The Study of Financial Performance of HDFC Bank in India

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Abstract: ***Bank Play an important role in development of country and economic. The bank is much type like, commercial bank, private bank, public bank etc. here, financial performance of HDFC Bank is show by table of ratio like Current Ratio, Quick Ratio, Total Assets Turnover Ratio, and Credit Deposit Ratio and then discuss with interpretation.***

Keywords: Financial Condition. Financial Performance, Ratio

1. Introduction

Bank is very important part of our country. There are many types of Bank like, Commercial Bank, Public Sector Bank, Private Sector Bank, Co-operative Bank etc. Private Sector Bank has two types. First is Old Private Sector and second is New Private Sector Bank. HDFC Bank is New Private Sector Bank. The Full Form of HDFC Bank is The Housing Development Finance Corporation. In 1994 HDFC Bank was incorporated, with its registered office in Mumbai, India. Its first corporate office and a full service branch at Sandoz House, Worli was inaugurated by the then Union Finance Minister, Manmohan Singh. As of June 30, 2016, the Bank's distribution network was at 4,541 branches and 12,013 ATMs. Here I discuss about Financial Performance of HDFC Bank in India with tool of Ratio like Current Ratio, Total Assets Turnover Ratio, Quick Ratio, Credit Deposit Ratio etc.

2. Review of Literature

(1) Kaushik (1995) studied the social objectives and profitability of public and private sector banks during the period 1973 to 1991. He compared the public and private banks with the help of various profitability and productivity indicators through ratios, average, correlation, regression and factor analysis. He found that public sector banks were having lower profitability as compared to private sector banks. Further, he found that the various productivity indicators showed an increasing trend during the period of study for all the banks though the increase was much higher in the case of private sector banks. He concluded that the profitability of public sector banks showed a declining trend due to social objectives not because of cost inefficiency and low productivity. He suggested that productivity could be increased with the help of innovative banking, improved technological and managerial knowledge, well-educated and trained manpower and infrastructural facilities.

(2) N. S. Varghese (2000) is of the opinion that new generation private sector banks with their latest technology are able to implement e-banking and are highly preferred by investors in the stock market. He also points out that prominent new generation private sector banks like HDFC and ICICI have entered into internet banking through which greater convenience is offered with lower transaction cost.

(3) Ram Mohan TT (2003) , in his paper 'Long run performance of public and private sector bank stocks" Vol 37, has made an attempt to compare the three categories of banks-Public, Private and Foreign-using Physical quantities of inputs and outputs, and comparing the revenue maximization efficiency of banks during 1992-2000. The findings show that PSBs performed significantly better than private sector banks but not differently from foreign banks. The conclusion points to a convergence in performance between public and private sector banks in the post-reform era, using financial measures of performance.

(4) Georgeetal (2004) used Camel Model to evaluate the performance of private sector banks like Bank of Punjab, Centurion Bank, Development Credit Bank, HDFC Bank, ICICI Bank, IDBI Bank, IndusInd Bank, Kotak Mahindra Bank, UTI Bank and Yes Bank of India from the year of their inception. In this study, researchers used 20 variables in total for capital adequacy, asset quality, management quality, earnings and liquidity parameters. The study brought out that the performance of Kotak Mahindra Bank was the most excellent during all the years under study, followed by HDFC Bank and IndusInd Bank

(5) Debasish (2006) measured the relative performance of Indian banks over the period 1997- 2004 by using output-oriented data envelopment analysis model. For the study purpose, the banking sector in India has segregated on the basis of bank assets size, ownership status and years of operation. The study revealed that Foreign Owned Banks were more efficient than Public Sector Banks and Private Sector Banks. It was found during the study period that at local level Large sized banks and at global level Small sized banks were found to be more efficient than Medium sized banks. The study supported the conclusion that new private sector banks were more efficient than the old private sector banks because old private sector banks were often overburdened with old debts.

3. Objectives of the study

1) To analyze the financial performance of HDFC Bank in India.
2) To understand the working of HDFC Bank in India.

