

A Comparative Analysis About Financial Performance of SBI Bank & HDFC Bank in India

Smt. Megha Bhoote,

Assistant Professor, Department of Commerce

Government First Grade College, Sagar,

Shimoga (Dist) Karnataka (State)

Email Id- megsubs@gmail.com

ABSTRACT:

Bank always deals with the other's money that is depositor maintaining the sound financial position of the bank is not only give a guarantee to the depositors but also it is significant importance to shareholders, employees and whole economy as well. The efforts have been taken from time to time to improve the financial performance of the banks. and manage its operations effectively and efficiently. In the present article efforts have been made to Compare the liquidity position of two banks i.e. SBI Bank and HDFC Bank. The Secondary data has been used to fulfill the purposes. Trend Analysis tool is used to analyze the financial statements and current ratio tool has been used to compare the liquidity standing of both the banks. The conclusion of the paper is comparative study shows that the liquidity position of HDFC Bank is very good as compared to SBI Bank as its current ratio is more than the SBI Bank.

Keywords: Financial statement, Trend analysis, Current Ratio, Liquidity, HDFC, SBI Bank

INTRODUCTION:

State Bank of India (SBI) is an Indian public sector bank and financial services statutory body. It is having its headquartered in Mumbai, Maharashtra. In world SBI is the by total assets and ranked 221st in the *Fortune Global 500* list of the world's biggest corporations of 2020, being the only Indian bank on the list. It is a public sector bank and the largest bank in India with a 23% market share by assets and a 25% share of the total loan and deposits market. It is also the fifth largest employer in India with nearly 250,000 employees. On 14 September 2022, State Bank of India became the third lender (after HDFC

Bank and ICICI Bank) and seventh Indian company to cross the ₹ 5-trillion market capitalisation on the Indian stock exchanges for the first time.

HDFC Bank Limited is an Indian private banking and financial services company. It is having its headquartered in Mumbai. It is India's largest private bank by assets and world's 10th largest bank by market capitalisation as of April 2021. It is considered as the third largest company by market capitalisation of \$127.16 billion on the Indian stock exchanges. As per the study it is also the fifteenth largest employer in India with nearly 150,000 employees.

Financial statements are prepared and published not only for taking the decisions within the organisation but also for external users called as the stakeholders such as investors, government, public, employees, society. These users have different needs hence they use these financial statement to fulfil their purposes. The process of reviewing the financial statements are called as Financial Statement Analysis. There are various techniques for analysing the financial statement like Common size, Comparative and Trend analysis which is used by the analyst. Trend analysis is one of the horizontal type of analysis which is used to understand the changes happened over a period of time by considering the first year as base year for the further calculations.

Liquidity talks about the availability of cash in the bank physically to meet the demand of the customer. It's very important for every bank to follow the systematic procedure for maintaining the good liquidity position otherwise it loose its trust of customer. Liquidity position can be analyzed by using the financial ratio called as liquidity ratio. There are three types of liquidity ratio we have i.e. Current ratio, quick ratio and cash ratio.

REVIEW OF LITERATURE:

Dr. Syed Shajat Husain and Noor Alam (2021) studied about “An Analytical study on Financial Performance of ICICI Bank.” In this paper researcher analysed the performance of ICICI Bank with the help of profitability ratio. The entire study was based on published secondary data in financial report of ICICI Bank for 5 years. The Conclusion of the paper was that the ICICI Bank is efficient in performing operating activities during the study period.

K Keerthi and S Eswari (2020) studied about “Financial Performance using ratio analysis of Kumbakonam Central Co-operative Bank.” In this research paper the researcher analysed the overall financial position of the bank using ratio analysis. The secondary data has been used for entire study. The conclusion of the paper was the financial position of the bank was good during the study period and researcher had given some suggestions also for improving financial position of the bank.

