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LIQUIDITY AND FINANCIAL ANALYSIS OF HDFC BANK BETWEEN COVID-19 PERIOD AND POST COVID-19 PERIOD

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ABSTRACT

The aim of this research paper is to analyses and evaluate the liquidity and financial position of the leading private sector bank i.e. HDFC bank of India in the period of Covid- 19 and after the covid. This research shows what was the picture of HDFC bank during have been two different time period. To check the liquidity different types of tools and ratios have used in this study e.g. Current ratio, quick ratio, comparative study of final Account etc. with the help of these tools we can conclude bank position in term of liquidity and financial aspect especially during the pandemic crisis. To study the impact of pandemic two year ie.2020 -21 and 2021-22 have been evaluated. Which is relate to during pandemic and post pandemic time period. To complete the finding banks Trading and P&L Accounts balance sheet and cash Flow statement have have been analyzed of F.Y. 2020-21 and2021-22.

Keywords: *Evaluate, Liquidity, Pandemic Crisis, Comparative Study, Current Ratio, Quick Ratio.*

Introduction

Liquidity is a measure of the ability and case with which assets can be converted to cash. Liquid assets are those that can be converted to cash quickly if needed to meet financial obligations, example of liquid assets generally include cash, centre bank reserve and government debt liquidity assumes a huge part in the effective working of a business firm or banks. It is a measure of great importance in the study of banking. A sound liquidity position of bank is needed for long term viability of an organization. It can be seen that liquidity risk can best be described as the present and future risk due to which bank will not able to fulfill its contractual obligations, which can in turn prove determinate to the banks financial stability. To know a better picture in terms of financial and liquidity position not only liquidity analysis but a financial analysis can also provide a useful information regarding this. Analyzing financial statement is a process of evaluation the relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance.

A few most specific common objective of financial statement analysis are follow:

- Measuring financial soundness
- Judging solvency
- Measuring profitability
- Judging operational efficiency
- Indicating trends of achievements
- Assessing the growth potential
- Inter firm and intra firm composition
- Deciding future lire of action
- Systematic presentation of data

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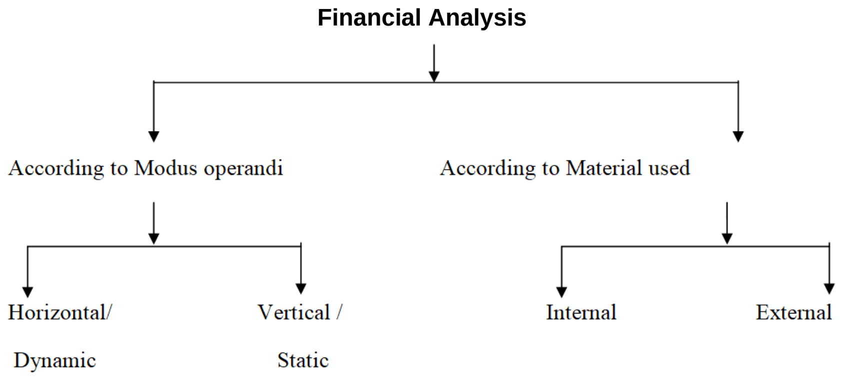
Types of Financial Analysis



Importance of Financial Statement Analysis

- Disclosure of facts
- Effective decision making
- Effective planning and control
- Measures operational efficiency
- Comparative study
- Serving the needs of interested parties

Techniques of Financial Analysis

- Comparative financial statement
- Common size financial statement
- Trend analysis
- Ratio analysis
- Fund flow analysis
- Cash flow analysis
- Break even analysis

About HDFC Bank

The covering development of finance corporation limited or HDFC was among the first financial institutions in India to admit an ‘ In Principle’s ‘ from the RBI to set up a bank in private sector. This was done as part of RBI’s policy for liberalization of the Indian banking sedulity in 1994. HDFC bank was started in August 1994 in the name of HDFC bank limited. Its head quarter is situated in Mumbai, India. The bank commenced operations as a listed marketable bank in January 1995. After a long and laborious table process HDFC bank was listed on the Bombay stock exchange in May 1995 atRs.39.95 and listed in National stock exchange in November 1995. In 1999, Times bank was immingled with HDFC bank. It was the first friendly junction in the banking sedulity and the first done through a share exchange deal. That was launched in the association with visa International. In 2017 HDFC bank had secured 13 position in Forbes list in term of Asia fabulous 50 companies. In September 2021 the bank partnered with Paytm to launch a range of credit card powered by the global card network visa. On April 4 2022 HDFC bank announced junction with HDFC limited. In term of marketable social responsibility (CSR) HDFC bank has started Parivartan action. As of March 31 2023 the bank had a civil distribution network 7821 branches and 19,727 ATM Cash deposit and retirement machines (CDMS) across 3811 cosmopolites/ megacity.

