Final Project Report

"A COMPARATIVE STUDY OF FINANCIAL REPORT OF TOP TWO BANKS IN INDIA (HDFC BANK & SBI BANK)"

Submitted to:

DMSR

G.S. College of Commerce and Economics, Nagpur

(An Autonomous Institution)

Affiliated to:

Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur

In partial fulfilment for the award of the degree of

Master of Business Administration

Submitted by:

Mr. Harshdeep Vijay Pande

Under the Guidance of:

Prof.Leena Kapse

Department of Management Sciences and Research,

G.S. College of Commerce & Economics, Nagpur

NAAC Accredited "A" Grade Institution

Academic Year 2022-23

Department of Management Sciences and Research,

G.S. College of Commerce & Economics, Nagpur

NAAC Accredited “A” Grade Institution

Academic Year 2022-23

CERTIFICATE

This is to certify that “Harshdeep Vijay Pande”has submitted the project titled “A Comparative Study Of Financial Report Of Two Banks In India,1}HDFC Bank ,2} SBI Bank’’, towards partial fulfillment of MASTER OF BUSINESS ADMINISTRATION degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he has ingeniously completed his project as prescribed by DMSR G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited “A” {Grade Autonomous Institutions} affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Prof. Leena Kapse
(Project Guide)

Dr. Sonali Gadekar
(Co-Ordinator)

Place: Nagpur

Date:

Department of Management Sciences and Research,

G.S. College of Commerce & Economics, Nagpur

NAAC Accredited “A” Grade Institution

Academic Year 2022-23

DECLARATION

I here-by declare that the project with title “A Comparative Study Of Financial Report Of Two Banks In India,1}HDFC Bank ,2} SBI Bank” has been completed by me in partial fulfillment of MASTER OF BUSINESS ADMINISTRATION degree examination as prescribed by DMSR - G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited “A”{Grade Autonomous Institution} affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

Place: Nagpur　　　　　　　　　　　　　　　Harshdeep Pande

Date:

Department of Management Sciences and Research,

G.S. College of Commerce & Economics, Nagpur

NAAC Accredited “A” Grade Institution

Academic Year 2022-23

ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to **Dr. S.S.Kathale,** Principal, G.S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide Prof. **“Leena Kapse**” for his guideline throughout the project. I tender my sincere regards to Co-Ordinator, **Dr. Sonali Gadekar** for giving me guidance, suggestions and invaluable encouragement which helped me in the completion of the project. I am also thankful to Prof. Anand Kale Sir for his continuous guidance.

I will fail in my duty if I do not thank the non-Teaching staff of the college for their Cooperation.

I would like to thank all those who helped me in making this project complete and successful.

Place: Nagpur   Harshdeep pande

Date:

INDEX

Chapter-1

Introduction

INTRODUCTION

India is not only the world's largest independent democracy, but it is also a rapidly growing economic powerhouse.

No country can have a stable economy without a sound and efficient banking system. Banks play a critical role in a country's economic growth. They collect people's unused savings and make them eligible for investment. They're in the process of granting loans and purchasing investment securities, new demand deposits are also established. Accepting and discounting bills of exchange allows for trade both within and outside the country. Banks also help to improve capital mobility. India's banking system has a long list of notable accomplishments over the last three decades. It is no longer limited to the cities, but has spread to even the most remote parts of the world. This is one of the factors behind India's development. The banking industry is now one of India's most important service industries. The availability of high-quality services is critical to the economy's success. Banks' attention has turned away from customer acquisition to customer retention. The introduction of Information Technology into the banking sector has changed the way people work. The banking sector's policy has undergone radical transformations, various customeroriented products, such as internet banking, are available. Customer’s workload has been reduced mainly because of ATM providers, telebanking, and electronic payments. The internet's convenience Banking allows a customer to access and manage his bank account without having to go to the bank. 'The Customer's options have been revolutionized by the availability of ATMs and credit/debit cards

Definition of a Bank : A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loans or indirectly through capital markets.

Types of Banks:

Banks are classified as Public or Private depending on their ownership. PUBLIC SECTOR BANKS

Public Sector Banks (PSBs) are a major form of bank in India, in which the Indian government or state governments own a majority stake (i.e. more than 50%). The shares of these banks are traded on stock exchanges. Public sector banks in India include State Bank of India, Bank of Baroda, Bank of Maharastra ,Bank Of India And Others.

Private Sector Banks

Private sector banks are those in which majority of the stake is owned by the bank's shareholders rather than the government .Private sector banks in India include RBL Bank, HDFC Bank, ICICI Bank, Yes Bank, And Others.{Private Sector Banks}

Introduction to HDFC Bank

The HDFC Bank was incorporated on August 1994 by the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. The Housing Development Finance Corporation (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994.

HDFC Bank is headquartered in Mumbai. The Bank at present has an enviable network of over 1416 branches spread over 550 cities across India. All branches are linked on an online real–time basis. Customers in over 500 locations are also serviced through Telephone Banking. The Bank also has a network of about over 3382 networked ATMs across these cities. The promoter of the company HDFC was incepted in 1977 is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities.

Introduction of SBI Bank

The roots of the State Bank of India lie in the 19th century when the Bank of Calcutta (later renamed as Bank of Bengal) was established on June 2, 1806. The Bank of Bengal was one of three Presidency banks, the other two being Bank of Bombay and Bank of Madras.

These three Presidency banks were incorporated as joint-stock companies. They have the exclusive right to issue paper currency until 1861 when the right was taken over by the Government of India. The three Presidency banks amalgamated on January 27,1921 and were named Imperial Bank of India. The Imperial Bank of India remained a joint-stock company without Government participation. All in all, the SBI was formed after the merger of approximately twenty banks.

According to the State Bank of India Act of 1955, the Reserve Bank of India, acquired a controlling interest in the Imperial Bank of India and the Imperial Bank of India became the State Bank of India on July 1, 1955.

