A PROJECT REPORT ON

"A COMPREHENSIVE STUDY ON FUNCTION OF HDFC BANK"

"A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Accounting and Finance)

Under the Faculty of Commerce

By

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T.Y.B.A.F(SEMESTER-VI)

PRN NO: 2021016401606036

Under the Guidance of

'ASST. PROF. DR. KISHOR CHAUHAN'

JYAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce
Diwali Maa College of Science
Amritlal Raichand Mehta College of Arts
Dr. R.T. Doshi College of Computer Science
NAAC Re-Accredited Grade 'A+' (CGPA: 3.31) (3rd Cycle)
Sector – 19, Airoli, Navi Mumbai, Maharashtra 400708

FEBRUARY, 2024

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CERTIFICATE

This is to certify that Ms. Shrutika Chandrakant Shete, has worked and duly completed his project work for the Degree of Bachelor in Commerce (accounting and finance) under the faculty of commerce in the subject of **Management control** and her project is entitled, **A COMPREHENSIVE STUDY ON FUNCTION OF HDFC BANK,** under my supervision

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and facts reported by her personal findings and investigations.

Guiding Teacher

ASST.PROF.DR. KISHOR CHAUHAN.

Date of submission:

DECLARATION

I the undersigned **MS. SHRUTIKA CHANDRAKANT SHETE** hereby, declare that the work embodied in this project work titled **"A COMPREHENSIVE STUDY ON FUNCTION OF HDFC BANK"**, forms My contribution to the research work carried out by me under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my research work and has been previously submitted to any other University for any other Degree/ Diploma to this or any other University. Wherever reference has been made to previous works of others, it has been indicated as such and included in the bibliography.

I, hereby further declare that all information in this document has been obtained and presented by academic rules and ethical conduct.

SHRUTIKA CHANDRAKANT SHETE

Certified by

ASST. PROF. DR. KISHOR CHAUHAN.

ACKNOWLEDGEMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

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CHAPTER - 1
INTRODUCTION

INTRODUCTION

This was done as part of RBI’s policy for liberalisation of the Indian banking industry in 1994.

HDFC Bank was incorporated in August 1994 in the name of HDFC Bank Limited, with its registered office in Mumbai, India. The bank commenced operations as a Scheduled Commercial Bank in January 1995.

HDFC Bank Limited (also known as HDB) is an Indian banking and financial services company headquartered in Mumbai. It is India's largest private sector bank byassets and the world's 10th-largest bank by market capitalisation as of April 2021.

As of 30 June 2022, the bank's distribution network was at 6,378 branches across 3,203 cities. It has installed 430,000 POS terminals and issued 23,570,000 debit cards and 12 million credit cards in the Financial Year 2017. It has a base of 1,52,511 permanent employees as of 30 June 2022.

<u>Capital Structure</u>

As of 31 - December 2020, the authorized share capital of the Bank is Rs. 650 crores. The paid-up share capital of the Bank as on the said date is Rs 550,76,56,932 comprising of 550,76,56,932 equity shares of the face value of Rs. 1/- each. The HDFC Group holds 21.15 % of the Bank's equity and about 18.67 % of the equity is held by the ADS Depositories. 32.01 % of the equity is held by Foreign Institutional Investors (FIIs) and the Bank has 13,49,591 shareholders.

The shares are listed on the BSE Limited and The National Stock Exchange of India Limited. The Bank's American Depository Shares (ADS) are listed on the New York Stock Exchange (NYSE) with the symbol 'HDB'.

ABSTRACT

This study has been carried out to evaluate the financial performance of HDFC Bank. HDFC was amongst the first to receive an ‘in principle’ approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. The bank at present has an enviable network of over 4,805 branches spread over cities across India. All branches are linked on an online real-time basis.
Customers in over 500 locations are also serviced through telephone banking. The bank also has a network of about over 12,860 networked ATMs 2,657 across cities and towns. HDFC Bank provides many products and services including wholesale banking and retail banking, treasury, auto loans, two-wheeler loans, personal loans, loans against property, consumer durable loans, lifestyle loans,
credit cards and various digital products. The financial performance of above-mentioned bank has been evaluated for the past five years i.e.2015, 2016, 2017, 2018 and 2019. The data analysed by ratio analysis such as current ratio, cash position ratio, fixed assets ratio, debt-equity ratio and proprietary ratio give interpretation to each ratio. To conclude this article the financial soundness of the bank is satisfactory during the study period.

Keywords: Ratio Analysis HDFC Bank Ltd financial performance Ratios

HDFC BANK

Type: Public Traded as
NSE: HDFC BANK
BSE: 500180
NYSE: HDB BSE SENSEX
ISIN: INE040A01034
Industry: Financial services
Founded: August 1994 (28 years ago)
Headquarters: Mumbai, Maharashtra, India Area Served India Key People

Atanu Chakraborty (Chairman)
Sashidhar Jagdishan (CEO)

Revenue: ₹167,695 crore (US$21 billion) (2022)
Operating income: ₹68,798 crore (US$8.6 billion)
Net income: ₹38,151 crore (US$4.8 billion) (2022)
Total assets: ₹2,122,934 crore (US$270 billion) (2022)
Total equity: ₹246,771 crore (US$31 billion) (2022)
Owner: Housing Development Finance Corporation (25.7%)
Number of employees: 1,41,579 (2022)
Subsidiaries: HDFC Securities HDB Financial Services

Products: Credit cards, Consumer banking, Commercial banking, Finance and insurance, Investment banking, Mortgage loans, Private banking, Private Equity, Wealth management

Website: www.hdfcbank.com

CHAIRMAN

Mr. Atanu Chakraborty, (Chairman)

Mr. Atanu Chakraborty served the Government of India, for a period of thirty- five (35) years, as a member of Indian Administrative Service (IAS) in Gujarat cadre. He has mainly worked in areas of Finance and Economic Policy, Infrastructure, Petroleum and Natural Gas. In the Union Government, he held various posts such as Secretary to Government of India in the Ministry of Finance (Dept. of Economic Affairs) during 2019-20. As Secretary (DEA), he coordinated economic policy making for all ministries/departments and managed entire process of formulation of Budget making for Union of India, including its passage in Parliament. He was responsible for fiscal management policies, policies for public debt management and development and management of financial markets. Mr. Chakraborty also handled financial stability and currency, domestic and foreign related issues as well. He managed flow of funds with multilateral and bilateral financial institutions and had multiple interfaces with them. He also headed a multi-disciplinary task force that produced the National Infrastructure Pipeline (NIP). He has also served as Secretary to the Union Government for Disinvestment (DIPAM) wherein he was responsible for both policy as well as execution of the process of disinvestment of Government of India’s stake in state owned enterprises.

MANAGING DIRECTOR AND CEO

Mr. Sashidhar Jagdishan, (Managing Director and CEO)

Mr. Sashidhar Jagdishan is the Managing Director and Chief Executive Officer (CEO) on the Board of the Bank.

Mr Sashidhar Jagdishan will take charge as the chief executive officer (CEO) of HDFC Bank from 27 October. The Reserve Bank of India on 4 August approved the appointment of Sashidhar Jagdishan as managing director and chief executive officer of HDFC Bank for three years. Sashidhar Jagdishan will replace India's longest-serving CEO Aditya Puri.

Mr. Sashidhar Jagdishan joined the Bank in the year 1996 as a Manager in the Finance function. He became Business Head of finance in 1999 and was appointed as Chief Financial Officer in the year 2008. Sashidhar has played a critical role in supporting the growth trajectory of the Bank. He has led the finance function and played a pivotal role in aligning the organization in achieving the strategic objectives over the years. Prior to his appointment as Managing Director and CEO of the Bank, he was the Strategic Change Agent of the Bank in addition to overseeing the functions of Finance, Human Resources, Legal and Secretarial, Administration, Infrastructure, Corporate Communications and Corporate Social Responsibility.

Sashi has an overall experience of 30 years. He has completed his graduation in science with a specialization in Physics, he is a Chartered Accountant by profession and also holds a Master's degree in Economics of Money, Banking and Finance from the University of Sheffield, UK .

Mr. Sashidhar Jagdishan is a member of the following Committees of the Board of the Bank

- Risk Policy and Monitoring Committee (Member)
- Fraud Monitoring Committee (Member)
- Customer Service Committee (Member)
- Review Committee for Willful Defaulter's Identification (Chairperson)
- Review Committee for Non-Cooperative Borrowers (Chairperson)

KEY EXECUTIVE

Management

Name	Designation
Anjani Rathod	Chief Digital Officer
Arup Rakshit	Group Head
Arvind Kapil	Group Head
Arvind Vohra	Group Head
Ashima Bhat	Group Head
Ashish Parthasarthy	Group Head
Atanu Chakraborty	Part-Time Chairman and Independent Director
Benjamin Frank	Group Head
Bhavesh Zaveri	Group Head
Chakrapani Venkatachari	Group Head
Jimmy Tata	Chief Credit Officer
Kaizad Bharucha	Executive Director
Lily Vadera	Independent Director
M D Ranganath	Independent Director
Malay Patel	Independent Director
Nirav Shah	Group Head
Parag Rao	Group Head
Rahul Shukla	Group Head
Rakesh Singh	Group Head
Ramesh Lakshaminarayanan	Chief Information Officer
Raveesh Bhatia	Group Head
Renu Karnad	Non-Executive Director
S Sampath Kumar	Group Head
Sandeep Parekh	Independent Director
Sanjiv Sachar	Independent Director
Santosh Haldankar	Senior VP (Legal) and Co, Secretary
Sashidhar Jagdishan	Managing Director and CEO
Smita Bhagat	Group Head
Srinivasan Vaidyanathan	Chief Financial Officer
Sunita Maheshwari	Independent Director
Umesh Chandra Sarangi	Independent Director
Vinay Razdan	Chief Human Resource Officer

MISSION, VISION AND CORE VALUE OF HDFC BANK

Mission

Attracting Deposits and Developing them, in order to achieve the best financial return for shareholders and depositors. Expanding Banking activities to include new sectors and economic activities, such as agriculture, industry, trade and services. Provide financing for investors. Provide security for depositors.

Vision

"To be the premier financial partner in ensuring sustainable housing and living standards." Committed to provide financial solutions for sustainable living and assist entrepreneurs in value addition.

Core values

HDFC Bank's business philosophy is based on five core values:

1. Operational Excellence
2. Customer Focus
3. Product Leadership
4. People
5. Sustainability

HISTORY

HDFC Bank was incorporated in 1994 as a subsidiary of the Housing Development Finance Corporation, with its registered office in Mumbai, Maharashtra, India. Its first corporate office and a full-service branch at Sandoz House, Worli were inaugurated by the then Union Finance Minister, Manmohan Singh.

