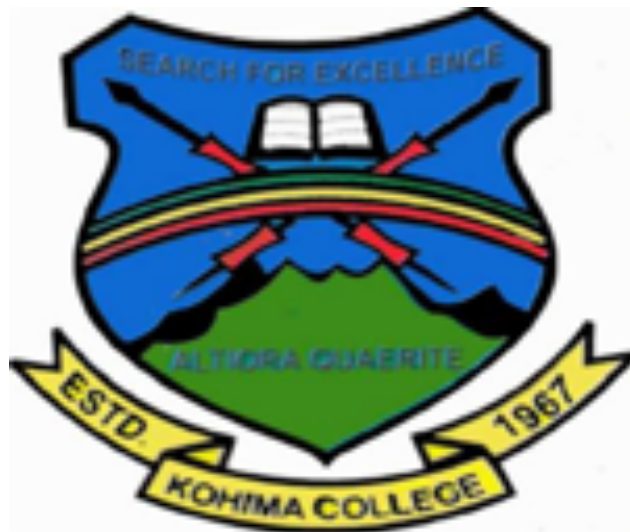


**A BRIEF STUDY ON THE FINANCIAL PERFORMANCE OF  
HDFC BANK KOHIMA**

*Project report submitted to Nagaland University in partial fulfilment for the award  
of the degree of Bachelor of Commerce*

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**DECLARATION**

I declare that the project report entitled “A Brief Study on the Financial Performance of HDFC Bank Kohima” submitted by me for the award of **Bachelor of Commerce** of Nagaland University is my own work. The project report has not been submitted for any other degree of this University or any other University.

**INIKALI SHOHE**

**CERTIFICATE**

I forward this project report to be placed before the examiners for evaluation.

**NGIPLON RACHEL CHOHWANGLIM**

**Supervisor**

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## CONTENTS

	<b>Page no.</b>
<b>CHAPTER 1 : INTRODUCTION</b>	<b>7-10</b>
1.1 Background	
1.2 Review of the Literature	
1.3 Objective of the study	
1.4 Research question	
1.5 Limitations of the study	
1.6 Research Methods	
<b>CHAPTER 2 : DATA ANALYSIS AND INTERPRETATION</b>	<b>12-23</b>
2.1 Data Analysis	
2.2 Short Term Solvency ratio	
2.3 Long Term Solvency Ratio	
2.4 Balance Sheet	
2.5 Profit and Loss Account	
2.6 Cash Flow	
2.7 Capitals Adequacy	
2.8 Quality Assets	
2.9 Consolidated Financial Returns	
<b>CHAPTER 3 : CONCLUSION</b>	<b>25-26</b>
3.1 Findings	
3.2 Suggestions	
3.3 Conclusion	
<b>BIBLIOGRAPHY</b>	<b>27</b>

### LIST OF TABLE

TABLE NO	TITLE
1	Current Ratio
2	Quick Ratio
3	Fixed Assets Turnover Ratio
4	Debt-Equity Ratio
5	Return On Assets
6	Return On Equity

# CHAPTER -1

## INTRODUCTION

## **1.1 BACKGROUND**

Financial performance is the process of measuring how effective a company utilizes its assets from primary mode of business to generate incomes. It also measures organizations whole financial health over a particular period of time. Financial performance of the organization deals with the financial strength and weakness of bank, accurately establishing a relationship between the Balance Sheet and Income Statement. This process helps to clearly understand the growth of long-term and short term of bank.

HDFC Bank Limited (Housing Development Finance Corporation) was incorporated in August 1994 with its registered office in Mumbai, India. HDFC Bank commenced operation as a scheduled commercial bank in January 1995 . HDFC was amongst the first to receive an approved from the Reserve Bank of India (RBI) to set up a bank in the private sector. HDFC Bank comprises of dynamic and enthusiastic term determined to accomplish the vision of becoming a World-class Indian Bank. The Bank has two subsidiary companies namely HDFC securities Ltd and HDFC financial services Ltd. The bank deals with three major key business segments namely retail banking services, wholesale banking services and treasury operation. The retail banking segment serves retail customers through a branch network and other delivery channels. These segments raises deposits from customers and makes loans and provides other services with the help of specialist product groups to such customers. The wholesale banking segment provide loans on non fund facilities and transactions services to corporate public sector units, government bodies, financial institutions, and medium scale enterprises. The treasury segment includes net interest earnings on investments portfolio of the Bank. The Banks' share is listed on the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. HDFC Bank was listed on the Bombay Stock Exchange on 19 may 1995. The Bank was listed on the National Stock Exchange on 8 November 1995.