Review of Literature

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, correlations and factor analysis. He found that public sector banks were having lower profitability as compared to private sector banks. He concluded that the profit ability 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 he help of innovative banking, improved technological and managerial knowledge, A well educated and trained men power and infrastructural of facilities.

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 one highly preferred by investors in the stock market.

Ram Mohan (2003) In his paper 'long run preference of public and private sector bank stock volume - 37, has made on attempt to compare the through categories of bank, public, private and foreign using physical quantities of input and output and comparing the revenue maximization efficiency of bank , the funding show that PSBs performed significantly better than private sector banks.

Manish mittal and Arunna Dhademade (2005)argue that the only important criterion for evaluating the performance of the banking sector from the shareholder prospective is improved profitability, private sector banks generate higher non-interest income than public sector bank .

Priyanka Jha(2017) examined the final results of public sector bank (PNB) and a private sector bank (ICICI)in India. Researches compared PND and ICICI bank and found that PNB was less efficient in its operations. ICICI bank out perform PNB in dividend pay out ratio, debt-to-equity ratio and interest experts and interest income.

Murad Mohmmad Galif and Abdul Karim Sakim Alkour (2018)In their article titled, financial performance of Indian banking sector. A case study of SBI and ICICI bank. To asses SBI and ICICI banks financial performance. During the investigation it was discovered that where as ICICI success fully managed the rising tendency, SBI reported a fluctuating pattern.

K. Dinesh Kumar and G. Venugopal (2018) ICICI bank performed well in terms of balance sheet ratio and debt coverage ratio, ranking second only to HDFC bank. Profitability matrices for SBI and Kotak mahendra bank on strong.

P. Rajendran (2019)the efficiency of the HDFC bank. The historian explained the detail of HDFC banks post. Current ratio, cash ratio, leverage ratio and capital adequacy ratio were all above average financial matrices, the study found that long term funding contribute to banks working capital. According to the researches, HDFC bank is India's largest private bank and preformed well during the study period.

Bangaru Pushplatha (2020) examining SBI asset and liability portfolio was the aim. The study was limited to the 7 years period between 2011 and 2017. The researchers used the "t" test of determine each variable relative importance. The survey that SBI has more effective management and financial operation. According to the study, people favor SBI advance financing scheme as well.

Nandini Thakur(2020) conducted a study on the financial statement analysis of HDFC bank. The study is conducted over past five years(2015-2019). The study concluded that financial performance of the bank was strong during the period of study.

Objective of Study

- To know the liquidity and financial position of bank.
- To know the impact of covid-19 pandemic the financial soundness of the HDFC bank.
- Gathered information regarding importance of liquidity funds.
- A comparative study of HDFC bank between during covid19 period and post Covid- 19 period in the terms of liquidity and financial aspects.
- Evaluation the power of short term solvency of the bank.

Research Methodology

To study the liquidity and financial position of HDFC bank during covid-19 pandemic and post pandemic, secondary data of banks financial report was used. Data were gathered from two consecutive years i.e. 2020-21 and 2021-22. The study wasan attempt to find out if there is any significance difference in the liquidity and financial position of the bank comparing between covid-19 period and post covid-19 period.

For analyzing of data some of the financial tools were used like current ratio, quick ratio, absolutely quick ratio, comparative analysis statements. These ratios belongto liquidity solvency of the firm whichshows the inability of institution to pay its short term debt. Comparative financial statement analysis before and after situation of bank's financial position during and after covid-19 pandemic.

Hypothesis

H_o: There is no significance difference in the liquidity and financial position of the bank during and after covid-19 pandemic.

