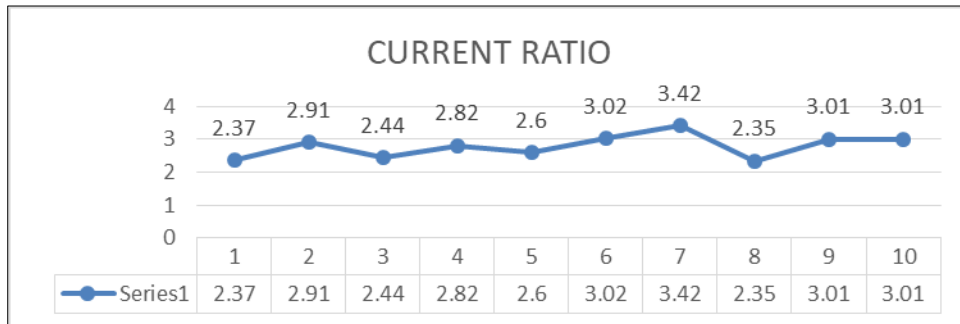


Figure 5 Current Ratio

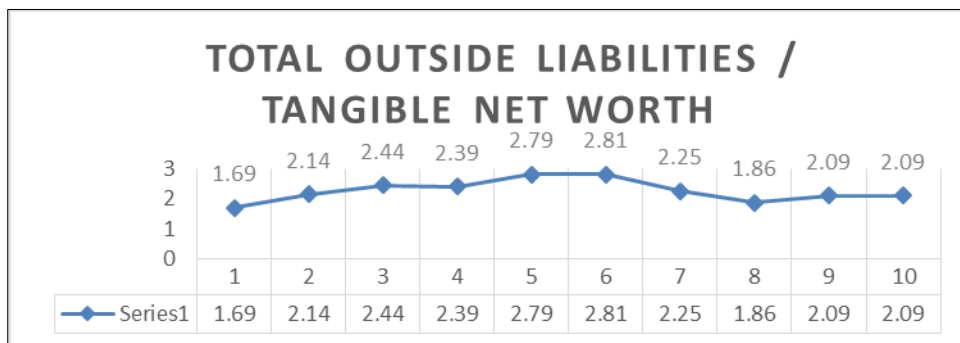


Figure 6 Total Outside Liabilities

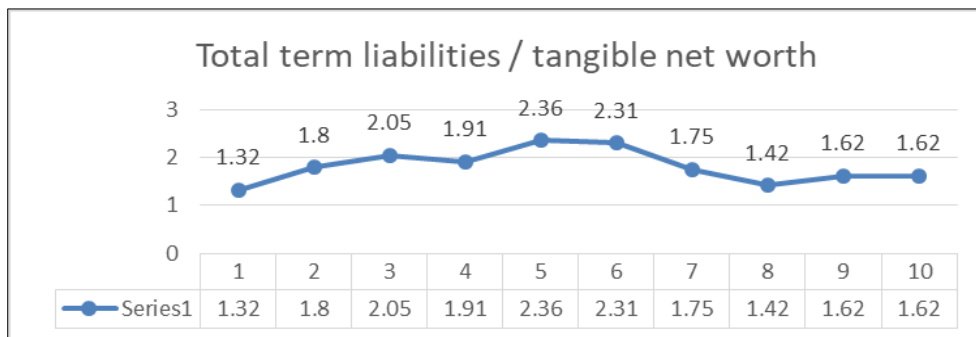


Figure 7 Total term liabilities

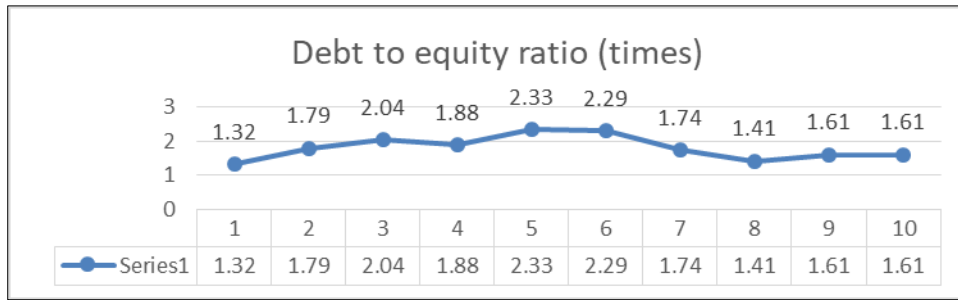


Figure 8 Debt to Equity Ratio

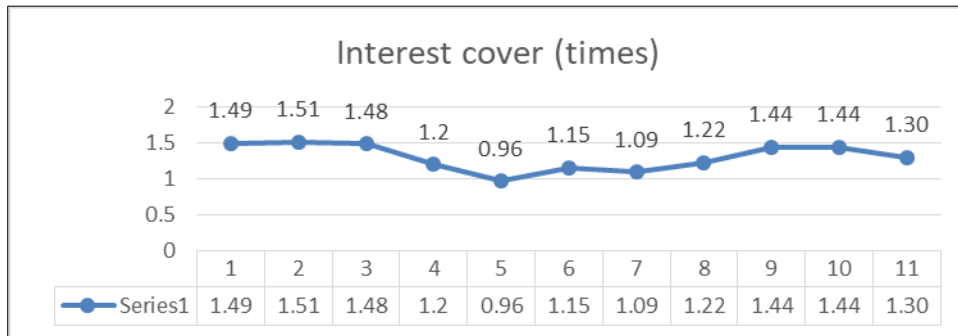


Figure 9 Interest cover times

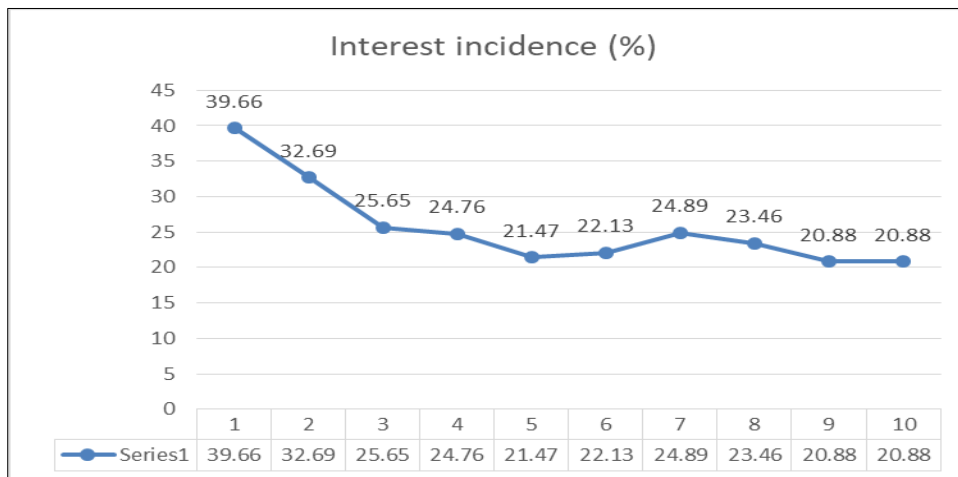


Figure 10 Interest Incidence

3. Suggestions of the study

- Bank should focus on increasing the current assets and decreasing the current liability so as to maintain satisfactory level of current ratio.
- The bank needs to improve the long-term financial position
- The bank should follow the recommendations of financial auditor,
- The bank should take steps to improve its overall efficiency.
- The bank has to reduce its overall debt.
- The Company can invest more in current assets than in working capital.
- The Company can improve the net profit by reducing interest and financial charges.
- The Company has to increase its current asset and improves the short-term financial position and cost of goods sold has be reduced

4. Conclusion

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.

Compliance with ethical standards

Acknowledgments

We are grateful to all those with whom I have had the pleasure to work during this and other related projects its relates to HDFC.

Disclosure of conflict of interest

No competing interests.

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