But the Indian Government acquired the Reserve Bank of India's stake in SBI in 2008 to remove any conflict of interest because the RBI is the country's banking regulatory authority. In 1959, the government passed the State Bank of India (Subsidiary Banks) Act thus making the eight banks that had belonged to princely states subsidiaries of SBI. But now all the subsidiaries have been merged with SBI

Chapter-2

COMPANY PROFILE

	Company Profile of HDFC Bank
Traded as	• NSE: HDFCBANK • BSE: 500180 • NYSE: HDB (ADS) • BSE SENSEX Constituent • NSE NIFTY 50 Constituent
ISIN	INE040A01034
Industry	Financial services
Founded	August 1994 (28 years ago)
Headquarters	Mumbai, Maharashtra, India
Area served	India
Key people	• Atanu Chakraborty (Chairman)[1] • Sashidhar Jagdishan (CEO)
Products	• Credit cards • Consumer banking • Commercial banking • Finance and insurance • Investment banking • Mortgage loans • Private banking • Private equity • Wealth management[2]
Revenue	₹167,695 crore (US$21 billions)
Operating income	₹68,798 crore (US$8.6 billions)
Net income	₹38,151 crore (US$4.8 billions)
Total assets	₹2,122,934 crore (US$270 billions)
Total equity	₹246,771 crore (US$31 billions)
Owner	Housing Development Finance Corporation (25.7%)
Number of employees	1,41,579 (2022)
Subsidiaries	HDFC Securities HDB Financial Services
Website	www.hdfcbank.com

Company profile Of SBI Bank

State Bank Bhavan,	
Formerly	Imperial Bank of India
Type	CPSU
Traded as	• NSE: SBIN • BSE: 500112 • LSE: SBID • BSE SENSEX Constituent • NSE NIFTY 50 Constituent
ISIN	INE062A01020
Industry	Banking, financial services
Predecessor	Imperial Bank of India (1921 – 1955) Bank of Calcutta (1806 – 1921) Bank of Bombay (1840 – 1921) Bank of Madras (1843 – 1921)
Founded	1 July 1955; 67 years ago State Bank of India 27 January 1921 Imperial Bank of India 2 June 1806 Bank of Calcutta 15 April 1840 Bank of Bombay 1 July 1843 Bank of Madras
Headquarters	State Bank Bhawan, M.C. Road NarimanPoint, Mumbai, Maharashtra, India
Number of locations	22,219 Branches, 62,617 ATMs in India, International: 229 Branches in 31 countries

Area served	Worldwide
Key people	Dinesh Kumar Khara (Chairman)[1]
Products	• Retail banking • Corporate banking • Investment banking • Mortgage loans • Private banking • Wealth management • Credit cards • Finance and Insurance
Revenue	₹406,973 crore (US$51 billions)
Operating income	₹78,898 crore (US$9.9 billion)
Netincome	₹43,774crore (US$5.5 billions)
Totalassets	₹5,177,545crore (US$650 billions)
Total equity	₹300,972 crore (US$38 billions)
Number of employees	2,44,250
Parent	Ministry of Finance (Government of India)
Subsidiaries	• SBI Life Insurance Ltd • SBI Cards and Payment Services Ltd • SBI General Insurance (70%) • Jio Payments Bank (30%) • Yes Bank (30%) • Andhra Pradesh Grameena Vikas Bank (35%) • Kaveri Grameena Bank (35%)
Capital ratio	Tier 1 11.03% (2022)[3]
Rating	• S&P BBB- / A-3/ Stable[4] • Moody's Baa3/ P-3/ Stable[4] • Fitch BBB- / F-3/ Stable[4]
Website	www.sbi.co.in

Chapter -3

LITERATURE REVIEW

INTERNATIONAL REVIEW

Here are several factors that impact the profitability of banks (Sufian & Habibullah, 2010); (Dietrich & Wanzenried, 2011). These factors can be broadly classified as either internal determinants that originate within the firm such as bank size, capital, risk management, expenses management, and diversification (Molyneux & Thornton, 1992)(BODLA & VERMA, 2006).

External determinants that are outside the firm like market concentration, industry size and ownership, inflation, interest rates, money supply and Gross Domestic Product (GDP) (Athanasoglou, Brissimis, & Delis, 2008); (Chirwa, 2003).

The effect of main internal factors on profitability has been studied in a number of studies.

(Smirlock & Brown, 1986) investigated the profitability of demand deposits as a feature of total deposits. Demand deposits seemed to have a substantial positive relationship with earnings, according to their results. Loan loss provision and net charge offs had a major negative impact on large bank profitability, according to Miller and Noulas (1997).

These findings revealed that asset and liability composition had an effect on net charge-offs. As a result, commercial banks' asset liability portfolio decisions are likely to have an effect on their profitability through net charge-offs. As a result, banks with higher wages and benefits will need higher net interest margins to stay profitable. (S M Miller, A G Noulas, 1997).

NATIONAL REVIEW

Avani Ojha and Hemchandra Jha- has conducted studies on the effect of NPAs on the operations of the SBI and PNB using various research methods and analyzed the hypothesis based on the entire study that NPAs play a significant role. Non-performing assets have a significant effect onbank profitability because they are closely linked to efficiency.

The profitability and assetliability management of Indian banks. NPAs are the product of advances not being recovered ornot being recovered within a certain time frame for a given type of lending. They suggest that banks analyze NPAs on a regular basis, by intent, borrower, country, and so on.

Before sanctioning, there should be methods and proper inspections of the creditors. (Ojha & Jha, 2018) Dr. Ganesan and R. Santhana krishnan has conducted a report on NPAs at the State Bank of India from 2002-03 to 2011-12 with the aim of deploying capital, analyzing gross NPA"s ,investigating the effects of NPAs, and recommending steps to monitor NPAs.

They calculated the averages and standard deviations to test the hypothesis, and the results were based on the desired outcomes. They put the hypothesis to the test by estimating averages and standard deviations, and then comparing the results to the desired outcomes.

They discovered that the banking industry has changed dramatically since the first phase of economic liberalization, and that credit management has become increasingly important as a result. NPAs has increased with economic growth and aggressive lending practices.

Chapter-4

Research Study

PROBLEM DEFINITION

- To know whether the private sector bank (HDFC Bank)) work better than the public sector bank (SBI Bank).
- To know the level of satisfaction among customers on the basis of electronic services offered by the banks.
- To know the performance or fluctuation in the price of stocks of both the banks (HDFC Bank& SBI Bank) so that investors can get idea about it.
- To study the credit worthiness of both banks (HDFC Bank& SBI Bank).
- To study the present financial condition of (HDFC Bank and SBI Bank).
- To study the market shares in banking sector OF HDFC Bank and SBI Bank.

OBJECTIVES

OBJECTIVES

- To compare and evaluate the financial performance of HDFC and SBI Bank.

- To understand and compare the trends of NPA and Financial Report of both the banks over the last three years (2019 to 2022).

- To ascertain yearly fluctuations in terms of profitability, liquidity and efficiency of HDFC and SBI Bank.