Mr. P Rajendra and Dr. B Sudha (2019) focused on “Financial Analysis and Performance of HDFC Bank.” In this paper researcher analysed the financial performance of HDFC banks using the liquidity and solvency ratio. The secondary data has been used to analyze the data. The conclusion of the paper was HDFC Bank’s liquidity and Solvency position is good and satisfactory during the study period.

A Jaiswal and C Jain (2016) focused on “A comparative study of financial performance of SBI and ICICI Bank in India.” In this research paper the researcher made an attempt to analyze the financial performance of SBI and ICICI Banks. The study was

descriptive and analytical in nature. The Comparative analysis has been using different ratios. The conclusion of the paper was SBI is performing well and financially sound than ICICI Bank.

OBJECTIVES OF THE STUDY

1. To analyses the financial position of SBI Bank and HDFC bank individually using Trend Analysis
2. To make a comparative study on liquidity position among SBI Bank and HDFC Bank using current ratio.

RESEARCH METHODOLOGY

This study is quantitative in nature primarily deals with the financial statements of SBI Bank and HDFC Bank for the financial year 2017-18, 2018-19, 2019-20, 2020-21, 2021-22. This study is based on secondary data which is taken from banks websites, annual reports and other published data. The collected data has been analyzed using Trend analysis tool and comparative study on liquidity position of the banks has been done on the basis of current ratio.

LIMITATIONS OF THE STUDY:

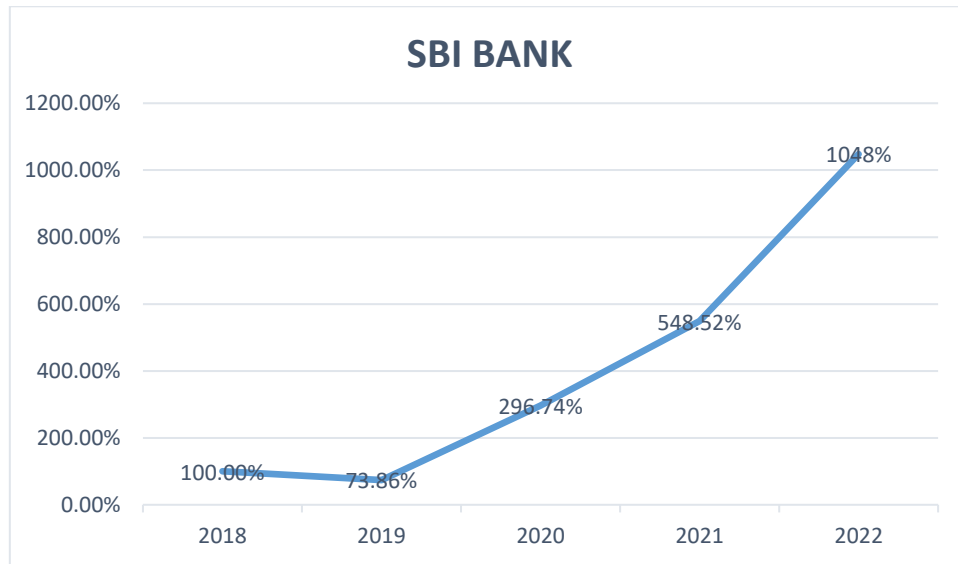
1. The study is restricted only for five financial years from 2017-18 to 2021-22
2. The study is completely based on secondary data and the accuracy of the analysis depends on the data obtained.

ANALYSIS AND INTERPRETATION:

Trend analysis of Income statement

SBI Bank

Particulars	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Interest Earned	100%	110.64%	117.85%	121.46%	126.64%
Other Income	100%	99.75%	119.11%	136.49%	150.86%
Total Income	100%	107.88%	118.17%	125.26%	132.77%
Total Expenditure	100%	111.50%	120.66%	126.24%	133.12%
Operating Profit	100%	94.13%	108.69%	121.56%	131.44%
Provisions & Contingencies'	100%	72.08%	58.92%	60.65%	35.09%
PBT	100%	42.80%	200%	256.90%	467.20%
Tax	100%	26.70%	150.66%	105.70%	166.07%
Net Profit	100%	73.86%	296.74%	548.52%	1048%