As of June 30, 2021, the Bank's distribution network was at 5,653branches and 16,291 ATMs / Cash Deposit& Withdrawal Machine (CDMs) across 2,917 cities / towns as against 5,326 branches and 14,996 ATMs / CDMs across 2,825 cities /

towns as on June 30,2020. 50% of the branches are in semi-urban area. In addition the HDFC bank have 15,912 business correspondents which are primarily manned by Common Service Centers (CSC) as against 6,546 business correspondents an on June 30,2020 (source: [HDFC Bank News Release](#)) . HDFC Bank provides a number of products and services including wholesale banking, treasury, auto loans, two wheeler loans, credit cards and the various digital products. The total number of customers the bank created to as on 31<sup>st</sup> March 2019 was over 4.90 core upfrom4.36 core in the previous year. During the FY 2019 the bank added 316 banking outlets and taking the total to 5103 spread across2748 cities and towns.

During the quarter, the country was hit by a second wave of COVID -19 with a significant surge in cases following the discovery of mutant corona virus stains, business activities remain curtailed for almost two third of the quarter. These disturbance lead to a decrease in loan organizations as well as efficiency in collection efforts.

In Kohima HDFC Bank was established on 2011, with its registered office in Mumbai. There are five (5) branches in Nagaland, spread across the state. Out of which, there are two (2) branches in Kohima. One which is in Phezoucha , New Secretariat Road, Kohima . And the other in Kezieke near KFC Kohima, Razhu Point, Kohima. Under this branch ( Kezieke ), there are fifteen (15) members working under the branch holding different post.

The first chapter deals with introduction which includes a brief background of HDFC Bank, objective of the study, limitations of the study, research methods and the study period. The second chapter deals with analysis and interpretation of various data through ratio analysis collected from the internet and through interview. And the third chapter deals with the findings, suggestions and conclusion drawn from overall analysis of the study.

The purpose of the study is to study the overall performance of HDFC Bank and to know the profitability of the bank for the period 2019-2021.



## 1.2 REVIEW OF THE LITERATURE

**S. Muruganantham and S. K. Nerdish (2021)** ‘A study on financial performance analysis of HDFC Ltd ’ analyzed financial performance through ratio analysis and examined the financial position with the use of different ratios. The objectives of the study are to study the growth aspect of HDFC bank and measure its financial results. The study has been made on various aspects of the bank like interest, loans, assets, expenses, deposits, etc. The findings of the study reveals that the bank has minority issues in managing the deposits and all aspects are going well.

**Nandhini Thakuelr 2020)**, “The study is conducted on financial statement analyses of HDFC Bank with the time period of 2013-2018. The tools used in this study were ratio analysis, cash and fund flow analyses. The objective is to measure the efficiency of various properties of bank. Researchers find that bank’s financial performance was strong and suggested to providing more housing loans to the development of the citizen of India.”

**Bangaru Pushpalatha (2020)** analyzed the financial statement of SBI. The objectives of the study are to examine the portfolio of assets and liabilities in SBI. The study reported that SBI have healthier managing and financial efficiency. It is also reported people refer SBI for advance loan schemes.

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

## 1.3 OBJECTIVE OF THE STUDY

- ✓ To find out the financial performance of the HDFC Bank for the year 2019-2021.
- ✓ To analyze the financial performance of the Bank by using different ratios.
- ✓ To study solvency ratio to measure the financial health of HDFC Bank.

- ✓ To study liquidity ratio to measure the financial viability of HDFC Bank.

#### **1.4 RESEARCH QUESTION**

- ✓ What is the financial position of the HDFC bank Kohima for the period 2019-2021?
- ✓ What are the challenges and problems faced by the banking business – HDFC Bank?

#### **1.5 LIMITATIONS OF THE STUDY**

- ✓ The study is only for the HDFC Bank confined to a particular location.
- ✓ The present research is limited to only HDFC Bank and the data of only three financial years i.e , 2019, 2020 and 2021, which may not give correct trend of the result.
- ✓ This study may not be extensive enough to cover all the ratios to be considered in evaluating the financial soundness of the bank accurately.

#### **1.6 RESEARCH METHOD**

##### **1.6.1 Method and sources of data collection**

The study is based on both primary and secondary data collection.

Primary data is collected by going interview with the Bank managers. The data was collected through in-person and phone calls. While secondary data has been collected from reports of HDFC Bank, journals, websites, and other published information.

##### **1.6.2 The study period for data analysis**

The study covers three (3) Year data for 2019, 2020, and 2021 in HDFC Bank.

CHAPTER – 2  
DATA ANALYSIS AND  
INTERPRETATION

## **2.1 DATA ANALYSIS**

This chapter deals with data analysis and interpretation. The outcome of the present study yields significant findings of HDFC Bank.