HYPOTHESIS

HYPOTHESIS

H1= There is no significant relationship between the gross NPA ratio and Financial Report of HDFC and SBI over the last three years (2019 to 2022).

H2 = There is no significant relationship between the net NPA ratio and Financial Report of HDFC and SBI over the last three years (2019 to 2022).

SCOPE OF STUDY

SCOPE OF STUDY

- In the present study, an attempt has been made to measure, evaluate and compare the financial performance of SBI and HDFC.
- The study is based on secondary data that has been collected through annual reports of the respected banks, websites, journals, documents and other published information.
- The study covers the period of 3 years i.e. is from year 2019-20, 2020-21 and 2021- 2022.
- Ratio analysis was applied to analyze and compare the trends in financial performance. Mean and t test have also been deployed to analyze the trends in banking profitability.

LIMITATIONS

LIMITATION

- The study is confined only to the selected and restricted indicators and the study is confined only for a period of three years.

- As the analysis is entirely based on secondary data,it has its drawbacks,firms can cheat and window dress their financial statements.

- Ratio analysis metrics do not necessarily represent future performance of the company

Chapter -7

Research Methodology

Research Methodology

The research methodology for this study can be a comparative research design that compares the financial reports of HDFC and SBI banks. This design will help in analysing the similarities and differences in the financial performance of these two banks.

Data Collection:

The primary source of data for this study will be the annual reports of HDFC and SBI banks. The secondary sources of data will be financial databases, journals, articles, and relevant books. The data collected will be analysed and compared to identify the financial performance of both banks.

Sampling Technique:

The study will use a purposive sampling technique where the researchers will select the annual reports of HDFC and SBI banks for the last five years. The selection criteria will be based on the availability of reports and the relevance of the data.

Data Analysis:

The data collected will be analysed using financial ratios such as liquidity ratios, profitability ratios, and efficiency ratios. The data will be compared, and the results will be presented in tables and graphs. The statistical software such as Excel and SPSS can be used for data analysis.

Ethical Considerations:

The researchers will ensure the confidentiality of the data collected from the banks. The study will adhere to the ethical guidelines set by the research institution.

Research Design

DURATION OF STUDY- The period of this study will cover last 3 years of the financial data- 2019-20, 2020-21, 2021-22.

DATA COLLECTION PROCEDURE- Secondary Data will be used in this study to compare the financial statements of both the banks over the last three years.

DATA COLLECTION METHODS- Data has been collected through Ratio Analysis.

STATISTICAL TOOLS AND TESTS USED- The statistical tool used in the study is Mean and inferential statistic T-test has been conducted to know the significant relation between the NPA Ratios of both the banks

Chapter-8

DATA ANALYSIS AND INTERPRETATION

Ratio analysis of SBI and HDFC bank from its annual reports for the year 2019-20, 2020-21 and 2021-22 is presented below-:

NON-PERFORMING ASSETS RATIOS-

NON-PERFORMING ASSETS (NPA) are assets for which interest is overdue for more than 90 days. It includes-

Gross non-performing asset ratio

Gross non-performing assets-Gross non-performing assets refer to the total amount of the debts that an organization has failed to collect or the people owing the organization has failed to honor their contractual obligations of paying both the principal and interest amount.

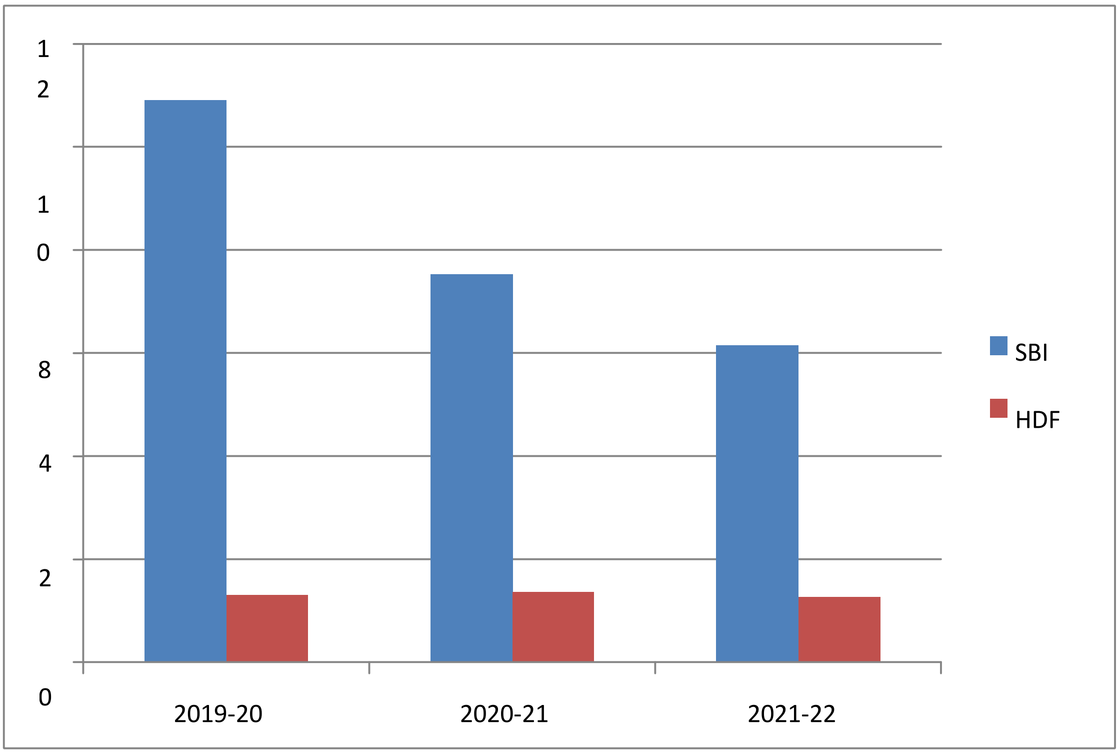
Gross non-performing loans are the sum of all the loans that have been defaulted by the individuals who have acquired loans from the financial institution. This means that all loans defaulted are added together to form gross non-performing assets.

Gross NPA Ratio= (A1 + A2 + A3+An)/Gross Advances

(A1 stands for loans given to person number one, A2forloans given to person number two etc.)

