

FINANCIAL PERFORMANCE-WITH REFERENCE TO HDFC BANK

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ABSTRACT

The term 'financial performance analysis, also known as analysis and interpretation of financial statements', refers to the process of determining financial strength and weaknesses of the firm by establishing strategic relationships between the items of the balance sheet, profit and loss account and other operative data. "Financial performance analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance. The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. Just like a doctor examines his patient by recording his body temperature, blood pressure etc. Before making his conclusion regarding the illness and before giving his treatment. A financial analyst analyses the financial statements with various tools of analysis before commenting upon the financial health or weaknesses of an enterprise.

Keywords: Performance Evaluation, Mutual Funds

1. INTRODUCTION

The analysis and interpretation of financial statements is essential to bring out the mystery behind the figures in financial statements. Financial statements analysis is an attempt to determine the significance and meaning of the financial statement data so that forecasts may be made of the future earnings, ability to pay interest and debt maturities (both current and long term) and profitability of a sound dividend policy. Financial performance refers to the act of performing financial activity. In a broader sense, financial performance refers to the degree to which financial objectives are being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure a firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. In short, the firm itself as well as various interested groups such as managers, shareholders, creditors, tax authorities, and others seeks answers.

Significance of Financial Performance Analysis- Interest of various related groups is affected by the financial performance of a firm. Therefore, these groups analyze the financial performance of the firm. The type of analysis varies according to the specific interest of the party involved.

Trade creditors: interested in the liquidity of the firm (appraisal of firm's liquidity)

Bond holders: interested in the cash-flow ability of the firm (appraisal of firm's capital structure, the major sources and uses of funds, profitability over time, and projection of future profitability).

Investors: interested in present and expected future earnings as well as stability of these earnings (appraisal of firm's profitability and financial condition).

Management: interested in internal control, better financial condition and better performance (appraisal of firm's present financial condition, evaluation of opportunities in relation to this current position, return on investment provided by various assets of the company, etc)

2. REVIEW OF LITERATURE

ARTICLE: 1

Title: A Review of Corporate Financial Performance Literature

Author: Astrin Kusumawardani's

Source: Journal of Emerging Technologies and Innovative Research,

Abstract

Corporate financial performance is an overview of the company's financial status report over a period of time to figure out how successful and profitable a company is in producing revenue. These indicators include sales growth, profitability (reflected by ratios such as return on investment, return on sales and return on equity), share price,

earnings per share, and so forth. The world economy is currently facing economic challenges as the coronavirus (COVID-19) presence has a serious impact on health care, economy, transportation, and other fields in different industries and regions. It is crucial to evaluate the effect of a major public health emergency on company performance in these difficult economic times, as issuers are a fundamental component of the national economy. Investigations suggest that the financial system's internal factors may be the main cause of the economic downturn in recent years. Almost all industrial sectors were affected, including the telecommunications sector. This paper seeks to understand corporate financial performance during the Covid-19 period, collected from various related sources. This research is designed using a qualitative approach through literature study. Reviews on corporate finance performance are carried out by reading and analysing 25 peer-review journal articles and summarised in two tables, namely journal articles and publisher distribution and article categories based on their subject.

ARTICLE: 2

Title: Working of depository system in India with Research and analysis

Source: The Journal of Business Ethics

Author: Pieter van Beurden

Purpose

The purpose of this paper is to carry out a literature review of the quantitative studies that have analyzed the impact of green management on financial performance.

Design/methodology/approach

An examination of the literature was undertaken to review the quantitative studies that analyze the influence of environmental management on financial performance. A total of 32 studies were identified, examining the environmental variables used, the financial performance variables, the statistical analyses, and the main findings obtained by these studies.

Findings

Results are mixed, but studies where a positive impact of environment on financial performance is obtained are predominant. In addition, the findings show that the set of firms, industries and countries are varied. Some studies use environmental management variables and other works employ environmental performance variables, and regression analysis prevails.

ARTICLE: 3

Title: An Analysis on Financial Performance of Indian Depositories

Author Dr. Hari Babu Bathini

Source: Business Transformation through Innovation and Knowledge Management:

The financial system is characterised by the presence of an integrated, organized and regulated financial markets and institutions that meet the short-term and long-term financial needs of both the household and corporate sector. Both financial markets and institution plays an important role in financial system by rendering various financial services to the community. They operate in close combination with each other. The financial market exists to facilitates sales and purchases of financial instruments and comprises of two major markets namely the capital market (deals in medium and long-term investment) and money market (deals in short-term investment). These markets can be divided into two segments viz, primary and secondary. The primary market is used by issuer for raising fresh capital by making initial public offer or rights issue or offer for sale of equity or debt. The secondary market is the place for old securities which have been already issued and granted stock exchange quotations. It provides a regular and continuous market for buying and selling of securities. Thus, the capital market is important for raising funds for capital formation and investments and forms a very vital link for economic development of any country

RESEARCH GAP:

The financial system is characterized by the presence of an integrated, organized and regulated financial markets and institutions that meet the short-term and long-term financial needs of both the household and corporate sector.