Some of the major ratio has been evaluated and interpreted for the purpose of understanding the financial performance of the bank.

The following analysis shows the company's performance during 2019 to 2021. This analysis will help to understand the HDFCs past and current financial position.

## **2.2. SHORT TERM SOLVENCY RATIO**

These ratios measure the liquidity position of a firm. Liquidity ratios show the relationship between a firm's cash and other current assets to its current liabilities. A liquid asset is one that can be easily converted to cash without significant loss of its original value. Converting assets, especially current assets such as inventory and receivable to cash is the primary means by which a firm obtains the funds needed to pay its current bills. Liquidity ratio is particularly increasing to short-term creditors.

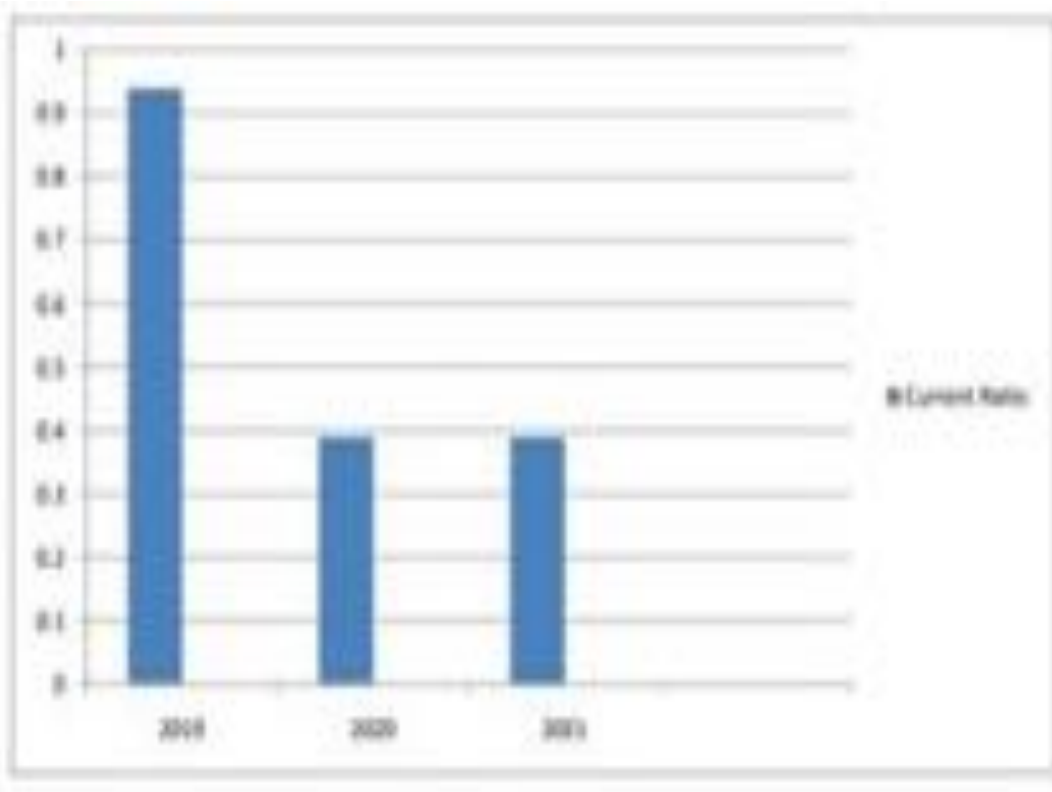
### **2.2.1 CURRENT RATIO**

An indication of company's ability to meet the short-term obligations, the higher the ratio, the more liquid the company is. Current ratio establishes the relationship between current assets and current liability. A current asset is calculated by dividing the current assets by current liabilities. It measures the short term financial condition of the bank. If the current assets of a company are more than twice the current liabilities, then the company is generally considered to have good short-term financial strength. The purpose of this current ratio is to give the bank the ability to pay off its short-term . The ratio is considered desirable in the ratio 2:1.

**TABLE: 1 Current Ratio**

<b>YEAR</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>CURRENT RATIO</b>	<b>0.94</b>	<b>0.39</b>	<b>0.39</b>

*(Source: HDFC Bank current ratio 2010-2021)*



In table 2.1, it shows that current ratio was 0.94 in 2019. It was decreased to 0.39 in 2020 as well as 2021. This shows that current ratio was not observed in 2:1 during any year.