YEAR	SBI	HDFC
2019-20	10.91	1.30
2020-21	7.53	1.36
2021-22	6.15	1.26
Average	8.19	1.30

(Table 1 shows the % of Gross NPA of SBI and HDFC for last three years)



(Graph 1 shows the % of Gross NPAs of SBI and HDFC for last three years)

Interpretation: The gross NPA ratio of SBI stood at 10.91 in 2019-20 while that of HDFC was 1.30 in the same year. In 2020-21 the ratio of SBI dropped down to 7.53 and that of HDFC increased to 1.36. In the year 2021-22 the ratio of SBI further dropped down to 6.15 while that of HDFC was 1.26.Sothe average Gross NPA ratio of SBI stood at 8.19 while that of HDFC was much lesser at 1.30, which clearly shows that SBI's asset quality is in very poor shap

NET NON PERFORMING ASSESTS RATIO

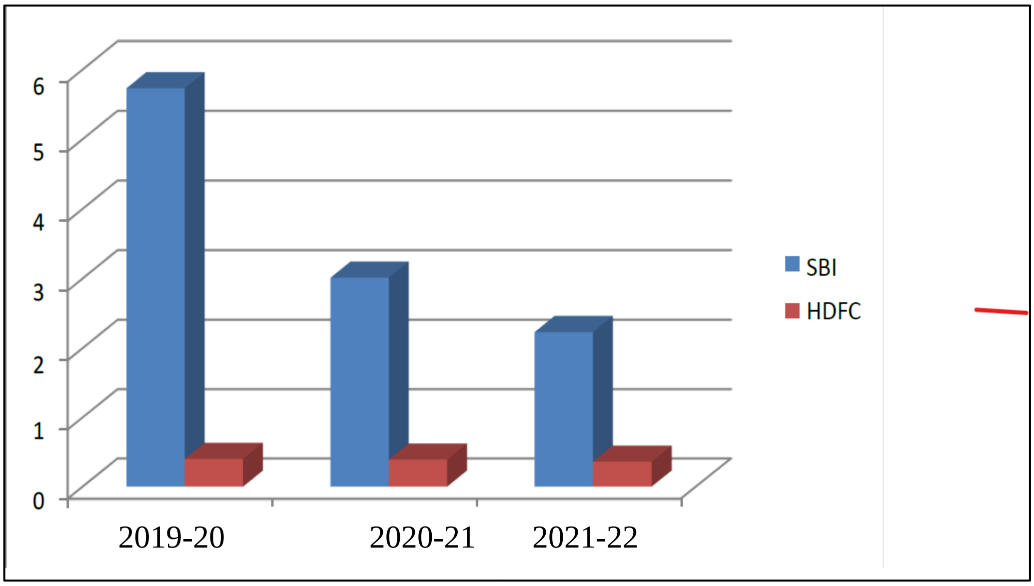
Net non-performing assets are the amount that is realized after provision amount has been deducted from the gross non- performing assets. It is the actual loss that the organization incurs after loan defaults.

Formula-

Net NPA Ratio = (Total Gross NPA) – (Provision for Unpaid Debts)/Gross Advances

YEAR	SBI	HDFC
2019-20	5.73	0.40
2020-21	3.01	0.39
2021-22	2.23	0.36
Average	3.65	0.38

(Table2 shows the % of Net NPA of SBI and HDFC for last three years)



(Graph 2 shows the % of Net NPA of SBI and HDFC for last three years)

Interpretation: In the year 2019-20, the Net NPA ratio of SBI stood at 5.73 while that of HDFC was much lesser i.e. 0.40. In year 2020-21, the ratio of SBI further dropped to 3.01 and that of HDFC was at 0.39. In 2021-22, the ratio again dropped to 2.23 and 0.36 respectively, which shows the Net NPAs gradually started decreasing.

The average gross NPA ratio of SBI was at 3.65 and that of HDFC was at 0.38. Therefore, it shows that HDFC has better overall financial health and it is better than SBI in managing their net NPAs.
Efficiency Ratios

Efficiency ratios measure a company's ability to use its assets and manage its liabilities effectively in the current period or in the short-term. These ratios measure how efficiently a company uses its assets to generate revenues and its ability to manage those assets.

The efficiency ratio of a bank can be used to determine how efficient a bank is. This reveals the financial health of the institution.

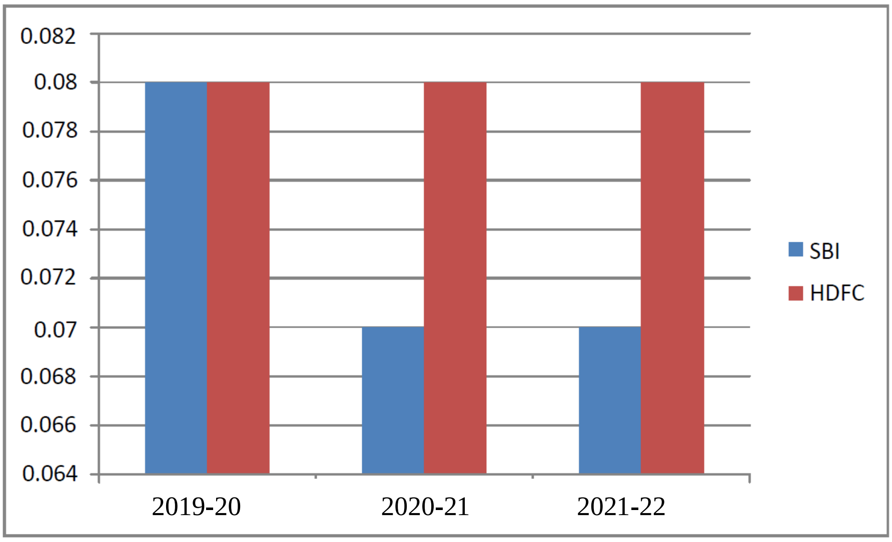
Fixed Asset Turnover Ratio

Fixed-asset turnover ratio is a type of efficiency ratio that measures sales to the value of fixed assets. It indicate show well the business is using its fixed assets to generate sale. Generally a high fixed assets turnover ratio indicates better utilization of fixed assets and a low ratio means inefficient or under-utilization of fixed assets.

Fixed Asset Turnover Ratio = Net Sales/ Average FixedAssets

YEAR	SBI	HDFC
2017-18	0.08	0.08
2018-19	0.07	0.08
2019-20	0.07	0.08
Average	0.07	0.08

(Table3showing Fixed Asset Turnover Ratio of SBI and HDFC for the last three years)



(Table3showing Fixed Asset Turnover Ratio of SBI and HDFC for the last three years)

Interpretation: The fixed asset turnover ratio of both SBI and HDFC stood at 0.08 in the year 2019- 20, in 2020-21, the ratio of SBI was at 0.07 while that of HDFC remained same at 0.08. In 2021-22, the ratio again remained same as 0.07 and 0.08 respectively.