HDFC Bank Limited is a publicly held banking company engaged in providing a range of banking and financial services including retail banking wholesale banking and treasury operations.
Headquartered in Mumbai HDFC Bank is a new-generation private sector bank providing a wide range of banking services covering commercial and investment banking on the wholesale side and transactional/branch banking on the retail side. The Bank has 4 overseas wholesale banking branches in Bahrain a branch in Hong Kong and 2 representative offices in UAE and Kenya. The Bank has two subsidiary companies HDFC Securities Limited (HSL) and HDB Financial Services Limited (HDBFSL).
The Bank's ATM network can be accessed by all domestic and international Visa/MasterCard Visa Electron/Maestro Plus/Cirrus and American Depository Shares (ADS) are listed on the New York Stock Exchange (NYSE) and the Bank's Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange.

<u>HDFC Bank, AR Rahman & Prasoon Joshi present #HumHaarNahiMaanenge song of hope</u>

HDFC Bank has released“#HumHaar Nahi Maanenge (we will not give up)”, a collaborative song of hope. The single is a tribute to the indomitable spirit of India and millions of Indians who are standing together to fight the COVID-19 pandemic.

The song is composed by Oscar and Grammy Award-winning musician A.R. Rahman, and the lyrics are penned by noted lyricist and poet, Prasoon Joshi. The track also brings together an ensemble of musicians from all over India. The featured artists include renowned names such as Clinton Cerejo, Mohit Chauhan, Harsh Deep Kaur, Mika Singh, Jonita Gandhi, Neeti Mohan, Javed Ali, Sid Sriram, Shruti Hassan, Shashaa Tirupati, Khatija Rahman and Abhay Jodhpurkar. India's premier percussionist Sivamani, sitarist Asad Khan and bass prodigy Mohini Dey are also part of this esteemed project. The song was conceptualized as a clarion call to spread hope, positivity and motivation. The powerful, emotional track reminds people that we are in this together and we will get through it together. The song brings to fore the many moments of kindness, hope, support, courage and care that are shining through in these challenging circumstances. Through this track, HDFC Bank wants to show its solidarity and support to the nation by encouraging more and more people to donate to PM-CARES Fund. Every donation makes a difference and the bank appeals to one and all to contribute. It will also contribute Rs 500/- each time the song is shared via social media as this small action will have a multiplier effect on the amount that is being contributed towards the PM- CARES Fund from HDFC Bank. Earlier this month, HDFC Group contributed Rs 150 crore towards the PM-CARES Fund.

“As a socially responsible corporate citizen we want to do the best that we can for our nation,” said Ravi Santhanam, Chief Marketing Officer, HDFC Bank. “Music is universal; it lifts the spirit and soothes the soul. Through this tribute, we want to
touch the heart of every person in the country and let them know that they are not alone. Together, we will emerge stronger. Right now, every contribution bolsters the nation’s effort to fight the pandemic. We salute the undying spirit of our countrymen and reiterate our commitment to help and support to defeat COVID- 19.”

“It’s always great to collaborate with A.R. Rahman. We have created several memorable pieces of work. And I am glad that HDFC Bank is partnering us in these unprecedented times.
Though this is not the most ideal of circumstances for creativity, as artists we have to break through adversity and catch the finger of hope. My poem is centred around the thought of the un-putdownable spirit of us humans. We have much to learn, but together we will surmount the odds, we won’t give up,” said lyricist Prasoon Joshi.
Together with HDFC Bank, this campaign has been conceptualised and executed by their creative agency partner Kinnect and digital media firm Qyuki.

SERVICES OF HDFC BANK

- Wholesale banking : Wholesale banking is the provision of services by banks to larger customers or organizations such as mortgage brokers, large corporate clients, mid- sized companies, real estate developers and investors, international trade finance businesses, institutional customers (such as pension funds and government entities/agencies), and services offered to other banks or other financial institutions.

- Retail banking : Retail banking, also known as consumer banking or personal banking, is the provision of services by a bank to the general public, rather than to companies, corporations or other banks, which are often described as wholesale banking. Banking services which are regarded as retail include provision of savings and transactional account, mortgages, personalloans, debit cards and credit cards. Retail banking is also distinguished from investment banking or commercial banking. It may also refer to a division or department of a bank which deals with individual customers.

  Personal loan: A personal loan is a loan which can be taken to meet unspecified financial needs. Today personal loan segement has diverted into many specialized loans. It can be taken for various purposes such as a wedding, travelling, paying education fees, medical emergencies or any undefined reason etc. The interest paid on the personal loan is in most cases higher than payable on secured loans.

- Credit card: A credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's accrued debt (i.e., promise to the card issuer to pay them for the amounts plus the other agreed charges). The card issuer (usually a bank or credit union) creates a revolving account and grants a line of credit to the cardholder, from which the cardholder can borrow money for payment to a merchant or as a cash advance. There are two credit card groups: consumer credit cards and business credit cards. Most cards are plastic, but some are metal cards (stainless steel, gold, palladium, titanium), and a few gemstone-encrusted metal cards.

- Student Loans : This common type of debt is considered unsecured in many countries, because the loan is usually taken by a student (usually from a graduate or ungraduated level) or the student’s parent / legal guardian to pay tuition fees for the student. The borrower is usually expected to pay back the loan after completion of the course and securing a job. Due to the obvious uncertainty of the student to be able to find a job after completion of the course (or at times, even finish it), lenders have very strict criteria for this product. The loan is only given after the lender assesses the student's academic record, the type of course the student is wishing to pursue and the quality of the university / institute where the student has secured admission for the aforementioned course, in addition to other standard criteria such as the guarantor’s credit history, bank account statements, assets and holdings, etc. However, in rare cases, the borrower (usually a parent / legal guardian) of the student can pledge assets against the loan, thereby making it a secured loan. In recent times, a lot of salaried professionals also take loans to complete part time courses or certifications. In such cases however, the loan is not considered to be a student loan it is simply categorized as a general personal loan.

INVESTMENTS

In March 2020, Housing Development Finance Corporation, parent company of HDFC Bank, invested ₹1,000 crores in Yes Bank. As per the scheme of reconstruction of Yes Bank, 75% of the total investment by the corporation would be locked in for three years. On 14 March, Yes Bank allotted 100 crore shares of the face value of ₹2 each for consideration of ₹10 per share (including ₹8 premium) to the Corporation aggregating to 7.97 percent of the post issue equity share capital of Yes Bank.

At HDFC Bank we are helping to transform lives of millions of Indians through our social initiatives. These initiatives come under the umbrella of 'Parivartan' and they aim to contribute towards the economic and social development of the country by sustainably empowering its communities.

Parivartan has been a catalyst in making a difference in the lives of people through its interventions in the areas of rural development, education, skill development and livelihood enhancement, healthcare & hygiene and financial literacy. With a lot already done, the bank continues to bring about the change keeping with its philosophy of Sustainability and Innovation.

ZERO INVESTMENT INNOVATION FOR EDUCATION INITIATIVE (ZIIEI)

ZIIEI (Zero Investment Innovation for Education Initiative) is an action-oriented initiative that aims to improve the education system at zero or minimal cost. With HDFC Bank Parivartan as its principal sponsor, ZIIEI is the world's largest people-driven grassroots innovation movement.

Rupantar, a multi-dimensional programme under the initiative provides a platform for the government, corporates, NGOs and teachers to come together for the sole purpose of improving the quality of education in government schools. Uttar Pradesh is the first state to implement this program. The program has successfully improved the quality of education in government schools across 75 districts of the state and is currently being implemented in 11 other states and 1 union territory in the country. ZIIEI aspires to continue to transform the education system in India for generations to come.

Corporate Social Responsibility (CSR) Policy

1. CONCEPT AND VISION

The concept of Corporate Social Responsibility has gained prominence from all avenues. CSR covers the entire process by which an organization approaches, defines and develops its relationship with stakeholders for the common good and demonstrates its commitment in this regard by adoption of appropriate strategies and projects. Thus, CSR is going beyond business as usual thereby creating shared value and contributing to social and environmental good.

As a responsible Corporate Citizen, the Company strives for community empowerment through the socio-economic development of under privileged and marginalized sections of society. It's been the Company's endeavour to put more value on bringing social good, which is beneficial to the society and thusmaking a difference in the livelihood of the people.

In this regard, the Company has made this policy which encompasses the Company's philosophy for delineating its responsibility as a Corporate Citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large titled as the "Corporate Social Responsibility (CSR) Policy" pursuant to the Companies Act, 2013 and the rules made thereunder. The Board may upon recommendation of the CSR Committee, amend and/or modify this CSR Policy as and when necessary.

2. DEFINITIONS

"Act" means the Companies Act, 2013
"Board" means the collective body of the Directors of the Company
"Corporate Social Responsibility (CSR)" means and includes but is not limited to –
(i) Projects or programs relating to activities specified in Schedule VII to the Act; or

(ii) Projects or programs relating to the activities approved by the Board in pursuance of the recommendations of the CSR Committee covering subjects enumerated in Schedule VII of the Act.
"CSR Committee" means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Act.

"Company" means HDFC Securities Limited

"Net Profit" means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:-

(i) any profit arising from any overseas branch or branches of the Company whether operated as a separate company or otherwise; and
(ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act.

Provided that net profit in respect of the financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956 shall not be required to be re-calculated in accordance with the provisions of the Act.

Words and expressions used in this policy and not defined herein but defined under the Act shall have the meanings respectively assigned to them therein.

3. CONSTITUTION, COMPOSITION AND SCOPE OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)

(a) Constitution and composition of the CSR Committee

The CSR initiatives/activities of the Company will be identified and initiated by the CSR Committee comprising of 3(three) or more Directors out of which at least one Director shall be an Independent Director.

The members of the CSR Committee shall elect one of them as the

Chairman of the Committee. The CSR Committee shall recommend to the Board the amount of expenditure to be incurred by the Company on CSR activities and the Board will ensure that the activities as are included in the CSR Policy are undertaken by the Company subject to and in accordance with the provisions of Section 135 of the Act.

Though the overall supervision, monitoring, guidance will be provided by the CSR Committee, the actual implementation of various initiatives will be broad-based with the involvement of various employees/units of the Company or through implementing agencies like NGOs, Trusts, Section 8 companies or through collaborative projects with other corporates.

The composition of the CSR Committee shall be disclosed in the Board's report.

(b) Scope of the CSR Committee

The CSR Committee shall

(I) formulate and recommend to the Board, the CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII

(ii) recommend the amount of expenditure to be incurred on the activities referred to in the CSR Policy

(iii) monitor the CSR Policy from time to time.

4. <u>AMOUNT OF EXPENDITURE TO BE INCURRED ON THE CSR ACTIVITIES:</u>

• The Company will endeavour to spend the following amounts for CSR activities in pursuance of this Policy

• In every financial year, at least 2(two) per cent of the "average net profits" of the company made during the 3(three) immediately preceding fincial years.