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Limitations of the study

1) This study is mainly based on secondary data from the published annual Report, websites and literature.
2) In this study only 5 years data are taken by me and then compare to each-other with financial ratio, like current ratio, quick ratio, credit deposit ratio, total assets turnover ratio.

Data Collection

This Study is based on secondary data which is collected from secondary source vie-various journal, magazine, newspaper and annual reports and website of regional rural banks and through various search engines.

Tools of Data

This research is based on secondary data and in this research tool of data is ratio.

(1) Current Ratio

Current ratio show an asset and liabilities of banking system. We can know that condition of current asset and current liabilities of banking system. The **current ratio** indicates the extent to which the claims of short-term creditors are covered by assets that are expected to be converted to cash in a period roughly corresponding to the maturity of the liabilities

$$\text{Current Ratio} = \frac{CurrentAssets}{CurretLiabilities}$$

(2) Quick Ratio:-

Quick ratio measures a company ability to pay the debt. Some conservative minded investors don't like to use the current ratio as an indicator of whether or not a company has the ability to pay its short term obligations (debt). Instead, the **quick ratio** is used. The quick ratio is similar to the current ratios with one exception; that is, the quick ratio measures a company's ability to pay its short-term debt, without relying on the sale of its inventory. Therefore, in calculating a quick ratio, business owners must subtract the inventory from the current assets.

$$\text{Quick Ratio} = \frac{CurrentAsseet - Inventoriies}{CurrentLiabilitiies}$$

(3) Credit Deposit Ratio:-

A commonly used statistic for assessing a **bank's** liquidity by dividing the **banks** total loans by its total **deposits**. This number, also known as the LTD **ratio**, is expressed as a percentage.

$$\text{Credit Deposit Ratio} = \frac{AverageNetLoans}{AverageDeposit}$$

(4) Total Assets Turnover Ratio

Asset turnover is a Financial Ratio that measures the efficiency of a company's use of its assets in generating sales revenue or sales income to the company. Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. Companies in the retail industry tend to have a very high turnover ratio due mainlyto cutthroat and competitive pricing.

$$\text{Asset Turn Over} = \frac{NetSalesRevenue}{AverageTotalAssets}$$

1) "Sales" is the value of "Net Sales" or "Sales" from the company's Income Statement.
2) "Average Total Assets" is the average of the values of "Total assets" from the company's balance sheet in the beginning and the end of the fiscal period. It is calculated by adding up the assets at the beginning of the period and the assets at the end of the period, then dividing that number by two.
3) Alternatively, "Average Total Assets" can be ending total assets.

Financial Performance of HDFC Bank in India
(March 2012 to March 2016)

Ratio	March-2012	March-2013	March-2014	March-2015	March-2016
Current Ratio (in times)	0.08	0.06	0.06	0.04	0.07
Quick Ratio (in times)	6.20	7.84	8.55	12.69	14.51
Credit Deposit Ratio (in percentage)	78.06	80.14	81.79	81.71	83.24
Total Asset Turn Over Ratio (in percentage)	0.09	0.10	0.09	0.09	0.09

4. Interpretation

1) Current Ratio: - The Current Ratio of the selected bank as a whole registered a fluctuating trend during the entire the study period. In this table we see that the current ratio is very high in 2012 (0.08 time) and very law in 2015 (0.04 time) but in 2016 the ratio is increase compare to other years 2013, 2014, 2015 but decrease compare to 2012.
2) Quick Ratio: - The Quick Ratio of the selected bank as a whole registered a fluctuating trend during the entire the study period. In this table we see that the Quick Ratio is very high in 2016 (14.51 time) and very law in 2012 (6.20 time). It means that the quick ratio is increase year by year.
3) Credit Deposit Ratio: - The Credit Deposit Ratio of the selected bank asa whole registered a fluctuating trend during the entire the study period. In this table we see that the Credit Deposit Ratio is very high in 2016 (83.24%) and very law in 2012 (78.06%). The Credit Deposit Ratio is increase year by year.
4) Total Assets Turnover Ratio:- The Total Assets Turnover Ratio of the selected bank as a whole registered a fluctuating trend the entire the study period. In this table we see that the Total Deposit Ratio is very high in 2013 (0.10 %) and in other years the ratio is similar.

References

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