The average Fixed Assets Turnover ratio of SBI was 0.07 and that of HDFC was 0.08 which shows that both the banks are inefficiently using their fixed assets.

Leverage Financial Ratios

Leverage ratios measure the amount of capital that comes from debt. In other words, leverage financial ratios are used to evaluate a company's debt level.

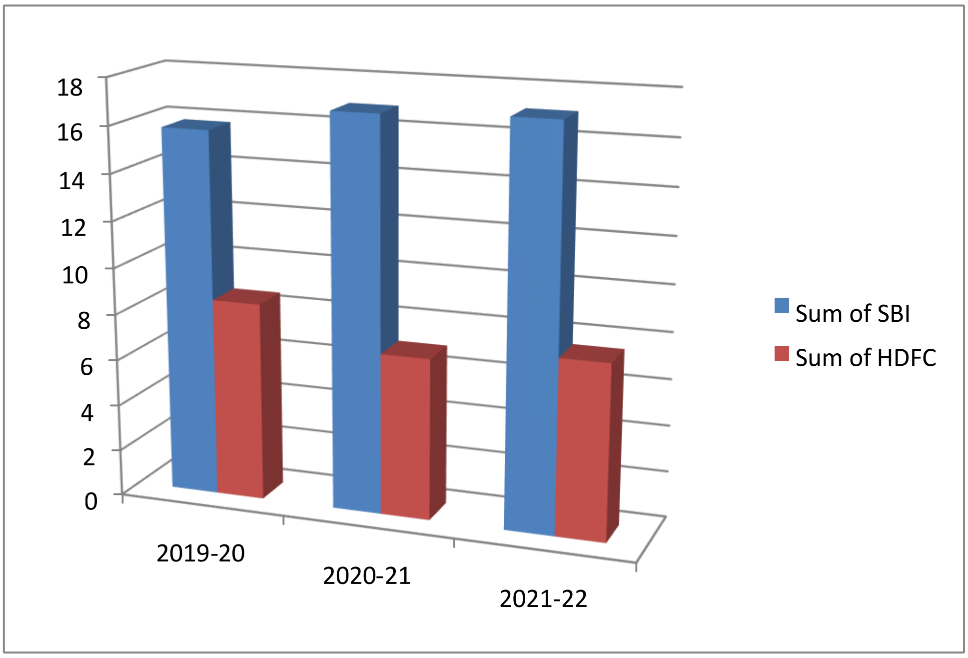
Debt to Equity Ratio

The debt to equity ratio is a type of leverage ratio that calculates the weight of total debt and financial liabilities against shareholders' equity. The ideal debt to equity ratio is 2:1 (because the cost of debt is lower than the cost of equity.)

Debt to equity ratio=Total liabilities/Shareholder's equity

YEAR	SBI	HDFC
2019-20	15.79	8.58
2020-21	16.89	6.97
2021-22	17.08	7.56
Average	16.59	7.70

(Table 4 showing Debt to Equity Ratio of SBI and HDFC for the last three years)



Graph 4 showing Debt to Equity Ratio of SBI and HDFC for the last three years)

Interpretation: In the year 2019-20, the debt to equity ratio of SBI is very high at 15.79 and that of HDFC is 8.58. In 2020-21, the DER of SBI increased to 16.89 while that of HDFC decreased to 6.97. Lastly in 2021-22, the ratio further increased to 17.08 and 7.56 respective
The average debt to equity of SBI stood at 16.59 and that of HDFC stood at 7.70. It suggests that SBI is at higher default risk than HDFC and both of the banks are financing a significant amount of their potential growth through borrowing.

Profitability Ratios

Profitability ratios measure a company's ability to generate income relative to revenue, balance sheet assets, operating costs, and equity. Common profitability financial ratios include the following:

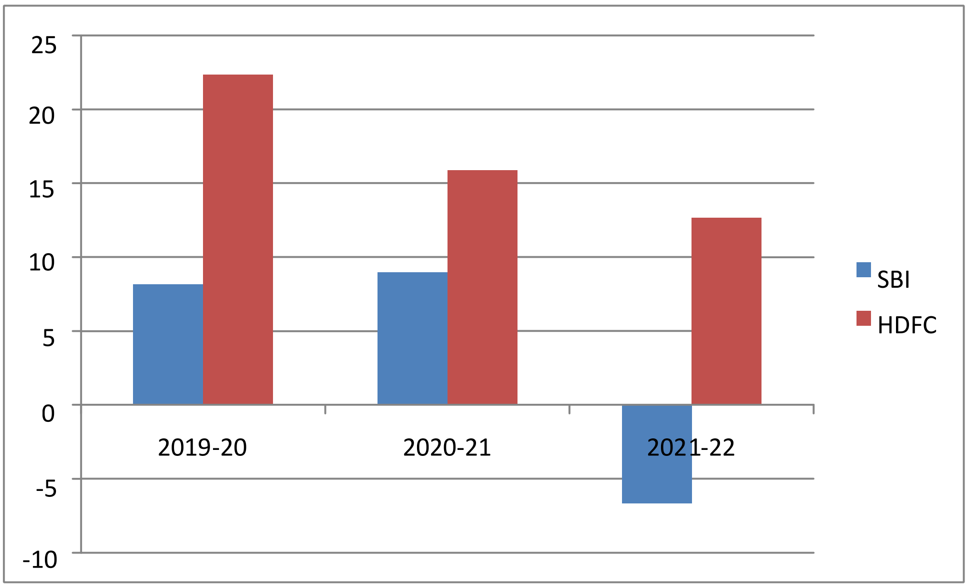
Operating Profit Ratio

Operating profit ratio is a profitability or performance ratio that compares the operating income of a company to its net sales to determine operating efficiency.

Operating Profit Ratio=Operating income/Net sales

YEAR	SBI	HDFC
2019-20	8.14	22.33
2020-21	8.95	15.87
2021-22	-6.65	12.66
Average	3.48	16.95

(Table 5 showing Operating Profit Ratio of SBI and HDFC for the last three years)



(Graph5 showing Operating Profit Ratio of SBI and HDFC for the last three years)

Interpretation:

In 2019-20, the operating profit ratio of SBI is 8.14 and that of HDFC is much higher at 22.33. In the year2020-21, the ratio of SBI stood at 8.95 and that of HDFC at 15.87. In 2021-22, SBI had a negative operating profit ratio which shows its overhead costs are too high and they can only survive as long as their cash reserves will allow. If they begin to run out of cash in hand, they may have to sell assets in order to cover their expenses and remain in operation. The average operating profit ratio of SBI student 3.48 and that of HDFC stood at 16.95 which suggest that SBI has low operating profit margin while HDFC has very high operating profit margin.