OBJECTIVES:

- ❖ To Understand The Financial Statements Of HDFC BANK
- ❖ To Study The Change In Assets And Liabilities Of The Company.
- ❖ To Study The Liquidity Position Of The Firm.
- ❖ To study the financial health of the company using ratio analysis.

3. RESEARCH METHODOLOGY

Need For the Study

A well-diversified portfolio reduces unsystematic risk in a large way. Investor prefers among securities which yield higher return for the same risk or lower risk for the same return. Investment decisions are based on investment objectives and constraints. Higher the time period of investment less is the uncertainties of investment.

Scope of the Study:

The scope of study is limited to collecting the financial data published in the annual reports of the company with reference to the objectives stated above. The main scope of the study is an analysis of the data with a view to suggest favorable solutions to the various problems related to Inventory Control Management.

Methodology

Sources of Data

Data we collected based on two sources.

- Primary Data.
- Secondary Data.

Primary Data

The Primary Data Are Those Information's, which are Collected afresh and for the First Time, And Thus Happen to Be Original in Character.

Secondary Data:

The secondary data are those which have already been collected by some other agency and which have already been processed. The sources of secondary data are annual reports, browsing the internet, and magazines.

1. It includes data gathered from the annual reports of (HDFC BANK).
2. Articles are collected from the official website of (HDFC BANK).

Methodology Used:

Types Of Financial Statements Adopted:

Following Two Types of Financial Statements Are Commonly Used in Analyzing the Firm's Financial Position

- a. Balance Sheet.
- b. Income Statements.

4. DATA ANALYSIS & INTERPRETATION

Comparative Balance Sheet of (HDFC BANK) in the Year between 2022-2023

					(Rupees In crores)
		Years			Changes
Particulars	2022		2023	In Rupees	In Percentage
Liabilities					
\Share Capital	45.74		45.74	0.00	0.00
Reserves & Surplus	930.85		1780.24	349.39	
Revaluation Reserves	5.33		4.17	-1.21	-22.70
Loans					
Secured Loans	971.06		2036.27	565.21	58.21
Unsecured Loans	171.29		434.19	317.87	257.95
Deferred Tax Liabilities	0.00		0.00	0.00	0.00
Current Liabilities					
Provisions	330.39		345.29	19.90	4.51
Current Liabilities	570.67		665.87	95.20	19.68
Total	2975.33		4316.69	1836.36	44.91

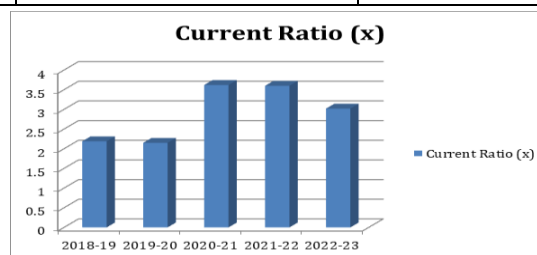
Assets					
Net Block	1584.24		2004.35	720.16	66.42
Capital Wip	634.59		864.85	230.26	36.28
Investments	47.83		61.78	18.95	29.20
Current Assets					
Inventories	442.20		589.06	196.89	33.22
Sundry Debtors	273.07		380.20	157.15	39.22
Cash & Bank Balances	40.36		56.57	19.21	40.19
Total Current Assets	755.60		1525.80	270.20	35.76
Loans & Advances	452.89		554.62	151.73	22.46
Fixed Deposits	0.20		0.28	0.15	55.56
Total	2975.33		4316.69	1836.36	44.91

Interpretation of comparative balance sheet of 2022-2023

- Reserves & Surplus were increased to 37.53 % (percent) i.e., in Rupees 349.39 crores.
- Revaluation Reserves decreased to 1.21 % i.e., in Rupees 22.70 crores.
- Secured Loans are increased to 58.21 % i.e., in Rupees 565.21 crores. And Unsecured loans highly Increased to 257.95 %.
- Current liabilities and Provisions are increased to 19.68 and 4.51 respectively i.e., in Rupees 95.20 & 19.90 crores.