### 2.2.2 LIQUID RATIO

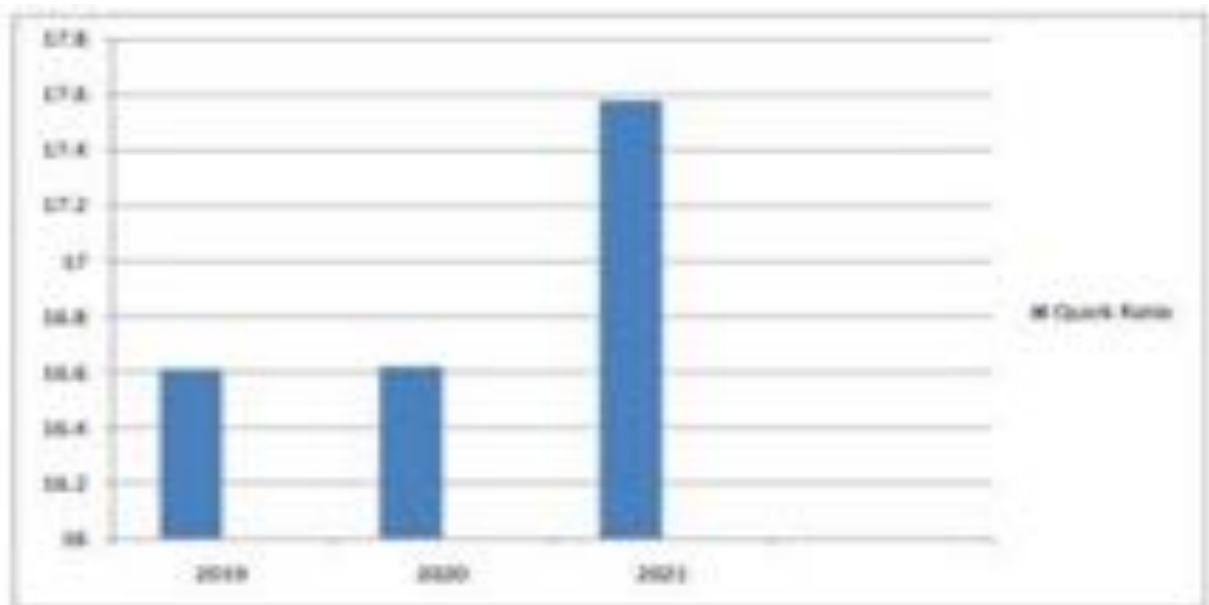
Liquid ratio is also known as ‘**quick**’ or ‘**acid test ratio**’. Liquid test refers to assets which are quickly convertible into cash. Current assets, other stock and prepaid expenses are considered as quick assets. The quick ratio is calculated by deducting inventories from current assets and then divide the remaining by current liabilities. It measures the short-term financial condition of the bank.

$$\text{Quick assets} = \frac{\text{Total Quick Assets}}{\text{Total current liabilities}}$$

**TABLE: 2 Quick Ratios**

<b>YEAR</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>QUICK RATIO</b>	<b>16.61</b>	<b>16.62</b>	<b>17.58</b>

*(Source: HDFC Bank quick ratio 2010-2021)*



From the above table it is clear that, the company’s quick ratio is increasing in 2021, it reaches to 17.58.

## **2.3LONG-TERM SOLVENCY RATIO**

### **2.3.1 Fixed Assets Turnover Ratio (FAT)**

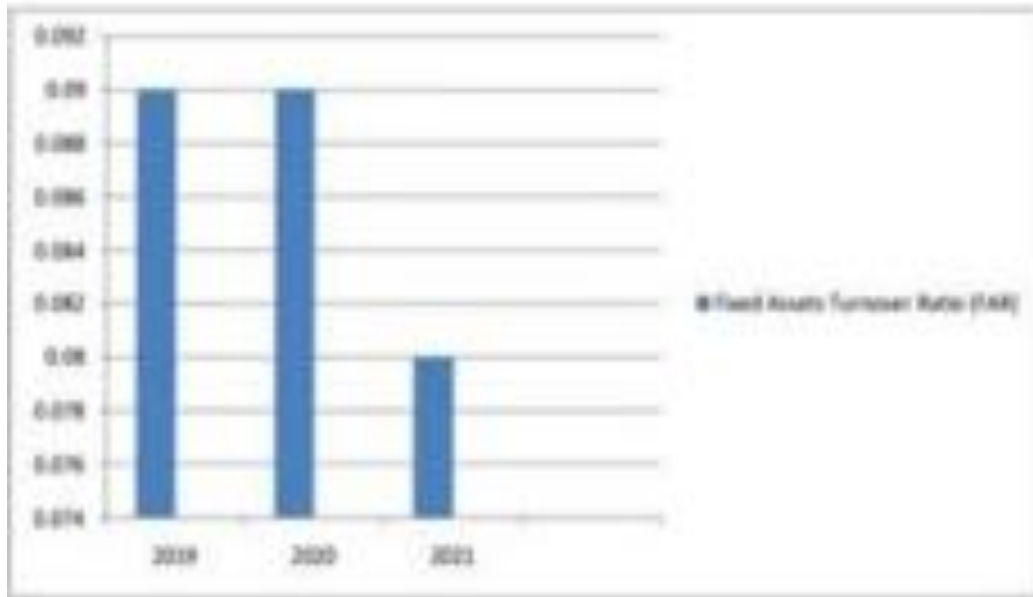
It is also called as Sales to Fixed Assets Ratio. It measures the efficient use of fixed assets. This ratio is a measure of efficient use of fixed assets , it is calculated as :