The "average net profits" shall be calculated by the provisions of section 198 of the Act.

i) any income or surplus arising out of the CSR activities.

- Amount spent on CSR activities shall include all expenditure including contribution to corpus for projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but will not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Companies Act, 2013.

- Any surplus arising out of the CSR activity will not be part of the business profits of the Company.

- The CSR Committee will approve the expenditure on CSR activities within the monetary limits sanctioned by the Board for such activities.

5. MONITORING OF THE CSR POLICY

The CSR Committee will periodically monitor the implementation of the projects/programs/activities under the CSR Policy and report the progress of CSR initiatives and activities to the Board on a periodic basis.

The CSR Committee shall also furnish a responsibility statement to the Board that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

6. ROLE OF THE BOARD

The role and responsibility of the Board shall include:

- Approval of the CSR Policy after taking into account the recommendation of the CSR Committee and display the contents of the Policy on the company's website www.hdfcsec.com in the manner prescribed under the Companies Act, 2013.
- Reporting in the Board's report brief outline of the CSR Policy including

overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs, the composition of the CSR

Committee, average net profit of the Company for the last 3 (three) financial years, prescribed capital expenditure and details of the CSR spent during the financial year as prescribed by the Companies Act, 2013 and the rules framed thereunder.

Ensure that the CSR projects/ programs/activities are undertaken and executed by the Company as per the CSR Policy and give reasons, in case the spend on CRS activities/projects/programs is less than 2(two) per cent of the average net profit of the last 3(three) financial years, in its Board report.

LISTINGS AND SHAREHOLDING

The Equity Share of HDFC Bank are listed on the Bombay Stock Exchange and the National Stock Exchange of India. Its American Depositary Receipts are listed on the NYSE issued thought JP Morgan Chase Bank.

Its global depositary receipts (GDRs) were listed on the Luxembourg Stock Exchange but was terminated by board of directors following its low trading volume.

Shareholders (as of 30 September 2023)	Shareholding
Promoter group (HDFC)	25.88%
Foreign institutional investor (FII)	52.13%
Individual shareholders	13.66%
Qualified institutional buyer	4.74%

Insurance companies	2.94%
Unit Trust of India/mutual funds	14.57%
Financial institutions/banks	0.4%
Central government	0.6%

KEY FEATURES OF HDFC BANK CAR LOAN

Some of the notable features offered by HDFC Bank Car Loan have been mentioned below:

- Offers up to 100% on-road finance.
- Budget-friendly monthly payment.
- Quick loan disbursement.
- Provides optional health cover.
- Minimal paper work.

HDFC Car Loan Details

HDFC Car Loan Interest Rate (New Car)	8.75% onwards
Maximum Loan Amount	Up to Rs.3 crore

HDFC Bank Car Loan-Fees and Charges

Fees and Charges

Processing Fees	Rs.5,000 to Rs.10,000
Foreclosure Charges	➢ No foreclosure is levied within 6 months. ➢ Before 1 year from 7th EMI - 6% of principal outstanding ➢ Within 13 months to 24 months from 1st EMI - 5% of principal outstanding ➢ After 24 months from 1st EMI - 3% of principal outstanding
Documentation Charges	Rs.700 per case
Part-payment Charges	➢ Within 13 months to 24 months from 1st EMI - 5% on the part-payment amount ➢ After 24 months from 1st EMI - 3% on the part-payment amount
Overdue EMI Interest	2% per month
Cheque Swapping Charges	Rs.500 per instance
Loan Rebooking/reschedule charges	Rs.1,000

Duplicate no-due certificate/no-objection certificate	Rs.500 per instance
Cheque/ECS/SI Return Charges	Rs.550 per instance
Collateral Charges	Rs.600 per case

HDFC Bank Car Loan - Eligibility Criteria

Salaried Individuals

- Aged between 21 years and 60 years
- Employed for a minimum of 2 years with at least 1 year with the current employer
- Earn at least Rs.3 lakh p.a.
- Have a telephone/post-paid mobile

Self-Employed Individuals (Sole Proprietorship)

- Should be in the business of trading, manufacturing, or services
- Aged between 21 years and 65 years
- Should have been in business for at least 2 years.
- Have an annual income of at least Rs.3 lakh

Self-Employed Individuals (Partnership Firms)

- Self-employed partners in the manufacturing, trading or services business
- Should have a turnover of at least Rs.3 lakh p.a.

Self-Employed Individuals (Private Limited Companies)

- Owners of private companies in the manufacturing, trading or services business
- Should have a minimum annual income of Rs.3 lakh

Self-Employed Individuals (Public Limited Companies)

- Directors in public limited firms in the manufacturing, trading or services business
- Have earnings of at least Rs.3 lakh p.a.

Subsidiaries

1.HDFC Securities:

HDFC Securities Limited is a financial service Limited is a financial services intermediary and a subsidiary of HDFC Bank, a private sector bank in India. HDFC Securities was founded in the year 2000 and is headquartered in Mumbai with its branches across major cities and towns in India.

Products and services:

• Equities: Investment in stocks of listed companies.

• Mutual funds: Investment in mutual funds including equity, hybrid, tax saving or debt schemes from asset management companies.

• SIPs: Systematic investment plan that allows automated investments.

• IPOs: Investment in initial public offerings (IPO). • Derivatives: Hedge or speculate on the price movement of stocks or index through its derivative products.

• Bonds, NCDs and Corporate FDs: Investment in fixed income instruments such as bonds, NCDs and Corporate FDs.

1. HDFC ERGO General Insurance company:

HDFC ERGO is a 51:49 joint venture firm between HDFC International AG, one of the insurance entities of the Munich Re Group in Germany operating in the insurance field under the BFSI sectors. The company offers products in the retail, corporate and rural sectors. The retail sector products are health, motor, travel, home, personal accident and cybersecurity 7 policy. Corporate products include liability, marine and poverty insurance. The rural sector caters thefarmers with crop insurance and cattle insurance.

2. HDFC Financial Services Limited:

HDFC Financial Services, a subsidiary company of HDFC Bank, is one of the biggest Nonbanking Financial Company (NBFC) in our country who provides a variety of loans and finance to the people. It is known for providing various easy financial services and loans to their customers such as:

- Personal loan
- Doctor loan
- New to Credit loan
- Gold loan
- Car loan
- Loan against property
- Loan against insurance policies
- Two-wheeler loans and many more

3. Next Gen Publishing:

Next Gen Publishing Ltd was incorporated in October 2004 and commercial operations from January 2005 with the promise of offering the finest in the field of publishing. It is a publishing company created by its parent companies Forbes Group, a subsidiary of Shapoorji Pallonji Group and HDFC Bank. Its services include the following:

- Print Magazines
- Awards properties
- Digital Publishing

Statement of Problem

The statement of problem is based on finance and aims to analyse the financial performance of the HDFC bank for the past 5 years. Financial performance analysis enables the outsiders and investors to evaluate the past and current performance and financial position and to predict future performance. The study is conducted to know whether the financial performance in the organisation is sound or not with the help of last five years financial statements.

Objective of the study

- To analyse the financial performance of HDFC bank for the five years from 2016-2017 to 2020-2021
- To examine the liquidity and solvency position of the bank
- To examine the profitability position of the bank

Research Design

Nature of the study

Study is analytical in nature, meaning that it deals primarily with secondary data collected from the HDFC Bank’s financial statements over the last five years.

Nature of Data

The data used is secondary in nature. Secondary data are those data which have already been collected and stored.

Sources of data

Secondary data had been collected from annual report published by the Bank. These annual reports had been downloaded from the official website of the company.

Period of Study

The study on financial performance of HDFC BANK Ltd is confined to a period of five years from 2016-2017to 2020-2021. It took 3 weeks to collect the data and come to a conclusion on the study.

Sample Design

Sample used in this study is HDFC BANK Ltd. Company is randomly chosen.

Tools for analysis

- Ratio analysis
- Comparative Balance sheet

Limitations of the Study

- The study takes into account only a limited period of five years.
- It considers only monetary aspects. Non-monetary aspects like human behaviour, their relationships, etc. are not considered.
- The study possesses the limitations of secondary data i.e., Annual reports of the bank taken from the official website.

CHAPTER – 2
REVIEW OF LITERATURE

Review of Literature

Review of literature aims to summarize major studies that have been published on the topic. It provides theoretical knowledge on the selected topic.

Empirical Literature

Empirical literature deals with past research studies which includes facts and figures identified through various experiments.

1. (Dr K Sreenivas, L Saroja 2013) :

Entitled a comparative study of financial performance of HDFC Bank and ICICI Bank. Study revels there is no significance difference in the performance of HDFC Bank and ICICI Bank, but they conclude that HDFC Bank financial performance is slightly shows an increase in compared with ICICI Bank.

2. (Dr B Sudha, P Rajendran 2019) :

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 conclude that overall financial performance of Axis Bank is less compared the HDFC Bank.

3. (A Jaiswal, C Jain 2016) :

Conducted a comparative study of financial performance of SBI & ICICI Bank in India. This study evaluates the financial performance of Indian Banks with help of CAMEL MODEL. The result of the study clarifies that the financial performance of SBI is little bit more than ICICI Bank and also market position is high, but in other terms ICICI Bank is performing well in terms of NPA.

(Nandini Thakur 2020): Conducted a study on the financial statement analysis of HDFC Bank. The study is conducted over the past Five years (2015-2019). The study conclude that financial performance of the bank was strong during the period of the study.

4. (Dr R Malini, Dr A Meharaj Banu 2019) :

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.

5. (Mabwe Kumbirai, Robert Webb 2010) :

This Study Investigate performance of commercial bank in South Africa for the period 2005 to 2009.This study reveals that the performance of the bank is better in the first two years but later its performance fall is noticed due to the global financial crisis in 2007.The study conclude that the performance and profitability is falling down.

6. (Dr. Gagandeep Sharma, Dr. Divya Sharma 2017) :

Analysed the financial performance of top three Indian Private sector bank. Their aim was to study the ratio of profitability of top three private sector bank (HDFC, ICICI, AXIS). The study finalizes that HDFC bank is found to be consistent.

7. (Dr B Sudha, P Rajendran 2019) :

Analysed the financial performance of HDFC Bank with the period of 2015 to 2019.The data was analysed by using ratio analysis. The study implies that the performance of bank satisfactory.

8. (Dr. Seema Pandit, Jash Gandhi2021) :

Study compares the performance of SBI and HDFC Bank by applying CAMEL Model. The results shows that the SBI Bank performed well on the parameters of Capital Adequacy, Asset Quality and Management whereas HDFC Bank performed well on the parameters of liquidity.

9. (Pawan, Gorav 2016):

The study entitled to compare financial health ICICI Bank and Axis Bank. Objective of the study was to measure and compare financial performance of Axis an ICICI Bank. The study concludes that the performance of Axis Banak is better compare to ICICI Bank.