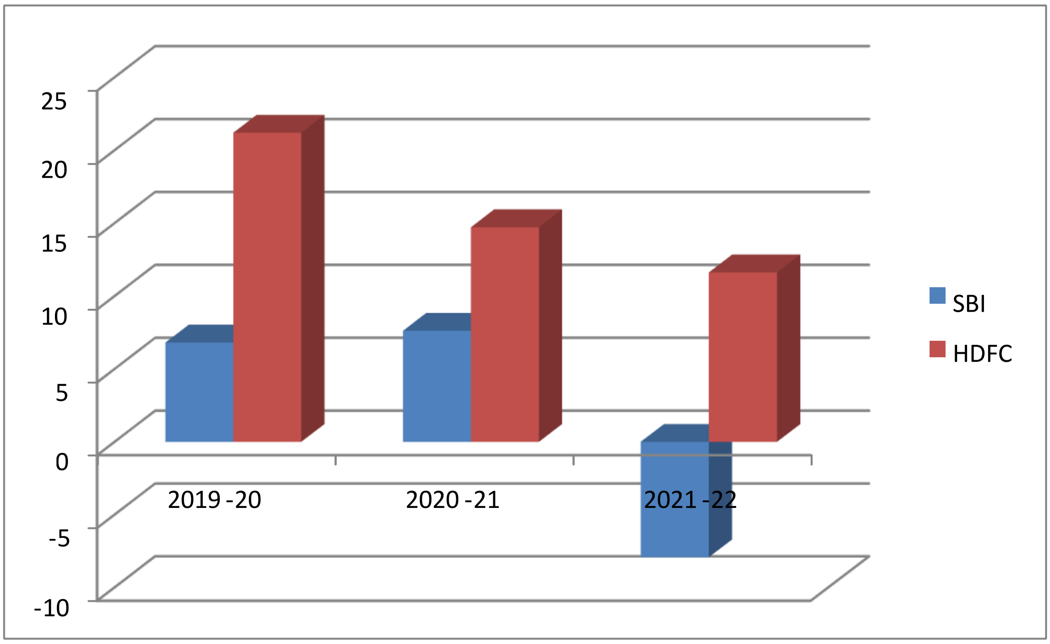
Gross Profit Ratio

The gross profit ratio compares the gross profit of a company to its net sales to show how much profit a company makes after paying its cost of goods sold.

Gross Profit Ratio=Gross profit/Net sales

YEAR	SBI	HDFC
2019-20	6.81	21.20
2020-21	7.62	14.72
2021-22	-7.93	11.62
Average	2.16	15.84

(Table 6 showing Gross Profit Ratio of SBI and HDFC for the last three years)



(Graph 6 showing GrossProfit Ratio of SBI and HDFC for the last three years)

Interpretation:

In2019-20,the gross profit ratio of SBI stood at 6.81whilethatof HDFC stoodat 21.20. In 2020-21, ratio of SBI increased to 7.62 while that of HDFC decreased to 14.72. In 2021-22 SBI had a negative gross profit ratio of -7.93 which shows that the sales are not enough to cover the costs incurred to manufacture the goods or provide the services.

The average gross profit ratio of SBI stood at 2.16 while that of HDFC was much higher at 15.84 and it suggests that HDFC is successfully producing profits over and above cost.

Net Profit Ratio

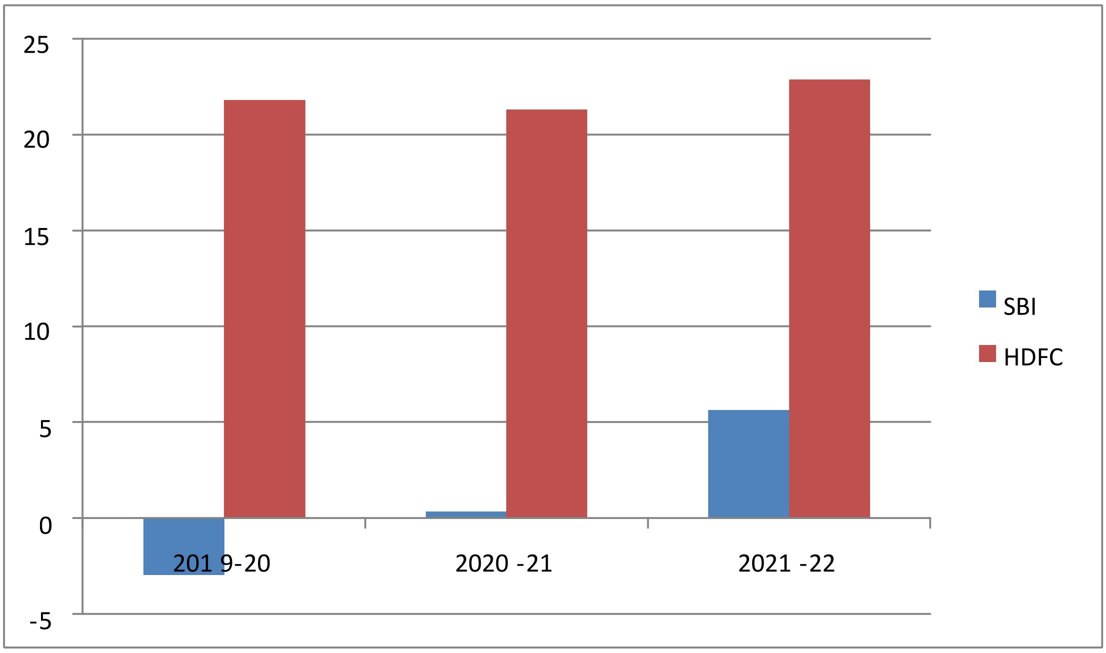
Also known as Net Profit Margin ratio, it establishes a relationship between net profit earned and net revenue generated from operations (net sales). Net profit ratio is a profitability ratio which is expressed as a percentage hence it is multiplied by 100.

NP ratio helps to determine the overall efficiency of the business' operations, furthermore, it is an indicator of how well a company's trading activities are performing.