H_1: There is a significance difference in the liquidity and financial position of the bank during and after covid-19 pandemic.

Data analysis and Interpretation- I Ratio Analysis

Post covid-19 period

Balance sheet as on 31st march 2022Rs. in 000

Capital and Liabilities		March31,2022	March31,2021
Capital	1	5.545,541	5,512,776
Reserve and Surplus	2	2.395.383,846	2.031,695,513
Deposits	3	15,592,174,400	13,350,602,208
Borrowings	4	1,848,172,073	1,354,873,236
Other Liabilities and Provisions	5	844,074,643	726,021,504
Total		20,685,350,503	17,468,705,237
Assets			
Cash and Balance with RBI	6	1,299,956,352	973,407,363
Balance with Banks and Call	7	233,312,892	221,296,594
Investments	8	4,555,356,930	4,437,282,921
Advances	9	13,688,209,314	11,328,366,309
Fixed Assets	10	60,836,735	49,093,169
Other Assets	11	857,678,280	459,258,881
Total		20,685,350,503	17,468,705,237

Current ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Year 2022

= $\frac{2,380,947,524}{844,074,643}$

= 2.82:1

(b)Year 2021

= $\frac{1,653,962,838}{726,021,504}$

= 2.27:1

Quick ratio/ acid test ratio=$\frac{\text{Current Assets – (Stock + Prepaid Exp. + Advances)}}{\text{Current Liabilities}}$

Year 2022

=$\frac{2380,947,524-42,693,607}{844,074,643}$

= 2.77 : 1

Year 2021

=$\frac{1,653,962,838-(36,071,347)}{7,26,021,504}$

= 2.22 : 1

Absolute quick ratio=$\frac{\text{Cash and Equivalent to Cash}}{\text{Current Liabilities}}$

Year 2022

= $\frac{1,299,956,352 + 223,312,892}{844,074,643}$

= 1.80 : 1

Year 2021

= <u>973,407,363 + 221, 296,594</u>

726,021,504

= 1.64 : 1

During Coid-19 Pandemic

Balance Sheet as on 31st March,2021 Rs. in 000

Capital and Liabilities		31st March,2021	31st March,2020
Capital	1	5.512,776	5,483,286
Reserve and Surplus	2	2,031,695,513	1,704,377,008
Deposits	3	13,350,602,208	11,475,022,947
Borrowings	4	1,354,873,236	1,446,285,372
Other Liabilities and Provisions	5	726,021,504	673,943,976
Total		17,468,705,237	15,305,112,589
Assets			
Cash and Balance with RBI	6	973,407,363	722,051,210
Balance with Banks and Call	7	221,296,594	144,135,970
Investments	8	4,437,282,921	3,918,266,581
Advances	9	11,328,366,309	9,937,028,781
Fixed Assets	10	49,093,169	44,319,155
Other Assets	11	459,258,881	539,310,892
Total		17,468,705,237	15,305,112,589

Current ratio = <u>Current Assets</u>

Current Liabilities

Year 2021

= <u>973,407,363 + 221,296,594 + 459,258,881</u>

726,021,504

= 2.27 : 1

Year 2022

<u>722,051,210 + 144,135,970 + 539,310,892</u>

= 673,943,976

= 2.08 : 1

Quick ratio/ acid test ratio =

<u>Current assets-(stock + Prepaid exp. + Advance tax etc.)</u>

= Current Liabilities

Year 2021

= <u>1,653,962,838 – 36,071,347</u>

726,021,504

= 2.22 : 1

Year 2020

= <u>1,405,498,072 – 25,983,290</u>

673,943,976

= 2.04 : 1

Absolute quick ratio =

<u>Cash and equitant to cash</u>

= Current Liabilities

Year 2021

<u>973,407,363 + 221,296,594</u>

= 726,021,504

= 1.64 : 1

Year 2020

722,051,210 + 144,135,970

= 673,943,976

= 1.28 : 1

If we analyses the ratios regarding liquidity in both time period i.e. during covid-19 (2020, 2021) and past Covid -19 (2021&2022) we can seen that post covid-19 period ratios were higher than during covd-19 period ratios.