10. (Priyanka Jha 2018):

A study Examined the financial performance of public sector bank (PNB) and private sector bank (ICICI Bank) in India. Objective of study was to compare financial performance of both banks. Study concludes that ICICI bank Performed better PNB in comparison.

11. (Dr Mukund Sharma 2014):

Conducted a study to investigate financial performance of Indian public and private sector bank based on CAMEL FRAME WORK. The study stated that private banks are better than public sector banks.

12. (Sanjib Kumar Pakira 2016):

Examines his research growth performance analysis a comparative study between SBI and HDFC Bank Limited. His objective was to analysis the growth rate in SBI and HDFC Bank limited as both the banks are giant banks in public and private sector. In this research work the researcher found that HDFC Bank has performed much better than the SBI Bank

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22.(Dr Ahmed Arif Almazari 2012):

This study attempts basically to measure the financial performance of the Jordanian Arab commercial bank for the period 2000-2009 by using the DuPont system of financial analysis which is based on analysis of return on equity model. Arab bank had less financial leverage in the recent years, which means the bank is relying less on debt to finance its assets.

23.(Befekadu B. Kereta 2007):

This study examines that the industry’s outreach rises in the period from 2003 to 2008 but the MFIs reach the very poor. The study finds that the MFIs are operational sustainable and also financially sustainable.

24. (Amirul Islam 2014):

This study investigates the financial performance of National Bank Limited with in the period 2008 to 2013.This study also determine specific areas for bank to work to attain sustainable growth.

25. (Shweta Yadav, Jonghag Jang 2021):

The objective of the study is to investigate the impact on the financial performance of HDFC Bank before and after the merger by CAMEL Analysis. The period of the study includes five-year prior merger (2003-2008) and five year of post-merger period (2009-2014). The study states that the performance of HDFC Bank is increased after the merger.

26.(Dr. Anurag. B. Singh, MS. Priyanka Tandon 2012):

This study examines the financial performance of SBI and ICICI Bank with in the period 2007-2008 to2011-2012. The study concludes that the SBI is performing well than ICICI Bank but in terms of deposits and expenditure ICICI Bank is better than SBI.

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31. (Vijay Hemant Sonaje, Dr Shriram S. Nerlekar2017):

This study analyses the performance of COMMERCIAL Bank in India during the period 2013 to 2017 using the CAMEL approach. The study reveals that the KOTAK and HDFC perform better than SBI and PNB.

32. (Ch. Balaji, Dr. G. Praveen Kumar2016):

The study analyses the financial performance of selected public and private sector banks in India. The study covers a p. period of five years (2011-2012 to 2015-2016). The study conclude that the public sector banks must redefine their strategies by considering their strength and weakness.

CHAPTER – 3
THEORETICAL FRAMEWORK

3.1 INTRODUCTION

This chapter shows relevant concepts and theories related with the study and frames a relationship between them.

Meaning of Finance

Business concern needs finance to meet their requirements in the economic world. Any kind of business activity depends on finance. Hence, it is called as lifeblood of business organization. Whether the business concerns are small or big, they need finance to fulfil their business activities. In the modern world, all the activities are concerned with economic activities and very particular to earning profit through any venture or activities. The entire business activities are directly related with making profit. A business concern needs finance to meet all the requirements. Hence finance may be called as capital, investment, fund etc, but each item is having different meanings and unique characters. Increasing the profit is the main aim of any kind of economic activity.

Financial Analysis

Financial analysis is the process of Identifying the strength and weakness of the company with the help of accounting information provided by the financial statements of profit and loss account and balance sheet. It is a process of evaluation of relationship between components part of financial statement to obtain better understandingof firm position and performance.

Tools of financial analysis

A Number of techniques or devices are used to undertake financial analysis. The fundamental objective of analytical method is to simply the data into understandable terms. The following are the important tools of financial analysis.

- Comparative statement
- Common Size statement
- Trend Analysis
- Ratio Analysis
- Fund Flow Analysis
- Cash Flow Analysis

Comparative Statement

Comparative statement is those statement which is used to study financial position for two or more periods. It is also Called as horizontal financial analysis.

Types of Comparative Statement 1

Comparative Balance sheet

2 Comparative Profit and Loss Account

Comparative Balance Sheet

It shows the account of current assets and current liability on different dates and also shows the increase and decrease in these accounts.

Comparative Profit and Loss Account

It shows the operational results and progress of business in a given period of time.

Common Size Statement

Common size statement is another technique of financial analysis. Common size financial statement is those statement in which terms are converted into percentages taking some common base. These statements are also called 100 percent statement or common percentage. Common size statement includes common size balance sheet and common size profit and loss account.

Ratio Analysis

The term accounting ratios is used to describe significant relationship between figures shown on balance sheet, in a profit and loss account, in a budgetary control system or in any, other part of the accounting organization. Ratio simply refers to one number expressed in terms of another number. Ratio analysis isa technique 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.

Objectives of Ratio Analysis

- To study the short-term solvency of a firm.
- To study the long-term solvency of a firm.
- To determine the profitability of a firm.
- To measure the performance of a firm.
- To facilitate the process of financial forecasting.
- To communicate the strength and weakness of a firm.
- To enable managerial decision making.

Liquidity Ratio

The term liquidity refers to the firm’s ability to meet its current liabilities. Liquidity ratios are used to measure the liquidity position or short-term financial position of a firm. These ratios are used to assess the short-term debt paying ability of a firm, important liquidity ratios are current ratio and quick ratio.

Current Ratio

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio is also known as working capital ratio. It is a measure of general liquidity and is the most widely used to make the analysis of short term financial or liquidity of a firm. It is calculated by dividing the total current assets by total current liabilities and the ideal current ratio is 2:1. It is calculated as follows

$$\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

The higher the current ratio, the greater the firm’s ability to meet the short-term debts. A very high current ratio indicates too much of money is blocked in current assets etc. In short, a very high current ratio indicates that the firm will find it difficult to pay off its debts.

Quick Ratio

The term liquidity ratio refers to the ability of a firm to pay off its short-term obligations as and when they become due. Cash in

hand and cash at bank are the most liquid asset. The other assets included in the liquid assets are bills receivables, sundry debtors, marketable and short term or temporary investments.
The Ideal liquid or quick ratio is 1:1. The liquid ratio can be calculated as follows

$$\text{Quick ratio} = \frac{\text{Liquid assets}}{\text{Current liabilities}}$$

Quick Assets = Current Assets - (stock + prepaid expenses)

Liquid ratio is considered to be superior to current ratio in testing the liquidity position of a firm. If the current ratio is 2:1 and quick ratio is 1:1; the liquidity position may be considered satisfactory. If the current ratio is higher than 2:1, but quick ratio is less than 1:1, it indicates excessive inventory.

Absolute Liquid Ratio or Cash Ratio

This ratio establishes the relationship between super quick assets and quick liabilities. And it is taken as a ratio of absolute liquid assets or absolute quick assets include cash in hand, cash at bank and marketable securities or short-term investments. It is also known as cash ratio. And ideal absolute liquid ratio is 0.5: 19

$$\text{Absolute Liquid Ratio} = \frac{\text{Absolute Liquid Assets}}{\text{Current Liabilities}}$$

Solvency Ratio

Solvency ratio is one of the various ratios used to measure the ability of a company to meet its long-term debts. Solvency ratio is also called leverage ratio. It focuses on the long-term

Proprietary Ratio

Proprietary ratio establishes the relationship between share holders or proprietors fund and total assets. This ratio shows how much funds have been contributed by share holders in the total assets of the firm. Proprietary ratio is also known as equity ratio or net worth ratio. It is computed as follows:

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's fund}}{\text{Total assets}}$$

This ratio shows financial health of the firm. A high ratio indicates safety to the creditors and low ratio show greater risk to the creditors.The ideal ratio is 0.5:1 or above.

Profitability Ratios

The ultimate aim of any business enterprise is to earn maximum profit. To the management, profit is the measure of efficiency and control. Profitability ratio measures the ability of the firm to earn an adequate return on sales, total assets and invested capital.

There are two types of profitability ratios. First, profitability based on sales and it includes gross profit ratio, operating ratio, operating profit ratio and net profit ratio. Second, profitability ratio based on investment and it includes return on investment, return on shareholders fund ratio, return on equity ratio and return on total assets. Profit is important for everyone associated with the company including creditors and owners.

Return on shareholder’s fund

This is the ratio of net profit to shareholder’s fund or net worth. It measures the profitability from share holders point of view. This ratio is called the ‘mother of all the ratio’. This is perhaps the most important ratio because it measures the return that is earned on the owner’s capital. It is calculated as follows:

$$\text{Return on shareholders' fund} = \frac{\text{Net profit after interest and tax}}{\text{Shareholder's fund}}$$

Return in Investment (ROI)

When a firm invest money in a business, it naturally expects an adequate return on its investment. Therefore, the firm wants to know how much profit is earning on its investment. For this, ROI is computed. It establishes the relationship between return and investment. It is also called the accounting rate of return.

$$\text{ROI} = \frac{\text{Profit before interest and tax}}{\text{Capital employed}}$$

Capital employed may be gross capital employed or net capital employed. Gross capital employed means total assets minus current liabilities. Alternatively, it refers to total of share capital, revenue reserves, debenture and other long-term loans. Profit before interest and tax is calculated as gross profit minus operating expenses. The ideal return on investment ratio is 15%. The higher the return on investment, greater is the overall profitability and more is the efficient use of capital employed.

Net Profit Ratio

Net profit ratio is the ratio of net profits to revenues for accompany or business segment. It measures the overall profitability. Net profit and net sales are the two components of net profit ratio. Net profit is the final profit after adjusting all expenses and all incomes. The main objectives of the ratio is to measure the overall profitability. This ratio indicates how much of the sales are left after meeting expenses. The ideal net profit ratio is 5% - 10%.

$$\text{Net profit ratio} = \frac{\text{Net Profit} \times 100}{\text{Net sales}}$$

Net profits can be taken as profit before tax and profits after tax. Higher the ratio, better is the profitability.

Fund Flow Analysis

A fund flow statement means a statement which shows increaseor decrease in working capital during a period. The fund flow statement contains the source of funds, use of funds and changes in working capital. Changes in working capital are obtained by preparing a statement called 'Statement of changes in working capital'. It shows the changes in current asset and current liability. Fund flow statement is also known as 'where got and were gone statement' or 'statement of changes in financial position'.

Cash Flow Analysis

Cash flow statement is a statement showing the changes in cash position from one period to another. It explains the reasons for increase or decrease in the amount of cash between two balance sheet dates. In other words, it explains the reasons for in flow or outflow of cash. it is the statement of sources and use of cash

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

Ratio analysis

One of the most powerful tools in financial analysis is the ratio analysis. It is the procedure for calculating and understanding different ratios. The ratio analysis is used to investigate a company's liquidity, profitability, and solvency. The financial statements may be analysed more clearly with the use of ratios, and decisions can be taken based on this analysis.