**Fixed Assets Turnover Ratio =Cost of goods sold or Sales / Net Fixed Assets**

It measures the efficiency and profit earning capacity of the business. Higher the ratio, greater is the intensive utilization of fixed assets and a lower ratio shows under utilization of fixed assets. This ratio has a special importance for manufacturing concerns where investment in fixed assets is very high and the profitability is significantly dependent on the utilization of these assets. It reveals how efficient company is at generating sales from its existing fixed assets. A higher rate of fixed assets turnover implies that management is using its fixed assets more effectively. A higher FAT does not tell anything about a company's ability to generate solid profits or cash flows.

**TABLE: 3 fixed assets turnover ratio**

<b>YEAR</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>FIXED ASSETS TURNOVER RATIO (FAR)</b>	<b>0.09</b>	<b>0.09</b>	<b>0.08</b>



### 2.3.2 Debt Equity Ratio

These ratios show the relationship between long-term debt and shareholders fund. Mainly it is calculated to assess the financial soundness of long-term policies and to determine the relative shares of outsiders and shareholders.

A high debt equity shows the highest claims of creditors over assets of the firm than those of shareholders. A high ratio reveals an unfavorable position of the company. A low debt equity indicates lesser claim of creditors and a higher margin is safe for them. The standard norm of this ratio 2:1 is satisfactory.