Current ratio Quick ratio and absolute quick ratio during the year 2021,2022 are 2.82:1, 2.27:1 , 2.22:1 and 1.80:1 , 1.64:1 , and on the other hand same ratios during the year 2020 & 2021 are 2.27:1 , 2.08:1, 2.22:1 , 2.04:1, and 1.64:1, 1.28:1

These numerical data represent that liquidity ratios are higher post covid-19 period as compared to during covid-19 period. It shows that banks liquidity position was not so good during pandemic period. But after pandemic period there was an increment in the liquidity position of the bank

Comparative Analysis

Post Covid-19 Period

Particulars	2021	2022	Increase/Decrease	%
Capital and Liabilities:				
Capital	5,512,776	5,545,541	+ 32,765	+0.59
Reserves and Surplus	2,031,695,513	2,395,383,846	+ 363,688,333	+17.90
Deposits	13,350,602,208	15,592,174,400	+ 2,241,572,191	+ 16.79
Borrowings	1,354,873,236	1,848,172,073	+ 493,298,837	+ 36.41
Other Liabilities & Provisions	726,021,504	844,074,643	+ 118,053,139	+ 16.26
Total	17,468,705,237	20,685,350,503	3,216,645,266	+ 18.43
Assets:				
Cash and Balance with RBI	973,407,363	1,299,956,352	+ 326,548,989	+ 33.54
Balance with Banks and Call	221,296,594	233,312,892	+ 12,016,298	+ 5.43
Investments	4,437,282,921	4,555,356,930	+118,074,009	+ 2.66
Advances	11,328,366,309	16,688,209,314	+ 2,359,843,005	+ 20.83
Fixed Assets	49,093,169	60,836,735	+ 11,743,566	+ 23.92
Other Assets	459,258,881	857,678,280	+ 398,419,399	+ 86.75
Total	17,468,705,237	20,685,350,503	3,216,645,266	+ 18.43

During Covid- 19 Period

Particulars	2020	2021	Increase/Decrease	%
Capital and Liabilities:				
Capital	5,483,286	5,512,776	+ 29,490	+0.54
Reserves and Surplus	1,704,377,008	2,031,695,513	+ 327,318,505	+19.20
Deposits	11,475,022,947	13,350,602,208	+ 1,875,579,261	+ 16.34
Borrowings	1,446,285,372	1,354,873,236	-91,412,136	-6.32
Other Liabilities & Provisions	673,943,976	726,021,504	+ 52,077,528	+ 7.72
Total	15,305,112,589	17,468,705,237	+ 2,163,592,648	+ 14.13
Assets:				
Cash and Balance with RBI	722,051,210	973,407,363	+ 251,356,153	+ 34.81
Balance with Banks and Call	144,135,970	221,296,594	+ 77,160,626	+ 53.53
Investments				
Advances	3,918,266,581	4,437,282,921	+519,016,340	+ 13.24
Fixed Assets	9,937,028,781	11,328,366,309	+ 1,391,337,528	+ 14.00
Other Assets	44,319,155	49,093,169	+ 4,774,014	+ 10.77
	539,310,892	459,258,881	-80,051,711	-14.84
Total	15,305,112,589	17,468,705,237	+ 2,163,592,648	+ 14.13

Interpretation

After a comparative study of the data of during covid-19 and post covid-19 period we can say that during covid-19 period increment was +14.13% and after covid-19 period it was +12.43%. On the basis of this result it can be said that during covid-19 period due to economy crises and lockdown situation the growth rate was effected badly, the impact can be seen in the comparative analysis and on the other hand after covid-19 situation because of economical stability growth rate with increased percentage can be seen in comparative analysis.

Research Implication and Conclusion

On the basis of research it can be said that there was a significance difference in the liquidity and financial position during covid-19 period and post covid-19 period. This difference shows that Null Hypothesis (Ho) will be rejected and the Alternative Hypothesis (H1) should be accepted. After applying different ratios and comparative analysis, we can say that in both the parameters post covid-19 periods situation is better than during the covid-19 period.

Limitations of the Study

- Study was done of only intra-break
- In this study both the periods data have used i.e. During covid-19 and post covid-19.
- Study is done only on liquidity and financial analysis parameters not included any other aspects.
- It was related with only private sector bank.
- Associated with only ratios and financial analysis.

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