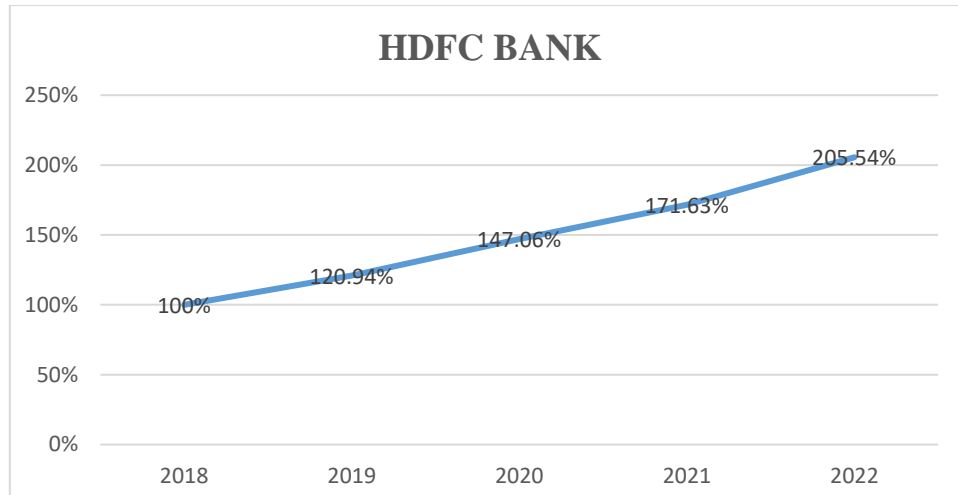


Interpretation: 2017-18 year is considered as base year hence assumed it as 100%. Total income of SBI Bank is increased to 107.88% in the year 2019 it raised to 132.77% in the year 2022. It shows that income of the bank in form of interest increased over a period of 5 years. The operating profit was decreased to 94.13% in the year 2019 but again it raised to 133.12% in the year 2022. It shows that bank is able to manage its operating activities effectively. When it comes to Net profit it also increased drastically from 100% to 1048% in the year 2022. Overall profitability position of the bank is very good over a period of 5 years.

HDFC Bank

Particulars	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Interest Earned	100%	123.30%	143.27%	150.73%	159.39%
Other Income	100%	118%	154.94%	170.23%	197.80%
Total Income	100%	122.46%	145.12%	153.82%	165.47%
Total Expenditure	100%	122.77%	143.53%	142.14%	149.15%
Operating Profit	100%	121.88%	148.12%	175.93%	196.37%

Provisions & Contingencies'	100%	127.56%	208.48%	286.71%	272.79%
PBT	100%	120.57%	123.18%	150.36%	189.27%
Tax	100%	119.88%	110.05%	110.46%	128.46%
NET PROFIT	100%	120.94%	147.06%	171.63%	205.54%



Interpretation: 2017-18 year is considered as base year hence assumed it as 100%. Total income of HDFC Bank is increased to 122.46% in the year 2019 it raised to 165.47% in the year 2022. It shows that income of the bank in form of interest increased over a period of 5 years. The operating profit is also increased to 121.88% in the year 2019 but again it raised to 196.37% in the year 2022. It shows that bank is able to manage its operating activities effectively. When it comes to Net profit it also increased from 100% to 205.54% in the year 2022. Overall profitability position of the bank is good over a period of 5 years.