Net Profit Ratio=(Net profit ÷ Net sales)x 100

YEAR	SBI	HDFC
2019-20	-2.96	21.79
2020-21	0.35	21.29
2021-22	5.63	22.86
Average	1	22

(Table7 showing Net Profit Ratio of SBI and HDFC for the last three years)



(Graph7 showing Net Profit Ratio of SBI and HDFC for the last three years)

Interpretation:

The net profit ratio of SBI stood at -2.96 at while that of HDFC stood at 21.79 in 2019-20 the ratio of SBI was at 0.35 while that of HDFC was at 21.29. In 2020-21 the net profit ratio of SBI increased to 5.63 while that of HDFC increase to 22.86 in 2021-22.

The average net profit ratio of SBI stood at 1 while that of HDFC stood at 22 which show that SBI is making less money than it is spending and HDFC's overall efficiency is quite good.

Liquidity Ratios-

Liquidity ratios are financial ratios that measure a company's ability to repay both short- and long- term obligations. Common liquidity ratios include the following:

Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay off short-term obligations or those due within one year. This ratio measures the financial strength of the company. Generally, 2:1 is treated as the ideal current ratio.

Current Ratio=Current Assets/Current Liabilities

YEAR	SBI	HDFC
2019-20	1.36	0.89
2020-21	1.83	0.89
2021-22	1.78	0.80
Average	1.66	0.86

(Table8 showing Current Ratio of SBI and HDFC for the last three years)

(Graph8 showing Current Ratios of SBI and HDFC for the last three years)

Interpretation:

In 2019-20 the current ratio of SBI stood as 1.36 and that of HDFC stood at 0.89. In2020-21,the ratio of SBI was1.83 and that of HDFC was 0.89.In 2021-22,the ratio stood at 1.78and 0.80 respectively.

The average of current assets ratio of SBI was 1.66 and that of HDFC was at 0.86 which shows that SBI is more capable in paying its short term obligations.

Chapter -9

Hypothesis Testing

T-test at significance level of 0.05 was used to analyze the financial performance of SBI and HDFC bank.

Ho1 = there is no significant relationship between the gross NPA ratio of SBI and HDFC over the last three years.

	SBI	***HDFC***
Mean	3.656667	0.383333
Variance	3.376133	0.000433
Observations	3	3
Pooled Variance	1.688283	
Hypothesized Mean Difference	0	
df	4	
t Stat	3.085412	
P(T<=t)one-tail	0.018369	
tCriticalone-tail	2.131847	
P(T<=t)two-tail	0.036738	

RESULT: A two sample t test assuming equal variances was conducted to check if there was significant difference between the gross NPA ratio of SBI and HDFC bank over the last three years.

There was statistically significant difference between the average gross NPA ratios of SBI and HDFC bank. Since $p<0.05 (p=0.03)$, H01 is rejected and therefore we it is proved that there is significant relationship between the gross NPA ratio of SBI and HDFC bank over the last three years.

Ho2 = there is no significant relationship between the net NPA ratio of SBI and HDFC over the last three years.

	SBI	HDFC
Mean	8.196667	1.306667
Variance	5.997733	0.002533
Observations	3	3
PooledVariance	3.000133	
Hypothesized Mean Difference	0	
df	4	
t Stat	4.871857	
P(T<=t)one-tail	0.004104	
tCriticalone-tail	2.131847	
P(T<=t)two-tail	0.008209	
tCriticaltwo-tail	2.776445	

RESULT:

A two sample t test assuming equal variances was conducted to check if there was significant difference between the net NPA ratio of SBI and HDFC bank over the last three years.

There was statistically significant difference between the average net NPA ratios of SBI and HDFC bank. Since p<0.05(p=0.008), H02 is rejected and therefore we it is proved that there is significant relationship between the net NPA ratio of SBI and HDFC bank over the last three years.

Chapter-10

FINDINGS

MAJOR FINDING

As we see, the debt equity ratio of SBI is higher than HDFC so it should try to restructure its debt and NPAs.

The borrowings should be reduced to the level that it is not more than 4-5 times of equity. It will decrease their NPAs. Also, this will result in better financial health of the companies.

Banks should limit its huge lending to trusted companies or individuals so that recovery becomes comparatively faster and easier which would consequently result in less NPAs.

We can increase the gross profit ratio of SBI by generating more revenue by managing the costs of company efficiently.

Working on the products and services of the bank and making different changes in little time will increase the revenue.

Reducing extra operating expenses and direct overhead expenses will increase the profit margin of the Banks.

GENERAL FINDING

The current ratio of HDFC Bank can be improved by

1. Delaying any capital purchases that would require any cash payments.
2. Looking to see if any term loan scan be re-amortized.
3. Selling any capital assets that are not generating a return to the business (usecash to reduce current debt).

Chapter-12

CONCLUSION

Conclusion

After the above study on the comparative analysis of SBI and HDFC it was discovered that both the banks are managing their ratios to the best of their abilities within the specified parameters. However, when we compare the two banks, it appears that HDFC Bank has an edge over SBI, reason being HDFC Bank have lower NPAs than the SBI.HDFC Bank having average Gross NPAs less than 1.5% while SBI having the GNPAs near about 8.1% as per the annual report of both banks over the last three years.

HDFC Bank has managed their NPA and profitability ratios in a very efficient manner and are playing an important role as a profitable commercial bank, while SBI is controlling its ratios particularly the current assets ratio but is not as competitive in terms of net profit and Non-Performing Assets (NPAs). SBI needs to be more focused on managing the net profits and NPAs part to be a commercially successful bank.

During, the comparative study of SBI v/s HDFC Bank it is found that HDFC Banks has never gone above 2% in net NPAs during the study period while SBI has never gone below 6% during the study period.

This is an eye-opening comparison that demonstrates SBI's need to concentrate on acquiring high- quality assets, otherwise they will be compromising customers' hard-earned money in the future.

In order to study the trends of NPA, t-Test has been used, the results of which have been shown in the relevant tables. The comparative analysis of the profitability of the two banks clearly reveals that there is no significant relation between the NPA ratios of both the Banks.