Liquidity Ratio

(a)Current Ratio

Current Ratio = Current Asset (Ideal Ratio =

2:1) Current Liability

Table 4.1 Showing Current Ratio

Particular		**Mar '22**	**Mar '21**	**Mar '20**	**Mar '19**	**Mar '18**
Liquidity Ratio:	Current Ratio	0.05	0.03	0.04	0.05	0.04
	Quick Ratio	18.77	17.58	16.62	16.61	17.48
Profitability ratios	Interest Spread	6.14	6.86	7.02	7.2	7.78
	Net Profit Margin	28.93	25.74	22.86	21.29	21.79
	Return on Assets (ROA)	432.95	369.54	311.83	547.89	409.6
Debt ratios	Credit Deposit Ratio	86.43	85.66	87.56	86.32	84.68
	Investment Deposit Ratio	31.07	33.66	32.96	31.12	31.88
	Cash Deposit Ratio	7.85	6.83	5.75	8.85	9.95
	Total Debt to Owners Fund	7.26	7.22	7.56	6.97	8.58
	Financial Charges Coverage Ratio	2.18	2.05	1.85	1.81	1.84
Asset turnover ratio	Asset turnover ratio	0.07	0.08	0.09	0.09	0.09

Source: Nifty Bank Index

Source: Compiled from annual report of HDFC Bank

Table 4.1shows current assets and current liabilities over a period of 5 years from 2017-2018 to 2021- 2022. The average current ratio is 18.77 and its Standard Deviation is 0.05. Coefficient of Variation is 42.6 and CAGR follows a negative trend. Current ratio is high during period 2019 – 2020. It indicates the firm is liquid and low during the period 2018 – 2019 and standard in another period.

Leverage / Solvency Ratio

Solvency or Leverage ratios are used to analyse the long-term financial position of the firm. In other words, these ratios are used to analyse the capital structure of a firm.

(a) Debt Equity Ratio

Debt to equity ratio is the most commonly used ratio to test the solvency of a firm. This ratio indicates the relative proportion of debt and equity in financing the assets of the firm.

Debt Equity Ratio = Total Debt (Ideal ratio

=1:1)Equity Share holder Fund

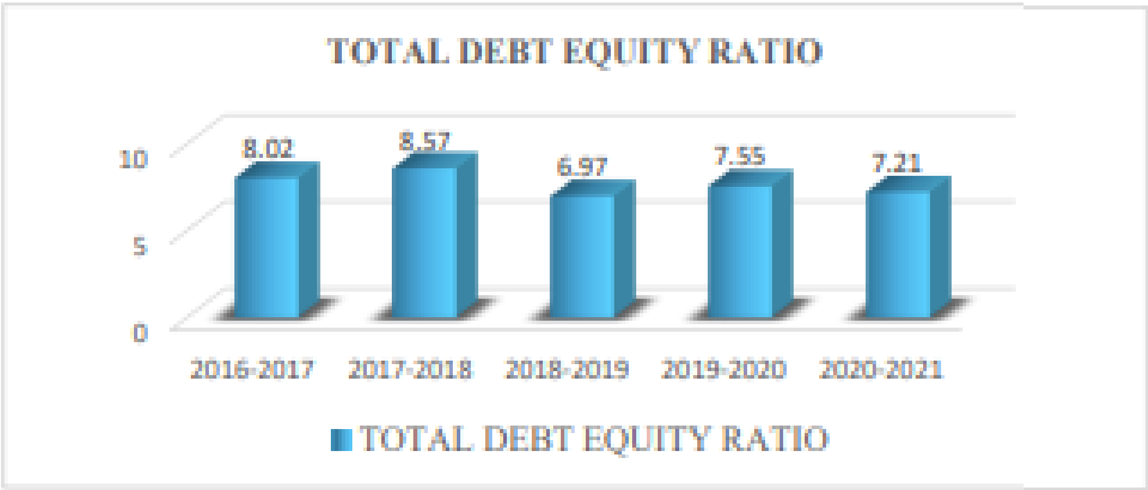
Table 4.2 Showing Debt Equity Ratio

Year	Total Debt	Equity	Total Debt Equity Ratio
2017-2018	717668.58	89462.35	8.58
2018-2019	911875.61	106295.00	6.97
2019-2020	1040226.05	149206.35	7.22
2020-2021	1292130.83	170986.03	7.26
Mean	1086489.72	143934.11	7.67
Standard Deviation	299352.69	46684.93	0.64
CV	27.55	32.43	8.38
CAGR	-0.59	-0.54	-0.82

Source: Compiled from annual report of HDFC Bank

The above table shows the Debt Equity Ratio. The average Debt Equity Ratio is 7.67 and its standard deviation is 0.64, the coefficient of variation is 8.38 and CAGR follows a negative trend. The ideal debt equity ratio is 1:1. During the five years of study the debt equity ratio is very high. These indicates that the higher proportion of debt content in the capital structure.

Figure 4. 2 Showing Debt Equity Ratio



(a) Proprietary Ratio

Proprietary ratio establishes the relationship between shareholders or proprietors fund and total assets. This ratio shows how much funds have been contributed by share holders in the total assets of the firm. Proprietary ratio is also known as equity ratio or net worth ratio.

Proprietary Ratio =Shareholder Fund (Ideal ratio = 5:1) Total

Asset

Table 4.3 Showing Proprietary Ratio

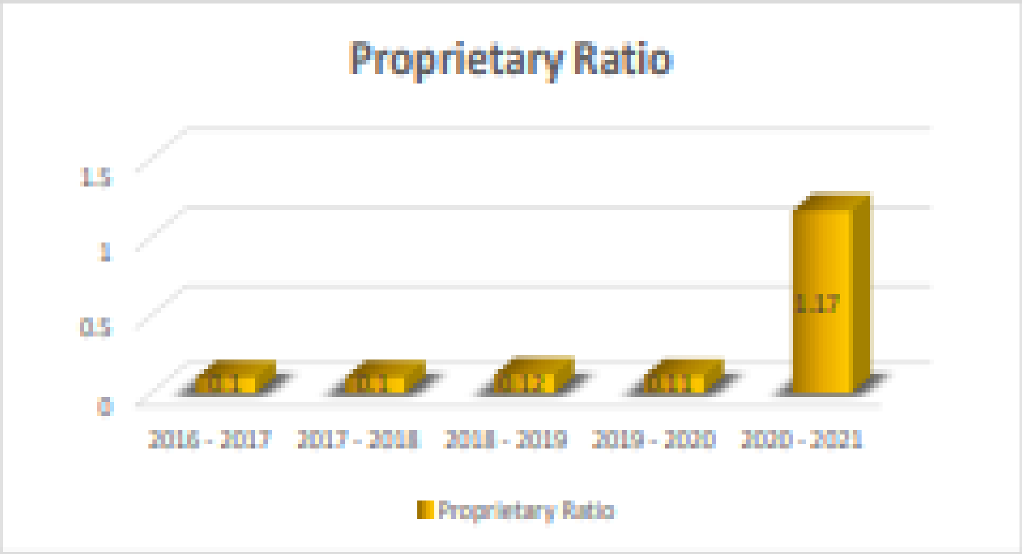
Year	Shareholder's fund	Total Asset	Proprietary Ratio
2016-2017	89462.35	863840.2	0.1
2017-2018	106295	1063934.31	0.1
2018-2019	149206.35	1244540.69	0.12
2019-2020	170986.03	1530511.27	0.11
2020-2021	203720.83	174670.53	1.17
Mean	143934.11	975499.4	0.32

Standard Deviation	46684.93	510401.01	0.47
CV	32.43	52.32	1.47
CAGR	-0.54	-0.96	1.25

Source: Compiled from annual report of HDFC Bank

The above table shows the proprietary ratio. The average proprietary ratio is .32 and its standard deviation is .47. The coefficient of variation is 1.47 an CAGR follows a positive trend. The ratio is high during the period 2020-21. It indicates that the margin for meeting no operating expenses, creating reserves and paying dividend is less.

Figure 4.3 Showing Proprietary Ratio



(b) Solvency Ratio

Solvency ratio is one of the various ratios used to measure the ability of a company to meet its long-term debts. Solvency ratio is also called leverage ratio. It focuses on the long-term sustainability of a company instead of the current liability payments.

$$\text{Solvency Ratio} = \frac{\text{Total Asset}}{\text{Total Debt}}$$

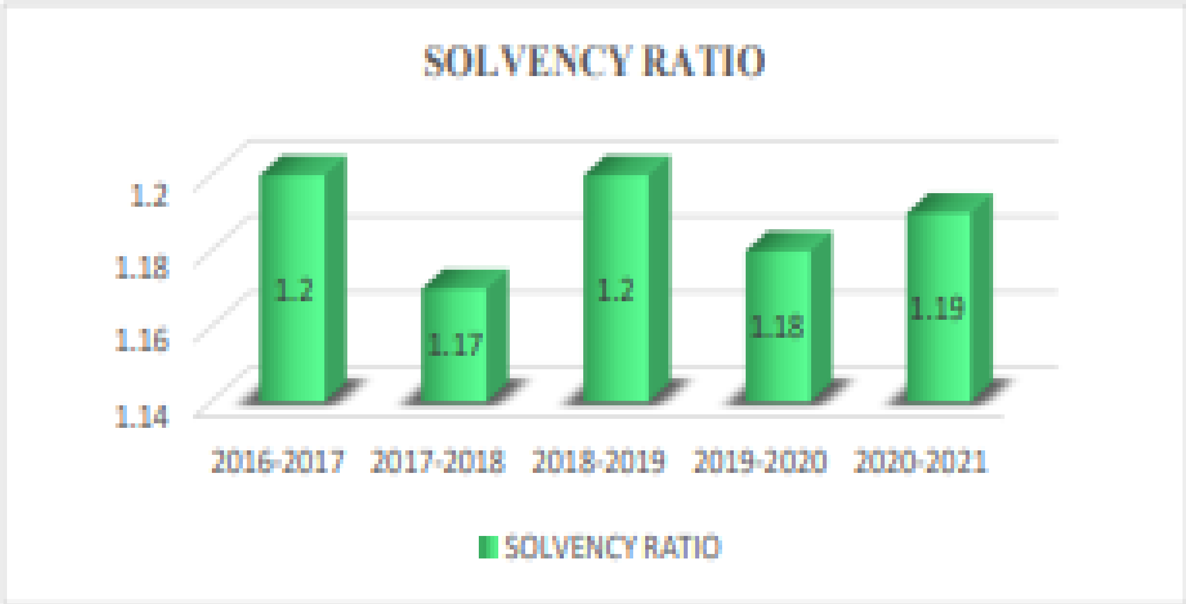
Table 4.4 Showing Debt Solvency Ratio

Year	Total Asset	Total Debt	Solvency Ratio
2016-2017	863840.20	717668.53	1.20
2017-2018	1063934.31	911875.61	1.17
2018-2019	1244540.69	1040226.05	1.20
2019-2020	1530511.27	1292130.83	1.18
2020-2021	1746870.53	1470547.54	1.19
Mean	1289939.40	1086489.71	1.19
Standard Deviation	354034.16	299352.70	0.01
CV	20.27	20.36	1.18
CAGR	-0.60	-0.59	-0.80

Source: Compiled from annual report of HDFC Bank

Generally, higher the solvency ratio the stronger is its financial position and vice versa. From the above data it is clear that, the assets are more than the outside liabilities. In all year's solvency ratio is above 1:1, it indicates that there is no difficult in paying off its outside liabilities.