Trend Analysis of Balance Sheet

SBI BANK

Equities & Liabilities	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Share Capital	100%	100%	100%	100%	100%
Reserves & Surplus	100%	101.82%	109.04%	119.72%	132.80%
Deposits	100%	108.02%	120.27%	136.48%	150.15%
Borrowings	100%	112.10%	90.20%	117.53%	121.70%
Liabilities & Provisions	100%	101.74%	114.19	141.71%	174.86%
Total Liabilities	100%	107.52%	116.07%	133.99%	148.24%
ASSETS					
Fixed Assets	100%	98.73%	97.22%	97.43%	95.84%
Loans & Advances	100%	113.61%	121.13%	127.57%	142.55%
Investments	100%	94.55%	103.76%	134.74%	150.06%
Other Assets	100%	112.10	90.20%	117.53%	121.70%

Total Assets	100%	107.52%	116.07%	133.99%	148.24%
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Interpretation: The share capital of the SBI Bank is remained same over a period of time. The Reserve and surplus is increased from 100% in the year 2018 to 132.80% in the year 2022. The deposits are also increased to 150.15% in the year 2022. At the same time borrowings are also raised from 100% to 121.70% in the year 2022. The Liabilities are also enhanced over a period of 5 years. There is decreased in the fixed assets of SBI Bank over a period of 5 years. There is increase in loans and advances from 100% to 142.55% in the year 2022. Investment was decreased in the year 2019 but again it increases to 150.06% in the year 2022. Other assets are also increased to 121.70% in the year 2022. The overall financial position of SBI Bank is good.

HDFC BANK

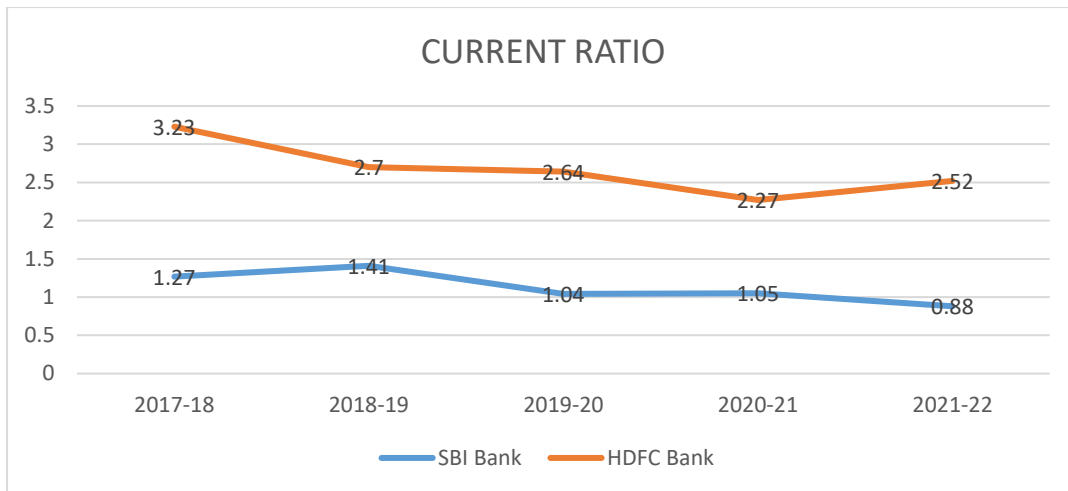
Equities & Liabilities	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Share Capital	100%	104.82%	105.59%	106.16%	106.74%
Reserves & Surplus	100%	140.38%	161.18%	191.84%	226.23%
Deposits	100%	117.03%	145.38%	169.17%	197.62%
Borrowings	100%	100.82%	119.43%	113.58%	402.12%
Liabilities & Provisions	100%	120.62%	146.35%	160.38%	185.73%
Total Liabilities	100%	117.19%	143.30%	163.12%	192.44%
ASSETS					
Fixed Assets	100%	110.73%	121.42%	133.83	168.81%
Loans & Advances	100%	124.17%	149.09 %	169.32%	202.98%
Investment	238,460	120.32%	163.26%	184.02%	188.40%
Other Assets	156,442	100.82%	119.43%	113.58%	145.10%
Total Assets	100%	117.19%	143.30%	163.12%	192.44%

