

Financial Performance of Private Sector Banks in India with Reference to HDFC and Federal Banks

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Abstract : The banking industry is the part of the economic development which concerned with forecasting and serving to the society. It deals with the various resource of elevating funds for the economy and banks need for the business. This research work has showed the efficiency in utilizing of assets, solvency position and comparative financial position of HDFC and federal bank. This research work is carried out from the collected secondary data. The entire research is based on the audited annual report of HDFC Bank and Federal bank. The study of Financial performance of HDFC and Federal Banks is confined to a period of two years audited annual reports which commences from 2013-2014 to 2017-2018. The entire work has undertaken the ratio analysis which is one of the management tools and has a wider application today. The applied ratios are current ratio, liquid ratio, debt-equity ratio, net profit margin, return on net worth and CRAR.

Index Terms - Economic Development, Banking Industry, Efficiency, Financial Performance.

I. INTRODUCTION

Finance is the provision about the money at the time when it is required. Each and every business required finance for the smooth functioning of its activities. The important finance functions such as financing decision and investment decision depend to a large extent on an analysis of the financial positions of the organization. The financial management is the part of the management activity which is concerned with planning and controlling the firms' financial resources. It deals with the various sources of raising funds for the firm. The research work demonstrates the competence in employing of financial sources by comparative financial position of HDFC and federal bank. This work has been concentrate to evaluate the performance .the evaluation performance has been taken for the period from.2013 to 2018. The bank is an institution it deals with money and credit. It is an intermediary and handles people's money for their benefit and for their profit. There are many types of private and public banks; the investigator has chosen HDFC and Federal Bank. HDFC was incorporated in the year 1994.The Headquarters is situated in Mumbai and the HDFC was established by Hasmukhbai. Federal bank it is formerly known as Travancore federal bank. It was established in the year 1947. The head quartered in Kerala and presently it has more than thousand branches in the country.

II. LITERATURE REVIEWS

The researcher reviewed more literature studies related to financial performance of banks comparatively. The literature reviews are given below:

Abhiman (2002) has analyzed the capital position and financial position of public sector banks from 1996 to 2001. The outcome entails that insufficiently started banks have lesser efficiency and are focus to a top extent of authoritarian anxiety than tolerably capitalized ones. The study concluded that let somebody borrow some credibility to the conviction that subordinating government possession be liable to develop the efficiency.

Koeva (2003) studied the effect of financial relaxation on the recital of commercial banks in India. The investigations paid attention on analyze the bank expenses and productivity throughout the liberalization era. The research concluded the economic liberalization has connected with lesser costs and more profitability in the banks.

Singh and Tandon (2012) stated that financial services of banks comparatively and it compared the financial routine of SBI and ICICI Bank by important ratios from 2008 to 2012. That concluded that SBI is better than ICICI Bank in deposits and ICICI bank is healthier running competence than SBI bank.

Vaghela Manisha (2013) has examined the services of home loan in SBI and HDFC banks. The study concluded that interest payment is better in HDFC other than SBI. The banking institutions have not providing balanced interest rate to new lenders in both banks.

Devi (2017) inspected the financial performance of the SBI and ICICI banks from the year 2012 to 2017. The ratios like operating and debt-equity ratios were utilized and the study concluded that operating income of SBI was superior to ICICI bank.

III. NEED FOR THE STUDY

The investigator has eager to measure the top private banks performance in India. So, the HDFC and federal banks have taken and calculated ratio for show the solvency and profitability of the banks. The investors have different opinion with the opening bank account in these banks. The study clears the confusion and guides to invest their amount in banks.

IV. OBJECTIVES

The ideal objectives of the research work are,

1. To discover the financial position of the HDFC and Federal banks comparatively in India.
2. To show the difference between the financial indicators of the banks in this work.

V. SIGNIFICANCE OF THE STUDY

The current research provides more information about the private sector banks comparatively in India. The study provides chance to decide for investment to customers by the comparative work. So, the investigator has measured the banks financial position by financial indicators in India. The HDFC and Federal banks are private leading financial institution in India.