Current Ratio

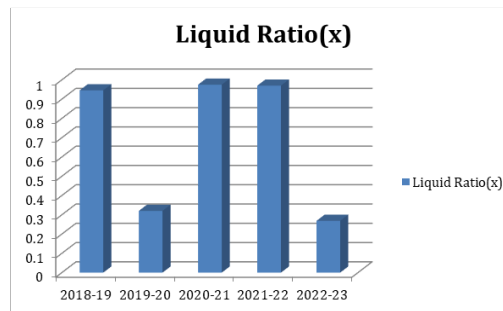
YEAR	Current Ratio (x)	MEAN (\bar{x})	Std. Deviation
2018-19	2.19	2.9	1.05
2019-20	2.15		
2020-21	3.62		
2021-22	3.60		
2022-23	3.02		



Inference: From the above table it is inferred that the Current ratio status records the maximum for the financial year 2020-21 and it records the least for the financial year 2020-2021. The current ratio status revolves around the computed mean value (2.9) for the financial years 2018-19 and 2022-23.

Liquid Ratio

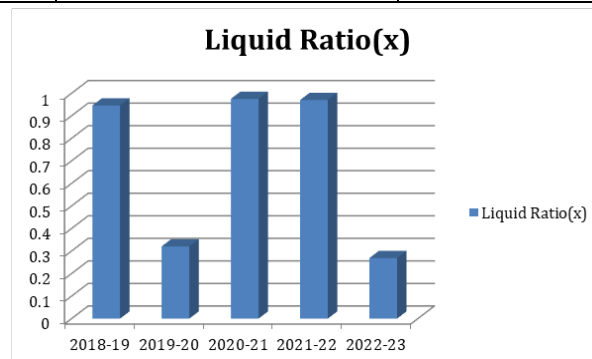
YEAR	Current Ratio (x)	MEAN (\bar{x})	Std. Deviation
2018-19	0.94556	0.69	0.5209
2019-20	0.3204		
2020-21	0.975		
2021-22	0.9699		
2022-23	0.2685		



Inference: From the above table it is inferred that the Liquid Ratio status records the maximum for the financial year 2021-22 and it records the least for the financial year 2022-23. The liquid ratio status revolves around the computed mean value (0.69) for the financial years 2018-19 and 2022-23.

Gross Profit

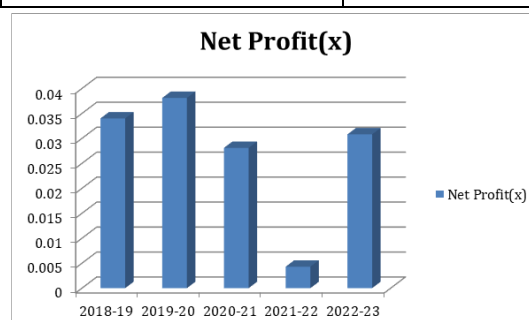
YEAR	Current Ratio (x)	MEAN (\bar{x})	Std. Deviation
2018-19	3.49	3.208	0.8200
2019-20	3.71		
2020-21	2.88		
2021-22	2.28		
2022-23	3.43		



Inference: From the above table it is inferred that the Gross Profit status records the maximum for the financial year 19-20 and it records the least for the financial year 2021-2022. The Gross Profit status revolves around the computed mean value (3.208) for the financial years 2018-19 and 2022-23.

Net Profit Ratio

YEAR	Current Ratio (x)	MEAN (\bar{x})	Std. Deviation
2018-19	0.0340	0.01974	0.04324
2019-20	0.0381		
2020-21	0.0281		
2021-22	0.0043		
2022-23	0.0308		



Inference: From the above table it is inferred that the Net Profit status records the maximum for the financial year 19-20 and it records the least for the financial year 2020-2021. The Net Profit status revolves around the computed mean value (0.01974) for the financial years 2018-19.

5. CONCLUSION

- The organization should adopt an appropriate capital structure.
- The company's debt-equity ratio is recorded more or less as 1.16 in the year 2018 and it is increased to 4.49 in the year 2022 (current year). The company should adopt a better debt equity mix in the future to control the fluctuations in returns.
- The company should control fluctuations in cash and bank balances as it impacts the current ratio of the company.
- The provisions are showing an increasing trend which indicates risk of debtors. The firm should implement an effective credit management policy. It should utilize its idle funds by decreasing provisions.
- The company should control the heavy increase of manufacturing & administration expenses as it is impacting the operating and net profit of the company.

6. REFERENCES

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