



# A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF HDFC BANK LTD

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## ABSTRACT

*Financial performance is the process of measuring how effectively a company utilizes its assets from primary mode of business to raise incomes. The study used 5 years of HDFC's secondary data and main objective is to find out the performance ratios of the bank that can be helpful in finding the growth aspects of the bank. The various tools like Return on assets ratio, Interest coverage ratio, and other performance ratios were used for the study. The suggestions reveal bank is generating sufficient income and they are making better profits but efficiency of the bank in generating profits is limited. Finally, Bank is performing well in terms of income and it is satisfactory.*

**KEYWORDS:** Performance ratios, Growth aspects, Income efficiency.

## 1. INTRODUCTION

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of various financial tools in financial performance analysis. Bank plays a crucial role in the development of Indian economy. A sound and an efficient banking system in developing countries provide the necessary financial inputs to the economy. 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.

## 2. STATEMENT OF THE PROBLEM

Banking Facilities are increasing day by day and the studies and researches conducted on these private banks are limited. Before privatization, only public sector banks are there in the country, after privatization, private sector banks started to emerge and some banks are failed due to lack of research

among their problems and no change of trends and also on bad loans. Even then many banks are successfully running in the country. Financial Performance of the bank will be stable, only when banks are maintaining proper Financial Statements. The HDFC Bank offers lot of customer benefits that helps the Bank to attract customers faster. This particular study explains all about financial performance analysis of HDFC Bank with the reference of last five years financial statements and also explains about the findings about expansion of bank, deposits, loan lending and credit expansion for the business and other people.

## 3. OBJECTIVE OF THE STUDY

- To measure HDFC Bank financial results.
- To analyse the financial & Performance analysis of the bank by using different ratios.
- To study and analyse the financial performance of HDFC Ltd for the period of five years from 2015-2016 to 2019-2020.
- To study the growth aspects of HDFC Bank.
- To offer suggestions that are based on the findings of the study.



#### 4. RESEARCH METHODOLOGY

Source of Data	Secondary data
Period of Study	2015-2016 to 2019 – 2020
Framework of analysis	Financial Statements
Tools and Techniques	Ratio analysis

#### 5. STATISTICAL TOOLS

The following statistical tools were applied to analyse the statistical data collected for calculation of financial performance analysis:

- Return on Assets Ratio (%)
- Interest Coverage Ratio (%)
- Ratio of Interest Income to Total Assets (%)
- Ratio of Non-Interest Income to Total Assets (%)
- Ratio of Operating expenses to Total assets (%)
- CASA Ratio (%)
- Net Interest Margin (%)
- Net Profit Margin (%)
- Cost-to-Income Ratio (%)

#### 6. REVIEW OF LITERATURE

**Bangaru Pushpalatha (2020)**, ‘analysed the financial statements of State Bank of India. The objectives are examine the portfolio of assets and liabilities in SBI. Researcher limited the study to 7 years starting from 2011 to 2017. Researcher used

‘T’ test to determine the relative importance of each variable. The study reported SBI have healthier managing and financial efficiency. It also reported people prefer SBI for advance loan schemes.’

**Nandhini Thakur (2020)**, ‘The study is conducted on financial statement analysis of HDFC Bank with the time period of 2013-14 to 2017-18. Tools used in this study was ratio analysis, cash and fund flow analysis trend analysis. 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.’

**Rajendran P (2019)**, ‘analysed the performance of HDFC Bank. Researcher explained about HDFC Bank’s history. Current ratio, cash position ratio, Debt equity ratio and proprietary ratio was good. The study finds that part of working capital of the bank was financed by long term funds. Researcher concluded with result as HDFC Bank was the largest private sector bank in India and its financial performance was strong during the period of study.’

#### 7. TABLE

Year	Return on Assets Ratio (%)	Interest Coverage Ratio (%)	CASA Ratio (%)	Net Interest Ratio (%)	Net Profit Ratio (%)	Cost-to-Income Ratio (%)
2015-16	1.75	4.67	43.26	3.98	20.29	44.24
2016-17	1.71	4.26	48.04	3.95	20.86	43.13
2017-18	1.68	3.84	43.48	3.89	21.76	42.61
2018-19	1.73	4.15	42.36	3.98	21.34	39.34
2019-20	1.72	3.93	42.19	3.80	22.34	38.90

- The Return on Assets Ratio (%) was higher during 2015-16 with the ratio of 1.75 and it is lower with the ratio of 1.68 during 2017-18. The Ratios are almost same in these years and it shows that the efficiency of the Bank is poor when comparing to previous years but it is not affected too much.
- The Interest Coverage Ratio (%) was higher during 2015-16 with the ratio of 4.67 and it is lower with the ratio of 3.93 during 2019-20. The ratio shows that the expenses are

comparatively low every year when it is comparing to assets of the Bank.

- The CASA Ratio (%) was higher during 2016-17 with the ratio of 48.04 and it is lower with the ratio of 42.19 during 2019-20. The ratios are becoming low in the previous years, it depicts deposits are becoming low and the term deposits are becoming high, it shows bank gets low amount of money at lower cost.



- The Net Interest Margin (%) was higher during 2015-16 and 2018-19 with the ratio of 3.98 and it is lower with the ratio of 3.80 during 2019-20. The borrowings of the bank are reduced and the deposits are increased.
- The Net Profit Margin (%) was higher during 2019-20 with the ratio of 22.34 and it is lower with the ratio of 20.29 during 2015-16. The Net Profit was increasing every year and it is also expected to be increased in the future years.
- The Cosy-to-Income Ratio (%) was higher during 2015-16 with the ratio of 44.24 and it is lower with the ratio of 38.90 during 2019-20. As the ratios are decreasing, it depicts profitability of the HDFC Bank is doing good.

## 8. SUGGESTIONS

- The Return on Assets Ratio is becoming lower every year. It shows that bank's management having less efficient in managing the balance sheet in generating profits. So, I suggest the bank to focus on generating profits for the Bank.
- The Ratio of Interest Income to Total Assets was lower in the past years. It shows that Interest Income on loans are reduced when it is compared to the assets of the bank. I suggest the bank to focus more on lending loans to the customers.
- The CASA Ratio is decreasing after 2017-18, the term deposits are high in these years, and current & Savings account deposits are lower when it is compared to the term deposits. So, the bank is paying more interest on the term deposits, it may reduce the profit of the concern. The HDFC Bank has to focus on the customers who made current and savings deposits on the bank.
- The Net Profit Margin is continuously increasing every year, I suggest the Management of HDFC Bank to go on the same way and to improve additional technology factors which make customer more user-friendly and also it helps the bank to remain No.1 Bank by customers in India in the future years also.

## 9. CONCLUSION

The Financial position of the concern can be analysed with the help of the ratios. The study used various key performance banking ratios. 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 some minority issues in managing the deposits and all other aspects are going well. The suggestions relating to solving the minority issues is also given in this study. Finally, The Financial Performance of HDFC Bank from 2015-16 to 2019-20 is satisfactory. This study will be helpful for the researchers to analyse the financial performance of HDFC Bank in the future.

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