**TABLE : 4 Debt – Equity Ratio**

YEAR	2019	2020	2021
DEBT-EQUITY RATIO	7.05	7.47	7.39

*(Source : HDFC Bank Debt equity ratio 2010-2021)*



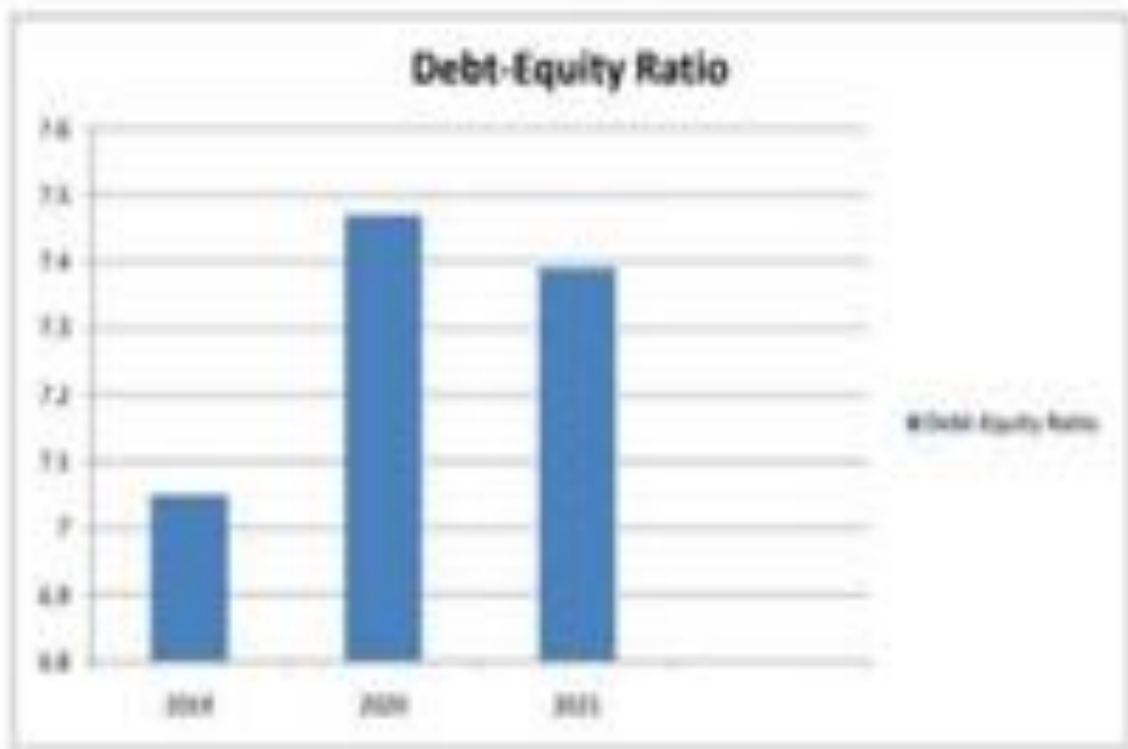


Table 1.3 explains debt equity relationship. In the year 2019 , the ratio was 7.05 followed by this it was increased by 7.47 during the year 2020 then was decreased by 7.39 during the year 2021.

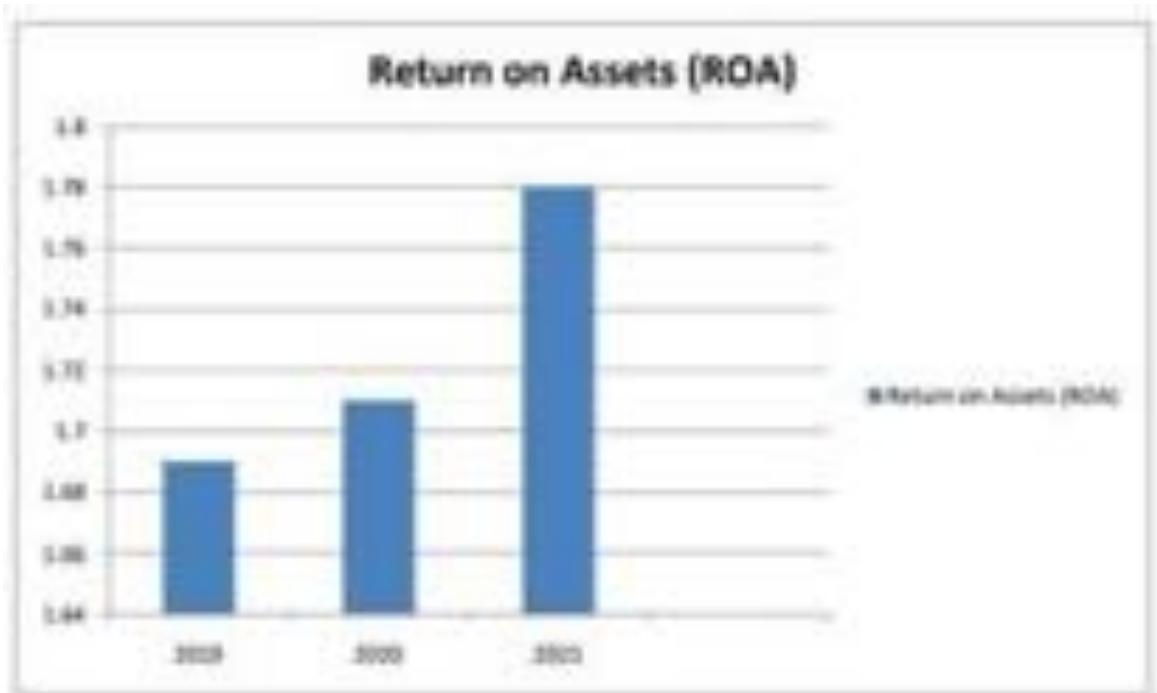
### **2.3.3 RETURN ON ASSETS (ROA)**

The ratio of operating income to total assets measures the return on total assets (ROA) offers interest and taxes. It provides an idea of the overall investment earned by the firms. Before other none operating it also measures profit per dollar of assets. It measures the productivity of assets regardless of how the assets are financed by creditors or investors.

**TABLE: 5 Return on Assets**

<b>YEAR</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>RETURN ON ASSETS (ROA)</b>	<b>1.69</b>	<b>1.71</b>	<b>1.78</b>

*(Source: HDFC Bank returns on assets 2010-2021)*



### 2.3.4 RETURN ON EQUITY

Return on Equity (ROE) is the bottom line measured for the shareholders, measuring the profits earned for each rupee invested in business.

**TABLE: 6 Return on Equity**

YEAR	2019	2020	2021
RETURN ON EQUITY(ROE)	14.12	15.35	15.27

*(Source: HDFC Bank Return on Equity 2010-2021)*



From the above table it is clear that return on equity ratio is higher in 2020 and lowest in the year 2019. It is clear that return on equity is decreasing as well as increasing every year.