Interpretation: The share capital of the HDFC Bank is slightly increased over a period of 5 years. The Reserve and surplus is increased from 100% in the year 2018 to 226.23% in the year 2022. It shows that Bank is having very good profitability position. The deposits are also increased to 197.62% in the year 2022. At the same time borrowings are also raised from 100% to 402.12% in the year 2022. The Liabilities are also enhanced over a period of 5 years. There is increased in the fixed assets of SBI Bank over a period of 5 years. There is increase in loans and advances from 100% to 202.98% in the year 2022. Investments also increased to 188.40% in the year 2022. Other assets are also increased to 145.10% in the year 2022. The overall financial position of HDFC Bank is good

COMPARISION OF LIQUIDITY POSITION

ANALYSIS OF CURRENT RATIO

Financial Year	SBI Bank	HDFC Bank
2017-18	1.27	3.23
2018-19	1.41	2.70
2019-20	1.04	2.64
2020-21	1.05	2.27
2021-22	0.88	2.52



INTERPRETATION: The above table clearly shows that in the year 2017-18 the current ratio of SBI Bank is 1.27 whereas HDFC Bank is 3.23 times. In the year 2018-19 the SBI Bank current ratio is 1.41 whereas HDFC Bank is 2.70. In the year 2019-20 Current ratio of SBI Bank is 1.04 and HDFC Bank is 2.64. In the year 2020-21 the current ratio is 1.05 in SBI Bank and 2.27 in HDFC Bank. It means that in all the four financial year both the banks current assets are more than the current liabilities. It means that banks are able to meet its current obligations as and when arises. But in the Year 2021-22 the current ratio of HDFC bank is 2.52 times it means here also company have sufficient current assets to meet its current liabilities. But in case of SBI Bank the current ratio is 0.88 times it means that current liabilities are more than its current assets which is not good for the liquidity position of the bank.

The standard rule of Current ratio is 2:1. It means current assets should be two times more than its current liabilities. The above graph clearly shows that SBI Banks's current ratio is less than 2 and HDFC Bank's current ratio is more than 2. It means that the liquidity position of SBI Bank is not satisfactory the bank is not properly managing its current assets and liabilities. Whereas HDFC Bank's liquidity position is very good because it's ratio is more than 2 in all the five years. The comparative study shows that the liquidity positon of HDFC Bank is very good as compared to SBI Bank.

FINDINGS:

- The total income & operating profit of HDFC bank is growing faster than the SBI Bank.

- The net profit is increasing at faster rate in SBI Bank over a period of time compare to HDFC Bank.
- The reserves and deposits are increasing more in HDFC banks over a period of five years compare to SBI Bank
- The borrowing rate is also increased in HDFC bank compare to SBI Bank.
- The Loans and advances and investment are also growing faster rate in HDFC bank compare to SBI Bank
- Current assets of HDFC Bank is more compare to the SBI Bank
- The current ratio of HDFC Bank is more all the five years compared to the standard. It means it have good liquidity position.
- The current ratio of SBI Bank is below the Standard it shows it facing difficulties to pay its obligations.

SUGGESTIONS:

- SBI Bank should shift its short term liabilities to long term liabilities so that they can improve the liquidity position.
- The SBI should finance its current assets by equity rather than the creditor it may improve the liquidity position of the bank.

CONCLUSION:

The study was conducted for the financial year 2017-18 to 2021-22 to find out the financial performance of the two top banks of India i.e. SBI and ICICI Bank using trend analysis. After analysing the five years' financial reports of both the banks it is concluded that the overall financial performance of both the bank are good. The results indicate that the financial position has been

improving every year in both the banks but comparatively HDFC bank is growing faster as compare to SBI Bank. When it comes to profitability position SBI Bank is uplifting faster than the HDFC Bank. It shows that the operating efficiency of SBI bank is very good. The liquidity position of HDFC Bank is very good as compared to SBI Bank as it managing its current assets more effectively to meet its current liabilities. The SBI Bank should work out on its liquidity position as it is less than the standard.

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