Chapter -13

BIBLIOGRAPHY

BIBLIOGRAPHY

Websites:-

https://corporatefinanceinstitute.com/resources/knowledge/finance/financial-ratios/

https://www.investopedia.com/ask/answers/040715/what-do-efficiency-ratios-measure.asp

http://www.differencebetween.net/business/difference-between-gross-npa-and-net-npa/

https://www.wallstreetmojo.com/fixed-asset-turnover-ratio-formula/

Textbooks:

Gupta S.P. & Gupta K.L., Management & cost accounting, Agra, Sahitya Bhawan Publications, 2020

Chapter-14

ANNEXURES

BALANCE SHEET OF HDFC BANK

BALANCE SHEET OF HDFC BANK (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	557.97	554.55	551.28	548.33	544.66
TOTAL SHARE CAPITAL	**557.97**	**554.55**	**551.28**	**548.33**	**544.66**
Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
Reserves and Surplus	279,641.05	239,538.38	203,169.55	170,437.70	148,661.69
Total Reserves and Surplus	279,641.05	239,538.38	203,169.55	170,437.70	148,661.69
TOTAL SHAREHOLDERS FUNDS	**280,199.02**	**240,092.94**	**203,720.83**	**170,986.03**	**149,206.35**
Deposits	1,883,394.65	1,559,217.44	1,335,060.22	1,147,502.29	923,140.93
Borrowings	206,765.56	184,817.21	135,487.32	144,628.54	117,085.12
Other Liabilities and Provisions	95,722.25	84,407.46	72,602.15	67,394.40	55,108.29
TOTAL CAPITAL AND LIABILITIES	**2,466,081.48**	**2,068,535.05**	**1,746,870.52**	**1,530,511.26**	**1,244,540.69**
ASSETS					
Cash and Balances with Reserve Bank of India	117,160.77	129,995.64	97,340.74	72,205.12	46,763.62
Balances with Banks Money at Call and Short Notice	76,604.31	22,331.29	22,129.66	14,413.60	34,584.02
Investments	517,001.43	455,535.69	443,728.29	391,826.66	290,587.88
Advances	1,600,585.90	1,368,820.93	1,132,836.63	993,702.88	819,401.22
Fixed Assets	8,016.55	6,083.67	4,909.32	4,431.92	4,030.00
Other Assets	146,712.52	85,767.83	45,925.89	53,931.09	49,173.95
TOTAL ASSETS	**2,466,081.48**	**2,068,535.05**	**1,746,870.52**	**1,530,511.26**	**1,244,540.69**

OTHER ADDITIONAL INFORMATION					
Number of Branches	0.00	6,342.00	5,608.00	5,416.00	5,103.00
Number of Employees	0.00	141,579.00	120,093.00	116,971.00	98,061.00
Capital Adequacy Ratios (%)	19.26	18.90	18.79	18.52	17.11
KEY PERFORMANCE INDICATORS					
Tier 1 (%)	0.00	17.87	17.56	17.23	15.78
Tier 2 (%)	0.00	1.03	1.23	1.29	1.33
ASSETS QUALITY					
Gross NPA	18,019.03	16,140.96	15,086.00	12,649.97	11,224.16
Gross NPA (%)	1.00	1.00	1.00	1.00	1.00
Net NPA	4,368.43	4,407.68	4,554.82	3,542.36	3,214.52
Net NPA (%)	0.27	0.32	0.40	0.36	0.39
Net NPA To Advances (%)	0.00	0.00	0.00	0.00	0.00
CONTINGENT LIABILITIES, COMMITMENTS					
Bills for Collection	0.00	56,968.05	44,748.14	51,584.90	49,952.80
Contingent Liabilities	0.00	1,395,442.30	971,097.60	1,128,953.40	1,024,715.12

BALANCE SHEET OF SBI BANK

BALANCE SHEET OF STATE BANK OF INDIA (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	892.46	892.46	892.46	892.46	892.46
TOTAL SHARE CAPITAL	**892.46**	**892.46**	**892.46**	**892.46**	**892.46**
Revaluation Reserve	27,756.26	23,377.87	23,577.35	23,762.67	24,653.94
Reserves and Surplus	298,959.73	255,817.73	229,405.38	207,352.30	195,367.42
Total Reserves and Surplus	326,715.99	279,195.60	252,982.73	231,114.97	220,021.36
TOTAL SHAREHOLDERS FUNDS	**327,608.45**	**280,088.06**	**253,875.19**	**232,007.43**	**220,913.82**
Deposits	4,423,777.78	4,051,534.12	3,681,277.08	3,241,620.73	2,911,386.01
Borrowings	493,135.16	426,043.38	417,297.70	314,655.65	403,017.12
Other Liabilities and Provisions	272,457.15	229,931.84	181,979.66	163,110.10	145,597.30
TOTAL CAPITAL AND LIABILITIES	**5,516,978.53**	**4,987,597.41**	**4,534,429.63**	**3,951,393.92**	**3,680,914.25**

ASSETS					
Cash and Balances with Reserve Bank of India	247,087.58	257,859.21	213,201.54	166,735.78	176,932.42
Balances with Banks Money at Call and Short Notice	60,812.04	136,693.11	129,837.17	84,361.23	45,557.69
Investments	1,570,366.23	1,481,445.47	1,351,705.21	1,046,954.52	967,021.95
Advances	3,199,269.30	2,733,966.59	2,449,497.79	2,325,289.56	2,185,876.92
Fixed Assets	42,381.80	37,708.16	38,419.24	38,439.28	39,197.57
Other Assets	397,061.58	339,924.86	351,768.68	289,613.55	266,327.70
TOTAL ASSETS	**5,516,978.53**	**4,987,597.41**	**4,534,429.63**	**3,951,393.92**	**3,680,914.25**
OTHER ADDITIONAL INFORMATION					
Number of Branches	22,405.00	22,266.00	22,219.00	22,141.00	22,010.00
Number of Employees	235,858.00	244,250.00	245,652.00	249,448.00	257,252.00
Capital Adequacy Ratios (%)	14.68	13.85	13.74	13.13	12.72
KEY PERFORMANCE INDICATORS					
Tier 1 (%)	12.06	11.16	11.44	10.71	10.65
Tier 2 (%)	2.62	2.69	2.30	2.42	2.07
ASSETS QUALITY					
Gross NPA	90,927.78	112,023.00	126,389.00	149,091.85	172,753.60
Gross NPA (%)	3.00	4.00	5.00	6.00	8.00
Net NPA	21,466.64	27,965.71	36,809.72	51,871.30	658,947.40
Net NPA (%)	0.67	1.02	1.50	2.23	3.01
Net NPA To Advances (%)	1.00	1.00	2.00	2.00	3.00
CONTINGENT LIABILITIES, COMMITMENTS					
Bills for Collection	64,531.08	77,730.12	1,706,949.91	55,758.16	70,022.54
Contingent Liabilities	1,826,574.12	2,007,083.44	1,706,949.91	1,214,994.61	1,116,081.46