**BALANCE SHEET:****HDFC Bank balance sheet for the year 2019-2021**

Balance sheet of HDFC Bank	March 2021 (in crore )	March 2020 (in crore)	March 2019 (in cores)
<b>EQUITIES AND LIABILITIES</b>			
<b>SHAREHOLDERS FUNDS</b>			
Equity Share Capital	551.28	548.33	544.66
<b>Total Share Capital</b>	<b>551.28</b>	<b>548.33</b>	<b>544.66</b>
Reserves and Surplus	203,169.55	170,437.70	148,661.66
Total Reserves and Surplus	203,169.55	170,437.70	148,661.66
<b>Total shareholder's Funds</b>	<b>203,720.83</b>	<b>170,986.03</b>	<b>149,206.32</b>
Deposits	13,35,060.22	11,47,502.29	9,23,140.93
Borrowings	1,35,487.32	1,44,628.54	1,17,085.13
Other Liabilities and Provisions	72,602.52	67,394.40	55,108.33
<b>Total capital and Liabilities</b>	<b>17,46,870.52</b>	<b>15,30,511.26</b>	<b>12,44,540.71</b>
<b>ASSETS</b>			
Cash and borrowings with Reserve Bank of India	97,304.74	72,205.12	46,763.62
Balances with Banks money at call and short notice	22,129.66	14,413.60	34,584.01
Investments	4,43,728.29	3,91,826.66	2,90,587.88
Advances	11,32,836.63	9,93,702.88	8,19,401.22
Fixed Assets	4,909.32	43,191.92	9,030.01
Other Assets	45,925.89	53,931.09	49,173.97
<b>Total Assets</b>	<b>17,46,870.52</b>	<b>15,30,511.26</b>	<b>12,44,540.71</b>

(Source: HDFC Bank News Release)

**INTERPRETATION:** The capital of bank increased but at a low rate. There is a huge fluctuation in the increase in Reserve and Surplus.

The bank is utilizing its reserve and surplus in an effective manner. The investment has increased with a high rate. There has been a consistent decline in fixed assets in 2020 and 2021. 43,191.92 and 4,909.32 respectively.

## PROFIT AND LOSS ACCOUNT

### HDFC Bank profit and loss account

<b>Profit and loss account of HDFC Bank</b>	March 2021 (in crore)	March 2020 (in crore)	March 2019 (in correctly)
<b>INCOME</b>			
Interest / discount on advances / bills	94,834.54	91,787.88	77,544.19
Income from investments	23,214.27	20,633.32	19,997.46
Interest on Balance with RBI& other inter-bank funds	2,341.25	1,828.93	635.70
Others	468.17	562.52	794.70
<b>Total interest earned</b>	<b>1,20,858.23</b>	<b>1,14,812.65</b>	<b>98,972.05</b>
Other income	25,204.89	23,260.82	17,625.88
<b>Total income</b>	<b>1,46,063.12</b>	<b>1,38,073.47</b>	<b>1,16,597.94</b>
<b>EXPENDITURE</b>			
Interest expenses	55,978.66	58,626.40	50,728.83
Payments to and Provision for Employees	10,364.79	9,525.67	7,761.76
Depreciation	1,302.41	1,195.85	1,140.10
Operating expenses (excluding Employee cost and Depreciation)	21,055.42	19,976.01	17,217.51
<b>Total operating Expenses</b>	<b>32,722.63</b>	<b>30,697.53</b>	<b>26,119.37</b>
Provision Towards Income Tax	11,644.77	9,833.15	12,129.61
Provision Towards deferred Tax	-1,102.31	516.69	-1,008.12
Other provisions and contingencies	15,702.85	12,142.39	7,550.08
<b>Total provisions and contingencies</b>	<b>26,245.31</b>	<b>22,492.23</b>	<b>18,671.57</b>
<b>Total Expenditure</b>	<b>1,14,946.59</b>	<b>1,11,816.15</b>	<b>95,519.77</b>
<b>Net Profit / Loss for the year</b>	<b>31,116.53</b>	<b>26,257.32</b>	<b>21,078.17</b>
Profit / Loss Brought Forward	57,492.40	49,223.30	40,453.42
<b>Total Profit /Loss available for appropriation</b>	<b>88,608.93</b>	<b>75,480.62</b>	<b>61,531.58</b>

(Source: HDFC Bank News Release)