Figure 4.4 Showing Solvency Ratio



(c) Fixed Asset to Net Worth Ratio

Fixed assets to net worth ratio show the relationship between fixed assets and shareholder's fund. Usually, fixed assets are purchased by using owner's fund such as equity capital, reserves and surplus, retained earnings etc. If the ratio is less than 100%, it implies that owner's fund are more than total fixed assets and part of the workingcapital is financed by shareholders fund and vice versa. Ideal ratio is considered as 60% to 65%.

Fixed Asset to net worth ratio = $\frac{\text{Fixed Asset}}{\text{Net worth}}$ (Ideal ratio = .67:1)

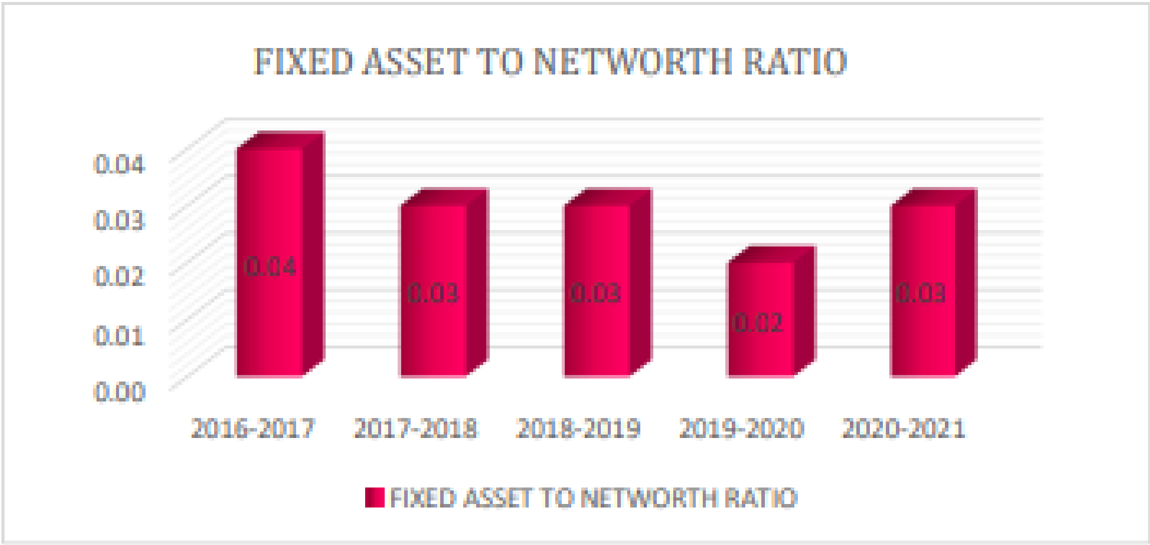
Table 4.5 Showing Fixed asset to Net worth ratio

Year	Fixed Asset	Net worth	Fixed Asset to Net worth Ratio
2016-2017	3626.74	89462.35	0.04
2017-2018	3607.20	106295.00	0.03
2018-2019	4030.00	149206.35	0.02
2019-2020	4431.92	170986.03	0.03
2020-2021	4909.32	203720.83	0.02
Mean	4121.04	143934.11	0.03
Standard Deviation	555.58	46684.93	0.01
CV	13.48	32.43	22.54
CAGR	-0.73	-0.54	-0.88

Source: Compiled from annual report of HDFC Bank

The above table shows the Fixed Asset to net worth ratio. The average Fixed Asset to net worth ratio is 0.03 and its standard deviation is 0.01. the coefficient of variation is 22.54 and CAGR follows a negative trend. The table shows fixed assets to proprietary ratio of the concern. Ratio less than 1 indicates that all fixed assets are purchased out of proprietor's fund and a part of proprietor's fund is invested in working capital.

Figure 4.5 Showing Fixed Asset to net worth ratio



(d) Capital Gearing Ratio

Capital gearing ratio is the ratio between total equity and total debt; this is a specifically important metric when an analyst is trying to invest in a company and wants to compare whether the company is holding a right capital structure or not.

$$\text{Capital Gearing Ratio} = \frac{\text{Fixed Income Bearing fund}}{\text{Equity Shareholder Fund}}$$

Table 4.6 Showing Capital Gearing Ratio

Year	**Fixed Income Bearing fund**	**Equity Shareholder Fund**	**Capital Gearing Ratio**
2017-2018	717668.53	89462.35	8.02
2018-2019	911875.61	106295.00	8.58
2019-2020	1040226.00	149206.35	6.97
2020-2021	1292130.80	170986.03	7.56
2021-2022	1470547.	203720.83	7.22
Mean	1086489.69	143934.11	7.67
Standard Deviation	299352.69	46684.93	0.64
CV	27.55	32.43	8.38
CAGR	-0.59	-0.54	-0.82

Source: Compiled from annual report of HDFC Bank

The above table shows the Capital Gearing Ratio. The average Capital Gearing Ratio is 7.67 and its standard deviation is 0.64. the coefficient of variation is 8.38 and CAGR follows a negative trend.

Figure 4.6 Showing Capital Gearing Ratio

Profitability ratio

Profitability ratio measures the ability of the firm to earn an adequate return on sales, total assets and invested capital

(a) Operating profit ratio

Operating profit express the relationship between operating cost and sales. It indicates the overall efficiency in operating in business.

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Total Income}} \times 100$$

Table 4.7 Showing Operating profit ratio

Year	Operating Profit	Total Income	Operating Profit Ratio
2016-2017	61899.2	81602.46	76.23
2017-2018	72771.28	95461.66	77.60
2018-2019	90478.57	116597.94	77.77
2019-2020	107375.94	138073.47	77.60
2020-2021	113340.49	146063.12	77.03
Mean	89173.08	115559.73	77.01
Standard Deviation	21965.88	27365.27	0.90
CV	24.63	23.68	1.16
CAGR	-0.63	-0.64	-0.80

Source: Compiled from the annual report of HDFC

Bank The above table shows the Operating Profit Ratio. The average Operating Profit Ratio is 77.01 its standard deviation is 0.90, the coefficient of variation is 1.16 and CAGR follows a negative trend.

Figure 4.7 Showing Operating profit ratio

(b) Net Profit Ratio

Net profit ratio is the ratio of net profit earned by a business and its net sales; it measures overall profitability.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Total Income}} \times 100$$

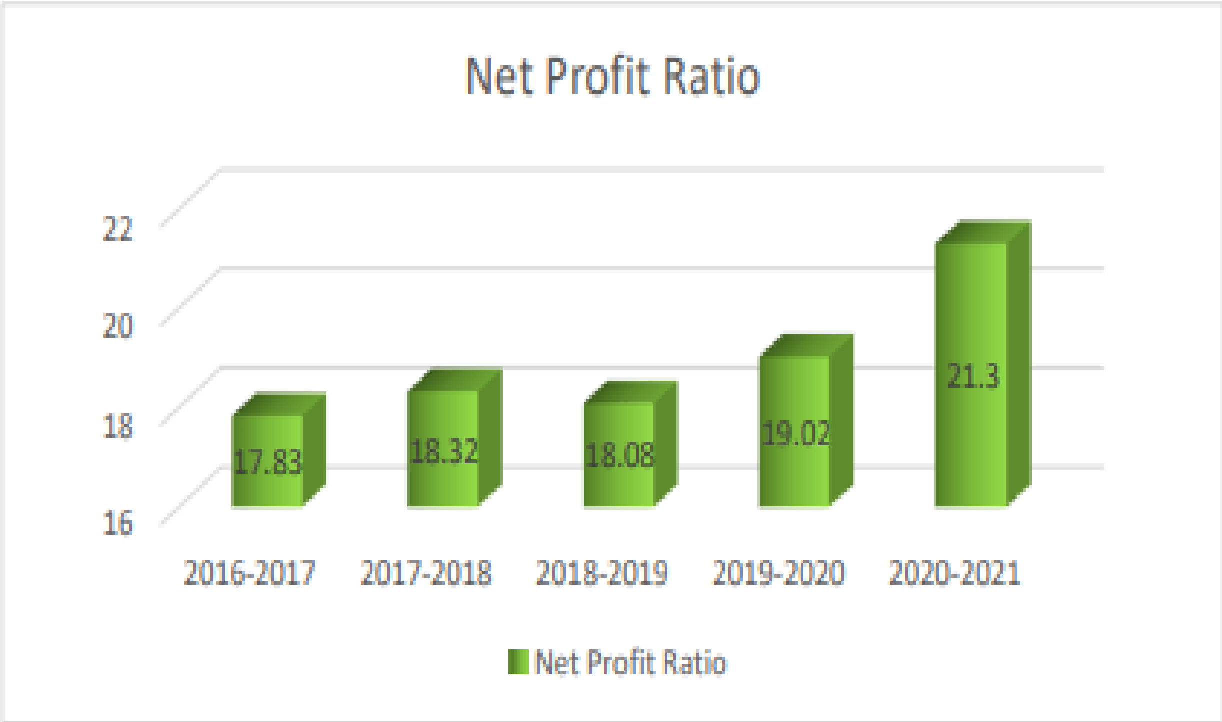
Table 4.8 Showing Net Profit Ratio

Year	Net Profit	Total Profit	Net Total Profit
2016-2017	14549.64	81602.46	18.32
2017-2018	17486.73	959461.66	18.08
2018-2019	21078.17	116597.94	19.02
2019-2020	26257.32	138073.47	21.30
2020-2021	31116.53	146063.12	19.01
Mean	22097.68	11559.73	18.91
Standard Deviation	6669.25	27365.27	1.41
CV	30.18	23.68	7.46
CAGR	-0.57	-0.64	-0.76

Source: Compiled from annual report of HDFC Bank

The above table shows the Net Profit Ratio. The average Net Profit Ratio is 18.91 and its standard deviation is 1.41. the coefficient of variation is 7.46 and CAGR follows a negative trend. Here the bank has a very high net profit ratio and is above its idle ratio. Hence this indicates there is high efficiency as well as profitability for the company and they have to maintain this same satisfactory level as well.