VI. RESEARCH METHODOLOGY

Research is an academic activity and as such the term should be utilized in technical sense. The research encompasses significant and redefining few problems, collecting, organizing and evaluating secondary data. The entire research is based on the audited annual report of HDFC Bank and Federal bank. This research work is carried out from the collected secondary data. The study of Financial performance of HDFC and Federal Banks is confined to a period of two years audited annual reports which commences from 2013-2014 to 2017-2018. The entire work undertaken the ratio analysis which is one of the management tools and has a wider application today. The applied ratios are current ratio, liquid ratio, debt-equity ratio, net profit margin, return on net worth and CRAR. The analytical tools like mean, SD, CAGR, ANOVA and CAGR utilized for the current work.

VII. RESULTS AND DISCUSSION

For the analysis purpose, the financial indicators of HDFC and federal banks are taken for the current research.

Table 1 – Financial Performance of HDFC and Federal Bank

(in Ratios)

Year	Short-term Solvency Ratio				Long-term Solvency Ratio		Profitability Ratio				CRAR	
	Current Ratio		Liquid Ratio		Debt Equity Ratio		Net Profit Ratio		Return on Net worth			
	HDFC	Federal	HDFC	Federal	HDFC	Federal	HDFC	Federal	HDFC	Federal	HDFC	Federal
2013-14	0.06	0.03	8.55	21.86	9.36	9.41	20.61	12.07	19.50	12.06	16.07	15.14
2014-15	0.04	0.03	12.69	28.59	8.00	9.45	21.07	13.55	16.47	12.99	16.79	15.46
2015-16	0.07	0.06	14.51	33.68	8.25	10.05	20.41	6.14	16.91	5.87	15.53	13.93
2016-17	0.06	0.05	11.19	33.74	8.02	11.59	20.99	9.57	16.26	9.29	14.60	12.39
2017-18	0.04	0.05	17.48	39.96	8.58	10.12	21.79	9.01	16.45	7.20	14.82	14.07
Mean	0.05	0.04	12.88	31.57	8.44	10.12	20.97	10.07	17.12	9.48	15.56	14.20
SD	0.01	0.01	3.37	6.76	0.56	0.88	0.53	2.87	1.35	3.05	0.90	1.21
CAGR %	-0.10	0.14	0.20	0.16	-0.02	0.02	0.01	-0.07	-0.04	-0.12	-0.02	-0.02

Source: CMIE Data

Table-1 exposed that the banks financial position indicating ratios in India. The standard norm of short term ratio like current ratio is not followed by the banks and the liquid ratio of federal bank is comparatively high than HDFC. The growth rate is high in federal bank and it maintains more liquidity amount for future. The federal bank has more liability compared to HDFC bank in this research and growth rate is slightly varied in the study. The HDFC bank is generating more profitability and CRAR position by their industrial loans and other services than federal bank. It indicates that HDFC bank is performing as leader in the private bank sector.

Table 2 – Difference between Financial indicator of HDFC and Federal Bank

	Source of Variation	SS	df	MS	F	P-value
HDFC BANK	Rows	8.83	4.00	2.21	0.84	0.49
	Columns	1242.50	4.00	310.62	117.59	0.00
	Error	42.27	16.00	2.64		
	Total	1293.5979	24			
FEDERAL BANK	Rows	23.13	4.00	5.78	0.46	0.76
	Columns	2653.29	4.00	663.32	52.68	0.00
	Error	201.48	16.00	12.59		
	Total	2877.89	24.00			

Source: Calculated Value

Table – 2 confirmed that there is significant difference between the financial indicators of the HDFC bank in India with years. The federal does not have significant difference with the financial indicators in the study period and has the significant changes with the column-wise ratios in the bank.

VIII. CONCLUSION

The private banks are similarly performing their services namely HDFC and federal bank. The researcher measured the performance for the period of 2015-16 to 2016-17. It reveals the overall financial performance of the HDFC bank was good than the federal bank. The capital adequacy ratio of the HDFC bank is satisfactory. The management efficiency is high and the earning ability has been increased in both private banks. So, in this comparison the HDFC banks performance is better than the federal bank.

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