## HDFC Bank Cash Flow

### Cash flow statements of HDFC Bank for the year 2019-2021

	March 2021	March 2020	March 2019
<b>Net profit / loss before extraordinary items and Tax.</b>	<b>41,658.98</b>	<b>36,607.15</b>	<b>32,199.66</b>
Net cash flow from operating Activities	41,494.79	-16,689.78	56,054.67
Net cash used in investing Activities	-1,120.17	-1,104.92	-136.12
Cash flow used from financial Activities	-7,381.11	22,851.79	15,718.00
Foreign Exchange Gain/ Losses	-141.83	213.99	95.39
<b>Net increase/ decrease in Cash and Cash Equivalent</b>	<b>3,285.68</b>	<b>5,271.08</b>	<b>-41,567.44</b>
Cash and Cash equivalent at the beginning of the year	86,618.72	81,347.64	1,22,915.408
Cash and Cash equivalent at the end of the year	1,19,470.40	86,618.72	81,347.64

(Source: HDFC Bank News Release)

## QUALITY ASSETS

Gross non-performance assets were at 1.47% of gross advances as on June 30, 2021, (1.3% excluding NPAs in the agricultural segment) as against 1.32% as on March 31, 2021 (1.2% excluding NPAs in the agricultural segment) and 1.36% as on June 30, 2020 (1.2% excluding NPAs in the agricultural segment). Net non-performing assets were at 0.48% of net advances as on June 30, 2021.

The Bank held floating provisions of Rs 1,451 crore and contingent provisions of Rs.6, 596 crore as on June 30, 2021. Total provisions (comprising specific, floating, contingent and general provisions) were 146% of the gross non-performing loans as on June 30, 2021.

## **COSOLIDATED FINANCIAL RESULTS**

The consolidated net profit for the quarter ended June 30, 2021 was Rs.7,922 corresponding. Advances grew by 13.7% from Rs.10, 53,683 corresponding as on 2020 to Rs.11, 97,876 crore as on June 30, 2021.

CHAPTER – 3  
CONCLUSION



### 3.1 Findings

- ✓ The bank focuses on understanding the needs of customers and offering them superior products and services.
- ✓ They focus on to create quality of customers and not quantity of customers.
- ✓ current ratio indicates that banks liquidity and it's repayment of debts are sound during the period of study.
- ✓ Debt equity ratio explains that creditors are safe during the study period.
- ✓ The Balance Sheet size as on March 2021 was Rs.17, 46,870.52 crore as against Rs.15, 30,511.26 crore as on March 2020, a growth of 13.5%.
- ✓ The total deposit as of 2021 were 13, 35,060.22, an increase of 13.2% over March 2020.
- ✓ The advances as on March 2021 were 13, 35,060.22, an increase of 14.4% over March 2020.
- ✓ There has been a consistent decline in fixed assets in 2020 and 2021, 43,191.92 and 4,909.32 respectively.
- ✓ The Bank's net revenue (net interest income plus other income) increased from ₹1, 38,073.47 crore for the quarter ended March 2020 to ₹1, 46,063.12 crore for the quarter ended March 2021.
- ✓ Other income (non-interest revenue) at ₹25,204.89 crore was 27.0% of net revenue for the quarter ended March 2021 and grew by 54.3% over 23,260.82 crore in the corresponding quarter of the previous year.
- ✓ Provisions and contingencies for the quarter ended March 2021 were Rs.26, 245.31 crore as against Rs.22, 492.23 crore for the quarter ended March 2020.
- ✓ As mentioned earlier, the second wave of COVID-19 disrupted business activities for close to two third of the quarter, leading to a decrease in the efficiency in collecting efforts and a high level of provisions.

### 3.2 Suggestions

- ✓ Better inventory management is required because it is consistently decreasing which is an obstacle be in competition
- ✓ There are market leader but their nearest competitor is very close with respect to market share. So it is necessary to utilize their resources in best way.

### **3.3 Conclusion**

HDFC Bank is a largest private sector bank in India. The research was on financial performance of HDFC Bank for three years from 2019 -2021. The data has been collected from annual reports of the bank and the web site. The data was analyzed through ratio analysis. The research presented sought to know the financial viability and financial health of HDFC Bank. For this tables and ratio analysis were used to analyze and interpret the information obtained.

HDFC Bank deals with three key business segments:

- ✓ Retail Banking Services
- ✓ Wholesale Banking Services
- ✓ Treasury operation

Retail banking business caters to; Salaries and professional borrowings, Individual borrowings , Micro & small businesses , Extremely small businesses like kirana stores, Self-help Groups (SHGs), Non-resident Indians (NRIs).

Wholesale banking businesses focuses on the institutional customers such as ; Large corporate including MNCs, Public Sector Enterprises, Emerging corporate, Business banking / SMEs, Infrastructural finance groups.

Treasury is the custodian of the Bank's cash/ liquid assets and manages its investments in securities and other market instruments. It manages the liquidity and interest rate risk on the balance sheet and is also responsible for meeting statutory reserve requirement.

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