Figure 4.8 Showing Net Profit Ratio



(C) Return On Investment

It establishes the relationship between return and investment. Itis also called accounting rate of return.

$$ROI = \frac{\text{Profit before interest and tax}}{\text{Capital employed}} \times 100$$

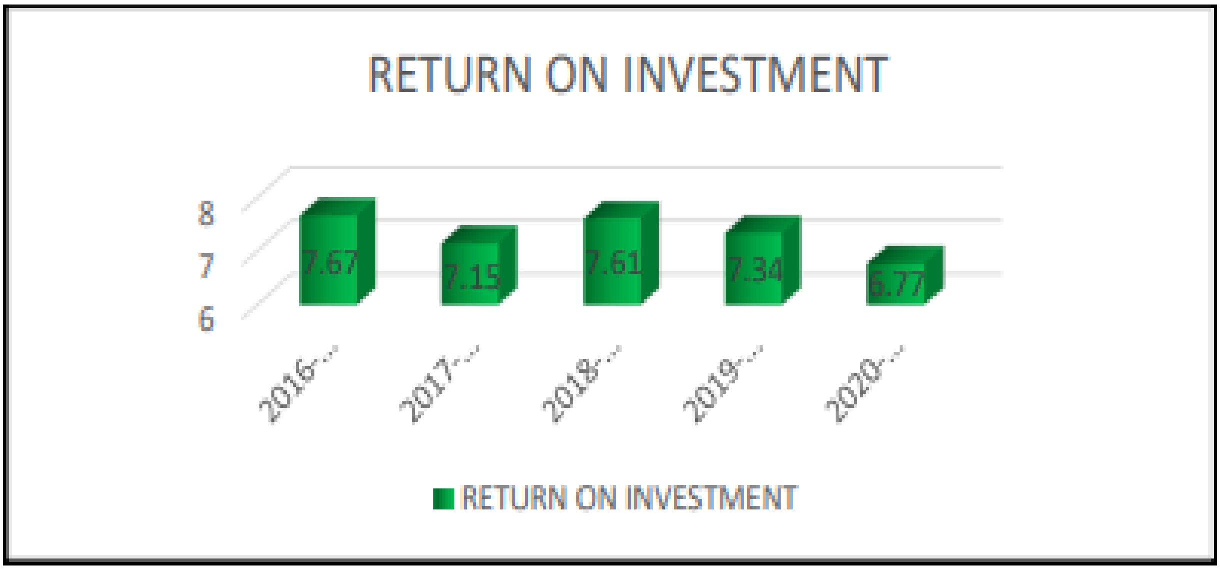
Table 4.9 Showing Return on Investment

Year	**Operation Profit**	**Capital Employed**	**Return On Investment**
2016-2017	61899.12	807130.88	7.67
2017-2018	72771.28	1018170.60	7.15
2018-2019	90478.57	1189432.50	7.61
2019-2020	107375.94	1463116.90	7.34
2020-2021	11340.49	167428.40	6.77
Mean	89173.08	1230423.86	7.31
Standard Deviation	21965.88	345345.01	0.37
CV	24.63	28.07	5.01
CAGR	-0.63	-0.59	-0.82

Source: Compiled from annual report of HDFC Bank

The above table shows the return on investment. The average return on investment is 7.31and its standard deviation is 37. the coefficient of variation is 5.01 and CAGR follows a negative trend. The figure shows that bank is not having sufficient return on capital employed. Its ideal ratio is 15%. Overall banks profitability is low and shows that there is inefficient use of capital employed.

Figure 4.9 Showing Return on Investment



(d)Return on shareholder fund

This is the ratio of net profit to shareholder's fund or net worth. It measures the profitability from shareholders point of view. This ratio is called the 'mother of all the ratio'. This is perhaps the most important ratio because it measures the return that is earned on the owner's capital. It is calculated as follows:

$$\text{Return on shareholders fund} = \frac{\text{Net profit after interest and tax}}{\text{Shareholder's fund}} \times 100$$

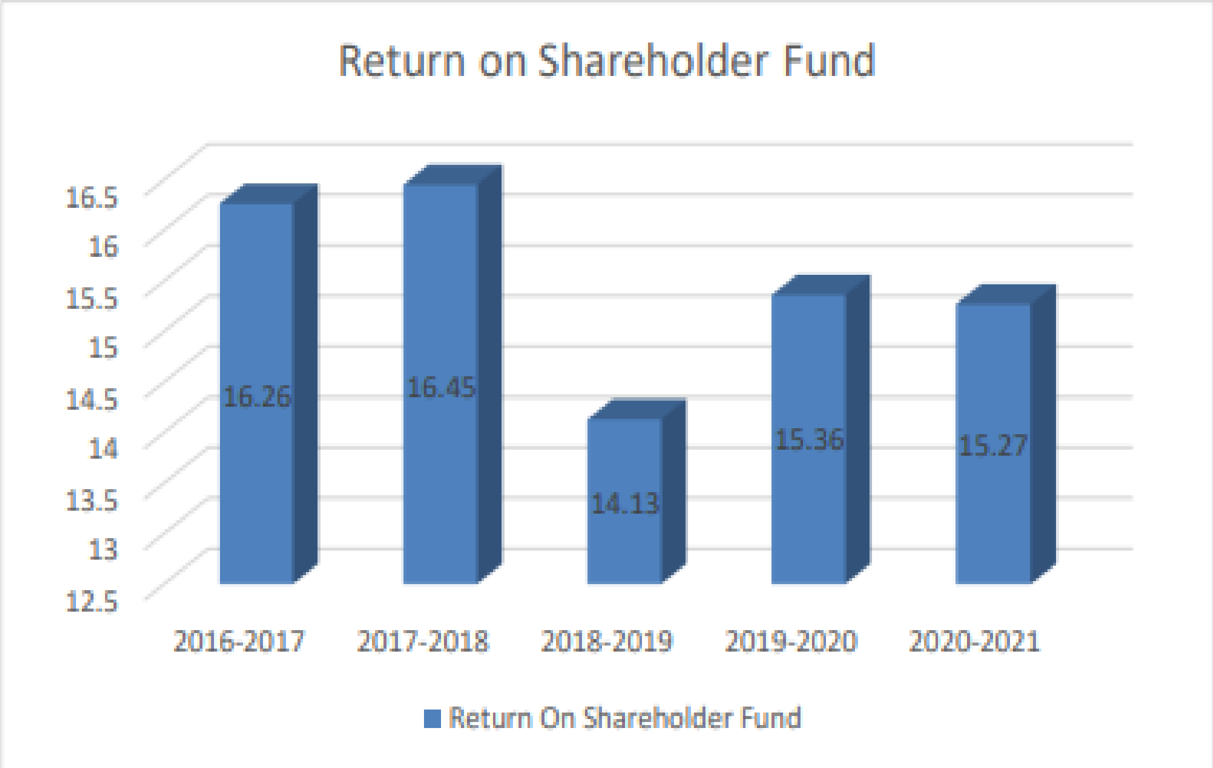
Table 4.10 Showing Return on shareholder fund

Year	Net Profit	Shareholder Fund	Return on Shareholder Fund
2016-2017	14549.64	89462.35	16.26
2017-2018	17486.73	106295.00	16.45
2018-2019	21078.17	149206.35	14.13
2019-2020	26257.32	170986.03	15.36
2020-2021	31116.53	203720.83	15.27
Mean	22097.68	143934.11	15.49
Standard Deviation	6669.25	46684.93	0.93
CV	30.18	32.43	5.99
CAGR	-0.57	-0.54	-0.81

Source: Compiled from annual report of HDFC Bank

The above table shows the return on shareholder fund. The average return on investment is 15.49 and its standard deviation is 0.93. the coefficient of variation is 5.99 and CAGR follows a negative trend. The ideal ratio of return on shareholders’ fund is 15%. From the above figure it is clear that banks Return on shareholders’ fund in all the 5 year is more than the standard ratio, which means there is better utilization of owner’s fund and higher productivity.

<u>Figure 4.10 Showing Return on shareholder fund</u>



COMPARATIVE BALANCE SHEET

Table 4.11 showing comparative balance sheet of financial year 2016-17 to 2017-2018

Particulars	2016-17	2017-18	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
Capital And Liabilities				
Capital	505.64	512.51	6.87	1.36
Reserves and Surplus	72175.13	88949.84	16777.71	23.25
Deposits	546424.19	643639.66	97215.47	17.79
Borrowings	53018.47	74028.87	21010.40	39.63
Other Liabilities and Provisions	36725.13	56709.32	19984.19	54.42
Total	708845.57	863840.19	154994.62	21.87
Assets				
Cash and Balances With RBI	30058.31	37896.88	7838.57	26.08
Balances With Other Banks	8860.53	11055.22	2194.69	24.77
Investment	163885.77	214463.34	50577.57	30.86
Advances	464593.96	554568.20	89974.24	19.3
Fixed Assets	3343.16	3626.74	283.58	8.48
Other Assets	38103.84	42229.82	4125.98	10.83
Total	708845.57	863840.19	154994.62	21.87

In the financial year 2017-18 the fixed assets of the bank Increased by 8.48 % from the previous yea r. There was only 1.36 % increase in the capital of the bank. While the balances with other banks increased to 24.77 % in the year. The bank deposits increasedby 17.79 % and the advances provided increased by 19.37 %.

Table 4.12 showing comparative balance sheet of financial year 2017-18 to 2018 -2019

Particulars	2017-18	2018-19	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
Capital And Liabilities				
Capital	512.51	519.02	6.51	1.27
Reserves and Surplus	88949.84	105775.98	16826.14 1	18.92
Deposits	643639.66	788770.64	145130.98	22.55
Borrowings	74028.87	123104.97	49076.1	66.29
Other Liabilities and Provisions	56709.32	45763.72	-10945.6	-19.3
Total	863840.19	1063934.3	200094.13	23.16
Assets				
Cash and Balances With RBI	37896.88	104670.47	66773.59	176.2
Balances With Other Banks	11055.22	18244.61	7189.39	65.03
Investment	214463.34	242200.24	27736.9	12.93
Advances	554568.2	658333.09	103764.89	18.71
Fixed Assets	3626.74	3607.2	-19.54	-0.54
Other Assets	42229.82	36878.7	-5351.12	-12.67
Total	863840.19	1063934.3	200094.13	23.16

During the financial year 2018 -2019 the fixed asset is deceased by .54 % and also other asset and other liability and provision decreases, the bank borrowings is increased by 66.29 % and investment is increased by 12.93 %.

Table 4.13 showing comparative balance sheet of financial year 2018 -19 to 2019 -20

Particulars	2018-19	2019-20	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
Capital And Liabilities				
Capital	519.02	544.66	25.64	4.94
Reserves and Surplus	105775.98	148661,69	42885.71	40.54
Deposits	788770.64	923140.93	134370.29	17.04
Borrowings	123104.97	117085.12	-6019.85	-4.89
Other Liabilities and Provisions	45763.72	55108.29	9344.57	20.42
Total	1063934.3	1244540.7	180606.37	16.98
Assets				
Cash and Balances With RBI	104670.47	46763.62	-57906.85	-55.32
Balances With Other Banks	18244.61	34584.02	16339.41	89.56
Investment	242200.24	290587.88	48387.64	19.98
Advances	658333.09	819401.22	161068.13	24.47
Fixed Assets	3607.2	4030	422.8	11.72
Other Assets	36878.7	49173.95	12295.25	33.34
Total	1063934.3	1244540.7	180606.37	16.98

During the financial year 2019-2020, borrowings decreased by 4.89 % cash and Balance with RBI decreased by 55.32. While banks deposit increased by 40.54% and advances increased by 24.47%.

Table 4.14 showing comparative balance sheet of financial year 2019-20 to 2020-21

Particulars	2019-20	2020-21	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
Capital And Liabilities				
Capital	544.66	548.33	3.67	0.67
Reserves and Surplus	148661.69	170437.7	21776.01	14.65
Deposits	923140.93	1147502.3	224361.36	24.3
Borrowings	117085.12	144628.54	27543.42	23.52
Other Liabilities and Provisions	55108.29	67394.4	12286.11	22.29
Total	1244540.69	1530511.3	285970.57	22.98
Assets				
Cash and Balances With RBI	46763.62	72205.12	25441.5	54.4
Balances With Other Banks	34584.02	14413.6	-20170.42	-58.32
Investment	290587.88	391826.66	101238.78	34.84
Advances	819401.22	993702.88	174301.66	21.27
Fixed Assets	4030	4431.92	401.92	9.97
Other Assets	49173.95	53931.09	4757.14	9.67
Total	1244540.69	1530511.3	285970.57	22.98

During the financial year 2020-2021, Balance with other banks decreased by58.32and banks' advances, investments and deposits increased.

Table 4.15 showing comparative balance sheet of financial year 2020-21 to 2021-2022

Particulars	2020-21	2021-2022	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
Capital And Liabilities				
Capital	548.33	551.28	2.95	0.54
Reserves and Surplus	170437.7	203169.55	32731.85	19.2
Deposits	1147502.3	1335060.2	187557.93	16.34
Borrowings	144628.54	135487.32	-9141.22	-6.32
Other Liabilities and Provisions	67394.4	72602.15	5207.75	7.73
Total	1530511.3	1746870.5	216359.26	14.14
Assets				
Cash and Balances With RBI	72205.12	97340.74	25135.62	34.81
Balances With Other Banks	14413.6	22129.66	7716.06	53.53
Investment	391826.66	443728.29	51901.63	13.25
Advances	993702.88	1132836.6	139133.75	14
Fixed Assets	4431.92	4909.32	477.4	10.77
Other Assets	53931.09	45925.89	-8005.2	-14.84
Total	1530511.3	1746870.5	216359.26	14.14

During the financial year 2021-2022 borrowings is decreased by 6.32% and other assets decreased by 14.84 and deposit, investments, advances is increased.

CHAPTER: 5
RESEARCH METHODOLOGY

MEANING:-

Research is an academic activity and as such the term should be used in a technical sense. According to Clifford Woody research comprises defining and redefining problems, formulating hypotheses or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at last, carefully testing the conclusions to determine whether they fit the formulating hypothesis. D. Steiner and M. Stephenson in the Encyclopedia of Social Sciences define researches “the manipulation of things, concepts or symbols for the purpose of generalizing to extend, correct or verify knowledge, whether that knowledge aids in construction of theory or in the practice of an art. It is actually voyage of discovery. We all possess the vital instinct of inquisitiveness for, when the unknown confronts us, we wonder and our inquisitiveness makes us probe and attain full and fuller understanding of the unknown. This inquisitiveness is the mother of all knowledge and the method, which man employs for obtaining the knowledge of whatever the unknown, can be termed as research.

It is an empirical study, so researcher has followed scientific approach to design the research methodology for investigation. For this study researcher is using secondary data as a source of information for this research e. g. the Annual Reports, websites and other publications. The following tools & techniques have been classification in the study (A)Accounting Techniques (B) Statistical Techniques

ACCOUNTING TECHNIQUES:

The researcher picks up the techniques to suit their requirement and also basis todata available to them. The accounting techniques which are used for the analysis is as under. Ratio Analysis A ratio is a quotient of two numbers and the relation expressed between two figures. Ratio analysis is a process of comparison of one figure against another, which makes ratio. Ratio analysis is a very powerful. The ratio analysis concentrates on the inter-relation-ship among the figures appearing in the financial statement.

RESEARCH OBJECTIVES:-

1. Knowing the Profitability of Business
2. Knowing the Solvency of the Business
3. Judging the Growth of the Business SOURCES OF DATA:-

Primary Data Primary data refers to that data which has been obtained by the researcher directly from the respondents for specific research work. Secondary Data Secondary data refers to that data which is already in existence and someone has obtained for specific purpose but is reutilised by the researcher. The said research work is based on the secondary Data of published financial statement of selected Indian industries and the selected companies within them.

(1) The data of various financial parameters have been obtained from the Annual Reports of the companies directly from the official websites of the company or stock exchange website.

(2) There sources at CMIE (Centre for Monitoring Indian Economy) have also been utilized for the same purpose.

For accounting analysis ratio analysis has been used. Ratio Analysis the term ‘ratio’ refers to the mathematical relationship between any two inter-related variables. According to J. Batty, Ratio can be defined as “the term accounting ratio is used to describe significant relationship which exists between figures shown in a balance sheet and profit and loss account in a budgetary control system or any other part of the accounting management.” As per Myers, “Ratio analysis is a study of the relationship among various financial factors in a business.” A ratio is a relationship expressed between two different figures of the financial statement. Ratio analysis is an art of determining relationship between different components of a financial statement so as to derive a meaningful understanding of profitability, liquidity, solvency and efficiency of a Company. Profitability can be measured in different ways-like income based, expense based and investment based. This study is based on income-based ratios and is confined to four ratios which are as follows:
Earning profit is one of the objectives of every business concern. A company must have sufficient profits in relation to the capital employed by it. Profitability of a company is indicated by the number of profits

earned in

comparison to capital invested in business. Profitability is to be examined with reference to sales and capital employed.

• Operating Profit Margin (%): Operating Income/Sales*10085 Operating margin is a measurement of what proportion of a company's revenue is left over after paying for variable costs of production such as wages, raw materials,etc. A Healthy operating margin required for a company to be able to pay for its fixed costs, such as interest on debt.

1. Profit Before Interest and Tax Margin (%): PBIT / Sales *100 In other words, EBIT is all profits before taking into account interest payments and income taxes. An important factor contributing to the widespread use of EBIT is the way in which it nulls the effects of the different capital structures and tax rates used by different companies. By excluding both taxes and interest expenses, the figure hones in on the company's ability to profit and thus makes for easier cross-company comparisons.

2. Gross Profit Margin (%) : (Sales - COGS) / COGS * 100 A financial metric used to assess a firm's financial health by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. Gross profit marginserves as the source for paying additional expenses and future savings. COGS expand to Cost of Goods Sold.

3. Net Profit Margin (%) : Net Profit(after Interest & tax)/Sales* 100Profit margin is very useful when comparing the performance of various companies whether they belong to the same industries or different industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. Liquidity implies the short-term flexibility of a company in payment of obligation. To examine availability of current assetsand liquidity of the Company following two ratios are calculated with following formula:

4. Current Ratio: Current Assets / Current liabilities it helps to assess the short-term financial position of the business enterprise. It shows how many times Current Assets are in excess of Current Liabilities. The higher the Current ratio, the greater is the rupee available for the purpose of current

liability, more is the Company’s ability to meet it scurf rent obligations and greater is the safety of Company’s short-term credit

LIMITATIONS

1. The time bound period is the major limitation in research project.

2. Due to the financial and time constraints a cluster analysis of the population so as to get better results was not feasible.

3. The research conduct in Jaipur city only.

4. It was difficult to break the ice with the common people initially. It was a daunting task to convince them to fill in the personal details of the questionnaire where they have to mention the monthly income, occupation etc.

5. To convince the people for a proper interviewing process is also difficult.

6. Compilation of data on competitor analysis was difficult due to non- availability of correct information.

7. The figures have been taken as approximations.

CHAPTER – 6

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- During the study period the current ratio of bank is close to the ideal ratio 2:1,during the 3 years from 2018-2019 to 2019-20.The ratio was slightly low in the year 2016-17 and beyond the standard ratio in 2020-21.
- The ideal debt equity ratio is 1:1. During the five years of study the debt equity ratio is very high. These indicates that the higher proportion of debt content in the capital structure.
- The ideal proprietary ratio is high during the year 2018-19.The bank having low ratio during the last four years from 2019-20 to 2020-21.A low ratio indicates the firm is more dependent on creditors for its working capital.
- During the period of study, the solvency ratio is satisfactory.
- Fixed asset to net worth ratio is less than one it indicates that all fixed asset is purchased out of proprietor's fund and a part of proprietor fund is invested in working capital.
- The Return on investment shows that the bank is not having the sufficient return on capital employed. Its ideal ratio is 15%oveall bank profitability is low.
- During the period of study net profit is very high and is above it an ideal ratio it indicates the bank have high profitability.
- In the financial year 2016-17 the fixed assets of the bank Increased by 8.48 % from the previous year. There was only 1.36 % increase in the capital of the bank. While the balances with other banks increased to 24.77 % in the year. The bank deposits increased by 17.79 % and the advances provided increased by 19.37 %.
- During the financial year 2017 -2018 the fixed asset is deceased by .54 % and also other asset and other liability and provision decreases, the bank borrowings is increased by 66.29 % and investment is increased by 12.93 %.
- During the financial year 2018-2019 borrowings decreased by 4.89 % cash and Balance with RBI decreased by 55.32. While banks deposit increased by 40.54% and advances increased by 24.47%.
- During the financial year 2019-2020 Balance with other banks decreased by 58.32and banks advance, investments and deposit increased.

- During the financial year 2020-2021 borrowings decreased by 6.32% and other assets decreased by 14.84 and deposits, investments,advances is increased

SUGGESTIONS

- The bank should focus on increasing the current assets and decreasingthe current liability so as to maintain a satisfactory level of current ratio.
- The bank needs to improve its 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.

CONCLUSIONS

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 a satisfactory position with regard to profitability and the bank needs toimprove its liquidity and solvency. If the bank continues to work with more efficiency, it can have greater success in the near future.

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